

Schedule of Audit Findings and Responses

Seattle Indian Services Commission King County July 1, 2008 through June 30, 2010

1. **The Seattle Indian Services Commission Board provided inadequate oversight of Commission activities, resulting in questionable expenditures and a decline in the health of Commission's building.**

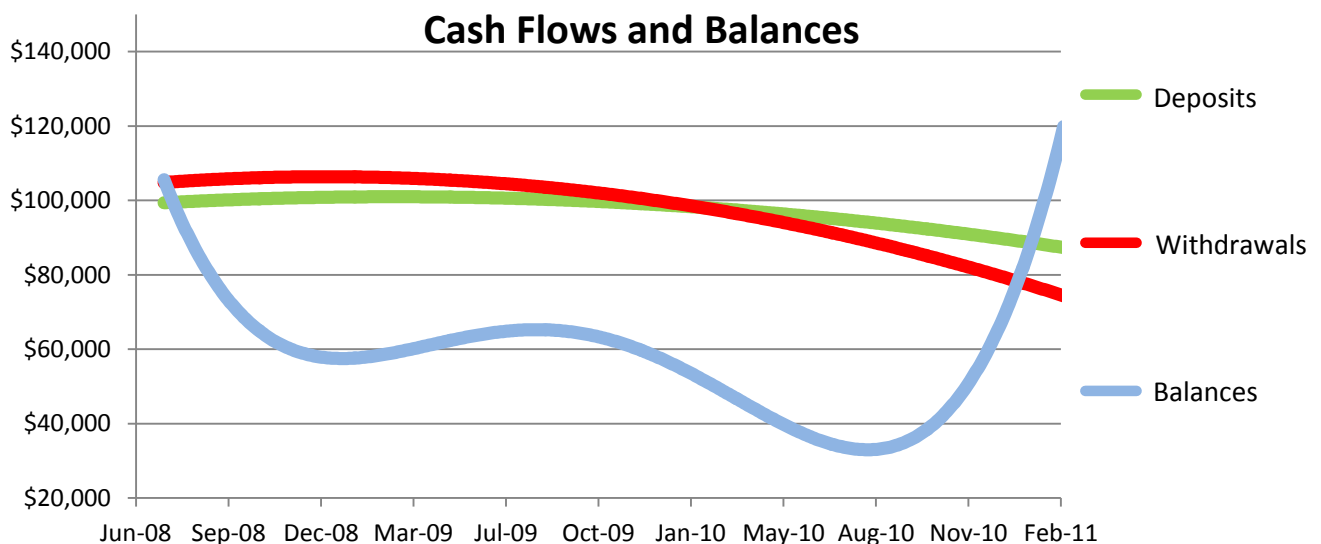
Background

The City of Seattle created the Seattle Indian Services Commission in 1972. The Commission built the Leschi Center building in 1987 and the Pearl Warren building in 1995. The buildings serve as a center for organizations that provide services to Native Americans.

The Commission is a public development authority subject to state law and Seattle Municipal Code.

The Commission's main source of revenue is rent from building tenants. Its primary expenditures are repayment of building-related bond debt and building operations and maintenance. The Commission also has a gift shop, Traditions and Beyond, which is open sporadically.

During the audit period, the Commission's monthly expenses consistently exceeded monthly revenue and the average available monthly balance declined. Subsequent to the audit period, the Commission's available cash balance has gradually increased due to reduction in payroll expenses. The table below shows these trends.



The Commission's Board is made up of two representatives from four organizations: the American Indian Women's Service League, the Seattle Indian Center, the Seattle Indian Health Board, and the United Indians of All Tribes. The Seattle Indian Center and the Seattle Indian Health Board are tenants in the Commission's buildings.

The Commission's Executive Director and Assistant Director were responsible for all administrative functions until they left employment in 2010. The Board now has sole responsibility for managing the two buildings and for setting and collecting rent sufficient to pay for building debt, operations and maintenance.

Description of Condition

We examined records to the extent the Commission could find them. During the audit we requested records of vendor payments, inventory, employment contracts and others. The Commission could not produce records of its craft store inventory, employment contracts and for some vendor payments. Many vendor payments were supported by handwritten notes.

Financial reporting

We contacted the Commission in March 2011 to schedule its regular, two-year audit. The Board President stated the Commission did not have money to pay for the audit. She also stated she believed it would be difficult to locate financial records because they had been moved in anticipation of the Commission selling one of its buildings.

We also learned the Commission cancelled the 2009 financial statement audit that was to be performed by a private firm in 2010 and did not prepare for or schedule the 2010 financial statement audit. The Commission has not issued audited financial statements for 2009 or 2010. The Commission's most recent audited financial statements were for 2008.

The Commission does not keep a journal of accounting records and has no general ledger that could be used to prepare financial statements. Bank statements and support for some vendor payments were piled in boxes that we and the Commission organized in an attempt to complete our audit.

Internal controls

The Board delegated all key duties to the former Director who in turn delegated them to the former Assistant Director, including authority to sign checks, keep accounting records, receive bank statements, maintain inventory, and all other business functions. These duties are incompatible and should not be performed by one individual. The Board did not provide adequate oversight of these activities

Questionable expenditures

We reviewed all operating bank account and gift shop bank account activity from June 2008 through June 2010 and found:

We found questionable expenditures of more than \$73,943.

The former Assistant Director made 23 payments totaling \$8,070 to pay off a personal loan. Payments ranged from \$165 to \$990. Based on the documentation available for audit, we found no Commission-related purpose for these payments.	\$8,070
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The former Assistant Director signed, endorsed and cashed a \$1,200 check made to "cash". Based on the documentation available for audit, we could not determine if this was related to Commission business.	\$1,200
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The former Assistant Director wrote checks to herself totaling \$29,787. We found no documentation to support the Commission-related purpose of 25 checks totaling \$16,194 and insufficient documentation for 21 checks totaling \$13,507. Support for the 21 payments consisted of handwritten explanations that the Commission was to reimburse her for cash purchases of art and supplies and cash payments to individuals for grounds maintenance. We found no vendor receipts or inventory records to show what art and supplies were purchased and received.	\$29,701
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Payments totaling \$8,957 did not have adequate support to show what was received. These payments were supported by handwritten notes explaining that art was purchased. We found no records of items received into the gift shop inventory as the Commission does not have accurate records of those items.	\$8,957
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The Commission reimbursed the former Executive Director \$18,386 for charges to his personal credit card with little or no documentation to explain or support the Commission-related purpose of the purchases. Included in this amount are purchases of \$11,732 in building supplies, tools and materials the former Assistant Director made using the former Executive Director's personal credit card during the audit period. Documentation does not describe the Commission-related purpose of the purchases.	\$18,386
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The former Executive Director's private company was paid \$1,310 in 2009 for hosting the Commission's website. The ownership was not disclosed to the Board.	\$1,310
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We noted payments totaling \$6,319 to the former Executive Director's domestic partner. Documentation on what the payments were for is unclear.	\$6,319
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Conflict of Interest

As discussed above, four of the Commission's Board members represent two organizations that rent space from the Commission's two buildings. This puts these Board members in a position to set rent for the space their organizations occupy, making them both landlord and tenant. As a landlord, Board members may have to significantly

raise rent. As tenants, they are concerned about the costs their organizations pay for space. The two roles can inherently lead to conflicts of interest.

State law allows contracts in which public officials are both landlord and tenant, but those officials cannot vote on such contracts. Since four of the members represent tenants, only the four remaining Board members would be eligible to vote. State law (RCW 42.23.040) requires a majority of Board Members to approve such contracts.

Building rent and repairs

The Commission's main source of revenue is charges for building space use. The Board determines rent and fees. Substantially all of the building space not used by the Commission office is subject to long-term leases with the Seattle Indian Health Board and with the Seattle Indian Center. Leases are based on the amount needed to pay off the building-related debt. Tenants pay rent through 30-year leases that began when the buildings were built. The Commission annually establishes and charges the tenants other fees to pay Commission costs.

The Commission does not set annual fees that are sufficient to pay for all building-related costs including capital maintenance and repairs and basic operating costs.

As a result, the Commission has no capital reserves to pay for future capital costs or currently needed repairs. One of the Commission's buildings is in need of approximately \$2.5 million in repair work to bring the building to rentable condition, but the Commission has no money to pay for it. Additionally, the Commission has no earthquake insurance, placing it at risk of further repairs it would not be able to pay for.

Cause of Condition

The composition of the Board creates an inherent conflict of interest caused by the current make up of the Commission's Board, which includes an even number of eight members, four of which represent the Commission's tenants. Further, between June 2008 and June 2010, the Board had no meetings at which all members were present. At this time, the Commission has no employees and no one to keep accurate accounting records or to prepare accurate and timely financial reports.

When making decisions, the Board relied on general information on revenues and expenditures from the former Executive Director and Assistant Director. Board members did not receive detailed financial and expenditure information, including the business purpose of payments, even when they had questions. Board Members we interviewed stated they believed it was the responsibility of the Treasurer to review supporting documentation for payments. In two years the Treasurer attended only three meetings.

Also, the Board did not exercise its responsibilities as laid out in the City's published intent for PDAs, which says in part: "Each PDA is governed by a volunteer council, commonly called a governing board, which sets policies and oversees activities and staff."

We began noting issues regarding timely financial statements, credit card use and approval of expenditures during our 2002 audit and made recommendations then and in subsequent audits on ways to improve controls.

A 2008 report by the Seattle City Auditor's Office noted the Commission "had not established an adequate system of internal controls, including comprehensive financial policies and procedures and executed payments to employees that were not consistent with State law". It also said it could benefit from "improved oversight by the City's PDA coordinator".

In 2009 the financial statement audit firm also made recommendations regarding strengthening internal controls. Among them were that the Assistant Director be removed from the list of authorized signers on the checking account and that a Board Member sign checks and review bank statements.

Effect of Condition

Despite past recommendations, the Board provided no direction or oversight of former management's activities, resulting in significant issues that call into question the Commission's continued operations.

This lack of oversight also greatly increased the risk of unnecessary payments and a waste of public resources.

The Commission violated state law requiring it to file annual financial reports with the State Auditor within 150 days of fiscal year end. The City and creditors holding the building-related debt also require annual audited financial reports. The Commission's most recent audited financial statements were for 2008. Without financial reports and other information, the Board cannot make informed decisions about Commission operations.

All of these factors lead to a lack of transparency regarding Commission operations to citizens, tenants and those who use the services of those tenants.

Further, the City of Seattle had to exercise its responsibility as parent organization to make sure the City does not have to repay the Commission's building-related debt.

Because the Commission has not set aside sufficient funds to make necessary repairs to the Pearl Warren building, the building's tenant threatened to vacate and break the lease. The City would have to take over the building debt payments if the tenant left. The City loaned money to the Commission to make temporary repairs and to design construction work necessary to address the building's condition.

The City also initiated procedures to impose a trustee to oversee the preservation of buildings.

Recommendation

We recommend:

- Indian Health Board and Seattle Indian Center Board Members should excuse themselves from voting on issues related to Commission properties.
- Commission Members ask the City of Seattle to amend the Commission Charter to change the Board's composition. The new Board should be independent of the Commission's tenants.

- The Commission ask the City to temporarily take over its administrative functions, including collecting money and making payments.
- The Commission hire or contract with individuals experienced in property management, state law and government financial reporting to administer its operations. Commissioners should provide oversight and monitoring to ensure compliance with City, state and federal requirements.
- The Commission should set building use rates sufficient to meet its costs and immediately collect all past-due amounts. Commissioners should establish a subcommittee to review and pre-approve each purchase or payment to ensure it meets its most crucial needs first.

Commission's Response

During the period covered by this audit our long-standing Executive Director retired and Commissioners have been focused on and in conflict regarding ownership of the properties. This has included many months of mediation resulting in an impasse. SIHB representatives recused themselves and the remaining Commissioners were split. We agree that it is difficult for tenant representatives to represent their agencies and the Commission at once.

Indian Health Board and Seattle Indian Center Board Members should excuse themselves from voting on issues related to Commission properties.

- *SIC and SIHB members have excused themselves from voting on issues directly impacting their organizations such as delinquent lease payments (SIC representatives) and transfer of the Pearl Warren Building and Leschi Center to the Seattle Indian Health Board (SIHB representatives).*
- *SIC and SIHB representatives are now expanding their voting recusals to include budget votes and anything related or perceived to be related to the properties.*

Commission Members ask the City of Seattle to amend the Commission Charter to change the Board's composition. The new Board should be independent of the Commission's tenants.

- *The Commission has asked City staff to draw up a new Charter addressing audit recommendations to be presented at the October 11, 2011 SISC meeting.*
- *The Charter amendment to remove tenant representatives was approved by the SISC at the October 11, 2011.*

The Commission ask the City to temporarily take over its administrative functions, including collecting money and making payments.

- *The City of Seattle Mayor and Council have approved moving forward with requesting that the City Attorney petition the Superior Court of King County to impose a trusteeship over the Seattle Indian Services Commission in order to effectuate the conveyance of the Pearl Warren Building and the Leschi Center to*

the Seattle Indian Health Board with the intent of preserving the assets for the community served. Thus, this audit recommendation will be met by the City of Seattle.

The Commission hire or contract with individuals experienced in property management, state law and government financial reporting to administer its operations. Commissioners should provide oversight and monitoring to ensure compliance with City, state and federal requirements.

- *The City of Seattle's actions (see above) addresses this recommendation.*

The Commission should set building use rates sufficient to meet its costs, immediately collect all past-due amounts. Commissioners should establish a subcommittee to review and pre-approve each purchase or payment to ensure it meets its most crucial needs first.

- *Prior to the draft audit being shared with SISC, the Commission established a Finance Committee to review and recommend to the full Commission all purchases or payments to ensure that SISC meets its most crucial needs first, to establish new accounting procedures and practices, and to make budget recommendations. This recommendation, too, will be met by the City's actions.*

City of Seattle's Response

The City of Seattle appreciates the opportunity to review and comment on the Washington State Auditor's Office draft audit findings of the Seattle Indian Services Commission from July 1, 2008 through June 30, 2010 that reported on accountability of public resources and compliance with applicable laws, regulations and contract requirements.

As noted in your draft audit, the Seattle Indian Services Commission (Commission) is a City-chartered public development authority created in 1972 and is subject to state law and Seattle Municipal Code.

*The City agrees with the findings in the draft accountability report that **"the Seattle Indian Services Commission provided inadequate oversight of Commission activities, resulting in questionable expenditures and a decline in the health of Commission's buildings."** However, it should be noted that over the past twelve (12) months, the Commission has made substantial progress in its oversight role – although outside of the accountability audit report period.*

The Commission, with assistance from the City of Seattle (City), has undertaken several steps to strengthen its oversight of its activities that include:

- *Removing check signing authority from Commission staff and assigning that responsibility to the Commission Chair, with backup authority granted to the Commission Treasurer. Payments are now subject to approval by the Commission Board, acting on the recommendations of the new Finance Committee (see below); and*
- *Creating a Finance Committee that consists of the Commission's Chair, Treasurer and a Board member skilled in financial matters. The Finance*

Committee is responsible for reviewing all financial records, vendor payments and making recommendations for approval to the Commission's Board.

One of the Commission's central purposes is the management of the Pearl Warren Building and Leschi Center. These buildings serve as a center for several organizations that provide services to the Native Americans / Alaska Native communities in the Seattle area. However, the City has been made aware of the Commission's inability to maintain and/or make necessary capital repairs to the Pearl Warren Building. Since 2010, the City has worked with the Commission to transfer the Pearl Warren Building and Leschi Center from the Commission to another nonprofit organization with the financial capacity to make the needed improvements and provide necessary management of the properties. These activities have included:

- Engaging in a seven (7) month mediation process to develop terms and conditions for the transfer of the Pearl Warren Building and Leschi Center from the Commission to the Seattle Indian Health Board (the major tenant in both buildings). This process did not result in an agreement between the two parties.*
- Requesting the Superior Court to appoint representatives of the City as trustees over physical assets of the Commission that includes the Pearl Warren Building and the Leschi Center. The trusteeship will result in the City assuming control over all assets of the Commission and allow the City to transfer the Commission's buildings to another entity. This will result in placing property management responsibilities in an organization that is financially stronger and able to secure financing for the necessary repairs.*

The City supports the State Auditor's recommendations and has provided responses to the five (5) specific recommendations cited in the audit report.

Responses to Recommendation

Accountability Auditor's Recommendations	City's Response to Recommendations
<i>1. Indian Health Board and Seattle Indian Center Board Members should excuse themselves from voting on issues related to Commission properties.</i>	<i>The City and the Commission identified potential conflicts of interest among Board members involving Commission properties. Throughout the proposed property transfer process, representatives of the Seattle Indian Health Board have customarily excused themselves from entering into discussions or voting. Potential conflicts regarding the Commission's properties will be resolved due to the approved membership restructure of the Commission's Board and transfer of the properties to another entity. (See City Response to Recommendation #2).</i>
<i>2. Commission Members ask the City of Seattle to amend the Commission Charter to change the Board's composition. The new Board should be</i>	<i>The City worked with the Commission to amend the Commission's Charter to change the Board's composition and make other administrative changes. At its October 11, 2011 meeting, the Commission adopted Charter amendments removing tenant members from the Board. The Charter was further amended to add an additional member to</i>

<i>independent of the Commission's tenants.</i>	<i>the Commission that will be appointed by the Mayor. The amended Charter must be approved by the Mayor and filed with the City Clerk. The amended Charter will take effect immediately.</i>
<i>3. The Commission ask the City to temporarily take over its administrative functions, including collecting money and making payments.</i>	<i>The City is in the process of petitioning the Superior Court to appoint the City as "trustee" over the Commission and its properties. The trusteeship will allow the City to assume all administrative functions of the Commission including transfer of the Pearl Warren Building and Leschi Center to another entity. Once the property transfer occurs, the City will return the administrative functions, less the property management responsibilities, to the Commission (See City Response to Recommendation #4).</i>
<i>4. The Commission hire or contract with individuals experienced in property management, state law and government financial reporting to administer its operations. Commissioners should provide oversight and monitoring to ensure compliance with City, state and federal requirements.</i>	<p><i>As part of the proposed transfer of Commission properties the City will require the successor entity to hire or contract with an individual or firm experienced in financial and property management to assume all administrative functions of the Commission. The Commission's Board will take an <u>increased</u> role in oversight and monitoring to ensure compliance with City, state and federal requirements</i></p> <p><i>The City has entered into contracts with private accounting firms to address deficiencies in the Commission's financial reporting systems. This includes improvements to the Commission's bookkeeping systems and preparation of required reports and audited financial statements for FY 2008/09, FY 2009/10 and FY 2010/11.</i></p>
<i>5. The Commission should set building use rates sufficient to meet its costs, immediately collect all past-due amounts. Commissioners should establish a subcommittee to review and pre-approve each purchase or payment to ensure it meets its most crucial needs first.</i>	<p><i>The City is working with the Commission to identify a common cost allocation system to ensure that the Commission is setting rates that are adequate to cover rents and common costs. It should be noted that the cost allocation information will be turned over to the new property owners as a result of the property transfer that is expected under the trusteeship process. (See City Response to Recommendations # 3 and #4)</i></p> <p><i>The City is working with the Commission's Finance Committee to determine actual amounts that are overdue from one of the Commission's tenants. The Commission will then work with the tenant to develop a plan and timeline to ensure that all past due rent and common costs are paid within a 120 day period.</i></p> <p><i>The City worked with the Commission to establish, a three (3) person Finance Committee to review all financial transactions and provide a recommendation to the Commission Board. The Finance Committee has been regularly meeting since September 2011.</i></p>

Do not hesitate to contact me at (206) 684-8364 or kenny.pittman@seattle.gov if you have any questions regarding our responses.

Auditor's Remarks

We appreciate the Commission's and City's commitment to resolve this finding and thank them for cooperation and assistance during the audit. We will review the corrective action during our next regular audit that will cover fiscal year 2011.

Applicable Laws and Regulations

The Seattle Indian Services Commission is organized pursuant to Seattle Municipal Code (SMC) 3.110 and RCW 35.21.660, 35.21.670, and 35.21.730-.755. RCW 35.21.750 provides as follows:

. . . all liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission, or authority and no creditor or other person shall have any right of action against the City, town, or county creating such corporation, commission, or authority . . .

The City's website says this about the responsibility of PDA governing boards:

Public Development Authorities (PDAs) are unique, independent entities of Seattle government, which are legally separate from the City. This allows accomplishment of public purpose activities without assuming them into the regular functions of City government. Each PDA is governed by a volunteer council, commonly called a governing board, which sets policies and oversees activities and staff. Thus, the success or failure of a public corporation is dependent on its council's abilities.

Budget Accounting and Reporting System (BARS) Manual, Part 3: Accounting, Chapter 1: Accounting Principles and General Procedures, Section C: Internal Control, states in part:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate

responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

. . . Internal control should be viewed as an integral or inherent part of the policies, systems and procedures management uses to operate and oversee the organization. This is not to say effective control will never require additional or incremental effort. Rather, controls exist to provide reasonable assurance about the achievement of objectives and so should be integrated into all the organization's fundamental business processes. Controls are normally most effective when built into the government's infrastructure rather than being treated as supplemental or separate processes. In the same way, implementation and monitoring of internal controls should not be viewed as a singular event, but rather a continuous or iterative process.

Since internal control is as fundamental as the objectives the controls relate to, the need for effective control is applicable to all organizations, regardless of size. While small entities may implement internal controls differently than larger ones, effective internal control is still both necessary and possible.

. . . Ultimately, providing reasonable assurance of achieving compliance and financial reporting objectives is within the government's control and depends primarily on how well controls are designed and operated. Achievement of operational performance objectives also depends in large part on effective internal controls. By implementing effective controls a government can have reasonable assurance that it is doing all it can to meet its objectives.

Seattle Municipal Code, Title 3 – ADMINISTRATION, Subtitle VI General Regulations, Chapter 3.110 - Public Corporations, Section 560: Prohibited conduct states, in part:

A. No current corporate official or employee shall:

1. Engage in any transaction or activity which is, or would to a reasonable person appear to be, in conflict with or incompatible with the proper discharge of official duties, or which impairs, or would to a reasonable person appear to impair, the officer's or employee's independence of judgment or action in the performance of official duties;
2. Use his or her official position for a purpose that is, or would to a reasonable person appear to be, primarily for the private benefit of the officer or employee, rather than primarily for the benefit of the public corporation; or to achieve a private gain or an exception from duty or responsibility for the officer or employee or any other person;
4. Use or permit the use of any person, funds or property under his or her official control, direction, custody, or of any corporate funds or corporate property, for a purpose which is or to a reasonable person would appear to be, for the private benefit of the official or employee or any other person or entity; provided, that nothing shall prevent the private use of corporate property which is available on equal terms to the public generally, or the use of corporate property in accordance with corporate policy for the conduct of official corporate business, if in fact the property is used appropriately;

7. Have a financial or other private interest, direct or indirect, personally or through a member of his or her immediate family, in any contract or noncontractual transaction to which the corporation may be a party, and fail to disclose such interest prior to the formation of the contract, or prior to the time the corporation enters into the transaction; provided, that this paragraph shall not apply to any contract awarded through the public bid process in accordance with applicable law;

8. Be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein;

B. A corporate official or employee may perform official duties and participate in corporate affairs or activities when:

1. The proposed action or activities of the public corporation would not affect him or her in a manner different in kind from that of the public of community generally, or when the corporate official is a member of a substantial class of persons included in a service or assistance program and would be not affected in a manner different in kind from other members of the class; or

2. The charter or rules or regulations repose responsibility with the Council for an action that affects all Council members in their official capacity alike; or

3. After disclosure of his or her personal interest, the Council finds, by majority recorded vote following discussion in open meeting during which public comment is permitted, that the official's participation would further the public interest notwithstanding the personal interest disclosed.

C. In all other instances, any corporate official who may have a direct or indirect financial interest in any matter coming before the Council, shall disclose to the council the nature and extent of such interest, and refrain from voting, participating in council deliberations as an official, or attempting to influence any other corporate official on the matter.

RCW 42.23.040 Remote interests.

A municipal officer is not interested in a contract, within the meaning of RCW 42.23.030, if the officer has only a remote interest in the contract and the extent of the interest is disclosed to the governing body of the municipality of which the officer is an officer and noted in the official minutes or similar records of the municipality prior to the formation of the contract, and thereafter the governing body authorizes, approves, or ratifies the contract in good faith by a vote of its membership sufficient for the purpose without counting the vote or votes of the officer having the remote interest. As used in this section "remote interest" means:

- (1) That of a nonsalaried officer of a nonprofit corporation;
- (2) That of an employee or agent of a contracting party where the compensation of such employee or agent consists entirely of fixed wages or salary;
- (3) That of a landlord or tenant of a contracting party;

- (4) That of a holder of less than one percent of the shares of a corporation or cooperative which is a contracting party.

None of the provisions of this section are applicable to any officer interested in a contract, even if the officer's interest is only remote, if the officer influences or attempts to influence any other officer of the municipality of which he or she is an officer to enter into the contract.

2011 BARS Manual, Part 3, Chapter 7, Page 2-3:

. . . The duty to make certain that public property is adequately protected and that its use is properly managed is one of the fundamental responsibilities of public officials . . . But regardless of whether or not the statutes for the particular government identify any specific duties, public officials have several broad responsibilities with respect to capital assets; these are custody, insurance, maintenance and planning

Insurance

The second major responsibility for capital assets is providing adequate insurance. A capital asset accounting system should provide adequate records to prove any losses. Location, inventory, and maintenance records will confirm that a lost or damaged asset has been in use recently, which will support the validity and timeliness of a theft or damage report. In addition, when a government has elected to self-insure to some degree, the officials should obtain an independent evaluation of the extent of the risk that has been assumed, which cannot be done without knowing what assets are at risk.

Maintenance and Repair

The third major responsibility is maintenance. As a steward of public property, an official has the obligation not only to safeguard assets from loss but also to ensure they are not neglected or wasted. The local government should not find itself surprised by building or equipment repair or maintenance requirements or by predictable problems with down time and availability of spare parts.

The basic requirements for demonstrating stewardship in maintaining public property are evidence that, first, the governmental unit knows what maintenance is required to preserve its assets and that it schedules that maintenance; and, second, that needed repairs are promptly identified and performed. In the area of maintenance, record keeping requirements vary according to the kind of asset and its durability. The local government should have adequate historical data to make informed decisions about the costs of certain levels of maintenance or intentional neglect.

Planning (Capital Budgeting and Utilization)

The fourth general category of responsibility is planning for future asset needs both short and long ranges. Here you need answers to questions such as:

How well is the government using the facilities and equipment it already has?

What does the government already own that could be transferred to another facility instead of purchasing additional equipment?

Which items must be replaced, when and at what cost?

When will additional facilities or equipment be needed, where and at what cost?

Which facilities or equipment will not be needed, and what cost reductions in maintenance, insurance, and security will result from liquidating them?

The extent and nature of capital planning will vary a great deal, depending on such factors as the size of the governmental unit, whether demand for its services is stable or changing, whether its functions are capital intensive (like public works and utilities) or labor intensive (like education and welfare services), and how capital outlays are funded (through rates, general taxes, special bond issues, or grants).