

Performance Audit

**ALLEGHENY COUNTY
SANITARY AUTHORITY
(ALCOSAN)**

Report by the
Office of City Controller

**MICHAEL E. LAMB
CITY CONTROLLER**

Douglas W. Anderson, Deputy Controller

Gloria Novak, Assistant Management Auditor

Bette Ann Puharic, Performance Auditor

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TABLE OF CONTENTS

	<u>PAGE</u>
Executive Summary	i-viii
Introduction and Overview	1
Objectives	5
Scope.....	6
Methodology	7
Findings and Recommendations:	
Professional Service Contracts	8
Implementation Status of Past Audit Recommendations	9
Contract File Checklist Testing	17
The Records and Documentation Control Master File Checklist Test Result...17	
Construction Contracts Award Process Compliance.....	18
Commodity and Materials Contract Award Process Compliance.....	21
Sub-Contracting Practices	23
MBE/WBE/DBE Goals	23
ALCOSAN Hiring Practices	25
Tables:	
Table 1 – Construction Contracts Process Compliance.....	19
Table 2 – Commodity and Materials Contract Process Compliance	22



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

August 13, 2014

To the Honorables: Mayor William Peduto and
Members of Pittsburgh City Council:

The Office of City Controller is pleased to present this performance audit of the *Allegheny County Sanitary Authority (ALCOSAN)* conducted pursuant to the Controller's powers under Section 404(c) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

In 2009 the City Controller and the Allegheny County Controller jointly conducted a performance and fiscal audit of the Allegheny County Sanitary Authority. The City Controller's Performance audit focused on procurement practices for Professional Service, Construction, Materials and Commodities Contracts. Twelve (12) recommendations for improvement were made of which 11 ALCOSAN agreed with.

This audit assesses ALCOSAN's implementation of the 2009 audit procurement process recommendations, evaluates current contract documentation compliance, reviews MBE/WBE/DBE procedures and documentation, and employee hiring practices.

Findings and Recommendations

Finding: Procedures for awarding Professional Service contracts, Construction contracts, and Material and Commodity contracts (Purchase of Goods) have remained unchanged since the 2009 audit.

Professional Service Contracts (PSC)

Finding: ALCOSAN does not always follow its written Professional Service Contract Award Process. Contracts can be awarded through the standard award procedures, awarded directly to a Retained Consultant or be awarded as a Continuation of Service to the current contractor.

Retained Consultant (Engineer of Record)

Finding: ALCOSAN maintains one retained consultant (engineer of record) and has used the same engineering company for many years.

Finding: The retained consultant can be contracted immediately to begin work on a project saving ALCOSAN time when engineering services are required.

Recommendation: Because the retained consultant was awarded “many years ago”, ALCOSAN should investigate whether rebidding this contract would save the Authority money.

Revising Contract Award Process

Recommendation: Revised PSC procedures should formalize the practices used for awarding contracts to Retained Consultants and awarding Contract Continuances that by-pass the formal contract award process (Request for Qualification, etc.).

Implementation Status of Past Audit Recommendations

Eleven (11) of the 12 recommendations made in 2009 ALCOSAN agreed with.

2009 Recommendation Not Implemented

Finding: Recommendation No. 1 to follow State procurement requirements for Professional Service contract award recommendations has not been implemented. ALCOSAN needs to specify in writing how the recommended firm meets the “evaluation factors set forth in the request for proposals”.

Finding: Nowhere in the testing sample contract award documentation was it specified in writing how the recommended firm met the “evaluation factors set forth in the request for proposals”; rather the contracts in the testing sample were awarded using different evaluative criteria.

Recommendation: When ALCOSAN Division Staff prepares and issues Request for Proposals (RFP) a checklist of key evaluation factors should be made for the Evaluation and Review Committee to use in the award process. This will ensure that responders to the RFP will all be evaluated on the factors in the proposal.

2009 Recommendations Implemented

Finding: The following recommendations were implemented: No. 2, PSC’s should be kept on a data base and numbered or develop some other identification system; No 3, Professional Service Contracts should be kept in one location and No. 4, documents, whether prepared in-house or by the outside consultant, should be dated and include the name of the preparer, their position with the Authority or their firm.

Finding: In response to the 2009 audit findings and recommendations, ALCOSAN created a new position titled Records and Documentation Manager (RDM).

Finding: The Records and Documentation Manager is responsible for organizing all Professional Service Contracts and, according to the RDM, will be responsible for organizing Construction/Commodity and Material Contracts in the future.

Finding: Since being hired, the Records and Documentation Manager's primary concern has been implementing the Controller's 2009 audit recommendations concerning the Professional Service Contracts.

Finding: The Records and Documentation Manager maintains a list of all contracts and stores all contracts in a central location. Additionally the RDM created a numbering system to organize and identify all contract files and developed two ways to locate a contract within the data base: alphabetically by company name and by project number.

Recommendation: Creating the position of Records and Documentation Manager was an excellent and proactive response to the Controller's 2009 audit. This position should be continued for Professional Service Contract files and expanded to include organizing Construction Contract files.

Finding: The RDM created a Records and Document Control Master File Checklist that is placed at the beginning of every professional contract file. This Checklist helps to insure that the contract award process is followed.

Finding: Other ALCOSAN Department Personnel do not follow the new procedures and include the RDM in the contract award process

Recommendation: ALCOSAN Administration should make training Department Personnel to include the RDM in the contract award process a top priority.

Finding: Documents in the Professional Service contract files were well organized. Documents identified the preparer by name and date and were stapled together when necessary. No loose unidentified or unexplained documents were found in the contract files.

2009 Recommendations in Process of Being Implemented

Finding: The following recommendations are in the process of being implemented: No. 7, ALCOSAN needs to update its flowchart to include all steps routinely used in the awarding of Professional Service Contracts; No. 9, a rating system with objective rating criteria should be used to determine the qualifications of firms submitting Statement of Qualifications; No. 10, a

step by step process for awarding Professional Service Contract extensions should be flowcharted as are the other contract award processes.

Finding: ALCOSAN administration and some members of the Board of Directors are working on revising and flowcharting all PSC award procedures including contract extensions.

Finding: The Records and Document Control Master File Checklist created by the Records and Documentation Manager (RDM) requires documentation of the “Final Consultant Selection Scoring and Ranking”.

Finding: Three (3) of the 10 contracts (30%) in the sample had the “Final Consultant Selection Scoring and Ranking” checked with the scoring and ranking information contained in the contract file.

Recommendation: Having the Records and Document Control Master File Checklist contain a line for “Final Consultant Selection Scoring and Ranking” is a good reminder for the Selection Committee to score and rank contract responders. However, Selection Committee Members must make sure that the process is followed and a copy of the process put in the Contract File.

Finding: Originally the chosen PSC sample included four (4) contracts awarded to the Retained Consultant and nine (9) contracts awarded for Continuation of Service. These Continuation of Service Award Contracts are Contract Extensions.

2009 Recommendations Not Found in Sample to Verify

Recommendation No. 5, any deviation from formal contracting procedures should be explained and documented; and Recommendation No. 6, all informal contract procedures should be documented, were suggested in 2009 because some contracts were awarded informally and not documented. Examples of non-documented contract procedures were telephone conversations and e-mails.

Finding: No PSC in the sample was awarded by use of a telephone call or e-mail.

Finding: Three (3) of the 10 contract files in the sample did not document why the contract was awarded to the chosen contractor and were from 2011. This was when the use of the checklist started and the missing information from the contract files could be considered part of a learning curve.

2009 Recommendation Partially Implemented

Finding: The following recommendation has been partially implemented: No. 8, estimated or projected man hours and costs should be included with all contracts.

Finding: None of the 10 contract files reviewed in the sample had an in-house or consultant report with estimated man hours and costs for the projects as recommended.

Finding: ALCOSAN believes its Record of Negotiation Form complies with this recommendation.

Finding: The Record of Negotiation Form has been in use since 2012 and does not have a place for an in-house or consultant report with estimated man hours and costs nor lines for the names and the signatures of the negotiators.

Recommendation: The Record of Negotiation Form should be revised to include the names and signatures of the negotiators.

Recommendation: A form should be developed for The Estimated Cost of Each Contract and it should be completed after the RFPs are sent out. A copy of this signed in-house or consultant estimate should be included in the contract files.

Recommendation: A line for the new estimated or projected man hours and costs form should be added to The Records and Document Control Master File Checklist.

Recommendation: This process should be included in the ALCOSAN administration and Board of Directors revised PSC award procedures.

Contract File Checklist Testing

Finding: For Professional Service Contract files, a Records and Document Control Master File Checklist was created and is kept in the front of each contract file. This Checklist inventories all the documents required and gives an explanation why the documents are missing, when applicable.

Recommendation: The contract amount and the name of the project manager should be added to the Records and Documentation Control Master File Checklist.

The Records and Documentation Control Master File Checklist Test Results

Finding: On the Records and Documentation Control Master File Checklist, documents are marked as either “Included”, “not Applicable” or left blank.

Finding: Documents for the contract files are given to the Records and Documents Manager (RDM) from the ALCOSAN department awarding the contract.

Finding: Of the 180 possible entries in the sample, 95 or 52% were accounted for as being in the contract file. The remaining 85 or 48% were either left blank or marked as not applicable.

Finding: Nine (9) documents were found in the contract files but were left blank on the Master File Checklist.

Finding: Ninety-eight percent (98%) of the paperwork marked as being in the contract files were found in the contract files.

Construction Contracts Award Process Compliance

Finding: Ten (10) of the 11 contracts had the required Cost Estimate for a construction project. Of the 10, 3 or 30% of the estimates were calculated over the actual cost of the project and 7 or 70% of the estimates were calculated under the actual cost of the project.

Finding: Every contract in the sample was awarded to the lowest responsible bidder.

Finding: Eight (8) of the 10 categories had 90% evidence of documentation.

Finding: Documentation of the Executive Directors Recommendation to the Board was not found in any of the contracts. The auditors were told that this authorization occurs when the request appears on the Board memorandum for approval.

Bid Packet Addendums

Finding: Seven (7) out of the 13 contracts contained an addendum to the original bid packet. All 7 contract files showed proof that potential bidders were sent the addendum package in a timely manner.

Change Orders

Finding: Two contracts in the auditor's sample that had change orders. One contract had a change order amount of +\$6,699.00. The other contract had two change order amounts; one for +\$27,023.75 and the other for +\$7,549.98.

Finding: The first contract had changes made on September 27, 2012. The original amount of the contract was \$304,800.00. The change order increased the contract amount to \$311,499.00 or a 2% increase.

Finding: The second contract had the changes made on January 28, 2013 and March 4, 2013. The original amount of the contract was \$1,588,000.00. The first change order was for an increase of \$7,549.98. This dollar amount increased the contract amount to \$1,595,549.98 or almost half of 1%. The second change order was for an increase of \$27,023.75. This dollar

amount increased the contract amount to \$1,622,573.73 or a full 1% over the original contract amount.

Finding: All change orders found in the testing sample were approved by the Executive Director and then approved by the Board of Directors.

Commodity and Materials Contract Award Process Compliance

Finding: Documentation of the Executive Directors Recommendation to the Board was not found in any of the contracts. The auditors were told that this authorization occurs when the request appears on the Board memorandum for approval.

Finding: Two (2) of the 9 categories had 90% evidence of documentation. The other 7 categories had 100% evidence of documentation.

Finding: Construction Contracts and Commodity and Material Contracts continue to have a high percentage of Award Process Compliance.

Sub-Contracting Practices

Finding: ALCOSAN does not directly hire any sub-contractors.

Finding: ALCOSAN RFP summary sheets require that each primary contractor list its sub-contractors and how much each sub-contracting company will be paid.

MBE/WBE/DBE Goals

Finding: ALCOSAN's website refers to DBE as Disabled Business Enterprises but the certification is for Disadvantaged Business Enterprises.

Recommendation: ALCOSAN should correct its website terminology of Disabled Business Enterprises to Disadvantaged Business Enterprises.

Finding: For Professional Service Contracts ALCOSAN requires that each contractor state a percentage Level of MBE/WBE Commitment and the dollar amount the MBE/WBE company will be paid on the Record of Negotiation Form.

Finding: For Construction, Commodity and Material Contracts ALCOSAN require a Bid Proposal Review Form be completed which requires the contractors MBE/WBE plans be reviewed by the ALCOSAN DBE Coordinator and percent participation be declared.

Finding: ALCOSAN will not award any contract unless the proposal includes MBE/WBE complete participation plans.

Recommendation: ALCOSAN's Records and Documentation Manager should add a line to the Professional Service's Records and Documentation Control Master File Checklist for confirmation of MBE/WBE/DBE participation.

Finding: In the sample, the auditors only found MBE/WBE/DBE Certificates for the primary contractors of Construction Contracts.

Finding: The auditors found no MBE/WBE/DBE certificates in the Professional Service Contract sample.

Finding: The auditors found no documentation in any of the sample that ALCOSAN verifies MBE/WBE/DBE participation once the contract is awarded.

Recommendation: ALCOSAN should develop a plan to verify that MBE/WBE/DBE participation at the rate of pay and percentage of work as stated in the awarded contract.

ALCOSAN Hiring Practices

Finding: ALCOSAN's website does not offer on-line job application submissions.

Finding: ALCOSAN's website states that applications and resumes will be retained for one year and the written procedures states they are retained for two years.

Recommendation: ALCOSAN's website should allow job applicants to apply on-line. This would make the process more transparent, easier and generate more applicants to choose from. Applying on-line is a common practice throughout the private and public sector.

Recommendation: ALCOSAN needs to update its website to agree with their written policy and procedures for the length of time applications and resumes are retained.

Sincerely,



Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the Allegheny County Sanitary Authority (ALCOSAN) was conducted pursuant to section 404(c) of the Pittsburgh Home Rule Charter. This is a follow-up to the performance audit section of the combined performance and fiscal audit released with the Allegheny County Controller in 2009. This audit assesses ALCOSAN's implementation of the 2009 audit procurement process recommendations, evaluates current contract documentation compliance, reviews MBE/WBE/DBE procedures and documentation and employee hiring practices.

OVERVIEW

ALCOSAN is a joint City-County Authority created under the Municipality Authorities Act, 53 Pa. C.S. §5601, *et seq.* Located along the Ohio River on the North Side of Pittsburgh, the Authority is responsible for the collection, transportation, treatment and disposal of sewage and some limited industrial wastewaters within its service area. ALCOSAN provides wastewater treatment services for the City of Pittsburgh, 82 other Allegheny County municipalities and sections of communities in Washington and Westmoreland Counties. The Authority serves nearly 900,000 customers, treating approximately 200 million gallons of wastewater and storm water per day. ALCOSAN's operations are supported solely by revenues generated through user fees; no tax monies are received.

ALCOSAN is governed by a seven member Board of Directors that serve staggered, five-year terms. Three members are appointed by Allegheny County, three by the City and one is jointly appointed by both. The Board meets monthly to discuss policy and to vote on resolutions. The meetings are open to the public. The Board is responsible for making all policy decisions regarding financial, operational and administrative procedures. ALCOSAN's Executive Director is responsible for implementing the Board's authorizations and policies and the Authority's day-to-day operations.

ALCOSAN has five divisions each headed by a Director: Director of Finance and Administration, Director of Operations and Maintenance, Director of Environmental Compliance, Director of Engineering and Construction and a Director of Regional Conveyance. The Authority employs approximately 339 employees.

History

To assure supplies of clean drinking water, the State legislature passed the Purity of Waters Act in 1905. The Act's standards for sewage disposal into state waterways applied to individuals, municipalities and corporations but exempted coal mines.

However, municipalities still dumped raw sewage into rivers and nearby streams and large quantities of untreated industrial waste were discharged directly into rivers. In 1945, the State Sanitary Board, under the authority of the Federal Clean Streams Act of 1937, ordered municipalities and industries in Allegheny County to stop polluting waterways. As a result, ninety-six of the municipalities and 36 of the industries agreed to participate in a countywide collection and treatment system.

The Allegheny County Sanitary Authority (ALCOSAN) was chartered in March of 1946 to implement a plan for meeting the state mandate to control water pollution. In 1955, the City of Pittsburgh became a member of the Authority. With miles of intercepting sewers, tunnels, regulators, pump stations and ejector stations, ALCOSAN's treatment plant was completed and began operation in 1959.

Contracts

ALCOSAN employs different procurement procedures for Construction contracts, Material and Commodity contracts (Purchase of Goods) and Professional Service contracts. Construction contracts include new construction and reconstruction of existing facilities. Professional Service contracts are specialized or skilled services such as engineering, architectural, consulting or construction management. Material and Commodity contracts are used to obtain, goods and supplies needed for the day to day operations.

Construction and Material and Commodity contracts where ALCOSAN will spend more than \$10,000 must be competitively bid and awarded to the lowest responsible bidder. Professional Service contracts are not competitively bid. ALCOSAN's Construction, Material and Commodity and Professional Service Contract award processes are as follows:

Construction and Material and Commodity (Purchase of Goods) Contracts >\$10,000

ALCOSAN is currently in need of many construction projects to meet Consent Decree compliance requirements such as eliminating all Sanitary Sewer Overflows from the Conveyance and Treatment System. Changes must be made to the system to prevent overflows when it rains and to increase usage volume at the plant. A comprehensive plan is being developed. Construction and Material and Commodity contracts are administered through ALCOSAN's Engineering and Construction and Purchasing Departments.

ALCOSAN flowcharts the Construction/ Material and Commodity Contract Award Process as follows:

1. ALCOSAN Division Staff and the Design Consultant prepare Construction Plans and Specifications. Additionally the Design Consultant Separates Prime Contractors, DEP and Local Permits, Sealed by a Professional Engineer.

2. ALCOSAN Managers Review and Approve Bid Documents.
3. ALCOSAN Directors Review and Approve Bid Documents.
4. ALCOSAN Executive Director Reviews and Approves Bid Documents.
5. Board of Directors Authorizes Contract for Advertisement.
6. ALCOSAN Division Staff Advertises Contract for Complete Bids—
Advertises in the Pittsburgh Post-Gazette and Pittsburgh Courier—allows 3 or
4 week Bid Period.
7. ALCOSAN Staff Holds Pre-Bid Meeting Within 7 to 10 Days After
Advertisement—Addendum(s) Issued for Clarification If Necessary.
8. ALCOSAN Division Staff Receives Sealed Bids at ALCOSAN Engineering
Building Until Bid Submittal Deadline.
9. ALCOSAN Division Staff Opens Bids and Reads Them Aloud.
10. Design Consultant Reviews Bids for—Completeness—Cost—
Qualifications—DBE Participation—Exceptions.
11. Construction Manager Review Bids (If Applicable).
12. ALCOSAN Division Staff Reviews Bids.
13. ALCOSAN Division Staff Prepares Bid Review Forms.
14. ALCOSAN Division Staff Determines Lowest Responsible Bidder.
15. ALCOSAN Division Staff Recommends Reward or Rejection of Contract to
ALCOSAN Executive Director.
16. ALCOSAN Executive Director (With Opinion of Solicitor) Recommends
Award or Rejection of Contract to ALCOSAN Board of Directors.
17. ALCOSAN Board of Directors awards Contract to Lowest Responsible
Bidder.

Sometimes an unknown problem is encountered while a construction project is in progress. This involves increasing the original contract dollar amount. Conversely, depending on the contract, if the project cannot be completed as agreed, a refund is due to ALCOSAN. Change orders for either situation must be presented to the Board of Directors for approval.

Professional Service Contracts (PSC)

Professional Service contracts for design and construction management are administered through the Director of Engineering and Construction and Administrative Secretary. These types of services include engineering, architectural and construction management. Other specialty consultant contracts are administered through the Authority's other respective operations directors.

ALCOSAN flowcharts the Professional Service Award Process as follows:

1. ALCOSAN Division Staff Determines Need for Service.
2. ALCOSAN Division Staff Prepares and Issues Request for Qualifications (RFQ).
 - a. Advertises in Local Newspapers,

- b. Allows for a 3 to 4 Week Response Time.
3. ALCOSAN Executive Director Forms Staff Review Committee (SRC). Includes Executive Director, Division Director, Division Manager, and Project Manager.
4. SRC Reviews Statement of Qualification (SOQ) Submittals.
5. SRC Develops Short-List of 3 to 5 Capable Firms.
 - a. Based on Qualifications,
 - b. Previous Experience and,
 - c. ALCOSAN Staff's Knowledge of Firm's Capabilities.
6. ALCOSAN Executive Director Submits Short-Listed Firms to Professional Service Committee.
7. ALCOSAN Division Staff Prepares and Issues Request for Proposals (RFP) to Short-Listed Firms.
8. ALCOSAN Division Staff Hold Pre-Proposal Meeting.
 - a. Clarify Requested Scope,
 - b. Review General Requirements,
 - c. Provide Site Tour (When Necessary).
9. Staff Review Committee (SRC) Reviews Proposal Submittals.
 - a. Technical Merit
 - b. Project Understanding
 - c. Overall Approach
 - d. Staffing/ Related Experience
 - e. Ability to Meet Schedule
 - f. MBE/WBE Utilization
 - g. Management Plan Including QA/QC.
10. SRC Interviews Interested Firms.
11. SRC Meets and Discusses Proposals.
12. Executive Director Makes Recommendation to the Professional Service Committee.
13. Professional Service Committee Makes Recommendation to the Board for Action.
14. ALCOSAN Board of Directors Awards Professional Service and Authorizes Negotiations with Recommended Firm.
15. SRC Negotiates Acceptable Fee and Terms—Opens Preferred Candidate's Cost Proposal.
16. Board of Directors Awards Service Authorization.

The Authority has another method of awarding Professional Service Contracts for smaller construction projects that could be handled in-house if Authority staffing constraints did not exist. These projects are awarded to one of five woman/minority firms. Awards are rotated. This process is not flow charted or documented by ALCOSAN personnel.

Once a contract award is approved by the Board, a formal document is executed by the Authority's Solicitor. A review of contract terms was beyond the scope of this audit.

OBJECTIVES

1. To assess ALCOSAN'S implementation of agreed upon procurement recommendations from the 2009 Performance Audit.
2. To assess compliance with Authority award process procedures for Construction, Commodities and Professional Service Contracts.
3. To determine the accuracy of the Records and Documentation Manager's Master File Checklist kept in Professional Service Contracts.
4. To assess the ALCOSAN's sub-contracting process.
5. To assess ALCOSAN's hiring practices.
6. To make recommendations for improvements.

SCOPE

The scope of the Construction and Professional Service Contract award process is all ALCOSAN contracts in excess of \$10,000 awarded from January 1, 2011 through June 30, 2013. The scope of ALCOSAN's hiring and sub-contracting practices is November 2013 to January 2014.

METHODOLOGY

The auditors met with the Executive Director and the Records and Documentation Manager for an update of current policies and practices of contract award procedures.

A request was made for a list of all contracts awarded from January 1, 2011 through June 30, 2013. ALCOSAN awarded ninety-eight (98) contracts during this scope period. Of the 98, forty-seven (47) were Professional Service Contracts and fifty-one (51) were Construction Contracts. Of the 51 contracts listed under the Construction Heading, thirty-one (31) were actual Construction contracts and twenty (20) were Commodity and Materials (Purchase of Goods).

For contract compliance testing, a random 50% sample was chosen by selecting every other contract beginning with the second on the list determined by a coin toss. This yielded a total sample size of forty-seven (47) contracts; twenty-three (23) Professional Service and twenty-four (24) from the Construction Contract list. The Construction list sample included thirteen (13) contracts for actual Construction work and eleven (11) contracts for Commodity and Materials purchases.

ALCOSAN's Records and Documentation Manager provided complete contract files from the 47 contracts in the sample for the auditors to review. The auditors attempted to verify the implementation of the 11 recommendations that ALCOSAN agreed with in the Controllers 2009 ALCOSAN audit. Additionally, for Professional Service Contract files, the auditors verified file contents with each item checked on the Master File Checklist.

Construction contract files were examined for the same items found in the Construction Contract files for the Controller's 2009 audit. Also noted were change orders and their dollar amount(s). If the Request for Proposals (RFP) for the Construction Project included any addendums, the auditors verified that every prospective bidder that obtained the original RFP received a copy of the addendum(s).

The auditors visited the central filing location where all ALCOSAN contract files are stored.

A review of ALCOSAN MBE/WBE/DBE procedures and documentation was conducted.

ALCOSAN's written hiring practices and website was reviewed from November 2013 through January 2014.

The Executive Director of ALCOSAN was asked about the Authority's sub-contracting procedures.

FINDINGS AND RECOMMENDATIONS

Finding: Procedures for awarding Professional Service contracts, Construction contracts, and Material and Commodity contracts (Purchase of Goods) have remained unchanged since the 2009 audit.

Professional Service Contracts

There were 23 Professional Service Contracts (PSC) in the testing sample. ALCOSAN's Board of Directors awards PSC in "not to exceed" dollar amounts. The total dollar amount of the PSC in the testing sample was valued at \$20,026,302.

The award process that ALCOSAN follows for PSC can be found in the Overview section of this audit starting on page 4.

Finding: ALCOSAN does not always follow its written Professional Service Contract Award Process.

The award process used by ALCOSAN depends on the type of work needing to be completed. Contracts can be awarded through the standard award procedures, awarded directly to a Retained Consultant or be awarded as a Continuation of Service to the current contractor.

Retained Consultant (Engineer of Record)

ALCOSAN maintains one retained consultant (engineer of record). According to the Executive Director, the current retained consultant was awarded "many years ago" to fulfill a trust indenture requirement. This practice appears akin to having an attorney on retainer to provide services as needed.

Finding: The retained consultant can be contracted immediately to begin work on a project.

Finding: Having a retained consultant or engineer of record saves ALCOSAN time when engineering services are required.

RECOMMENDATION NO. 1:

Because the retained consultant was awarded "many years ago", ALCOSAN should investigate whether rebidding this contract would save the Authority money.

Continuation of Services

ALCOSAN Administration can skip the formal PSC award process when a project needs additional work. It is the administration's belief that by offering the same contractor the work as a continuation of service contract; projects can be completed in a timely manner. Additionally, because the original contractor is familiar with the original job, there is no learning curve.

The 23 Professional Service Contracts in the auditors testing sample were awarded as follows:

- 4 were awarded to the Retained Consultant,
- 9 were awarded for Continuation of Service,
- 10 followed ALCOSAN's Professional Service Award Process

Revising Contract Award Process

According to ALCOSAN administration, the administration and some members of the Board of Directors are working on revising PSC award procedures.

RECOMMENDATION NO. 2:

Revised PSC procedures should formalize the practices used for awarding contracts to Retained Consultants and awarding Contract Continuances that by-pass the formal contract award process (Request for Qualification, etc.).

Revised Sample Size

The original PSC testing sample was comprised of twenty-three (23) contracts. This sample contained four (4) contracts awarded to the Retained Consultant and nine (9) contracts awarded for Continuation of Service. Removing these 15 contracts from the sample left ten (10) contracts that followed the formal PSC award procedures. The auditors' analysis of Past Recommendation Status is based on these 10 contracts.

Implementation Status of Past Audit Recommendations

The 2009 ALCOSAN audit made twelve (12) recommendations for improvement. ALCOSAN agreed with 11 of the 12. For evaluation purposes, *the 2009 Recommendations are italicized* and are then followed by the results of the auditor's 2013 review of implementation status.

Contract Award Justification

RECOMMENDATION NO. 1

To fully comply with State procurement requirements, all Professional Service contract award recommendations should specify in writing how the recommended firm meets the “evaluation factors set forth in the request for proposals”.

Finding: ALCOSAN has not implemented recommendation number 1 from the Controller’s 2009 audit. Nowhere in the testing sample contract award documentation was it specified in writing how the recommended firm met the “evaluation factors set forth in the request for proposals”.

Finding: The contracts in the testing sample were awarded using different evaluative criteria.

Six (6) of the 10 Professional Service Contract files in the testing sample had general explanations as to why the contract was awarded to the specific contractor. Two (2) files were missing any explanation or scoring and ranking information and two (2) contracts were awarded using a scoring and ranking system, (one contract used a pro and con ranking and the other a numerical ranking).

The 6 general explanations as to why the contracts were awarded are: Two (2) contracts were awarded “because of past service” or “previous experience” with ALCOSAN; one (1) contract was awarded because the contractor would give the most detailed information (on the required report); two (2) contracts were awarded for considerable experience and other demonstrated ability (not associated with ALCOSAN); and one (1) contract stated that a scoring and ranking was not applicable (no reason was given as to why it was not applicable).

RECOMMENDATION NO. 3:

When ALCOSAN Division Staff prepares and issues Request for Proposals (RFP) a checklist of key evaluation factors should be made for the Evaluation and Review Committee to use in the award process. This will ensure that responders to the RFP will all be evaluated on the factors in the proposal.

PSC Organization

RECOMMENDATION NO. 2

A complete list of all contracts should be kept on a data base for easy access. A contract numbering or other identification system should be developed for PSCs.

RECOMMENDATION NO. 3

Professional Service contracts should be kept in one location with individual files containing all documentation relating to the award process. A central location for all contracts (with one file for every contract) would provide easy access, not only for auditing purposes but for any questions relating to the contract.

Finding: Recommendations Number 2 and 3 regarding contract file organization have been implemented.

Finding: In response to the 2009 audit findings and recommendations, ALCOSAN created a new position titled Records and Documentation Manager (RDM).

Finding: The Records and Documentation Manager is responsible for organizing all Professional Service Contracts and, according to the RDM, will be responsible for organizing Construction/Commodity and Material Contracts in the future.

Finding: Since being hired, the Records and Documentation Manager's primary concern has been implementing the Controller's 2009 audit recommendations concerning the Professional Service Contracts.

Finding: The Records and Documentation Manager maintains a list of all contracts and stores all contracts in a central location. Additionally the RDM created a numbering system to organize and identify all contract files and developed two ways to locate a contract within the data base: alphabetically by company name and by project number.

RECOMMENDATION NO. 4:

Creating the position of Records and Documentation Manager was an excellent and proactive response to the Controller's 2009 audit. This position should be continued for Professional Service Contract files and expanded to include organizing Construction Contract files.

According to the RDM, the organizing of contracts has been a process, fraught with different challenges and trials and errors. The most challenging aspect has been training other Department Personnel to follow new procedures and include the RDM in the contract award process.

Finding: The RDM created a Records and Document Control Master File Checklist that is placed at the beginning of every professional contract file.

RECOMMENDATION NO. 5:

ALCOSAN Administration should make training Department Personnel to include the RDM in the contract award process a top priority.

Finding: The Records and Document Control Master File Checklist is a good tool to help insure that the contract award process is followed.

Document Accountability

RECOMMENDATION NO. 4

Documents, whether prepared in-house or by the outside consultant, should be dated and include the name of the preparer, their position with the Authority or their firm. Documents prepared by outside consultants should be identified by company letterhead. Then, if questions arise about the document, the responsible person can be easily identified and contacted.

Finding: Recommendation Number 4 regarding contract document preparation accountability has been implemented.

The intent of this recommendation was that anyone looking at any document at any time should know the source and date of creation.

Finding: Documents in the Professional Service contract files were well organized. Documents identified the preparer by name and date and were stapled together when necessary. No loose unidentified or unexplained documents were found in the contract files.

Documentation of Procedures and Processes

RECOMMENDATION NO. 5

Any deviation from formal contracting procedures should be explained and documented.

RECOMMENDATION NO. 6

All informal contract procedures should be documented as "Memo to File" and included in the contract file.

Recommendation numbers 5 and 6 were suggested in 2009 because some contracts were awarded informally and the procedure was not documented. Examples of non-documented contract procedures were telephone conversations and e-mails.

Finding: No PSC in the sample was awarded by use of a telephone call or e-mail.

Finding: Three (3) of the 10 contract files in the sample did not document why the contract was awarded to the chosen contractor.

Finding: All three (3) contracts without this award documentation were from 2011. This was when the use of the checklist started and the missing information from the contract files could be considered part of a learning curve.

Updating the PSC Flowchart

RECOMMENDATION NO. 7

ALCOSAN needs to update its flowchart to include all steps routinely used in the awarding of Professional Service Contracts.

Finding: Implementation of *Recommendation number 7* regarding an updated contract award process flowchart is in progress.

As previously stated, ALCOSAN administration and some members of the Board of Directors are working on revising PSC award procedures. This should include all contract award procedures and this will satisfy *Recommendation number 7*.

Professional Service Project Cost Estimates

RECOMMENDATION NO. 8

Estimated or projected man hours and costs are essential components of the Professional Service award process and should be included with all contracts.

Prior to reviewing submitted proposals, ALCOSAN staff or consultants are supposed to estimate man hours and costs for the project. The projected man hours and cost estimates are used to assess the proposals and to negotiate a contract price with the selected firm.

Finding: None of the 10 contract files reviewed in the sample had an in-house or consultant report with estimated man hours and costs for the projects as recommended.

Finding: ALCOSAN believes its Record of Negotiation Form complies with this recommendation.

Finding: The Record of Negotiation Form has been in use since 2012.

As part of fee negotiations, a Record of Negotiation Form is completed. The Record of Negotiation Form is both a memorandum that explains the negotiation process with the contractor and a table. The table lists the Type of Service (Direct Labor, Indirect Costs, Travel, Equipment, Subcontractors, Totals, Profit, and Hours), Proposed Amount

from the contractor, Negotiated Amount and the Difference between the 2 amounts. This table also includes a Description of the Work, Contractor Name, Total Due, Dates of Negotiations, Completion Schedule, Level of MBE and WBE Commitment and spaces for Notes/Comments.

Finding: The Record of Negotiation form does not have a place for an in-house or consultant report with estimated man hours and costs of the project to be recorded.

Finding: The Record of Negotiation Form does not have lines for the names and the signatures of the negotiators.

RECOMMENDATION NO. 6:

The Record of Negotiation Form should be revised to include the names and signatures of the negotiators.

RECOMMENDATION NO. 7:

A form should be developed for The Estimated Cost of Each Contract and it should be completed after the RFPs are sent out. A copy of this signed in-house or consultant estimate should be included in the contract files.

RECOMMENDATION NO. 8:

A line for the new estimated or projected man hours and costs form should be added to The Records and Document Control Master File Checklist.

RECOMMENDATION NO. 9:

This process should be included in the ALCOSAN administration and Board of Directors revised PSC award procedures.

Rating System

RECOMMENDATION NO. 9

To avoid appearances of favoritism, a rating system with objective rating criteria should be used to determine the qualifications of firms submitting Statement of Qualifications. Ratings of shorts listed and eliminated firms should be kept in all contract files.

Finding: Recommendation Number 9 regarding rating all Statement of Qualifications has been partially implemented.

Finding: The Records and Document Control Master File Checklist created by the Records and Documentation Manager (RDM) requires documentation of the “Final Consultant Selection Scoring and Ranking”.

Finding: Three (3) of the 10 contracts (30%) in the sample had the “Final Consultant Selection Scoring and Ranking” checked with the scoring and ranking information contained in the contract file.

RECOMMENDATION NO. 10:

Having the Records and Document Control Master File Checklist contain a line for “Final Consultant Selection Scoring and Ranking” is a good reminder for the Selection Committee to score and rank contract responders. However, Selection Committee Members must make sure that the process is followed and a copy of the process put in the Contract File.

Contract Extensions

RECOMMENDATION NO. 10

A step by step process for awarding Professional Service Contract extensions should be flowcharted as are the other contract award processes.

Finding: Originally the chosen PSC sample included four (4) contracts awarded to the Retained Consultant and nine (9) contracts awarded for Continuation of Service. These Continuation of Service Award Contracts are Contract Extensions.

As stated previously, ALCOSAN administration and some members of the Board of Directors are working on revising PSC award procedures. This should include all contract award procedures and this will satisfy *Recommendation number 10*.

Not Responsible Contractors

RECOMMENDATION NO. 11:

If a bidder awarded a contract is later deemed not responsible, ALCOSAN must document the reasons for withdrawing the contract and include the rejection documents in the contract file.

Finding: The auditors did not find a contract file in the sample where the *contractor is later deemed not responsible and the contract was withdrawn*.

RECOMMENDATION NO. 11:

It appears that the instance of withdrawn contracts is rare. Rather than create its own entry on The Records and Document Control Master File Checklist, a blank space should be created on the checklist for this type of special circumstances or other notes.

RECOMMENDATION NO. 12:

Procedures for withdrawing a contractor from a contract when deemed *not responsible* should be included in the revised PSC award procedures that ALCOSAN administration and ALCOSAN Board of Directors are completing.

Disagreed with Recommendation

The *recommendation* that ALCOSAN did not agree with was *number 12*.

RECOMMENDATION NO. 12:

To save money on critically needed plant supplies, ALCOSAN should try to negotiate a standby contract at the low bid rate. If the second lowest bidder refuses to amend its price, all other bidders should be given the opportunity to match the awarded contract price as a standby contractor.

ALCOSAN Response to *Recommendation number 12:*

ALCOSAN accepts the intent of this recommendation but disagrees with the remedy as proposed and on the advice of counsel will not be able to incorporate the recommendation specifically as offered.

Finding: ALCOSAN has always had standby contracts for plant supplies. Instead of having the second lowest bidder amend its price and match the lowest bidder's price, the price bid by the second lowest bidder is accepted as a standby price and this second lowest bidder is awarded a standby contract. This serves as a back-up plan in case the original supplier cannot deliver immediately needed chemicals.

RECOMMENDATION NO. 13:

ALCOSAN Administration should continue on its course of implementing all recommendations from the Controller's 2009 audit.

Contract File Checklist Testing

Finding: For Professional Service Contract files, a Records and Document Control Master File Checklist was created and is kept in the front of each contract file. This Checklist inventories all the documents required and gives an explanation why the documents are missing, when applicable.

RECOMMENDATION NO. 14:

The contract amount and the name of the project manager should be added to the Records and Documentation Control Master File Checklist.

The Records and Documentation Control Master File Checklist Test Results

Master File Checklist

The auditors compared the contents of the contract files to the Records and Documentation Control Master File Checklist for accuracy of the checklist. The following are the items listed on the Master File Checklist:

Project Selection Documents:

1. Advertisement for RFQ
2. RFQ's Received
3. Unsuccessful Applicant Letters for RFQ
4. RFP
5. Short List for RFP
6. Request for RFP Letters
7. Pre-Proposal Meeting
8. Response to RFP
9. Final Consultant Selection, Scoring , Ranking
10. Unsuccessful Applicant Letters RFP

Award Project Documents:

1. Consultant Final Negotiated Proposal
2. Record of Negotiation
3. Request for Service Authorization
4. Board Service Authorization Memorandum
5. Award Letter
6. Signed Service Authorization with Cover Letter
7. Signed Professional Service Agreement
8. Notice to Proceed

Finding: On the Records and Documentation Control Master File Checklist, documents are marked as either "Included", "not Applicable" or left blank.

Some reasons why items were not applicable are: “Used the RFQ’s for Construction Management 2009”, “Pulled from Small Capital RFQ’s”, “Award based on Past Service” or another written out explanation such as “limited scope”.

Master File Checklist Documents

The Records and Documentation Control Master File Checklist has eighteen (18) items listed. If the entire Professional Service Contract award process is followed, each contract awarded should have 18 documents per file. With 10 contract files in the sample, the total number of possible contract file contents is 180.

Finding: Documents for the contract files are given to the Records and Documents Manager (RDM) from the ALCOSAN department awarding the contract.

Finding: Of the 180 possible entries in the sample, 95 or 52% were accounted for as being in the contract file. The remaining 85 or 48% were either left blank or marked as not applicable.

Accuracy of Items Marked as Included in the Contract File

Of the 10 contracts in the testing sample, 94 items were checked on the Master File Checklist indicating that these items could be found in the contract files. The auditors found 92 or 97% of the items checked and 2 items or 3% unfound.

Finding: Nine (9) documents were found in the contract files but were left blank on the Master File Checklist.

Finding: Ninety-eight percent (98%) of the paperwork marked as being in the contract files were found in the contract files.

Construction Contracts Award Process Compliance

The auditors requested a list of all Construction contracts awarded during the audit scope period. The list comprised of thirty-one (31) Construction and twenty (20) Materials (Purchase of Goods) contracts. The sample chosen consisted of 13 construction projects files and 11 commodity and materials supplies contract files.

The total dollar amount of the 13 construction contracts was \$8,626,869. Six out of the 11 commodity and materials contracts were contracted on a per unit basis and, therefore, did not have a total dollar amount. The remaining 5 contracts totaled \$74,919.

The auditors reviewed all contract files for evidence of the award process being followed. “Consultant Estimate of Cost”, refers to either an in-house estimate or a

consultant's estimate. As long as an estimate of anticipated costs was found in the contract file the source did not matter.

Table 1 summarizes the award process documentation found in the Construction contract files. Table 2 summarizes the documentation of the awards process for commodity and materials supplies contracts.

TABLE 1
CONSTRUCTION CONTRACTS
PROCESS COMPLIANCE

TOTAL: 13 Contracts Examined

EVIDENCE OF:	Number Of Contracts That Had Documentation	Percent %	Number Of Contracts That Didn't Have Documentation	Percent %	Non- Applicable
Consultant's Estimate of Cost	10	90%	1	10%	2
<i>Number Over Cost Estimate</i>	3	30%			
<i>Number Under Cost Estimate</i>	7	70%			
Review and Approval of Bid Documents	12	90%	1	10%	--
Board of Directors Authorization of Contract Advertisement	12	90%	1	10%	--
Copy of Advertisement	12	90%	1	10%	--
Date of Pre-bid Meeting and List of Attendees	10	90%	1	10%	2
Names of All Bidders With Dollar Amounts.	11	90%	1	10%	1
List of Names Who Reviewed Bids	12	90%	1	10%	--
Division Staff Recommendation to Executive Director	12	90%	1	10%	--
Executive Director Recommendation to Board	0	0%	13	100%	--
Contract to Lowest Responsible Bidder	11	100%	0	0%	2
Addendum to bid packet	7	n/a	n/a	n/a	--
Addendum sent to all bidders in timely manner	7	100%	n/a	n/a	--

Finding: Ten (10) of the 11 contracts had the required Cost Estimate for a construction project. Of the 10, 3 or 30% of the estimates were calculated over the actual cost of the project and 7 or 70% of the estimates were calculated under the actual cost of the project.

Finding: Every contract in the sample was awarded to the lowest responsible bidder.

Finding: Eight (8) of the 10 categories had 90% evidence of documentation.

Finding: Documentation of the Executive Directors Recommendation to the Board was not found in any of the contracts. The auditors were told that this authorization occurs when the request appears on the Board memorandum for approval.

Bid Packet Addendums

Contractors interested in bidding on ALCOSAN construction projects have to purchase a Bid Packet to respond to the Request for Proposal (RFP). When the Bid Packet is purchased, ALCOSAN documents the companies name, e-mail and mailing address.

If a specification changes during a construction project award process, such as adding more square footage to a project, these changes require the Request for Proposal (RFP) and Bid Packet to be updated and sent out to all bidders. This is done through an addendum. This addendum will outline and explain the necessary changes that must now be considered part of the project and should be bid accordingly. ALCOSAN can either mail or e-mail the addendum package.

Finding: Seven (7) out of the 13 contracts contained an addendum to the original bid packet. All 7 contract files showed proof that potential bidders were sent the addendum package in a timely manner.

Change Orders

Change orders occur when something unforeseen happens during a construction project that warrants a physical change in completing the project. Change orders require additional work to complete the project correctly. This physical change requires a monetary change from the original contract. Usually change orders increase the dollar amount of the original contract.

Finding: Two contracts in the auditor's sample that had change orders. One contract had a change order amount of +\$6,699.00. The other contract had two change order amounts; one for +\$27,023.75 and the other for +\$7,549.98.

Finding: The first contract had changes made on September 27, 2012. The original amount of the contract was \$304,800.00. The change order increased the contract amount to \$311,499.00 or a 2% increase.

Finding: The second contract had the changes made on January 28, 2013 and March 4, 2013. The original amount of the contract was \$1,588,000.00. The first change order was for an increase of \$7,549.98. This dollar amount increased the contract amount to \$1,595,549.98 or almost half of 1%. The second change order was for an increase of \$27,023.75. This dollar amount increased the contract amount to \$1,622,573.73 or a full 1% over the original contract amount.

For the first contract, the \$6,699.00 change order was for 4 changes to the original contract. First was to add a dedicated 120 V, 15 am; circuit and a weatherproof electrical receptacle for the roof mounted rain gauge at the Sandy Creek Pump Station; second change was to provide a new weatherproof curb cap on the roof at the Sandy Creek Pump Station; third to re-wire an existing electrical power circuit for the electrical GFI (ground fault indicator) receptacle on the roof at the Corliss Pump Station; and the fourth change was to replace the existing pump room thermostat at the Corliss Pump Station.

For the second contract, the first change order for \$7,549.98 was to remove an existing buried ash line encountered during excavation for the new electrical ductbank at the Main Pump Station. The second change order in the amount of \$27,023.75 was for upsizing the proposed cable between the new 13.8 KV Benchboard and the switchgear. This entailed deleting 2,775 feet of #10/12 conductor cable in the original contract and adding 8,325 feet of #8/4 cable and the additional labor cost to install it for the Main Pump Station.

Finding: All change orders found in the testing sample were approved by the Executive Director and then approved by the Board of Directors.

Commodity and Materials Contract Award Process Compliance

There were 11 commodity and material/supplies contracts in the sample. ALCOSAN uses a large quantity of chemicals for sewage disposal and waste treatment. Contracts for these chemicals are awarded through the same process as Construction contracts, i.e., to the lowest responsible bidder.

Materials contracts reviewed were for the purchase of chemicals needed for ALCOSAN plant operations. These six (6) contracts were bid as cost per unit prices and not as a total contract amount. Unit costs were bid according to how the chemical is sold, i.e., by the gallon, ton or pound.

The other five (5) material contracts were for delivery of parts and supplies such as chains, flanged swing check valves etc. These 5 contracts totaled \$74,919.00 in expenditures.

The following Table 2 summarizes the documentation for these Commodity and Materials/Supply contracts.

TABLE 2

COMMODITY and MATERIALS CONTRACT PROCESS COMPLIANCE					
TOTAL: 11 Contracts Examined					
EVIDENCE OF:	Number Of Contracts That Had Documentation	Percent %	Number Of Contracts That Didn't Have Documentation	Percent %	Non- Applicable
Board of Directors Authorization of Contract Advertisement	10	90%	1	10%	--
Copy of Advertisement	11	100%	0	0%	--
Copy of RFP	10	90%	1	10%	--
Number of Firms Received RFP					
1-3	1				
4-6	4	n/a	n/a	n/a	--
7-9	3				
10+	3				
Number of Bids Responded					
1-3	10				
4-6	1	n/a	n/a	n/a	--
7-9	0				
10+	0				
List of All Bidders With Dollar Amounts.	11	100%	0	0%	--
Contract Awarded to Lowest Responsible Bidder	8	100%	0	0%	3
List of Names Who Reviewed Bids	11	100%	0	0%	--
Division Staff Recommendation to Executive Director	11	100%	0	0%	--
Executive Director Recommendation To Board	0	0%	11	100%	--
Board Approval	11	100%	0	0%	--

Finding: Documentation of the Executive Directors Recommendation to the Board was not found in any of the contracts. The auditors were told that this authorization occurs when the request appears on the Board memorandum for approval.

Finding: Two (2) of the 9 categories had 90% evidence of documentation. The other 7 categories had 100% evidence of documentation.

Finding: Construction Contracts and Commodity and Material Contracts continue to have a high percentage of Award Process Compliance.

Sub-Contracting Practices

Finding: ALCOSAN does not directly hire any sub-contractors.

According to the ALCOSAN Executive Director, the contractual relationship for sub-contracting “exists between the prime contractor and their respective subs or the prime consultant and likewise their subs, not between subs and the Authority”.

Finding: ALCOSAN RFP summary sheets require that each primary contractor list its sub-contractors and how much each sub-contracting company will be paid.

MBE/WBE/DBE Goals

ALCOSAN goals for MBE/WBE/DBE are to award 10 to 25 percent of contract dollars to Minority, Women or Disadvantaged Business Enterprises. According to the website, “ALCOSAN makes every effort to meet this goal in its contracts, and to encourage this same goal be pursued among contractor's subcontracts”.

A Disadvantaged Business Enterprise (DBE), according to the Federal Regulation Code Part 26.5, is defined as a socially and economically disadvantaged individual(s) who are citizens of the United States (or legal permanent residents) and are part of one of the following groups:

- Black Americans
- Hispanic Americans
- Native Americans
- Asian-Pacific Americans
- Sub-continental Asian Americans
- Women
- Any additional groups whose members are designated as socially and economically disadvantaged by the Small Business Administration.
- Tribally owned concern: Any concern at least 51 percent owned by a Native American tribe.

MBE/WBE/DBE businesses are recognized as such by a City, County or State Bureau of Minority and Women Business Opportunities Agency.

Finding: ALCOSAN's website refers to DBE as Disabled Business Enterprises but the certification is for Disadvantaged Business Enterprises.

RECOMMENDATION NO. 15:

ALCOSAN should correct its website terminology of Disabled Business Enterprises to Disadvantaged Business Enterprises.

Finding: For Professional Service Contracts ALCOSAN requires that each contractor state a percentage Level of MBE/WBE Commitment and the dollar amount the MBE/WBE company will be paid on the Record of Negotiation Form.

Finding: For Construction, Commodity and Material Contracts ALCOSAN requires a Bid Proposal Review Form be completed. This form requires the contractors MBE/WBE plans be reviewed by the ALCOSAN DBE Coordinator and percent participation be declared.

A total of four signatures are required for the Bid Proposal Review to be accepted: DBE Coordinator Approval, Contract Supervisor Approval, Purchasing Manager Approval and the Director of Engineering and Construction Approval.

Finding: ALCOSAN will not award any contract unless the proposal includes MBE/WBE complete participation plans.

RECOMMENDATION NO. 16:

ALCOSAN's Records and Documentation Manager should add a line to the Professional Service's Records and Documentation Control Master File Checklist for confirmation of MBE/WBE/DBE participation.

Finding: In the sample, the auditors only found MBE/WBE/DBE Certificates for the primary contractors of Construction Contracts.

Finding: The auditors found no MBE/WBE/DBE certificates in the Professional Service Contract sample.

Finding: The auditors found no documentation in any of the sample that ALCOSAN verifies MBE/WBE/DBE participation once the contract is awarded.

RECOMMENDATION NO. 17:

ALCOSAN should develop a plan to verify that MBE/WBE/DBE participation at the rate of pay and percentage of work as stated in the awarded contract.

ALCOSAN Hiring Practices

According to documents provided by ALCOSAN administration, the Authority revised its 1991 employment policy and procedures on December 16, 1999. The following is a summary of these written Employment Policy and Procedures.

Manpower and Requisition Process

Each department manager is required to assess their staffing needs annually by preparing a list of requested positions for the labor budget approval process. This approved labor budget establishes the authorized positions for each department. The list of authorized positions is approved by the Executive Director and forwarded to the Manager of Human Resources.

When a job opening occurs, the Department Manager completes an Employment Requisition Form that is forwarded to the Manager of Human Resources, the Executive Director and the Department Director.

If additional personnel are needed beyond the budgeted positions, a modification of the labor budget must be approved by the Board. If this position creates a new job classification, an approved job description and evaluation must also be submitted. Once approved by the Board, the Department Manager updates the list of authorized positions, obtains the approval of the Executive Director, and forwards the list to the Manager of Human Resources.

Recruitment Procedure

For all job openings, the Manager of Human Resources forwards a copy of each Employment Requisition and job description to the Pennsylvania Bureau of Employment Security. Requisitions for Bargaining Unit positions must be posted internally.

Job openings for Managers, Professionals, Skilled Trades and Technical Support may use other recruitment methods determined by the Manager of Human Resources and the Department Manager. This could include advertising the position in local newspapers, trade journals or college placement offices.

ALCOSAN states that the majority of positions can be filled using local recruitment resources without added relocation expenses, employment agencies or search firm fees. These expenditures would require Board Approval before incurring.

Generally, employment applications are completed in person at ALCOSAN's Security Office during normal business hours. They are retained for a period of two years and then discarded.

Finding: ALCOSAN's website does not offer on-line job application submissions.

Finding: ALCOSAN's website states that applications and resumes will be retained for one year and the written procedures states they are retained for two years.

RECOMMENDATION NO. 18 :

ALCOSAN's website should allow job applicants to apply on-line. This would make the process more transparent, easier and generate more applicants to choose from. Applying on-line is a common practice throughout the private and public sector.

RECOMMENDATION NO. 19 :

ALCOSAN needs to update its website to agree with their written policy and procedures for the length of time applications and resumes are retained.

Selection Procedure

For Labor vacancies, the Manager of Human Resources or designee will interview appropriate applicants. A job-related test along with cut-off scores will be determined and administered by the Manager of Human Resources. This test will evaluate math and reading skills and other job related skills.

For Clerical vacancies or Entry Level Clerks, the normal recruitment resources will generate applicants who are then interviewed by the Manager of Human Resources. Temporary clerical employees working for ALCOSAN through a temporary agency may submit an employment application, if the agency waives any placement fees. Applicants will be tested to evaluate math and reading skills and other job related skills. A typing and clerical skill test will also be administered to all clerical applicants. All tests and cut-off scores will be determined by the Manager of Human Resources.

Skilled, Technical, Professional and Administrative vacancies seeking specific education, experience and other qualifications will utilize more extensive efforts using advertised job announcements. Resumes will be accepted and reviewed on the basis of qualifications by the Manager of Human Resources or designee and the requisitioning Department Manager. The best qualified applicants will be interviewed.

General Overview

All job applicants must complete an application for employment and be interviewed by the Manager of Human Resources or designee prior to employment. Applicants for non-entry level positions will also be interviewed by the appropriate Director and/or Department Manager and he or she will recommend a candidate for the job opening.

The Authority will attempt to balance its workforce with City of Pittsburgh residents and those who reside elsewhere while offering equal employment opportunity to all. All applicants must be at least 18 years old, have a high school diploma or completed their GED.

The Manager of Human Resources is responsible for verifying all applicants' employment history and criminal background checks prior to hiring. Applicants' current employer will not be contacted without permission. This will, however, occur upon employment and any significant distortions will be grounds for discharge.

The Executive Director has the authority to approve the hiring of eligible candidates for job positions below the Director level. The Executive Director must report to the Board these hiring decisions at the next Board meeting. All candidates in consideration for Director level positions must be approved by the Board before being hired.

Physical Exams

All new hires must complete a physical examination and a drug screen test prior to first day of employment. If tested positive for drugs, that candidate will be informed by ALCOSAN's physician that policy forbids employment. The Human Resource Manager will be notified and abide by confidentiality rules.

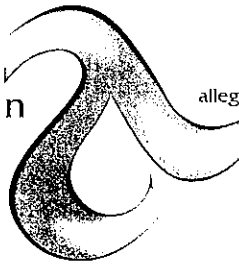
If the potential candidate is determined to be physically unable to perform the job, the Manager of Human Resources will see if another job opening is available.

Probationary Period

There is a 6-month probationary period that allows any bargaining unit employee to be dismissed at the sole discretion of the Authority. After this probationary period, "just cause" must be proved and a grievance and possible arbitration process followed.

The evaluation of probationary employees will be done by Departmental Managers based on attendance, job performance and behavior within the 6-month period. If employees receive unsatisfactory evaluations and do not meet the job standards, the Executive Director will dismiss them. The Board will be notified of any such actions at the next meeting.

alcosan



allegheeny county
sanitary authority
TM

June 20, 2014

Members of the Board

John Weinstein
Chairman

Gregory A. Jones

Corey O'Connor

Jack Shea

Brenda L. Smith

Sylvia C. Wilson

Rep. Harry Readshaw

Arletta Scott Williams
Executive Director

David W. Borneman, P.E.
*Director
Engineering & Construction*

Arthur M. Tamilia, Esq.
*Director
Environmental Compliance*

William H. Inks, CPA
*Director
Finance & Administration*

Jan M. Oliver
*Director
Regional Conveyance*

Douglas A. Jackson, P.E.
*Director
Operations & Maintenance*

Michael E. Lamb
City of Pittsburgh Controller
First Floor – City County Building
414 Grant Street
Pittsburgh, PA 15219

Dear Mr. Lamb:

On behalf of the ALCOSAN Board and staff, I would like to express appreciation for the thoughtful recommendations and roadmap provided via the City Controller's 2009 Performance Audit. Your Field Team's insight and professionalism was impressive. While the Authority has made significant progress in adopting those recommendations there is still work to be accomplished as noted in your office's most recent assessment. It is our intention to continue implementation of any and all measures to strengthen both the effectiveness and transparency of all Authority procurement processes.

As aptly noted in both the previous and recent Audit this Authority is poised to implement a multi-year, multi-billion dollar capital program to resolve regional water quality issues associated with wet weather sewage overflows. A continued adherence to all legal dictates and best management practices can only enhance public trust in our provision of quality service from not only an environmental but fiscally responsible perspective. In keeping with this commitment we are currently in the process of adding a Procurement Officer to the Authority staff to support this critical initiative.

Again, we appreciate your Audit Team's recognition of the progress to date and look forward to further improvements.

Sincerely,

ALLEGHENY COUNTY SANITARY AUTHORITY

Arletta Scott Williams
Executive Director

ASW/lb
Attachment
cc: John K Weinstein, Chairman

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CITY COUNTY CLERK'S OFFICE

ALLEGHENY COUNTY SANITATION AUTHORITY

Response to the City of Pittsburgh's Controller's Audit Report

Retained Consultant (Engineer of Record)

RECOMMENDATION NO. 1:

Because the retained consultant was awarded "many years ago", ALCOSAN should investigate whether rebidding this contract would save the Authority money.

The Authority agrees with this recommendation. The Professional Service Committee (PSC) has authorized preparation of a Request for Qualifications to initiate the process of selecting a retained Consultant.

Revising Contract Award Process

According to ALCOSAN administration, the administration and some members of the Board of Directors are working on revising PSC award procedures.

RECOMMENDATION NO. 2:

Revised PSC procedures should formalize the practices used for awarding contracts to Retained Consultants and awarding Contract Continuances that by-pass the formal contract award process (Request for Qualification, etc.).

The Authority agrees with this recommendation. As noted above the Board and staff have worked internally and with the Authority's solicitor to revise PSC practices. In this process comparable agency procurement policy, procedure, practices and standards have been reviewed and assessed on national, state and local levels.

Implementation Status of Past Audit Recommendations

Contract Award Justification

RECOMMENDATION NO. 3:

When ALCOSAN Division Staff prepares and issues Request for Proposals (RFP) a checklist of key evaluation factors should be made for the Evaluation and Review Committee to use in the award process. This will ensure that responders to the RFP will all be evaluated on the factors in the proposal.

The Authority agrees with this recommendation and has incorporated into the newly revised draft professional service procurement process, policy and manual.

PSC Organization

RECOMMENDATION NO. 4:

Creating the position of Records and Documentation Manager was an excellent and proactive response to the Controller's 2009 audit. This position should be continued for Professional Service Contract files and expanded to include organizing Construction Contract files.

RECOMMENDATION NO. 5:

ALCOSAN Administration should make training Department Personnel to include the RDM in the contract award process a top priority.

The Authority agrees with this recommendation. It is our intention to continue and expand responsibilities of the Records and Document Manager as an integral part of the contract award process.

Professional Service Project Cost Estimates

RECOMMENDATION NO. 6:

The Record of Negotiation Form should be revised to include the names and signatures of the negotiators.

RECOMMENDATION NO. 7:

A form should be developed for The Estimated Cost of Each Contract and it should be completed after the RFPs are sent out. A copy of this signed in-house or consultant estimate should be included in the contract files.

RECOMMENDATION NO. 8:

A line for the new estimated or projected man hours and costs form should be added to The Records and Document Control Master File Checklist.

RECOMMENDATION NO. 9:

This process should be included in the ALCOSAN administration and Board of Directors revised PSC award procedures.

The Authority agrees with this recommendation and has incorporated into the newly revised draft professional service procurement process, policy and manual.

Rating System

RECOMMENDATION NO. 10:

Having the Records and Document Control Master File Checklist contain a line for “Final Consultant Selection Scoring and Ranking” is a good reminder for the Selection Committee to score and rank contract responders. However, Selection Committee Members must make sure that the process is followed and a copy of the process put in the Contract File.

The Authority agrees with this recommendation.

Not Responsible Contractors

RECOMMENDATION NO. 11:

It appears that the instance of withdrawn contracts is rare. Rather than create its own entry on The Records and Document Control Master File Checklist, a blank space should be created on the checklist for this type of special circumstances or other notes.

RECOMMENDATION NO. 12:

Procedures for withdrawing a contractor from a contract when deemed *not responsible* should be included in the revised PSC award procedures that ALCOSAN administration and ALCOSAN Board of Directors are completing.

The Authority agrees with this recommendation as it applies to both retaining a Professional Service provider and other low bid service, commodity and construction contract procurement.

RECOMMENDATION NO. 13:

ALCOSAN Administration should continue on its course of implementing all recommendations from the Controller’s 2009 audit.

The Authority appreciates the acknowledgement of progress and plans to continue implementation through policy revision, education and augmented staffing.

Contract File Checklist Testing

RECOMMENDATION NO. 14:

The contract amount and the name of the project manager should be added to the Records and Documentation Control Master File Checklist.

The Authority agrees with this recommendation.

MBE/WBE/DBE Goals

RECOMMENDATION NO. 15:

ALCOSAN should correct its website terminology of Disabled Business Enterprises to Disadvantaged Business Enterprises.

The Authority agrees with this recommendation and has made the necessary modifications.

RECOMMENDATION NO. 16:

ALCOSAN's Records and Documentation Manager should add a line to the Professional Service's Records and Documentation Control Master File Checklist for confirmation of MBE/WBE/DBE participation.

The Authority agrees with this recommendation and has made the necessary modifications.

RECOMMENDATION NO. 17:

ALCOSAN should develop a plan to verify that MBE/WBE/DBE participation at the rate of pay and percentage of work as stated in the awarded contract.

The Authority agrees with this recommendation.

ALCOSAN Hiring Practices

RECOMMENDATION NO. 18 :

ALCOSAN's website should allow job applicants to apply on-line. This would make the process more transparent, easier and generate more applicants to choose from. Applying on-line is a common practice throughout the private and public sector.

On-line access to the employment application had been an expressed desire of the ALCOSAN Board in early 2014 and was completed during the course of this Audit. While available on-line, the application must be completed and returned to the Authority by US Mail or in person. There is no shortage of job applicants interested in employment with this Authority, nor limit to the ethnic, racial or gender diversity of that pool. There are a handful of individuals who having successfully completed all pre-employment prerequisites and waited 4 to 7 years for an employment opportunity due to limited availability. The average wait is 18 – 24 months.

RECOMMENDATION NO. 19 :

ALCOSAN needs to update its website to agree with their written policy and procedures for the length of time applications and resumes are retained.

The Authority agrees with this recommendation and has made the necessary modifications.