



Highlights

Highlights of OCA-11-027

Why OCA Did This Study

A well-designed and maintained infrastructure anchors our economy and secures the public health, safety, and well-being. Investment in infrastructure is vital to productivity, competitiveness, and the economy. Like many cities, San Diego has a Capital Improvement Program (CIP) for installing new and replacing deteriorating capital infrastructure. This audit was conducted in accordance with the City Auditor's Fiscal Year 2011 Audit Work Plan to determine the extent to which the City (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. To do this, OCA analyzed financial data; reviewed best practices for capital planning and asset management; and reviewed and evaluated policies and procedures for implementing CIP projects.

What OCA Recommends

OCA is making 24 recommendations to the City to improve the planning and oversight of its CIP, including establishing a capital program office to coordinate and oversee the various responsibilities of service and client departments; streamline and improve coordination and functionality of CIP related processes; develop a multi-year CIP plan; and reassess the role of the CIP Review and Advisory Committee (CIPRAC). To improve Engineering & Capital Project's (E&CP) management of projects, we are recommending that the Department 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.

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Capital Improvement Program

Better Planning and Oversight Are Needed to Effectively Identify Capital Infrastructure Needs and Manage Projects

What OCA Found

Considering economic and financial pressures and aging infrastructure, it is critical that the City has an effective process to match identified capital needs with its CIP budget. Although the City invested about \$2.2 billion on capital projects between fiscal years 2007 and 2011, it estimates it has about \$840 million in deferred maintenance for certain assets and about \$1.9 billion in unfunded capital needs and officials say actual needs could be far greater. The funding gap is largely due to a decline in federal investment in infrastructure, limited available funding which frequently has restrictions for use, and competing priorities within the City.

The City's process is complex with seven service and nine client departments having varying roles and responsibilities for identifying capital needs and implementing projects. Effective oversight and coordination of departments involved is critical to ensure that funds are spent on the right projects and projects are managed within budget and schedule. However, we found that the City lacks coordination and oversight, because no one department or leader is accountable or responsible for the process. This has contributed to impediments in the various stages of the process as addressed throughout this report.

A capital improvement plan provides an overall perspective of developments in the City to enable decisionmakers and other stakeholders to take a long-range view of future needs, projects, and priorities. We found that the City lacks a long-term CIP plan, because it uses an annual CIP budget as a "rolling" CIP. However, the CIP budget does not provide a clear view of the City's planned capital improvements over the next five years. Although the City is taking some steps to review CIP projects for conformance to the City's General Plan and community plans, the CIP is not primarily based upon these plans and no one department or office is responsible for ensuring that strategies and policies set forth will be implemented.

Because the City lacks integrated capital planning, it is relying on client departments to effectively identify needs for its annual CIP budget. However, the extent to which departments evaluate project alternatives and prioritize projects varies with some departments having higher quality approaches than others. The City's Enterprise Asset Management Steering Committee is taking steps to collect and organize basic data on assets which will help officials better identify capital needs, but the City has not codified the asset management approach or linked the committee's efforts with the CIP. Further, while CIPRAC has improved the City's ability to prioritize projects, its role has been limited.

E&CP, the department primarily responsible for implementing CIP projects, has made progress centralizing and standardizing project management functions. However, we found impediments in E&CP's process for managing projects that affect its ability to effectively deliver projects within budget and schedule. These impediments include 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. Many of these impediments are due to lack of requirements, guidelines, and internal control or oversight of processes.