

# Office of the City Auditor

## City of San Diego

### **Capital Improvement Program:** Better Planning and Oversight Are Needed to Effectively Identify Capital Infrastructure Needs and Manage Projects

**Presentation to the Audit Committee**  
**July 11, 2011**

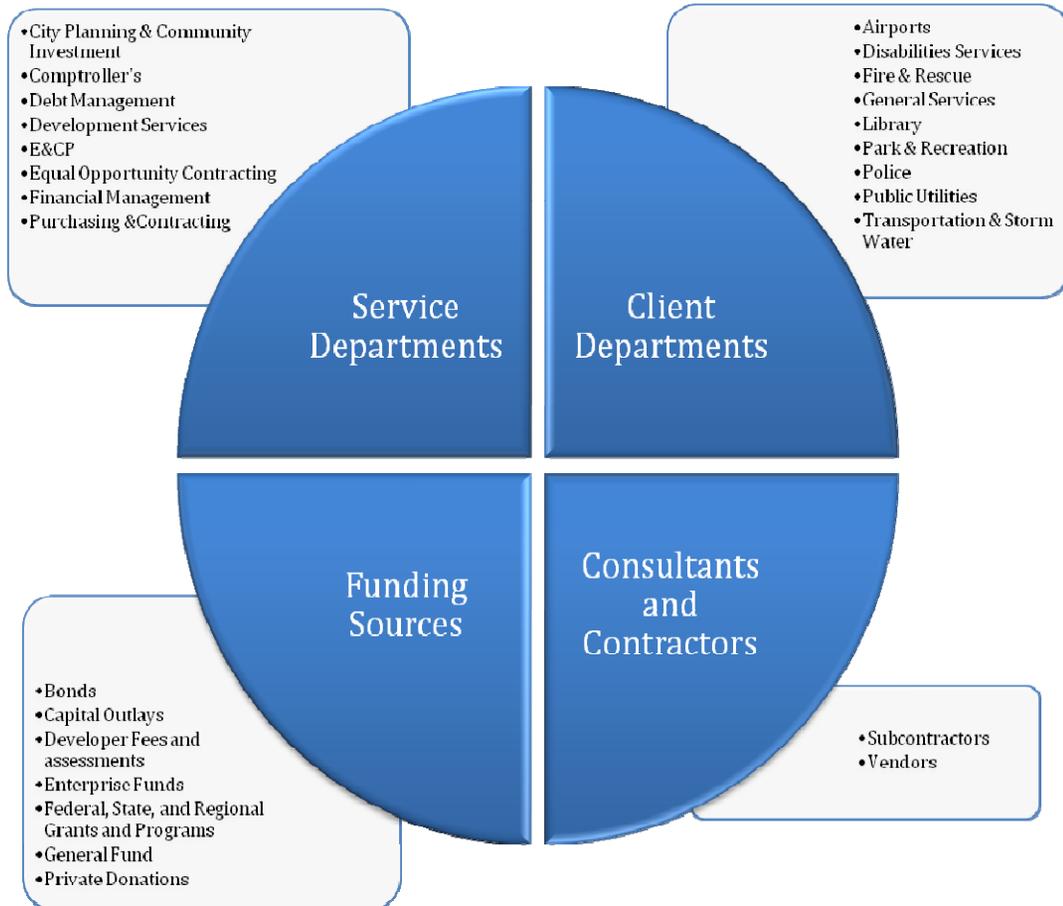


# Background

## Capital Improvement Program

• A well-designed and maintained infrastructure anchors our economy and secures the public health, safety, and well being.

• Like many cities, San Diego has a Capital Improvement Program (CIP) for installing new and replacing deteriorating capital infrastructure.



# Objectives

**Our objectives for this audit were to determine the extent to which the City effectively:**

- 1. invests resources;**
- 2. provides oversight and coordination of the process for identifying capital infrastructure needs and implementing projects;**
- 3. develops integrated, long-term CIP planning;**
- 4. identifies capital infrastructure needs; and**
- 5. manages CIP projects within budget and schedule.**

# Scope and Methodology

- We conducted our review from February 2010 through June 2011 in accordance with generally accepted government auditing standards.
- We focused our scope on the City's process for identifying capital infrastructure needs and managing CIP projects, including all departments and organizations involved. We excluded an audit of contractor practices or performance.
- We analyzed financial data; reviewed best practices for capital planning and asset management; and reviewed and evaluated policies and procedures for implementing CIP projects.

# Summary of Findings

1. **City Has Funding Gap for Capital Needs**
2. **City Lacks Oversight of CIP to Ensure Projects Are Effectively Identified and Managed, Leading to Impediments throughout Process**
3. **City Lacks Integrated, Long-Term Capital Planning to Address Capital Infrastructure Needs**
4. **City Is Taking Steps to Implement an Asset Management Approach, but Process for Identifying Capital Needs Is Inconsistent Among Client Departments**
5. **E&CP Needs to Improve Project Management to Increase Accountability and Reduce Risks of Budget and Schedule Overruns**

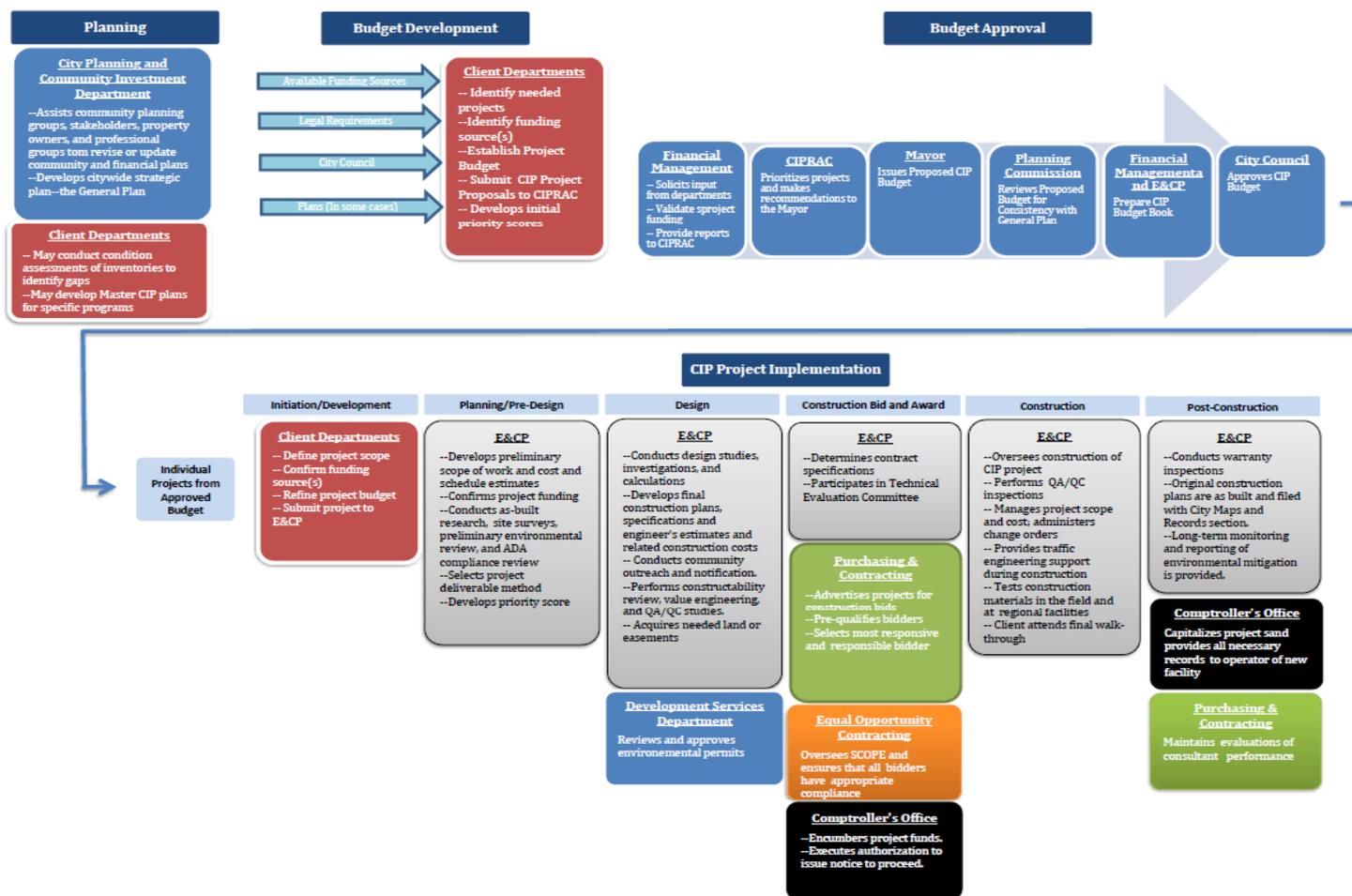
# Finding 1

## City Has Funding Gap for Capital Needs

- The City invested about \$2.2 billion on capital projects between fiscal years 2007 and 2011, but reports about:
  - ◆ \$840 million in deferred maintenance for certain assets
  - ◆ \$1.9 billion in unfunded capital needs
- Officials say actual needs could be far greater.
  - **Recommendation: Develop effective methodologies for identifying deferred maintenance and capital needs and include them in future capital plans.**

# Finding 2

## City Lacks Oversight of Complex CIP Process



# Finding 2

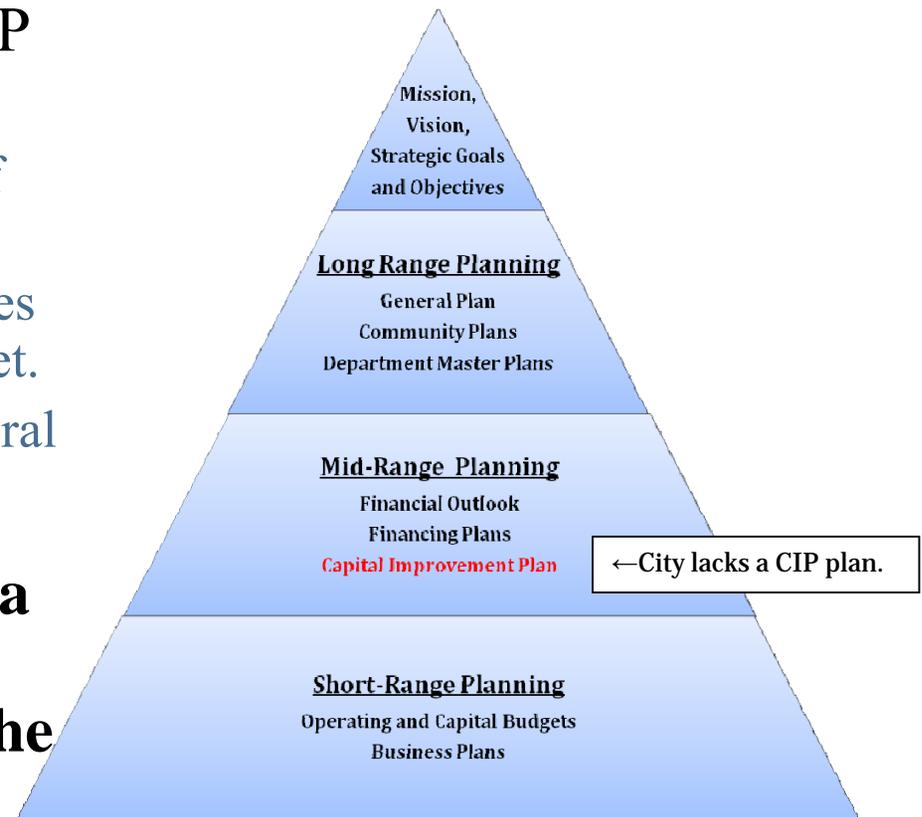
## No One Department or Leader Is Accountable

- The City's CIP process is complex and has not been fully institutionalized.
  - ◆ 16 City departments have various roles and responsibilities for implementing the CIP.
- Many aspects of the process are decentralized, and the City has limited oversight and coordination of all stages.
  - **Recommendation: Establish a capital program office to coordinate and oversee CIP process; identify, optimize, and leverage funding sources; and streamline and improve functionality of CIP processes.**

# Finding 3

## City Lacks Integrated, Long-Term CIP Planning

- City considers its annual CIP Budget to be a plan.
  - ◆ Does not provide clear view of CIP investments.
  - ◆ Does not include good estimates of impacts on Operating Budget.
  - ◆ Is not primarily based on General Plan and community plans.
- **Recommendation: Develop a multi-year CIP plan and incorporate first year into the annual CIP budget.**



# Finding 4

## Inconsistent Processes for Identifying Needs

- The City Enterprise Asset Management Steering Committee is taking steps to collect and organize basic data to help officials better identify capital needs.
  - However, the various approaches by departments for evaluating alternatives and prioritizing projects have resulted in some departments having higher quality processes than others.
- **Recommendation: Establish a policy for implementing a Citywide asset management program and revise the charter for CIPRAC to update its mission, authority, and objectives.**

# Finding 5

## E&CP Needs to Improve Project Management

- Impediments in E&CP's process affect its ability to deliver projects within budget and schedule, including the lack of:
  - ♦ performance goals and measures;
  - ♦ efficient integration of project scope, cost, and schedule;
  - ♦ reliable project data; and
  - ♦ requirements for timely execution and completion of required project closeout tasks.
- **Recommendation: establish performance goals and measures; update agreements with client departments; integrate project scope, budget, and schedule; and develop procedures and internal controls for updating and reviewing project data.**

# Recommendations

- We made a total of 24 recommendations to the Administration to improve the planning and oversight of its CIP and management of projects.
- The City Administration:
  - Agreed with 17 recommendations;
  - Partially agreed with 1 recommendations (7); and
  - Disagreed with 6 recommendations (2, 3, 4, 5, 6, and 10)
- The Administration states that the disagreement is largely due to the initial requirement of funds or staff for some recommendations, but we believe these changes will ultimately result in saving both time and costs for projects.