

**DEPARTMENT OF PUBLIC WORKS
TRANSPORTATION DIVISION
STREETLIGHT PROGRAM
AUDIT 08-09
SEPTEMBER 26, 2008**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

September 26, 2008

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Streetlight Program, Audit 08-09

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on the City's Streetlight Program.

We thank the management and staff of the Department of Public Works and its Transportation Division for their cooperation and assistance during this audit.

Sincerely,

/s/ Roger Strout

Roger Strout
Internal Audit Director

cc: Darrell Smith, Chief of Staff
Bonnie Wise, Revenue and Finance Director
Steve Daignault, Administrator, Public Works and Utility Services
Irvin Lee, Public Works Director

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/s/ Gary S. Chapman

Auditor

/s/ Roger Strout

Audit Director

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INTRODUCTION

The purpose of the City street light system is to illuminate City streets for safe vehicle operation and safe pedestrian movement. Street lighting is managed by the Department of Public Works' Transportation Division. The Division is guided by information contained in the Transportation Technical Manual, City Code, and the Handbook for Streetlight Assessments prepared by the City's Legal Department.

STATISTICS

<u>Electrical Expenditures</u>	<u>Actual</u>	<u>Monthly Average</u>
FY04	\$3,631,996	\$302,666
FY05	\$3,844,620	\$320,385
FY06	\$4,040,413	\$336,701
FY07	\$4,393,394	\$366,116
FY08 (as of July 31, 2008)	\$3,711,652	\$371,165

Source: FAML 6450, Index Code PW06012, Subobject Code 4301

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY08 Audit Agenda. The objectives of this audit were to ensure that:

1. Tampa Electric Company's streetlight inventory was accurate.
2. Adequate internal controls existed to ensure that TECO monthly billings were accurate and that applicable rates and calculations complied with regulatory requirements and contractual agreements.
3. Special lighting districts were accurately assessed and that all costs were recovered.

STATEMENT OF SCOPE

The audit period covered streetlight program activity that occurred during the May 2008 billing period. Source documentation was obtained from streetlight program files. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's financial system. The City's financial system was previously determined to be reliable and no additional work was necessary. While Tampa Electric Company's streetlight inventory reports could not be reconciled to its monthly billing statements, additional tests and verifications were performed that indicated billing was accurate. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

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 upon the test work performed and the audit findings noted below, we conclude that:

1. Tampa Electric Company's streetlight inventory was not accurate.
2. While the billing for May 2008 was recalculated without exception and applicable rates and calculations were found to comply with regulatory requirements and contractual agreements, additional internal controls would help to ensure that the monthly billings are accurate.
3. While non-ad valorem assessment allocations were calculated in compliance with the governing documents, assessment costs for the special lighting districts need to be updated using current TECO rates.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Streetlight Program, they do present risks that can be more effectively controlled.

STREETLIGHT INVENTORY

Tampa Electric Company provides the Streetlight Program Manager with two electronic inventory files each month. One file (COTFIN_MAY08) reportedly contained all fixtures and poles billed to the City of Tampa. The second file (COTRPT_MAY08) was represented to contain only streetlights (no poles).

Based on the tests of the May 2008 billing, there were a total of 33,780 fixtures and poles paid through the Department of Public Works for street lighting. Of the 77 accounts making up the monthly statement, 44 accounts contained TECO-owned streetlights. These streetlights are assessed a lease and maintenance fee. The remaining accounts are City-maintained street lighting and are metered. City-maintained streetlights were not included in the inventory reports.

Both reports were imported into MS Access for analysis. The following are record counts from the tables and queries created to extract just records with light rates and pole rates:

	<u>Total</u>	<u>Fixtures</u>	<u>Poles</u>
May 2008 Billing	33,780	27,221	6,559
COTFIN_MAY08	<u>34,771</u>	<u>27,827</u>	<u>6,944</u>
Difference	-991	-606	-385

May 2008 Billing	27,221
COTRPT_MAY08	<u>26,222</u>
Difference	999

Because of these differences, the Internal Audit Department worked with the City’s TECO representative to reconcile the inventory to the billing. The representative understood what was needed and at last report, was close to completing the project. An accurate inventory is necessary to help ensure streetlight costs are accurately billed and to properly authorize payment.

RECOMMENDATION 1

The Streetlight Program Manager should continue to work with the TECO representative to obtain a streetlight inventory that can be used to verify billing accuracy.

AUDITEE RESPONSE

The Department of Public Works concurs and will continue discussions with the TECO representative in order to obtain a streetlight inventory useful to verify billing.

PAYMENT AUTHORIZATION

A streetlight billing package is delivered to General Accounting every month. The package contains a summary statement, a summary detail report, individual account statements, and a series of supplemental inventory reports. The package provided by TECO was reviewed and found to be incomplete. Supplemental inventory reports were missing for several individual streetlight accounts.

After General Accounting makes copies of needed documents and processes payment, the package is then forwarded to the Department of Public Works' Administrative and Fiscal Division. The Division forwards the package to the Streetlight Program Manager for review and payment authorization. TECO also provides two electronic inventory reports to the Streetlight Program Manager (discussed above).

City-maintained streetlights are metered accounts. The Signal Section maintains these lights and its own inventory. However, the inventory could not be reconciled to the metered accounts.

Because the electronic inventory reports could not be reconciled to the billing statements, the Streetlight Program Manager performs a reasonableness test by ensuring that the current statement is within 10 percent of the previous statement before authorization payment. Given that the monthly statements for FY08 averaged over \$370,000 per month, the review and approval process should be strengthened.

RECOMMENDATION 2

Once the streetlight inventory can be reconciled to the billing statement, a new process should be developed and documented to authorize payment. In addition to ensuring the streetlight inventory agrees to the invoice, the supplemental reports should be reviewed to insure additions, deletions, and rate changes were authorized. The inventory of City-maintained streetlights should be updated and used to analyze the metered accounts for reasonableness before payment authorization.

Consideration should be given to assigning the operational functions (verifying the accuracy of inventory, ensuring approvals of additions, deletions, and rate changes) to the Streetlight Program Manager and the financial/bill payment related functions to Department of Public Works' Administrative and Fiscal Division.

AUDITEE RESPONSE

The Department of Public Works concurs and will execute a formal payment review process once an accurate inventory is provided by TECO. All supplemental reports will be examined as part of this activity. The Fiscal Management team will be considered a possible resource for coordinating this responsibility.

SPECIAL LIGHTING DISTRICTS

Special Lighting District Allocations of Costs – No exceptions were noted with the methodology or allocations of the streetlight costs to individual property owners. All calculations complied with street lighting agreements with the respective developers/property owners.

Streetlight Assessments – There were 28 special lighting districts tested within the scope of the audit. Using the May 2008 billing statement and current billing rates, special lighting district costs were recalculated and compared to the non-ad valorem assessment roll as of April 29, 2008. The majority of the differences noted resulted from using out-of-date electrical rates for calculating the assessments. A few discrepancies with the number of lights/poles were also noted.

Special Lighting District Files – The maintenance of special lighting district files could be improved. Proper management and monitoring of the special lighting districts requires readily accessible information.

Construction Monitoring – Upon completion of a special lighting district project, the City was not always verifying the number of streetlights installed with the construction plans or ensuring that charges were accurate. This occasionally resulted in over-billing the City for the electrical usage.

RECOMMENDATION 3

The Transportation Division should update the special assessment calculations using current electrical rates, and develop and document sufficient controls and procedures to ensure special lighting districts are accurately assessed in the future. Consideration should be given to assigning the operational functions (managing special lighting district agreements) to the Streetlight Program Manager and the financial functions, including calculating annual assessments, to Department of Public Works' Administrative and Fiscal Division.

The Streetlight Program Manager should organize all documents in the special lighting district files and any relevant information that would help facilitate proper management of the district agreements. New construction should be verified prior to activation.

AUDITEE RESPONSE

The Department of Public Works concurs and will consider modifying the special assessment fees and calculation methods for the purposes of better compensating the City for lighting service. Special assessment documentation needs to be improved and files updated to reflect current activities. New construction work will be verified prior to accepting new assessment districts.

POLICY AND PROCEDURES MANUAL

The Streetlight Program does not have a Policy and Procedures Manual, but is guided by information contained in the Transportation Technical Manual, City Code, and the Handbook for Streetlight Assessments, which was prepared by the City's Legal Department. City of Tampa Ordinance, Sec. 2-46 (a) states, "Departments shall create and maintain all records with adequate and proper documentation of the organization, together with the functions, policies, decisions, procedures, and essential transactions, of the department."

During the tests on the Special Lighting Districts, we noted that in order to properly manage the streetlight program, policies need to be developed to improve the consistency of transactions with the various entities, to address issues with expiring agreements, and to help ensure equitable assessments.

RECOMMENDATION 4

The Streetlight Program Manger, with the assistance of management, should develop and document the program's policies and procedures.

AUDITEE RESPONSE

The Department of Public Works concurs and will prepare a Policies and Procedures Manual for the Streetlight Program.