

Performance Audit

**URBAN REDEVELOPMENT AUTHORITY
CONTRACT AWARD
PROCEDURES**

Report by the
Office of City Controller

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March 2012

March 22, 2012

To the Honorables: Mayor Luke Ravenstahl and
Members of Pittsburgh City Council:

The Office of City Controller is pleased to present this Performance Audit of the *Urban Redevelopment Authority (URA)* conducted pursuant to the Controller's powers under Section 404(c) of the Pittsburgh Home Rule Charter. Previous performance audits examined the URA Streetface and Residential programs. This audit assesses the Authority's award procedures for construction and professional services contracts and compliance with those procedures.

EXECUTIVE SUMMARY

The Urban Redevelopment Authority (URA), the City's economic development agency, was created in 1946 under the Pennsylvania Urban Redevelopment Law. The Urban Redevelopment Law has no requirements for awarding construction or professional services contracts. In awarding certain construction contracts, the Authority is subject to a number of other state and federal statutory requirements as well as local procurement requirements.

The URA has written procedures for awarding construction contracts and professional service contracts of varying amounts and funding sources. At the beginning of the audit, URA provided the auditors with a copy of those procedures and a list of all construction and professional service contracts awarded in 2009 and 2010. A sample of contracts from that list was selected to test for compliance with URA award procedures. The findings and recommendations in the audit report are based on those procedures and the documentation found in URA contract files.

Findings and Recommendations

Professional Services Contracts

Finding: The URA has the same written procedures for issuing Request for Proposals (RFPs) and Request for Qualifications (RFQs).

Finding: The written procedures for issuing an RFQ do not comply with the rationale for using an RFQ instead of an RFP. The URA states that RFQs are used "when the scope of services cannot be clearly defined without assistance from the consultant" yet the procedure for issuing an RFQ requires a "detailed scope of work".

Recommendation: Because RFPs and RFQs are used for different purposes, the URA should have separate procedures for each.

Finding: URA departments follow general Authority procurement procedures with slight variation.

Finding: The award justification forms found in the files did not have a date indicating when the document was prepared. Sometimes more than one award justification form was found in the file.

Recommendation: The award justification forms should contain the date the form was prepared. This would clearly show the final the document from the other previous drafts.

Compliance with Statutory and Authority Procurement Requirements

Construction Contracts

Finding: The files for 2009 construction contracts over \$10,000 had almost perfect documentation compliance. The MBE/WBE plan was missing from one file.

Finding: Five of the 14 (or 36%) required documents were missing from one or more files in the 2010 construction contract over \$10,000 testing sample. Copies of advertisements, contact specifications, bid opening time & place, pre-bid meeting and MBE/WBE plans were the items not found.

Recommendation: URA staff should make sure that all copies of required paperwork are placed in the construction contract files for evidence of compliance with award procedures. A checklist should be in all files and when the documentation is placed in the file it can be checked off. This way it is easy to determine what is missing.

Finding: Of the 4 contract files examined in the 2010 construction contracts \$10,000 or less testing sample, 3 out of the 10 (or 33%) required documents were missing from all files.

Finding: No evidence of the following was found in the files: letter bids, bid opening time & place or at least 3 contractors being notified. Also, board approvals were not found in 3 out of the 4 contracts files.

Finding: The vendor for a bicycle rack installation was not put out for bid but was selected based on a recommendation from the City of Pittsburgh's Bicycle Pedestrian Coordinator.

Recommendation: All construction contracts should be put out to bid and follow proper policies and procedures. A vendor should not be awarded a contract without going through the proper award process.

Finding: Three (3) out of 9 (or 33%) required documents were missing from the two contracts files in the construction contracts \$10,000 or less testing sample.

Finding: The 5 types of documentation not found in files are: Bid Opening Time and Place, Bid List of Contractors, At Least 3 Contractors Notified and Awarded to the Lowest Bidder.

Professional Services Contracts

Finding: Every file in the 2009 professional contracts in excess of \$10,000 sample was missing Written Documentation of Negotiation Process Price Presented to Executive Director. Only three contract files (21% of sample) had evidence of Proposal Evaluations and Rankings and only four contract files (29% of sample) contained an Evaluation & Rating Form.

Finding: None of the files in the sample of professional contracts in excess of \$10,000, had all required documentation.

Finding: There were a number of missing documents in the 2010 professional services contract files over \$10,000. The top three missing documents were 1) Written Documentation of Negotiation Process Price presented to Executive Director was not found in 89% of files, 2) Copy of the Advertisement was not found in 67% of the files and 3) Evaluations & Ranking of Proposals by Review Committee was not found in 50% of the files.

Recommendation: URA staff needs to follow the policies and procedures for awarding professional service contracts and make sure that the proper documentation showing procedures have been followed is included in the contract files. If the policies and procedures are no longer followed, a revision of the policies and procedures should be implemented and updated as needed.

Finding: Three (3) out of 8 or 38% of the required items were missing in all contract files. Not one file in the 2009 professional service contract \$10,000 or less testing sample contained all required documents.

Finding: Documentation was missing in 6 out of eight (75%) 2010 professional service contracts \$10,000 or less files.

State and Federal Funded Professional Service Contracts

Finding: Documentation in State and Federally Funded Professional Service Contracts fared a little better than other PSC files in excess of \$10,000. Eight out of 11 required items were missing in one of the two contract files tested. One item (Short List) was missing in both contract files.

Finding: Three items, Request for Technical Proposal (RFTP), Written Scope of Work, and Specifications for Design were found in both files.

Recommendation: URA administration should sit down with Department Heads and those responsible for compiling contract file documentation and review the need for complete file documentation. Complete file documentation is needed to respond to questions or concerns that may arise about the hiring of an individual or firm.

URA officials were able to locate procurement documents that were missing from the contract files during audit testing. Locating these documents elsewhere supports the audit recommendation that a documentation check list should be attached to the front of each contract file. This check list would help ensure that all documents associated with the awarding of the contract are contained therein. In addition to the checklist, the URA should update its written procurement procedures to reflect any changes and/or additions to actual procurement practice.

We are pleased that the URA intends to update its contract aware procedures to conform to actual practices and is considering implementing the other audit recommendations.

Sincerely

Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the Urban Redevelopment Authority's (URA) procurement procedures for construction and professional contracts was conducted pursuant to section 404(c) of the Pittsburgh Home Rule Charter. This is the first performance audit of the authority's contract award practices and procedures.

OVERVIEW

The Urban Redevelopment Authority of Pittsburgh (URA) is the City's economic development agency. Its purpose is to create jobs, expand the City's tax base and help businesses and neighborhoods remain strong and vibrant. The URA accomplishes this by acquiring property throughout the City for mixed-use developments, assisting businesses in financing, relocation and expansion, overseeing housing construction and rehab work, and offering financing for home purchases and improvements. Authority offices are located at 200 Ross Street downtown.

In 1946, the URA was one of the first redevelopment authorities created under the Pennsylvania Urban Redevelopment Law. Corporate and civic leaders came together to initiate the first private financed downtown redevelopment project in the United States with the Gateway Center project. This project was also the first project under Pennsylvania Urban Redevelopment Law.

Organizational Chart

Today, the URA is overseen by a five member Board of Directors consisting of a Chairman, Vice-Chairman, Treasurer and two board members. All board members are appointed by the Mayor for a 5 year term. According to the Pittsburgh Home Rule Charter, every December 2nd one member's term expires and the Mayor has sixty days to appoint a new member. If the Mayor does not appoint within the sixty days, City Council can appoint the board member.

The Board usually meets on the second Thursday of every month 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. The URA's Executive Director is responsible for implementing the Board's authorizations and policies and overseeing the Authority's day-to-day operations.

The Authority employs 95 employees and has five main departments: Engineering & Construction, Housing, Economic Development, Diversity Affairs & Community Outreach and Real Estate.

OBJECTIVES

1. To assess URA's award process for Construction contracts.
2. To assess the Authority's bidding and selection procedures for Professional Service contracts.
3. To assess compliance with statutory and Authority procurement requirements.
4. To make recommendations for improvement.

SCOPE

The scope of this performance audit is all URA construction contracts and professional service contracts awarded for two years between January 1, 2009 and December 31, 2010.

METHODOLOGY

The auditors met with the URA Executive Director, Finance Director, Assistant General Counsel, Performance & Compliance Manager and the Engineering & Construction Manager to discuss the Authority's policies and procedures for awarding construction and professional contracts.

The following information was requested and reviewed:

1. Procedures for awarding Construction contracts
2. Procedures for awarding Professional Services contracts
3. List of all construction and professional services contracts awarded between January 1, 2009 and December 31, 2010.
4. URA organizational chart;

Information received, via email, were in an excel data bases. The data bases were sorted according to department and a random 25% sample was selected. The following explains the sample selection for each of the two years in the scope.

2009 Construction Contracts Sample

The auditors selected a sample of 25% of the 27 construction contracts awarded in 2009 for a total of 8 contracts in the sample. Three (3) contracts were in excess of \$10,000 and 5 contracts were less than \$10,000. Of the 5 contracts, 1 was awarded for an emergency and was eliminated from the sample. This left 7 contracts in the testing sample.

2009 Professional Services Contract Sample

In 2009 there were 108 professional services contracts awarded; Business Development 18 contracts; Economic Development 21; Engineering 22; Executive 5; Finance 7; Housing 1; Legal 3; PEIDC 1; Real Estate 28 and Strategic Planning and Design 2.

From these a sample of 25 contracts was selected choosing at least one contract from each department; with 16 contracts in excess of \$10,000. Of this 16, 2 contracts used State and Federal money. Nine (9) contracts in the sample spent less than \$10,000.

2010 Construction Contracts Sample

There were only 7 construction contracts listed in 2010. One of them was a supplemental agreement with PWSA for an increase of over \$1 million dollars. This PWSA agreement originated in 1997 and was amended as needed to complete infrastructure repairs on the LTV Southside Works complex. PWSA reimbursed the URA for its sewer and water line work. Therefore, this contract does not follow the bid-awarding process and was eliminated from the sample leaving 6 contracts to be examined.

2010 Professional Services Contract Sample

There were 90 professional service contracts during the 2010 scope period: 16 in Business Development, 10 in Economic Development, 19 in Engineering, 10 in Executive, 3 in Finance, 4 in Housing, 11 in Legal, 1 in Administration, 1 in Neighborhood Business Development, 11 in Real Estate and 4 in Strategic Planning & Design. A random sample of 23 contracts from the eleven different URA departments mentioned above was selected. Consideration was given to the number of contracts in each department in order to get a good cross the board representation.

The 2010 sample of 23 professional service contracts included the following: 1 in Administration, 3 in Business Development, 3 in Economic Development, 3 in Engineering, 4 in Executive, 1 in Finance, 1 in Housing, 3 in Legal, 1 in Neighborhood Business Development, and 3 in Real Estate.

Verification Process

Different requirements, or policies and procedures, exist for each type of contract awarded depending on the contract funding source(s) and the contract dollar amount.

A check list was made to record compliance with URA policies and procedures Each contract in the sample was reviewed and depending whether or not the required information was in the file or not, it was marked yes or no. Where appropriate, the mark of NA or not applicable was also used.

Construction Contract Award Requirements

For construction contracts IN EXCESS OF \$10,000 evidence of the following documentation was required:

1. Bid Specifications
2. Public Advertisement
3. Contract Specifications
4. Bid Opening Time and Place
5. Bid List of Contractors
6. Pre-Bid Meeting
7. Award Justification Form
8. Award to Lowest Responsible Bidder
9. Bid Tabulation
10. City Finance Department Clearance
11. MBE/WBE Plan
12. Board Approval
13. Bonds

For construction contracts \$10,000 OR LESS evidence of the following documentation was required:

1. Letter Bid
2. Contract Specifications
3. Bid Opening Time and Place
4. Bid List of Contractor
5. At Least 3 Contractors Notified
6. Award Justification Form
7. Award to Lowest Bidder
8. Justification for Not Lowest Bidder
9. City Finance Department Clearance
10. MBE/WBE Certified Firms
11. Board Approval

Professional Service Contract (PSC) Award Requirements

For professional service contracts IN EXCESS OF \$10,000 evidence of the following documentation was required:

1. URA's Request for Proposal (RFP) or Request for Qualifications (RFQ)
2. Evaluation and Rating form
3. Proposals evaluation and rank ordering by review committee
4. Written documentation of evaluation, selection, negotiation process and recommended consultant, contract scope and price presented to Executive Director
5. Award Justification form
6. Board Approval

For professional service contracts \$10,000 OR LESS evidence of the following documentation was required:

1. URA's Request for Proposal (RFP)
2. List of at least three qualified firms to receive RFP
3. Proposals evaluated by review committee and ranked in order
4. Department Director negotiates contract scope, terms and price.
5. Written documentation of evaluation, selection, negotiation process and recommended consultant, contract scope and price.
6. Executive Director approval
7. Chairman of the Board approval (over \$5,000)
8. Award Justification form

It should be noted that the auditors were looking for a copy of the URA's RFP in the file (requirement #1) above. If it was not in the file it was recorded as a "no", however, sometimes the information was available on a copy of the vendors' RFP. When this occurred that information was recorded. This is why additional information is available about the RFP when no URA copy was found in the file.

State and Federal Funded PSC Award Requirements

The 2009 sample also included 2 contracts that used State and Federal money. Contracts that use this money require different documentation than their professional service and construction counter parts.

The 2 contracts in the sample were IN EXCESS OF \$10,000. Compliance testing required evidence of:

1. Need to Engaged Consultant
2. Copy of Advertisement
3. Evaluation Form and Basis for Ranking Consultant
4. Request for Technical Proposal (RFTP) Submitted to Consultants
5. Written Scope of Work
6. Specifications for Design
7. MBE/WBE Requirements
8. Insurance Requirements
9. Technical and Price Proposals of Consultant
10. Signed Contract

FINDINGS AND RECOMMENDATIONS

Statutory and Authority Procurement Requirements

Construction Contracts

The Urban Redevelopment Authority was created under the State Urban Redevelopment Law, 35 P.S. §1701 *et seq.* Unlike the Municipality Authorities Act, 53 Pa. C.S. §5601, *et seq.* under which many local authorities were created, the Urban Redevelopment Law has no competitive bidding or other requirements for construction contracts. In certain circumstances, the URA is subject to a number of other state and federal statutory requirements as well as local procurement requirements.

The Separations Acts – 53 P.S. §1003 (municipal) and 71 P.S. §1618 (state) apply to building contracts and require separate specifications for plumbing, heating, ventilating and electrical work. The result is multiple prime contracts are awarded to the lowest responsible bidder.

The Capital Facilities Debt Enabling Act (CFDEA), Section 318(f), 72 P.S. §3919.318(f) applies to construction projects funded by Redevelopment Assistance Capital Program (RACP) funds. The sole requirement is the solicitation of a minimum of three bids. In *Peasant Hills Construction v. Public Auditorium Authority of Pittsburgh*, the PA Supreme Court held that there is no requirement to follow the Separations Act or award to the lowest responsible bidder for RACP funded projects.

Community Development Block Grant (CDBG) procurement requirements are set forth in 24 CFR Part 85, beginning at §85.26. CDBG funded construction projects exceeding \$2,000 must comply with the Davis Bacon Act prevailing wage rate requirement. The contract award must be based on a fixed price bid and awarded to the most responsible bidder who is also the most responsive to the bid request. Other HUD requirements include bid bonds (5% of the bid price), performance bonds (100% of the contract price for contracts exceeding \$100,000) and payment bonds (100% of the contract price). Payment bonds ensure payment to subcontractors and suppliers. For contracts under \$100,000, the performance bond requirement can be waived in lieu of an irrevocable letter of credit.

For construction contracts funded by the City of Pittsburgh, the Pittsburgh Water and Sewer Authority or PennDot, the URA follows the procurement requirements imposed by the funding source.

Professional Services Contracts (PSC)

The Urban Redevelopment Law has no statutory requirements for awarding professional services contracts. There is one statute that is applicable to all State agencies, departments, bureaus and divisions for awarding professional services contracts (62 Pa. Cons. Stat. §518). This statute only requires that the “award shall be made to the responsible offeror determined in writing by the contracting officer to be best qualified based on the evaluation factors set forth in the request for proposals”. The fee for such services must be “fair and reasonable compensation...determined through negotiation”. The requirements for written proposal evaluations and negotiated fair and reasonable compensation are part of other municipal authorities’ policies and procedures.

Finding: Although not required to do so, URA internal policies and procedures for awarding professional service contracts incorporate the state statutory requirements for written proposal evaluations and negotiated contract terms such as fees.

URA Policies and Procedures

The auditors were told that each URA division develops its own policies and procedures for professional services contracts. However, there appears to be generally applicable procedures according to contract price.

Professional Services Contracts in excess of \$10,000

Procedures and Policies for the Procurement of Professional and Technical Services supplied by the URA states that these contracts are ‘generally’ procured through competitive negotiations by either a Request for Proposals (RFP) procedure or a Request for Qualifications (RFQ) process.

According to the URA, Request for Proposals (RFP) are used when the scope of the services can be clearly and thoroughly defined by the Authority. The Request for Qualifications (RFQ) process is used when the scope of services cannot be clearly defined without assistance from the consultant or when the services are of a general nature and needed on a recurring basis.

The following procedure is used for RFPs and RFQs:

1. The Department Director (DD) shall prepare a detailed RFP or RFQ that includes the following:
 - a. A description of the professional services required and a detailed scope of work to be performed;
 - b. A statement of the time frame within which the proposal is to be submitted and the work performed;
 - c. The type of contract to be used (fixed price, cost plus fixed fee, etc.)
 - d. A statement of the minimum information to be included in the proposal;
 - e. A statement as to regulations that will apply in the performance of the work;
 - f. The factors to be used in the evaluation and selection process

2. The DD will prepare an evaluation and rating form.
3. The RFP or RFQ will be issued by public notice or to a short list of 3 to 5 firms selected by the DD from the department's consultant database.
4. Proposals will be evaluated and ranked by a Review Committee.
5. The DD shall negotiate contract scope and terms with the highest ranked consultant.
6. The DD shall prepare written documentation of the evaluation, selection, and negotiation process and make a recommendation as to the consultant, contract scope and price to the Executive Director (ED).
7. With concurrence of the ED, the contract shall be presented to the Board for approval.

Finding: The URA has the same written procedures for issuing RFPs and RFQs.

Finding: The written procedures for issuing an RFQ do not comply with the rationale for using an RFQ instead of an RFP. The URA states that RFQs are used "when the scope of services cannot be clearly defined without assistance from the consultant" yet the procedure for issuing an RFQ requires a "detailed scope of work".

RECOMMENDATION NO. 1:

Because RFPs and RFQs are used for different purposes, the URA should have separate procedures for each.

PSC Sole Source Procurement > 10K

Sole source procurement is used when one particular consultant possesses special skills or particular experience related directly to the required services. The Department Director shall adhere to the following procedure:

1. Prepare a written justification for the sole source procurement and obtain approval from the ED
2. Prepare an RFP for issuance to the consultant;
3. Negotiate contract scope and terms;
4. Prepare written documentation of contract terms for approval by ED
5. Present the contract to the Board for approval

Professional Services Contracts in the amount of \$10,000 or less

The Department Director shall do the following:

1. Prepare a brief RFP
2. Identify at least 3 firms from a list of qualified consultants to receive the RFP
3. Negotiate contract scope and terms with the highest ranked consultant after proposals are evaluated and ranked by a Review Committee
4. Prepare written documentation of the evaluation, selection, and negotiation process and obtain approval of the contract terms from the ED.

PSC Sole Source Procurement < 10 K

1. Prepare a written justification for the sole source procurement and obtain approval from the ED;
2. Prepare a brief RFP for issuance in writing or by phone to the consultant;
3. Negotiate contract scope and terms;
4. Prepare written documentation of contract terms for approval by ED

Finding: There were no Sole Source Procurement contracts in the 2009-2010 sample.

Finding: URA departments follow general Authority procurement procedures with slight variation.

Finding: The award justification forms found in the files did not have a date indicating when the document was prepared. Sometimes more than one award justification form would be found in the file. If dated, it could be determined which form was the final document.

RECOMMENDATION NO. 2:

The award justification forms should contain the date the form was prepared. This would clearly show the final the document from the other previous drafts.

Construction Contracts of \$10,000 or Less

1. The URA shall prepare a letter bid that includes:
 - a. Contract specifications
 - b. Bid opening time and place
2. The letter bid shall be issued to no less than 3 contractors capable of performing the work, including certified MBE WBE firms
3. Bids will be reviewed for completeness and responsiveness
4. Lowest responsible bidder selected
5. Lowest bidder cleared by City of Pittsburgh Finance Department
6. Board authorization to award contract

Construction Contracts in Excess of \$10,000

1. Prepare Invitation to Bid that includes:
 - a. Contract specifications
 - b. Bid opening time and place
2. Publicly advertise Invitation to Bid in Post-Gazette, Courier, URA website and other publications
3. E-mail invitation to bid to contractors on Authority's bidders list and to minority and community organizations
4. If funding source does not require public bids, invite at least 3 contractors from Bidder's List to submit a bid
5. Bids will be reviewed for completeness and responsiveness
6. Lowest responsible bidder selected
7. Lowest bidder cleared by City of Pittsburgh Finance Department
8. Board authorization to award contract

Bond requirements:

1. 100% of contract price
2. Performance and Payment bonds included in contract documents

Compliance with Statutory and Authority Procurement Requirements

To test compliance with statutory and internal award requirements, the auditors requested a list of all construction and professional services contracts awarded between January 1, 2009 and December 31, 2010. As described in Methodology, the auditors selected 15 construction contracts and 48 professional services contracts for testing. One (1) construction and 3 professional service contracts were eliminated from testing because they were either contract extensions or emergency situations that did not follow the regular award process. These eliminations left 14 contracts and 45 professional service contract files in the sample.

The dollar value of the construction contracts tested was \$8,986,281; dollar value of the professional contracts tested was \$3,106,043.

Construction Contract Award Compliance

There were 27 construction contracts awarded in 2009. The auditors selected 8 contracts to examine for documentation compliance. One (1) contract was awarded for an emergency and since documentation requirements are different it was eliminated from the sample. The left 7 or 25% in a sample; 3 contracts were in excess of \$10,000, 4 were \$10,000 or less.

There were 7 construction contracts awarded in 2010 and all were examined for a 100% sample. One contract originated in 1997 and was amended as needed to complete infrastructure repairs on the LTV Southside Works complex. This contract did not fall into the normal award process so it was eliminated leaving 6 or 86% in the sample. Four (4) contracts were in excess of \$10,000; 2 were \$10,000 or less. The results are found in the following tables:

2009 Construction Contract Testing In Excess Of \$10,000

TABLE 1

2009 CONSTRUCTION CONTRACTS IN EXCESS of \$10,000-----PROCESS COMPLIANCE				
Total Contracts Examined: 3				
EVIDENCE OF:	Number of Contracts with Documentation	Percent %	Number of Contracts without Documentation	Percent %
Bid Specifications	3	100%	0	0%
Public Advertisement	3	100%	0	0%
Contract Specifications	3	100%	0	0%
Bid Opening Time & Place	3	100%	0	0%
Bid List of Contractors	3	100%	0	0%
Pre-Bid Meeting	3	100%	0	0%
Award Justification Form	3	100%	0	0%
Awarded to Lowest Bidder	3	100%	0	0%
Bid Tabulation	3	100%	0	0%
City Finance Department Clearance	3	100%	0	0%
MBE/WBE Plan	2	66.6%	1	33.4%
Board Approval	3	100%	0	0%
Bonds (Bid/ Payment/Performance)	3	100%	0	0%
Prevailing Wage Requirements	3	100%	0	0%

Finding: The files for 2009 construction contracts over \$10,000 had almost perfect compliance documentation. The MBE/WBE plan was missing from one file.

2010 Construction Contract Testing In Excess Of \$10,000

TABLE 2

2010 CONSTRUCTION CONTRACTS IN EXCESS of \$10,000-----PROCESS COMPLIANCE				
Total Contracts Examined: 4				
EVIDENCE OF:	Number of Contracts with Documentation	Percent %	Number of Contracts without Documentation	Percent %
Bid Specifications	4	100%	0	0%
Public Advertisement*	2	66.6%	1	33.4%
Contract Specifications	3	75%	1	25%
Bid Opening Time & Place	3	75%	1	25%
Bid List of Contractors	4	100%	0	0%
Pre-Bid Meeting	3	75%	1	25%
Award Justification Form	4	100%	0	0%
Awarded to Lowest Bidder	4	100%	0	0%
Bid Tabulation	4	100%	0	0%
City Finance Department Clearance	4	100%	0	0%
MBE/WBE Plan	3	75%	1	25%
Board Approval	4	100%	0	0%
Bonds (Bid/ Payment/Performance)	4	100%	0	0%
Prevailing Wage Requirements	4	100%	0	0%

*One contract was removed from this requirement because it was for an emergency repair and there was not time to advertise.

Finding: Five of the 14 (or 36%) required documents were missing from one or more files in the 2010 construction contract over \$10,000 testing sample. Specifically, copies of advertisements, contract specifications, bid opening time & place, pre-bid meeting and MBE/WBE plans were the items not found.

RECOMMENDATION NO. 3:

URA staff should make sure that all copies of required paperwork are placed in the construction contract files for evidence of compliance with award procedures. A checklist should be in all files and when the documentation is placed in the file it can be checked off. This way it is easy to assess what is missing.

2009 Construction Contract Testing \$10,000 or LESS

TABLE 3

2009 CONSTRUCTION CONTRACTS <u>\$10,000 or LESS</u>-----PROCESS COMPLIANCE				
Total Contracts Examined: 4				
EVIDENCE OF:	Number Of Contracts With Documentation	Percent %	Number Of Contracts Without Documentation	Percent %
Letter Bid	0	0%	4	100%
Contract Specifications	2	50%	2	50%
Bid Opening Time & Place	0	0%	4	100%
Bid List of Contractors	2	50%	2	50%
At Least 3 Contractors Notified	0	0%	4	100%
Award Justification Form	4	100%	0	0%
Awarded to Lowest Bidder	3	75%	1	25%
Justification for Not Lowest Bidder (if applicable)	1	100%		
City Finance Department Clearance	4	100%	0	0%
Board Approval	1	25%	3	75%

Finding: Of the 4 contract files examined in the 2010 construction contracts \$10,000 or less testing sample, 3 out of the 10 (or 33%) required documents were missing from all files.

Finding: No evidence of the following was found in the files: letter bids, bid opening time & place or at least 3 contractors being notified. Also, board approvals were not found in 3 out of the 4 contracts files.

2010 Construction Contract Testing \$10,000 or LESS

In 2010, there were only 2 construction contracts that were valued at \$10,000 or less. One of the contracts was for a bicycle rack for the South Side Works Development. The vendor selected was based on a recommendation from the City of Pittsburgh's Bicycle Pedestrian Coordinator. This contract was not put out to bid but information was available for analysis.

RECOMMENDATION NO. 4:

All construction contracts should be put out to bid and follow the proper policies and procedures. A vendor should not be awarded a contract without going through the proper award process.

TABLE 4

2010 CONSTRUCTION CONTRACTS \$10,000 or LESS-----PROCESS COMPLIANCE Total Contracts Examined: 2				
EVIDENCE OF:	Number Of Contracts With Documentation	Percent %	Number Of Contracts Without Documentation	Percent %
Letter Bid	1	50%	1	50%
Contract Specifications	1	50%	1	50%
Bid Opening Time & Place	0	0%	2	100%
Bid List of Contractors	0	0%	2	100%
At Least 3 Contractors Notified	0	0%	2	100%
Award Justification Form	2	100%	0	0%
Awarded to Lowest Bidder	NA*		NA*	
Justification for Not Lowest Bidder	1	50%	1	50%
City Finance Department Clearance	2	100%	0	0%
Board Approval	2	100%	0	0%

*Both contracts only had one bidder.

Finding: Three (3) out of 9 (or 33%) required documents were missing from the two contracts files in the construction contracts \$10,000 or less testing sample.

Finding: The 5 types of documentation not found in files are: Bid Opening Time and Place, Bid List of Contractors, At Least 3 Contractors Notified and Awarded to the Lowest Bidder.

Professional Services Contract Award Compliance

There were 108 professional service contracts awarded in 2009. A 25% sample or 25 contracts were selected as a sample; 16 contracts in excess of \$10,000, of these, 2 contracts used State and Federal money. Nine (9) contracts in the sample spent less than \$10,000.

There were 90 professional service contracts awarded in 2010. A 22% sample or 20 contracts were selected as a sample; 18 contracts in excess of \$10,000; 2 contracts were awarded for less than \$10,000.

2009 Professional Services Testing In Excess Of \$10,000

TABLE 5
2009 PROFESSIONAL SERVICE CONTRACTS
IN EXCESS of \$10,000-----PROCESS COMPLIANCE TESTING
Total Contracts Examined: 14

EVIDENCE OF:	Number of Contracts with Documentation	Percent %	Number of Contracts without Documentation	Percent %
Request For Proposal (RFP)	9	64%	5	36%
Detailed Scope of Work	10	71%	4	29%
Time Frame	10	71%	4	29%
Contract Type	9	64%	5	36%
Minimum Information	10	71%	4	29%
Applicable Regulations	9	64%	5	36%
Factors in Evaluation & Selection Process Importance	9	64%	5	36%
Evaluation & Rating Form	4	29%	10	71%
Copy of Advertisement	6	43%	8	57%
Evaluations & Ranking of Proposals by Review Committee	3	21%	11	79%
Written Documentation of Negotiation Process Price Presented to Exec. Director	0	0%	14	100%
Award Justification Form	11	79%	3	21%
Board Approval	11	79%	3	21%

Finding: Every file in the 2009 professional contracts in excess of \$10,000 sample was missing Written Documentation of Negotiation Process Price Presented to Executive Director. Only three contract files (21% of sample) had evidence of Proposal Evaluations and Rankings and only four contract files (29% of sample) contained an Evaluation & Rating Form.

Finding: None of the files in the sample of professional contracts in excess of \$10,000, had all required documentation.

2010 Professional Services Testing In Excess Of \$10,000

For the year 2010, a total of 19 professional service contract files over \$10,000 were examined, but 1 contract was a cooperation agreement and did not require evidence of the normal award process, therefore, it was not included in our compliance testing analysis. The following table shows the results of our compliance testing for the remaining 18 professional service contracts over \$10,000.

TABLE 6

2010 PROFESSIONAL SERVICE CONTRACTS IN EXCESS of \$10,000-----PROCESS COMPLIANCE TESTING Total Contracts Examined: 18				
EVIDENCE OF:	Number Of Contracts With Documentation	Percent %	Number Of Contracts Without Documentation	Percent %
Request For Proposal (RFP)	10	56%	8	44%
Detailed Scope of Work	15	83%	3	17%
Time Frame	13	72%	5	28%
Contract Type	15	83%	3	17%
Minimum Information	11	61%	7	39%
Applicable Regulations	12	67%	6	33%
Factors in Evaluation & Selection Process Importance	11	61%	7	39%
Evaluation & Rating Form	10	56%	8	44%
Copy of Advertisement	6	38%	12	67%
Evaluations & Ranking of Proposals by Review Committee	9	50%	9	50%
Written Documentation of Negotiation Process Price Presented to Exec. Director	2	11%	16	89%
Award Justification Form	16	89%	2	11%
Board Approval	13	72%	5	28%

Finding: As Table 6 indicates, there were a number of missing documents in the 2010 professional services contract files over \$10,000. The top three missing documents were 1) Written Documentation of Negotiation Process Price presented to Executive Director was not found in 89% of files, 2) Copy of the Advertisement was not found in 67% of the

files and 3) Evaluations & Ranking of Proposals by Review Committee was not found in 50% of the files.

RECOMMENDATION NO. 5:

URA staff needs to follow the policies and procedures for awarding professional service contracts and make sure that the proper documentation showing procedures have been followed is included in the contract files. If the policies and procedures are no longer followed, a revision of the policies and procedures should be implemented and updated as needed.

2009 Professional Services Testing 10,000 or Less

Originally there were nine contracts in the 2009 Professional Services Contracts \$10,000 or less. One contract was removed because it was for purchasing advertising.

TABLE 7

2009 PROFESSIONAL SERVICE CONTRACTS \$10,000 OR LESS-----PROCESS COMPLIANCE TESTING Total Contracts Examined: 8				
EVIDENCE OF:	Number of Contracts with Documentation	Percent %	Number of Contracts without Documentation	Percent %
Request For Proposal (RFP)	2	25%	6	75%
3 Qualified Firms Receive RFP	3	38%	5	63%
Proposals Evaluated & Ranked by Review Committee	0	0%	8	100%
Department Director Negotiates Contract Scope, Terms & Price	0	0%	8	100%
Written Documentation of Evaluation, Selection & Negotiation Process	0	0%	8	100%
Executive Director Approval	4	50%	4	50%
Chairman of Board Approval* (over \$5,000)	3	80%	1	20%
Award Justification Form	7	88%	1	13%

*Four (4) contracts in the sample were \$5,000 or less.

Finding: Three (3) out of 8 or 38% of the required items were missing in all contract files. Not one file in the 2009 professional service contract \$10,000 or less testing sample contained all required documents.

2010 Professional Services Testing 10,000 or Less

For 2010 professional service contracts \$10,000 or less, 4 contract files were examined. Two of the contracts involved emergency repair work resulting in no RFP required and was not put out to bid. Both of these emergency repair contracts were for \$5,000 and did not require Chairman of the Board approval. Board approval is not required for contracts \$5,000 or less. These 2 emergency repair contracts were not included in our compliance testing analysis. That leaves 2 contracts that are summarized below.

TABLE 8

2010 PROFESSIONAL SERVICE CONTRACTS \$10,000 OR LESS-----PROCESS COMPLIANCE TESTING Total Contracts Examined: 2				
EVIDENCE OF:	Number of Contracts with Documentation	Percent %	Number of Contracts without Documentation	Percent %
Request For Proposal (RFP)	1	50%	1	50%
3 Qualified Firms Receive RFP	2	100%	0	0%
Proposals Evaluated & Ranked by Review Committee	1	50%	1	50%
Department Director Negotiates Contract Scope, Terms & Price	1	50%	1	50%
Written Documentation of Evaluation, Selection & Negotiation Process	0	0%	2	100%
Executive Director Approval	1	50%	1	50%
Chairman of Board Approval* (over \$5,000)	0	0%	1	100%
Award Justification Form	2	100%	0	0%

*One (1) contract in the sample was \$5,000 or less.

Finding: Documentation was missing in 6 out of eight (75%) 2010 professional service contracts \$10,000 or less files.

State and Federal Funded Professional Service Contracts

State and Federal Funded Contracts require different documentation than other construction contracts. 2009 had 2 such contracts in the sample.

TABLE 9
2009 STATE AND FEDERAL FUNDED
PROFESSIONAL SERVICE CONTRACTS
IN EXCESS of \$10,000-----PROCESS COMPLIANCE TESTING
Total Contracts Examined: 2

EVIDENCE OF:	Number of Contracts with Documentation	Percent %	Number of Contracts without Documentation	Percent %
Need to Engaged Consultant	1	50%	1	50%
Copy of Advertisement	1	50%	1	50%
Evaluation Form and Basis for Ranking Consultant	1	50%	1	50%
Short List	0	0%	2	100%
Request for Technical Proposal (RFTP) Submitted to Consultants	2	100%	0	0%
Written Scope of Work	2	100%	0	0%
Specifications for Design	2	100%	0	0%
MBE/WBE Requirements	1	50%	1	50%
Insurance Requirements	1	50%	1	50%
Technical and Price Proposals of Consultant	1	50%	1	50%
Signed Contract	1	50%	1	50%

Finding: Documentation in State and Federally Funded Professional Service Contracts fared a little better than other PSC files in excess of \$10,000. Eight out of 11 required items were missing in one of the two contract files tested. One item (Short List) was missing in both contract files.

Finding: Three items, Request for Technical Proposal (RFTP), Written Scope of Work, and Specifications for Design were found in both files.

RECOMMENDATION NO. 6:

URA administration should sit down with Department Heads and those responsible for compiling contract file documentation and review the need for complete file documentation. Complete file documentation is needed to respond to questions or concerns that may arise about the hiring of an individual or firm.

CONCLUSION: The URA must be more diligent in making sure all proper documentation is included in construction and professional service contract files. Compiling a check list for the documentation and including it in the front of the file may help keep track of the required paperwork.

The absence of documentation is in itself not conclusive that proper award procedures were not followed. Proper and complete documentation confirms that contracts were awarded according to statutory, funding source and Authority procurement requirements.

ADDENDUM

At the beginning of the audit, URA provided the auditors with the procedures used by the Authority to award construction and professional services contracts of varying amounts and varying funding sources and provided a list of all construction and professional services contracts awarded in 2009 and 2010. A sample of contracts from that list was selected for testing. The audit findings and recommendations were derived from those procedures and contract sample.

At the audit exit conference, the auditors were presented with procurement documentation not found in the contract files during audit testing. URA officials offered testimony about the written procurement procedures previously provided to the auditors.

Auditors were told that documents were missing because the written procedure was no longer followed or other practices were used that complied with the spirit of the procedure.

URA officials identified 10 “contracts” that the auditors selected for testing from the URA contract list as Mainstreets/Elm Street Program ‘awards’ and not contracts.

The URA later provided some of the documents that were not found in the contract files and written explanations for missing documents.

State and Federal Funded Contracts

URA officials stated that the state funded contract procedures only apply to “transportation” contracts. However, nothing in the written contract procedures provided to the auditors confirms this. URA asked that the two contracts in the sample be eliminated even though the RFQ for one of the contracts stated “work will be complete in accordance with Penn DOT (Pennsylvania Department of Transportation) standards”.

URA provided 3 documents evidencing an RFQ, a short list and consultant technical & price proposals for one of the 2 contracts.

2009 Professional Service Contracts \$10,000 or Less

URA provided 4 documents evidencing evaluations, scope/price negotiations, written documentation of evaluation, selection & negotiation process and executive director approval for 2 of the 9 contracts.

2010 Professional Service Contracts \$10,000 or Less

URA provided 2 documents evidencing scope/price negotiations and executive director approval for one of the 2 contracts.

2009 Professional Service Contracts In Excess of \$10,000

URA provided 3 documents evidencing an RFP, advertisement and award justification and a memo showing evaluation and ranking for two of the 14 contracts.

2010 Professional Service Contracts In Excess of \$10,000

URA provided 4 documents evidencing an RFP and RFP sent to firms on URA list in lieu of advertisement for 5 of the 18 contracts.

2009 Construction Contracts \$10,000 or Less

URA stated that construction contracts under \$10,000 do not require Board authorization but this is not stated in the written contract procedures.

2010 Construction Contracts \$10,000 or Less

URA stated that only one bid was solicited for 1 of the 2 contracts. URA stated that construction contracts under \$10,000 do not require Board authorization but this is not stated in the written contract procedures.

2009 Construction Contracts in Excess of \$10,000

URA provided MBE/WBE plan information for 1 of the 3 contracts.

2010 Construction Contracts in Excess of \$10,000

URA provided contract specifications and bid open/time/place documents for 1 of the 4 contracts.

CONCLUSION: URA officials were able to locate procurement documents that were missing from the contract files during audit testing. Locating these documents elsewhere supports the audit recommendation that a documentation check list should be attached in the front of each contract file. This check list would help ensure that all documents associated with the awarding of the contract are contained therein. In addition to the checklist, the URA should update its written procurement procedures to reflect any changes and/or additions to actual procurement practice.