

**SPECIAL PROJECT
CONSULTANT EXPENDITURES
INTERNAL AUDIT REPORT 09-01**

INTRODUCTION

This Internal Audit project was not part of the 2009 Annual Audit Program. The Audit Committee of the City Council has a policy for considering special projects that were not foreseen when the Annual Audit Program was developed. This special project was a request by a City of Sioux Falls Council member and approved at the January 27, 2009 meeting of the Audit Committee.

PURPOSE

The purpose of this special project was to determine the amount spent by the City of Sioux Falls for consultants for years 2006-2008 and the budgeted amount for 2009. We also provided information on amounts spent for professional services in general on page three of this report. The Audit Committee determined that this would be an information-gathering report only and that there would be no opinion or recommendations given.

BACKGROUND

The key to preparing this special project was defining exactly what a consultant is before it could be determined how much the City spent for consultant work. We did research on definitions of consultants. We reached a consensus with the Council member requesting this information on the definition of a consultant. For the purpose of this report:

A consultant is a person who provides information, opinion, or advice for a fee. More specifically, consultants generally offer only advice or propose solutions to problems, but they do not generally direct, carry out, or implement solutions. Many contractors call themselves ‘consultants’. However, they are more correctly classified as contractors for professional services. Part of a contractor’s services may include advice, but in the end, a contractor is a “doer”. In brief, consultants provide advice, while contractors “do” things.

Additionally, we agreed to provide some general information on what the City has spent (2006-2008) and what is budgeted in 2009 for such categories as legal services, engineering services, etc. These services would probably not qualify as consulting under our definition but would be considered professional services contracts.

Even with our narrow definition of consultant, there is some “gray area” in the interpretation of consulting work versus professional services contracting. Further distinctions between consultants and contractors of professional services are:

Contractor

Can be an individual or organization

City retains rights to control results
(but not manner of performance)

Services are of a specialized nature

Consultant

Usually an individual; could be organization

City does not have right to control results
(nor manner of performance)

Services are primarily advisory

Both consultants and contractors for professional services are experts in their area of knowledge.

A consultant's product is normally a detailed report with analysis and a list of recommendations or proposed courses of actions. An organization's management is free to ignore or implement these recommendations or courses of actions, as they deem appropriate or feasible. The consultant would not be responsible for carrying out the proposed courses of action.

The City of Sioux Falls uses outside professionals whether classified as consultants or contractors in situations where specialized services are required and are not available "in-house".

METHODOLOGY

We reviewed the memo dated November 28, 2008 from the Mayor to Council leadership concerning City consultant work. We ran reports from the City's financial accounting system. Specifically we ran Account Activity Listings for the general ledger account numbers where we expected to find consultant services and contractors for professional services activity. We reviewed the 2009 detail budget. We spoke with several City directors to clarify our understanding of the nature of services provided by vendors. In some cases, we examined invoices from vendors and agreements for professional services to determine the nature of the services provided to the City.

RESULTS

Consultant expenditures in 2006 were \$598,244; 2007, \$848,371; 2008, \$1,019, 592. See pages 4-5 for details. Budgeted expenditures for consulting work in 2009 are \$815,071 (pages 6-7). Page 3 gives details on expenditures for professional services that are not necessarily consulting work.

In the City's financial system, 2000 class expenditures are considered current expenses and capital expenses are the 3000 class. Professional services are generally classified as current expenses and further broken down into such categories as Legal (2201 expense class), Consultants (2202), and Engineering & Testing (2211). The City typically capitalizes professional engineering services for specific Capital Improvement Projects (CIP). For example, Infrastructure/Engineering is the 3521 expense class and Infrastructure/Geotechnical is the 3523 expense class. **Expenditures in the Consultant (2202) category are not necessarily expenditures for consultants as we define the term consultant earlier in this report.**

The following lists the 2006-2008 expenditures for various professional services and the amount budgeted for 2009. The reader should exercise caution when comparing 2009 budgeted (appropriated) amounts to amounts actually spent in 2006-2008. Amounts actually spent are often considerably lower than the amounts appropriated.

Listed is the general ledger breakdown of professional services

	2006	2007	2008	2009	EXAMPLES OF
CATEGORY	TOTAL	TOTAL	TOTAL	BUDGETED	SERVICES PROVIDED
Legal	\$ 75,687	\$ 36,548	\$ 79,039	\$ 80,351	Mediation services; sanitary sewer bond counsel; code enforcement administrative hearings
Consultants	\$ 571,657	\$ 540,098	\$ 1,200,878	\$ 1,610,283	Coordinated public transit-human services transportation plan; emergency medical services (EMS) contractual work; public parking facilities consultant; real estate title searches; sanitary landfill testing services; storm water drainage improvement engineering work
Independent Contractor	\$ 5,929,096	\$ 6,933,587	\$ 6,852,129	\$ 8,513,796	Snow removal; red light camera citation issuance; lawn care and mowing; fire and police psychological testing services; leachate hauling; operating subsidies for third party managed facilities (Zoo, Pavilion, etc.)
Other Professional	\$ 1,299,829	\$ 1,505,206	\$ 1,624,492	\$ 3,108,506	Interpreter services; armored car service; pest control; processing and payment of workers' compensation claims; pension fund investment advisor; pension funds money manager fees; pension funds custodian fees; online legal research fees; credit bureau pre-employment background checks; elevator maintenance; banking fees; annual financial statement audit by CPA firm
Information Technology	\$ 198,391	\$ 66,373	\$ 58,598	\$ 90,438	Wireless service charges-wireless internet; South Dakota library network services; OCLC cataloging subscription fees (Library)
Publishing	\$ 145,050	\$ 181,067	\$ 202,984	\$ 297,240	Job advertisements (print and on-line); updating code of ordinances on electronic media; bookmobile schedule advertising; legal notices in newspaper
Engineering*	\$ 8,156,650	\$ 7,171,783	\$ 9,653,151	\$20,516,399	Design and construction management work for Capital Improvement Projects (CIP) for water, sewer, and street projects; design and construction management work for new buildings (library, fire station, aquatic center)
Total Professional Services	\$16,376,360	\$16,434,661	\$19,671,271	\$34,217,013	
*Capitalized (expense class 3521)					

CONSULTANT SERVICES BY DEPARTMENT/VENDOR	SCOPE OF WORK PERFORMED	ACTUAL COST		
		2006	2007	2008
Water Reclamation				
Respec, Inc.	Total maximum daily load (TMDL) study	\$ -	\$ -	\$ 35,000
Advanced Engineering & Environmental	Rate study	\$ 51,948	\$ 28,227	\$ 20,112
HDR Engineering	XP SWMM modeling services for sanitary sewer	\$ -	\$ 14,928	\$ 20,016
Water				
Dakota Appraisal Services	Appraisal - Lewis Avenue property	\$ 600	\$ -	\$ -
James Duncan & Associates, Inc.	Study for impact fees	\$ -	\$ -	\$ 17,588
Ulteig Engineers	Various water modeling projects	\$ 10,120	\$ 53,759	\$ 18,758
Advanced Engineering & Environmental	Rate study	\$100,810	\$170,492	\$ 121,492
Advanced Engineering & Environmental	Lewis & Clark consultation services	\$ 49,934	\$ -	\$ -
Lindquist & Vennum PLLP*	Legal consul for Lewis & Clark	\$ 63,070	\$116,138	\$ 45,479
Storm Sewer	*see "NOTE" on page 6 of this report			
Respec, Inc.	Total maximum daily load (TMDL) study	\$ -	\$ -	\$ 85,000
Advanced Engineering & Environmental	Rate study analysis	\$ -	\$ -	\$ 84,695
Dewild Grant Reckert & Associates	Silver Creek drainage study	\$ -	\$ -	\$ 21,368
Light Department				
Dewild Grant Reckert & Associates	Engineering services - various projects	\$ 32,809	\$ 20,585	\$ 17,189
Street				
Winkels	Street satellite facility study	\$ 7,504	\$ -	\$ -
Facilities Management				
Architecture Inc.	Carnegie Town Hall exterior analysis	\$ 5,282	\$ 500	\$ -
City-Wide				
The Winkels Group	Space needs assessment	\$ -	\$ 39,000	\$ -
Washington Pavilion				
Sharon Stern	AudienceView Software Consultation	\$ 14,998	\$ -	\$ -
Architecture Inc	Building Analysis	\$ -	\$ 31,097	\$ 31,191
Architecture Inc*	Window Replacement - Design & Const Admin	\$ -	\$ -	\$ 39,282
Park and Recreation	*see "NOTE 2" on page 6 of this report			
Councilman/Hunsaker & Associates	Feasibility Study for Sioux Falls Aquatic Center	\$ 7,866	\$ -	\$ -
Human Resources				
Becker, Burke Associates	Investment advice, direction, and research to the two pension boards	\$ 40,000	\$ 55,000	\$ 76,000
Gabriel, Roeder, Smith & Co.	Professional actuarial advice/direction/research to the pension board	\$ 58,692	\$ 74,141	\$ 65,948
Central Services/Attorneys				
Baller Herbst	Legal consultation for cable television franchise agreement	\$ -	\$ 14,500	\$ 8,581
Public Parking				
Walker Parking Study	Downtown parking needs and financial assessment	\$ 5,672	\$ 43,868	\$ 28,847

DEPARTMENT/VENDOR	SCOPE OF WORK PERFORMED	ACTUAL COST		
		2006	2007	2008
Planning				
Jim Kellar	Facilitator for the accessible transportation for all study group	\$ 3,500	\$ 1,500	\$ -
RDG	Bike trail master plan	\$ 54,740	\$ -	\$ -
RDG	Land use study (Shape Sioux Falls)	\$ -	\$ -	\$ 49,455
Stephen Powell	Consultant for Convention Center contract	\$ -	\$ 30,490	\$ -
Police				
The Winkels Group	Graybar building remodel (storage facility)	\$ -	\$ 23,500	\$ -
Finance				
Dougherty & Co.	Bond issuance consultants	\$ -	\$ 87,510	\$ -
Lindquist & Vennum PLLP*	Legal counsel for Quality of Life Bonds	\$ -	\$ 11,708	\$ 3,167
Lindquist & Vennum PLLP*	Legal counsel for 2007 line of credit	\$ -	\$ 4,640	\$ 10,779
Lindquist & Vennum PLLP*	Legal counsel for Series 2007B sales tax rev bonds	\$ -	\$ -	\$ 2,800
Lindquist & Vennum PLLP*	Legal counsel for 2007 tax increment bonds	\$ -	\$ -	\$ 14,798
Public Financial Management, Inc.	Debt financing and bond issuance consultation	\$ -	\$ -	\$ 19,546
Sanitary Landfill	*see "NOTE" on page 6 of this report			
Aquaterra Environmental Solutions	Tier 2 testing & reporting	\$ -	\$ -	\$ 17,650
First Environmental, Inc.	Landfill verification/CCX (Chicago Climate Exchange)	\$ -	\$ -	\$ 7,500
R.W. Beck	Waste characterization study	\$ 29,990	\$ 10,000	\$ -
R.W. Beck	Operational assistance during manager transition; engineering advice	\$ -	\$ -	\$ 50,135
Engineering				
Confluence	Roadway development - landscape consulting	\$ -	\$ -	\$ 15,664
HDR Engineering Inc	Pendar Lane design oversight consultation	\$ 5,188	\$ -	\$ -
HDR Engineering Inc	Eastside sanitary sewer basin basin #26 & Willow Run design consulting	\$ 31,589	\$ -	\$ -
Ulteig Engineers, Inc.	33rd & Duluth Drainage - design oversight consultation	\$ 722	\$ -	\$ -
William G. Allen, P.E.	Traffic forecasting model	\$ -	\$ -	\$ 14,000
Avatech Solutions, Inc.	2008 Autodesk Civil 3D consultation and advice (engineering software)	\$ -	\$ -	\$ 7,040
First Dakota Title Company	Property exchange (Louise Avenue)	\$ -	\$ -	\$ 485
Howard R. Green Company	Professional consultation on preliminary design Ebenezer Ave from 12th to 26th Streets	\$ -	\$ -	\$ 42,281
James Duncan & Associates, Inc.	Impact study (water distribution and arterial street fees)	\$ -	\$ -	\$ 17,588
SD Department of Transportation	Bridge inspection	\$ -	\$ 6,789	\$ -
SDSU Landscape	Effect of de-icing material on urban soils and grasses	\$ -	\$ 10,000	\$ -
SECOG	Development of Transit/Human Services transportation plan	\$ -	\$ -	\$ 10,158
SEH, Inc.	57th Street to Iowa study	\$ 15,545	\$ -	\$ -
URS Corporation	North Cliff corridor study	\$ 7,665	\$ -	\$ -
	TOTAL EXPENDITURES	\$598,244	\$848,371	\$1,019,592

NOTE: The amounts reported for Lindquist & Vennum could be described as professional services contracting rather than pure consulting work per the definition of consultant described on page one. The City hired Lindquist & Vennum to perform bond indenture work for various bond issues.

NOTE 2: The City hired Architecture Inc. to perform various professional services in conjunction with the window replacement project at the Washington Pavilion of Arts and Science. The bulk of their work would be professional services such as design and construction administration rather than consulting. As part of their work, Architecture Inc. did employ the services of a consultant to identify historically accurate windows for the Pavilion project.

The following is a list of the 2009 budget for consultant work. We obtained this information primarily from descriptions and amounts in the Mayor’s Recommended Budget Departmental Details book.

CONSULTANT SERVICES

DEPARTMENT/VENDOR	2009 BUDGETED
ATTORNEYS	
Adrian Herbst: Cable television franchise renewal	\$ 5,000
HUMAN RESOURCES	
Salary and benefits consultant	\$ 62,271
Becker, Burke investment consultant (pension boards)	\$ 124,000
Gabriel Roeder Smith & Co. actuarial service and consultation (pension)	\$ 51,000
CITY COUNCIL	
Consultants	\$ 5,800
FINANCE	
Financial software solution study and proposals	\$ 100,000
ENGINEERING	
Bridge inspection	\$ 2,000
Corridor studies (Madison/Tea Ellis/ NE areas)	\$ 100,000
Traffic model update	\$ 25,000
STORM SEWER	
Rate study analysis	\$ 50,000
Total Maximum Daily Load (TMDL) study	\$ 25,000
LIGHT	
Engineering services	\$ 25,000

DEPARTMENT/VENDOR	2009 BUDGETED
SANITARY LANDFILL	
Landfill annual report	\$ 20,000
Landfill consulting	\$ 20,000
Development of new recycling/diversion programs	\$ 15,000
WATER	
Water rate analysis	\$ 50,000
Water model annual update, periodic modeling	\$ 20,000
WATER RECLAMATION	
Total Maximum Daily Load (TMDL) study	\$ 25,000
Maintain and modify sanitary sewer hydraulic model	\$ 40,000
Rate analysis	\$ 50,000
TOTAL BUDGETED FOR 2009: \$ 815,071	