

MANAGEMENT AUDIT OF
RAYTOWN WATER COMPANY

CASE NO. WO-93-194

AUDIT RECOMMENDATION IMPLEMENTATION PLAN

Project Name: Competitive Bidding

Function: Strategic Planning

Department: Management/Field

Person Responsible for Implementation: Neal S. Clevenger & Melvin Acock

Title: President/General Manager & Foreman

Audit Reference Chapter: 11 Page: 29-30

Project No.: 6 Project Priority: High

I. MSD STAFF RECOMMENDATION: Develop and implement formal competitive bidding procedures for all major equipment purchases & contracts.

A. Estimated Cost: Minimal

B. Estimated Benefits: Helps ensure that best value is considered in purchasing from more than one company.

C. Estimated Date of Completion: May 15, 1994

II. DESCRIPTION OF IMPLEMENTATION PLAN: The Company will acquire purchasing forms and policies from other utilities that may be useful in developing a format. An employee meeting will be conducted for their suggestions and changes. Management will meet with its foreman and put a final bid form and policy together. In addition to a form for bidding documentation, management will extend formal record keeping to include information such as, financial review, cash flow vs loan, bid documentations and an evaluation determining if purchased truck/equipment/material met specifications or if buying policy needs revision.

Board members will be made aware of the new competitive bidding documentation. The Board will set the monetary limit requiring their approval. The final approved draft will be included in the Company's policy manual.

III. COMPANY'S WORK PLAN AND SCHEDULE:

<u>Phase</u>	<u>Task</u>	<u>Start Date</u>	<u>Complete Date</u>
Form/Policy Data Collection	Senior management will gather bidding policies and forms from other utilities. Company will use any samples acquired to assist in development of a bidding format.	02/01/94	03/01/94
Employee Meeting	Senior management will seek the views and suggestions from its employees on its proposed bidding policy.	03/01/94	03/15/94
Draft Preparation	Using the policies and forms from other utilities and employee input, management will put in final form the Company's competitive bidding policy and documentation record keeping. A number of sections will be included such as financial review, cash flow vs loan, number and reputation of vendors, specifications, emergency purchases and minimum limits requiring bidding. An ongoing written bid documentation & evaluation record keeping will be maintained by the Company to be used in determining if purchase specifications or if buying policy needs revision.	03/15/94	04/01/94

<u>Phase</u>	<u>Task</u>	<u>Start Date</u>	<u>Complete Date</u>
Board Meeting (regularly)	The managements Final draft and recommendations will be sent to the Board ten days previous to the meeting. The Board will review, make any necessary changes and set the monetary limits requiring approval.	4/15/94	same
Policy Printing	Management will direct office staff to type the new, approved competitive bidding policy into the Company policy manual and print bid forms.	04/30/94	05/15/94

- A. Estimated Cost: In house project. \$85 for printing of forms.
- B. Other Resources: Acquiring other utility companies forms and policies would be at not cost to the Company.
- C. Estimated Savings: Significant savings should accrue by following approved purchasing criteria as the trucks/equipment/materials obtained will more likely be purchased at the best price. Expertise of Board members will give management guidance in evaluating the bid packages using weighted criteria assuring that a sound decision making process is being used on major purchases.
- D. Other Benefits: In time, the document bidding process can provide the Company a history to be used for evaluating, if purchased items have performed as planned, and allow our policy to be changed as needed.

Neal S. Clewinger 1-19-94
 Function Head or Other Approving Officer Date

MANAGEMENT AUDIT OF
RAYTOWN WATER COMPANY

CASE NO. WO-93-194

AUDIT RECOMMENDATION IMPLEMENTATION PLAN

Project Name: Needs Analysis
Function: Strategic Planning
Department: Management & Field
Person Responsible for Implementation: Neal S. Clevenger
and Melvin Aock
Title: President/General Manager & Foreman
Audit Reference Chapter: II Page: 30
Project No.: 7 Project Priority: High

I. MSD STAFF RECOMMENDATION: Develop and implement a formal policy for performing documented needs analysis prior to making major equipment purchases.

- A. Estimated Cost: Minimal
B. Estimated Benefits: Documentation assures all
needs are considered when purchases are made.
C. Estimated Date of Completion: May 15, 1994

II. DESCRIPTION OF IMPLEMENTATION PLAN: Needs analysis is often the responsibility of management in conjunction with the field, since expensive equipment is most frequently purchased for field work. A policy that expresses itself on a needs analysis form seems to be the best way to aid in keeping criteria in mind when proposing a purchase of costly equipment; therefore, management and field will research other businesses and take the ideas of their own employees to design a needs analysis policy and form for the Company. After the Board reviews, a final policy will be explained to all personnel.

III. COMPANY'S WORK PLAN AND SCHEDULE:

<u>Phase</u>	<u>Task</u>	<u>Start Date</u>	<u>Complete Date</u>
Contacting Other Businesses/ Utilities	Management will inquire into needs analysis policies and forms of other businesses and utilities to help formulate a format.	02/15/94	03/01/94
Employee Meetings	Employee meetings will be conducted for additional input of ideas & suggestions. Areas will be reviewed to formulate the criteria to be used in the Company's needs analysis policy, such as: a) Cost of purchase vs rental vs contracting the job. b) Frequency of use. c) Specifications of the equipment needed to meet job requirements. d) Criticalness and timeliness of the need, e.g., get by until financial stability is achieved by Company?. e) Availability of personnel who are skilled or need training. f) Meetings with representatives on a proposed major purchase. g) Warranty	03/01/94	04/01/94

First Draft
of Policy

Manager & Foreman
will assess the
salient points of the
meeting, along with a
review of samplings,
and formulate a first
draft of a needs anal-
ysis policy. This will
be mailed to the Board
members ten days prior
to the regularly sche-
duled meeting

04/01/94 04/15/94

Board Meeting
(regularly
scheduled)

The first draft will
be reviewed and re-
vised by the Board.

04/15/94 same

Final Draft

Management will
formalize the Board
approved needs anal-
ysis policy and
accompanying forms.

04/15/94 04/30/94

Follow-up
Employee
Meeting

Management will re-
late to the employees
the finalized policy
and procedures in
completing forms.

04/30/94 05/15/94

- A. ESTIMATED COST: Minimal - In house project.
- B. OTHER RESOURCES: No cost in contacting other bus-
inesses/utilities/factory representatives.
- C. ESTIMATED SAVINGS: Equipment that meets job demands
is cost saving by its efficiency, e.g. it could save
down time, labor time and large initial and/or
maintenance costs with little return, etc.
- D. OTHER BENEFITS: Equipment that an employee can
depend on for fulfilling the customers needs lowers
his chances of frustration and is a better guarantee
of a quality job being done promptly.

Neal Cleverly
Function Head or Other Approving Officer

2/03/94
Date