

MANAGEMENT AUDIT REPORT

OF

TRANSPORTATION INFRASTRUCTURE TAX
FISCAL YEARS 2008, 2009 AND 2010

DEPARTMENT OF MUNICIPAL DEVELOPMENT
AND
TRANSIT DEPARTMENT

REPORT NO. 11-105



City of Albuquerque
Office of Internal Audit

Transportation Infrastructure Tax FY08/09/10
DMD and Transit Department
Report No. 11-105

Executive Summary

The Office of Internal Audit (OIA) conducted a management audit of the Transportation Infrastructure Tax (Trans Tax) for Fiscal Years 2008 (FY08), 2009 (FY09) and 2010 (FY10). Trans Tax funds are allocated to and expended by the Department of Municipal Development (DMD) and Transit Department (Transit). This audit was included in the FY11 approved audit plan passed by City Council.

A special election was held on March 31, 1999, in which City residents voted to impose a one-quarter (¼) of one percent municipal gross receipts tax for a ten year period, which expired on December 31, 2009. The City Trans Tax Ordinance §4-3-7-5 states that Trans Tax revenue will be used to fund the improvement of transportation systems for the benefit of the City.

Objective: Do Transit and DMD have effective internal controls and processes to ensure compliance with expenditure dedication percentages within §4-3-7-5(A) of the Trans Tax ordinance?

- Transit received additional revenue totaling \$111,642 in FY09, which should have been transferred back to the Trans Tax fund.
- Trans Tax *Schedule of Expenditures Compared to Appropriations by Purpose* within the City's Comprehensive Annual Financial Report (CAFR) does not accurately reflect Trans Tax budget and expense activity for FY08, FY09 and FY10.

Objective: Are Trans Tax expenditures accurately classified by ordinance dedication outlined within §4-3-7-5(A) and in compliance with City rules and regulations?

- One invoice tested did not meet Trans Tax spending purpose or definition requirements. As a result of this invoice, OIA identified that a total of \$54,811 was improperly charged to a Trans Tax activity for road maintenance. The invoices were for a pump station rehabilitation project for the Albuquerque Fire Department. Fifty-nine of 72 (82%) of expense test items were not paid within 30 days by DMD.

Objective: Has DMD complied with §4-3-7-5(C) of the Trans Tax ordinance for road deficiency and rehabilitation aesthetic enhancements on interstate highways?

- In FY09, DMD spent \$495,000 on interstate aesthetic enhancements that were not allowed under Trans Tax § 4-3-7-5.

Objective: Has DMD complied with the net new monies spend requirements for road deficiency and rehabilitation dedications within §4-3-7-5(E)?

- DMD did not determine FY96/FY97/FY98 spending averages for road rehabilitation and deficiency dedications, which are needed to validate compliance with the net new monies requirement.

Objective: Have Transit and DMD provided information necessary to comply with Trans Tax reporting requirements within §4-3-7-6(A)?

- DMD has not completed or submitted annual expense reports to the Mayor for FY09 and FY10.

Objective: Have Transit and DMD accomplished and maintained supporting documentation to validate active priority objectives and performance measures related to Trans Tax?

- A total of 14 performance measure variances were identified for Transit and DMD. Transit submitted five priority objective reports late.

Recommendations and management responses are included in the audit report.



City of Albuquerque
Office of Internal Audit
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

February 29, 2011

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Management Audit
Transportation Infrastructure Tax – FY08/09/10
11-105

FINAL

INTRODUCTION

The Office of Internal Audit (OIA) conducted a management audit of the Transportation Infrastructure Tax (Trans Tax) for Fiscal Years (FYs) 2008, 2009 and 2010. Trans Tax funds are allocated to and expended by the Department of Municipal Development (DMD) and Transit Department (Transit). This audit was included in the FY 2011 approved audit plan passed by City Council under resolution R-10-81 and is required by the Trans Tax Ordinance §4-3-7-6(B).

A special election was held on March 31, 1999, in which City residents voted to impose a one-quarter ($\frac{1}{4}$) of one percent municipal gross receipts tax for a ten year period, which expired on December 31, 2009. The Trans Tax Ordinance §4-3-7-5 states that Trans Tax revenue will be used to fund the improvement of transportation systems for the benefit of the City and is to be dedicated for the following purposes and corresponding percentages.

Trans Tax Dedications
(January 1, 2000 – December 31, 2009)

Purpose	Percentage	Responsible Department
Road Rehabilitations	Not Less Than 32%	Department of Municipal Development (DMD)
Road Deficiencies	Not More Than 32%	
Road Maintenance	12%	
Trails and Bikeways	4%	
Transit	20%	Transit Department (Transit)

Source: Section 4-3-7-5 (City Ordinance)

The Trans Tax was projected to raise \$280 million from January 1, 2000 to December 31, 2009. Actual Trans Tax revenue totaled approximately \$312.5 million. The below graph illustrates the amount of Trans Tax revenue received by fiscal year.



Trans Tax has also generated interest on investments and received miscellaneous income throughout the life of the fund. This revenue is accounted for in fund #340. As of FY10, the City's Comprehensive Annual Financial Reports (CAFRs) indicate that a total of \$10.5 million and \$1.2 million have been received for interest on investments and miscellaneous income, respectively. Section 4-3-7-5 does not address how other income, such as interest on investments and miscellaneous income, will be dedicated. As a result, other income does not have to comply with Trans Tax dedication purposes and percentages.

Trans Tax Ordinance §4-3-7-5 also contains a Net New Monies requirement that outlines the establishment of an average level of spending for rehabilitation and deficiency dedications based on FY96, FY97 and FY98 spending levels. The average spend would ensure that DMD maintained funding levels for these dedications. This would also ensure that Trans Tax funding did not supplant existing funding but would provide supplemental funds for these dedications.

DMD provided documentation of spending averages for FY96, FY97 and FY98; however, it does not separate out rehabilitation and deficiency dedications outlined in the Ordinance. In total, DMD maintained spending levels above this average for FY09 and FY10, but not FY08. As a result, OIA cannot determine if Trans Tax was used to supplant or supplement rehabilitation and deficiency dedications.

On October 6, 2009, an extension of the Trans Tax was passed by City residents. The new Trans Tax revenue is accounted for in fund #341. The new tax became effective July 1, 2010 and will

expire June 30, 2020. Key differences between previous Trans Tax legislation and the extension are outlined below.

- There is no Net New Monies requirement for road rehabilitation and deficiency dedications.
- No portion of the revenues dedicated to roads shall be used to plan, design, build, purchase land or right of way for, or operate any rail transportation system until such a system is approved at a separate election by the voters of the City.
- OIA is not required to conduct audits of Trans Tax expenditures.
- Trans Tax dedication purposes remained the same; however, corresponding percentages changed and are illustrated in the below graph.

Trans Tax Dedications
(July 1, 2010 – June 30, 2020)

Purpose	Percentage	Responsible Department
Road Rehabilitations	Not Less Than 31%	Department of Municipal Development (DMD)
Road Deficiencies	Not More Than 15%	
Road Maintenance	13%	
Trails and Bikeways	5%	
Transit	36%	Transit Department (Transit)

Source: Section 4-3-7-5 (City Ordinance)

OIA has conducted three previous Trans Tax audits:

- Audit No. 01-120, included FYs 1999 – FY2002
- Audit No. 05-106, included FYs 2000 – FY2005
- Audit No. 09-105, included FYs 2006 – FY2007

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Do Transit and DMD have effective internal controls and processes to ensure compliance with expenditure dedication percentages within §4-3-7-5(A) of the Trans Tax ordinance?
- Are Trans Tax expenditures accurately classified by ordinance dedication outlined within §4-3-7-5(A) and in compliance with City rules and regulations?
- Has DMD complied with §4-3-7-5(C) of the Trans Tax ordinance for road deficiency and rehabilitation aesthetic enhancements on interstate highways?
- Has DMD complied with the net new monies spend requirements for road deficiency and rehabilitation dedications within §4-3-7-5(E)?

- Have Transit and DMD provided information necessary to comply with Trans Tax reporting requirements within §4-3-7-6(A)?
- Have Transit and DMD accomplished and maintained supporting documentation to validate active priority objectives and performance measures related to Trans Tax?

SCOPE

Our audit did not include an examination of all functions and activities related to Trans Tax. Our scope was limited to the above objectives for FYs 2008, 2009 and 2010.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, November 1, 2011 and does not reflect events or accounting entries after that date.

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.

METHODOLOGY

OIA reviewed the Trans Tax Ordinance and applicable State and City regulations relevant to Trans Tax dedication, expense and reporting processes. Key personnel were interviewed to gain a better understanding of each department's activities and internal control frameworks.

Test work was completed for expenditure, priority objective and performance measure activities to ensure compliance with State and City regulations. Trans Tax Ordinance §4-3-7 outlines dedication, expense and reporting requirements, which served as the primary criteria for the audit.

OIA used audit sampling software to generate statistical and random attribute test data, when needed, to accomplish audit objectives. Population data was derived from DMD, Transit and City information systems when possible. Random and sequential samples were selected for documentation that was only available in hard copy format.

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of related recommendations.

1. DMD SHOULD ENSURE THAT TRANS TAX EXPENDITURES ARE IN ACCORDANCE WITH THE PURPOSE OF THE FUND AND PAID TIMELY.

OIA selected a statistical sample of DMD's Trans Tax expenditures for FY08, FY09 and FY10. A total of 72 expenditures out of a population of 3,512 were tested. Two exceptions were identified and are outlined below.

A. Incorrect Charges to Trans Tax Fund

In FY08, one expense was identified that does not meet Trans Tax spending purpose or definition requirements. An invoice in the amount of \$2,164 for an Albuquerque Fire Department (AFD) pump station rehabilitation project was charged to an activity number dedicated to road maintenance. The invoice stated that the vendor performed rehabilitation services for the AFD's Westside pump station. DMD charged five invoices totaling \$54,812 to the Trans Tax fund for this project in FY08.

Trans Tax Ordinance §4-3-7-5(A) states "Revenue from the Transportation Infrastructure Tax will be used to fund the improvement of transportation systems for the benefit of the City." This section also outlines specific percentage dedications for Trans Tax revenue, which does not include fire department pump station rehabilitation.

OIA was unable to specifically identify why these expenses were charged to Trans Tax or who authorized these payments, because DMD could not locate payment authorization documents. Municipality Retention and Disposition Schedules under New Mexico Administrative Code (NMAC) 1.19.8.9(B) states "For records of a financial nature, refer to the Records Retention and Disposition Schedule for General Financial Records, 1.15.5 NMAC. NMAC 1.15.5.310 outlines general records retention and disposition schedules and states that payment voucher files should be retained for six years after the close of the fiscal year in which created.

Similar expense findings were identified within prior OIA Trans Tax Audits. Audit numbers 05-106 and 09-105 also identified a lack of supporting documentation for expense test items.

B. Late Payments

During FY08 through FY10, 59 of 72 (82%) expense items tested were not paid within 30 days. The table to the right outlines the exceptions in days until payment. DMD does not date-stamp incoming requests for payment and cannot determine when the department received the invoices.

**Days Until Payment
FY08, FY09 and FY10**
(Sample Selection of 72)

Days Until Payment	Number of Invoices
30 to 35 Days	13
36 to 45 Days	23
46 to 60 Days	14
61 to 90 Days	6
Greater than 90 Days	3
Total	59

Source: OIA Analysis

Administrative Instruction 3-7 states “It is the policy of the City to pay all vendors in accordance with the terms of the contracts or within thirty days from the date of receipt of goods or services and/or date of invoice, whichever comes last.” Late payments could damage vendor relations and may not take advantage of vendor discounts.

RECOMMENDATION

DMD should:

- Create an adjusting entry to transfer \$54,812 back to the Trans Tax fund (#340) to replace monies that were incorrectly used on AFD’s pump station rehabilitation project.
- Ensure that Trans Tax expenditures are in accordance with the purpose and dedications outlined within Section 4-3-7-5(A).
- Ensure payment authorization is retained in accordance with retention and disposition schedules.
- Ensure that payments are processed in accordance with Administrative Instruction 3-7.

RESPONSE FROM DMD

“DMD does not concur with a first finding. The invoice was for a project to upgrade pumps that service the Westside Street Maintenance Facility. This work allowed the Westside Street Maintenance Operation to continue at that location which saved costs relative to staging all Street Maintenance from Pino Yards and was therefore a correct transportation tax expenditure. The scope of the activity states “Design, right of way, construction, and other associated

improvements necessary...”. This expenditure was considered a necessary associated improvement.

“DMD retains documents per previous Trans Tax Audit Report (09-105), NMACI, 19.8109.D(3) which requires this documentation to be retained for two years. The payment authorization documents are more than two years old.

“DMD works very closely with our Consultants and Contractors to ensure timely payments. Without a detailed history from OIA which includes which invoices are believe to be paid late. DMD cannot comment on specific instances. In some cases, invoices are not accurate when originally submitted and take time to be verified to ensure proper payments. DMD attempts to pay all accurate invoices within 30 days of receipt.”

ESTIMATED COMPLETION DATE

“N/A”

AUDITOR’S COMMENT

DMD’s activity scope does not override the authority of City ordinance, which states “Revenue from the Transportation Infrastructure Tax will be used to fund the improvement of transportation systems for the benefit of the City.”

In previous Trans Tax audit #09-105, OIA cited NMAC 1.19.8.109 D(1) which relates to fiscal or contractual documents for capital projects and requires documentation be maintained for ten years. DMD in their response to that audit cited NMAC 19.8.109 D(3) which states all other documents for capital projects should be retained for two years. In this audit, OIA is citing NMAC 1.19.8.9(B), which states payment voucher files should be maintained for six years.

OIA provided DMD with a detailed listing of invoices on October 18, 2011 that were paid late.

2. DMD SHOULD ENSURE FY09 AND FY10 TRANS TAX FUNDING HAS NOT BEEN SPENT ON INTERSTATE AESTHETICS.

DMD spent \$495,000 on interstate aesthetic enhancements in FY09. DMD paid two invoices through a deficiency activity number dedicated to “Uptown Loop Road” for the Big I

Landscaping project (Segment D). The first payment was \$389,210 and second payment was \$105,790.

DMD has internal procedures for purchase order and invoice set-up, but it did not accurately allocate or review these payments. A DMD project manager recommended and fiscal staff approved both invoices for payment.

Trans Tax Ordinance §4-3-7-5(C) states, “Of the amount available, no more than 25% of the total may be expended to enhance aesthetics on interstate highways for the next three fiscal years beginning with FY06. Following the end of the three year period, no funds shall be expended to enhance aesthetics on interstate highways.” Accordingly, Trans Tax funds cannot be expended on interstate aesthetics enhancements after FY08.

RECOMMENDATION

DMD should:

- Create an adjusting entry to transfer \$495,000 back to the Trans Tax fund (#340) from a funding source that is dedicated for interstate aesthetic enhancements.
- Review Trans Tax expenditures to ensure that Trans Tax funding has not been expended on interstate aesthetic enhancements during FY09 and FY10.

RESPONSE FROM DMD

“DMD concurs that no Trans Tax funding should have been spent on interstate aesthetic enhancement projects during FY09 and FY10. The original Big I Segment A contract was initiated on 7/2/07. This contract was awarded in excess of \$3,000,000 and was funded entirely with G. O. bonds initially, but should have included this \$495K in Transportation Tax Funding, as this was part of the entire project funding in FY08. Overall, the Big I project was completed and no adjusting entry in the amount of \$495,000 will be required.”

ESTIMATED COMPLETION DATE

“N/A”

AUDITOR'S COMMENT

DMD acknowledges in its response that funding should not have been spent on interstate aesthetic enhancements during FY09 and FY10. Regardless of the completion of the Big I Project, the \$495,000 should be transferred back to the TransTax fund, as it was an unallowable use of those monies.

3. DMD SHOULD ENSURE THAT ANNUAL TRANS TAX REPORTS ARE COMPLETED AND SUBMITTED TO THE MAYOR IN A TIMELY MANNER.

A. Anticipated Expenditure Reports

Trans Tax reports to establish anticipated expenditure activity for the upcoming fiscal year were submitted to the City Council for FY08, FY09 and FY10. However, FY08 and FY09 reports were not submitted 60 days prior to the beginning of the fiscal year (i.e. May 1st), as required by Trans Tax Ordinance §4-3-7-6. FY08 report was introduced at the June 18, 2007 City Council meeting in Resolution 07-261. FY09 report was introduced at the June 16, 2008 City Council meeting in Resolution 08-112. The FY10 report was submitted in accordance with the Ordinance requirements.

When reports are submitted 14 days prior to the start of a fiscal year, it may not give City Council sufficient time to review anticipated Trans Tax expenditure activity.

Trans Tax Ordinance §4-3-7-6(A) states that the Mayor shall submit sixty days prior to the beginning of each fiscal year to the Council:

- i. A listing of each rehabilitation and deficiency project to be initiated in the coming fiscal year and its estimated costs.
- ii. A plan for the expenditures for that fiscal year.

B. Annual Reports

DMD has not completed FY09 or FY10 Annual CIP Status Reports. DMD's Annual CIP Status Report is used by the department to comply with the annual report requirement for each fiscal year's annual Trans Tax report of expenditures. As of November 1, 2011, DMD has not completed or submitted the annual CIP reports to the Mayor for FY09 or FY10. The FY08 annual CIP report was submitted on April 6, 2009.

Consequently, the City Council and general public cannot review Trans Tax expenditure activity for FY09 and FY10. This may be perceived as a lack of transparency, which may have a negative impact for future tax renewal efforts.

DMD stated that the information has been compiled and given to the CIP Official who is preparing the status reports. Trans Tax Ordinance §4-3-7-6(A) states at the completion of each fiscal year, the Mayor shall submit to the Council and Public an annual report on the expenditures for that fiscal year.

Similar findings were identified for annual reporting requirements within prior OIA Trans Tax Audits (#05-106 and #09-105).

RECOMMENDATION

DMD should:

- Prepare and submit expense activity reports to the Mayor in a timely manner to ensure that deadlines outlined within the Trans Tax Ordinance are met.
- Complete and submit the FY09 and FY10 Annual CIP Status Reports to the Mayor.

RESPONSE FROM DMD

“DMD concurs that the previous CIP official did not complete this required task timely. The new CIP official has made this a priority and it will be completed and submitted by January 31, 2012.”

ESTIMATED COMPLETION DATE

“January 31, 2012”

4. TRANSIT SHOULD ENSURE THAT THE AMOUNT OF TRANS TAX REVENUE RECEIVED BY THE DEPARTMENT IS CORRECT.

In FY09, the State of New Mexico Taxation and Revenue Department (NMTRD) included additional tax distributions to the City that were subsequently adjusted in March and July of 2010. Trans Tax revenue is received and allocated to DMD and Transit by the DFAS-Treasury Division on a monthly basis. Treasury allocates Trans Tax receipts from NMTRD according to dedication percentages outlined with Ordinance. Therefore, initial allocations

were transferred at inflated rates and needed subsequent adjustments to reduce Trans Tax revenue allocations.

The first adjustment in March 2010 correctly adjusted all Trans Tax dedications for each department's percentage allocations. However, the second adjustment in July 2010 did not adjust the 20 percent allocation to Transit. As a result, Transit received additional revenue totaling \$111,642 in FY09, which should have been transferred back to the Trans Tax fund. The FY09 CAFR reflects a transfer to Transit of \$7,800,807; however, the amount should have been \$7,689,165.

Trans Tax Ordinance §4-3-7-5(A) dedicates 20 percent of Trans Tax revenue to Transit. Transit has procedures to ensure that the dedication percentage transferred from Trans Tax to the department is accurate. Transit's procedures state "At least annually, balance funds received by ABQ RIDE (Transit) to total funds received by City to ensure 20% of total funds are transferred to ABQ RIDE (Transit)." However, Transit did not reconcile actual Trans Tax revenue to the department's distribution for FY09. FY08 and FY10 Transit distributions were accurate.

This is a repeat finding from OIA's Trans Tax Audit #09-105. The prior finding identified that Transit's transfer was under allocated and the department did not discover this variance because it was not monitoring Trans Tax allocations.

RECOMMENDATION

Transit should:

- Create an adjusting entry to transfer \$111,642 back to the Trans Tax fund (#340).
- Reconcile Trans Tax revenue in order to validate the correct percentage of revenue is transferred to Transit.

RESPONSE FROM TRANSIT DEPARTMENT

"Transit, on an annual basis, receives the Treasurers Reports of Deposits for the Tax payments received from the State of New Mexico and reconciles the reports to the entries posted to the General Ledger. The reports received by Transit and reconciled to the General Ledger, match the posted CAFR amount of \$7,800,807. Transit did not receive a copy of the NMTRD adjustment from July 2010, therefore the department was unaware and unable to identify the overpayment of \$111,642."

“Transit will work with Budget to identify the funds needed in order to make the correcting entry as part of the FY13 budget process. This may require an additional appropriation to be made.”

ESTIMATED COMPLETION DATE

“Transit will work with Budget to identify funds as part of the FY13 budget process. Estimated completion date: June 30, 2012.”

5. TRANSIT AND DMD SHOULD ENSURE THAT REPORTED PERFORMANCE MEASURES REFLECT ACTUAL ACTIVITY. TRANSIT SHOULD ALSO ENSURE THAT PRIORITY OBJECTIVE UPDATES ARE SUBMITTED TIMELY.

A. Performance Measures

OIA tested selected performance measures related to Trans Tax to ensure that documentation could validate the amounts that were reported in the City’s Approved Budget Document. OIA tested performance measures that are still being used in FY12.

Transit

Five performance measures were tested for each of the fiscal years (FY08, FY09 and FY10).

Two variances were identified for Transit. The graph to the right illustrates the variance between Transit’s reported performance measures and the numbers that were supported by internal documentation.

Transit Reported Performance Measures vs. Supporting Documentation

Fiscal Year	Performance Measure	Reported	Supported	Variance
2008	Commuter/Peak Hour Routes	13	12	1
2010	Revenue Miles (All Routes)	5,179,561	5,079,115	100,446

Source: FY08-FY10 Approved Budget Documents and Department Documentation

Transit’s explanations for the above performance measure variances are outlined below.

- *Commuter Peak Hour Routes* - Transit reported 22 all-day routes and 13 peak-period routes, but it should have been 23 all-day routes and 12 peak-period routes.
- *Revenue Miles (All Routes)* – In FY10, Transit’s information came from monthly reports that did not correctly account for holidays - i.e. it assumed regular service on all days.

DMD

Five performance measures were tested for each of the fiscal years (FY08, FY09 and FY10). Twelve performance measure variances were identified for DMD. The graph below illustrates the variance between DMD’s reported performance measures and the numbers that were supported by internal documentation.

DMD Reported Performance Measures vs. Supporting Documentation

Performance Measure	FY08		FY09		FY10	
	Reported	Supported	Reported	Supported	Reported	Supported
# Lane Miles Maintained (inlay, micro, slurry)	221	215.11	163	161.1	112	125.71
# of Lane Miles Added	8	0	8	6.25	9	6.8
# of Bikeway Miles Added	10	0	17	13.25	11	11.25
# Acres of Medians Landscaped	47	39.08	21	21.65	35	42.55

Source: FY08-FY10 Approved Budget Documents and Department Documentation

DMD explanations for the above performance measure variances are outlined below.

- *# Lane Miles Maintained (inlay, micro, slurry)* - This variance is usually due to estimates being made at the end of the fiscal year for rehabilitation contract progression, change orders and estimates for lane miles completed.
- *# of Lane Miles Added and # of Bikeway Miles Added* - The fiscal years reviewed were prior to the development of the departments tracking log. As a result, DMD attempted to recreate the information that was reported for corresponding performance measures, which resulted in slight discrepancies.
- *# Acres of Medians Landscaped* - DMD did not have an explanation for this variance.

Similar findings were identified for performance measures within prior OIA Trans Tax Audits (#05-106 and #09-105).

B. Priority Objectives

OIA tested a sample of 21 priority objectives related to Trans Tax for FY08, FY09 and FY10. Eight priority objectives were tested for DMD and 13 were tested for Transit to determine if they complied with the due dates established within the Approved Budget Document. The Mayor provides City Council with mid-year updates for priority objectives. Therefore, OIA accepted mid-year submission dates as sufficient updates for both departments, if they submitted information within these updates. Departments may also deliver updates during the normal course of business. OIA accepted the earliest reported date as a valid update for the associated priority objective.

OIA identified five priority objectives for Transit that were not submitted by the date outlined within the Approved Budget Document. City Council staff stated “With regard to the introduction date of legislation, the Administration submits new legislation for introduction on the Tuesday prior to each Council meeting, and occasionally a few days prior to the Tuesday deadline. For example, it is very unlikely that legislation introduced in mid-June were received in April or May.” Therefore, it is likely that the priority objective report submissions would be received a few days prior to their introduction date (date submitted).

The table below summarizes exceptions that were noted during test work.

**Transit Priority Objectives Submitted Late
FY08, FY09 and FY10**

Priority Objective	Due Date	Date Submitted	Fiscal Year
<i>Goal 3; Objective 13</i> – Utilizing Federal funding and existing/available revenue, award and complete the construction of a park and ride facility at 7 Bar Loop. This facility is required to serve the several routes that emanate from the various neighborhoods in the Northwest Mesa area. Report on progress to the Mayor and City Council by the end of second quarter, FY/08.	12/31/07	4/7/08	2008
<i>Goal 3; Objective 17</i> – Utilizing Congestion Mitigation and Air-Quality (CMAQ) funding, and other additional revenue, if available, extend Rapid Ride services along Central Avenue east of Wyoming or on other high capacity corridors and commuter routes. Report progress to the Mayor and City Council by the end of second quarter, FY/08.	12/31/07	4/7/08	2008
<i>Goal 3; Objective 4</i> - Prioritize the declassification of vacant Transit Planner positions in order to become more competitive in hiring at the national and regional levels. Advertise in national professional journals to recruit planners with experience in “Best Practices” including coordination with land use planning and innovations from other transit systems. Report progress to the Mayor and City Council by the end of the second quarter of FY/09.	12/31/08	6/15/09	2009
<i>Goal 3; Objective 9</i> - Develop a plan to improve Security at all park and ride facilities, bus stops and bus routes, and implement the plan. Report improvement in the Performance Plan. Report implementation of the plan and progress to the Mayor and City Council by the end of second quarter, FY10.	12/31/09	3/1/10	2010
<i>Goal 3; Objective 10</i> - Reduce the number of customer service complaints received by 5% through better trained staff, increased security at park and rides, bus stops and routes and more on time routes. Continue to make improvements to the automated announcement systems, driver training programs and ADA compliance. Report progress to the Mayor and City Council by the end of second quarter, FY10, and in the Performance Plan, beginning second quarter FY/10.	12/31/09	3/1/10	2010

Source: FY08-FY10 Approved Budget Documents and Legistar

A similar finding was identified for untimely priority objective reporting in OIA Trans Tax Audit #09-105.

Untimely and inaccurate information may influence poor management decisions. The Administration and City Council need timely and accurate information in order to make sound management decisions.

GFOA states performance measures are an important component of decision-making and should be incorporated into governmental budgeting. Performance measures should be reliable, verifiable and understandable. Information is useful to financial report users only if it can make a difference in how the users assess a problem, condition or event.

RECOMMENDATION

Transit and DMD should ensure performance measures reflect actual activity that can be verified by supporting documentation.

Transit should ensure priority objectives are submitted by the due dates outlined within the City's Approved Budget Document.

RESPONSE FROM DMD

“DMD agrees that accurate reporting of achievements is needed. DMD is attaching a chart illustrating additional supporting documentation that was not previously provided. These documents show closer relationship between actual and reported values. Some reporting is based, at least in part, on estimates and cannot be completely predicted because we build projects that overlap fiscal years. DMD will keep a file of actual supported data for each performance measure reported by fiscal year in our records per NMAC1, 19.8109/D(3) to assist in determining what projections were used.

AUDITOR'S COMMENT

The additional information was not audited as it was provided by DMD with its responses, after the conclusion of the audit.

DMD Reported Performance Measures vs. Supporting Documentation (revised)

Performance Measures	FY08		FY09		FY10	
	Reported	Supported	Reported	Supported	Reported	Supported
# Lane Miles Maintained (inlay, micro, slurry)	221	215.11	163	161.5	112	125.71
# of Lane Miles Added	8	7	7.5	6.25	9	9.5
# of Bikeway Miles Added	10	6	17	13.25	11	11.25
# Acres of Medians Landscaped	47	42	21	21.62	35	42.55

Amounts revised by new data available

Amount increase to 42. Added medians done by all CIP Division, not just prototype median manager

RESPONSE FROM TRANSIT

“Transit agrees that the Performance measures should reflect actual activity that can be verified. Of the five Priority Objectives listed above, four are Grant related Objectives, which are not related to the Transportation Infrastructure Tax. The remaining Objective is operational in nature, but again, not funded by or related to the Transportation Infrastructure Tax.

“Transit agrees that the objectives should be submitted by the due dates outlined within the City’s Approved Budget Document.”

ESTIMATED COMPLETION DATE

“January 1, 2012”

6. DFAS-ACCOUNTING SHOULD ENSURE THAT REQUIRED SUPPLEMENTAL CAFR SCHEDULES ACCURATELY REFLECT TRANS TAX ACTIVITY.

The Trans Tax *Schedule of Expenditures Compared to Appropriations by Purpose* within the City’s Comprehensive Annual Financial Report (CAFR) does not accurately reflect Trans Tax budget and expense activity for FY08, FY09 and FY10. The schedules are missing budget or actual information for dedications outlined within Trans Tax Ordinance §4-3-7-5. Transit’s actual expense activity was omitted from the FY08 schedule. Life-to-date final budget balances were not updated to reflect comprehensive activity for FY09 and FY10.

It appears that FY08, FY09 and FY10 Trans Tax supplemental schedules were not reviewed prior to being finalized. It is unclear why the actual expense amount was omitted for FY08.

A computation step was skipped when compiling the FY09 and FY10 supplemental schedules. As a result, management decisions may be impaired by the use of inaccurate data contained within these schedules.

Government Accounting Standards Board (GASB) states that the intent of required supplemental information is to demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget. GFOA states that periodic verifications and analytical reviews are key categories for accounting and financial reporting, which is often the only practical means of determining if data in the financial statements are complete.

RECOMMENDATION

DFAS – Accounting should:

- Review required supplemental schedules to ensure they accurately reflect the financial activity of the Trans Tax fund.
- Ensure the FY11 CAFR accurately reflects the financial activity captured within the *Schedule of Expenditures Compared to Appropriations by Purpose* for the Trans Tax Fund (#340).

RESPONSE FROM DFAS-ACCOUNTING

“DFAS Accounting concurs with this finding. The Life-to-date final budget balances were not accurate in the schedule of expenditures. FY08 showed accurate project budget information but was missing the transfers out in the Schedule of Expenditures. FY09 and FY10 Schedule of Expenditures had inaccurate budget information. The inaccurate appropriation amounts were caused by a formula error in the prior years’ schedule of expenditures. The supplemental schedules did have accurate actual expenditure information for FY09 and FY10. The FY10 schedule of expenditures has been fixed and accurate figures have been brought forward to the FY11 schedule.”

ESTIMATED COMPLETION DATE

“The Accounting Division has completed.”

CONCLUSION

Based on the findings within this audit, OIA believes the City will benefit from our efforts. This audit will help improve the accountability and fiscal integrity of Trans Tax's operational and financial activities.

We greatly appreciate the assistance and cooperation of DMD, Transit and DFAS personnel during the audit.

Principal Auditor

REVIEWED:

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

Carmen L. Kavelman, CPA, CGAP, CFE, CISA
Director, Office of Internal Audit

Chairperson, Accountability in Government
Oversight Committee