

# Review of Selected Capital Project Funds

## Special Study

Report No. 98-03

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## INTRODUCTION AND BACKGROUND

The review of capital project funds was included in the 1997 Auditor s Office work program adopted by the Metropolitan King County Council.

Capital project funds are funds established to account for all resources received and used for the acquisition or development of capital improvements. The 1996 King County Comprehensive Annual Financial Report (CAFR) reported forty-three (43) capital project funds.

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## STUDY OBJECTIVE

The objective of the study was to review older capital project funds to determine the need to continue funds which have assets of less than \$1 million and have had limited revenue.

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## STUDY SCOPE AND METHODOLOGY

The study reviewed capital project funds which were not bond- funded and only funds with a total asset value of under \$1 million and revenues of less than \$100,000 as reported in the 1996 King County Comprehensive Annual Financial Report (CAFR).

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## MAJOR FINDINGS AND RECOMMENDATIONS

### FINDING 1 ***Five funds met our criteria of low asset value and limited revenue.***

In our review of the 1996 CAFR, we identified five funds which may be candidates for elimination. We selected these funds based on their asset value and limited revenue as reported in the 1996 CAFR. These funds were:

Cedar Hills Center Construction Fund

Jail Renovation and Construction Fund

Health Centers Construction Fund

Park Facilities Rehabilitation Fund, and

Public Art Fund

The Executive response to our inquiry about these funds confirmed that the Cedar Hills Center Construction Fund and the Jail Renovation and Construction Fund can be closed. The Health Centers Construction Fund has several projects to close out and one active project but will be ready for closure after all projects are closed. The Park Facilities Rehabilitation Fund and the Public Art Fund are considered to have ongoing lives since they receive annual funding.

The study recommended that the Executive branch should close the Cedar Hills Center Construction Fund and the Jail Renovation and Construction Fund by year end.

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Finding 3-1. ***The procedures for closing unnecessary funds appear to be reasonable. However, they were not performed regularly and consistently per procedures.***

Governmental Accounting and Financial Reporting Standards, published by the Governmental Accounting Standards Board (GASB), state that "Governmental units should establish and maintain those funds required by law and sound financial administration)". Unnecessary funds serve no useful purpose and minimize the usefulness of the County's financial statements.

The Executive branch response to our preliminary inquiry described funds closure procedures. In addition, the response described circumstances which hampered the fund closure process. These circumstances are

as follows:

- The fund review process is a labor intensive process.
- According to OBSP and DOF, draft ordinances requesting fund closures receive low priority in Council Committee.
- According to OBSP and DOF, the budget analyst and accountant who had been doing the fund closure review moved to different departments. Thus, no review was done in 1997.

The Study recommended that the Office of Budget and Strategic Planning and Department of Finance should assign staff to review fund closure and ensure that the review is performed in a timely manner as proclaimed in the procedures for fund closure.

The Study also recommended that since the King County Auditor is vested by Chapter 4.08 of the King County Code with the mandate to review ordinances that establish accounting funds, the King County Auditor should also be informed of the review and justification for fund closures.

The Study further recommended that the Office of Budget and Strategic Planning and Department of Finance should actively pursue adoption of fund closure ordinances.

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