



# City of CHARLOTTE

## MEMORANDUM

TO: Mayor Lewis and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: City Manager's Report

DATE: June 17, 2017

**Purchasing Procedures.** The agenda packet for the June 27 meeting includes communications related to failures to comply with the City's purchasing policies.

The City has employed for many years a streamlined purchasing approach that minimizes paperwork in favor of simple, quick methods of buying most products and services. Consistent with that streamlined process, there are few administrative oversight mechanisms early in the purchasing process. While this approach makes efficient use of limited staff resources, it is more dependent upon voluntary compliance than a more bureaucratic approach would be. In the vast majority of instances, the current system works well. As our recent experience demonstrates, it does not work well in all instances.

There are four actions that I will be taking in response to this situation:

1. Purchasing Ordinance Revision. I had already planned to begin an overhaul of the City's purchasing ordinance, a process scheduled to begin after July 1. There are several elements to this ordinance that are in need of revision to provide clarification that will simply understanding of their intent. Other provisions need to be evaluated to determine whether the current language is still appropriate to our circumstances. Still other language needs to be added to incorporate provisions related to local preference. I had a preliminary discussion with the city attorney regarding the ordinance a couple of months ago. We delayed starting this work until after the budget was completed to insure that the finance director would be able to devote time to the matter.
2. Administrative Control System. I have never been entirely comfortable with the lack of administrative controls in the City's purchasing system. I have not wanted to implement a paper-based system that would establish multiple layers of approval due to the limited staff available to manage it. Nevertheless, I believe that these recent circumstances demonstrate that additional controls are warranted. I will be directing the city clerk and finance director to explore software-based alternatives that we might

implement that would provide some checks in the purchasing system that we are now lacking.

3. Auditor Review. I will be discussing with the finance director the need for a more rigorous examination of purchasing practices by the city's auditors. I have no reason to suspect that a more serious situation exists than merely overlooking procedural requirements. The lack of administrative controls, however, can give rise to circumstances that permit abuses in ways that provide personal benefit to individuals engaged in purchasing. We should satisfy ourselves that this is not the case.
4. Internal Investigation. Upon my return from vacation, I will be finalizing an internal investigation to evaluate these incidents of non-compliance in light of the City's personnel policy and will determine what, if any, actions are warranted in light of the conclusions that I reach.