



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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14-24 Nixon SO₂ Scrubber Procurement

September 2014

Purpose The objective of this audit was to monitor the Request for Proposal (RFP) development, evaluation, and selection process for the Nixon Unit 1 SO₂ scrubber for compliance with procurement policies and support of Colorado Springs Utilities strategic objectives.

Conclusion Based on our monitoring of the Statements of Qualification (SOQ) evaluation process and development of the RFP, the evaluation team appeared to follow an appropriate process to achieve the requirements of the project while following Utilities' procurement policies. The resulting Engineer, Procure, Construct and Commission (EPCC) contract reflects the efforts of the procurement team to carefully tailor the solicitation documents to achieve best value for Colorado Springs Utilities.

This report is the first of two regarding the Nixon SO₂ scrubber procurement. The period for this report covers our review of the SOQ evaluation to select the pre-qualified vendors as well as the development of the EPCC contract draft and other RFP documents through RFP issuance on July 21, 2014. Our second report will cover the evaluation of submitted proposals and selection of the awarded vendor in early 2015.

We provided feedback during monitoring of the RFP development process. We sought clarification regarding Utilities-specific language such as indemnification, lien process and publication of notice of final settlement, Tier II subcontracting plan, and use of surety bonds vs. letters of credit. We requested a more rigorous right to audit clause be included in the EPCC contract to better protect Colorado Springs Utilities. We also provided information related to compliance with a new Colorado law. Major items identified have been addressed.

The evaluation team was receptive to our feedback, and both of our recommendations were implemented in the RFP documents issued. We appreciate the cooperation of the evaluation team and management during the first phase of this audit.

As always, feel free to contact me if you have any questions.

Recommendations

1. Ensure compliance with the Keep Jobs in Colorado Act.
2. Modify the EPCC contract to strengthen the terms of the right to audit clause.

Management's Response

Colorado Springs Utilities agrees with the recommendations.

1. Colorado Springs Utilities has updated procurement processes to address requirements associated with the Keep Jobs in Colorado Act.
2. Colorado Springs Utilities incorporated the right to audit clause into the draft EPCC contract.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.

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