

Audit Report February 2016

Subject: Capital Improvement Planning

A capital improvement plan (CIP) is a community planning and fiscal management tool used to coordinate the location, timing, and financing of capital improvements over a multi-year period. The CIP is a powerful tool for implementing a community's comprehensive plan, strategic plan, and other planning documents. The CIP includes a description of proposed capital improvement projects ranked by priority, a year-by-year schedule of expected project funding, and an estimate of project costs and financing sources. The CIP is a working document and should be updated annually to reflect changing community needs.

Responsible Officers: Gary Hamer, Finance Capital Planning Manager
Jarrod Moore, Financial Forecast Analyst

Auditors: Vicki D. Peters, CBA, MBA – Internal Audit Manager
Steve Jackson, CPA – Internal Audit Manager

Audit Scope:

Review and evaluation of the City of Tulsa's capital improvement planning (CIP) processes and practices (which include the roles and responsibilities of Capital Budgeting Management, the Mayoral CIP Planning Committee, departmental representatives and public input).

Overall Risk Exposure: (Low, Moderate or High)
High

Conclusion: (Satisfactory, Satisfactory-needs improvement or Unsatisfactory)
Satisfactory

Management Response: (Accepts recommendations, Accepts recommendations with Modifications or Disagrees)
Accepts recommendations

**Implementation Date
Of Recommendations:** **Fiscal Year 2017**

Table of Conclusions by Objective

<u>Objective</u>	<u>Conclusion</u>
Determine if the City's processes and practices for CIP include GFOA recommended best practices.	Draft policies and procedures for capital improvement planning dated September 12, 2008 are process in nature and do not specifically address the Government Financial Officers Association (GFOA) recommended best practices.

Recommendation: CIP policies and procedures should be expanded to include GFOA best practices or include links to the GFOA best practices in the written procedures.

Management Response: *Proposed Change: Add new policy statement "g." under section 6. Capital Budget and Improvements which states: "The CIP has been developed based on Government Finance Officers Association (GFOA) recommended best practices."*
<http://www.gfoa.org/capital-planning-policies>

Determine if the City uses the Comprehensive Plan as a framework for capital project requests as recommended in GFOA Best Practices.	There are no written policies which demonstrate how the CIP should be linked to the City of Tulsa's Comprehensive Plan (PLANiTULSA).
---	--

Recommendation: Policies and procedures should include criteria for the CIP plan to be assessed as addressing priorities of the City's Comprehensive Plan.

Management Response: *Proposed Change: Add new policy statement "h." under section 6. Capital Budget and Improvements which states: "The CIP has been coordinated with the Planning and Development Department to assess the CIP for conformance with the Comprehensive Plan and to prioritize projects which support Land Use Policies 5.5 and 13.3 in particular."*

Determine if the City's funded capital improvement projects comply with the City of Tulsa's Project Submission Manual Capital Improvement Plan Process.	The City of Tulsa's latest funded Capital Program (November 2013 Improve Our Tulsa) was in compliance with the City's 2008 Capital Improvement Plan development process which includes a prioritization process, submittal and review procedures, and public engagement procedures.
--	---

<u>Objective</u>	<u>Conclusion</u>
<p>Determine if the \$563,700,00 in capital improvement projects for “Improve Our Tulsa” included in Title 43-H, the extended 1.1% Sales Tax policy were those identified, prioritized, and selected through the CIP process.</p>	<p>Projects included in Title 43-H, the 2014 Extended 1.1% Sales Tax policy, are those identified, prioritized, and selected through the capital improvement planning process.</p>
<p>Determine if the \$355,000,000 in projects included in the “2013 Improve Our Tulsa Bond Proposition” were the projects identified prioritized and selected through the City of Tulsa CIP process.</p>	<p>Projects included in the 2013 Improve Our Tulsa Bond Proposition are the projects identified, prioritized, and selected through the CIP Process.</p>
<p>Determine if the latest funded Capital Improvement Planning Program (CIP) is in compliance with applicable ordinances, state and federal regulations. Specifically determine if the CIP was certified by the Tulsa Metropolitan Area Planning Commission (TMAPC) and complied with requirements of the ordinance authorizing the extended sales tax and the resolution authorizing the Bond proposal.</p>	<p>The latest funded Capital Improvement Planning Program (CIP) is in compliance with applicable ordinances, state and federal regulations. The CIP was certified by the Tulsa Metropolitan Area Planning Commission (TMAPC); and the City is in compliance with the regulatory requirements of the ordinance authorizing the extended sales tax and the resolution authorizing the Bond proposal.</p>
<p>Determine if amendments to capital improvement plans are properly authorized and approved.</p>	<p>Amendments of Capital Improvement Plans are being properly authorized and approved.</p>

The Office of the City Auditor would like to thank Gary Hamer, Finance Capital Planning & Grants Manager and his staff for the courtesy extended to Internal Auditing during this project.



Ron Maxwell, CIA, CFE
Chief Internal Auditor



Cathy Criswell, CPA, CIA
City Auditor