



LAURA DOUD

Long Beach City Auditor's Office

Contract Administration Audit Limited Scope Review Report 8 of 10

Allstar Fire Equipment Services, Inc.

October 17, 2016

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Executive Summary

This is Report 8 of 10 in a series of limited scope audits of City contracts.



This report includes the results of a limited scope review of contract 34142 between the City of Long Beach (City) and Allstar Fire Equipment Services, Inc. (Allstar). It is the eighth of ten contract audits reporting on the adequacy of the City's monitoring procedures and internal controls in the administration of contracts. A summary report that compiles the results of the ten individual contract audits will be issued separately.

The Long Beach Fire Department (Department) contracts with Allstar for the purchase of protective pants and coats that are designed to meet requirements of the National Fire Protection Association (NFPA®). Referred to as turnouts, these are part of a firefighter's personal protective equipment (PPE) and are issued to firefighters and sworn personnel who respond to emergencies.

Turnout inventory is worth approximately \$775,000. The Department purchased \$334,428 in new turnouts over a 22-month period ending July 31, 2016 with the bulk of the purchase attributed to new recruits. Overall, the Department can improve oversight of the contract by ensuring certain risks are mitigated through increased documentation and review.

One risk is a conflict of interest that exists between Allstar and an inspection vendor, Turnout Maintenance Company (TMC), responsible for certifying the equipment to NPFA standards. TMC can condemn equipment requiring the City to purchase new items through Allstar. These two companies are affiliated, which could result in a potential benefit to Allstar by TMC condemning equipment unnecessarily. There was insufficient documentation to determine if this was actually occurring.

The Department has limited ability to segregate the critical control functions of ordering, receiving and recording all purchases. This risk can be reduced by including order authorization documentation from Command Staff, and ensuring this document accompanies the packing slip and invoice when the Administrative staff approves payments.

We want to thank Department staff for their assistance, patience and cooperation during this audit.

Results & Recommendations

Lack of documentation leads to an insufficient audit trail to justify purchases.

The City contracts with Allstar Fire Equipment Inc. (Allstar) for the purchase of protective pants and coats used for structural firefighting. Referred to as turnouts, these durable garments are designed and made to meet the requirements of the National Fire Protection Association (NFPA®) Standard 1971. The Department issues a set of turnouts to all firefighters and sworn employees who respond to emergencies, as well as recruits in training. To ensure turnouts continue to meet NFPA® Standards, the Department requires annual inspection, cleaning and testing by authorized vendors Turnout Maintenance Company (TMC) and ECMS. The current inventory is worth approximately \$775,000, including turnouts issued to personnel and a reserve supply of turnouts maintained as loaners.

For this contract, the key to sufficient administrative oversight is the receipt and recording of appropriate documentation. The Department needs improvement in this area to ensure purchases are justifiably needed. Currently, the Department lacks a valid inventory tracking system to record turnout purchases, issues and eliminations throughout the year. Documentation from the vendor inspections is not obtained for the Department to review reasons for condemnations. And purchase requests are not retained or included with the ordering and invoicing process. This results in an insufficient audit trail to determine if ordered turnouts were appropriate.

Finding 1. A conflict of interest exists between one of the inspectors, TMC, and the equipment provider, Allstar, which could result in a potential benefit to Allstar.

NFPA® standards require turnouts be tested at least annually to ensure the equipment continues to meet minimum standards. Two local vendors, TMC and ECMS, are certified to inspect, clean, repair and test turnouts. Although a firefighter takes their turnout to the vendor of their choice, 75% of firefighters use TMC compared to ECMS due to location convenience. Turnouts that fail the test cannot be repaired and are tagged to indicate the turnout is condemned. They are then returned to the Department to be destroyed. There is no documentation supplied by the vendor indicating the reasons why the equipment failed the NFPA® test, and there is no evidence that the Department questions the test results. In addition, the Department's manual equipment inventory does not track why a turnout was replaced. Once an item is condemned, the Department places an order from Allstar to replace the condemned turnout.

The audit identified that Allstar and the inspection vendor TMC are affiliated entities with the same address and Chief Executive Officer. The lack of documentation from TMC detailing why equipment has failed the NFPA® provides TMC the opportunity to condemn turnouts that may still meet NFPA® standards which would require the City to purchase a new turnout from TMC's affiliate, Allstar. Because the City does not track why or which inspecting vendor condemned the equipment and TMC invoices are not sufficiently detailed to determine how many turnouts were condemned, we were unable to determine the number of condemned items or the cost associated with the actions.

According to City procurement practices, a potential contractor is not required to disclose whether they have a conflict of interest or material financial interest with other contractors that do related

business with the City. Since the Allstar and TMC contracts were procured separately for different services, it is possible that the relationship would not be noticed by the Department.

Recommendations for the Department:

- 1.1 **Ensure the inspection vendors provide a report of the turnout tests detailing results and reasons why a turnout is condemned. Reports should include the turnout serial number.**
- 1.1a **Perform sufficient review of inspection vendors' reports to ensure condemned items appear appropriate.**
- 1.2 **Ensure the inspection vendors' invoices include sufficient detail to determine which turnouts were inspected, cleaned and repaired by serial number.**
- 1.3 **When a turnout is condemned include in their inventory tracking the date and by which inspection vendor.**

Recommendations for the City:

- 1.4 **Establish a process for contractors to disclose potential conflicts of interest or material financial interest with other contractors that do related business with the City.**

Finding 2. The Department's manual inventory records do not track annually required vendor testing of turnouts or ensure turnout information is captured for all firefighters, resulting in records that are not complete or current.

The Department uses an Excel spreadsheet entitled *LBFD PPE Evaluation* to record equipment inventory. Annually, the Department performs a visual evaluation process of the equipment with results noted on a paper form. Information on the form is inputted into the inventory record. This inventory record is only updated once a year during the evaluation process. Besides the results of the annual evaluation, the inventory record is also used to track the age of the turnouts, as NFPA® 1851 requires replacement after ten years.

Because the inventory record is only updated once a year, it does not capture important on-going activity, such as when vendor testing occurred, condemned equipment, new hire issued equipment and purchases. In addition, we had difficulty verifying the information in the inventory records. For example:

- Paper forms completed during the annual evaluation and used to populate the inventory record are not maintained by the Department. Lacking an audit trail, the accuracy of the record cannot be verified
- The record does not include turnout serial numbers located on each turnout pant and coat. Without the serial numbers, it is not possible to verify how long the firefighter has a particular turnout and whether it has been inspected. Also, the record does not include the inventory of loaner turnouts.
- The record is missing data. For example, rows of information include a firefighter's name, but no other fields in the row are populated. Also, instances of issued and manufactured dates reflect the invalid year of 1900 making it impossible to determine if the turnout has reached its 10-year life span.
- Based on a comparison of the August 2015 inventory record to a current payroll report, the record is not accurate or complete. Two employees hired before August 2015 were not

reflected on the inventory record. Also, employees that retired or were terminated before August 2015 were not removed from the inventory record.¹

The inventory record is in the custody of a single Department employee and on a personal laptop computer rather than the City network. With an inventory close to \$775,000, the Department should be using inventory software to manage the turnouts, which would allow the Department the ability to monitor activity throughout the year, include turnout tests dates, and provide secure access to more than one person in the Department. This would provide the Department a higher level of assurance that it was meeting all NFPA® standards.

Recommendations:

2.1 Consider the use of available technology to improve the management and accuracy of turnout data. The City offers a number of silo systems that can be used for inventory and customized for the Department's needs.

2.2 If the Department elects to continue manual tracking, the inventory record should address the following issues:

- **Update the inventory record with changes as they occur to ensure it remains current. (Perpetual vs. Point-in-time)**
- **Maintain an accurate and complete record, with turnout serial numbers, to track NFPA® turnout tests and results.**
- **Track the reason for purchasing new turnouts on the Department's inventory record.**
- **Track the disposal of turnouts, including dates and serial numbers.**
- **Track the loaner turnout inventory and allocation/uses.**
- **Maintain the Excel inventory record on the City network to ensure it is backed up and secure. Command staff should know where the record that manages nearly \$775,000 of inventory is maintained. Access to the inventory record should be limited only to those employees with need based on their job function.**

2.3 Reconcile the inventory record at least annually with payroll records and inspection information to ensure it remains accurate and complete.

Finding 3. The Department does not consistently maintain detailed records to support turnout orders and contract payments.

The Department has limited segregation of duties in the process of ordering and receiving turnouts due to staffing restrictions. As a result, the Department Storekeeper handles multiple key functions that would normally be performed by at least two different people to reduce the risk of fraud or misappropriation. This risk can be mitigated through maintenance of sufficient records to show multiple parties are involved in the ordering of equipment and authorization of payments. For example, command staff notifies the Storekeeper via email concerning the need to order new equipment with the specifications, and packing slips are included with the receipt of equipment.

All payments made under the Allstar contract were reviewed to ensure appropriate supporting documentation existed. For 68 of 80 payments reviewed, detailed records to support the purchases,

¹ The payroll report included active sworn LBFD employees from August 1, 2015 through July 6, 2016, including terminated employees.

including a detailed invoice or packing slip, were not found in accounting records. Therefore, we were unable to determine if the Administration Office reviewed these documents prior to approving payment. In addition, the email from Command staff demonstrating the order was authorized by someone other than the Storekeeper was not included in any of the 80 payments.

It should be noted that the Department changed procedures beginning in March 2016, before the start of the audit, to maintain better records to support purchases. Of the 80 invoices noted above, four of those invoices were paid after March 2016. Our analysis identified improvements in the process starting in April 2016, with only one payment missing an invoice or packing slip.

Recommendations:

- 3.1 Ensure the review of contract invoices includes order documentation (either the Command email or a new approval form) to verify the order was initiated by someone other than the Storekeeper.**
- 3.2 Ensure all records that support contract payments, invoices, order requests and packing slips are reviewed prior to authorizing payment and scanned into the City's electronic storage system in order to maintain an adequate audit trail.**

Finding 4. Lack of resources, guidance and training on how to effectively manage a contract.

Best practices of contract administration recommend that guidance and training be provided to staff who are responsible for overseeing contracts. Policies and procedures should be established along with an adequate training program to assist staff in being effective contract managers. See Appendix B for more information on the components of an effective contract monitoring system.

However, Citywide there is no standardized training or guidance for employees on contract administration responsibilities, which provides a consistent approach to monitoring contracts. In addition, there is a lack of policies, procedures or guidelines detailing best practices of contract administration that employees could reference or follow. This increases the risk of contract problems related to vendor performance, compliance with terms and conditions and insufficient documentation to support contract activities and disputes.

Recommendations:

- 4.1 Develop Citywide standardized training over contract administration responsibilities.**
- 4.2 Develop Citywide standardized guidance, policies and procedures over contract administration responsibilities.**

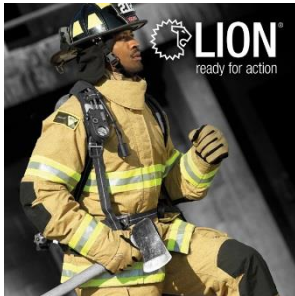
Background

Protective turnouts for structural fires provide firefighter's with vital protection.

The Long Beach Fire Department (Department) issues personal protective equipment (PPE) to firefighters and sworn employees who respond to structural fires and emergencies. An essential component of a firefighter's PPE are the protective coat and pant for structural firefighting, referred to as turnouts. These state of the art garments provide firefighters with vital protection from the many hazards they face on a regular basis and meet the standards of the National Fire Protection Association (NFPA®).

The NFPA® is a leading fire safety organization that established various fire related operating and training standards and codes for usage and adoption by fire safety agencies.² NFPA® Standard 1971 establishes the design and performance requirements for PPE and methods used to test the garments. NFPA® Standard 1851 establishes the selection, care and maintenance of protective ensembles for structural firefighting, which includes a mandatory rule to retire turnouts after ten years.

Contract Procurement



In August 2014, the City completed a competitive bid process for the purchase of turnouts for structural firefighting. In October 2014, a two-year agreement for \$100,000 per year was awarded to Allstar Fire Equipment Inc. (Allstar), through a blanket purchase order approved by the City Manager. The contract calls for Allstar to supply protective pants and coats for structural firefighting that are manufactured by LION using the "V Force" design and meet the requirements of the NFPA®.³ Contract rates include a separate cost for pants and coats, with a set costing about \$1,900, tax excluded.

The Department subsequently obtained Council's approval to make two increases to the agreement and establish contract 34142. The first added \$100,000 plus a \$10,000 contingency (5% of the original contract amount, \$200,000) in December 2015 and the second added \$60,000 in May 2016. According to the Department's report to the City Council, the additional funds were needed because an annual inspection identified more turnouts requiring replacement than was originally anticipated. Currently, the contract total is \$370,000, with \$270,000 authorized in the second year of the contract term, October 2015 through September 2016.

Each year, the amount of budget required for the purchase of turnouts is determined by the number of new recruits in each firefighter academy and the number of necessary replacement of turnouts due to age or condition. As a general rule, the Department budgets to replace about 20% of its turnouts each year in order to comply with NFPA® requirements.

² NFPA® 1851, *Standard on Selection, Care, and Maintenance of Protective Ensembles for Structural Fire Fighting and Proximity Fire Fighting*, 2014 Edition and NFPA® 1971, *Standard on Protective Ensembles for Structural Fire Fighting and Proximity Fire Fighting*, 2013 Edition.

³ LION is a manufacturer of firefighter turnouts and guarantees compliance with NFPA® requirements.

Expenditures

Contract expenditures through July 2016 are about \$334,000, as shown in Table 1. Expenditures reflect almost \$25,000 in purchases made from an interim purchase order established against the contract for a three-month period from October through December 2015. Payments are approved and processed by the Department's Administration Bureau.

Table 1
Contract Expenditures

	Year 1	Year 2 ^c	Total
Current Contract^a	\$ 199,758	\$ 109,768	\$ 309,526
Interim Agreement^b	-	24,902	24,902
Total	\$ 199,758	\$ 134,670	\$ 334,428

^a Term: Oct. 1, 2014 - Sep. 30, 2016. ^b Term: Oct. 1, 2015 - Dec. 31, 2015. ^c As of 07.31.16.
SOURCE: The City of Long Beach accounting reports (EZFamis).

Vendor

Allstar Fire Equipment, Inc. is a distributor of firefighting and safety equipment located in Arcadia, California. The company also provides repair and maintenance services for breathing apparatuses and has over 100 years of combined experience in sales and distribution. Allstar has provided the Department with PPE for more than ten years and they also serve the Fire Departments of Costa Mesa, Riverside County, Huntington Beach and Newport Beach, as well as the Orange County Fire Authority.

Objective, Scope & Methodology

This audit assesses whether the Department employed sound contract monitoring procedures to justify the purchases.

The objectives for this audit were to evaluate the adequacy of the Long Beach Fire Department's (Department) monitoring procedures and internal controls over the contract administration; to examine related payments and to review the compliance with key contract provisions. The audit scope was the period during the two-year contract term from October 1, 2014 through July 31, 2016.

We reviewed the contract's terms and conditions along with related records, including purchase documents, legislative text, contract amendments, purchase orders, and change orders. We also reviewed regulatory criteria including the City Charter Article 1800, and the City's Procurement and Purchasing Guidelines. In addition, we used best practices and principles in public procurement and contract monitoring to evaluate the adequacy of the City's oversight responsibilities.⁴

To perform the work we conducted the following procedures:

- I. Procurement Method – Reviewed the method used to purchase the contract, including competitive bid documents where applicable, and the executed contract to determine whether the contract and accompanying purchase order complies with the City's purchasing guidelines. We also verified that the contract was properly approved by the City Council.
- II. Risk Assessment & Control Environment – Performed a review of contract-related data to assess the contract risk. Interviewed Department employees to gain an understanding of the activities they perform in managing the contract and monitoring the Contractor's performance, as well as to assess the internal control environment. We also verified the Contractor's compliance with key contract terms and conditions.
- III. Payment Processing – Compared Contractor payments to the original invoice and supporting records where available to verify accuracy, appropriateness and proper approval.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴ *Principle and Practices of Public Procurement*, Sept. 2013, by The National Institute of Government Purchasing, Inc. and The Chartered Institute for Purchasing and Supply; and *Components of an Effective Contract Monitoring System*, July 2003, by the State of Georgia Department of Audits and Accounts Performance Audit Operations Division.

Appendix A

In its simplest terms, contract monitoring provides the City with assurance that it is receiving the services or goods for which it has paid. But taken further, active contract monitoring mitigates risk, with risk defined as the probability of an event or action having an adverse effect on the City.⁵ Proper oversight and monitoring creates a strong control environment that can deter fraud, waste, and abuse. As shown in Figure 2, components of an effective contract monitoring system include an ethical tone that starts at the top of the organization, ongoing monitoring, and thorough recordkeeping.

Figure 2
Best Practices in Contract Management

TONE AT THE TOP	
<p>I. Establish a consistent, high quality contract monitoring & compliance system across the organization.</p> <p>II. Publish, communicate and implement written policies.</p>	<p>III. Provide training in contract compliance & monitoring to those with the responsibility for contract oversight.</p> <p>IV. Limit contract risk by requiring disclosure of conflicts of interest.</p>
CLOSE OVERSIGHT and GOOD ADMINISTRATION	
<p>V. The contract scope-of-work (SOW) often is the City's primary means of communicating these expectations. Ensure the SOW includes:</p> <ul style="list-style-type: none"> • Clear expectations & deliverables that are defined and specific. • A plan that considers all significant issues that may affect the success of the project. • A contingency plan to address how the agency would respond in the event of an interruption of service delivery. • A dispute resolution procedure that requires timely resolution. <p>VI. Use standard project schedules to document project progress, responsibilities, timing, and problems.</p> <ul style="list-style-type: none"> • Hold regular meetings to discuss the information in the schedule and agreement on changes. Agree to the frequency of updates. <p>VII. Perform onsite monitoring to ensure the contractor's compliance.</p> <ul style="list-style-type: none"> • Visits can verify actual performance against scheduled or reported performance and ensure the contractor is dedicating sufficient resources and appropriate personnel. 	<p>VIII. Evaluate the contractor's performance and provide feedback.</p> <ul style="list-style-type: none"> • Focus on outputs and outcomes that assess some aspect of the effect, result, or quality of the service. <p>IX. Contract files are organized and complete. Records are critical should any contract dispute occur. Items to include:</p> <ul style="list-style-type: none"> • Method of evaluation and award. • Maintain a copy of the contract, modifications, and amendments; as well as insurance records. • All contract activities, including meetings, communications, issues, and agreed-upon changes or resolution. <p>X. Contractor invoices are accurate, complete & sufficiently supported. Records regarding any change to payment schedules, pricing, or timing should be maintained.</p> <p>XI. Payments are linked to satisfactory performance, properly reviewed, and approved.</p>

⁵ *Components of an Effective Contract Monitoring System*, July 2003, by the State of Georgia Department of Audits and Accounts Performance Audit Operations Division.

Management Comments

Management's response and action plan begins on the following page.



City of Long Beach
Working Together to Serve

Memorandum

Date: October 13, 2016
To: Patrick H. West, City Manager *T.H.W.*
From: Michael A. DuRee, Fire Chief *M.A. DuRee*
For: Laura L. Doud, City Auditor
Subject: **Allstar Fire Equipment Services Contract Audit**

Thank you for the opportunity to comment on the Allstar Fire Equipment Services Contract Audit. Fire management has reviewed the Draft Audit Report, provided input for each of the City Auditor's recommendations, and outlined a course of action in the attached Management Response and Action Plan.

The Department appreciates the recommendations in this audit and is confident that the implementation of the recommended controls and documentation will improve our contract administration processes and mitigate any deficiencies in the purchasing, receiving, and inventory control of fire turnouts. In conjunction with the implementation of these improvements, the Department will soon begin utilizing a records management application that will greatly enhance our ability to track all equipment issued to all employees.

I thank the City Auditor's staff for their professionalism and due diligence reflected in this contract audit, and we will work to implement the identified actions. If you should have any questions, please call me at (562) 570-2505.

MAD:DH
Q:/ADMINISTRATION/LETTERS AND MEMOS/TFF ALLSTAR TURNOUT AUDIT

CC: TOM MODICA, ASSISTANT CITY MANAGER
ARTURO SANCHEZ, DEPUTY CITY MANAGER
JOHN GROSS, DIRECTOR OF FINANCIAL MANAGEMENT
SANDY PALMER, ACTING PURCHASING AND BUSINESS SERVICES MANAGER

MANAGEMENT RESPONSE AND ACTION PLAN

City Manager's Office

Contract Administration Audit: Allstar Fire Equipment Services, Inc.

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.1	Ensure the inspection vendors provide a report of the turnout tests detailing results and reasons why a turnout is condemned. Reports should include the turnout serial number.	H	3	Agree	Manager -- Fire Administration	Fire Administration will provide written communication to both turnout inspection vendors notifying them of this requirement and advising that invoices will not be paid without this information.	December 1, 2016
1.1a	Perform sufficient review of inspection vendors' reports to ensure condemned items appear appropriate.	H	3	Agree	Storekeeper, Fire Department Equipment Committee	Employees will be notified in writing of the requirement to bring condemned turnouts to the Storekeeper, who will review the vendor's report. If the Storekeeper questions the validity of the report, he/she will refer the turnouts and the report to the Equipment Committee. If the Equipment Committee does not concur with the vendor's report, they will send the turnouts to the Department's other turnout vendor for a second inspection and report.	December 1, 2016
1.2	Ensure the inspection vendors' invoices include sufficient detail to determine which turnouts were inspected, cleaned and repaired by serial number.	H	3	Agree	Deputy Chief of Operations	Fire management will review all turnout inspection vendor invoices for compliance with this requirement prior to approving invoices.	December 1, 2016
1.3	When a turnout is condemned include in their inventory tracking the date and by which inspection vendor.	H	3	Agree	Fire Department Equipment Committee	Individual delegated by the Equipment Committee will update the turnout inventory spreadsheet with this information once he/she receives documentation of turnout condemnation.	December 1, 2016
1.4	Establish a process for contractors to disclose potential conflicts of interest or material financial interest with other contractors that do related business with the City.	H	3	Agree	Purchasing Division/FM	Purchasing will work with the City Attorney's Office to consider addition to RFP standard language of additional vendor disclosure requirements relating to concurrent contracts with the City that could impact award. Addition of language is subject to review by and concurrence of City Attorney.	January 1, 2017
2.1	Consider the use of available technology to improve the management and accuracy of turnout data. The City offers a number of silo systems that can be used for inventory and customized for the Department's needs.	M	4	Agree	Manager -- Fire Administration	The Fire Department is in the process of selecting a vendor to provide a learning management/records management system, which is expected to greatly aid in tracking and managing inventory for turnouts and other personal protective equipment.	January 1, 2017

MANAGEMENT RESPONSE AND ACTION PLAN

City Manager's Office

Contract Administration Audit: Allstar Fire Equipment Services, Inc.

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.2	<p>If the Department elects to continue manual tracking, the inventory record should address the following issues:</p> <ul style="list-style-type: none"> • Update the inventory record with changes as they occur to ensure it remains current. (Perpetual vs. Point-in-time) • Maintain an accurate and complete record, with turnout serial numbers, to track NFPA® turnout tests and results. • Track the reason for purchasing new turnouts on the Department's inventory record. • Track the disposal of turnouts, including dates and serial numbers. • Track the loaner turnout inventory and allocation/uses. • Maintain the Excel inventory record on the City network to ensure it is backed up and secure. Command staff should know where the record that manages nearly \$775,000 of inventory is maintained. Access to the inventory record should be limited only to those employees with need based on their job function. 	H	4	Agree	Fire Department Equipment Committee	If the Fire Department does not select a vendor to provide a learning management/records management system that tracks and manages inventory for turnouts and other personal protective equipment, the Equipment Committee will be charged with improving the manual tracking system with the recommended information.	January 1, 2017
2.3	Reconcile the inventory record at least annually with payroll records and inspection information to ensure it remains accurate and complete.	H	4	Agree	Fire Department Equipment Committee	Inventory record to be reconciled upon completion of the annual personal protective equipment inspection.	January 1, 2017
3.1	Ensure the review of contract invoices includes order documentation (either the Command email or a new approval form) to verify the order was initiated by someone other than the Storekeeper.	H	5	Agree	Deputy Chief of Operations	The Deputy Chief of Operations will ensure that the recommended documentation accompanies all invoices.	November 1, 2016
3.2	Ensure all records that support contract payments, invoices, order requests and packing slips are reviewed prior to authorizing payment and scanned into the City's electronic storage system in order to maintain an adequate audit trail.	H	5	Agree	Manager -- Fire Administration; Deputy Chief of Operations	The Manager of Administration will ensure that the Accounting Clerk includes all of the recommended information with the invoice when it is submitted to the Deputy Chief of Operations for approval and that all information is scanned into the City's electronic storage system in order to maintain an adequate audit trail. The Deputy Chief of Operations will ensure that the recommended information is reviewed prior to authorizing payment.	November 1, 2016

MANAGEMENT RESPONSE AND ACTION PLAN

City Manager's Office

Contract Administration Audit: Allstar Fire Equipment Services, Inc.

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
4.1	Develop Citywide standardized training over contract administration responsibilities.	H	5	Agree	Purchasing Division/FM	This has been completed as of 8/1/16. The Purchasing Division recently conducted two sessions of Effective Contract Management training. 63 staff members from across the City participated. The session was video recorded and will be used to provide on demand viewing for future needs. Additional training sessions are expected to be provided in the future. Purchasing staff will continue to develop additional training opportunities to compliment the development of the Procurement Policies & Procedures that is expected to be done as part of the ERP project.	12/31/2016 (ERP solution is approx. 2018)
4.2	Develop Citywide standardized guidance, policies and procedures over contract administration responsibilities.	H	5	Agree	Purchasing Division/FM	We agree that improved training is a good idea. Purchasing plans to develop training based on the basic framework described in the response to 4.1.	12/31/2016 (ERP solution is approx. 2018)

Priority

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

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

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

Yellow areas - to be completed by the department