



Press Advisory Auditor Communicates Further Contract Problems

For Immediate Release
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For More Information
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(Denver) In another letter to City Council, Auditor Dennis Gallagher outlined further problems with the City's contracting process. Gallagher last week outlined his concerns regarding contract issues to Council and promised to follow-up with further information. The items highlighted in today's letter are recent examples of violations and circumvention of City policies including the altering and creation of false documents.

The text of the letter follows.

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August 24, 2009

Ms. Jeanne Robb, Council President
City Council
1437 Bannock Street, Room 451
Denver, CO 80202

Dear Councilwoman Robb:

As a follow-up to my letter of last week regarding issues surrounding the City's contracting process I want to share with you some more information and some rather egregious examples of flaws in the system and how the system is abused.

In my earlier letter I noted my concern over the extreme lateness of a change order for the Federal Blvd. Rehabilitation project. The change order in the amount of \$610,957.05 was for work with a completion date of July 18, 2008 and City Council approval date of July 27, 2009, more than a year after the fact. Despite my misgivings about this, I am reluctantly approving this change order so that the contractor can be paid. It is wrong that the contractor, who performed work in should be penalized for the errors committed by the City. Nonetheless, this should in no way be interpreted as acquiescence to the way this change order has been handled. I am very unhappy about this.

Also, it has come to my attention that Theaters and Arenas is completely circumventing the contracting process by using 'after the fact' purchase orders to pay for work that should be done either on an on-call contract basis or pre-approved purchase orders.

Theaters and Arenas has, since January 12 of this year authorized use of 'after the fact' purchase orders to pay for the hauling and recycling of waste, in the aggregate amount of \$10,376.52. The most recent invoice was August 18, 2009 in the amount of \$2,735.00. This invoice, as was the case with all previous invoices this year, was submitted for payment after the work was done and only then was a purchase order authorized. There is absolutely no reason that purchase orders for this work should not be approved prior to authorizing the work. This total disregard for procedures, fiscal accountability rules and financial practices is unacceptable and troubling.

In another case that has come to my attention, the Parks Department submitted to a contractor a work order related to an on-call contract authorizing \$30,015.00 in branch grinding and wood recycling work to be done between May 14, 2009 and May 29, 2009. The contractor completed the work and submitted an invoice dated May 30, 2009 and waited to be paid.

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On July 6, 2009 Parks sent the contractor two amendments to the original on-call contract, altering the dollar amount of the contract and the money that could be paid under each amendment. When the original work was authorized there was apparently not enough money remaining under the contract to pay for the work, and the amendments would allow for submission of two separate and subsequent work orders for work that had already been done. Parks then altered by hand the original invoice from the contractor, reducing the amount from the correct amount of \$30,015.00 to \$11,790.00 – the amount of money actually remaining in the contract.

Moreover, Parks then sent *three* work orders, each dated August 7 2009 (over two months after the work had been completed and invoiced) authorizing the same work that had already been done in May under the original work order. However, each of these work orders authorized the work to be done between August 24, 2009 and September 11, 2009 rather than the May time

frame specified in the original work order and the time frame in which the work was actually done. The amount of work authorized by one of the work orders was for \$11,790.00 - the exact amount that the original May 30 invoice had been altered by Parks to reflect. The second work order authorized work to be done in the amount of \$18,225.00 – the balance of the \$30,105.00 of the original invoice. Yet a third work was also sent, this one in the amount of another \$30,015.00 – same date, same work and same term dates as the other two. This sequence of events is confusing and frankly outrageous.

It is not that an error may have been made in not realizing at the time of the original work order that the contract did not have enough money remaining to pay for the work being authorized it is the attempt to obfuscate and subvert the process after the fact that is unacceptable. Altering documents and creating falsified documents for the sole purpose of papering over a mistake is problematic.

But it gets worse. The contractor has yet to be paid for work completed at the end of May.

I continue to be very concerned about these issues and will continue to monitor them and raise them until they are resolved. What is disconcerting is there are many more examples of the problems, these just happen to be three arising this summer.

Sincerely,

A handwritten signature in black ink that reads "Dennis J. Gallagher". The signature is written in a cursive, flowing style.

Dennis J. Gallagher
Denver City Auditor

cc: All City Council Members