

Memorandum



CITY OF DALLAS
(Report No. E16-001)

DATE: May 24, 2016

TO: A.C. Gonzalez, City Manager
Michael Frosch, Director – Department of Business Development and Procurement Services
Sarah Standifer, Director – Department of Trinity Watershed Management

SUBJECT: Independent Auditor's Report on Applying Agreed-Upon Procedures for
Bid # CIZ1566: Department of Trinity Watershed Management – Storm Drainage Improvements
Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \$209,894,515

Attached for your review is the *Independent Auditor's Report on Applying Agreed-Upon Procedures for Bid # CIZ1566: Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement*.

The Agreed-Upon Procedures are included in Attachment I. Exceptions were noted for numbers 11, 13, and 14. Based upon the advice of the Interim City Attorney, in anticipation of litigation, the details for these exceptions are omitted from this report, and the Interim City Attorney advises that he is prepared to respond to City Council questions about the related legal issues in executive session.

We have performed these procedures solely to assist the Dallas City Council and City of Dallas (City) management in evaluating the Department of Business Development's (BDPS) and TWM's compliance with the requirements of Texas Local Government Code (TLGC) Chapter 252, *Purchasing and Contracting Authority of Municipalities; Government Code*, Chapter 2269; and, Administrative Directive (AD) 4-05: *Contracting Policy*.

The Dallas City Charter Chapter IX, Section 3, and the Office of the City Auditor's Fiscal Year 2016 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,

A handwritten signature in black ink that reads "Craig D. Kinton".

Craig D. Kinton
City Auditor

Attachments

Independent Auditor's Report on Applying Agreed-Upon Procedures:
Bid # CIZ1566 Department of Trinity Watershed Management – Storm Drainage Improvements
Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement
May 24, 2016
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C: Honorable Mayor and Members of the City Council
Christopher D. Bowers, Interim City Attorney
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Jennifer Cottingham, P.E., Assistant Director – TWM Stormwater Management
Milton Brooks, P.E., Senior Engineer – TWM
Stephanie Cooper, Assistant Director – BDPS
Zarin Gracey, Executive General Manager – BDPS
Mario Alvarado, Procurement Manager – BDPS

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

*Bid # CIZ1566: Department of Trinity Watershed Management –
Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas
Drainage Relief Tunnel Procurement*

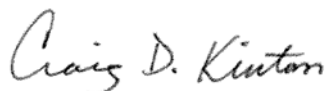
We have performed the procedures described in Attachment I, which were agreed to by the Department of Business Development and Procurement Services (BDPS) and the Department of Trinity Watershed Management (TWM), solely to assist the City of Dallas (City) City Council and City management in evaluating the BDPS' and TWM's compliance with the requirements of the Texas Local Government Code (TLGC) Chapter 252, *Purchasing and Contracting Authority of Municipalities; Government Code*, Chapter 2269; and, Administrative Directive (AD) 4-05: *Contracting Policy*. The BDPS and TWM are responsible for the establishment of the policies and procedures and for compliance with those requirements.

Exceptions were noted for agreed-upon procedures numbers 11, 13, and 14. Based upon the advice of the Interim City Attorney, in anticipation of litigation, the details for these exceptions are omitted from this report, and the Interim City Attorney advises that he is prepared to respond to City Council questions about the related legal issues in executive session.

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 TWM and 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 these specified parties; however, the report is a matter of public record and its distribution is not limited.



Craig D. Kinton, CPA
City Auditor

May 24, 2016

Bid # CIZ1566
Department of Trinity Watershed Management Department –
Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas
Drainage Relief Tunnel Procurement
May 24, 2016

Agreed-Upon Procedures	Results
1. Verify the documentation to support the procurement is provided by the Department of Trinity Watershed Management (TWM), the Department of Business Development and Procurement Services (BDPS), and other applicable City of Dallas (City) departments.	No exceptions were found as a result of applying the procedure.
2. Review the bid specifications to ensure the bid specifications were developed to encourage competition, prevent favoritism, and obtain the best price in the interest of the City.	No exceptions were found as a result of applying the procedure.
3. Confirm the bid specifications identify the criteria for which the City could determine that a bid is “responsible.”	No exceptions were found as a result of applying the procedure.
4. Confirm the bid specifications were posted for the appropriate period of time on the City’s website.	No exceptions were found as a result of applying the procedure.
5. Confirm notification of the bid specifications was properly advertised in the newspaper.	No exceptions were found as a result of applying the procedure.
6. Confirm BDPS applied the correct commodity codes and classes to identify potential bidders.	No exceptions were found as a result of applying the procedure.
7. Confirm BDPS sent solicitation notices to the identified potential bidders identified in step 6.	No exceptions were found as a result of applying the procedure.
8. Confirm a pre-bid conference was held.	No exceptions were found as a result of applying the procedure.

Agreed-Upon Procedures	Results
<p>9. Confirm bids were received on time and that only sealed bids were accepted, opened, and subsequently read.</p>	<p>No exceptions were found as a result of applying the procedure.</p>
<p>10. Confirm the bidders' response packages (three lowest bids) received include all information required by the bid specifications.</p>	<p>No exceptions were found as a result of applying the procedure.</p>
<p>11. Verify TWM's evaluation of the three lowest bids received for the areas described in the bid specifications, including the contractor's:</p> <ul style="list-style-type: none"> a) financial capability b) contractor experience c) safety record d) prior contract performance e) environmental record 	<ul style="list-style-type: none"> a) No exceptions were found as a result of applying the procedure. b) Exception c) Exception d) Exception <p>Based upon the advice of the Interim City Attorney, in anticipation of litigation, the details for these exceptions are omitted from this report, <u>and the Interim City Attorney advises that he is prepared to respond to City Council questions about the related legal issues in executive session.</u></p> <ul style="list-style-type: none"> e) No exceptions were found as a result of applying the procedure.
<p>12. Verify if TWM performed due diligence by consulting with the other City Departments, such as the City Attorney's Office, when developing the specifications and evaluating of the bidders.</p>	<p>No exceptions were found as a result of applying the procedure.</p>

Agreed-Upon Procedures	Results
<p>13. Verify the contracts TWM had with three consulting firms (participating in the procurement evaluation) included conflict of interest policies or disclosure requirements. If so, determine if those policies or requirements were properly followed.</p>	<p>Exception</p> <p>Based upon the advice of the Interim City Attorney, in anticipation of litigation, the details for this exception is omitted from this report, <u>and the Interim City Attorney advises that he is prepared to respond to City Council questions about the related legal issues in executive session.</u></p>
<p>14. Determine whether TWM had conflict of interest policies or disclosure requirements in place for the bidding companies. If so, determine if those policies or requirements were properly followed.</p>	<p>Exception</p> <p>Based upon the advice of the Interim City Attorney, in anticipation of litigation, the details for this exception is omitted from this report, <u>and the Interim City Attorney advises that he is prepared to respond to City Council questions about the related legal issues in executive session.</u></p>
<p>15. Confirm the City followed Minority and Women-Owned Business Enterprise (M/WBE) program requirements for ensuring sub-contractors were certified to work on City procurements.</p>	<p>No exceptions were found as a result of applying the procedure.</p>