

SECOND FOLLOW-UP REVIEW

CITY AUDITOR

Report Date:	May 1, 2017
Department:	Engineering
Subject:	Light Rail Project Cost Recovery
Lead Auditor:	Tami Steadman

OBJECTIVE

The objective of this second follow-up review was to determine whether the Engineering Department has effectively implemented the action plans presented in their response to our October 2016 follow-up review of Central Mesa Light Rail Project Cost Recovery.

SCOPE & METHODOLOGY

To accomplish our objective, we reviewed departmental procedures, interviewed staff, and analyzed Gilbert Road Extension project financial activity from inception through February 2017.

BACKGROUND

On October 12, 2016, we issued a follow-up report on Central Mesa Light Rail Project Cost Recovery. The objective of that follow-up review was, most importantly, to determine whether improvements had been made to ensure that all reimbursable light rail project costs are being captured and recovered in accordance with applicable agreements. At that time, we found that 3 of the 6 corrective action plans presented in the original audit had been successfully implemented, and internal controls were not in place to ensure complete recovery of eligible costs. Since the Central Mesa Extension project was essentially complete at the time of our first follow-up review, the Gilbert Road Extension project reimbursement processes were reviewed during this second follow-up.

The first follow-up review report included two recommendations, summarized as follows:

1. Staff should revise the procedures for calculating and submitting reimbursable project costs, and should implement better internal controls to ensure accuracy and completeness.
2. Management should implement effective review processes.

The department agreed with the recommendations and developed corrective action plans.

CONCLUSION

All corrective action plans associated with this second follow-up review have been successfully implemented. Additional details are presented in the attached Appendix.

APPENDIX

 = Implemented

 = In Progress

 = Not Implemented

<u>Corrective Action</u>	<u>Implementation Status</u>
CAP#1: Inadequate Processes and Written Procedures	
<p>Recommendation 1: Staff should revise the procedures for calculating and submitting reimbursable project costs, and should implement better internal controls to ensure accuracy and completeness. Unnecessary manual steps should be eliminated; Advantage and KRONOS reports should be fully utilized; and, when spreadsheets are used to calculate reimbursements, formula cells should be locked, to reduce the risk of errors.</p> <p>Management Response: Immediate implementation of updated light rail process.</p>	<p>Implemented</p> <p>Processes and written procedures have been significantly improved. The revised processes and procedures ensure accuracy and completeness.</p> <p style="text-align: right;"></p>
CAP#2: Ineffective Review Processes	
<p>Recommendation 2: Management should implement effective review processes, including but not limited to the following: 1) Reimbursement requests should be carefully reviewed for accuracy and completeness, prior to submission, using system-generated, project-specific financial reports. This review should also include checking for spreadsheet errors, particularly for calculated line items, such as indirect cost allocations. 2) Periodically, total reimbursements received should be reconciled to inception-to-date Advantage project reports, to ensure costs are not overlooked due to timing differences or other factors.</p> <p>Management Response: Immediate implementation of updated process addresses the issues noted in recommendation 2.</p>	<p>Implemented</p> <p>Reimbursement requests are reviewed by both the project manager and the senior fiscal analyst. All reimbursement-eligible costs from inception of the Gilbert Road Extension project through February 2017 have been captured and recovered.</p> <p style="text-align: right;"></p>