

**INFRASTRUCTURE & MOBILITY
MOBILITY DEPARTMENT
CIP CONSTRUCTION
AND REACTIVE MAINTENANCE
AUDIT 20-13
DECEMBER 8, 2020**



CITY OF TAMPA

Jane Castor, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

December 8, 2020

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: CIP Construction and Reactive Maintenance, Audit 20-13

Dear Mayor Castor:

Attached is the Internal Audit Department's report on CIP Construction and Reactive Maintenance.

We thank the management and staff of Mobility Department for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Jean Duncan, Administrator of Infrastructure & Mobility
Dennis Rogero, Chief Financial Officer
Vik Bhide, Director of Mobility
Bryan Rodger, Manager of Transportation & Stormwater Services Operations

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/s/ Stephen Mhere

Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

Capital Improvement Project (CIP) is a major construction, acquisition, or renovation activity that adds value to the City of Tampa (COT)'s physical assets or significantly increases their useful life. CIPs are initially identified by departments based on their experiences, infrastructure needs, industry standards, COT development plans, and various other factors. Annually, departments submit CIP requests to the Budget Office, which then makes funding recommendations. Transportation's capital improvement budget for FY 2020 was \$11.8 million. It included transportation projects, transportation-related upgrades, and various intersection and roadway improvement projects.

Most CIP construction managed by Mobility involves cold milling of asphaltic concrete roadways as well as citywide sidewalk maintenance and restoration and is mostly accomplished through contractors. This contract work is coordinated by Mobility's contracts coordinator. Inspection of contract work is the responsibility of the department's 10-member inspection team.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY 2021 Audit Agenda. The objectives were to determine if:

1. Internal controls for CIP construction operations, including for payment of services rendered by contractors, are effective.
2. Internal controls for the inventory of small tools and equipment are effective.
3. P-Card purchase transactions are compliant with P-Card program requirements.

STATEMENT OF SCOPE

The audit period covered is FY 2019 and part of FY 2020. Only CIP construction managed by Mobility is included. Design-build CIP projects – major construction undertaken by private contractors under the Consultants' Competitive Negotiation Act – were excluded because they are managed by the Contract Administration Department (CAD) and will be part of a separate audit.

STATEMENT OF METHODOLOGY

We used the following procedures to complete this audit:

- Evaluated internal controls, including a review of policies and procedures, inventory control, and P-Card Program policies.
- Reviewed contractual agreements with vendors that perform sidewalk/pavement replacement as well as cold milling of asphaltic roadways.

- Reviewed applicable statutes (Florida Local Government Prompt Payment Act) and relevant COT ordinances.
- Analyzed reactive maintenance work orders, small equipment inventory, p-card purchase transactions, and contractor pay applications (invoices).
- Discussed with management CIP construction’s potential vulnerabilities to fraud. We also discussed CIP construction operations, including invoice processing activities, with staff members in Mobility, CAD, and Revenue & Finance (R&F) departments.

Analysis of p-card purchase transactions and contractor pay applications used data generated in the Oracle system. The data was deemed reliable based on an assessment performed for Audit 18-04 (Purchasing Card Program).

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based on our review and test work we determined that:

1. Internal controls established for CIP construction operations are mostly effective. However, processes for payment of contractor services could be improved.
2. Internal controls for the inventory of small tools and equipment are, to a large extent, effective. However, improvements could be made in documentation of procedures.
3. P-Card purchase transactions are compliant with P-Card program requirements.

UNTIMELY PAYMENTS TO CONTRACTORS

STATEMENT OF CONDITION: COT contracted with three private companies for CIP construction services rendered at various locations throughout the city. Some of the services the companies provide include construction of new sidewalk segments, repair and replacement of existing sidewalks, removal and replacement of curb, and cold milling of bituminous pavement. These services are rendered on an “as needed” basis for the 365-day periods stipulated in the contracts, and are capped at \$279,728, \$538,287.50, and \$834,900, respectively.

Contractors are paid for work they complete as indicated on pay applications (invoices) they submit to COT. Three departments – Mobility, CAD, and R&F – are involved in invoice processing. Mobility’s main responsibility is to inspect the work completed and verify material quantities before forwarding documentation to CAD. CAD reviews the invoice mainly to advise on any contractual irregularities. If no irregularities, CAD forwards the pay application to R&F’s Accounts Payable Division where a check is made subject to availability of funds.

We reviewed payment records to determine if contractors were paid in a timely manner and found that to be the case for the majority of invoices. However, there were a number of invoices that had not been paid well after the stipulated time limit.

CRITERIA: According to Section 218.735 of Florida’s Local Government Prompt Payment Act, payment for construction services by a local governmental entity should be made within 20 business days of receiving the payment request if there is no agent to approve the payment request before it is submitted to the local governmental entity.

CAUSE: There are no policies or procedures providing the three departments with time guidelines to enable them to process pay applications within the time allowable in the prompt payment statute.

EFFECT OF CONDITION: Untimely payments not only violate state law but may also have a negative impact on contractors’ cash flow. Also, late payments have the potential to create a negative reputational image for the City.

RECOMMENDATION 1: Mobility, CAD, and R&F should work together to formulate and implement internal controls that guide the processing of payments to enable contractors to be paid within the time stipulated in the Local Government Prompt Payment Act.

MOBILITY MANAGEMENT RESPONSE: In response to Audit Inquiry 2, the Mobility Operations Division already has a written procedure, SOP 3.07 Invoice Processing, stating that the division will adhere to Accounts Payable procedures for processing invoices. For additional clarity, the division intends to improve on its existing SOP to include in-house timelines for turning around invoices in a timely manner. These in-house timelines will be established after coordinating with CAD and R&F.

TARGET IMPLEMENTATION DATE: Completion of Management Action Plan shall be on or before December 15, 2020.

R&F MANAGEMENT RESPONSE: While the Revenue and Finance Department has policies in place to require timely payments to comply with the Prompt Payment Act, this internal audit process has shown that there is some difference of opinion regarding the Prompt Payment Act 20-day and 25-day deadlines when an agent is or isn't involved with the submission of an invoice by a contractor related to construction services. The Revenue and Finance Department will seek clarification on these Prompt Payment Act timelines from the Legal Department and find agreement on the application of these contractor related deadlines as we move forward. The answer will be found within 90 days, or approximately year-end.

TARGET IMPLEMENTATION DATE: December 31, 2020.

SMALL EQUIPMENT INVENTORY MANAGEMENT

STATEMENT OF CONDITION: Mobility utilizes a wide variety of small equipment, including generators, mixers, pumps, welders, blowers, saws, sweepers, pressure washers, jack hammers, drills, compactors, etc. While R&F's Property Control Office oversees the accounting of fixed assets¹, Mobility assumes responsibility for inventory management of all equipment.

The Department manages its small equipment through a manual inventory system. We observed data inconsistencies in the records in this system, as follows:

- Serial numbers are recorded for some equipment but not for others.
- Acquisition year is entered in some of the records but not in others.
- Some assets have their values entered in the record but others do not.
- Location data is included for some equipment inventory records but not for others.

There were 240 pieces of small equipment in Mobility's inventory as of mid-August 2020. Fifteen of these items had been cannibalized for parts, 10 had been scrapped, 12 were auctioned or earmarked for auction, and 10 were either unserviceable or out of service. Documentation created to record the status of these items is not consistent with standards set by R&F's Property Control Office. Also, 15 items, including two valued at more than \$1,000 each, were recorded as missing or stolen, but were not reported to the police. It is not clear from the documentation when the department last undertook a physical count of small equipment.

CRITERIA: According to R&F's Physical Inventory Policy and Procedures, City departments and/or divisions are responsible for safeguarding, as well as preparing appropriate inventory documentation of, all property assigned to them. Also, Ordinance Section 2-46 requires all City departments and divisions to create and maintain adequate policies and procedures relating to their activities. City policy requires a police report to be filed along with the standard documentation for disposition of stolen assets.

CAUSE: While Mobility has a documented inventory policy, it does not provide clear guidance on procedures, including documentation of acquisitions, transfers, and dispositions.

EFFECT OF CONDITION: There is a risk of property loss or misappropriation. Equipment loss compromises operational readiness and efficiency, impairing the Department's ability to carry out its responsibilities.

¹ Fixed assets are valued at \$1,000 or more (\$5,000 or more since October 2019) and an expected useful life of at least a year.

RECOMMENDATION 2: In order to more effectively manage inventory, we recommend Mobility to:

- a) Support its inventory policy with appropriate procedures that address how to perform some of the important inventory management activities and train employees in those procedures.
- b) Establish standard internal forms that allow employees to appropriately and consistently document acquisitions, transfers, and dispositions of equipment, in alignment with standards established by R&F's Property Control Office.
- c) Establish a policy requiring the reporting of stolen items to police, consistent with R&F policy.

MOBILITY MANAGEMENT RESPONSE: In response to Audit Inquiry 1, the division staff agree that policies and procedures need to be more consistent and accurately checked on a frequent basis. In order to support this effort, the division will modify its current standard operating procedure 2.10 Tools and Equipment Inventory to detail further the appropriate procedures for effectively managing its inventory. Once complete, the division will train all appropriate staff on the new procedures. In addition, the division will establish, and include in the SOP, a standard internal form that allows employees to document acquisitions, transfers, and dispositions of equipment. Lastly, the SOP revision will include language addressing stolen items and the appropriate methods for reporting their divestiture.

TARGET IMPLEMENTATION DATE: Completion of Management Action Plan shall be on or before November 30, 2020.