

The Minutes of the City Audit Advisory Board held Wednesday, March 21, 2012 at 1pm

Call to Order

The meeting of the Audit Advisory Board was called to order by Mike Justus, Board Chair, at 1pm. This meeting was held in Conference Room 303, which is located on the third floor of the City/County Building.

Attendance

Present: Peggy Tharnish, City Controller; Jamie Phillips, Assistant to Steve Hubka; Marcee Brownlee, Assistant City Attorney; Board Members: Mike Justus; Barbara Arendt, Gerry Finnegan, Todd Blome, Jim Mastera and Jason Christenson.

Others Present: Vince Mejer, Purchasing Agent; Fran Mejer, Business Manager of Public Works; Roger Figard, City Engineer; and Thomas Shafter, City Design/Construction Manager; Steve Hubka, City Finance Director; Miki Esposito, Director of Public Works & Utilities; Coby Mach and Michael Koberlein from LIBA; Nancy Hicks, Journalist for Lincoln Journal Star; and Peter Katt, Attorney from Baylor, Evnen, Cutiss, Gruit & Witt.

Invited Guest: Jackie McCullough, Executive Director of American Council of Engineering Companies (ACEC).

Note Open Meetings Law

Mike made note of the Open Meetings Act posted on the wall of the conference room.

I. Approval of January 11th, 2012 board minutes.

Mike asked for approval of the January 11th board minutes. Gerry moved approval, which was seconded by Barbara. AYES: Barbara, Todd, Jason, Gerry, Jim and Mike. NAYS: None; Motion carried, 6-0.

II. Transmittal Letter to Council – StarTran Report

The group discussed that they have 60 days to respond to the Final Audit Report from receiving it, which they received the report on March 5th.

Michael handed out a copy of a memo he composed to send to the StarTran Advisory Board making sure they are aware that the management of StarTran has 30 days to provide responses of the report to the Audit Advisory Board.

Steve Hubka said that he spoke with the management of StarTran and they are requesting an extra 30 days to respond to the report. He said that is was a lengthy report, which will require a lengthy response and they need more time to accurately do so.

Marcee said that the board can't grant that because it is code generated. She said the board can accept their request but not grant the exception. Marcee also said, even if the board accepts their request, they (the board) still have their deadline of 60 days to respond to the report.

Miki offered to put the request in writing stating why they are requesting the extension. Michael said they wouldn't need it in writing, but it would be wise to send that request to the City Council and the Mayor's Administration so that they are made aware. Miki said they can do that.

Michael suggested just that the group go ahead and begin to draft their response of the report and see where they are today and go from there.

The group agreed to send out Michael's memo to the StarTran Advisory Board along with Todd's request to add the original RFP to the memo for their consideration.

The group then began to list their response to the Final Audit Report. Todd asked the group

how they are suppose to come up with a response to a report that didn't address what they asked? The group continued discussion, and a draft list was formed. They decided to continue working on their draft at the next meeting.

Barbara made a motion to table items 2, 3, and 4 and address Item 5 on the Agenda, which was seconded by Jim. AYES: Barbara, Todd, Jason, Gerry, Mike and Jim. NAYS: None. Motion carried, 6-0.

III. Engineering Charges RFP - Discuss with Private Firms

Michael explained to Jackie that they received a resolution from the City Council asking them to consider performing an audit of Engineering Services Division. He said they are trying to compare what they do and to compare their cost to a private engineering company. He said that the group felt it would be a great idea to have you attend the meeting to help give any insight that you may have on the list of questions the group had sent you eariler.

Jackie McCullough introduced herself as the Executive Director of the American Council of Engineering Companies. She said she isn't sure if she can answer the questions they have given her, because there are so many different factors that go into how each engineering firm charges. She said for example, qualifications, education levels, and experience all factor into it. She said it's difficult to determine intellectual property. She said it's not as simple as we charge "x" amount. She said they don't bid on a project because they are hired on qualifications and education which allows them to give the best solution to fit the need of the project. Then they discuss the fees after the selection is made. She said they start with qualifications first and then fees after.

Jackie gave a handout to the group titled "In-House vs. Outsourced Engineering". The handout is the final report of a study done on the Department of Civil Engineering Polytechnic Institute of NYC. She felt that the handout would be resourceful information for them to review. The Executive Summary of the report is shown on Page 2 and explains additional factors that are figured into the cost of an engineer. She said she felt this report would be a great tool to show what they count and what they don't count in factoring the cost. She also said that Page 15 of the report discusses in-house cost vs. private firm cost.

Further discussion followed as Jackie continued to answer questions of the board.

IV. Engineering Charges – Public Comment (maximum 5 minutes each)

The group then gave two individuals a chance to speak that attended the meeting: Peter Katt, and Coby Mach.

Peter Katt introduced himself as an attorney and said that he routinely works with several land use developers in town. He believes that the RFP that the group has out there, isn't asking the right questions. He said the RFP shouldn't just be about comparing engineering rates, it should be a performance audit that looks at the work flow process. He suggested that the audit should find out the process that Engineering Service's employs and make sure that costs are not being duplicated by both the City and private sector. He gave specific examples of two projects that the group could look into. He said his client bid on both projects and would allow them to look at those quotes and information if they would like. One project is Adams Street from 84th to 76th Street across from the old North Forty golf course. The second project is NW 56th Street in the Airport Area, south of Adams. He said those are specific projects to compare the cost of City vs. the private sector.

Barbara told Peter she would be interested in seeing that project, in which he said he could provide to the group.

Coby Mach introduced himself and said that he is appearing on behalf of LIBA. He said LIBA is requesting that the Audit Board include addendums to Engineering Services department contracts within the scope of the audit. With the respect to addendums, they feel the audit should include how many addendums have occurred on average for Engineering Services projects over the last three years, and also show at what point in the project those addendums occurred. He said those addendums are not only costly to the developers, but also costly to the department. In addition, they feel it would also be important to know whether standard engineering protocol is being followed and how closely it is being followed when concerning those addendums. Also LIBA wanted to mention the duplication of work as well, and feels the group should find out if the City engineering work could be outsourced instead.

Coby also had a suggestion regarding the StarTran Audit Report. He suggested that the members of the Audit Advisory Board ask their legal counsel from Law and the Purchasing Agent both sitting in the room if they can return the StarTran audit back to the company that performed the audit to repeat since they said it didn't address what they had asked.

V. Reminder to Board Members to submit suggestions for City Code Revisions

Todd said that he was disappointed that the Audit Advisory Board name was not mentioned in the RFP one time and feels it would have been helpful to the group during the report to know who was behind the request. Marcee said that is definitely something that can be changed for the next Audit Report.

The group then came up with a list of their suggested changes, ideas and additions to the code. They came up with six items.

Marcee said that some are ordinance changes and others are to be handled by contract. She said that she will work on a draft contract for the board to discuss and approve before it goes to the City Council for approval.

After the group was finished with Item 5, Gerry made a motion to go back to items 3 & 4, which was seconded by Todd. AYES: Barbara, Todd, Jason, Gerry, Mike and Jim. NAYS: None. Motion carried, 6-0.

VI. Set the next Audit Advisory Board meeting

The next board meeting is scheduled for April 18th at 2pm in Conference Room 303.

VII. Adjournment

Mike called for a motion to adjourn. Todd moved approval, which was seconded by Jason. AYES: Barbara, Todd, Jason, Gerry, Mike and Jim. NAYS: None. Motion carried, 6-0.

The meeting was adjourned at 3:45pm.

Minutes submitted by: Jamie Phillips