ADMINISTRATION OF CITY CONSULTANT CONTRACTS

AUGUST 19, 2002

Auditor-in-Charge **Wendy K. Soo Hoo, Assistant City Auditor**
Project Team: **Minh Pham, Audit Intern**
Thao Vu, Audit Intern

Audit Manager: **Susan Baugh**

City Auditor: **Susan Cohen**

City of Seattle
700 Fifth Avenue, Suite 2410
Seattle, Washington 98104-5030

Printed on Recycled Paper

[blank page]

City of Seattle

Office of City Auditor
Susan Cohen, City Auditor

August 19, 2002

The Honorable Greg Nickels
Seattle City Councilmembers
City of Seattle
Seattle, Washington 98104

Dear Mayor Nickels and City Councilmembers:

Enclosed is our report on the *Administration of City Consultant Contracts*. We initiated the review of the City of Seattle's consultant contracting practices in response to a 2002 City Council Statement of Legislative Intent requesting that the Office of City Auditor determine whether City departments retained consultants for appropriate purposes and adhered to City consultant contracting policies and general rules.

Based on the audit analysis, we concluded that City departments retained consultants for appropriate purposes and generally complied with City policies and rules in executing consultant contracts, with the exception of contract filing requirements. We also determined that the City's accounting and financial reporting system does not currently capture data or generate summary reports for decision makers on expenditures on an aggregate, Citywide level or at the individual contract (project) level.

We appreciate the excellent cooperation received from the Contracting Services Division and City departments during our review. If you have any questions regarding this report or would like additional information, please contact me at 233-1093, or Wendy Soo Hoo at 615-1117. To improve our work, we ask our readers to complete and return the evaluation form at the back of this report.

Sincerely,

Susan Cohen

Susan Cohen
City Auditor

SC:WSH:tlb

Enclosure

Office of City Auditor, Key Tower, Suite 2410, 700 Fifth Avenue, Seattle, WA 98104-5030
Tel: (206) 233-3801, Fax: (206) 684-0900, TTY: (206) 615-1118
Email: auditor@ci.seattle.wa.us, Website: cityofseattle.net/audit
An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.

GCIU 804-M

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION AND BACKGROUND 1

Audit Scope and Methodology 2

The City's Consultant Contracting Process 3

The City's Consultant Contracting Activity in 2001 3

CHAPTER 2: ADMINISTRATION OF CONSULTANT CONTRACTS 5

Audit Findings 5

1. *City departments generally retained consultants for appropriate purposes, and to supplement rather than replace existing City personnel. Departments also frequently retained consultants on a recurring basis due to their specialized expertise and familiarity with City processes.* 5
2. *The Seattle Municipal Code and the General Rules authorize City departments to determine when it is appropriate to retain consultants. City department generally complied with current consultant contracting policies with the exception of filing requirements.* 6
3. *City departments adhered to the City's policies for consultant selection, and Women and Minority Business Enterprises comprised approximately 23 percent of the consultant selected from the roster to performance consultant services in 2001.* 11
4. *Although the City's safeguards and oversight for consultant projects did not ensure that city agencies consistently adhered to consultant contracting policies and rules, we did not identify any contracts that significantly violated the City's contracting policies.* 11
5. *City departments' use of contract amendments appeared to be reasonable.* 12
6. *No significant irregularities were identified that would warrant more extensive high-level oversight or modification of City reporting requirements.* 13
7. *City department cannot readily track consultant contract expenditures in existing Summit reports due to the absence of a dedicated consultant contract line-item account and the absence of Citywide or project-level reporting capability.* 14

Recommendations 16

APPENDICES

Appendix 1 Sample Consultant Contracts by City Department 19

Appendix 2 City Departments' Consultant Contracting Issues 23

Appendix 3 Review of Other Jurisdictions' Consultant Contracting Practices 26

Appendix 4 Summit Report on City Departments' 2001 Professional and Technical Services Expenditures and Encumbrances 27

Addendum Department of Executive Administration Executive Response 28

CHAPTER 1: INTRODUCTION AND BACKGROUND

The City of Seattle's decentralized consultant contracting process grants City department heads authority for selecting consultants, administering contracts, and monitoring consultant performance. In 2001, City departments filed 881 original contracts with the City Clerk's Office with estimated values ranging from $100 to $3 million. We initiated the review of the City of Seattle's consultant contracting practices in response to a 2002 City Council Statement of Legislative Intent requesting that the Office of City Auditor determine whether City departments used consultant contracts for appropriate purposes and adhered to City consultant contracting policies and rules.

Specifically, the Statement of Legislative Intent requested that the Office of City Auditor determine whether:

- Departments retained consultants for appropriate purposes (i.e., did departments hire consultants on a "nonrecurring basis over a limited and pre-established term" as described in City policies and rules), and whether consultants were hired for work that could be performed by current City employees;
- Contract rules describe in sufficient detail when it is appropriate to hire consultants, and whether departments followed the guidelines;
- Departments adhered to the City's policies and procedures for consultant selection; whether Women and Minority Business Enterprises (WMBE) were listed on the City's consultant contractor roster; and how frequently City departments retained WMBE contractors to perform consulting services;
- Sufficient safeguards were established to prevent potential abuses and provide an adequate level of oversight;
- Issues surfaced regarding contract amendments;
- City reporting thresholds were adequate, and whether the reporting requirements should be modified for different departments or based on the type of contract regardless of cost; and
- Departments budgeted and tracked consultant contract expenditures in the correct Summit[1] fields so the City Budget Office (now Department of Finance[2]) could readily access this information, and whether departments' accounting could be improved to facilitate compilation of financial data for reporting purposes.

[1]Summit is the City's financial management and accounting information system.
[2]Despite the reorganization and incorporation of the City Budget Office into the Department of Finance, this report refers to the City Budget Office consistent with the current Seattle Municipal Code provisions and City consultant contracting rules.

Audit Scope and Methodology

The audit focused on a compliance review of consultant contracts that were active in 2001, excluding contracts for architectural and engineering (A&E) services and contracts with consultants selected through the City's consultant roster program. The methodology included:

- Reviewing City policies and procedures relevant to the consultant contracting issues addressed in the 2002 City Council Statement of Legislative Intent;
- Examining documentation submitted by City departments regarding the justification for retaining a consultant to perform the scope of work described in each sample contract;
- Analyzing the City's Summit financial and accounting reports to determine the availability of information for reporting on consultant contracting activity; and analyzing other contract documents to determine whether City departments complied with relevant filing and reporting requirements based on the estimated values of the sample contracts;
- Developing a database of consultant contracts that City departments executed in 2001; and
- Selecting and analyzing a targeted sample of 40 general-purpose (non-A&E, non-roster) contracts for further analysis based on the contract's purpose, original value, contract amendments and whether the consultant was retained on a recurring basis.[3]

We eliminated A&E contracts from the 2001 consultant contract listing, because the Office of City Auditor conducts extensive, annual reviews of select capital construction projects, and because construction contracts are subject to a high degree of oversight. Audit staff eliminated contracts executed with consultants selected through the City's consultant roster program, because City departments may select pre-qualified candidates from the roster without conducting additional competitive bid processes. We later excluded one sample contract for professional translation services that did not meet the City's definition of consultant services. The final sample of 39 contracts represented 7 percent of the 578 non-A&E, non-roster contracts identified by departments. (Appendix 1 provides a complete list of the sample contracts by City department.)

Audit staff also conducted interviews with the Department of Finance Contracting Services Division[4] Director and Senior Planning and Development Specialist to gain an understanding of City consultant contracting policies, roles and responsibilities;[5] the City Budget Office Analyst assigned to the Contracting Services Division to clarify financial reporting requirements pertinent to consultant contracts; the City Clerk's Office Information Manager to clarify filing requirements and data system capacity for recording consultant contracts; and Summit project management personnel to identify the availability of consultant contracting financial data and system-generated reports. Audit staff attended a Consultant Contracting Advisory Group

[3]We identified between one and six sample contracts for review from each department depending on the total number of contracts identified in departments' original listings.
[4]The Contracting Services Division is now a division of the Department of Executive Administration due to a City reorganization.
[5]The Senior Planning and Development Specialist also assisted audit staff with a compliance review of the sample consultant contracts, focusing on contract dates, terms, and conditions, and the use of appropriate City boilerplates.

meeting to discuss the Statement of Legislative Intent and gain insight on department-level contracting resources and practices.

The review of the City of Seattle's consultant contracts was conducted between January and June 2002 in accordance with generally accepted government auditing standards.

The City's Consultant Contracting Process

The City's decentralized consultant contracting process is defined in Seattle Municipal Code Chapter 3.114 and the City's General Rules for Consultant Contracting (General Rules). The Seattle Municipal Code and the General Rules grant City department heads authority for selecting consultants, administering contracts, and monitoring consultant performance. However, departments are also required to comply with Citywide policies and rules that establish uniform standards for selecting consultants and administering consultant contracts. These policies include:

- Utilizing a competitive selection process for consultant contracts with estimated costs greater than $34,000;[6]
- Ensuring that consultants provide equal benefits for spouses and domestic partners consistent with Seattle Municipal Code Chapter 20.45;[7]
- Filing the original, signed consultant contract with the City Clerk's Office;
- Filing a copy of the contract with the Department of Finance Contracting Services Division;
- Providing notification to the City Budget Office on consultant contracts with estimated values greater than $250,000; and
- Briefing the City Budget Office and offering to brief relevant Councilmembers on consultant contracts with estimated values greater than $750,000.

Chapter 6.30 of the General Rules also requires City departments to submit monthly reports to the City Budget Office on the status of all consultant contracts. In turn, the General Rules require the City Budget Office to report the status of the City's consultant contracts to the City Council on at least a quarterly basis.

The City's Consultant Contract Activity in 2001

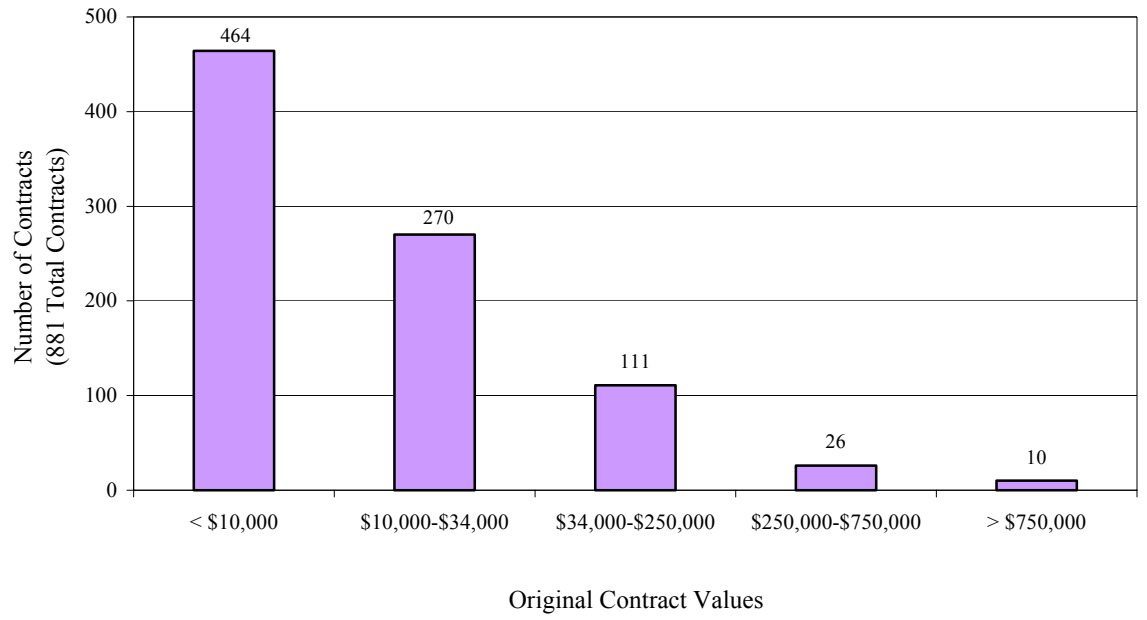
City departments filed 1,637 consultant contracts and amendments with the City Clerk's Office in 2001. This figure includes roster consultant contracts and A&E consultant contracts, which

[6]The competitive selection threshold is adjusted annually according to the Consumer Price Index. The 2002 competitive threshold is $37,000.

[7]The equal benefits requirements may be waived when award of a contract or amendment is necessary to respond to an emergency; the contractor is a sole source or public entity; no compliant contractors are capable of providing services that respond to the City's requirements; the requirements are inconsistent with a grant or agreement with another public agency; or the City is purchasing through a cooperative or joint purchasing agreement.

are governed by additional state laws and City rules.[8] The estimated values of the 881 original contracts filed with the City Clerk's Office (excluding filed amendments) in 2001 ranged from $100 to $3 million. Exhibit 1 below displays a distribution of the number of original contracts filed at the City Clerk's Office categorized by contract value.

EXHIBIT 1
DISTRIBUTION OF CONSULTANT CONTRACTS BY VALUE



Source: City Clerk's Office Consultant Contract Database, May 2002.
Note: Because amendments could not be consistently linked to original contracts using the City Clerk's database, the chart does not reflect the total values of amended contracts.

As shown in Exhibit 1 above, the estimated values for 464 (53 percent) of the original consultant agreements filed in 2001 were less than $10,000. The estimated contract values for 734 (83 percent) of the City's consultant contracts were less than $34,000, which was the threshold amount for the City's competitive selection process in 2001. Only 36 (4 percent) of the contracts filed were estimated to cost more than $250,000, including ten (1 percent) contracts with estimated values greater than $750,000.

[8]The General Rules specifically refer to additional requirements outlined in Revised Code of Washington 39.80 and Seattle Municipal Code Chapter 3.58 Design Commission Ordinance for consultant activities associated with capital improvement projects.

CHAPTER 2: ADMINISTRATION OF CONSULTANT CONTRACTS

The Office of City Auditor conducted this audit to evaluate the City's consultant contracting policies, rules, and practices. Based on the audit analysis, we determined that City departments retained consultants for appropriate purposes and generally complied with contracting policies and rules, with the exception of contract filing requirements. We also reviewed the City's financial management reports and determined that the City's accounting and financial reporting system does not currently capture data or generate summary reports on expenditures at the individual contract (or project) level or on an aggregate Citywide level.

Audit Findings

The following audit findings respond sequentially to the seven issues raised in the City Council Statement of Legislative Intent. Our findings are based on an in-depth review of a sample of 39 consultant contracts, as well as a review of the City's overall consultant contracting process. Recommendations to improve the City's consultant contracting process are available at the end of the report on page 15.

Statement of Legislative Intent Issue 1: Did departments retain consultants for appropriate purposes (i.e., did departments hire consultants on a "nonrecurring basis over a limited and pre-established term" as described in City policies and rules), and were consultants hired for work that could be performed by current City employees?

Audit Finding 1: City departments generally retained consultants for appropriate purposes (for limited and pre-established project terms), and to supplement rather than replace existing City personnel. However, departments frequently retained consultants on a recurring basis due to their specialized expertise and familiarity with City processes.

Seattle Municipal Code 3.114.010 defines a "consultant" as any individual or corporation capable of performing specialized activities on a "*discrete, non-recurring"* basis, yet Seattle Municipal Code 3.114.060 does not expressly prohibit City departments from retaining consultants on a recurring basis and offers departments flexibility to retain consultants on a recurring basis.

Departmental justifications for retaining consultants were generally consistent with the state of Washington's guidelines on circumstances justifying procurement of consultant services. Although the Seattle Municipal Code does not describe the specific circumstances warranting the use of a consultant, the Revised Code of Washington 39.29.008 states that a public agency may only retain consultants if it documents that consultant services are critical to agency responsibilities or operations (or mandated or authorized by the legislature); sufficient staffing or expertise is not available within the agency; and other qualified public resources are not available to perform the services.

City departments most frequently retained consultants for projects that required specialized knowledge and expertise, or when existing City staff, facilities, or equipment were unavailable or unable to complete project assignments. City departments also retained consultants to complete

projects that required assurance of independent, objective analysis. Consequently, the consultants *supplemented* rather than *replaced* existing personnel, consistent with City departments' interest in maintaining permanent, full-time equivalent positions, particularly during constrained budget periods.

Seattle Municipal Code 3.114.060 encourages department heads to make a good-faith effort to rotate the award of contracts among equally qualified consultants. Of the 39 sample consultant contracts, City departments indicated that 25 contracts (64 percent) were executed with consultants retained on a recurring basis. Given the justifications that departments provided and the frequency of recurring contracts, practical business decisions generally outweighed the City policy encouraging departments to rotate contracts among consultants. City departments indicated that recurring use of consultants with specialized expertise, as well as familiarity with City processes and personnel, was beneficial in expediting the completion of contract projects.

Statement of Legislative Intent Issue 2: Do the contract rules describe in sufficient detail when it is appropriate to hire consultants, and are departments following the guidelines?

Audit Finding 2: The Seattle Municipal Code and the General Rules authorize City departments to determine when it is appropriate to retain consultants. City departments generally complied with current City consultant contracting policies, with the exception of filing requirements.

As noted in Finding 1, the Seattle Municipal Code and General Rules do not address when or what project activities are best assigned to City personnel instead of consultants. Because the City's consultant contracting process is decentralized, City departments have full authority to determine when consultants are needed to achieve operational objectives. Longstanding practices also reflect City department directors' authority to make business decisions involving consultants, and to execute contracts without seeking approval from other City decision-makers.

Nevertheless, City departments are obligated to adhere to the Seattle Municipal Code and the General Rules in executing consultant contracts. These requirements vary based on the estimated contract values. Exhibit 2 below displays the number of sample contracts based on the estimated contract values, including amendments, and the requirements per the Seattle Municipal Code and the General Rules.

EXHIBIT 2 DISTRIBUTION OF SAMPLE CONSULTANT CONTRACTS BASED ON ESTIMATED VALUES		
Estimated Contract Value	**Number of Contracts**	**Requirements Per Seattle Municipal Code and General Rules**
Less than $34,000	26 (66 percent)	▪ File original contract and amendments with City Clerk's Office, with copies to Contracting Services Division ▪ File completed consultant performance review and evaluation report with Contracting Services Division
$34,000 to $250,000	8 (21 percent)	▪ File Consultant Evaluation Committee Report of competitive selection with Contracting Services Division ▪ File Equal Benefits Compliance Declaration Form with Contracting Services Division ▪ Same requirements as above
$250,000 to $750,000	4 (10 percent)	▪ File Contract Notification Form with City Budget Office ▪ Same requirements as above
Greater than $750,000	1 (3 percent)	▪ Brief City Budget Office and offer to brief the City Council on the contract ▪ Same requirements as above
Sources: Seattle Municipal Code Chapter 3.114, General Rules for Consultant Contracting, and the Office of City Auditor Consultant Contract Sample, 2001.		

The requirements displayed in Exhibit 2 served as the basis of our evaluation of City departments' compliance with the consultant contracting policies and rules, and are also discussed in subsequent audit findings.

The General Rules further require City departments to submit monthly reports to the City Budget Office on the status of all consultant contracts. In turn, the City Budget Office is required to report the status of the City's consultant contracting activities to the City Council on at least a quarterly basis. (Audit Finding 7 on page 13 contains more detailed information regarding the City's financial reporting requirements.)

The rules also identify general contract requirements that are applicable to all consultant contracts. The general contract requirements state that contracts must be in writing and signed by at least one authorized representative from each party; include a maximum amount of compensation, a specific and detailed scope of work, the dates the agreement is effective and expected to expire, any relevant equal employment opportunity provisions, all necessary legal and insurance sections, and the consultant's City business license number; describe the timing and method of payment; and authorize the City to audit the consultants' books and records with respect to services provided.

The inconsistencies identified in sample consultant contracts were primarily procedural in nature.

Twenty-two (22) City departments did not consistently adhere to the consultant contracting policies and rules, but the contract issues were primarily procedural in nature. City departments did not consistently file consultant contracts or other required documents with the City Clerk's Office or the Contracting Services Division. Ten (26 percent) of the sample contracts were not filed with the City Clerk's Office and 20 contracts (51 percent) could not be located in the Contracting Services Division files.[9] Amendments for four (29 percent) of 14 amended contracts were not filed with the City Clerk's Office, and amendments for 12 (86 percent) contracts could not be located in the Contracting Services Division files. Only one consultant performance evaluation was completed for the 17 consultant contracts closed out in 2001, and three departments completed eight additional performance evaluations in 2002 as a result of the audit review.

All City departments complied with the relevant competitive selection requirements, but the required Consultant Evaluation Committee Reports could not be located in the Contracting Services Division's files for seven of the ten competitively bid contracts due to inconsistent filing practices.[10] The Contracting Services Division indicated that one department did not file a copy of the emergency exemption declaration that waived the competitive selection process for a $1.5 million contract (including amendments). In addition, the department did not file requests with the Senior Planning and Development Specialist to review the scopes of two substantial contract amendments, as required for amendments with values greater than $50,000 and cumulatively greater than $250,000.[11]

Additional compliance issues surfaced during the sample contract review, which were not related to the City's consultant contracting filing requirements. These issues included:

- Two departments executed multiple contracts with a single consultant firm for the same or continuous scopes of work, rather than requesting an adverse impact exemption that would have waived the competitive selection requirements and been appropriate given the unique project circumstances.
- One department executed two small consultant contracts with scopes of work that contained construction-related tasks, when the City's small construction projects roster program would have been a more appropriate contracting mechanism.

---

[9]Contracting Services Division indicated that it does not maintain a systematic record of contract documents it receives.

[10]Although the estimated contract values for 13 of the sample contracts were more than the 2001 competitive threshold of $34,000, three of the contracts were executed using emergency or adverse exemptions, thereby waiving the competitive selection process.

[11]The department indicated that it submitted the required emergency exemption documentation to the Contracting Services Division. The Contracting Services Division acknowledged that it did not consistently maintain consultant contract documents. The department also indicated that the General Rules are unclear on the requirements for filing requests for the Senior Planning and Development Specialist to review the scopes of amendments to emergency contracts. However, the General Rules state that the Contracting Services Division should review the scope of *any* consultant contract amendment with estimated values greater than $50,000 and cumulatively greater than $250,000.

- Two departments retained consultants for low-cost, low-risk training services without using the correct consultant contract boilerplate.

An additional issue identified was one department's use of a departmental service agreement with a non-profit, volunteer agency. The department followed the City's consultant contracting procedures in executing the service agreement although the agreement provided for reimbursement of the non-profit agency's direct expenses. Because the City does not have clear policies or procedures to guide the use of departmental service agreements with non-profit agencies, we could not determine whether the use of the agreement was appropriate. (Appendix 2 provides a complete list of the compliance issues identified during the analysis of the sample contracts.)

Requesting a contract review by the Contracting Services Division prior to execution could eliminate City departments' compliance issues.

Several factors contributed to the inconsistent consultant contracting practices. First, many smaller agencies did not have specialized contracting personnel and did not frequently retain consultants to perform work. Consequently, smaller City agencies did not have sufficient experience to gain familiarity with all of the contracting requirements for which they were responsible under the City's decentralized system. These departments largely depended upon the General Rules for guidance when executing contracts. The Contracting Services Division acknowledged that the lengthy and complex General Rules are not written in plain language and can be confusing to departments that do not employ dedicated contracting staff. The Contracting Services Division is currently revising the rules to simplify the language and promote ease of use by all City departments.

Smaller consulting firms also considered the City's insurance and indemnification provisions to be prohibitive. Even larger consulting firms considered the numerous contracting requirements outlined in the City's standard boilerplate to be onerous, particularly for low-cost, low-risk professional services contracts. City departments indicated that developing an alternative contracting approach would reduce administrative costs for low-cost, low-risk consultant services. This would be a significant change because the estimated values for 464 (53 percent) of the City's general-purpose consultant contracts were below $10,000 in 2001, and 342 (39 percent) of the contracts were less than $5,000.

The Contracting Services Division indicated that it is developing a simplified consultant contract boilerplate for low-cost, low-risk professional services, which is consistent with practices identified in a review of contracting procedures in five other jurisdictions. We found that four of the five jurisdictions had developed alternate mechanisms (i.e., purchase orders) to simplify the contracting requirements for low-cost, low-risk professional and technical services.[12] (Appendix 3 displays a summary table of consultant contracting practices in other jurisdictions.)

---

[12]The five surveyed jurisdictions were Charlotte, North Carolina; Kansas City, Missouri; King County, Washington; Portland, Oregon; and Sacramento, California.

Sequence for filing the consultant contracts occurs after the contract has been executed, and the consultant has begun to perform the work

Another concern is that City departments are currently required to file the executed contracts with Contracting Services Division, but the sequence for filing the contracts occurs after the contract has been executed, unless a City department contacts the Contracting Services Division earlier in the contract development process. The Contracting Services Division has assigned a full-time Senior Planning and Development Specialist to work with City departments in an advisory capacity on contracting procedures and to review new contracts for compliance with the City's consultant contracting policies and rules, but the review frequently does not occur until after the consultant has begun to perform the work.[13] The Senior Planning and Development Specialist does alert City departments to any errors or irregularities after the contract is signed. However, City departments are responsible for initiating amendments to correct the errors, and the Contracting Services Division does not generally follow-up on the actions taken by City departments to correct errors or irregularities.

City departments could improve their compliance with the consultant contracting rules by seeking advice from the Senior Planning and Development Specialist during the contract development stage. The Senior Planning and Development Specialist could also review proposed consultant contracts immediately prior to contract execution to ensure that City departments have adhered to the City's contracting formats and processes.

City departments' inconsistent filing practices also reduced opportunities for the Senior Planning and Development Specialist to identify potential contractual errors for approximately half of the new contracts in the audit sample. As noted earlier, as many as 51 percent of the sample consultant contracts and 93 percent of the contract amendments were not filed with the Contracting Services Division. City departments need to consistently file their consultant contracts with the Contracting Services Division to ensure that the Senior Planning and Development Specialist reviews the content and format of the contracts to promote adherence to City contracting policies and rules. Ideally, the Senior Planning and Development Specialist would have an opportunity to review all new contracts and amendments prior to their execution.

Although opportunities exist for City departments to strengthen the consultant contracting process, audit staff determined that executed contracts generally contained the critical contract elements. This determination was based on a collaborative review with the Senior Planning and Development Specialist of the sample contracts' scopes of work, estimated contract values, contract dates, signatories, and boilerplates (including required insurance and equal employment opportunity provisions) for the sample consultant contracts.

[13]The Senior Planning and Development Specialist also provides training to departments' contracting personnel, advises departments when questions arise regarding the consultant contracting policies and rules, and coordinates Consultant Contracting Advisory Group meetings.

Statement of Legislative Intent Issue 3: Did City departments adhere to the City's policies and procedures for consultant selection? How many Women and Minority Business Enterprises (WMBE) are listed on the City's consultant contractor roster, and how frequently are WMBE contractors retained to perform consulting services?

Audit Finding 3: City departments adhered to the City's policies for consultant selection, and Women and Minority Business Enterprises (WMBE) comprised approximately 23 percent of the consultants selected from the roster to perform consultant services in 2001.

Based on our review of the consultant selection processes for the 39 sample contracts, all City departments adhered to the City policies and procedures considered. City departments that executed contracts above the $34,000 competitive threshold provided documentation verifying that competitive bid processes were conducted to select consultants. As noted in Finding 2, only 13 of the sample contacts had estimated contract values greater than the 2001 competitive threshold of $34,000. Three of the 13 sample contracts were executed using emergency or adverse exemptions, thereby waiving the requirement to select consultants through a competitive process. With the exception of filing requirements, City departments used the correct procedures for selecting consultants based on the estimated contract values.

As noted earlier, the City's consultant roster program allows City departments to select pre-qualified consultant contractors. Approximately 34 percent of consultants listed in the City's 2001 consultant roster program were self-identified as a women- or minority-owned business enterprise or were in the process of obtaining WMBE certification. Based on the data derived from consultant contracts filed with the Contracting Services Division pursuant to Seattle Municipal Code 3.114.090, the City executed 158 roster consultant contracts totaling $13,967,077 (excluding amendments) during 2001.

City departments selected self-identified, WMBE contractors from the roster for 36 (23 percent) of the roster contracts executed in 2001. The estimated value of the 36 contracts totaled $3,472,039 excluding amendments, which was 25 percent of the total estimated value of the 2001 roster contracts.[14]

Statement of Legislative Intent Issue 4: Were sufficient safeguards established to prevent potential abuses and provide an adequate level of oversight?

Audit Finding 4: Although the City's safeguards and oversight for consultant projects did not ensure that City agencies consistently adhered to the consultant contracting policies and rules, we did not identify any contracts that significantly violated the City's contracting policies.

As discussed in Finding 2, City departments were frequently not in compliance with consultant contracting policies and rules related to filing official contract documents. City departments' compliance with the consultant contracting rules could be improved by seeking advice from the Senior Planning and Development Specialist during the contract development stage. The

[14]In contrast, payments for work completed by WMBE construction contractors comprised approximately 22 percent of the City's total expenditures for capital projects from 1998 to 2001.

additional process would require increased staffing time and costs to execute consultant contracts, and public agencies generally do not implement additional safeguards or increase oversight unless evidence of substantive contracting abuses is identified.

Expanding safeguards and oversight would also be inconsistent with the City's decentralized consultant contracting policy and longstanding departmental practices. City departments are responsible for executing consultant contracts in compliance with the filing requirements that are clearly identified in the Seattle Municipal Code and the General Rules. City department heads are also responsible for providing oversight. Rather than relying upon increased external oversight, City departments must first attempt to improve their internal contract management practices to ensure consistent compliance with the City's consultant contracting policies and rules.

We also determined that several substantive issues identified during our sample contract review could be eliminated if City departments scrutinized consultant contracts more closely during the contract development phase. City departments could consult more frequently with the Senior Planning and Development Specialist in an advisory capacity to seek timely information to avoid errors and irregularities in developing new consultant contracts.

Finally, high-level oversight of City consultant contracting activity was also complicated by the limitations of the City's current management information systems in generating summary financial data to inform decision-makers about the status of consultant contracts. Please see Finding 7 for more detailed information on Summit and other management information systems relevant to oversight of consultant contracting activity.

Again, determining the appropriate level of oversight is an important policy matter, and City decision-makers may ultimately decide that more extensive oversight is worth the increased processing time and costs. It would be prudent, however, to first encourage City departments to improve their internal contract management practices.

Statement of Legislative Intent Issue 5: Have issues surfaced regarding contract amendments?

Audit Finding 5: City departments' use of contract amendments appeared to be reasonable.

Both the justifications and number of contract amendments executed appeared to be reasonable based on our analysis of the original and amended scopes of work and the specialized nature of the consulting activities. Of the 14 sample consultant contracts that were amended during 2001, six contracts (43 percent) were amended to provide for time extensions only, and two amendments (14 percent) involved nominal monetary increases. The remaining six amended contracts (43 percent) involved monetary increases of at least 20 percent. City departments indicated that the amendments were executed for such purposes as providing additional software support by a sole proprietor; extending peak workload staffing capacity for mandatory land use permit services; and allowing a consultant to complete an extensive crime data integration project for which the time requirements were underestimated.

Again, neither the Seattle Municipal Code nor the General Rules restricts the number of contract amendments that City departments may execute.[15] The Contracting Services Division indicated that it actually encourages City departments to execute amendments as necessary to ensure that the contractual activities are appropriately documented. Consequently, we concluded that City departments' use of consultant contract amendments was reasonable.

Statement of Legislative Intent Issue 6: Are the City reporting thresholds adequate, or should reporting requirements be modified for different departments or based on the type of contract regardless of cost?

Audit Finding 6: No significant irregularities were identified that would warrant more extensive high-level oversight or modification of City reporting requirements.

Although a very small percentage of the City's consultant contracts are subject to high-level oversight, audit staff did not identify any egregious errors that warranted more extensive oversight or modification of the reporting thresholds. Only four (10 percent) of the sample consultant contracts were greater than the City Budget Office's $250,000 reporting threshold, including one contract that was greater than the $750,000 City Council reporting threshold.

During a review of consultant contracting practices in five other jurisdictions, we obtained information about reporting requirements, including the thresholds for reporting to Council. Four of the five surveyed jurisdictions adopted significantly lower thresholds than the City for reporting to Council.[16] (Appendix 3 displays a summary table of consultant contracting practices in the surveyed jurisdictions.) This finding is not unusual, as lower reporting thresholds tend to promote improved compliance with mandated filing requirements due to the increased frequency of independent reviews by knowledgeable personnel. The City could reduce the thresholds for review by the City Budget Office (now the Department of Finance) to improve City departments' compliance with contracting policies and rules. However, the increased reviews will result in additional processing costs and time to execute consultant contracts.

---

[15]The General Rules do limit consultant contracts and amendments to a maximum duration of five years for consultants that provide professional services to City departments on a retainer basis.

[16]All of the five surveyed jurisdictions had lower thresholds for reporting to either the Council or the Department of Finance. In three of the surveyed jurisdictions (Sacramento, Kansas City, and Charlotte), the City Council approves any contract estimated to cost more than $100,000, and in the fourth jurisdiction (Portland) the Council approves contracts valued at more than $20,703. In the fifth jurisdiction (King County), formal approval by the centralized Procurement and Contract Services Division manager is required for all architectural and engineering consultant contracts greater than $150,000 and for general-purpose contracts greater than $25,000.

Statement of Legislative Intent Issue 7: Are departments budgeting and tracking consultant contract expenditures in the correct Summit fields so the City Budget Office can readily access this information, and can departments' accounting be improved to facilitate compilation of financial data for consultant contracts?

Audit Finding 7: City departments cannot readily track consultant contract expenditures in existing Summit reports due to the absence of a dedicated consultant contracting line-item account, and the absence of Citywide or project-level report capability.

During the 2001 City Council budget review, the Council requested information on City department expenditures for consultant projects. In response to the Council's request, the City Budget Office attempted to extract the expenditure information from the Summit budget reports. The City Budget Office was unable to do so, because the City's financial reporting system does not currently capture data or generate summary reports on expenditures at the aggregate, Citywide level or individual contract (project) level.

Due to Summit's limited project-level reporting capabilities for consultant contracting, we were unable to identify the total number of City consultant contracts that were executed (by department, vendor, activity, or for a specified period) or to extract historical or year-to-date data for consultant contract activity. In addition, the Summit reports did not allow for reconciliation of vendor payments to a specific contract if the consultant was awarded multiple City contracts. The result was that City departments experienced difficulties in monitoring payments for specific consultant contracts.

The absence of unique budgetary line account numbers for consultant services complicated efforts to identify the City's total expenditures for consultants in 2001. While funds for consultant contracts are generally budgeted under a series of professional and technical services line-item accounts, we were unable to determine the City's 2001 consultant expenditures due to fund transfers between department accounts; use of the professional and technical services funds for non-consultant expenses (e.g., professional translation services); and use of funds from other accounts to retain consultants. (Appendix 4 displays data from Summit on departments' expenditures and encumbrances charged to the professional and technical service line-item accounts.)

We also reviewed the City Clerk's Office consultant contract database to determine whether it could be a useful resource to extract comprehensive financial information for City decision-makers on consultant contracting activity. Our review identified several limitations that prevented the use of the City Clerk's Office consultant contract database for this purpose. First, we found that only 29 (74 percent) of the consultant contracts in our in-depth review were filed with the City Clerk, as required by the Seattle Municipal Code and the General Rules. As a result, the database only contains information for a subset of the consultant contracts executed by City departments. In addition, we were unable to identify the total estimated contract cost, which is a primary determinant for mandated contracting requirements, because the Clerk's Office database does not link contract amendments to the original contract.

The General Rules require that City departments submit monthly reports on consultant contracting activity. The City Budget Office is also required to prepare quarterly reports to the Council summarizing the financial contracting information for City Council. However, reporting on consultant activity has become increasingly difficult, if not impossible, without a specialized reporting structure or dedicated consultant line-item account. Because the City has moved away from line-item budgeting in order to increase departmental budget flexibility, consultant expenses may be paid through many different budgetary accounts (i.e., training or salary savings). Summit also lacks a reporting structure similar to the City's former financial management information system, which generated discrete consultant contract data needed for high-level management reports.

Two potential solutions are available to produce financial reports on consultant contracting activity.

Two potential solutions are available to produce financial reports for City decision-makers on consultant contracting activity. First, the City could create a new reporting structure under the current Summit accounting system to provide summary data on consultant contracts. Because departments currently pay for consultants through a variety of sources within their budgets and do not track consultant expenditures in a uniform manner, extensive staff time and resources would be required to develop a new summary report without any changes to current departmental accounting processes.

A potentially more effective solution would be to require the Contracting Services Division to assign a number to each consultant contract subsequent to a review of each proposed consultant contract, and to collaborate with the City Budget Office in developing and maintaining an internal, one- or two-line summary record for each executed contract in a centralized, consultant contracting database.[17] The consultant contract database could be formatted to permit easy manipulation of the consultant data, so the City Budget Office, Contracting Services Division, and City departments could readily access financial data by department, Contracting Services Division-issued contract number, vendor, type of professional service, or other reporting variables to produce reports for decision-makers.[18] In order to ensure that the consultant contracting data is accurate and available for reporting to City decision-makers, City departments must improve their compliance with City filing requirements. The Contracting Services Division may also want to collaborate with the City Clerk to develop and implement a more streamlined information system to facilitate tracking of consultant contracts and amendments filed with the City Clerk's Office.

An additional control that could be considered to strengthen the consultant contracting process and improve City departments' compliance with City contracting policies and rules would be to establish a unique budget line account exclusively for budgeting professional and technical

---

[17]The number assigned by the Contracting Services Division could also be recorded along with the contract in the City Clerk's Office database.

[18]The City Clerk's Office receives approximately 1,500 consultant contracts and contract amendments annually, or an average of six contracts or amendments per workday. Based on this figure, maintaining a one- or two-line summary record for each contract should not require additional staffing resources.

consultant services expenditures. In order to expend funds from the consultant services account, City departments would need to provide the Contracting Services Division-issued contract number when payments are submitted to the Accounting Services Division for consultant expenses.

RECOMMENDATIONS

1. The City Council may want to consider directing its staff to work with the Law Department to clarify the Seattle Municipal Code provisions regarding recurring use of consultants.

2. City departments should strengthen internal contract management practices to improve compliance rates with the Seattle Municipal Code and the General Rules for consultant contracting, such as developing procedural checklists, requesting training specific to their internal contracting needs from the Contracting Services Division, and consulting with the Senior Planning and Development Specialist before executing the contract.

3. The Contracting Services Division should assign a unique number to each consultant contract and collaborate with the City Budget Office to maintain a line-item summary for each contract executed, including department, vendor, or other reporting variables in a centralized database. The Contracting Services Division should also consider collaborating with the City Clerk to develop and implement a more streamlined information system to facilitate tracking of consultant contracts and amendments filed with the City Clerk's Office.

4. The Department of Finance should provide overall direction to the Contracting Services Division, Summit Project management, and the Accounting Services Division in establishing a unique line-item account exclusively for budgeting consultant service expenditures and require City departments to provide the Contract Services Division-issued contract number when submitting requests for consultant payments.

REPORT APPENDICES AND EXECUTIVE RESPONSE

[blank page]

APPENDIX 1

AUDITED SAMPLE OF 2001 CONSULTANT CONTRACTS BY CITY DEPARTMENT

Departments	Department Contract Number	Contract Amount	Consultants	Summary Scope of Work Statement
Arts Commission	DM1PA039	$11,250	Helen Marie Lessick	Oversee development of two neighborhood public art guide maps and management one public art project
Design, Construction and Land Use	DC01U021	33,820	Demarche Consulting Group. Inc.	Complete a high level review and analysis of department's 5 year plan and participate in the development of the next 5 year plan
Design, Construction and Land Use	DC01UO19A	440,000	Reid Middleton, Inc.	Provide Peak load building code plans examination
Finance	FNS-01-08	120,000	PriceWaterhouse Coopers LLP	Conduct actuarial valuations of risk financing liabilities
Fleets and Facilities	FS-01-14	19,880	J.H. Heerwagon & Associates, Inc.	Provide specialized environmental design services and human factors spider diagram
Information Technology	DCDO13005	32,999	Switchview, Inc.	Conduct on-site administration of Switchview telephone systems
Human Services	DC01-0537	67,900	Barbara Gurley and Associates	Conduct Seattle Team for Youth Evaluation
Legislative	DC20010006	105,000	RAND Criminal Justice	Evaluate Seattle's proposed impound law
Neighborhoods	DAO1GF011	11,140	Caroline Tobin	Research and conduct neighborhood historical surveys in Seattle
Office of Civil Rights	No Contract	1,100	Deborah Terry Hays	Conduct four to six training sessions for new City Talks! Facilitators
Office of Economic Development	5063/01	50,700	Jodi Haavig	Provide planning and program development services for the Seattle Jobs Initiative Grant
Office of Housing	DC01-4005	20,000	Steeple – Jack Consulting	Engage in planning activities for Housing Levy renewal and develop TDR/Bonus Program brochure
Office of Intergovernmental Relations	DC-OIR-2001/4	140,000	Peyer Associates, Inc	Provide the City with advice and assistance on obtaining direct appropriations in the federal budget for specific City of Seattle projects
Office of Sustainability and Environment	OSE-00-13	5,000	Dethman & Associates	Develop annual report

APPENDIX 1

AUDITED SAMPLE OF 2001 CONSULTANT CONTRACTS BY CITY DEPARTMENT

Departments	Department Contract Number	Contract Amount	Consultants	Summary Scope of Work Statement
Parks and Recreation	2001080	30,000	EarthCorps	Provide environmental restoration training to EarthCorps youth members and provide report summarizing volunteer management activities at Frink Park Upper Loop Trail
Parks and Recreation	2001081	30,000	EarthCorps	Provide environmental restoration training to EarthCorps youth members and provide report summarizing volunteer management activities at Frink Park Lower Loop Trail
Parks and Recreation	2001019	9,125	Eco Compliance Corporation	Perform a preliminary archeological investigation and provide assessment on Hitt's Hill site
Parks and Recreation	01-005	14,650	Eco Compliance Corporation	Remove contaminated soil, analyze sample, site grade, and write report on Hitt's Hill site
Parks and Recreation	2001020	24,699	Jones and Stokes, Inc.	Inventory vegetation, conduct survey and provide summary report of survey of Discovery Park
Parks and Recreation	2001064	33,853	Jones and Stokes, Inc.	Provide vegetation management plan, which includes obtaining data, defining issues, analysis and action required
Personnel	P-01-04	14,500	AON Consulting	Develop employee exit guide, design prototype open enrollment newsletter, and edit miscellaneous employee guides
Personnel	P-01-32	93,000	Buck Consultants	Surveys salaries for Executive, Manager, Strategic Advisor and Information Technology positions
Public Safety Civil Service Commission	5-25-01-VIS10-01-	27,300	Jeffrey Savitsky	Validate tests for commissioned personnel
Seattle Center	151501C	14,419	Skilling Ward Magnusson Barkshire, Inc.	Conduct emergency seismic evaluation of Seattle Center Buildings
Seattle City Employees' Retirement System	DC20011269	Percent of Portfolio	MDL Capital Management, Inc.	Perform specialized financial investment management services

APPENDIX 1

AUDITED SAMPLE OF 2001 CONSULTANT CONTRACTS BY CITY DEPARTMENT

Departments	Department Contract Number	Contract Amount	Consultants	Summary Scope of Work Statement
Seattle City Light	4040	265,170	Parametrix, Inc.	Conduct Lower Tolt floodplain reconnection site analysis which includes evaluation, strategic plan, outreach, design, scooping funding strategy and management
Seattle City Light	1872	249,000	Parametrix, Inc.	Provide environmental research, and analysis services, and assess impacts of projects related to Skagit Hydroelectric Project license mitigation agreement
Seattle City Light	4713	1,540,000	McFarland & Richards & Graf LLC	Plan, produce and place advertising to inform and encourage customers to conserve energy
Seattle Fire	2001-12	16,848	Seattle Fire Buff Society	Provide staging area and rehabilitation services for firefighters
Seattle Municipal Court	0000000278	5,000	Sound Employment Solutions	Investigate personnel issues
Seattle Planning Commission	SPC-01-01	5,000	Dennis Sellen	Provide graphic design services for neighborhood planning brochure
Seattle Police	NO109196	10,000	Andrea S. Cohen	Provide public relations and video production services for Project Impact Hazard Mapping
Seattle Public Library	0000001710	1,240	Know-How Training and Development, Inc.	Conduct three computer training classes with specialized curriculum
Seattle Public Library	2273DC	5,000	Sparling, Inc.	Develop electronic security standards and outline specifications.
Seattle Public Utilities	DC98016	150,972	Hydrocomp, Inc.	Update Seattle Forecast Model, provide documentation, address data management and Y2K issues; and provide emergency services
Seattle Public Utilities	C01-037	33,999	Parametrix, Inc.	Consult on response to the Bonneville Power Administration regarding Kangley-Echo Lake Transmission Line Project
Seattle Transportation	T01-26	32,000	Durand Enterprises	Update standard operating procedures and operations manual

APPENDIX 1

AUDITED SAMPLE OF 2001 CONSULTANT CONTRACTS BY CITY DEPARTMENT

Departments	Department Contract Number	Contract Amount	Consultants	Summary Scope of Work Statement
Seattle Transportation	T01-27	5,000	Durand Enterprises	Develop best management practices checklist
Strategic Planning Office	0000000083	263,000	Northwest Crime and Social Research	Provide implementation services for National Institute of Justice COMPASS Project
Source: Office of City Auditor Consultant Contract Compliance Review, May-June 2002.				

APPENDIX 2
CITY DEPARTMENTS' CONSULTANT CONTRACTING ISSUES

Departments*	Number of Contracts Reviewed	Issues Related to Filing Requirements	Other Contract-Specific Procedural Issues
Design, Construction and Land Use	2	None	None
Finance	1	Contract was not available in Contracting Services Division files.	None
Information Technology	1	Contract was not available in Contracting Services Division files; department did not complete a consultant performance evaluation.	None
Neighborhoods	1	Department did not file contract with City Clerk; contract was not available in Contracting Services Division files.	None
Parks and Recreation	6	Department completed consultant performance evaluations as a result of the audit review.	Executed two contracts with similar scopes of work when a sole source or adverse impact exemption would have been a more appropriate approach; executed two pairs of contracts with continuous scopes of work; and executed two contracts that contained construction-related tasks.
Ethics and Elections Commission	1**	Not applicable	Not applicable
Fleets and Facilities	1	None	None
Human Services	1	Contract and amendment not available in Contracting Services Division files.	None
Legislative	1	Department did not file amendment with City Clerk and amendment was not available in Contracting Services Division files.	None
Office of Civil Rights	1	Department did not file contract with City Clerk and contract was not available in Contracting Services Division files.	Correct consultant contract boilerplate not used for low-cost ($1,100) training services.
Office of Economic Development	1	Department did not file contract or amendment with City Clerk and contract and amendment were not available in Contracting Services Division files.	Department indicated that it did not complete the Equal Benefits Compliance Declaration form because it was aware that the consultant was a sole proprietor.
Office of Housing	1	Amendment was not available in Contracting Services Division files.	None

APPENDIX 2
CITY DEPARTMENTS' CONSULTANT CONTRACTING ISSUES

Departments*	Number of Contracts Reviewed	Issues Related to Filing Requirements	Other Contract-Specific Procedural Issues
Office of Intergovernmental Relations	1	None	Executed contract with nonspecific scope of work and no deliverables. The department indicated that deliverables are difficult to specify given the nature of the consultant's work; staff evaluates consultant performance after each budget cycle and at the end of each contract to determine whether the services provided were equivalent in value to the cost of the contract.
Office of Sustainability and Environment	1	Contract was not available in Contracting Services Division files.	None
Personnel	2	Department did not file one of two contracts with City Clerk; one of two contracts was not available in Contracting Services Division files; and department completed a consultant performance evaluation as a result of the audit review.	None
Public Safety Civil Service Commission	1	Contract was not available in Contracting Services Division files and department did not complete a consultant performance evaluation.	None
Seattle Arts Commission	1	Department did not file contract with City Clerk; contract was not available in Contracting Services Division files; and department did not complete consultant performance evaluation.	None
Seattle Center	1	Department did not file original contract with the City Clerk (although subsequent amendments were filed) and contract and amendments were not available in Contracting Services Division files.	None
Seattle City Employees' Retirement System	1	None	None
Seattle City Light	3	Emergency exemption and amendment scope reviews for one of three contracts were not filed with Contracting Services Division; one of three contracts and one of two amendments were not available in Contracting Services Division files.	None

APPENDIX 2

CITY DEPARTMENTS' CONSULTANT CONTRACTING ISSUES

Departments*	Number of Contracts Reviewed	Issues Related to Filing Requirements	Other Contract-Specific Procedural Issues
Seattle Fire	1	Department did not complete a performance evaluation for the agency.	Followed consultant contracting procedures to reimburse a non-profit agency for direct expenses because the City does not have clear policies to guide the use of departmental service agreements.
Seattle Municipal Court	1	Department did not file contract with City Clerk; contract was not available in Contracting Services Division files.	Contract, with estimated cost of $5,000, did not specify maximum amount of compensation; department paid more than the estimated cost without amending original contract.
Seattle Planning Commission	1	Department did not file contract with City Clerk; contract was not available in Contracting Services Division files; and department did not complete a consultant performance evaluation.	None
Seattle Police	1	Department did not file amendment with City Clerk; contract and amendment were not available in Contracting Services Division files; and department completed a consultant performance evaluation as a result of the audit review.	None
Seattle Public Library	2	Department did not file contracts with City Clerk and contracts were not available in Contracting Services Division files.	Used a purchase order to retain consultant for low-cost, low-risk computer training
Seattle Public Utilities	2	One of two contracts was not available in Contracting Services Division files.	None
Seattle Transportation	2	None	Executed two contracts with continuous scopes of work when an adverse impact exemption would have been more appropriate
Strategic Planning Office	1	None	None

Source: Office of City Auditor Consultant Contract Compliance Review, May-June 2002.
Notes:
*This list contains only the City departments that reported that they executed consultant contracts during 2001.
**The Ethics and Elections Commission contract for translation services was eliminated from the sample because translation services are excluded from the Seattle Municipal Code definition of consultant services.

APPENDIX 3

REVIEW OF OTHER JURISDICTIONS' CONSULTANT CONTRACTING PRACTICES

	Seattle, WA	Portland, OR	King County, WA	Sacramento, CA	Kansas City, MO	Charlotte, NC
2001 Budget	$2,415,000	$1,809,000	$2,700,000	$834,000	$930,000	$1,139,000
Formal Policies and Procedures Manual	Yes	Yes	Yes	Yes	Yes	Yes
Purchase Orders or Other Simplified Mechanism in Lieu of Contract	No	Yes, for services up to $5,000	No	Yes, for services up to $3,000	No requirements for contracts less than $1,100	Yes, for services up to $50,000
Informal Dollar Limit	$34,000 in 2001 (Adjusted annually by Consumer Price Index)	Approximately $20,000 in 2001 (Adjusted annually by Consumer Price Index)	$25,000 (departments must obtain three quotes for contracts between $2,500 and $25,000)	$100,000	$104,000 (departments must obtain three quotes for contracts between $1,100 and $104,000)	$100,000
Council Approves Contracts	No	If above informal limit	No	If above $100,000	$104,000	If above $100,000
Department Amendment Authority	Reviewed by Contracting Services Division if more than $250,000	None, unless allowed by contract	No limit	Up to $100,000	Up to $104,000 total contract value	Up to $100,000
Contracts Managed Centrally	No	No	Yes, procurement centralized; departments manage contracts	No	No	No
Price Analysis and Negotiation	Departments	Bureaus	Departments	Departments	Departments	Central contract-ing, legal department, and department staff
Use Standard Services Contracts or Roster for Pre-Qualified Consultants	Yes	Yes	Yes	No	No	Yes
Dollar Limits on Standard Services Contracts	$200,000 per project; and $400,000 per consultant per category per department	No	$100,000	Not applicable	Not applicable	Same as other thresholds

Source: Office of City Auditor Consultant Contracting Practices Survey, June-July 2002.

APPENDIX 4

SUMMIT REPORT ON CITY DEPARTMENTS' 2001 PROFESSIONAL AND TECHNICAL SERVICES EXPENDITURES AND ENCUMBRANCES

City Agencies	2001 Expenditures	2001 Encumbrances	2001 Expenditures and Encumbrances*
City Auditor, Office of	$92,163	$102,397	$194,560
Civil Rights, Office of	$78,012	$46,375	$124,387
Civil Service Commission	--	--	--
Criminal Justice Services	$9,239	--	$9,239
Design, Construction, and Land Use	$6,304,336	$4,087,995	$10,392,330
Economic Development	$8,094,016	$4,152,870	$12,246,886
Ethics and Elections Commission	$966	--	$966
Executive Services	$32,636,783	$11,800,418	$44,437,201
Finance General	$712,705	$197,909	$910,614
Fire Pension	$53,652	--	$53,652
Hearing Examiner, Office of	$608	--	$608
Housing, Office of	$20,380,538	$23,904,344	$44,284,882
Human Services	$28,824,569	--	$28,824,569
Information Technology	$2,544,803	$737,295	$3,282,098
Intergovernmental Relations	$98,511	$7,588	$106,099
Law	$4,630,701	--	$4,630,701
Legislative	$283,059	$195,481	$478,540
Mayor's Office	$51,940	$9,049	$60,989
Neighborhoods	$3,076,411	$2,408,792	$5,485,203
Parks and Recreation	$10,556,551	$3,335,313	$13,891,864
Police Pension	$5,546	--	$5,546
Public Safety Civil Service Commission	$15,183	--	$15,183
Seattle Arts Commission	$2,920,653	$1,798,612	$4,719,265
Seattle Center	$7,689,926	$3,666,391	$11,356,317
Seattle City Employees' Retirement System	$3,000,871	$4,256,133	$7,257,004
Seattle City Light	$24,250,595	$7,390,964	$31,641,559
Seattle Fire Department	$541,376	$58,258	$599,634
Seattle Municipal Court	$761,790	$39,600	$801,390
Seattle Planning Commission	$200	--	$200
Seattle Police Department	$1,466,564	$169,029	$1,635,593
Seattle Public Library	$12,636,898	$9,678,704	$22,315,603
Seattle Public Utilities	$33,668,345	$350,841	$34,019,185
Seattle Transportation	$6,671,186	$1,872,536	$8,543,722
Strategic Planning Office	$3,649,853	$858,741	$4,508,594
Citywide Totals	**$215,708,272**	**$81,125,636**	**$296,834,183**

Source: City of Seattle, Department of Finance, Summit Project Query, April 2002.
Notes:
*Expenditures and encumbrances recorded in the City line-item accounts for expert witnesses, which are specifically excluded from the City's definition of consultant services, and security services were not included.
**Due to recent City reorganizations and the City's budget structure, some City agencies are not identified in this listing.

ADDENDUM

DEPARTMENT OF EXECUTIVE ADMINISTRATION
EXECUTIVE RESPONSE

City of Seattle

Gregory J. Nickels, Mayor

Department of Executive Administration
Kenneth J. Nakatsu, Director

MEMORANDUM

Date: August 14, 2002

To: Susan Cohen, City Auditor
Wendy K. Soo Hoo, Assistant City Auditor

KN

From: Kenneth J. Nakatsu, Director
Department of Executive Administration

Subject: Administration of City Consultant Contracts – Audit

Thank you for the opportunity to review this draft of the Consultant Contracting audit. I am pleased to note that you found no substantial areas for concern with department consultant contracting practices and that the procedural practices you mention do not substantially affect City contracting or financial practices. Your findings are consistent with some assumptions we have made based on our anecdotal experience as the agency responsible for developing City-wide buying guidelines related to consultant contracting and management of the Consultant Roster program.

The most significant findings noted in the report were failure to consistently follow filing requirements, some other administrative procedures, and inconsistent compliance with reporting rules related to large dollar value agreements. Since the acquisition of consultants is decentralized, we believe departments are in the best position to manage and report on their activities related to their projects that carry out department missions. Our role, in consultant contracting, is mostly advisory/customer service oriented. We are primarily limited to defining a standardized process for acquiring consultants that is in the best interests of the City as a purchaser/marketplace participant.

With regard to additional measures to help departments follow administrative practices, the report suggests that more vigorous central review would assist departments with following administrative processes. This would require substantial additional resources during difficult budget times. Since no significant substantive contracting abuses were discovered, there may not be sufficient justification to dedicate additional resources to ensure a modest increase in better practices, particularly since the concerns identified for the most part are departments not following administrative procedures.

We have been working more aggressively this year with departments to improve their contracting practices and are close to issuing new internal guidelines and rules with much simpler instructions. We have also been working to create an abridged process and

700 Fifth Avenue, Room 4250, Seattle, WA 98104
Tel: (206) 684-0987, Fax: (206) 684-8286, http:/www.ci.seattle.wa.us
An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.

ADDENDUM

DEPARTMENT OF EXECUTIVE ADMINISTRATION
EXECUTIVE RESPONSE

contract template for low cost/low risk agreements. I believe a continuation of these efforts and outreach to departments will be sufficient, given our current financial situation.

Generally, I am pleased to learn that our system, which gives departments the flexibility they need to meet their unique needs related to professional advice, is working; that our Roster system is resulting in about 25% of the work going to WMBE consultants; and that violations are mostly of a procedural nature.

Finally, I would like to note that I understand that your staff worked diligently to understand the process, be fair in their reviews, and made efforts to put specific issues in perspective with regard to their importance and current resources. We appreciate your assistance and suggestions for improving this buying tool of the City.

cc: Brenda Bauer, DEA-CSD

Office of City Auditor Report Evaluation Form

FAX...WRITE...CALL...DROP BY...
HELP US SERVE THE CITY BETTER

Our mission at the Office of City Auditor is to help assist the City in achieving honest, efficient management and full accountability throughout the City government. We service the public interest by providing the Mayor, the City Council and City managers with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being of the citizens of Seattle.

Your feedback helps us do a better job. If you could please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

* *

Report: **Administration of City Consultant Contracts**

Please rate the following elements of this report by checking the appropriate box:

	Too Little	Just Right	Too Much
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, thoughts, ideas: _____

Name (Optional): _____

Thanks for taking the time to help us.

Fax: 684-0900
Mail: Office of City Auditor, Suite 2410, 700 Fifth Avenue, Seattle, WA 98104-5030
Call: Susan Cohen, City Auditor, 233-3801
E-mail: auditor@ci.seattle.wa.us
Drop by and visit: 24th Floor, Key Tower
www.cityofseattle.net/audit/