



Final Audit Follow-Up

Report #AR-2106
September 13, 2021

Period Ending March 31, 2021

Potential Conflict of Interest Regarding Acquisition of Engineering Services Issued November 14, 2017

Summary from Original Report #1801

We conducted this audit in response to information obtained by the City Auditor and the Independent Ethics Officer regarding a potential conflict of interest that pertained to acquisitions of engineering services within the Water Resources Engineering (WRE) divisions of the Underground Utilities and Public Infrastructure (UPPI) department. The potential conflict of interest involved the UPPI Assistant General Manager (AGM) and an engineering firm, DPB & Associates. The AGM's brother was the managing engineer and part owner of DPB & Associates. Because of the sibling relationship, concern had been expressed that the AGM's approval of the award of City work (engineering services) to the firm represented a conflict of interest.

Our audit procedures did not identify any evidence the AGM inappropriately used his position to secure a personal benefit for his brother through the award of work to DPB & Associates; however, the approval of those awards to DPB & Associates by the AGM does represent the appearance of a conflict of interest.

A total of 4 action plan steps were established by management in response to our audit recommendations. Of those, 1 was completed in a prior follow-up period, 2 were completed during this period with no further action required, and 1 needs attention from management. This is the 2nd and final follow-up on audit report #1801.

Complete

2

In Progress

0

Needs Attention

1

Action Plan Step B.1

Objective B: Further City's commitment to ethical procurement practices. The "Ethics in Procurement" language that was recently incorporated into the City Purchasing Procedures Manual will be reviewed, with the intent of modifying and revising that language to provide clarifications and enhancements as appropriate. Among other things, (1) the term "family" will be defined to identify specific relationships; (2) the term "close relationship" will be defined, with examples provided as to what represents a conflict of interest in City purchasing activities; and (3) the term "vendor" will be defined as to applicability and pertinence to conflicts of interest. In addition to designated City management and staff (including Procurement Services and management from WRE divisions), the Office of the City Attorney and the Independent Ethics Officer will be consulted in the completion of this action plan step.

Action Plan Status: COMPLETE

Management has updated the City Purchasing Procedures Manual to include enhanced definitions for the terms "family, vendor and close personal relationships" as applicable and relevant to conflicts of interest in purchasing activities.

Action Plan Step B.2

After appropriate clarifications and enhancements are made pursuant to the preceding action plan step, proposals will be made to revise Commission Policy (CP) 242 to include the “Ethics in Procurement” language that was incorporated into the City Purchasing Procedures Manual.

Action Plan Status: COMPLETE

Management has updated CP 242 to include clarification of the terms “family, vendor and close personal relationships” to help ensure consistency between Commission policy and City procedures.

Action Plan Step B.3

The City’s primary purchasing authorities will be identified. Each identified primary purchasing authority will complete annual assertions as to known City vendors for which an actual or perceived conflict of interest exists. Such annual assertions will be filed with the Treasurer-Clerk’s Records division and retained in OnBase.

Action Plan Status: NEEDS ATTENTION

Management reported this corrective action step has not yet been completed. However, management has asserted it will continue its efforts to complete this action plan step and mitigate the conflict of interest risk(s) the step was intended to address.

As of the time of our review, no action had been taken to address this step. Management’s initial estimated date to complete this action step was September 30, 2018. Due to the length of time this action plan step has remained incomplete, 30 months since initial completion date set by management and 40 months since issuance of the original audit, progress on this step will no longer be monitored.

Conclusion

Management developed 4 action plan steps to address the recommendations in the original audit report (#1801). As of the end of this follow-up period, March 31, 2021, management successfully completed 3 of 4 steps. The 1 step not yet completed related to Action Plan Step B.3 and will no longer be monitored for completion by the Office of Inspector General.

Appointed Official’s Response

Management understands this risk and intends on working collaboratively with the Independent Ethics Officer and the City Attorney to determine the best method to mitigate the risk of purchasing authorities having a conflict of interest.

Acknowledgements

We appreciate the cooperation and assistance provided by management and staff during this audit follow-up.

Project Team

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Statement of Accordance

The Office of Inspector General's mission is to advance integrity, accountability, transparency, and efficiency and effectiveness within City government by providing professional, independent, and objective audit and investigative services.

We conducted this audit follow-up in conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Office of the Inspector General at (850) 891-8397 or inspector.general@talgov.com.

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