

AUDIT TEAM

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**GENERAL OBLIGATION BOND PROGRAM
FOLLOW-UP AUDIT**

DECEMBER 6, 2016

MAYOR AND CITY COUNCIL

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<i>James Greiner</i>	<i>Ward 1</i>
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<i>Mark K. Stonecipher</i>	<i>Ward 8</i>



December 6, 2016


The Mayor and City Council:

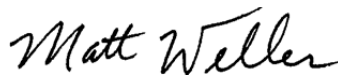
The Office of the City Auditor has completed an audit to evaluate the status of recommendations and related management responses included in our previous report dated April 26, 2011, relating to management of the General Obligation Bond Program (GO Bond Program).

Based on the results of our audit, as of February 29, 2016, we believe that continued improvement in GO Bond Program performance has been realized; however, further enhancements to project scheduling and management reporting are necessary to ensure long-term success. Related recommendations, discussed in more detail in the attached report, include the following:

- Annual contract award targets should be adjusted for changes in available funding. The Public Works Department has targeted \$70 million in contract awards for each of the last four years. Annual bond issuance amounts over this same time period have averaged over \$86 million and are expected to be at least \$90 million for the foreseeable future. See the *Status of GO Bond Project Scheduling Recommendation* section of the audit report.
- The Public Works Department should produce useful GO Bond Program and project level management reports for the Bond Oversight Committee. See the *Status of GO Bond Management Reporting Recommendation* section of the audit report.

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. Responses from management are attached to this report.


Jim Williamson
City Auditor


Matt Weller
Assistant City Auditor


Brett Rangel
Audit Manager

**GENERAL OBLIGATION BOND PROGRAM
FOLLOW-UP AUDIT**

AUDIT OBJECTIVES, SCOPE, METHODOLOGY AND BACKGROUND

The objective of this audit was to evaluate, as of February 29, 2016, the status of recommendations and related management responses included in our previous General Obligation Bond Program (Program) follow-up audit report dated April 26, 2011. That report included the following results:

- Recommendations regarding Program staffing and oversight in the 2005 audit had been substantially addressed.
- Program performance had dramatically improved since the 2005 audit. However additional project scheduling and management reporting enhancements were deemed necessary to sustain long-term Program success.

Carrying out the Program is a significant City function. Since 1995, the citizens of Oklahoma City have approved propositions authorizing issuance of GO Bonds totaling approximately \$1.4 billion, 85% or \$1.2 billion of which has related to infrastructure capital projects including streets, bridges, traffic control, drainage, and parks. The Program is managed by the Public Works Department.

Procedures performed during this audit included analysis of Program financial information from the City's financial system and Comprehensive Annual Financial Reports, and project information from the City's Construction Management System; review of reporting to the Bond Oversight Committee, future debt issuance projections, and Leading for Results (LFR) performance information; and interviews of Program management personnel.

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.

The following presents the current status of prior audit recommendations. Each status is followed by management's response. Management responses are attached to this report in their entirety.

STATUS OF RECOMMENDATIONS FROM PREVIOUS REPORT

Continued improvement in Program performance has been realized; however, contract award targets should be adjusted for fluctuations in available funding and reporting to the Bond Oversight Committee could be further enhanced to ensure long-term Program success.

Status of GO Bond Project Scheduling Recommendation

Partially Addressed

During the 2005 audit, we noted a realistic schedule for completing GO Bond projects had not been developed. Along with other Program management weaknesses, the lack of a realistic schedule led to insufficient spending (compared to bond sales) and a significant accumulated GO Bond fund balance. We recommended that a realistic schedule for completion of GO Bond projects be developed considering and/or establishing important factors such as projected bond issuances, anticipated allocations of bond proceeds, fund balance targets, and project completion timelines.

During the 2011 follow-up audit, we noted:

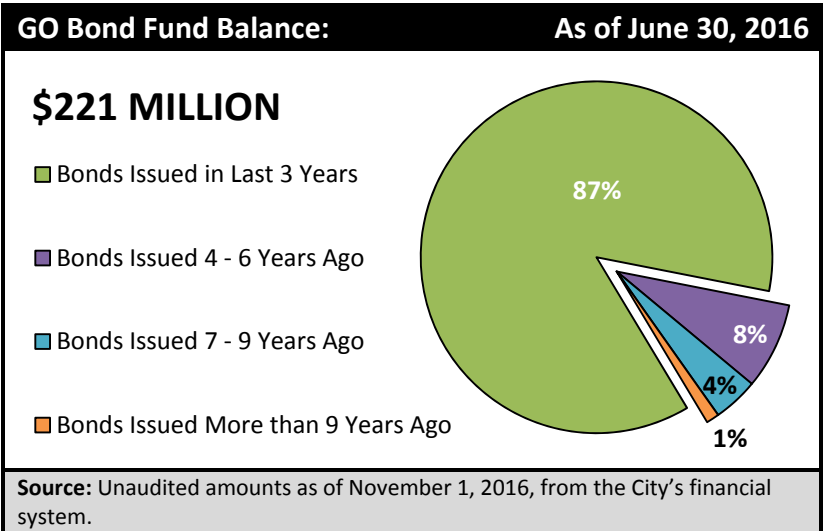
- A \$78 million contract award target had been established, which dramatically increased spending, but was not designed to achieve a target GO Bond fund balance.
- More than \$66 million of the GO Bond funds on hand as of June 30, 2010, had been on hand for more than 3 years since issuance.
- The City Manager had established a Bond Oversight Committee to provide Program direction and ensure compliance with the Internal Revenue Service requirement to spend 85% of bond proceeds within 3 years of issuance (IRS spending requirement).

Considering the June 30, 2010, fund balance and projected future bond sales, we recommended:

- Establishing a target GO Bond fund balance to ensure Program operations are consistent with available funding.
- Scheduling projects to achieve the established target GO Bond fund balance.
- Updating the project schedule to accommodate variances in bond issuance projections and/or actual spending.
- Making achievement of the target GO Bond fund balance an LFR performance measure.

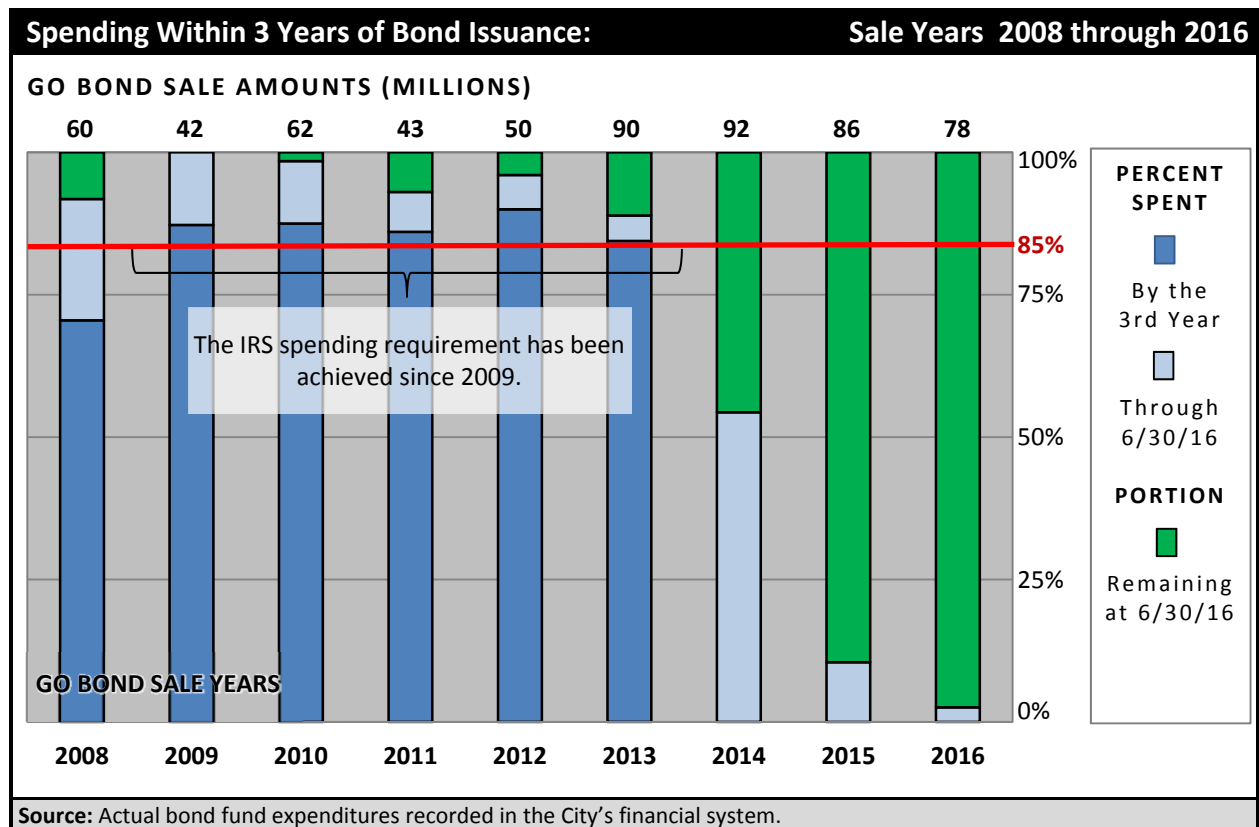
During the current follow-up audit, we noted 87% (\$192 million) of GO Bond fund balances as of June 30, 2016, related to bonds issued within the last 3 years. Additionally, 13% (\$29 million) of GO Bond funds were on hand for more than 3 years since issuance, compared to 35% (\$66 million) as of June 30, 2010. See Exhibit 1 for a breakdown of the GO Bond fund balance as of June 30, 2016.

EXHIBIT 1



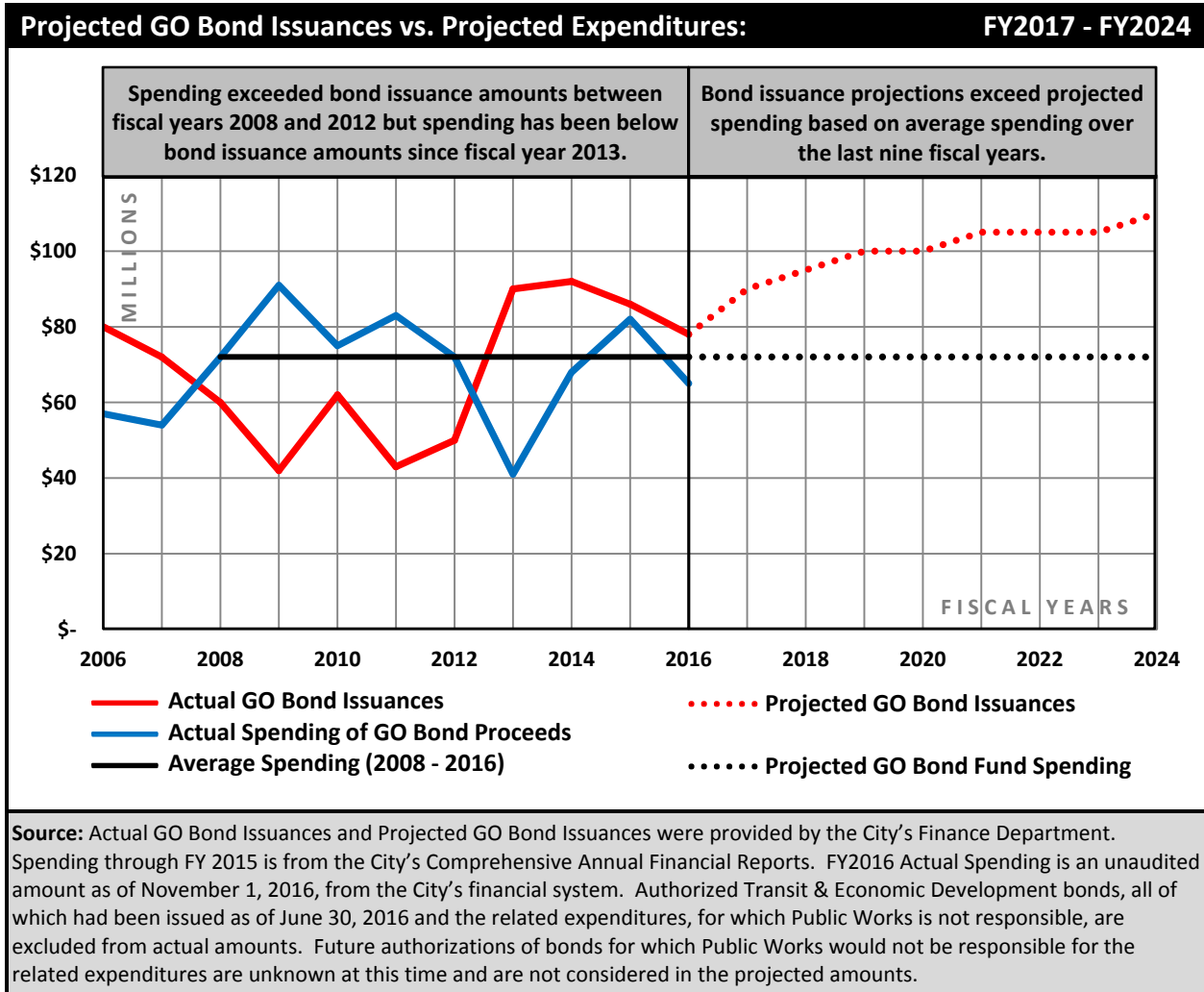
We also noted, at monthly Bond Oversight Committee meetings, the Finance Department reports the amount of GO Bond fund expenditures necessary to meet the IRS spending requirement and the remaining amount of funds on hand after the spending requirement is met. The IRS spending requirement has been achieved for each bond issuance since 2009 that has been outstanding more than 3 years. See Exhibit 2 below.

EXHIBIT 2



Along with achievement of the IRS spending requirement, Exhibit 2 also illustrates significantly larger bond issuances for fiscal years 2013 through 2016, averaging over \$86 million per year. Preliminary GO Bond issuance projections¹ by the Finance Department are at least \$90 million annually for the foreseeable future. Spending of GO Bond issuance proceeds over the last nine fiscal years has averaged \$72 million per year. As depicted in Exhibit 3, preliminary bond issuance projections significantly exceed projected spending based on average spending over the last nine fiscal years of \$72 million annually.

EXHIBIT 3



¹ GO Bond issuance projections are updated annually. Preliminary updated GO Bond issuance projections included in Exhibit 3 were provided by the Finance Department on October 31, 2016.

Projects continue to be scheduled to achieve an annual contract award target rather than an expenditure level necessary to achieve a target GO Bond fund balance. However, the annual contract award target has remained near \$70 million² over the last four fiscal years. As also depicted in Exhibit 3 above, bond issuance amounts have exceeded spending resulting from contract awards over that same time period.

Given management’s continued project scheduling to achieve contract award targets, these targets should be adjusted for fluctuations in available funding. As evidenced by spending over the last four fiscal years, annual contract award targets of \$70 million will not result in sufficient spending to keep pace with funding available from the recent and projected larger bond issuances. Achievement of the IRS spending requirement may not be sustainable if contract award targets are not periodically adjusted for fluctuations in available funding. Additionally, the GO Bond fund balance and, particularly, the accumulated portion from older issuances, could increase to unreasonable levels.

The Finance Department should continue monthly reports to the Bond Oversight Committee regarding IRS spending requirement progress and amounts remaining after the spending requirement has been met. This reporting reduces the risk of not meeting IRS spending requirements or accumulating large balances of remaining funds after spending requirements have been met.

Management Response 1

Agree with modification. In response to targets being adjusted to fluctuations in available funding, the Public Works Department has met with the Finance Department to discuss future anticipated GO Bond sale amounts. The projections are updated annually, and they can significantly change from year to year which makes it difficult to plan multi-year projects. Public Works agrees that annual contract award targets need to be increased as the bond sale amounts increase. To assist in planning future projects, the Finance Department has revised the methodology and future bond sale projections to steadily increase between 5-7% per year. This will provide for planned increases allowing Public Works staff to increase project delivery goals.

Beginning in 2017, the projected GO Bond sales is expected to be \$90 million, and increase by \$5 million each year after. Public Works staff will adjust targets, increasing each year, with the future bond sales projections as determined by the Finance Department.

² The contract award targets reported in adopted budget documents were \$69.8 million, \$70 million, \$74.7 million, and \$70.4 million for fiscal years 2013 through 2016, respectively. However, the strategy statement included in the Bond Oversight Committee agenda for July of each fiscal year indicated a \$70 million contract award target for each of these fiscal years.

During the 2005 audit, we noted that Program management reporting was inadequate and inefficient. We recommended developing a method for efficiently recording and completely updating GO Bond projects in a capital projects database so that:

- Program level status reports could be produced with sufficient cost and funding information for each authorized GO Bond proposition to allow for detection of potential funding deficits by management.
- Expanded project level status reports could be produced with sufficient project milestone³ information to allow for an adequate assessment of progress on individual projects by management.

During that audit, we also identified a funding deficiency in the 1995 GO Bond streets and traffic propositions totaling approximately \$5 million.

During the 2011 follow-up audit, we noted an efficient method for accurately and completely updating project information in the capital projects database had not been developed and the previously recommended management reports could not be produced. Financial summaries of Oklahoma City Municipal Facilities Authority (OCMFA) funds (used to finance certain GO Bond project costs prior to the availability of GO Bond funds) were produced for the Bond Oversight Committee from the database. However, those financial summaries did not reflect actual amounts expended or include all projects for which provided OCMFA financing was still outstanding.

At that time, the Information Technology Department (IT) was developing a new Construction Management System (CMS) to replace the capital projects database, providing more efficient and timely access to complete project financial information from the City's financial system. However, GO Bond project data had not been transferred from the capital projects database to the new system.

We recommended that IT and the Public Works Department continue to work together to define necessary data fields in and transfer project data to the CMS to allow for production of:

- Previously recommended Program and project level funding status reports and project level reports including milestone information allowing for assessment of progress.
- Reports for monitoring progress on the project schedule and progress towards a targeted fund balance based on the project schedule.

³ Project milestone dates suggested at that time for expanded project level status reporting included project funding availability, architectural and engineering contract award, project plan approval, construction contract award, and anticipated project completion.

- Reports reflecting actual OCMFA financing expenditures relating to each GO Bond project for which such financing is still outstanding.

During the current follow-up audit, we determined information for nearly all active GO bond projects has been transferred to the CMS. Current project funding information from the City's financial system is available and fields are included in the CMS for most project milestone information necessary to produce previously recommended Program and project level reports. However, useful Program oversight management reports are currently not produced from the CMS.

Program Level Reporting

Current Program level reporting to the Bond Oversight Committee is produced from the City's financial system by the Finance Department. The reports are limited to summaries of available funding by bond issuance year with progress towards meeting the IRS spending requirement.

Project funding, status, and total expected cost estimates are included in the CMS and could be used to produce Program level reports that would allow the Bond Oversight Committee to identify potential GO Bond proposition funding deficiencies. However, there are no reports of funding needed or excess funding available to complete projects, summarized by project status and based on total project cost estimates and available funding. Additionally, total expected project cost estimates⁴ are not updated in the CMS. Therefore, such reports using the current expected project cost estimates would not be accurate.

Project Level Reporting

Current project level reporting to the Bond Oversight Committee is limited to the following:

- A list (by project) of every contract award-related Council action during the fiscal year. The list, which was also produced during the previous follow-up audit, is now produced by Public Works from the CMS.
- A reasonably accurate and complete report of actual OCMFA financing expenditures for each GO Bond project for which such financing is still outstanding. The report is produced by the Finance Department from the City's financial system.

Project level reports of funds needed or excess funds available for project completion are not produced. As previously indicated expected project cost estimates are not updated such that produced reports of this type would be accurate. Additionally, all project milestone information, necessary for complete assessment of project progress, is not currently available for every GO Bond project included in the CMS. Therefore, project level reporting to the Bond

⁴ Public Works asserts total project appropriations is the total funding needed to complete projects at any given point in time and would therefore represent total expected project costs. However, total project appropriations only represent the project funding available at any given point in time and not necessarily the actual estimated project completion cost.

Oversight Committee does not currently allow for complete assessment of the funding status and progress of all projects based on project milestone date information.

The Public Works Department should develop useful management reports for the Bond Oversight Committee from the CMS. Project completion costs in the CMS should be updated with actual estimates and project milestone information should be entered into the CMS for all active projects. Developed reports should include, at a minimum:

- Program level reports containing available funding and updated completion cost estimates allowing for complete evaluation of the funding status for each GO Bond proposition.
- Project level reports containing available funding and updated completion cost estimates supporting Program level reports.
- Project level status reports containing milestone and status information allowing for identification and assessment of project progress, delays, and anticipated completion dates.

Management Response 2

Agree with modification. The Public Works Department continues to work with the Information Technology (IT) Department regarding the on-going development, and expansion of the Construction Management System (CMS). Many new reports have been developed since the CMS was originally implemented. The first phase of Project level reporting has been completed with individual project reports, but combined and summary project reports have not yet been developed. Program level summaries, including cost and overall funding status, will also be developed as the CMS program will allow.

Public Works staff is actively working with IT to further develop new Program and Project level summary reports. Once these reports are available, they will be provided to the Bond Oversight Committee.

Status of Unbilled GO Bond Project Time Recommendation ***Partially Implemented***

During the 2005 audit, we identified more than 28,750 hours of General Fund staff time worked on GO Bond projects from July 1, 2000 through June 30, 2003 that was not billed to those projects. We recommended amounts due to the General Fund relating to the unbilled time, totaling \$1,027,000, be resolved.

During the 2011 follow-up audit, we noted approximately \$64,000 relating to the previously identified unbilled time had been repaid to the General Fund as of June 30, 2010. We recommended the previously identified amounts due to the General Fund be completely resolved.

During the current follow-up audit, we noted additional repayments to the General Fund totaling approximately \$588,000 relating to the previously identified unbilled time. As of February 29, 2016 unbilled time costs totaling \$652,000 had been repaid.

The remaining \$375,000 due to the General Fund relating to unbilled staff time for GO Bond projects should be resolved, if available funds remain.

Management Response 3

Agree with modification. All eligible reimbursements to the General Fund have been completed. The remaining \$375,000 in unbilled staff time was for projects funded from Street and Alley Funds, 1995 GO Bond Funds and 2000 GO Bond Funds. The Streets and Alley Fund provides for direct project expenses and does not require reimbursement. A portion of the unbilled time was for projects completed in the 1995 GO Bond; however, this bond program has been completed and no additional funds are available. All remaining 2000 GO Bond funds are committed to the completion of the remaining projects, and at this time, funds are not available for reimbursement.

In the next two years, the remaining 2000 GO Bond projects are anticipated to be completed. Staff will evaluate the opportunity to utilize any remaining funds towards further reimbursement of unbilled staff time.

Auditor's Comment 3

Of the remaining \$375,000 in unbilled staff time, approximately \$39,000 relates to projects involving the Street and Alley Fund.

Status of Architectural & Engineering Plan Purchase Recommendation ***Addressed***

During the 2005 audit, we identified OCMFA payments totaling more than \$5.7 million relating to architectural and engineering (A&E) project plans that were not purchased from the OCMFA when dedicated project funds became available. A&E plans for GO Bond projects accounted for \$4.9 million of the identified OCMFA payments. We recommended resolution of the identified amounts due to the OCMFA for the A&E plans that had not been purchased from OCMFA when funding became available.

During the 2011 follow-up audit, the Municipal Counselor's Office advised that a three year statute of limitations should apply to the identified amounts due to the OCMFA. After application of the three year statute of limitations, approximately \$188,000 was still due to the OCMFA relating to A&E plans for three projects as of June 30, 2010.

During the current follow-up audit, we determined Public Works efforts to resolve the remaining amounts due to OCMFA were terminated after the Municipal Counselor’s Office advised that the three year statute of limitations applicable to the amounts due had expired.

Management Response 4

Agree.

Status of Delayed Parks Proposition Projects Recommendation ***Implemented***

During the 2011 follow-up audit, we noted parks proposition bond proceeds on hand for more than three years since issuance represented 27% of all bond proceeds on hand for more than three years since issuance as of June 30, 2010. By comparison, 27% of bond proceeds on hand more than three years since issuance related to street projects although street proposition bonds had been issued at more than four times the rate of parks proposition bonds. We also noted 90% or \$16.2 million of parks proposition bond proceeds on hand more than three years since issuance at the time were not under contract.

The Public Works Department works with the Parks Department to administer parks bond projects, unlike most other bond projects which are solely administered by Public Works. We recommended the Public Works Department work with the Parks Department to evaluate project administration processes to resolve delays in parks bond projects.

During the current follow-up audit, we noted the previously identified delays in parks proposition bond projects appear to have been resolved. As of February 29, 2016:

- \$3,600 of the \$18 million on hand more than three years since issuance relating to parks proposition projects as of June 30, 2010 remained on hand for 2 of the 56 related projects.
- Parks proposition bond proceeds on hand for more than three years since issuance represented 6% of all bond proceeds on hand for more than three years since issuance.

Management Response 5

Agree.

Status of Performance Measure Support Recommendation ***Substantially Implemented***

During the 2011 follow-up audit, contract awards for all capital programs reported by the Public Works Department for LFR purposes in fiscal years 2008 and 2009 could not be verified.

We recommended adequate supporting data be consistently captured and retained for all capital project performance measures reported for LFR purposes.

During the current follow-up audit, we noted supporting data was captured and retained for all relevant capital project LFR measures reported. However, the data used to calculate the “percentage of contracts awarded on time” measure for fiscal year 2015 did not capture the percentage of contracts awarded on time.

To calculate the measure, the number of contracts awarded during the year, regardless of when scheduled for award, was divided by the total number of contracts scheduled for award during the year. The number of contract awards scheduled for the future that were actually awarded during the year should have been divided by the total number of contracts awarded during the year to capture the timeliness element. Percentage of contracts awarded on time was not included as an LFR measure for fiscal year 2016.

The Public Works Department should ensure the data used to calculate all reported capital program LFR measures appropriately captures the performance element being measured (e.g., timeliness, within budget, etc.).

Management Response 6

Agree with modification. Public Works continues to monitor and report LFR measures monthly and at the end of each fiscal year. Prior to each year, projects are scheduled based on reasonable and historical durations for design, land acquisition, utility relocation, environmental clearance and construction. Timeliness is monitored, and in the event delays are experienced on project, future project can sometimes be advanced to ensure monthly and fiscal year goals are met. Projects are advertised based on available construction budgets, and include alternate bids to ensure project budgets are maintained. Project contingencies have also been established for each project to ensure funding within each project is available when unknown costs are identified.

In the next year, Public Works will evaluate LFR measures as part of the strategic business plan update to ensure those selected have the most impact in monitoring construction schedules and budgets. Modifications to the measures will be re-considered, and the percentage of contracts awarded on time will also be re-evaluated at that time.

Auditor’s Comment 6

The appropriateness of LFR measures used is not questioned. Any LFR measure modifications relating to this recommendation would be appropriate only if underlying data used in measure calculations do not capture the performance elements being measured.

Status of Expanded Performance Measure Reporting Recommendation ***Not Implemented***

During the 2011 follow-up audit, we determined Engineering Division LFR measures calculated for all capital programs would provide enhanced Program management and oversight if calculated for GO Bond projects specifically. Those LFR measure included:

- Percentage of construction contracts completed within program budget.
- Percentage of construction contracts awarded on time.
- Percentage of construction projects completed on time.

We recommended these measures be calculated specifically for bond projects and periodically reported to the Bond Oversight Committee.

During the current follow-up audit, we determined those previously identified LFR measures⁵ had not been calculated specifically for GO Bond projects and reported to the Bond Oversight Committee.

To enhance Program management and oversight, consideration should be given to calculating the current Project Management line of business LFR measures specifically for GO Bond projects and reporting those measures to the Bond Oversight Committee.

Management Response 7

Agree with modification.

In the next year, Public Works will re-evaluate the departmental strategic business plan and LFR measures, and place emphasis on time and budget measures specific to the GO Bond program. Either new LFR measures, or bond specific reports from the selected time and budget measures will be reported to the Bond Oversight Committee.

Status of OCMFA Funds Use for Administrative Charges Recommendation ***Implemented***

During the 2011 follow-up audit, we noted the use of OCMFA funds to purchase tangible items (required to expedite GO Bond project completion prior to availability of GO Bond funds) had been formally authorized by the City Council and OCMFA Trustees. However, we also noted

⁵ Beginning in fiscal year 2016, the previously identified LFR measures were no longer Engineering Division LFR measures. A separate Project Management line of business was created with separate programs for Infrastructure and Facilities project management. The Infrastructure Project Management Program includes all GO Bond projects except for facility construction projects. The Infrastructure and Facilities Project Management Programs include projects not funded by GO Bonds. Percentage of construction contracts completed within program budget and percentage of construction projects completed on time are LFR measures for both programs. Percentage of contracts awarded on time is not an LFR measure for either program.

non-tangible staff time costing approximately \$280,000, worked on GO Bond projects that was paid with OCMFA funds.

Though reasonable given GO Bond funds were not yet available to pay for staff time on these projects, use of OCMFA funds for staff time costs had not been formally authorized by the City Council and OCMFA Trustees. We recommended that formal authorization be obtained for this specific use of OCMFA funds from the City Council and OCMFA Trustees.

During the current follow-up audit, we verified formal authorization had been obtained from the City Council and OCMFA Trustees allowing the use of OCMFA funds to pay for staff time worked on GO Bond projects until the projects are fully funded.

Management Response 8

Agree.



MEMORANDUM

The City of
OKLAHOMA CITY



TO: Jim Williamson, City Auditor

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

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

DATE: November 23, 2016

SUBJECT: Public Works Department - Response to General Obligation Bond Program Follow-Up Audit

The Public Works Department is in receipt of the GO Bond Program Follow-Up Audit, most recently updated November 1, 2016. The following responses are provided for each recommendation.

1. Status of GO Bond Project Scheduling Recommendation – Partially Addressed

Management Response

Agree with modification. In response to targets being adjusted to fluctuations in available funding, the Public Works Department has met with the Finance Department to discuss future anticipated GO Bond sale amounts. The projections are updated annually, and they can significantly change from year to year which makes it difficult to plan multi-year projects. Public Works agrees that annual contract award targets need to be increased as the bond sale amounts increase. To assist in planning future projects, the Finance Department has revised the methodology and future bond sale projections to steadily increase between 5-7% per year. This will provide for planned increases allowing Public Works staff to increase project delivery goals.

Beginning in 2017, the projected GO Bond sale is expected to be \$90 million, and increase by \$5 million each year after. Public Works staff will adjust targets, increasing each year, with the future bond sales projections as determined by the Finance Department.

2. Status of GO Management Reporting Recommendation – Partially Implemented

Management Response

Agree with modification. The Public Works Department continues to work with the Information Technology (IT) Department regarding the on-going development, and expansion of the Construction Management System (CMS). Many new reports have been developed since the CMS was originally implemented. The first phase of Project level reporting has been completed with individual project reports, but combined and summary project reports have not yet been developed. Program level summaries, including cost and overall funding status, will also be developed as the CMS program will allow.

Public Works staff is actively working with IT to further develop new Program and Project level summary reports. Once these reports are available, they will be provided to the Bond Oversight Committee.

3. Status of Unbilled GO Bond Project Time Recommendation – Partially Implemented

Management Response

Agree with modification. All eligible reimbursements to the General Fund have been completed. The remaining \$375,000 in unbilled staff time was for projects funded from Street and Alley Funds, 1995 GO Bond Funds and 2000 GO Bond Funds. The Streets and Alley Fund provides for direct project expenses and does not require reimbursement. A portion of the unbilled time was for projects completed in the 1995 GO Bond; however, this bond program has been completed and no additional funds are available. All remaining 2000 GO Bond funds are committed to the completion of the remaining projects, and at this time, funds are not available for reimbursement.

In the next two years, the remaining 2000 GO Bond projects are anticipated to be completed. Staff will evaluate the opportunity to utilize any remaining funds towards further reimbursement of unbilled staff time.

4. Status of Architectural & Engineering Plan Purchase Recommendation - Addressed

Management Response

Agree.

5. Status of Delayed Parks Proposition Projects Recommendation - Implemented

Management Response

Agree.

6. Status of Performance Measure Support Recommendation – Substantially Implemented

Management Response

Agree with modification. Public Works continues to monitor and report LFR measures monthly, and at the end of each fiscal year. Prior to each year, projects are scheduled based on reasonable and historical durations for design, land acquisition, utility relocation, environmental clearance and construction. Timeliness is monitored, and in the event delays are experienced on a project, future projects can sometimes be advanced to ensure monthly and fiscal year goals are met. Projects are advertised based on available construction budgets, and include alternate bids to ensure project budgets are maintained. Project contingencies have also been established for each project to ensure funding within each project is available when unknown costs are identified.

In the next year, Public Works will evaluate LFR measures as part of the strategic business plan update to ensure those selected have the most impact in monitoring construction schedules and budgets. Modifications to the measures will be re-considered, and the percentage of contracts awarded on time will also be re-evaluated at that time.

7. Status of Expanded Performance Measure Reporting Recommendation – Not Implemented

Management Response (7)

Agree with modification. As noted in the follow-up audit, Public Works has made several adjustments to the department's strategic business plan and LFR measures since the original audit was completed in 2005 and follow up audit was completed in 2011. Organizational changes including the implementation of the new Project Management line of business reorganized staff to better manage and successfully complete construction projects on time and on budget.

The current LFR measures including percentage of cost increases following contract award, completion of projects within 90 days of final inspection and percent of projects completed on time have been very beneficial to project management staff, ensuring timely completion of projects while maintaining established project budgets. The overall GO Bond program budget has also been better managed by establishing project level contingencies for each project.

In response to creating LFR measures specific for GO Bond projects, there are a number of programs implemented by the Project Management line of business including GO Bond fund, CIP funds, grants and general fund projects. Public Works focused changes to the LFR measures to best report the budget and time goals for all projects. Bond project specific LFR measures could be restored, but they may duplicate some of the general measures utilized for other projects.

In the next year, Public Works will re-evaluate the departmental strategic business plan and LFR measures, and place emphasis on time and budget measures specific to the GO Bond program. Either new LFR measures, or bond specific reports from the selected time and budget measures will be reported to Bond Oversight Committee.

8. Status of OCMFA Funds Use for Administrative Charges Recommendation - Implemented

Management Response

Agree.

Should you have questions regarding any of the responses, please contact Eric Wenger, Public Works Director, at (405) 297-3486.

Attachments