





BUDGET & MANAGEMENT STUDIES – INTERNAL AUDIT

DATE: May 2, 2011

TO: KENNETH HAMM, Director, Department of Transportation/FAX

THROUGH: RENENA SMITH, Budget Director 
Budget and Management Studies

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

SUBJECT: FINAL FOLLOWUP REPORT – TRANSPORTATION/FAX REVENUE
CONTRACTS AUDIT

Attached is the Final Follow-up Audit Report related to the Transportation/FAX Revenue Contracts Audit issued on September 10, 2010 (The complete original audit report can be found on the City's Internal Audit web site for reference purposes if necessary.) This follow-up audit was performed in accordance with AO 1-12 and Government Auditing Standards.

The Transportation/FAX Director provided a response and current status Memorandum dated April 27, 2011 to Internal Audit related to the 16 original audit recommendations. (A copy of this Memorandum is attached to this report in its entirety for reference purposes.) Internal Audit performed follow-up procedures and determined the status as follows:

- 3 Fully Implemented
- 5 Partially Implemented
- 6 No Longer Applicable
- 2 Not Implemented

We wish to thank you and your staff for your assistance during the course of this follow-up audit. If you have any questions or we can be of any further assistance to your Department, please 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
Jim Sanchez, City Attorney
Joe Gray, Finance Director/City Controller
Kathleen Healy, Administrative Manager, Department of Transportation/FAX
Joe Vargas, Management Analyst III, Department of Transportation/FAX
Vincente Cantu, Senior Budget Analyst, Budget and Management Studies

City of



BUDGET AND MANAGEMENT STUDIES – INTERNAL AUDIT

FINAL FOLLOWUP AUDIT REPORT

TRANSPORTATION/FAX REVENUE CONTRACTS AUDIT

Audit Number 11-0013

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

Issued on May 2, 2011

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Executive Summary

The most significant audit findings are summarized below based on the results of our review of the Transportation/FAX Revenue Contracts. Our audit findings are intended to assist Transportation/FAX Management/Contract Administrator in their contract oversight responsibilities.

Original Audit Report Key Audit Findings

- The City Attorney's Office Citywide Contract Database did not include the five revenue contracts; Fresno County Unified School District Teilman Campus, Valley Children's Hospital, LAMAR Transit Advertising, the City of Clovis, and the County of Fresno.
- The City Clerk's Office database did not include the LAMAR Transit Advertising contract.
- Some of the quarterly payments for two contracts were not received within 15 calendar days of the billing date as required by the contracts; however, the contracts do not stipulate the assessment of a late fee for payments not received within 15 calendar days of the billing date.
- An outstanding amount of \$15,577 is owed the City as of the audit date related to the Fresno County Unified School District Teilman Campus Contract.
- There is a lack of consistent and formalized contract administration, compliance monitoring, and recordkeeping related to the contracts under the Administration of Transportation/FAX 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 Transportation/FAX Contracts.

REPORT SECTIONS - RESULTS AND RECOMMENDATIONS

I. Fresno County Unified School District (FCUSD) Teilman Campus

The contract with FCUSD Teilman Campus is for Transportation/FAX transit service to the Teilman Campus. The contract period is July 1, 2000 until termination. Contract Section 4 states, "FCUSD's total compensation to the CITY for public transportation service ... to be billed to FCUSD quarterly and shall be adjusted annually as specified in Schedule A. Each payment shall be due and payable within fifteen (15) calendar days by FCUSD of the respective billing date." Schedule A is adjusted annually by Transportation/FAX to reflect revised expenses for the fiscal year for which the services are to be provided.

FCUSD sent a notice of termination dated March 16, 2010 to Transportation/FAX terminating the contract effective June 30, 2010.

Internal Audit reviewed the contract, the FY09 and FY10 billing and payment documents, and the letter of termination, and noted the following:

- The contract was not listed on the Transportation/FAX Contract List that was provided to Internal Audit August 2009. The Contract Administrator informed Internal Audit of this contract and provided the billing and payment documents.
- The FY-09 quarterly payments averaging \$11,984 were received late ranging from 45 to 131 calendar days after the due date. In FY10, the first and second quarter payments of \$9,487 and \$7,993 respectively were received 62 and 28 calendar days after the due date. The contract does not stipulate a late fee for payments not received within 15 calendar days of the billing date.
- The FY-10 third and fourth quarter payments were billed but not received as of the audit date. The third quarter payment of \$8,055 was billed on May 7, 2010 and the fourth quarter payment of \$7,522 was billed on July 12, 2010.
- The City Attorney's Office Citywide Contract Database did not include the FCUSD Teilman Campus contract.

Audit Recommendations

1. The Contract Administrator should update the Contract List to ensure the list contains all the contracts for which Transportation/FAX has oversight responsibility and to ensure the accurate and timely recording of all contracts for reference, reporting, and audit purposes.

Current Status - Partially Implemented (see attached 4/27/11 Department Memorandum)

2. The Contract Administrator should ensure that the \$15,577 due is collected as the contract was terminated as of June 30, 2010.

Current Status – Fully Implemented (see attached 4/27/11 Department Memorandum)

3. The Contract Administrator/FAX Management, in conjunction with the City Attorney's Office, should consider adding a late payment fee section to all current and future contracts to encourage the timely submission of revenue due the City.

Current Status – Not Implemented (see attached 4/27/11 Department Memorandum)

4. The Contract Administrator should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all Revenue Contracts 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 Transportation/FAX in the monitoring of their respective contracts.

Current Status – No Longer Applicable (see attached 4/27/11 Department Memorandum)

II. Valley Children's Hospital (VCH)

The contract with VCH is for Transportation/FAX transit service to VCH. The contract period is September 1, 1998 until termination. Section 4 of the contract states "VCH's total compensation to the City for public transportation service to VCH... to be billed to VCH quarterly, and shall be adjusted annually as specified in Schedule A. Each payment shall be due and payable within fifteen (15) calendar days by VCH of the respective billing date." Schedule A is adjusted annually by Transportation/FAX to reflect revised expenses for the fiscal year for which the services are to be provided, utilizing the formulas set forth in Schedule A. For purposes of the contract, the fiscal year is July 1 through June 30. The FY09 Schedule A amount is \$119,949.87 and the FY10 Schedule A amount is \$116,351.11.

Internal Audit reviewed the contract, the FY09 and FY10 billing and payment documents and noted the following:

- Two FY09 quarterly payments for \$29,987 each were not received within 15 days of the billing date. The first quarter payment was received 7 calendar days after the due date and the second quarter payment was received 13 calendar days after the due date. The contract does not stipulate a late fee for payments not received within 15 calendar days of the billing date.
- The City Attorney's Office Citywide Contract Database did not include the Valley Children's Hospital contract.

Audit Recommendations

5. The Contract Administrator, in conjunction with the City Attorney's Office, should consider adding a late payment fee section to all current and future contracts to encourage the timely submission of revenue due the City.

Current Status – Not Implemented (see attached 4/27/11 Department Memorandum)

6. The Contract Administrator should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all Revenue Contracts 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 Transportation/FAX in the monitoring of their respective contracts.

Current Status – No Longer Applicable (see attached 4/27/11 Department Memorandum)

III. LAMAR Transit Advertising

The contract with LAMAR is for advertisement space on Transportation/FAX buses. The contract period is September 1, 2007 to August 31, 2012. The contract amount is \$2,205,000 over the 5 years of the contract. LAMAR paid \$400,000 in FY-08; \$335,317 in FY-09; and \$429,203 in FY-10.

Internal Audit reviewed the contract and the revenue and production services documentation for FY08-10, and noted the following:

- The City Attorney's Office Citywide Contract Database did not include the LAMAR Transit Advertising contract.
- The City Clerk's Office contract database did not include the LAMAR Advertising contract.

Audit Recommendations

7. The Contract Administrator should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all Revenue Contracts 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 Transportation/FAX in the monitoring of their respective contracts.

Current Status – No Longer Applicable (see attached 4/27/11 Department Memorandum)

8. The Contract Administrator should provide the City Clerk's Office with an original signed copy for the official City records, for reference or public records access purposes, and for reconciliation with the City Attorney's Office Citywide Contract Database on a quarterly basis for control and accountability purposes.

Current Status – Fully Implemented (see attached 4/27/11 Department Memorandum)

IV. City of Clovis

The contract with the City of Clovis is for Transportation/FAX transit and Handy Ride services to and within the jurisdiction of the City of Clovis. The contract period is January 1, 1995 until termination by either party.

Contract Section 11b - Liability Insurance states "The certificate or endorsement shall be delivered to Fresno prior to commencing service hereunder, any subsequent certificate or endorsement to be forwarded to Fresno promptly upon any change, replacement, rewriting or renewal." AO 6-22 states "The Contract Administrator will maintain a file for each contract and include therein ... all required insurance certificates and endorsements."

Transportation/FAX is compensated for transit services to Clovis per the sum specified in Schedule A (annual service cost calculations); however, the reimbursement is based each year on the formula distributions of Local Transportation Funds (LTF) and State Transit Assistance (STA) funds to the County. LTF funds are from the ¼ cent sales tax revenues. Significant decrease in sales tax revenues have been seen throughout the state and nation and have impacted LTF revenues. And as a result of actions taken by the State Governor and Legislature, STA funds are not available.

The LTF and STA are one of many funding sources for Transportation/FAX. The County authorizes the City to claim from the Council of Fresno County Governments (COFCG) on behalf of the County a share of the County's LTF and the County's allocation of STA funds as reimbursement for transit service operations. COFCG provides Transportation/FAX with an estimate of the funds that may be available and Transportation/FAX submits the Transportation Funding Claim for ongoing transit operations including transit service within the County jurisdiction and the City of Clovis.

Transportation/FAX does not receive payments directly from the City of Clovis; therefore, tests of billings and payments were not considered appropriate.

Internal Audit reviewed the contract and the transportation funding claims for FY09 and FY10, and noted the following:

- The Contract Administrator did not have an Insurance Certificate on file for the City of Clovis but immediately obtained a Certificate of Insurance from the City of Clovis.
- The City Attorney's Office Citywide Contract Database did not include the City of Clovis contract.
- FY09 Transportation Funding Claim submitted for transit service of \$18.6 million includes \$211,031 for transit service to the City of Clovis and \$18.9 million was received.
- FY10 Transportation Funding Claim submitted for transit service of \$15.3 million includes \$207,731 for transit service to the City of Clovis and as of the audit date \$10.5 million has been received.

Audit Recommendations

9. The Contract Administrator should increase monitoring efforts to ensure the receipt of a current Certificate of Insurance with applicable endorsements evidencing renewal of all required insurance coverage.

Current Status – Partially Implemented (see attached 4/27/11 Department Memorandum)

10. The Contract Administrator should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all Revenue Contracts 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 Transportation/FAX in the monitoring of their respective contracts.

Current Status – No Longer Applicable (see attached 4/27/11 Department Memorandum)

V. County of Fresno

The contract with the County of Fresno is for Transportation/FAX transit and Handy Ride services to the unincorporated areas of the City. The contract period is September 18, 1986 until termination by either party.

Transportation/FAX is compensated for the transit services per the sum specified in Schedule A (annual service cost calculations); however, the reimbursement is based each year on the formula distributions of Local Transportation Funds (LTF) and State Transit Assistance (STA) funds to the County. LTF funds are from the ¼ cent sales tax revenues. Significant decrease in sales tax revenues have been seen throughout the state and nation and have impacted LTF revenues. And as a result of actions taken by the State Governor and Legislature, STA funds are not available.

The LTF and STA are one of many funding sources for Transportation/FAX. The County authorizes the City to claim from the Council of Fresno County Governments (COFCG) on behalf of the County a share of the County's LTF and the County's allocation of STA funds as reimbursement for transit service operations. COFCG provides Transportation/FAX with an estimate of the funds that may be available and Transportation/FAX submits the Transportation Funding Claim for ongoing transit operations including transit service within the County jurisdiction and the City of Clovis.

The contract is an agreement or revenue source for FAX but FAX does not receive payments directly from the County of Fresno; therefore, tests of billings and payments were not considered necessary.

Internal Audit reviewed the contract and the transportation funding claims for FY09&10 and noted the following:

- FY09 Transportation Funding Claim submitted for transit service of \$18.6 million includes \$1.6 million for transit service within the County's jurisdiction and \$18.9 million was received.
- FT10 Transportation Funding Claim submitted for transit service of \$15.3 million includes \$1.8 million for transit service within the County's jurisdiction and as of the audit date \$10.5 million has been received.
- The City Attorney's Office Citywide Contract Database did not include the County of Fresno contract.

Audit Recommendation

11. The Contract Administrator should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all Revenue Contracts 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 Transportation/FAX in the monitoring of their respective contracts, in compliance with AO 6-22.

Current Status – No Longer Applicable (see attached 4/27/11 Department Memorandum)

VI. Department Contract Administrator's Duties

Internal Audit identified a number of Administrative Orders (AO), which require each Department to have a Contract Administrator to administer, track, and monitor Contracts/Leases for their respective Department/Division. The AOs are as follows:

- AO 1-1 Grants Administration (Finance) - Issued on December 1, 1998
- AO 4-1 Processing of Contracts to Which the City is Party (City Attorney) - Revised on November 9, 2006
- AO 6-22 Contract Compliance System (City Manager) - Issued on November 9, 2006

The duties and responsibilities of the Contract Administrator are not clearly defined in the above noted AOs. As a result of Internal Audit's Citywide Contract Compliance Audit Report issued February 16, 2010, a new AO was drafted to replace AOs 4-1 and 6-22 and to more clearly define the Contract Administrator's responsibilities. The newly drafted AO is currently under review for approval and distribution by the City Manager's Office as of our audit date.

Administrative Order 6-22 "Contract Compliance System" 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 and as noted in this audit report:

- The FCUSD Teilman contract was not listed on the Transportation/FAX Contract List that was provided to Internal Audit August 2009. The Contract Administrator informed Internal Audit of this contract and provided the billing and payment documents.
- The Department Contract Administrator did not have an Insurance Certificate on file for the City of Clovis but immediately obtained a Certificate of Insurance from the City of Clovis.
- The City Clerk's Office contract database did not include the LAMAR Transit Advertising contract.
- None of the Transportation/FAX Revenue Contracts were included in the City Attorney's Office Citywide Contract Database, as required by AO 6-22. Internal Audit could not ascertain, without supporting documentation, that Transportation/FAX did, in fact, submit all of their revenue 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 Office Contract Compliance Coordinator. As a result, the City Attorney's

Office could not provide Transportation/FAX with "advance reminder notices" of such items as contract expiration dates, insurance policy expiration dates, etc.

Audit Recommendations

12. The Department Contract Administrator should maintain a complete listing of all Department contracts and maintain this listing on an ongoing basis for accountability, reference and reporting purposes.

Current Status – Partially Implemented (see attached 4/27/11 Department Memorandum)

13. The Department Contract Administrator should establish and maintain a file for each Department contract and include therein, at a minimum, the following:
- A fully executed original contract, including all Exhibits and any subsequent Amendments, change orders, etc. to such contract(s);
 - Contract 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.

Current Status – Partially Implemented (see attached 4/27/11 Department Memorandum)

14. The Department Contract Administrator should establish formalized procedures to ensure complete and consistent contract compliance by all parties to the contract, to specifically include but not be limited to, the following:
- Monitoring of contract and insurance policy 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.

Current Status – Partially Implemented (see attached 4/27/11 Department Memorandum)

15. The Department Contract Administrator should provide the City Clerk's Office with an original signed copy of the LAMAR Bus Advertising contract for the official City records for reference or public records access purposes and for reconciliation with the City

Attorney's Office Citywide Contract Database on a quarterly basis for control and accountability purposes.

Current Status – Fully Implemented (see attached 4/27/11 Department Memorandum)

16. The Contract Administrator should immediately meet with the City Attorney's Contract Compliance Coordinator in order to ensure that all Revenue Contracts 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 Transportation/FAX in the monitoring of their respective contracts, in compliance with AO 6-22.

Current Status – No Longer Applicable (see attached 4/27/11 Department Memorandum)



DATE: April 27, 2011

TO: BOB KOURY, Principal Internal Auditor
BILL RICHARDS, Internal Auditor
Budget and Management Studies Division – Internal Audit

FROM: KEN HAMM, Director, Department of Transportation/FAX
KATHLEEN HEALY, Administration Manager, Department of Transportation/FAX

SUBJECT: TRANSPORTATION/FAX REVENUE CONTRACTS AUDIT CURRENT STATUS REPORT
AS OF APRIL 27, 2011

On September 8, 2010, the Department provided formal responses and action plans to address the recommendations listed in the Final Draft Audit Report of the Department's Revenue Contracts Audit issued on August 26, 2010. Below, listed out under each of the Department's initial responses and action plans, is the progress the department has made towards satisfying each of the audit recommendations.

Management Responses to Audit Recommendations 1-5

1. The Department's Contract Administrator will update the contract list to include all Transportation/FAX contracts within 60 days from the issuance of the Final Report. This will ensure the timely recording of all contracts for reference, reporting, and audit purposes.

Current Status as of April 27, 2011: The Department has compiled the attached spreadsheet that will be utilized to monitor all existing and future contracts. To date this spreadsheet includes all existing revenue contracts for the Department. The Department anticipates having all other existing contracts recorded by July, 1 2011.

2. As of 7/28/2010 the Department has received \$7,522.47 of the \$15,577 that was outstanding from FCUSD Teilman Campus. Payment notification, for the remainder of \$8,054.53, was sent on 09/3/2010.

Current Status as of April 27, 2011: The Department has received full payment from FCUSD Teilman Campus in the amount of \$8,055.31. Attached is a copy of the check stub and the Peoplesoft Financials Daily Receipt Report showing the funds being received and deposited.

3. The Department has accommodated other government agencies based on their processes and accounting schedules. The Department will partner with the City Attorney's Office to amend payment language in its revenue contracts to more accurately reflect when payments are expected. The Department will update the language within six months before revenue contracts are renewed in July of 2011.

Current Status as of April 27, 2011: The Department will partner with the City Attorney's Office to amend payment language in its revenue contracts before renewals are issued on July 1, 2011.

4. The Department will contact the City Attorney's Office to ensure all revenue contracts have been provided within 60 days.

Current Status as of April 27, 2011: As of January 1, 2011 the City Attorney's Compliance Coordinator communicated to all City departments that the City Attorney's Office would no longer be accepting contracts for review and entry into their contract database.

Management Responses to Audit Recommendations 5-6

5. The Departments Contract Compliance Officer will contact the City Attorney's Office to discuss adding language that specifies the assessment of a late payment fee for all current and future contracts within 6 months. Revenue contracts will be renewed in July of 2011.

Current Status as of April 27, 2011: The Department will partner with the City Attorney's Office to discuss the addition of language addressing the assessment of a late payment fee for all current and future contracts. Any updates made to existing contracts will be effective July 1, 2011.

6. Please see response to recommendation #4.

Management Responses to Audit Recommendations 7-8

7. Please see response to recommendation #4.
8. As of August 25, 2010, the Department has submitted the LAMAR advertising contract to the City Clerk's Office.

Management Responses to Audit Recommendations 9-10

9. The Contract Administrator will generate and implement a monitoring system that will ensure all contract requirements are being met within 60 days.

Current Status as of April 27, 2011: The Department has compiled the attached spreadsheet that will be utilized to monitor all existing and future contracts. To date this spreadsheet includes all revenue contracts for the Department. The Department anticipates having all other existing contracts recorded by July, 1 2011.

10. On July 27, 2007 the Department submitted to the City Attorney's Office, information on the following contracts: Valley Children's Hospital, City of Clovis and the County of Fresno. The Department will resubmit these contracts within 30 days.

Current Status as of April 27, 2011: As of January 1, 2011, the City Attorney's Compliance Coordinator communicated to all City Departments that the City Attorney's Office would no longer be accepting contracts for review and entry into their database.

Management Responses to Audit Recommendations 11

11. Please see response to recommendation #10.

Management Responses to Audit Recommendations 12-16

12. Please see response to recommendation #9.
13. The Department's Contract Administrator will establish future contract files and review existing contract files to ensure they include the information listed below within 60 days.
 - i. A fully executed original contract, including all exhibits and any subsequent amendments, change orders, etc.
 - ii. Contract term, i.e., effective and expiration dates;
 - iii. All required Insurance Certificates and endorsements;
 - iv. All disbursement or revenue amounts, terms, conditions and frequency of such contract transactions for monitoring purposes; and
 - v. Any information regarding source(s) of funding and encumbrances specific to the contract.

Current Status as of April 27, 2011: The Contract Administrator has reviewed and updated all revenue contract files to ensure they are in compliance with AO 6-22. In addition to revenue contracts, the Contract Administrator is in the process of gathering and reviewing all other service, expense and miscellaneous contracts to ensure they are in compliance with AO 6-22. The review is expected to be completed by July 1, 2011.

14. The Department will develop procedures consistent with AO 6-22 and AO 4-1 within 60 days.

Current Status as of April 27, 2011: The Department has drafted procedures consistent with AO 6-22 and AO 4-1. These procedures will be reviewed by the Director and Division Managers of the Department for input and modifications. The Department anticipates having the final procedures approved and implemented by July 1, 2011. A copy of the proposed procedures has been attached.

15. Please see response to recommendation #8.

16. Please see response to recommendation #4.

If there are any questions related to the Department's responses please contact Kathleen Healy at (559) 621-1441 or Joe Vargas at (559) 621-1445.

Attachments

**City of Fresno
Transportation Department - Fresno Area Express
Contracts Management Tracking Form**

Contract Vendor	Contract Description	Type of Contract	Effective Date	Termination Date	Contract Options	Contract Renewal Process	Current Fiscal Year Contract Amount	Payment Agreement	Certificate of Insurance Requirement?	Contract Monitor	Comments
City of Clovis	Provide service to the City of Clovis	Revenue	12/16/1994	6/30/2011	No - Renewed annually with acceptance of updated Schedule A	Schedule A annual update and acceptance by Clovis	\$216,815	Quarterly - Within 15 calendar days of billing date	Yes - Annual Update	Joe Vargas	Contract language is in the process of being updated with new payment terms and late payment fees before FY2012 renewal.
Valley Children's Hospital	Provide service to Valley Children's Hospital	Revenue	9/1/1998	6/30/2011	No - Renewed annually with acceptance of updated Schedule A	Schedule A annual update and acceptance by Clovis	\$116,203	Quarterly - Within 15 calendar days of billing date	Yes - Annual Update	Joe Vargas	Contract language is in the process of being updated with new payment terms and late payment fees before FY2012 renewal.
Fresno County	Provide Handy Ride service to unincorporated areas of Fresno County.	Revenue	11/18/1998	Until terminated by either party, 90 days before effective.	No	Annual Renewal	\$1,494,224	Payment is received as part of the Department's annual LTF and STA claim. Actual receipts received can be different based on actual sales tax dollars received and distributed.	No	Kathleen Healy	The Department reviews actual passenger and ridership data for unincorporated areas and provide detail calculations for claim amount.
Lamar Advertising Company	5 year contract for the sale of bus advertisements placed on buses	Revenue	8/8/2007	7/8/2012	Currently in the 4th year of a 5 year contract. 2012 contract amount is \$485,000	5 year contract expires in 2012.	\$480,000	Paid Annually in the Month of August. Letter of Understanding signed to establish a \$50,000 production reserve that will be deducted from annual payment to satisfy any "City" requested advertisements.	No	Jeff Long	
Fresno COG - Taxi Script Program	Administer and sell senior taxi script for the Fresno COG	Revenue	7/1/2008	6/30/2013	No	Will continue through 2013 unless terminated or funds are not available to continue program	5% of retail cash value of Taxi Script sold	Reconciliation of taxi script occurs approximately once a month. Administration fee of 3% is deducted from retail sales.	No	Greg Elaner/ Kathleen Healy	

REMOVE DOCUMENT ALONG THIS PERFORATION

SCHOOL DISTRICT: 1 Fresno County Office Of Education VE NO 3438

Invoice Date	Invoice No./Description	Reference No	Account Classification	Amount
05/07/2010	FY10-03-ROP-FY1	PV-0000110577	0100-24200-0-3550-2700-580000-0784-070	\$2,500.00
05/07/2010	FY10-03-ROP	PV-0000110577	0100-24300-0-3550-3600-580000-0787-070	\$1,000.00
05/07/2010	FY10-03-ROP	PV-0000110577	0100-24300-0-3550-8100-580000-0787-070	\$2,555.31



Issue Date: 09/10/2010 Vendor Number: 3438 Number: 51120337 Net Amount: \$8055.31



Report ID: ZGLC0210

City of Fresno
Daily Receipt Report

Page No. 1
Run Date Sep/15/2010
Run Time 11:45:51 AM

Business Unit: FRSNO
Deposit Id: 30401002
Acct Date: 9/15/2010
Type/Method: CashDep / Check & Cash
Assign to: MARLEM
Journal

Acct	Fund	Dept	BP	PC BU	Prj/Grt	Activity Id	Res Type	Payment Id	Line Descr	Amount
34351	43502	453001	2011					304	tokens-cashier	-382.50
34351	43502	453001	2011					304	tokens-cashier	-6,791.00
34359	43502	453001	2011					304	ROP fy 10-cashier	-8,055.31
34352	43502	453001	2011					304	senior-cashier	-70.00
34358	43502	453001	2011					304	special-cashier	-470.00
39021	43502	453001	2011					304	B Pinney mirror - cashier	-50.00
39021	43502	453001	2011					304	L Saldana mirror - cashier	-50.00
39802	43502	453001	2011					304	A-1 eng pmt - cashier	-3,199.32
34353	43502	453001	2011					304	convenience-cashier	-5,950.00
34351	43502	453001	2011					304	field trip-cashier	-126.50
34353	43502	453001	2011					304	metro-cashier	-1,200.00
34357	43502	453001	2011					304	handyride-cashier	-100.00
10110	43502		2011					304	tokens-cashier	382.50
10110	43502		2011					304	tokens-cashier	6,791.00
10110	43502		2011					304	ROP fy 10-cashier	8,055.31
10110	43502		2011					304	senior-cashier	70.00
10110	43502		2011					304	special-cashier	470.00
10110	43502		2011					304	B Pinney mirror - cashier	50.00
10110	43502		2011					304	L Saldana mirror - cashier	50.00
10110	43502		2011					304	A-1 eng pmt - cashier	3,199.32
10110	43502		2011					304	convenience-cashier	5,950.00
10110	43502		2011					304	field trip-cashier	126.50
10110	43502		2011					304	metro-cashier	1,200.00
10110	43502		2011					304	handyride-cashier	100.00

Totals Credits: -26,444.63

Totals Debits: 26,444.63

Total Lines: 24

End of Report

CITY OF FRESNO FRESNO AREA EXPRESS/FAX DIVISION: ADMINISTRATION	PAGE: 1 of 2 NUMBER: A4-12 REVISION DATE: 09/14/10 EFFECTIVE DATE:XX/XX/XX
RESPONSIBLE PARTY: ADMINSTRATION MANAGER	
SUBJECT: CONTRACT MANAGEMENT	APPROVED BY: Ken P. Hamm Director of Transportation

PURPOSE

To establish internal policy and procedure to comply with the City of Fresno's Administration Order 4-1 Processing of Contracts to Which the City is Party (AO 4-1) and Administrative Order 6-22 Contract Compliance System (AO 6-22). (See attachment A and attachment B)

GENERAL

Contract administration includes the process of properly entering into a contract (AO 4-1) and properly administering, monitoring and enforcing an awarded contract (AO 6-22). Its purpose is to ensure that all contracts are fully executed, that all City policies are followed and that proper monitoring takes place.

The Administration Division's Management Analyst III is the designated Contract Administrator for the Department of Transportation and is responsible for providing guidance to staff on proper contract management. It is the responsibility of the Division Manager who enters the Department into a contract to adhere with Administrative Order 4-1 and Administrative Order 6-22. The Contract Administrator is responsible for assembling and maintaining a master listing of all such contracts that includes critical trigger dates for; renewals, insurance requirements, payment due dates, etc. (See attachment C).

There are several types of contracts that the Department is responsible for monitoring including but not limited to; Fixed-Price Contracts, Requirements Contracts, Multi-Term Contracts, Leases, Lease/Purchase Contracts, Insurance Contracts, Equipment Maintenance Agreements, Software Maintenance Agreements, Consultant Agreements etc.

CONTRACT ADMINISTRATION

After the issuance of a formal contract award document, the Division Manager entering into the agreement will be responsible for providing two full copies of the executed contract to the Contract Administrator. The Contract Administrator will file one copy internally and the second copy should be sent to the City Attorney's Office (CAO) using the routing slip referenced in Administrative Order 6-22. The routing slip will be used to provide the CAO with important trigger dates for conditions specified in the contract. The CAO will input the contract and its critical trigger dates into a citywide database that will be used to notify the Department of important renewal dates and other requirements associated with the contract. Although the Department submits documentation to CAO for automatic notifications related to each specific contract, it is ultimately the responsibility of the Division Manager who initiated the contract to administer, monitor and enforce all the requirements of the contract. Division Managers or their designee will be responsible for communicating any compliance issues with the Department's Contract Administrator.

Additionally, at a minimum, Division Managers shall be responsible for ensuring that;

- (i) the review and approval of any and all invoices submitted for payment by the Contractor for any and all services related to the performance of the contract,

CITY OF FRESNO FRESNO AREA EXPRESS/FAX DIVISION: ADMINISTRATION	PAGE: 2 of 2 NUMBER: AX-X REVISION DATE: 09/14/10 EFFECTIVE DATE: 10/01/10
RESPONSIBLE PARTY: ADMINISTRATION MANAGER	
SUBJECT: CONTRACT COMPLIANCE MANAGEMENT	APPROVED BY: Ken P. Hamm Director of Transportation

- (ii) the contract in use is valid as related to the contract term dates and renewal clauses, when applicable,
- (iii) the Contractor is providing timely goods and/or services in accordance with the contract requirements,
- (iv) the contract file is complete, and
- (v) The contract renewals are completed, and either the contract is renewed, specifications are provided to the Contract Administrator in a timely manner to allow for re-solicitation to avoid interruption of services, or the services are deemed no longer necessary. Failure and/or violations on the part of the Division Manager to adhere to and follow the guidelines specifically defined and related to their role and responsibilities may result in that individual being removed from administering a specific contract.

FILE MAINTENANCE

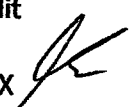

The Division Manager administering the contract or their designee should maintain the contract file in accordance with Administrative Order 6-22 (See Attachment B) and include, at minimum, the following:

- (i) A fully executed original contract, including all exhibits and any subsequent amendments, change orders, and all to such contract(s).
- (ii) Contract term, i.e. effective and expiration dates.
- (iii) All required insurance certificates and endorsements.
- (iv) All disbursements or revenue amounts, terms, conditions and frequency of such contract transactions for monitoring purposes and;
- (v) Any information regarding source(s) of funding and encumbrances specific to the contract



DATE: September 8, 2010

TO: BOB KOURY, Principal Internal Auditor
BILL RICHARDS, Internal Auditor
Budget and Management Studies Division – Internal Audit

FROM: KEN HAMM, Director, Department of Transportation/FAX 
KATHLEEN HEALY, Administration Manager, Department of Transportation/FAX 

SUBJECT: FINAL DRAFT AUDIT REPORT – TRANSPORTATION/FAX REVENUE CONTRACTS
AUDIT MANAGEMENT RESPONSES

Management Responses to Audit Recommendations 1-5

1. The Department's Contract Administrator will update the contract list to include all Transportation/FAX contracts within 60 days from the issuance of the Final Report. This will ensure the timely recording of all contracts for reference, reporting, and audit purposes.
2. As of 7/28/2010 the Department has received \$7,522.47 of the \$15,577 that was outstanding from FCUSD Teilman Campus. Payment notification, for the remainder of \$8,054.53, was sent on 09/3/2010.
3. The Department has accommodated other government agencies based on their processes and accounting schedules. The Department will partner with the City Attorney's Office to amend payment language in its revenue contracts to more accurately reflect when payments are expected. The Department will update the language within 6 months; before revenue contracts are renewed in July of 2011.
4. The Department will contact the City Attorney's Office to ensure all revenue contracts have been provided within 60 days.

Management Responses to Audit Recommendations 5-6

5. The Departments Contract Compliance Officer will contact the City Attorney's Office to discuss adding language that specifies the assessment of a late payment fee for all current and future contracts within 6 months. Revenue contracts will be renewed in July of 2011.
6. Please see response to recommendation #4.

Management Responses to Audit Recommendations 7-8

7. Please see response to recommendation #4.
8. As of 8/25/2010 the Department has submitted the LAMAR advertising contract to the City Clerk's Office.

Management Responses to Audit Recommendations 9-10

9. The Contract Administrator will generate and implement a monitoring system that will ensure all contract requirements are being met, within 60 days.
10. On 7/27/2007 the Department submitted to the City Attorney's Office, information on the following contracts; Valley Children's Hospital, City of Clovis and the County of Fresno. The Department will resubmit these contracts within 30 days.

Management Responses to Audit Recommendations 11

11. Please see response to recommendation #10.

Management Responses to Audit Recommendations 12-16

12. Please see response to recommendation #9.
13. The Department's Contract Administrator will establish future contract files and review existing contract files to ensure they include the information listed below within 60 day.
 - i. A fully executed original contract, including all exhibits and any subsequent amendments, change orders, etc.
 - ii. Contract term, i.e. effective and expiration dates;
 - iii. All required Insurance Certificates and endorsements;
 - iv. All disbursement or revenue amounts, terms, conditions and frequency of such contract transactions for monitoring purposes and ;
 - v. Any information regarding source(s) of funding and encumbrances specific to the contract.
14. The Department will develop procedures consistent with AO 6-22 and AO 4-1 within 60 days.
15. Please see response to recommendation #8.
16. Please see response to recommendation #4.