

Municipality of Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4438
Fax: (907) 343-4370
<http://www.ci.anchorage.ak.us>

Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

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Internal Audit Report 97-14 Purchasing Procedures Follow-up Audit Anchorage Parking Authority

Introduction. The Anchorage Parking Authority (Parking Authority) is a public corporate authority of the Municipality of Anchorage (Municipality) and exists independently of and separately from the Municipality. Anchorage Municipal Code (AMC) 9.60.050 states that the Parking Authority shall comply with and utilize the competitive bidding processes of AMC Title 7. The Parking Authority has implemented their purchasing policy and procedures that require competitive bidding for all purchases \$1,000 and greater, where practicable.

Scope. The objective of this audit was to determine whether the Parking Authority has followed the proper procedures for the procurement of goods and services for the years 1995 through June 30, 1997, and to determine whether corrective action has been taken on the audit findings reported in the Internal Audit Report 95-09, dated June 8, 1995. All 13 contracts were reviewed from 1995 through June 1997. In addition, we reviewed 68 vendors from 1995 and 64 vendors from 1996 that had received more than \$5,000 in payments during the year. We also reviewed 53 vendors from 1997 that had received more than \$2,500. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June through July 1997.

Overall Evaluation. The “APA Purchasing Policy and Procedure” (Purchasing Policy) was revised in November 1995 as recommended in Internal Audit Report 95-09 and clearly communicated the procedures and actions required for a competitive bidding process as described by AMC Title 7. However, even though the use of a competitive bidding process did increase in 1997, the condition reported in Internal Audit Report 95-09 has not been totally corrected. Specifically, we found that goods and services were not always procured through a competitive process and the competitive bidding process was not always documented. In addition, our review of the overall propriety of the selected purchases revealed that some purchases were of questionable nature.

Management Overall Comment. Management stated, “The results of this audit must be considered in context with the events and changes that occurred within the Anchorage Parking Authority (APA) from 1994 to the present.

“December 1994	Jerry Anderson, CFO of the Municipality of Anchorage, requests internal audit of purchasing procedures.
May 1995	Board approves sole source contract for new computer citation processing system (\$125,000 computer system upgrade).
June 1995	Internal audit report on purchasing procedures released.
November 1995	New purchasing policy adopted by the Board of Directors in response to June 1995 audit.
March 1996	Executive Director resigns.
April 1996	New Executive Director appointed and confirmed.
June 1996	Purchasing authority assigned to Business Support Director.
July 1996	New computer citation processing system (approved May 1995) completed.
December 1996	Jerry Anderson, CFO of the Municipality, requests follow-up audit of purchasing procedures in 1997.”

FINDINGS AND RECOMMENDATIONS

1. Goods and Services Not Procured Through Competitive Process.

- a. **Finding.** The Parking Authority did not always procure goods and services in compliance with the competitive bidding process. A similar finding was contained in Internal Audit Report 95-09. Our audit revealed that 27 of 56 vendors in 1995 (48%), 19 of 49 vendors in 1996 (39%), and 8 of 34 vendors in 1997 (24%) were not competitively selected. In addition, contractual arrangements, such as blanket purchase orders, had not been established for routine and repetitive purchases to effectively process the purchases. Goods and services were typically purchased from the same vendors that were always used in the past through the use of purchase orders. We were told that sometimes up to three vendors were called to find the best price but this was not always documented. While the use of a competitive process did increase in 1997, compliance with the Parking Authority competitive bidding requirements was not always met. One reason for this condition was the lower level of purchases requiring competitive bidding -- \$1,000 and greater versus \$15,000 and greater for the Municipality. Another reason for this condition could be the lack of experienced purchasing personnel at the Parking Authority. See Attachment A for examples of purchases procured through noncompetitive methods.
- b. **Recommendation.** The Parking Authority should utilize the competitive bidding process for the procurement of goods and services as required by AMC Title 7 and the Purchasing Policy. Documentation should be maintained on file to support the procurement.
- c. **Management Comments.** Management stated, "Management concurs that in the past the APA did not use competitive bidding for all items as required by AMC Title

7 and the purchasing policy. Ensuring compliance with AMC Title 7 and APA's own purchasing policy is our highest priority.

“We had revised the purchasing policy setting the level for informal competitive bidding at \$1,000 unless it was found not to be practical. After considering the Municipality's level of requiring informal bids at \$15,000 we find APA's \$1,000 limit too burdensome and propose increasing it to \$5,000. In response to the previous audit the Business Support Director position was established requiring purchasing experience as a minimum qualification. For routine and repetitive purchases a Blanket Purchase Order system has been established and first applied to the purchase of office supplies.

“In May 1995, the Board awarded a contract for the upgrade of the computer system without competitive bidding. The procedure followed at that time mirrored the current policy and is documented in the Data Processing Committee report included in the May 1995 Board packet.”

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

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

- a. **Finding.** The competitive bidding process utilized by the Parking Authority was not always adequately documented. In addition, the documents that were found were generally not filed in central contract files. Consequently, locating many of the documents was difficult. A similar finding was contained in Internal Audit Report 95-09. Our review of all 13 contract awards made during 1995 through June 30, 1997, revealed the following missing items:

- 1) Documentation to support management's decision for using sole source procurement for one contract awarded in November 1996 for \$3,645.
- 2) Documentation to support whether bids were opened publicly in the presence of two witnesses for two contracts awarded. (RFP 95-2, RFP 96-1)*
- 3) The required written notice of contract award for one contract. (RFP 95-2)*

* RFP - Request for Proposal.

- b. **Recommendation.** The Parking Authority should ensure that the purchasing process is properly documented for all contract awards. All documents should be filed in the contract files to support the award.
- c. **Management Comments.** Management stated, "Management concurs with auditor's findings in 1995 and 1996. Previously employees placed in charge of individual contracts separately kept the bid information. This practice allowed for the documentation to be difficult to retrieve. Currently, centralized keeping of purchasing records under the Business Support Director has solved the problem for 1997 as noted by the auditor."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Inappropriate Use of Credit Card.**

- a. **Finding.** During our audit we noted two purchases made with the Parking Authority's American Express credit card that were not appropriate. Specifically,

during our review of the 1995 credit card purchases, we found that the Parking Authority purchased two computers using the credit card. One computer was purchased through the Home Shopping Club for \$2,274 and one at the Office Depot in Ft. Lauderdale, Florida, for \$2,384. In March 1996 the credit cards were canceled and new credit card procedures were implemented, limiting the use of the credit card purchases.

- b. **Recommendation.** Not required at this time. Management has taken corrective action.

4. **Some Purchases Were of Questionable Nature.**

- a. **Finding.** During our audit we noted some purchases that, in our opinion, were of questionable nature for a public entity. For example, the Parking Authority routinely purchased coffee, hot chocolate, creamer, sugar, cups, spoons, etc., for the use of employees. We also found that the Parking Authority paid for an employee Christmas party at a local restaurant totaling \$847 and two Board Meetings in February 1997 at the Anchorage Hilton totaling almost \$1,000 that included meals for around \$30 per person.
- b. **Recommendation.** The Parking Authority should consider limiting purchases for goods and services only for the official use of the Parking Authority.
- c. **Management Comments.** Management stated, "Coffee, hot chocolate, creamer and other items have been provided to employees in the past in recognition that the APA paid lower wages than comparable government jobs. Total expenditures on these items have averaged \$3.45 per day for the period of this audit.

“It is not unusual for municipal and state agencies and boards to hold lengthy meetings off-site at local facilities. APA had contracted for a room to hold the meeting with food provided at no additional cost. The billing from the Hilton instead listed no charges for the room and showed only charges for food.

“The APA Board is reviewing current policies to comply with the auditor's findings.”

- 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 Municipal officials on July 31, 1997.

Audit Staff:
Amy McCollum
Lily Li

ATTACHMENT A

**Examples of Goods and Services Procured
Without Utilizing Competitive Bidding**

Goods or Service	1995	1996	1997
Advertising Fees	\$16,126		
Architectural Consulting - Various Projects	\$14,407	\$6,684	
Architectural Services for Elevator Refurbishment 6th Avenue Garage	\$13,000		
Banners, Parking Signs	\$3,563	\$2,199	
Boiler Work - 6th Avenue Garage	\$13,884	\$14,554	
Bronze Plaque - Saturday Market	\$2,625		
Carpet and Labor	\$3,678	\$6,723	
Consulting/Organizational Review	\$5,500		
Fuel and Miscellaneous Supplies	\$16,394	\$22,922	\$10,909
Office Furniture	\$15,000		
Parking Lot Pay Boxes	\$13,720		
Portable Toilets at Saturday Market	\$8,514	\$10,530	\$1,170
Preparation of Citations for Mail	\$7,470	\$8,255	\$3,994
Rebuild Meter Timers and New Meter Equipment		\$16,256	
Sweeping of Lots	\$9,202		
Violation Books for Parking Tickets	\$11,640		
Window Cleaning	\$7,680	\$7,915	\$3,840
Window Envelopes	\$2,590	\$6,780	
Computer Hardware/Software Upgrades	in excess of \$125,000 for entire project		