

MANATEE COUNTY CLERK OF THE CIRCUIT COURT

INTERNAL AUDIT DEPARTMENT

PROJECT MANAGEMENT DEPARTMENT AUDIT

AUDIT REPORT

TABLE OF CONTENTS

I.	INTERNAL AUDIT REPORT	
A.	Background; Purpose/Objectives;.....	2
B.	Scope; Methodology; Irregularities, Abuse, or Illegal Acts; Test of Compliance;	3
C.	Statement of Internal Control Structure; Management Team	

and Management Action Plan;4

D. Management Summary.....4 - 5

E. Audit Report Authorization.....5

F. Areas of Improvement and Management’s Action Plan.....6 – 8

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PROJECT MANAGEMENT DEPARTMENT AUDIT

A U D I T R E P O R T

The Internal Audit Department conducted an audit of the Project Management Department for the audit period January 1, 1998 through April 30, 1999. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

BACKGROUND:

The Project Management Department is comprised of the Project Administration and the Infrastructure Inspection Sections. The responsibilities of each of these sections are as follows:

The Project Administration Section provides direction and control for Public Works/ Transportation/Parks projects, including responsibility for the coordination, scheduling, quality control, cost monitoring and contract review of assigned projects. The Section also prepares and initiates a portion of the Manatee County Capital Improvement Plan and oversees design, land acquisition and construction of currently funded projects.

The Infrastructure Inspection Section provides for inspection of common and public improvements to infrastructure for compliance with approved plans and specifications. The Section also maintains inspection reports for public and private projects, and bills for inspection services as appropriate.

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PURPOSE/OBJECTIVE:

The financial component of the audit consisted of verifying the accuracy and appropriateness of revenues received, verifying proper approval for the waiver of fees and/or charges, and verifying the existence of competition for purchases under \$500.

The compliance component of the audit consisted of verifying compliance with the following: Personnel Policies, Rules and Procedures Manual; State record retention requirements; Florida Statutes 322.36, 322.37, 153.05, 125.01(q), and 117.05; Laws of Florida Chapter 63-1582, as amended, and 72-611; Board of County Commissioners' approved rates for labor, materials and equipment charges; and contracts with consultants and contractors.

PURPOSE/OBJECTIVE: Continued

The operational component of the audit consisted of verifying an adequate system of internal control exists to safeguard assets, maintain the integrity of reports on operations, and provide adequate security over EDP information. In addition, an evaluation of the Department's operational efficiency and effectiveness was performed by reviewing organizational charts, Policies and Procedures Manuals, controls over the facility's access, inspection procedures for infrastructure and development, and the effectiveness of work directives.

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SCOPE:

The financial audit scope consisted of a review of accounts, financial transactions, and reports of the Project Management Department for the period April 1, 1998 through March 31, 1999.

The compliance audit scope consisted of a review of compliance to the policies and procedures, Florida Statutes, federal regulations, ordinances, resolutions, contracts, and agreements related to the Project Management Department that were in effect during the period January 1, 1998 through May 18, 1999.

The operational audit scope consisted of a review of the Project Management Department's internal controls and the effectiveness and efficiency of the operations during the audit period January 1, 1998 through April 30, 1999. Management controls were also reviewed to identify significant weaknesses that may have contributed to deficient performance.

METHODOLOGY:

Internal control evaluations were accomplished by flow charting the key operations of this specified area, discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the audit that could affect the Project Management Department for the audit period ending April 30, 1999.

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TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed appeared to provide sufficient evidence that support an opinion on compliance and internal controls.

Except as noted in our audit report, tested items were in compliance with ordinances, resolutions, and other policies established by the Project Management Department.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of the Project Management Department for the period ending May 18, 1999, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report significant matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure, that in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, significant deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report constitute reportable conditions as previously defined.

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MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be used for each Area of Improvement reported. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Department's Director and the Internal Audit Department.

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MANAGEMENT SUMMARY:

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The Project Management Department was established to monitor county construction projects within Manatee County. The Department serves as a liaison between the Board of County Commissioners, other county departments and contractors. The majority of construction project tasks are currently bid out to independent contractors.

The Project Management Department developed and implemented a monthly status report to provide information on construction projects. We noted, however, that this report could be improved by increasing the documentation of the activity and current status of the projects. Current information on the status reports will allow better planning, scheduling and monitoring by County managers. The Management Action Team plans to increase the level of project detail on the monthly status report, to include dates of activities, changes in the project, and reasons for the delays.

(See Area for Improvement #1 on page 6)

The County has the authority to recover costs for projects that directly benefit individual property owners by assessing the property owners a portion of the costs. The Board of County Commissioners approves the assessments in two public hearings based on information supplied by the Project Management Department. While many projects have been presented for a second public hearing, approximately \$763,500 of assessments have neither had a second public hearing nor been assessed to individual property owners for assessment projects that have been completed, in one instance for more than four years. The Management Action Team recognizes that improvements need to be made and will work to bring the required documentation to the Board of County Commissioners so that assessments and liens can be placed on properties.

(See Area for Improvement #2 on page 6)

Engineering consulting contracts require a "Letter of Extension" be approved by the Project Management Department Director when services are not delivered according to contract. We noted that "Letters of Extension" are not being used by the Project Management Department. The Management Action Team will begin using "Letters of Extension" when service dates are not met.

(See Area for Improvement #3 on page 7)

The Project Management Department is currently maintaining a spreadsheet of subsidiary financial records that was required prior to the implementation of the IFAS financial system. Through training on the IFAS financial system, financial tracking of contracts can be maintained on the IFAS system. Efficiency of personnel of the Project Management Department could be improved by increased training and cross-training. The Management Action Team will increase training and cross-training of personnel to increase departmental efficiency.

(See Area for Improvement #4 on page 8)

No construction projects were closed out on the finance system during the audit period examined. As a result, Internal Audit was not able to measure the effectiveness of project managers in expediting and controlling costs associated with construction projects for roads, water and sewer, and dredging. We also were not able to compare the percentage of associated costs, such as engineering costs, to similar costs incurred by other counties and municipalities. We anticipate completing these audit objectives in the future as projects are completed.

We would like to thank the Project Management Department's personnel for the cooperation and courtesy afforded to our Auditors throughout the audit. We believe through implementation of the

Management Action Plans included in this report, the Department will better meet its goals and objectives.

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AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

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Richard J. Orienti, CIA, CFE

R. B. "Chips" Shore

Director of Internal Audit

Clerk of the Circuit Court and Comptroller

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AREA FOR IMPROVEMENT #1.....

Subject: Monthly Status Reports Enhancements

The Monthly Status Report is the primary source of information regarding the status of on-going projects. The Project Management Department meets with management and interested individuals on a monthly basis to discuss each project. In its present form, the status report includes the budget, expenditures-to-date, and remaining balance. In addition, the report is designed to include bar graphs of planned versus actual dates of completion, and a column for comments; however, this information showing timeliness of project events is not always updated. As a result, the users of the reports are not presented with sufficient information on the project to allow knowledge of its current or historical status. An enhanced status report will allow better planning, scheduling and monitoring by County managers interested in the individual projects.

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Management Action Plan:

- The Project Management Department will enhance the Monthly Status Report with current information, including charts and a history of work performed on projects. Improvements in this report are anticipated to be completed by June 2000.

AREA FOR IMPROVEMENT #2

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Subject: Repayment of Completed Assessment Projects

Manatee County has the authority to recover some or all of project costs through assessments to adjacent property owners that primarily benefit from roads that are paved, sewers that are installed, and canals that are dredged. The Laws of Florida, Chapter 63-1582, as amended, provides the method of assessing the property, as well as for the collection of the assessment from the benefiting property owners. Repayment of the assessment is accomplished by placing a lien on the property and collecting a portion of the cost annually through property tax payments.

The Board of County Commissioners approves assessment projects in two public hearings. In the first public hearing the assessment project is approved. After the project is completed, a second public hearing is held to provide for placement of liens on the benefited property. While many assessment projects have been presented for a second public hearing, a second public hearing has not been held on several completed assessment projects totaling approximately

\$763,500. The result is that these projects have not been assessed to individual property owners, in one instance for more than four years after completion of the project.

AREA FOR IMPROVEMENT #2

.....Continued

Subject: Repayment of Completed Assessment Projects

Management Action Plan:

- The Project Management Department will bring the completed assessment projects to second public hearings in a timely manner in order to assure that liens may be properly placed. This action will enable the county to begin collection of the assessments on a timely basis for the work completed. The anticipated compliance date for assessing the completed projects which have not had a second public hearing is September 30, 2000. Management anticipates that future assessment projects will be brought to second public hearings within one year of project completion.

AREA FOR IMPROVEMENT #3

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Subject: Consultants' Contracts – Extensions of Time

Engineering consultants enter into contracts approved by the Purchasing Department and the Board of County Commissioners. The Project Management Department, in conjunction with

the Purchasing Department, and with the approval of the Board of County Commissioners issues Work Assignments to consultants for specific projects. The contracts require these consultants obtain an approved "Letter of Extension" from the Project Management Department for any delays that will affect the Work Assignment's completion date. The Project Management Department is neither issuing "Letters of Extension" nor other documentation that supports extensions to the consultants' Work Assignments.

Documenting extensions would provide Project Managers and other interested parties with information that may be useful in determining the project's current status, necessary for planning, monitoring and controlling project related activities.

Management Action Plan:

- The Project Management Department will begin issuing "Letters of Extensions" as required in the consultants' contracts by the end of July 2000.

AREA FOR IMPROVEMENT #4.....

Subject: Employee Training and Cross-training

Project Management Department personnel maintain financial records on contract expenditures on a computer spreadsheet that could be produced more efficiently by using the IFAS financial system of the County. This spreadsheet was required prior to the conversion to the IFAS system. The IFAS financial system has the ability to compile various types of financial information either on-line or in a report format, eliminating the current use of independent computer spreadsheets. Project Managers, as well as other key personnel, can be trained on the IFAS system giving them access to financial information more timely. In addition, efficiency of personnel could be improved by cross-training, reducing the impact of changes in key employees, or their absences.

Management Action Plan:

- The Project Management Department will train personnel in the use of the IFAS financial system to eliminate duplicate records and will increase cross-training of duties performed by key employees by September 30, 2000.