



## Professional Services Agreement – Audit Follow-up

Finance Department

### Finance Committee

November 9, 2016

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## BACKGROUND

- On June 22, 2015, the Internal Audit Division issued a performance audit report on Professional Services Agreements
- On October 12, 2016, the Internal Audit Division presented a Professional Services Agreement Follow-up Audit Report



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## BACKGROUND

- *To strengthen internal controls and ensure departments comply with the City Administrative Policy 02.005.00, we recommend the following procedure be considered by the Purchasing Task Force when reviewing Contracting for Professional Services \$50,000 or Less:*
  - *The approval form for a single source/consultant must be completed, approved and attached to the purchase requisition in the purchasing system before the requisition is routed for approval.*



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## BACKGROUND

- *Prior to approval of Professional Services Follow-Up Audit the Finance Committee requested:*
  - *Formal response to audit recommendations*
  - *Revised policy*



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## CURRENT VS REVISED POLICY

### CURRENT PROFESSIONAL SERVICES PROCESS

### PROPOSED CHANGES

#### PHASE 1: NEED IDENTIFIED

City Department Identifies Need:

- Requests City Manager approval for a sole source, if needed
- Prepares a Request for Proposal (RFP), if not utilizing sole source

#### PHASE 1

- Require issuance of requisition prior to issuance of RFP and/or receipt of sole source
- Verify Insurance requirements or changes from City standards

#### PHASE 2: PROVIDER SELECTED

City Department selects service provider:

- Grades RFP or utilizes sole source approval
- Works with City Attorney's Office to draft an agreement
- Works with City Clerk's Office on Conflict of Interest Forms
- Works with Finance Department/Risk Management to certify insurance requirements

#### PHASE 2

- Require all RFPs over \$25,000 to be posted to the City's Online Bidding website
- Establish a general rule that all services under \$25,000 should utilize a Services PO, which would expedite the process.



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## CURRENT VS REVISED POLICY

### PHASE 3: APPROVALS

- City Attorney's Office signs agreement as, "Approved to Form"
- Finance Department Signs agreement as, "Availability of Fund"
- Department Head (\$25,000 and under), City Manager (Up to \$50,000), and City Council/RPU Board (Over \$50,000)

### PHASE 3

- No changes, except for services procured under \$25,000

### PHASE 4: REVIEW AND TRACKING

- City Clerk's Office reviews/validates insurance on file, ensures business license is up to date, and all prior approvals are valid
- City Clerk's Office signs agreement as to, "Attest"
- City Department issues a requisition with all documentation (agreement, sole source, bids, etc.)
- Finance Department reviews requisition and issues a purchase order (PO)

### PHASE 4

- City Department updates requisition with updated bid documents, sole source
- Finance Department approves PO and issues agreement a contract number (Finance Department is currently in the process of implementing a contract management module for the existing financial system)



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## PURCHASING TASK FORCE

- On August 10, 2016, the Finance Department presented an overview of a new Purchasing Task Force to address the entire purchasing process, including services, and related administrative policies.
- The Purchasing Task Force is scheduled to provide its recommendations to the Finance Committee in early 2017. Any changes to the proposed changes noted in this report will be brought forward at that time.



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## RECOMMENDATION

*That the Finance Committee recommend to the City Council approval of the Professional Services Agreement Follow-Up Audit Report from October 12, 2016, which incorporates proposed Administrative Manual Policy Updates from the Finance Department.*



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