

# **Audit**

## **Follow-Up**

*As of March 31, 2017*



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City Auditor

## Blueprint 2000 Revenue and Expenditure Controls

(Report #1514, Issued August 7, 2015)

Report #1711

May 31, 2017

### **Summary**

*This is the second follow-up on the Audit of Blueprint 2000 Revenue and Expenditure Controls, Report #1514, issued August 7, 2015. In report #1514, we indicated that, overall, with respect to the processing of revenue and expenditure transactions, the internal controls of Blueprint 2000 (the Agency) were adequate considering the nature and complexity of its operations. In the report we identified both control strengths and opportunities for improvement. With respect to the opportunities for improvement management developed 26 action plan steps. As of March 31, 2017, 22 of these steps were due for completion. In our first follow-up report (#1621), we noted 14 of these 22 steps had been completed as of June 30, 2016. With respect to the other eight action plan steps, our current follow-up audit disclosed that two of the steps have been addressed and resolved (completed) and actions were in progress to complete the remaining six steps. In addition, our current follow-up audit identified two other action plan steps that have been completed in advance of their respective due dates, resulting in the Agency's completion of a total of four action plan steps during the period covered by our second follow-up audit.*

The four action plan steps completed include:

- 1) On February 21, 2017, updates to existing Agency policies and procedures were approved by the Agency. The updates included the changes needed to reflect the Agency's organizational structure as of that date. Management is responsible for making other modifications as needed, based on a continuing awareness and assessment of risks.

- 2) The Agency has updated policies and procedures addressing the security and use of information technology.
- 3) Prenumbered receipts are now issued for all amounts received. Agency staff has also issued appropriate instructions on the handling of voided receipts. Further, the responsibility for accounting for all prenumbered receipt forms has now been assigned.
- 4) The Agency now prepares an Annual Performance Report. The 2016 Performance Report is available on the Agency's website and includes the Agency's vision statement, goals, and related accomplishments.

With respect to the six steps in progress:

- 1) Blueprint management has drafted the steps that are to be included in the Agency's vendor invoice review and approval procedures, and plans to have those procedures adopted by the Agency by June 30, 2017.
- 2) Agency management indicates that procedures for the review and approval of subconsultant compensation rates will be reduced to writing by June 30, 2017. Those procedures will include steps requiring project managers to review rates by utilizing guidelines (consultant wage rate averages) published by the Procurement Office of the Florida Department of Transportation.
- 3) Agency management is drafting a memorandum which addresses policy options with respect to an audit of general engineering consultant (GEC) cost records. The memorandum will be provided to the Intergovernmental Management Committee (IMC) (consisting of the City Manager and County Administrator) for its consideration.

- 4) The Blueprint Director is in the process of preparing an amendment to the GEC contract. The amendment is to replace the existing semi-annual performance evaluation requirement with an annual evaluation requirement and a final evaluation requirement.
- 5) Agency management is drafting a memorandum which will address policy options with respect to the conduct of performance audits of the Agency. The memorandum will be provided to the IMC for its consideration.
- 6) On February 21, 2017, Agency Policy No. 107.12.A. was updated to designate the Agency positions responsible for performing an annual review of Agency-owned real estate. Agency management indicated that the initial review will be completed by June 15, 2017.

Table 1 provides additional details about the status of each of the 24 action plan steps completed or due for completion by March 31, 2017.

We appreciate the cooperation and assistance provided by Agency staff during this follow-up audit.

### ***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 #1514***

As indicated in the original report (#1514), the objective of our initial audit was to determine the extent to which the Agency's internal controls reasonably ensured that revenue and expenditure transactions were: (1) properly authorized and executed in accordance with governing laws, rules, policies, and procedures; (2) timely processed and accurately and completely recorded in the Agency's accounting records in the correct accounts; and (3) supported by appropriate documentation. As a part of

evaluating the Agency's internal controls, we considered the extent to which the Agency safeguarded from loss the amounts collected at the Agency (Blueprint-processed collections).

The scope of our initial audit included the Agency's internal controls in effect during the period October 1, 2012, through December 31, 2014, and included tests of revenue, expenditure, and disbursement transactions selected from fiscal years 2011, 2012, 2013, and 2014.

To address our audit objectives, we obtained an understanding of the laws, rules, Interlocal Agreement, and bylaws governing the resources and operations of the Agency. As a part of our initial audit, we also obtained an understanding of the Agency's organizational structure and control environment and an understanding of the control-related policies and procedures relevant to the processing of the major Agency revenues and the disbursement of Agency resources. In addition to obtaining that understanding, we also tested selected transactions to measure the effectiveness of the controls, as implemented.

Overall, we found that, with respect to the processing of revenue and expenditure transactions, the Agency's internal controls were adequate, considering the nature of the Agency's organization and the complexity of its operations. Our audit identified both control strengths and opportunities for improvement.

### ***Report #1711***

This is our second follow-up on action plan steps identified in audit report #1514. The purpose of this audit follow-up is to report the status of the Agency's efforts to complete or resolve action plan steps due for completion as of March 31, 2017. To determine the status of those action plan steps, we interviewed applicable staff and obtained and reviewed relevant records and reports.

### ***Background***

On October 27, 2000, the Leon County Commission and the City of Tallahassee Commission executed an Interlocal Agreement (Interlocal Agreement) creating the Blueprint 2000 Intergovernmental Agency (Agency). The Agreement, as amended, provides that the Intergovernmental Agency is formed to

undertake specified Blueprint projects and to receive and expend the Dedicated Sales Surtax. The Dedicated Sales Surtax is defined as 80 percent of the one percent local government infrastructure sales surtax.

Organizationally, the Agency is headed by a Board consisting of the respective members of the Leon County Board of County Commissioners and the City of Tallahassee Commission. Currently, the Intergovernmental Management Committee (IMC), consisting of the City Manager and County Administrator, is responsible for the overall management of the Agency. The Agency utilizes an unusual organizational structure. It, as an organization, employed only 11 permanent employees at the time of the initial audit. However, the efforts of those employees were leveraged through the utilization of City and County support, and through the employment of a general engineering consulting (GEC) firm (Michael Baker, Jr., Inc.), which, together with a team of subconsultants, was responsible for providing general engineering and project planning and management services.

For fiscal years 2012 through 2014, Agency revenues totaled approximately \$136 million, of which approximately \$96 million represented City-processed collections, and approximately \$40 million represented Blueprint-processed revenues. In addition to those revenues, the Agency also collected, in trust, donations (cash and checks) for Friends of Our Parks (FOOP), a not-for-profit organization established to benefit the parks and recreational facilities of the City.

Agency expenditures for fiscal years 2012 through 2014, as shown in the City's PeopleSoft Financials accounting records, totaled approximately \$116 million, excluding amounts paid for debt service. Most of the expenditures related directly to Agency construction and engineering-related activities.

### *Previous Conditions and Current Status*

In report #1514, we indicated that, overall, with respect to the processing of revenue and expenditure transactions, the Agency's internal controls were adequate, considering the nature of its operations and the complexity of its operations. In the report we identified both control strengths and opportunities for improvements.

### *Control Strengths*

Control strengths of note included, but were not limited to:

- The Agency adopted a statement of mission and vision, policies and procedures defining management and staff responsibilities for several major operational areas, and a plan of organization, including position descriptions.
- Management and staff followed the City's policies and procedures governing ethical behavior.
- The Agency adopted and effectively implemented written policies to govern the administration of grants, including grant authorization and grantor invoicing.
- Appropriate accounting, procurement, and human resource system provisions were made available through the City.
- Those responsible for coding and recording transactions were sufficiently knowledgeable of the Agency's operations.
- An annual audit of the Agency's financial statements and the Agency's compliance with federal and state award requirements is conducted.
- Appropriate competitive procurement processes had been established and were supported by City staff and systems.
- Written contracts, with legal review thereof prior to signature, were required. The contracts made provision for contractor monitoring, where applicable.
- Duties relating to purchase requisitions, purchase orders, and invoice payment were appropriately segregated and supported by City staff.
- Claims for payment were to be supported by detailed invoices and related documentation.
- The responsibility for authorizing and approving capital-related expenditures had been assigned to appropriate and knowledgeable officials. Complete documentation of the expenditures was a requirement.

**Opportunities for Improvement and Current Status**

In addition to the strengths described above, our initial audit identified opportunities for improvement in the Agency’s controls. Those improvements related in many instances to the need to (1) update or establish policies and procedures and guidelines, (2) better safeguard and account for revenue and donations, or (3) enhance the Agency’s administration of certain cost-control related aspects of its GEC contract. To address our audit recommendations for improvements, the Agency developed an Action Plan consisting of 26 action plan steps.

As of June 30, 2016, a total of 19 of the 26 action plan steps were due for completion. In our first follow-up report (#1621), we noted that 14 of these 19 action plan steps had been completed and that five action plan steps were in progress.

In addition to the five action plan steps, which were in progress as of June 30, 2016, three more action plan steps became due, resulting in a total of eight action plan steps due for completion as of March 31, 2017. With respect to these eight action plan steps, our current follow-up audit disclosed that two of the steps have been addressed and resolved (completed) and actions were in progress to complete the remaining six steps. In addition, our current audit identified two other action plan steps that have been completed in advance of their respective due dates, resulting in the Agency’s completion of a total of four action plan steps during the period covered by our second follow-up audit. Table 1 provides additional details as to the current status of the 24 action plan steps completed or due as of March 31, 2017.

**Table 1  
Action Plan Steps from Audit Report #1514  
Due or Completed as of March 31, 2017, and Current Status**

Action Plan Steps Due	Current Status
<b>A. Update or establish policies and guidelines.</b>	
<ul style="list-style-type: none"> <li>The Agency will consider developing its own internal control policy, or formally adopt the City’s internal control policy. (Report #1514 Action Step A.1)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>The Agency will update its existing policies and procedures to reflect the Agency’s current organizational structure. The Agency will also update the policies and procedures as needed to address the results of a current assessment of financial and operational risks. (Report #1514 Action Step A.3)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> On February 21, 2017, updates to existing Agency policies and procedures were approved by the Agency. The updates included the changes needed to reflect the Agency’s organizational structure as of that date. Management is responsible for making other modifications as needed, based on a continuing awareness and assessment of risks.</li> </ul>
<ul style="list-style-type: none"> <li>The Blueprint Ethics Policy will be provided to management, staff, and Citizens Advisory Committee (CAC) members and be posted on the Agency’s website. Agency in-house, GEC, and sub-consultant staff and CAC members will also be provided the opportunity for training in the application of the policy. (Report #1514 Action Step A.4)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>

<ul style="list-style-type: none"> <li>The Agency will consider adopting updated information technology security policies and procedures. <i>(Report #1514 Action Step A.5)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> The Agency has updated the Agency policies and procedures addressing the security and use of information technology.</li> </ul>
<ul style="list-style-type: none"> <li>The Agency will adopt procedures addressing, among other matters, roles and responsibilities for verifying that the receipt of conforming goods and services is documented, the charges are allowable and authorized, the account codes are appropriate, and the invoice footings, extensions, and discounts are mathematically correct. <i>(Report #1514 Action Step A.6)</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> Blueprint management has drafted the steps that are to be included in the applicable procedures, and plans to have those procedures adopted by the Agency by June 30, 2017.</li> </ul>
<ul style="list-style-type: none"> <li>The Agency will consider adopting procedures requiring periodic reconciliations of Primavera Expedition data and related PeopleSoft Financials accounts. <i>(Report #1514 Action Step A.7)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<p><b>B. Enhance the safeguarding of and the accounting for the revenues and donations collected and processed by the Agency.</b></p>	
<ul style="list-style-type: none"> <li>The Agency will consider authorizing state grantors to make grant payments electronically. <i>(Report #1514 Action Step B.1)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Policies and procedures governing the collection of revenues by staff at the Agency’s administrative offices will be developed and communicated in writing to applicable managers and staff. <i>(Report #1514 Action Step B.2)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>A daily listing containing each of the amounts received through the mail will be prepared by the person opening the mail. The listing will then be compared to the day’s (week’s) deposit details by a person not involved in the collection and deposit of collections. <i>(Report #1514 Action Step B.3)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Checks will be restrictively endorsed. <i>(Report #1514 Action Step B.4)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Prenumbered receipts will be issued for all amounts received from those delivering payments to the Agency’s administrative offices. Also, for all voided receipts and receipts not issued, the original receipts will be retained in the Agency’s records. A periodic reconciliation of the prenumbered receipt forms available for use during the period, to those used and unused as of the end of the period, will also be prepared by staff not involved in the processing of collections. <i>(Report #1514 Action Step B.5)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> Prenumbered receipts are now issued for all amounts received. Agency staff has also issued appropriate instructions on the handling of voided receipts. Further, the responsibility for accounting for all prenumbered receipt forms has now been assigned.</li> </ul>
<ul style="list-style-type: none"> <li>Transfer receipts will be executed upon the transfer of collections. <i>(Report #1514 Action Step B.6)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>

<ul style="list-style-type: none"> <li>The Agency will consult with the City Parks, Recreation and Neighborhood Affairs department in an effort to determine the disposition of the \$1,500 in donations that could not be traced to the FOOP records provided to the auditors. (Report #1514 Action Step B.7)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Collections will be secured in a locked cabinet or other secured location and access thereto will be restricted to authorized staff. (Report #1514 Action Step B.8)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Donations will be transferred to FOOP no less frequently than on a weekly basis. (Report #1514 Action Step B.9)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>To the extent possible, duties will be appropriately segregated. Absent the ability to appropriately segregate duties, the Agency will consider implementing compensating controls. (Report #1514 Action Step B.10)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Periodically, to assess the effectiveness of controls, the amounts shown as collected will be traced through to-be-established control points (listings of collections, transfer receipts, and CORE receipts). (Report #1514 Action Step B.11)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<p><b>C. Enhance the Agency’s administration of certain cost-control related aspects of its contract with the GEC.</b></p>	
<ul style="list-style-type: none"> <li>The Agency Director will review and approve in advance the rates paid to all subconsultants. The review and approval will be documented and include the evidence relied upon that demonstrates the rates approved are competitive. (Report #1514 Action Step C.2)</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> Agency management indicates that procedures providing the noted actions will be reduced to writing by June 30, 2017. Those procedures will include steps requiring project managers to review rates by utilizing guidelines (consultant wage rate averages) published by the Procurement Office of the Florida Department of Transportation.</li> </ul>
<ul style="list-style-type: none"> <li>The Agency will consider obtaining an independent audit of applicable GEC cost records. (Report #1514 Action Step C.3)</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> Agency management is drafting a memorandum which addresses policy options with respect to an audit of GEC cost records. The memorandum will be provided to the Intergovernmental Management Committee (IMC) (consisting of the City Manager and County Administrator) for its consideration.</li> </ul>
<ul style="list-style-type: none"> <li>The Agency will resume the completion of the semi-annual performance evaluations of the GEC. (Report #1514 Action Step C.4)</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> The Blueprint Director is in the process of preparing an amendment to the GEC contract. The amendment will replace the semi-annual performance evaluation requirement with an annual evaluation requirement and a final evaluation requirement.</li> </ul>

<b>D. Enhance accountability and oversight for Agency operations and assets.</b>	
<ul style="list-style-type: none"> <li>● The Agency will consider adopting formal goals, objectives, and performance measures and related reporting requirements. (<i>Report #1514 Action Step D.1</i>)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> The Agency now prepares an Annual Performance Report. The 2016 Performance Report, available on the Agency’s website, includes the Agency’s vision statement, goals, and related accomplishments.</li> </ul>
<ul style="list-style-type: none"> <li>● Management will develop a financial and operational risk assessment of the Agency. The risk assessment will be used in considering areas of operation that may benefit from the conduct of a performance audit. (<i>Report #1514 Action Step D.2</i>)</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> Agency management is drafting a memorandum which will address policy options with respect to the conduct of performance audits of the Agency. The memorandum will be provided to the IMC for its consideration.</li> </ul>
<ul style="list-style-type: none"> <li>● Agency management will submit for approval of the IMC all proposed lease agreements. (<i>Report #1514 Action Step D.3</i>)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>● Annual reviews of real estate will be performed as required by Blueprint Policy No. 107 (Real Estate Policy). Person/persons to perform this task will be designated in the Real Estate Policy. (<i>Report #1514 Action Step D.4</i>)</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> On February 21, 2017, Agency Policy No. 107.12 A. was updated to designate the Agency positions responsible for performing an annual review of Agency-owned real estate. Agency management indicated the initial review will be completed by June 15, 2017.</li> </ul>

**Table legend:**

- Issue to be addressed from original audit.

- ✓ Issue addressed and resolved.
- ❖ Resolution of action plan step is in progress.

**Conclusion**

As noted above in Table 1, 18 of the 26 action plan steps identified in audit report #1514 have been successfully completed. Regarding the remaining eight action plan steps, actions have been initiated but not completed for six steps, and the other two steps are scheduled for completion subsequent to March 31, 2017. Those two steps, which will be addressed in our subsequent follow-up engagement, along with the six steps currently in process, involve:

- 1) The Agency determining those City and County policies and procedures which are to apply to the Agency’s operations and communication of that information to all employees and GEC and subcontractor staff.
- 2) The Agency’s adoption of policies and procedures to guide the review, negotiation, and approval of annual letters of authorization (LOAs). The LOAs control the scope of work performed by the GEC and the compensation paid to the GEC.

We appreciate the cooperation and assistance of applicable Agency staff during this audit follow-up engagement.

**Director’s Response**

We appreciate the thoroughness and patience the City Auditor’s staff has demonstrated on the 2<sup>nd</sup> Follow-Up Audit. We are pleased with the progress that staff has made towards the completion of the audit items. Of the 26 original action items, staff has addressed 18 of them. We recognize the significance of proper policies and guidelines, the importance of safeguarding and accounting for the revenues collected and processed by the Agency, the enhancement of the Agency’s administration of its contract with the GEC, and last but not least, enhanced accountability and oversight for the Agency operation and assets. We will continue to work diligently on the remaining action items to the Auditor’s satisfaction.

Copies of this follow-up audit report #1711 or the initial audit report #1514 may be obtained from the City Auditor's web site (<http://www.talgov.com/transparency/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](mailto:auditors@talgov.com)).

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