



**OFFICE OF THE CITY AUDITOR**  
**COLORADO SPRINGS, COLORADO**

# 13-15 City Procurement Audit

September 2013



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

## 13-15 City Procurement Audit

September 2013

### **Purpose**

The purpose of this audit was to evaluate whether the City of Colorado Springs acquired goods and services in accordance with City policy, while adequately safeguarding resources.

### **Highlights**

We concluded that overall, goods and services were being acquired in accordance with City procurement policy. We compared competitive bid limits to policies in other government entities. Our comparison indicated dollars that could be spent before formal competition was required were, on average, four times higher than in other government entities surveyed.

Competitive bid limits increased significantly in 2009 related to Procurement Services staff reductions. Additionally, greater responsibility to obtain informal quotes moved from Procurement Services to operations department employees. In general, greater decentralization of responsibility increases control risks such as conflicts of interest.

The Procurement Audit was performed on a recurring basis. The prior audit covered procurement policies and activity for the period June 1, 2006, through June 30, 2007. The current audit covered the period January 1 through December 31, 2012.

Our audit included interviews with key personnel, and review of 41 contracts, 45 purchase orders, and 20 change orders for compliance with City procurement policies. Overall, transactions complied with policy. We noted the following transaction exceptions in our testing:

*(Continued on page 2)*

### **Management Response**

Management was generally in agreement with our recommendations. Responses can be found in the attached report.

### **Recommendations**

1. Review competitive bid limits and decentralized procurement to ensure they are still appropriate. Consider resource requirements for any policy changes.
2. Operations employees with procurement authority should receive training.
3. Professional services contracts should continue to emphasize the use of requisition and contracts dollar limits, as well as approvals for significant change orders.
4. Standard contracts should be reviewed and updated to ensure City interests are protected.
5. Limit access to procurement and payment systems to ensure employees cannot process a purchase order and payment independently.

*(Continued on page 2)*

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*(Highlights continued from page 1)*

- We noted one professional services contract with significant expenditures without a contract maximum.
- Several purchase orders to employee-owned vendors were identified.
- Operations employees indicated a lack of familiarity with the employee-owned vendor policy.
- Standard contracts utilized by City Procurement Services had not been reviewed and updated since 2008.

*(Recommendations continued from page 1)*

6. Implement scheduled systems access reviews.

### ***Opportunities for Improvement***

1. Consider formal logging, tracking and reporting of vendor complaints and resolution.
2. Consider quarterly reporting of local spending to City Council in support of the Think Local Resolution. Include procurement card spending in local spending totals.



# OFFICE OF THE CITY AUDITOR PUBLIC REPORT

Date: August 4, 2013

To: President King, President Pro-Tem Bennett, and Members of City Council

Re: 13-15 City Procurement Audit

We conducted an audit of City Procurement activities. The purpose of this audit was to evaluate whether the City of Colorado Springs Procurement Services Department, as well as operations personnel performing procurement duties, acquired goods and services in accordance with City policy, while adequately safeguarding resources.

The City Procurement Audit was completed on a recurring basis by the Office of the City Auditor. The last Procurement audit covered the policies and activities from June 1, 2006, through June 30, 2007. The current audit period was January 1, 2012, through December 31, 2012. Competitive bid limits had increased significantly since our prior audit and were related to Procurement Services staff reductions in 2009.

Our audit included interviews with key personnel performing procurement activities, and review of purchase orders, contracts and change orders for compliance with the City's procurement policy. Additionally, we compared competitive bid limits to policies in other government entities. We noted dollars that could be spent before requiring formal competition were, on average, four times higher than in other governments.

We concluded that overall, goods and services were being acquired in accordance with the Procurement rules and regulations. However, during the course of the audit, we did identify five areas where we believe internal controls could be strengthened as well as two potential opportunities for improvement. Details can be found in the attached report.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Denny Nester".

Denny Nester, MBA, CPA, CIA, CFE, CGFM, CGAP  
City Auditor

Cc: Mayor Steve Bach  
Laura Neumann, Chief of Staff  
Kara Skinner, Chief Financial Officer  
Joe Palmer, Chief Information Officer  
Curt DeCapite, Procurement Services Manager



# OFFICE OF THE CITY AUDITOR PUBLIC REPORT

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## REPORT DETAILS

### PURPOSE AND SCOPE

The purpose of this audit was to evaluate whether the City of Colorado Springs Procurement Services Department, as well as operations personnel performing procurement duties, acquired goods and services in accordance with City policy while adequately safeguarding resources.

Our audit included a review of the procurement rules and regulations used when purchasing goods and services. We interviewed Procurement Services personnel to gain an understanding of the procurement process. Our audit procedures included, but were not limited to, the following:

- Reviewed 45 purchase orders, 41 contracts and 20 change orders to ensure the procurement of goods and services were following City policies such as the competitive bid and approval processes.
- Reviewed the competitive bid policies of other government entities to compare to the dollar limits in the City's Procurement Policy.
- Performed a review of system access to ensure adequate controls and segregation of duties were in place.
- Reviewed the City's standard procurement contracts for inclusion of standard clauses such as audit rights.
- Performed test procedures including analytical review to identify any potential unusual transactions such as vendors who were also City employees.
- Reviewed the local spending calculation for 2012 and related reporting practices.

The Procurement Audit was completed on a recurring basis by the Office of the City Auditor. The last Procurement Audit covered procurement policies and activities for the time period of June 1, 2006, through June 30, 2007. The current audit period was January 1, 2012, through December 31, 2012.

### BACKGROUND

The City Procurement Services Department reported to the Manager of Innovation and Sustainability during 2012, the period covered by our review. Procurement Services was part of the City Administrative Services function directed by the City Chief of Staff. Procurement Department staff included one manager and three full time equivalent staff members. Procurement Services staff performed procurement for the City as well as the Pikes Peak Rural Transportation Authority (PPRTA).

The City utilized both centralized procurement and decentralized procurement. When City Procurement Services performed the purchase of a good or service, it was considered centralized procurement. Decentralized procurement allowed each City department to purchase goods and services as long as the department complied with the procurement rules and regulations.



Under the City of Colorado Springs Charter, the Mayor was responsible for executing contracts on behalf of the City. Under the Administrative Regulation AR12-01 dated June 1, 2012, the Mayor delegated authority to the Chief of Staff or Procurement Services Manager to execute contracts with a dollar value between \$20,000 and \$199,999. Contracts over \$200,000 were approved by the Mayor. Approval of contracts under \$20,000 was delegated to City Department Heads under the Administrative Regulation.

**Competitive Bid Limits**

Competitive bid limits under policies in place for the prior audit in 2008 and for the current audit in 2012 were as follows:

2008 Competitive Bid Limits		2012 Competitive Bid Limits	
No bids required	Under \$5,000	No bids required	Under \$19,999
Informal bids required	\$5,000- \$50,000	Informal bids required	\$19,999 - \$199,999
Formal bids required	\$50,000 and over	Formal bids required	\$199,999 and over

For purchases where no bids were required, Department Managers or Directors were allowed to make purchase decisions. Bids, both formal and informal, were not required under this threshold. For purchases where informal bids were required, the informal bid could be obtained by Department Managers or Directors or the Procurement Services Department staff. Where purchases required a formal bid, the Procurement Services Department staff solicited all formal bids.

In the prior audit, the competitive bid limits were significantly lower. In 2009, City Procurement staff levels were significantly reduced. In 2009, the City Manager approved increased competitive bid limits, which were stated to be necessary due to reduced Procurement Services Department staff levels

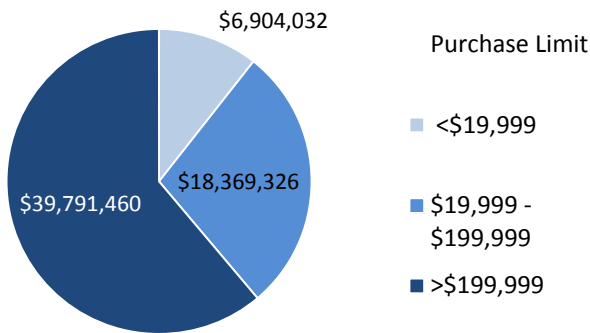
**Purchase Orders and Contracts Issued in 2012**

In 2012, there were 2,458 purchase orders and 388 contracts issued. Below is a table showing the number of purchase orders and contracts created within the various authority limits.

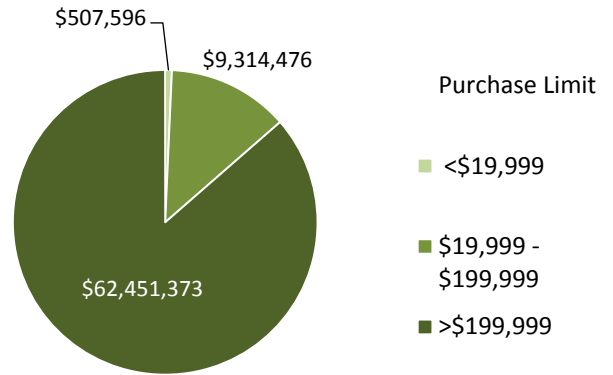
Dollar Value	Purchase Orders	Contracts
>\$19,999	2,094	203
\$19,999 - \$199,999	303	110
>\$199,999	61	75
<b>Totals</b>	<b>2,458</b>	<b>388</b>



### Purchase Orders



### Contracts



### Competition Exceptions

All purchases and contracts were required to be procured competitively either informally or formally if the aggregate total exceeded \$19,999, unless the purchase met a competition exception. The competition exceptions noted most often during our testing were as follows:

- When time is of the essence.
- Purchasing made from Joint Purchasing Alliances such as Western States Contracting Alliance.
- Purchases from nonprofit organizations up to \$50,000 if the price had been determined to be fair and reasonable.
- Professional services up to \$100,000 annually with justification approved by the Procurement Services Manager.
- Legal Services were not subject to cost limits as long as the City Attorney’s Office had determined the need for such service was appropriate and the cost was fair and reasonable.
- Other exceptions as approved by the Procurement Services Manager such as sole source procurement. One example of sole source procurement was goods or services available only from a single supplier.
- City Council directed contracts or agreements.

### Think Local Resolution

In May 2010, the City Council approved the Think Local Resolution. The resolution noted the City of Colorado Springs desired to take a leadership role in creating a “Think Local” attitude within the region when procuring goods and services. Per the “Think Local” resolution, local was defined as any and all companies doing business within a region, as defined by the Procurement Policy.

The “Think Local” resolution can be found at Appendix B. Some highlights of the resolution include:

- City Procurement Services will mentor, provide advice, guidance and assistance to vendors along with conducting periodic presentations and workshops to educate local businesses on doing business with the City.





- City Procurement Services will provide feedback on ways to improve a vendor's competitiveness.
- The "Think Local" resolution encouraged participation from local suppliers when competitive local sources existed and where no sacrifice of loss in price or quality would result.

The Procurement rules and regulations did not specifically define the term regional. Procurement Services' process was to identify the region as within El Paso County, Colorado. Procurement Services considered spending to be local if the vendor had a physical address or office within El Paso County.

The Procurement Services Department calculated quarterly local spending by accumulating all dollars spent on purchase orders and contracts, to include Pikes Peak Rural Transportation Authority Spending.

#### COMMENDABLE PRACTICES

Procurement Services was awarded Merit Award of Appreciation from U.S. Communities Government Purchasing Alliance (US Conference of Mayors) in June, 2012.

All staff members held professional certifications from the National Institute of Governmental Purchasing.

#### CONCLUSION

We conclude that overall, goods and services were being acquired in accordance with the Procurement Rules and Regulations. However, during the course of the audit, we did identify five areas where we believe internal controls could be strengthened as well as two potential opportunities for improvement. These areas are discussed on the pages that follow.



**OBSERVATIONS, RECOMMENDATIONS AND RESPONSES**

**OBSERVATION 1- THE CITY’S COMPETITIVE BID LIMITS WERE HIGHER THAN SURVEYED GOVERNMENT ENTITIES**

- As a result of 2009 staff reductions of approximately 50% in the Procurement Services Department, the City Manager approved significant increases in the limits over which purchases required bids. Greater responsibility for obtaining informal bids moved from Procurement Services to user departments. Generally, control risks such as the potential for conflicts of interest increased in a decentralized procurement process.
- The current competitive bid requirements were significantly higher than other government entities surveyed.

2008 Competitive Bid Limits		2012 Competitive Bid Limits	
No bids required	Under \$5,000	No bids required	Under \$19,999
Informal bids required	\$5,000- \$50,000	Informal bids required	\$19,999 - \$199,999
Formal bids required	\$50,000 and over	Formal bids required	\$199,999 and over

Although the user departments were not required to obtain assistance from Procurement Services to obtain informal bids for purchases under the \$199,999 limit, Procurement Services was often involved in the bid process. All contracts were required to be issued by Procurement Services. As a result, Procurement Services had some oversight of bids obtained for contracts under \$199,999 as well as for all purchase orders over \$19,999.

We reviewed procurement policies for ten cities, El Paso County, Colorado, and the State of Colorado for comparison with the City’s policy. We reviewed the amount that could be purchased before bids (formal or informal) were required, and the amount that could be purchased using informal bids. On average, procurement policy limits were four times higher for the City of Colorado Springs than the other entities reviewed. (See Appendix A for a listing of the purchasing limits for each government entity.)

**AUDITOR’S RECOMMENDATION**

City Administration and Procurement Services should review the following to ensure they are still appropriate for the procurement function:

- Competitive bid limits



- Decentralized responsibility to user departments to obtain informal bids

Resource requirements should be considered for any potential changes to competitive bid policy limits.

#### CITY RESPONSE

We agree with the recommendation.

We consistently monitor and evaluate bid limits in an effort to provide a high level of service to our clients. When evaluating bid limits we must acknowledge resource limits and balance risk with quality service and quality processes. While the division is requesting additional resources in the 2014 budget process, we recognize that request will be prioritized against other critical needs in the City.



**OBSERVATION 2 – FORMAL PROCUREMENT POLICY TRAINING WAS NOT CONDUCTED FOR OPERATIONS EMPLOYEES**

- For purchase orders under \$199,999, the operating department was responsible for obtaining quotations from vendors.
- We noted three purchase orders in our review issued to employee or spouse owned businesses. Employees indicated they were unaware of the employee-owned business policy and had not received procurement training.

Effective in 2009, operations personnel had increased procurement responsibility. Previously, operations personnel obtained informal quotations for goods and services under \$50,000. This limit was raised to \$199,999 in 2009. Operations personnel issued purchase orders for purchases \$19,999 and under; this limit was increased from \$5,000 in 2009.

However, in our review, employees stated they were not familiar with procurement policies such as the employee-owned business policy. As the City has increased decentralization of the procurement function, increased training for operations personnel was needed to ensure policies were followed. We noted the City required procurement card holders to attend training prior to obtaining a procurement card. Similar formal training was not scheduled and conducted for operations personnel without prior decentralized procurement experience. We noted that all City employees must complete annual ethics training yearly. City Procurement Services did not perform testing to identify instances of non-compliance.

**AUDITOR'S RECOMMENDATION**

Procurement Services should conduct annual training for operations employees responsible for administering the City's procurement policy.

Procurement Services should consider performing regular testing that includes comparison of employee and vendor data to identify non-compliance with the employee-owned vendor policy.

**CITY RESPONSE**

We agree with the recommendation.

While training occurs on a day-to-day basis as turnover is high in all the departments with staff performing procurement functions, the Procurement Division will develop a formal training schedule to begin in the 1<sup>st</sup> quarter of 2014. We conducted a survey in June 2013 and departments that said they would like training will be scheduled first.

Yearly Human Resources (HR) ethics training is done and employees are educated on the issue of employee owned businesses. We will coordinate with HR to ensure this policy is stressed in the training



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materials. In addition, we will explore alternative methods to audit the employee-owned vendor policy to that are not so labor intensive.



### OBSERVATION 3- CONTROL WEAKNESSES EXISTED FOR ONE PROFESSIONAL SERVICES CONTRACT

- In our review of 41 contracts, we noted one contract in which the procurement process lacked adequate controls. This contract did not include a maximum contract dollar amount and City Administration approvals for contracts or change orders. Payments on this contract totaled \$837,000 at the time of our review. We did not identify similar control concerns with the other 40 items in our test.

In reviewing the supporting documents, we noted the following:

The original requisition for professional services was issued in the amount of zero dollars and approved at the department level. The professional services contract did not specify a 'not to exceed' amount.

Contracts over \$199,999 required City administrative approval by the Mayor or his designee. As a maximum dollar amount was not specified, the contract was not submitted for approval by City Administration. City policy allowed change orders to be approved at the departmental level and by Procurement Services and did not require City Administration approval. As a result, City Administration approval was not received for the contract or change orders where contract payments exceeded \$800,000 over three years.

In 2011, payments to the vendor totaled approximately \$297,000. In 2012, the vendor was paid an additional \$436,000. Total payments under the contract through March 31, 2013, were approximately \$837,000. As a compensating control, we noted that budget funding was available for all payments under the contract.

#### AUDITOR'S RECOMMENDATION

For contracts including professional services contracts:

- Requisitions should require an estimated total dollar amount and should not be issued for zero dollars.
- Contracts should include a total maximum authorized amount to ensure expenditures do not exceed the authorized spending against the contract.
- A policy dollar limit should be developed for change orders. When this limit is exceeded, the change order should be routed to the proper level of management for authorization.

#### CITY RESPONSE

We agree with the recommendation.

Requisitions and contracts typically have estimated values, the above observation was a very unique situation. We will continue to monitor the incoming requisitions and contracts being issued to ensure the recommendations are followed.



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We will draft a policy for change order dollar limits for consideration and incorporation into the Procurement Rules & Regulations by 3<sup>rd</sup> quarter 2014. All major changes to the regulations must be presented and approved by Council.



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**OBSERVATION 4 – STANDARD CONTRACTS HAD NOT BEEN REVIEWED AND UPDATED**

- The City utilized standard contracts for procurement to ensure contract terms adequately protected City interests. The standard contracts had not had legal review since 2008 and may require updating to ensure appropriate clauses are included.
- Additionally, legal review was not completed for three non-standard contracts over \$50,000 in our test as required by policy.

We noted in our review of the seven standard contracts that one or more lacked clauses related to right to audit, compliance with the immigration and control act, acceptance of gratuities, or contracts with entities debarred or suspended. Prior to the issuance of this report, City Procurement Services updated standard contract clauses.

Due to the experience of the City Procurement Services staff, current practice was to submit any purchases completed using non-standard contracts for legal review on an as-needed basis.

**AUDITOR'S RECOMMENDATION**

Procurement Services should work with the City Attorney's Office to review all standard procurement contracts to confirm that all required contract clauses are included.

Procurement Services and the City Attorney's Office should determine when contracts on non-standard forms should be submitted for legal review, and appropriate changes should be reflected in procurement policy.

**CITY RESPONSE**

We agree with the recommendation.

We will provide our standard contracts to the attorney's office for review and comments by the end of the 1<sup>st</sup> quarter 2014.

Procurement and the City Attorney's Office will meet to determine when contracts on non-standard forms should be submitted for legal review (3<sup>rd</sup> quarter 2014).





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#### OBSERVATION 5 - SYSTEM ACCESS CONTROL WEAKNESSES EXISTED

- Twelve employees had system access that would allow the user to create a purchase order, enter an invoice, perform vendor setup or modification, and approve vendor file changes. Using these permissions, the possibility existed that a user could process a purchase order and related payment without involvement from a second person.
- This was a repeat finding from the City Auditor's 2008 Procurement Audit report.

In our review of access to the procurement application, we identified 12 users with access that was greater than the required level to perform the user's job duties. These included six City Finance employees, four Information Technology employees, and two service user accesses utilized by Information Technology employees.

The two Information Technology service user accesses noted above were required to run the procurement and payment applications or to create reports that were generated on a periodic basis. We understand that IT users required access to the system. However, that access should be limited to the test environment with read only access to the production environment. System generated reports were not produced to review the activity for any user. Logs were generated that could be reviewed in case of suspected inappropriate activity.

We reviewed user access as it pertained to the procurement and payment process. Review of other systems accesses was not within the scope of our review.

#### AUDITOR'S RECOMMENDATION

City Procurement should work with City Finance and Information Technology to review access to procurement and payment application systems for the following:

- Ensure access is only granted to employees that have business need for access. Access that creates a control risk related to segregation of duties should be eliminated or mitigating controls should be put in place. Mitigating controls could include reports that are reviewed on a regular basis.
- A process should be developed to review user access on a scheduled basis.
- City Finance should perform a comprehensive review of access to City financial related application systems.

#### CITY RESPONSE

We agree with the recommendation and observation and will work with City Finance and Information Technology to develop a process for Information Technology to review user access on a scheduled basis.



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## OPPORTUNITIES FOR IMPROVEMENT

### OPPORTUNITY 1 - VENDOR COMPLAINTS WERE NOT FORMALLY DOCUMENTED

- Although we understand vendor complaints were infrequent, we noted they were not logged to review for patterns or trends and to facilitate reporting to management.

Under City Procurement rules and regulations, several options were available to vendors that were not selected in the procurement process. Vendors could request a debriefing session to obtain more information about the basis for selection and award of the contract. Procurement rules also allowed the vendor to file a protest, which required a written response from the Procurement Services Manager. Additionally, vendors could contact City Procurement Services to make informal complaints.

### AUDITOR'S RECOMMENDATION

The Procurement Services Department should consider formal logging, tracking and reporting of vendor complaints, and resolution.



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**OPPORTUNITY 2 – LOCAL SPENDING WAS NOT REPORTED TO CITY COUNCIL**

- Procurement Services tracked the City’s local spending by calculating payments to businesses having a physical address located in El Paso County. We noted that local spending was reported internally, but was not reported to City Council.

In May 2010, City Council approved a “Think Local” Resolution. The resolution noted that the City of Colorado Springs desired to take a leadership role in creating a “Think Local” attitude within the region when procuring goods and services. Per the “Think Local” resolution, local was defined as any and all companies doing business within a region, as defined by the Procurement Policy. Procurement Services calculated local spending based on payments to businesses with a local address in El Paso County. The “Think Local” resolution encouraged participation from local suppliers when competitive local sources existed and where no sacrifice of loss in price or quality would result. (See Appendix B)

The local spending calculation included Procurement Services’ calculation of all dollars spent on purchase orders, contracts and all change orders, including Pikes Peak Rural Transportation Authority spending. Procurement card information was not included in the local spending calculation. We tested the local spending calculation for 2012, which was approximately 57% of total spending, not including purchases made using procurement cards. Procurement Services indicated that local spending had increased from 34% in 2008.

We noted that City Council’s 2013 Breakthrough Strategies included ‘Champion Economic Development Goals’ in cooperation with the Mayor’s Office. However, local spending was not reported to City Council in support of this initiative.

**AUDITOR’S RECOMMENDATION**

Consider reporting local spending to City Council in support of City Council’s objective to advance the City’s economic development goals. We recommend quarterly local spend reporting similar to Colorado Springs Utilities.

Consider including local spending through procurement cards to improve the accuracy of the local spending calculation.



APPENDICES

APPENDIX A – PROCUREMENT COMPETITIVE BID POLICY LIMITS

ENTITY	NO BIDS REQUIRED IF PURCHASE LESS THAN	INFORMAL BIDS REQUIRED FOR PURCHASES BETWEEN	FORMAL BIDS REQUIRED FOR PURCHASES GREATER THAN
<b>Albuquerque</b>	\$500	\$500 – \$10,000	\$10,000
<b>Denver</b>	\$5,000	\$5,000 – \$25,000	\$25,000
<b>Fort Collins</b>	\$2,000	\$2,000 – \$30,000	\$30,000
<b>Omaha</b>	N/A	\$0 – \$20,000	\$20,000
<b>Portland</b>	\$5,000	\$5,000 – \$150,000*	\$150,000
<b>Salt Lake City</b>	\$2,500	\$2,500 – \$40,000	\$40,000
<b>San Francisco</b>	\$10,000	\$10,000 – \$29,000**	\$29,000
<b>Tucson</b>	\$5,000	\$5,000 – \$50,000	\$50,000
<b>Wichita</b>	N/A	\$0 – \$25,000	\$25,000
<b>Lakewood</b>	\$5,000	\$5,000 – \$50,000	\$50,000
<b>El Paso County</b>	\$5,000	\$5,000 – \$25,000	\$25,000
<b>State of Colorado</b>	\$10,000****	\$10,000 – \$150,000***	\$150,000
<b>Average</b>	\$4,167	\$4,167 – \$50,333	\$50,333
<b>Colorado Springs</b>	\$19,999	\$19,999 – \$199,999	\$199,999

Source: Applicable entity's public website – first quarter, 2013

Basis of selection: Regional Business Alliance 22 City peer group for which policy was available on public website, with addition of El Paso County and State of Colorado.

Notes:

\*Informal bid limits are for all purchases except public improvements, professional, technical and expert services. Those limits are \$5,000 to \$100,000.

\*\*Informal bid limits are for all purchases except commodities. Those limits are \$10,000 to \$50,000.

\*\*\*Informal bid limits are for purchases of commodities. Services and construction project limits are \$25,000 - \$150,000.

\*\*\*\*This limit is for purchases of commodities. Bids are not required for service and construction projects under \$25,000.

Note: We did not benchmark determination of responsibility for bid process (whether performed by operating departments or the Procurement Department).



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APPENDIX B – THINK LOCAL RESOLUTION

Resolution No. 86-10

A RESOLUTION CREATING A "THINK LOCAL" ATTITUDE  
WHEN PROCURING GOODS AND SERVICES

WHEREAS, the City of Colorado Springs desires to take a leadership role in creating a "Think Local" attitude within the region when procuring goods and services. The City is adopting this Resolution in order to encourage all companies to "Think Local" in all business endeavors, including the procurement of goods and services.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

- Section 1: That the term "local" is defined as any and all companies doing business within the region, as defined by municipal procurement policies and regulations, regardless of where the company is headquartered;
- Section 2: That the City will continue to mentor local companies by providing advice, guidance, and assistance in completing responses to the City's Requests for Proposal (RFP), Requests for Qualifications (RFQ), or Requests for Information (RFI);
- Section 3: That the City will continue to conduct periodic presentations and workshops designed to educate the local business community on how to do business with the City and inform them of available solicitation opportunities;
- Section 4: That the City will act responsively to any request by a local company to provide "feedback" (within the limits of the City procurement policies and regulations and the Colorado Open Records Act (CORA)) as to why the company's proposal or bid was not accepted and how the company may improve its competitiveness;
- Section 5: That the City is responsible for ensuring the procurement of products, commodities, and services is conducted in a manner that affords all responsible businesses a fair and equal opportunity to compete on a full and open competition basis without restricting qualified bidders from participating;
- Section 6: That the City will continue to encourage participation from local suppliers whenever and wherever such competitive local sources exist, and where no sacrifice or loss in price or quality would result;
- Section 7: That in compliance with municipal procurement policies and regulations, the City may recognize local companies with a higher ranking reflecting the



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City's "Think Local" attitude when applicable, recognizing that a degree of service may be enhanced by being a local firm;

Section 8: That in the event of a tie bid between a local company and a non-local company, the award will be made to the local company if all other factors, including price, quality, terms, and delivery are determined to be equal;

Section 9: That the City will continue to encourage local and non-local companies to partner with local companies in the delivery of goods and services to the City; and

Section 10: That the City will promote a "Think Local" message and encourage others in the community to adopt guidelines that encourage local involvement in support of regional economic growth.

Dated at Colorado Springs, Colorado this 25<sup>th</sup> day of May 2010.

# CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

## COLORADO SPRINGS, COLORADO

### **About our Office**

The mission of the Office of the City Auditor is to provide City Council with an independent, objective and comprehensive auditing program for operations of the City. Our auditing program includes:

- Evaluating the adequacy of financial controls, records and operations
- Evaluating the effectiveness and efficiency of organizational operations
- Providing Council, management and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

### **Authorization and Organizational Placement**

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council.

### **Audit Standards**

The audit was conducted in a manner that meets or exceeds the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors, with the exception of the requirements under standards 1312 and 1321 to obtain an external quality assurance review once every five years. We do not believe this non-compliance impacted the quality of our audit.

The audit included interviews with appropriate personnel and such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.