

CITY OF LAGUNA NIGUEL

AGENDA ITEM CITY COUNCIL

SEPTEMBER 5, 2017

TO: Honorable Mayor and Council Members

FROM: Stephen Erlandson, Interim City Manager/Director of Finance

SUBJECT: Scope of Services for Operational Audit Related to Purchasing

SUMMARY: Former Mayor and current Council Member Slusiewicz requested staff to place an item on the August 15, 2017 City Council agenda to develop a Request for Proposals (RFP) for a separate Agreed-Upon Procedures (AUP) engagement related to Citywide purchasing. The City Council voted by majority to move the agenda item to the regularly scheduled City Council meeting of September 19, 2017, the meeting after which the Council receives the presentation on the Independent Accountants' Report on Agreed-Upon Procedures Applied to Purchase Orders and Contract Processes for the Two Years Ended June 30, 2017 from representatives of The Pun Group, LLP.

Direction was given to staff to develop a scope of work for an operational audit to evaluate the efficiency and effectiveness of the City's current operating policies and procedures related to Citywide purchasing. It is recommended that the City Council review the proposed scope of work and authorize staff to release a RFP for operational auditing services.

BACKGROUND

Former Mayor and current City Council Member Slusiewicz requested staff to place an item on the August 15, 2017 City Council agenda to develop a RFP for a separate AUP engagement related to Citywide purchasing. The City Council voted by majority to move the agenda item to the regularly scheduled City Council meeting of September 19, 2017, the meeting after which the Council receives the presentation on the Independent Accountants' Report on Agreed-Upon Procedures Applied to Purchase Orders and Contract Processes for the Two Years Ended June 30, 2017 from representatives of The Pun Group, LLP.

Staff was given direction to develop a scope of work for an operational audit (Attachment A) to evaluate the efficiency and effectiveness of the City's current operating policies and procedures related to Citywide purchasing and contract processes. Once the scope of work is approved by the City Council, a RFP can be issued and a qualified firm can be selected to perform the audit. A professional services agreement and a corresponding budget appropriation will be placed on a future City Council meeting agenda for approval.

FISCAL IMPACT

The fiscal impact is undeterminable at this time, as the scope for an operational audit has yet to be approved by the City Council and no proposals have been received to select a qualified firm.

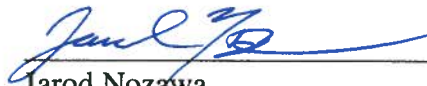
RECOMMENDATION

That the City Council:

- a. Approve the scope for a separate engagement for an operational audit of the City's purchasing and contract processes.
 - b. Authorize staff to develop a RFP to select a firm that will conduct an operational audit of the City's purchasing and contract processes.
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PREPARED

BY:



Jarod Nozawa
Purchasing Manager

SUBMITTED

BY:



Stephen Erlandson
Interim City Manager / Director of Finance

REVIEWED

BY:



Terry Dixon
City Attorney

Attachment:

- A. Scope of Services for Operational Audit Related to Purchasing

ATTACHMENT A

Scope of Services for Operational Audit Related to Purchasing

SCOPE OF SERVICES FOR OPERATIONAL AUDIT RELATED TO PURCHASING

The objectives of the operational audit are to:

1. Review the City's current Purchasing Policy and Municipal Code for purchasing and contract processes and evaluate their level of efficiency and effectiveness.
2. Survey all employees who are responsible for their respective department's purchasing, contract processes, monitoring and payment approvals.
3. Evaluate the line of authority to initiate purchases and contracts at the department level.
4. Review the City's training, communications, tools and resources to ensure they support the current policies and procedures related to purchasing and contract processes.
5. Examine the City's existing internal controls and identify weaknesses to limit exposure to unauthorized purchases.
6. In accordance with best practices for similar-sized local municipalities, develop recommendations to achieve the following:
 - (a) Improve the quality and accountability of the City's purchasing and contracting processes.
 - (b) Improve the efficiency of the Purchasing Policy and Municipal Code related to purchasing and contracts.
 - (c) Enhance cost savings.