



Improvements Made but Capital Project Data Issues Persist

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Executive Summary

Performance, Strategy and Budget has a new plan for satisfying requirements for recording capital budget information. Data quality issues persist despite efforts to establish policies and tools meant to increase the reliability, usefulness, and accessibility of the capital project information provided in countywide systems. Additional work is necessary to address these issues and promote consistent and accurate reporting of capital project data by county agencies.

King County Auditor's Office

To Advance Performance and Accountability

Mission: Promote improved performance, accountability, and transparency in King County government through objective and independent audits and studies.

Values: Independence ~ Credibility ~ Impact

The King County Auditor's Office was created by charter in 1969 as an independent agency within the legislative branch of county government. The office conducts oversight of county government through independent audits, capital projects oversight, and other studies. The results of this work are presented to the Metropolitan King County Council and are communicated to the King County Executive and the public. This study is a non-audit service of the King County Auditor's Office and conforms to the office standards for independence, objectivity, and quality.



Improvements Made but Capital Project Data Issues Persist

Report Highlights

April 28, 2015

Why Is This Study Important

The Auditor's Office has been conducting oversight on executive branch efforts to improve the reliability, usefulness, and accessibility of capital project data in countywide systems. This is a significant issue for the County since having access to reliable information is necessary for conducting legislative oversight and making informed decisions on capital spending. This is our third report on this topic.

What We Found

The executive branch has a plan to address shortcomings in capital project budget information by modifying the Capital Project Information Center using funding approved in 2014. This report highlights progress on policies, systems, and reporting tools intended to improve capital project data. The issues below continue to need addressing:

- Agencies are using different approaches to record budgets of related projects, reducing transparency and accountability.
- Project teams are not consistently recording project budgets and expenditures by capital phase in the Oracle finance system (EBS), reducing the usefulness of the data for evaluating performance and preparing future project cost estimates.
- The finance and payroll systems allow users to charge expenditures to any project, increasing the risk of errors. The Finance and Business Operation Division has not provided guidelines and tools to help agencies identify project mischarges.
- Discrepancies remain in historical project cost and budget data transferred to EBS from legacy finance systems.

What We Recommend

We make recommendations focused on resolving the weaknesses noted above and moving the County toward a reliable system for managing capital budget data.

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I. Plan for Providing Capital Project Budget System

Section Summary

The capital budget information available in countywide systems is not adequate for oversight, but Performance, Strategy and Budget (PSB) is working on a plan to correct this. PSB intends to consolidate capital project budget information currently maintained in three separate systems, making it more accessible and reliable for oversight use.

Capital budget data in multiple systems impedes oversight

The county’s current situation for maintaining capital budget data in countywide systems is not conducive to oversight, particularly legislative oversight, which depends on access to complete and accurate information. Currently, the county’s capital budget data is divided among the Hyperion budget system, the EBS finance system, and the Capital Project Information Center (PIC). Only EBS provides life-to-date budgets for all capital projects, but the data is unreliable, discussed later in this report. EBS also poses an accountability risk since agency staff can modify the budget information it contains independent of centralized control verifying consistency with appropriation actions. None of the systems fully document the legislative history of appropriations for each project, important for verifying the accuracy of life-to-date budget information. The current situation is summarized below:

Exhibit A: Capital budget information is maintained in three different systems

System	Content
Hyperion	<ul style="list-style-type: none"> Adopted capital fund level budgets for 2015 – 2016¹ Capital project budgets adopted in 2015 – 2016 biennium budget (approximately 650)
EBS	<ul style="list-style-type: none"> Life-to-date budgets for all county capital projects (approximately 5,800), including data migrated from ARMS and IBIS finance systems for projects started before 2012
PIC	<ul style="list-style-type: none"> Capital project budgets adopted in 2015 – 2016 biennium budget (approximately 650)

Source: King County Auditor’s Office

PSB is developing a solution to capital project budget data issues

PSB plans to consolidate the county’s capital project budget information in PIC to address accessibility and reliability issues, using resources approved in the 2014 budget. PSB has used PIC since 2014 to prepare the County Executive’s capital budget request, which is comprised of individual project budget proposals. PIC also contains other capital project information that cannot be included in the county’s Hyperion and EBS systems, such as scope description and schedule information. PIC is also used to prepare

¹The adopted capital fund-level budget is the sum of the budget amounts approved for each capital project. For example, approximately \$350 million was approved for the Wastewater Treatment CIP Fund for the 2015 – 2016 biennium. This represented the sum of the budgets requested for more than 70 individual capital projects or programs.

I. Plan for Providing Capital Project Budget System

project performance information posted quarterly on the county’s website, with more detailed information available to the legislative branch on the county’s intranet. Unlike EBS, PIC appears to include appropriate security features to prevent agency staff from modifying adopted budget information.

Under PSB’s plan, PIC will be the data source for new capital project budget appropriations. PIC will also be modified to include past appropriation totals to provide a reliable record of life-to-date budget information for individual capital projects. This information will be exported from PIC to EBS to facilitate calculation, queries, and reporting of budget balances with expenditure information. Hyperion will contain capital budget data for the fund level, current budget only.

PSB should explore using PIC to make additional improvements

Using PIC presents additional opportunities to improve the reliability and usefulness of the capital budget data in countywide systems. As a county developed database, PIC provides more flexibility than EBS or Hyperion to be modified to meet the county’s business needs. For example, PIC could be used to maintain the appropriation balances for each capital fund, including unspent amounts from prior budget actions not available in Hyperion. The history of legislative ordinances for each capital project budget appropriation could be documented, satisfying an original goal not yet achieved for the budget system. The prior appropriation amounts approved for capital projects could be automatically populated in capital appropriation proposals, avoiding errors that have occurred in the manual entry process currently used.² PSB could also standardize recording of related project budgets, discussed later in this report, and align PIC with capital project budget policy and code changes enacted since 2012, such as contingency project availability.

Recommendation I

Performance, Strategy and Budget should establish a countywide system for recording the project-level budgets for capital projects in advance of the 2017-2018 biennial budget development. The system should document legislative appropriation actions and include budget data safeguards.

² For example, the County Executive’s 2015 – 2016 capital budget request for a trail project showed a \$14.7 million discrepancy in the prior appropriation amount.

2. Progress and Work Needed

Section Summary

The county has made improvements to capital project information, but additional work is necessary. The County Executive has increased the resources supporting capital project information since implementing the county's Hyperion budget system and EBS finance system in 2012. Progress has been made, but additional work is necessary to improve capital project information in countywide systems.

Progress has been made in guidelines and reporting

County staff has access to new guidelines, systems, and tools meant to improve the county's capital project information. Collaborative efforts led by the Finance and Business Operations Division (FBOD), Performance, Strategy and Budget (PSB), the Business Resource Center (BRC), and the Capital Projects Management Work Group (CPMWG) have resulted in the following:

- The implementation of a Capital Project Information Center providing access to project scope, schedule, risk, and forecast information previously unavailable in a countywide system, with some information available to the public on the county's website.
- The creation of a standard capital project report accessible to all county intranet users providing current expenditures and budget balances for projects by capital phase.
- The establishment of countywide project management standards for capital construction projects, including guidelines meant to "promote greater consistency, transparency, accountability, and efficiency."³

Additional work is needed to standardize budget recording

Agencies use inconsistent approaches to record the budgets of related projects, making it difficult to reliably evaluate budget balance status. The county introduced classification codes in EBS to make it easier to identify relationships among projects, such as projects located within the same council district and projects supporting a larger effort, for instance a segment of a regional trail project. While classification codes work well to identify related projects, agencies are using different approaches to record their budgets, making it difficult to evaluate budget balances. Some agencies are recording budgets in EBS for related projects at the program or master project level, while others are recording separate budgets for each project. Without knowing the details of each division's method, using the budget information in EBS to evaluate the budget balances of related projects could lead to inaccurate results. Countywide guidelines for recording the budgets of related projects are not available, contributing to the inconsistent

³KCWeb - Capital Project Management Standards

2. Progress and Work Needed

approaches used. These guidelines could be an important business practice to guide the development of the capital project budget system.

Recommendation 2

Performance, Strategy and Budget should provide standard guidelines for entering the budgets of related projects.

Additional work is needed to monitor phase spending

Most agencies do not consistently enter budget and expenditure information by project phase in EBS, reducing the usefulness of the data in this system. EBS was designed to have standard capital project phases for recording all expenditure and budget data for capital projects. Consistent use of these phases provides a framework for measuring project cost performance across all projects and county agencies. The requirement to use the standard phases to track project costs is included in PSB's budget preparation guidelines and Executive Order CIP 8-3, which applies to construction projects costing \$100,000 or more. Entering budgets and expenditures by phase is also necessary to meet the reporting requirements for mandatory phased appropriation projects established by Title 4 of King County Code.

Only the Wastewater Treatment Division (WTD) shows a high level of diligence using the standard project phases in EBS to record budget and expenditure information. Less diligent practices are in place at other agencies. For example, some projects showed all expenditures in the implementation phase, which would be inaccurate unless no planning, preliminary design, final design, closeout, or acquisition work was involved. Some projects showed expenditures in future phases, such as closeout while the project was still in the planning or preliminary design phase.

In addition to being a county requirement, entering project budgets and expenditures in the correct phase in EBS helps realize benefits from analysis of the data in the system. For example, with accurate data, you can use cost information for phases from prior projects to inform estimates for future projects. WTD has benefited from this approach, using historical cost information by phase to improve its estimating guidelines for project managers. Accurate information is also necessary to forecast the cost for the remaining work in each phase.

Recommendation 3

The County Executive should ensure that the county's business processes, policies, and training achieve consistent and accurate recording of project budgets and expenditures by standard capital phase.

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Additional help is needed to identify erroneous charges

Agencies need more assistance to identify expenditures charged to their projects in error. EBS and PeopleSoft, the county's payroll and time entry system, allow users to charge expenditures to any project. While this approach reduces administrative overhead for maintaining controls for each project, it also increases the risk of charges being made to the wrong project. The county's finance and payroll systems require approvals at the point of origin for labor charges, transfers, and expenditures but not from the agency implementing the project and accountable for the budget. Capital project teams are responsible for catching mischarges to their projects. Some agencies report it is not easy for project teams to catch these mischarges, especially on large projects. For example, a \$689,000 duplicate transfer went undetected by one of the county's agencies on a \$90 million capital project; smaller mischarges might be less likely to be identified. FBOD could enhance efficiencies by playing a stronger role in developing standard and effective processes and tools, rather than each division continuing to refine their processes and tools in isolation.

Recommendation 4

The Finance and Business Operations Division should develop business processes and tools to assist agencies in identifying and correcting erroneous charges to capital projects.

Caution is needed when using pre-2012 EBS project data

For some projects started before 2012, there continue to be discrepancies in the information transferred into the EBS financial system from the legacy ARMS and IBIS financial systems. When the Auditor's Office first evaluated historical data transfers in 2012, more than 70 percent of 171 projects reviewed had discrepancies. At that time, the dollar value of the identified discrepancies was approximately \$1.4 billion. BRC staff attributed the cause to coding differences between the old ARMS and IBIS financial systems and the new EBS system. They told us correcting the discrepancies would be labor intensive, requiring making manual adjustments for each incorrect entry instead of using an automated process like that used to transfer the data to EBS. Each agency was responsible for making corrections to its own data.

In December 2014, the Auditor's Office found ongoing problems. Of 963 projects reviewed from all agencies for expenditure data, 98 (10 percent) had discrepancies. The dollar value of these expenditure discrepancies totaled \$253 million. Only two agencies, the King County Information Technology Department (KCIT) and WTD had error-free historical expenditure data. The Auditor's Office also found ongoing historic budget data discrepancies in 58 of 321 (18 percent) projects. The value of these budget discrepancies totaled

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\$102 million. Of six agencies reviewed,⁴ KCIT had the fewest discrepancies, achieving a 98 percent accuracy rate.

The importance of the discrepancies in historical data transferred to EBS will become less significant over time as capital projects begun before 2012 are finished. PSB and FBOD have confirmed they intend to correct discrepancies in historical data transferred to EBS. Until this work can be accomplished, it will be important that system users understand the limitations of using the data to mitigate the risk that inappropriate decisions will be made based on unreliable budget and expenditure information.

Recommendation 5

The County Executive should continue efforts to correct life-to-date capital project budget and expenditure data in countywide systems and warn system users that life-to-date information for capital projects originating before 2012 is not fully reliable. The warning should also identify resources available for assisting users who require accurate data for their purposes.

⁴This review was limited to Airport, Facilities Management, KCIT, Parks, Solid Waste and Water & Land Resources since only ARMS included budget data. The budget data for Marine, Road Services, Transit, Wastewater Treatment and some KCIT projects could not be reviewed since IBIS did not include budget data.