

**REVENUE AND FINANCE DEPARTMENT
BUDGET DIVISION
BUDGET OPERATIONS
AUDIT 15-03
SEPTEMBER 28, 2015**



CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

September 28, 2015

Honorable Bob Buckhorn
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Budget Operations, Audit 15-03

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on Budget Operations.

The Budget Division has already taken positive actions in response to our recommendations. We thank the management and staff of the Budget Division, General Accounting, Technology and Innovation, and several other City departments for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: Dennis Rogero, Chief of Staff
Sonya Little, Chief Financial Officer
Michael Perry, Budget Officer
Lee Huffstutler, Chief Accountant
Ocea Lattimore, Director of Logistics and Asset Management

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Not available to sign

Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

The Budget Division is responsible for the coordination of all budget activities. The Division prepares revenue and expenditure projections and department target budgets for the City's annual budget and five-year capital improvement program. It develops cost allocation plans for the City's central services, controls employment positions, and helps ensure expenditures remain within approved appropriations. The Division also prepares budget resolutions and adjustments, administers the Community Development Block Grant program, and assists department management by monitoring and reporting budget variances throughout the fiscal year.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY2015 Audit Agenda. The objectives of this audit were to ensure that:

1. User roles and permissions for the Tampa Budget System were appropriate and up-to-date.
2. The posting of budget amendments (administrative and financial resolution) followed the prescribed procedures and that they were accurately recorded and properly authorized.
3. The Budget Division adequately monitored the City's financial activities.

STATEMENT OF SCOPE

The audit period covered budget activity that occurred from October 1, 2013, to December 31, 2014. Tests were performed to determine whether the Budget Division personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

This audit reviewed internal controls related to user roles and permissions over budget amendment and journal entry initiations and approval paths. To ensure user roles and permissions were properly established, all budget amendments (administrative and financial) and accounting journal entries were extracted from Oracle and compared with user permission lists obtained from Technology and Innovation. To ensure the posting of budget amendments followed prescribed procedures and were accurately recorded and properly authorized, thirty administrative and thirty financial budget amendments were randomly selected and tested for compliance. To assess the Budget Office's budget monitoring activities, five departments that receive monthly budget monitoring were judgmentally selected. Monitoring reports prepared during the audit period for the departments were

reviewed and discussed with department management and their Budget Analysts. Reliance was placed on the data contained in SIRE Agenda PlusTM and the Oracle financial system. The data contained in SIRE Agenda PlusTM and Oracle was deemed reliable for the purposes of this audit.

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.

NOTEWORTHY ACCOMPLISHMENTS

The Budget Office should be commended for successfully preparing the FY2015 budget using Tampa Budget System, which is part of the Oracle Suites of software. Additionally, effective with the period ending December 2014, monthly reports are being disseminated to departments as part of the monitoring process.

AUDIT CONCLUSIONS

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

1. User roles and permissions for the Tampa Budget System were updated during the audit and are now appropriate and up-to-date.
2. The posting of budget amendments (administrative and financial resolution) followed the prescribed procedure and were accurately recorded and properly authorized.
3. The Budget Division adequately monitored the City's financial activities; however, consistency may be an issue based on a disparity between the expectations of user department management and the monitoring services provided by the Budget Division.

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

BUDGET MONITORING

STATEMENT OF CONDITION: As a “central service department,” the Budget Office provides services, such as budget monitoring, to external departments. Based on discussions with department management and Budget Office personnel and a review of support provided by the Budget Office, budget monitoring and the distribution and frequency of monitoring reports appeared reasonable, but possibly inconsistent during the audit period. While the management of the five departments selected for testing indicated that they did not receive regular monthly reports in FY2014, the Budget Office was able to provide evidence to contradict at least some of the departments’ assertions.

CRITERIA: According to Budget Policy (Policy Number 2.00, Budget Management), each Budget Office Team “is required to provide periodic reviews of each department’s operating and capital budgets and to share these reviews and analysis with both the department’s management team and with the Revenue and Finance Department’s staff.” The reviews begin with the month ending December 31 and continue through the end of the fiscal year.

CAUSE: There is a disparity between the expectations of department management and the monitoring services provided by the Budget Office.

EFFECT OF CONDITION: The budget is the financial plan for the fiscal year. Without adequate monitoring of actual progress against the budget, departments’ decision-making may not have the desired fiscal result. Overspending may occur, which may cause a deficit and limit further spending. Without reliable, relevant financial information, department management also becomes less accountable for performance.

RECOMMENDATION 1: As budget monitoring is the responsibility of all management, the Budget Office should consider establishing a Service Level Agreement for each department and division that receives monthly monitoring reports. The agreement should specify the services to be provided as well as the duties and responsibilities for each party. Monthly report transmissions and any subsequent discussions with department management about underlying causes and effects of any identified budget variations should be documented and retained.

MANAGEMENT RESPONSE: The Budget Office concurs with the recommendation to establish Service Level Agreements. One of Budget’s major tasks is keeping our supported department fully informed of its financial position. Prior to implementing the Oracle EBS financial system the Budget Office was using the City’s budgeting system (BPREP) to prepare monthly reports. Monthly reports were prepared and posted on the City’s intranet. However, during the Oracle EBS implementation, the Budget Office lost the ability to use BPREP to prepare monthly budgetary reports.

The Tampa Budget System (TBS) was scheduled to go live in February 2014 and this was the platform we were relying on to perform our analysis and prepare monthly reports. However, TBS was not available until April 2014 and we had to quickly develop alternative methods using Oracle FSG reports and/or Business Intelligence reports and then manually

manipulate the data into our monthly report template. We faced technical and training issues with TBS's go-live; however, we were able to continue publishing monthly reports. Additionally, Budget Office analysts are monitoring the financial condition of their assigned departments through monthly reviews and or reviewing documents for approval through Agenda Plus

Budget Office Policy 2.04 states, "The first monthly report of the fiscal year is for the month ending December 31. No monthly report is prepared for the month ending June 30 as the Budget Office is actively finalizing the preparation and publication of the Mayor's annual budget."

We have finalized the December 31, 2014, monthly report using a new format and a streamlined integrated process that leverages the City's ERP investment. The Budget Office has posted the monthly reports on the City's intranet. The first reports are for the reporting period ending January 31, 2015, and can be found at: <http://intranet.ads.cot/budget/department-financial> reports.

FLEET MAINTENANCE COST DISTRIBUTION

STATEMENT OF CONDITION: Fleet Maintenance receives an annual allocation of the City's central services costs. Fleet Maintenance recovers these costs by assessing departments a monthly charge throughout the fiscal year. Currently, the basis for the distribution is the ratio of the number of department vehicles maintained by Fleet Maintenance to the total number of City vehicles maintained by Fleet Maintenance. This method of distribution does not allocate the costs relative to the services provided by Fleet Maintenance.

Using the current methodology (ratio of vehicles), Fleet Maintenance is allocating 8.1% of its FY2015 cost distribution to both the Solid Waste Department and Tampa Fire Rescue. However, if the distribution were based on a ratio of labor hours, which is more representative of the services provided, the Solid Waste Department and Tampa Fire Rescue would incur 37.3% and 19.8% of the cost distribution. For FY2015, Fleet Maintenance is reallocating \$1,684,217. Using FY2014's labor hour distribution, the monetary effect between the two methodologies equates to an under-allocation of costs to the Solid Waste Department of \$491,217 and to Tampa Fire Rescue of \$196,679. The other departments that are a party to the cost distribution are basically subsidizing their costs by absorbing the under-allocation. Note that the labor hour distribution varies significantly year-to-year and that Tampa Fire Rescue incurred an unusually high amount of repair costs in FY2014.

CRITERIA: A cost allocation plan identifies, accumulates, and allocates costs of services provided by a unit of government to its departments receiving the service. The method used to distribute or allocate the cost of the services should be representative of the relative services provided.

CAUSE: The current cost distribution method used by Fleet Maintenance was established many years ago, and the issue has never been addressed.

EFFECT OF CONDITION: Using a methodology that does not accurately distribute costs relative to the services provided shifts the financial burden to the other entities that did not receive an equitable share of those services. By not capturing their true costs, the Solid Waste Department's and Tampa Fire Rescue's expenses are understated.

RECOMMENDATION 2: The Budget Office should review Fleet Maintenance's cost distribution methodology and ensure that the method selected allocates costs relative to the services provided to the departments.

MANAGEMENT RESPONSE: The Budget Office and the Director, Logistics and Asset Management have agreed with the recommendation and have placed Maximus, Inc. under assignment to complete a fleet rate study.