

Memorandum



CITY OF DALLAS
(Report No. A13-003)

DATE: December 7, 2012

TO: Honorable Mayor and Members of the City Council

SUBJECT: Audit of Administrative Actions¹

The preparation, authorization, and review of Administrative Actions (AAs) processed during Fiscal Year (FY) 2011, as well as six months before and after, met applicable City of Dallas (City) guidelines and criteria. Audit testing of AAs showed:

- AAs were processed in compliance with City Code and Administrative Directive (AD) 4-5, *Contracting Policy*
- City departments initiating the AAs made no attempts to bypass competitive bid requirements and/or City Council approval processes
- All AAs were accounted for and processed

Background

The City Council delegated approval authority to the City Manager to authorize various expenditures through the use of an AA as specified in City Code Chapter 2, Administration, Article IV, Purchasing:

- Section 2-30(d) *General Delegation of Contracting Authority*
- Section 2-31 *Rules Regarding Expenditures Not Exceeding \$25,000*

During FY 2011, as well as six months before and after, the City issued 2,028 AAs, excluding AAs with zero dollar amounts and AAs with negative dollar amounts, for a total of \$20,211,068. Five departments issued \$13,331,648, or 66 percent, of the total AAs issued (see Attachment I).

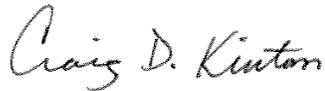
Source: City Code, FY 2011 AAs

¹ We conducted an *Audit of Administrative Actions* under the authority of the City Charter, Chapter IX, Section 3. This audit was part of our Fiscal Year 2012 Audit Plan approved by the City Council. 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, 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 audit objectives were to determine whether AAs issued during Fiscal Year (FY) 2011, as well as six months before and after, complied with applicable guidelines and criteria, were not used to bypass the competitive bid process, and were all processed and accounted for. We interviewed key department personnel, reviewed applicable guidelines that include Sections 2-30 and 2-31 of the City Code and Administrative Directive 4-5, and reviewed internal records relating to Administrative Actions.

We would like to acknowledge City management's cooperation and timely response in providing the information needed to complete this audit. The audit results were provided to and discussed with City management, and, due to the positive results of the audit, no written response was required.

If you have any questions or need additional information, 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: Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Rosa Rios, City Secretary
Michael Frosch, Director – Department of Business Development & Procurement Services

Background

An Administrative Action (AA) is a form document established by the City Manager's Office to award a contract or otherwise authorize expenditure of City of Dallas (City) funds when a City Council Resolution is not required or a purchase order is not permitted. AAs are contracting actions that the City Council delegates to the City Manager as specified in City Code, Chapter 2, *Administration*, Article IV *Purchasing*, Section. 2-30(d) *General Delegation of Contracting Authority*² which describes the types of contracting actions that the City Manager, or her designee, can approve by AA without further City Council approval. Administrative Directive (AD) 4-5, *Contracting Policy*, establishes the general guidelines and procedures for contracting, including specific procedures for authorizing a transaction by AA.

Authorized Transactions

AAs may be used to authorize the following types of transactions:

- Low bid, budgeted construction service or facility construction contracts exceeding \$25,000, but not exceeding \$50,000
- Professional, personal, or planning service contracts of \$25,000 or less
- Contract amendments to non-bid contracts involving an increase of \$25,000 or less, or any decrease per City Code Sec. 2-30(d)(5)(A) and (B)
- WRR-FM non-bid expenditures: \$50,000 or less for purposes listed in Sec. 2-79(c) of the City Code
- All change orders involving an increase or decrease of \$25,000 or less to a contract, where authority has not been delegated by the City Manager to a department director to execute an Administrative Change Order (the cumulative total of all change orders may not exceed 25 percent of the original contract price on contracts required to be procured through a request for bid or Request for Competitive Sealed Proposal (RFCSP))

² On June 21, 2012, the City Council approved Ordinance No. 28705 which amended Section 2-30(d) by raising the threshold on when a City contract must be competitively bid or approved by the City Council from \$25,000 to \$50,000 as authorized by State law. Ordinance No. 28705 also raised the thresholds for City Manager authorized expenditures processed by Administrative Action not to exceed \$50,000. Previously, contracts requiring a City expenditure exceeding \$25,000, but not exceeding \$50,000, for the purchase of goods, general services, or construction services were required to be procured through competitive bid or competitive sealed proposal. These dollar limits were increased to a City expenditure exceeding \$50,000, but not exceeding \$70,000 by the Ordinance No. 28705 which became effective September 15, 2012.

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- Insurance contracts and miscellaneous expenditures for lawful municipal purposes (except purchase orders) of \$25,000 or less
- Other actions for which administrative approval authority is expressly delegated by the City Charter or ordinance

Processing Responsibilities

The initiating department is responsible for preparing the AA form. The department director: (1) reviews the department's budget to ensure funds are available to cover the transaction and that the AA is complete; and, (2) monitors that multiple AAs are not initiated to the same vendor for the same service/ commodity during a 12 month period. Once the department level review is complete, the department director approves and signs the AA form, along with the supporting documentation, and routes the AA and the supporting documentation to the following for review, approval, and signature:

- City Manager's Office (Assistant City Manager approves and signs)
- City Attorney's Office (approves as to form)
- City Secretary (reviews for completeness and assigns AA number)

AAs Issued During the Audit Period

During FY 2011, as well as six months before and after, the City issued 2,028 AAs, excluding AAs with zero dollar amounts and AAs with negative dollar amounts, totaling \$20,211,068. Five departments issued AAs totaling \$13,331,648, or 66 percent, of the \$20,211,068 AAs issued.

On the following page are tables for the top five AA user departments/offices by number of AAs issued (Table A) and by highest dollar amount of AAs issued (Table B).

Table I

Number of AAs Issued by the Top Five AA User Departments/Offices

Department / Office	Number
Cultural Affairs	516
Park & Recreation	323
Public Works	284
Housing / Community Services	103
City Attorney	101
Total	1,327

Table II

Dollar Amount of AAs Issued by the Top Five AA User Departments/Offices

Department/Office	Dollar Amount
Public Works	\$ 4,174,250
Park & Recreation	3,263,234
Housing / Community Services	2,505,775
Cultural Affairs	1,789,176
City Attorney	1,599,213
Total	\$ 13,331,648