



City of Albuquerque

Office of Internal Audit

FOLLOW-UP OF THE
DEPARTMENT OF MUNICIPAL DEVELOPMENT
ON-CALL CONTRACTORS
FOLLOW-UP #15-11-104F
January 28, 2015

INTRODUCTION

The Office of Internal Audit (OIA) performed a follow-up during fiscal year (FY) 2015 of Audit No. 11-104, On-Call Contractors, Department of Municipal Development (DMD). The purpose of this follow-up is to report on the progress made by DMD in addressing our findings and recommendations. Our follow-up procedures rely on the department providing the status of the recommendations.

Our follow-up is substantially less in scope than an audit. Our objective is to report on the status of corrective actions in regard to our findings and recommendations.

We limited our scope to actions taken to address our audit recommendations from the final audit report dated February 29, 2012, through the submission of actions taken memo completed by DMD on September 30, 2014, and the follow-up email responses submitted by DMD on November 17, 2014.

BACKGROUND INFORMATION

The on-call contracting process at the City of Albuquerque (City) is a contracting methodology used by departments to procure goods and construction or design services from vendors on an “as-needed basis.” According to the DMD Project Managers Handbook §3.05, dated February 2009, and the updated Project Managers Handbook §6.04, dated June 2012, an on-call consultant is retained to provide specific types of technical/professional services at the direction of the City. Currently, the City has established on-call contracts for architectural and engineering services; facilities construction; landscape construction; and prototype median landscape program landscape and construction.

According to DMD management, on-call contracting allows closer work with, and evaluation of, contractors. It permits the City to cease issuing work orders to a contractor if performance is unsatisfactory. On-call contracting is useful when dealing with small or urgent projects that need to be done soon, or are too small to effectively bid.

SUMMARY

DMD has partially implemented the first finding, resolved the second and third findings, and not implemented the fourth finding. Although progress has been made, there is still opportunity for improvement. By updating the Project Managers Handbook to include greater detail on policies and procedures and consistency with Administrative Instructions, DMD can ensure that internal management documents match intended business practices.

The status of the recommendations is identified by the symbols in the following legend:




Recommendation #1: DMD should develop comprehensive written policies & procedures for the on-call contract process.

Response from DMD: On-call contracting is governed by existing City rules and regulations such as the Regulations Governing the Award and Rejection of Bids/Offer and Debarment of Contractors for Public Works Projects of the City of Albuquerque and the Capital Implementation Program Rules and Regulations Governing the Selection of Firms or Persons to Provide Architectural, Engineering, Landscape Architectural, and Other Related Professional Services. Most of the same rules and regulations that govern other capital projects are applicable to on-call contracts as well. DMD will include procedures in the Project Managers Handbook as it is updated to address some of the nuances of on-call contracting. We will focus on setting forth guidelines regarding when and how the on-call contracting will be used.

Estimated Completion Date: 6 months.

Status Reported by DMD as of September 30, 2014: There is a working draft of the Project Managers Handbook. Section 6 On-Call Contracts (6/28/2012), Section 15 On-Call A/E Contracts (6/28/2012), Section 16 City Wide On-Call Facilities Construction Contract (7/2/2012), Section 17 City Wide On-Call Landscape Construction Contract (6/29/2012) and Section 18 Prototype Median Landscape Construction On-Call Contracts (7/2/2012) were drafted and included in June and July of 2012, to provide guidance for Project Managers when working with On-Call contractors.

 Partially Implemented – DMD has partially implemented the recommendation by expanding the Project Managers Handbook to include greater detail for on-call design and construction contracts. However, with the exception of Section 15: *Architectural/Engineering (A/E) Contracts*, the handbook does not provide criteria on how the determination is made to issue a contract as on-call. In addition, the updated Project Managers Handbook does not discuss how work will be distributed when there is more than one on-call vendor that provides the same type of services.

Recommendation #2: DMD should implement a process to ensure that insurance coverage for all projects is reviewed annually.

Response from DMD: DMD does not agree that annual review provides value to the City. Insurance is verified at project inception and at the time of any supplement. Independent of insurance, contractors and consultants are contractually liable for damage and contractually indemnify the City for such damage. No good centralized system exists to verify continued insurance coverage. No losses are known to have occurred in the last 20 years due to lapsed insurance coverage. DMD will continue to review certificates for additional insured status.

Estimated Completion Date: N/A.

Status Reported by DMD as of September 30, 2014 and November 17, 2014: At the time of contracting or any supplement to contracts updated insurance certificates are reviewed and approved. DMD reviews its contracts for insurance certificates at the inception and at the time of any supplement. Independent of insurance, contractors and consultants are contractually liable for damage and contractually indemnify the City for such damage. Although some discussions have occurred regarding a centralized repository for insurance certificate review, no centralized repository exists at this time. Given that no losses are known to have occurred due to lapses of insurance coverage in either the 20 years preceding the audit nor the two and one half years since the audit was finalized, changing the review process is not a high priority.



Resolved – DMD does not agree that the recommendations made by OIA are necessary due to a lack of losses caused by lapses of insurance, and because there are other means of recovering losses.

Recommendation #3: DMD should:

- Follow the Selection Advisory Committee (SAC) process when selecting firms or persons to provide design services in which the contract amount exceeds \$25,000.
- Ensure justifications match the actual purpose when requests are made to the CAO to increase contract funding.

Response from DMD: DMD agrees and states it followed the SAC process for the initial selection and DMD should have done another selection or an emergency procurement instead of the contract extension.

Estimated Completion Date: N/A.

Status Reported by DMD as of September 30, 2014 and November 17, 2014: Agree. The

original issue occurred in what began as an “under \$25,000” contract. The finding related to extension of that contract. Staff have been made aware of the process and the review steps should avoid a recurrence of that issue.



Resolved – DMD has ensured that staff are aware of the SAC process. In addition, DMD staff perform review steps on all on-call contracts to ensure that there will be no future occurrences of on-call contracts over \$25,000 that do not following the SAC process.

Recommendation #4: DMD should ensure that written policies match intended business practices.

Response from DMD: DMD concurs. DMD will change the guidance in the Project Managers Handbook to state ‘the duration and/or value of an on-call contract or task order may be increased with the approval of the Director of the Department of Municipal Development or the Department Director that recommended the original agreement.

Estimated Completion Date: 6 months.

Status Reported by DMD as of September 30, 2014: The Project Managers Handbook has been revised to remove any language inconsistent with Administrative Instruction 1-1 A1 and 1-1 D1 addresses signature authority for design and construction contracts.



Not Implemented – Signature authority outlined in the Project Managers Handbook, updated in June of 2012, was not updated to include “approval of the Director of DMD or the Department Director.” In addition, a dollar limit on the authority of the Director of DMD is not included within the Project Managers Handbook. Finally, language on signature authority within the Project Managers Handbook is not consistent with signature authority language within Administrative Instructions 1-1 A1 and 1-1 D1.

Follow-Up
On-Call Contractors – Department of Municipal Development
Date: January 28, 2015

15-11-104F

Principal Auditor

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