



# City and County of Denver

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*Dennis Gallagher*

Auditor

August 19, 2009

Ms. Jeanne Robb, Councilwoman  
City Council  
1437 Bannock Street, Room 451  
Denver, CO 80202

Dear Councilwoman Robb:

I am writing to you in light of the recent discussions among members of Denver City Council regarding the timeliness of the contracting process. As you may remember I first raised this issue with Mayor John Hickenlooper in January of 2006. I had been concerned about contracts submitted for approval that had start term dates prior to the contract reaching me for signature (in some cases the term of the contract had actually expired before reaching me) – this in violation of the Mayor's Executive Order #8. At that time a survey I had done of expenditure contracts indicated that nearly 80% had start dates prior to execution of the contract. Unfortunately this timeliness issue continues and frankly is part of a larger problem with the City's contracting process.

As a matter of fact, just today, I have received a change order for the Federal Blvd. Rehabilitation project. The change order is in the amount of \$610,957.05. The completion date shown in the change order is July 18, 2008. City Council did approve this expenditure, but on July 27, 2009, more than a year after the fact.

Let me briefly note for you some of my concerns with the thought that a more in-depth discussion of these issues is warranted.

#### Issues on Contracts

- 1) Start Dates prior to (in some cases long prior to) the contract is fully executed and the fact that work is actually being started prior to the contract being executed. So far this year, 75% of expenditure contracts have a start date prior to being received in my office for signature.

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We will monitor and report on recommendations and progress towards their implementation.

- 2) The possibility of increased legal liability if contracts aren't signed in advance – this is true of expenditure contracts but also revenue contracts as well, particularly contracts related to performances at city venues
- 3) The abuse of the on-call contract to circumvent city procedures on contract procurement

Additionally, we are conducting a performance audit focused on the efficiency of the city contract process - please note that the statistics I reference with regard to the timeliness of contracts is not derived from audit work on this audit, it is from a separate analysis conducted by my contracts department. This audit is narrowly focused on construction, professional and personal services contracts and is not looking specifically at the timelines issue. It is however identifying other issues in the contracting process that are of concern. This audit will be coming out in the Fall. Also, in 2010, we will be conducting a city-wide performance audit examining contract administration practices.

I believe it is critical that the City address these and other issues related to the contract process. Let me note for you what we have done to shorten the process within our own office and how that might also contribute to improving the timeliness of contracts city-wide.

- On January 1, 2009 we went 'live' within our office with electronic processing of 100% of the contracts received for signature.
  - This was an initiative wholly started by our agency. We began programming and creating the system ourselves then eventually, Technology Services took over the project and finished it.
  - This electronic processing has significantly improved the process, making it much more efficient. Among other things it has greatly reduced the number of times that the same information was being input. Prior to this the same information was input three separate times just within our agency. Now the information only needs to be input once.
- We know that every agency has the same redundancy issues and with that redundancy the possibility of information being entered incorrectly and inconsistently.
  - When other agencies learned of our electronic processing – Public Works, DIA, etc. - they asked to have it be expanded so they could use it as well.
  - Unfortunately, Technology Services was unable to comply with this request because of their concern that our initial system was built on an "unstable platform" (Because we had started this project in-

- house, we used an Access Database as it was all that was available to us and we were frustrated at not having an electronic way to process contracts. Technology Services did not want to expand the process to other agencies until a platform could be developed that would handle the increased load of other agencies).
- We then submitted a comprehensive proposal to Technology Services for a city-wide application – not reliant on Access - which would bring electronic processing to every element of the contract process.
    - Technology Services created an initial budget investigation for this program.
    - The program cleared the first “cut” of proposals, but missed the second cut.
  - We then contributed money from our own budget to help jumpstart the movement of the document imaging program, Liberty, to the Controller’s Office. We did this because that process more properly belongs in the Controller’s Office, but also because there was no money from the ITIC committee to fund the electronic process and the platform for document imaging in the transition of Liberty will ultimately be used for electronic processing. While we realized that the city-wide electronic processing would be down the road, we nonetheless believed it imperative that any steps that could be taken to shorten that road needed to occur.

As you may investigate issues with the timeliness and other concerns with the city’s contracting process, please feel free to call on me for more information, a more in-depth discussion of issues, and any help that I or my office can provide.

Sincerely,



Dennis J. Gallagher  
Auditor

cc: All City Council Members

*I know we can  
do better !*