

City of



BUDGET & MANAGEMENT STUDIES – INTERNAL AUDIT

DATE: November 8, 2010

TO: KEN NERLAND, Director, General Services Department
PATRICK WIEMILLER, Director, Public Works Department

THROUGH: RENENA SMITH, Budget Director, Budget and Management Studies Division *Rg*

FROM: BOB KOURY, Principal Internal Auditor *Bob Koury*
Budget and Management Studies - Internal Audit

SUBJECT: FINAL AUDIT REPORT – GSD FACILITIES MANAGEMENT REVENUE
PROPERTY LEASES AUDIT

Attached is the Final Audit Report of the Revenue Property Leases Audit of the General Services Department – Facilities Management Division. Audit Exit Meetings were held with appropriate GSD personnel on June 25, 2010 and also on July 8, 2010 with personnel from GSD, Department of Public Works and the City Manager's Office to discuss the audit report findings and proposed audit recommendations. Subsequent to the completion of the audit, the responsibility for the administration and management of the city-owned properties addressed within this report was reassigned to the Public Works Department. The Public Works Department prepared its October 28th "Management Responses" Memorandum addressing each of the audit recommendations which is attached to this audit report.

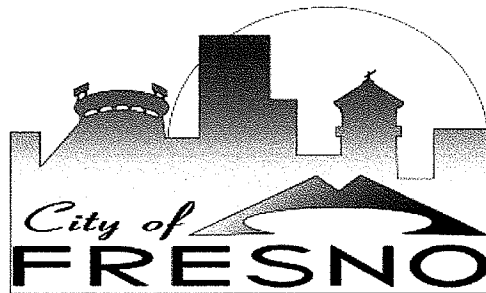
Internal Audit will perform a follow-up audit six to twelve months after this report is issued to verify that each recommendation has been implemented or that the issue documented in the finding has been resolved in a manner that addresses the weakness or risk identified. The follow-up audit is performed in accordance with AO 1-12 and Government Auditing Standards.

Internal Audit sincerely thanks GSD and the Facilities Management staff and the Department of Public Works Director for their assistance and coordinated efforts during the audit process. If you have any questions regarding this matter, please do not hesitate to contact Bob Koury, Principal Internal Auditor, at 621-7072.

Attachments

cc: Ashley Swearengin, Mayor
Council Members
Mark Scott, City Manager
Bruce Rudd, Assistant City Manager
Nicole Zieba, Deputy City Manager
James Sanchez, City Attorney
Joe Gray, Finance Director/City Controller
Dan Turner, Risk Manager, Risk Management Division
Scott Motsenbocker, Senior Budget Analyst, BMSD

INTERNAL AUDIT



FINAL AUDIT REPORT

**General Services Department – Facilities Management
Revenue Property Leases Audit**

Audit Number 10-0019

**Performed by:
Bob Koury, Principal Internal Auditor
Budget and Management Studies – Internal Audit**

Issued on November 8, 2010

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Executive Summary

The more significant audit findings are summarized below based on the results of our audit of all GSD Facilities Management administered city-owned property leases. Our audit findings are intended to assist the Public Works Department (previously GSD Facilities Management) in their contract oversight, monitoring and recordkeeping responsibilities as well as to enhance rental revenues for city-owned properties being leased to outside entities.

Key Audit Findings

- ▶ **Five out of ten Property Leases are expired and have not been renewed as of the audit date.**
- ▶ **Three Tenants owe the City a total of \$14,529 in delinquent lease payments as of the audit date.**
- ▶ **There is no consistency or reasonable and fair methodology used in the establishment of square footage rental rates for the Tenants occupying city-owned property along Van Ness Avenue (Garage #9). The square footage rates for the five Tenants who are being assessed rent range from \$.52 cents up to \$1.17 per square foot of space leased. The "Fair Market Value" and related rent of similar type rental properties in this area should also be researched and considered.**
- ▶ **The City has paid for several Tenants' utility expenses (water, sewer and garbage) of approximately \$5,000 per year which should have been paid for by the Tenants in accordance with the Property Leases.**
- ▶ **Four Tenants are currently not being assessed any rent for leasing and occupying city-owned property.**
- ▶ **There is a lack of consistent and formalized contract administration, compliance monitoring, and recordkeeping related to the contracts/property leases under the Administration of the GSD Facilities Management Division which has contributed to the audit findings noted throughout this audit report. The City Attorney's Office has also not complied fully with AO 6-22 related to their maintenance and monitoring of GSD Facilities Management Property Leases.**

Introduction

As a Best Practice, Internal Audit periodically conducts a Citywide Risk Assessment to identify areas of potential risk to the City. Internal Audit recently conducted a Citywide Risk Assessment which was used to develop our FY10 & FY11 Audit Plan. In accordance with that annual audit plan, Internal Audit is conducting Revenue Property Lease Audits in several City Departments.

Audit Objectives

The primary audit objectives were to determine whether (1) adequate internal controls over the administration of revenue contracts and/or property leases are in place; (2) all appropriate lease revenue was received in accordance with the property lease, in a timely manner, and was accurately recorded; and (3) both parties to the lease complied with their respective requirements and provisions of the lease.

Audit Scope and Methodology

Internal Audit performed this audit during the period of May through July 2010, in accordance with Administrative Order 1-12 and Generally Accepted Government Auditing Standards. In order to accomplish our objectives, Internal Audit performed appropriate audit procedures and tests of records in order to form a conclusion as to the adequacy of the oversight, administration, contract compliance monitoring and recordkeeping related to all city-owned property leases administered by GSD Facilities Management.

Audit Conclusion

The GSD Facilities Management Staff are a professional group of individuals who are responsible for several revenue contracts and property leases. Internal Audit noted several areas during the course of this audit that need improvement to strengthen internal controls, overall contract compliance monitoring, recordkeeping, and the enhancement of property lease revenues for the City. These areas are addressed throughout this Audit Report.

As noted in the attached Management Response Memorandum dated October 28, 2010, from the Public Works Director, DPW has assumed the responsibility and administration of all GSD property leases referenced in this audit report. As such, DPW will also be responsible for the implementation of all related audit recommendations within the time frame and estimated implementation dates so noted in the Management Response Memorandum.

Audit Report Sections – Results and Recommendations

I. City-owned Property Leases – Van Ness Avenue

There are currently six (6) Tenants leasing city-owned property along Van Ness Avenue between Fresno and Merced Street. Only five (5) of these Tenants are being assessed rent by the City for these properties. The Fresno Arts Council is not being assessed any rent by the City which is addressed in Section II. of this report. The five Tenants that are currently being assessed rent by the City are as follows:

Sterling McElroy dba The Smokehouse Restaurant – 1231 Van Ness Avenue
Ajua Bail Bonds – 1237 Van Ness Avenue
All About Nails – 1241 Van Ness Avenue
Lucky Bail Bonds – 1243 Van Ness Avenue
State Jewelry and Loan – 1249 Van Ness Avenue

The above five Property Leases were audited and the following audit findings were noted:

A. Expired Leases

Four of the five Leases have expired and have not been renewed with the City as of our audit date (Ajua Bail Bonds, All About Nails, Lucky Bail Bonds and State Jewelry and Loan).

Background Information provided to Internal Audit by GSD Facilities Management related to the four expired property leases is as follows:

AJUA BAIL BONDS

Lease renewal for Ajua Bail Bonds was proposed by Staff to Ms. Palacios by letter on November 23, 2009, prior to lease expiration on February 28, 2010. Tenant did not respond to Staff's letter until January 19, 2010. Draft of lease renewal was presented to City Attorney's office on February 1, 2010. Draft was approved by City Attorney on February 24, 2010. Lease was delivered to Tenant and she signed and returned her lease document on February 26, 2010; however, Staff did not submit to City Attorney for final signature as Tenant has been behind in her rent for the past several months. Lease signed by Ms. Palacios was submitted to CAO on May 7, 2010 for CAO final review and signature and it was returned to Facilities on May 18, 2010. Ms. Palacios came into Facilities office on June 8, 2010 to talk to staff to let them know that it is a struggle to even keep her doors open during these financially challenging times. Staff did not want to present a lease to Council for approval without the tenant being current in her rent or without a guarantee that the tenant would keep her doors open for much longer. Staff recommends that a letter of agreement be issued that keeps tenant's rent at the current rate on a month-to-month basis with review in 6-9 months.

ALL ABOUT NAILS

All About Nails has never been on a lease with the City. Ms. Sanders moved into the space in 1996 under a sublease with a prior tenant at the property, paying rent at a rate of \$500 per month. Documents in the lease file indicate that on June 9, 1998, Council approved a lease agreement between the City (Public Works Department) and Ms.

Sanders with rent of \$571 per month beginning October 1, 1998 with the lease term expiring September 30, 2000, with an option to lease the space for an additional two years at the same rate of \$571 per month. There is no record of a fully executed lease between the City and Ms. Sanders. There are numerous documents indicating that rent payments by Ms. Sanders have been delinquent since 1997. There have been continued attempts to bring the Tenant current in her rent and keep it current so that a lease could be issued. On March 8, 2010, Facilities attempted to enter into a lease with the Tenant for a one-year term and lease document was hand delivered to the Tenant. Facilities attempted to raise Ms. Sanders' monthly rental rate from the \$500 per month amount to \$750 per month which would place her at \$.66 per square foot rental rate, which would increase her rent by \$250 per month. On March 24, 2010, Facilities Staff was contacted by Councilmember Sterling's assistant asking for a meeting with her Chief of Staff, Carl Jones to review Ms. Sanders' lease proposal and proposed rent amounts (Ms. Sanders did not contact Facilities Staff to discuss the lease proposal prior to calling Councilmember Sterling's office). That meeting took place on April 7 in Mr. Jones' office. Mr. Jones, Councilmember Sterling's Chief of Staff shared that in his conversations with Ms. Sanders, she would like to explore a lower rent increase in the amount of \$125 over a period of two years.

After conversation between Facilities Staff and Ms. Sanders, a one-year lease agreement with rent in the amount of \$600 per month was agreed upon and lease document was hand delivered to Ms. Sanders the middle of April. On June 3, 2010, Staff was notified by Finance that Ms. Sanders had paid a rent payment in the amount of \$500 but still owed a balance of \$650. Staff wrote letter to Ms. Sanders that they had been notified of delinquent payments and to remind her that they had not yet received her signed lease document. Ms. Sanders delivered her signed lease to Facilities mid-June but remains delinquent in her rent. Staff did not want to present a lease to Council with the Tenant delinquent in her rent.

LUCKY BAIL BONDS

On November 23, 2009, Facilities Staff provided Mr. Pearlstein with a draft of a lease renewal. On December 4, 2009, Staff provided lease draft to City Attorney for review. CAO returned lease draft to Facilities on December 15, 2009. On January 4, 2010, Facilities hand delivered lease documents to Mr. Pearlstein for signatures. On March 15, 2010, Staff contacted Mr. Pearlstein to remind him that he had not yet returned his signed lease documents. Mr. Pearlstein communicated by email to Staff on April 22, 2010 that he was "...finding it very difficult to sign a new lease since nothing that was promised last time was ever done." Mr. Pearlstein's concerns are over repairs that need to be done to the front of the building as well as what he describes as issues with Ace Parking in allowing others to park in his reserved space and an old issue of allowing another bail bond business to move into the building. There are documents on file where this issue was addressed by CAO memorandum dated June 22, 2006 and CAO findings were that there was not a non-compete clause in the lease, therefore, there was no breach. Documents on file indicate that the item was placed on Council agenda for December 12, 2006 but was continued. No documentation in the file to indicate whether or not a resolution was reached.

Mr. Pearlstein's email was received during this audit process and was not addressed by Facilities Staff pending audit findings. Issues with Mr. Pearlstein still need to be resolved and lease needs to be signed.

STATE JEWELRY & LOAN

On November 23, 2009, Facilities Staff provided Ms. Feldstein with a draft of a lease renewal. On December 4, 2009, Staff provided lease draft to City Attorney for review. CAO returned lease draft to Facilities on December 15, 2009. On January 4, 2010, Facilities hand delivered lease documents to Ms. Feldstein for signatures. Ms Feldstein returned signed leases to Facilities on January 5, 2010. Facilities obtained CAO signature on leases but was waiting to submit multiple leases to Council for approval. Lease needs to be presented to Council for approval.

Audit Recommendation

1. GSD Facilities Management should immediately finalize and execute Property Leases for all Tenants with expired Leases and who are currently occupying city-owned property. All Property Leases administered by GSD Facilities Management should be more closely monitored and the renewal process of such Leases be performed in a more timely manner as to not allow such Leases to expire.

Management Response to Recommendation 1

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

B. Sterling McElroy (Tenant) dba The Smokehouse Restaurant

Background information provided to Internal Audit by GSD Facilities Management related to this Property Lease is as follows:

This lease was approved and adopted by Council on November 3, 2005. Since the inception of his executed lease on December 1, 2005, Mr. McElroy has struggled making timely rent payments. As a result, various Division Managers have worked with Mr. McElroy to set up payment plans and make rent adjustments. Formal agreement of any rent adjustments needs to be put in writing with and executed by appropriate parties to the Lease. Mr. McElroy remains delinquent in his monthly rent payments.

At various times during Mr. McElroy's tenancy Councilmember Sterling's office has communicated with Facilities staff in support of his continuance as a tenant at the site to operate The Smokehouse Restaurant.

Internal Audit's findings are as follows:

- Per the Property Lease with Sterling McElroy (Smokehouse Restaurant), the monthly rent was to be \$1,995 for the period December 2007 through November 2008. The rent was then to increase to \$2,055 for December 2008 through November 2009, and then increase again to \$2,116 for December 2009 through November 2010.

However, various adjustments/reductions were made to this Tenant's lease payments by GSD Facilities Management for the period June-December 2009,

and all assessed late payment charges were reduced/credited in December 2009. None of these rental adjustments nor crediting of late payment charges were authorized by either Party who signed the original Lease (City Manager and Sterling McElroy), and were not documented in writing via an executed Amendment or "side-letter" to the Lease.

- The Tenant of this city-owned property is a current City employee. It is unclear whether or not this Lease (Contract) between the City and a City employee is appropriate and not in conflict with any City policies or legal restrictions related to an "employer/employee" contractual relationship.

Audit Recommendations

2. GSD Facilities Management should immediately formalize all lease rental adjustments and "waivers" of late payment charges implemented for this Tenant as referenced in the audit findings above, and then have the Amendment or "side-letter" documenting such changes to the original Lease executed by the appropriate parties to the Lease.
3. GSD Facilities Management should immediately consult with the City Attorney's Office as to the appropriateness and legality of the existing Property Lease between the City of Fresno and Sterling McElroy, a City employee. Based on the results of the City Attorney's opinion related to this matter, GSD Facilities Management should take the necessary action related to this Lease, as applicable.

Management Response to Recommendations 2 & 3

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

C. Inconsistency in Rental Square Footage Rates for Tenants on Van Ness Avenue

Background information provided to Internal Audit by GSD Facilities Management related to this section of the audit report is as follows:

Rental rates used for property leases have referenced the prior leases for the same space. All square footage amounts on the leases are consistent with the square footage listed on "Exhibit A" with the exception of State Jewelry & Loan. After the lease renewal period December 1, 2005, it was discovered that there were two "Exhibit A" drawings of the building footprint and that the space for State Jewelry & Loan showed a square footage that was consistent with the second square footage amount and an adjustment was made.

Market rates at the Garage #9 building have historically been well below market rate due to the low standard condition of the premises and lack of City funding to renovate the properties. It is typical with long term tenants to increase their rent at a percentage upon each renewal which has been done with Lucky Bail Bonds and State Jewelry & Loan since 2005. Because of the downturn in the economy, two year leases at the current rate were offered to both tenants. Previous Division Manager negotiated the rent for the Smokehouse Restaurant upon agreement of the Tenant to take the space in an "as is

condition". Rent negotiations for Ajua Bail Bonds were based upon a market rent rate approach which has resulted in her rent being the highest in the building, something which she is aware of and has asked for rent reductions to bring her more in line with the other tenants. In an effort to put a lease in place for All About Nails, Councilmember Sterling's office requested that the proposed rent amount be lowered in order to help keep the tenant in the building.

During the audit, the square footage rates established by the City for the Tenants paying rent for city-owned property along Van Ness Avenue (Garage #9) was analyzed. It became apparent there was no consistent and reasonable methodology used for the establishment of square footage rental rates for these Tenants, as follows:

All About Nails – Proposed one year lease effective 6/1/10 (still unsigned) - \$.52 cents per square foot for 1,144 square feet of leased space.

Ajua Bail Bonds – Proposed one year lease effective 3/1/10 (still unsigned) - \$1.17 per square foot for 918 square feet of leased space.

State Jewelry & Loan – Proposed two year lease effective 12/1/09 (still unsigned) - \$.65 cents per square foot for 2,185 square feet of leased space.

Lucky Bail Bonds – Proposed two year lease effective 12/1/09 (still unsigned) - \$.65 cents per square foot for 1,144 square feet of leased space.

Sterling McElroy dba The Smokehouse Restaurant – Current five year lease expires on 11/30/10 - \$.60 cents per square foot the first year and 3% increase each year thereafter for 3,134 square feet of leased space.

Audit Recommendations

4. GSD Facilities Management should immediately conduct site visits of all Tenants occupying the city-owned properties along Van Ness Avenue to "re-measure" and verify the total actual square footage being leased by these Tenants compared to the total square footage noted in their Lease which is used to calculate their monthly rental amounts.
5. GSD Facilities Management should immediately develop and formalize a consistent and fair square footage rental rate to be used for all Tenants leasing city-owned property along Van Ness Avenue (Garage #9). Once formalized, the rate should be incorporated into the new property leases to be executed between the City of Fresno and the Tenants for calculation and assessment of the monthly rental amounts to be paid to the City.

Management Response to Recommendations 4 & 5

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

D. Outstanding Lease Payments Due the City as of Audit Date

As of June 9, 2010, per the City's Finance Department, the total delinquent amounts of rent due the City of Fresno from the Van Ness Property Tenants is \$14,529, as follows:

Sterling McElroy dba The Smokehouse Restaurant - \$10,535
Ajua Bail Bonds - \$3,244
Lucky Bail Bonds - \$750

Background information provided to Internal Audit by GSD Facilities Management related to this audit report section is as follows:

Because of the complexity of the financial agreements for the property, Facilities is unaware of any rent payments until Finance notifies Staff. With payments being received in Finance, they are in contact with the client trying to collect delinquent payments with notification to Facilities. Rents received are deposited into DPW accounts.

Audit Recommendation

6. GSD Facilities Management and the Finance Department should immediately work jointly to pursue the collection of the \$14,529 in outstanding rental revenues due the City from the above noted Tenants, and discuss a formalized process for improved communication between Finance and GSD related to property lease payments.

Management Response to Recommendation 6

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

E. Utility (Water, Sewer and Garbage) Expenses Being Paid by the City Versus the Tenants As Stipulated in the Property Leases

The Property Leases between the City of Fresno and the Tenants along Van Ness Avenue require them to pay for all utility services charges, *"including, without limitation, gas, water, sewer, electricity, telephone service, garbage pickup and disposal,..."*

However, during the audit, it was noted that the City's Public Works Department, and not the Tenants, is paying for all Van Ness Avenue Tenants' water, sewer and garbage charges billed by the City's Utilities, Billings & Collection Division (UB&C). Per UB&C, approximately \$5,000 a year is billed for water, sewer and garbage charges specifically related to the leased premises along Van Ness Avenue (Garage #9).

Background information provided to Internal Audit by GSD Facilities Management related to this audit report section is as follows:

Each lease identifies that the tenant is responsible for payment of their water, sewer and garbage expenses. It was recently brought to the attention of Facilities staff that DPW has been paying these expenses for each of the tenants. As Facilities does not receive

these invoices, it was unknown that these bills were not being paid by the customer but by DPW.

Audit Recommendation

7. GSD Facilities Management and the Public Works Department should immediately meet to discuss and resolve the payment of the Van Ness Avenue Tenants' utility charges by the City which is not in accordance with the requirements of the Property Leases. The discontinuance of paying these Tenants' utility charges will result in cost savings to the City of approximately \$5,000 per year.

Management Response to Recommendation 7

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

II. City-owned Property Leases – No Rent Being Assessed

Four city-owned properties under the Administration of GSD Facilities Management are currently being leased to outside entities with no rent being assessed. These four Tenants and other related audit findings are noted as follows:

A. Fresno Arts Council – 1245 Van Ness Avenue

The Fresno Arts Council (a nonprofit organization) previously occupied a portion of the Veterans Memorial Auditorium under a property lease executed on June 15, 1992 for \$1 per year. They moved into their current location at 1245 Van Ness Avenue in 1995 and have not had a current, fully executed Lease with the City since re-locating to the Van Ness Avenue site.

The Fresno Arts Council is also not assessed any rent for occupying this city-owned property totaling 2,185 square feet on Van Ness Avenue.

Background information provided to Internal Audit by GSD Facilities Management related to this Property Lessee is as follows:

As part of the relocation of the Fresno Arts Council to their current location at 1245 Van Ness a "quid pro quo" agreement was arranged in lieu of lease or rental payments. For consideration of the occupancy of office space at this location at no charge the Fresno Arts Council agreed to provide art exhibits at City Hall displayed on the 1st and 2nd floors which are changed out on a monthly basis. The display of art exhibits has continuously been performed by the Fresno Arts Council at the new City Hall since its commencement in service about 1990.

Audit Recommendations

8. GSD Facilities Management should immediately develop, formalize and execute a current Property Lease with the Fresno Arts Council to include all appropriate

and legal terms and conditions as considered necessary between both parties. This new Property Lease should be consistent with all other Van Ness Avenue Property Leases.

9. If GSD/the City does not want to assess any rent to this particular Property Lessee for occupying city-owned property, this should be clearly stated in a newly developed and executed Property Lease between the City and the Lessee.

Management Response to Recommendations 8 & 9

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

B. United Black Men of Fresno, Inc. (UBM) – 1929 E. Church Avenue

The UBM (a nonprofit organization) has occupied the city-owned property at 1929 E. Church Avenue since 2001. This facility was abandoned by the Police Department in December 2000. The property includes a building of approximately 4,335 square feet and an enclosed parking lot.

Per Internal Audit's site visit to this property, discussions with the President and Vice President of the UBM, as well as a review of existing records and correspondence related to this property, the following was noted:

- There is currently no formalized and fully executed Property Lease between the City of Fresno and the UBM as a Tenant in city-owned property. The Tenant has requested to either enter into a Lease Agreement with the City or be deeded the property by the City if the City does not want to continue to retain title to the property.
- UBM is paying all operational expenses related to this city-owned property, except where major repairs or structural improvements are necessary, which are completed by the City upon request by the UBM.
- The UBM is also not assessed any rent for occupying this city-owned property totaling 4,335 square feet and an enclosed parking lot.

Background information provided to Internal Audit by GSD Facilities Management related to this Property Lessee is as follows:

This group had earlier been a tenant in a property owned by the Redevelopment Agency. With the expansion development of the Fresno Community Hospital in 2001 they needed to be relocated. They were then placed in a former Police Department substation property owned by the City located at 1929 E. Church Avenue. A lease was not formalized or executed for their occupancy of the property and they have occupied this facility with no rent charges. Recently it has surfaced that several building code violations exist at this aged property as well as zoning issues. The estimated costs are substantial to repair the building to correct the code violations as well as to complete additional required work. It is therefore not cost effective or prudent to continue

occupancy of the building by UBM or any occupant. The City is recommending that the UBM group be given sufficient notice to relocate to another location following which the building at 1929 E. Church Avenue should be demolished.

Audit Recommendation

10. Based on the above background information provided to Internal Audit by GSD Facilities Management related to this city-owned property, the City should proceed immediately with giving UBM sufficient notice to relocate to another location and the building at 1929 E. Church Avenue be demolished accordingly.

Management Response to Recommendation 10

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

C. AMTRAK Station – 2650 Tulare Street

The City of Fresno (Lessor) entered into a property Lease with the National Railroad Passenger Corporation (AMTRAK) on October 21, 2005, with the Lease commencing on November 1, 2005 and terminating on October 31, 2025. The facility being leased by AMTRAK is approximately 6,500 square feet on the first floor of the AMTRAK facility.

Although AMTRAK pays its direct and proportionate share of all utility expenses related to this facility, the City pays for all maintenance and repairs for the facility and exterior grounds and parking lot at this city-owned property. Per GSD Facilities Management, the estimated maintenance costs incurred by the City related to the square footage occupied and used by AMTRAK is approximately \$27,800 annually.

Additionally, no rent is being assessed to this Tenant by the City of Fresno in accordance with the current property lease.

Background information provided to Internal Audit by GSD Facilities Management related to this Property Lessee is as follows:

In 2005 concurrent with the completion of the City's restoration of the old Santa Fe Depot, the City and Amtrak negotiated a \$1.00 per year lease agreement for Amtrak's use of the Depot as a train station. The negligible lease amount was consistent with Amtrak's practice of not paying rent for station space leases anywhere in California. Their practice is based upon the community wide benefit of having an Amtrak train station located within an urban area. Prior to their relocation to the newly restored Depot station facility, Amtrak utilized the old baggage building on the property. The new Depot location provides Fresno passengers a modern, well maintained train station facility which reflects positively on the City of Fresno for residents and visitors travelling with Amtrak.

Based on the above information provided by GSD Facilities Management, no audit recommendations are considered necessary related to this property lease.

D. Permit Agreement for Vending Facility – “City Hall Café” in City Hall – State Department of Rehabilitation, Business Enterprises Program (BEP)

A Permit for Vending Facility Agreement was entered into on September 22, 2005, between the State Department of Rehabilitation, Business Enterprises Program (BEP) and the City of Fresno. This Permit/Agreement relates to the “City Hall Café” located on the 1st floor of City Hall.

Based on our audit of this Vending Facility Agreement, the following was noted:

- This Agreement was only signed by the BEP Program Manager and the City Manager. It was not signed off by the City Attorney and Risk Management, nor was there any documentation located to support this Agreement being approved by the City Council.
- There is no Term included in this Agreement, i.e. it is “open-ended” with no termination date.
- The unallocated costs incurred by the City related to the space (1,415 square feet) occupied by this Vendor at City Hall is approximately \$24,000 per year per GSD Facilities Management. This estimated amount includes maintenance, electricity and gas, security, janitorial, etc.
- There is no rent being assessed to this Tenant by the City of Fresno.

Background information provided to Internal Audit by GSD Facilities Management related to this Property Lessee is as follows:

Historically for well over 20 years the City has provided space and facilities for food and drink concessionaires at City Hall (both the current and old buildings) arranged through the State Department of Rehabilitation. No rent or lease payments have been negotiated or anticipated as the service is primarily for the convenience and benefit of City Hall tenants and visitors which does not generate sufficient revenue to support space fees. In fact GSD and the CMO have worked with the current vendor on occasion to determine if additional revenue sources could be found to help the business better support itself in City Hall.

Regarding the agreement, after initial approval by the City Attorney’s Office (CAO) and State attorneys, Facilities submitted the finalized vending permit to the City Attorney’s Office (CAO) for their signature on October 23, 2009. With review by a new attorney, the CAO again red-lined the agreement and returned it to Facilities on December 7, 2009. Facilities staff has not made changes to the agreement again because the document had been reviewed several times by other CAO personnel and approved. The Vending Permit agreement needs to be signed by the City Attorney’s Office as previously approved by both City and State attorneys and submitted to Council for final approval.

Audit Recommendations

11. GSD Facilities Management should immediately develop and formalize a current Property Lease/Vending Facility Permit with the BEP on behalf of the “City Hall Café” to include all appropriate and legal terms and conditions as considered

necessary between both parties. The newly formalized Lease/Vending Facility Permit should be reviewed and approved by the City Attorney's Office, Risk Management Division and the City Manager's Office and then submitted to the City Council for their approval.

12. If GSD/the City does not want to assess any rent to this particular Property Lessee for occupying city-owned property, this should be clearly stated in a newly developed and executed Property Lease between the City and the Lessee.

Management Response to Recommendations 11 & 12

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

III. Inadequate Contract (Lease) Administration, Monitoring and Recordkeeping

- A. Based on the audit findings noted throughout this audit report, it is apparent that the ongoing administration and monitoring for contract compliance, and the recordkeeping for the property leases designated under GSD's Administration is not being performed in an adequate and consistent manner. Internal Audit does understand and acknowledges that a contributing factor to this statement is due to the "turn-over" in management staff and the continued reassignment of responsibilities at the GSD Facilities Management Division during the past several years. However, the need for improved internal control, monitoring and recordkeeping related to GSD's contracts/property leases is evident based on the results of this audit.

Background information provided to Internal Audit by GSD Facilities Management related to this section of the audit report is as follows:

Staff agrees that a dedicated Contract Administrator needs to be appointed.

Facilities staff currently has a list of the leases— auditor did not request to see the list, only specific information regarding each lease.

Facilities staff currently has a file set up for each lease. Funding and encumbrances has historically been the responsibility of Finance. Finance is provided with a copy of each lease as it is executed.

Staff agrees that a dedicated Contract Administrator would be able to monitor all aspects of each lease agreement. Unfortunately, the City process is not set up to administer the leases in a manner that is consistent with property management in the private sector. The administration of the leases was at one time the duty of the Real Estate Department under Darrell Balch and later the administration for the Garage 9 properties and United Blackmen space was handled by previous Division Manager, Dennis Major. After Mr. Major's retirement, as questions came up, staff began to take on more and more of the tasks as a customer service. Staff is unaware if a formal agreement was ever arranged between Facilities and Public Works for the Facilities Division to manage the Garage 9 property.

Audit Recommendations

13. The GSD Director should immediately appoint a Department/Divisional "Contract Administrator" who is to be responsible for the administration, compliance monitoring and recordkeeping of all Departmental/Divisional contracts, including revenue property leases.
14. The appointed Department/Divisional "Contract Administrator" for GSD should maintain a complete listing of all Department/Divisional contracts/leases on an ongoing basis for reference, accountability and reporting purposes.
15. The Department/Divisional "Contract Administrator" should establish and maintain a file for each Department contract/lease and include therein, at a minimum, the following:
 - A fully executed original contract/property lease, including all Exhibits and any subsequent Amendments, etc. to such contract(s);
 - Contract/Lease term, i.e. effective and expiration dates;
 - All required Insurance Certificates and endorsements;
 - All disbursement or revenue amounts, terms, conditions and frequency of such contract transactions for monitoring purposes; and
 - Any information regarding source(s) of funding and encumbrances specific to the contract.
16. The Department/Divisional "Contract Administrator" should establish formalized procedures to ensure complete and consistent contract compliance by all parties to the contract/property lease, to specifically include but not be limited to, the following:
 - Monitoring of contract (lease) and insurance certificate expiration dates;
 - Monitoring of the satisfactory completion of contract deliverables and reporting requirements and the due dates of such deliverables as stipulated in the contract;
 - Monitoring of all payments due the City (revenue contract) or disbursements due the contractor (expenditure contract), i.e. amounts are accurate as per the contract terms and conditions, supported by adequate documentation, and reportable on a regular basis to City Management or to appropriate outside agencies;
 - Monitoring and review of actual contract revenues or contract expenditures throughout the term of the contract, to include comparisons to Department Budget and, if applicable, the initiation of budgetary action and/or reporting to City Management, as considered appropriate.

Management Response to Recommendations 13 - 16

See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.

- B. Administrative Order 6-22 "Contract Compliance System" (copy attached) specifically states – *"The Council has established a Citywide Contract Database, maintained by the City Attorney's Office, to assist departments in the monitoring of their respective contracts. The database is to include data for all contracts to which the City is a party. Department Contract Administrators are responsible for providing the data to the City Attorney Office Contract Compliance Coordinator for input into the database. The system (City Attorney's Office) will provide advance reminder notices to Contract Administrators of events under the contract requiring City action or monitoring (i.e., expiration of contract, exercise of option, expiration of security and insurance policies, performance milestones, etc.)."*

During the audit, it had been determined that none of the GSD Property Leases (contracts) were included in the City Attorney's contract database, as required by AO 6-22. Internal Audit could not ascertain, without supporting documentation, that GSD did, in fact, submit all of their property leases (contracts) to the City Attorney's Office, as also required by AO 6-22. However, during our Citywide Contract Compliance Audit (report issued February 16, 2010), the City Attorney's Office was approximately two years behind in inputting contracts into their database that had been submitted by City Departments to the City Attorney's Contract Compliance Coordinator. As a result, the City Attorney's Office did not provide GSD with "advance reminder notices" of such items as contract expiration dates, insurance policy expiration dates, etc.

Audit Recommendation

17. GSD and/or DPW should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all GSD Property Leases and any other Contracts under their administration have, in fact, been provided to the City Attorney's Office for database maintenance purposes, and to assist GSD and/or DPW in the monitoring of their respective contracts, in compliance with AO 6-22.

Management Response to Recommendation 17


See attached October 28, 2010 Management Responses Memorandum from the Public Works Director.



PUBLIC WORKS DEPARTMENT

October 28, 2010

TO: Mark Scott, City Manager
Bruce Rudd, Assistant City Manager
Renena Smith, Budget Director
Bob Koury, Principal Internal Auditor

FROM: Patrick Wiemiller, Public Works Director 

SUBJECT: Management Response to Property Lease Audit Recommendations

I am writing to respond to the review and analysis from the Internal Audit Section pertaining to property leases, the draft report of which was released in June 2010. Initially, the audit findings were directed to GSD Facilities Management, as that was the division in the City responsible for management of the properties that were the subject of the audit. At the same time that the draft report was issued, responsibility for property management was reassigned to the Public Works Department.

Both the Public Works' Real Estate Section (because of their property management function) and the Parking Division (as owner of many of the subject properties) have been working to accumulate current information, meet with lessees, consult with the City Attorney, strategize with the City Manager's Office, and issue legal notices in the intervening period of time.

Audit Recommendation #1

GSD Facilities Management should immediately finalize and execute property leases for all tenants with expired leases and who are currently occupying city-owned property. All property leases administered by GSD Facilities Management should be more closely monitored and the renewal process of such leases be performed in a more timely manner as to not allow such leases to expire.

Management Response

The Real Estate Division has already accomplished notifications of the intent of the City to execute leases on all subject properties. Discussions and negotiations are currently underway. However, the totality of the leases cannot be finalized and executed "immediately" due to legal issues surrounding some of the tenant relationships. Each is being handled on a case-by-case basis, and it would be impossible at this time to offer a date by which all leases will be finalized and executed. To accomplish accountability in making progress toward the audit recommendations, I recommend as an alternative that a follow-up audit update be performed at an interim date, perhaps April 1, 2011 or July 1, 2011, to document progress toward the goal of all tenant relationships being under a properly executed lease.

Audit Recommendation #2

GSD Facilities Management should immediately formalize all lease rental adjustments and "waivers" of

late payment charges implemented for this Tenant as referenced in the audit findings above, and then have the Amendment or “side-letter” documenting such changes to the original Lease executed by the appropriate parties to the Lease.

Management Response

I agree with this recommendation, other than the “immediately” component. We are working through the investigations of reconstruction of past accounts and alleged “unwritten agreements” on a case-by-case basis. Not all tenants are cooperating, and due to active legal issues it would be impossible at this time to offer a date by which all leases will be finalized and executed. To accomplish accountability in making progress toward the audit recommendations, I recommend as an alternative that a follow-up audit update be performed at an interim date, perhaps April 1, 2011 or July 1, 2011, to document progress toward the goal of all amounts to be accounted for and all agreements and side letters to be executed.

Audit Recommendation #3

GSD Facilities Management should immediately consult with the City Attorney’s Office as to the appropriateness and legality of the existing Property Lease between the City of Fresno and Sterling McElroy, a City employee. Based on the results of the City Attorney’s opinion related to this matter, GSD Facilities Management should take the necessary action related to this Lease, as applicable.

Management Response

I agree with this recommendation. The CAO has been consulted. We are taking necessary and appropriate action. The matter is active with daily activity. Due to the confidentiality of potential legal issues, I will not elaborate in this public document.

Audit Recommendation #4

GSD Facilities Management should immediately conduct site visits of all tenants occupying the city-owned properties along Van Ness Avenue to “re-measure” and verify the total actual square footage being leased by these tenants compared to the total square footage noted in their lease which is used to calculate their monthly rental amounts.

Management Response

Real Estate Section staff has conducted site visits of each property in the Garage 9 complex. As part of the current investigations and negotiations, all leased space square footage is being verified.

Audit Recommendation #5

GSD Facilities Management should immediately develop and formalize a consistent and fair square footage rental rate to be used for all tenants leasing city-owned property along Van Ness Avenue (Garage #9). Once formalized, the rate should be incorporated into the new property leases to be executed between the City of Fresno and the Tenants for calculation and assessment of the monthly rental amounts to be paid to the City.

Management Response

I disagree with this recommendation. While I agree that a reasonable methodology should be used to establish lease rates, ultimate amounts charged in leases should be a function of not only square footage, but also the amount of tenant improvements performed by the lessee of the owner, and comparable market rates that are prevailing at the time of the execution of the lease, among other relevant factors. Consistency of square footage rate from one tenant to another is neither a goal nor even a desire necessarily. The lease rates executed two or three years from now will most likely (and hopefully) yield higher per-square-foot incomes than do the leases currently being finalized for execution. Variations in lease rates per square foot as described in the audit are not unheard of in the industry, but the basis of variation should be for the reasons I mentioned and not due to some abstract consideration (which appears to have been the case in the past).

Audit Recommendation #6

GSD Facilities Management and the Finance Department should immediately work jointly to pursue the collection of the \$14,529 in outstanding rental revenues due the City from the above noted tenants, and discuss a formalized process for improved communication between Finance and GSD related to property lease payments.

Management Response

I agree with the recommendation. The Real Estate Section staff is working closely with Finance Department staff to pursue all outstanding accounts receivable, including by use of Small Claims Court, Superior Court, liens, wage garnishments, and other resources. A formalized process for improved coordination and communication between the departments has been developed and continues to evolve. All parties have welcomed the change in process.

Audit Recommendation #7

GSD Facilities Management and the Public Works Department should immediately meet to discuss and resolve the payment of the Van Ness Avenue tenants' utility charges by the City which is not in accordance with the requirements of the property leases. The discontinuance of paying these tenants' utility charges will result in cost savings to the City of approximately \$5,000 per year.

Management Response

I agree with the recommendation. Payment responsibility for utilities is an issue being incorporated in all present and future lease negotiations. The exception to this approach will be in those cases where utility charges are contained within a single utility account for a building with multiple tenants. In those cases, the negotiated lease rates shall recognize this fact and incorporate utility costs within the cost of the lease. In any case, the leases shall articulate how utilities are paid and the practice of billing and collection of lease payments shall reflect the terms of the leases.

Audit Recommendation #8

GSD Facilities Management should immediately develop, formalize and execute a current property lease with the Fresno Arts Council to include all appropriate and legal terms and conditions as considered necessary between both parties. This new property lease should be consistent with all other Van Ness Avenue property leases.

Management Response

I will defer to the City Manager's Office for response.

Audit Recommendation #9

If GSD/the City does not want to assess any rent to this particular property lessee for occupying city-owned property, this should be clearly stated in a newly developed and executed property lease between the City and the lessee.

Management Response

Duly noted.

Audit Recommendation #10

Based on the above background information provided to Internal Audit by GSD Facilities Management related to this city-owned property, the City should proceed immediately with giving UBM sufficient notice to relocate to another location and the building at 1929 E. Church Avenue be demolished accordingly.

Management Response

The Real Estate Section staff is in active negotiations with UBM which may result in an outcome different than those mentioned in the audit recommendation, yet satisfactory to both UBM and the City. I cannot elaborate due to the fact that negotiations are underway. I do agree that resolution of one form or another must be brought to this situation at the earliest practical date.

Audit Recommendation #11

GSD Facilities Management should immediately develop and formalize a current Property Lease/Vending Facility Permit with the BEP on behalf of the "City Hall Café" to include all appropriate and legal terms and conditions as considered necessary between both parties. The newly formalized Lease/Vending Facility Permit should be reviewed and approved by the City Attorney's Office, Risk Management Division and the City Manager's Office and then submitted to the City Council for their approval.

Management Response

The Real Estate Section has not yet been asked to address this issue, as priority has been

assigned to the other matters covered by this audit. We will confer with the City Manager's Office to assess their desire regarding resolution of this matter.

Audit Recommendation #12

If GSD/the City does not want to assess any rent to this particular Property Lessee for occupying city-owned property, this should be clearly stated in a newly developed and executed Property Lease between the City and the Lessee.

Management Response

Duly noted.

Audit Recommendation #13

The GSD Director should immediately appoint a Department/Divisional "Contract Administrator" who is to be responsible for the administration, compliance monitoring and recordkeeping of all Departmental/Divisional contracts, including revenue property leases.

Management Response

I agree with the recommendation. The Real Estate Section has established those responsibilities.

Audit Recommendation #14

The appointed Department/Divisional "Contract Administrator" for GSD should maintain a complete listing of all Department/Divisional contracts/leases on an ongoing basis for reference, accountability and reporting purposes.

Management Response

I agree with the recommendation. That system is being developed and should be fully implemented by June 30, 2011 assuming expected progress in current lease negotiations and related real estate activities.

Audit Recommendation #15

The Department/Divisional "Contract Administrator" should establish and maintain a file for each Department contract/lease and include therein, at a minimum, the following:

- A fully executed original contract/property lease, including all Exhibits and any subsequent Amendments, etc. to such contract(s);
- Contract/Lease term, i.e. effective and expiration dates;
- All required Insurance Certificates and endorsements;
- All disbursement or revenue amounts, terms, conditions and frequency of such contract transactions for monitoring purposes; and
- Any information regarding source(s) of funding and encumbrances specific to the contract.

Management Response

I agree with the recommendation. That system is being developed and should be fully implemented by June 30, 2011 assuming expected progress in current lease negotiations and related real estate activities.

Audit Recommendation #16

The Department/Divisional "Contract Administrator" should establish formalized procedures to ensure complete and consistent contract compliance by all parties to the contract/property lease, to specifically include but not be limited to, the following:

- Monitoring of contract (lease) and insurance certificate expiration dates;
- Monitoring of the satisfactory completion of contract deliverables and reporting requirements and the due dates of such deliverables as stipulated in the contract;
- Monitoring of all payments due the City (revenue contract) or disbursements due the contractor (expenditure contract), i.e. amounts are accurate as per the contract terms and conditions, supported by adequate documentation, and reportable on a regular basis to City Management or to appropriate outside agencies;
- Monitoring and review of actual contract revenues or contract expenditures throughout the term of the contract, to include comparisons to Department Budget and, if applicable, the initiation of budgetary action and/or reporting to City Management, as considered appropriate.

Management Response

I agree with the recommendation. That system is being developed and should be fully implemented by June 30, 2011 assuming expected progress in current lease negotiations and related real estate activities.

Audit Recommendation #17

GSD and/or DPW should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all GSD Property Leases and any other Contracts under their administration have, in fact, been provided to the City Attorney's Office for database maintenance purposes, and to assist GSD and/or DPW in the monitoring of their respective contracts, in compliance with AO 6-22.

Management Response

We will comply with A.O. 6-22 to the extent the system allows us. However, I have serious reservations after reading in the audit report that the City Attorney's Office is two years behind in inputting contract information, and A.O. 6-22 is only four years old. It would seem that an immediate compliance, as recommended, would be in vain and inappropriately pull attention and available resources away from those areas that can achieve immediate improvements. (We are engaging precious few resources to bring about rather monumental changes in our property management procedures.) We should be fully compliant by June 30, 2011 assuming expected

progress in current lease negotiations and related real estate activities. However, during that intervening time, we will also investigate if there is a better Contract Compliance System available, and we may lobby to change A.O. 6-22 to ensure currency of input and information which, in turn, should yield improved accountability.

Subject: Contract Compliance System	Number: 6-22
	Date Issued: 11/09/06 Date Revised:
Responsible Department: City Manager	Approved:

Purpose

To establish a policy and procedure for the activation and maintenance of a Contract Compliance System to ensure and standardize contract compliance.

Policy

Each department is responsible for the administration, monitoring and enforcement of City contracts. The Council has established a Citywide Contract Database, maintained by the City Attorney's Office, to assist departments in the monitoring of their respective contracts. The database is to include data for all contracts to which the City is a party. Department Contract Administrators are responsible for providing the data to the City Attorney Office Contract Compliance Coordinator for input into the database. The system will provide advance reminder notices to Contract Administrators of events under the contract requiring City action or monitoring (i.e., expiration of contract, exercise of option, expiration of security and insurance policies, performance milestones, etc.). It remains the responsibility of initiating departments for the administration, monitoring and enforcement of the respective City contracts. The City Attorney's Office will not be retaining the documents submitted by the departments.

Procedures

Part I – Duties of the Contract Administrator

1. Each department is responsible for appointing a department or division contact person ("Contract Administrator") who is responsible for administering, monitoring and enforcing the respective department or division contracts.
2. Immediately upon receipt of the fully executed contract, the Contract Administrator will review each contract and flag matters that will require City action or monitoring. In identifying such matters, he/she may seek assistance from the attorney who approved as to form the respective contract.
3. The Contract Administrator will maintain a file for each contract and include therein each of the following:
 - A fully executed original contract, including all exhibits and referenced documents (see Administrative Order 4-1).

- Any proof of authority of signers (see Administrative Order 4-1).
- All required bonds or other security (i.e., letters of credit with approval of issuing bank by the Treasury Officer of the Finance Department, etc.).
- All required insurance certificates and endorsements.
- All fully executed amendments/change orders to the contract.
- All written communication between the parties, including all notices given or received under the contract.
- Copies of all completed Routing Slips, including attachments, to the Contract Compliance Coordinator for "Initial Submission" (attached) and for "Change" (attached).
- Copy of notice to City Clerk and Contract Compliance Coordinator of acceptance, completion or acquisition of materials (by purchase order sign-off date).
- Any information regarding source(s) of funding and encumbrances, other related contracts and actions taken by other City departments involved in contract fulfillment.

Part II – Creating the Initial Database

1. Departments will provide a copy of each contract and all necessary attachments (except communication between the parties and information not effecting matters flagged or listed on attached Routing Slips) for those contracts currently in effect, along with a completed "Initial Submission" Routing Slip and a completed "Change" Routing Slip, if applicable, to the Contract Compliance Coordinator.
2. Upon notification from the Contract Compliance Coordinator, the Contract Administrator is responsible for expeditiously locating and providing any missing documentation. The Contract Compliance Coordinator will notify the respective Contract Administrator when all data input has been completed for the initial contracts submitted.
3. The Contract Administrator shall complete, in full, the attached "Initial Submission" Routing Slip and indicate thereon any specific amount of lead time that the department requires for the particular event (e.g., a 4-month reminder notice may be desirable before expiration of a contract to allow department staff to conduct a competitive procurement process). An automatic 30-day reminder notice will be sent to the Contract Administrator, prior to expiration dates.
4. If activity has occurred since entry into a contract that would establish or alter the event dates in the contract (e.g., notice of completion of tenant improvements that establishes the commencement date of the lease; or exercising a right to extend the term of a contract by providing a notice to extend) or alter other relevant information (i.e., party name, etc.), then the Contract Administrator shall complete, in full, the attached "Change" Routing Slip (review for other examples of relevant information for which the Contract Compliance Coordinator should be notified for purposes of updating the database) and provide a copy of all necessary documentation.

Part III – Maintaining the Database (see Part II, No. 4, above, before proceeding with this part)

1. Upon the contract being fully executed (including City Clerk attestation), the Contract Administrator(s) for the initiating department will provide a copy of any newly executed contract, including all exhibits and other referenced documents, insurance certificates,

bonds or other security, and any notices to proceed. Such copy will be accompanied with a completed "Initial Submission" Routing Slip (attached) as in Part II, No. 2 above.

2. The Contract Administrator shall thereafter notify the Contract Compliance Coordinator by submission of a completed "Change" Routing Slip (attached) regarding any changes to relevant information as in Part II, No. 3 above, and provide a copy of all necessary documentation, including contracts and attachments.
3. Upon completion of the contract, the department will be responsible for contacting the City Clerk and the Contract Compliance Coordinator by written notice of acceptance, completion or acquisition of materials (by purchase order sign-off date). Use the attached "Change" Routing Slip for this purpose when notifying the Contract Compliance Coordinator.

<u>OFFICE ROUTING SLIP</u>	CAO use only: _____
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PLEASE READ CAREFULLY BEFORE COMPLETING

TO: Rickey E. Quinn, CITY ATTORNEY'S OFFICE
 CONTRACT COMPLIANCE COORDINATOR

EXECUTED CONTRACT INITIAL SUBMISSION – CITYWIDE CONTRACT DATABASE
 (Attach copy of Office Routing Slip for Initial Submission and note any changes below)

Date: _____ Contract Administering Department: _____
 Director's Name _____
 Document TYPE _____
 Contract Administrator: Name _____ Title _____
 Phone No. _____ E-mail Address _____

Name of parties to contract: CITY OF FRESNO and _____

LIST COMPANY NAME AND SIR NAME(S) of SIGNATORY _____

Contract Dates: Execution: _____ Expiration: _____

Contract attached?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
All exhibits and referenced documents attached?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
All insurance certificates attached?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
All bonds attached?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Letter of Credit attached?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Notice to Proceed attached?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
All amendments attached?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Identify any other referenced or related documents attached:	1. _____		
	2. _____		
	3. _____		
Identify events (and related section number(s) of contract) requiring/requesting reminder notices:	From Dates Listed of Expiration, a 30-day reminder notification will be sent <u>unless more time is requested.</u> <u>Identify date on which you wish to receive reminder notice(s):</u>		
1. Contract Expiration	Section:		
2. Exercise of Option	Section:		
3. Performance Milestone (e.g., payment, work phase, reports)	Section:		
4.	Section:		
5.	Section:		

Please retain a copy of this coversheet for your file