

Municipality
of
Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4438

Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

June 08, 1995

Internal Audit Report 95-09
Anchorage Parking Authority

Introduction. The Anchorage Parking Authority (Parking Authority) is a public corporate authority of the Municipality. The Parking Authority is a component unit of the Municipality but exists independently of and separately from the Municipality. The Parking Authority has the power to construct and operate off-street parking facilities, incur debt for such facilities, and establish and collect fees for on-street parking. Anchorage Municipal Code (AMC) 9.60.050 states the authority shall comply with and utilize the competitive bidding processes of AMC Title 7.

Scope. Our audit objective was to determine whether the Parking Authority was in compliance with the competitive bidding processes of AMC Title 7. Accordingly, the audit included tests of records and such other procedures as we considered necessary in the circumstances. The audit included purchases made during 1994 and was requested by the Administration.

Overall Evaluation. The Parking Authority was not always in compliance with the competitive bidding processes prescribed by AMC Title 7.

Management Comments to Overall Evaluation. Management stated, "We concur with your overall evaluation that during the audited period APA was, "...not always in compliance with the competitive bidding processes prescribed by AMC Title 7." Several years ago APA developed its purchasing policy with purchasing and legal expertise and has not updated the policy since. Also, APA has not been documenting its existing process consistently.

"Action: Even prior to receiving the final report, the Executive Director has assigned to APA's Controller an additional duty of "Purchasing Officer." The role of the Purchasing Officer will be to assure that APA updates its purchasing policy as necessary, executes it consistently and maintains appropriate documentation in central files for required periods of time."

FINDINGS AND RECOMMENDATIONS

1. Purchase Policy Not Adequate.

- a. Finding.** The Parking Authority's Purchase Policy did not contain sufficient procedures to ensure purchases were made in compliance with the competitive bidding processes of AMC Title 7. Our review revealed the following inadequacies:

- 1) Procurement on the open market for a cost of not more than \$25,000. The Policy did not require the Parking Authority to keep a record of all open market bids received and awards made. As a result, there was no evidence that competitive bidding was utilized or that sole source selection was justified.
- 2) Sole source procurement. The Policy did not address sole source procurement for supplies, services or construction where it was determined and documented that there was only one source for the purchase. As a result, it was unclear whether sole source procurement was allowed or prohibited by the Parking Authority.
- 3) Board of Director approval. The Policy did not establish criteria for approval of contracts or awards by the Board of Directors. As a result, contracts or awards were not approved by the Board of Directors. However, we found several Invitations for Bid stating the award of the contract was subject to the approval of the Board of Directors.
- 4) Contract amendments. The Policy did not address the provisions and requirements for contract amendments.

- b. **Recommendation.** The Parking Authority's Purchase Policy should be revised to clearly communicate the procedures and actions required for a competitive bidding process described by AMC Title 7. Of particular importance should be the requirement for documentation of the procurement actions including the award of contracts.

 - c. **Management Comments.** Management concurred with the finding and stated, "Within 30 days, Management will ensure that the policy is revised as necessary to comply with the competitive bidding processes of AMC Title 7 and ensure that adequate documentation standards are in effect and being followed. Management will also centralize the maintenance of documentation for the bidding process and will include the appropriate justification for awarding of sole source contracts."

 - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
2. **Supplies, Services and Construction Not Procured Competitively.**
- a. **Finding.** The Parking Authority did not always procure supplies, services, or construction in compliance with the competitive bidding processes of AMC Title 7. Our review of vendors receiving more than \$5,000 in payments in 1994 revealed at least 35 vendors who were not

selected through a competitive bidding process. Several vendors received single payments over \$25,000. Total payments to these 35 vendors approximated \$750,000. Many of these vendors were selected on a sole source basis for services or supplies readily available from many vendors.

- b. **Recommendation.** The Parking Authority should comply with the competitive bidding processes required by AMC Title 7 and the Parking Authority's Purchase Policy.

- c. **Management Comments.** Management concurred with the finding and stated, "The majority of the vendors noted in this finding were under the \$25,000 threshold for procurement of goods and services. The existing policy, is deficient in that it requires no formal documentation of bids for services under the threshold and thus documentation standards were not in effect. Management will revise existing policy and practices to ensure that we comply with the competitive bidding processes of AMC Title 7."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Competitive Bidding Process Not Always Adequately Documented.**

- a. **Finding.** The competitive bidding process utilized by the Parking Authority was not always adequately documented. Our review of all nine awards made through competitive sealed bids and/or request for proposal revealed a variety of missing items.

Our review of the five awards made through the Invitation to Bid process revealed the following areas of noncompliance:

- 1) One Invitation to Bid did not contain the required non-discrimination clause.
- 2) The required written notice of contract award was not found for two contracts.
- 3) Documentation was not available to determine whether bids were opened publicly in the presence of two witnesses for three contracts awarded.
- 4) For one award, the only bid information available was the bid received from the vendor who was awarded the contract. Therefore, we were unable to determine whether this vendor was the lowest responsive bidder.

- 5) Three contracts awarded required the approval of the Board of Directors. No evidence of this approval was found.

Our review of the three awards made through the Request for Proposal process revealed the following areas of noncompliance:

- 1) The required notice of intent to award was not found for all three contracts awarded.
- 2) The actual proposals received were not found for one contract awarded.


The ninth contract awarded was for downtown enforcement. Parking Authority personnel stated the contract was awarded competitively but could not find any documentation to evidence the process.

- b. **Recommendation.** The Parking Authority should ensure all contracts are awarded in compliance with the Purchase Policy. All Purchase Policy requirements should be documented and filed with the contracts to evidence compliance.
- c. **Management Comments.** Management concurred with the finding and stated, "APA will centralize the maintenance of documentation for the request for proposal and request for bid processes and ensure that

all steps in the processes are adequately documented and files kept in accordance with the purchasing policy requirements.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate officials on April 28, 1995.



Peter Raiskums, CIA
Director, Internal Audit

Audit Staff:
Brenda Sullivan