



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
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AGENDA INFORMATION SHEET

DEPARTMENT: Procurement/Compliance

CM: Todd Hileman

DATE: May 8, 2018

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the City's Compliance and Procurement program and initiatives.

BACKGROUND

A Compliance division of the City Manager's Office was created beginning in fiscal year 17/18. This division was formed in order to mitigate and manage risk by ensuring business practices and employees are complying with policies, procedures, and applicable regulations. The division includes two positions, the Director of Procurement and Compliance and the Compliance Officer. Assigned responsibilities include improved oversight and procedures for contract administration and ensuring a fair and transparent procurement process. The Compliance division has also been integral in drafting, implementing, and training employees on a new employee Ethics Policy.

In October 2017, the former Internal City Auditor identified contract administration as one of the top 5 risks to the City. Due to this potential level of risk, Compliance began conducting departmental interviews regarding contract administration in November 2017. During these interviews, it became obvious there were widespread issues with how contracts were drafted, managed, and stored. These included confusion about roles and responsibilities, inconsistencies in contract processes and approvals, and lack of a centralized and organized document retainage system for all contract types. While procurement related contracts follow a standard process and are ultimately housed in Laserfiche, non-procurement processes were inconsistent and filed in many locations, often residing in the files of a single employee or department. As a result of these interviews, one of the top priorities for Compliance staff was acquiring a contract management software. In upcoming months, Compliance staff will be drafting policies and procedures for non-procurement contracts.

Prior to the creation of the Compliance department, the total number of active contracts the City maintained was unknown. Outside of Laserfiche for procurement contracts, there is not a single repository for all contracts and templates. A master list of City contracts had been compiled based on departmental submissions of their active agreements. This list includes over 800 Memorandums of Understanding (MOU), contracts, interlocal agreements, and a variety of other documents. This list includes both procurement and non-procurement agreements.

In addition to the internal review of contracts by Compliance, Council sought an outside firm to perform audit services during the absence of an Internal City Auditor. Council approved the contract with Crawford and Associates, P.C. in December 2017, and their audit of City contract administration took

place in January 2018. The audit included in-depth review of 62 City contracts, 2 of which were identified as being non-compliant.

Due to the Auditor's high risk designation, findings during the Compliance reviews, and the audit performed by Crawford and Associates, Compliance and Purchasing personnel are currently working on the following initiatives to further mitigate contract risk:

- Performing risk assessments of current procurement contracts;
- Conducting peer reviews of contract documentation prior to Council consideration;
- Utilizing an agenda checklist to ensure consistency between the contract and ordinance before Council consideration; and
- Conducting an additional Compliance review process, in conjunction with City Attorney's Office, for large procurement contracts over \$2 million.

The following accomplishments have been achieved in quarters one and two of fiscal year 17/18:

Compliance:

- Interviewed departments regarding contracts and current contract administration processes;
- Completed training and certification as Leadership Professionals in Ethics & Compliance (LPEC);
- Purchased a contract management software solution to improve contract compliance, track contract expenditures, and manage not-to-exceed amounts;
- Assisted Crawford and Associates, P.C. with contract administration audit;
- Developed an ethics policy for all City employees, in conjunction with Human Resources and the City Manager's Office; and
- Developed and facilitated ethics training classes for supervisors.

Procurement:

- Implemented a non-disclosure/conflict of interest process and evaluation team diversity standards;
- Completed training on alternative delivery methods with attorney Tim Matheny;
- Completed contract administration training; and
- Reorganized the Distribution Center to include Denton Municipal Electric logistics staff, consolidating resources, creating efficiencies, and cross-training staff.

ESTIMATED SCHEDULE OF PROJECT

Additional initiatives scheduled for the last two quarters of fiscal year 17/18:

- Evaluating and assessing the procurement card program, including opportunities for improvements in training, process standardization, auditing, and reporting;
- Implementing the contract management software solution;
- Drafting policies and procedures for non-procurement contracts;
- Completing ethics and compliance training for all City staff, focusing on the City's core values in everyday decision making; and
- Revising the Procurement Manual to include:
 - Updated policies, procedures, and practices
 - Simplified format to make it easier to understand
 - Clearly defined roles and responsibilities in solicitation and contract processes
 - An incentive policy for public work projects

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence

Related Goal: 1.1 Manage financial resources in a responsible manner

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 - Presentation

Respectfully submitted:

Cassey Ogden

Director of Procurement & Compliance