

Memorandum



CITY OF DALLAS
Bid Review #S15-012

DATE: August 19, 2015

TO: A.C. Gonzalez, City Manager
Michael Frosch, Director – Department of Business Development and Procurement Services
Mark Duebner, Director – Department of Aviation

SUBJECT: Independent Auditor's Report on Applying Agreed-Upon Procedures for Sole Source Procurement: Department of Aviation – Airport Apron Passenger Transportation Vehicle, \$525,000

Attached for your review is the *Independent Auditor's Report on Applying Agreed-Upon Procedures for Sole Source Procurement: Department of Aviation – Airport Apron Passenger Transportation Vehicle*. These agreed-upon procedures are described in Attachment I.

The following exceptions were noted as a result of applying the Agreed-Upon Procedures as shown in Attachment I:

- The Department of Business Development and Procurement Services (BDPS) and the Department of Aviation (AVI) did not perform adequate research to identify other potential vendors capable of providing the same item.
- The Airport Apron Passenger Transportation Vehicle procurement does **not** meet the exemptions from competitive bidding as specified in the State of Texas Local Government Code (TLGC) Chapter 252.022 (a) (7) because the procurement item is available from more than one source.
- Price reasonableness could not be determined based on BDPS' analysis.

In addition, the Director of AVI declined to provide a signed Management Representation Letter (MRL) asserting to the accuracy and completeness of the representations made by AVI personnel during the course of the agreed-upon procedures. Because management makes many representations to the auditor, both oral and written, in response to specific inquiries or by providing data or reports, such representations are part of the evidential matter used to afford a reasonable basis for our conclusions. The Director of AVI's refusal to furnish written representations constitutes a limitation on the scope of the agreed-upon procedures.

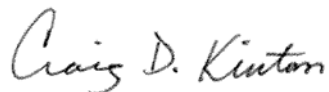
We have performed these agreed-upon procedures solely to assist the Dallas City Council and City of Dallas (City) management in evaluating the BDPS' compliance with the requirements of the Administrative Directive (AD) 4-5: *Contracting Policy* and the Texas

Local Government Code (TLGC) Chapter 252, *Purchasing and Contracting Authority of Municipalities*.

The Dallas City Charter Chapter IX, Section 3, and the Office of the City Auditor's Fiscal Year 2015 Annual Audit Plan approved by the City Council authorized these agreed-upon procedures projects.

If you have any questions, please contact me at 214-670-3222 or, Carol A. Smith, First Assistant City Auditor, at 214-670-4517.

Sincerely,



Craig D. Kinton
City Auditor

Attachments

- C: Honorable Members of the Budget, Finance & Audit Committee
- Ryan S. Evans, First Assistant City Manager
- Jeanne Chipperfield, Chief Financial Officer
- Robert Sims, Senior Assistant City Attorney
- Don Knight, Assistant City Attorney
- Stephanie Cooper, Assistant Director – BDPS
- Mario Alvarado, Procurement Manager – BDPS
- Richard Matthews, Buyer – BDPS

City of Dallas Office of the City Auditor
Independent Auditor's Report on Applying Agreed-Upon Procedures

Sole Source Procurement:
Department of Aviation –
Airport Apron Passenger Transportation Vehicle

We have performed the procedures described in Attachment I, which were agreed to by the Department of Business Development and Procurement Services (BDPS), solely to assist the Dallas City Council and City of Dallas (City) management in evaluating BDPS's compliance with the exemptions from competitive bidding as specified in the State of Texas Local Government Code (TLGC) Chapter 252.022 **General Exemptions** (a) (7) – *a procurement of items that are available from only one source.*

The following exceptions were noted as a result of applying the Agreed-Upon Procedures as shown in Attachment I:

- The BDPS and the Department of Aviation (AVI) did not perform adequate research to identify other potential vendors capable of providing the same item.
- The Airport Apron Passenger Transportation Vehicle procurement does **not** meet the exemptions from competitive bidding as specified in the State of Texas Local Government Code (TLGC) Chapter 252.022 (a) (7) because the procurement item is available from more than one source.
- Price reasonableness could not be determined based on BDPS' analysis.

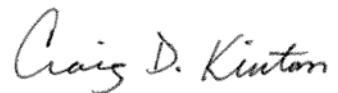
In addition, the Director of AVI declined to provide a signed Management Representation Letter (MRL) asserting to the accuracy and completeness of the representations made by AVI personnel during the course of the agreed-upon procedures. Because management makes many representations to the auditor, both oral and written, in response to specific inquiries or by providing data or reports, such representations are part of the evidential matter used to afford a reasonable basis for our conclusions. The Director of AVI's refusal to furnish written representations constitutes a limitation on the scope of the agreed-upon procedures.

The BDPS is responsible for the establishment of the policies and procedures and for compliance with those requirements. The BDPS is also responsible for ensuring compliance with the Administrative Directive (AD) 4-5: *Contracting Policy* and TLGC requirements.

These agreed-upon procedures were conducted in accordance with United States generally accepted government auditing standards, which incorporate attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Dallas City Council and City management and it is not intended to be and should not be used by anyone other than this specified party; however, the report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Craig D. Kinton".

Craig D. Kinton, CPA
City Auditor

August 19, 2015

Agreed-Upon Procedures and Results of Procedures

*Sole Source Procurement:
 Department of Aviation – Airport Apron Passenger Transportation Vehicle
 August 19, 2015*

Agreed-Upon Procedures	Results of Procedures
<p>1. Verify that the documentation to support the sole source procurement is provided by the Department of Business Development and Procurement Services (BDPS) and applicable City of Dallas (City) departments.</p> <ul style="list-style-type: none"> • Verify that BDPS has obtained written justification on the vendor’s letterhead as to why the procurement is a sole source • Verify that BDPS performed the required research on the Thomas Register of American Manufacturers and sought additional information to ensure that like products and/or services were not available 	<p>Exception</p> <p>The BDPS and the Department of Aviation (AVI) did not perform adequate research to identify other potential vendors capable of providing the same item.</p>

Agreed-Upon Procedures	Results of Procedures
<p>2. Review the documentation provided by BDPS to determine whether the goods/service are available from only one source in accordance with the Texas Local Government Code, Chapter 252.022 (a) (7):</p> <ul style="list-style-type: none"> • Existence of patents, copyrights, secret processes, or natural monopolies • Films, manuscripts, or books • Gas, water, and other utility services • Captive replacement parts or components for equipment • Books, papers, and other library materials for a public library that are available from the persons holding exclusive distribution rights to the materials; and, management services provided by a nonprofit organization to a municipal museum, park, zoo, or other facility to which the organization has provided significant financial or other benefits 	<p>Exception</p> <p>The Airport Apron Passenger Transportation Vehicle procurement does not meet the exemptions from competitive bidding as specified in the State of Texas Local Government Code (TLGC) Chapter 252.022 (a) (7) because the procurement item is available from more than one source.</p>
<p>3. Verify the mathematical accuracy of the vendor's quote and/or estimated costs of the goods and/or services.</p>	<p>No exceptions were found as a result of applying the procedure.</p>
<p>4. Evaluate the basis, including prior procurement history (if applicable), used for determining price reasonableness of the vendor's quote and/or estimated costs of the goods and/or services.</p>	<p>Exception</p> <p>Price reasonableness could not be determined based on BDPS' analysis.</p>
<p>5. Verify that BDPS used the Federal System for Award Management (SAM) website to confirm that the vendor is not currently listed.</p>	<p>No exceptions were found as a result of applying the procedure.</p>