

To: The Utah County Board Of County Commissioners

Transmitted herewith is our report, Utah County Capital Projects Contracting No. 86-3. The audit scope, findings and recommendations are presented in the following pages.

We will gladly meet with appropriate Commissioners and other County Officials to discuss or clarify any item contained in the report or to facilitate implementation of the recommendations.

Sincerely,

Elwood Sundberg
County Auditor

Joseph M. Higbee
Audit Supervisor

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REPORT TO
UTAH COUNTY BOARD OF COUNTY COMMISSIONERS
Report No. 86-3

A PERFORMANCE AUDIT
OF UTAH COUNTY
CAPITAL PROJECTS CONTRACTING

Audit Performed by:

Audit Supervisor

Joseph M. Higbee

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CHAPTER I

INTRODUCTION

In government, the fundamental goal of competitive contracting is to meet service and supply needs with the minimum expenditure of public funds. To date, Utah County does not have an appropriate contracting mechanism to achieve this goal. First, funds are being obligated by officials lacking the authority to bind the County. Second, public funds may not be fully economized through proper bidding. Third, in some cases, expenditures are not controlled resulting in contract overruns and overpayments.

Because proper controls are lacking, nearly two million dollars, (29 percent of all capital expenditures) have been improperly administered over the past two and one half years. By not bidding all projects, capital expenditures may have increased between \$141,000 and \$188,000. Finally, the County allowed \$15,000 in contract overpayments which need to be recovered.

Despite continuing problems with contracting in general, recent changes during the past 6 to 8 months have made dramatic improvements toward controlling expenditures and maximizing the use of public funds. For example, the County Engineer's Office developed a bidding process for capital expenditures where none existed previously. As part of the bidding process, bid bonds are required, bidding lists are maintained, and bid proposals must be submitted on a contractor's official letterhead. Future plans call for an annual updating of all bidding lists. Although the process has not been adequately controlled, it is an improvement over no process whatever.

Futhermore, controls have tightened as a result of a joint effort between the Civil Division of the County Attorney's Office, the County Auditor's Office, and the County Engineer's Office. For instance, it has recently been required that all contract increases be approved by the Board of County Commissioners and the County Auditor before additional work is authorized and constructed.

In addition to these improvements in contracting and based on the evidence we collected, centralization of the entire contracting process could enhance existing controls.

Centralized contracting is generally recognized as a basic principle in good management, and Utah County should be managed accordingly. A contract should secure the right material, at the right price, and at the right time. In the process, it is important to maintain a good relationship with suppliers. To achieve these objectives of centralized contracting, the process must be organized on sound management principles.

According to management literature, the objectives of centralized contracting are fundamental to any efficient administration. They include closer controls over expenditures and lower costs of goods and services.

To meet these objectives, a centralized contract clearinghouse function should have the responsibility for maintaining complete files of all bids, documents, payments, etcetera, associated with each contract. Furthermore, it should furnish management reports regarding the status of the County's obligation to each contract. This function may best be facilitated by housing all contract activities in the County Auditor's Office as discussed in Chapter IV. According to the Board of County Commissioners, this change was directed two years ago.

However, while centralized contracting may provide needed controls, lines of authority should be clear and well defined. Although a centralized contract clearinghouse is designed to control the contracting process, only the County Commission, as a body, has the authority to actually bind the County to a contract.

In conjunction with a centralized contract clearinghouse, the Board of County Commissioners should develop and enforce written policies and procedures governing the contracting process. These guidelines must take into consideration all legal requirements set forth in the Utah Code.

The following chapters further demonstrate the need for strict controls over the obligation, economizing and administration of public funds used to contract goods and services for Utah County. Chapter II identifies the need for goods and services to be properly contracted before funds are obligated. Chapter III examines how proper bidding practices economize the use of public funds. Chapter IV examines a logical process for administering contract activities.

Audit Scope and Objectives

This audit was initiated by the Utah County Auditor in response to various concerns with the contracting process in the County. Due to the limited size of our staff, we focused our review on capital expenditure contracts covering the past two and one half years. **However, funds used for emergencies are not included in the report.** Based on our preliminary survey, we found a need for a more adequately controlled and administered contracting process.

Our review of the contracting process incorporates the following objectives:

1. Determine whether goods and services are properly contracted.
2. Determine whether proper bidding procedures are used to maximize the use of public funds.
3. Determine whether the contracting process is properly administered.

Our examination was conducted in accordance with the United States General Accounting Office, "Standards for Audits of Governmental Organizations, Programs, Activities and Functions," and within the statutory requirements of the Office of the Utah County Auditor. Accordingly, our work includes such tests and other auditing procedures necessary to collect evidence in support of our conclusions and recommendations.

CHAPTER II

CONTRACTS MUST BE PROPERLY ESTABLISHED

A centrally controlled contracting process in Utah County will allow for proper contracting of goods and services before funds are obligated. Without these controls, goods and services can be obtained and funds can be obligated without needed contracts. As a result, over the past two and one half years reviewed during the audit, nearly two million dollars, (29 percent of all capital expenditures) was obligated without contracts.

According to Utah law, only the Board of County Commissioners may authorize expenditures and contractually bind the County. No employee or commissioner acting alone has such authority.

Despite legal restrictions, funds for capital expenditures can be obligated without Commission approved contracts. Funds can be obligated by contract overruns, by work on projects for which bids are solicited but contracts are not prepared, and by negotiating projects without going through the proper bidding process to establish contracts.

Recognizing the necessity of properly establishing contracts, the Board of County Commissioners directed the Civil Division of the Attorney's Office to add a clause to all future contracts stating that no financial increases will be allowed unless previously approved by the Commission.

Table 2.1 identifies expenditures from the past two and one half years for which contracts were not prepared before funds were obligated and spent. The expenditures affected total just under two million dollars.

Table 2.1

Noncontracted
Capital Expenditures

PROJECT	CONTRACT OVERRUNS	BID BUT NO CONTRACT	NO BID AND NO CONTRACT
American Fork River	\$ 53,398	\$ 14,280	\$ 178,035
Provo River	2,694	81,594	16,251
Spanish Fork River	17,702	4,444	373,383
Hobble Creek	68,161	168,357	78,978
Bridges	40,725	0	32,779
Buildings	96,076	454,269	42,741
Miscellaneous	<u>2,970</u>	<u>47,644</u>	<u>218,579</u>
TOTAL	\$ 281,726	\$ 770,588	\$ 940,746
GRAND TOTAL ALL COLUMNS	<u>\$1,993,060</u>		

Note: As noted in the introduction, emergency funds are not included in Table 2. 1 or in the body of the report.

While all County departments should be aware of the laws restricting the establishment of contracts and other financial obligations, responsibility for these controls lies primarily with the Commission.

Fiscal and budgetary controls are mandated to establish proper accountability for expenditures. Ignoring such controls is akin to a family wherein both family heads make independent purchases from the same bank account without regard for the account balance. The following example illustrates how proper controls over capital expenditures have been thwarted in Utah County. This example is indicative of many contracting violations affecting 29 percent of all capital expenditures for the past two and one half years.

In February 1985, Utah County properly contracted for the construction of a public works building. The original bid and contract were approved by the Commission and the necessary funds were appropriated for the construction of the building's floor slab and shell. All finish work was to be contracted at a later date. However, a second contract was never prepared.

Although bids were requested for the finish work, no official contract was ever established or approved by the

Commission. The contractor that constructed the shell and floor slab also rendered the lowest bid for the finish work. However, rather than preparing a new contract for the Commission's official authorization, the County Engineer's Department, with the Commission's approval, used a purchase order rather than a contract addendum to extend the original contract. This means that funds used to finish the public works building were obligated without going through the required budgeting procedures to ensure the funds were properly authorized. It further means that by not having the Commission, as a body, approve an official contract for the finish work, the intent of State law was not met.

Although the finish work was not contracted as required by law, it was approved by a purchase order. The County used purchase orders to pay for services rendered. Each purchase order had to be approved by the Commission before a contractor was paid. In this manner, all funds spent on construction were ultimately approved by the Commission, but only after the construction was in process or completed. This practice does not meet legal requirements or consider prudent management.

Proper contracting allows administrators to exercise legal and logical controls over expenditures. By approving a contract, or an addendum for financial increases to an existing contract, the Commission knows what is expected of the contractor and understands the full obligation placed upon the County. Even more, with proper contract administration, the Commission can know whether what they are getting is what was ordered.

When official approval is not obtained prior to obligating public funds, the Commissioners and the County are placed in an unfavorable position. If a project has already started or has been completed, it is difficult for the Commissioners not to approve the payment for the project since they wish to maintain the goodwill and respect of the business community.

To better control the contracting process and ensure that public funds are economized, the Board of County Commissioners, as the authoritative body, must regulate all contracting activities. In some similar organizations, oversight is achieved through a centralized contract clearinghouse. Good examples include Salt Lake County and Salt Lake City School District. The Commissioners may wish to consider a similar option.

RECOMMENDATIONS

1. We recommend that the Board of County Commissioners regulate all contracting activities. Specifically, they should tighten controls to ensure that only the Board of County Commissioners is binding the County through contractual agreements.
2. We recommend that a contract addendum be used by Utah County to approve additional funds for a project. (See Exhibit 1)
3. We recommend that the Board of County Commissioners adopt and enforce written policies and procedures governing the contracting process in Utah County.

CHAPTER III

COMPETITIVE BIDDING ENSURES ECONOMIC USE OF PUBLIC FUNDS

Besides being inadequately contracted, \$940,000 of the \$2,000,000 was not subject to competitive bidding. According to contracting literature, bidding secures the lowest price for the government while protecting the interest of the contractor by providing an equal competitive opportunity to bid on government contracts. By not adhering to proper bidding procedures, non bid projects, over the past two and one half years, may have cost the County a projected range of \$141,000 to \$188,000 more than necessary.

According to management literature, the first step in letting a bid is to solicit bids either by advertising or by using a list of all potential bidders. If bidding lists are used, all qualified and responsible contractors must be listed and given the opportunity to bid.

Next, each bid should be sealed and accompanied by a bid bond when submitted to the County. The sealed bids are opened in a public meeting and each contractor's verification of bonding is examined. The bonds ensure the County that the contractor will complete a project. After a project is awarded to the lowest qualified and responsible bidder, all of the bids and other documentation should be available for public inspection.

The Civil Division of the Attorney's Office has determined that not having bid records "would subject Utah County to strong criticism from other contractors and may jeopardize good will. Another contractor may challenge the contract as a nullity".

The County Engineer has followed these procedures on the projects that were bid. However, many projects were not bid, possibly costing the County money. Although it is impossible to estimate exactly how much of the \$940,000 could have been saved if all County projects had been bid, we can show how bidding has benefited the County in the past two and one half years. By comparing the bids received for previous projects completed for the County, we can determine a range, from low to high, of savings that the County obtained by using the bidding process.

The bidding practice followed by the County Engineer, is to award a project to the lowest, qualified and responsible bidder. Usually, 4 or 5 contractors bid for a project. By comparing the project cost, or the low bid, to the second lowest bid, we can

determine the average minimum savings realized by using the bidding process. Using this same procedure with the highest bid, we can determine the average maximum savings realized by using the bidding procedure. Then by comparing the average minimum savings to the average maximum savings, a range can be developed showing the amount the County has saved in the last two years by using proper bidding procedures.

Table 3. 1 lists the actual bids received by the County for 28 projects completed during the past two and one half years. The low bid is the amount that the County and the contractor agreed upon as being fair to complete the project.

TABLE 3. 1

Bids for County Projects
Within the Past Two and One Half Years

Project	Low Bid	Second Low Bid	High Bid
Project 1	\$355,553.00	\$389,350.00	\$669,736.00
Project 2	32,617.40	36,328.50	49,372.50
Project 3	253,500.00	258,700.00	429,000.00
Project 4	145,430.00	163,400.00	269,989.00
Project 5	44,716.60	99,866.00	217,022.00
Project 6	132,000.00	186,800.00	189,720.00
Project 7	201,250.00	247,860.00	2 bids only
Project 8	262,967.61	315,175.61	624,401.44
Project 9	13,600.00	17,470.00	20,200.00
Project 10	15,900.00	23,850.00	34,450.00
Project 11	247,800.00	263,264.00	339,622.15
Project 12	11,800.00	15,460.00	28,000.00
Project 13	67,821.00	90,848.75	109,308.81
Project 14	62,973.00	66,000.00	78,452.00
Project 15	14,801.00	15,643.36	24,712.00
Project 16	39,880.00	46,775.00	53,900.00
Project 17	259,526.00	299,975.00	370,085.00
Project 18	18,502.00	24,285.00	24,805.50
Project 19	43,950.00	46,842.00	53,832.00
Project 20	52,836.00	55,651.70	128,454.60
Project 21	14,600.00	32,826.00	33,023.04
Project 22	80,246.00	92,710.00	100,025.35
Project 23	11,500.00	13,700.00	38,337.00
Project 24	286,620.00	337,200.00	458,900.00
Project 25	201,000.00	225,000.00	330,000.00
Project 26	2,450.00	3,450.00	11,000.00
Project 27	176,285.00	280,785.00	588,295.00
Project 28	3,975.00	4,560.00	9,600.00
TOTALS	\$3,054,099.60	\$3,653,775.92	\$5,284,243.39
SAVINGS		20% ¹	72% ²

¹ Computations used to determine the difference between the low bid and the next lowest bid: (\$3,653,775.92 - \$3,054,099.60 = \$599,676.32/\$3,054,099.60 = 20%)

² Computations used to determine the difference between the low bid and the highest bid: (\$5,284,243.39 - \$3,054,099.60 = \$2,194,143.79/\$3,054,099.60 = 72%.)

As shown, the County's own bid records indicate that the bidding process has saved the County at least 20 percent and possibly as much as 72 percent over the past two and one half years. Furthermore, contracting literature and contracting experts state that competitive bidding processes will save a public entity between 15 and 20 percent. Based on the 15 to 20 percent range, we project a range of \$141,000 to \$188,000 of the \$940,000 could have been saved if the bidding process had been used for all construction projects.

For the most part, the funds spent on projects that were not bid were extensions to contractors that were already performing services for the County. Many times a contractor was asked to do additional work after completing a previous job because he was near the site of the next project. In other instances, a contractor was asked to do a project because the engineering department, through past experience, felt that he would be the cheapest contractor.

This action, even though done in good faith, could cause the County several problems. First, the fact that a contractor offers to do additional work at the cost negotiated for a similar project, does not ensure that the lowest cost for the project is obtained. Other contractors, who need work, may be willing to do the project for less.

Second, not re-bidding new projects places the County in an unfavorable position. It is the opinion of the Civil Division of the Attorney's Office that by not re-bidding new projects, "Utah County may subject itself to criticism and may entangle itself in an undesirable web of precedent. Therefore, any new projects ought to be re-bid."

RECOMMENDATIONS

1. We recommend that all projects be subject to competitive bidding to ensure that Utah County receives services and supplies at the lowest possible cost.
2. We recommend that Utah County immediately discontinue extending contracts for unauthorized projects, unless so authorized by a contract addendum.
3. We recommend that all bid records and other contracting documentation be properly maintained.

CHAPTER IV

A CONTRACT CLEARINGHOUSE IN THE AUDITOR'S OFFICE WILL FACILITATE ADMINISTRATION

The County Auditor needs to be more involved in the contracting process. He is responsible for monitoring all County expenditures, and according to the Civil Division of the Attorney's Office, "has exclusive control over grant monies", which funded a number of the projects. Moreover, the Auditor's Office is the expenditure center for the County, paying contractors and other providers of services or goods. In order to ensure that sufficient funds are available, to effectively monitor the funds spent on projects, and to prevent overpayments, the County Auditor and his staff need to know contract provisions. Without this information readily available, contractors were overpaid \$15,000 during the two and one half years reviewed.

Presently, copies of contracts are located in the Commission office and at the Public Works Building. The records maintained at the Commission office are copies of the original contract, but without any of the supporting documentation. The files located at the Public Works Building have bid records for most of the jobs done for the County, but not all. Records are particularly poor for those bids which were obtained by telephone. Also, documentation of additional work approved by the Commission, is nonexistent.

Historically, the County Auditor has not had ample opportunity to review a contract and verify that sufficient funds are available for a project. Recently, however, a letter from the Board of County Commissioners stated that all contracts had to be reviewed by the Auditor's Office before being approved by the Commission. With this requirement, the Auditor has a need to know the provisions and stipulations of each contract. This information can best be obtained by having a clearinghouse of contracts under the direction of the County Auditor.

A contract clearinghouse should be located in the Auditor's Office for two reasons. First, contracting literature states that the contracting process is to be administered by the purchasing division of an organization. Second, in many organizations, such as Salt Lake County, the purchasing division is closely related to the finance division. Since the Auditor's Office combines these functions as the expenditure center for the County, a clearinghouse of contracts under the Auditor's direction would facilitate his statutory duties.

Additionally, Gilbert & Stewart, the independent CPA firm

hired to audit the County, stated in their most recent management letter that "all accounting for any grant money needs to be coordinated with the Auditor's Office. This accounting would be greatly eased if a copy of all contracts for grants was furnished to the Auditor's Office".

In final support, by establishing a contract clearinghouse under the Auditor's direction, his staff can better identify and safeguard against overpayments. Within the past two and one half years, local contractors were overpaid \$15,000.

As mentioned, centralized contracting will provide needed controls; however, lines of authority need to be clear and well defined. A centralized contract clearinghouse is designed to control the contracting process; but only the County Commissioners, as a body, have the authority to bind the County to a contract.

RECOMMENDATIONS

1. We recommend that a contract clearinghouse be established under the supervision of the County Auditor.
2. We recommend that all records of the contracting process, such as bid records, a copy of the contract, and contract addenda, be maintained in the clearinghouse.
3. In order to ensure that the County has sufficient funds, we recommend the County Auditor's signature be required on all contracts. We further recommend that the County Attorney, or his designee, sign all contracts attesting to the legality of the document.
4. We recommend that the County recover overpayments and tighten controls to eliminate future overpayments.

EXHIBIT 1

PROPOSED CONTRACT ADDENDUM

ADDENDUM

Pursuant to the terms and conditions contained within paragraph ____ of that certain contract entered into on the ____ day of _____, 198__, further identified as Contract No. 198__-_____, the parties hereto agree to modify or amend the conditions, terms, provisions as follows:

DATED this the ____ day of _____, 198__.

UTAH COUNTY

CHAIRMAN, UTAH COUNTY COMMISSION

ATTEST:
UTAH COUNTY CLERK:

By _____
Deputy

CONTRACTOR

By

ATTEST:

APPROVED AS TO AVAILABILITY
OF ANY ADDITIONAL FUNDING

By _____
OFFICE OF UTAH COUNTY AUDITOR

APPROVED AS TO FORM:
UTAH COUNTY ATTORNEY

By _____
DEPUTY UTAH COUNTY ATTORNEY

As a courtesy to the auditee, it is the policy of the Utah County Internal Audit Division to include, without edit, a response from the auditee on the issues raised in the audit report. The auditee's response is reproduced without edit on the following pages.

**RESPONSE TO
A PERFORMANCE AUDIT
OF UTAH COUNTY
CAPITAL PROJECTS CONTRACTING**

**Submitted by
UTAH COUNTY PUBLIC WORKS
CLYDE R. NAYLOR
UTAH COUNTY ENGINEER**

**RESPONSE TO AUDITOR'S REPORT TO
UTAH COUNTY BOARD OF COUNTY COMMISSIONERS
Report No. 86-3**

October 28, 1986

INTRODUCTION

Public Works in Utah County has undergone a major shift in the last few years. Consolidation has brought the various functions of Public Works together. The Public Works Building has allowed the functions to work together to accomplish common objectives. Each former Division of Public Works had developed their own way of doing things and administering programs. Joining all functions together has resolved most of the differences in methods and procedures.

In contracting, each division had their own method of obtaining outside contractors. Basically each had found out what worked to get the job done. The County had not and still has not established policies and procedures for contracting. Public Works as a consolidated organization has diligently pursued a course of contract improvement. Consultation with the Civil Division of the County Attorneys Office and with the County Auditors Office has resulted in the use of an excellent system for contracting, bidding, inspection, and related activities. The system has largely been developed by trial and error, following codes, and ordinances as understood.

Prior to consolidation, Utah County was not involved in as many contracts as we have used lately. No building improvements had been made for several years. Flooding brought a lot of money into the County from which the County has built 15 new bridges, 100 miles of newly paved roads, 7 new debris basins, and channel improvements on all major streams. All road work in the County used to be completed by County crews. Because the roads were becoming patches upon patches, it became necessary to return to asphalt contracts. All of this created a need to develop better contracting procedures. The Public Works Department has responded to this challenge and has developed an excellent process for contracting.

Although some projects have not been bid as formally as they should have been over the last few years, all projects have been given to the lowest bidders. Many of the bids have been oral or telephone bids. In all cases the projects have been given to the lowest bidder. In several cases projects were extended with existing contractors because of the extremely low bid prices that they had agreed to. In three flood projects, the County would have ended up spending an additional \$105,066. In these cases, confirmation of prospective bid unit prices as compared to extending the existing contracts resulted in substantial savings to the County.

CONTRACTS

It is well recognized by the Public Works Department that all contracts must be approved by the County Commission. We have also established the practice of submitting all items for Commission review and approval through the Civil Division of the County Attorneys Office with a copy for the County Auditor. After contracts are approved, we request purchase orders from the Auditor and notify the Treasurer of the pending expenditures.

It is true that some projects in the past have not shown written bids and have been the result of contract extensions. In every case, oral bids were obtained to assure lowest possible prices. Instead of costing the County, as indicated in the Auditor's Report, we calculate that this effort has resulted in a savings of \$105,066. In every case, the Commission, Attorney, and Auditor were fully informed and we understood that the issuing of a purchase order constituted approval.

In the case of the Public Works Building, the project was set up as a fast track total contract from the outset. The bids were obtained in two phases to insure the best prices. It was not known by Public Works until the audit that the contract was not written for the total projects. The Commission approved the total project in their meetings.

COMPETITIVE BIDDING

During the past three years the Public Works Office has developed rigid procedures for contracting. Using our past experience as a guide and a learning tool, this office has developed procedures and guidelines that have eliminated many of the problems and shortcomings that have been experienced in the past by Utah County. It should be noted, that all of the problems listed in the auditors report have already been corrected in the current procedures and guidelines for our office.

Listed below are the guidelines that are currently being followed by the Utah County Public Works:

1. One employee in our office has been designated and assigned bidding and contracts. This employee prepares, reviews, and advises on all bids and contracts. This employee is also responsible for the record keeping of these bid documents.
2. A standard bid document has been prepared and is included in all bid books. This document includes:
 - A. Title Page, which has the title of the bid, bid opening date, bid time, bid location, completion date, and date of the pre-bid conference.
 - B. Table of Contents with page numbers.
 - C. Notice to Contractors, with an explanation of the project.
 - D. Project Location Map.
 - E. Scope of Work, which includes the intent of the contract, alteration of plans or character of work, authority of the engineer and inspectors, and supervision of the work.
 - F. General Requirements, which includes utilities, payments, performance and payment bonds, bid bond, contract time, and safety requirements.
 - G. Specifications, depending on the contract and the work that is to be done, this will include such things as required materials, equipment needed, details of construction, units for measurement and payment, drawings, testing, and inspection procedures.

H. Instructions to Bidders, this includes the date the bid is to be opened, whom to contact with questions, interpretation of quantities to be bid, explanation of bidding proposal and schedule, and what constitutes an irregular proposal.

I. Bid Proposal.

J. Bidding Schedule.

K. Certificate of Non-Collusion.

L. Contract.

3. Phone call bids are not allowed, except during emergency situations, and this will be done only with the permission of the Public Works Director. During an emergency situation phone call bids will be accompanied with good records, and personal journals recording the information obtained from the phone call.

4. Our office has compiled lists of potential bidders and vendors for several types of work and materials. The bidders list includes: name, address, phone number, person to contact, equipment list, and contractors license number. These lists are updated and revised annually.

5. Actuate records of each bid are being kept by our office, for review by the public. These records contain a complete list of bidders that were notified of the bid, list of bidders who picked up the bid documents, and all bids that were submitted.

6. Our office requires a bid bond for each bid submitted. Bid bonds are **not** a requirement of law, but solely a requirement of our office.

7. When requesting a purchase order from the auditors office, the purchase requisition form contains the bid opening date and if possible the date that the contract was signed by the commission.

8. Post bid information is an important part of the process, our office prepares a post bid information sheet. This sheet includes: the bid title, short description of the work, bid opening date, pre-bid conference date, list of bidders with their bid amount and if the bidder submitted a certificate of non-collusion and a bid bond. This sheet also contains the number of bidders that were contacted, number of bidders obtaining a bid book from the county, the average bid amount, engineers cost estimate of project, and county witnesses to the bid.

This post bid information sheet is submitted to the civil division of the attorney's office, commission office, auditor's office, and sent to all bidders of the project.

9. When requesting bids from vendors for materials that are needed by the county, our office lists the specifications for the materials and a request for bids in letter form and sends these letters to all prospective vendors in Utah County. The vendors' responses and bids come in letter form, on their company stationary, through the mail.

The guidelines that are now being used by the Utah County Public Works have been developed over a three year period of time and have been the result of suggestions and responses from the Civil Division of the Utah County Attorney's Office, Utah County Auditor's Office, and other responsible parties.

Utah County Public Works Office has gone beyond the requirements of the law in the protection of the bidding system by requiring that all bids be submitted with a bid bonds.

Contractors wishing to bid with the Utah County Public Works Office must be pre-qualified by showing Utah County that they are a licensed contractor, with bonding capability, and that they have a record of integrity. The list of contractors and bidders that is used by the Public Works Office can be revised at any time, however the list is reevaluated annually.

CONTRACT ADMINISTRATION

The biggest need the county has in contract administration is for written policies and procedures. The procedures should be developed as a joint effort of the County Commission, the County Auditor, the Civil Division of the County Attorney's Office and the County Public Works Department.

The policies and procedures need to cover contract administration, capital projects, purchase of materials and supplies, selection of consultants, maintenance and repairs, and small contracts with individuals for services or materials.

The error on the \$15,000.00 overpayment to the contractor, made in the Auditors Office, points up the need to develop management forms that assure control. The disbursement instructions from Public Works were clearly written as were follow-up notifications concerning the error. A new partial disbursement form with proper signatures would help control this problem for the future.

The most important recommendation to come out of the audit is the recommendation No. 3 on page 7. This recommendation on policies & procedures should be implemented immediately. Public Works pledges their support to accomplish this important objective.

NOALL T. WOOTTON
County Attorney

WAYNE B. WATSON
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October 27, 1986

Mr. Joseph M. Higbee
Audit Supervisor

RE: PERFORMANCE AUDIT OF UTAH COUNTY
CAPITAL PROJECTS CONTRACTING
RESPONSE LETTER

Dear Mr. Higbee:

You have requested that this office review the final report of the above-captioned performance audit and give a response.

While some may read the report as a harsh indictment of several Utah County Departments, this office views it in a more positive framework. If a policy and procedure manual results from this effort, it will benefit the respective departments and provide welcomed direction to Utah County.

It is imperative that the report be considered within historical perspective. When one is plowing new ground the evolutionary process of concomitant policy change is naturally slow. Never before, for example, in the history of Utah County, had a state of emergency been formally declared which resulted in federal participation in funding for flooding, etc. Departments were operating without much guidance because problems and projects of this magnitude had not previously been dealt with.

Next, the report indicates that improper bidding procedures may have resulted in increased capital expenditures between \$141,000 and \$188,000. Those figures, at best, are speculative and should be so designated. This office is aware of specific instances where strict compliance with the established bidding procedure has increased the cost to the taxpayer. Nevertheless, compliance insures fairness, reduces criticism and favoritism and decreases or eliminates legal challenges. Financial considerations are subordinate to these rationale.

Mr. Joseph M. Higbee
October 27, 1986
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Taken as a whole, there has been substantial improvement in the contracting procedures of Utah County. While the report treats it generally, it ought to be specifically mentioned that the offices of the Commission, the Engineer and Auditor have been very responsive to suggestions made by this office and have made every effort to timely implement the same.

Lastly, this office is anxious to cooperate with the Commission, the Auditor and the Engineer in drafting a workable policy and procedure manual which takes into account the deficiencies outlined in this report.

Respectfully,

NOALL T. WOOTTON
Utah County Attorney



LYNN W. DAVIS
Deputy County Attorney

cc: Mr. Gary J. Anderson
Chairman, Utah County Commission

Mr. Elwood Sundberg
Utah County Auditor

Mr. Clyde Naylor
Utah County Engineer