



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 13

Agenda Date: February 23, 2022

In Control: Audit and Accountability Committee Meeting

DEPARTMENT: Office of the City Auditor

DEPARTMENT HEAD: Kevin Barthold

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Acceptance of the Office of the City Auditor report AU21-026 of the Public Works Department's Capital Project Overhead Cost Allocation Model

SUMMARY:

Audit Objective: Determine if Capital Project overhead rates are allocated in accordance with accounting guidelines and Federal regulations.

BACKGROUND INFORMATION:

Background

The Public Works Department (PWD) is split into two main divisions. The first is Operations, which includes the Streets, Storm Water and Traffic Management Divisions. The second is Capital, which includes Project Delivery responsible for managing the majority of projects under the City's Capital Improvement Program to include the General Obligation Bond Programs.

The Support Services Division exists to complete those tasks indirectly related to capital projects. Examples of such support services are Contract Services, Fiscal and Budget Management, the management of capital project software, and Compliance.

While budgets are pre-determined for all associated department costs, actual costs for managing CIP projects are charged to a project based on actual time worked by the direct employee plus the indirect cost (overhead) rate applied against the employee's direct costs. These costs (either direct or indirect) are categorized as Capital Administrative Charges and are covered by the Capital Management Services Fund, an internal service fund.

Since FY 2018, an average of \$21 million has been allocated to Capital Administrative Costs within the Capital Management Services Fund annually.

Scope & Methodology

The audit scope included fiscal years 2018 through June 2021.

We interviewed PWD staff and performed walkthroughs to gain an understanding of implemented controls and overhead accounting practices. We tested journal entries to verify the appropriate indirect rate was applied for the selected month and that the calculations for overhead costs were accurate. Additionally, the audit team ensured internal accounting records reconciled with the City's financial accounting system, SAP.

Conclusions

Public Works manages overhead costs in accordance with accounting guidelines and Federal regulations. Accounting personnel are knowledgeable in the areas involving overhead cost rates and the testing of supporting documents indicated that PWD personnel successfully apply those rates.

There are no findings. Consequently, we make no recommendations to Public Works Management.

ISSUE:

This item is for briefing only.

FISCAL IMPACT:

This item is for briefing only.

ALTERNATIVES:

This item is for briefing only.

RECOMMENDATION:

Staff recommends acceptance of the audit