

Memorandum



CITY OF DALLAS
(Report No. A09-002)

Date: November 21, 2008

To: Honorable Mayor and Members of the City Council

Subject: Final Report – Evaluation of Risk Management Services Process for Ensuring Compliance With Construction Contract Insurance Requirements

Risk Management Services (Risk Management) relies on departments to provide information on construction projects that need insurance requirement reviews. The Office of the City Auditor conducted survey tests in July 2007 and identified potential problems with the insurance requirement review process; however, audit tests conducted in September 2008 did not identify any problems with the insurance requirement process. Our analysis of the selected files showed adequate documentation of insurance coverage throughout the construction project. Risk Management is revising their insurance requirement review process to begin issuing a monthly report to each department for review and update of construction project information.

The objective of our audit was to evaluate the construction contract insurance requirements process followed by Risk Management. In July 2007, we sampled 51 of 447 construction projects in the Dallas Water Utilities (DWU) Department, and Public Works and Transportation (PWT) Department. In September 2008, we sampled 18 of 154 construction contracts files in DWU which had payments made during October 1, 2007 through July 31, 2008.

To accomplish our objective, we reviewed the contract management processes, interviewed Risk Management and other department staff, reviewed contracts and certificates of insurance.

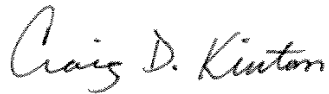
This audit was conducted under authority of the City Charter, Chapter IX, Section 3 and in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Risk Management Services is a division within the City of Dallas Human Resources Department. One responsibility of Risk Management Services is to ensure contractor property and liability insurance coverage protects the assets of the City against losses. This is accomplished by reviewing and monitoring insurance requirements on construction projects.

We appreciate the cooperation of City management. A written response to this report was not required.

If you have any questions or need additional information, please contact me at 214-670-3222 or Gary Lewis, Assistant City Auditor, at 214-670-5347.

Sincerely,

A handwritten signature in black ink that reads "Craig D. Kinton". The signature is written in a cursive, flowing style.

Craig D. Kinton
City Auditor

C: Mary Suhm, City Manager
Ramon F. Miguez, P. E., Assistant City Manager
David Etheridge, Director – Human Resources / Risk / Safety