

AUDIT TEAM

Jim Williamson, CPA, CIA, City Auditor

Matt Weller, CPA, Assistant City Auditor

Brett Rangel, MS, CIA, Audit Manager

Pamela Martindale, MBA, Senior Auditor

**MAPS FOR KIDS AND MAPS 3
SALES TAX EXPENDITURES AUDIT**

12 MONTHS ENDED DECEMBER 31, 2014

MAYOR AND CITY COUNCIL

<i>Mick Cornett</i>	<i>Audit Committee, Mayor</i>
<i>James Greiner</i>	<i>Ward 1</i>
<i>Ed Shadid</i>	<i>Ward 2</i>
<i>Larry McAtee</i>	<i>Audit Committee, Ward 3</i>
<i>Pete White</i>	<i>Ward 4</i>
<i>David Greenwell</i>	<i>Audit Committee, Ward 5</i>
<i>Margaret S. "Meg" Salyer</i>	<i>Ward 6</i>
<i>John A. Pettis Jr.</i>	<i>Ward 7</i>
<i>Mark K. Stonecipher</i>	<i>Ward 8</i>



December 8, 2015

The Mayor and City Council:

The Office of the City Auditor has completed an audit of Oklahoma City Metropolitan Area Public Schools (MAPS for Kids) and Oklahoma City Capital Improvements (MAPS 3) Sales Tax Expenditures.

Based on the results of our audit, we believe that, during the 12 months ended December 31, 2014, management controls were adequate and effective to ensure MAPS for Kids and MAPS 3 sales tax expenditures materially complied with the ordinances establishing each respective tax, except for transfers from the MAPS 3 Sales Tax Fund to other City funds for public art and grant-related purchases. Although this opinion is limited to the stated period, some aspects of testing were extended beyond the audit period in order to fully quantify proposed reimbursements arising from errors identified during our audit. These reimbursements are summarized in the table below with references to related recommendations included in the attached report.

Summary of Reimbursements (in thousands)

As of June 30, 2015

Description (Recommendation Number)	Fund/Entity					
	MAPS 3	Special Purpose	Grants Mgmt	MAPS for Kids	IT Internal Service	I-89 District
Public art transfers (1)	\$1,690	(\$1,690)				
Grant matching transfers (3)	4,569		(\$4,569)			
Ineligible school expenditures (4 and 5)				\$76		(\$76)
Unknown computer disposition (6)				148		(148)
Misallocated IT charges (7)	(180)			180		
Unsupported IT charges (8)				124	(\$124)	
Totals	\$6,079	(\$1,690)	(\$4,569)	\$528	(\$124)	(\$224)

Additional recommendations identified during our audit and discussed in more detail in the attached report, are summarized as follows:

- Management should develop policies governing expenditures under the City’s 1% for Art ordinance minimally addressing such expenditures from restricted funding sources. See Recommendation 2.
- Management should continue pursuing written approval from the Federal granting agency to allow the \$4.55 million Intermodal Transportation Hub land purchase as a grant matching expenditure. See Recommendation 9.

EXECUTIVE SUMMARY: Audit Report 15-01

All comments, recommendations, suggestions and observations arising from our audit have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the content and emphasis of items in this report. Management responses are attached to this report in their entirety.


Jim Williamson
City Auditor


Matt Weller
Assistant City Auditor


Brett Rangel
Audit Manager

MAPS FOR KIDS AND MAPS 3 SALES TAX EXPENDITURES AUDIT

AUDIT OBJECTIVE

The objective of this audit was to determine the adequacy and effectiveness of controls ensuring the Oklahoma City Metropolitan Area Public Schools (MAPS for Kids) Sales Tax and the Oklahoma City Capital Improvements (MAPS 3) Sales Tax expenditures during the 12 months ended December 31, 2014, complied with the ordinances establishing each respective tax.

BACKGROUND, SCOPE & METHODOLOGY

The Oklahoma City MAPS Office was originally created to oversee the completion of nine Metropolitan Area Projects (MAPS) funded by a temporary dedicated one-cent sales tax passed in 1993. While overseen by the City Council, along with the Oklahoma City Metropolitan Area Public Schools Trust (OCMAPS Trust) and a Citizens Advisory Board, respectively, the MAPS Office is functionally responsible for administering the completion of MAPS for Kids and MAPS 3 projects funded by two subsequent temporary dedicated sales taxes¹. MAPS for Kids and MAPS 3 Sales Tax Fund expenditures for the 12 months ended December 31, 2014, totaled approximately \$27.7 million and \$36.5 million, respectively.

The MAPS for Kids sales tax was approved by voters in November 2001, to fund an estimated \$500 million of facility improvement, technology and transportation projects at schools attended by City-resident students. In anticipation of the sales tax, the City of Oklahoma City (City) created the OCMAPS Trust, consisting of members selected by the City Council and the Oklahoma City I-89 School District (I-89) Board of Education in August 2001.

Immediately after creation, the OCMAPS Trust entered a Memorandum of Understanding with the City and I-89 (2001 I-89 MOU). The 2001 I-89 MOU provided for the OCMAPS Trust, funded with 70% of the MAPS for Kids sales tax revenues,² to serve as Project Manager for both MAPS for Kids sales tax and 2002 I-89 General Obligation Bond (GO Bond) projects. In 2009, a similar agreement between the parties provided for the OCMAPS Trust to serve as Project Manager for 2007 I-89 GO Bond projects (2007 I-89 GO Bond Agreement).

The MAPS 3 sales tax was approved by voters in December 2009, for the purpose of providing City capital improvements. As outlined in the MAPS 3 Implementation Plan, these capital improvements consist of eight general projects with an estimated cost of \$777 million and an estimated completion timeline spanning 10-12 years.

¹ These special purpose sales taxes were levied for the period of January 1, 2002 through December 31, 2008 and for the period of April 1, 2010 through December 31, 2017 by City Ordinances 21,805 and 23,942, respectively.

² A separate agreement between the OCMAPS Trust, City and a collective group of suburban school districts attended by City-resident students governed the use of the remaining 30% of MAPS for Kids sales tax revenues.

Procedures performed during our audit included reviews of relevant City ordinances, agreements and implementation plans; review of procedures for allocating sales tax payments received from the State; consultation with the Municipal Counselor's Office regarding legal and contractual requirements; interviews with relevant department personnel regarding expenditure approval controls; analyses of MAPS for Kids and MAPS 3 sales tax fund expenditures, transfers and administrative costs; and reviews of documentation supporting related payments.

We did not audit the completeness of tax payments received from the State or the adequacy and effectiveness of controls relating to MAPS for Kids sales taxes allocated to or expended by suburban school districts with City-resident students.

We conducted this audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit 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.

The following section of this report includes recommendations intended to provide constructive suggestions for improving the administration of MAPS for Kids and MAPS 3 sales tax expenditures. Included in the body of this report are management responses to each recommendation. Management responses are attached to this report in their entirety.

RESULTS OF WORK PERFORMED

The results of our audit indicate that controls were adequate and effective to ensure MAPS for Kids and MAPS 3 sales tax expenditures during the 12 months ended December 31, 2014, materially complied with the ordinances establishing each respective tax, except for transfers from the MAPS 3 Sales Tax Fund to other City funds for public art and grant-related purchases.

MAPS 3 SALES TAX FUNDS TRANSFERRED INAPPROPRIATELY

Transfers of approximately \$1.68 million from the MAPS 3 Sales Tax Fund to the Special Purpose Fund for future purchases of public art do not comply with the State statute governing special purpose sales tax levies. Purchases in accordance with the 1% for Arts ordinance³ are permissible under the MAPS 3 sales tax ordinance. However, 68 O.S. § 2701(B) requires special purpose sales tax funds be kept in a separate fund created specifically for accumulation of such funds along with earned interest until spent. As of June 30, 2015, all of

³ City Ordinance 23,935 establishes the City's policy for budgeting 1% of construction costs relating to new or major renovations of buildings or park developments on public right-of-way or property owned by the City for art. The Ordinance provides that the funds be used exclusively for the art selection process, administration costs, artwork maintenance, and the purchase, transport, and installation of works of art and that funding sources restricted by law to be used under the ordinance be placed and spent in accordance with the limitations of the restricted funding source.

the public art transfers, along with an estimated \$9,600 of interest earnings, remained in the Special Purpose Fund.

Although the Planning Department is responsible for administering purchases of public art, the MAPS Office is responsible for approving all MAPS 3 Sales Tax Fund expenditures. A method for these purchases to be made by the Planning Department directly from the MAPS 3 Sales Tax Fund with MAPS Office approval has not been established. Further, examples of public art-related expenditures included within the broad categories of the 1% for Arts ordinance for the MAPS Office to use in determining the reasonableness of the purchases are not available. Therefore, the MAPS Office's ability to reasonably approve MAPS 3 Sales Tax Fund expenditures for public art purchases is limited.

RECOMMENDATION (1)

The MAPS Office should work with the Finance and Planning Departments to transfer the MAPS 3 sales tax funds and related interest earnings from the Special Purpose Fund back to the MAPS 3 Sales Tax Fund.

MAPS OFFICE RESPONSE (1)

The MAPS Office agrees. We will work with Finance and the Planning Department to transfer these funds back to the MAPS 3 Sales Tax Fund.

RECOMMENDATION (2)

The Planning Department (in coordination with the MAPS Office and the Public Works Department) should work with the Finance Department and the Municipal Counselor's Office to develop public art purchasing policies minimally addressing:

- Restricted funding sources which may be used for public art purchases.
- How public art purchases directly from restricted funding sources (e.g., the MAPS 3 Sales Tax Fund) with approvals from those responsible for administering the restricted funds (e.g., the MAPS Office) will be processed.
- Examples of public art-related expenditures included within the broad categories of the 1% for Arts ordinance for use by those with restricted funding oversight responsibility (e.g., the MAPS Office) in determining purchase reasonableness, and
- Direction to seek advice from the Municipal Counselor's Office when compliance of a public art purchase with the ordinance is in question.

PLANNING DEPARTMENT RESPONSE (2)

Agree with recommendation. Within one year from this date, the Planning Department will initiate contact with the Finance Department and Municipal Counselor's Office to develop public art purchasing policies minimally addressing purchases from restricted funding sources as noted.

The transfer of approximately \$5.2 million⁴ from the MAPS 3 Sales Tax Fund to the Grants Management Fund to match Federal grant funding for the Intermodal Transportation Hub (Hub) does not comply with the State statute governing special sales tax levies. Expenditures for the Hub are permissible under the MAPS 3 sales tax ordinance. However, 68 O.S. § 2701(B) requires special sales tax funds be kept in a fund created specifically for accumulation of such funds along with earned interest until spent. As of June 30, 2015, the unexpended transfers totaling approximately \$4.55 million, along with approximately \$17,300 of interest earnings, remained in the Grants Management Fund.

Although the Public Works Department is responsible for administering the grant-related expenditures for the Hub, the MAPS Office is responsible for approving all MAPS 3 Sales Tax Fund expenditures. A method for the Public Works Department to request reimbursements for or process grant-related expenditures for the Hub directly from the MAPS 3 Sales Tax Fund with MAPS Office approval has not been established.

RECOMMENDATION (3)

The MAPS Office should work with the Finance and Public Works Departments to:

- Transfer the remaining unexpended MAPS 3 sales tax funds and related interest earnings from the Grants Management Fund back to the MAPS 3 Sales Tax Fund.
- Develop a method for the Public Works Department to request reimbursements or process direct grant-related expenditures for the Hub from the MAPS 3 Sales Tax Fund with approval by the MAPS Office.

MAPS OFFICE RESPONSE (3)

The MAPS Office will work to transfer the remaining funds back to the MAPS 3 fund and develop procedures to disburse the funds with approval by the MAPS Office.

⁴ An \$11.3 million funding commitment from the City was required by the grant agreement with the Federal Railroad Administration for the Hub portion of the Modern Streetcar/Transit project. The City is fulfilling \$9.75 million of this commitment with MAPS 3 sales tax funds. Approximately \$4.55 million of MAPS 3 sales tax funds were spent on land for the Hub prior to the \$5.2 million transfer to the Grants Management Fund. \$62,600 of the MAPS 3 sales tax funds transferred to the Grants Management Fund was for public art purchases addressed in the previous comment.

MAPS FOR KIDS SALES TAX EXPENDITURES FOR INELIGIBLE SCHOOLS

Estimated MAPS for Kids Sales Tax Fund incurred costs totaling approximately \$76,000 for project management at schools ineligible for MAPS for Kids sales tax funding (ineligible schools) were identified. In accordance with the 2001 I-89 MOU and 2007 I-89 GO Bond Agreement, the MAPS Office, with a program consultant and project management assistance from the Public Works Department, manages numerous tax- and bond-funded projects at I-89 schools. These project management costs are funded by the MAPS for Kids sales tax. The MAPS for Kids sales tax ordinance allows the sales tax to be expended for any school attended by City-resident students. Terms of the 2001 I-89 MOU identified four schools ineligible for MAPS for Kids sales tax funding⁵.

From January 1, 2012⁶ through June 30, 2015, MAPS for Kids Sales Tax Fund incurred project management costs for I-89 GO Bond projects at the ineligible schools totaled an estimated \$76,000. The project management costs are estimated because most of the expenditures relating to projects at the ineligible schools had not been recorded in distinct project codes and the cost of MAPS Office administrative efforts relating to the projects at the ineligible schools had not been identified or allocated.

RECOMMENDATION (4)

The MAPS Office should request reimbursement from I-89 for MAPS for Kids Sales Tax Fund costs incurred since January 1, 2012, for management of I-89 GO Bond projects at schools deemed ineligible for sales tax funding in the 2001 I-89 MOU.

MAPS OFFICE RESPONSE (4)

The MAPS Office will request reimbursement from I-89 for these costs upon completion of the audit.

RECOMMENDATION (5)

The MAPS Office should:

- Work with the Public Works Department and program consultant to ensure future project management costs for time spent on ineligible schools are recorded in distinct project codes.
- Develop a process to identify and allocate the cost of MAPS Office personnel time spent administering projects for ineligible schools.

⁵ Johnson Elementary and Ridgeview Elementary in The Village and Telstar Elementary and Willow Brook Elementary in Midwest City were the four schools identified as ineligible for MAPS for Kids sales tax funding.

⁶ MAPS for Kids Sales Tax Fund expenditures relating to management of 2007 I-89 GO Bond projects at ineligible schools began during calendar year 2012.

- Work with the Public Works Department, program consultant, Finance Department, and I-89 to ensure all future project management and administrative costs for ineligible schools are paid directly by I-89 or from a non-restricted funding source to be reimbursed by I-89.

MAPS OFFICE RESPONSE (5)

The MAPS Office will develop procedures and processes to ensure that ineligible costs are separately recorded and paid by the district or reimbursed by I-89 in a non-restricted fund.

We could not verify that 150 computers purchased with approximately \$148,000 of MAPS for Kids sales tax funding were delivered to eligible schools. The MAPS Office informed us of a reimbursement of approximately \$940,000 received from I-89 in 2011, which related to technology purchases for ineligible schools in 2010. While reviewing a subsequent \$2.4 million purchase of 2,453 computers, delivery to eligible schools was verified for all but 150 computers which were placed in storage. Documentation evidencing disposition of these 150 computers is not available.

RECOMMENDATION (6)

The MAPS Office should either work with I-89 to verify the 150 stored computers were delivered to schools eligible for MAPS for Kids sales tax funding or request reimbursement from I-89 for the cost of the computers.

MAPS OFFICE RESPONSE (6)

The MAPS Office has requested verification from I-89. Reimbursement will be requested if verification cannot be obtained.

UNSUPPORTED MAPS FOR KIDS SALES TAX FUND CHARGES

Information Technology Department (IT) charges totaling approximately \$180,000 were incorrectly allocated to and paid by the MAPS for Kids Sales Tax Fund. The MAPS Office uses annually projected workloads to proportionally allocate administrative costs between MAPS for Kids and MAPS 3. However, a share of the IT charges had not been allocated to the MAPS 3 program since MAPS 3 expenditure activity began in fiscal year 2011. Through June 30, 2015, approximately \$180,000 was paid by the MAPS for Kids Sales Tax Fund that should have been allocated to the MAPS 3 Sales Tax Fund.

RECOMMENDATION (7)

The MAPS Office should work with the Finance Department to:

- Reimburse the MAPS for Kids Sales Tax Fund for the misallocated IT charges paid since fiscal year 2011.
- Ensure all future IT charges are proportionately allocated to the appropriate funding sources.

MAPS OFFICE RESPONSE (7)

The MAPS Office agrees and will comply with the recommendations.

MAPS for Kids Sales Tax Fund charges for project management services provided by specific IT personnel totaling approximately \$124,000 could not be supported. The annual cost of the project management services was calculated using an incorrect pay rate and costs for anticipated training which did not occur. Further, incorrect pay rates and costs for training not received had been included in the IT project management service charges since fiscal year 2011. Through June 30, 2015, unsupported charges to the MAPS for Kids Sales Tax Fund for IT project management services totaled approximately \$124,000.

RECOMMENDATION (8)

The MAPS Office should work with the Finance and IT Departments to reimburse the MAPS for Kids Sales Tax Fund for IT project management service charges that could not be supported.

MAPS OFFICE RESPONSE (8)

The MAPS Office agrees and will seek reimbursement for these IT charges.

OTHER COMMENT

Written approval from the Federal Railroad Administration to allow the \$4.55 million MAPS 3 sales tax-funded land purchase for the Intermodal Transportation Hub as a grant matching expenditure has not been received. The grant agreement allowed the land purchase as a pre-grant agreement matching expenditure on or after January 31, 2014. The land purchase occurred nine days before the date allowed by the grant agreement. Written approval by the FRA is required for pre-grant agreement expenditures.⁷ Though requested by the Public Works Department, the FRA has not provided written approval of the actual land purchase date. The

⁷ The Code of Federal Regulations (§200.458) states pre-award or pre-agreement “costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and *only with the written approval of the Federal awarding agency*” [emphasis added].

funding plan for completing this project could be jeopardized if the land purchase is later deemed as an unqualified grant matching expenditure.

RECOMMENDATION (9)

The Public Works Department should continue pursuing written approval from the FRA for the land purchase occurring before the date allowed by the grant agreement.

PUBLIC WORKS DEPARTMENT RESPONSE (9)

Agree with recommendation. Public Works will continue to request formal written approval from the FRA for the land purchase occurring before the date allowed by the grant agreement.



MEMORANDUM

The City of
OKLAHOMA CITY

TO: Jim Williamson
City Auditor

Through: James D. Couch *JDC*
City Manager

FROM: David E. Todd, P.E. *DET*
MAPS Program Manager

DATE: November 30, 2015

SUBJECT: Audit #15-01 MAPS for Kids and MAPS 3 Sales Tax Audit

The following are Management's responses to the recommendations outlined in the recent MAPS for Kids and MAPS 3 Sales Tax Expenditure Audit.

1. The MAPS Office agrees. We will work with Finance and the Planning Department to transfer these funds back to the MAPS 3 Sales Tax Fund.
2. See the Planning Department response.
3. The MAPS Office will work to transfer the remaining funds back to the MAPS 3 fund and develop procedures to disburse the funds with approval by the MAPS Office.
4. The MAPS Office will request reimbursement from I-89 for these costs upon completion of the audit.
5. The MAPS Office will develop procedures and processes to ensure that ineligible costs are separately recorded and paid by the district or reimbursed by I-89 in a non-restricted fund.
6. The MAPS Office has requested verification from I-89. Reimbursement will be requested if verification cannot be obtained.
7. The MAPS Office agrees and will comply with the recommendations.
8. The MAPS office agrees and will seek reimbursement for these IT charges.
9. See the Public Works Department Response.





MEMORANDUM

The City of
OKLAHOMA CITY

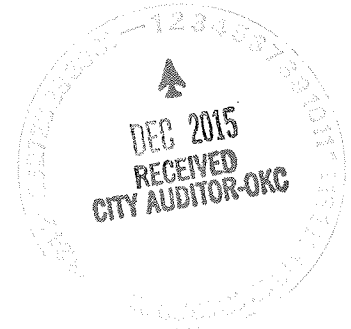
TO: Jim Williamson, City Auditor

THROUGH: James D. Couch, City Manager *JDC*

FROM: Aubrey Hammontree, Planning Director *AH*

DATE: November 6, 2015

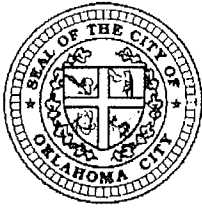
SUBJECT: MAPS FOR KIDS AND MAPS 3 SALES TAX EXPENDITURES AUDIT



Following are management's responses to recommendations outlined in the recent MAPS for Kids and MAPS 3 Sales Tax Expenditures Audit.

2. Agree with recommendation. Within one year from this date, the Planning Department will initiate contact with the Finance Department and Municipal Counselor's Office to develop public art purchasing policies minimally addressing:
 - Restricted funding sources which may be used for public art purchases (also referring to the Legal Opinion dated June 10, 2009 from the Municipal Counselor regarding Public Funding Sources for Works-of-Art).
 - How public art purchases directly from restricted funding sources (e.g. the MAPS 3 Sales Tax Fund) with approvals from those responsible for administering the restricted funds (e.g., the MAPS Office) will be processed.
 - Examples of public art-related expenditures included within the broad categories of the 1% for Arts ordinance for use by those with restricted funding oversight responsibility (E.g., the MAPS Office) in determining purchase reasonableness, and
 - Director to seek advice from the Municipal Counselor's Office when compliance of a public art purchase with the ordinance is in question.

Thank you for your professional review of this program.



MEMORANDUM

The City of
OKLAHOMA CITY

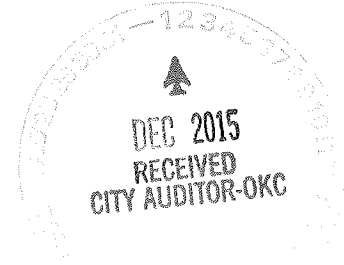
TO: Jim Williamson
City Auditor

THROUGH: James D. Couch *JDC*
City Manager

FROM: Eric J. Wenger, P.E., Director *EJW*
Public Works / City Engineer

DATE: November 13, 2015

SUBJECT: Audit #15-01 Public Works Department – MAPS for Kids and MAPS 3 Sales Tax
Expenditure Audit



The following are Management's responses to recommendations outlined in the recent MAPS for Kids and MAPS 3 Sales Tax Expenditure Audit

9. Agree with recommendation. Public Works will continue to request formal written approval from the FRA for the land purchase occurring before the date allowed by the grant agreement.

Thank you for your review of this program.