



AUDIT, FINANCE & ENTERPRISE COMMITTEE

December 1, 2011

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on December 1, 2011 at 10:00 a.m.

COMMITTEE PRESENT

Alex Finter, Chairperson
Dina Higgins
Scott Somers
Christopher Brady, Ex Officio

COMMITTEE ABSENT

None

STAFF PRESENT

Patricia Sorensen
Debbie Spinner

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear and discuss a presentation on City Procurement Policies.

Director of Business Services Ed Quedens displayed a PowerPoint presentation highlighting the City's Procurement Policies (**See Attachment 1**) and said that, unlike other municipalities that have been in the news, Mesa has formal procurement policies in place. He advised that the City's Procurement Policy sources include the following:

- City Charter, Section 609
- City Code, Title 1 Chapter 21, updated in February 2011
- A.R.S. § Title 34 – Construction processes
- Management Policy 200
- Standard Procurement Rules – American Bar Association Model Procurement Code
- Targeted Topics: Management Policies & Procurement Bulletins (p-card use & local vendor consideration)

Mr. Quedens advised that City Engineer, Beth Huning, is the Chief Procurement Officer for the Engineering Department and is responsible for the procurement of capital improvements and related professional services. He stated that per the City Code, capital improvements are procured in accordance with the procedures established in A.R.S. § Title 34. (See Page 3 of Attachment 1)

Mr. Quedens advised that he is the Chief Procurement Officer for the Purchasing Division and is responsible for all other procurements. He briefly highlighted a few of the tasks that have either been completed or are underway as part of the Procurement Policy Update as follows:

- Update to City Code
- Management Policy 200
- Created standard procurement rules
- Updated solicitation boilerplates, forms, reports and website

Mr. Quedens stated that as part of the CityEdge implementation process staff will be reviewing all of the policies and procedures to ensure that they are up-to-date. He also said that a Procurement Audit was conducted last year and a follow-up review will be coming to the Council in the near future.

Mr. Quedens reported that some of the significant changes made to the policy relate to services. He stated that one of the new changes is that services over \$25,000 will require a competitive selection, unless exempted by the City Manager as not practicable or advantageous to the City. He added that it is recommended that professional services over \$50,000 also include a competitive selection unless exempted by the City Manager. He noted that currently there has only been one item excluded from the process. (See Page 5 of Attachment 1)

Mr. Quedens said that services that are exempt from the competitive selection process include: artists, entertainers, professional witnesses, attorneys and pro-tem judges. (See Page 6 of Attachment 1) He advised that other updates and changes were made in the following areas:

- Standard procurement rules
- Sole source procurement processes
- Debarment of vendors
- Procurement ethics
- Local vendor consideration

Mr. Quedens reported that the City is now able to take 1.75% of the Transaction Privilege Tax (TPT) off the bid price of taxable purchases. (See Page 7 of Attachment 1) He briefly highlighted the procurement process and his comments included but were not limited to: department budgets, capital improvements, quotes for small purchases, large procurements done by requisition, public solicitation, Sole Source and Cooperative contracts. He added that after an evaluation items are forwarded to the City Council or City Manager for approval.

Mr. Quedens said that the types of vehicles used in the procurement process include the following:

- Request for bids – hiring based on lowest bids
- Request for Proposals – hiring best solution, done by an evaluation process
- Request for Qualifications – hiring based on qualification, generally does not include price
- Sole Source – only one product will meet the need or only one company sells the product
- Cooperative Contracts – contracts bid by other agencies

Mr. Quedens advised that Cooperative Contracts are used in State and major purchasing Cooperatives to obtain a better price and save on procurement costs. He reported that the City has a successful Cooperative Contract for fuel with Mesa Public Schools. He noted that a requirement for due diligence has also been added to ensure that purchases are in the best interest of the City.

Mr. Quedens briefly highlighted the benefits of multi-year contracts as follows:

- provide consistency
- establish relationships with vendors,
- allow for the amortization of investments
- provides a savings on the cost of procurements

Mr. Quedens advised that the most common multi-year contract is for a 3-year initial term with a 2-year renewal option. He stated that multi-year contract pricing is usually linked to a consumer index such as the Consumer Price Index (CPI) or Producer Price Index (PPI). He explained that the renewal of contracts is based on vendor performance and pricing with consideration given to local vendors. (See Page 11 of Attachment 1)

Mr. Quedens reported that there has been a significant increase in the purchasing bid volume. He said this increase is due to the City identifying and combining like purchases under one contract in an effort to maximize the value.

Responding to a question from Committeewoman Higgins, Mr. Quedens explained that locating like purchases from different departments is difficult using the current system. He stated that the City is exploring the possibility of using the National Institute of Government Purchasing Commodity Codes which would allow the City to query a specific commodity code and locate like purchases.

City Manager Chris Brady advised that it is difficult to determine what products are being purchased in 30 different departments using the current system. He said that the new CityEdge program will have the ability to centrally locate all the information so that multiple purchases can be combined.

Mr. Quedens commented that there has been a significant spike in the number of bids and proposals as a result of combining like purchases and updating the policy requirements. (See Page 12 of Attachment 1)

Mr. Quedens briefly highlighted the approval process and said that the City Manager and the City Council approve purchases for materials, insurance and capital improvements over the amount of \$25,000. He added that the City Manager also approves services and professional services over \$25,000.

Mr. Quedens stated that a list of Purchasing, Engineering and Citywide contracts has been provided to the Council. He briefly outlined the Open-term Contracts (See Page 14 of Attachment 1) and noted that contracts that were awarded in 1985 could still be current. He summarized the estimated costs of purchases as follows:

- Items under \$25,000 totaled over \$1.6 million
- Items over \$25,000 totaled over \$50 million
- CityEdge totaled \$13 million

Mr. Brady commented that the \$13 million cost for CityEdge is a one-time cost for the year.

Discussion ensued relative to the cost of the CityEdge vendor contract.

Mr. Quedens provided a brief overview of Council's approvals for materials, capital equipment and construction over \$25,000 for the calendar year 2011. He reported that the Council approved new contracts in the amount of \$42 million from Purchasing and \$76 million from Engineering. (See Page 15 of Attachment 1) He stated that new contracts approved administratively for services and professional services over \$25,000 for the calendar year 2011 are as follows: (See Page 16 of Attachment 1)

- Purchasing - \$14 million
- Other Departments - \$2 million
- Engineering - \$3 million

Further discussion ensued relative to the number of contracts that are approved without going before the Council.

Mr. Quedens advised that the number of contracts will continue to increase as a result of the policy updates. He said that the implementation of CityEdge will assist in centralizing information so that like purchases can be combined. In addition, he said that both the Engineering and Purchasing Departments will utilize the bidding and contracting functions of the CityEdge system.

Mr. Quedens explained that if a payment request is submitted without a supporting document in the data base the payment will not be accepted. He said the system works as an incentive to ensure that all contracts entered follow the same process.

Responding to a question from Committeewoman Higgins, Mr. Brady explained that currently an expenditure can be created without complying with protocol. He said the idea is to bring the technology into the process and establish a discipline within the checks and balances system. He stated that currently the work performed in purchasing is very manual and is prone to mistakes and abuse. He added that the CityEdge module that has been developed will improve the process.

Mr. Quedens continued with the presentation and reported that Environmental Services is in the process of developing an Environmental Purchasing program. In addition, he advised that vender outreach efforts would continue.

Chairperson Finter remarked that staff has the best interest of the citizens of Mesa in mind and that this meeting was not intended to be an "ambush session" or a place to "air dirty laundry." He raised concerns regarding the City's decentralized method of handling the procurement of professional services.

Chairman Finter recognized the City Manager for his efforts in moving the CityEdge project forward and said that CityEdge will be a reformative effort that has been desperately needed for some time however, he believed that more could be done. He advised that he would be offering the suggestion in the form of a motion that all service contracts over an amount consistent with the current policy come through the Council for an approval process. Chairman Finter stated that 99% of the contracts presented would pass on the Consent Agenda. He said that this process would provide more transparency and instill confidence in the system. He added that transparency can be accomplished when the media and citizens have the opportunity to see where the City is spending money.

Mr. Quedens responded by saying that the request made by Chairman Finter is not inconsistent with management policies. He stated that prior to the recent update, services were handled very loosely however, with the support of the City Manager, a policy has been implemented that is a significant variance from the way services were previously handled. He explained that service contracts over \$25,000 and Professional Service Contracts over \$50,000 now require a bid process unless it is determined that it is not practicable or advantageous to the City. He added that this significant policy change accomplishes a portion of the goal and ensures integrity.

Chairman Finter remarked that providing a process and changing a culture are two very different issues.

City Auditor Jennifer Ruttman explained that a semantics issue could come into play regarding the term "contract" versus the word "purchases" when referencing the procurement of services. She said that many times it is not a contract per se; however, it is a procurement of services for which a large amount of dollars are spent. She noted that a motion should be clearly defined to avoid any unintended consequences.

Chairman Finter thanked Ms. Ruttman for her comments and said that elected leaders are held accountable for every dollar that is spent in the community yet there are tens of millions of dollars spent that the Council never sees. He remarked that the current system "flies under the radar" and lacks transparency.

Committeemember Somers requested feedback from Mr. Brady in regards to the type of bureaucracy that could be expected as a result of Chairman Finter's request.

Mr. Brady stated that he understands the need to improve the process, however, the City is making great strides to correct the problems. He explained that professional services have been excluded from the typical process and specific reasons for exclusions have been provided to the Council. Mr. Brady said that contracts or purchases are not hidden and the reports provided list all the contracts that will not be coming before the Council. He further explained that generating the reports requested would require more effort as the information is collected from many different sources. He noted that the CityEdge program will centralize information and will make reports easier to facilitate. He added that it would not be his recommendation to include professional services or contracts in the request as those processes are different from the bidding process and are more subjective.

Chairman Finter remarked that the information he received was that Professional Service contracts will become politically driven.

Mr. Brady responded to the comments made by Chairman Finter and said that one of the challenges will be in regards to the amount of time it will take to bring everything to the Council. He said bringing everything before the Council would not be consistent with the City Charter or the delegation provided to the City Manager, and therefore, would not be his recommendation. Mr. Brady suggested that Professional Service contracts along with explanations of decisions be made available for review by the Committee.

Responding to a question from Committeemember Somers, Mr. Brady explained that reports relating to the procurement of services are created and sent to the Council. He noted that currently reports are not available to the public on the website.

Contracts Administrator Tom LaVell advised that contracts are added to the FileNet Document Management System and will integrate with the CityEdge system. He explained that scanned images of documents in FileNet will be linked to CityEdge in order to provide complete financial information.

Mr. Brady said that currently contracts and documents are received in a variety of ways and staff must manually gather the information to create a link of the report on the website. He said that once the CityEdge system is in place the actual documents will be available for review.

Chairman Finter said that Scottsdale, Gilbert, Chandler and Tempe all have a system where the Council is involved in the spending decisions. He stated that he has had discussions with Charter members who believe that the Charter has experienced a monumental shift in power in regards to how money is spent. He reported that Charter members are shocked to find out that tens of millions of dollars do not come before the Council for approval. He said there have been discussions regarding a Charter amendment however, in the meantime a City ordinance is necessary. Chairman Finter remarked that the City could chose to have an approval process system that is open to the media and the public, or it can have a system embedded within a bureaucracy, that contains reoccurring renewals that the Council has no voice in.

City Engineer Beth Huning said that she had previously worked in a system where all purchases over \$50,000 were taken before the Council as a single item. She said this type of a system requires specific staff to work through the process and that timing can be an issue. She stated that there are only two Council meetings per month and that during times when the Council is on break it can be difficult to get a project underway. She noted that this type of system can slow down and even stop a project altogether. She concurred with Mr. Brady's statements and said that it takes time for staff to develop the reports and have them before the Council at the appropriate time.

Ms. Huning reported that currently she brings 60 to 70 items to the Council each year. She said switching to a stricter system would increase the number of Council Reports by 50%. She added that there should be a balance and cautioned the Committee in regards to the staffing and timing issues that would come as a result of this type of strict system.

Chairman Finter remarked that maybe a hybrid-system could be put in place. He stated that he realized that this ordinance would come at a cost and that there may be an opportunity to re-purpose staff from one area to another once CityEdge is in place. He made a motion for staff to draft a model ordinance with several options relative to the procurement of services for future consideration and discussion at the next Committee meeting

City Attorney Debbie Spinner stated that the Committee can make a recommendation to the Council and if there is majority support the Council can provide direction for staff to draft an ordinance. She added that typically a committee does not direct staff to rewrite or draft an ordinance.

Committeemember Somers remarked that obtaining transparency does not necessarily require an ordinance or that all purchases be sent to the Council for approval. He suggested that staff explore the potential that the CityEdge system will have in reaching the goal of transparency. He also suggested that if an ordinance is necessary that the processes used by other cities be explored and feedback be obtained in regards to any problems they experience. He added that the City could be right on track with the implementation of the CityEdge system and that at this point there was no need for an ordinance to be drafted.

Chairman Finter clarified that the motion is to recommend to the full Council that staff be directed to draft an ordinance, with several options, relative to the procurement of services coming through the full Council for an approval process. The motion was seconded by Committeewoman Higgins.

In response to a question from Committeewoman Higgins, Ms. Huning explained that she routinely receives requests for copies of contracts and proposals as well as Freedom of Information Act requests.

Discussion ensued regarding the selection process for a contractor and the amount of time required for this process.

Ms. Huning provided a briefly synopsis of the process she uses for selecting a contractor. Her comments included, but were not limited to: requests for proposals; establishing committees and panels; department representation on panels; grading criteria included in the Request for Proposal; and approvals or decisions of committees. She said that the process is time consuming and in her previous experience there were instances where some projects were precluded due to the timing issues.

In response to a question from Committeewoman Higgins, Mr. Brady explained that the City has a very good process and what the Committee is asking for will not change the process. He advised that staff could develop a solution that would improve the process, provide more transparency and make the reports more accessible by linking them onto the internet. He added that reports can be provided to the Council and Committee for review and discussion.

Chairman Finter remarked that he, the Chairman of the Finance Committee, had requested reports eight months ago and staff refused to provide them.

Mr. Brady disagreed with Chairman Finter and said that staff never refused to provide reports. He recalled that the conversation took place at multiple Study Sessions and that there was some confusion as the full body of Council did not provide staff with clear direction. He added that it wasn't until Chairman Finter requested the reports that staff began providing them. He reiterated that there was never a refusal or insubordination in regards to providing reports.

Chairman Finter stated that in late December or January he had voiced his concerns to the Mayor and the Mayor had indicated that the reports would be obtained for not only him but the entire Council. Chairman Finter advised that he received his first report a week ago.

Assistant to the City Manager Patricia Sorenson commented that she had sent a report in September.

Chairman Finter said that he recently began receiving reports after "turning up the pressure."

Mr. Brady said that the discussion had ended in front of the full Council and that staff was to return to the full Council for direction.

Committeewoman Higgins stated that the selection process will remain the same and the only addition that is requested is for the one page staff report. She inquired whether the one page staff report is what will inhibit the process.

Mr. Brady stated that the report is not what is being requested from the Committee. He said staff can provide the reports of all the contracts that are being procured however, it may be more than one page.

Discussion ensued relative to the time necessary for staff to generate the Council report and the timing issue associated with bringing those contracts before the full Council

Committeewoman Higgins remarked that Council has the flexibility to have discussions at a Special Council meeting.

Ms. Huning explained that she maintains a list of which projects should be on which Council report. She said that there are certain times of the year when the Council does not meet for six weeks, which can be a problem. She also stated that the one page staff report requires a couple of pages of maps. She said that due diligence is completed when the projects are put in writing, the reports are prepared and quality control has been done.

Chairman Finter remarked that Ms. Huning's department is uniquely busy in their approach of capital projects. He added that he did not see a downside to ensuring that staff is "crystal clear" on their reports and that due diligence has been performed.

Committeemember Somers voiced his concerns regarding Special Council meetings becoming a regular process. He noted that while Special Council meetings are public and on the record they can be set quickly and citizens may not be able to attend an early morning meeting.

Ms. Spinner inquired if the motion was to include all service contracts including professional and executive service contracts.

Chairman Finter clarified that the Charter members did not want to burden high level professional services therefore, he would not include those types of professional services in his motion.

Ms. Spinner commented that Chairman Finter's motion applies to the services that are not defined as "exempted" from the competitive selection in the current policy.

Chairman Finter said that the motion should not include high level professionals however, it should include all other professional services.

Discussion ensued regarding the list of services that are exempted from the competitive selection process. (See Page 6 of Attachment 1)

Chairman Finter suggested that the list of contracts be reviewed.

Ms. Ruttman commented that from her independent point of view there should be a cognizance as to what the desired outcome should be. She said that the Council needs to be certain that the action taken will have the desired outcome. She cautioned the Committee in regards to focusing so much on how to achieve the goal that they forget what it is they want to accomplish.

Chairman Finter stated that he wanted this issue to go before the full Council for discussion and that his motion would not include services that are exempted from competitive selection.

Committeemember Somers expressed his opposition to the motion and said that he was concerned with selecting one particular tool to address this problem. He said he fully supported the discussion of this issue as there are concerns regarding transparency. He remarked that it is important to select the right tool for the job and that "using a sledge hammer when all you need is a tack hammer" can have consequences. He opposed using an ordinance to address an issue when there might be other methods or mechanisms that would work better and with fewer unintended consequences.

Chairman Finter stated that he had made it a point not to "air dirty laundry" in this forum and said his suggestion is that the ordinance coincide with the implementation of CityEdge. He voiced the opinion that the process for procurement of services has "morphed" into more than what the Charter members had intended and that Gilbert, Chandler and Scottsdale are "doing it right" even though they are not as old an organization as Mesa.

Committeemember Somers remarked that as this issue moves forward the Council will need to keep an eye on what the goal is and "make the tool match the task."

Chairman Finter called for the vote and the motion carried by majority vote with Committeemember Somers voting nay.

Ms. Spinner stated that if the Council chooses to move forward they can direct staff to draft an ordinance and can provide direction as to what the ordinance should include.

Chairman Finter added that if a committee is going to be created to review the Charter he hoped that this issue would be placed in the forefront.

2-b. Hear a presentation, discuss and provide direction on the following audit:

1. Skilled Trades Contracting Practices – 2nd Follow-up Review

Ms. Ruttman provided a brief follow-up report regarding the Skilled Trades Contracting Practices. **(See Attachment 2)** She said that previously some deficiencies were found and that the Business Services Director and the Facilities Maintenance Director had submitted corrective actions that would be implemented. She said in the initial follow-up review it was determined that the corrective actions had not been implemented.

Ms. Ruttman reported that a second follow-up review was conducted and it was determined that the corrective actions have been implemented and no further reviews are necessary.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 11:15 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 1st day of December 2011. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

bdw
(attachments – 2)



Procurement Policy Update

**Audit, Finance & Enterprise Committee
December 1, 2011**



• **Mesa's Procurement Policy Sources:**

- City Charter, Section 609
- City Code, Title 1 Chapter 21
- ARS Title 34 – Construction
- Management Policy 200
- Standard Procurement Rules
- Targeted Topics
 - Other Management Policies
 - Procurement Bulletins



- **Engineering Department**

- Responsible for Capital Improvements (Construction) and related Professional Services
- Per the City Code, Capital Improvements are procured in accordance with the procedures established in ARS Title 34



Purchasing Division/Bus Svcs Department

- Responsible for all other procurements
- Procurement Policy Update
 - 105 Tasks (Update City Code and Management Policy 200, created Standard Procurement Rules, updated solicitation boilerplates, forms, reports, websites, etc.)
- Policy Update for CityEdge Implementation
- Procurement Audit
 - Follow-up Review is currently underway



Significant Changes from Policy Update

- Services Over \$25K – Now require competitive selection unless exempted by the City Manager as not practicable or advantageous to the City.
- Professional Services Over \$50K - Competitive selection is recommended. Exemption requires approval of the City Manager.



Services exempted from competitive selection:

- Artists, entertainers, professional witnesses, attorneys, pro-tem judges, advertising, former employees contracted on a temporary or consulting basis, commercial training seminars, subscriptions to trade/professional magazines/journals, travel expenses, regulated services (postage, utilities, etc.), non-profit corporations (DMA, CVB, etc.)



Significant Changes from Policy Update

- Procurement Rules
- Sole Source Procurement Process
- Debarment of Vendors
- Procurement Ethics
- Local Vendor Consideration
 - Taxable Purchases (Materials)
 - Done on bid or quote
 - Vendors charging Mesa TPT can have 1.75% taken off their bid price for the purpose of bid evaluation



- **Procurement Process**
 - Budget
 - Small Procurements
 - Multiple quotes
 - Large Procurements
 - Requisition
 - Public Solicitation/Sole Source/Cooperative
 - Evaluation/Recommendation
 - Council or City Manager Approval



- **Procurement Processes**
 - Request for Bids
 - Request for Proposals
 - Request for Qualifications
 - Sole Source
 - Only 1 product will meet need
 - Standardization, training, compatibility of parts or service
 - Only 1 company sells the product
 - Cooperative Contract



- **Cooperative Contract**
 - Contract bid by another agency
 - Piggybacking
 - State and Major Purchasing Cooperatives
 - Smaller contracts
 - Named agency
 - Cumulative spend to get better pricing
 - Expedite procurement process
 - Save cost of the procurement process
 - Due Diligence



- **Multi-year contracts**
 - Desirability, consistency, relationship, amortize investment, cost of procurement
 - Most common term
 - 3-year initial term, 2-year renewal option
 - Prices tied to CPI, PPI or other Index
- **Determine when to Renew**
 - Evaluate vendor performance and pricing
 - Local vendor opportunities



- **Purchasing Bid Volume**
- Increases due to
 - Combining like purchases
 - Updated policy requirements

Period	Bids
FY 07/08	112
FY 08/09	110
FY 09/10	141
FY 10/11	175
FY 11/12	240*

* Estimated based on July – October volume



- **City Manager and Council Approval**
 - Materials, Insurance and Capital
 - Improvements (Construction) over \$25K
- **City Manager Approval**
 - Services and Professional Services over \$25K



- **Service Contract Reports**
 - 3 Lists Provided to Council
 - Purchasing, Engineering, Citywide
 - Snapshot in time
 - Open Term Contracts
 - Estimates

Type	Number	Value
<= \$25,000	460	\$1,662,782
>\$25,000	220	\$50,320,767
CityEdge	1	\$13,551,489
Total	681	\$65,535,038



Council Approvals

- Materials, Capital Equipment and Construction over \$25,000
- Calendar Year 2011 to date

Group	Number	Amount
Purchasing	144	\$42,406,451
Engineering	60	\$76,787,421
Total	204	\$119,193,872



Administrative Approvals

- Services and Professional Services over \$25,000
- Calendar Year 2011 to date
- Does not include small Purchases (under \$25,000) and benefits programs
- Estimates

Group	Number	Amount
Purchasing	65	\$14,387,026
Other Depts.	15	\$2,718,749
Engineering	34	\$3,208,030
Total	118	\$20,313,805



- **On the horizon:**
 - Continued increase in contracts due to policy updates
 - Services
 - Combining like purchases
 - CityEdge implementation
 - Better data
 - Related policy updates
 - Environmental purchasing program
 - Continued vendor outreach efforts



Questions?



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: August 29, 2011

To: Audit, Finance & Enterprise Committee

From: Jennifer Ruttman, City Auditor 

Subject: Skilled Trades Contracting Practices – 2nd Follow-up Review

cc: Trisha Sorensen, Assistant to the City Manager
John Pombier, Acting Assistant to the City Manager
Ed Quedens, Business Services Director
Dennis Ray, Facilities Maintenance Department Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a 2nd follow-up review of the City's Skilled Trades Contracting Practices. The final report is attached. Please feel free to contact Tami Steadman at x5059 or me at x3767 if you have any questions.



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SECOND FOLLOW-UP REVIEW

CITY AUDITOR

Report Date: August 29, 2011

Departments: Facilities Maintenance and Business Services

Subject: Skilled Trades Contracting Practices

OBJECTIVE

The objective of this second follow-up review was to determine whether the Facilities Maintenance and Business Services Departments have implemented the corrective actions presented in their responses to our September 2010 follow-up review of skilled trades contracting practices.

SCOPE & METHODOLOGY

To meet this objective, we interviewed City staff members, reviewed and analyzed expenditure data, and reviewed contracts, invoices, & other relevant documents produced since the first review.

BACKGROUND

In March 2009, the City's Contracts Administrator, Tom LaVell, issued a report regarding the City's skilled trades contracting practices that indicated that improvements were needed in the City's procurement and contract management policies and expectations. The report included seven recommendations. In response to these recommendations, Facilities Maintenance Director Dennis Ray and Business Services Director Ed Quedens each submitted to the City Manager a memo detailing specific actions they had taken or planned to take to address the issues.

In 2010, our office conducted a follow-up review to determine whether these corrective actions had been implemented. During that review, we found that only a few of the actions listed in the departments' responses had been implemented as planned, resulting in this second follow-up review.

CONCLUSION

We found that the Facilities Maintenance and Business Services Departments have implemented the corrective actions presented in their responses to the 2010 follow-up review. Specifically:

- Facilities Maintenance, with the support of Business Services, coordinates the use of multiple qualified vendors for work on City buildings and ensures that all of these vendors possess the proper licenses and adequate insurance coverage.
- A written Scope of Work is prepared for each job, and invoices contain the required information, detail, and approvals.
- Contractor files have been established and include documentation of contracts, licenses, insurance coverage, correspondence, and performance history.
- Business Services has incorporated into their citywide training best practices on reviewing quotes and invoices, and on documenting vendor interaction.

We thank the Facilities Maintenance and Business Services Departments for their cooperation during these reviews, and for their continued attention to the implemented corrective actions.