City of Long Beach

Working Together to Serve

Memorandum

Date: May 31, 2016

To: Patrick H. West, City Manager PWest

From: CB Craig A. Beck, Director of Public Works

For: Laura L. Doud, City Auditor

Subject: **Graffiti Protective Coatings Contract Draft Audit**

Thank you for the opportunity to comment on the draft Graffiti Protective Coatings Audit. All of management's responses are within the backdrop of providing appropriate controls balanced within available operational resources.

Staff has reviewed and provided input for each of the City Auditor's recommendations and outlined the action plan moving forward. As some of the recommendations involve citywide consideration, staff collaborated with Financial Management to address these recommendations.

Graffiti is a citywide issue that can significantly impact the quality-of-life for residents in our many neighborhoods. Studies show that when graffiti is quickly eradicated from a location, there are fewer incidents of tagging in the future. City Management supports this approach and strives to have graffiti removed within 48 hours of being reported. Graffiti Protective Coatings (GPC) is the City's current graffiti removal vendor and has consistently provided excellent service. GPC is successful in removing over 90 percent of graffiti within the desired 48-hour window. Staff will frequently assign GPC to work specific focus areas when graffiti hot spots occur. Their proactive approach, and thorough results, have made them a valued partner in keeping Long Beach looking significantly better than many surrounding cities. GPC is by far more reliable, organized, and responsive than previous vendors.

As information, staff issued a new Request for Proposal (RFP) for graffiti removal services on May 5, 2016. A mandatory pre-proposal conference was held on May 12, 2016 to address the questions of vendors in attendance. Proposals are due June 2, 2016. It is anticipated that a recommendation to award a new contract will be sent to the City Council in July. This new agreement will work to incorporate the recommendations identified in the Auditor's report. Additionally, Financial Management is working to develop procedures and associated training with regards to contract management.

I appreciate the City Auditor's level of due diligence reflected in the Graffiti Protective Coatings Contract Audit and will work to implement identified actions. If you should have any questions, please call me at (562) 570-6522.

ATTACHMENT: MANAGEMENT RESPONSE AND ACTION PLAN

CC: PATRICK WEST, CITY MANAGER
TOM MODICA, ASSISTANT CITY MANAGER
ARTURO SANCHEZ, DEPUTY CITY MANAGER
JOHN GROSS, DIRECTOR OF FINANCIAL MANAGEMENT
JASON MACDONALD, PURCHASING AND BUSINESS SERVICES MANAGER

MANAGEMENT RESPONSE AND ACTION PLAN

City Manager's Office

Contract Administration Audit: Graffiti Protective Coatings, Inc.

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.1	Evaluate user access to ensure the level of authority/permission assigned to each user is only what is required for the user to perform his/her job responsibilities.	H	3	Agree	PW Street Maint. Superintendent (SMS)	The Public Service Bureau (PSB) will work with the successful bidder to ensure appropriate user access.	9/30/2016
1.2	Develop system edit reports which capture changes to key data fields. Edit reports should be system generated and not allowed to be modified.	H	3	Agree	PW SMS	Work with successful bidder to provide tracked edit reports.	10/31/2016
1.3	Review edit reports to ensure there is proper justification for any modification to data.	H	3	Agree	PW SMS	Review edit reports for appropriate justification of data modification.	10/31/2016
1.4	Develop a process for analyzing system data to ascertain the reasonableness of the information.	H	3	Agree	PW SMS	Develop a process to analyze system data to ensure information is reasonable. Graffiti Protective Coatings, Inc. (GPC) takes before and after pictures of all sites. PSB reviews a sample of invoices to verify work was performed.	10/31/2016
2.1	Expand system reporting to provide the City with information about the overall operations of the program.	M	3	Agree	PW SMS	Determine reporting requirements of the overall program.	11/30/2016
2.2	Consider additional promotion of the GO Long Beach app for reporting graffiti.	M	3	Agree	PW SMS	Develop outreach for the Graffiti Abatement Program via smart phone application, email and phone.	11/30/2016
3.1	Invest in a contract monitoring system that allows the City to capture all city contracts, including but not limited to term/expiration dates, award authority, associated BPO information, insurance expirations and other key terms and conditions. The system should possess alerts, reporting or other methods to effectively plan for contract expirations to ensure sufficient time is allotted to renew or bid for new contracts.	H	5	Agree	FM Purchasing	Purchasing is exploring approaches to collect centralized information on purchase contracts and have it available for end user departments. A centralized approach (system) is anticipated in conjunction with the installation of a a new financial system (ERP). The exact characteristics of the system have not been determined. It is currently hoped and anticipated that the new approach to contracts, if integrated into the ERP solution, will have no new net costs. However, If done outside the ERP project, it is roughly estimated that this effort would require at least 1 new FTE as well the purchase and ongoing maintenance of a contract monitoring system. This could be a one-time cost of $60,000 and ongoing costs of a minimum of $80,000.	ERP Solution targeting 2018

MANAGEMENT RESPONSE AND ACTION PLAN

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3.2	Develop a process to ensure contracts are renewed timely.	H	5	Agree	FM Purchasing	Timely contract management is a decentralized departmental responsibility. Purchasing will be exploring some centralized controls (see 3.1) and will develop training and related suggested departmental contract tracking techniques.	ERP Solution targeting 2018
3.3	Ensure any extension of existing contracts that would result in payment by the City of more than $200,000 should be taken to City Council for approval as per City procurement guidelines.	H	5	Agree	FM Purchasing	This control is already in place and works well, but not perfectly. A new ERP system will improve the effectiveness of the controls in unusual circumstances.	ERP Solution targeting 2018
3.4	Ensure that expired contracts which the City wants to keep in effect until the RFP process is complete have appropriate documentation extending contract terms and key conditions. Use of an interim BPO without a contract amendment should only be considered when the amount of the term and pricing are immaterial.	H	5	Agree	FM Purchasing	This procedure is already in place and an error was made for this transaction. The procedure was not properly implemented. Purchasing should have better tested this BPO to ensure the cost was not likely to go over the $200,000 limit. Buyers will be reinstructed to test this limit and to always require a purchase amount.	6/30/2016
4.1	Ensure interim BPO amounts reflect reasonable payment for services to be rendered.	H	7	Agree	PW Budget Services Officer / SMS	PSB estimates costs to be incurred during an interim BPO term.	7/30/2016
4.2	Ensure payments are made to the appropriate contract period.	H	7	Agree	PW SMS	PSB will continue to monitor payments on invoices to ensure they are made from BPO's during the effective contract/term period.	Completed
4.3	Do not authorize work, or allow Contractor to continue performing existing work, unless a valid contract or agreement is in place.	H	7	Agree	PW SMS	PSB utilizes the department wide contract database to ensure contracts and spending authority are in place for authorized works to avoid work being completed when contracts are expired or funds unavailable.	Completed

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No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
5.1	Develop a training program on contract administration best practices. This should be standardized citywide.	H	7	Agree	FM Purchasing	We agree that improved training is a good idea. The Purchasing Division plans to develop training based on an interim basis until the ERP system is implemented which will provide additional training.	12/31/2016
5.2	Establish policies and procedures for overseeing contracts. This should be standardized citywide.	H	7	Agree	FM Purchasing	This recommendation will be implemented as part of 3.1	ERP Solution targeting 2018

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

Yellow areas - to be completed by the department