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Follow-Up of Prior Audit Recommendations – Construction-Related Procurements

July 22, 2019

Mark S. Swann
City Auditor

Objective and Scope

The objective and scope of this audit were to evaluate management's implementation of prior audit recommendations as of September 30, 2018. However, procedures were performed after that period to understand and verify management's implementation progress to June 30, 2019.

What We Recommend

Management should continue efforts to implement the remaining five audit recommendations.

Background

On October 20, 2017, the Office of the City Auditor released the *Audit of Construction-Related Procurements*, which found:

- Construction procurement process had no formal (written, approved, signed, and dated) policies and procedures.
- Distribution of contracts among multiple firms was not transparent, consistent, documented, nor compliant.
- Directors did not document reasoning for selecting firms.

The audit report included eight recommendations to address these observations.

What We Found

Not all City departments authorized to conduct construction-related procurements have:

- Adopted department-specific, formal, and consistent policies and procedures.
- Adopted practices for distributing work that are transparent, consistent, documented, and compliant with Administrative Directive 4-05, *Contracting Policy*.
- Required Directors to document their reasoning for selecting a specific firm when the: (1) selection committee scoring and ranking process results in a tie; or, (2) firm selected is not the most highly qualified firm recommended by the selection committee.

Additionally, the City does not monitor conformity with Administrative Directive 4-05, *Contracting Policy* for construction-related procurements.

Audit Results

Three of the eight recommendations issued in the *Audit of Construction-Related Procurements* were implemented as of September 30, 2018. Specifically,

- City departments authorized to conduct construction-related procurements adopted uniform internal control best practices.
- The Office of Procurement Services described its responsibilities for facilitating construction-related procurements.
- The Office of Procurement Services reduced the complexity of Administrative Directive 4-05, *Contracting Policy*.

Progress was made towards implementing the recommendations as of September 30, 2018, and continued after that date. However, additional work is needed because the City cannot be assured that construction-related procurements are conducted in a uniform, transparent, and equitable manner.

The Office of the City Auditor will not conduct any further follow-up of the recommendations not implemented, but will consider the risks in determining future audit coverage as part of the annual audit plan. Please [see Appendix A](#) for the status of each recommendation.

Methodology

The audit methodology included requesting the City Manager's Office to report on the implementation status of the eight recommendations. The auditors also conducted interviews, reviewed documentation, and performed other tests as deemed necessary.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

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Appendix A:

Status of Implementation as of September 30, 2018

No.	Audit Recommendation	Auditor Verification of Results
1	Ensure all departments involved in construction-related procurements adopt uniform internal control best practices, such as those used by Department of Dallas Water Utilities, to ensure compliance with State of Texas laws and Administrative Directive 4-05, <i>Contracting Policy</i> .	Implemented
2	Ensure the City departments authorized to conduct construction-related procurements have formal (written, approved, signed, and dated) policies and procedures. Status: As of September 30, 2018, none of the departments authorized to conduct construction-related procurements had a department-specific, construction-related procurement selection manual, except for the Department of Park and Recreation. As of June 30, 2019, the Departments of Public Works and Dallas Water Utilities have developed department-specific, construction-related procurement selection manuals.	Not Implemented
3	Ensure the Director of the Office of Procurement Services develops formal (written, approved, signed, and dated) policies and procedures that describe Office of Procurement Services' responsibilities for facilitating construction-related procurements.	Implemented
4	Ensure City departments, authorized to conduct construction-related procurements, and Office of Procurement Services implement the internal controls needed to ensure Administrative Directive 4-05, <i>Contracting Policy</i> is uniformly followed by: (1) decreasing the complexity of Administrative Directive 4-05, <i>Contracting Policy</i> and/or clarifying the requirements by developing an implementation guide. The result should specify: (a) Professional services procurement requirements, such as the process departments must use after the Request for Qualifications to select the most highly qualified firm (i.e., Request for Proposals, negotiations, etc.). (b) Screening and selection committee composition requirements to minimize potential conflicts of interest, including documentation such as a signed conflict of interest statement. (c) Allowable exceptions to the procurement process, such as when the most highly qualified firm is not selected.	Implemented
5	Ensure City departments, authorized to conduct construction-related procurements, and Office of Procurement Services implement the internal controls needed to ensure Administrative Directive 4-05, <i>Contracting Policy</i> is uniformly followed by: (2) requiring departments to develop consistent policies and procedures. Status: As of September 30, 2018, none of the departments authorized to conduct construction-related procurements had a department-specific, construction-related procurement selection manual, except for the Department of Park and Recreation. As of June 30, 2019, the Departments of Public Works and Dallas Water Utilities have developed department-specific, construction-related procurement selection manuals.	Not Implemented

No.	Audit Recommendation	Auditor Verification of Results
6	<p>Ensure City departments, authorized to conduct construction-related procurements, and Office of Procurement Services implement the internal controls needed to ensure Administrative Directive 4-05, <i>Contracting Policy</i> is uniformly followed by: (3) monitoring departments for conformity with Administrative Directive 4-05, <i>Contracting Policy</i> for construction-related procurements.</p> <p>Status: The City does not monitor the departments authorized to conduct construction-related procurements and Office of Procurement Services for conformity with Administrative Directive 4-05, <i>Contracting Policy</i> for construction-related procurements.</p>	Not Implemented
7	<p>Ensure City departments, in collaboration with the City Attorney's Office, develop internal controls to ensure distributing the work practices are transparent, consistent, documented, and comply with Administrative Directive 4-05, <i>Contracting Policy</i>.</p> <p>Status: As of September 30, 2018, none of the departments authorized to conduct construction-related procurements had a department-specific, construction-related procurement selection manual that had internal controls to ensure practices for distributing the work are transparent, consistent, documented, and comply with Administrative Directive 4-05, <i>Contracting Policy</i>, except for the Department of Park and Recreation. As of June 30, 2019, the Departments of Dallas Water Utilities and Public Works have department-specific, construction-related procurement selection manuals that have internal controls to ensure practices for distributing the work are transparent, consistent, documented, and comply with Administrative Directive 4-05, <i>Contracting Policy</i>.</p>	Not Implemented
8	<p>Ensure policies and procedures are developed to require department directors to document their reasoning for selecting a specific firm when the: (1) selection committee scoring and ranking process results in a tie; or, (2) the firm selected is not the most highly qualified firm recommended by the selection committee.</p> <p>Status: The citywide and department-specific, construction-related procurement selection manuals and Administrative Directive 4-05, <i>Contracting Policy</i> do not require department directors to document their reasoning for selecting a specific firm when the: (1) selection committee scoring and ranking process results in a tie; or, (2) the firm selected is not the most highly qualified firm recommended by the selection committee.</p>	Not Implemented