



REPORT TO COUNCIL City of Sacramento

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STAFF REPORT
April 25, 2006

Honorable Mayor and
Members of the City Council

Subject: Report Back: Department of General Services and Office of the City Clerk Internal Audit Report

Location/Council District: Citywide

Recommendation:

Receive and file information regarding the Department of General Services and Office of the City Clerk Internal Audit Report dated April 25, 2006.

Contact: Reina J. Schwartz, Director, Department of General Services, 808-7195

Presenters: Reina J. Schwartz, Director, Department of General Services, 808-7195
Shirley Concolino, City Clerk, 808-5442

Russell Fehr, Director, Department of Finance, 808-5832

Department: General Services (GS); City Clerk (CC); Finance(F)

Division: GS-Business Operations; CC-Office of the City Clerk; F-Procurement

Organization No: GS-3111; CC-0700; F-1111

Summary:

This report is a joint informational report from the Department of General Services, Office of the City Clerk, and Department of Finance regarding actions undertaken to improve operational controls in response to the Department of General Services and Office of the City Clerk Internal Audit Report dated April 25, 2006.

Committee/Commission Action: None

Background Information:

On April 25, 2006, the Internal Audit Manager presented a limited scope audit of the Department of General Services and the Office of the City Clerk. The audit focused on a project review involving five project files, and a review of purchasing practices involving nine vendor payment files in the Department of General Services. Since the Office of the City

Clerk and the Department of Finance are integral to the City's procurement procedures, the audit included a review of these two departments relative to the General Services files reviewed. The report includes findings and recommendations for process improvements in all three departments. The Office of the City Clerk and the Department of Finance have worked closely with the Department of General Services during the audit and all three departments are now joining together in reporting back on actions undertaken to improve operational controls in response to the internal audit.

Department of General Services Project Review

The audit report includes a review of the following five General Services project files:

- Oak Park Community Center
- "L" Street Barge
- South Natomas Community Center and Library
- Downtown Ice Skating Rink
- Colonial Park Shade Structure

The Department of General Services acknowledges the Internal Audit Manager's findings regarding these projects and confirms its support of the recommendations for improvements in processes and internal controls. The Department of General Services has already implemented many improvements designed to increase management oversight of public projects (refer to Audit recommendation items 2.0 - 2.16). Some of the actions already taken by the department include:

- Establishing a record keeping system to organize and maintain project files and critical records in compliance with the City's record retention policy
- Developed a written procedure for the contracting process that includes preparation of requests for proposals, invitations to bid, and associated contracts
- Providing training on contract related City Administrative Policy Instructions (API), and City Code
- Migrating the contracts tracking log to the department work order system to improve reporting capability and workload management
- Re-engineering department procedures to develop a comprehensive procurement workflow that includes both contracting and accounting processes
- Conducted an organizational assessment of the Business Operations division to address utilization of administrative staff in the contracting process that resulted in additional staff being assigned to assist with contract processing

Department of General Services Purchasing Practices

The audit report includes a review of nine vendor files, as well as purchases made using City purchasing cards. The Department of General Services acknowledges the Internal Audit Manager's findings regarding these purchases and confirms its support of the recommendations for improvements in processes and internal controls. The Department of General Services has already implemented many improvements designed to increase management oversight of purchasing practices (refer to Audit recommendation items 3.1 – 3.8). Some of the actions already taken include:

- Refining the existing process of using historical records to project the procurement needs in the upcoming fiscal year
- Developing "on-call" contracts for commonly used maintenance services
- Working with Procurement Division to increase the usage of price agreements to take advantage of pricing discounts
- Developed a technology procurement workflow that takes advantage of cooperative purchasing power (i.e. Western States Contracting Alliance contracts)
- Implementing internal control procedures to insure compliance with City APIs (i.e. monitoring vendor purchases, matching purchases to existing contracts, tracking contract expiration dates)
- Monitoring purchase card usage to maintain compliance with City APIs
- Reviewing card holder limits for reasonableness of purchase card limits

Office of the City Clerk

The Office of the City Clerk is in the process of evaluating its current procurement practices. Improvements are being implemented to address all recommendations noted by the Internal Audit Manager.

Department of Finance

The Department of Finance is committed to implementing improvements in the procurement process to support customer service across all City departments. Work is already underway to revise City APIs for procurement as recommended by the Internal Audit Manager.

Financial Considerations:

There are no financial considerations directly associated with this report.

Environmental Considerations:

There are no environmental considerations associated with this report.

Policy Considerations:

The Department of General Services, Office of the City Clerk, and the Department of Finance are committed to implementing procurement process improvements that will insure

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compliance with City APIs, and City Code, as well as the City's core values of accountability, fairness, and transparency in procurement practices.

The Department of Finance has agreed to rewrite API 1, *Procurement of Supplies and Nonprofessional Services*; API 6, *Purchasing Card Program (Debit Card)*; API 47, *Contracting for Professional Services*; and API 48, *Contracts for Public Projects* to make them more understandable to City staff. In conjunction with this effort, the Department of General Services requests on-going discussion of the following key policy issues:

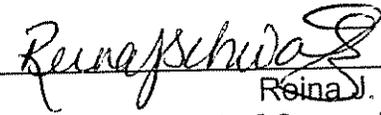
- Whether the need for City Council approval of purchases of \$100,000 or more is determined by *vendor* or by *project*, and whether "project" is defined by Capital Improvement Project or by specific work within a Capital Improvement Project
- On-going review of insurance requirements to explore ways to speed up the process to improve customer service
- Establishing a single point of contact within the City with the authority for final interpretation of City contracting and procurement policies

In addition, the Department of General Services is supportive of:

- Using pre-approved "boilerplate" contract language for contracts less than \$25,000 to eliminate the need for multiple department approval to speed up the contract approval process
- Establishing allowable overage amounts on purchase orders to eliminate project delays
- Reviewing the existing requirement for all emergency contracts to be reported to City Council given that department directors already have delegated signature authority for contracts under \$100,000
- Establishing City University courses to provide ethics and conflict of interest training
- Establishing a formal process for disseminating contract and procurement information (updates, policy changes, etc.) that includes a process for publishing changes and their effective dates

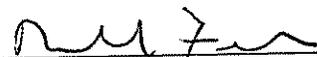
Emerging Small Business Development (ESBD):

There are no ESBD considerations associated with this report. Through the second quarter of the current fiscal year the Department of General Services had an ESBD participation of 28% across all projects.

Respectfully Submitted by: 
Reina J. Schwartz
Director, Department of General Services

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Respectfully Submitted by: 
for Shirley Concolino
City Clerk

Respectfully Submitted by: 
Russell Fehr
Director, Department of Finance

FOR CITY COUNCIL INFORMATION:


Ray Kerridge
City Manager

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Project Review Improvements

- Establishing a record keeping system to organize and maintain project files and critical records in compliance with the City's record retention policy
- Developed written procedure for the contracting process that includes preparation of requests for proposals, and invitations to bid
- Providing training on contract related City Administrative Policies (API) and City Code
- Migrating the contracts log to the department work order system to improve reporting capability and workload management

Project Review Improvements (cont'd)

- Re-engineering department procedures to develop a comprehensive procurement workflow that includes both contracting and accounting processes
- Conducted an organizational assessment of the Business Operations division to address utilization of administrative staff that resulted in additional staff being assigned to assist with contract processing

Purchasing Improvements

- Refining the existing process of using historical records to project procurement needs in the upcoming fiscal year
- Developing on-call contracts for commonly used maintenance services
- Increasing the use of price agreements to take advantage of pricing discounts
- Developed a technology procurement workflow that takes advantage of cooperative purchasing power

Purchasing Improvements (cont)

- Implementing internal control procedures to insure compliance with City APIs (i.e., monitoring purchases, matching purchases to existing contracts, tracking contract expiration dates)
- Monitoring purchase card usage to maintain compliance with City APIs
- Reviewing card holder limits for reasonableness of purchase card limits

Key Policy Issues

- Whether the need for City Council approval of purchases of \$100,000 or more is determined by *vendor* or by *project*
- Whether “project” is defined by Capital Improvement Project or by specific work within a Capital Improvement Project
- On-going review of insurance requirements to explore ways to speed up the process to improve customer service

Key Policy Issues (cont)

- Establishing a single point of contact within the City with authority for final interpretation of City contracting and procurement policies
- Using pre-approved “boilerplate” contract language for contracts less than \$25,000 to eliminate the need for multiple department approval
- Establishing allowable overage amounts on purchase orders to eliminate project delays

Key Policy Issues (cont)

- Reviewing the existing requirement for all emergency contracts to be reported to City Council given that department directors already have delegated signature authority for contracts under \$100,000
- Establishing City University courses to provide ethics and conflict of interest training
- Establishing a formal process for disseminating contract and procurement information that includes a process for publishing changes and their effective dates

Key Policy Issues (cont)

- Rewrite City procurement and contracting APIs to make them more easily understood and consistent with City Code

