



City of San Antonio

Agenda Memorandum

File Number:18-6228

Agenda Item Number: 5.

Agenda Date: 11/13/2018

In Control: Audit and Accountability Committee

AUDIT COMMITTEE SUMMARY

November 13, 2018

Audit of Transportation and Capital Improvements Department

Capital Projects Accounting

Report Issued November 1, 2018

Audit Objective

Determine if accounting for Capital Projects is accurate including overhead allocations and project closeout.

Background

TCI is responsible for managing the Capital Improvement Program projects. TCI recovers the cost of managing these projects by charging capital administrative costs to the capital projects. These costs are charged as either direct or indirect costs, depending on the staff assigned. TCI recovers indirect costs by applying an overhead cost rate, which is updated quarterly.

TCI performs close-out procedures for each capital project. TCI created a close-out list that is attached to each capital project that details steps project managers and staff must perform to consider a project closed. After all steps have been completed, the capital project purchase order is closed and any remaining funds revert back to their original source for reallocation to other capital projects.

Audit Scope and Methodology

The audit scope was from October 2016 to January 2018 for current and completed capital projects, to include bond projects. We tested a sample of active capital projects to determine if the accounting was accurate. We reviewed support documentation to verify the capital project total cost agreed to SAP. We reviewed the indirect overhead rate applied to capital projects to verify it was accurate and supported. We traced overhead rate support documentation to SAP to verify the projects were billed with accurate overhead costs. We reviewed a sample of closed projects to verify close out procedures were properly applied and any remaining funds were properly allocated.

Audit Conclusions

Accounting for Capital Improvement Program projects was accurate including overhead allocations. TCI has procedures and controls in place to ensure capital projects were accurately accounted for in SAP and properly supported. In addition, the methodology for applying overhead and the allocation of overhead to capital projects was accurate.

However, we identified one area needing improvement. TCI department did not close out capital projects completely and in one instance did not start the close out procedures timely.

We made a recommendation to address the opportunity. Management agreed with the recommendation and developed positive corrective action plans.