



## **AUDIT OF AVIATION CAPITAL PROJECTS**

*Overall, the Aviation Department properly managed and administered its capital projects and related activities. Controls implemented provided reasonable assurance that (1) the status of capital projects is properly reflected in City's records; (2) contracts for selected capital projects are properly awarded, executed, and monitored; and (3) disbursements relating to selected capital projects were authorized, appropriate, timely, supported, accounted for, and in accordance with policies, procedures, and contractual terms.*

**Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP**  
City Auditor

### **HIGHLIGHTS**

Highlights of City Auditor Report #1308, a report to the City Commission and City management

#### **WHY THIS AUDIT WAS CONDUCTED**

This audit was conducted to determine whether (1) the reported status of active Aviation Department capital projects (projects) was reasonable; (2) contracts for selected projects were competitively awarded and properly executed; (3) disbursements for selected projects were authorized, appropriate, accurate, timely, and supported; (4) contract and other project activities were properly and adequately monitored by Aviation Department staff; and (5) completed projects were properly and timely capitalized in City records. The audit addressed the status and activity of selected aviation capital projects during the period covering fiscal years (FYs) 2009 through 2012. Specific activities reviewed included reported status of active capital projects, selection of vendors, award and execution of contracts, disbursements, and project monitoring and oversight. The audit also determined whether selected completed capital projects were properly and timely capitalized in the City's fixed asset records.

#### **WHAT WE RECOMMENDED**

To improve the Aviation Department capital project operations, we recommended management enhance procedures such that:

- Retainage is withheld on non-federally funded construction contracts in amounts that are in accordance with applicable State statutes.
- Justification is properly documented for not assessing liquidated damages when contracted construction work is not completed by contractually established due dates.
- Debarment/suspension certifications are required from all entities awarded aviation capital project contracts that are funded, in whole or in part, by Federal grant funds.
- All completed Aviation Department capital projects are properly and timely capitalized in the City's fixed asset records.

Management established an action plan that addresses the identified issues.

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#### **WHAT WE CONCLUDED**

During the period FY 2009 through January 2012, the City expended \$23.8 million on 47 aviation capital projects. During that period, 56 aviation capital projects were closed (completed). Amounts expended over the life of those 56 completed projects totaled \$18.3 million.

We found Aviation Department capital projects were generally properly and adequately managed and administered. Controls implemented provided reasonable assurance that the status of Aviation Department capital projects was reasonable and properly reflected in the City's records. Contracts for selected capital projects were competitively awarded and executed in accordance with controlling policies, procedures, regulations, and good business practices. Selected capital project activities (primarily disbursements) were authorized, appropriate, timely, supported, accounted for, and in compliance with controlling policies, procedures, regulations, and contractual terms. Additionally, monitoring and oversight by the Aviation Department were generally proper and adequate. Issues were identified for which enhancements were recommended. Those issues related to the following:

- Withholding retainage on non-federally funded construction contracts in amounts provided by State statutes.
- Documenting justification for not assessing liquidated damages when contracted construction work is not completed by contractually established due dates.
- Enhancing current procedures to ensure debarment/suspension certifications are obtained from all entities awarded aviation capital project contracts that are funded, in whole or in part, by Federal grant funds.
- Enhancing procedures to ensure the proper and timely capitalization of applicable completed aviation capital projects in the City's fixed asset records.

We would like to thank the staff of the Aviation Department and applicable staff of Accounting Services and Procurement Services for their full cooperation and support during this audit.

# Audit Report



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## Aviation Capital Projects

Report #1308

March 21, 2013

### Summary

*This audit evaluated the Aviation Department's management and administration of capital projects. Activity covering fiscal years 2009 through 2012 was reviewed. Overall, we found management and administration of aviation capital projects was appropriate and adequate. A few issues were identified for which improvements and enhancements are recommended.*

This audit showed the Aviation Department properly and adequately managed and administered aviation capital projects and related activities. Specifically, we found (1) the reported status of capital projects was reasonable; (2) contracts for selected capital projects were competitively awarded and executed in accordance with controlling policies, procedures, regulations, and good business practices; (3) selected capital project activities (primarily disbursements) were authorized, appropriate, timely, supported, accounted for, and in compliance with controlling policies, procedures, regulations, and contractual terms; and (4) contract activities were properly and adequately monitored by Aviation Department staff.

Issues were identified for which recommendations for improvements are made. Those issues included:

- Retainage should be withheld on non-federally funded construction contracts in amounts provided by State statutes.
- The Aviation Department should document its justification for not assessing liquidated damages when contracted construction work is not completed by contractually established due dates.
- Current procedures should be enhanced to require debarment/suspension certifications from entities awarded aviation capital project contracts that are funded, in whole or in part, by Federal grant funds.
- Procedures should be enhanced to ensure the proper capitalization of all applicable completed aviation capital projects in the City's fixed asset records.

Actions to address the above issues have been identified and developed in conjunction with Aviation Department, Accounting Services, and Procurement Services management. We would like to acknowledge the full and complete cooperation and support of Aviation Department, Accounting Services, and Procurement Services staffs during this audit.

### Scope, Objectives, and Methodology

This audit reviewed the status and activity of selected Aviation Department capital projects. Reviewed activity included (but was not limited to) selection of vendors, award and execution of contracts, and disbursements of funds during the four-year period fiscal year (FY) 2009 through FY 2012.

Our audit objectives were to determine (1) the reasonableness of the reported status of open (active) capital projects; (2) whether contracts for selected capital projects were competitively awarded and executed in accordance with controlling policies, procedures, regulations, and good business practices; (3) whether selected capital project activities (primarily disbursements) were authorized, appropriate, timely, adequately supported, accounted for, and in compliance with controlling policies, procedures, regulations, and contractual terms; (4) whether Aviation Department staff properly and adequately monitored capital project activities; and (5) whether completed capital projects were properly and timely capitalized in the City's fixed asset records.

To complete the stated objectives we interviewed knowledgeable staff and obtained and analyzed various records and reports relating to Aviation Department capital projects. We sampled active and closed capital projects. For sampled projects we reviewed selection of vendors, execution of contracts, disbursement of funds, and Aviation Department monitoring and oversight activities. We also observed work-in-progress as well as completed activities.

We conducted this audit in accordance 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 our findings and conclusions based on our audit objectives.

**Background**

**Overview.** The Aviation Department is charged with responsibility for administration and operation of the City-owned regional airport. Part of that responsibility includes administration and management of Capital Improvement Projects (capital projects) established to improve and/or rehabilitate airport facilities. Some of the capital improvements and rehabilitations are to address general renovation, maintenance, and development needs. However, a significant amount of aviation capital projects are established to meet Federal Aviation Administration (FAA) and State of Florida mandates and requirements. Approximately 60 percent of the funding for current aviation capital projects comes from Federal and State grants.

Pursuant to City Commission Policy 218, “Capital Projects Management,” the Aviation Department is responsible for facilitation and oversight of capital projects established to benefit the City-owned airport. Those responsibilities include, but are not limited to, establishing design and construction schedules, budget oversight, and ensuring all aspects of their projects comply with applicable City, State, and Federal policies and requirements. The Aviation Department is comprised of six divisions, for which five (Management, Finance and Administration, Facilities Management, Operations, and Capital Projects) share responsibilities in the administration and oversight of Aviation Department capital projects. Collectively, these five divisions are responsible for the planning, design, execution, and successful/timely completion of aviation capital projects.

**Active Capital Projects.** City Commission Policy 218 defines a capital project as a project that is at least \$50,000 in scope, has a life span of over five years, and is construction related or otherwise results in improving the City’s infrastructure. As shown in Table 1, we identified 47 active capital projects pertaining to the City’s airport as of the start of our audit in January 2012. As also shown in Table 1, approximately \$81 million was appropriated and budgeted for those 47 projects, of which approximately \$38 million had been expended as of that date.

<b>Table 1 Aviation Active Capital Project Activity Summary As of Mid-January 2012</b>	
Total Active Projects:	47
<b>Projects Funding Status</b>	
	<b>Total</b>
Appropriated (Budgeted)	\$80,995,873
Expended	\$38,037,362
Encumbered (See Note 1)	\$16,377,375
Appropriated Balance not yet expended or encumbered	\$26,581,136
Note 1 – Encumbrances represent amounts committed for goods and services not yet received.	

Of the approximately \$38 million already expended on the 47 projects, \$23,873,310 was spent during the period FY 2009 through FY 2012 (i.e., as of January 2012) as shown in Table 2 below.

<b>Table 2 Aviation Capital Project Expenditure Summary FY 2009 through Mid-January 2012</b>	
<b>Fiscal Year</b>	<b>Amount</b>
2009	\$3,725,282
2010	\$9,046,862
2011	\$8,812,772
2012 – as of January 2012	\$2,288,394
<b>Total</b>	<b>\$23,873,310</b>

**Closed Capital Projects.** In addition to the 47 open (i.e., still active) capital projects as of January 2012, we identified 56 aviation capital projects that were closed (e.g., completed) during the period FY 2009 through mid-January 2012. Amounts expended on those 56 projects totaled \$18.3 million.

**Audit Procedures.** For the active and closed capital projects selected for review, we completed analytical procedures, selected samples, and applied test criteria designed to address our stated audit objectives. An overview of the testing performed for each of the reviewed active and closed projects, as well as the resultant findings, are noted in the following sections of this report.

**Active Capital Projects**

As explained in the background section of this report, we identified 47 active aviation capital projects. We reviewed the status of each of those 47 projects with

Aviation Department management and staff. Based on that review, we found the reported statuses (e.g., active and in progress, with several near completion) for those projects to be reasonable.

We also selected three of those 47 projects for detailed review and analysis of project activities and disbursements. Information for those three selected projects is shown below in Table 3 and the subsequent paragraphs.

Project	Appropriated/ Budgeted Funds	Project Expenditures as of mid- May 2012	Total Expenditures Selected and Tested
Parking Facility Improvements	\$3,830,000	\$3,793,924	\$2,527,119
Runway 18/36 Extension	\$22,800,000	\$7,037,558	\$5,960,360
Terminal Water Intrusion Improvements	\$3,762,000	\$3,753,137	\$3,705,733
<b>Total</b>	<b>\$30,392,000</b>	<b>\$14,584,619</b>	<b>\$12,193,212</b>

Parking Facility Improvements – This project completely rehabilitates deteriorated pavement, improves stormwater flow, enhances landscaping, and improves lighting at the airport parking lots. This project also added a cell phone parking lot. This project was funded jointly by Airport replacement, repair, and improvement (RRI) funds and a grant from the Florida Department of Transportation.

Runway 18/36 Extension – This project rehabilitates and extends the airport’s north-south runway. These improvements are required to allow continued access to the City’s airport during subsequent reconstruction of the airport’s east-west runway (a separate planned major capital project). This project is funded primarily from FAA and Florida Department of Transportation grants.

Terminal Water Intrusion Improvements – This project replaced the roof, repaired and rehabilitated the outside stucco and brickwork, and sealed areas (e.g., windows and vents) to make the airport terminal water tight. This project was funded from a combination of FAA, Florida Department of Transportation, and City funds.

For each of the three selected projects we developed and applied audit criteria to ascertain whether:

- Evidence was available to show the project was reasonable and that the project was properly authorized and budgeted.
- Appropriate competitive acquisition procedures were followed in the procurement of goods and services (contractual and non-contractual).
- Adequate and complete contractual agreements were properly prepared and executed when applicable and appropriate.
- Project disbursements were authorized, appropriate, correct, supported, properly recorded, and otherwise in accordance with controlling contractual terms and conditions, grant agreements, and good business practices.
- Aviation Department management and staff properly and adequately monitored and oversaw project activity to ensure construction specifications and requirements were met, the project progressed on a timely basis, and project deliverables were received as applicable.

Overall, for the three reviewed projects we found (1) the projects were reasonable and properly authorized and budgeted; (2) appropriate competitive acquisition procedures were used in the procurement of goods and services; (3) adequate and complete contracts were properly executed with vendors when applicable; (4) activities and disbursements were authorized, appropriate, timely, accounted for, adequately supported, and in accordance with controlling policies, procedures, regulations, contractual terms, and grant agreements; and (5) Aviation Department management properly and adequately monitored and administered project activities. However, as described in the following paragraphs, a few issues were identified for which enhancements are recommended.

**Procedures for withholding retainage on construction contracts that are not funded through Federal grant funds should be revised to comply with the State of Florida statutory retainage requirements.**

Retainage represents the portion of funds earned by a vendor (contractor) in a construction contract that are withheld by the contracting entity (e.g., City) until a later stage of the construction project. Such withholding of designated percentages of payments due contractors for work completed on construction contracts is a standard industry practice. Withheld amounts (i.e., retainage) are generally released (paid) to the contractor upon final completion of all work and deliverables. The practice not only provides financial protection to the entity (e.g., City) hiring the contractor, but also provides an incentive for the contractor to properly and timely complete performance of remaining work.

A significant portion of aviation capital projects are funded (in whole or in part) through Federal funds. Specifically, 10 of the 47 active aviation projects were funded, at least in part, through Federal grants. The Federal funds projected to be provided for those 10 projects represent approximately 32 percent of the total funding for all 47 projects (i.e., federally funded projects are relatively larger projects). Construction projects funded with Federal grant funds are subject to retainage requirements established by Federal grantor laws and regulations. Those regulations generally allow for retainage to be withheld at a rate of 10 percent from each progress payment.

Those aviation capital projects not funded through Federal grant funds are subject to retainage requirements established by state statute. Specifically, Sections 218.735 and 255.078, Florida Statutes, establish requirements for public entities (including the City) regarding withholding retainage from payments to contractors for construction contracts not funded through Federal grant funds. The statutes provide that public entities may withhold retainage at a rate not exceeding 10 percent from each progress payment made to a contractor, until the project is considered 50 percent completed. After 50 percent of the construction work is complete (and there are no disputes or claims), the statutes provide that retainage withheld from subsequent progress payments to the contractor be reduced to no more than 5 percent of those payments. Upon successful completion of the project and receipt of all deliverables, the retainage is to be released (paid) to the contractor. As previously noted, two of the three reviewed sampled projects were partly funded by FAA grants. Accordingly, those two capital projects were not subject to retainage requirements established by Sections 218.735 and 255.078, Florida Statutes. However, the remaining reviewed project, Parking Facility Improvements, was not federally funded and therefore was subject to the noted statutory provisions. As noted in Table 3 of this report, at the time of our review, \$3.83 million had been appropriated and \$3.79 million expended on this project. Some contract payments under that project were made to Dixie Paving & Grading Company for the construction of the airport cell phone parking lot. In reviewing progress payments to that contractor, we found the Aviation Department withheld retainage at the rate of 10 percent from each progress payment until the project was 100 percent completed (i.e., even after more than 50 percent of the work had been completed). That payment practice was contrary to the noted statutory retainage provisions requiring that the rate of percentage withheld for retainage be reduced

from 10 percent to no more than five percent after the contract work is 50 percent completed.

This issue was also identified for another City department in a recent separate audit conducted by the City Auditor's Office (Audit of Stormwater Activity, Report #1302). In response to that audit, the City's Procurement Services Office notified each of its procurement agents of the State statutory retainage requirements and provided those agents with appropriate language for future construction bids and contracts.

In response to our inquiries on this matter, Aviation Department staff indicated that they had not been aware of the State statutory retainage requirement providing for a reduction of the retainage rate to no more than five percent after an applicable project is 50 percent complete. As a significant portion of aviation capital projects are federally funded, they have followed Federal requirements as to retainage. They indicated efforts will be made to revise processes to ensure future compliance with the noted statutory retainage provisions for those projects that are not federally funded. We recommend those revisions be made.

**The Aviation Department should document its justification for not assessing liquidated damages when contracted construction work is not completed by contractually established due dates.** In accordance with industry practice, City construction contracts establish prescribed periods for the applicable construction work to be completed. In the event the work is not completed within that period, contractual terms provide that the City may assess the contractor liquidated damages (e.g., \$1,000 per day for each day work continues beyond the established due date).

For two construction contracts reviewed during this audit, the related construction work was not completed by the respective contractors within the contractually-prescribed periods. Specifically, for the Parking Facility Improvements Project, the construction work was approved to start April 26, 2010, and was to be completed by November 22, 2010 (i.e., based on the City's official Notice to Proceed). Three separate change orders were approved for this work, but no additional work days were provided based on the nature of those change orders (i.e., the initially-established due date was not extended). Based on the final invoice, the construction work was not completed until March 1, 2011; or 99 days after the due date. Similarly, for the Terminal Water Intrusion Improvements Project the work was not completed until 243 days after the date of completion established by the initial contract and applicable change order (i.e., one change order extended the initial completion date by 15 days).

In each of these instances, liquidated damages were assessable in the event the delays in completion were attributable to the contractor. However, no liquidated damages were assessed in either instance. In response to our inquiry on this matter, the Aviation Department indicated the completion of the projects beyond the contractually-established due dates was not attributable to the contractors but to other events, such as weather delays, disputes involving subcontractors, and delays resulting from City decisions and intervention. To clearly demonstrate and justify managerial decisions, we recommend the Aviation Department document its decisions to charge or not charge liquidated damages in future instances that contracted construction work is not completed by contractually-established due dates. Appropriate reasons (e.g., number of weather delays, subcontractor disputes, and/or City interventions) should be documented as part of that process.

**Current procedures should be enhanced to require appropriate debarment/suspension certifications from all entities awarded capital project contracts that are funded (in whole or in part) by Federal grant funds.**

To help curb fraud, waste, and abuse in contracts involving Federal funds, the Federal Government maintains a public list of entities that are prohibited from contracting for Federal funds. Any entity, such as the City, that receives and awards Federal grant funds to other entities through contracts should ensure the contracted entities are not on that list of debarred/suspended entities. The City is prohibited from executing a contract (involving Federal funds) with any entity on that list.

In accordance with the Federal debarment/suspension requirement, we found the Aviation Department required contractors for three separate capital project contracts involving Federal funds to provide a signed certification that they (contracted entities) were not currently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in the contract by any Federal department or agency. Additionally, the contracted entities certified they would ensure none of their subcontracted entities were debarred or suspended. However, no such certifications were required or obtained by the Aviation Department for two other capital project contracts involving Federal funds (i.e., contracts for consulting engineering/architectural services for the Runway 18/36 Extension Project and Terminal Water Intrusion Improvement Project). In response to our inquiry, Aviation Department staff indicated they did not independently ensure potential contractors were not included on the Federal list of debarred and suspended entities. Notwithstanding that response, our independent review showed those two

contractors that did not provide certifications, as well as the other three contractors that provided certifications, were not included on the Federal list of debarred and suspended entities.

Because of their role in assisting City departments in major acquisitions and procurement of vendors (contractors) for construction and other services, this matter was discussed with DMA Procurement Services. Based on those discussions, a determination was made that it would be efficient for Procurement Services, on behalf of all City departments, to develop and provide a standard form to be used when Federal funds are involved in City contracts. That form would be provided to prospective contractors (e.g., entities providing proposals or bids) and/or actual contractors (e.g., in the event proposals or bids are not solicited) and require them to certify they are not currently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation by any Federal department or agency. Furthermore, it was determined that it would be efficient for Procurement Services, on behalf of all City departments, to use the available Federal website to verify, prior to contract execution, that contracted entities (involving Federal funds) are not included on the Federal Government's public list of debarred and suspended entities. We recommend these procedures be adopted and implemented.

### ***Completed Capital Projects***

As previously noted, one of our audit objectives was to determine whether applicable completed capital projects were properly and timely capitalized in the City's fixed asset records. Capital projects that should be capitalized are those that result in new infrastructure (e.g., roads, buildings, runways, bridges, sidewalks, etc.) or significantly improve and/or increase the remaining life of such infrastructure. Capital projects that primarily involve maintenance and repairs generally should not be capitalized. Capitalization of a completed project means the applicable infrastructure (or improvement/addition thereto) is recorded as an asset in the City's fixed asset records at the cost of construction (or improvement and rehabilitation if an existing infrastructure asset).

Of the 56 aviation capital projects that were closed (e.g., completed) during the period FY 2009 through mid-January 2012, a determination was made that 13 met the criteria for capitalization. To complete our audit objective, we judgmentally selected five of those 13 aviation capital projects and determined if the applicable infrastructure and costs had been properly capitalized. While three of those five projects were properly

capitalized, two were not capitalized as explained in the subsequent paragraphs.

**Procedures should be revised to ensure the proper capitalization of all applicable completed aviation capital projects in the City’s fixed asset records.**

Capitalization of completed capital projects requires a coordinated effort between the City department managing and administering the project (i.e., Aviation Department) and DMA Accounting Services. Specifically, the managing/administering department must record all applicable activity (transactions and dates, including completion or closure dates) in the project records within the City’s accounting system. Upon completion of applicable projects, the managing/administering department is responsible for notifying Accounting Services that the project is completed and ready for capitalization. Accounting Services is responsible for recording the applicable infrastructure (or improvement/addition thereto) in the City’s fixed asset records based on the information provided by the managing/administering department.

Our review of five selected completed aviation capital projects showed three were properly capitalized in the City’s fixed asset records. The capitalized value of those three projects totaled \$294,865. However, the remaining two projects (or applicable portions thereof) were not capitalized. Amounts expended on those two completed projects totaled \$2,189,226. Those two projects are described in Table 4.

<b>Project Name and Description (Note 1)</b>	<b>Amount Expended for project</b>
1 Terminal Service Road Improvements – Provided direct access road from the north end of the general aviation area to the west end of the main terminal, interconnected landside facilities, improved access to the air cargo complex, and improved access from Capital Circle.	\$669,099
2 Commercial Runway/Taxiway Erosion Controls – Construction of stormwater conveyances and replenishment of erosion control material.	\$1,520,127
<b>Total</b>	<b>\$2,189,226</b>
NOTE 1: Project 1 was closed in March 2009 and Project 2 was closed in September 2009.	

In response to our inquiry, Aviation Department staff indicated they were not aware they should have provided Accounting Services the description and cost information needed to capitalize these two projects. Aviation Department staff further indicated their understanding was that, once the project was identified (coded) as completed within the PeopleSoft Financials System, no further action was needed (by the Aviation Department) until Accounting Services requested applicable information.

On the other hand, Accounting Services indicated it was their intent, based on current written procedures (i.e., Administrative Policies and Procedures Manual 662), for applicable City departments to not only code projects as completed within the PeopleSoft Financial Systems, but to also notify (at the time of completion) and provide Accounting Services with necessary information to properly capitalize the completed project in the City’s fixed asset records (i.e., without Accounting Services having to request the information). Our review of Administrative Policies and Procedures Manual (APP) 662 showed that procedural language does not clearly require City departments to timely notify and provide appropriate information to Accounting Services when capital projects are completed.

In their audit of the City’s financial statements for FY 2008, the City’s external auditors reported a similar issue. Specifically, in their Schedule of Findings and Questioned Costs for Federal and State Financial Assistance, the external auditors reported certain land and vehicle acquisitions were not properly reported as capital assets in the year of acquisition. In response to that finding, the City concurred and indicated that Accounting Services would develop procedures to review all fixed asset accounts to ensure all capital asset transactions (e.g., includes capital project transactions) are properly recorded. Notwithstanding, Accounting Services had not identified the above projects for capitalization.

To ensure applicable aviation infrastructure is properly reflected in the City’s fixed asset records, we recommend DMA revise APP 662 to clearly require City departments to timely notify and provide appropriate information to ensure timely capitalization of completed projects. DMA should ensure applicable City departments are made aware of those revisions and requirements. Based on those revised/clarified procedures, we also recommend Aviation Department management review aviation capital project activity on an ongoing basis and timely provide Accounting Services necessary information for capitalization of applicable completed projects

Furthermore, as additional assurance that applicable assets and infrastructure are properly and timely capitalized in the City's fixed asset records, we also recommend Accounting Services review capital project transactions of the Aviation Department (and other City departments) to ensure assets and infrastructure resulting from completed capital projects are properly and timely recorded in the City's fixed asset records. Specifically, Accounting Services should take steps to identify capital projects flagged as completed by staff within administering City departments and, for applicable projects, ensure those departments have provided appropriate information to allow Accounting Services to capitalize the applicable assets (costs) in the City's fixed asset records.

### ***Conclusion***

We found Aviation Department capital projects were generally properly managed and administered. Controls implemented provided reasonable assurance that (1) the status of aviation capital projects was properly reflected in the City's records; (2) contracts for selected capital projects were competitively awarded and executed in accordance with controlling policies, procedures, regulations, and good business practices; (3) selected capital project activities (primarily disbursements) were authorized, appropriate, timely, supported, accounted for, and in compliance with controlling policies, procedures, regulations, and contractual terms; and (4) contract activities were properly and adequately monitored by Aviation Department staff. Issues were identified that indicated the need for enhancements and improvements. Recommendations to address those issues included:

- Ensuring retainage withheld on non-federally funded construction contracts is in accordance with State statutes.

- Documenting of record department justification for not assessing liquidated damages when contracted construction work is not completed by contractually established due dates.
- Enhancing current procedures to require debarment/suspension certifications from entities awarded aviation capital project contracts that are funded, in whole or in part, by Federal grant funds.
- Enhancing procedures to ensure the proper capitalization of all applicable completed aviation capital projects in the City's fixed asset records.

Action plan steps to address identified issues were developed in conjunction with management.

We would like to acknowledge the full and complete cooperation and support of applicable Aviation Department, Accounting Services, and Procurement Services staffs during this audit.

### ***Appointed Official's Response***

#### **City Manager:**

I am pleased that the City Auditor's audit of Aviation Capital Projects found that overall the projects and related activities were administered appropriately and adequately. The proper administration and management of the Aviation Capital Program, which is largely funded through Federal Aviation Administration, Florida Department of Transportation and other government grants, is essential for the safe, secure, efficient and environmentally sustainable operation of Tallahassee Regional Airport. I would like to thank the City Auditor's Office for its recommendations.

Copies of this Audit Report #1308 may be obtained from the City Auditor's web site (<http://www.talgov.com/auditing/auditreports.cfm>), 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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### Appendix A – Management’s Action Plan

Action Steps	Responsible Employee	Target Date
<b>A. Objective: Ensure proper execution and implementation of contractual agreements</b>		
1. For all contracts involving Federal funds, Procurement Services will require contracting entities to certify they are not currently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation by any Federal department or agency. Entities will be required to provide the certification prior to execution of a contract with the City.	Edwin Rodriguez	12/31/13
2. For contracts involving Federal funds, Procurement Services staff will use a Federal government website to verify prospective vendors (and their subcontractors) are not debarred or suspended by any Federal agencies.	Edwin Rodriguez	12/31/13
<b>B. Objective: Ensure retainage withheld on payments is in accordance with State Statutes</b>		
1. Aviation management will reduce retainage withheld on non-federally funded construction contract payments from 10 percent to five percent when contractual work is at (or above) 50 percent completion.	Director of Aviation – Sunil Harman	5/31/13
<b>C. Objective: Ensure work is timely completed</b>		
1. Aviation management will document its justification for assessing or not assessing liquidation damages in those instances where contracted work is not completed by the contractually-established due dates.	Director of Aviation – Sunil Harman	5/31/13
<b>D. Objective: Ensure completed/closed capital projects are timely and properly capitalized</b>		
1. Accounting Services will capitalize the two closed projects identified by this audit as not capitalized – Terminal Service Road Improvements (Project #00027) and Commercial Runway/Taxiway Erosion Control (Project #04001) projects.	Rebecca Scarano	4/30/13
2. Aviation management will develop and implement internal procedures to timely and properly notify Accounting Services of aviation capital projects that should be capitalized.	Manager of Airport Finance & Accounting – Patsy Capps	7/31/13
3. Accounting Services will periodically identify completed capital projects within the City’s PeopleSoft Financial Systems and, for those projects flagged to be capitalized, ensure the administering departments have provided appropriate information to allow capitalization of the applicable assets (costs) in the City’s fixed asset records.	Rebecca Scarano	6/30/13
4. DMA will revise language in APP 662 to clarify that City departments are responsible for timely notification to Accounting Services upon completion of a capital project. Those revisions will specify the information that should be provided, along with the notification, to allow proper capitalization in the City’s fixed asset records.	Rebecca Scarano	6/30/13