

CITY AUDITOR'S OFFICE



Audit of Public Works – Consultant Selection Committee

Report No. CAO 1502-1112-01

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CITY AUDITOR

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES	2
SCOPE AND METHODOLOGY	2
CONCLUSIONS, FINDINGS AND RECOMMENDATIONS.....	3
1. Formal Written Committee Procedures.....	3
2. SOQ Firm Work Experience	4
3. SOQ Score & Perception.....	5
4. Selection Committee Composition	7
5. Report Cards	8
6. Blanket Purchase Orders	9
7. Prior Audit Recommendations.....	10
Management Response	12

Audit of Public Works – Consultant Selection Committee CAO 1502-1112-01

BACKGROUND

The City Auditor’s Office has completed an audit of the Public Works Consultant Selection Committee (Committee). This Committee is responsible for the selection of professional service consultants for the City Engineer Division (CED) of the Public Works department. This process is not subject to competitive bidding requirements pursuant to NRS 332.115 and NRS 625.530. The type of projects that the Committee selects consultants are primarily professional services such as geological analysis, environmental impact studies, architectural design, roadway engineering, etc. The following data was identified during the audit:

SOQ Period	Number of Contract Selections	Total Contract Awards
2006-2008	88	\$38.5 million
2008-2010	70	\$29.6 million
Total	158	\$68.1 million

The basic elements of the selection process are outlined in City Manager Information Report (CMIR) No. 020.04 dated October 07, 2004. This CMIR was the result of discussions in the Audit Oversight Committee held on August 10, 2004 where the Audit of Professional Services Contracts Report No. CAO 2002-0102-10 was reviewed. As stated in the CMIR “...The Process should be open, objective and equitable...”

The process of selecting professional service consultants begins with the Statement of Qualifications (SOQ). The SOQ contains information about a firm’s size, equipment, professional staff members, resumes, and previously completed projects. SOQs are generated by firms that would like to perform work for the City and are delivered to the department of Public Works. The SOQs are then evaluated and assigned numerical scores by teams made up of select Public Works personnel and employees of other local municipalities. The firms are then sorted from highest to lowest score in the categories in which they qualify and these categories are assembled into the final SOQ list. This process is conducted every two years.

The final SOQ list is used by the Committee to assist in the selection of a firm. The Committee consists of five voting members all of whom are senior managers within the Public Works’ division of City Engineering. Project managers, who are subject matter

experts are responsible for briefing the Committee about their respective projects and recommending firms that are qualified to work on a project. After each presentation, the Committee members review the SOQ category relevant to the project and briefly discuss any relevant details. After the discussion, a Committee member makes a motion on who they believe should be awarded the project and the motion is approved by majority vote.

OBJECTIVES

The objectives of our audit were to:

- Determine if management controls are adequate to ensure that Committee activities are properly authorized and reported.
- Evaluate the overall effectiveness and efficiency of the Committee selection process.
- Determine if program objectives and benefits are established, monitored and accomplished.

SCOPE AND METHODOLOGY

The scope of this audit was limited to a review of the Public Works Consultant Selection Committee and related processes in the Public Works Department – City Engineer Division. The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit. Our audit included a review of Committee meetings and project selections for the period from 3/30/2006 to 05/25/2010.

Our audit methodology included:

- Research of applicable guidelines,
- Interviews with City personnel,
- Observing the operation of the Committee,
- Observations of work processes,
- Analysis and detail testing of available data, and
- Review of previous audit recommendations.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no affect on the audit or the assurances provided.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The following conclusions were noted:

Determine if management controls are adequate to ensure that Committee activities are properly conducted, authorized, and reported.

- The Committee process lacks a formal written procedure. (Finding 1)
- City Management is not represented on the Selection Committee. (Finding 4)
- Prior audit recommendations related to notification of City Management have been discontinued. (Finding 7)

Evaluate the overall effectiveness and efficiency of the Committee selection process.

- A firm's past work performance is not considered in the SOQ process. (Finding 2)
- The Committee lacks a uniform evaluation report. (Finding 5)

Determine if program objectives and benefits are established, monitored and accomplished.

- Receiving an SOQ score may create a perception that a firm will be selected. (Finding 3)
- Current usage of Blanket Purchase Orders should be evaluated. (Finding 6)

Further information is contained in the following sections.

1. Formal Written Committee Procedures

Criteria

Formal written procedures are an integral part of management control. A formal procedure identifies those policies and processes that management requires to indicate compliance with management's directives. These procedures should be written so as to minimize possible misunderstanding.

Condition

- The Committee process lacks formal written procedures. The process by which the firms are contacted, scored, ranked, selected and evaluated is not documented.
- Personnel in Public Works are familiar with the selection process, but written procedures are needed to provide uniformity and consistency.

Cause

Formal written procedures have not been completed.

Effect

The selection process may not be completed in compliance with management's directions and misunderstanding may occur.

Auditor's Note: Subsequent to reviewing this finding with the City Engineering Division, an SOQ policy was completed.

Recommendation

- 1.1 CED management should formally document Committee procedures.
- 1.2 CED management should implement the recently completed SOQ policy.

2. SOQ Firm Work Experience

Criteria

In order to adequately evaluate the suitability of a prospective firm, past work experience should be evaluated.

CMIR No. 020.04 states:

"Specific criteria for use in the rating process include: ...A 5-year history of interaction with the firm..."

Condition

- The SOQ ranking process does not formally include past performance indicators (e.g. report cards, general thoughts of City Project Managers) in each firm's final score as indicated in the CMIR.

- Firm performance, as indicated on Report Cards, for work completed during the SOQ period is not formally included for consideration by the Committee. This data could influence Committee decisions.

Cause

Management has not required performance to be formally considered in the SOQ.

Effect

Performance may not be considered in the selection process.

Recommendation

- 2.1 CED management should establish, document, and implement a process to formerly include performance reporting in the SOQ ranking process.
- 2.2 CED management should establish, document, and implement a process to include performance reporting for work completed during the SOQ period for Committee consideration.

3. SOQ Score & Perception

Criteria

CMIR No. 020.04 states:

“Certain goals are established for the ranking process:

The process should be open, objective and equitable,

The process should be reliable in selecting the best candidate...”

Project performance that is below minimum standards needs to be communicated to the Consultant Committee immediately so as to prevent the consultant from receiving more work from the City until the performance issues are addressed and remedied.

Condition

- As indicated in the table below, many of the firms participating in the SOQ process are not selected.

CONTRACTOR SUMMARY

	SOQ Period 2006-2008	SOQ Period 2008-2010
Total SOQ Contractors	67	114
Contractors w/1 Selection	39	31
More than 1 Selection	22	20
More than 2 Selections	14	9
Not Selected	28	83
Percentage Not Selected	41.8 %	72.8%

- The intention of the selection process is to obtain the best qualified firm and balance that with providing opportunity to as many other firms as is practical. Providing opportunity for other firms aids in identifying additional qualified firms.
- Some firms will not be considered for selection because of their low SOQ rating. Those firms with SOQ ratings too low to be considered should be notified to aid in managing expectations.

Cause

Not all firms submitting SOQs and receiving a rating are selected.

Effect

Firms could have the erroneous perception that receiving an SOQ rating would indicate they would be selected.

Recommendation

3.1 CED management should establish, document, and implement a process to create tiers of firms to be considered for selection by the Committee. These tiers should be created to identify the most qualified firms. Tiers that include firms that will not be consideration for selection should be notified to prevent any misunderstanding.

4. Selection Committee Composition

Criteria

Employees are restricted by the Code of Ethical Standards (NRS 281A.020)

1. It is hereby declared to be the public policy of this State that:
 - a. A public office is a public trust and shall be held for the sole benefit of the people.
 - b. A public officer or employee must commit himself to avoid conflicts between his private interest and those of the general public he serves.

As noted in the Audit of Professional Service Contracts CAO 2002-0102-10 dated June 14, 2002 a recommendation was made regarding management of the oversight of the Committee.

- 4. Selection Committee Oversight
 1. Copies of the minutes of the selection committee should be forwarded by Public Works to both Purchasing and the City Manager's Office for review.
 2. Annual reconciliation of firms selected for projects to SOQ rankings should be created and forwarded by Public Works to Purchasing and the City Manager's Office for review.

Condition

- The Committee consists of five voting members all of whom are senior managers within the Public Works' division of City Engineering. This can lend to the perception of the public and the competing firms that the process may not be open, objective, and equitable.
- Recommendations from a 2002 audit issued by the City Auditor's Office are not being followed. Copies of minutes of the Committee are not being forwarded to the City Manager's Office. Additionally, an annual reconciliation of firms selected for projects to SOQ rankings is not being created and forwarded to the City Manager's Office.

Cause

Committee is limited to employees of the CED.

Effect

The lack of broad representation on the Committee may detract from the process being open, objective, and equitable.

Recommendation

- 4.1 The Committee should be changed to include voting members representing the City Manager's Office, Purchasing and Contracts, Finance and Business Services, Public Works Department, and an additional department on a rotating basis. Non voting members should be members of the engineering staff to act as subject matter experts. These subject matter experts should present the expert information to aid the voting members in making the selection.

5. Report Cards

Criteria

The basic elements of the evaluation process are outlined in CMIR No. 020.04 dated October 07, 2004. As stated in the CMIR:

During the course of the contract with the selected firm, City staff performs two levels of evaluations and review. Interim reviews are established to review progress, address work quality and potential change orders, evaluate status of time and cost budgets, assess consultant interaction with staff, and review overall performance.

A final evaluation is done upon the close of the contract. In addition to those review performance during the interim review, City staff will determine if the consultant met and exceeded expectations, if the consultant personnel were local, if the consultant maintained an active office in Las Vegas, and whether the City staff would recommend this consultant in the future. These reviews are discussed with the consultant upon their completion.

Condition

- The evaluation process is referred as the "Report Card". The Report Card process is not standardized. City Engineers and Architects create the report cards in two different formats. One is rated by a single evaluator and the other is by multiple evaluators. The score in one instance is on a numerical basis while the other is on a letter grade.
- Grade reports from periods prior to the current SOQ period are not included in the SOQ rating process.
- Results of Report Cards completed for firms selected in the current SOQ period are not formally included for consideration by the Committee. As a result, project performance that is below minimum standards may not be communicated to the Committee.

Cause

Report Card information is not standardized and available in a timely manner.

Effect

The selection of firms may not be based on the most current and complete information.

Recommendation

- 5.1 CED management should establish, document, and implement a process to standardize Report Cards in accordance with CMIR No. 020.04 dated October 07, 2004.
- 5.2 CED management should establish, document, and implement a process to incorporate previous Report Card results from a prior period into the SOQ rating.
- 5.3 CED management should establish, document, and implement a process to incorporate Report Card results recorded as a result of selections during the SOQ period for consideration by the Committee.

6. Blanket Purchase Orders

Criteria

CMIR No. 020.04 states:

“Certain goals are established for the ranking process:

The process should be open, objective and equitable,

The process should be reliable in selecting the best candidate...”

Project performance that is below minimum standards needs to be communicated to the Consultant Committee immediately, so as to prevent the consultant from receiving more work from the City until the performance issues are addressed and remedied.

Condition

- During the two SOQ selection periods, five blanket purchase orders were utilized. The five blanket purchase orders ranged from \$200,000 to \$2,500,000. Blanket contracts commit a significant number of projects to a single firm.
- The Committee uses blanket contracts to assign similar work to a firm, thereby saving meeting time. These single contracts represent multiple projects that could be assigned to multiple firms. Breaking these blanket contracts into smaller contracts could provide an opportunity to evaluate firms not being selected.

Cause

Several similar projects are aggregated and a single firm is selected.

Effect

The pool of possible firms is limited by the number of firms that are allowed to participate in the selection process and be evaluated by City staff.

Recommendation

6.1 CED management should study breaking the blanket purchase orders into smaller increments to allow more firms the opportunity to participate in City contracts. This study should be documented and include the rationale supporting the results of the study.

7. Prior Audit Recommendations

Criteria

- The Audit of Professional Service Contracts CAO 2002-0102-10 dated June 14, 2002 contained two findings related to the current operation.
 - Selection and Evaluation of Service Providers
 - 3.5 Purchasing should design a generic contractor performance evaluation form for use by city departments to document the performance of service providers on an annual basis. City departments may customize the generic form to meet their specific needs and should consider the evaluation in the future selection of service providers.

- Selection Committee Oversight
 - 4.1 Copies of the minutes of the selection committee should be forwarded by Public Works to both Purchasing and the City Manager's Office for review.
 - 4.2 Annual reconciliation of firms selected for projects to SOQ rankings should be created and forwarded by Public Works to Purchasing and the City Manager's Office for review.

Condition

- The Selection Committee utilizes different evaluation forms for Architectural Services and the City Engineer's Office. (see Finding 5)
- The Selection Committee is not currently forwarding minutes of the committee to Purchasing and the City Manager's Office as previously recommended by the City Auditor's Office and agreed to by management.
- The Selection Committee is not currently forwarding an annual reconciliation of firms selected for projects to SOQ rankings to Purchasing and the City Manager's Office as previously recommended by the City Auditor's Office and agreed to by management.

Cause

Public Works management discontinued procedures previously implemented as a result of the Audit of Professional Service Contracts.

Effect

Relative assurance does not exist to ensure that actions by the Selection Committee are known by Purchasing management and the City Manager's Office management and therefore in accordance with management directives.

Recommendation

- 7.1 The Selection Committee should either, resume the practice of forwarding the minutes to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's Office of the detailed actions of the committee, or implement Recommendation 4.1 of this report.
- 7.2 The Selection Committee should either resume the practice of creating an annual reconciliation of firms selected for projects to SOQ rankings and forward it to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's of an annual reconciliation of firms selected for projects to SOQ rankings, or implement the Recommendation 4.1 of this report.

Management Response

1. Formal Written Committee Procedures

Recommendation

- 1.1 CED management should formally document Committee procedures.
- 1.2 CED management should implement the recently completed SOQ policy.

Management Action Plan:

- 1.1 The City Engineer Division will further develop procedures for the Consultant Selection Committee as recommended by the audit. The procedures will be used internally to guide committee members in the selection of design consultants.
- 1.2 The City Engineer Division is updating the SOQ Procedures as a result of this audit. The procedure will be distributed to consultants during each term of the SOQ process and will be made available to the public on the CLV Public Works webpage.

Estimated Date of Completion:

December 31, 2011

2. SOQ Firm Work Experience

Recommendation

- 2.1 CED management should establish, document, and implement a process to formerly include performance reporting in the SOQ ranking process.
- 2.2 CED management should establish, document, and implement a process to include performance reporting for work completed during the SOQ period for Committee consideration.

Management Action Plan:

- 2.1 The City Engineer Division will develop and implement a formal written process for performance reporting in future SOQ selections. The performance reporting

- process will include evaluations at 70% design, 100% design and 100% construction. Performance reports will be kept for 5-years on past projects.
- 2.2 The City Engineer Division will develop and implement a formal written process for performance reporting for work completed during the SOQ period for Committee consideration. This process will be included in the Consultant Selection Committee Process.

Estimated Date of Completion:

December 31, 2011

3. SOQ Score & Perception

Recommendation

- 3.1 CED management should establish, document, and implement a process to create tiers of firms to be considered for selection by the Committee. These tiers should be created to identify the most qualified firms. Tiers that include firms that will not be consideration for selection should be notified to prevent any misunderstanding.

Management Action Plan

- 3.1 The City Engineer Division will develop and implement a formal written procedure to create tiers for firms that submit for the SOQ process. The process will include a two tier system which will be divided between large, more complex projects and small, less complex projects. Firms that fall outside of acceptable tiers will be notified that they will not be considered for projects during the SOQ term.

Estimated Date of Completion:

December 31, 2011

4. Selection Committee Composition

Recommendation

- 4.1 The Committee should be changed to include voting members representing the City Manager's Office, Purchasing and Contracts, Finance and Business Services, Public Works Department, and an additional department on a rotating basis. Non voting members should be members of the engineering staff to act as subject matter experts. These subject matter experts should present the expert information to aid the voting members in making the selection.

Management Action Plan:

- 4.1 The City Engineer Division will change the composition of the Consultant Selection Committee to include a voting member from the City Manager's Office, Finance and Business Services (Purchasing & Contracts), Public Works, Field Operations, and Parks, Recreation & Neighborhood Services. City Engineer's Division staff will attend to offer expert information on their recommendations. The Consultant Selection Committee procedures will identify the makeup of the committee and the process.

Estimated Date of Completion:

December 31, 2011

5. Report Cards

Recommendation

- 5.1 CED management should establish, document, and implement a process to standardize Report Cards in accordance with CMIR No. 020.04 dated October 07, 2004.
- 5.2 CED management should establish, document, and implement a process to incorporate previous Report Card results from a prior period into the SOQ rating.
- 5.3 CED management should establish, document, and implement a process to incorporate Report Card results recorded as a result of selections during the SOQ period for consideration by the Committee.

Management Action Plan:

- 5.1 The City Engineer Division has developed standardized Report Cards/performance reporting between Architectural, Engineering and Construction Management.
- 5.2 The City Engineer Division has developed a process to document Report card results for the period prior to the SOQ and will implement this process during the next SOQ selection process.
- 5.3 The City Engineer Division will develop and implement a formal written process for performance reporting for work completed during the SOQ period for Committee consideration. This process will be included in the Consultant Selection Committee Process, see response 2.1 above.

Estimated Date of Completion:

December 31, 2011

6. Blanket Purchase Orders

Recommendation

- 6.1 CED management should study breaking the blanket purchase orders into smaller increments to allow more firms the opportunity to participate in City contracts. This study should be documented and include the rationale supporting the results of the study.

Management Action Plan:

- 6.1 The City Engineer Division has reviewed the awarding of blanket contracts and will limit the value of blanket purchase orders and increase the number of the contracts in order to help spread these contracts to more consultants in the future. A process covering the award of blanket purchase orders will be established and implemented in the Consultant Selection Committee procedures.

Estimated Date of Completion:

December 31, 2011

7. Prior Audit Recommendations

Recommendation

- 7.1 The Selection Committee should either resume the practice of forwarding the minutes to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's Office of the detailed actions of the committee, or implement Recommendation 4.1 of this report.
- 7.2 The Selection Committee should either resume the practice of creating an annual reconciliation of firms selected for projects to SOQ rankings and forward it to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's of an annual reconciliation of firms selected for projects to SOQ rankings, or implement the Recommendation 4.1 of this report.

Management Action Plan:

- 7.1 City Engineer Division will implement Recommendation 4.1 of this report and forward the selection information to the Purchasing office and CMO after each Consultant Selection meeting or devising another method in conjunction with including members on the committee from these departments. The specific process and procedure will be covered in the Consultant Selection Committee Process.
- 7.2 City Engineer Division will implement Recommendation 4.1 of this report and will review the need for creating a separate report for reporting the annual results of the committee selections. The specific process and procedure will be covered in the Consultant Selection Committee Process.

Estimated Date of Completion:

December 31, 2011