City of Lincoln
Audit Advisory Board

Memo

To: Mr. Gene Carroll, Chair City Council

From: Mike Justus, Chair
Audit Advisory Board

CC: Lincoln City Council
Mayor's Office
Marcee Brownlee, Assistant City Attorney

Date: August 10, 2011

Re: Audit Advisory Board Activity

This memo is to update you on the activity of the Audit Advisory Board (Board) with respect to the two Council resolutions that have been forwarded to us for action.

Resolution A-86238. This resolution requested the Board to determine an appropriate examination of StarTran. The Board completed its work on this resolution.

Resolution A-86267. This resolution directed the Board to conduct an examination and/or audit of the functions, programs and activities of Public Works in the areas of its Engineering Services Division and its use of collected impact fees.

The Board has met numerous times to work on this latest request and has determined that this request will need to be divided into two or three separate engagements.

The Board first determined that the examination of collected impact fees could best be analyzed through the use of an agreed upon procedures engagement. Under this approach, an outside CPA firm would be hired to determine the City's compliance with the collection and use of impact fees in accordance with the impact fee ordinance establish in January, 2003. The Board has completed its work on this portion of the Council's request and it is our understanding that a firm has been selected and a resolution will be coming forward to the Council for approval.

The second portion of the request has consumed most of the Boards attention. After interviewing the Councilman who introduced the Resolution and interviews with Public Works staff, it appears that the focus of the request should be on the Engineering Services Revolving Fund within Public Works. It appears to the Board that the broad request to conduct a performance audit of all of Engineering Services was not the focus of the request and if so, there would be very little likelihood of conducting such an engagement within the $100,000 limitation imposed by the City Council.

The Board is recommending to the City Council that two separate engagements be pursued. The first would again involve an agreed upon procedures engagement to determine that the activity within Engineering Revolving are being accounted for accurately. Again a firm would be hired to select a

sample of financial transactions and determine that costs are properly allocated and charged to the appropriate projects that Engineering Services is working on.

The second engagement would attempt to compare the rates that Engineering Services charges in comparison with other Cities and other private engineering firms. An attempt would be made to determine a benchmark for the comparable City's and private firms and then compare the rates charged by Public Works. To the extent possible, other benchmarks would be developed and compared.

The Board believes that these two engagements would be the most efficient way to analyze what we believe is the intent of the latest Council resolution.

We would appreciate if the Council would review the Board's proposed method of analyzing Engineering Services and either affirm or deny our proposed course of action.