

DEPARTMENT OF INFORMATION TECHNOLOGY
REVIEW OF PROFESSIONAL SERVICES AGREEMENTS

Distribution: Lovely A. Warren, Mayor
James P. Smith, Deputy Mayor
Mark Buckley, Chief Information Officer
Tim Curtin, Corporation Counsel

Office of Public Integrity
Date: March 4, 2019

I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) reviewed the City of Rochester Department of Information Technology's compliance with City policies and procedures with regards to the procurement of professional services from outside vendors. The results of this review indicate adequate internal control over the procedures for securing professional services and compliance with prescribed policies within the Department of Information Technology. However, the review also identified an internal control weakness that requires management attention.

- Department of Information Technology personnel are not consistently scanning all Professional Services Agreement (PSA) documentation into the City's MUNIS computer database system as required.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews compliance with prescribed policies within City departments.

B. Background

In instances where services required by a City Department involve specialized skills, scientific or technical knowledge, training and expertise, use of professional judgement or discretion, or a high degree of creativity, the services sought are considered to be professional services and allow the City to enter into a Professional Services Agreement (PSA) with a suitable vendor. PSAs are an exception to the requirement of NYS General Municipal Law 103 that public works contracts must be competitively bid in a formal bid process mandated by law. The City may obtain professional services either through negotiation or through the Request for Proposal (RFP) process.

The RFP process allows the City to explore the market of potential providers for creative approaches, specialized experience, quality of service, and cost differential. However, there may be unique situations when it is not in the City's best interest to secure consultant services through the RFP process. In instances when it is determined that an RFP will not be used, a written justification for this decision must be prepared and maintained on file.

Any PSA with compensation greater than \$10,000 or that extends for a term of more than one year, must be authorized by City Council. When the RFP process has been used to select a vendor, a description of the

process must be included in the transmittal letter sent to City Council. This letter shall include the date the RFP was issued, the methods used to solicit proposals, a list of consultants that submitted proposals and their location, and the methods used to review the proposals. When an RFP had not been issued for a PSA, the transmittal letter must include a justification for opting to retain the selected consultant through direct negotiation.

OPI identified 68 PSAs in MUNIS that originated from within the Department of Information Technology. Of these, 19 were listed with a status of Closed in MUNIS. From these 19 Closed PSAs, OPI randomly selected 7 for detailed testing. The total value of these 7 contracts is \$441,050.

C. Objectives and Scope

The objective of the review was to evaluate the Department of Information Technology's compliance with the policies and procedures related to the procurement of professional services through PSAs. This review included an evaluation of the internal control procedures applicable to the solicitation of vendors through the RFP process, the process for the review of vendor proposals, and the Department of Information Technology's request for authorization from City Council.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained

provides a reasonable basis for our findings and conclusions based on our audit objectives.

III. RESULTS OF REVIEW

The results of the review indicate that the Department of Information Technology operates within compliance of the policies and procedures related to the procurement of professional services through PSAs. We noted that five of the seven PSAs reviewed were secured through the RFP process and that a thorough review was conducted for all proposals received prior to the selection of a vendor. We also noted that for the two PSAs that were not secured through the RFP process, justification letters were composed by the Department head and sent to City Council validating why the RFP process was not used. Finally, OPI noted that for all seven PSAs reviewed, the Department of Information Technology requested authorization from City Council without exception. However, one deficiency exists that requires management's attention to improve internal accounting and administrative practices.

A. Documents Not Scanned Into MUNIS

The official RFP and PSA Implementation policy which is dated July 2012 is found on the City of Rochester Employee Portal. The MUNIS Contract Entry screen instructions state, "Scan and include the following documents for all PSAs: The agreement, insurance forms, RFP Evaluation Summary or justification for not issuing an RFP, Council transmittal letter (as signed by the Mayor) and the Certified Ordinance".

Department of Information Technology personnel are not consistently scanning all Professional Services Agreement (PSA) documentation into the City's MUNIS computer database system as the RFP and PSA Implementation policy requires. It should be noted that two of the contracts selected were signed prior to the adoption of the official RFP and PSA Implementation policy and therefore exempt from its requirements. A search in MUNIS for the remaining five contracts selected showed; two did not include the RFP Evaluation Summary or justification letter for not using an RFP, and one did not include the transmittal letter to City Council.

- Recommendation

Department of Information Technology staff should make sure that when a PSA is entered into the Contract Entry screen in MUNIS, the agreement, insurance forms, RFP Evaluation Summary or justification for not issuing an RFP, Council transmittal letter and the Certified Ordinance are all scanned into the Contract Entry screen as attachments.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Information Technology to this report begins on the next page

From: Buckley, Mark
Sent: Thursday, February 28, 2019 5:26 PM
To: Weir, Timothy <Timothy.Weir@CityofRochester.Gov>

Subject: RE: Gentle Reminder - Department Response

Hi Tim.

With regard to the "Review of Professional Services Agreements" audit conducted by OPI, I agree with the observations. We will review the results with our IT Management Team and educate IT personnel accordingly.

Thanks.