

# INTERNAL AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



**City of Manchester**  
**Community Improvement Program**  
**Fiscal Year Ended June 30, 2002**  
Prepared by  
City of Manchester, NH – Finance Department  
Internal Audit Division

**INTERNAL AUDIT REPORT  
CITY OF MANCHESTER, NEW HAMPSHIRE  
COMMUNITY IMPROVEMENT PROGRAM  
FISCAL YEAR ENDED JUNE 30, 2002  
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**CITY OF MANCHESTER, NH  
CIP PROGRAM  
FISCAL YEAR ENDED JUNE 30, 2002**

**INTRODUCTION**

**Audited Program**

Internal Audit (IA) performed a financial and compliance audit of the City of Manchester Community Improvement Program (CIP) for the year ended June 30, 2002. This program is developed in the Planning Department but is executed and monitored by departments across the City and involves several of the City's Funds. The City of Manchester Planning Department is also charged with the monitoring of the Community Development Block Grant (CDBG) federally funded program.

The CIP process starts in mid-December when a letter is sent to all departments, who set their priority level for each project and non-profits that currently are funded by the CIP or who potentially may seek funds soliciting projects. A legal notice soliciting projects is also published. Those seeking funding fill out the application forms and send them to the City Planning Department. A meeting is set with all applicants to discuss their projects. From these meetings and applications, as well as the City's Long-Range Capital Plan, the City Planning Department determines funding of projects.

Potential funding sources are examined for the amount available and the Planning Department recommends the best uses of cash, federal funds, enterprise funds and bonds. The budget process will determine the amount of cash available for CIP use. Departments will determine the type and amounts of grants available. The Finance Department determines the level of bonded indebtedness available based on criteria set by State Statute and bond rating agencies.

The Planning Department meets with the various departments to review their requests and then has a series of workshops with the Mayor. Specific departments may be requested to meet with the Mayor as follow up to these meetings and workshops. Concurrent with these meetings the CIP Staff conducts two public workshops to solicit public input into the process particularly as it relates to the expenditure of the federal HUD monies contained within the CIP. Once the Mayor has his proposed CIP developed, a city- wide public hearing with the full Board of Mayor and Alderman in attendance is held. Subsequent to this hearing the CIP Committee reviews and forwards the proposed CIP to the full Board for adoption.

A standardized project start-up form is completed for all approved and appropriated projects and a copy is sent to the Finance Department. The project is then set up and activated in the accounting system. Departments monitor the balances and spend down of the projects that they originate. The Planning Department staff monitors the progress of all CIP projects. Administrative oversight of the US Department of Housing and Urban Development (HUD) funded projects is a primary function and focus of the CIP staff.

## Funding

The CIP gets funding from Federal and State Grants, City Cash, General Obligation Bonds and Enterprise funds mostly in the form of revenue bonds. The following chart shows the breakdown by funding source for the FY 2002 CIP:

<b>FUNDING</b>	<b>AMOUNT</b>	<b>PERCENT</b>
Enterprise Funds (\$17,971,290 Airport Improvement Bonds)	\$ 23,381,290	54.7%
Federal and State Grants and Donations (\$8,400,000 Federal Grants to the School Department)	12,783,613	30.0%
Community Development Block Grant (Federal)	3,265,900	7.6%
Cash Projects	1,790,742	4.2%
General Obligation Bonds	1,525,000	3.5%
TOTAL 2002 CIP	\$42,746,545	100.0%

## Audit Objectives and Scope

The primary objective of the audit is to express an opinion on the fairness of the presentation of the financial statements. IA's audit was limited to the General Fund projects of the CIP only. However, as part of obtaining reasonable assurance about whether the financial statements are free from misstatement, IA considered the effectiveness of internal controls in place over the entire CIP. In this regard IA tested compliance with certain provisions of applicable city code, state and federal law, rules, regulations and contract regulations applicable to the CIP. In addition the efficiency and effectiveness with certain stated goals and objectives of the CIP were also tested. Major accounts or areas subject to IA's examination included, but were not limited to, the following:

- Internal Controls
- Revenues
- Appropriations
- Expenditures
- State, City, Federal and Contract Compliance

IA's reports on compliance and on internal control over financial reporting, and on management issues, the related observations and recommendations, the independent auditor's report, and the financial statements of the CIP are contained in the report that follows.

Our audit was performed to express an opinion on the fair presentation of the CIP in the financial statements presented on page sixteen as well as compliance with applicable federal, state and city rules and regulations in place during the audit period. IA also looked at the effectiveness and efficiency of the CIP for the fiscal year ended June 30, 2002.

## **AUDIT SUMMARY**

### **Expenditures**

Using a Constant Monetary Unit sampling approach, IA selected 60 expenditures from all General Fund projects. IA then traced these expenditure transactions to original documentation and recalculated the invoice. Next, IA then determined whether purchases followed City purchasing procedures and were posted to the correct project in the correct amount. IA's testing found no instances of non-compliance with city purchasing rules or incorrect posting.

IA also traced all transfers of expenditures to the supporting resolution authorizing the appropriation transfer without exception.

In addition, IA traced all negative expenditures to supporting documents noting authorization and correct purpose without exception.

### **Revenues**

IA traced all cash revenue back to the original budget to ensure it was posted timely and to the correct project in the correct amount. As noted in observation No. 3, project 2000-7102-C700-02 - Fareboxes – was not set up in the project module of HTE as of June 30, 2002.

IA traced a sample of Federal Revenue to the supporting documentation and determined that the correct amount was requested in a timely manner.

IA traced all Bond Revenue to the original bond issue documents and noted that the correct amount was deposited to the correct project in all bonds tested.

IA traced all payments from the State Revolving Loan Fund to approved application and supporting invoices noting that in all cases the correct amount was collected and posted to the correct account.

IA traced all transfers of revenue to the supporting resolution authorizing the transfer without exception.

### **Federal Compliance**

From the expenditure sample all federally funded expenditures selected were compared to the grant agreement and federal regulations applicable to the program to determine if the expenditure was a proper expenditure of the federal program. The sample of expenditures was also tested against OMB Circular A-87 General Requirements for federal expenditure. There were no exceptions noted.

The major Community Development Block Grant (CDBG) program was selected for detail compliance testing using requirements found in the Federal Compliance Supplement and the respective grant agreements. Each program was tested for activities allowed or not allowed, cash management, Davis-Bacon (prevailing wages on construction projects), Equipment and Real Property Requirements, Earmarking requirements, Reporting and Sub-recipient Monitoring. IA's testing included Program Income testing and several specific testing provisions unique to the CDBG program. No instances of noncompliance were found and controls in place over all these requirements appear to be adequate.

### **Internal Controls**

IA obtained an understanding of controls over the CIP process as well as the controls over contract administration and bond administration.

IA noted that controls over CIP plan development were adequate. However the long-range capital plan used to develop the current year plan appeared to lack sufficient detail. A more detailed long-range plan would be beneficial to the yearly planning process. IA reviewed the plans from five cities across the country and noted that most contained very detailed long-range plans. For example, the City of Phoenix, Arizona not only shows detail of the capital expenditures but also has a table of additional operating costs for capital projects after construction.

It is also noted in Observation No. 2 that controls over contract administration and monitoring could be standardized and improved upon. Each department administers contracts separately and controls contracts and change orders in slightly different ways.

It is noted in Observation No. 1 that the City is not spending CIP funds in a timely manner. This is a problem mainly in respect to bonded projects where the bonds have already been issued. Federal IRS regulations require that proceeds be spent in a timely manner to avoid arbitrage payments and penalties. Since the City switched to the HTE system they have lost the ability to easily look up cash balances per bond. It is felt that this is at least partially to blame for the excessive balances. Federally funded projects if not spent within the period of availability will be lost. IA did not notice a substantial problem with federal funded projects. There were some old cash projects that need to be spent faster.

### **Other Issues**

The City has in the past issued bonds to cover expenditures for annual maintenance programs as noted in observation No. 4. IA feels that it may not be fiscally responsible to fund annual maintenance expenditures with bond proceeds. Annual expenditures should be financed as part of the operating budget or as a cash project.

These observations, IA's recommendations and the auditee responses are included in the report that follows.

## **Internal Auditor's Report on Compliance and on Internal Control over Financial Reporting**

*To The Committee on Accounts, Enrollment & Revenue Administration:*

Internal Audit (IA) has audited the Statements of Revenues And Expenditures – Budget And Actual – General Fund of the City of Manchester NH Community Improvement Program (CIP) for the fiscal year ended June 30, 2002, and has issued its report thereon dated May 07, 2003, which was qualified with respect to the lack of presentation of the financial position of CIP in the General Fund. Except as discussed in the preceding sentence, IA conducted its audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements for the CIP are free of material misstatement, IA performed tests of its compliance with certain provisions of laws, rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of IA's audit, and accordingly, IA does not express such an opinion. The results of IA's tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing IA's audit, IA considered the CIP's internal control over financial reporting in order to determine IA's auditing procedures for the purpose of expressing IA's opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, IA noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to IA's attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in IA's judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Observations No. 1, No. 2 and No. 3 of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. IA's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However none of the reportable conditions noted above are considered to be material weaknesses.

This auditor's report on compliance and on internal control over financial reporting is intended solely for the information and use of the management of the CIP and the Board of Mayor and Aldermen through the Committee on Accounts, Enrollment, & Revenue Administration and is not intended to be and should not be used by anyone other than these specified parties.

Kevin M Buckley, CPA  
Internal Audit Manager

May 07, 2003

## Internal Control Comments

### **Observation No. 1 – Untimely Spend Down of Project Funds**

Annually the Board of Mayor and Aldermen approves a budget to address the spending needs for the following fiscal year. It is assumed that the annual budget is to cover the current year obligations. The taxpayer assumes that the money they pay in taxes is going to be used in the current year and that the government entity is not holding excess funds.

CIP projects do not always follow a standard fiscal year. Construction projects must be done during the good weather months and large projects may take several years and are subject to delays making it difficult to accurately appropriate funds on an annual basis.

CIP projects are financed from a variety of funding sources such as grants, donations, bond proceeds and cash (taxes). All funding sources have time constraints attached to them. Grant funds need to be obligated during the period of the grant or they will be lost, bond funds must be spent timely in order to comply with federal arbitrage requirements and cash raised through annual taxes should be obligated in the year appropriated. The following observation relates to problems noted with the City's cash controls.

*Observation:*

#### CIP Cash Projects

At June 30, 2002 the City had balances in old cash projects of:

<b># of Projects</b>	<b>Year of Project</b>	<b>Amount</b>
1	1997 Project	\$ 18,585
5	1999 Projects	\$ 75,525
9	2000 Projects	\$ 265,136

In some cases projects have balances in more than one fiscal year. For example, School Capital Improvements has balances in 2000 \$47,744, 2001 \$36,186, and 2002 \$100. In this case the School Capital improvement project for 2002 was appropriated \$36,000 when there were balances from prior years far exceeding the appropriation.

Of the \$1,527,200 cash projects appropriated for fiscal year 1999 81% was spent during fiscal year 1999. At the end of fiscal year 2000 91% had been spent and at the end of fiscal year 2001 92% had been spent. At June 30, 2002 \$75,525 or 4.95% still had not been spent. Of that amount, \$50,000 was from project 510799 Implementation of Visitor's Signage Program.

## CIP Bonded Projects

IRS regulations require municipalities that have issued tax exempt bonds to fund capital projects are required to monitor the expenditures and of bond to ensure that all funds have been expended within three years of the date of issue. Failures to comply with the three-year expenditure rule may result in the bonds losing the tax-exempt status. In addition, any interest earned on the unspent proceeds in excess of the yield on the bonds (the arbitrage) must be paid back, or rebated, to the IRS. The rules and regulations that determine arbitrage and rebate are complicated and there are some safe harbor provisions that exempt some of the interest from rebate. In general, if 75% of the bond proceeds are spent for construction projects and the proceeds are spent according to the following schedule: 10% within six months, 45% within one year, 75% within eighteen months and 100% within two years the issue is exempt from rebate.

SOURCE: A Guide to Tax Compliance after Municipal Bond Issuance, Preston/Gates/Ellis LLP

As of June 30, 2002 the City had old bond project balances of:

<b># of Projects</b>	<b>Year of Project</b>	<b>Amount</b>
5	1994 Projects	\$ 287,755
5	1995 Projects	\$ ( 750,952)
3	1996 Projects	\$ 31,198
2	1997 Projects	\$ 4,897
6	1998 Projects	\$ 779,597
12	1999 Projects	\$ 749,923
14	2000 Projects	\$ 3,091,056

Arbitrage is calculated based on when the bond is issued not on the project date. Typically some projects will be expending funds for a year or two prior to the bond issuance so the project date is not a good indicator of potential arbitrage, however, projects prior to 1998 are most likely funded by a bond in an arbitrage situation. In order to test for arbitrage the General Obligation bond issued in August of 1993 was examined. Testing revealed that after six months 46% was expended, after 18 months 78% and after 30 months only 84% was expended. As of December 31, 2002 (114 months after issuance) \$ 901,518 remained unspent or 4% of the original issue. Of the unspent proceeds \$550,000 was from the FY 2000 project to renovate 1037 Elm Street. This money was transferred from the 1994 Sanitary Landfill Closure Project.

The old LGFS financial system was set up so that each bond issued was tracked separately as its own fund and you could easily see the cash balance at any time per each bond issue. This gave the Finance Department an easy tool to determine when the best time to issue a bond was and to track the bond spend down. When the City switched to the HTE financial system it was not set up to track each issue as its own fund. This may have contributed to the balances of the old bond issues not being spent timely. A recent IRS audit however, has found that the City was sufficiently in compliance that no fines or interest were accrued.

*Recommendation:*

Cash Projects

The City needs to develop procedures to ensure that cash projects are spent in a reasonable period of time. Project stop dates should be enforced in order to ensure that cash projects are completed in a timely manner. If there is a continuing cash project such as School Capital Improvements that gets a new appropriation every year expenditures should get charged to the oldest project first until it is completely spent. If the unspent balance of the older project exceeds the current year project balance no new money should be appropriated until the balances are spent down.

Bond Projects

As part of the CIP process any request for funding should be accompanied by a schedule showing the anticipated dates that funds will be expended. The chart of accounts in the HTE system should be changed so that it would be easier to track the balances of bond projects by the issue date. In addition the Departments in charge of the projects should provide to the Finance Department schedules that show the timing that each project anticipates spending its funds. The Finance Department and the Departments should be constantly monitoring bonded projects to ensure that funds are spent timely. If a project is unable to spend the bond proceeds in a manner that will keep the City out of an arbitrage situation those funds should be transferred to a project that will be able to take advantage of the funding in a timely manner. A new appropriation could be made to complete the original project if necessary.

*Auditee Response:*

Highway Department

-I agree that it does make sense to spend old money first, but it has always been our understanding that bonded and cash monies are started up for specific items, CIP Comm. authorization would be needed to utilize older money for newer projects.

-At times, funding for a project comes over a period of two or more budget years, therefore none of the money can be committed until such time as all funds are available.

-Based on the current budget year, our CIP money is not available until May, June or July. This is the worst time to be bidding construction projects. We typically will complete our designs and bid the projects the following February/March. This would not fit in to your 10% within 6 months.

## Parks and Recreation Department

Typically, our CIP Cash projects are spent within 12-18 months. The change in the City's fiscal year to July 1<sup>st</sup>, has required some adjustment in how we fund projects and programs. When a seasonal program runs from June - September, we need to use appropriations from two years.

We also use CIP Cash to provide a "City" match for certain grants. These grants and projects often extend beyond one year. If we need to obtain federal approvals and/or state permits, the projects can be delayed further.

Bond Projects, even those identified to be expedited in the CIP process, do not begin until May or June. Usually, a park rehabilitation project requires more than one year to complete. The time required to do an RFP for professional services, site survey, community meetings and design work will take at least 10 months. Then the projects are bid the following spring and construction is performed until winter conditions prevail. The project often needs to continue in the spring to address site issues and landscape requirements. This project scenario requires a 2-year time schedule.

## Planning Department

CIP funds with minor exceptions, are allocated with the expectation that they will be spent in the fiscal year in which they are appropriated. The Planning Department recognizes that several factors may impact on the ability of the Departments to do so but nevertheless projects are monitored and all Departments are strongly encouraged to complete their projects in a timely manner. As such, each spring, the Departments are directed to review their CIP projects and identify those that are completed and able to be closed out as well as those that require additional time for completion. For those requiring time extensions the Departments must provide an explanation for the reason the project is not completed as well as a timetable for completion. The listing of projects to be extended is provided to the CIP Committee and ultimately the full Board for review and approval. Generally, as part of the CIP budget development process projects that have available balances that are not going to be extended are used to fund other projects within the CIP.

Relative to the School Capital Improvements Projects being allocated additional funds even though previous years balances remained, the previous years allocations were encumbered and committed to assigned projects. Despite this Departments' urging it has historically been the practice of the Building Maintenance Division of the Highway Department not to expend older CIP allocations first unless the expense was for the specific project for which the monies were originally encumbered. It is our understanding that this practice has been revised and older funds are expended first with an internal worksheet maintained to track all the departmental commitments ensuring sufficient funds are available for all of the projects.

In terms of the Planning Department Administered Visitors Signage Program, (510799), funding for this project had initially been requested and provided with the expectation that specific Planning Department staff would oversee its development and completion. Unfortunately the staff person assigned the responsibility for this project left the employ of the City and the person subsequently hired as a replacement resigned within a short period of time as well. Since the Department has not been able to hire a replacement these funds were ultimately transferred as part of the CIP budget process to another project.

Relative to Bonded Projects, the Planning Department reviews these projects as noted above, with the intent to ensure their timely expenditure. Due to their nature, bonded projects are complex and many variables may play a factor in completing the project within the estimated timeframe. The Planning Department with the assistance of the Finance Department staff and the cooperation of the City Departments administering these projects has significantly reduced the number of older bonds projects remaining open. Due to information provided this past Spring by the Finance Department, the other Departments now have a better understanding of their responsibilities to expend their funds in a timely manner and ensure arbitrage does not become an issue. As part of the training sessions conducted for City Departments charged with the responsibility to expend CIP funds the importance of a timely expenditure of bonded monies and the subsequent avoidance of arbitrage will be highlighted.

## **Observation No. 2 – Contract Monitoring Controls**

### *Observation:*

The City Procurement Code promulgates rules that dictate procedures over the bidding and awarding contracts to provide adequate controls to ensure that the City is getting the best price for the work performed and that the work performed is in accordance with the Board of Mayor and Alderman approval. These controls do not apply to change orders. Any change order to an existing contract only requires approval from the department head.

How each contract is handled upon completion of the bidding process is the responsibility of each department. Some departments have the Mayor sign approval and some bring the contract before the Board of Mayor and Alderman for approval. Other contracts are required by ordinance to be approved by the Finance Officer or Director of Information Systems. Each department monitors their own contracts.

Change orders should be used to modify contracts in terms of time, money, materials or construction methods. They are issued to authorize an addition, deletion or revision of the contract work. Change orders are very common on most construction contracts due to unforeseen circumstances that occur after construction work begins. Typically change orders add somewhere in the range of 10 to 15 percent to the value of the original contract amount. Contracts should contain a clause that explains how costs will be applied to a change order. In most cases the contractor is bound to pay for work under a change order in the same amounts as under the

original contract. For example, if in the original contract the City paid \$3 per square yard of loam the City should pay \$3 per square yard of loam in the change order.

IA has noted the following conditions related to change orders and contract administration:

- There is no standardization among the departments in documentation for contracts and change orders. The forms used and criteria vary from department to department.
- There is an inadequate review of change orders, as only the department head needs to sign off on the form.
- One change order at the Parks and Recreation Department was used to pay for a project unrelated to the project as if it was originally bid. This was due to a contractor not being able to complete a project and management had determined that it would be more efficient to award it to an existing contractor. The new contractor agreed to abide by the original contract terms.

A similar comment was included in the FY 2001 Management Letter to the City CAFR.

*Recommendation:*

The City should develop standardized forms and procedures to use when issuing contracts and change orders including a higher level of approval for change orders and contracts. For example, if the change orders on a particular project go over a certain amount or percent of the original contract it would have to be approved by the CIP Committee of the Board of Mayor and Aldermen. These procedures should be included in the City's policy and procedures manual, which is currently in draft form.

*Auditee Response:*

Highway Department

-We have standardized our contracts for both highway and facility construction. Could there be a standardized form for contracts throughout the City, I am not sure. Good question for the Solicitor's Office or perhaps the major Departments could meet to discuss.

-Contracts funded through a Department's operating budget should be executed and monitored within the Department. Contracts funded with other funds, i.e. CIP funds should be executed by the Mayor, not the BM&A. The same goes with change orders, except I agree that only change orders over a certain amount or percentage should require the Mayor's signature.

-If the Mayor will be executing all of the contracts and certain change orders, a policy should be put in place to ensure a reasonable turn around time, i.e. if the Mayor is not available who can execute the document in his place.

## Parks and Recreation Department

We use several different Bid/Contract forms depending on the type of project and scope of work. A small project, under \$50,000, we often use the City's Standard Bid Form that was developed by the City Solicitor's office.

On park rehabilitation and construction projects we use a document that was developed by a consultant and approved by the City Solicitor's Office. This document is specific for park/site work. We also have a version that is used for federally funded projects and covers all the various federal labor, workplace and environmental laws.

To my knowledge, there is no standard Citywide Contract form. This would be helpful, since the rules and procedures change and the "boilerplate" document needs to be constantly reviewed. Perhaps the City Solicitor can maintain the original documents and provide it to the various departments for their use.

In regards to your comment on Change Orders, the one mentioned for Livingston Park was a unique situation. When the project was bid, we only had one bidder. After awarding a contract, we had difficulty in getting the contractor to proceed. They eventually defaulted on the contract.

At that time, we had another contractor, doing work at West High School. This was similar work, so we provided a blank bid form and asked for pricing on the Livingston project. After a review of the numbers, we determined this to be fair and we amended his contract to include the new work.

We use Change Orders to add or delete items from a contract. Some times it is due to budget constraints that we need to remove bid items. Other times we have enough funding to include additional items or work. At the close of a project we often need to delete some work items or allowances that were not used, so we have a correct final contract balance.

If the recommendation is to have contracts and change orders approved by the BMA, then everyone must be aware that this will add considerable delay in moving projects forward. For instance, during the course of construction if an unforeseen problem is discovered such as a failed drain or sewer pipe, we often need to review this issue immediately. We then need to make a determination on how to resolve it and see if we can afford to make the repair within our budget. A Change Order is then prepared to authorize the contractor to make the repair.

The procedures and policy for executing Change Orders should be developed to allow departments the ability to make professional judgements and recommendations that are in the City's best interest. It would be difficult to manage a project if departments are required to continually go through a timely process for approvals. This would ultimately cause more delays and drive up the price of the project.

## Planning Department

The form and types of contracts vary from City Department to City Department and in fact also vary some of the Departments as well. Regardless of the form of contract it is the Planning Department's understanding of the City's Procurement Policies that the Departments need to submit their contracts prior to execution to the City Solicitor's Office for a review. An approval by the Solicitor's office indicates that the form of the document is proper but no assessment of the content of the document is given which is up to the expertise of the contracting Department. While the Planning Department does not believe it is its responsibility or charge (with the exception of HUD funded Projects) to dictate to the various Departments the form or type of document to use a standardized contract that could be "tweaked" to the specific needs of the contract administrator does appear to have merit. Should there be support by the Policymakers to go this route then the Parks Department's suggestion that the Solicitor's Office maintain the original and act as a "contractual clearinghouse" is a good one. This may or may not result in an additional workload upon that Office. As an example for consideration, the standardized AIA contract is utilized by a significant number of Departments including the Highway Department and Parks & Cemetery Departments although they also develop their own contracts as well for many of their projects. AIA contracts are available for a wide range of contractual obligations with the contracts allowing for specific conditions to be made part of the document.

For purposes of CIP Projects funded with HUD CDBG monies, certain requirements and conditions are standard and must be included in all contracts regardless of the administering department involved. In these instances CIP Staff provide technical assistance and ongoing contractual over-sight to ensure the contracts are appropriately developed.

Relative to the concerns about change orders and the suggestion that contract change orders over a certain percentage be forwarded to the BMA, the Planning Department shares the views expressed by both the Highway and Parks, Recreation & Cemetery that this would most likely result in delays that would negatively impact on the progress of the project. Most change orders require quick and timely decisions that would not be possible were they to be made in accordance with the meeting schedule of the BMA. This Office has had several discussions in the past with various Departments over the use of change orders and it believes an improved knowledge of the City's procurement and contractual requirements by the staff responsible for the over sight of these projects would be quite beneficial. Their understanding of existing requirements might be augmented by training sessions conducted by the City Solicitor's and Finance Departments, similar to those now conducted by Planning Department staff on HUD CDBG requirements.

Rather than making policy revisions that would effectively take away decision making responsibilities from the City Departments charged with the carrying out of the projects, a continued reliance upon the expertise and integrity of those Administering Department appears to remain the best course of action. In lieu of involving the full Board in the process, the suggestion that the Mayor be required to review and approve change orders over a certain

percentage of the contract has merit. This would provide additional project oversight and change orders could be executed in a reasonable time frame.

### **Observation No. 3 – Missing Cash Startup**

#### *Observation:*

While tracing amounts from the adopted CIP budget to the HTE projects report at June 30, 2002 it was noted that one cash project, 2000-7102-C700-02 Fareboxes, was not posted to the system. Upon investigation it was discovered that the Finance Department never received a start-up for the project and it was never set-up in the system. This was a cash project financed through the tax rate. The Board of Mayor and Aldermen voted to have the project done and raised the funds necessary. Internal Audit could find no evidence that the BMA ever transferred the funds and closed the project. It does not appear that reconciliation was done to ensure that all the cash projects were entered correctly.

#### *Recommendation:*

Currently upon adoption by the BMA all cash start-up forms are sent by the City Clerk to Finance. Only upon receipt of the BMA action from the City Clerk does the Finance Department enter a CIP project into the HTE system. A quarterly CIP project report is prepared by the Finance Department and distributed to department heads.

After the projects are entered in HTE a report should be run and reconciled to the original budget by the Planning Department to ensure that all projects were entered and entered correctly. A listing of projects from the budget that have not been entered in the system should be maintained and checked periodically to ensure that all projects eventually get entered.

#### *Auditee Response:*

#### Planning Department

This cash allocation was initially allocated with an understanding that it represented half of the local match required to completely replace all of the bus fare-boxes. Subsequently, the new administration of the MTA did not deem it prudent to purchase half a system and decided to wait until the following year for full funding. Since it has always been the policy to only submit budget authorizations (please contact Randy for confirmation) for projects that we were confident would be initiated, we did not submit one for this project in the 2002. Therefore the “startup” was not missed but rather it was a conscious decision made in this Department not to create another project to track for no reason.

In terms of the suggestion that the Planning Department reconcile the projects authorized within the CIP with the report from the City Clerk’s Office relative to BMA approval that is already an ongoing practice and a project tracking system has been in place for several years. Conversely, it

is also not uncommon for Planning Department Staff to have to contact the Finance Department on behalf of other Departments to follow up on projects approved for initiation by the BMA which have not yet been introduced into the HTE system thus prohibiting the administering Department from accessing those funds.

## **Internal Auditor's Report on Management Issues**

*To The Committee on Accounts, Enrollment & Revenue Administration:*

We have audited the Statements Of Revenues And Expenditures – Budget And Actual – General Fund of the City of Manchester New Hampshire Community Improvement Program (CIP) for the Fiscal Year Ended June 30, 2002, and have issued our report thereon dated May 07, 2003, which was qualified with respect to the lack of presentation of the financial position of CIP in the General Fund.

Except as discussed in the preceding sentence, Internal Audit (IA) conducted its audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

In planning and performing its audit of the financial statements of the City of Manchester New Hampshire CIP for the Fiscal Year Ended June 30, 2002, IA noted certain issues related to the operation of the CIP that merit management consideration but do not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and were not issues of noncompliance with laws, rules, regulations, or contracts.

The issue that we believe is worthy of management consideration but does not meet the criteria of a reportable condition or noncompliance is included in Observation No. 4 of this report.

This internal auditor's report on management issues is intended solely for the information and use of the management of the CIP and the Board of Mayor and Alderman through the Committee on Accounts, Enrollment & Revenue Administration and is not intended to be and should not be used by anyone other than these specified parties.

Kevin M Buckley, CPA  
Internal Audit Manager

May 07, 2003

## Management Issues

### **Observation No. 4 – Bonding of Annual Projects**

#### *Observation:*

Internal Audit has noted that the City has used bond proceeds to finance annual maintenance projects such as the Annual Right of Way Maintenance project. It would seem that using bond proceeds to finance annual maintenance might not be appropriate. These projects do not appear to have a clear spend down plan or timetable for completion. This in part could account for some of the spend down problems noted in observation No. 1.

This also appears to be a problem with other generic projects that do not have a clear spending plan. School Capital Improvements, Parks Capital Improvements, and Annual Bridge Maintenance are examples of cash projects with unclear spending objectives that tend to be spent slowly.

#### *Recommendation:*

Recurring annual expenditures would more appropriately be financed as part of the operating budget. Projects should be specific in goals and objectives and have a definite schedule of when they plan to start and end all phases of activity. Only funds that can be obligated during the next year should be requested as a cash project in order to keep the amount of taxpayer funds held by the City to a minimum.

#### *Auditee Response:*

##### Highway Department

-Perhaps the name of the CIP projects is misleading. Annual Right of Way Maintenance is not really maintenance. These funds are typically utilized for re-constructing streets and constructing new sidewalks.

I believe that procedures need to be developed for City funding and contracts. Would it make sense to have a meeting with City Dept's who typically utilize contracts, i.e. Highway and Parks along with the Finance and Planning Departments to formalize the procedures. I guess what I am trying to say is that although it is appreciated that we have input in to your recommendations, I would hope that before anything is finalized, we sit down as a group to discuss.

##### Parks and Recreation Department

Our Bond projects are used for park rehabilitation work, school site improvements and recreation enterprise projects. We do not use these funds for annual maintenance.

There is mention in the “observation” section of this worksheet that cash projects such as the Parks Capital Improvements are used for annual maintenance. We do rely on this project appropriation to complete projects that fall in the “no-fund” zone. That is, they are too large to be funded in our operating budget and too small to be bonded.

The Parks Capital Improvement – Cash account was established to include projects \$2,000 - \$10,000 for the repair of fences, irrigation systems, graffiti removal, purchasing of park furnishings or recreational equipment. This fund has assisted our department to perform preventative maintenance within our parks and recreational facilities.

### Planning Department

The Planning Department is acutely aware of the prohibition on the use of bond allocations to finance the maintenance requirements of the City. As such, it only recommends bond funding within the CIP for projects that meet the various requirements for bonding. We are unaware of any CIP project being improperly funded. Additionally, CIP Staff submits the list of proposed bond projects to both the Deputy Finance Officer and the Second Deputy Finance Officer for review, comment and approval.

This report cites the Annual Right of Way Maintenance project as an example of improper use of bonds however in point of fact this program has been historically funded through an allocation of City Cash not bond allocations.

## **Internal Auditor's Report**

*To the Committee on Accounts, Enrollment & Revenue Administration:*

Internal Audit (IA) has audited the Statements of Revenues and Expenditures – Budget and Actual – General Fund of the City of Manchester NH Community Improvement Program (CIP) for the Fiscal Year Ended June 30, 2002. The financial statements are the responsibility of CIP's management. IA's responsibility is to express an opinion on the financial statements based on its audit.

Except as discussed in the fourth paragraph, IA conducted its audit in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that IA plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. IA believes that its audit provides a reasonable basis for its opinion.

As more fully discussed in NOTE 1, the financial statements referred to above are not intended to present the financial position of the CIP in the General Fund.

In IA's opinion, except for the matter discussed in the third paragraph, the financial statements referred to above presents fairly, in all material respects, certain financial activity of CIP for the Fiscal Year Ended June 30, 2002, in conformity with accounting principles generally accepted in the United State of America.

IA's audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, Internal Audit has also issued a report dated May 07, 2003 on its consideration of the CIP's internal control over financial reporting and on its tests of compliance with certain provisions of laws, rules, regulations, and contracts.

Kevin M Buckley, CPA  
Internal Audit Manager

May 07, 2003

**CITY OF MANCHESTER, NH  
CIP PROJECTS**

**STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>BUDGET</b>	<b>ACTUAL</b>	<b>FAVORABLE/ (UNFAVORABLE) VARIANCE</b>
<b>Revenues</b>			
CIP Cash	\$ 1,672,742	\$ 1,635,742	\$ (37,000)
Community Development Block Grant	7,340,393	2,722,873	(4,617,520)
Other Federal & State Grants	20,846,441	9,201,092	(11,645,349)
Bond Proceeds	32,616,661	23,055,000	(9,561,661)
<b>Total Revenue</b>	<b>\$ 62,476,237</b>	<b>\$ 36,614,707</b>	<b>\$ (25,861,530)</b>
<b>Expenditures</b>			
CIP Cash	\$ 3,104,527	\$ 1,961,807	\$ 1,142,720
Community Development Block Grant	7,538,587	4,631,397	2,907,190
Other Federal & State Grants	21,535,806	5,626,646	15,909,160
Bond Funds	34,365,338	19,622,266	14,743,072
<b>Total Expenditures</b>	<b>\$ 66,544,258</b>	<b>\$ 31,842,117</b>	<b>\$ 34,702,141</b>
<b>Excess/(Deficit) of Revenues</b>			
<b>Over Expenditures</b>	<b>\$ 4,068,021</b>	<b>\$ 4,772,590</b>	<b>\$ 8,840,611</b>

The accompanying notes are an integral part of this financial statement

**CITY OF MANCHESTER NEW HAMPSHIRE  
CIP PROGRAM  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Community Improvement Program (CIP) is under the control of the City of Manchester Planning Department. The financial statements of the CIP have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

**A. Financial Reporting Entity**

The CIP is a program of the primary government of the City of Manchester, NH. The accompanying financial statement reports certain financial activity of the CIP. The financial activity of the CIP is accounted for in the General, and Special Revenues Funds in the City of Manchester's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, and fund balances are reported by fund for the City as a whole in the CAFR. The CIP, as an organization of the primary government, accounts for only a small portion of the General and Special Revenues Funds and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the CIP cannot be determined. Accordingly, the accompanying financial statement is not intended to show the financial position of the CIP in the General Fund and the change in the fund balance is not reported on the accompanying financial statement. The Accompanying Financial Statements only show CIP activity for the General Fund projects.

**B. Basis of Presentation – Fund Accounting**

The City of Manchester, NH and the CIP use funds and account groups to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

## *Governmental Fund Types*

### General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. All revenues, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

### **C. Measurement Focus And Basis Of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using the flow of current financial resources measurement focus and reported on a modified accrual basis of accounting. Accordingly, the City of Manchester, NH accounts for its financial transactions relating to the General Fund on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which obligations are incurred as a result of the receipt of goods or services.

### **D. Budgets and Budgetary Accounting**

Pursuant to the City's Charter, Section 6, the City adopts an annual budget for all General Fund and Capital Improvement functions. The legal level of budgetary control is the department level.

All portions of the annual City budget are prepared under the direction of the Mayor. The Mayor establishes the procedures applicable to the preparation and adoption of the annual budget. Budgets include all proposed expenditures and the proposed use of all anticipated revenues. All departments, agencies, and officers submit detailed statements of departmental budget requests to the Mayor per established procedures.

The Mayor develops budget recommendations for appropriations and revenues and submits the recommendations to the BMA on or before the last day of March of each year. Departmental appropriations are made on a bottom-line basis. Benefits and non-departmental items are appropriated apart from the departmental budgets.

The Finance Committee of the BMA reviews the proposed budget recommendations presented by the Mayor. The BMA may increase, reduce or reject any item in the budget submitted by the Mayor. A public hearing is required to be conducted. A majority vote of the BMA is required to adopt the budget appropriation resolutions and is to be completed not later than the second Tuesday in June. The Mayor has line item veto authority.

If the BMA fail to adopt appropriation resolutions, the budget, as originally submitted by the Mayor, shall become the budget.

If during the fiscal year the Mayor certifies, after consultation with and verification by the Finance Officer, that there are available for appropriation revenues in excess of those estimated in the budget, the BMA may make supplemental appropriations for the year up to the amount of such excess, after observing the budget procedures set forth in section 6.04 of the City Charter.

If at any time during the fiscal year it appears probable to the Mayor, after consultation with and verification by the Finance Officer, that the revenues or fund balances available will be insufficient to finance the expenditures for which appropriations have been authorized, the Mayor shall report to the BMA without delay, indicating the estimated amount of the deficit, any remedial action taken by the Mayor and recommendations as to any other steps to be taken. The BMA shall then take such further action as it deems necessary to prevent or reduce any deficit and for that purpose it may reduce one or more appropriations.

The legal level of control for budgetary is established by object categories within the departmental budgets. Departmental budget transfers from one object category to another must be approved by the Finance Officer prior to approval of the BMA. The Finance Officer is responsible for establishing controls related to the management and monitoring of the budget to prevent expenditures from exceeding budgeted appropriations.

Encumbrance accounting is employed in governmental funds. On the GAAP basis, encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

The City employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statements of Revenues and Expenditures - Budgetary Basis, presents the "actual" results to provide a comparison with the budgets.

The major differences between the budgetary basis and the GAAP basis are:

- (a) Tax revenues are recorded when invoiced (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no firm liability exists.

*Variances – Favorable/(Unfavorable)*

The variance column on the Statement of Revenues and Expenditures – General Fund highlights differences between budget and actual revenue and expenditures. For revenue, these variances are caused by actual revenue exceeding original budget estimates generating a favorable variance or actual revenue being less than the original budget generating an unfavorable variance. For expenditures, a favorable variance results from actual expenditures being less than the amount budgeted for the fiscal year. The favorable expenditure variances represent a combination of ending available balances and unliquidated encumbrances. Unfavorable expenditure variances

represent actual expenditures for the reporting period exceeding the amounts budgeted for the fiscal year.

*Encumbrances*

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services the encumbrance is liquidated and the expenditure or liability are recorded.

CITY OF MANCHESTER, NH  
SCHEDULE OF FEDERAL EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Federal Grantor/Program Title	Federal <u>CFDA #</u>	<u>Expenditures</u>
<b>Department of Health and Human Services:</b>		
Passed-Through State of New Hampshire Department of Health & Human Services:		
Project Grants for Health Services to the Homeless	93.151	\$ 194,602
Demonstration Grants for the Prevention of Alcohol & Other Drug Abuse Among High-Risk Youth	93.144	66,112
Project Grants and Cooperative Agreements for Tuberculosis Programs	93.116	101,024
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	76,035
Preventative Health Services- Sexual Transmitted Diseases Control Grants	93.977	33,504
Maternal & Child Health Federal Consolidated Programs	93.110	28,362
Childhood lead Poisoning Prevention Projects- State & Community- Based Childhood Lead Poisoning Prevention Program	93.197	31,933
Childhood Immunization Grants	93.268	53,825
Preventive Health	93.991	1,840
Enterprise Zone	93.585	189,340
Youth Tobacco	93.283	<u>16,203</u>
Total Department of Health & Human Services		\$ 792,780
<b>Department of Justice</b>		
Passed-Through State of New Hampshire Office of the Attorney General:		
Juvenile Accountability Incentive Block Grant	16.523	\$ 38,358
Drug Control & System Improvement- Formula Grant	16.579	36,606
Violence Against Women	16.588	105,619
Local Law Enforcement Block Grant Program	16.592	420,755
Executive Office for Weed & Seed	16.595	71,168
Juvenile Justice & Delinquency- Prevention Allocation to States	16.540	65,358
Gang-Free Schools & Communities	16.544	84,166
Bulletproof Vest Partnership Program	16.607	216
Regional Information Sharing Systems	16.610	1,100
Community Oriented Policing	16.710	<u>336,144</u>
Total Department of Justice		\$ 1,159,491

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<b>Department of Transportation</b>		
Aid for Highway & Bridges Rehab	20.205	\$ 77,915
Airport Improvement Program	20.106	36,794,297
Recreational Trails Program	20.219	369,308
Highway Safety	20.600	<u>4,928</u>
Total Department of Transportation		\$ 37,246,449
<b>Department of Housing &amp; Urban Development</b>		
Public & Indian Housing Drug Elimination Program	14.854	\$ 9,928
Community Development Block Grants/Entitlement Grants	14.218	3,591,415
Community Development Block Grants/Section 108 Loan Guarantees	14.248	2,495,851
HOME Investment Partnerships Program	14.239	442,804
Emergency Shelter	14.231	<u>69,581</u>
Total Department of Housing & Urban Development		\$ 6,699,579
<b>Department of Commerce</b>		
Public Works & Economic Development	11.300	<u>\$ 28,730</u>
Total Department of Commerce		\$ 8,730
<b>Total Federal Financial Assistance Expended</b>		<u><u>\$ 45,927,029</u></u>

**CITY OF MANCHESTER, NH  
CIP PROJECTS**

**SCHEDULES OF REVENUES AND EXPENDITURES  
BY FUNCTIONAL GROUP – GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**Revenues**

Donations Other	\$ 259,469
CIP Cash	1,635,742
State Revolving Loan Fund	1,932,039
Community Development Block Grant	2,722,873
Other Federal & State Grants	7,009,584
Bond Proceeds	23,055,000
<b>Total Revenue</b>	<hr/> <hr/> <b>\$ 36,614,707</b>

**Expenditures**

Other Services	\$ 172,259
Construction Administration	246,178
Consulting Services	529,216
Design and Engineering	1,188,190
Salary & Benefits	1,418,227
Motorized Equipment	1,963,596
Equipment	2,241,681
Other Project Costs	5,332,043
Construction Contracts	18,750,727
<b>Total Expenditures</b>	<hr/> <hr/> <b>\$ 31,842,117</b>

**Excess/(Deficit) of Revenues  
Over Expenditures**

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**\$ 4,772,590**

**CITY OF MANCHESTER, NH  
CIP PROJECTS**

**SCHEDULE OF BUDGETARY COMPONENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>FY 2002 BUDGET</b>	<b>SUPPLEMENTAL APPROPRIATION</b>	<b>CARRY FORWARD</b>	<b>TOTAL BUDGET</b>
<b>REVENUES</b>				
BONDS	\$ 1,525,000	\$ 14,770,000	\$ 16,321,661	\$ 32,616,661
CASH	1,790,742	(120,000)	2,000	1,672,742
CDBG	3,265,900	230,000	3,844,493	7,340,393
OTHER	12,783,613	4,663,287	3,399,541	20,846,441
	<u>\$ 19,365,255</u>	<u>\$ 19,543,287</u>	<u>\$ 23,567,695</u>	<u>\$ 62,476,237</u>
<b>EXPENDITURES</b>				
BONDS	\$ 1,525,000	\$ 14,770,000	\$ 18,070,338	\$ 34,365,338
CASH	1,790,742	(120,000)	1,433,785	3,104,527
CDBG	3,265,900	230,000	4,042,687	7,538,587
OTHER	12,783,613	4,663,287	4,088,906	21,535,806
	<u>\$ 19,365,255</u>	<u>\$ 19,543,287</u>	<u>\$ 27,635,716</u>	<u>\$ 66,544,258</u>

## EXHIBIT A

### CIP MANAGEMENT RESPONSE

The Planning Department included comment in its management response to items in the **Audit Summary** section of the report concerning internal controls that did not fit well as a response to any single observation. IA determined that it was necessary to include their comments here to more fully explain the Department's concerns with the report.

#### Planning Department

Long Range Capital Plan- Concerns are raised relative to the sufficiency of information provided within the CIP for future year planning. In actuality, the long range projects listed for ensuing years are for the most part (with some exceptions), essentially capital projects requested by the various Departments at lower priority levels than the projects recommended for funding in the current CIP year. As such, similar project information is provided to the Planning Staff that is received for those projects funded within the current year. This supporting information from more than three hundred projects requested annually, fills up at up at least two- three inch thick binders which is condensed down to a workable document suitable for review by the BMA and public. Similar to the CIP process, the level of detail and information contained in the CIP Document has undergone several permutations reflective of the different administrations and personnel involved in its development. Irrespective of the methodology employed in other communities across the country, the Planning Department Staff endeavors to develop a CIP document that suits the specific needs and interests of the Manchester Board of Mayor and Alderman. Planning Department Staff are always available to answer questions and provide additional information as may be requested. Considering it is the Mayor's budget, Planning Staff if so directed by the Mayor are prepared to make revisions in the format and content of the CIP document.

In terms of the example of Phoenix, Arizona providing operating costs for future capital projects, the time and efforts expended on the collection of such data would only be beneficial for projects that might result in additional operational costs as would be the case with the funding of new facilities. For the majority of capital projects contained within the CIP however, such as the reconstruction and rehabilitation of existing streets, sidewalks, parks, bridges, municipal buildings, etc, the associated operational costs will most likely be reduced due to a decreased need for maintenance. For the FY2002 CIP, although not made a part of the CIP document, Departments, where appropriate, did in fact provided information pertaining to estimates of increased operational costs that would result from the financing of their requested capital project.