



Office of the City Manager

INFORMATION CALENDAR

January 22, 2013

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: Andrew Clough, Director, Public Works
Subject: Status Report: Public Works Contract Monitoring: Risk of Overpayment/Lack of Inventory Controls

INTRODUCTION

In February 2010, the City Auditor issued an Audit Report on [Public Works Contract Monitoring: Risk of Overpayment/Lack of Inventory Controls](#)¹. The objective was to “determine if the Public Works Department has procedures and controls in place to ensure that contractors bill consistent with contract specified pricing for goods and services.”

The Audit Report included 9 findings and 23 recommendations, and 18 of these were implemented when the Audit Report was published in February 2010. The [first status report was submitted in January 2011](#)², and another in [January 2012](#)³; this report provides information on the status of the single recommendation that remained open. The next status report will be prepared in coordination with the status report for the Purchase Order Audit of Select Public Works Divisions at the Corporation Yard, which has a comparable single outstanding recommendation that relies on the same implementation. These reports will be submitted to Council by December 17, 2013.

CURRENT SITUATION AND ITS EFFECTS

Since the last Status Report was published in January 2012, Public Works has not been able to further implement the single remaining outstanding recommendation.

Finding 3: Improve physical security and accountability for inventory of tires and other parts (repeat finding: March 15, 2005)

¹ www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_City_Council/2010/02Feb/2010-02-09_Item_09_Audit_Report_Public_Works_Contract_Monitoring.pdf

² www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_City_Council/2011/01Jan/2011-01-18_Item_24_Status_Report_Public_Works_Contract_Monitoring.pdf

³ www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2012/01Jan/2012-01-17_Item_39_Status_Report_Public_Works_Contract_Monitoring.pdf

Recommendation 3.2: Have an employee independent of the Equipment Maintenance Division reconcile the annual physical inventory to the prior year's inventory of tires and other parts, and report the results to the Director of Public Works. The reconciliation should account for tires purchased and used during the year. An overage or shortage should be investigated.

Status: Not Implemented. Following the Audit, a tire inventory was compiled and reconciled on a monthly basis by an employee independent of Equipment Maintenance, and reported to both the Equipment Superintendent and the PW Director. Since July 2011, after the audit status report in January 2011, personnel were reassigned and no replacement has been available to continue the reconciliation. Currently there are no reconciliations conducted or mitigating controls in place to secure the parts inventory at either the Corporation Yard or the Transfer Station equipment shops. However, Equipment Maintenance has taken steps to reduce the overall size of the parts inventory, reducing the potential exposure and risk, and the parts rooms at each facility are secured in a separate locked room. The tire inventory, along with the inventory of other parts, is on hold until an outside vendor is in place, as also reflected in the December 11, 2012 [Audit status report for Purchase Orders in Select Public Works Divisions at the Corporation Yard](#)⁴. The outside vendor will serve onsite for the procurement and distribution of auto parts for Equipment Maintenance. This selection is underway, and will be made by piggy backing on a National Joint Powers Alliance (NJPA) contract, with a vendor expected to be in place by FY 2014.

BACKGROUND

The Contract Monitoring Audit focused on a selection of cost-plus contracts and large purchase orders from Public Works Solid Waste, Parking Services, and Equipment Maintenance, identified by Finance as warranting review.

POSSIBLE FUTURE ACTION

Equipment Maintenance is planning to contract with a third-party for operation of its parts supplies/warehousing function, piggy backing on a National Joint Powers Alliance (NJPA) contract. This will include provisions for the vendor to be solely responsible for security and reconciliation of parts and supplies inventory.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Exact fiscal impacts are unknown at this time. Any new expenditure contracts would have to conform with funding approvals and revenue projections.

CONTACT PERSON

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⁴ www.ci.berkeley.ca.us/Clerk/City_Council/2012/12Dec/Documents/2012-12-11_Item_31_Status_Report_Purchase_Order_Audit.aspx