

# Memorandum

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CITY SECRETARY  
DALLAS, TEXAS



DATE: September 29, 2011

TO: Honorable Members of the Budget, Finance & Audit Committee: Tennell Atkins (Vice Chair),  
Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT: Budget, Finance & Audit Committee Meeting

**Monday, October 3, 2011, 1:00 p.m.**

Dallas City Hall - 6ES, 1500 Marilla St., Dallas, TX 75201

The agenda for the meeting is as follows:

1. Approval of September 20, 2011 minutes
2. Communications Related to the FY 2010  
and FY 2011 Audits
3. Purchasing Process Overview

Ben Kohnle, Engagement  
Partner – Grant Thornton

Mike Frosch, Interim Director  
of Business Development &  
Procurement Services

Please let me know if you have any questions.



Jerry R. Allen, Chair  
Budget, Finance & Audit Committee

cc: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Rosa A. Rios, Acting City Secretary  
Thomas P. Perkins, Jr., City Attorney  
Craig D. Kinton, City Auditor  
A.C. Gonzalez, First Assistant City Manager  
Ryan S. Evans, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Interim Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Edward Scott, City Controller

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.

# **Budget, Finance & Audit Committee**

## **Meeting Record (Draft)**

**Meeting Date:** 9-20-2011

**Convened:** 1:02 p.m.

**Adjourned:** 2:03 p.m.

**Committee Members Present:**

Jerry R. Allen, Chair  
Tennell Atkins, Vice-Chair  
Monica Alonzo  
Scott Griggs  
Ann Margolin

**Presenters:**

Mike Phemister, Vice-President  
Craig D. Kinton, City Auditor  
Abby Neil, Manager of Financial Reporting  
Shelia Robinson, Assistant Director

**Staff Present:**

Jeanne Chipperfield, Jack Ireland, Edward Scott, Anna Holmes, Gary Lewis, Carol Smith, Theresa Hampden, Randall Hanks, Sarah Hasib

**AGENDA:**

1. **Approval of the June 13, 2011 minutes**

**Presenter(s):**

**Information Only:** \_\_\_\_\_

**Action Taken/Committee Recommendation(s):**

Motion to approve the June 13, 2011 minutes.

Motion made by: Ann Margolin

Motion seconded by: Tennell Atkins

2. **DFW International Airport Board Amendment to 47<sup>th</sup> Supplemental Bond Ordinance**

**Presenter(s):** Mike Phemister,

**Information Only:** \_\_\_\_\_

**Action Taken/Committee Recommendation(s):**

The briefing requested the 47<sup>th</sup> Supplemental Bond Ordinance be amended to allow the issuance of taxable bonds when interest rates are lower than tax exempt bonds.

The Budget, Finance & Audit Committee made a motion to authorize an approval.

Motion made by: Tennell Atkins

Motion seconded by: Ann Margolin

3. **Office of the City Auditor's Proposed Fiscal Year 2012 Audit Plan**

**Presenter(s):** Craig D. Kinton

**Information Only:** \_\_\_\_\_

**Action Taken/Committee Recommendation(s):**

The purpose of the briefing was to present the proposed Fiscal Year 2012 Audit Plan to authorize the approval and adoption of the full City Council to perform work established by the Dallas City Charter.

The Budget, Finance & Audit Committee made a motion for consideration of approval by the full council on the September 28, 2011 addendum.

Motion made by: Tennell Atkins

Motion seconded by: Scott Griggs

# **Budget, Finance & Audit Committee**

## **Meeting Record**

**(Draft)**

### **4. Financial Management Performance Criteria Changes**

**Presenter(s):** Abby Neil

**Information Only:**     

**Action Taken/Committee Recommendation(s):**

The purpose of the briefing was to propose changes to the City's Financial Management Performance Criteria and seek recommendation for approval of the changes.

The Budget, Finance & Audit Committee made a motion to move for approval by full council on the September 28, 2011 agenda.

Motion made by: Tennell Atkins

Motion seconded by: Ann Margolin

### **5. FY 2011-12 Proposed Budget Reserve Levels**

**Presenter(s):** Shelia Robinson

**Information Only:**   X  

**Action Taken/Committee Recommendation(s):**

The purpose of the briefing was to provide information on the General Fund Reserves including: Financial Management Performance Criteria and Fund Balance Considerations.

### **6. July 2011 Financial Forecast Report**

**Presenter(s):** Jeanne Chipperfield

**Information Only:**   X  

**Action Taken/Committee Recommendation(s):**

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Jerry R. Allen, Chair  
Budget, Finance & Audit Committee

# Memorandum



DATE September 29, 2011

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Tennell Atkins (Vice-Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT Communications Related to the FY 2010 and FY 2011 Audits Briefing

Please find attached the briefing material on Communications Related to the FY 2010 and FY 2011 Audits. This briefing will be presented to the committee on Monday, October 3, 2011 by Ben Kohnle, Engagement Partner with Grant Thornton.

Please contact me if you need additional information.



Edward Scott  
City Controller

## Attachment

cc: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Rosa A. Rios, Acting City Secretary  
Thomas P. Perkins, Jr., City Attorney  
Craig D. Kinton, City Auditor  
C. Victor Lander, Administrative Judge  
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Joey Zapata, Interim Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Jack Ireland, Director, Office of Financial Services  
Helena Stevens-Thompson, Assistant to the City Manager



# **Audit Status Meeting with the Budget, Finance and Audit Committee**

**City of Dallas, Texas**

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## **Communications Related to the FY 2010 and FY 2011 Audits**

**October 3, 2011**

**Attendees:**

**Ben Kohnle – Engagement Partner**

**Dan Barron – Quality Partner**

**Kirt Seale - Principal**

# Audit timeline

## **Financial statement and OMB Circular A-133 audit (FY 2010)**

Audit planning	August – September 2010
Interim work and OMB Circular A-133	August – November 2010
Status meetings with management	Bi-weekly
Final fieldwork	March – June 2011
Reports issued	June 2011
Budget, Finance and Audit Committee discussion of final audit results	October 3, 2011

# Report issued

## Separate reports:

Vickery Meadow TIF 2007-2009

Vickery Meadow TIF 2010

DDDA TIF

Airport revenues fund and PFC compliance

Dallas water utilities

TCEQ financial assurance agreed-upon procedures

## Financial statement audits:

Comprehensive annual financial report

Single audit (OMB Circular A-133)

## Internal control deficiency letter

# Results of Audit

- Comprehensive Annual Financial Report (CAFR)
  - Unqualified "clean" opinions
  - Includes GFOA Certificate for 2009 CAFR
  - One deficiency noted
  - All 17 prior year control deficiencies have been remediated
  - No scope limitations
  - Continued open and effective communication with management
- Federal Single Audit Report (A-133)
  - Two material weaknesses and one significant deficiency noted in 2010
  - All three prior year findings have been remediated
- State Single Audit Report
  - No findings noted

# CAFR – Current year internal control findings

<b>Audit Area</b>	<b>Finding</b>	<b>Severity</b>	<b>Status</b>	<b>Remediation Status</b>
IT	Developers have been granted end-user and administrative access into SAP production environments resulting in excessive access	Deficiency	Repeat Finding	Remediated

# CAFR – Status of prior year internal control findings

Audit Area	Finding	Severity	Status	Remediation Status
Capital Assets	Construction in progress not being transferred to capital assets upon completion	Significant deficiency	Repeat Finding	Remediated
Segregation of Duties	Monitoring approved expenditures to determine that funds were used for approved purpose	Deficiency	New Finding	Remediated
IT	Segregation of duties have not been put in place regarding the administration of application-level AMS permissions as they are administered by functional staff	Deficiency	Repeat finding	Remediated
IT	Developers have been granted end-user and administrative access into the AMS and SAP production environments resulting in excessive access	Deficiency	Repeat finding	Remediated

# CAFR – Status of prior year internal control findings (continued)

Audit Area	Finding	Severity	Status	Remediation Status
IT	User access within AMS, SAP and the City's Windows domain is not formally reviewed on a periodic basis	Deficiency	Repeat Finding	Remediated
IT	A formalized process is not in place to revoke domain-level access of terminated employees	Deficiency	Repeat Finding	Remediated
IT	Several terminated/retired employees had unlocked, unexpired user accounts within the AMS and SAP production environments	Deficiency	Repeat Finding	Remediated
IT	Segregation of duties have not been put in place in relation to the AMS batch processing function as it is administered and monitored by the AMS developers	Deficiency	Repeat Finding	Remediated
IT	New or changed SAP batch processing jobs are not subject to quality assurance testing prior to implementation and insufficient documentation is retained relating to the SAP batch monitoring process	Deficiency	Repeat Finding	Remediated

# CAFR – Status of prior year internal control findings (continued)

Audit Area	Finding	Severity	Status	Remediation Status
IT	Documentation evidencing the completion of activities within the change management process is insufficient as it relates to the AMS application.	Deficiency	Repeat Finding	Remediated
IT	Developers have end-user and administrative access into the SAP application-level production environment	Deficiency	Repeat Finding	Remediated
IT	Change promotion and transport-related privileges within SAP were not appropriately restricted at time of testing	Deficiency	Repeat Finding	Remediated
IT	End-user had administrative access to SAP at the time of testing	Deficiency	New Finding	Remediated
IT	SAP batch processing monitoring process does not create an audit trail sufficient to allow for testing of the process	Deficiency	New Finding	Remediated

# CAFR – Status of prior year internal control findings (continued)

Audit Area	Finding	Severity	Status	Remediation Status
IT	Batch processing-related privileges within SAP were not appropriately restricted at the time of testing	Deficiency	New Finding	Remediated
IT	SAP change management process is not consistently observed when applying application-level SAP changes	Deficiency	New Finding	Remediated
IT	The formalized access provisioning process is not consistently observed when granting SAP access to newly hired employees	Deficiency	New Finding	Remediated

# A-133 – Current year compliance findings

<b>Program</b>	<b>Finding</b>	<b>Severity</b>	<b>Status</b>	<b>Expected Remediation Date</b>
Workforce Solutions of Greater Dallas / Adult Development Program-ARRA	Lack of source documents to support accounting records	Material weakness	New Finding	September 2011
Community Development Block Grants (“CDBG”) Cluster	Failure to timely enter program income into HUD IDIS system.	Significant deficiency	New Finding	Remediated
Community Development Block Grant-ARRA	Sub-recipient monitoring	Material weakness	New Finding	September 2011

# A-133 – Status of prior year compliance findings

<b>Program</b>	<b>Finding</b>	<b>Severity</b>	<b>Status</b>	<b>Expected Remediation Date</b>
Community Development Block Grant (CDBG), HOME Investment Partnership Program, Urban Area Security Initiative (UASI)	Procurement, suspension & debarment	Significant deficiency	Repeat finding	Remediated
Department of Justice – Edward Byrne Memorial Justice Assistance	Sub-recipient monitoring	Significant deficiency	Repeat finding	Remediated
Department of Justice – Edward Byrne Memorial Justice Assistance	Equipment management	Significant deficiency	Repeat finding	Remediated

# Summary of additional effort for ARRA funds and Vickery Meadow (2010)

- In 2009, The City was awarded federal funds in accordance with the American Recovery and Reinvestment Act ("ARRA").
- ARRA requires that these "stimulus funds" be audited in accordance with the City's annual OMB Circular A-133 grant compliance audit.
- During 2010, the City expended approximately \$21.2 million of these stimulus funds under various grant awards.
- This resulted in the City having a total of 17 major programs required to be audited in fiscal year 2010, vs. 9 in the previous year (fiscal year 2009) (approximately 960 incremental audit hours or \$129,000). \$150,000 is estimated for incremental effort attributable to ARRA for fiscal years 2011 and 2012.
- The City was also required to have audits performed for the Vickery Meadows tax increment financing district for fiscal years 2007-2010 for \$24,900. Vickery Meadow will also require an audit in fiscal year 2011, estimated to be approximately 80-85 hours, or \$10,000.



Grant Thornton

# Discussion Regarding the City's Fiscal Year 2011 Audit

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Responsibilities

Scope and timing

Key Areas of Focus

IT Control Update

# Our responsibilities

- Perform an audit
  - An audit provides reasonable, not absolute assurance
- Form and express an opinion about whether the financial statements prepared by management, with your oversight:
  - Are materially correct
  - Are fairly presented
  - Conform with generally accepted accounting principles
- Communicate specific matters to you

***An audit does not relieve you or management of your responsibilities.***

# Our responsibilities

## Single Audit

- Appropriately plan the audit by considering control risks
- Form and express an opinion regarding:
  - Schedule of Federal Expenditures
  - Schedule of State Expenditures
  - Compliance with major program requirements
  - Internal control over compliance
  - Summarize findings and questioned costs

# Our responsibilities for other information in the CAFR, such as management discussion and analysis

- Read the other information (we do not corroborate it)
- Consider whether it is materially inconsistent with the financial statements
- Call to management's attention identified material inconsistencies or misstatements of fact, if any

***Remember, our responsibility does not extend beyond our report.***

# Management's responsibilities

- Preparing and fairly presenting the financial statements and schedule of expenditures of Federal and State awards
- Establishing and maintaining effective internal control over financial reporting and compliance
- Providing us with written representations
  - A copy of the representations will be provided to you at the end of the audit

# Communications Related to the Audit

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Responsibilities

Scope and timing

Key Areas of Focus

IT Control Update

# We approach your audit by...

- Understanding your organization and the environment you operate in
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas
- Testing compliance with direct and material compliance requirements (OMB Circular A-133)

# Materiality

- Magnitude of an omission or misstatement that likely influences a reasonable person's judgment
- Based on relevant financial statement benchmarks
  - We believe total assets or total revenues (based on the type of fund) is an appropriate benchmark for the City
- Financial statement line items  $>$  materiality are in scope
- Other areas  $<$  materiality may be in scope if qualitative factors are present (e.g., related party transactions, fraud risk, bond coverage requirements, etc.)

# Audit timeline

## Financial statement and OMB Circular A-133 audit (FY 2011)

Audit planning	September – October 2011
Preliminary OMB A-133 procedures	October – November 2011
Preliminary financial procedures	October – November 2011
Final procedures	March – May 2012
Status meeting with management	Bi-weekly
Closing meeting with management	TBD
Budget, Finance and Audit Committee closing meeting	TBD

# Engagement Team

## Audit

Ben D. Kohnle – Engagement Partner	<a href="mailto:ben.kohnle@us.gt.com"><u>ben.kohnle@us.gt.com</u></a>	214-561-2260
Dan Barron – Quality Control Partner	<a href="mailto:dan.barron@us.gt.com"><u>dan.barron@us.gt.com</u></a>	214-561-2440
Deborah Beams - Manager	<a href="mailto:deborah.beams@us.gt.com"><u>deborah.beams@us.gt.com</u></a>	214-561-2628
Lindsey Mathew - Manager	<a href="mailto:lindsey.mathew@us.gt.com"><u>lindsey.mathew@us.gt.com</u></a>	214-561-2548
Todd Herlin – Senior	<a href="mailto:todd.herlin@us.gt.com"><u>todd.herlin@us.gt.com</u></a>	214-561-2286
Danielle Bolin – Senior	<a href="mailto:danielle.bolin@us.gt.com"><u>danielle.bolin@us.gt.com</u></a>	214-561-2621

## Business Advisory

Kirt Seale –Principal	<a href="mailto:kirt.seale@us.gt.com"><u>kirt.seale@us.gt.com</u></a>	214-561-2367
Jeremy Huval - Manager	<a href="mailto:jeremy.huval@us.gt.com"><u>jeremy.huval@us.gt.com</u></a>	214-561-2583

# Reports to be issued

- Audits:
  - Comprehensive annual financial report (CAFR)
  - Single audit (OMB Circular A-133)
- Separate reports:
  - Airport Revenues Fund and PFC compliance
  - Dallas Water Utilities
  - DDDA TIF
  - Vickery Meadow TIF
  - Love Field Modernization Corporation
  - TCEQ financial assurance agreed-upon procedures
- Internal control deficiency letter

# Communications Related to the Audit

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Responsibilities

Scope and timing

**Key Areas of Focus**

IT Control Update

# Key Areas of Focus – CAFR

<b>Critical Areas</b>	<b>Assertions</b>
Water and Sewer revenue	Existence and Occurrence
Grant Revenue	Existence and Occurrence
Capital Assets	Completeness & Existence and Occurrence
Expenditures	Completeness

## **Other Key Areas:**

- Governance
- Fraud inquiries
- Information technology
- Adequacy of disclosures
- Investments
- Assess corrective actions of management on prior year findings
- Compliance and controls related to single audit

# Questions and Answers



# Memorandum



CITY OF DALLAS

DATE September 30, 2011

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Tennell Atkins (Vice-Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT Purchasing Process Overview Briefing

On Monday, October 3, 2011, you will be briefed on the Purchasing Process Overview. The material is attached for your review.

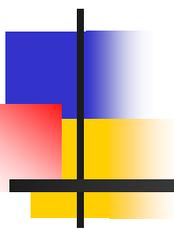
If you have questions or need additional information, please let me know.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield  
Chief Financial Officer

Attachment

CC: Honorable Mayor and Members of City Council  
Mary K. Suhm, City Manager  
Thomas P. Perkins, Jr., City Attorney  
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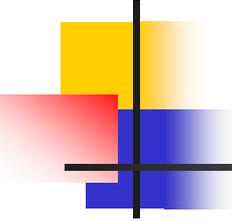
# Purchasing Process Overview

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Budget, Finance and Audit Committee

October 3, 2011

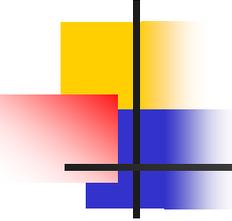




# Purpose

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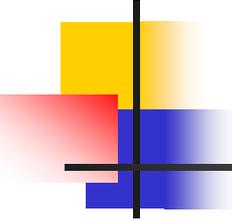
- Provide a high level overview of the City's procurement process
- Provide history of the Good Faith Effort policy
- Discuss the current Business Inclusion and Development (BID) plan
- Discuss the current BID Program Administration and outreach efforts



# History of the City's Procurement Process

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- In 2001, the City Manager's office selected a number of business processes to review with a goal of optimization through process improvements
- The responsibility to oversee and formalize this initiative was placed within the City's Efficiency-Team (E-team)

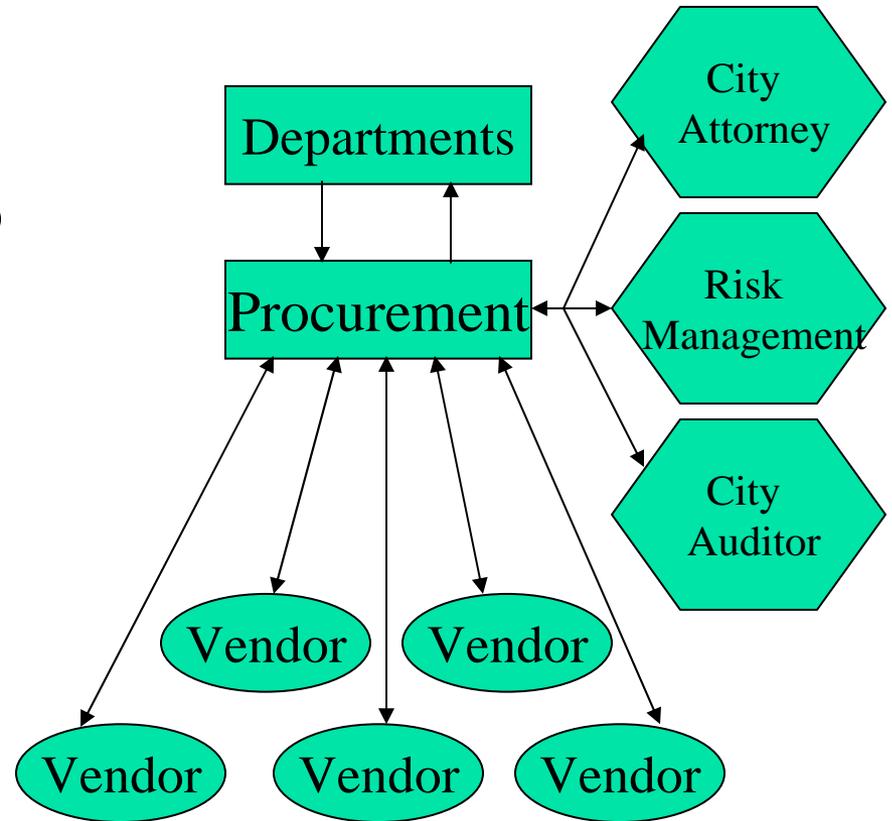
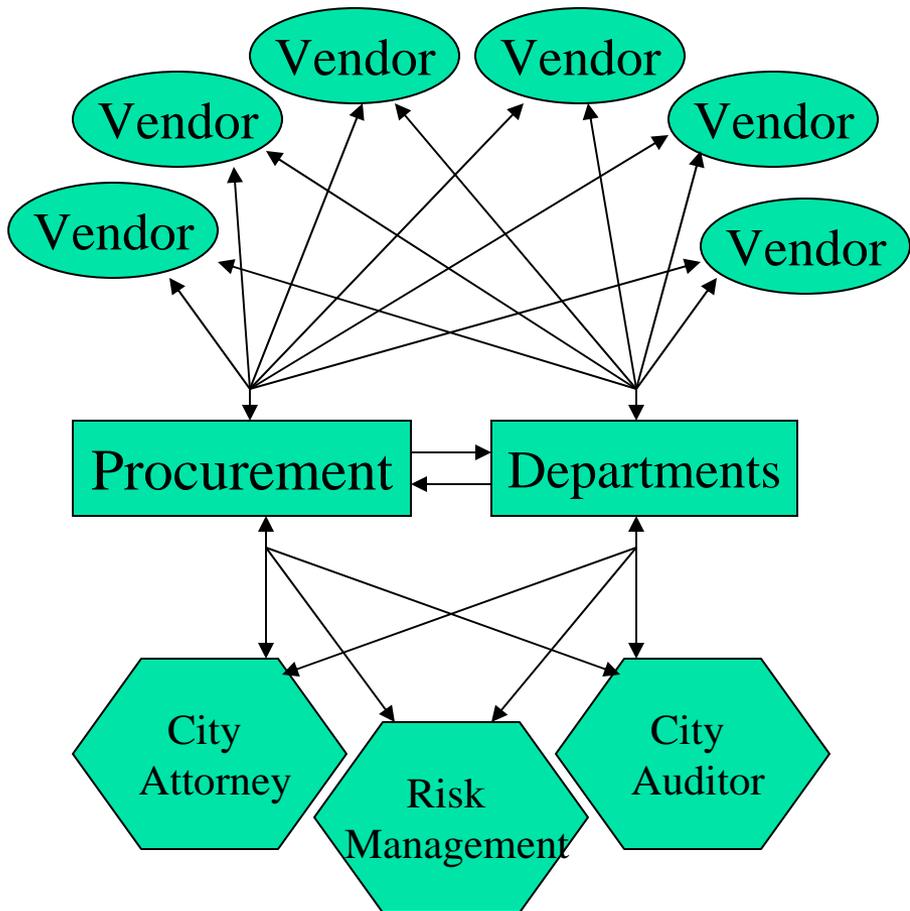


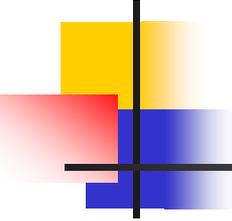
# History of the City's Procurement Process (cont.)

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- The E-team worked with an outside consulting firm to provide industry best practices to the City's operations and to provide critical private sector input in the purchasing process
- After several months of process reviews, interviews, process mapping and analysis, the consulting firm recommended a number of changes in the procurement process with the most significant being centralization of the City's procurement process

# Decentralized vs. Centralized Procurement Services

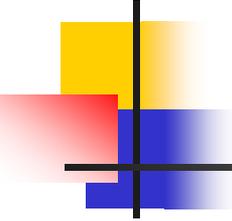




# Procurement

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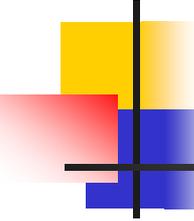
- Business Development and Procurement Services is committed to delivering timely service to its clients through strategic and competitive purchasing while working diligently to maximize its purchasing power and establish business opportunities for local, small and minority vending communities.



# Procurement (cont.)

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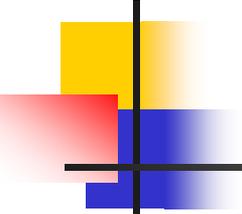
- The City of Dallas uses the Business Inclusion and Development Policy in collaboration with a centralized procurement model as an additional tool to support local businesses and recruitment of new companies
  - By using strategic procurement practices, greater business opportunities can be created for local business communities
  - Business outreach efforts increase the visibility of the City's purchasing power and thus persuades more vendors to participate in the City's procurement endeavors
  - The City spends approximately \$725 million yearly in goods/services through established contracts and other procurement efforts



# Compliance

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- The City must comply with all local, state and federal procurement laws
  - State Laws of Texas
  - Dallas City Charter
  - Dallas City Code
  - Dallas City Ordinances
  - Administrative Directive
  - Business Inclusion and Development Plan
- May 2010 BDPS successfully completed the QMS third party audit and became the first governmental agency Purchasing Department to be ISO 9001:2008 certified

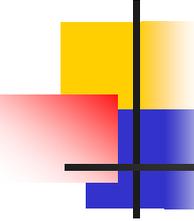


# Procurement Methods

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- Informal Bid (IFS) - procurements not exceeding \$25,000
- Formal Bid (RFB) - procurements exceeding \$25,000
  - Request for Bids (Low bid)
- \*Request for Proposal (RFP)
- \*Request for Competitive Sealed Proposals (RFCSP)
  - High Technology and Insurance
- Emergency Procurements
- Sole Source Procurements – items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies as defined by Texas Local Government Code 252.022 (7)(a)
- Cooperative Purchasing Agreements

*\*Evaluation Process & Negotiations*

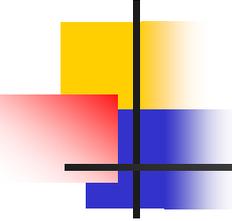


# Informal Bid Process (under \$25,000)

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Administrative Directive 7.2.1, Contracts not exceeding \$25k govern the following informal solicitation process:

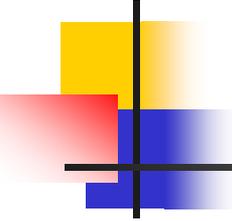
- Requisition received, specifications/clarification requested by Buyer
- Bid number is issued and posted on City's procurement website
- Bid is online for a minimum of three business days
- Bid closes after three days
- Low bid recommendation is made
- Departmental review and concurrence
- Purchase order is issued
- No Council action required



# Formal Bid Process (over \$25,000)

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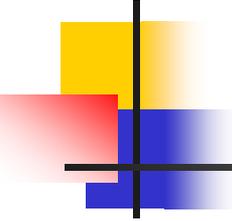
- Local Government Code 252 governs formal solicitations
- Bid documents, bid sheet & specifications are received & best method of procurement is determined
  - Bid number is issued in conjunction to advertising in the Dallas Morning News for two weeks – state law requirement
  - Bid is posted to City's procurement website
    - E-mails are automatically sent to vendors registered in City database
  - Chambers of Commerce are notified of upcoming procurement to encourage participation from their members



# Formal Bid Process (over \$25,000) (cont.)

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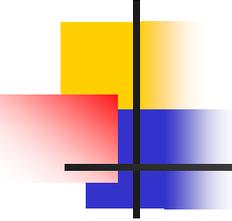
- Pre-bid conference is held to answer questions and allow vendors to gain additional information
- All questions and answers are posted online for all vendors to review
- Bid closes and responses reviewed for compliance
- Lowest bidder(s) meeting specifications must be recommended
- Council approval if required (\$50k or greater)
- Purchase order or contract is prepared



# Construction Services

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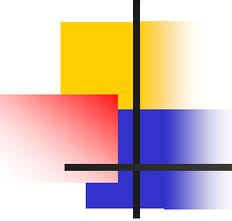
- Construction and Architectural/Engineering (A/E) services contracts are managed by the City's construction departments (DWU, PBW, PKR, EBS, SAN, TWM)
- Construction departments collaborate efforts with Procurement Services to advertise, post solicitations online and receive bid submittals
  - Request for Bids
  - Design/Build
  - Construction Manager-at-risk



# Construction Services (cont.)

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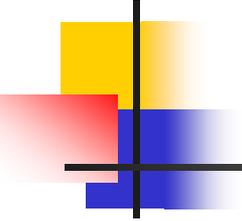
- Construction Manager-agent
  - Construction Request for Competitive Sealed Proposals
  - Job Order Contracts
  - Architectural and Engineering (A/E) Contracts
- The bids or proposals are reviewed and the low bid or most advantageous proposer is recommended to Council for consideration by the lead department



# Request For Competitive Sealed Proposal

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- Request for Competitive Sealed Proposal (RFCSP)
  - RFCSP is an advertised competitive procurement process to obtain sealed proposals only for acquisition of items and services expressly allowed by State Law
  - The RFCSP process includes formal evaluation of sealed proposals on the basis of specific written criteria beyond price
  - Some examples are listed below:
    - Insurance- Human Resources, with the assistance of Purchasing, develop the RFCSP specifications
    - High Technology- CIS and Purchasing coordinate development of specification

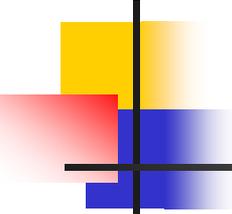


# Request For Competitive Sealed Proposal (cont.)

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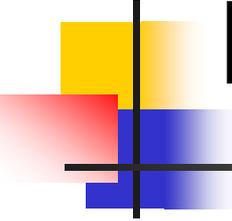
- RFCSP process requires that an evaluation committee be formed to evaluate the proposals
- The committee:
  - Evaluates all submittals against evaluation criteria
  - Conducts discussions with proposers on an unbiased basis
  - Negotiates best and final offers as well as contract terms
  - Makes recommendation as to the most advantageous offeror(s) to the City
- The City always retains the right to reject any and all proposals

# Vendor Communication Guidelines



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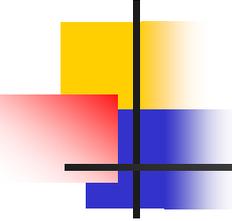
- During competitive procurement processes, vendors are instructed under the bids/proposals terms and conditions to direct all communications to the designated City representative (Buyer) for the specific solicitation
- Vendors that fail to comply with the communications guidelines may be disqualified from the procurement process
- Dallas City Code Section 12 A-15.8 (g) provides:
  - “Lobbying by bidders and proposers on city contracts. A person responding to a request for bids or request for proposals on a city contract shall not (either personally or through a representative, employee, or agent) lobby a city council member from the time the advertisement or public notification of the request for bids or request proposals is made until the time the contract is awarded by the city council. This subsection does not prohibit a bidder or proposer from speaking at the city council meeting where the award of the contract is considered.”



# Emergency Procurements

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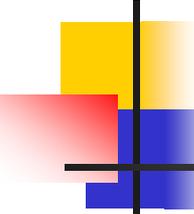
- Circumstances under which these procurements can be made:
  - A public calamity where it becomes necessary to relieve the necessity of the citizens or to preserve the property of the City
  - Where it is necessary to preserve the public health or safety of the citizens of the City
  - If unforeseen damage to City property, machinery, or equipment occurs where such damage threatens to seriously disrupt the service operation of the City
- Are exempted from formal competitive bidding
- A department may, depending on circumstances, solicit prices by telephone, e-mail, or the internet from a minimum of three vendors and determine the lowest responsible price for recommendation to Purchasing
- Emergency purchases greater than \$25k must be ratified by City Council prior to processing payments



# Sole Source Procurements

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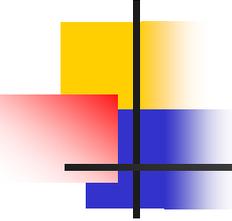
- Sole Source Procurements – items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies as defined by Texas Local Government Code 252.022 (7)(a)
- Are exempted from competitive bidding
- All sole source procurements over \$25k must be reviewed by the City Auditor's Office and require City Council action
- For all sole source procurements:
  - Purchasing contacts the manufacturer to obtain verification and justification as to why it is sole source
  - Purchase price is negotiated
- Examples of previous sole source procurements:
  - Maintenance on proprietary software or systems previously purchased by the City in a competitive process



# Co-operative Purchasing

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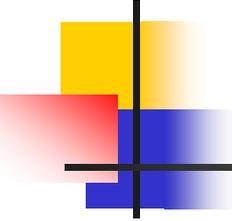
- Co-operative agreements conform to statutes applicable to competitive bidding, Texas Local Government Code, 791.025.
- State Law allows governmental agencies to use co-operative purchasing programs to satisfy bidding requirements
  - Available contracts have been bid by another public agency and are available to all governmental agencies at the pre-established pricing
  - Enables the City to leverage market buying power and purchase goods or services at lower prices
- When practical, the City's practice is to publicly bid first, and conduct a comparison between bids received to prices available through the co-operative agreements
- Purchasing is responsible for coordination and administration of all co-operative purchasing agreements
  - As an additional procurement volume leverage, the City includes language in its bids offering vendors to extend pricing to other government agencies



# Commercial Card Program

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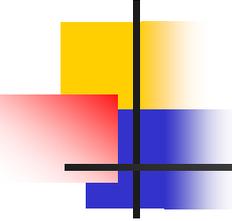
- P-Card program was established in 2001
  - Reduce the number of petty cash transactions and small dollar requisitions
  - Utilize City resources in a more strategic manner to enhance service delivery
  - Improve vendor relationships through faster vendor payment
- Total P Cards issued to date 287
- Transparency:
  - All commercial card transactions are posted on the City's website quarterly



# Commercial Card Program (cont.)

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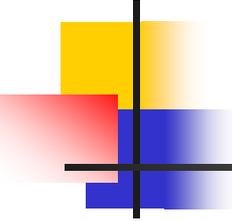
- Extensive controls have provided multiple levels of oversight on credit card purchases and have prevented inappropriate use
  - Maximum single transaction not to exceed \$1,000
  - Maximum monthly credit limit not to exceed \$10,000 per card
  - The number of times a cardholder can use the credit card per day and per month can be predetermined
  - Ability to block purchases at various businesses by use of limiting Merchant Category Codes (MCCs)



# Good Faith Effort History

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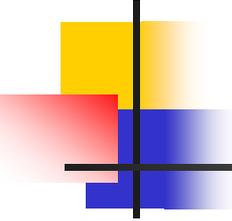
- In October 1984, Dallas City Council adopted the City's first Good Faith Effort (GFE) Plan
- A&D Study conducted by an outside consultant in 1995
- GFE Plan was updated and adopted in 1997
- A&D study May 2002
  - Reviewed City's contracting and purchasing policies from October 1997 to September 2000
  - Findings
    - Disparity exists in the subcontracting construction category for African Americans and Asian American owned firms



# Good Faith Effort History (cont.)

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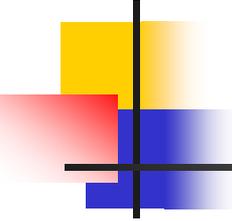
- Supplemental study often called But/For study February 2003
  - The findings suggest that when construction contracts are not subject to M/WBE goals, the utilization of M/WBEs is lower than when there is a good faith effort requirement
- Administration of the GFE program was consolidated to Business Development and Procurement Services in October 2003
- City Council voted to continue the policy and adopted the current GFE plan in March 2004



# Good Faith Effort History (cont.)

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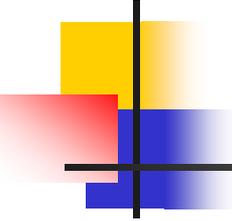
- On October 22, 2008 the City Council adopted the following amendments to the City's GFE plan:
  - Changed name to Business Inclusion and Development (BID) Plan
  - Granted evaluation points to encourage meaningful inclusion of M/WBE firms in response to evaluations of proposals estimated to be in excess of \$250K
  - Encouraged bidders and proposers on City projects to create Joint Ventures, when feasible, to increase capacity and build stronger and larger M/WBE firms



# Business Inclusion and Development Plan

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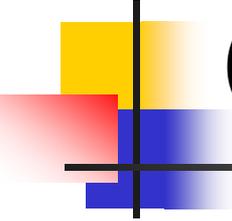
- It is policy of the City of Dallas to use qualified Minority and Women-Owned Business Enterprises (M/WBEs) to the greatest extent feasible on the City's construction, procurement and professional services contracts



# Business Inclusion and Development Plan (cont.)

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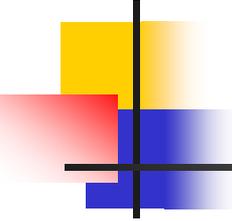
- Continue with the established M/WBE Goals:
  - Construction: 25.00%
  - Architecture & Engineering (A&E): 25.66%
  - Other Professional Services: 36.3%
  - Other Services: 23.8%
  - Goods: 18.00%
- Goals are met by utilizing local (inside Dallas County boundaries) M/WBE businesses
- Compliance is based on the good-faith effort made by the prime contractor to utilize M/WBEs
- Failure to comply with the good-faith effort may result with vendor being deemed non responsive and bid awarded to next lowest bidder or advantageous proposer



# Business Inclusion and Development (BID) Administration - BDPS

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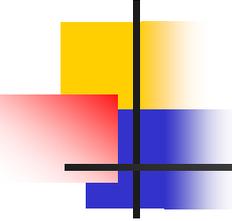
- Administration of BID program
  - BDPS contract compliance group provide administrative services to contracting departments, alleviating the need for project managers to perform administrative duties related to the BID Plan policy
  - Provide centralized location for contractors and subcontractors to obtain BID information and resolve BID-related issues



# Business Inclusion and Development (BID)- Vendor Outreach

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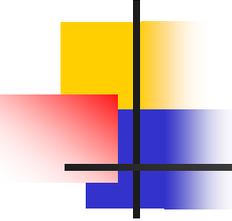
- On every formal solicitation for the City, the following steps are followed to maximize competition
  - Advertise in the Dallas Morning News
  - Provide advertisement to all (25) local chambers of commerce
  - Email all City registered vendors by selected commodity
- Quarterly training and round table events are held providing instructions on how to participate on City projects as well as providing lists of upcoming planned projects



# Business Inclusion and Development (BID)- Vendor Outreach

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- FY 2010-2011 Events Attended – 155
- FY 2010-2011 Training Sessions Conducted
  - 37 (3840 vendors attended) to date
- FY2010-2011 Awards/Recognitions Received
  - Asian American Contractors Association – 2010 Moon Award
  - U. S. Small Business Administration -InnerCity Entrepreneurs Emerging 200 Coalition Partnership Recognition
  - Dallas - Fort Worth Minority Supplier Development Council – 2011 Buy Those That Buy Us Best Practices Award

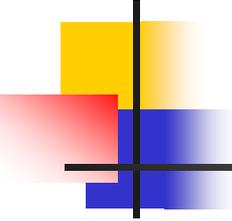


# Business Inclusion and Development (BID) Administration - ResourceLINK Team (RLT)

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RLT - A team established to serve as business liaison to the vending community & conduct outreach activities

- Work directly with project managers to identify possible subcontracting opportunities before a project is advertised
- Conduct outreach efforts during pre-bid and pre-proposal meetings
- Provide possible subcontractor M/WBE listings to prime contractors
- Assist M/WBE companies with vendor registration and certification process

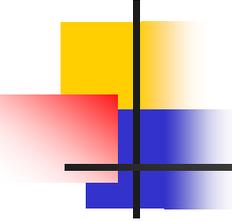


# Business Inclusion and Development (BID) Administration Process

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## Pre-Award Process for Proposals over \$250k

- BID staff will evaluate and award a maximum of 15 points based on qualitative review of M/WBE participation
  - These points will be a part of the evaluation criteria of the Request for Proposal/Qualification (RFP/RFQ) for M/WBE participation on (architectural/engineering, professional services and other services) contracts that are over \$250,000 and above
- Contacts prime to communicate BID policy and assist with completion of BID forms
- Verifies all planned M/WBE participation with supporting documentation prior to approving item for Council consideration

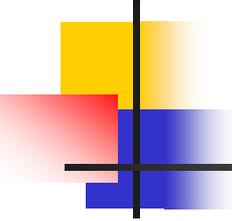


# Business Inclusion and Development (BID) Administration Process (cont.)

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## Post Award Process

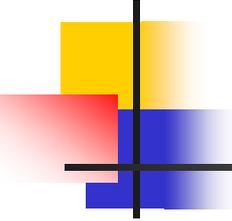
- Department's project manager oversees progression of project and submits routine documentation as follows:
  - Verified schedule of work and payment application showing all sub-contractors performing work for the period
  - Submits signed M/WBE Change Form to BDPS (if necessary)
    - Form must be signed by project manager and approved by BDPS BID group prior to changes being made to ensure prime contractors do not make unauthorized changes to a contract once approved by City Council
- Track planned M/WBE participation with internal tracking software
- Report the success of the Business Inclusion and Development policy on a quarterly basis to City Council



# Previous Program Enhancements

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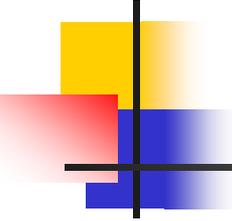
- Moving the BID process from post solicitation to project conceptual stages to increase opportunities for unbundling and M/WBE firms
- Evaluating large contracts prior to renewal to determine and /or identify unbundling opportunities so as to increase M/WBE participation



# Transparency

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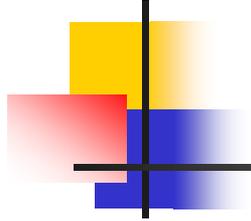
- As required by state law, Dallas advertises all solicitations and the bid opening date and time in the Dallas Morning News
- A unique feature Dallas utilizes during bid openings is live webcasting of the bid openings
  - Streamed on the City's website and on cable access channel 16
- Post all purchasing card transactions online on the City's website
- Effective July 2011, began posting copies of administrative actions on the City's website



# Current Program Successes

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- The City makes available business opportunities for all sizes of companies
  - FY 2009-2010:
    - Total local dollars spent: \$345,643,329
    - Dollars awarded to local M/WBEs: \$122,460,467 – (35.4%)
    - \$52M or 70% above M/WBE previous year participation
  - FY 2010-2011 – Third quarter Oct. – Jun. 2011
    - Total local dollars spent: \$307,356,397
    - Dollars awarded to local M/WBEs: \$102,700,255 – (33.4%)



# Questions