



CATS Procurement Compliance and Controls Audit



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August 16, 2021

CATS Procurement Compliance and Controls Audit Executive Summary

Objective

This audit was conducted to determine whether current policies and practices involving Charlotte Area Transit System (CATS) procurements comply with applicable City policies and procedures as CATS procurements transition into City Procurement.

Background

City Procurement, a division of the General Services Department, is the City of Charlotte's internal support organization responsible for the acquisition of commodities, services and technology contracting. The department manages the centralized oversight of procurement and contracting activities.

CATS Procurement transitioned to City Procurement on July 17, 2019. Prior to this transition, CATS had followed their own procurement policies and procedures.

Conclusion

CATS has not consistently followed established City policies for the procurement of goods and services. The two-year transition to City Procurement management has not been effectively implemented.

Highlights

Governance (Page 7)

The realignment of City Procurement and CATS should be effectively implemented.

- CATS and General Services need to re-confirm to all staff that City Procurement has authority, responsibility and control over CATS' procurement activities. This does not alleviate the responsibility of CATS to provide information in a timely and collaborative manner necessary for City Procurement to execute purchases.
- To effectively administer procurement, City Procurement requires control over assignments, budgets and training funds.

Actions Taken: City Procurement and CATS collaborated on the development and dissemination of an executive level communication to implement a strategy and objectives to CATS executives, management and staff.

Actions Planned: At CATS' invitation, RATP Dev has submitted a proposal to assume all aspects of the operational procurement process for the bus operations division.

Policies and Procedures (Page 8)

CATS should comply with City Procurement Policies.

- After the Fact (ATF) approvals should cease immediately.
- Purchases should be initiated following the existing policy requiring Purchase Service Requisitions (PSRs) and the use of Purchase Orders. Transactions must be entered in MUNIS before placing orders or receiving goods.
- CATS should properly initiate contract amendments, including those necessitated by price changes, and work with City Procurement to fully execute.

Executive Summary – continued

CATS Procurement Compliance and Controls Audit

- Since CATS' procurement functions are now performed by City Procurement, the CATS' Procurement Manual should be incorporated into the Citywide Procurement Policy and Procedures Manual.

Actions Taken: CATS Management communicated to staff, including Bus Operations employees, to cease use of the After the Fact process. City Procurement has communicated the requirements for effective procurement processes and the use of PSRs and Munis. Also, City Procurement communicated to CATS Leadership team the requirement for all transit procurement staff to utilize City Procurement for development and execution of all amendments, extensions, renewals, change orders and price adjustments.

Solicitations (Page 11)

CATS should have a formal procedure for documenting the process of soliciting and receiving Request for Quotes (RFQs).

- Policies and procedures should be updated and implemented for RFQ practices that promote consistency and reduces the risk of non-compliance of regular solicitations and those involving federal contracts.

Actions Planned: General Services has targeted December 31, 2021 as the completion date for the updated policy.

Vendor Reviews (Page 11)

Procurements with MHC Kenworth, Genfare, Aria and Passport were specifically reviewed for compliance.

- A number of internal control issues were identified, including overpayments, unprocessed credits and insufficient contract administration.

Actions In Progress and Planned: Negotiations and recoveries are in process. Improved invoice management and credit processing are planned. Accounts Payable is moving to a new invoice management system designed to improve billing and credit processing.

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Background

Charlotte Area Transit System (CATS) operates bus and rail transit services in Mecklenburg County and surrounding areas. CATS has over 70 bus and rail routes transporting 25 million passengers annually. City Procurement, a division of the General Services Department, is the City of Charlotte's internal support organization responsible for the acquisition of commodities, services and technology contracting. The department manages the centralized oversight of procurement and contracting activities. CATS Procurement transitioned to City Procurement on July 17, 2019. Prior to this transition, CATS had followed its own procurement policies and procedures.

Internal Audit engaged CBIZ, Inc. to assist with this audit. Through the early stages of the pandemic, the firm's progress was impacted by a lack of on-site engagement. Audit staff worked closely with CBIZ to wrap up its efforts and several concerns were raised. On September 3, 2020, Internal Audit provided CATS and City Procurement management an interim report outlining initial findings and recommendations. The interim report was issued to CATS and City Procurement to provide them with an opportunity to address serious issues and collaborate to make necessary improvement, while the audit was being completed.

McDonald Transit Associates, Inc. (McDonald) began providing transit management services for CATS' BOD in September 2003. Additional contract awards and extensions have resulted in McDonald providing continuous service to the City, with the current contract valid until February 2019. Acquired by RATP Dev North America in 2009, McDonald has continued as a subsidiary, but was rebranded under the parent name (RATP Dev NA) in 2017.

RATP Dev NA is responsible for managing day-to-day operations and maintenance of CATS' largest bus fleet (other fleets include Special Transportation Services and Lynx Blue Line light rail). CATS engages a transit management firm in this capacity because North Carolina law prohibits governmental entities from managing and collectively bargaining with unions. The private company Transit Management of Charlotte, Inc. (TMC), which is managed by RATP Dev under its contract with the City, employs the bus drivers, maintenance staff, and parts room workers.

The City is fully responsible for the BOD's finances and is contractually required to pay all operating expenses. TMC is required to maintain an imprest account through which the following expenses are paid: wages and salaries of all TMC employees, the employer's share of payroll taxes and benefits, employer contributions to the pension plan, all payments made in settlement of claims or satisfaction of judgment incurred in the operation of the public transportation system, all general and miscellaneous expenses for BOD, all expenses for liability insurance, workers' compensation and tort claims, and all expenses for materials and supplies (excluding bus parts, which the City pays directly to suppliers).

Objective

This audit was conducted to determine whether current policies and practices involving Charlotte Area Transit System (CATS) procurements comply with applicable City policies and procedures as CATS procurements transition into City Procurement.

Scope, Methodology, and Compliance

Scope

The audit reviewed Charlotte Area Transit System (CATS) policies and procedures and selected procurement processes. Procurements and payments of four specific vendors was reviewed to determine if activity was reasonable and within the scope of each contract.

Methodology

To achieve the audit objectives, auditors performed the following:

- Engaged a consultant, CBIZ, Risk and Advisory Services, LLC to assist with identifying where additional transition work needed to be completed and to close the gaps with the integration of CATS and City Procurement,
- Reviewed CATS and City Procurement policies and procedures,
- Interviewed relevant department personnel,
- Reviewed selected CATS and City Procurement documentation including contracts, invoices and After the Fact approvals,
- Reviewed CATS and City Procurement documentation for selected vendor: MHC Kenworth (8 contracts), Genfare (2 contracts), Aria (3 purchase orders) and Passport (1 contract),
- Analyzed CATS and City Procurement purchasing processes, and
- Assessed the design effectiveness of CATS procurement controls.

Compliance

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings and Recommendations

Audit findings and recommendations are organized into four sections, as follows:

- A. Governance
- B. Policies and Procedures
- C. Solicitations
- D. Vendor Reviews

Internal Audit findings result from audit staff efforts and are sometimes supported by the work conducted by consultant under contract – CBIZ Risk & Advisory Services, LLC.

A. Governance

The City restructured City Procurement, making it a part of the General Services Department in 2019. In a memo dated July 17, 2019 (Appendix A), Charlotte Area Transit System (CATS) communicated a new approach to its staff, which transitioned all CATS procurement functions, including procurement staff and resources, to City Procurement.

While City Procurement has had city-wide policies and procedures in place for several years, CATS has not adhered to those requirements. Lack of clearly defined procurement roles and responsibilities has significantly impacted CATS' ability to manage daily operational needs. CATS continues to experience major procurement backlogs that threaten its ability to manage maintenance needs. Over the past several months, process ineffectiveness resulted in out of service buses needing repairs, with POs not sent timely to vendors:

- Four bus lifts were inoperable, one of which had a bus on it, awaiting repair.
- Steam cleaners used to sanitize buses prior to being repaired needed service.
- Over 30 buses were down because one vendor (MHC Kenworth) would not deliver parts due to a pricing dispute. See additional comments below at Section D: Vendor Reviews.

CATS' resistance to complying with city-wide procurement policies, and lack of monitoring of actions taken by BOD contractor RATP Dev which are not coordinated with the City continues to result in policy violations and increase risks to operations.

Recommendation A1: CATS and General Services need to re-confirm to all staff that City Procurement has authority, responsibility and control over CATS' procurement activities. This does not alleviate the responsibility of CATS to provide information in a timely and collaborative manner necessary for City Procurement to execute purchases.

Value Added: Compliance, Efficiency; Risk Reduction

Action Planned: At CATS' invitation, RATP Dev has submitted a proposal to assume all aspects of the operational procurement process for the bus operations division. As of July 2021, discussion and negotiations among the parties were continuing.

General Services/City Procurement and CATS Response: We agree. The Departments are aligned toward the goal of working collaboratively to meet the procurement needs of CATS' operations. Transferring the purchase of bus parts from City Procurement to the contractor should address pricing issues which led to delays in payments.

Recommendation A2: To effectively administer procurement, City Procurement requires control over assignments, budgets and training funds.

Value Added: Efficiency; Risk Reduction

Actions Taken: In December 2020, City Procurement and CATS collaborated on the development of the FY2022 transit procurement services operating budget proposal, which included a request for additional training funds. Joint monthly budget meetings commenced in January 2021 to review and administer the transit procurement services operating budget.

General Services/City Procurement and CATS Response: We agree. City Procurement has control over procurement-related assignments, budget and training funds. City Procurement and CATS are committed to collaborating for effective administration of Transit procurement services and resourcing to include development of a three-year Transit Procurement Staffing and Resource Plan and funding model designed to optimize procurement effectiveness in support of CATS operations by September 2021.

B. Policies and Procedures

The transition from CATS to City Procurement administration has not been effective to enforce compliance with existing policies. While CATS stated that the use of “After the Fact” (ATF) approvals was on an exception basis, ATF transactions continued and became a normal procurement and payment method.

The Accounts Payable Discrepancy Queue process (APDQ) creates an exception when adequate documentation to support payment of an invoice is missing. However, CATS has used the APDQ to circumvent established internal controls which require prior authorization of purchases. Using the ADPQ in this manner:

- creates additional work for City Procurement and City Finance staff
- violates established policies, and
- increases the backlog of procurements and vendor payments waiting to be processed.

Transit Management of Charlotte (TMC) is under contract with the City to manage the Bus Operations Division (BOD) and is supervised by CATS staff. TMC has not incorporated the changes directed by the department head in July 2019. Price changes initiated by TMC staff without properly executed contract amendments have led to payment disputes with vendors and payment delays. For one major vendor, CATS had to agree to pay prices as invoiced (which often disagreed with the contract price) with the ability to reconcile later. This violates established procedures and basic internal controls. See additional comments below at Section D: Vendor Reviews.

Recommendation B1: After the Fact (ATF) approvals should cease immediately.

Value Added: Compliance, Efficiency; Risk Reduction

Actions Taken: On January 4, 2021, CATS received authorization from the City Manager's Office to pay vendors already identified by CATS as needing after the fact approval. CATS Management has communicated to staff, including Bus Operations Division employees, that the After the Fact (ATF) approval process is not to be used for future procurements.

General Services/City Procurement Response: We agree.

City Finance and CATS Response: Agree. CATS and City Finance Staff will continue to work together to process all invoices in a timely and accurate manner.

Recommendation B2: Purchases should be initiated following the existing policy requiring Purchase Service Requisitions (PSRs) and the use of Purchase Orders. Transactions must be entered in MUNIS before placing orders or receiving goods.

Value Added: Compliance, Efficiency; Risk Reduction

General Services/City Procurement and CATS Response: We agree. City Procurement, CATS, and Innovation & Technology are working to improve and re-implement a compliant updated digital workflow process for e-Builder PSR use, review, and approval. System modifications were completed in April 2021. Workflows are more efficient with removal of duplicate and unnecessary steps, and approvals are managed digitally. This also provides for increased visibility with opportunities to track and escalate pending PSRs which may negatively impact procurement and operating schedules. CATS staff will follow the requirements for early and correct use of PSRs in e-Builder and purchase orders in MUNIS prior to initiating the purchase of goods and services from vendors.

City Procurement and CATS established performance measures to promote improved processing of PSRs, to support segregation of duties, and to enforce compliance, including but not limited to the following:

- requests for procurement support must be submitted through e-Builder via the PSR process, unless otherwise exempted on a limited basis;
- PSRs cannot be accepted and assigned to procurement staff without necessary requirements for purchase details, scopes of work, technical and functional specifications, and necessary reviews and approvals; and
- documentation, review and approvals must occur digitally.

Recommendation B3: CATS should properly initiate contract amendments, including those necessitated by price changes, and work with City Procurement to fully execute.

Value Added: Compliance, Efficiency; Risk Reduction

Actions Taken: In January 2021, City Procurement communicated to CATS management the requirement for all staff responsible for transit procurement to utilize City Procurement for development and execution of all amendments, extensions, renewals, change orders, and price adjustments. Other requirements and guidelines around leading practices and compliance were included in this communication.

Recommendation B4: Since CATS' procurement functions are now performed by City Procurement, the CATS Procurement Manual should be incorporated into the Citywide Procurement Policy and Procedures Manual.

Value Added: Compliance, Efficiency; Risk Reduction

General Services/City Procurement and CATS Response: Agree. City Procurement and CATS will work together to implement an acceptable and documented process that most effectively mitigates risk for non-compliance. Current remediation plans include:

- Updating and consolidating competing policies and FTA requirements to support availability and application of formal guidance for all staff engaged in end-to-end procurement responsibilities,
- Providing active training, consultation, and communication to help educate all staff and ensure correct application of all policy and procedural requirements, and
- Developing monitoring strategies and implementing necessary controls to reduce and mitigate policy violations and risks to the city.
- Corresponding procedure manuals will be updated based on service type or work category (e.g., commodities, services, construction, etc.), as well as funding source (e.g., federal, FTA, operating, etc.) and inclusion requirements. An update of the Citywide Procurement Policy and procedure manuals, with appropriate consolidation of relevant sources and requirements, will be initiated in March 2021 with completion estimated by December 31, 2021.

C. Solicitations

The Citywide Procurement Policy (MFS 24) states:

All supporting documents (e.g., quotes, Proposals, Bids, Contracts, POs, emails, and correspondence) shall be maintained in accordance with applicable federal, state, and local records retention requirements and policies. Certain documents are required to be maintained in the City's financial and Procurement System ("System") as attachments to relevant Contract, Purchase Order(s), Invoice(s), Receiving, and/or P-Card Transaction records.

CATS has not complied with City procurement policies and procedures for solicitations including documenting the rationale for the type of solicitation, the issuance and receipt of vendor responses, and the basis for final vendor selection. In addition, there were no requirements for CATS staff to formally document the receipt and storage of multiple quotes. See additional comments related to the Aria Transport Services procurement in Section D: Vendor Reviews.

Recommendation C: Policies and procedures should be updated and implemented for RFQ practices that promote consistency and reduces the risk of non-compliance of regular solicitations and those involving federal contracts.

Value Added: Compliance, Efficiency; Risk Reduction

General Services/City Procurement Response: Agree. An update of the Citywide Procurement Policy and procedures manual, with appropriate consolidation of relevant sources and requirements is currently underway with completion estimated by December 31, 2021. The Request for Quotes (RFQ) process will be reviewed, formalized, and implemented as required to remediate issues related to justification and records management.

D. Vendor Reviews

As noted in the Background section above, Internal Audit engaged CBIZ (one of several contractors used by the City) to assist with this audit. CBIZ conducted an initial review of the following vendors, as identified by the Audit Department's risk assessment process. Auditors performed additional follow-up.

MHC Kenworth: The vendor has provided parts and services to the City since 2014. In a memorandum dated March 31, 2020, the City Attorney's Office addressed a billing dispute of \$400,000 with MHC Kenworth. The memo was related to eight contracts involving prices for bus filters. A review of these contracts and related payments noted an overpayment of \$80,525.

Recommendation D1: CATS should recover the overpayment. CATS should also work with the appropriate City department(s) to rectify billing disputes and to implement a process that will prevent future issues.

Value Added: Compliance; Cost Savings; Efficiency; Risk Reduction

Actions To Be Taken: The overpayments (totaling \$80,525) are to be offset against credit memos. In February 2021, CATS' Finance staff and MHC discussed the \$400,000 billing dispute and agreed that the revised overpayment amount is \$198,169.53. Internal Audit awaits confirmation of resolution.

CATS Response: Accounts Payable will be moving to a new Invoice Management System which they think will address the issue of future credits. Due to the constant challenge with credit invoices not making it into Munis, we will continue to follow up on any vendors of concern until the new system is operational.

City Finance Response: The new Invoice Management System (Filesolve/OnBase), implemented in March 2021, provides additional details to track when and how an invoice or credit memo is received before it is entered into the City's ERP system. There will be a record of the entry and the ability to retrieve invoice information even if the invoice is deleted. However, this new system will only address the issue of timely and proper processing of credits that have a valid (open) purchase order or contract, and with available expenses to offset against. Incomplete credit memos/invoices will continue to go to APDQ until the department resolves any issues. These controls ensure that credit memos are applied to expenses incurred. Finance will continue to look for opportunities to update procedures that can assist in timely processing of credits, given the ERP system limitations. However, Finance believes that communicating with vendors and limiting the invoices and credit memos that flow to the APDQ by utilizing purchase orders and contracts is the best practice and strongest control.

Genfare: The vendor has worked with the City to provide Ticket Vendor Machines (TVMs), fare boxes and smartcards since 2014. The City has contracted approximately \$7.7 million for fare boxes and smartcards, with an additional \$8.5 million for TVMs and fare box replacement parts with this vendor. CBIZ reviewed the contracts, amendments one and two, and related payments for the period July 1, 2018 through December 31, 2019 and noted an overpayment of \$6,305. An analysis also indicated that invoice approvals were performed after the fact.

The contract milestones outlined in the original contract and amendments one and two allowed for inappropriate payments to Genfare. CATS worked with the City Attorney's office to negotiate appropriate adjustments to the milestone payments and to execute a third amendment dated January 17, 2020. To recover overpayments, Genfare issued a series of credit memos totaling \$2,091,085.

Recommendation D2: CATS should work with vendor to recover the \$6,305 overpayment. CATS should also address outstanding invoices and develop a plan to process payments in a timely manner once vendor credits have been applied.

Value Added: Compliance; Cost Savings, Efficiency

Actions Taken: The \$6,305 overpayment noted above was offset against credit memos. As of June 30, 2020, Genfare's pending invoices in CATS' APDQ totaled \$1,915,994. and the outstanding credits equaled \$2,091,085. The invoices and credits have been processed out of the APDQ resulting in a credit balance of \$175,091. Due to the final credit memo balance, future invoices will have to be received prior to the credit being processed against the contract.

CATS Response: We agree. CATS' Project Manager and Manager of Accounting Operations will ensure the outstanding credit balance is applied to the future invoices. The estimated amount of future invoices due to Genfare for the Ticket Vending Machine (TVM) project is \$601,403 for final system acceptance. The credits and the outstanding billings amounts were accrued as of June 30, 2020. After CATS officially accepts the TVMs, Genfare will invoice CATS for the remaining amounts due. At that time, CATS will apply the remaining credit balance to the invoices accordingly.

Aria Transport Services: The vendor provides Intelligent Transport Systems (ITS) as well as new and emerging technologies for urban mass transit. In December 2016, CATS selected Aria to initiate a mobile app project design. Aria was selected using an informal procurement process and executed an agreement for \$20,000. On May 22, 2017, City Council approved a contract for \$160,000 – but no formal procurement process had been conducted. Auditors reviewed additional documentation provided by CATS and noted the following issues:

- The Citywide Procurement Policy (MFS 24) requires a solicitation process and a contract for services over \$50,000. CATS Management indicated that they obtained a waiver from City Procurement to forego a solicitation process. However, there is no record of a waiver being approved. Prior to obtaining City Council approval in May 2017, CATS submitted a memo to the City Manager's office (dated January 10, 2017) requesting approval of task order documents (Aria's proposal) in an amount not to exceed \$85,000. The memo stated that CATS had met with several transportation companies before selecting Aria. CATS could not provide any proposals other than Aria's or any documentation to support that statement and CATS could not provide any supporting documentation as to why Aria was selected to perform the service.
- The Request for Council Action (RCA) sought approval of a contract. However, CATS did not execute a contract. Instead, CATS used Aria's proposal as the official agreement between CATS and Aria and executed three purchase orders to facilitate payments to Aria. The proposal was prepared by Aria, and CATS agreed to all the terms and conditions

as outlined, which omitted standard language used in City contracts. While not an official policy, City Procurement encourages departments to work with them and the City Attorney's office before agreeing to terms and conditions that could potentially harm the City.

CATS agreed to pay Aria a monthly retainer of \$20,000. It is not standard practice for the City to pay retainers; rather, common City contracting practice is to establish a price for service in the contract and pay the vendor for the services performed. As indicated above, there was no contract executed with Aria. In addition, there was no documentation to explain why this non-standard payment option was warranted or how the reasonableness of the retainer amount was determined. Review of invoices submitted by Aria lacked an adequate description and supporting documentation of services provided. While CATS provided documentation of correspondence between Aria and CATS management, there was insufficient detail to allow verification of deliverables. Further evaluation of this unusual contractor relationship was hindered because the personnel initiating and approving the retainer (in 2017) are no longer employed by the City.

- Payments to Aria totaled \$271,749. Prior to City Council approval, payments in the amount of \$92,187 were processed within the City Manager's authority. After Council approval, payments totaling \$179,561 were processed, exceeding the Council approved contract amount of \$160,000 by \$19,561. CATS did provide documentation that the \$19,561 was approved (by an Assistant City Manager) via Purchase Order Change Order (POCO). However, the overspending violated Section 1.10.1 of the Citywide Procurement Policy (MFS 24).

Recommendation D3: CATS should adhere to all City procurement policies. CATS should also work with City Procurement and the City Attorney's Office to ensure that all contracts are executed properly and that the terms and conditions meet City standards. City Procurement and the City Attorney's Office should develop a policy that requires departments to use standard contract templates and to work with them to make any necessary adjustments to meet business needs of the contract.

CATS Response: We agree. CATS will adhere to all City procurement policies. CATS will also work with City Procurement and the City Attorney's Office to ensure that all contracts are executed properly and that the terms and conditions meet City standards.

City Procurement Response: We Agree. City Procurement met with City Attorney's Office in May 2021 to discuss opportunities to improve the quality and mandatory use of standard contract templates. A stakeholder work team determine the scope of work required to review and update all contract templates and to develop a Contract Standards Policy. City Procurement is developing a project plan that effectively incorporates contract standards development, policy development, review and implementation, along with effective communication and training strategies. The estimated completion date for template updates and the Contract Standards Policy is December 31, 2021.

Passport Labs, Inc: The vendor provides digital operating systems for managing mobile pay parking, parking enforcement, digital permitting and micro-mobility for municipalities. Several issues had been noted for this vendor including contract execution and payment delays. The contract with Passport expired in April 2021, but an amendment was executed (in June 2021) to extend the term to December 31, 2021. Following is a timeline of procurement activity related to this vendor:

- January 2017 – CATS received an unsolicited proposal from Passport Labs, Inc. (Passport).
- July 18, 2017 – CATS executed a \$25,000 contract with Passport for Mobile Ticketing Application Software. The contract was for a six-month pilot of the software.
- Between June 15, 2018 and October 9, 2018 – CATS issued several purchase orders totaling \$61,911.

Section 1.10.1(C) of the Citywide Procurement Policy (MFS 24) states:

Any request to increase the dollar amount of a Contract or Purchase Order (PO) to an amount that will make the total expenditure exceed \$50,000 must be accompanied by a signed memo from the City Manager's Office. If the original amount of the Contract or PO required City Manager approval, any additional dollar increases must be submitted back to the City Manager's Office for authorization.

- July 8, 2019 – CATS management/CEO approved a Ratification of After the Fact Purchase Form for \$262,970. This amount included unpaid invoices (totaling \$160,970) received from August 31, 2018 through May 31, 2019 and another \$102,000 of estimated expenses for June through November 2019). The form noted: “The contract award or amendment is estimated to happen by November 2019. A contract award or amendment will prevent after the fact purchases. There was no previous provider service contract.”

The ratification process was created by CATS and is not used by any other City department. Further, it is not a process that is permitted by City Procurement policy.

- September 17, 2019 – Amendment #1 was executed for an amount not to exceed \$425,000 and was approved by the City Manager's Office. This amendment covered all expenses from July 18, 2017 to January 31, 2020.
- March 19, 2020 – Amendment #2 was executed for a maximum amount of \$51,000 to pay for services from February 1, 2020 to April 8, 2020.
- April 27, 2020 – CATS submitted a Request for Council Action (RCA) to approve a one-year contract for \$250,000 with Passport for Transit Mobile Payment Application services. (Note: the RCA did not disclose the amount already expended.)

CATS noncompliance with established citywide procurement policies resulted in untimely payments to Passport. Invoices dated August 31, 2018 to May 31, 2019 (totaling \$160,970), were not paid until July 11, 2019.

Recommendation D4: CATS should adhere to citywide procurement policies and process vendor payments timely.

Value Added: Efficiency; Risk Reduction

CATS Response: We agree. CATS acknowledges that due to several factors this vendor's contract and payments were incorrectly managed. CATS also takes responsibility for the situation that the project manager created and commits to working with City Procurement to address the underlying causes that created this situation.

Conclusion

CATS has not consistently followed established City policies for the procurement of goods and services. The two-year transition to City Procurement management has not been effectively implemented.

Distribution of Report

This report is intended for the use of the City Manager's Office, City Council, and all City departments. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).