

**City of Tampa
Internal Audit Department
Audit Program Guide
Capital Construction Projects, 02-26**

Budget Hours	Audit Procedures	Done By	W/P Ref.
<i>Background</i>			
	Capital improvements refer to projects of relatively large size, nature or long life. Such projects are nonrecurring and designed to provide new or additional governmental facilities for public services. The object of the capital budget is to provide for these projects within the limits of available public resources. The capital budget involves planning, programming, and financial considerations. Planning begins with the development of policies as to the desired levels of public service to be provided. These relate to population and economic trends and projections of future public demands for additional services and facilities. Programming provides the basis for ordering the sequence in which these projects can be met most effectively. Financing includes the sources of funds and how payments are to be made.		
<i>Statistics</i>			
	See attached.		
<i>Planning the Audit</i>			
	<ol style="list-style-type: none"> 1. Print Quality Control Package and process Auditor Assignment and Independence Statement page. 2. Prepare and send an entrance letter to applicable personnel in the area under review. 3. Prepare a planning program and include a time budget for the preliminary survey work. 4. Conduct an in-house review of the following: <ol style="list-style-type: none"> a) Financial Data b) Internal Policy & Procedures Manuals c) Applicable Rules, Laws and Regulations, and 		

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	<p>d) Prior internal audit reports and management comments</p> <ol style="list-style-type: none"> 5. Schedule and hold an entrance conference with the Auditee. Obtain the name of the departmental contact person and secure a place from which to conduct the fieldwork portion of the audit. 6. Begin Preliminary Survey by interviewing the appropriate personnel in the Auditee Department. Document the interviews with narratives in the work file. 7. Review and document Internal Control System. (Include control points, such as the location within the system of approvals, authorizations, segregation of duties, supervision, reconciliations, computer-generated error and edit listings, exception reports, etc.) 8. After gaining an understanding of various functions, conduct several transaction walk-throughs. Revise documentation as necessary. 9. Prepare a survey memo listing the strengths and weaknesses of the system. Discuss the areas of greatest risk and exposure to the City. Also, include suggested audit objectives and test procedures. Discuss with Audit Supervisor and the Deputy Director. 10. Prepare the audit program and include a time budget and estimated completion date. Index the preliminary survey file and turn in for review. The Planning Checklist page of the Quality Control Package should be completed by the Audit Supervisor. 11. Clear review notes and revise the audit program, if necessary. 		
Audit Scope			
	Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover completed contracts from October 1, 2000 to March 31, 2002.		
Audit Objectives			
	<ol style="list-style-type: none"> 1. To determine that capital construction contracts were awarded in compliance with applicable rules and regulations. 2. To determine that all revisions to the original contract (if applicable) were properly approved. 3. To ensure that payments to the contractor were properly approved and in accordance with the contract and the Florida Prompt Payment Act. 4. To determine if the costs for completed projects were transferred from 		

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	Construction in Progress to the appropriate asset category in a timely manner.		
<i>Objective 1: To determine that capital construction contracts were awarded in compliance with applicable rules and regulations.</i>			
	<ol style="list-style-type: none"> 1. Obtain a list of construction projects closed out for the period of October 1, 2000 and through March 31, 2002 from the Departments of Public Works, Sanitary Sewers, and Water. From each list, judgmentally select 3 projects for testing with a bias towards the larger dollar contracts. 2. For each project, ensure that documentation exists to support that the contract was awarded with applicable rules and regulations. 3. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 4. Summarize and conclude. 		
<i>Objective 2: To determine that all revisions to the original contract were properly approved and revisions are reasonable.</i>			
	<ol style="list-style-type: none"> 5. For each project selected for testing in audit step 1, where extra work or revisions and modifications to the contract were required: <ul style="list-style-type: none"> Verify that such items were justifiable, in writing, and were properly approved. 6. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 7. Summarize and conclude. 		
<i>Objective 3: To ensure that payments to the contractor were properly approved and in accordance with the contract and the Florida Prompt Payment Act.</i>			
	<ol style="list-style-type: none"> 8. From each project selected for testing in audit step 1, judgmentally select contractor payment requests for testing and review them for the following: <ul style="list-style-type: none"> - Proper departmental approval; - Properly calculated; - Payment amount requested is in accordance with contract terms; - For retainage amounts, ensure that the amount retained was in accordance with the contract, accurately calculated and recorded as a 		

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	<p>liability in the general ledger;</p> <ul style="list-style-type: none"> - Payment request was paid in a timely manner as specified by the Florida Prompt Payment Act. <p>9. For each project selected for testing in audit step 1, ensure that the final payment was approved by City Council and final payment was not made until satisfactory completion of project.</p> <p>10. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management.</p> <p>11. Summarize and conclude.</p>		
<p><i>Objective 4: To determine if the costs for completed projects were transferred from Construction in Progress to the appropriate asset category in a timely manner.</i></p>			
	<p>12. For each project selected for testing in audit step 1, verify that the costs for the completed capital construction project were transferred from Construction in Progress to the appropriate asset category in a timely manner.</p> <p>13. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management.</p> <p>14. Summarize and conclude.</p>		
<p><i>Audit Wrap Up</i></p>			
	<p>15. Complete and index working papers.</p> <p>16. Prepare a preliminary draft of the audit report.</p> <p>17. Clear review notes.</p> <p>18. Forward draft to auditee and request responses within 10 working days.</p> <p>19. Incorporate auditee responses into the final audit report.</p> <p>20. If requested, schedule and hold exit conference.</p> <p>21. Quality Control Checklist of the Quality Control Package to be completed by the Deputy Director.</p> <p>22. Present the audit report to the Mayor.</p>		