

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Ronald C. Coons, Director, Public Works Agency **Date:** May 8, 2006
From: Christine L. Cohen
Subject: VERIFICATION OF FRAUD HOTLINE ISSUE 04-0024
REGARDING PUBLIC WORKS AGENCY (PWA) WATERSHED PROTECTION DISTRICT
AWARDING OF CONSULTANT CONTRACTS

We have completed our verification of Fraud Hotline Issue 04-0024 regarding the awarding of consultant contracts by the Watershed Protection District (District). The issues were identified through an anonymous letter dated April 30, 2004, received by the Auditor-Controller Employee Fraud Hotline on May 3, 2004.

This report is not deemed confidential since the focus of our verification was the propriety of a policy, system or procedure, and not the conduct of particular employees operating thereunder. Therefore, this report may be subject to public inspection in accordance with Government Code Sections 6254(c) and 6255.

BACKGROUND:

The mission of the District is to protect life, property, watercourses, watersheds, and public infrastructure from the dangers and damages associated with flood and storm waters. The District contracts with outside consultants for hydrological modeling, environmental reviews, and other services on projects managed by the District. The District also places work orders with consultants for routine services, such as plan checking and surveying. A 1996 Board of Supervisors Resolution governs the awarding of District contracts and work orders and requires the District to grant preference to consultants with offices in Ventura County.

From February 1 through May 31, 2005, the District had awarded eight contracts for a total cost of \$1,379,357, with four awarded to out-of-County consultants. During the same period, the District had placed 21 consultant work orders for a total cost of \$325,704, with 10 awarded to out-of-County consultants.

ALLEGATIONS: The complainant made the following allegations:

Allegation A. Consultants' fees may be overpriced because the District's consultant contracting process does not require competitive bidding or proposals.

Allegation B. The District did not follow appropriate procedures in granting preference to qualified in-County consultants.

OBJECTIVES: Our overall objective was to assess the validity of the complainant's allegations regarding the District's consultant contracting process. For our verification, we reviewed documents prepared from July 2004 through June 2005, and discussed procedures with PWA personnel. Our report addresses the allegations from a policy and procedure standpoint and does not provide a legal determination on the merits of the complaint.

RESULTS: Our verification resulted in the following conclusions:

1. **Allegation A.** Not substantiated. Government Code Sections 4526 through 4528 require the District to negotiate fair and reasonable prices *after* selecting the most qualified consultants. To ensure fair and reasonable prices, selected consultants and District staff made independent cost estimates, which were compared for reasonableness and a fair contract price in accordance with the 1996 Resolution. Because we did not note deviations from the established process, our review of 10 contracts with out-of-County consultants in effect as of June 30, 2004, disclosed no evidence of overpricing. For work orders, consultants were often selected on a rotating basis with unit prices and other terms negotiated annually.
2. **Allegation B.** Substantiated. Our review of four contracts and eight work orders awarded to out-of-County consultants from February through May 2005, disclosed that the District did not document that in-County consultants had been considered. Managers were only required to document the consideration of in-County consultants when interviews were held to assist in the selection of consultants. Since interviews were not required when the work was routine or interviews for similar work had been held recently, documentation of the consideration of in-County consultants was not always available. Further, for work orders, we found that the District did not always grant preference to in-County firms during the selection rotation.

Management Response. PWA management stated:

"Partially concur with the conclusions. The Public Works Agency's procedures and policy have for at least 25 years required that consultant services selection and work order issuance document the basis for selection. Further those procedures include giving preference to local consultants when and where they are available for consideration. I concur that there have been instances when the written documentation of why a local consultant was not selected was missing from the contract file. Without knowing the specific files reviewed I cannot agree that local preference was not considered in some cases; only that it may not have been adequately documented.

"Subsequent to the review a change to the Public Works Agency procedures manual was made to highlight more fully the requirement to consider and justify why a local consultant was not selected for a contract or work order."

EVALUATION OF MANAGEMENT ACTION: We believe that management actions taken were responsive to the verification findings.

Ronald C. Coons, Director, Public Works Agency

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We appreciate the cooperation and assistance extended by you and your staff during our verification.

cc: Honorable Linda Parks, Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Kathy I. Long, Board of Supervisors
Honorable Judy Mikels, Board of Supervisors
Honorable John Flynn, Board of Supervisors
John F. Johnston, County Executive Officer