



Audit Observation Status Report

Recommendation	Management Response December 2013	Status as of January 2015	Fully Implemented
1.1 Selection committee scoring sheets should be independently reviewed to ensure they are completed in their entirety and are accurately summarized prior to contractor/vendor selection. The selection committee should not be allowed to remove the score sheets; all score sheets should be maintained in the project file. Use of an electronic spreadsheet to calculate scores would eliminate many of the errors found.	<i>We agree with the recommendation. The evaluation forms assist each panel member with identification of the rank order of the short list (Statement of Qualifications [SOQ] evaluations) and the final list (interview evaluations). The ranking is what is utilized to identify the final outcome of both lists. An electronic spreadsheet is now in use and a single individual has been assigned to coordinate all RFQ panels to include: panel selection/correspondence; Statement of Impartiality, No Conflict of Interest, and Confidentiality form; scoring/ranking sheets; and outcome notification to ensure compliance.</i>	Procedure 5-A.17, Statement of Qualifications (SOQ) Review Process, has been established.	Yes

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<p>2.1 Engineering should utilize the RFQ template that incorporates all ARS requirements. Adequate internal controls should be in place to ensure that only current templates are utilized by staff.</p>	<p><i>A RFQ template has been added to Engineering's SharePoint site and we agree with the recommendation.</i></p>	<p>See December 2013 Management Response.</p>	<p>Yes</p>
<p>3.1 Engineering should work with the City Attorney, City Manager, and Government Relations Offices to determine if pursuing changes to the ARS should become a legislative priority issue for the City.</p>	<p><i>We will work with the City Attorney's, City Manager and the Government Relations Offices to determine the next course of action. Engineering anticipates initiating the conversation by May 2014.</i></p>	<p>The meeting with all parties was initially scheduled for April 24, 2014 and was rescheduled to May 22, 2014. The discussion surmised that there is no need to pursue any type of legislative changes. There are current lists through both the state and federal governments that could be used without creating a city list.</p>	<p>Yes</p>
<p>4.1A system should be established that flags contracts nearing expiration to alert project managers and/or additional staff overseeing the projects to ensure proper steps are taken to address work that may extend beyond the contracted dates.</p>	<p><i>We agree with the recommendation and will monitor and process change orders/addendums as appropriate. Engineering will ensure that the current policies and procedures reflect this process by June 2014.</i></p>	<p>Procedure 5-8.9, Professional Services Contract Expiration and Processing, was revised on April 8, 2014. It specifically outlines the process for monitoring expiration dates.</p>	<p>Yes</p>

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<p>5.1 Procedures should be established to ensure that all necessary contractual documents are completed prior to work starting on a project.</p>	<p><i>We agree with the recommendation. Engineering will ensure that some level of a Notice to Proceed will be utilized from this point forward and will ensure that the current policies and procedures reflect this process by June 2014.</i></p>	<p>The CIP workgroup has established a Notice to Proceed Check List and a Notice to Proceed Flowchart to follow prior to any initiation of work.</p>	<p>Yes</p>
<p>6.1 Management should develop and document procedures that identify the decision-making process for project assignment. Procedures should also address positions that are funded by Transit and Water. Enterprise funds should not be used to pay for general fund expenses. Employees' hours should be tracked to ensure FTE's equivalent efforts are received in exchange for their funding. Any excess hours should be reimbursed to the relevant fund. Additionally, the Contract Compliance Analyst position's time should be systematically allocated across relevant funding sources as this position works on all projects, not just Enterprise-fund related projects.</p>	<p><i>We will be consistent with any similar process that is in use by other divisions/departments within the City (those that are General Fund but have employees paid from either the Enterprise or Special Purpose Fund) to identify an effective process to manage assignments and to track time by funding source. Engineering will work with the Budget staff, as well as other similar division/departments to determine the most effective process by end December 2014.</i></p>	<p>All Engineering positions are now directly funded out of the General Fund. The CIP Design and Construction Manager assigns new projects based upon each Project Manager's current workload.</p> <p>An indirect interactivity allocation is charged to non-general funds for Engineering related services annually by Finance.</p>	<p>Yes</p>

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<p>7.1 File documentation checklists should be developed for all projects. A checklist would help to ensure completeness and consistency in the project file documentation maintained, including content uploaded to SIRE. The checklist should be comprehensive, indicate what needs to be scanned into SIRE, and provide a space for the Project Manager and an independent party to review the file contents and certify to its completeness. All files should receive a quality-control close-out review.</p>	<p><i>We agree with the recommendation and as part of our ongoing process improvement, we have established a formal comprehensive checklist.</i></p>	<p>We have developed two checklists. One checklist was developed by the CIP workgroup, for the Project Managers, which focuses on specific documents that are needed as the project progresses. The other document was developed by the Procurement workgroup that focuses on all the information that needs to be within the contract file-tracking the date reviewed, was it in the file, is it in SIRE, and room for any comments.</p>	<p>Yes</p>
<p>8.1 Contract costs need to be closely monitored to ensure all transactions are captured in Engineering Main Log, and that individual contract balances in the subsidiary ledger agree to the Main Log and are periodically reconciled. Additionally, Engineering should consider reallocating or obtaining resources to add financial accounting expertise to their staff to assist with the financial reconciliation and</p>	<p><i>We agree with the recommendation and will address periodic reconciliations. Engineering will review our current structure to identify the proper structure/workflow to ensure appropriate monitoring/approval is taking place. This structure will be identified by June 2014.</i></p>	<p>The Engineering Contract Supervisor performed periodic, quarterly review of the Engineering Main Log to ensure that the links are still functional. With respect to obtaining additional personnel to help with the financial accounting, the General Fund cannot support an additional position at this time.</p>	<p>Yes</p>

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<p>monitoring of contract costs. The following could be considered:</p> <ul style="list-style-type: none"> ▶ Restructuring existing positions ▶ Funding through the 1.9% component of other miscellaneous ▶ Fees assessed each contract with direct costs allocated to departments based on contract volume (see Observation #13) ▶ Funding through the 2% component of Engineering Fees contributed to the General Fund. 			
<p>9.1 In order to more efficiently and effectively manage and track the financial data related to CIP projects, Engineering should pursue training and IT support to utilize this system's capacity. Should accounting resources be obtained (see Recommendation 8.1 above), this position could be charged with this responsibility.</p>	<p><i>We agree with the recommendation and will work with IT to explore the requirement of double entry pertaining to the software program for a more efficient use of time and the software by June 2014.</i></p>	<p>Preliminary meetings have been held regarding the use of Project Costing. Engineering has recently paid for the annual renewal for the software. With the closing of the FY2013/14 books, both Engineering and IT will be able to continue to work towards a more efficient use of the Project Costing software.</p>	<p>No</p>

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<p>10.1 Credits from one project should not be transferred to another project, especially without clear documentation. Ideally, if a project has a credit balance, the balance should be settled on that project and not applied to another project.</p>	<p><i>We agree with the recommendation and the Deputy Public Works Director will implement a revised policy by June 2014.</i></p>	<p>Procedure 5-B.12, Contract Credits, was developed and added to the current Policies and Procedures for Engineering.</p>	<p>Yes</p>
<p>11.1 All payment requests, authorizations and change orders should be properly scrutinized for errors or irregularities and ensure that supporting documentation is provided to support all claimed expenses. Additionally, the rates being submitted for employees should be agreed to what the contract stipulates. Project Managers and their supervisors should be certifying that all supporting documentation was obtained and reviewed prior to approving payments/change orders.</p>	<p><i>We agree that there are better ways to provide supporting documentation for the files and will be outlining a policy no later than June 2014.</i></p>	<p>The CIP workgroup developed Procedure 26, Pay Applications, which is utilized when processing pay applications. In addition, consultant/contractor proposals come complete with any "sub" work proposals that outline both deliverables and pricing.</p>	<p>Yes</p>

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11.2 Subcontractor proposals, including employee hourly detail, should be obtained for review to support related payment requests for subcontractor work performed.	<i>See Management Response for Recommendation 11.1.</i>	See the January 2015 status response for Recommendation 11.1.	Yes
11.3 Contractor allowances should be adhered to; funds from one allowance should not be used to fund another.	<i>See Management Response for Recommendation 11.1.</i>	See the January 2015 status response for Recommendation 11.1.	Yes
11.4 Engineering should work with contractors/vendors to resolve all overpayments and underpayments identified in Appendix 1.	<i>See Management Response for Recommendation 11.1.</i>	See the January 2015 status response for Recommendation 11.1. All overpayments and underpayments identified in Appendix 1, with the exception of C2011-187 for \$1,118, have been resolved. In regards to C2011-187, the Project Manager believed that the audit was complete and has since destroyed all his research on the queries. Based upon the audit recommendations, procedures have been implemented to ensure that adequate supporting documentation is maintained for	Yes

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<p>12.1 Delegation of authority should be exercised in situations to adequately assign responsibility when upper management is out of the office and not available to approve documents. The delegation should be written, dated, and identify the individual authorized to sign or conduct business on management's behalf.</p>	<p><i>While email correspondence had been outlined to designate signatory authority, the information was not added to the project file. As outlined in the audit report, Engineering developed and had implemented a clear delegation of authority document. Since completion of the audit, Engineering has redesigned the delegation of authority document to provide even more specific authorities.</i></p>	<p>all future files. Engineering has completed a "Delegating Authority" memo. This document is added to any project file when anyone, other than the original designee, signs or executes documents.</p>	<p>Yes</p>
<p>13.1 Engineering should include reclass dates and general ledger transfer numbers in the Engineering Main Log as an audit trail for multiple project financial transactions. Engineering should work closely with departments on tracking project costs and provide timely, routine status reports.</p>	<p><i>We agree with the recommendation and will add the reclass dates and general ledger transfer numbers to the Engineering Main Log by April 2014.</i></p>	<p>Reclass dates are recorded on the Engineering Main Log worksheet. We were unable to utilize the general ledger transfer numbers at this time, but the reclass date allows the research needed to track the transfer of monies. In addition, Engineering conducts monthly CIP meetings to provide consistent communication regarding ongoing CIP projects which include contract administration, project managers, client department project managers, neighborhood outreach, and construction inspectors.</p>	<p>Yes</p>