

Office of the City Auditor and Clerk

Internal Audit



Construction Project Management Audit

Audit #23-07

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A handwritten signature in blue ink that reads "Shayla Griggs". The signature is written in a cursive style.

Shayla Griggs, City Auditor and Clerk

March 11, 2024

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Executive Summary

Audit #23-07 Construction Project Management

Audit Purpose, Scope, and Time Period

Internal Audit performed an audit of the City of Sarasota Utilities Department's construction contracts. This audit evaluated the adequacy of internal controls over construction contract compliance. Audit procedures included interviews with stakeholders, review of policies, contracts, ordinances, statutes, and substantive testing.

The scope of this audit included a review of three Utilities contracts. The audit period included transactions and payments made on selected contracts, as of September 30, 2023.

Audit Objectives

1. Determine whether controls and processes are in place to provide reasonable assurance that payments on contracts are being made in accordance with contract provisions.

Summary Background

The City of Sarasota Utilities Department (Utilities Department) strives to provide the residents with safe reliable drinking water, wastewater collection, and reclaimed water. The City's utility infrastructure is aging, and the Utility Department is working hard to upgrade systems using the newest and safest methods and materials. The Utilities infrastructure is constantly changing as result of capital improvement projects and developer projects within the city.

Summary of Conclusions

The Utilities department's capital projects are managed appropriately, and controls appear to be operating effectively for compliance with construction contracts. We identified the opportunity to strengthen controls by documenting and consistently applying project management procedures across the department.

We would like to take the opportunity to thank the department and individuals included in this audit for the courtesies extended to us and for their cooperation during the audit.

This Executive Summary is limited in detail. To obtain the full background on a particular item, please read the Detailed Audit Report or contact Internal Audit prior to drawing conclusions based upon the limited information contained in this summary.

Detailed Audit Report

#23-07 Construction Project Management

Background and Introduction

The City of Sarasota Utilities Department (Utilities Department) strives to provide the residents with safe reliable drinking water, wastewater collection, and reclaimed water. The City's utility infrastructure average age is approximately 70 years old. The Utility Department is working hard, in partnership with its citizens, to upgrade systems using the newest and safest methods and materials. The Utilities Department utilizes an Enterprise Geographic Information System (GIS) to provide internal data and retrieve data from the Sarasota Property Appraiser's Office as part of the Asset Management Program. The Utilities infrastructure is constantly changing as result of capital improvement projects and developer projects within the city. The department works closely with other departments and other agencies such as, Sarasota County, South Florida Water Management, etc.

Audit Standards

The auditors conducted this audit in conformance with the International Standards for the Professional Practice of Internal Auditing and 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 findings and conclusions based on the audit objectives.

Audit Purpose, Scope, and Time-period

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the adherence to contractual provisions in the development of the infrastructure for three construction contracts.

The scope of this audit included a review of transactions and payments made on selected projects for three Utilities contracts.

The audit period was October 1, 2022 through September 30, 2023. During this audit timeframe, the city utilized FMS accounting software through March 31, 2023 and began using Workday on April 1, 2023.

Audit Objectives

The audit objective was to determine whether controls and processes are in place to provide reasonable assurance that payments on contracts are being made in accordance with contract provisions.

Testing Methodology

- Interviewed appropriate personnel.
- Reviewed:
- Applications for payments for construction projects.
 - Invoices and billable hours for service contracts.
 - Change orders, purchase orders, and other evidence to support payments.

To achieve the audit objectives, sampling techniques were utilized to review applications for payments for the three contracts selected.

Audit Criteria

Audit criteria used to evaluate contracts:

- City of Sarasota Administrative Regulations and Municipal Codes
- Government Auditing Standards (GAO) “General Standards for Preparing Accounting Records and Financial Standards”

Audit Observations and Testing

We determined that controls and processes are in place to provide reasonable assurance that payments on contracts are being made in accordance with contract provisions. The contracts selected for testing showed payments for services were billed in accordance with contract terms, the work was completed in a suitable timeframe as specified in the contract, the payments included management review and approval, and vendors were paid timely after completion of the review and approval process.

Observations – Management Review

Documentation of Management Review – Contract terms dictate that retainage is required to be withheld. Retainage is the withholding of a portion of the funds that are due to a contractor or subcontractor until the construction project is finished. Retainage is meant to serve as a financial incentive and an assurance that the contractor will complete the project in a satisfactory manner. We did note that retainage was not held for one of the contracts audited. Auditors discussed retainage oversight with management, and it appears it was an error and is not a regular occurrence.

Management Response – A small project at the water treatment plant was assigned to an employee as their first project. Retainage was overlooked by both the contractor and the project manager. The project was completed successfully in accordance with the contract documents. In the future procedures have been put in place to ensure all project management processes are followed.

Documentation of Project Management Procedures – Utilities does not have documented policies and procedures for contract management. Formal project management guidelines should be established to include such tasks as project management responsibilities, retainage calculation, reconciliation of project costs, and contract closeout procedures. We recommend that the department develop and apply these procedures to circumvent issues such as the missing retainage identified in the observation above.

Management Response – A project management checklist has been developed and implemented to ensure compliance with the contract documents.

Audit Conclusions

The observations noted above have been addressed with the development and implementation of the project management checklist that Utilities intends to utilize with projects going forward.

We would like to take the opportunity to thank the department and individuals included in this audit for the courtesies extended to us and for their cooperation during the audit.