



CITY AUDITOR'S OFFICE

TO: Mayor and Council Members
FROM: Margaret Krym, City Auditor
DATE: May 10, 2012
SUBJECT: Palaco Grande Drainage Project

At the request of Councilmember McGrail, we reviewed costs associated with the Palaco Grande Drainage Project.

This special storm water project was completed in 2011. The project work area was located in a City easement behind and between a group of homes on the following streets: SE 22 Avenue, SE 25 Place and SE 36 Street. City staff observed that there was significant water retention in the easement area creating swampy like conditions and some low lying homes were experiencing water intrusion. Citizen complaints had been received.

A decision was made by the City to correct the problem and install improved drainage. The project involved digging a trench and laying infiltration pipe to drain water away from the area. A consultant was engaged to prepare a report and a design for mitigation. Based on the report, City staff implemented solutions to fix the problem.

Concerns were raised questioning the cost of this project and City compliance to policies regarding approval for expenditure of funds. As a result, the City Auditor's Office was asked to review the costs associated with the project and provide assurance regarding compliance with Ordinance 68-07, which governs the acquisition of purchases of supplies, services and construction by the City.

We interviewed staff, compiled a list of associated costs, reviewed accounting ledgers for the period when the work was done and reviewed compliance with Ordinance 68-07.

We learned the following information.

- The Department of Public Works provided us with a listing of outside costs associated with the project as follows.

Consulting and Design Services	\$ 8,816
Materials	5,501
Equipment Rental	2,001
Total	<u>\$ 16,318</u>

Financial Services indicated that they do not track the costs associated with various Public Works projects by project name. Therefore we were not able to confirm with Financial Services that this was a complete listing of costs associated with the Palaco Grande Drainage Project. Therefore we:

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- Pulled all the costs charged to the two indicated JDE expense accounts for the period during which this project was on-going (February through August, 2011)
- Reviewed the related purchase order for each posting and confirmed that the only items related to the Palaco Grande Drainage Project were those already on the list provided by Public Works and included in the \$16,318 total.

We found no additional or omitted charges.

- City personnel provided the labor used to survey and complete the project. The Department of Public Works reported 312 man hours for preliminary surveyor work at an estimated cost of \$7,760 that related directly to the Palaco Grande Drainage Project. Actual labor hours and cost to complete the construction of the project were not obtained. Although Public Works keeps timesheets, they do not compile this data by project and it is not easily retrievable. Therefore we cannot provide any information to quantify this cost and or indicate whether the total combined cost of the project would or would not have exceeded \$50,000.
- Ordinance 68-07 applies to all purchases of supplies, services, and construction by the City and it does mandate that costs exceeding \$50,000 require the approval of the City Council. It has been the practice of the City to only include purchases when determining the applicability of this requirement. Both Financial Services and the City Attorney's Office agreed that the cost of City employees would not be included in a calculation to determine the applicability of this approval requirement. Cost associated with the compensation of City employees would have been approved when the City's budget was approved.

The Ordinance indicates that purchases shall not be artificially divided so as to constitute a small purchase under this Ordinance but it does not seem to require that purchases from multiple vendors, which might constitute a "project," need to be combined in order to determine a consolidated approval level.

In the case of the Palaco Grande Drainage Project, the consolidated cost of materials and outside services of \$16,318 was well below the limit which would require Council approval, and it would appear that these expenditures complied with Ordinance 68-07.

C: Stephen Pohlman, Interim City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Audit Committee
Steve Neff, Public Works Director