

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The City did not verify that purchases made through its purchasing cooperative complied with the City's adopted purchasing policy.

Background

In April 2010, the City passed Ordinance No. 2039, which adopted the citywide procurement policy. This policy requires purchases over \$200,000 to go through a competitive, sealed bid process. The policy further states that bid specifications should incorporate a clear and accurate description of the technical requirements for the material, product or service to be purchased and that the contract will be awarded to the lowest responsible bidder.

State law (RCW 39.34.030) allows cities to fulfill bidding requirements through a process referred to as piggybacking. "Piggybacking" refers to one local government making purchases from contracts awarded by another government or group of governments via an interlocal agreement or contract. To ensure compliance when procuring through piggybacking, the local government must ensure its own bidding requirements are met before expending public funds. The City's purchasing policy allows for the use of intergovernmental cooperative purchasing agreements; however, it specifies the City must ensure the procedure used by the agency that awarded the bid, proposal and contract complies with the purchasing policy.

Description of Condition

In 2017, the City of Bothell approved the purchase of two fire engines totaling \$1,371,375, using an interlocal agreement with a purchasing cooperative. The City observed other public agencies use the same purchasing group and verified state law authorized the use of purchasing cooperatives.

However, the City did not ensure the procurement process used by the purchasing cooperative complied with its own purchasing policy. The purchasing cooperative selected multiple vendors using a request for proposal (RFP) process, rather than a formal, competitive bidding process in which the lowest responsible bidder would receive the award. Further, the RFP used by the cooperative solicited proposals for a broad spectrum of fire apparatus, instead of the specific purchase the City was looking to buy.

Cause of Condition

It is City practice that decentralized departments are responsible for managing the procurement process for equipment purchases. It is also the City's policy for the City Attorney to review all interlocal agreements. Although the City Attorney

reviewed and approved the interlocal agreement with the purchasing cooperative for the purchase of the fire engines, the review was not designed to provide assurance over the procurement method and process the cooperative used. The Fire Department was not aware that after the attorney's review it would still need to verify and maintain evidence that the lead agency's procurement method and process complied with the City's procurement policy.

Effect of Condition

The City cannot demonstrate it adequately safeguarded public resources by ensuring that the purchase of two fire engines complied with its own purchasing policy.

Recommendation

We recommend the City ensure that purchases made through purchasing cooperatives or other government municipalities comply with its adopted purchasing policy.

City's Response

The City is committed to safeguarding public resources and ensuring compliance with State law and the City's purchasing policy. The City is also committed to complying with all public bidding laws to ensure public funds are spent in a fiscally responsible manner. Unfortunately, when purchasing the two fire engines, the Fire Department was under the assumption that the cooperative agency's procurement method satisfied all procurement policies. This was an unintentional oversight of the Department, as the main purpose was to engage with the cooperative to purchase the fire trucks at the best possible price.

Each City department is responsible for managing their procurement process for equipment purchases, as the City does not currently have centralized purchasing. In order to ensure that future purchases made through purchasing cooperatives or other government agencies comply with all statutory requirements, the City will work with departments and staff responsible for purchasing, to fully understand the procurement requirements. This will include staff trainings and review of the City's purchasing policy.

The City appreciates the State Auditor's Office bringing this oversight to our attention, and in providing guidance through the State Auditor Performance Center "Using Others' Awards (Piggybacking)" dated August 2018.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

RCW 39.34.030 (5)(b), Joint powers – Agreements for joint or cooperative action, requisites, effect on responsibility of component agencies – Joint utilization of architectural or engineering services – Financing of joint projects, states that entering into a cooperative agreement does not relieve any public agency of its responsibility imposed upon by law.

City of Bothell *Procurement Policy*, 4.0 – Cost Threshold Requirements – Supplies, Equipment, Non-Professional Services, and Information Services.

City of Bothell *Procurement Policy*, 8.0 – Competitive Bidding Procedures.

City of Bothell *Procurement Policy*, 10.0 – Intergovernmental Cooperative Purchasing Agreements.