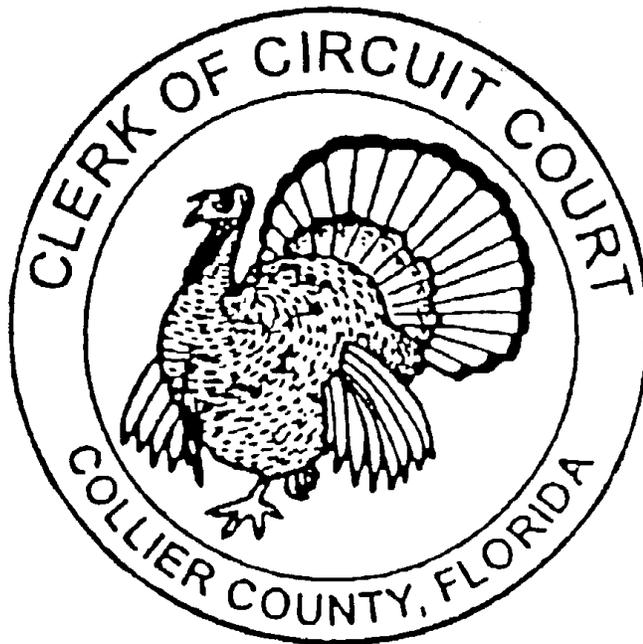


**Collier County Clerk of the Circuit Court
Internal Audit Department**

Audit Report 2002 - 1

Audit of City of Naples Risk Management
Fund Procedures





Dwight E. Brock
Clerk

County of Collier
CLERK OF THE CIRCUIT COURT

COLLIER COUNTY COURTHOUSE
3301 TAMiami TRAIL EAST
P.O. BOX 413044
NAPLES, FLORIDA 33941-3044

CIRCUIT COURT
COUNTY COURT
COUNTY RECORDER
CLERK BOARD OF
COUNTY COMMISSIONERS

January 24, 2002

The Honorable Bonnie R. MacKenzie, Mayor,
and Council Members of the City of Naples
735 8th Street South
Naples, FL 34102-6796

Dear Mayor and Council Members:

The Internal Audit Department has completed an audit of the procedures followed in the processing of transactions within the City's Risk Management Fund. The objective of this audit was to determine what procedures exist, as well as determining if these procedures provide adequate controls over the transactions being processed.

The enclosed report discusses the findings of this audit and includes recommendations to address these findings. City staff has already implemented many of the recommendations; some even before we began our audit.

We thank the City staff for their cooperation in the performance of this audit and diligence in addressing the issues identified.

While the report is our professional opinion regarding the subject we reviewed, please understand that rational people may differ in their opinions. That having been said, we were provided a memo by Mr. Harrison expressing his opinions to City Manager Kevin Rambosk. (See Exhibit 1) While I find it unfortunate to have to address this memo, there are several items in the memo that cannot be left without comment.

The memo states that the auditors "did not find one instance where it could be documented that the city paid out taxpayers funds it should have not paid." While that is a correct statement as far as it goes, you must also realize that we did not make any attempt to discover such examples. We were not attempting to discover examples, or lack thereof, of instances of defalcations or where funds were paid inappropriately. We tested procedures and compliance with those procedures only.

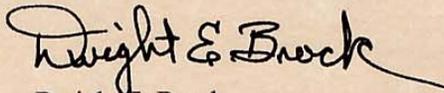
The memo further indicates that Mr. Harrison never advised us that he had destroyed the score sheets. While we have no personal knowledge of the facts about the existence or destruction of score sheets, we do know what we were told and documented those conversations in work papers. In fact, on December 10, 2001, Mr. Harrison advised auditors Ilonka Washburn and Alan Bray that he had disposed of the unlocated score sheets. (See Exhibit 2) On December 20, 2001 Ms. Washburn followed up with Mr. Harrison to inquire as to what authority allowed him to dispose of the bid records and was advised that he thought that the records were transitory and that he could destroy them. (See Exhibit 3)

It was not until January 11, 2002 that Mr. Harrison's story changed in any meaningful way. That is when he advised auditors Lawrence Haut and Robert Byrne that he had the only score sheet and that it was passed around in the committee meeting to get everyone else's consent. (See Exhibit 4)

One last comment regarding Mr. Harrison's memo involves the apparent implication that KPMG's external audit lends a degree of propriety to the Del Rey transaction. In fact, the professional standards relating to the role of KPMG, as well as their own opinion, clearly state that the responsibility of the external auditor was to express an opinion that the general purpose financial statements present fairly, in all material aspects, the financial position of the City. KPMG further points out that the "audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole". The suggestion that by virtue of KPMG taking no exception to any particular expenditure, including the Del Rey expenditure, bestows some modicum of approval to that transaction mischaracterizes the whole role and responsibility of the external auditor.

If you have any questions about this report, please feel free to telephone me at 732-2745 or Robert Byrne, Internal Audit Director, at 774-8075.

Respectfully,



Dwight E. Brock
Clerk of the Circuit Court

DEB/sb

Attachments

Memorandum

from the office of the Assistant City Manager

TO: KEVIN J. RAMBOSK, CITY MANAGER
FROM: BILL HARRISON, ASSISTANT CITY MANAGER
CC: MAYOR & CITY COUNCIL
DATE: JANUARY 23, 2002
RE: AUDIT OF RISK MANAGEMENT FUNCTION

RiskMgtAudit.doc

Auditors from the Collier County Clerk of the Court have now completed their audit of the City's Risk Management activities. Four auditors spent numerous hours over a three month period of time digging through literally hundreds of documents. The end result is the massive report delivered from Mr. Brock's office. We have made detailed responses to the individual recommendations listed in the report. In addition to those detailed responses, I wish to take the extra time to refer to a number of issues in the report.

REPORT OVERVIEW

Aside from the already well-discussed issues of the spill containment RFP and payment to Del Rey Divers on the Port Royal boathouse fire, there is not much new or exciting in the report. There are a number of areas where we agree to further strengthen an already effective Risk Management function. One of the key improvements made has been the hiring of a professional Risk Manager for the City. This was accomplished without adding to the total staffing of the City. The auditors reviewed a sample of risk management expenditures and found a number of minor, technical errors. In fact, many of the exceptions noted are policy issues, where the city continues to believe in the effectiveness of our existing policies. **What the report does not say is that the auditors, in spite of a detailed and lengthy examination of our records, did not find one instance where it could be documented that the city paid out taxpayer funds it should have not paid.**

SPILL CONTAINMENT R.F.P.

Two and half years ago, in the summer of 1999, city staff made errors in the handling of the Request for Proposal for spill containment services. As the ranking person on the committee, I have accepted full responsibility for these actions. This issue has come before the City Council on numerous occasions and has been exhaustively reported in the newspaper. This report again rehashes those shortcomings. We have acknowledged the errors, have put policies in place to assure that they will not happen again, and have long ago been ready to move forward. The issue raised by the auditors of destruction of public records makes for

January 23, 2002

exciting reading, but is simply not true. I reported to the auditors that I had discarded my personal files on the project, but we were able from other city records to provide all documentation on the work of the committee.

DEL REY DIVERS PAYMENT PROCESSING

This issue goes back to the Port Royal boathouse fire in the summer of 1998, three and a half years ago. Immediately upon being informed of the problems with the invoice presented for payment at that time, we instituted a training program for accounting staff to assure that this problem would not occur in the future. A new policy was put into place where the Accounting Manager is required to review and approve all expenditures over \$11,300 (adjusted for inflation) prior to payment.

It has been past practice for over a decade that expenditures which are reimbursed from outside sources do not need to be approved by the City Council. In this instance, the legal opinion from Roetzel & Andress was that our clean-up expenses would be able to be reimbursed by the owners of the boathouses or their insurance companies. This proved to be true, as the City collected the full extent of it's expenditure. Our financial records for fiscal year 1998 were audited by KPMG LLP, who took no exception to the handling of this issue.

Effective immediately, all payments over \$11,600, the new legal limit for purchasing authority, will be placed before the City Council for approval.

CITY OF NAPLES INTERVIEW

Date: 12/13/2001
Prepared by: IEW

Date and time of Meeting: 12/10/01, 2:30 a.m. meeting

Present: William Harrison, Assistant City Manager, City of Naples
Alan Bray, Internal Auditor
Ilonka E. Washburn, Internal Auditor

Purpose of Meeting:

Discuss the makeup and selection of First Responder Committee and vendor.

Discussed:

Bill explained that the boathouse fire in June 1998 started the process with everybody being concerned about the \$166,000 + payment. The committee for the first responder was selected by the City Manager. When asked about the sunshine rules Bill explained that the ground rules are that if they have a council member or a council appointed committee it would be posted but this was not council appointed nor did it include a council member therefore it was not posted.

Bill was unable to recall many details and did not have any copies of the file or any related paperwork. Bill said he typed the RFQ but it was put together from notes taken at the committee meeting. Bill explained that he usually writes the RFQ/P's because they are boilerplate and can be customized to fit.

Bill said the appropriate vendors for the RFQ's were found through Dr. Steigers expertise. Once the responses were received the committee met and everybody filled in score sheets - Bill was sure of that. Bill filled in his score sheet and kept everyone else's but must have disposed of it by now. Bill was able to identify the score sheet found in the file from purchasing as his. When asked if there was any explanations or instructions as to fill in the score sheet Bill said that there were not. *as his*

The RFQ stated that those vendors meeting all needs would be interviewed before the final selection but that was not done per Bill. During the selection process the most important aspect was the location of the vendor as it is of utmost importance to respond fast to contain any spill. As Biasella was located right at the Naples dock his response time was immediate. After the committee met and made their decisions the vendors were notified.

Bill said he was responsible for writing the ensuing contract but when asked if it could have been Sheldon Read he asked IEW who told her that and at her reply that Sheldon had said that Bill said that since he was the senior member of the committee he felt it was ultimately his responsibility to ensure all aspects of this process were performed correctly. Bill thought the contract was not written because it usually is the vendor's responsibility to write a contract but when Biasella was asked to provide one he was unable and they did not have a "boilerplate" one to use. Bill said that the selected vendor initially prepares 99% out of a 100% of the contracts approved. The City of Naples' legal department will then review, amend and change as necessary to finally approve the contract.

IEW asked Bill if it did not seem advisable to add a person with RFQ/P... and contract experience to each committee but Bill thought that the purchasing department did not have the personnel as they only have one buyer and one secretary in addition to not being qualified and the legal department which is qualified is too expensive at \$150/hr.

When Bill was asked how many committees on average there were he thought at any one time about six committees.

CITY OF NAPLES INTERVIEW

Date: 12/26/2001
Prepared by: IEW

Date and time of Meeting: 12/20/01, 2:30 a.m. meeting

Present: William Harrison, Assistant City Manager, City of Naples
Ilonka E. Washburn, Internal Auditor

Purpose of Meeting:

Follow up questions to meeting notes dated 12/13/01

Discussed:

Bill was asked about his earlier statements of the disposing of the individual score sheets and other raw notes in reference to the selection of the original First Responder Contract. Bill said that it all depends on who has the source documents and since they were staff notes Bill did not consider them legal documents rather he referred to them as transitory and as such they may be disposed of. When asked what the legal documents would have been had the contract been written Bill stated the following:

RFQ, Responses, Contract approval, contract and all steps involving the city council.

Any other documentation is staff use and has no retention limitation.

12/20/01

IEW followed up above discussion with the City Clerk Tara Norman who stated that the state allows for **transitory documents** (Exhibit 1, Reference: C.20.1) and to dispose of those once they are no longer useful. When asked for the definition of transitory documents Tara stated she would find the exact definition and meanwhile provided the auditor with a copy of the "**General Records Schedule GS1-L For Local Government Agencies, issued Jan. 2001**". The auditor then found the definition of transitory documents in the GS1-L issued July 2001 see exhibit 1.

Tara Norman called 12/28/01 at 11:30am to tell this auditor that she called the State Agency to get their view pertaining to my question of retention period and the applicable item under the "General Records Schedule GS1-L For Local Government Agencies". The State and the City Clerk agree that those documents are not considered Transitory documents but that the individual score sheets as well as the bid tabulation sheet's retention period could be either in item # 72 **Bid Records Non-Capital Improvement** (Exhibit 2, Reference C.20.2): or item # 138 **Project Files Non-Capital Improvement** (Exhibit 3, Reference C.20.3): whereas both specify a retention period of 5 fiscal years after completion of project provided applicable audits have been released. Tara said that even though they (state and her) had also considered item #42 **Purchasing records** (Exhibit 4, Reference C.20.4) which has a retention period of 3 fiscal years provided applicable audits have been released) they came to the conclusion that it was not as applicable. Personally Tara leans more towards item # 138.

— Exhibit 3 —

C.20.0

CITY OF NAPLES INTERVIEW- RISK MANAGEMENT FUND

Date and Time of Meeting: January 11, 2002 at 11:30 A.M.

**Present: William Harrison, Assistant City Manager
Bob Byrne, Internal Audit Director
Lawrence M. Haut, Internal Auditor**

Prepared by: Lawrence M. Haut on January 14, 2002

The following additional information was received from Bill Harrison pertaining to the Risk Management Fund and more specifically, the selection process for the First Responder Contract:

Harrison stated that Del Rey Marine was the only logical choice at the time to become the City of Naples First Responder, since it was the only Company with a 24 hour presence on Naples Bay. They were the only Company with a boat right at the Bay. When asked if he was sure of that? He said that is what he thought. Director Byrne told Harrison that Sea Tow, located on Isle of Capri, had told our office that they also had a boat there at that time. Harrison said he was not aware of that. Harrison and the committee believed that the **maximum** time for a responder to an emergency had to be one hour. When dealing with a matter such as a boathouse fire or an oil spill, time is critical. The company from LaBelle was considered to be too far away and thus was not talked to. Harrison further responded to questions by stating that none of the other companies were talked to by phone or interviewed by the Committee. The committee did not verify qualifications. The location of the Company was the main factor. Response time was the only variable that really mattered. It is fair to say that everything else about the Companies was reasonably equal, according to Harrison. The written materials that the companies had sent to the committee were accepted as being accurate. Harrison was asked about any official challenges to the selection. He commented that the letter sent by Sea Tow which challenged the process and selection of Del Rey/ Biasella was "pretty nasty".

The Committee met once. Harrison initially stated during this interview that "we passed out score sheets". "We filled them out and they were turned in". When asked if the handwritten sheet with Bill Harrison's handwriting and the typed sheet sent to Sea Tow represented his individual ratings or the consensus of the committee he stated the following: The sheet with his writing, which was later typed up and sent to Sea Tow, represented a consensus of the committee. He remembers it "going through the committee". When it was mentioned to him that this was not the consistent recollection of others on the committee. Harrison stated that this occurred 3 ½ years ago and he can't remember everything. He also offered that he knows that the other's said that they did not fill out a sheet and asked the interviewers if that is right? The interviewers did not respond either way. Harrison further offered that he recalls filling out his sheet during the

meeting and passed it around. He asked the others if they could "buy into his scoring". His recollection was that the members saw the numbers when it was passed around and the numbers were agreed on. When asked if the rating numbers were discussed individually and the different rating criteria evaluated, Harrison stated "no". Harrison offered that the handwritten sheet was found in his old "Reading File" records and he had "tossed" his office copy. Harrison offered that Biasella's package included a certificate for First Responder Awareness training. It was mentioned to Harrison that under the OSHA regulations this was the lowest level of expertise, which basically qualified someone to notify the authorities about the incident. He further added that based upon his past precedent on how he did things relating to committees and other experiences, he now believes or recalls that only one sheet was filled out because if there were others he would not have destroyed them and they would have turned up. When asked if this was his specific recollection or conjecture, he stated "conjecture". Harrison laughed and said he did not know that, when he was told by the interviewers, that Florida Department of Corporation records indicate that Del Rey Divers was administratively dissolved in 1996.

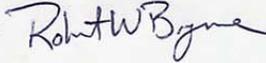
Pertaining to the problems with the \$166,000 Biasella bill for the boathouse fire job, Harrison stated that Biasella said that he didn't have the money to pay his employee payroll and subcontractors and needed expedited payment. Also it took almost a year for the insurance company to make good on the payments to the city and Biasella couldn't be made to wait that long. Harrison acknowledged that the normal City of Naples turn around time for a bill such as Biasella's would be 7-10 days. His bill was expedited so he could get the money sooner. Other contractors have also had bills expedited through the years. Harrison stated that he hopes that our audit conclusions do not recommend against giving the City the option to have expedited payments for contractors under certain circumstances. Harrison also stated that procedures for handling risk management related expenditures differed through the years from procedures for other city funds. He stated that when risk management expenditures involved insurance monies and not public monies, it was not considered necessary to obtain council approval, even for large expenditures. He specifically mentioned that a law firm which has handled large amounts of worker's compensation claim matters through Gallagher-Bassett and received hundreds of thousands of dollars in legal fees has not been approved through council. Harrison also mentioned that a new RFP was drafted by Kevin Rambosk which would give a very detailed procedure for handling future Requests For Proposals and the role of Selection Committees. He provided a copy to the interviewers. Harrison offered the information that many years ago he was the City Auditor in Aurora, Colorado. Based on his experiences he wanted to see if the procedure of the interviewers office was to seek comments and share the contents of the draft findings and report with the auditee. Director Byrne responded to Harrison's questions.

**Collier County
Clerk of the Circuit Court
Internal Audit Department**

Memo

To: The Honorable Dwight E. Brock, Clerk

From: Robert W. Byrne, CMA; Internal Audit Director



Date: January 24, 2002

Re: Audit of City of Naples Risk Management Fund Procedures (Audit Report 2002-1)

The attached report outlines the findings and recommendations of the Internal Audit Department's review of procedures used by City of Naples staff to process risk management claims. Additionally, we reviewed the First Responder bid process and related transactions. This audit was performed in accordance with generally accepted government auditing standards and was done as the result of a request made by the Mayor and City of Naples Council.

The findings note that there are several areas in need of improvement concerning the policies and procedures used in the Risk Management Fund. Most findings documented in this report have occurred when management has permitted deviations from the prescribed procedures. Recommendations to address the audit findings are included in the report.

A draft copy of this audit report was provided to City of Naples staff and their comments are included in the final report. City staff has already implemented, or is planning to implement, many of the recommendations.

Finally, I must note that the City of Naples staff was very cooperative and helpful to us while performing this audit. For this consideration, I thank them.

If you have any questions regarding this report, please telephone me at 774-8075

**Collier County Clerk of the Circuit Court
Internal Audit Department**

Phone (941) 774 8075
Fax (941) 775 5861
2671 Airport Road S., Suite 102
Naples, FL 34112

Audit Report 2002 - 1

Audit of City of Naples Risk Management
Fund Procedures

Audit of City of Naples Risk Management Fund Procedures

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Audit of City of Naples Risk Management Fund Procedures

Background Information

Audit Purpose, Objectives, & Scope

The purpose of this audit is to determine if sufficient controls are in place for processing transactions within the City of Naples Risk Management Fund. The specific objectives include determining what procurement and payment procedures exist in processing transactions within the City of Naples Risk Management Fund as well as determining if these procedures provide adequate controls over the transactions being processed. The scope of this audit was limited, primarily, to transactions during the 2001 fiscal year. Additionally, the auditors examined the most recent insurance bid process, the first responder selection process, and the payment procedures for two invoices received from Del Rey Divers, Inc.

Audit Methodology & Procedures

This audit was performed in accordance with generally accepted government auditing standards. The Internal Audit Department interviewed current and former City of Naples staff members responsible for the claims processing, procurement, and payment processes within the City of Naples Risk Management Fund. Additionally, the auditors reviewed all ordinances, statutes, policies, and procedures relevant to the Risk Management Fund processes. A judgmental sampling of Risk Management Fund transactions was used to test compliance with applicable regulations.

Background

The City of Naples maintains a Risk Management Fund that is used to self-insure the city against all types of losses. In addition, the fund is used to pay premiums for insurance coverage in excess of the risk retained by the city. The city obtains this insurance through their insurance broker, Arthur J. Gallagher & Co. (AJG). The city has bid the insurance program every five years and AJG has been the city's insurance broker since 1981.

The Risk Management Fund is funded through transfers from other city funds based on claims experience, with the General Fund and Water & Sewer Funds being the largest contributors. Payments from the Risk Management Fund consist of premium payments to the insurance carriers and insurance broker, payments for claims handled by the city, or reimbursement of funds paid through a bank account set up by the city and the third party administrator (TPA). The city's TPA is Gallagher-Bassett (GB), which is a subsidiary of Arthur J. Gallagher & Co.

Claims are received by the Budget & Investment Manager and are investigated by the Safety Officer who prepares a "Property Damage/Loss and Personal Injury Report." The Budget & Investment Manager receives this report and then determines how it will be handled. Depending on the nature of the claim, the claim may be processed "in-house" or referred to the TPA for further investigation and processing. Workers compensation claims are referred to GB for processing after entry by the Human Resources Department into the OSHA log. Property claims, if not complicated or the claim amount is small, will be retained in house.

An example of the types of claims that are processed by City of Naples staff is for minor, "fender-bender" type motor vehicle accidents. The Budget & Investment Manager will request the claimant obtain three estimates for the cost of the necessary repairs, but in some cases, when it may cause a hardship for the person, a minimum of two estimates will be accepted and payment will be made in the amount of the lower estimate. Payment is made only after authorization by the Assistant City Manager and the claimant signs a release form.

Gallagher-Bassett is authorized by the City to negotiate most claim settlements up to \$5,000, with a \$7500 threshold for workers compensation claims. Amounts in excess of this threshold require additional authorization to settle the claim. A City Government Committee that includes the Mayor, City Manager, Assistant City Manager and the Budget & Investment Manager will discuss the matter and provide GB with a maximum limit for which they can settle the claim. Gallagher-Bassett attempts to negotiate a settlement below the maximum and is occasionally successful in this respect.

The City of Naples, through the Risk Management Fund, paid approximately \$740,000 in insurance premiums during the 2001 fiscal year. Claims payments of all types during this same time period were approximately \$715,000; with reimbursements received in the amount of approximately \$135,000.

Audit of City of Naples Risk Management Fund Procedures

General Finding & Recommendations

Purchasing Evaluation Committees

As part of evaluating Requests for Quotations (RFQ) and Requests for Proposals (RFP), the City Council or City Manager has appointed a staff committee to evaluate the responses. Typically the members appointed have knowledge or expertise in the functional area for which the goods and services are being procured. Often criteria for selection are included in the resolution authorizing the evaluation committee's work.

Findings

- 1) While the selection committees typically have functional expertise, they rarely have a member of the Purchasing Department ensuring that all purchasing procedures and requirements are met.
- 2) Selection criteria are not always explicit as to council's priorities, which could lead to recommendations contrary to the City of Naples Council's goals.

Recommendations

- A. A Purchasing Department representative should attend all selection committee meetings or, in the alternative, ensure that at least one committee member is fully trained and familiar with the appropriate purchasing procedures for the committee's activities.

City Staff Response to Recommendation A

Purchasing Manager has been directed to prepare training sessions on purchasing policies for all management and administrative staff involved in the purchasing function. New Administrative Memo on Request for Proposals requires Purchasing Manager to approve and sign off on all RFP's prior to release. **(See Attachment A)**

- B. Selection criteria should be defined as clearly and explicitly as possible prior to selection committee deliberations.

City Staff Response to Recommendation B

New Administrative Memo on Requests for Proposals requires clearly defined selection criteria. **(See Attachment A)**

Audit of City of Naples Risk Management Fund Procedures

Risk Management Fund Finding & Recommendations

Insurance Broker Selection Process

The insurance broker is selected on a 5-year basis. The selection of the current broker was made in 1981 and has been reaffirmed several times since then by the City Council, most recently in September 1997. Insurance is obtained through the insurance broker on a three-year basis with two one-year renewal options. An RFQ is developed and advertised to potential bidders. Various insurance brokers obtain price quotes for insurance coverage according to the RFQ. The selection process for a third party administrator is performed at the same time as the selection of the insurance coverage program. The RFQ document requires the insurance broker to provide a bid for TPA services. Upon selection of the insurance program, a contract for Claim Administration services through the TPA is created by city staff and approved by the City Council.

In 1996, a risk management committee was established to review the risk management program and make recommendations. Members of the committee included two council members, two industry volunteers, two staff members, and the Assistant City Manager. Due to the lack of expertise, the city staff prepared the RFQ with the assistance of AJG. The Assistant City Manager and his staff opened the bids, accumulated the data in a summary format and presented the insurance program options to the committee. During this process one bidder, Acordia, stated in their proposal that the current carrier, AJG, had blocked the other bidders from accessing any property coverage. They requested the broker release those markets to allow them to bid the complete program.

After review, the committee made its recommendation to the City Council. As a result of the other agents' inability to obtain property quotes, only two programs were considered for selection.

Findings

- 3)** Existing insurance program provider, Arthur J. Gallagher & Co., assisted staff with the development of the RFQ. **(See Exhibit I)**
- 4)** Existing program provider, Arthur J. Gallagher & Co., blocked out other brokers from obtaining quotes for coverage. **(See Exhibit II)**
- 5)** Committee and staff did not consider other programs due to other brokers inability to obtain quotes for property coverage. **(See Exhibit III)**

Recommendation

C. The current RFQ is restrictive and does not allow for open competition. An RFQ should be prepared that allows open competition among various firms in an open market so that the city may consider a number of options and get the best pricing.

City Staff Response to Recommendation C

The current five-year insurance program expires October 1, 2002 and will be bid this summer. With a professional Risk Manager now on staff, we will be implementing a two stage selection process. The first stage will be open to all proposers, based on a Request for Information (RFI) and will result in two brokers selected for detailed bids. Brokers will be assigned markets to obtain bids, eliminating the problem of blocked markets.

Insurance Agent Broker Agreement

The office of the City Manager of the City of Naples established an agreement with Arthur J. Gallagher & Co. in 1981 to provide insurance services. These services consist of representing the city to insurance companies for the purpose of obtaining insurance coverages. This agreement is reestablished every five years and is approved by the City Council. The agreement was last affirmed in September 1997. The insurance broker is paid by the insurance company on a commission basis determined by the amount of premium paid by the City.

Finding

- 6) Under the current arrangement the higher the premium charged the city, the higher the commission the broker makes. This fee structure is not in the interest of the city from a cost perspective and does not encourage the broker to provide the best companies, policies, coverages or premiums. **(See Exhibit IV)**

Recommendation

D. To open the insurance broker/agent representation to competitive bid and to seek an alternate fee structure such as a flat fee structure.

City Staff Response to Recommendation D

We concur. The two brokers selected as finalists from the RFI process discussed in "C" above will be required to propose both a fixed and percentage fee structure for City consideration.

Balance Sheet Statement of Insurance Claims Liability

According to the September 30, 2000 City of Naples financial statements, the Risk Management Fund, an internal service fund, has a balance of \$475,665 in Insurance Claims Payable and a Retained Earnings balance of \$717,230. **(See Exhibit V)**

Insurance Claims Payable. This represents the total of all open claims reported to the city by Gallagher-Bassett. The balance does not tie directly to GB's report because of adjustments in the reserve balance for items that are not the responsibility of the City due to a limit on the amount of the loss the city is responsible for.

Retained Earnings. This is unspent money accumulated over the life of the fund, which represents the amounts collected but not paid out due to claims experience. The Assistant City Manager budgets the insurance premiums and the total aggregate loss each year. Whenever the pay out is less than the total aggregate for a given year, it results in these excess funds.

Findings

- 7) Insurance Claims Payable is reported as a current liability in the City of Naples financial statements. Although there is some flexibility in how this is reported on an entity's financial statements, Generally Accepted Accounting Principles (GAAP) require the claim liability to be reported as both a current and a long-term liability based on the expected payouts for the period of reporting. Therefore, if the claim is expected to be paid from current funds, it is a current liability. Likewise, if the claim is expected to be paid from future funds (sometime beyond 12 months), it is a long-term liability. This distinction should be actuarially determined based on experience.
- 8) There is a retained earnings balance of \$717,230 in the Risk Management fund as reported on September 30, 2000. It is expected that this balance will increase for the September 30, 2001 balance sheet, due to the favorable experience of the fund for the preceding year. Typical internal service funds do not maintain a substantial unreserved retained earnings balance.

Recommendations

E. The city should recognize both a current and long term liability on the Consolidated Balance sheet for the amount of expected payout for both the current year and future periods associated with the Risk Management Fund.

City Staff Response to Recommendation E

This technical accounting issue will be referred to our external auditors, KPMG LLP.

F. The unspent funds of the Risk Management Fund should be returned to the appropriate funds and reallocated each budget cycle. Alternatively, the City Council could approve and

designate a fixed reserve balance to account for fluctuations in the yearly loss experience. This could be actuarially established based on experience.

City Staff Response to Recommendation F

Strong reserves in the Risk Management Fund are essential to the long-term performance of the fund. These reserves allow us to absorb cost increases in Risk Management rather than disrupting the budgets of the operating funds.

Claims Processing Procedures

Claims are received by the Budget & Investment Manager and are investigated by the Safety Officer who prepares a “Property Damage/Loss and Personal Injury Report.” The Budget & Investment Manager receives this report and then determines how it will be handled. Depending on the nature of the claim, the claim may be processed “in-house” or referred to the TPA for further investigation and processing.

A typical “in-house” claim would be for a minor, “fender-bender” motor vehicle accident and the Budget & Investment Manager would request the claimant obtain three estimates, but in some cases two would be accepted. Payment would then be made in the amount of the lower estimate, after approval by the Assistant City Manager and the claimant signing a release form.

Findings

- 9) There is not a procedures manual documenting the claims handling process within the Risk Management Fund.
- 10) City of Naples purchasing policies and guidelines were not followed in processing Risk Management Fund transactions. **(See Exhibit VI)** This is particularly noted by the lack of supporting documents, in the levels of authority for processing payments, and the number of quotes obtained for claims. **(See Table I)** It was also noted that a number of transactions began as Field Purchase Orders (FPO), but were required by the Comptroller to be resubmitted as regular purchase orders.

Table I: Summary of Risk Management Claims Review

Requirement	Deficiency Rate	Notes/Examples
Supporting Documentation	41%	Missing documents included invoices, proper number of quotes, incident reports, and purpose of expense (lunch).
Proper Approval for Payment	7%	Missing signature.
Signed Release of Liability Form	21%	Signed release forms not in file.
Correct Arithmetic	10%	Charged for 3 hours when time spent was 2 hours.

- The above deficiency rates include all errors found, regardless of perceived severity. The table reflects Risk Management Fund transactions only and does not necessarily reflect a general error rate.

- 11)** The auditors were unable to establish that there was explicit approval by the City Council for any staff member to negotiate and settle claims, yet this occurs on a regular basis. The auditors were provided an Administrative Memo, signed by City Manager Woodruff, describing certain risk management procedures and levels of authority for negotiation, however, it is also unclear in this instance whether City Council granted this authority to the City Manager. Additionally, the procedures described in this memo were not followed consistently.
- 12)** The Property Damage/Loss and Personal Injury Report is not signed by the Safety Officer verifying the accuracy and authenticity of the claim report. This could expose the city to the possibility of processing a fraudulent claim.
- 13)** An initial claims contact log is not maintained, which could result in claim investigations not being handled in a timely manner.
- 14)** The Budget & Investment Manager assumed the city's risk management duties, in addition to the regular duties of that position, approximately ten years ago. Only in the past year did the Budget & Investment manager receive specific risk management training/continuing education.

Recommendations

G. A procedures manual should be prepared for the claims handling process. This manual should be reviewed by legal counsel and approved by management and/or City Council as appropriate. All relevant policies, procedures, and forms should be included in this manual. Additionally, any deviations from normal purchasing policies for the Risk Management Fund should be explicitly noted in those purchasing policies.

City Staff Response to Recommendation G

We concur. The preparation of a procedures manual has been assigned to the new Risk Manager for the City.

H. The Safety Officer or the employee preparing the Property Damage/Loss and Personal Injury Report should sign the report in order to attest to its accuracy and to verify its authenticity.

City Staff Response to Recommendation H

We concur. This will be implemented immediately.

I. A log should be established to document all contacts with persons regarding insurance claims.

City Staff Response to Recommendation I

We concur. This will be implemented immediately.

J. The City of Naples has recently hired a risk management professional to assume the Risk Management Fund duties performed by the Budget & Investment Manager. This action, along with continuing education, should ensure that the city's risk management activities are managed in accordance with current industry best practices.

City Staff Response to Recommendation J

We concur. Employment agreement with new Risk Manager includes membership in professional organizations and funds budgeted for professional development.

Audit of City of Naples Risk Management Fund Procedures

First Responder Related Findings & Recommendations

First Responder Selection Process

On June 10, 1999 the City of Naples advertised for a “Request for Qualifications” (RFQ) process to select a “First Responder” for hazardous material spills on Naples waterways. Procedures on the selection process were published and provided to all potential RFQ respondents. Five firms responded to the RFQ and in a meeting held by the selection committee appointed by the City Manager, the committee ranked Del Rey Divers Inc. as the preferred choice as “First Responder.” When the committee’s selection was announced, one bidder, Sea Tow, wrote a letter (**See Exhibit VII**) in protest that was subsequently answered by the Assistant City Manager (**See Exhibit VIII**). In that response a scoring sheet was provided that showed Del Rey Divers had received the highest total score, as rated on four criteria: Qualification Statement; Similar Projects; Legal Actions; and Response Time.

Findings:

- 15) The selection committee meeting was not publicly noticed as required by the Florida Government-in-the-Sunshine Law (s. 286.011, F.S.). (**See excerpt below**)
- 16) Minutes of the selection committee meeting were not taken as required by the Florida Government-in-the-Sunshine Law (s. 286.011, F.S.). (**See excerpt below**)

Excerpt from “Government-in-the-Sunshine Manual,” 2001 Edition

Does the Sunshine Law apply to staff?

Meetings of staff of boards or commissions covered by the Sunshine Law are not ordinarily subject to s. 286.011, F.S. *Occidental Chemical Company v. Mayo*, 351 So. 2d 336 (Fla. 1977), *disapproved in part on other grounds, Citizens v. Beard*, 613 So. 2d 403 (Fla. 1992). See also, *School Board of Duval County v. Florida Publishing Company*, 670 So. 2d 99, 101 (Fla. 1st DCA 1996) (staff personnel not subject to the Sunshine Law); and AGO 89-39 (aides of county commissioners are not subject to the Sunshine Law unless they have been delegated decision-making functions outside of the ambit of normal staff functions, are acting as liaisons between board members, or are acting in place of the board members at their direction).

However, when a staff member ceases to function in a staff capacity and is appointed to a committee which is delegated authority to make recommendations to a board or official, the staff member loses his or her identity as staff while working on the committee and the Sunshine Law applies to the committee. Thus, it is the nature of the act performed, not the makeup of the committee or the proximity of the act to the final decision, which determines whether a committee composed of staff is subject to the Sunshine Law. *Wood v. Marston*, 442 So. 2d 934 (Fla. 1983). See, *News-Press Publishing Company, Inc. v. Carlson*, 410 So. 2d 546, 548 (Fla. 2d DCA 1982), concluding that it would be "ludicrous" to hold that "a certain committee is governed by the Sunshine Law when it consists of members of the public, who are presumably acting for the public, but hold a committee may escape the Sunshine Law if it consists of individuals who owe their allegiance to, and receive their salaries from, the governing authority." And see, AGO 96-32 (Sunshine Law applies to employee advisory committee established to make recommendations to governing board); AGO 86-51 (land selection committee appointed by water management district to evaluate and recommend projects for acquisition must comply with Sunshine Law "even though such committee may be composed entirely of district staff and its decisions and recommendations are subject to further action by the district's governing board"); and AGO 84-70 (Sunshine Law applies to staff grievance committee created to make nonbinding recommendations to county administrator regarding disposition of employee grievances). In a more recent case, *Silver Express Company v. District Board of Lower Tribunal Trustees*, 691 So. 2d 1099 (Fla. 3d DCA 1997), the district court determined that a committee (composed of staff and one outside person) that was created by a college purchasing director to assist and advise her in evaluating contract proposals was subject to the Sunshine Law.

According to the court, the committee's job was to "weed through the various proposals, to determine which were acceptable and to rank them accordingly." This function was sufficient to bring the committee within the scope of the Sunshine Law because "[g]overnmental advisory committees which have offered up structured recommendations such as here involved—at least those recommendations which eliminate opportunities for alternative choices by the final authority, or which rank applications for the final authority—have been determined to be agencies governed by the Sunshine Law." 691 So. 2d at 1101. And see, Inf. Op. to Lewis, March 15, 1999 (staff panels established by board to create requests for proposals and evaluate vendor responses are subject to s. 286.011, F.S.).

Moreover, the fact that a staff committee's recommendations are subject to review does not insulate the committee from the Sunshine Law because "[n]o official act which is in and of itself decision-making can be 'remote' from the decision-making process, regardless of how many decision-making steps go into the ultimate decision." *Wood v. Marston*, 442 So. 2d at 941. Thus, the Court concluded that a committee created by a university president for the purpose of screening applications and making recommendations for the position of a law school dean was subject to s. 286.011, F.S., even though the committee's recommendations were subject to review by the faculty. *Id.* "[T]he fact that the results were submitted to the faculty as a whole, which had the authority to review the work of the screening committee, [does not] render the committee's function any less policy-based or decision-making." *Id.* at 938-939.

On the other hand, a committee composed of staff which is merely responsible for informing the decision-maker through fact-finding consultations would not be subject to the Sunshine Law. *Bennett v. Warden*, 333 So. 2d 97 (Fla. 2d DCA 1976) (fact-finding committee appointed by community college president to report to him on employee working conditions not subject to Sunshine Law).

For example, this office concluded that an "agenda preparation group" whose duties were limited to "fact-finding pertaining to School Board agenda items, including any necessary supportive information as backup to assist the Board in its deliberations" was not subject to s. 286.011, F.S., because there was no indication that the agenda preparation group made recommendations to the school board or otherwise participated in the decision-making process. Inf. Op. to Centorino, February 4, 1994.

Similarly, in *Lyon v. Lake County*, 25 F.L.W. D1798 (Fla. 5th DCA July 28, 2000), the appellate court ruled that the Sunshine Law did not apply to informal meetings of staff where the discussions were "merely informational," where none of the individuals attending the meeting had any decision-making authority during the meetings, and where no formal action was taken or could have been taken at the meetings.

- 17)** In explaining the lack of individual committee member scoring sheets in the RFQ records, the Assistant City Manager at one time indicated that he destroyed the individual scoring sheets of the committee members after the selection committee had met. According to General Records Schedule GSL-1 for Local Government Agencies, issued by the Florida Bureau of Archives and Records Management, bid records must be kept for five (5) fiscal years. The destruction of these public records, if it occurred, is in violation of Section 257.36 (6) of Florida Statutes, which permits destruction of public records only in accordance with established retention schedules.
- 18)** The usual procedure for selection committees is for committee members to complete their individual scoring sheets prior to the committee meeting. After being advised in one interview that the score sheets of the other members had been destroyed, the auditors were, in a later interview, advised by the Assistant City Manager that he circulated his scoring sheet (**See Exhibit IX**) in the selection committee meeting and polled the members to see if they agreed with his rating and if it reflected the consensus of the group. In discussing this issue with other committee members, there is much disagreement as to whether there were one or more score sheets, how they were used, and what happened to them.
- 19)** According to the members of the selection committee, the main focus of the committee's deliberations was response time. It was stated that other qualifications were discussed minimally and that nothing was done by the committee to verify the qualifications of the various bidders. This is significant as the Florida Department of State, Division of Corporations web site, shows that Del Rey Divers, Inc. was administratively dissolved on 8/23/1996 for failure to file an annual report and is currently listed as "inactive." (**See Exhibit X**) Furthermore, in support of Del Rey Divers, Inc. qualifications, a training certificate was provided (**See Exhibit XI**), which under OSHA guidelines limits a person only to notify the proper authorities and does not qualify him to perform any clean up activities. (**See Exhibit XII**)
- 20)** The published RFQ evaluation procedures required interviews of the prospective firms. The committee did not interview any of the bidders. Response within one hour was a clear requirement to award the contract, however no consideration was given to asking any of the respondents how they proposed to meet this requirement. The committee clearly made assumptions as to response times by the various firms without input from the bidders themselves. (**See Exhibit XIII**)
- 21)** A formal, written contract was not prepared and was not presented by the selection committee to the City Council for approval.

Recommendation

K. All selection committee activities should be in full compliance with the Florida Government-in-the-Sunshine Law and Florida public records law and fully documented for later review.

City Staff Response to Recommendation K

We were unaware that the Sunshine Law affected the work of committees comprised solely of staff employees. We appreciate the Clerk of Court auditors bringing this issue to our attention and it has been made part of the revised Administrative Memo on Requests for Proposal. Compliance will begin immediately.

L. Selection committees should insure that essential vendor qualifications are independently verified.

City Staff Response to Recommendation L

One of the basic requirements of internal control is that the cost of the control should not exceed the benefit to be derived from that control. Within that framework, we will review the issue of vouching vendor qualifications.

Auditor's Comment

As was pointed out in Finding 19, staff admitted that nothing was done to verify the qualifications of the bidders in the bid process described above. Not verifying essential qualifications can lead to a situation where unqualified bidders are awarded a bid. Clearly in such a situation, the benefit derived by verifying these necessary qualifications exceeds the cost.

M. All established selection committee procedures should be followed.

City Staff Response to Recommendation M

We concur. New Administrative Memo on Requests for Proposal establishes specific requirements and mandates compliance.

Del Rey Divers, Inc. Payment Processing

The Internal Audit department was requested to review the payment procedures utilized with regard to two invoices submitted by Del Rey Divers, Inc.

Findings

- 22)** Invoices received from Del Rey Divers, Inc. were paid without supporting documentation for the time and materials billed.
- 23)** Invoice received from Del Rey Divers, Inc. billing for costs associated with the Port Royal boathouse fire was paid in an expedited manner without following proper procedures. This is evident in that the invoice provided had numerous arithmetical errors.

- 24) Invoices were paid without City Council approval or a City Council approved contract as required by purchasing policy.

Recommendations

N. All invoices paid on a time and materials basis should include sufficient documentation to support the billing.

City Staff Response to Recommendation N

Immediately upon notice of system weaknesses, we implemented training for clerical staff in Accounting. In addition, the review process has been strengthened by adding a requirement that the Accounting Manager review all documentation of expenditures prior to payment where the expenditure exceeds \$11,300, adjusted for inflation.

O. Expedited invoices should follow all established procedures. Criteria should be developed to guide management in requesting expedited payments.

City Staff Response to Recommendation O

Expedited payments must be reviewed and approved following the review procedures established for all expenditures.

P. City Council approval should be obtained for invoices exceeding the prescribed threshold prior to payment.

City Staff Response to Recommendation P

We concur and have implemented.

Audit of City of Naples Risk Management Fund Procedures

Conclusions

Internal Control Structure

Most findings documented in this report have occurred when management has permitted deviations from the prescribed procedures. The City of Naples appears to have sufficient controls in place to ensure transactions are handled properly, however these controls are effective only when all procedures are followed. It is management's responsibility to set the tone that each and every transaction is to be processed "by the book," and in order to reach this goal, to assure that all employees are adequately trained in the procedures required of their job function.

Audit of City of Naples Risk Management Fund Procedures

Exhibits & Attachments

Exhibit I – Memo RE: Risk Management RFP

Memorandum

from the office of the Assistant City Manager

TO: RISK MANAGEMENT COMMITTEE
FROM: BILL HARRISON, ASSISTANT CITY MANAGER
DATE: JULY 14, 1997
RE: REQUEST FOR PROPOSALS – RISK MANAGEMENT

We have completed work on the Request for Proposals for Risk Management Services for the period 10/1/97 – 9/30/2000 and have distributed the RFP to those companies on our bidders' list maintained by the Purchasing Office. When Jeff Walker declined our counteroffer for his services to prepare the RFP, City staff did the work with input from Arthur J. Gallagher & Company, the current insurance provider. We are requesting proposals for insurance programs which will mirror the current program provided by Gallagher. Companies may propose other types of programs, but must clearly identify all areas of difference. This should provide for full competitive bidding on the program.

To allow sufficient time for proposers to complete and return their proposals, the due date has been set for September 4th. That will allow time for review of the proposals received and drafting a recommendation to the City Council for action. The last time we went out for bid for these services, in 1992, there was no real competition to the Gallagher proposal. If this RFP process results in competitive proposals, we will use the Risk Management Committee to assist in the review process.

RiskMgtRFP.doc

C24.5

Exhibit II – Acordia Risk Management RFP Cover Letter

Acordia

Acordia Southeast
501 South Flagler Drive
Suite 600
West Palm Beach, FL 33401
Tel: (561) 655-5500
Fax: (561) 655-5509

September 3, 1997

Mr. William P. Harrison,
Assistant City Manager
City of Naples
735 Eighth Street, South
Naples, FL 34102-6796

Re: RFQ#97-51

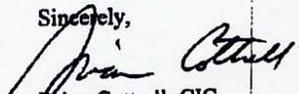
Dear Mr. Harrison,

Please find enclosed my proposal for the city's all lines aggregate program. You will notice the proposal does not include excess property coverage. The incumbent agent has submitted their applications to the carriers able to provide this coverage and has blocked myself and other agents from accessing any property coverage.

I would like to propose that if our program is attractive based on our submission then Gallagher would release their property markets to me and allow me to complete your "ALA" program.

Acordia has worked with local municipalities for the past thirty years and has the expertise to serve your insurance needs. I look forward to working with you in reviewing our proposal and qualifications.

Sincerely,


Brian Cottrell, CIC

Insurance, Bonding & Employee Benefits

C24

Exhibit III – Staff Report to Council RE: Insurance Renewal

TO BE ADDED
September 17, 1997



Staff Report to Naples City Council
Subject: Insurance Renewal
From: Dr. Richard L. Woodruff, City Manager
Prepared by: Bill Harrison, Assistant City Manager
Date: September 15, 1997
Recommend approval *NRD* *RWH*

ACTION REQUESTED: Authorization to issue purchase orders for purchase of property, liability, and workers' compensation excess insurance and administration services for the fiscal year October 1, 1997 – September 30, 1998.

BACKGROUND: The City of Naples has been self-insured for losses since 1981. The City is responsible for the first \$100,000 to \$150,000 per occurrence and purchases excess insurance against catastrophic loss. The program has been administered by Gallagher-Bassett and was last put out for bid in 1992. This spring, the City Council appointed a six-member committee, consisting of two Council Members, two insurance industry representatives, and two staff members to review the current risk management operation of the City.

That committee met several times and outlined a number of improvements to our risk management program. Upon the recommendation of this committee, we purchased federal flood insurance for City properties. In the 1998 budget, a half-time position is approved for accident investigation and workplace safety. That committee also provided oversight in the process of issuing a Request for Proposals for the continuation of our self-insured risk management program and the purchase of excess insurance and administration services.

ANALYSIS AND RECOMMENDATION: Bids were opened on September 4th with seven bidders responding to our R.F.P. Bid tabulation is attached. The only two complete proposals received were the renewal proposal from Arthur J. Gallagher & Company and a competing proposal from the Florida League of Cities, Inc. The other proposals received did not provide all coverages as required in the R.F.P. and were not cost competitive when assumptions were made as to the costs of purchasing coverages not proposed. The proposal from the Florida League of Cities is less expensive for the purchase of excess insurance and administration services, \$400,692 to \$504,688 for the Gallagher proposal. However, the League of Cities proposal does not offer the security of a pooled aggregate insurance maximum cost. In addition, the League of Cities proposal specifically excludes insurance coverage for windstorm damage at Naples Landings, Anthony Park, the Wastewater Treatment Plant, all pavilions, gazebos, and concession stands, the Fishing Pier, the City Dock, Central Stores, and the Port Royal Water Storage Tank and will only cover the Fishing Pier and City Dock for other perils at original cost less depreciation rather than replacement cost. We feel that these exclusions expose the City to excessive risk of loss and are recommending that the City Council approve the following purchase orders:

ARTHUR J. GALLAGHER & COMPANY	
PREMIUMS FOR INSURANCE COVERAGES	\$466,318
GALLAGHER-BASSETT SERVICES	
ADMINISTRATION SERVICES	\$ 38,370

C24.9

Exhibit IV – Arthur J. Gallagher Letter RE: Premiums Earned



Arthur J. Gallagher & Co. - Miami

November 21, 2001

RECEIVED
NOV 26 2001
CITY MANAGER'S OFFICE

Mr. Bill Harrison
Assistant City Manager
City of Naples
735 Eighth Street, South
Naples, FL 34102-6796

Re: Arthur J. Gallagher & Co. brokerage revenue on the City of Naples "Protected Self-Insurance Program" premiums.

Dear Bill:

Every five years, the City of Naples has gone out to bid on its property and casualty insurance program with the assistance of an independent outside consultant in order to find the most cost effective, broad coverage that satisfied its needs. Since 1981 AJGCO has been able to satisfy those requirements and win the contest. It has been our position that since the City received the best deal for its money, what we were able to get paid by underwriters was of interest only to our competitors.

While we continue to provide the most cost effective program for cities, counties and school boards, the new trend from the competition is to find out our revenue and then insist that the entity does not go out for a "program", but rather seek a broker selection process, where additional points are given for items such as local presence and broker fees.

The end result is frequently a winner that may not be able to provide either the least costly or best coverage available. Such is our reluctance to disclose our compensation in a format that becomes a public record. That said, I tell you that our compensation is consistent with what other brokers get paid for negotiating this type of policy and includes all the risk management services listed in our proposal.

Being more specific, our compensation ranges between 10% and 15% of the City's excess premium of \$834,704 that is between \$ 83,500 and \$ 125,000. Needless to say that with this information, someone who does not have the business will show up and say they will do it for less, to the long term detriment of the City.

Sincerely

Antonio B. Abella
Area Sr. Vice-President

8200 Northwest 41st Street, Suite 200
Miami, FL 33166
305.592.6080
Fax 305.592.4049
www.ajg.com

C23.32

Exhibit V – Risk Management Fund Balance Sheet 9/30/2000

CITY OF NAPLES, FLORIDA

Combining Balance Sheet Internal Service Funds

September 30, 2000

(With comparative totals for September 30, 1999)

Assets	<u>Equipment Services</u>	<u>Risk Management</u>
Current assets:		
Cash and investments	\$ —	1,185,797
Receivables - miscellaneous	589	39,135
Due from other governments	5,169	—
Inventories	62,713	—
Total current assets	<u>68,471</u>	<u>1,224,932</u>
Property, plant and equipment:		
Buildings	126,826	—
Equipment	91,330	27,670
Accumulated depreciation	(65,883)	(7,527)
Construction in progress	6,031	—
Net property, plant and equipment	<u>158,304</u>	<u>20,143</u>
Total assets	<u>\$ 226,775</u>	<u>1,245,075</u>
Liabilities and Fund Equity		
Current liabilities:		
Accounts payable	\$ 23,723	52,180
Accrued payroll and personal leave	39,092	—
Due to other funds	45,795	—
Insurance claims payable	—	475,665
Total current liabilities	<u>108,610</u>	<u>527,845</u>
Total liabilities	<u>108,610</u>	<u>527,845</u>
Fund Equity:		
Contributed capital	285,100	—
Retained earnings (deficit) - unreserved	(166,935)	717,230
Total fund equity	<u>118,165</u>	<u>717,230</u>
Total liabilities and fund equity	<u>\$ 226,775</u>	<u>1,245,075</u>

Exhibit VI – City of Naples Purchasing Manual Excerpts

Purchase Orders

Page 2-1-2

IF PURCHASE ORDER IS	REQUIRED APPROVALS
\$750.00 or less	Department Head
\$750.01 to \$11,300	Purchasing Manager
\$11,300.01 or more	City Council
\$5,000.00 or less for professional services, including consultants	City Manager
\$5,000.01 or more for professional services, including consultants	City Council
Computer Hardware and/or Computer Software	Information Services Network Manager (in addition to any above)

Figure 2-1. Table Providing Levels of Required Approval

C3.3

 CITY OF NAPLES PURCHASING PROCEDURES	Procedure No: 2-3	Effective Date: 1/2/01
	No. of Pages: 1	Supercedes: 1/15/99
Chapter Two: Purchase Orders	Subject: Purchase Orders (\$750 to \$5,000)	

AUTHORITY Section 2-353 (Competitive Bidding Policy) of the City of Naples Code of Ordinances.

PURPOSE To define the authority and responsibility for the issuance of purchase orders between \$750.01 and \$5,000.00.

APPLICABILITY This procedure applies to all City departments.

POLICY All purchase orders between \$750.01 and \$5,000 shall be issued on the basis of three (3) competitive quotations of any type (telephone quote, catalog, etc.).

All requests for sole source purchase orders shall contain a sole source justification.

PROCEDURE Purchase orders shall be obtained by entering and approving requisitions into the HTE automated purchasing system (See Procedure # 9-1) and receiving the approval of the Purchasing Manager.

C3.5

 CITY OF NAPLES PURCHASING PROCEDURES	Procedure No: 2-4	Effective Date: 1/2/01
	No. of Pages: 1	Supercedes: 1/15/99
Chapter Two: Purchase Orders	Subject: Purchase Orders (\$5,000 to \$11,300)	

AUTHORITY Section 2-353 (Competitive Bidding Policy) of the City of Naples Code of Ordinances.

PURPOSE To define the authority and responsibility for the issuance of purchase orders between \$5,000 and \$11,300.

APPLICABILITY This procedure applies to all City departments.

POLICY All purchase orders between \$5,000 and \$11,300 shall be issued on the basis of three (3) written quotations on company letterhead.

A written quotation shall be required as a back-up to all sole source purchase orders.

PROCEDURE Purchase orders shall be obtained by entering and approving requisitions into the HTE automated purchasing system (See Procedure # 9-1) and receiving the approval of the Purchasing Manager.

C3.6

 CITY OF NAPLES PURCHASING PROCEDURES	Procedure No: 2-5	Effective Date: 1/2/01
	No. of Pages: 1	Supercedes: 1/15/99
Chapter Two: Purchase Orders	Subject: Purchase Orders (Over \$11,300)	

AUTHORITY	Sections 2-354; 2-355; and 2-357 of the City of Naples Code of Ordinances.
PURPOSE	To define the authority and responsibility for the issuance of purchase orders over \$11,300.
APPLICABILITY	This procedure applies to all City departments.
POLICY	The City Council shall award all bids and provide for the execution of purchase orders and contracts for purchases of \$11,300 or more.
PROCEDURE	Formal, sealed bids shall be required for each purchase in excess of \$11,300 unless otherwise provided in Chapter 2, Division 3 of the City of Naples Code of Ordinances. The Purchasing Division will be responsible for conducting all competitive bidding.

C3.7

 CITY OF NAPLES PURCHASING PROCEDURES	Procedure No: 2-11	Effective Date: 1/15/1999
	No. of Pages: 2	Supercedes:
Chapter Two: Purchase Orders	Subject: Field Purchase Orders (F.P.O.)	

AUTHORITY	Section 2-353 (Competitive Bidding) of the City of Naples Code of Ordinances.
PURPOSE	To establish uniform procedures for the issuance of Field Purchase Orders (F.P.O.'s).
APPLICABILITY	These procedures apply to all F.P.O.'s Issued.
POLICY	Some recurring obligations are exempt from competitive bidding and do not have to be handled by the Purchasing Division. Therefore, these items or services need not be placed on purchase requisitions, but may be placed on F.P.O.'s.
PROCEDURE	<p>F.P.O.'s <u>may</u> be prepared for the following:</p> <ol style="list-style-type: none"> 1. Employee benefits 2. Postage 3. Dues and memberships 4. Transportation, travel and hotel reservations 5. Books and magazine subscriptions 6. Education and training seminar registrations 7. Replenishment of petty cash funds 8. Utility bills (electric, water/sewer, phone) 9. Other miscellaneous charges <p>F.P.O.'s <u>may not</u> be prepared for the following:</p> <ol style="list-style-type: none"> 1. Professional services already rendered, including legal, medical, accounting, engineering, and architectural 2. Temporary labor services 3. Newspaper advertisements, including legal ads and classified job ads 4. Goods and services normally ordered on purchase orders

C3.12

Exhibit VII – First Responder RFQ Protest Letter: Sea Tow

12/27/2001 09:44

9414344620

CITY OF NAPLES

PAGE 04



"Your Road Service At Sea."

NAPLES
P. Box 369
Naples, FL 34106
(941) 263-3188

MARCO
P.O. Box 639
Marco Island, FL 34146
(941) 394-1188

August 15, 1999

City of Naples
280 13th St. N.
Naples, FL 34102

Dear Assistant City Manager:

Yesterday we recieved a FAX dated August 3, 1999, signed by a purchasing manager, on the subject of Requests For Qualifications-First Responder. He stated we should contact you if we had objections.

We strongly object to the fact that your studying committee gave NO reasons for their decision to award the First Responder contract to Del Rey Divers over SEA SPILL Naples. We request to be informed of the criteria used for the basis of their decision.

SEA SPILL is approved by the U.S.C.G. (Evidence of which was included in the substantial booklet of qualifications which we provided your committee.) SEA SPILL has been state and federally certified for spill cleanup for 15 years. We were asked to provide your committee with a vast amount of information about our qualifications, giving us the impression thst we would be chosen as First Responder if our qualifications were superior to the competition. We therefore believe we have a right be informed how the choice was made. What qualifications do Del Rey Divers have which made the committee choose them as first responder over SEA SPILL Naples? Does Del Rey Divers own more of the proper equipment necessary to respond to a major spill? Is it all readily accessible at the time of need? Do his personel have a higher degree of training than does SEA SPILL? SEA SPILL requires constant ongoing training of it's employees. We are required to have adequate equipment on hand readily accessible at all times in the event of a major spill. Does Del Rey Divers have a history, such as a flawless record in spill response? SEA SPILL does. You can ask Dr. Steiger about our performance. He was onboard our vessels during several spills. He was witness to our professionalism. He complimented us on many occassions, which was very rewarding for us to hear. We would think his opinion would be of great importance in this decision. Was Del Rey Divers his choice? We sincerely hope he will be encouraged to compare performance. We believe the committee's choice had nothing to do with actual qualifications. Please notify us how this decision WAS reached.

We will be awaiting the official explanation of the committee,
Capt. David P. & Patricia J. Ludwick *YJL*

Exhibit VIII – Staff Response to Sea Tow RFP Protest Letter



City of Naples

OFFICE OF THE CITY MANAGER

August 19, 1999

Capt. David P. & Patricia J. Ludwick
Sea Spill
P.O. Box 369
Naples, FL 34106

Dear Capt. & Mrs. Ludwick:

I am in receipt of your letter of August 15th demanding information from the City. The City of Naples recognized the need for a contract for a first responder for spill containment. The City Manager formed a committee consisting of the Fire Operations Commander, the Fire Marshal, the Police Marine Lieutenant, and the City's Harbormaster. Dr. Staiger, who was mentioned in your letter, was also on the committee, and I, as the Assistant City Manager, chaired the committee.

The committee received five Statements of Qualifications (SOQ's) and met to review the proposals received. Rating criteria were established by the committee and were used to rank the five SOQ's received. As you can see on the attached scoring sheet, Del Rey Divers received the highest score and has been recommended for contract.

Sincerely,

William P. Harrison
Assistant City Manager

Enclosure

WPH/jp

FIRST RESPONDER / SPILL CONTAINMENT SOQ'S

Company Name	Qualification Statement	Similar Projects	Legal Actions	Response Time	Total
Del Ray Divers (Naples)	4	5	5	5	19
SWS (Ft. Myers)	3	5	5	2	15
Tow Boat / U.S. (Marco)	3	5	3	3	14
Sea Spill (Isles of Capri)	3	4	5	3	15
ACT (LaBelle)	5	2	5	1	13

Exhibit IX – Scoring Sheet in First Responder RFQ Files

FIRST RESPONDER/SPILL CONTAINMENT SOQ's

Company Name	Cover Letter	Qualification Statement	Similar Projects	Legal Actions	Response Time	TOTAL
Del Rey Divers (NAPLES)		4	5	5	5	19
SWS (FR MYERS)		3	5	5	2	15
Tow Boat/US (MARCO)		3	5	3	3	14
Sea Spill (ISLES OF CAPE)		3	4	5	3	15
ACT (LA BELLE)		5	2	5	1	13

2949 Spill Containment SOQ's

Exhibit X – Division of Corporations RE: Del Rey Divers, Inc.

Florida Department of State, Division of Corporations

Corporations Online
www.sunbiz.org Public Inquiry

Florida Profit

DEL REY DIVERS, INC.

PRINCIPAL ADDRESS
761-A 12TH AVE., SOUTH
NAPLES FL 33940 US
Changed 08/10/1995

MAILING ADDRESS
POST OFFICE BOX 2331
NAPLES FL 33939

Document Number P94000021407	FEI Number APPLIED	Date Filed 03/17/1994
State FL	Status INACTIVE	Effective Date NONE
Last Event ADMIN DISSOLUTION FOR ANNUAL REPORT	Event Date Filed 08/23/1996	Event Effective Date NONE

Registered Agent

Name & Address
BIASELLA, SHARON A 860 12TH AVENUE SOUTH NAPLES FL 33940

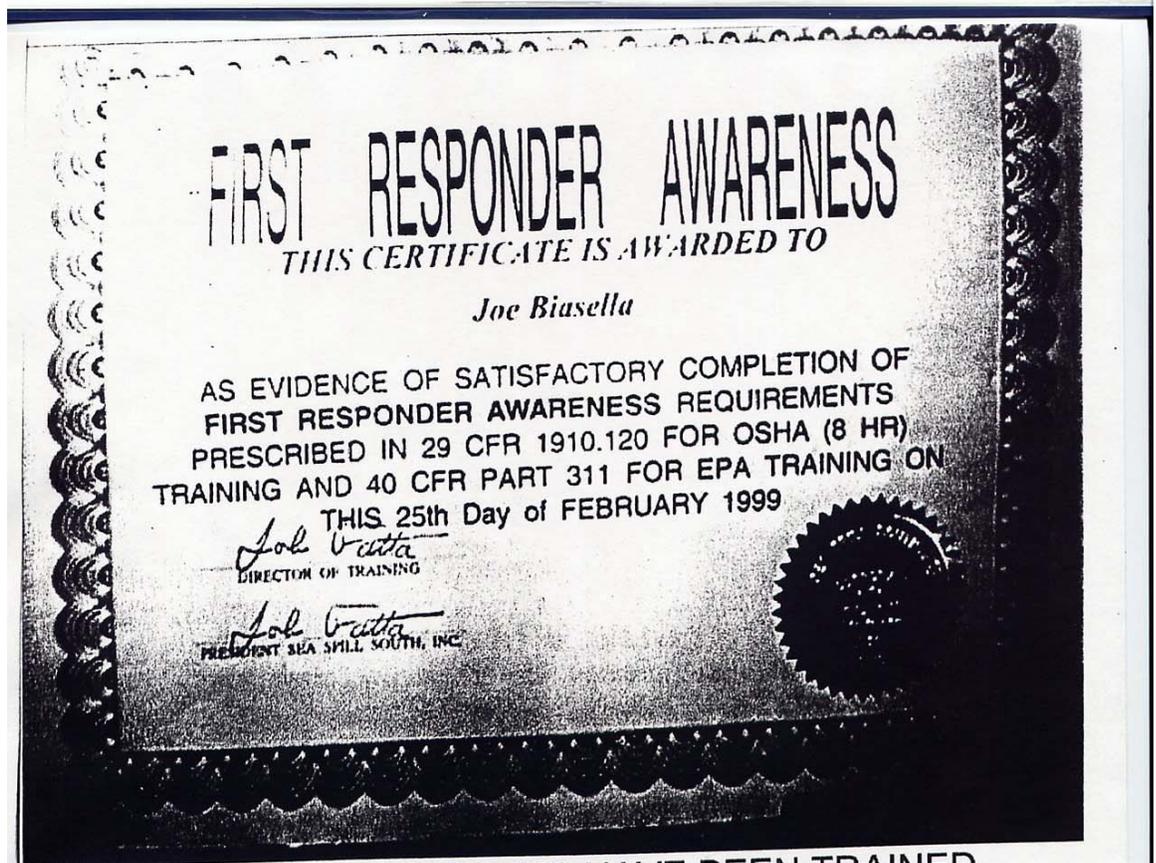
Officer/Director Detail

Name & Address	Title
BIASELLA, JOSEPH V 860 12TH AVENUE S #1 NAPLES FL 33940	PRES
BIASELLA, JIM 1985 41ST TERRACE SW NAPLES FL 33999	VPRE
ROED, ROBERT 860 12TH AVENUE S #21 NAPLES FL 33940	SEC

.../cordet.exe?a1=DETFIL&n1=P94000021407&n2=NAMFWD&n3=0000&n4=N&r1=&r2=12/26/2001

F3.0

Exhibit XI - First Responder Certificate Submitted by Del Rey Divers



ALL OF OUR EMPLOYEES HAVE BEEN TRAINED AND DRILLED IN THE HANDLING OF SPILLS OF ANY TYPE.

AS WE ARE LOCATED AT THE CITY DOCK IN THE FLEISHMAN MARINA WE CAN BE TO ANY SPILL OR INCIDENT OF ANY TYPE IN A MATTER OF MINUTES.

24 HR. SERVICE
7 DAYS A WEEK

Exhibit XII – OSHA Regulations Excerpt RE: First Responder Training

Occupational Safety and Health Admin., Labor

§ 1910.120

conveyed to them through training before they are permitted to take part in actual emergency operations on an incident. Employees who participate, or are expected to participate, in emergency response, shall be given training in accordance with the following paragraphs:

(i) *First responder awareness level.* First responders at the awareness level are individuals who are likely to witness or discover a hazardous substance release and who have been trained to initiate an emergency response sequence by notifying the proper authorities of the release. They would take no further action beyond notifying the authorities of the release. First responders at the awareness level shall have sufficient training or have had sufficient experience to objectively demonstrate competency in the following areas:

(A) An understanding of what hazardous substances are, and the risks associated with them in an incident.

(B) An understanding of the potential outcomes associated with an emergency created when hazardous substances are present.

(C) The ability to recognize the presence of hazardous substances in an emergency.

(D) The ability to identify the hazardous substances, if possible.

(E) An understanding of the role of the first responder awareness individual in the employer's emergency response plan including site security and control and the U.S. Department of Transportation's Emergency Response Guidebook.

(F) The ability to realize the need for additional resources, and to make appropriate notifications to the communication center.

(ii) *First responder operations level.* First responders at the operations level are individuals who respond to releases or potential releases of hazardous substances as part of the initial response to the site for the purpose of protecting nearby persons, property, or the environment from the effects of the release. They are trained to respond in a defensive fashion without actually trying to stop the release. Their function is to contain the release from a safe distance, keep it from spreading, and

prevent exposures. First responders at the operational level shall have received at least eight hours of training or have had sufficient experience to objectively demonstrate competency in the following areas in addition to those listed for the awareness level and the employer shall so certify:

(A) Knowledge of the basic hazard and risk assessment techniques.

(B) Know how to select and use proper personal protective equipment provided to the first responder operational level.

(C) An understanding of basic hazardous materials terms.

(D) Know how to perform basic control, containment and/or confinement operations within the capabilities of the resources and personal protective equipment available with their unit.

(E) Know how to implement basic decontamination procedures.

(F) An understanding of the relevant standard operating procedures and termination procedures.

(iii) *Hazardous materials technician.* Hazardous materials technicians are individuals who respond to releases or potential releases for the purpose of stopping the release. They assume a more aggressive role than a first responder at the operations level in that they will approach the point of release in order to plug, patch or otherwise stop the release of a hazardous substance. Hazardous materials technicians shall have received at least 24 hours of training equal to the first responder operations level and in addition have competency in the following areas and the employer shall so certify:

(A) Know how to implement the employer's emergency response plan.

(B) Know the classification, identification and verification of known and unknown materials by using field survey instruments and equipment.

(C) Be able to function within an assigned role in the Incident Command System.

(D) Know how to select and use proper specialized chemical personal protective equipment provided to the hazardous materials technician.

(E) Understand hazard and risk assessment techniques.

(F) Be able to perform advance control, containment, and/or confinement

Request for Qualification Procedures



**First Responder Spill Containment
Hazardous Materials on Naples
Waterways**



REQUEST FOR QUALIFICATIONS AND EVALUATION PROCEDURES

I. GENERAL INSTRUCTIONS

- A. THE RESPONSE SHOULD BE SUBMITTED IN A SEALED ENVELOPE CLEARLY MARKED ON THE OUTSIDE "REQUEST FOR QUALIFICATIONS - SPILL CONTAINMENT FIRST RESPONDER" AND DELIVERED TO :**

**WILLIAM P. HARRISON
ASSISTANT CITY MANAGER
CITY OF NAPLES
735 EIGHTH STREET SOUTH
NAPLES, FLORIDA 34102**

DEADLINE: MONDAY, JULY 12, 1999, AT 2:00 P.M.

- B. FIVE (5) COPIES OF THE RESPONSE MUST BE FURNISHED ON OR BEFORE THE DEADLINE.**
- C. ANY QUESTIONS CONCERNING THE REQUEST FOR QUALIFICATIONS SHOULD BE DIRECTED TO CAPTAIN BOB EGAN, CITY OF NAPLES HARBOR MASTER, AT 941-434-4693 OR LT. ED TRACZYK, NAPLES POLICE MARINE UNIT, 941-434-4844.**
- D. RESPONSES RECEIVED AFTER THE DEADLINE WILL NOT BE CONSIDERED.**
- E. THE CITY OF NAPLES SHALL NOT BE LIABLE FOR ANY COSTS INCURRED BY THE RESPONDING FIRMS.**
- F. FIRMS RESPONDING TO THIS RFQ MUST BE AVAILABLE FOR PRESENTATIONS AND/OR INTERVIEWS TO THE SELECTION COMMITTEE AS DETERMINED BY THE COMMITTEE.**
- G. THE CITY RESERVES THE RIGHT TO WAIVE ANY MINOR IRREGULARITIES DURING THIS PROCESS.**

II. SELECTION COMMITTEE

THE FOLLOWING INDIVIDUALS HAVE BEEN APPOINTED TO SERVE AS THE SELECTION COMMITTEE ON THIS PROJECT. THE SELECTION COMMITTEE IS CHARGED WITH THE RESPONSIBILITY OF REVIEWING RESPONSES TO THIS RFQ, SHORT-LISTING FIRMS TO BE INTERVIEWED BY THE COMMITTEE, AND PREPARING A PRIORITIZED RECOMMENDATION TO THE CITY COUNCIL WHO WILL THEN MAKE THE FINAL SELECTION.

SELECTION COMMITTEE

BILL HARRISON, ASSISTANT CITY MANAGER
DR. JON STAIGER, NATURAL RESOURCES
BOB EGAN, HARBOR MASTER
SHELDON REED, FIRE COMMANDER
MATT REED, FIRE MARSHALL
ED TRACZYK, MARINE UNIT LIEUTENANT

III. PROJECT DESCRIPTION

THE CITY OF NAPLES IS SEEKING INTERESTED CONTRACTORS TO SUBMIT INFORMATION REGARDING A WATERWAY SPILL CONTAINMENT AND RESPONSE PLAN. THE "FIRST RESPONDER" CONTRACTOR WILL RESPOND TO RELEASES OR POTENTIAL RELEASES OF HAZARDOUS SUBSTANCES FOR THE PURPOSE OF CONTAINMENT TO PROTECT NEARBY PERSONS, PROPERTY, AND/OR THE ENVIRONMENT FROM THE EFFECTS OF THE RELEASE. INFORMATION SUBMITTED FOR REVIEW WILL INCLUDE CONTRACTOR INFORMATION, CONTACT PERSON, LOCATION, EQUIPMENT AND PROJECTED RESPONSE TIMES TO THE NAPLES AREA WATERWAYS, WITH A MAXIMUM TIME BEING ONE HOUR. ALL INTERESTED CONTRACTORS MUST MEET ALL LOCAL, STATE AND FEDERAL REQUIREMENTS.

THE SELECTION COMMITTEE WILL REVIEW AND INTERVIEW, AS NEEDED, FROM A SHORT LIST TO SELECT ONE CONTRACTOR FOR THE ABOVE PURPOSE. ONCE SELECTED, THIS CONTRACTOR COULD BE CALLED OUT BY THE CITY WHEN NEEDED FOR THE PURPOSE OF CONTAINMENT. THIS CONTRACTOR WILL BE REQUIRED TO WORK WITHIN THE CITY ORDINANCE FOR SUCH SERVICES(SEE ATTACHED CITY ORDINANCE).

- IV. YOUR RESPONSE TO THIS REQUEST FOR QUALIFICATIONS MUST INCLUDE THE FOLLOWING:
- A. COVER LETTER. AN OVERVIEW OF YOUR SUBMISSION, LIMITED TO TWO PAGES.
 - B. A CONTRACTOR QUALIFICATION STATEMENT PROVIDING SUMMARY FACTUAL INFORMATION ON YOUR COMPANY.
 - C. LISTINGS OF ANY AND ALL PRIOR OR CURRENT SIMILAR PROJECTS RELATED TO WATERWAY SPILL CONTAINMENT.
 - D. A SECTION, NOT MORE THAN TWO PAGES LONG, LISTING YOUR UNIQUE QUALIFICATIONS FOR THIS TYPE OF WORK.
 - E. A STATEMENT INDICATING ANY AND ALL LAWSUITS, LIQUIDATED DAMAGES, PENALTIES, LIENS, DEFAULTS OR CANCELLATIONS IMPOSED OR FILED AGAINST YOUR ORGANIZATION DURING THE PREVIOUS THREE YEARS.
- V. AFTER THE CONTRACTORS HAVE BEEN EVALUATED BASED ON THEIR WRITTEN RESPONSES, THOSE MEETING ALL NEEDS AND REQUIREMENTS WILL BE MORE CLOSELY CONSIDERED THROUGH A PRESENTATION OF THEIR APPROACH TO PERFORM THIS PARTICULAR FUNCTION. FORMAL PRESENTATIONS BY EACH CONTRACTOR WILL BE LIMITED TO TWENTY MINUTES, WITH TIME ALLOWED FOR QUESTION AND ANSWER WITH THE SELECTION COMMITTEE.

VI . PRIORITY RANKING:

BASED ON THE RESULTS OF THE INTERVIEW PROCESS, THE SELECTION COMMITTEE WILL PREPARE A PRIORITIZED RANKING OF THOSE CONTRACTORS INTERVIEWED AND REQUEST THAT CITY COUNCIL ENDORSE THAT RANKING. CITY COUNCIL WILL THEN NAME THE CONTRACTOR WHO WILL BE CALLED TO RESPOND TO WATERWAY SPILLS WITHIN THE CITY AS A FIRST RESPONDER AND ACT WITHIN THE GUIDELINES OF THE CITY ORDINANCE FOR COST RECOVERY FOR EFFORTS RELATED TO HAZARDOUS MATERIALS INCIDENTS.

ADMINISTRATIVE MEMO

RE: REQUEST FOR PROPOSALS

This administrative memo establishes required procedures for the use of Requests for Proposals (RFP's) when an elected and/or appointed official(s) will serve on the Selection Committee. Procedures are designed to insure that the process is fair and open to all potential proposers and is in full compliance with the Open Meetings and Public Records laws of the State of Florida.

IMPORTANT NOTE: FLORIDA OPEN MEETINGS LAW REQUIRES THAT ALL PROJECTS WHICH INCLUDE THE USE OF REQUESTS FOR PROPOSALS (RFP's), REQUESTS FOR QUALIFICATIONS (RFQ's), OR REQUESTS FOR INFORMATION (RFI's) OPERATE IN THE SUNSHINE, WITH USE OF PROPERLY NOTICED AGENDAS, MINUTES, AND ALL RESPONSES AVAILABLE FOR PUBLIC INSPECTION.

CONSULTANTS COMPETITIVE NEGOTIATION ACT (CCNA). Florida Statute 287.055 requires that a qualification-based selection process of Architects, Engineers, and Land Surveyors be used for projects with a basic construction cost exceeding \$250,000 or when planning and study activities fees are expected to exceed \$25,000. This policy establishes procedures in compliance with those regulations.

I. CREATION OF SELECTION COMMITTEE:

- A. The City Manager, as chief executive officer of the City of Naples, determines the need for a selection committee and assigns staff members to serve on the committee. The City Manager designates one of the named staff members to serve as lead person in the creation of the committee.
- B. For RFP projects where the City Manager has determined that it would be in the best interests of the City to have an appointed official serve on the committee (for example, a member of the Community Services Advisory Board), the staff liaison to that board is responsible for having that board name one of their members to serve on the committee.

- C. The lead staff person prepares a resolution (Exhibit I) for action by the City Council officially appointing the Selection Committee and appointing one or more members of the City Council to serve on the committee.

II. PREPARATION OF REQUEST FOR PROPOSAL:

- A. The lead staff person is responsible for preparation of a draft of the RFP (example attached as Exhibit II).
- B. RFP will be approved by the Selection Committee, either in an official committee meeting or by circulating the draft to committee members, with all comments on the draft RFP to be made in writing from individual committee members and made a permanent part of the record of the work of the Selection Committee.
- C. RFP must contain the following elements:
 - 1. GENERAL INSTRUCTIONS: These include:
 - a. Submittal instructions and deadlines
 - b. Number of copies to be provided
 - c. Contact person for questions
 - d. Statement that late responses will not be considered
 - e. Statement that City is not responsible for costs incurred
 - f. City reserves the right to waive minor irregularities
 - g. Statement prohibiting lobbying by proposers
 - 2. REQUIREMENTS OF PROPOSAL: These include:
 - a. Cover letter
 - b. Statement of qualifications
 - c. Staff to be assigned to project
 - d. References
 - e. Other information requested from Proposers
 - f. Other required information:
 - (1) Period of proposed contract, if applicable, length of contract, and requirements for renewals.
 - (2) Cancellation, how and for what reasons contract may be cancelled; notification requirements.
 - (3) Insurance requirements.
 - (4) Statement describing how cost proposals shall be structured. For example, hourly rates with maximum not to exceed cost rather than lump-sum.

3. INITIAL SCREENING: RFP document must include the objective scoring method, including point weighting, to be used to short-list proposals received. Scoring criteria must be relevant to the project.
 4. INTERVIEWS: Document must disclose standards to be used for interviews. If scoring of interviews will use a method different than that disclosed and used for initial screening, scoring must be disclosed.
 5. PRIORITY RANKING AND NEGOTIATION: Written description of contract process.
 6. CONTRACT: Description of contract form to be used. Final contract must include provisions for compliance with City's Ethics Ordinance.
 7. PROJECT SPECIFIC INFORMATION: Detailed description of the project and scope of services to be contracted for.
- D. RFP must be reviewed and approved by Purchasing Manager prior to distribution. Purchasing Manager is responsible for assuring widespread distribution of RFP and is responsible for assurance that newspaper advertisements are placed as required by Purchasing Policy.

III. AGENDAS AND MINUTES:

- A. Lead staff person will schedule a Selection Committee meeting and prepare an agenda for the meeting (Exhibit III).
- B. Copies of all proposals received and the meeting agenda will be distributed to all committee members. Agenda will be posted by the City Clerk's Office in compliance with posting deadlines and will be faxed to local media. Proposals received will be made available for public inspection. All Selection Committee meetings are open to the public.
- C. Lead staff person is responsible for official minutes of meetings. At the first committee meeting, a chair will be selected. Minutes will be approved at subsequent committee meeting and signed by the committee chair. Signed minutes will be filed with the City Clerk (Exhibit IV).

IV. SHORT-LISTING OF PROPOSALS:

- A. Lead staff person will assure that scoring sheets (Exhibit V) are prepared for Selection Committee members, with scoring identical to criteria and weighting in RFP.
- B. Each Selection Committee member present at the scheduled committee meeting will accurately and completely fill out a scoring sheet. Only individuals named by the City Council to the Selection Committee are eligible to complete a scoring sheet.
- C. Based on tabulation of scoring sheets, and using the guidelines in the RFP, the Selection Committee will identify short-listed firms to be interviewed.

V. FINALIST INTERVIEWS AND APPROVAL PROCESS:

- A. Lead staff person shall prepare agenda (Exhibit VI) for Selection Committee meeting to interview finalists. Distribution of agenda as outlined above.
- B. Finalist firms will be notified in writing of the date and time of interviews (Exhibit VII).
- C. At the conclusion of the last interview, scoring sheets (Exhibit VIII) will be completed by committee members. Scoring criteria and weighting must be identical to those in the RFP or, if different, must be given to interviewees in advance of Selection Committee meeting.
- D. Lead staff person will prepare official minutes of the meeting (Exhibit IX).
- E. Lead staff person will prepare a resolution (Exhibit X) for action by the City Council, confirming the ranking of short-listed firms and authorizing contract negotiation.

VI. CONTRACT PROCESS:

- A. Contract documents will be prepared in compliance with Purchasing Procedures (Exhibit XI).
- B. Final contract requires City Council approval, as governed by Purchasing Policy.

VII. STAFF COMMITTEES:

Committees of staff members appointed by the City Manager, not including elected or appointed officials, will operate in compliance with these procedures as directed by the City Manager. Staff committees not including an elected or appointed official do not need approval by resolution of the City Council for creation. Sections II through VI must be followed, even for committees made up exclusively of staff members.

Kevin J. Rambosk, City Manager

Date: 01/23/02

No. 41