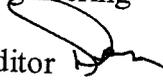




Office of County Auditor

Date: March 1, 2007
To: Ruben Delgado, Director of Engineering
From: Donald W. Cozad, County Auditor 
Subject: Road Construction Projects Funded with 1999 Bond Funds – Final

Internal Audit met with your office on numerous occasions over the past twelve months to conduct an examination of books and records regarding all road construction projects funded by the 1999 bond issue. The audit objectives were to ensure county bond funds were disbursed properly and for approved projects.

The scope of the audit entailed reviewing files at Engineering for proper documentation as required by interlocal agreements or related contracts, comparing contract requirements to actual funds dispersed, and comparing total costs of individual projects to corresponding interlocal agreements or contractual obligations.

During the review, we identified certain practices and procedures that we believe could be enhanced to strengthen internal controls and increase efficiencies. The review was not intended to be a detailed study of every procedure or activity. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

Engineering personnel were extremely helpful and courteous in assisting with the audit. An exit interview was held with you on October 30, 2006.

If we may be of any help or you have any questions, please feel free to contact us.

Documentation Review

Finding(s):

Forty-three project files were reviewed; nineteen project files either contained final accounting documentation or were not required to have such information.

All of the projects that involved a municipal participant required an Interlocal Agreement to provide direction for the project. For thirty of the projects reviewed, Article IV of the Interlocal Agreement states the payment terms and the requirement for the partner in the agreement to provide a final accounting of project costs at the time of completion.

Engineering sent out twenty-three letters requesting an accounting of final project costs on November 11, 2005; on April 14, 2006, reminder notices were sent to fourteen cities that had not responded. Two letters were sent in error (99-48 & 99-93). Also, two cities have yet to respond (Richardson for 99-78 & Lucas for 99-42). One city was not sent a request letter for their project (Plano for 99-11). The Auditor's Office has twice asked Engineering to send a letter to Plano.

Recommendation:

The three cities mentioned above should be contacted and a final accounting requested by phone and in writing. When the requested information is received, contact Internal Audit to review the documents and compare the total to projected costs noted in the corresponding Interlocal Agreements.

Response:

We will follow your recommendations.

Reimbursement Review

Finding:

Thirty-two projects were reviewed to determine if reimbursements and payments to contractors were made in accordance with corresponding Interlocal Agreements or contracts. Two projects, 99-02 and 99-42, were found to have been funded in a manner not in accordance with the corresponding Interlocal Agreement.

- Project 99-02 was funded in one lump sum instead of ½ at time of notice to proceed and ½ when 50% complete. The City of Allen did not issue a notice to proceed and a request for payment. The City of Allen requested the full amount after the project met the 50% requirement.
- For project 99-42, the City of Lucas sent a progress report stating the project was at least 50% complete. Payment was issued for the amount reported as being total costs incurred, which was not the amount stated in the Interlocal Agreement. Since the progress report was perceived to be a reimbursement request the City of

Lucas should have been given the total amount stated in the Interlocal Agreement. The City of Lucas sent a refund to the County at a later date for overpayment, because the project cost was less than previously estimated.

Recommendation:

Engineering should check Interlocal Agreements for proper guidance on payment reimbursement and proceed accordingly for future projects.

Response:

We will follow your recommendations.

Project Cost Review

Finding:

Thirty-seven projects were reviewed to compare estimated project costs to final project costs.

- Project 99-02 was overpaid by \$116,696. The City of Plano's final project cost of \$3,566,608 was less than the estimated cost of \$3,844,992 per Article IV of the Interlocal Agreement.

The County paid \$1,900,000 on July 19, 2000. The amount owed, based on the lower project cost, should have been \$1,783,304 (\$3,566,608 divided by 2 for 50% participation). The difference of \$116,696 (\$1,900,000 paid less \$1,783,304) should be repaid to the County by the City of Plano.

Recommendation:

Engineering should request a refund from City of Plano for project 99-02.

Response:

We will follow your recommendations.