

# Memorandum



**CITY OF DALLAS**  
Report No. A08-022

**Date:** August 29, 2008

**To:** Honorable Mayor and Members of the City Council

**Subject:** Final Report – Follow-Up of Audit Recommendations, Equipment and Building Services

The Department of Equipment and Building Services (EBS) is commended for implementing effective corrective actions to the two recommendations resulting from the "Audit of Sanitation Heavy Equipment Fleet Maintenance Contract", dated May 11, 2007. *Attachment A* provides detailed information for the two recommendations included in this audit<sup>1</sup> report.

## Summary of Follow-up Audit Results

<b>Fiscal Year Audit Report Issued</b>	<b>Number of Report Recommendations</b>	<b>Recommendations Implemented</b>	<b>Recommendations Not Implemented</b>
<b>2007</b>	2	2	0

The City and the vendor mutually agreed to change the contract expiration date and amend the payment terms for the transition period. Liquidated damages were assessed as required by the contract.

We appreciate the department's cooperation. This report was discussed with EBS management, but a written response was not requested.

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<sup>1</sup> This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with generally accepted government auditing standards. The audit objective was to verify that management has taken corrective action(s), the corrective action(s) are achieving the desired results or management has assumed the risk of not taking corrective action(s). We reviewed the March 5, 2008 Administrative Action and vendor invoices for the period April 2007 through December 2007.

If you have any questions or need additional information, please contact me at 214-670-3222 or Gary Lewis, Assistant City Auditor, at 214-670-5347.

Sincerely,

A handwritten signature in black ink that reads "Craig D. Kinton". The signature is written in a cursive style with a large initial 'C'.

Craig D. Kinton  
City Auditor

Attachment A

C: Mary K. Suhm, City Manager  
David O. Brown, Interim Assistant City Manager  
Dave K. Cook, Chief Financial Officer  
Jack Ireland, Director – Equipment and Building Services

**Attachment A**

<b>Audit Report</b>	<b>Audit Issues</b>	<b>Audit Recommendations</b>	<b>Audit Follow-Up Results</b>
<b>Audit of Sanitation Heavy Equipment Fleet Maintenance Contract (May 11, 2007)</b>	<b>Serco consistently does not meet fleet availability requirements</b>	- Develop a plan to ensure Serco meets the current contract fleet availability requirements or consider modifying the contract to reduce overall fleet availability requirement.	<b>Implemented.</b> Per mutual agreement between the City and Serco Management Services, Inc., the fleet maintenance contract term was amended to end March 31, 2008. The original contract term was January 2006 to September 2010. The Administrative Action was approved by City management on March 5, 2008.
	<b>The City has not always assessed liquidated damages</b>	- Assess and collect liquidated damages that Serco owes the City for not meeting the fleet availability requirements.	<b>Implemented.</b> Liquidated damages totaling \$42,200 were assessed and deducted from the vendor invoices on a monthly basis for the period of April 2007 through December 2007. For the transition period of January 1, 2008 through March 31, 2008, services rendered by the vendor were to be paid on a time and materials basis.