

FINAL - REVISED

**REPORT TO
CITY COUNCIL
ON THE
CITYWIDE YEAR-END CLOSE
FISCAL YEAR 2008
09 – 101B**



**City of Albuquerque
Office of Internal Audit and Investigations**

FY08 Year End Close Budget Audit – Citywide
Report No. 09-101B
Executive Summary

Background

City Ordinance § 2-10-11 (B) ROA 1994: Accountability in Government requires the Office of Internal Audit and Investigations (OIAI) to perform reviews of City expenditures at the end of the second through fourth quarters of each fiscal year (FY). This report is presented to the City Council to satisfy the FY08 Year-End Close requirement. The City makes appropriations at the program level and expenditures may not exceed appropriations at this level. Tables A & B provide detail of FY08 appropriations and actual expenditures for all operating funds. These tables do not include appropriations from the year-end clean up resolution.

Objective:

Which programs were overspent by more than 5% or \$100,000 and what are the causes of the overexpenditures?

Three general fund and 14 other operating fund programs were overspent by more than \$100,000 or 5%.

Objective:

Which programs were underspent by more than 5% or \$100,000?

Forty-five general fund and 28 other operating fund programs were underspent by more than \$100,000 or 5%.

Objective:

Which programs were underspent by more than \$500,000 and 10% and what are the causes of the underexpenditures?

Nine general fund and four other operating fund programs underexpenditures exceeded \$500,000 and 10% of the approved budget.

Recommendation:

The CAO should ensure all programs spend within their appropriation and should take appropriate action in accordance with Administrative Instruction No. 2-20, Budgetary Control Responsibilities.

Management responses are included in the audit report.



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

May 28, 2009
September 30, 2009 - Revised

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

Audit: FY08 Year-End Close Audit
Citywide
09-101B

FINAL - REVISED

INTRODUCTION

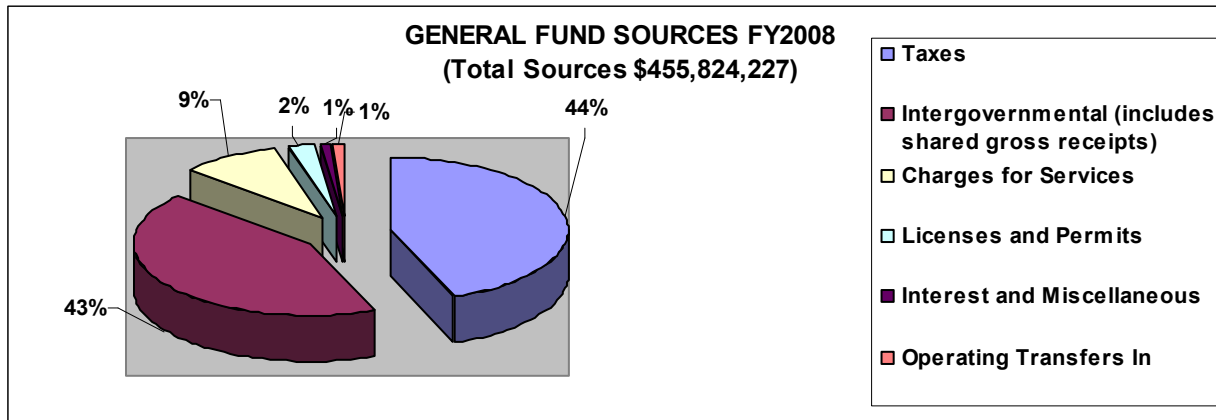
City Ordinance § 2-10-11 (B) ROA 1994: Accountability in Government requires the Office of Internal Audit and Investigations (OIAI) to perform reviews of City expenditures at the end of the second through fourth quarters of each fiscal year (FY). This report is presented to the City Council to satisfy the FY08 Year-End Close requirement.

The purpose of public budgeting is to provide government with a mechanism to allocate resources for the pursuit of goals that are consistent with community preferences and needs. The City budgets at the program level. Programs are contained within the City's different funds and are managed by departments. Although the City is required by State statute to balance its budget at the fund level, the expenditures are appropriated at the program level and may not exceed appropriations at this level. City Ordinance § 2-11-7 (B) ROA 1994: City Budget states,

A full-program budget will be prepared for all city departments each year. The program budget shall clearly identify each program that is proposed to be implemented or continued in the ensuing fiscal year and shall include the projected costs of each program.

The City's operating budget is prepared annually for the general, enterprise, special revenue, internal service, debt service and capital project funds. Each year the City is required to have a balanced budget so that expenditures cannot exceed revenues and other sources.

Funding sources for the City's general fund for FY08 were as follows:

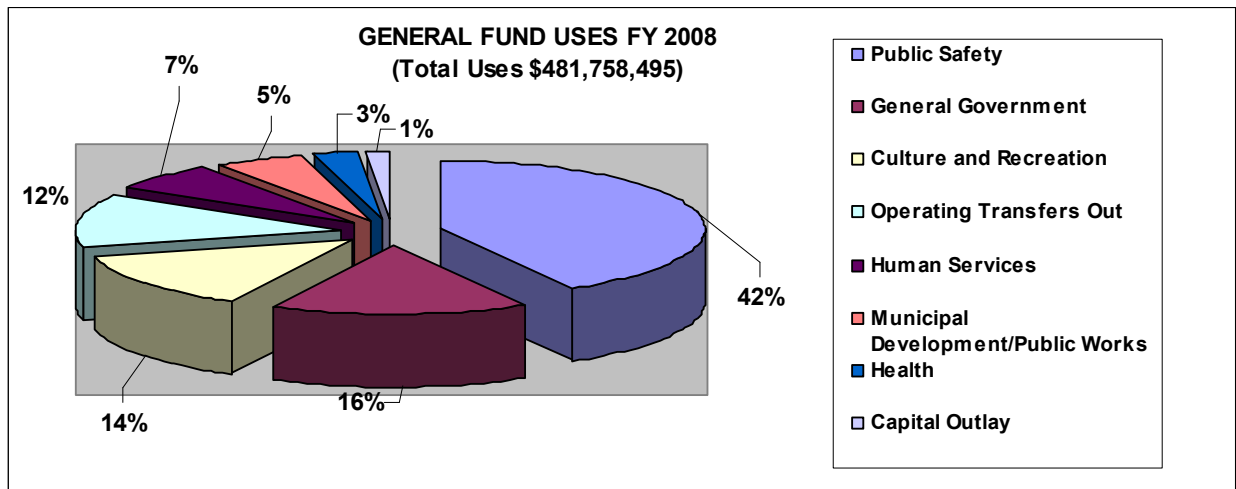


As required by the Budget Ordinance, the annual budget (the Proposed Budget) is formulated by the Mayor and the Office of Management and Budget (OMB) and submitted to the City Council by April 1 for the fiscal year commencing July 1. City Council may amend the budget proposal at any time prior to May 31. The budget, as amended by the City Council, is published as the Approved Budget. If City Council does not approve a budget within that time, the budget proposed by the Mayor is considered to be approved.

Budgetary control is maintained by an appropriation and encumbrance system. The Mayor has authority to move program appropriations by the lesser of five percent or \$100,000 without City Council approval. City Council may amend the budget during the fiscal year; however, amendments cannot result in total expenditures that exceed revenues. With the exception of project funds, appropriations revert to fund balance to the extent they have not been expended or encumbered at fiscal year-end.

A clean up resolution may be performed in the middle of the fiscal year to adjust anticipated revenues and expenditures. At the conclusion of each fiscal year, OMB compares the budgeted versus actual revenues and expenditures. Any required budget adjustments are completed in a final clean up resolution proposed by the Administration, amended, and approved by City Council. OMB reports that clean up bills will be proposed to City Council only when overexpenditures occur at the fund level.

General fund uses for FY08 were as follows:



Each year the City publishes the results of its revenues and expenditures in the Comprehensive Annual Financial Report (CAFR). The CAFR is audited by the City's external auditors and is required to be filed with the New Mexico State Auditor's Office (SAO) by December 1. The FY08 CAFR was not submitted to the SAO until February 10, 2009.

Tables A & B contain the detail of FY08 appropriations and actual expenditures for all operating funds. The appropriations do not include any subsequent clean up appropriations. There are 113 appropriated general fund operating programs and 87 other operating fund programs.

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Which programs were overspent by more than 5% or \$100,000 and what are the causes of the overexpenditures?
- Which programs were underspent by more than 5% or \$100,000?
- Which programs were underspent by more than \$500,000 and 10% and what are the causes of the underexpenditures?

SCOPE

Our audit did not include an examination of all functions and activities related to the FY08 year-end close. Our scope included appropriations and year-end expenditure balances at the program level in the general fund and other operating funds.

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, March 20, 2009, 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

OIAI determined which programs over or underspent by comparing the year-end close expenditures reported in the CAFR Budget to Actual Statements to the approved budget. For programs that were overspent by more than 5% or \$100,000 or underspent by more than 10% and \$500,000, OIAI:

- Contacted fiscal management to determine the cause of the over or underexpenditure.
- Verified the response by reviewing financial information in ReportNet, the City's reporting software.

FINDINGS

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

1. THE CAO SHOULD ENSURE ALL PROGRAMS SPEND WITHIN THEIR APPROPRIATION.

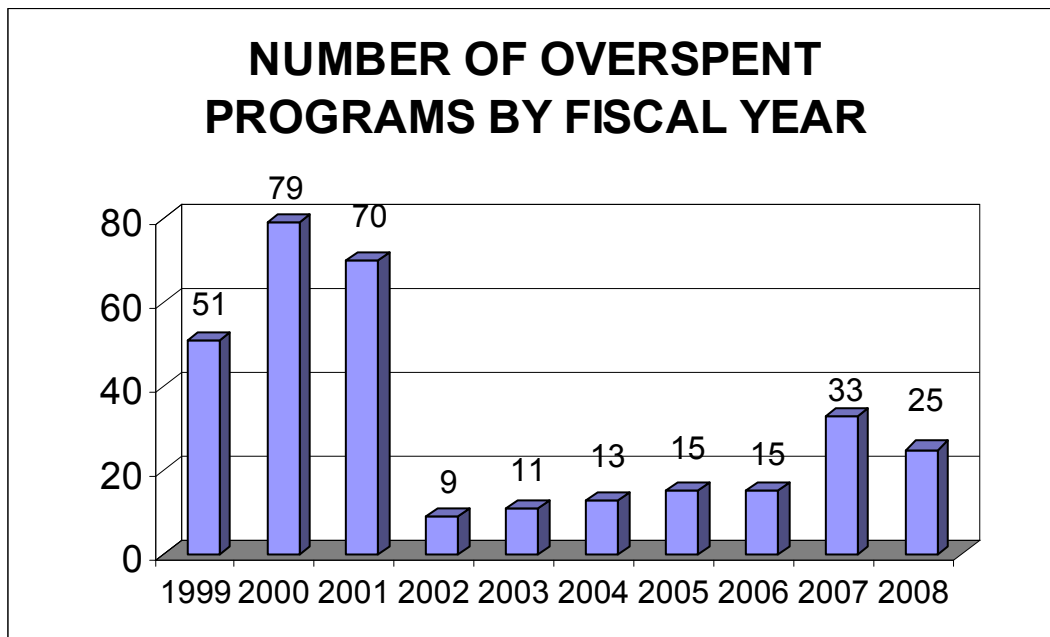
There were three general fund and 14 other operating programs that were overspent by more than \$100,000 or 5%. These programs are highlighted in yellow in the attached Tables A & B.

Fund	Program	Program Name	Appropriations	Actual Expenditures	Variance	%
110	31511	Neighborhood Crime Reduction ²	\$ 142,000	\$ 199,295	\$ -57,295	-40%
110	25502	City Wide Financial Support Services ¹	585,000	642,878	-57,878	-10%
110	57509	Transfer to Transit Operating Fund 661 ¹	\$ 24,106,000	\$ 24,906,000	-800,000	-3%
260	21504	Transfer to General Fund ¹	0	26,266	-26,266	>100%
260	21507	Bernalillo County Balance Due ¹	0	26,266	-26,266	>100%
287	51539	Transfer to General Fund ²	10,000	11,225	-1,225	-12%
415	78001	General Obligation Bond Debt Service ¹	81,223,000	84,769,202	-3,546,202	-4%
435	74002	Transfer to City/County Bldg. Fund 290 ¹	0	57,631	-57,631	>100%
651	54501	Collections ¹	17,723,000	19,300,764	-1,577,764	-9%
651	54503	Administrative Services ¹	7,142,000	7,390,110	-248,110	-3%
651	54505	Clean City Section ¹	5,667,000	6,080,378	-413,378	-7%
661	57514	ABQ Ride ²	27,456,000	27,650,900	-194,900	-1%
661	57565	Facility Maintenance ²	1,576,000	1,872,245	-296,245	-19%
671	30512	Transfer to Housing Bond Fund 240 ³	47,000	51,881	-4,881	-10%
681	44501	Affordable and Quality Golf ²	3,603,000	3,743,607	-140,607	-4%
691	24502	Transfer to General Fund ¹	6,000	15,969	-9,969	-166%
725	28503	Fleet Management ¹	12,938,000	14,257,695	-1,319,695	-10%

Footnotes:

1. The program was overspent by greater than 5% or \$100,000. Final clean up resolution approved by City Council and the Mayor increased appropriations in these programs subsequent to fiscal year-end. The appropriations listed do not reflect that clean up resolution.
2. The program was overspent by greater than 5% or \$100,000; however, the fund was not overspent and did not require an additional appropriation.
3. The program was overspent by greater than 5% or \$100,000; and the fund was overspent. This program did not receive an additional appropriation; however, another overspent program in this fund did.

The number of overspent programs over the past ten years is as follows:



City policy requires each department to adhere to the budget at the program level. The FY08 Approved Budget states appropriations are at a program strategy level, the level at which expenditures may not legally exceed appropriations. Administrative Instruction 2-20: Budgetary Control responsibilities states:

Program Strategies are the level at which appropriations are made. It is at this level that managers must ultimately be responsible for controlling expenditures. All employees with budgetary control over a Program Strategy must accomplish their tasks within the approved budget.

All personnel decisions and all expense decisions must be made within that framework. It is unacceptable for an employee with budgetary control to spend in excess of the appropriated budget.

Employees such as fiscal managers and human resource coordinators who may lack direct control, but serve in a direct advisory capacity for expenditure decisions, shall provide the best information available. If the manager fails to act in a financially prudent manner upon receipt of the advice, the fiscal manager and/or human resource coordinator shall report to the manager's supervisor. This process will be repeated at ascending levels of management until the financial advice is heeded. If necessary, after following this procedure, if he/she still believes corrections have not been made in line with the advice, he/she should report directly to the Chief Financial Officer. Failure to follow this procedure will result in the same disciplinary procedure applicable to the Program Strategy Manager, described below.

Failure on the part of the Program Strategy Manager to monitor and control expenses within the appropriated budget will be subject to disciplinary action as defined in the Personnel Rules and Regulations. Disciplinary action may include written reprimand, suspension, demotion, or dismissal.

The following explanations are provided for programs whose overexpenditures exceeded \$100,000 or 5%.

GENERAL FUND PROGRAMS

Program 31511 – Family and Community Services (DFCS) - Neighborhood Crime Reduction program overspent its \$142,000 budget by \$57,295 (40%). DFCS entered into a contract, and subsequently paid invoices from this contract totaling \$192,000. In addition, DFCS paid a \$7,295 invoice from the FY07 contract in FY08 without encumbering and reappropriating the funds. The appropriation for the program was only \$142,000, resulting in an overexpenditure of \$57,295. This was a finding in the FY08 – 3rd Quarter Budget Audit Report.

Program 25502 – Department of Finance and Administration (DFAS) - Citywide Financial Support Services overspent its \$585,000 budget by \$57,878 or 9%. OMB reported that Property Tax revenue had increased an estimated 11% for FY08, resulting in increased administrative fees. This program received an additional \$60,000 in the year-end cleanup resolution.

Program 57509 – *Transit Department - Transfer to Transit Operating Fund 661* overspent its \$24,106,000 budget by \$800,000 (3%). OMB reported that the increased transfer was necessary to maintain an adequate working capital balance in the Transit Operating Fund 661. Estimated revenues exceeded actual revenues by \$1,555,298, which negatively affected working capital balance. This program received an end of year clean-up appropriation of \$800,000.

OTHER OPERATING PROGRAMS

Programs 21504, and 21507 – *Metropolitan Detention Center (MDC) - Transfer to General Fund and Bernalillo County Balance Due* in the Correction/Detention Fund 260 were not budgeted. OMB reported that appropriations were not made to this fund because Bernalillo County took over the operations of MDC in FY07. The fund earned \$52,529 in interest revenues in FY08, which was reverted equally to the City (in the *Transfer to General Fund* program) and Bernalillo County (*Bernalillo County Balance Due* program). These two programs each received \$27,000 in year-end clean up appropriations. This fund is expected to be closed in FY09.

Program 51539 – *Albuquerque Police Department (APD) - Transfer to General Fund* in the False Alarm Enforcement and Education Fund 287 overspent its \$10,000 budget by \$1,225 (12%). The appropriation for this program was based on an estimate of personnel costs in Fund 287. Personnel expenditures were more than anticipated, resulting in a larger than budgeted indirect overhead allocation in this program.

Program 78001 and 74002 – *City Support Functions – Debt Service* in the General Obligation Bond Debt Service 415 and *Transfer to City/County Building Fund 290* in the City/County Building Debt Service Fund 435, overspent their budgets by \$3,546,202 (4%) and \$57,631 (>100%), respectively.

For *Debt Service*, the DFAS - Treasury Division (Treasury) reported that this program overspent the appropriation during FY08 because revenues for this program were greater than budgeted. The revenues for the General Obligation Bonds are generated from a portion of property taxes collected from property assessed by the Bernalillo County Tax Assessor. Property tax revenues were greater than budgeted for this program and Treasury used the additional revenues to make additional debt service payments on the G.O. Bonds, resulting in the program's overexpenditure. This program received \$4,000,000 from fund balance in the year-end clean up resolution.

The *Transfer to City/County Building Fund 290* program in the City/County Building Debt Service Fund 435 did not have an original budget appropriation for FY08 because the debt for the City/County Building had been paid in full in FY2007. The intent was to close this fund to the City/County Building Operating Fund 290. This program received a \$59,000 year-end clean up appropriation to close the fund.

Programs 54501, 54503 and 54505 – The Solid Waste Management Department (SWMD) - Collections, Administrative Services and Clean City programs in the Refuse Disposal Fund 651 overspent by \$1,577,764 (9%), \$248,110 (3%) and \$413,378 (7%), respectively. All year-end clean up appropriations for this fund came from available fund balance.

SWMD management reported that the overexpenditure in the *Collections* program was caused primarily by overspending in the Overtime, Repairs and Maintenance, Fuels and Lubricants, Tires and Tubes, and Contractual Services line items. Overtime was overspent due to vacant collection driver positions (3 Residential and 5 Commercial) and an increase in the number of residential accounts, a 7.5% increase since FY04. Repairs and Maintenance was overspent due to the cost of repairing an aging fleet of collection vehicles. Fuels and Lubricants was overspent due to rising fuel costs. Tires and Tubes was overspent due to increasing costs of petroleum products. Contractual Services was overspent due to Weststaff temporary service charges to fill vacant positions. This program received \$1,578,000 in the year-end clean up resolution.

SWMD management reported that the overexpenditure in the *Administrative Services* program was caused primarily by the Overtime, Supplies, Vehicle Maintenance, and Contractual Services line items. Overtime increased due to 20 of 96 administrative positions being vacant. Overspending of supplies was for small inventory items whose cost increased with the costs of petroleum and steel. Office supplies for the Edith facility also contributed to the overexpenditure. Almost all of the contractual service expense was for long-term Weststaff employees used in place of administrative positions deleted in previous years. This program received a year-end clean up appropriation of \$310,000.

SWMD management reported that the overexpenditure in the *Clean City* program was primarily due to the Supplies, Repair and Maintenance and Contractual Services line items. Increased graffiti tags and a wetter than normal summer and fall placed increased demands on supplies for graffiti removal and weed control herbicides. Repairs and Maintenance was overspent due to repairs of buses, vans, interstate sweepers and other heavy equipment within the Weed and Litter Division. The overexpenditure in Contractual Services was due to the loss of an agreement between SWMD and the Metropolitan Detention Center. SWMD replaced prison

labor with temporary labor contracted with St Martin's and the Albuquerque Indian Center. An appropriation of \$400,000 was included in the year-end clean up.

Program 57514 and 57565 – *Transit Department –ABQ Ride and Facility Maintenance* programs in Transit Fund 661 overspent by \$194,900 (1%), and \$296,245 (19%), respectively. Transit Department management reported the primary cause of the overexpenditure in the *ABQ Ride* program was an increase in contractual services due to the large number of vacancies in the Fleet Maintenance Division. As of June 30, 2008, this program had 40 of its 379 budgeted positions vacant. Weststaff employees were hired to cover critical positions. *ABQ Ride* was also over expended in fuel.

Transit Department management reported the overexpenditure in the *Facility Maintenance* program was primarily due to overexpenditure of utilities. This program budgets and expends nearly all of the utility expenses for the Transit Department. The opening of the operational building at the Daytona facility and increasing utilities pricing have contributed to the overexpenditure. Transit Department management reports that repairing aging equipment caused overexpenditures in the Supplies and Contractual Services line items.

Program 30512 – *DFCS – Transfer to Housing Bond Fund 240* program in the Apartment Operating Fund 671 overspent its \$47,000 budget by \$4,881 (10%). The program is for the transfer of funds from Fund 671, Apartments Operating Fund to Fund 240, City Housing Fund. The amount transferred is an administration fee of 1.5% of monthly income that is set aside by Monarch Properties, the Apartments property manager. DFCS uses the funds transferred to Fund 240 to pay for the wages of a Planner position. The budget for this program was based on an Accountant 2 salary, which became vacant during FY08. The Planner's salary was greater than the Accountant 2's salary and resulted in an overexpenditure of \$4,881.

Program 44501 – *Parks and Recreation Department (PRD) – Affordable and Quality Golf* program in the Golf Operating Fund 681 overspent its \$3,603,000 budget by \$140,607 (4%). The program's overexpenditure was caused by overspending in the Refuse Removal, Water and Sewer, and Supplies line items. OMB reported that fee increases by the Albuquerque Bernalillo County Water Utility Authority caused the program to be overspent in water. In FY09, the appropriation for water was increased by \$302,129. At the request of PRD, the number of pickups for refuse increased resulting in the overexpenditure in the Refuse Removal line item. The appropriation for refuse was increased by \$31,152 in FY09 to better align the budget. Due to the increase in the price of oils and fuels, the cost of fertilizer increased causing the overexpenditure in the Supplies line item.

Program 24502 – Department of Municipal Development (DMD) – Transfer to General Fund program in the Baseball Stadium Operating Fund 691 overspent its \$6,000 budget by \$9,969 (166%). This program has one line item, Indirect Overhead (IDOH). The IDOH is calculated on actual personnel expenditures in program 24501, Stadium Operations. In the previous year (FY07), the IDOH was recalculated because an additional position was added to Program 24501 and the IDOH was budgeted on only one position. In FY08, the IDOH was budgeted at \$6,000, the same as in FY07, and was not increased to account for the additional position that was added in FY07, resulting in an overexpenditure. In FY09, the IDOH was budgeted at \$18,000. This program received a year-end appropriation of \$10,000.

Program 28503 – DFAS - Fleet Management program in Fleet Management Fund 725 overspent its \$12,938,000 budget by \$1,319,695 or 10%. The overexpenditure in this program was due to increased fuel costs. *Fleet Management* collected revenue from City departments for the cost of associated fuels. This program received a year-end appropriation of \$1,436,000 to cover the overexpenditure.

RECOMMENDATION

The CAO should ensure that all programs spend within their appropriation and should take appropriate action in accordance with Administrative Instruction No. 2-20, Budgetary Control Responsibilities.

RESPONSE FROM CAO

***“The CAO actively monitors department and program budgets on a quarterly basis. Department directors and fiscal managers are frequently cautioned on the importance and responsibility of staying within budget. Fiscal Year 2008 proved to be a trying year as revenues had declined and steps were taken to ensure that total expenditures remained within available resources. As a result, program expenditures were monitored more closely than ever before. In some instances, there were programs the administration knew would spend beyond the existing appropriation for reasons that were beyond the control of the department director or fiscal manager. The administration identified these programs and worked with the departments to minimize the over expenditure as much as possible without having an adverse impact on city services. Steps were also taken to ensure adequate resources were available and in place to cover the over expenditure and appropriation adjustments, if required, were submitted for council approval as part of the year-end cleanup process.*”**

“The CAO also wants to assure that no department director or fiscal manager has willfully or negligently overspent their total appropriations or available resources. If this were to occur disciplinary action would be strictly enforced per Administrative Instruction No. 2-20.”

UNDERSPENT PROGRAMS

In FY08, City Administration managed general fund revenue shortfalls by meeting with departments to identify savings opportunities and positions to hold vacant. OMB staff began daily reviews of purchase requisitions as part of the approval process of the contract management system, resulting in greater fiscal control of expenditures. The City was able to close a \$19.5 million revenue shortfall by reverting \$24.3 million in general fund appropriations.

There were 45 general fund and 28 other operating fund programs that were underspent by more than \$100,000 or 5%. These programs are highlighted in gray on the attached Tables A & B.

There were nine general fund and four other operating programs whose underexpenditures exceeded \$500,000 and 10% of the approved budget. These programs are highlighted in blue on the attached Tables A & B.

Fund	Program	Program Name	Appropriations	Actual Expenditures	Variance	%
110	77421	Early Retirement	\$ 7,000,000	\$ 6,253,947	\$ 746,053	11%
110	77545	Metropolitan Detention Center	9,000,000	6,700,000	2,300,000	26%
110	23510	CIP BioPark	2,016,000	859,087	1,156,913	57%
110	25506	Information Services	11,601,000	10,395,083	1,205,917	10%
110	27521	Logistics	4,223,000	3,307,327	915,673	22%
110	24522	Street CIP/Trans. Infrastructure Tax	2,993,000	2,421,782	571,218	19%
110	49506	Community Revitalization	4,376,000	2,148,831	2,227,169	51%
110	51502	Investigative Services	22,090,000	19,707,365	2,382,635	11%
110	51512	Family Advocacy Center	5,011,000	4,450,843	560,157	11%
210	27508	State Fire Fund	1,372,000	773,685	598,315	44%

290	26507	City/County Building	3,934,000	3,004,459	929,541	24%
645	64520	Transfer to Sales Tax Ref D/S Fund 405	3,354,000	2,582,497	771,503	23%
705	33541	Worker's Compensation	10,885,000	8,329,735	2,555,265	23%

The follow explanations are provided for these programs.

GENERAL FUND PROGRAMS

Program 77421 and 77545 – *City Support Functions – Early Retirement and Metropolitan Detention Center* programs underspent by \$746,000 (11%) and \$2,300,000 (26%), respectively.

The appropriation for *Early Retirement* was based on an estimate of how many employees retire in the fiscal year. In FY08, the estimate resulted in an underexpenditure. For FY09 the appropriation was decreased by \$275,000 to \$6,725,000.

Metropolitan Detention Center underspent due to an agreement between the City and Bernalillo County to decrease the payment amount to Bernalillo County.

Program 23510 – *Cultural Services Department – CIP Biopark* underspent its \$2,016,000 budget by \$1,156,913 (57%). The underexpenditure was due to unfilled temporary positions. Management reported that the temporary positions were not filled because various projects did not start until FY09.

Program 25506 – *DFAS – Information Services* program underspent its budget of \$11,601,000 by \$1,205,917 (10%). The primary cause of the underexpenditures was salary savings. Management reported that in the FY09 budget, approximately 20 vacant positions were cut because of their inability to fill these technical positions. Approximately \$700,000 was reclassified to contractual services with the remainder not funded in FY09.

Program 27521 – *Albuquerque Fire Department (AFD) – Logistics* underspent its budget of \$4,233,000 by \$915,673 or 22%. The underexpenditure in this program was primarily due to an outstanding end of year Automotive Equipment encumbrance of \$904,154. This encumbrance was reappropriated and expensed in FY09.

Program 24522 – DMD – Street CIP/Transportation Infrastructure Tax underspent its budget of \$2,993,000 by \$571,218 or 19%. The primary cause of the underexpenditure was salary savings. Management reported that there were various vacancies in the Traffic Engineering, Street Maintenance, and Construction Divisions.

Program 49506 - Planning Department – Community Revitalization program underspent its budget of \$4,376,000 by \$2,227,169 or 51%. The underexpenditure was caused by approximately \$298,000 in salary savings from six vacant positions, and approximately \$1,900,000 in contractual services for various sector and redevelopment plans. \$675,000 of contractual services encumbrances were reappropriated in FY09.

Programs 51502 and 51512 – APD – Investigative Services and Family Advocacy Center programs underspent by \$2,382,635 (11%) and \$560,157 (11%), respectively.

The underexpenditure in *Investigative Services* was primarily the result of unfilled vacant positions throughout the fiscal year. Management reported that when staffing levels for sworn personnel was below the budgeted 1,100 officers, greater emphasis was placed in ensuring existing sworn personnel were on the streets and within the Neighborhood Policing program to provide adequate public safety.

In the *Family Advocacy Center* program, the underexpenditure was primarily a result of sworn personnel being budgeted in this program but deployed within Neighborhood Policing in order to provide direct officer support.

OTHER OPERATING PROGRAMS

Program 27521 – AFD – State Fire Fund program in the State Fire Fund 210 underspent its budget of \$1,372,000 by \$598,315 or 44%. The underexpenditure in this program was primarily due to an outstanding end of year encumbrance of \$340,300 for the Fire Academy construction and underexpenditures in the capital outlay line item. The encumbrance was reappropriated and expensed in FY09. Management reported that the department underspent in this program in anticipation for Fire Academy move in expenses that would be incurred in FY09 rather than in FY08.

Programs 26507 and 64520 – DMD – City/County Building, in the City/County Building Operating Fund 290 and *Transfer to Sales Tax Refunding Debt Service Fund* in the Parking Facility Revenue Bond Debt Service Fund programs underspent by \$929,541 (24%) and \$771,503 (23%), respectively.

In *City/County Building*, the underexpenditure was primarily caused by an elevator repair purchase order with an encumbrance of \$855,840 that was encumbered at the end of FY08 and was reappropriated in FY09. Salary savings also contributed to the underexpenditure in this program.

In *Transfer to Sales Tax Refunding Debt Service Fund*, the underexpenditure was caused by the debt service amount actually paid being less than the appropriation. The debt service paid was based on variable rate bonds and the interest rate on these bonds was lower than expected when the appropriation was budgeted.

Program 33541 - DFAS – Workers' Compensation program in the Risk Management Fund 705 underspent its \$10,885,000 budget by \$2,555,265 (23%). The claims payment line item is the reason for the underexpenditure in this program as actual claims were less than the amount budgeted. Workers' compensation claims expenses are difficult to predict given the uncertainty in the number and value of the claims filed.

CONCLUSION

OIAI believes the recommendations noted above will help the City ensure expenditures do not exceed budgeted amounts and appropriations will accurately be reported in the CAFR.

OIAI appreciates the cooperation of all City employees contacted during the audit.

Budget Auditor

REVIEWED:

Audit Manager

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

Carmen Kavelman, CPA, CISA, CGAP
Director
Office of Internal Audit & Investigations

Chairperson, Accountability in Government
Oversight Committee