

# Memorandum



CITY OF DALLAS  
Bid Review # S14-005

DATE: June 3, 2014

TO: A.C. Gonzalez, City Manager  
Jo M. (Jody) Puckett, P.E., Director – Department of Dallas Water Utilities  
Michael Frosch, Director – Department of Business Development and Procurement Services

SUBJECT: Independent Auditor's Report on Applying Agreed-Upon Procedures for  
Single Bid # BP1401: Department of Dallas Water Utilities – Maintenance and Repair of  
Ozone Generation Equipment, \$3,702,948.55

Attached for your review is the Independent Auditor's Report on Applying the Agreed-Upon Procedures for Single Bid # BP1401: Department of Dallas Water Utilities – Maintenance and Repair of Ozone Generation Equipment.

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

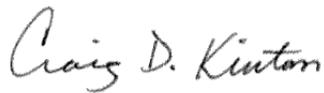
- It appears the bid specifications restricted competition by including duplicate tasks for Group 1, items 1 through 4. The specifications required bidders to provide pricing for both cleaning all dielectric glass tubes and replacing the same glass tubes. According to vendors who expressed interest in bidding, the specifications were confusing. Although the Department of Business Development and Procurement Services (BDPS) answered vendor questions and provided addenda to clarify the specifications, the duplicate tasks were not removed. Vendors asserted the specifications were still confusing and did not submit bids.
- Price reasonableness could not be determined from BDPS' analysis or from prior procurement history
- The initial recommended bid price of \$4,654,867.55 included duplicate tasks for Group 1, items 1 through 4. After the auditor brought this duplication to the attention of BDPS and the Department of Dallas Water Utilities (DWU), the departments removed Group 1, items 1 through 2, thereby reducing the recommended bid by \$951,919.

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

The Dallas City Charter Chapter IX, Section 3, and the Office of the City Auditor's Fiscal Year 2014 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  
Forest Turner, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Kenneth Delregno, Assistant Director – DWU  
James Carrigan, General Coordinator II – DWU  
John Kohut, Business Manager – BDPS  
Farouk Hashem, Buyer – BDPS

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

*Single Bid # BP1401:  
Department of Dallas Water Utilities –  
Maintenance and Repair of Ozone Generation Equipment*

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

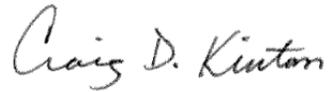
The following exceptions were noted as a result of applying the Agreed-Upon Procedures as shown in Attachment I:

- It appears the bid specifications restricted competition by including duplicate tasks for Group 1, items 1 through 4. The specifications required bidders to provide pricing for both cleaning all dielectric glass tubes and replacing the same glass tubes. According to vendors who expressed interest in bidding, the specifications were confusing. Although BDPS answered vendor questions and provided addenda to clarify the specifications the duplicate tasks were not removed. Vendors asserted the specifications were still confusing and did not submit bids.
- Price reasonableness could not be determined from BDPS' analysis or from prior procurement history
- The initial recommended bid price of \$4,654,867.55 included duplicate tasks for Group 1, items 1 through 4. After the auditor brought this duplication to the attention of BDPS and the Department of Dallas Water Utilities (DWU), the departments removed Group 1, items 1 through 2, thereby reducing the recommended bid by \$951,919.

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 BDPS. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment I 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 black ink that reads "Craig D. Kinton". The signature is written in a cursive, flowing style.

Craig D. Kinton, CPA  
City Auditor

**June 3, 2014**

**Attachment I**

**Agreed-Upon Procedures and Results of Procedures**

*Single Bid # BP1401:  
Department of Dallas Water Utilities –  
Maintenance and Repair of Ozone Generation Equipment  
June 3, 2014*

<b>Agreed-Upon Procedures</b>	<b>Results of Procedures</b>
<p><b>1.</b> Verify that the documentation to support the single bid procurement is provided by the Department of Business Development and Procurement Services (BDPS) and applicable City of Dallas (City) departments.</p>	<p><b>No exceptions were found as a result of applying the procedure.</b></p>
<p><b>2.</b> Review the bid specifications to ensure that the bid specifications were developed to encourage competition, prevent favoritism, and obtain the best price in the interest of the City.</p>	<p><b>Exceptions</b></p> <ul style="list-style-type: none"> <li>• It appears the bid specifications restricted competition by including duplicate tasks for Group 1, items 1 through 4. The specifications required bidders to provide pricing for both cleaning all dielectric glass tubes and replacing the same glass tubes. According to vendors who expressed interest in bidding, the specifications were confusing. Although BDPS answered vendor questions and provided addenda to clarify the specifications the duplicate tasks were not removed. Vendors asserted the specifications were still confusing and did not submit bids.</li> <li>• The initial recommended bid price of \$4,654,867.55 included duplicate tasks for Group 1, items 1 through 4. After the auditor brought this duplication to the attention of BDPS and the Department of Dallas Water Utilities (DWU), the departments removed Group 1, items 1 through 2, thereby reducing the recommended bid by \$951,919.</li> </ul>

<b>Agreed-Upon Procedures</b>	<b>Results of Procedures</b>
3. Confirm that the bid package was posted for the appropriate period of time on the City's website.	<b>No exceptions were found as a result of applying the procedure.</b>
4. Confirm that the bid package was properly advertised in the newspaper.	<b>No exceptions were found as a result of applying the procedure.</b>
5. Confirm that BDPS applied the correct commodity codes and classes to identify potential bidders.	<b>No exceptions were found as a result of applying the procedure.</b>
6. Confirm that BDPS sent solicitation notices to the identified potential bidders in step 5.	<b>No exceptions were found as a result of applying the procedure.</b>
7. Review BDPS' analysis of no bids to determine that there were no other bidders and verify the information used by BDPS in the no bid analysis.	<b>No exceptions were found as a result of applying the procedure.</b>
8. If applicable, review BDPS' analysis of disqualified bidders and verify the validity of the bidder's disqualification.	<b>Not applicable as there was only one bidder.</b>
9. Review the bidder's response package to determine whether the bidder has completed the bid response, business information form, Business Inclusion and Development Affidavit, and/or other required documentation.	<b>No exceptions were found as a result of applying the procedure.</b>
10. Evaluate the criteria or the basis used by BDPS to determine whether BDPS has performed analysis on the reasonableness of the bid price and verify the information used by BDPS in the price reasonableness analysis.	<b>Exception</b> Price reasonableness could not be determined from BDPS' analysis or from prior procurement history.
11. Verify the mathematical accuracy of the bidder's quote and/or estimated costs of the goods and/or services.	<b>No exceptions were found as a result of applying the procedure.</b>
12. Review the prior procurement history, if applicable, of the goods and/or services to determine the basis for price reasonableness.	<b>Exception</b> Price reasonableness could not be determined from BDPS' analysis or from prior procurement history.

<b>Agreed-Upon Procedures</b>	<b>Results of Procedures</b>
<p><b>13.</b> Determine if a bid security should have been secured and to what extent and confirm that the bid security has been paid by the bidder.</p>	<p><b>No exceptions were found as a result of applying the procedure.</b></p>
<p><b>14.</b> Review the bid recommendation letter and confirm that appropriate levels of signatures were obtained based on the monetary value of the bid.</p>	<p><b>No exceptions were found as a result of applying the procedure.</b></p>
<p><b>15.</b> Verify that BDPS used the Federal System for Award Management (SAM) website to confirm that the vendor is not currently excluded.</p>	<p><b>No exceptions were found as a result of applying the procedure.</b></p>