



September 28, 2015

AUDIT OF PUBLIC SAFETY COMPLEX CONSTRUCTION COST-SHARING AGREEMENTS

A determination of the City's final share of the costs of the construction of the Public Safety Complex (PSC) is to be made during project close-out meetings between City and County staff. These close-out meetings have not been completed. Our audit of the City payments made to date disclosed that, generally, the payments made were authorized by City and County cost-sharing agreements.

T. Bert Fletcher, CPA, CGMA
City Auditor

HIGHLIGHTS

Highlights of City Auditor Report #1516

WHY THIS AUDIT WAS CONDUCTED

The Public Safety Complex (PSC), which opened in July 2013, was constructed as a joint project of the City of Tallahassee (City) and Leon County (County). As a joint project, both the City and County have incurred costs in constructing and equipping the PSC, and for many of these expenditures, the City and County governing boards have specifically authorized the sharing of the related costs.

The purpose of this audit was to determine: (1) to what extent has the City paid its agreed-upon share of costs; (2) were effective controls in place to provide reasonable assurance that amounts paid by the City and reported as its share of PSC construction costs pertained to documented project costs incurred under authorized cost-sharing agreements; and (3) is the City occupying its agreed-upon space allocation in the PSC? The scope of this audit included City records of the costs incurred under cost-sharing arrangements agreed to by both the City and County, as of March 12, 2015.

WHAT WE CONCLUDED

To track the sharing of costs by the City and County, the County's PSC project manager prepared and maintained a worksheet referred to as the Split Billing Report (SBR). As a preliminary measure of the cost shares paid and due, the March 12, 2015, version of the SBR indicates that the payments made total \$37,975,879, of which the County has paid \$19,142,911, and the City has paid \$18,832,968. A determination of the City's final share of the costs of the construction of the Public Safety Complex (PSC) is to be made during project close-out meetings between City and County staff. These close-out meetings have not been completed.

Our audit of the City payments made to date disclosed that, generally, the payments made were authorized by City and County cost-sharing agreements. We did note, however, some payments for PSC-related costs had been identified by City or County staff as costs to be shared equally by the City and County, although City and County governing board authorizations did not clearly support this determination. Our audit also disclosed that, overall, relevant City controls were in place and that the City had occupied the space allocated to City functions by the governing City and County agreement.

WHAT WE RECOMMENDED

To ensure that the City pays its agreed-upon share of costs for the construction of the PSC, we recommended:

- The City project manager review the City's accounting records and the most recent SBR and ensure that all project-related costs, which are subject to authorized cost-sharing agreements, have been properly recorded in the applicable accounting project records and on the SBR.
- The City obtain documentation of the actual costs incurred in constructing the stormwater facility, sewer infrastructure project, and road improvements that serve the PSC and adjacent Red Cross facilities. The documentation obtained should be used to verify that the City paid its required share of actual costs and support adjustments, as needed, to the related amount shown on the SBR.
- The City consider formalizing, in writing, cost-sharing agreements for those payments which do not fall within the scope and applicability of the existing cost-sharing agreements and which in the judgment of City and County project staff should be subject to cost-sharing.

To provide reasonable assurance that amounts paid by the City and reported as its share of costs pertain to documented project costs incurred under authorized cost-sharing agreements, we recommended:

- With respect to the PSC project, the City reconcile the related City accounting records to the SBR and identify any accounting record and SBR adjustments that may be needed. The proposed SBR adjustments should be considered during close-out meeting discussions, and City and County cost-sharing authorizations should be obtained, as needed, for any costs added to the SBR.
- For future cost-sharing projects, the City consider the establishment of written cost-sharing guidelines; the reconciliation of project reports, such as the SBR, to the City's accounting system; and the conduct of periodic meetings to discuss the financial status of the project, including the status of cost-sharing.

We would like to thank and acknowledge the full and complete cooperation and support of the management and staff of the City Public Works department and the project management staff of Leon County.

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Office of the City Auditor

Audit Report



T. Bert Fletcher, CPA, CGMA
City Auditor

Audit of Public Safety Complex Construction Cost-Sharing Agreements

Report #1516

September 28, 2015

Executive Summary

A determination of the City's final share of the costs of the construction of the Public Safety Complex (PSC) is to be made during project close-out meetings between City and County staff. These close-out meetings have not been completed. Our audit of the City payments made to date disclosed that, generally, the payments made were authorized by City and County cost-sharing agreements. We did note, however, some payments for PSC-related costs had been identified by City and County staff as costs to be shared equally by the City and County, although City and County governing board authorizations did not clearly support this determination. Our audit also disclosed that, overall, relevant City controls were in place and that the City had occupied the space allocated to City functions by the governing City and County agreement.

The Public Safety Complex (PSC), which opened in July 2013, was constructed as a joint project of the City of Tallahassee (City) and Leon County (County) and houses staff of both City and County departments and divisions. The City and County staff located in the PSC, include those working for the Leon County Emergency Medical Services Division, Tallahassee Fire Department Administration, the City's Regional Transportation Management Center, and the Leon County Emergency Operations Center. The PSC is also home to the Tallahassee-Leon County Consolidated Dispatch Agency, which operates pursuant to an interlocal agreement between the

City, the County, and the Leon County Sheriff.

As a joint project, both the City and County have incurred costs in constructing and equipping the PSC, and for many of these expenditures, the City and County governing boards have specifically authorized the sharing of the related costs. Those authorizations are documented in a January 2009 Memorandum of Agreement (MOA) and in meeting minutes of the respective boards.

We were advised that, generally, while the costs incurred and shared by the City and County were monitored during the project, it was not practical to share equally the costs of each transaction. Rather, the planned approach involved tracking the costs paid by the City or County during the course of the project, to be followed by close-out meetings to determine the cost shares paid and any amounts that may be due from one government to the other in order to equalize the shares paid. As of the close of audit fieldwork, these close-out meetings had not been completed, and the final cost shares paid and due had not been determined.

As indicated above, the PSC houses staff and work stations of several City and County departments and divisions. The allocation of PSC space to City and County functions is governed by the Interlocal Agreement for the Joint Management and Use of the Public Safety Complex Facility, dated June 14, 2013. Exhibit A of that agreement shows the PSC floor plan, and for each partitioned area of the floor plan, the assigned City or County department or division.

The purpose of this audit was to determine:

- 1) To what extent has the City paid its agreed-upon share of costs for the construction of the Public Safety Complex?

- 2) Were effective controls in place to provide reasonable assurance that amounts paid by the City and reported as its share of PSC construction costs pertained to documented project costs incurred under authorized cost-sharing agreements?
- 3) Is the City occupying its agreed-upon space allocation in the Public Safety Complex?

Audit Results

Question No. 1. To track the sharing of costs by the City and County, the County’s project manager prepared and maintained a worksheet referred to as the Split Billing Report (SBR). The SBR is the primary record of PSC construction costs shared by the City and County and is likely to be a primary resource used when close-out meetings are held by City and County staffs to negotiate final cost shares. As a preliminary measure of the cost shares paid and due, the March 12, 2015, version of the SBR indicates that the payments made total \$37,975,879, of which the County has paid \$19,142,911, and the City has paid \$18,832,968.

Our audit included tests to determine the extent to which City project cost share payments had been made in accordance with the cost share arrangements authorized by the City and County and whether those City payments had been accurately and completely recorded in the SBR. In summary, our tests disclosed:

- A comparison of the City costs shown by the SBR and the costs shown in City accounting records disclosed some differences. For example, City cost share payments relating to the appraisal (\$3,960) and the purchase (\$512,500) of the PSC site had not been recorded on the SBR. We recommend that the City project manager review the City’s accounting records and the most recent SBR and ensure that all project-related costs, which are subject to authorized cost-sharing agreements, have been properly recorded in the applicable accounting project record and on the SBR.
- The 2009 memorandum of agreement (MOA) between the City and County incorporates a

separate agreement between the County and the American National Red Cross (Red Cross), under which the Red Cross was to pay for improvements to the PSC and adjacent Red Cross sites. Pursuant to the terms of the MOA, the City and County agreed to each pay one-third of the actual costs. According to the SBR, the City and County each paid \$173,581. The documentation supporting the City’s payment does not contain information clearly showing that the amount paid represents the City’s share of the actual costs incurred by the Red Cross. We recommend the City obtain documentation of the actual costs incurred by the Red Cross. The documentation obtained should be used to verify that the City paid its required share of actual costs and to support adjustments, as needed, to the related amount shown on the SBR.

- Some PSC-related costs had been identified on the SBR as costs to be shared equally by the City and County, although City and County governing board authorizations were not available to support this determination. For example, while our audit tests indicated that the items purchased were for the construction and commencement of operations of the PSC, we were unable to locate City or County governing board cost share authorizations for costs totaling approximately \$1.5 million, associated with payments for furniture, fixtures, and equipment (categorized in the SBR as furniture, fixtures, and equipment, miscellaneous move-in, media center, and post-completion item purchases). We recommend that the City and County consider formalizing in writing the cost-sharing agreements for those payments which do not fall within the scope and applicability of the existing authorized cost-sharing agreements and which in the judgment of project staff should be subject to cost-sharing.
- City management made us aware of certain PSC construction and equipment costs which are not currently authorized for cost-sharing or included on the SBR. These costs total \$1,976,764 and relate to City payments to consulting firms which provided equipment and engineering, design, and construction

services for the traffic management facilities established at the Regional Transportation Management Center (RTMC). The RTMC is housed within the PSC. We recommend that City staff pursue discussions with County staff as to whether these costs should be shared and cost-sharing authorizations obtained. Should cost-sharing authorizations be obtained, these costs should be added to the SBR.

Question No. 2. For joint projects, such as the PSC construction project, controls should be in place to reasonably ensure a clear communication and mutual understanding of the costs that are eligible for cost-sharing and the processes to be followed in authorizing, recording, and accurately and completely reporting the shared costs. With respect to these controls, our audit disclosed that, overall, relevant City controls were in place. Our audit also disclosed some opportunities for improvement. Specifically:

- With respect to the PSC project, we recommend that the City reconcile the related City accounting records to the SBR and identify any accounting record and SBR adjustments that may be needed. The proposed SBR adjustments should be considered during close-out meeting discussions, and City and County cost-sharing authorizations should be obtained, as needed, for applicable costs added to the SBR.
- Should the City participate in future similar cost-sharing projects, we recommend:
 - Written cost-sharing guidelines be established and approved by the City and County (or other applicable entity).
 - Project reports, such as the SBR, which are not generated by the City’s accounting system, be periodically reconciled to related City accounting system records.
 - Periodic meetings between the City and County (and/or other entity) be held to discuss the financial status of project, including the status of cost-sharing.
 - The City ensure that all invoices are approved by the City project manager prior to payment.

Question No. 3. To obtain an understanding of the City’s agreed-upon space allocation for the PSC, we reviewed the Interlocal Agreement for Joint Management and Use of the Public Safety Complex Facility. The program space allocated to each City, County, and joint function is defined in Exhibit A of the agreement. We found that the City had occupied the spaces allocated to City functions by the Interlocal Agreement.

We would like to thank and acknowledge the full and complete cooperation and support of the management and staff of the City Public Works department and the project management staff of Leon County.

Background

The Public Safety Complex (PSC), which opened in July 2013, was constructed as a joint project of the City of Tallahassee (City) and Leon County (County) and houses staff of both City and County departments and divisions. The City and County staff located in the PSC include those working for the Leon County Emergency Medical Services Division, Tallahassee Fire Department Administration, the City’s Regional Transportation Management Center, and the Leon County Emergency Operations Center. The PSC is also home to the Tallahassee-Leon County Consolidated Dispatch Agency, which operates pursuant to an interlocal agreement between the City, the County, and the Leon County Sheriff.

Cost-Sharing Agreements

As a joint project, both the City and County have incurred costs in constructing and equipping the PSC, and for many of these expenditures, the City and County governing boards have specifically authorized the sharing of the related costs. Those authorizations are documented in a January 2009 Memorandum of Agreement (MOA) and in meeting minutes of the respective boards. In summary:

- In the MOA, the City agreed to purchase a one-half interest in the County-owned PSC site; share equally with the County and the American National Red Cross (Red Cross) the actual costs paid for area road improvements

and for the construction of a regional stormwater facility and sewer infrastructure to accommodate the needs of the PSC and adjacent Red Cross property; and share equally with the County all costs incurred pursuant to contracts executed by both the City and County and associated with the design and construction of the PSC.

- Minutes of both the City and County reflect the City and County Commissions' authorizations of the payment of equal shares of the cost of a project coordinator position, the cost of staff work stations for the PSC, and the cost of an integrated audio/visual system (Visualization and Collaboration System).

In constructing and equipping the PSC, some costs have been incurred which are not specifically addressed by the cost-sharing arrangements described above. For example, City expenditures of approximately \$625,000 and County expenditures of approximately \$871,000 have been made to purchase additional furniture, fixtures, equipment, and miscellaneous items. These expenditures have been identified by City and County staffs as costs that should also be shared equally by the City and County.

Additional details relative to these cost-sharing arrangements are provided under the ***Audit Results*** heading of this report.

Cost Share Records

We were advised that, generally, while the costs incurred and to be shared by the City and County were monitored during the project, it was not practical to share equally the costs of each transaction. Rather, the planned approach involved tracking the costs paid by the City or County during the course of the project, to be followed by close-out meetings of the City and the County to determine the cost shares paid and any amounts that may be due from one government to the other in order to equalize the amounts paid. As of the close of audit fieldwork, these close-out meetings had not been completed.

To track the sharing of costs by the City and County, the County's project manager prepared and maintained a worksheet referred to as the Split Billing Report (SBR). The SBR is the primary

record of PSC construction costs shared by the City and County and is likely to be a primary resource used when close-out meetings are held by City and County staffs to negotiate final cost shares. For most line items, the SBR identifies the vendor, purchase order amount, and City and County payment amounts. The County's project manager indicated that the City payment information included in the SBR had been derived from information provided to him by the City on a periodic basis. The most current version of the SBR (as of March 12, 2015) indicates that the payments made total \$37,975,879, of which the County paid \$19,142,911, and the City paid \$18,832,968. Table 1 on page 6 of this report provides a summary of the information included on the March 12, 2015, SBR.

Other relevant City records included those maintained in the City's PeopleSoft Financial Management System (PeopleSoft FMS). City payments made toward the construction of the PSC were to be recorded in the applicable PeopleSoft FMS project records.

Space Allocation

As indicated above, the PSC houses staff and work stations of several City and County departments and divisions. The allocation of PSC space to City and County functions is governed by the Interlocal Agreement for the Joint Management and Use of the Public Safety Complex Facility, dated June 14, 2013. Exhibit A of that agreement shows the PSC floor plan, and for each partitioned area of the floor plan, the assigned City or County department or division.

Scope, Objectives, and Methodology

The scope of this audit included City records of the costs incurred under cost-sharing arrangements agreed to by both the City and County, as of March 12, 2015.

The purpose of this audit was to determine:

- 1) To what extent has the City paid its agreed-upon share of costs for the construction of the Public Safety Complex?

- 2) Were effective controls in place to provide reasonable assurance that amounts paid by the City and reported as its share of PSC construction costs pertained to documented project costs incurred under authorized cost-sharing agreements?
- 3) Is the City occupying its agreed-upon space allocation in the Public Safety Complex?

To facilitate the accomplishment of our audit, we performed the following survey work:

- We reviewed meeting minutes and agenda items for the City Commission, Leon County Board of County Commissioners, and the Public Safety Communications Board. (The Public Safety Communications Board was created by the City and County to provide oversight of the implementation and operation of a consolidated dispatch center and was involved in PSC site selection.)
- We reviewed consultant reports pertaining to project feasibility determinations, planning, and construction of the Public Safety Complex.
- We conducted interviews of the City’s project manager, City management, and the County’s project manager.

To obtain an understanding of the City’s agreed-upon cost share for the construction of the PSC:

- We reviewed agreements jointly executed by the City and County pertaining to the design and construction of the Public Safety Complex.
- We reviewed purchase orders related to the project and respective City and County Commission agenda items.
- We conducted interviews with City management and staff to confirm our understanding of the City’s agreed-upon cost share.

To determine the extent to which the City has paid its agreed-upon share of costs:

- To establish the reliability of the SBR, we reconciled the report, as of March 12, 2015, to

PeopleSoft FMS records, as of March 31, 2015, and traced a selection of vouchers paid by the City to entries on the SBR.

- We analyzed the SBR and the City’s PeopleSoft FMS records to identify project-related payments made by the City. For the project-related payments identified, we determined whether a cost-sharing arrangement had been authorized and whether the payments had been made in accordance with the authorized cost-sharing arrangement.

To evaluate the effectiveness of the controls employed by the City of Tallahassee:

- We obtained an understanding of accounts established to track PSC construction payments made by the City.
- We obtained an understanding of project management control activities relevant to transaction authorization and the tracking of costs and cost shares.
- We performed limited tests of control effectiveness.

To determine if the City has occupied its agreed-upon space allocation at the Public Safety Complex:

- We obtained an understanding of pre-construction agreed-upon space allocations through interviews of the project manager and reviews of project documents, site maps, and floor plans.
- We reviewed the Interlocal Agreement for the Joint Management and Use of the Public Safety Complex Facility executed by the City and County, which defines program space utilization for the building.
- We obtained an understanding of the current occupancy of functional areas in the PSC.
- We compared current occupancy to agreed-upon space allocation as prescribed in the Interlocal Agreement for the Joint Management and Use of the PSC.

Approximately \$7 million in information technology costs were incurred relative to particular functions housed at the PSC. City and

County payment obligations for these costs are described in other agreements that are not included within the scope of this audit. We also have not audited the PSC project and accounting records of Leon County.

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 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Table 1
Summary of
Split Billing Report
As of March 12, 2015**

SBR Cost Category	Cost Share Payments to Date		
	City	County	Total
Contracts and Agreements	\$16,352,420	\$16,596,865	\$32,949,285
Miscellaneous	–	95,428	95,428
Permitting	316,942	143,870	460,812
Direct Owner Executed Work	117,307	136,235	253,542
Extended Warranties	163,275	23,737	187,012
Visualization and Collaboration System (VACS)	768,548	775,946	1,544,494
Furniture, Fixtures and Equipment – Consoles	489,216	500,121	989,337
<i>Subtotal</i>	<i>\$18,207,708</i>	<i>\$18,272,202</i>	<i>\$36,479,910</i>
Other Furniture, Fixtures, and Equipment	\$578,078	\$729,842	\$1,307,920
Move-In Costs (Furniture, Fixtures, and Equipment)	–	29,321	29,321
Media Center (Furniture, Fixtures, and Equipment)	5,998	30,066	36,064
Post-Completion (Furniture, Fixtures, and Equipment)	41,184	81,480	122,664
<i>Subtotal</i>	<i>\$625,260</i>	<i>\$870,709</i>	<i>\$1,495,969</i>
Grand Total	\$18,832,968	\$19,142,911	\$37,975,879

Source: Split Billing Report as of March 12, 2015

Audit Results

Question No. 1. To what extent has the City paid its agreed-upon share of costs for the construction of the Public Safety Complex?

As indicated in the *Background* section of this report, the costs incurred and shared by the City and County were monitored during the project; however, it was not practical to share equally the costs of each transaction. Rather, the planned approach involved tracking, through the use of the SBR, the costs paid by the City or County during

the course of the project, to be followed by close-out meetings to determine the cost shares already paid and any amounts that may be due from one government to the other in order to equalize the shares paid. As of the close of audit fieldwork, these close-out meetings had not been completed, and the final cost shares paid and due had not been determined. As a preliminary measure of the cost shares paid and due, the March 12, 2015, version of the SBR (See Table 1) indicates that the payments made total \$37,975,879, of which the County paid \$19,142,911, and the City paid \$18,832,968.

Our audit included tests to determine the extent to which City project cost share payments had been made in accordance with the cost share arrangements authorized by the City and County and whether those City payments had been accurately and completely recorded in the SBR. The results of our tests are described in detail under the succeeding three report headings. The recommendations made therein are provided for management's consideration in preparation for the cost share close-out meetings.

Authorized Cost-Sharing Arrangements

Both the City and County have incurred costs in constructing and equipping the PSC, and for many of these expenditures, the City and County governing boards have specifically authorized the sharing of the related costs. Those authorizations are documented in a January 2009 Memorandum of Agreement (MOA) and in meeting minutes of the respective boards. Below are descriptions of these agreements and our conclusions concerning the extent to which the City has to date paid its agreed-upon share of costs, and as to whether the amounts paid by the City were accurately and completely recorded in the SBR:

- The City and County entered into a Memorandum of Agreement (MOA) in January 2009, in which they agreed to share certain PSC construction costs, as follows:
 - The City agreed to purchase and the County agreed to sell one-half of its interests in the County-owned site on which the PSC was to be built. Also, the City and County agreed to share equally in the cost of an appraisal to be used in determining the sales price.

We found that two appraisals were obtained, and the average of the two value estimates amounted to \$1,025,000. As provided for in the MOA, the City in August 2009 purchased an agreed-upon undivided one-half interest in all of the rights and real estate and associated property, at a cost to the City of \$512,500 (i.e., one-half of the average value estimate of \$1,025,000). We noted that the City payment and County share in the

cost of the PSC site had not yet been included on the SBR.

With respect to the cost of the appraisal of the property, we found that the City had paid \$3,960, its agreed-upon one-half share of the total appraisal costs of \$7,920. However, the portion of the appraisal fees paid by the City is not recorded in the SBR or in applicable City PeopleSoft FMS project account. We noted that the share of the appraisal costs paid by the County is included on the SBR.

To ensure that all City cost share payments are considered during close-out meetings, we recommend that the SBR be updated to include the City and County shares in the cost of the PSC site and the appraisal fees paid by the City.

- The 2009 MOA incorporates a separate agreement between the County and the American National Red Cross (Red Cross), under which the Red Cross was to pay for area road improvements and the construction of a regional stormwater facility and sewer infrastructure to accommodate the needs of the PSC and adjacent Red Cross property. Pursuant to the terms of the MOA, the City agreed to pay one-third of the actual costs, not to exceed \$225,000. According to the SBR, the City and County have each paid \$173,581.

Our audit disclosed that the documentation supporting the City's payment does not contain information clearly showing that the amount paid represents the City's share of the actual costs incurred by the Red Cross. The supporting documentation consists of correspondence from the County requesting payment of \$173,581, which is described as the City's share of the amount advanced by the County to the Red Cross to pay the development cost.

We recommend the City obtain documentation of the actual costs incurred by the Red Cross in

constructing the stormwater facility, the sewer infrastructure project, and road improvements. The documentation obtained should be used to verify that the City paid its required share of actual costs and support adjustments, as needed, to the related amount shown on the SBR.

- Pursuant to the MOA, the City and County agreed to share equally all costs incurred pursuant to contracts executed by both parties and associated with the design and construction of the PSC. The following three contracts associated with the design and construction of the PSC were executed by both the City and County:
 - Program Management Contract: In February 2009, URS Corporation was hired by the City and County to provide program management services for the PSC construction project. However, the URS agreement was terminated in December 2009 due to the City and County determinations that the program management function could be provided at a savings if the existing City and County project managers (appointed by the City Manager and County Administrator, respectively, pursuant to the MOA) provided the program management services. (Total project savings from termination of the agreement were estimated at \$1.5 million.) According to the SBR, payments made to URS prior to contract termination and totaling \$349,960 were equally shared by the City and County who paid \$174,980 each. We found that the City cost share amount shown by the SBR was accurate and complete.
 - Architect-Engineer Contract: In November 2009, Clemons, Rutherford and Associates, Inc., and Morris Allen & Associates, Inc. (CRA-MAA), were hired by the City and County to provide architectural and engineering services. CRA-MAA was tasked with

developing construction design documents, working with the program manager, and assisting in the selection of a construction manager for the project. According to the SBR, payments to CRA-MAA totaled \$1,879,227, with City and County shares totaling \$877,700 and \$1,001,527, respectively.¹ We found that the City cost share amount shown by the SBR was accurate and complete. We noted that the differences in the City and County cost shares result from City and County payments for additional service authorizations. The charges for additional service authorizations for the County totaled \$139,827, and the charges for additional service authorizations for the City totaled \$16,000. Our audit tests of the additional services authorized by the City disclosed that the services related to the PSC project and that the County had reviewed and approved the applicable additional service authorizations.

- Construction Management Contract: In February 2010, the City and County hired Ajax Building Corporation and Construction Support Southeast, Inc., to provide construction management services. The SBR indicates that to date, the cost share amounts paid by the City total \$15,043,017 and the cost share amounts paid by the County (including amounts paid direct to suppliers) total \$15,048,961.² We found that the City cost share amount shown by the SBR was accurate and complete.
- As indicated above, pursuant to the MOA, the City Manager and County Administrator each appointed a project manager to be jointly

¹ Differences between the amounts paid by the City and County are to be considered by City and County staff as a part of PSC project close-out meetings during which the total project cost shares paid and due will be agreed upon.

² Please see footnote 1.

responsible for the day-to-day development of the PSC. Termination of the program management contract in December 2009 resulted in an increased workload for the project managers, and in May 2010, the City and County governing boards agreed to establish a new project coordinator position and to share the costs equally. The share of costs paid by the City for the project coordinator position, for the period May 2010 through September 2012, totaled \$80,352 (including salary and benefits, overhead, and operating costs). Our audit tests indicated that the City had paid the amounts invoiced by the County for the project coordinator position. The City and County payments made for the project coordinator position are not included in the costs shown by the SBR. **We recommend that the City and County payments for the project coordinator position be included on the SBR.**

- In addition to jointly executed contracts, certain purchase orders for PSC furnishings and audio-visual components were approved for cost-sharing by the governing boards of the City and County, as described below:
 - In June 2012, the City and County approved Evans Consoles, Inc., as the vendor to provide the workstations of staff of the Emergency Communications Center (i.e., the Tallahassee-Leon County Consolidated Dispatch Agency) and the Leon County Emergency Operations Center and for the Tallahassee Advanced Transportation Management System (operated by staff of the Regional Transportation Management Center). The City and County governing boards each approved purchase orders, and according to the SBR, payments to Evans Consoles totaled \$989,337, with City and County payments totaling \$489,216 and \$500,121, respectively.³ We found that the City cost share amount shown by the SBR was accurate and complete.

- A Visualization and Collaboration System (VACS) was identified as an essential component of the PSC to support the unrestricted exchange of information for public safety and emergency operations. The VACS system is to integrate the audio/visual needs of all users in the PSC and allow for the distribution of communications over the PSC's shared network environment. In June 2012, the County's governing board approved the award to Audio-Visual Innovations, Inc. (AVI), in an amount not to exceed \$1.6 million. In August 2012, the City's governing board approved the purchase order for the VACS for an amount not to exceed \$800,000. According to the SBR, payments totaling \$1,544,494 were made to AVI with the City and County cost share payments totaling \$768,548 and \$775,946, respectively.⁴ We found that the City cost share amount shown by the SBR was accurate and complete.

Other Cost-Sharing Arrangements

Our audit tests disclosed that some project-related costs had been incurred which do not appear to fall within the scope and applicability of the City and County-authorized cost-sharing arrangements described above. These costs include, for example, the following:

- Costs totaling \$1,495,969, associated with payments for furniture, fixtures, and equipment (FFE) (categorized in the SBR as furniture, fixtures, and equipment, miscellaneous move-in, media center, and post-completion item purchases), have been identified in the SBR as costs to be shared equally by the City and County. While our audit tests indicated that the items purchased were for the construction and commencement of operations of the PSC, we were unable to locate specific City or County governing board cost share authorizations for these particular costs. According to the SBR, City

³ Please see footnote 1.

⁴ Please see footnote 1.

and County payments for these items totaled \$625,260 and \$870,709, respectively.⁵

- Both the County and the City have incurred internal project management costs (i.e., expenses relating to direct salaries, overhead, supplies, vehicle usage) which do not fall within the scope of the above-referenced cost-sharing authorizations. We found that the City had been billed for and paid \$173,614 to cover one-half of the salary and benefits of the County project manager, along with charges for overhead and operating costs, while costs associated with City project management have not been shared. Project management costs of the City, as shown in the applicable PeopleSoft project account, totaled \$138,360. We were unable to locate City or County governing board authorization for the sharing of City and County project management costs, other than the authorization provided for the sharing of the costs of the project coordinator position, as referred to previously. City and County project management costs have not been included on the SBR.

We recommend the City and County consider formalizing, in writing, cost-sharing agreements for those payments which do not fall within the scope and applicability of the existing authorized cost-sharing agreements and which in the judgment of project staff should be subject to cost-sharing. In making this determination, the payments which should be considered include, but are not limited to, the \$1,495,969 associated with payments for FFE (categorized in the SBR as furniture, fixtures, and equipment, miscellaneous move-in, media center, and post-completion item purchases); and City and County internal project management costs. The City should also ensure that all payments authorized for cost-sharing are included on the SBR.

Pending Cost-Share Determinations

During our audit, City management made us aware of certain PSC construction and equipment costs which are not currently authorized for cost-sharing or included on the SBR. These costs total

\$1,976,764 (City Project Account No. 0900357) and relate to City payments to consulting firms which provided equipment and engineering, design, and construction services for the traffic management facilities established at the Regional Transportation Management Center (RTMC). The RTMC is housed within the PSC.

We recommend that City staff pursue discussion with County staff as to whether these costs should be shared and cost-sharing authorizations obtained. Should cost-sharing authorizations be obtained, these costs should be added to the SBR.

Question No. 2. Were effective controls in place to provide reasonable assurance that amounts paid by the City and reported as its share of PSC construction costs pertained to documented project costs incurred under authorized cost-sharing agreements?

For joint projects, such as the PSC construction project, controls should be in place to reasonably ensure a clear communication and mutual understanding of the costs that are eligible for cost-sharing and the processes to be followed in authorizing, recording, and accurately and completely reporting the shared costs. With respect to these controls, our audit disclosed that, overall, effective City controls were in place. Our audit did disclose some opportunities for improvement. More specifically, we found:

- A periodic reporting process had been established to communicate the status of project cost-sharing. To ensure the accuracy and completeness of these records (i.e., the SBRs), they should be subject to periodic reconciliation to the related City accounting records. We found that the SBR was not periodically reconciled to related City accounting records.
- Written project cost-sharing guidelines had not been developed for the PSC project. Such guidelines would have provided additional assurance of a mutual understanding of the criteria which must be met in order for a cost to be eligible for cost-sharing and of the processes to be used to track and report the

⁵ Please see footnote 1.

status of City and County cost shares. Guidelines for projects of this nature should address such matters as, for example:

- The provisions of law or governing board action that have authorized the sharing of costs.
- City and County rights to review and approve purchase orders and contract awards.
- The extent of the allowability, if any, of internal costs, such as the costs associated with staff work and expense directly benefitting the PSC project and the costs associated with allocable indirect costs.
- The records that must be maintained and provided upon request in support of shared costs.
- Examples of costs which are not subject to cost-sharing.
- The processes for reporting and reconciling any disputes concerning City and County cost share determinations.
- A description of the processes to be used to track and periodically report the status of cost-sharing.
- The financial status of the project and the status of project cost-sharing should be subject to the periodic review and discussion by City and County officials. Based upon interviews of the City's project manager, it is our understanding that periodic project status meetings were held to discuss construction progress. However, project financial status and the status of cost share payments, as shown by the SBR, were not routinely discussed in detail in these meetings or separately.
- Controls should require City project manager review and approval of vendor invoices prior to payment by the City. Our tests of a selection of 12 invoices, with purchases totaling \$1,814,747, disclosed that 10 of the 12 vouchers appropriately contained evidence of both City and County project manager approvals. However, in two instances, the

vouchers, relating to purchases of furniture and fixtures costing \$158,474, did not contain evidence of City project manager approval.

With respect to the PSC project, we recommend that the City reconcile the related City accounting records to the SBR and identify any accounting record and SBR adjustments that may be needed. The proposed SBR adjustments should be considered during close-out meeting discussions, and City and County cost-sharing authorizations should be obtained for any costs added to the SBR. To assist City staff, we have provided all potential adjustments identified by our audit inquiries and tests.

Should the City participate in the future in similar cost-sharing projects, we recommend:

- **Written cost-sharing guidelines be established and approved by the City and County.**
- **Project reports, such as the SBR, which are not generated by the City's accounting system, be periodically reconciled to related City accounting system records.**
- **Periodic meetings be held to discuss the financial status of the project, including the status of cost-sharing.**
- **The City ensure that all project invoices are approved by the City project manager prior to payment.**

Question No. 3. Is the City occupying its agreed-upon space allocation in the Public Safety Complex?

To obtain an understanding of the City's agreed-upon space allocation for the PSC, we reviewed the Interlocal Agreement for Joint Management and Use of the Public Safety Complex Facility, dated June 14, 2013. The program space allocated to each City, County, and joint function is defined in Exhibit A of the agreement. Exhibit A shows the PSC floor plan, and for each partitioned area of the floor plan, the assigned City or County department or division.

We compared the space occupied by City functions to the space allocated by the Interlocal Agreement. We found that the City is occupying the space allocated to City functions by the Agreement.

Conclusion

The costs incurred and shared by the City and County were monitored during the project; however, it was not practical to share equally the costs of each transaction. Rather, the planned approach involved tracking, through the use of the split billing report (SBR), the costs paid by the City or County during the course of the project, to be followed by close-out meetings to determine the cost shares paid and any amounts that may be due from one government to the other in order to equalize the shares paid. As of the close of audit fieldwork, these close-out meetings had not been completed, and the final cost shares paid and due had not been determined. As a preliminary measure of the cost shares paid and due, the March 12, 2015, version of the SBR indicates that the payments made total \$37,975,879, of which the County has paid \$19,142,911, and the City has paid \$18,832,968.

Our audit included tests to determine the extent to which City project cost share payments had been made to date in accordance with the cost share arrangements authorized by the City and County and whether those City payments had been accurately and completely recorded in the SBR. Our audit also included a review of City internal controls relevant to the authorization, payment, and tracking of project cost share payments and a determination as to whether the City was occupying its agreed-upon space allocation in the Public Safety Complex. Our audit disclosed:

- The City and County governing boards have specifically authorized the sharing of PSC construction costs. Those authorizations are documented in a January 2009 Memorandum of Agreement (MOA) and in meeting minutes of the respective boards. With respect to the payments made by the City pursuant to these agreements, we found:
 - Some instances in which payments made by the City or County had been omitted from the SBR. We recommend that the City project manager review the City's accounting records and the most recent SBR and ensure that all project-related costs, which are subject to authorized cost-sharing agreements, have been properly recorded in the applicable accounting project record and on the SBR.
 - For one payment tested, the documentation supporting the City's payment does not contain information clearly showing that the amount paid represents the City's agreed-upon share of the actual cost. We recommend the City obtain documentation of the actual costs incurred and utilize that information to verify that the City paid its required share of actual costs.
- Some PSC-related costs had been identified as costs to be shared equally by the City and County, although City and County governing board authorizations were not available to support this determination. For example, while our audit tests indicated that the items purchased were related to the construction and commencement of operations of the PSC, we were unable to locate City or County governing board cost share authorizations for costs totaling approximately \$1.5 million. We recommend that the City and County consider formalizing in writing the cost-sharing agreements for those payments which do not fall within the scope and applicability of the existing authorized cost-sharing agreements and which in the judgment of project staff should be subject to cost-sharing.
- City management made us aware of certain PSC construction and equipment costs which are not currently authorized for cost-sharing or included on the SBR. These costs total \$1,976,764 (City Project Account No. 0900357) and relate to City payments to consulting firms which provided equipment and engineering, design, and construction services for the traffic management facilities established at the Regional Transportation

Management Center (RTMC). We recommend that City staff pursue discussions with County staff as to whether these costs should be shared and cost-sharing authorizations obtained. Should cost-sharing authorization be obtained, these costs should be added to the SBR.

- Overall, relevant City controls were in place. We also identified some opportunities for improvement that should be considered for any future joint, cost-sharing projects. Recommendations were made accordingly.
- The City had occupied the spaces allocated to City functions by the governing City and County agreement.

Acknowledgements

We would like to acknowledge the full and complete cooperation and support of the management and staff of the City Public Works department and the project management staff of Leon County.

Appointed Official's Response

We appreciate the thorough job the City Auditor's Office did in examining the complex issues associated with the cost sharing agreements between the City of Tallahassee and Leon County associated with the construction of the Public Safety Complex. We understand the importance to ensuring expenditures are in line with understandings and agreements between the two governing bodies. We will develop action plan steps to address the areas identified within the report as requiring additional information. We are confident that the implementation of those action plan steps, in addition to the final project cost reconciliation efforts, will ensure all appropriate costs for the project are properly documented and accounted for.

Appendix A – Management’s Action Plan		
Action Steps	Responsible Employee	Target Date
Objective A: Pay agreed-upon share of costs for the construction of the Public Safety Complex (PSC).		
1) The City will update the Split Billing Report (SBR) to include the City and County shares in the cost of the PSC site and the appraisal fees paid by the City.	Steve Shafer	March 18, 2016
2) The City will obtain documentation of the actual costs incurred by the Red Cross in constructing the stormwater facility, sewer infrastructure project, and road improvements. The documentation obtained will be used to verify that the City paid its required share of actual costs and support adjustments, as needed, to the related amount on the SBR.	Steve Shafer	January 15, 2016
3) The City will consider including payments for the project coordinator position on the SBR.	Steve Shafer	January 15, 2016
4) The City will consider formalizing, in writing, cost-sharing agreements for those payments which do not fall within the scope and applicability of the existing authorized cost-sharing agreements.	Gabe Menendez	March 18, 2016
5) The City will ensure that all City payments authorized for cost-sharing are included on the SBR.	Steve Shafer	March 18, 2016
Objective B: Provide reasonable assurance that amounts paid by the City and reported as its share of costs pertain to documented project costs incurred under authorized cost-sharing agreements.		
1) With respect to the PSC project, the City will reconcile the related City accounting records to the SBR and identify any accounting record and SBR adjustments that may be needed. The proposed SBR adjustments will be considered during close-out meeting discussions. City and County cost-sharing authorizations will be obtained for any costs added to the SBR.	Steve Shafer	May 18, 2016
2) With respect to future cost-sharing projects, the City will consider establishing guidelines to address cost-sharing, project communications, and project invoice review and approval.	Gabe Menendez	This will be an ongoing task performed prior to and customized for each future agreement.



The Public Safety Complex (PSC), which opened in July 2013, was constructed as a joint project of the City of Tallahassee (City) and Leon County (County) and houses staff of both City and County departments and divisions.

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