ERP II Post-System Implementation Audit

January 5, 2018

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City of Fort Worth
Department of Internal Audit

200 Texas Street

Fort Worth, Texas 76102

Audit Staff

Patrice Randle, City Auditor

Terry Holderman, Assistant City Auditor

Tom Wilson, IT Auditor

FORT WORTH

The Enterprise Resource Planning (ERP) II Post-System Implementation Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2017 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to ensure that:

- internal controls are adequate;

- the system is functioning as intended; and,

- reports and other information generated from the system are accurate and reliable.

Audit Scope

Our audit included a review for the period October 1, 2015 through March 16, 2017. Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

Enhanced budgetary controls

Modification of eRDD permissions

Proper maintenance of user accounts

Employee/user training

Additional process documentation

Executive Summary

As part of the FY2017 Annual Audit Plan, the Department of Internal Audit conducted a Post-System Implementation Audit of the PeopleSoft Financials software. We concluded that the software properly tracks basic information associated with capital projects, and properly receives financial data via interfaces from other City of Fort Worth (CFW) software. However, our audit results indicate that internal control improvements are necessary to adequately address issues identified during this audit.

The Department of Internal Audit identified 175 projects, as of March 2017, where total expenditures for each project exceeded the allocated budget at either the budget line-item or project level.

An inadequate segregation of duties was detected when testing Electronic Receipt Distribution Documents (eRDDs). Over 2,600 eRDDs, entered between October 1, 2015 and September 30, 2016, were entered and approved at one level by the same user. Over 350 eRDDs were entered and approved at two levels by the same user.

The Department of Internal Audit identified 23 PeopleSoft user accounts that did not have a matching CFW network account. Six (6) of these accounts were for terminated CFW employees.

Approximately 52% (93 of 178) of assigned project managers did not attend Capital Projects training either before or after the implementation of PeopleSoft Financials.

Documented standards, processes, and/or procedures associated with the management of capital projects are lacking, in that documentation was limited to what is used for capital projects training classes.

These findings are discussed in further detail within the Detailed Audit Findings section of this report.

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Background

The City of Fort Worth (CFW) implemented new financial software in October 2015. The software, called PeopleSoft Financials, is part of the City's Enterprise Resource Planning (ERP) software system, and compliments the PeopleSoft Human Capital Management (HCM) software already in use. PeopleSoft Financials replaced the prior mainframe financial software, called MARS, and provides a more up-to-date platform for the recording, tracking, and reporting of financial transactions and assets.

Support for PeopleSoft Financials is provided by the Financial Management Services Department (FMS), Performance and Budget Department (PBD), and the Information Technology Solutions Department (ITS). FMS is responsible for the overall management and oversight of the City's financial information. PBD is responsible for development of the City's annual budget, and management and oversight of the capital projects process. ITS is responsible for technical services and related support for the City's ERP software, which includes PeopleSoft Financials.

Among the available features within PeopleSoft Financials is the ability to enter and track capital projects. The stated benefits of using PeopleSoft Financials for capital projects tracking include: streamlined funding processes, improved visibility of funding commitments and related supporting documentation, and the ability to set budgetary controls, and produce aging (in support of project closures) and produce budget-to-actual reports. Financial summaries and status of capital projects (as of March 16, 2017) are noted in the following tables:

Financial Summary
(as of March 16, 2017)

Project Type	Total Projects	Total Budget	Total Pre-Encumbrances	Total Encumbrances	Actual Expenditures	Total Remaining Budget
Capital Projects	916	$421,295,661.11	$1,968,339.36	$59,112,226.76	$76,511,916.56	$283,703,178.43
Closed Projects	143	$3,403,916,839.31	$0.00	$0.00	$3,454,205,554.60	($50,288,715.29)
Conversion - Capital Projects	2,942	$2,990,244,819.59	$279,633.07	$189,511,155.16	$2,116,253,582.10	$684,200,449.26
Conversion - Operating Grants	185	$290,387,163.42	$0.00	$2,961,275.80	$295,987,417.42	($8,561,529.80)
Old Bond Funds	500	$437,134,275.03	$0.00	$2,600,298.82	$429,844,462.84	$4,689,513.37
Operating Grants	81	$53,114,141.76	$626,609.00	$4,640,385.20	$21,356,145.27	$26,491,002.29
Operating Projects	184	$133,916,752.91	$948,880.10	$1,181,839.17	$138,830,541.29	($7,044,507.65)
Unspecified Projects	283	$356,465,496.41	$0.00	$0.00	$196,883,302.54	$159,582,193.87
Totals	**5,234**	**$8,086,475,149.54**	**$3,823,461.53**	**$260,007,180.91**	**$6,729,872,922.62**	**$1,092,771,584.48**

Source: PeopleSoft Financials

Project Status
(as of March 16, 2017)

Project Type	Open	Closed	Budgeted	Hold	Proposed	Status Not Indicated / Field Left Blank	Total
Capital Projects	785	48	27	9	5	42	916
Closed Projects	136	7	0	0	0	0	143
Conversion - Capital Projects	1,382	1,353	8	2	0	197	2,942
Conversion - Operating Grants	92	90	0	0	0	3	185
Old Bond Funds	389	76	0	0	0	35	500
Operating Grants	70	10	1	0	0	0	81
Operating Projects	111	21	0	0	0	52	184
Unspecified Projects	233	27	0	0	0	23	283
Totals	**3,198**	**1,632**	**36**	**11**	**5**	**352**	**5,234**

Source: PeopleSoft Financials

Objectives

The objectives of this audit were to ensure that:

- internal controls are adequate;

- the system is functioning as intended; and,

- reports and other information generated from the system are accurate and reliable.

Scope

The scope of this audit included a review of PeopleSoft Financials data for the period October 1, 2015 through March 16, 2017. Activity beyond this period was reviewed as deemed necessary.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- obtained access to the PeopleSoft Financials test system, and verified the capital projects functionality against published training materials and other relevant documents;

- conducted interviews with staff from the PBD, ITS, Transportation & Public Works, and Water departments;

- conducted interviews with the City's contracted external auditors;

- flowcharted the current capital projects process, as outlined in published materials;

- reviewed system-generated reports to verify the accuracy of information reported;

- verified that project funds have been posted accurately;

- reviewed interfaces to the PeopleSoft Financials system to verify interface frequency and schedule, and to verify that testing was conducted and completed prior to go-live;

- reviewed software security set-up and user accounts for proper segregation of duties, user access, and capabilities; and,

- evaluated internal controls related to capital projects within PeopleSoft Financials.

We conducted this 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.

Audit Results

Based on our audit results, we concluded that the PeopleSoft Financials system adequately tracks basic information and related expenditures associated with capital projects. In addition, interfaces to the PeopleSoft Financials system, from other City of Fort Worth software, are operating as intended, and contain appropriate system edit protocols to ensure appropriate posting of financial information. However, during the course of our audit fieldwork, we identified weaknesses in the capital projects and Electronic Receipt Distribution Documents (eRDDs) processes, and system security. In addition, other than the materials used for training, we identified a lack of documentation related to applicable processes and procedures necessary to ensure the accurate and timely recording of capital assets.

Capital Projects Management
A review of capital projects data resulted in the identification of 175 projects (some converted from a prior system(s) and some entered after the PeopleSoft implementation), where total project expenditures exceeded the allocated budgets. Overages were found to have occurred at either the budget line-item or project level.

Inadequate Segregation of Duties
We identified 14 PeopleSoft Financials users who entered and approved a total of 354 eRDDs at both required approval levels. Thirty-eight (38) users entered and approved a total of 2,637 eRDDs at one approval level.

User Account Maintenance
A review of active PeopleSoft user accounts resulted in the identification of 23 accounts for individuals who did not have a matching CFW network account. Six (6) of the PeopleSoft accounts were listed as "terminated" in the PeopleSoft HCM system. The user ID for 14 did not match the corresponding CFW network account user ID. Two (2) were for CFW employees with inactivated CFW network accounts, and one (1) did not have a corresponding entry in the PeopleSoft HCM system.

Training Not Mandated
Based on our test results, 93 (52%) of the 178 total project managers assigned within PeopleSoft Financials did not attend capital projects training.

Lack of Documentation
Although the CFW's Financial Directives, Policy Statements, and capital projects training materials make reference to capital projects, they do not convey any standards or requirements related to capital projects management. In addition, while the training materials address the "what" and "how" of the PeopleSoft capital projects management process, the materials do not make reference to standards and requirements pertaining to monthly reconciliations between the general ledger and the Asset Management (AM) module, proper recording of capital assets belonging to the City, how and when to capitalize developer contributions and donated assets, etc.

System Inefficiencies
We identified areas where system functionality could be enhanced to improve capital projects reporting. Although detailed audit findings were not drafted, the Department of Internal Audit concluded that relaying these issues to City management would be beneficial.

1. Active and inactive projects reports display information only for the previous six months.

2. The overdrawn projects report displays information for those projects where line-item expenditures have exceeded budget. There is no report to show projects where total expenditures exceed the total

budget. Also, no report was identified which summarized information such as total project budget, total encumbrances, total expenditures, and total remaining project budget.

3. Project costing was intended to replace the Capital Projects Management System (CPMS), but was ultimately not part of the PeopleSoft Financials implementation. During interviews with City staff, users expressed concerns regarding project costing functionality within PeopleSoft Financials. According to those interviewed, PeopleSoft's capital projects functionality provides "less than the basics" of what was previously available within CPMS. Per interviewed staff, CPMS included the ability to manage a group of projects as a program/portfolio, and a project-centric electronic file system for the storage and management of all project-specific documentation.

Capital Project Data Attributes
The Department of Internal Audit reviewed a report of active capital projects within PeopleSoft Financials, as of March 2017. Of the 1,060 projects listed, 459 (43%) did not have an assigned Project Manager documented within PeopleSoft. Since 86% (397 of the 459) of those projects were converted from the CPMS, it is probable that project manager information for those projects was not populated within CPMS.

Internal Audit also reviewed a March 2017 report of the 5,234 total projects in PeopleSoft Financials. The review showed that at least 610 projects were assigned to departments whose operations would not typically include capital projects. Additionally, based on the project descriptions, we concluded that the 610 projects should have been assigned to other departments. Further analysis showed that only 62 of the 610 projects had a budget.

The same review found 55 projects that were missing entries for either "Managing Department" or "Sponsoring Department".

Overall Evaluation

High	Medium	Low
Inadequate budgetary control(s)		
Inadequate segregation of duties		
	Inadequate user account maintenance	
	Capital projects training not mandated	
	Lack of documented standards and related procedures	

Detailed Audit Findings

1. **Budgetary controls, within PeopleSoft Financials, allow capital project expenditures to exceed the project budget.**

   The Department of Internal Audit reviewed the PeopleSoft Financials' Overdrawn Capital Projects Report, and identified 175 projects, as of March 16, 2017, where total expenditures exceeded the projects' total allocated budgets.

Project Type	# Projects	Total Budget	Total Expenditures	Total Overdrawn
Old Bond Funds	31	$25,257,665.08	$52,126,190.25	$26,868,525.17
Capital Projects	37	536,754.14	1,305,910.78	769,156.64
Closed Projects	2	20,990,948.72	21,951,485.59	960,536.87
Conversion - Capital Projects	70	42,023,823.33	228,560,648.15	186,536,824.82
Conversion - Operating Grants	11	7,141,237.37	7,294,104.10	152,866.73
Operating Grants	6	7,450,515.64	7,915,528.31	465,012.67
Operating Projects	15	22,271,848.15	40,638,223.14	18,366,374.99
Unspecified Projects	3	209,856.99	261,693.19	51,836.20
Totals	**175**	**$125,882,649.42**	**$360,053,783.51**	**$234,171,134.09**

Source: PeopleSoft Financials

Of the 175 projects, 31 (categorized as "Old Bond Funds") were created prior to the existence of CPMS. These 31 projects were converted into PeopleSoft and are unrelated to a specific bond program approved by the CFW. The remaining 144 projects were either converted from CPMS into PeopleSoft or were entered into PeopleSoft after its October 2015 implementation.

Based on our analysis of data captured within PeopleSoft Financials, as well as from interviews with PBD personnel, the Department of Internal Audit determined that budget controls were not configured to disallow expenditures from exceeding the allocated budget at the line-item and/or the total project budget level. Management stated that PBD had been overriding accounts payable transactions. However, such overrides would be discontinued, and departments would be held responsible for better management of their project budgets.

The PeopleSoft Financials software implementation date was changed from October 1, 2014 to October 1, 2015 to accommodate reconciliation and balancing efforts associated with capital projects that had negative balances in the mainframe financial system. If the negative balances were not corrected, budget controls would have prevented the application of vendor payments in the PeopleSoft Financials software.

The Government Finance Officers Association's (GFOA) Best Practice for Capital Project Monitoring and Reporting states that projects should be regularly monitored for confirmation of availability and appropriateness of the revenue funding source(s), and confirmation of the cash flow in relation to project requirements. GFOA further states that expenditures should also be reviewed regularly, both to the current budget and the project's entire life cycle. Without proper and systematic controls, project over-runs could result in city-wide budgetary issues.

Recommendation 1A: *The Chief Performance Officer should ensure that a budget-to-actual review of projects, within the PeopleSoft Financials system, is performed.*

Auditee's Response: Concur. Systematic controls are currently in place and have always been turned on. Previously, budget staff was often requested to allow overrides for accounts payable transactions. Additionally, the system is designed to override payroll transactions. Since October 1, budget staff does not allow any overrides for capital projects (exception payroll) and works with departments on corrective action. Existing reports such as the Active Projects Budget Summary Report, Inactive Project Budget Summary Report, and Overdrawn Capital Projects Report can be used by departments to regularly monitor capital project budgets. The Budget and Analysis Division will develop a monthly status tracking tool along with training aids that departments can use to manage budgets and will provide training as needed.

    Target Implementation Date: April 1, 2018

    Responsibility: Kip Dernovich, Budget Manager

Recommendation 1B: *The City Manager should require that specific controls are implemented to ensure that projects forecasted to exceed their budget are reviewed, and have received approval to exceed their budget, by the appropriate levels of management.*

Auditee's Response: Concur. The Budget and Analysis Division will develop a process that allows departments to address their forecasted deficits. The process will ensure budgets are adjusted proactively or appropriate approval is obtained in the event of extenuating circumstances. This process will be reviewed and approved by the City Manager.

    Target Implementation Date: March 31, 2018

    Responsibility: Kip Dernovich, Budget Manager

Recommendation 1C: *The Chief Performance Officer should work with applicable City departments to balance/correct prospectively unbalanced or overdrawn projects.*

Auditee's Response: Concur. It is the responsibility of each City department and capital project managers to ensure that each capital project either stays within budgetary limits or additional funding is identified to offset overages. When a City department has determined that a capital project is projected to be unbalanced or overdrawn, they should contact the Budget and Analysis Division. The Division will assist the City department in identifying available funding that can be transferred to offset projected overages. The target implementation date below reflects the development of training aids, highlighting existing reports, which departments can use to prospectively manage capital project budgets.

    Target Implementation Date: April 1, 2018

    Responsibility: Kip Dernovich, Budget Manager

2. Some electronic Receipt Distribution Documents (eRDDs) are entered and approved by the same person.

An eRDD is used by CFW departments to record customer deposits and correct deposits previously made. The eRDD process was a part of the PeopleSoft Financials implementation in October 2015, and was designed to increase the efficiency of cash handling and to improve cash handling controls. The eRDD process records the deposit amount and type (cash, check, credit/debit card, or electronic funds transfer), the department making the deposit, and the general ledger accounts to which the deposit is being posted. As part of the process, each eRDD contains two levels of approval that must be made before the deposit is posted.

A pre-system implementation audit report of the PeopleSoft Financials' Accounts Receivable module was released by the Department of Internal Audit on September 4, 2015. For the pre-system implementation audit, we noted that 73 users had the ability to both enter and approve eRDDs for their own department. The ability for a user to enter and approve his or her own eRDD creates an inadequate segregation of duties, thereby not allowing for adequate monitoring and approval of daily deposits. Internal Audit, therefore, recommended that PeopleSoft user security profiles be modified to ensure proper segregation of duties, and thus prevent the same user from entering and approving his or her own eRDD.

As part of this post-system implementation audit, Internal Audit reviewed FY2016 eRDD data, the internal control design of the eRDD approval process, and related security controls. The review identified a total of 44 users who entered and approved an eRDD. The number of users, by department, is shown in the following table.

Department	# of Users
Aviation	1
City Attorney's Office	1
Code Compliance	3
Financial Management Services	1
Human Resources	1
Library	24
Municipal Court	1
Neighborhood Services	1
Parks & Recreation	2
Property Management	2
Public Events	3
Transportation & Public Works	3
Water	1
Total	**44**

The security profile set-up allowed the 44 users to enter and approve their own eRDDs, which is an inadequate segregation of duties, and is contrary to the internal control objectives outlined in CFW Finance Directive FD09. This Directive states that duties within the customer deposit cycle (collecting, recording, and reconciling transactions) are to be properly segregated.

In FY2016, 38 of the 44 users entered and approved (at one level) a total of 2,637 eRDDs. In addition, 14 of the 44 users entered and approved (at two levels) a total of 354 eRDDs. The Department of Internal Audit did not conduct any testing, as a part of this audit, to verify the accuracy of deposits processed without an adequate segregation of duties.

	Department	# Users	Number of eRDDs	Total eRDD Amount
Entered and Approved at one level	City Attorney	1	1	$4.00
	Code Compliance	2	42	283,648.51
	Financial Management Services	1	1	155,209.87
	Library	24	2,292	178,668.59
	Neighborhood Services	1	2	2,750.55
	Property Management	2	10	3,419,865.03
	Public Events	3	277	8,400,456.75
	Transportation & Public Works	3	9	682,848.96
	Water	1	3	2,111.62
	Totals	**38**	**2,637**	**$13,125,563.88**
	Department	# Users	Number of eRDDs	Total eRDD Amount
Entered and Approved at two levels	Aviation	1	1	($5,225.00)
	Code Compliance	2	32	126,453.58
	Human Resources	1	1	36,122.70
	Library	4	32	595.67
	Municipal Court	1	54	-11,977.38
	Park & Recreation	2	230	682,564.22
	Property Management	1	1	51,795.44
	Public Events	1	1	15,359.02
	Water	1	2	-657.87
	Totals	**14**	**354**	**$895,030.38**

As shown in the following table, seven (7) of the 14 aforementioned users, that approved eRDDs at two levels in FY2016, were part of the 73 users identified in the Department of Internal Audit's FY2015 pre-system implementation audit. These seven (7) users entered a total of 277 eRDDs.

Department	ERP II Pre-Implementation	ERP II Post-Implementation		
	Number of Users	Number of Users	Number of eRDDs	Amount of eRDDs
Aviation	2	0	0	$0.00
City Secretary	1	0	0	0
City Manager's Office	1	0	0	0
Code Compliance	6	2	32	126,453.58
Fire	6	0	0	0.00
Financial Management Services	6	0	0	0.00
Economic Development	8	0	0	0
Human Resources	1	1	1	36,122.70
IT Solutions	1	0	0	0
Law	2	0	0	0
Library	3	1	27	120.53
Municipal Courts	2	1	54	-11,977.38
Planning & Development	10	0	0	0
Parks & Recreation	5	1	162	667,088.26
Property Management	8	0	0	0
Public Events	4	1	1	15,359.02
TPW	7	0	0	0
Totals	**73**	**7**	**277**	**$833,166.71**

The heading above the table reads: **eRDDs Processed Without an Adequate Segregation of Duties**

Recommendation 2: *The City Manager should require coordination between City departments and the Chief Financial Officer to ensure full implementation of the iNovah Point-of-Sale system, with the exception of departments such as Water and Municipal Court, where reconciliation of cash receipts to departmental sub-systems, as well as to the general ledger, will remain necessary.*

Auditee's Response: Concur. Financial Management Services, in conjunction with the Information Technology Solutions Department, is currently in the process of assessing all revenue collection activities conducted throughout the City in order to determine the most efficient and effective implementation plan for the continued deployment of the iNovah Point-of-Sale system. It is important to note the comprehensive assessment will include an evaluation of each department's unique operational needs and will require significant re-engineering of departmental revenue receipting/collection processes and procedures. As such, the following target implementation date

represents the anticipated completion date of the initial department assessment/evaluation and implementation plan.

    Target Implementation Date: January 31, 2018

    Responsibility: John Samford, Assistant Director of Finance
                              Steve Streiffert, Assistant IT Solutions Director

3. Active PeopleSoft Financials user accounts were found for 23 individuals that had no corresponding CFW network account.

The Department of Internal Audit compared PeopleSoft Financials user accounts to a complete list of CFW network users as of April 2017. The review identified 23 PeopleSoft Financials user accounts that were not included on the CFW network account list. Further examination of the user accounts revealed that:

- six (6) users were listed as terminated in the PeopleSoft HCM system;
- 14 users' PeopleSoft user IDs did not match their CFW network account IDs, due to spelling inconsistencies;
- two (2) users' CFW network accounts were inactivated; and,
- one (1) active PeopleSoft user did not have a corresponding entry in the PeopleSoft HCM system.

Access to the City network is required in order to log into PeopleSoft Financials. If such access is somehow made available, it is possible that an active PeopleSoft Financials user account could be used, even if the employee associated with the account has been terminated. As employees are terminated in the PeopleSoft Human Resources system, a daily report is generated and provided to ITS personnel for use in identifying and properly disabling the PeopleSoft Financials accounts. The account termination process is automated on the Human Resources side of PeopleSoft, but has not yet been automated on PeopleSoft Financials.

The Control Objectives for Information and Related Technology standard states that user identity and logical access should be managed to ensure that all users have information access rights in accordance with their business requirements.

Recommendation 3A: *The Chief Financial Officer should ensure that the automated account deactivation process, currently in place for PeopleSoft Human Resources, is also implemented for PeopleSoft Financials.*

Auditee's Response: Concur. During the second half of FY2017, the Sr. IT Business Planners in Financial Management Services developed a security plan for the PeopleSoft Financial system and other Financial Systems. During the security plan development, an automated SQL script was developed with the assistance of developers in the ERP-IT division. This automated script will remove all PeopleSoft Financial Roles and lock the accounts of users that are separated (Retired, Terminated, Deceased, etc.) from the City of Fort Worth. The automated script runs nightly and the execution of the financial Role removal is driven by a change from active to inactive in an employee's HCM status.

    Target Implementation Date: Completed - September 1, 2017

    Responsibility: Sr. IT Business Planners, Financial Management Services Department

Recommendation 3B: *The Chief Financial Officer should ensure that PeopleSoft user account IDs and user names match user accounts and names as defined for each user's CFW network account.*

Auditee's Response: Concur. As mentioned in the response to 3A, in FY2017 the Sr. IT Business Planners in the Financial Management Services Department developed a security plan for the City of Fort Worth PeopleSoft Financial System. During the assessment of the existing PeopleSoft Financials system security state, several single employee ID were associated with multiple User ID (network ID). This issue was addressed with ERP-IT administrators and has now been corrected. The current state of the PeopleSoft Financial System is a single employee ID associated with a single-correct User ID (network ID). Tools have been developed to monitor and verify that a single employee ID is only being associated with the correct User ID.

    Target Implementation Date: Completed **-** December 21, 2017

    Responsibility: Sr. IT Business Planners, Financial Management Services Department

4. **Over half (52%) of the Project Managers assigned to capital projects within PeopleSoft did not receive training for the new ERP Financials' capital projects process.**

A review of the ERP Financials software identified 178 CFW employees who were assigned as Project Manager within PeopleSoft Financials (to one or more capital projects). The names of the 178 employees were then compared to the rosters of capital project training classes held before and after the ERP Financials implementation. The comparison showed that 93 (52%) of the 178 Project Managers did not attend capital projects training. According to FMS staff, project managers who did not have responsibility for entering financial transactions into PeopleSoft were not required to attend capital projects training.

In order to meet its commitment to the development and training of its employees, the CFW provides programs to strengthen and improve the knowledge, skills and abilities necessary for employees to perform their assigned functions, and to educate employees on current CFW policies. Such development and training would include the capital projects process. The current capital projects training materials were designed to provide class attendees with detailed instructions on how to create and fund projects, monitor a project's budget, and close-out and capitalize projects.

Good business practice would require that personnel directly responsible for the management and oversight of capital projects have a thorough understanding of how the capital projects process operates within the PeopleSoft Financials software. Such understanding helps ensure that City staff can appropriately manage projects to which they are assigned. Ultimately, this will allow appropriate staff to close out and capitalize projects in a timely manner once the projects are complete. A lack of training on the part of Project Managers could eventually lead to inconsistencies in how projects are managed and/or reported.

Recommendation 4: *The City Manager should ensure that capital projects training is mandatory, and is provided to CFW personnel assigned to manage one or more capital projects.*

Auditee's Response: Concur. As mentioned in the response to Recommendation 5, required and recommended training for various staff positions will be identified when the new/revised training material is rolled out.

Target Implementation Date: September 1, 2018

Responsibility: Kip Dernovich, Budget Manager, ITS & FMS

5. **Documented standards and related procedures for the management of capital projects do not exist.**

According to GFOA's Best Practice for Capital Project Monitoring and Reporting, the financial management of capital projects requires a significant commitment of organizational time and resources. Entities, therefore, should establish policies and procedures to support effective capital project monitoring and reporting. For improved financial accountability and enhanced operational effectiveness, the GFOA recommends:

- the identification and incorporation of legal and fiduciary reporting;
- the identification of external and internal stakeholder information needs;
- a system to collect, store, and analyze project data and to report results;
- regular monitoring of capital projects financial and project activity information;
- regular reporting of capital project status and activities;
- timely close-out of capital projects; and,
- continued evaluation of capital projects monitoring and reporting methods and activities.

The Department of Internal Audit was provided a copy of the capital projects training materials used in classes provided by the ITS. The course materials contain explanation and direction regarding the "what" and "how" of capital projects data entry, but do not provide explanation and direction as to the "why". No other relevant documentation pertaining to capital projects management was located.

Recommendation 5: *The City Manager should require the Chief Financial Officer, Chief Performance Officer, and the Chief Technology Officer to develop standards, processes, and procedures for the management and oversight of capital projects, and jointly provide relevant training to City departments.*

Auditee's Response: Concur. The Budget and Analysis Division will work with the Financial Management Services Department and the Information Technology Solutions Department to review and revise current training material to provide relevant "Capital Budget" training and will identify positions within the organization that should take these courses.

Target Implementation Date: September 1, 2018

Responsibility: Kip Dernovich, Budget Manager; ITS and FMS

Acknowledgements

The Department of Internal Audit would like to thank the Financial Management Services, Performance & Budget, and IT Solutions Departments for their cooperation and assistance during this audit.