

#1 (Rev.1/93) SINGLE PAGE COMMUNICATION TO THE COMMON COUNCIL

TO: THE COMMON COUNCIL: DATE: October 21, 2004

FROM: DEPARTMENT: Audit and Control

DIVISION: Audit

SUBJECT: [: **Buffalo Sewer Authority**  
[: **Single Source & Sole**  
[: **Source Contracts**  
[: **Audit**

PRIOR COUNCIL REFERENCE: (IF ANY) [:

TEXT: (TYPE SINGLE SPACE BELOW)

#### **AUDIT SCOPE**

To review contracts submitted to the Board for approval.

To review the number and dollar amount of contracts approved by the Board.

#### **AUDIT FINDING**

##### **Contracts:**

The review of the Board minutes and approvals therein revealed that a large number and dollar amount of contracts were not bid. The Single Source or Sole Source contracts were approved in approximately 53% of the cases reviewed.

The Board of Directors was informed of the various reasons why a single or sole source was being requested or required, per the review of supporting documentation. Such reasons include specific requirements by manufacturers, franchise requirements, limited availability of parts, inability to perform, timeliness etc.

This information was submitted to the Directors in advance of the meetings; the directors asked questions on the issues and voted on the item.

As noted above, the results reflect that 53.1% of the number of contracts approved by the Board were single source. This 53.1% ratio is extraordinarily high for a contract process that presumes bidding.

The dollar value associated with these single source contracts is approximately \$9.3 million of the total contract value of \$42.5 million, or 22% of the contract value.

##### **Change orders:**

The Change orders account for sizable dollars and high percentages ( 93 change orders at \$8.6 million of \$72.4 million total).

## RECOMMENDATIONS

1. Notification to the Board of our results, with annual updates.
2. BSA should create a specific form for the use of the Board in approving contract bids, including RFP requirements and a written statement by the responsible official that there is no other source available
3. The Board may consider consultation with an outside firm with the required technical expertise not available to the board or the Auditors to review some of the bids.
4. Change the requirements for formal bid approvals at the BSA Board meetings to \$7,000, and consider reviewing those approved under that threshold to report to the Board. In addition, the Authority may seek to amend the language in the Buffalo Sewer Authority state legislation to raise the limits.
5. Change orders need to be controlled at the Board level

TYPE DEPARTMENT HEAD NAME:      ANDREW SANFILIPPO

TYPE TITLE:                      COMPTROLLER

SIGNATURE OF DEPARTMENT HEAD

