



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF ENVIRONMENTAL PROTECTION

ADMINISTRATION OF FIXED CAPITAL OUTLAY PROJECTS

Operational Audit

SUMMARY

This audit of the Department of Environmental Protection (Department) focused on the administration of fixed capital outlay projects during the period July 2003 through February 2005, and selected actions taken through July 2005. As summarized below, we noted deficiencies in the awarding of construction contracts and the recording of fixed capital outlay expenditures in the capital asset accounts and records.

Finding No. 1: The Department utilized a process for awarding construction contracts with expenditures totaling \$8.7 million that was not competitive and did not comply with applicable rules and Department policy. Consequently, the Department cannot be assured that it received the best value for construction projects.

Finding No. 2: Employees involved in the selection process for construction contracts were not required to provide written attestation of their independence regarding the entities subject to award of contracts. Such attestations would help ensure the selection of contractors in a fair and open manner.

Finding No. 3: The Department did not have effective controls in place to ensure timely and accurate recording of fixed capital outlay expenditures in the capital asset accounts and records.

BACKGROUND

The Department annually expends moneys on fixed capital outlay projects for construction and renovations of various facilities and structures such as, pavilions, lighthouses, bathhouses, boardwalks, boat

ramps and parking, rangers' residences, maintenance shops, and cabins. Florida law¹ authorizes the Department of Management Services (DMS) to adopt administrative rules for awarding State agency construction contracts. DMS adopted rules² specifying the procedures to be used for construction contract bidding, negotiation, award, and changes. To implement DMS rules, the Department established a written policy for bid, negotiation, and award of construction contracts.

The Department has also established procedures for classifying, vouchering, and reviewing fixed capital outlay expenditures and recording the proper cost of fixed capital outlay property in the capital asset accounts and records. The Department of Financial Services has established a written Capital Asset Policy to promote consistency regarding the accounting for State-owned capital assets. The Policy identifies capital asset categories and threshold amounts, describes capital asset reporting, and defines capital assets by category.

The Department uses various Florida Accounting Information Resource (FLAIR) capital asset general ledger accounts and the FLAIR Property Subsystem for the recording of applicable expenditures, and to facilitate financial reporting and asset accountability. The Property Accounting Section within the Bureau of Finance and Accounting is responsible for recording the property acquired by the Department into FLAIR.

¹ Section 255.29, Florida Statutes.

² DMS Rules, Chapter 60D-5, Florida Administrative Code.

Our review focused on construction contract acquisitions and expenditures for fixed capital outlay projects,³ including recording of the expenditures in the capital asset accounts and records. Using FLAIR records for the audit period, we identified \$35 million in Department expenditures for fixed capital outlay projects and selected for testing 65 expenditure transactions, as shown below by Trust Fund.

Trust Fund	Total Expenditures(1)	Transaction Amounts Tested	Number of Transactions Tested
Land Acquisition(2)	\$ 19,896,876	\$ 1,997,253	28
Conservation and Recreation Lands(2)	6,601,305	875,831	26
Grants and Donations Ecosystem Management and Restoration	5,304,250	795,663	9
Environmental Laboratory	3,282,400	701,444	1
Florida Coastal Protection	136,081	-	-
State Park	38,000	-	-
Administrative	34,350	18,250	1
Invasive Plant Control	11,920	-	-
Florida Permit Fee	1,990	-	-
	61	-	-
Total	\$ 35,307,233	\$ 4,388,441	65

(1) 90 percent (\$31,633,113) of the expenditures were attributable to the Office of Greenways and Trails (\$4,921,366), Office of Coastal and Aquatic Managed Areas (\$3,425,767), and State Parks Operations (\$23,285,980).

(2) Land acquisitions and other capital assets are expended from the Trust Fund; however, land acquisitions are not included in amounts shown.

Source: FLAIR Records

The balances of selected Department capital asset accounts at June 30, 2003, and 2004, are shown below.

Fiscal Year Ended June 30	Buildings and Improvements	Infrastructure and Other Improvements	Construction Work in Progress
2003	\$ 99,077,833	\$ 108,294,853	\$ 29,581,206
2004	\$ 104,022,616	\$ 118,351,682	\$ 24,146,956
Increase/(Decrease)	\$ 4,944,783	\$ 10,056,829	\$ (5,434,250)

Source: FLAIR Records

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Construction Contract Acquisitions

DMS rules⁴ define five construction contract levels based on different dollar thresholds and differing acquisition requirements (see Appendix A). The Department established a written policy to implement the construction acquisition requirements in DMS rules and delegated construction acquisitions to the Bureau of Design and Construction Services (Bureau).⁵

As part of our audit, we reviewed the procedures the Bureau used in the procurement of construction contracts for the Bureau and the Offices of Greenways and Trails and Coastal and Aquatic Managed Areas. Four contracts were selected to determine if the Bureau complied with the acquisition requirements specified in DMS rules and Department policy. Of the four contracts reviewed, three were bid as required by DMS rules and one involved negotiations. For the contract negotiated, the Department advertised a Request for Statements of Qualifications (RFSOQ) to seek proposals from general contractors, licensed in the State, to provide labor, materials, and equipment for continuing services for construction contracts. The RFSOQ solicitation document was developed by the Department.

The RFSOQ process used by the Bureau included the following procedures:

- Requiring proposed contractors to submit responses that include, in part, the business structure, company background, qualifications, and financial statements.
- The Bureau's Contract Manager, with assistance from another employee, ranks contractors' responses based on specified criteria and posts results for public review or protest for 72 hours.

⁴ DMS Rules, 60D-5.002 and 5.0073, Florida Administrative Code, adopted pursuant to Section 255.29, Florida Statutes.
⁵ The Bureau of Design and Construction Services (formerly the Bureau of Design and Recreation Services) is within the Division of Recreation and Parks.

³ Our audit scope did not include land acquisitions.

- Bureau personnel enter into a continuing services contract for construction for each selected contractor. The continuing service contracts do not have specific projects or dollar amounts.
- As construction needs arise, Department architects and engineers prepare an estimate of the cost of the project (task).
- The Project Manager or Park Manager selects a contractor from the approved list based on the location, capabilities, and workload and negotiates the cost for the task.
- If the negotiated cost is within the estimate, upon approval by appropriate Department management, the task award is made to the contractor under the continuing services contract.

While the RFSOQ process assists the Bureau in obtaining the necessary contractors for the various construction projects for Department facilities and structures located throughout the State, it is not a competitive process that complies with DMS rules and Department policy.

Based on information provided by the Bureau, we identified 49 contracts issued under the RFSOQ process that were in effect during the audit period, of which 24 had assigned tasks. Of these 24, 20 contracts had tasks with expenditures during the period July 2001 through February 2005 totaling \$8.7 million as shown on Appendix B. Of this amount, \$4.8 million occurred during the audit period. A significant amount of the expenditures, during the period July 2001 through February 2005, related to two contractors, as shown below.

Contractor	No. of Assigned Tasks	Task Contract Value (1)	Expenditure Amount	Percentage of Total (2)
Ocean Gate General Contractors, Inc.	41	\$3,725,763	\$3,379,562	38.61
The Watauga Company	19	1,772,771	1,170,709	13.38
Total	60	\$5,498,534	\$4,550,271	51.99

(1) Includes change order amounts.
 (2) July 2001 through February 2005 (see Appendix B).

Based on original assigned task amounts, 43 of the above-noted tasks totaling \$3,049,242 and awarded under the RFSOQ process without competition, should have been awarded based on at least three sealed written proposals (Contract Levels Two and Three). Also, 7 of the tasks totaling \$2,051,479 should have been bid (Contract Level Four) since the task amounts ranged from \$248,000 (bathhouse) to \$424,000 (culvert). The following is a summary of Contract Level acquisition requirements based on DMS rules for tasks performed by the two contractors using the original assigned task amounts.

Contract Level	Number of Tasks	
	Ocean Gate General Contractors, Inc.	The Watauga Company
One (1)	6	4
Two (2)	2	4
Three (2)	30	7
Four (3)	3	4
Total	41	19

(1) Two or more verbal quotes required when practical.
 (2) Sealed written proposal required from three firms.
 (3) Sealed bids required.

As noted previously, three construction contracts reviewed were bid as required by DMS Rules. For these three contracts, The Watauga Company bid amounts ranged from \$16,000 to \$51,000 greater than the lower successful bidders for the projects. These bid differences indicate that the noncompetitive RFSOQ process may not result in the Department receiving the best value.

Recommendation: We recommend that the Department discontinue the RFSOQ process in the Bureau and ensure that future construction contracts are awarded in accordance with DMS rules and Department policy.

Finding No. 2: Independence Attestations

For construction contracts, Section 255.29, Florida Statutes, requires DMS to establish administrative rules governing the evaluation and awarding of construction contracts. This provision of law does not

specifically require that individuals taking part in the contractor selection process attest in writing that they are independent of, and have no conflict of interest in, the entity selected. Further, we were informed by Bureau personnel that acquisition procedures do not provide for written attestations of independence for construction contract awards, nor were any utilized during the RFSOQ or bid processes.

While Chapter 255, Florida Statutes, does not require written attestations of independence for construction projects, good business practices would include the execution of the attestations. Documentation of independence and impartiality of individuals involved in selecting construction contractors help ensure, in fact and appearance, a fair and open procurement process.

Recommendation: We recommend that Department management adopt procedures requiring written attestations of independence and impartiality for Bureau personnel involved in the construction contractor selection process. We also recommend that the Legislature amend Section 255.29, Florida Statutes, to require, for construction contracts, the execution of written affirmations of independence.

Finding No. 3: Capitalization of Fixed Capital Outlay Project Expenditures

The Department established a process for the Property Accounting Section (Section) to record fixed capital outlay projects expenditures in FLAIR capital asset general ledger accounts and Property Subsystem as described in Appendix C. As described in the Background, we tested 65 fixed capital outlay expenditure transactions to determine if the Department was properly recording these expenditures in the capital asset accounts and records. As part of our testing, we also reviewed other related fixed capital outlay expenditures for proper capital asset recording. Our test results indicated that the Department did not have effective controls in place to ensure the timely and accurate recording of fixed capital outlay expenditures in the capital asset general

ledger accounts and Property Subsystem, as discussed below.

- As of March 22, 2005, there were 28 projects where the Construction-Work-In-Progress (CWIP) expenditures were either not recorded in the capital asset general ledger account or not recorded in a timely manner (within 30 days). The expenditures that were not recorded totaled approximately \$5.7 million and included, for example, a shore stabilization structure and water and electrical lines. For the expenditures that were not timely recorded, the delays in excess of 30 days⁶ ranged from 6 to 271 days. Also, for a roadside park improvements project included in the \$5.7 million that was partially funded (\$118,278) by a county, such funding was not included in the recorded value of the asset.
- As of March 22, 2005, there were 39 projects completed for which capital assets (e.g., lighthouse renovations, boardwalks, bathhouse, and paving) were not recorded in the Property Subsystem, not recorded in the correct amount, or not timely recorded (within 30 days). The assets that were not recorded or not recorded at the correct amount resulted in an understatement of approximately \$1.4 million in the Property Subsystem and applicable capital asset general ledger accounts. Some of the assets remained in the CWIP account, although the projects had been completed. For the assets that were not timely recorded, the delays in excess of 30 days⁶ ranged from 44 to 395 days.
- For four projects, we noted that repair and maintenance expenditures totaling \$97,629 were erroneously recorded as capital assets in the general ledger accounts and Property Subsystem. The expenditures were for sand management, dock repairs, repainting, and lead-based paint abatement. For two of the projects, the errors (\$55,394) had been discovered by Department personnel and appropriately deleted from the CWIP account and Property Subsystem.
- For two projects, we noted that various contract payments for capital assets were listed for incorrect physical locations in the CWIP account. For another project, contract

⁶ A 30-day time frame was established on audit as a reasonable time period for the Department to have recorded capital assets.

payments were recorded to three property numbers and for an incorrect physical location. For two additional projects, assets were listed for the incorrect physical location in the Property Subsystem. For example, a boardwalk, sidewalk, and dock at Lake Louisa State Park were listed as a boardwalk at Deer Lake State Park.

- For three projects (\$1,506,166), we noted that capital assets were recorded in the incorrect General Ledger (GL) Account. For example, expenditures (\$1,399,544) related to a contract for cabin development were recorded as infrastructure (GL Account 274XX), although the project was not complete. The expenditures should be recorded as CWIP (GL Account 278XX), then upon completion, the amount should be recorded as buildings (GL Account 272XX).

The above-noted exceptions were due to the following:

- Use of incorrect expenditure object codes and not assigning property numbers resulting in capital assets not being recorded in the Property Pending File.
- Project managers not always submitting the Project Completion Information Forms to the Section or not submitting them in a timely manner so that completed projects could be transferred from CWIP to the applicable capital asset general ledger account. Also, some personnel in the Office of Greenways and Trails were unaware of the Project Completion Information Form requirements and did not submit them to the Section when projects were completed.
- Department procedures not providing for a reconciliation of contract expenditures with the amount to be recorded in the applicable capital asset general ledger accounts and Property Subsystem.
- Prior to July 1, 2005, expenditures for architectural, engineering, permits, and other expenditures related to the construction of capital assets not consistently included in the CWIP general ledger account. Also, when project managers submit the Project Completion Information Forms to the Section, they did not always include these expenditures in the cost of the finished project.

- Expenditures for contracts for one physical location being coded for funding purposes to several different project identification numbers. As a result, amounts recorded in the CWIP general ledger account in the incorrect project would remain in the account when the project was closed or be eliminated when the incorrect project was closed.

According to Department personnel, some of the above-noted exceptions have been corrected. However, because of the control deficiencies noted on audit, there is limited assurance that the following Department capital asset general ledger accounts⁷ are accurately and timely reported:

- Buildings and Improvements.
- Infrastructure and Other Improvements.
- Construction-Work-in-Progress.

Recommendation: To ensure that fixed capital outlay expenditures are accurately and timely recorded in the Department's capital asset accounts and records, we recommend that Department management:

- Establish procedures for reconciling contract expenditures to amounts reported for capital asset recording on the Project Completion Information Forms. Differences should be resolved with the applicable project manager.
- Ensure that the appropriate program offices are made aware of the importance of timely completing the Project Completion Information Form and submitting it to the Section.
- Ensure that Section staff and project managers are familiar with the State's Capital Asset Policy, which provides examples of items (e.g., professional fees and land excavation) that should be capitalized for each capital asset account.
- Discontinue the practice of coding expenditures for a single project to multiple project identification numbers since this does not facilitate an accurate recording of capital assets.

⁷ Department amounts in these accounts are not material to the State's basic financial statements in that they comprise less than one percent of applicable capital assets of the State.

- Provide additional training and management review regarding coding of fixed capital outlay expenditures and recording of the proper expenditures in the capital asset accounts and records.

examination of various transactions (as well as events and conditions) occurring during the period July 2003 through February 2005, and selected actions taken through July 2005.

OBJECTIVES, SCOPE, AND METHODOLOGY


This operational audit focused on the Department’s administration of fixed capital outlay projects. The objectives of the audit were to determine whether:

- Construction services were acquired in accordance with applicable laws, rules, and Department policies.
- Effective controls were in place to ensure that fixed capital outlay project services contracted and paid for were received and recorded in an accurate and complete manner.
- Vendor payments for fixed capital outlay projects were properly made and correctly recorded.
- Effective controls were in place to ensure recording of fixed capital outlay project expenditures as capital assets, if appropriate, in a timely manner.
- The recording of fixed capital outlay project expenditures as capital assets was in compliance with applicable governmental accounting and reporting standards and guidance, and State and Department policies.

In conducting our audit, we interviewed Department personnel, examined transactions and records, and performed various other procedures as deemed necessary in the circumstances. Our audit included

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated November 21, 2005, the Secretary generally concurred with our findings and recommendations and described corrective actions already taken or planned for future implementation. This letter is included at the end of this report as Appendix D.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was conducted by Billie Dudley, and supervised by Marcella A. Strange, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, via e-mail at davidvick@aud.state.fl.us or by telephone at (850) 487-9100. This report and audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone ((850) 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A

Construction contract levels and acquisition requirements as defined by Department of Management Services (DMS) Rule, Chapter 60D, Florida Administrative Code, are summarized below.

Level	Contract Value	Acquisition Requirements Per DMS Rule
One	Not exceeding \$10,000.	Agencies to use two or more verbal quotes when practical. If two quotes are not received, a statement of why they were not received must be shown.
Two	Greater than \$10,000, but not exceeding \$25,000.	Agencies to request at least three sealed written proposals based on a written specification.
Three	Greater than \$25,000, but not exceeding \$200,000.	
Four	Greater than \$200,000, but not exceeding \$500,000.	Except as provided by law or rule, agencies are required to obtain competitive sealed bids.*
Five	Exceeding \$500,000.	
* DMS Secretary may waive bid requirement if it is in the best interest of the State after considering various factors, such as facility need, size and complexity of the project, or if a valid emergency exists.		

APPENDIX B

Expenditures for construction contracts entered into by the Bureau of Design and Construction Services (Bureau), Division of Recreation and Parks, using Requests for Statements of Qualifications are summarized below.

Contract No.	Company	Fiscal Year				Total	Percentage of Total
		2001-02	2002-03	2003-04	2004-05 (1)		
DC309	Ocean Gate General Contractors, Inc. (2)	\$ 76,680	\$ 1,140,589	\$ 1,589,148	\$ 573,146	\$ 3,379,563	38.61%
DC313	The Watauga Company (3)	-	398,844	347,574	424,291	1,170,709	13.38%
DC318	Sperry & Associates, Inc.	222,190	568,664	-	-	790,854	9.04%
DC315	Blackfoot Construction, Inc.	90,900	343,161	151,700	167,880	753,641	8.61%
DC316	Aagaard-McNary Construction, Inc.	-	33,618	220,826	200,703	455,147	5.20%
DC311	Ben Withers, Inc.	-	151,192	160,898	168,741	480,831	5.49%
DC350	DeLesline Construction, Inc.	-	210,910	2,442	-	213,352	2.44%
DC369	J W Boyd Company, Inc.	-	80,033	108,316	8,169	196,518	2.25%
DC317	Gribben Construction Company	44,820	129,977	-	80,064	254,861	2.91%
DC314	Larry Hall Construction, Inc.	-	165,412	-	-	165,412	1.89%
DC375	Professional Restoration, Inc.	-	40,000	19,280	75,000	134,280	1.53%
DC310	Southland Contracting, Inc.	96,955	44,505	-	-	141,460	1.62%
DC441	G & G Constructors, Inc.	-	-	73,295	10,119	83,414	0.95%
DC351	Allstate Construction, Inc.	-	12,743	37,738	24,011	74,492	0.85%
DC380	White General Constructors, Inc.	-	-	24,750	75,780	100,530	1.15%
DC365	OTAK Group, Inc.	-	-	-	133,630	133,630	1.53%
DC373	Dooley and Mack Constructors, Inc.	-	-	74,348	-	74,348	0.85%
DC440	ATL Construction, Inc.	-	-	16,200	51,325	67,525	0.77%
DC352	Watkins Engineers & Constructors, Inc.	-	63,000	-	-	63,000	0.72%
DC346	Gaudet Associates, Inc.	-	-	18,500	-	18,500	0.21%
Total		<u>\$ 531,545</u>	<u>\$ 3,382,648</u>	<u>\$ 2,845,015</u>	<u>\$ 1,992,859</u>	<u>\$ 8,752,067</u>	<u>100.00%</u>

(1) Expenditures from July 2004 through February 2005.

(2) From January 2002 through December 2004, 41 tasks were assigned by the Bureau to the Company with a contract value of \$3,725,763, including change orders. The scope of work for the assigned tasks included, in part, construction of ranger residences, restroom and bathhouse facilities, pavilions, sidewalks, and seawalls, and repairs to a boat ramp and marina parking lot.

(3) From January 2003 through January 2005, 19 tasks were assigned by the Bureau to the Company with a contract value of \$1,772,771, including change orders. The scope of work for the assigned tasks included, in part, construction of bathhouses and fences, and hurricane repairs.

Source: Bureau of Design and Construction Services and FLAIR records

APPENDIX C
DEPARTMENT PROCESS FOR RECORDING FIXED CAPITAL OUTLAY PROJECTS EXPENDITURES

The Property Accounting Section is responsible for recording fixed capital outlay projects expenditures in FLAIR as follows:

- Reviewing fixed capital outlay vouchers recorded in the Property Pending File to determine which costs should be recorded in the capital asset general ledger accounts. Project expenditures are to be recorded in the CWIP general ledger account until completion of the project. Also, a record is to be established in the Property Subsystem to record both financial and nonfinancial information for the asset.
- Receiving and reviewing the Project Completion Information Forms prepared by Department project managers upon completion of a project. The Project Completion Information Form identifies the total cost of the project and breaks down the cost by building, structure, or other improvement.
- Recording appropriate transactions, including, eliminating the amount in the CWIP account and recording the capital asset in the appropriate general ledger account (e.g., buildings or infrastructure) at the value included on the Project Completion Information Form.
- Updating the Property Subsystem for the value of the capital asset based on the Project Completion Information Form.

APPENDIX D
MANAGEMENT RESPONSE



Jeb Bush
Governor

Department of
Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

November 21, 2005

Mr. William O. Monroe, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

In accordance with Section 11.45(4)(d), Florida Statutes, this memo will constitute the Department of Environmental Protection's (Department) response to the findings contained in the Auditor General's audit report of the Department of Environmental Protection Administration of Fixed Capital Outlay Projects. We have responded below to each numbered finding and have addressed each of the specific recommendations.

Finding 1: The Department utilized a process for awarding construction contracts with expenditures totaling \$8.7 million that was not competitive and did not comply with applicable rules and Department policy. Consequently, the Department cannot be assured that it received the best value for construction projects.

Response: The Division of Recreation and Parks (Division) will discontinue the Request for Statements of Qualifications (RFSOQ) process for construction contracts for area wide contractors and will award all future construction contracts in accordance with DMS rules and Department policy.

Finding 2: Employees involved in the selection process for construction contracts were not required to provide written attestation of their independence regarding the entities subject to award of contracts. Such attestations would help ensure the selection of contractors in a fair and open manner.

Response: The Division of Recreation of Parks has requested documentation of attestation from the Division of Administrative Services. Personnel involved with construction contractor/consultant selection process will sign documentation of attestation that they have no conflict of interest in the entities being evaluated for contract award.

"More Protection, Less Process"

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Finding 3: The Department did not have effective controls in place to ensure timely and accurate recording of fixed capital outlay expenditures in the capital asset accounts and records.

Response:

- Prior to July 1, 2005, informal procedures previously in place in the Bureau of Finance and Accounting Property Accounting Section (Property Accounting Section) for reconciling amounts recorded in Work in Progress (WIP) to amounts to be capitalized per the Project Completion Form were replaced with formal procedures. The improved procedures include requirements for preparing and maintaining documentation of resolution of differences between amounts recorded in WIP and the Project Completion Information Forms. The Project Completion Information Forms have been modified to include more detailed information. In addition, a copy of the cost transaction detail for the project maintained by the program area (Division of Recreation and Parks, Bureau of Design and Construction (Design and Construction), Office of Greenways and trails, CAMA, etc.), is now required to be submitted to the Property Accounting Section along with the Project Completion Information Form. Differences between the project cost transaction detail and the amounts recorded in Work in Progress in the FLAIR Property Subsystem are resolved with the applicable project manager. Documentation of the reconciliation and disposition of differences is reviewed by the Property Accounting Section Supervisor and the Finance and Accounting Director of Grants, Property and Payroll, and then maintained by the Property Accounting Section.
- The Bureau of Finance and Accounting is currently in the process of preparing a Property Manual and related training materials to provide clear guidelines that comply with the State's Capital Asset Policy along with examples of items (e.g., professional fees and land excavation) that should be capitalized for each capital asset account. These guidelines will be easily accessible to Property Accounting Section staff and project managers via the Bureau of Finance and Accounting page on the DEP intranet. These guidelines are expected to be completed and available by December 2005.
- Project manager training sponsored by the Division of Recreation and Parks will be modified to include a session on coding of fixed capital outlay expenditures and recording of the proper expenditures in the capital asset accounts and records. The training will incorporate use of the Property Manual described above and will emphasize the importance of (1) timely completing the Project Completion Information Form and submitting it to the Property Accounting Section, (2) compliance with DEP Directive 320 and the State's Capital Asset Policy, and (3) coding expenditures for a project to the appropriate project identification numbers, rather than to a budgeted project number, to facilitate an accurate recording of capital assets. The project manager training will be required for employees throughout the department who perform project management activities and for Property Accounting Section staff who are responsible for recording Fixed Capital Outlay projects in FLAIR. The project manager training is planned to be held in late 2005 and

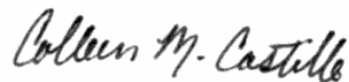
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periodically thereafter as needed to ensure that all employees performing project management duties are fully informed of their responsibilities.

If you have questions or need additional information, please call Joe Aita, Director of Auditing at (850) 245-8013.

Sincerely,



Colleen M. Castille
Secretary

CMC/ja/ksr