

FOLLOW-UP REPORT

Contract Procurement Processes

Multi-Agency

January 2021

**Office of the Auditor
Audit Services Division
City and County of Denver**



**Timothy M. O'Brien, CPA
Denver Auditor**



Audit Team

Cody Schulte, CPA, CIA, Audit Supervisor
Karole Dachelet, MPA, Lead Auditor
Anna Lovascio Hansen, Lead Auditor
Kathryn Kornacki, MPP, Senior Auditor
John-Michael Steiner, MPA, Associate Auditor

Audit Management

Timothy M. O'Brien, CPA, Auditor
Valerie Walling, CPA, Deputy Auditor
Dawn Wiseman, CRMA, Audit Director

Audit Committee

Timothy M. O'Brien, CPA, Chairman
Rudolfo Payan, Vice Chairman
Jack Blumenthal
Leslie Mitchell
Florine Nath
Charles Scheibe
Ed Scholz

You can obtain copies of this report by contacting us:



Office of the Auditor

201 West Colfax Avenue, #705
Denver CO, 80202
(720) 913-5000 ♦ Fax (720) 913-5253

Or download and view an electronic copy by visiting
our website at: www.denverauditor.org.

Cover photo by Denver Auditor's Office staff.

City and County of Denver



TIMOTHY M. O'BRIEN, CPA
AUDITOR

201 West Colfax Avenue, #705 • Denver, Colorado 80202
(720) 913-5000 • Fax (720) 913-5253 • www.denverauditor.org

January 7, 2021

AUDITOR'S LETTER

In keeping with generally accepted government auditing standards and Auditor's Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow-up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

In our follow-up efforts for the "Contract Procurement Processes" audit report issued in June 2019, we determined the Mayor's Office, the Department of Parks & Recreation, the Department of Public Health & Environment, and the Department of Transportation & Infrastructure collectively implemented 14 of 22 recommendations we made in the original audit report. Despite these agencies' efforts, auditors determined the risks associated with the audit team's initial findings have not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure the city takes appropriate corrective action.

Since the original audit, the Department of Public Works was renamed the Department of Transportation & Infrastructure. We therefore reference the Department of Transportation & Infrastructure as acting upon the recommendations from the original audit that referenced Public Works for this report.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up efforts. Following the Highlights page is a detailed implementation status update for each recommendation.

I would like to express our sincere appreciation to the personnel at the Mayor's Office, the Department of Parks & Recreation, the Department of Public Health & Environment, and the Department of Transportation & Infrastructure who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



Contract Procurement Processes

January 2021

Objective

The objective of the audit was to evaluate the efficiency, effectiveness, and documentation of the city's contract procurement processes from the time an agency identifies a need for a good or service to the point a vendor is chosen.

Background

Several governing documents — from the Denver Charter to agency-level policies and procedures — dictate how the City and County of Denver procures certain goods and services. For instance, the Denver Charter grants the Department of Public Works the authority to procure construction contracts for all city agencies except Denver International Airport, which has its own authority. Meanwhile, Executive Order 8 affords all city agencies the authority to procure their own contracts for services.

REPORT HIGHLIGHTS

Highlights from Original Audit

We assessed citywide requirements and procedures for contract procurement, as well as those specific to three selected city agencies: the departments of Public Works, Parks & Recreation, and Public Health & Environment. We found gaps in some citywide and agency-level policies and procedures and in how those are implemented.

Citywide Laws and Regulations for Contract Procurement Inadequately Address Conflicts of Interest and Are Not Periodically Reviewed

Agencies did not require conflict-of-interest disclosures for every solicitation, and vendor political disclosures were not required for competitive bids and contract amendments. There was also no process to periodically review and update Executive Order 8 and provisions of the city charter and city ordinance that govern contract procurement.

The Department of Public Works' Policies and Procedures Allow for Inconsistencies in Contract Procurement

Public Works lacked certain written procedures and did not adhere to some existing policies, such as for obtaining required approvals or verifying contractors' good standing.

Some Elements of the Department of Parks & Recreation's Policies and Procedures Are Inadequate or Not Followed

Parks did not have or follow certain procedures, such as approving solicitations and retaining evidence of approvals for requests for proposals.

The Department of Public Health & Environment Lacks Comprehensive Policies and Procedures for Its Contract Procurement

Public Health did not have policies for all its divisions and for all parts of the contract procurement process.

Agencies Do Not Have Guidance to Perform Data Analytics and Ensure Confidentiality of Proposals

Public Works, Parks, and Public Health lacked adequate procedures for securing vendor bid proposals. They also did not perform data analytics to identify unusual trends and inefficiencies.



14

FULLY IMPLEMENTED



2

PARTIALLY IMPLEMENTED



6

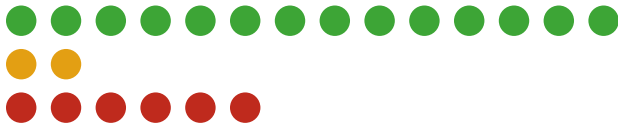
NOT IMPLEMENTED

Jan. 7, 2021

Action Since Audit Report

Contract Procurement Processes

22 recommendations proposed June 2019



FULLY IMPLEMENTED 14



PARTIALLY IMPLEMENTED 2



NOT IMPLEMENTED 6

While collectively the Mayor’s Office, the Department of Parks & Recreation, the Department of Public Health & Environment, and the Department of Transportation & Infrastructure implemented 14 recommendations made in the “Contract Procurement Processes” audit report, eight others have yet to be acted upon or fully implemented.

As shown below, all four agencies fully implemented at least some, if not all, recommendations related to conflict-of-interest procedures, while two of three agencies fully implemented all recommendations for contract procurement policies and procedures and for contract data analysis and proposal confidentiality. Public Health & Environment implemented all four of its recommendations, while the Mayor’s Office implemented only one of its six recommendations.

Despite agencies’ efforts, risks remain. Without ordinance changes and policies and procedures that protect the integrity of the bid process, transparency to the public can be diminished and agency staff may lack clear and consistent understanding of required regulations. When the city’s authoritative guidance for contract procurement is outdated or contradictory, it can cause inefficiencies and/or ineffectiveness — such as agencies not being compliant with city ordinances and agency procedures — and new controls needed to address evolving risks may be absent or lacking, increasing the risk of errors or fraud.

	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
Mayor’s Office	● 1		● ● ● ● ● 5
Department of Parks & Recreation	● ● ● 3		● 1
Department of Public Health & Environment	● ● ● ● 4		
Department of Transportation & Infrastructure	● ● ● ● ● ● 6	● ● 2	

FINDING 1 | Citywide Laws and Regulations for Contract Procurement Inadequately Address Conflicts of Interest and Are Not Periodically Reviewed

	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
Mayor's Office	● 1		● ● ● ● ● 5
Department of Parks & Recreation	● 1		
Department of Public Health & Environment	● 1		
Department of Transportation & Infrastructure	● 1		

Recommendation 1.1

Require Conflict-of-Interest Disclosures across All City Agencies – The Mayor’s Office should require, through its forthcoming update of Executive Order 8, conflict-of-interest disclosures at the solicitation level for all city agencies that conduct their own contract procurement.



FULLY IMPLEMENTED

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

In February 2020, the Mayor’s Office revised Executive Order 8 to require a selection panel for all formal bids and to require selection panel members to sign a conflict-of-interest disclosure form for each panel on which they serve.¹ The form requires the individual to disclose any known or potential conflicts of interest and to acknowledge confidentiality requirements related to the project.

Effectively, this policy requires conflict-of-interest disclosures for all formal bids and, therefore, the Mayor’s Office has implemented this recommendation.

Recommendation 1.2

Develop Procedures for Conflicts of Interest (Public Works) – The Department of Public Works should work with the City Attorney’s Office to develop and document a solicitation-level conflict-of-interest disclosure procedure and form, so that selection committee members and employees with influence over the bidding process certify they have disclosed any conflicts of interest

¹ Executive Order 8 establishes contracting guidelines for all city agencies under the mayor. The executive order outlines responsibilities for all parties involved in the contracting process, provides rules and guidance for initiating and executing contracts, and explains specific processes for different types of contracts and for agencies’ responsibilities in monitoring contracts for compliance. Executive Order 8 has a Memorandum No. 8A, which is a guide for contract-related procedures, and a Memorandum No. 8B, which addresses competitive selection requirements and exceptions to these requirements.



**FULLY
IMPLEMENTED**

relevant to a particular solicitation they are involved with and that they have acknowledged nondisclosure requirements related to the project. The procedure should state who is responsible for reviewing these certifications and include what steps to take when a conflict is identified.

AGENCY ACTION

Original target date for completion: 120 days following publication of revised Executive Order 8

The Department of Transportation & Infrastructure developed a conflict-of-interest form for selection committee members and for city employees with influence over the bidding process. The forms require the individual to disclose any conflicts of interest and to acknowledge confidentiality requirements related to the project.

The department also updated procedural checklists to include the conflict-of-interest form requirement and to create a procedural step in which any identified potential conflicts are referred to the Procurement Committee. The department updated the Procurement Committee Charter to include in the committee's duties the review of known or potential conflicts of interest.

During follow-up work, we reviewed examples of signed conflict-of-interest forms for a selection committee member and a city employee involved in the bidding process. We found that both examples acknowledged no known conflicts and were appropriately signed and dated. We also reviewed an example of an instance when a conflict of interest was disclosed. In this case, the conflict was brought to the Procurement Committee for discussion and was then documented via email stating the individual would not be serving on the committee and a new committee memo would be signed.

Therefore, we consider this recommendation fully implemented.

Recommendation 1.3

Develop Procedures for Conflicts of Interest (Parks) – The Department of Parks & Recreation should work with the City Attorney's Office to develop and document a solicitation-level conflict-of-interest disclosure procedure and form, so that selection committee members and employees with influence over the bidding process certify they have disclosed any conflicts of interest relevant to a particular solicitation they are involved with and that they have acknowledged nondisclosure requirements related to the project. The procedure should state who is responsible for reviewing these certifications and include what steps to take when a conflict is identified.



**FULLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: 120 days following publication of revised Executive Order 8

The Department of Parks & Recreation developed a conflict-of-interest form for selection committee members and for city employees with influence over the bidding process. The forms require the individual to disclose any known or potential conflicts of interest and to acknowledge confidentiality requirements related to the project.

The department also developed a procedure for documenting the conflict-of-interest disclosure – including assigning a staff member to review the forms and procedural steps for addressing any identified conflicts of interest for selection committee members.

During our follow-up work, we confirmed the department collected signed conflict-of-interest forms for the only solicitation that used the new forms and procedure. We identified no conflicts of interest.

Therefore, we consider this recommendation fully implemented.

Recommendation 1.4

Develop Procedures for Conflicts of Interest (Public Health) – The

Department of Public Health & Environment should work with the City Attorney's Office to develop and document a solicitation-level conflict-of-interest disclosure procedure and form, so that selection committee members and employees with influence over the bidding process certify they have disclosed any conflicts of interest relevant to a particular solicitation they are involved with and that they have acknowledged nondisclosure requirements related to the project. The procedure should state who is responsible for reviewing these certifications and include what steps to take when a conflict is identified.



**FULLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Draft: June 30, 2019; Final: 120 days following the publication of Executive Order 8

The Department of Public Health & Environment developed a conflict-of-interest form for selection committee members and for city employees with influence over the bidding process. The form requires a signature indicating

that the city employee or selection committee member is not aware of any conflicts of interest associated with a competitive procurement that could impact the outcome of the selection process.

Public Health also developed a related procedure. According to the procedure, the contract administrator is responsible for distributing and collecting the signed conflict-of-interest forms, for identifying all proposing firms, and for excusing anyone with a conflict.

During follow-up work, we found one instance of a disclosed conflict of interest. In this case, the department excused the selection committee member with the conflict from reviewing bid applications and from participating in the scoring process or discussion.

Therefore, we consider this recommendation fully implemented.

Recommendation 1.5

Change City Ordinance to Require Political Contribution Disclosures for Competitive Contracts – The Mayor’s Office should sponsor a change to city ordinance to require political contribution disclosure forms from vendors as part of bid proposals for all solicitations – competitive and noncompetitive. The ordinance change should also require the winning bidder to file their disclosure form with the Clerk and Recorder’s Office.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

The recommendation called for a change that would require the winning bidder for noncompetitive and competitive bids to file their disclosure form with the Clerk and Recorder’s Office. During the initial audit, we noted that existing city ordinance already required contractors placing noncompetitive bids to disclose political contributions. The report emphasized that contractors making competitive bids should also be required to file political disclosure forms.

When the Mayor’s Office staff revised Executive Order 8, they added a subsection that simply refers to the existing city ordinance. Consequently, competitive bidders are still not required to file political disclosures. As a result, there is still an outstanding risk of improper political influence, which lowers transparency and accountability. Officials in the Mayor’s Office said they have drafted a document to address this part of the recommendation and it was awaiting review. However, the Mayor’s Office was unable to provide us a copy of this draft.

The recommendation also calls for a change that would require the winning

bidder for noncompetitive and competitive bids to file their political disclosure form with the Clerk and Recorder's Office. When the Mayor's Office revised Executive Order 8, it included a requirement for disclosures to be completed and filed with the Clerk and Recorder's Office. However, this only applies to noncompetitive contracts.

While the Mayor's Office staff has revised Executive Order 8, those revisions did not fully address the requirements of this recommendation. Further, they have not provided enough evidence of efforts to change ordinance to require political contribution disclosure forms for us to consider this partially implemented. Therefore, we consider this recommendation not implemented.

Recommendation 1.6

Change City Ordinance to Require Political Contribution Disclosures for Expenditure Contract Amendments – The Mayor's Office should sponsor a change to city ordinance to ensure expenditure contract amendments that add more than one year to the term of the contract are also included in the requirements for vendors' political contribution disclosure.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

Although the Mayor's Office agreed with this audit recommendation, it did not provide any documentation of progress toward implementing this recommendation. The way the applicable section of city ordinance is currently written creates inconsistency between how expenditure contract amendments and lease amendments are handled. Consequently, there is an outstanding risk that it may be more difficult to detect and deter political influence in expenditure contract amendments. Therefore, as the risk identified in the initial audit remains, we consider this recommendation not implemented.

Recommendation 1.7

Develop Procedures to Ensure Political Disclosure by Vendors – The Mayor's Office should require, through its forthcoming update of Executive Order 8, that agencies add the political contribution disclosure form to the list of items required to be submitted by vendors for a contract solicitation. The agencies should also be required to review these forms during the evaluation process and to ensure the form of the winning bidder is forwarded to the Clerk and Recorder's Office for filing. Agencies should also follow-up with the Clerk and Recorder's Office to verify the office has received the form and has made it available for public viewing.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

The Mayor's Office revised Executive Order 8 to require bidders for noncompetitive contracts to complete and file political contribution disclosure forms with the Clerk and Recorder's Office. However, there is no language requiring agencies to review the forms during the evaluation process. Furthermore, the revised order does not require agencies to follow up with the Clerk and Recorder's Office to confirm the office received a form or that it made the form available for public viewing.

The main purpose of this recommendation was for the Mayor's Office to provide policies and procedures to ensure agency personnel follow up on vendor disclosures. However, we did not find any changes to Executive Order 8 that ensure agencies are actively evaluating political disclosure forms or verifying that the forms have been filed with the Clerk and Recorder's Office.

As such, the audit team determined the revisions to Executive Order 8 have not mitigated the risk as intended for this recommendation. Therefore, we consider this recommendation not implemented.

Recommendation 1.8

Update Executive Order 8 – The Mayor's Office and the City Attorney's Office should complete the process of updating Executive Order 8. The updated executive order should require agencies to establish policies and procedures for the whole contracting process and provide more detailed guidance for justifications for contracts longer than three years and amendments extending contracts beyond three years.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

During follow-up work, the audit team found that Executive Order 8's Memorandum No. 8B, which governs policies and procedures for monitoring contracts, has not been updated since before our initial audit. However, the Mayor's Office did revise Memorandum No. 8A to add new sections that require justifications for extending contracts beyond three years.

Each of the new sections added to Memorandum 8A require a justification for amendments longer than three years, and the justification must explain

why an extension is preferable to competitively procuring a new contract. However, no further criteria or guidance is provided on how to make a detailed justification.

The text also says justifications should be consistent with Memorandum 8B, which suggests that Memorandum 8B contains further guidance. Because Memorandum 8B has not been updated, what justifies an amendment longer than three years is still open to interpretation.

Furthermore, the recommendation requires agencies to establish policies and procedures for the whole contracting process. However, the Mayor's Office did not make any changes to Executive Order 8 regarding policies and procedures.

Although revised Executive Order 8 provides some additional guidance, it is incomplete in the level of detail provided. Therefore, it does not address the risk intended to be mitigated, and the recommendation has not been implemented.

Recommendation 1.9

Periodically Review and Update Contract Procurement Requirements – The Mayor's Office should establish a process for periodically reviewing the Denver Charter, city ordinances, and executive orders pertaining to contract procurement to ensure they are consistent and appropriately address risks. The Mayor's Office should then recommend amendments to the City Council, where appropriate.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

Although the Mayor's Office agreed with this audit recommendation, it did not provide any documentation of progress toward implementing this recommendation. Therefore, we consider this recommendation not implemented.

The initial audit identified several discrepancies between Executive Order 8 and city ordinance. When the city's authoritative guidance for contract procurement is outdated or is contradictory, it can cause inefficiencies including:

- Agencies may not be compliant with ordinances and procedures.
- Control activities — policies and procedures to identify risks and achieve objectives — may be performed when unnecessary, which slows down the contracting process. For example, when technologies are improved, but requirements in the city charter or ordinance are

not updated to reflect these changes.

- Alternatively, new controls needed to address changing risks may be lacking, which increases the risk of errors and fraud. This can occur when new technology does not have adequate access controls or when projects become larger and more complex.

FINDING 2 | The Department of Public Works' Policies and Procedures Allow for Inconsistencies in Contract Procurement

	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
Department of Transportation & Infrastructure	● ● ● 3	● ● 2	

Recommendation 2.1

Centralize Contract Procurement Process – The Department of Public Works should centralize its contracting processes within its contract administration team to ensure other divisions within the department do not deviate from the centralized team’s procurement procedures and so the team’s expertise is maximized for the benefit of the department.



FULLY IMPLEMENTED

AGENCY ACTION

Original target date for completion: 120 days

Department of Transportation & Infrastructure officials said all contracting tasks were consolidated under the department’s contract administration team effective June 1, 2019, and they provided an organizational chart as documentation of the consolidation. The audit team analyzed the organizational chart, compared it with staff records in the city’s system of record, and verified the department’s contract administration and monitoring functions have been centralized.²

A department official also said administrators outside the department’s contract administration team were instructed to no longer perform procurement functions and systems were updated to remove contracting permissions. Additionally, the audit team found the contract administration team monitors permissions lists and department officials said all contracts go through the city contract management system, Jaggaer.

The audit team reviewed the department’s contracting permissions in Jaggaer to verify that only the contract administration team can create and edit contracts in Jaggaer, which provided further assurance that the contracting process has been centralized. We found the list of individuals with contract administrator access permissions in Jaggaer matched the list of personnel in the contract administration team organizational chart and no other individuals had Jaggaer permissions.

Therefore, we consider this recommendation fully implemented.

² The city uses its system of record, Workday, for employee information such as contact information, benefits, resumes, pay slips, and more.

Recommendation 2.2

Establish Policies for Contracting Authority – The Department of Public Works should establish and document policy to ensure adherence to applicable laws and regulations, as well as Public Works’ internal procedures, when the department procures contracts for any external agency that has its own contract-signing authority as the department may not otherwise be able to mitigate contract procurement risks.



**PARTIALLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: 120 days

As noted in the original audit, the Department of Transportation & Infrastructure conducted contract procurement and amendment activities on behalf of the North Denver Cornerstone Collaborative using its authority outlined in the Denver Charter, which says that the department is responsible for all city construction contracts, except those for Denver International Airport.³ This was a unique situation in which the collaborative was the only agency with its own signing authority that the Department of Transportation & Infrastructure helped to procure contracts.

Department of Transportation & Infrastructure officials said that since June 2019, the North Denver Cornerstone Collaborative was absorbed into the department.⁴ Therefore, department officials said it was no longer necessary to develop policies and procedures because the arrangement with the North Denver Cornerstone Collaborative was addressed by integrating the organization into the Department of Transportation & Infrastructure.

However, the risk this recommendation sought to mitigate related to any external agency – not this one specific agency. We explained to department officials that there remains the potential that a similar arrangement could be developed with another entity in the future. Should a similar scenario occur, the department lacks policies and procedures to define the roles of the department and the external agency having its own contract-signing authority. Based on this additional understanding, the department provided a draft of its policies and procedures that included language to develop a memorandum of understanding, or other similar documentation, if the department is tasked with procuring a contract for an agency that has its own signing authority.

Therefore, because their new policies and procedures address the risk identified in the initial audit but are still in draft form, we consider this recommendation partially implemented.

³ Denver Charter § 2.3.3.

⁴ The North Denver Cornerstone Collaborative was a city agency charged with planning and coordination among the Globeville, Elyria, and Swansea neighborhoods.

Recommendation 2.3

Update Policies and Procedures for Required Justifications – The Department of Public Works should update its policies and procedures to ensure properly approved justifications for noncompetitive procurements and for contracts longer than three years. These procedures should include a documented secondary review that justifications are collected and are reasonable.



**FULLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: 120 days following publication of revised Executive Order 8

The Department of Transportation & Infrastructure developed procedures related to justifications for noncompetitive procurements and contracts longer than three years. These procedures have been developed as memoranda, which specify that department staff must provide the reason for using a noncompetitive procurement or why a contract extension is necessary. Contract administration staff are responsible for ensuring the memoranda are signed and adequately justified.

Department officials said the memoranda are reviewed internally before the executive director approves or denies a request to authorize a noncompetitive procurement or contract longer than three years. Approved memoranda are reviewed by department staff before being documented in Jaggaer, the city’s contract management system.

As part of our follow-up efforts, we reviewed completed memoranda and found that they contained the justifications and signatures required by department policies and procedures. Therefore, we consider this recommendation fully implemented.

However, we believe the procedures could be further improved to ensure more detailed and complete information is included – such as documenting professional advice to support justifications when services to the city are obtainable from only one vendor.

Recommendation 2.4

Create Policies and Procedures for On-Call Pools and Single Responses – The Department of Public Works should create policies and procedures for making selections from all types of on-call pools and for requirements when a solicitation receives a single response. These policies should include a requirement for monitoring by management to ensure adherence to policies and procedures and a requirement for documenting that monitoring.



**PARTIALLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: 180 days

The Department of Transportation & Infrastructure has developed policies and procedures for solicitations that receive only one bid. These policies and procedures say when a single bid is received, a memo should document the reasons that may have led to the single response, such as whether the bid was overly restrictive, and a determination of why only one bid was received. The department's procedural checklists were also updated to include steps for when a solicitation receives a single response.⁵

At the time we began our follow-up efforts, the department intended to develop policies and procedures for 18 on-call pools the department uses in the contracting process.⁶ As part of our testing, the department provided a couple of these completed policies and procedures to the audit team. However, department officials reevaluated this approach and are now developing two overarching procedures for construction on-calls and professional services on-calls that are intended to cover all 18 on-call pools and replace any individual pool policies and procedures. Department officials have provided us drafts of these two overarching procedures.

We acknowledge the department's in-progress efforts toward implementation of on-call policies and procedures as well as their completed efforts for solicitations that receive only one bid. However, because the department's policies and procedures for its on-call pools were still under development when we conducted our follow-up efforts, we conclude the recommendation has only been partially implemented.

Recommendation 2.5

Update Policies and Procedures for Contract Procurement (Public Works) – The Department of Public Works should update its existing contract procurement policies and procedures to ensure all required documentation is adequately approved, reviewed, and retained. Specific procedures that need more detail include but may not be limited to verifying selection criteria, documenting

⁵ City agencies formally advertise (in a printed publication or on an electronic platform) their need for services when the estimated cost is greater than \$100,000. Such an advertisement, called a "solicitation," must specify the services to be purchased and describe the standards and specifications required.

⁶ An on-call contract is a commitment between the city and a vendor, or sometimes multiple vendors, to pay for services only when they are used. On-call contracts allow the city to mobilize professional services quickly and easily under prenegotiated terms and conditions. For instance, the city may require services because of an urgent matter or because the city is unable to provide those services itself.



**FULLY
IMPLEMENTED**

scoring decisions, and checking debarments and certificates of good standing. The policies and procedures should assign responsibilities for monitoring and should include a requirement for documenting that monitoring.

AGENCY ACTION

Original target date for completion: 180 days following publication of revised Executive Order 8

The Department of Transportation & Infrastructure updated its policies and procedures for competitive contract procurement. The department's procedural checklists include the following steps:

- Reviewing requests for qualifications.
- Reviewing bids to ensure the bids are complete.
- Detailing how files will be documented and retained on the department's shared drive.
- Verifying a contractor's legal name with the Colorado Secretary of State's Office and obtaining the certificate of good standing.
- Checking the excluded parties list on the federal System for Award Management.
- Detailing the selection committee review process and the ranking of selection criteria using scoresheets.

As part of our follow-up efforts, the audit team obtained and reviewed completed procedural checklists and found that they included the required supervisory sign-off for each step.

The policies and procedures the department developed also include responsibilities for department officials to process contract requests, review supporting documentation, and perform a review of the formal procurement file for accuracy, completeness, and adherence to policies and procedures.

According to department officials, monitoring of these policies and procedures is managed with the city's contract management system, Jaggaer. Officials said that within Jaggaer, contract requests are stored and reviewed to verify all required documents are included in a project file.

Therefore, we consider this recommendation fully implemented.

FINDING 3 | Some Elements of the Department of Parks & Recreation’s Policies and Procedures Are Inadequate or Not Followed

	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
Department of Parks & Recreation	● 1		

Recommendation 3.1

Update Policies and Procedures for Contract Procurement (Parks) – The Department of Parks & Recreation should update its policies and procedures to address noncompetitive procurement, documentation of approvals and reference checks, solicitations yielding only one response, protests, and nonresponsive items. The policies and procedures should assign responsibilities for monitoring and should include a requirement for documenting that monitoring. These policies should also clearly define the roles and responsibilities between the departments of Public Works and Parks & Recreation regarding construction and maintenance contracts.



**FULLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: 120 days following publication of revised Executive Order 8

The Department of Parks & Recreation updated its policies and procedures to address all topics outlined in the recommendation – specifically:

- Noncompetitive procurement.
- Documentation of approvals and reference checks for vendors.
- Solicitations yielding only one response.
- Vendor protests.
- Nonresponsive items in vendor bids.

The policies and procedures include assigning monitoring and documentation responsibilities to department staff.

The department also updated policies that define roles and responsibilities between Parks and the Department of Transportation & Infrastructure regarding construction and maintenance contracts.

Therefore, we consider this recommendation fully implemented.

FINDING 4 | The Department of Public Health & Environment Lacks Comprehensive Policies and Procedures for Its Contract Procurement

	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
Department of Public Health & Environment	● 1		

Recommendation 4.1

Establish and Follow Policies and Procedures for Contract Procurement (Public Health) – The Department of Public Health & Environment should complete comprehensive, departmentwide policies and procedures for contract procurement. The policies should include, but not be limited to, guidance for approvals to solicit, analysis of single-bid responses, scoring rationale requirements, justifications for noncompetitive selections, and reasonable justification for contracts lasting over three years. The policies should also state who is responsible for implementing, monitoring, and documenting compliance with these policies.



FULLY IMPLEMENTED

AGENCY ACTION

Original target date for completion: Draft: Dec. 31, 2019; Final: 120 days following the publication of Executive Order 8

The Department of Public Health & Environment developed comprehensive policies and procedures and addressed all topics outlined in the recommendation, which were:

- Guidance for approvals to solicit.
- Analysis of single-bid responses.
- Scoring rationale requirements.
- Justifications for noncompetitive selections.
- Reasonable justification for contracts lasting over three years.

The policies and procedures also assign responsibilities for monitoring and documenting compliance with these policies to department staff.

Therefore, we consider this recommendation fully implemented.

FINDING 5 | Agencies Do Not Have Guidance to Perform Data Analytics and Ensure Confidentiality of Proposals

	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
Department of Parks & Recreation	● 1		● 1
Department of Public Health & Environment	● ● 1		
Department of Transportation & Infrastructure	● ● 1		

Recommendation 5.1



**FULLY
IMPLEMENTED**

Analyze Contracts Data (Public Works) – The Department of Public Works should establish and document a process to analyze data and identify and address unusual items in the contract procurement process.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

The Department of Transportation & Infrastructure developed a data analytics and review procedure that it uses to identify trends in contractor selection when the same contractors are repeatedly selected by department project managers. The procedure says the department's senior internal auditor will review contract awards on a semiannual basis.

As part of our follow-up efforts, the audit team obtained and analyzed the document maintained by the department's senior internal auditor for the contract review procedure. We also reviewed the documentation of the department's first semiannual review, which it conducted in November. We found the review procedure contained the information necessary to track and identify trends for awarded contracts.

Therefore, we consider this recommendation fully implemented.

Recommendation 5.2

Analyze Contracts Data (Parks) – The Department of Parks & Recreation should establish and document a process to analyze data and identify and address unusual items in the contract procurement process.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

The Department of Parks & Recreation documented a process in its policies and procedures to analyze data. However, this process has not been implemented as no additional documentation or evidence of action for the process was provided at the time of our follow-up work.

Therefore, we consider this recommendation not implemented.

Recommendation 5.3



**FULLY
IMPLEMENTED**

Analyze Contracts Data (Public Health) – The Department of Public Health & Environment should establish and document a process to analyze data and identify and address unusual items in the contract procurement process.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

The Department of Public Health & Environment dedicated a section of its policies and procedures to contract data. Specifically, according to this section, the Public Health Administration Division should periodically analyze data to look for inconsistencies, including high-dollar and recurring contracts.

To demonstrate how they have implemented this procedure, Public Health officials said they hired a consultant to conduct a risk assessment on the department's contracts and to perform an in-depth review of selected contracts. The consultant performed a risk assessment on the expenditure contracts that Public Health had in place in 2019 and they issued a final report in May 2020. The final report ranked the contracts by risk, which allows for identification of unusual items in the contract process.

Although the department has not systematically performed analyses on its own, it hired a consultant to analyze the contract data. This demonstrates Public Health's efforts to establish the process of identifying unusual items in its contract procurement process, and therefore, we consider this recommendation fully implemented.

Recommendation 5.4

Ensure Confidentiality of Proposals (Public Works) – The Department of Public Works should identify specific risks in the procurement process related to confidentiality of proposals – including, but not limited to, access to proposals prior to solicitation deadlines – and create internal controls within policies and procedures to mitigate these risks. The department should also consider the implications of confidentiality requirements for later stages of the contracting process.



**FULLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: 120 days following publication of revised Executive Order 8

Department of Transportation & Infrastructure officials implemented an electronic bidding software program called QuestCDN as their solicitation system. The department provided excerpts from the QuestCDN manual to demonstrate how the system protects the confidentiality of bids by keeping bid information locked through the solicitation closing date.

As part of our follow-up efforts, the audit team observed the QuestCDN process for an open solicitation that had at least one bid and found that department staff did not have access to, nor were they able to view, confidential bid information during the open solicitation time frame. The only details about the proposal or bid that were viewable in QuestCDN during the open time frame were the bidder’s name and the submission date.

We also reviewed the forms for nondisclosure and conflicts of interest and found each form includes statements outlining how information related to the confidentiality of proposals before solicitation deadlines must remain confidential to preserve the integrity of the bid evaluation and selection process.

As part of our follow-up efforts, we asked whether the department had considered the implications of confidentiality requirements at the later stages of the procurement process. Department officials said they reviewed and considered the entirety of the contracting process and have not identified any other points in the contracting process that warrant further confidentiality safeguards.

Therefore, we consider this recommendation fully implemented.

Recommendation 5.5

Ensure Confidentiality of Proposals (Parks) – The Department of Parks & Recreation should identify specific risks in the procurement process related to confidentiality of proposals – including, but not limited to, access to



**FULLY
IMPLEMENTED**

proposals prior to solicitation deadlines— and create internal controls within policies and procedures to mitigate these risks. The department should also consider the implications of confidentiality requirements for later stages of the contracting process.

AGENCY ACTION

Original target date for completion: 120 days after Executive Order 8 revisions are published

At the time of our initial audit, the Department of Parks & Recreation had already begun using the BidNet solicitation system for proposals, and we did not find risks associated with bid confidentiality at that time. However, the audit found the department did not address bid confidentiality processes in its policies and procedures. Our follow-up work determined the department has since added these processes in its policies and procedures.

Auditors asked Parks officials whether the department had considered the implications of confidentiality requirements at the later stages of the procurement process. A department representative said their policies and procedures provide guidance on how to keep the proposals confidential before, during, and after the procurement process, and that information requested for any aspect of a request for proposal or bidding process should be made by an open records request.

Therefore, we consider this recommendation fully implemented.

Recommendation 5.6



**FULLY
IMPLEMENTED**

Ensure Confidentiality of Proposals (Public Health) – The Department of Public Health & Environment should identify specific risks in the procurement process related to confidentiality of proposals – including, but not limited to, access to proposals prior to solicitation deadlines – and create internal controls within policies and procedures to mitigate these risks. The department should also consider the implications of confidentiality requirements for later stages of the contracting process.

AGENCY ACTION

Original target date for completion: Draft: Dec. 31, 2019; Final: 120 days following the publication of Executive Order 8

Public Health officials provided the system manual from BidNet, their solicitation system, which describes how bids remain locked through the solicitation closing date. This manual included screenshots of the BidNet

system, which show two displays of the bid results screen. One shows that during an open bid, the bid cannot be opened until the solicitation has closed. The second screenshot shows that once a solicitation has closed, the restriction on opening the bid is lifted, allowing access to the contents listed in the BidNet system.

Auditors asked Public Health officials whether the department had considered the implications of confidentiality requirements at the later stages of the procurement process. A department representative said their policies and procedures provide guidance on how to keep the proposals confidential before, during, and after the procurement process, that they discuss confidentiality during the review committee kick-off calls, and that they have a step in their open records request process that allows the department to notify the bid proposer of an open records request. The bid proposer can then request redactions to preserve any confidential or proprietary information.

Therefore, we consider this recommendation fully implemented.

Office of the Auditor

The **Auditor** of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver's government.

The **Audit Committee** is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City's finances and operations, including the reliability of the City's financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.



201 West Colfax Avenue, #705

Denver CO, 80202

(720) 913-5000 ♦ Fax (720) 913-5253

www.denverauditor.org

Our Mission

We deliver independent, transparent, and professional oversight in order to safeguard and improve the public's investment in the City of Denver. Our work is performed on behalf of everyone who cares about the City, including its residents, workers, and decision-makers.
