

# **Final Audit Follow-Up**

*As of July 31, 2016*



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City Auditor

## **Audit of Public Safety Complex Construction Cost-Sharing Agreements**

(Report #1516, Issued September 28, 2015)

Report #1619

August 30, 2016

### **Summary**

*This is the first and final follow-up on the Audit of Public Safety Complex Construction Cost-Sharing Agreements, report #1516, issued September 28, 2015. Seven action plan steps were established to address issues identified in the audit. As of July 31, 2016, all seven action plan steps have been completed and resolved.*

The Public Safety Complex (PSC), which opened in July 2013, was constructed as a joint project of the City of Tallahassee (City) and Leon County (County). As a joint project, both the City and County incurred costs in constructing and equipping the PSC, and for many of these expenditures, the City and County governing boards specifically authorized the sharing of related costs.

In audit report #1516, Audit of Public Safety Complex Construction Cost-Sharing Agreements, issued September 28, 2015, we concluded that, generally, the audited City cost-share payments had been authorized by City and County cost-sharing agreements. However, our audit did disclose that some expenditures authorized for cost-sharing had been omitted from the worksheet used by the City and County to track the shared construction costs [Split Billing Report (SBR)]; some costs were not clearly documented; and the scope of the City's cost-sharing authorization required clarification.

At the time of issuance of report #1516, a determination of the City's final share of costs of the construction of the PSC had not been made. Six of the seven action plan steps were developed to help ensure the City paid its agreed-upon share. During this follow-up engagement, we found that each of these six steps had been completed. The completed steps include:

- Appropriate SBR adjustments were made to include City and County shares in the cost of the PSC site and the appraisal fees paid by the City.

- The City obtained documentation of the actual costs incurred by the Red Cross in constructing the stormwater facility, sewer infrastructure project, and road improvements serving the Public Safety Complex area.
- Appropriate adjustments were made to include City and County shares in the cost of the PSC project coordinator position.
- The City reconciled applicable City accounting records to the SBR to identify any accounting record and SBR adjustments needed and to ensure that all City payments authorized for cost-sharing are included on the SBR. (*two action plan steps*)
- Legal clarification obtained by management indicated that the overall intent of the City was to participate in a 50/50 cost-sharing of all items relating to the design and construction of the PSC, including costs not specified in applicable cost-sharing agreements.

With respect to the seventh action plan step, the City considered establishing guidelines to address cost-sharing, project communications, and project invoice review and approval for future cost-sharing projects. The City has determined that this will be an ongoing task performed prior to and customized for each future agreement. Accordingly, this step is considered resolved.

As of July 1, 2016, a determination of the City's final share of costs of the construction of the PSC had been made. According to the updated SBR, the final cost of the construction of the PSC was \$39,559,004, with the City and County cost-shares totaling \$19,779,502.

### **Scope, Objectives, and Methodology**

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

### **Original Report #1516**

The scope of report #1516 included a review of City records of the Public Safety Complex (PSC) construction costs incurred under cost-sharing arrangements agreed to by both the City and County, as of March 12, 2015.

The objectives of the audit were to determine:

- To what extent has the City paid its agreed-upon share of costs for the construction of the PSC;
- Were effective controls in place to provide reasonable assurance that amounts paid by the City and reported as its share of PSC construction costs pertained to documented project costs incurred under authorized cost-sharing agreements; and
- Is the City occupying its agreed-upon space allocation in the PSC?

To address the stated objectives, we performed tests to determine the extent to which City project cost-share payments had been made in accordance with the cost-share arrangements authorized by the City and County and whether those City payments had been accurately and completely recorded. Our audit also included a review of City internal controls relevant to the authorization, payment, and tracking of project cost-share payments and a determination as to whether the City was occupying its agreed-upon space allocation in the PSC.

Approximately \$7 million in information technology costs were incurred relative to particular functions housed at the PSC. City and County payment obligations for these costs are described in other agreements that were not included in the scope of the audit. We also did not audit the PSC project and accounting records of Leon County.

The audit report concluded that, generally, City payments made to date were authorized by City and County cost-sharing agreements, relevant City controls were in place, and the City had occupied the space allocated to City functions by the governing City and County agreement. However, our audit did disclose that some expenditures authorized for cost-sharing had been omitted from the worksheet used by the City and County to track the shared construction costs [Split

Billing Report (SBR)]; some costs were not clearly documented; and the scope of the City's cost-sharing authorization required clarification.

### **Report #1619**

This is our first and final follow-up on action plan steps identified in audit report #1516. The purpose of this audit follow-up is to report on the progress and status of the efforts as of July 31, 2016, to complete action plan steps due for completion as of July 31, 2016. To determine the status of those action plan steps, we interviewed applicable staff and obtained and reviewed relevant records and reports.

### **Background**

The Public Safety Complex (PSC), which opened in July 2013, was constructed as a joint project of the City of Tallahassee (City) and Leon County (County). The PSC houses staff of both City and County departments and divisions. The City and County staff located in the PSC include those working for the Leon County Emergency Medical Services Division, Tallahassee Fire Department Administration, the City's Regional Transportation Management Center, and the Leon County Emergency Operations Center. The PSC is also home to the Tallahassee-Leon County Consolidated Dispatch Agency, which operates pursuant to an interlocal agreement between the City, County, and the Leon County Sheriff.

As a joint project, both the City and County incurred costs in constructing and equipping the PSC, and for many of these expenditures, the City and County governing boards specifically authorized the sharing of related costs. As noted previously, to track the sharing of costs, the City and County relied on the Split Billing Report (SBR). Other relevant City records included those maintained in the City's PeopleSoft Financial Management System (PeopleSoft FMS).

At the time of issuance of report #1516, a determination of the City's final share of costs of the construction of the PSC had not been made and was to be determined during project close-out meetings between City and County staff. As of July 1, 2016, a determination of the City's final share of costs had been made, and according to the updated SBR, the final cost of the construction of the PSC was \$39,559,004, with the City and County cost-shares totaling \$19,779,502. Table 1 below provides a summary of the relevant information included on the SBR as of July 1, 2016.

**Table 1**  
**Summary of Split Billing Report (SBR)**  
**PSC Shared Construction Costs**  
**As of July 1, 2016**

SBR Cost Category	Cost-Share Payments		
	City	County	Total
Contracts and Agreements	\$16,397,346	\$16,546,865	\$32,944,211
Miscellaneous	770,453	857,162	1,627,615
Permitting	316,882	148,630	465,512
Direct Owner Executed Work	117,307	136,235	253,542
Extended Warranties	163,275	23,737	187,012
Visualization and Collaboration System (VACS)	768,548	775,946	1,544,494
Furniture, Fixtures and Equipment – Consoles	489,216	500,121	989,337
<i>Subtotal</i>	<i>\$19,023,027</i>	<i>\$18,988,696</i>	<i>\$38,011,723</i>
Other Furniture, Fixtures, and Equipment	\$578,078	\$734,640	\$1,312,718
Move-In Costs (Furniture, Fixtures, and Equipment)	-	29,321	29,321
Media Center (Furniture, Fixtures, and Equipment)	5,998	30,066	36,064
Post-Completion (Furniture, Fixtures, and Equipment)	70,670	98,508	169,178
<i>Subtotal</i>	<i>\$654,746</i>	<i>\$892,535</i>	<i>\$1,547,281</i>
<i>Amount due from the City (1)</i>	<i>101,729</i>	<i>(101,729)</i>	<i>-</i>
<b>Grand Total</b>	<b>\$19,779,502</b>	<b>\$19,779,502</b>	<b>\$39,559,004</b>

(1) The Amount Due from the City reflects the payment due from the City to the County to equalize the shares of the construction costs paid.

***Previous Conditions and  
Current Status***

In report #1516, six of the seven action steps were developed to help ensure the City paid its agreed-upon share of costs for the construction of the PSC. Each of

those six action plan steps was due for completion as of July 31, 2016. The seventh action plan step, an ongoing task, addressed an opportunity for improvement in future cost-sharing projects. As shown below in Table 2, as of July 31, 2016, all seven action plan steps have been completed and resolved.

**Table 2**  
**Action Plan Steps from Audit Report #1516**  
**Current Status as of July 31, 2016**

Action Plan Steps Due	Current Status as of July 31, 2016
<b>Pay agreed-upon share of costs for the construction of the Public Safety Complex (PSC).</b>	
<ul style="list-style-type: none"> <li>The City will update the Split Billing Report (SBR) to include the City and County shares in the cost of the PSC site and the appraisal fees paid by the City.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u>. The SBR was updated to include the City and County shares in the cost of the PSC site and the appraisal fees paid by the City.</li> </ul>
<ul style="list-style-type: none"> <li>The City will obtain documentation of the actual costs incurred by the Red Cross in constructing the stormwater facility, sewer infrastructure project, and road improvements. The documentation obtained will be used to verify that the City paid its required share of actual costs and support adjustments, as needed, to the related amount on the SBR.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u>. Reimbursement requests submitted by the Red Cross to Leon County were provided to the City, including a worksheet which itemized and tracked the costs paid.</li> </ul>

<ul style="list-style-type: none"> <li>• The City will consider including payments for the project coordinator position on the SBR.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed.</u> The SBR was updated to include the City and County shares for the project coordinator position.</li> </ul>
<ul style="list-style-type: none"> <li>• The City will consider formalizing, in writing, cost-sharing agreements for those payments which do not fall within the scope and applicability of the existing authorized cost-sharing agreements.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed.</u> Upon consultation with the City Attorney’s office, it was determined that it was the intent of the City to share all PSC construction costs equally. The City concluded that no additional agreement was needed.</li> </ul>
<ul style="list-style-type: none"> <li>• The City will ensure that all City payments authorized for cost-sharing are included in the SBR.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed.</u> The SBR was updated to include all City payments authorized for cost-sharing, including the cost of the PSC site, related appraisal fees, and the costs of the project coordinator position.</li> </ul>
<p align="center"><b>Provide reasonable assurance that amounts paid by the City and reported as its share of costs pertain to documented project costs incurred under authorized cost-sharing agreements.</b></p>	
<ul style="list-style-type: none"> <li>• With respect to the PSC project, the City will reconcile the related City accounting records to the SBR and identify any accounting record adjustments that may be needed. The proposed SBR adjustments will be considered during close-out meeting discussions. City and County cost-sharing authorizations will be obtained for any costs added to the SBR.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed.</u> The City’s project manager reviewed the City’s project account in PeopleSoft FMS, in conjunction with the SBR, and found no additional adjustments were needed.</li> </ul>
<ul style="list-style-type: none"> <li>• With respect to future cost-sharing projects, the City will consider establishing guidelines to address cost-sharing, project communications, and project invoice review and approval.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed.</u> The City has determined that this will be an ongoing task performed prior to and customized for each future agreement.</li> </ul>

**Table legend**

- Issue to be addressed from original audit.

- ✓ Issue addressed and resolved.

**Conclusion**

As noted above in Table 2, seven action plan steps established to address issues identified in audit report #1516 have been successfully completed and resolved. We commend the City’s project manager for the timely completion of those actions. We also appreciate the project manager’s cooperation and assistance during this follow-up engagement.

**Appointed Official’s Response**

I would like to thank the City Auditor for his thorough review of the cost sharing agreements between the City and Leon County for the construction of the Public Safety Complex. I am pleased that all action items of this first and final follow-up have been completed in a timely manner. Further, the audit has helped ensure that the City has properly paid for its share of the costs. I would also like to recognize the City Auditor’s staff, and Underground Utilities and Public Infrastructure staff for their cooperation and valuable assistance throughout the audit.

Copies of this Follow-Up Audit Report #1619 or the initial audit report #1516 may be obtained from the City Auditor’s web site (<http://www.talgov.com/auditing/auditing-auditreports.aspx>), via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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