

February 11, 2009

Internal Audit Report 2009-02
Purchasing Section
Anchorage Water and Wastewater Utility

Introduction. The Anchorage Water and Wastewater Utility (AWWU) Purchasing Section became fully operational on January 1, 2007. The Purchasing Section is responsible for the procurement of supplies, services, and construction to meet AWWU's needs. According to AWWU's Purchasing Section, more than \$76.7 million in purchase orders and \$8.9 million in vendor contracts have been awarded since January 1, 2007.

Objective and Scope. The objective of this audit was to determine if AWWU's Purchasing Section appropriately solicited competition for purchases and issued change orders in accordance with the Anchorage Municipal Code (AMC) and AWWU policies and procedures. To accomplish our audit objective, we reviewed 24 invitations for bid, 41 construction invitations for bid, 37 requests for proposal, and 363 purchase orders in 2007 and 2008.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of August through October 2008. The audit was requested by the AWWU Board, Audit Committee.

Overall Evaluation. The AWWU Purchasing Section complied with the AMC Title 7 and AWWU policy and procedure requirements. Contracts and change orders were properly executed. However, we found that documentation contained in some contract and purchase order files could be improved. Specifically, we found that some contracts lacked evidence of Disadvantaged and Women's Business Enterprises (D/WBE) compliance. We also found that documentation for some sole source purchases was not always in the purchase order files.

FINDINGS AND RECOMMENDATIONS

1. Some Contracts Lacked Evidence of D/WBE Compliance.

- a. **Finding.** Files for federally funded contracts did not always contain evidence that the Equal Employment Opportunity Contract Compliance Officer (EEO Officer) had certified that the established D/WBE goals were met. Seven of 36 contract files, where D/WBE goals applied to the acquisition, lacked certification by the EEO Officer. According to the EEO Officer, her files also did not contain the D/WBE Utilization Forms for the seven contracts. Our review of the D/WBE compliance for the seven contracts revealed that one did not meet the established goal or good faith efforts, yet the contract was awarded anyway. Federal guidelines require that D/WBEs be utilized by projects funded with Federal funds. AWWU requires the D/WBE Utilization Form to be submitted by the successful bidder within three working days of the notice from the Purchasing Manager. This form should then be sent to the EEO Officer for review and certification that the established D/WBE goals are met or good faith efforts were obtained. After this certification, the Purchasing Manager may award the contract.
- b. **Recommendation.** The AWWU Purchasing Manager should ensure that the EEO Officer has certified that established goals have been met prior to awarding contracts.
- c. **Management Comments.** “Concur with the finding. All of the findings pertain to solicitations and awards related to the RFP process through one Division. The Purchasing Manager has instituted a new tracking procedure in the RFP process that will ensure that no Recommendation of Award will be processed until the requisite utilization form has been processed to the EEO Officer and a certification of compliance has been received by the EEO officer.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. Documentation for Sole Source Purchases Not Always in Contract Files.

- a. Finding.** Justification for sole source purchases was not always adequately documented. Our review of all 209 sole source purchases during 2007 through July 2008 revealed that 19 contracts/purchase orders for service and supply purchases of at least \$5,000 did not have a memo justifying the sole source purchase in the contract file as required by AMC Title 7. In addition, we found no evidence that one sole source contract for equipment that cost \$38,700, was approved by the AWWU Board.
- b. Recommendation.** The AWWU Purchasing Manager should comply with the requirements of AMC Title 7 for sole source procurement.
- c. Management Comments.** “Concur with finding. The Purchasing Manager shall institute a new AWWU Policy and Procedure regarding the use of, and the procedures for, sole source/proprietary purchase processing and small purchase procedures. The new Policy and Procedure will be sent to all employees via email. Training will be provided to all Divisions. The Purchasing Manager and staff shall ensure compliance with AMC and P&P procedures.”
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials.

Audit Staff:
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