

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2017-001 The District's monitoring and internal controls over procurement were inadequate to ensure compliance with District policies and state law.**

#### ***Background***

State law requires local governments to provide advance notice of the need for professional services, and an evaluation of firms' qualifications of performance. In addition, District policies require that any project costing more than \$200,000 must be competitively bid.

The Edmonds Public Facilities District awarded contracts for a roof replacement project totaling \$340,380, of which about \$41,000 was paid to an architectural and engineering (A&E) services consultant for project design and construction administrative support services. Because the District does not procure for public works projects often, this consultant also assisted the District in the bidding of the project and awarding of the contract. Total project costs were about 10 percent of the District's operating expenditures for 2017.

#### ***Description of Condition***

Our review of the District's procurement for the roof replacement project identified the District did not comply with its policies and state law regarding the procurement of A&E services. Specifically, the District did not provide advance notice of the need for professional services, and the only evaluation criteria the District used to select this consultant was that it had used this consultant before.

Additionally, we identified the following procurement issues related to competitive bidding:

- We could not confirm if bidders provided all required documentation or if the lowest responsible bidder was awarded, as the District did not have all supporting documentation.
- Bids were not opened and read publicly at a fixed time and place.
- Contractor registration was not confirmed at the time of bid submittal.
- Confirmation was not performed to ensure the contractor awarded was not disqualified from bidding on a public works project.

Last, we noted the District's purchasing policy contains conflicting information; one portion of the policy says "*competitive bidding requirements for projects in excess of \$35,000*" and another portion says "*projects in excess of \$200,000 must be competitively bid.*" This can be misleading and risks the possibility of

non-compliance for expenditures that aren't made using the small works roster and projects that exceed \$35,000 but cost less than \$200,000.

### ***Cause of Condition***

The District relied on the consultant to perform the bidding for the project and did not monitor the competitive bidding performed by the consultant. Further, the District did not review the selected bid package to ensure compliance with procurement requirements before awarding the roof replacement project to the chosen contractor.

### ***Effect of Condition***

The District cannot demonstrate compliance with bid law requirements over A&E services and competitive bidding in accordance with District policies and state law because of a control weakness over procurement.

### ***Recommendation***

We recommend the District:

- Publish in advance the need for professional services.
- Establish controls to adequately monitor bidding procedures performed by a third party to ensure compliance with the District's purchasing policy.
- Retain adequate documentation to demonstrate the third party's compliance with the District's purchasing policy.
- Update its purchasing policy to clarify what competitive bidding thresholds to follow.

### ***District's Response***

*The District's Board of Directors and management acknowledge and agree with the State Auditor's assessment that there were not sufficient controls to assure adequate compliance with District Purchasing policies. The District has taken actions to address these deficiencies, and to generally improve its internal controls.*

*Action steps taken by the District to correct the deficiencies outlined in the "Description of Condition" section of this audit finding include but are not limited to:*

- *The District is in the process of redrafting Purchasing Policies and is developing tools to improve staff compliance. Currently, these updated policies have been reviewed at the District's Administrative and Finance*

*Committee, Facilities and Operations Committee and is scheduled for its first round of review by the District Board on June 28<sup>th</sup>, 2018.*

- *The District will train staff regularly on the updated policies and procedures to assure their respective practices will be in compliance by the third quarter of 2018.*
- *The District will consolidate updated policy documents into one location which will be available to all staff.*
- *Revisions to the policy will be made as needed to ensure compliance with state law. Staff will be advised of all revisions.*

*The District's Board and staff extend our appreciation to the State Auditor's Office for assisting the District to identify these deficiencies. The corrective actions taken by the District will result in significant improvements in its internal controls and will ensure that all future procurement will be completed in compliance with District Policy.*

### ***Auditor's Remarks***

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

### ***Applicable Laws and Regulations***

RCW 39.80.030, Agency's requirement for professional services – Advance publication

RCW 35.57.020, Regional centers, recreational facilities – Charges and fees – Powers

Edmonds Public Facilities District Purchasing Policies and Procedures