



**OFFICE OF INSPECTOR GENERAL**  
*City of Chicago*



***REPORT OF THE INSPECTOR GENERAL'S OFFICE:***

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***RECOMMENDATIONS FOR IMPROVING THE EMERGENCY  
PROCUREMENT PROCESS***

**JULY 2012**

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# OFFICE OF THE INSPECTOR GENERAL

*City of Chicago*

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To the Mayor, Members of the City Council, the City Clerk, the City Treasurer, and the residents of the City of Chicago:

The City of Chicago Office of Inspector General (IGO) has concluded an investigation into a series of emergency contracts awarded to a single City vendor. Under the City's procurement policies, emergency contracts are not required to be advertised nor are they required to be awarded pursuant to an open and competitive bidding process.

The contracts identified in the IGO's investigation—ten separate, sequential, unadvertised operating emergency contracts for concrete sewer pipes with an approximate total value of \$2.4 million—were awarded by the Department of Procurement Services (DPS) between March 2010 and April 2011. DPS issued the first emergency contract after it had abruptly terminated performance on a then-existing competitively bid contract for the provision of those supplies. DPS chose to terminate the contract after initiating debarment proceedings against the supplier, Azteca Supply Co., after Azteca was indicted for MBE/WBE program fraud. DPS issued nine more emergency contracts before April 2011, when it entered into a new five-year supply contract with another vendor.

The IGO investigation established that the consequences of DPS's decision to abruptly terminate the regularly procured contract, leading to the need for emergency contracts, were exacerbated by lax management of the process for re-letting a new supply contract. Despite the declared contract emergency, approximately a year passed before the new contract for what was a fully anticipated, ongoing supply of concrete sewer pipe was let. During that unnecessarily protracted procurement process, the City spent approximately 30% more for concrete sewer pipe under the emergency contracts than under the new, competitively bid contract and approximately 10% more than it would have under the previous contract. The parties involved in the procurement and drafting of the new contract (the user department – Department of Water Management, DPS, and Department of Law) all blamed each other for the delay. Viewed in isolation, there may be merit to some of the blame shifting, but ultimately DPS, which is vested with responsibility for managing the procurement process, bears responsibility for the delay. The investigation further established that DPS authorized the emergency contracts without adequately documented justification, contrary to DPS's internal emergency procurement policies.

The IGO issued several recommendations to improve the emergency procurement process, including that DPS:

- develop standards for more thorough documentation of its justification for emergency contracts;
- improve its management of the emergency contracting process to avoid excessive delays that necessitate the sequential issuance of emergency contracts;

- proactively consult with departments to determine whether interim restrictions or contract termination will necessitate emergency contracts; and
- undertake a cost-benefit analysis of a proposed contract termination to assure it does not result in disproportionate cost to the taxpayer.

In her reply, DPS Chief Procurement Officer (CPO) Jamie Rhee explained that DPS's termination of the Azteca contract was consistent with both existing law and the DPS policies at the time of Azteca's indictment. The CPO, however, stated that DPS is always interested in better ways of approaching emergency procurement situations and welcomed the IGO's suggestions. The department has developed a new request form to improve documentation of its justification for authorizing emergency contracts. Additionally, DPS reported that it would take measures to improve its communication with the Department of Law and City departments requesting emergency procurements to address the concerns raised by the IGO. The IGO thanks DPS and CPO Rhee for their cooperation in this matter and for their responsiveness to the IGO's recommendations.

The IGO views DPS's planned changes as a strong step toward improving the emergency procurement process. The IGO anticipates performing a follow-up evaluation of the design and operational effectiveness of these improvements during the fourth quarter of 2012, at which time DPS's changes will have been in operation for a sufficient time period to permit such an evaluation. The results and the department's response have been published on the IGO's website.

As always, I welcome your ideas, comments, suggestions, questions, and criticisms.

Respectfully,



Joseph M. Ferguson  
Inspector General  
City of Chicago

**TABLE OF CONTENTS**

**I. INTRODUCTION ..... 2**

**II. BACKGROUND ..... 3**

A. CITY CONCRETE SUPPLIERS ..... 3

B. RELEVANT AUTHORITIES ..... 4

    1. *Illinois Municipal Purchasing Act*..... 4

    2. *DPS Emergency Procurement Policies and Procedures* ..... 5

    3. *Chicago Municipal Code and Debarment Rules* ..... 6

**III. SUMMARY OF INVESTIGATION ..... 8**

A. ELMHURST’S EMERGENCY CONTRACTS ..... 8

B. REVIEW OF EMERGENCY CONTRACTS 2010 THROUGH 2011 ..... 10

C. NEW DURATION SUPPLY CONTRACT ..... 11

D. COST COMPARISON ..... 12

**IV. ANALYSIS ..... 13**

A. JUSTIFICATION FOR THE EMERGENCY CONTRACTS ..... 14

B. DEBARMENT PROCEDURES ..... 16

**V. RECOMMENDATIONS..... 16**

**APPENDIX A: COST COMPARISON BETWEEN WELCH AND ELMHURST..... 18**

**APPENDIX B: COST COMPARISON BETWEEN ELMHURST AND AZTECA..... 19**

## **I. INTRODUCTION**

The IGO has concluded an investigation which revealed that from March 2010 through April 2011, the Department of Procurement Services (DPS) awarded a series of emergency contracts with minimal documentation, contrary to its own internal emergency procurement policies. More specifically, DPS awarded one supplier ten separate, unadvertised “emergency contracts” for concrete sewer pipe without adequately documented justification. DPS issued the first emergency contract in March 2010, after it abruptly terminated performance on a then-existing competitively bid contract for the provision of those supplies. The discretionary contract termination was incident to the initiation of debarment proceedings against the City’s previous supplier for MBE/WBE program fraud following the supplier’s indictment. DPS issued nine more emergency contracts before April 2011, when it entered into a new five-year supply contract with another vendor. The extended sequence of “emergency” contracts resulted in the City paying substantially more for the supplies than it had under the prior terminated contract and the subsequent five-year supply contract entered into in April 2011. Because of its very nature, emergency contracting, as an unadvertised procurement, often does not yield the most responsive, lowest bidder. Additionally, without sufficient documented justification and transparency, emergency contracts and other non-competitive procurements may create an appearance of impropriety.

The IGO’s investigation did not identify any wrongdoing on the part of the contractor that received the ten emergency contracts or the contractor that ultimately received the subsequent five-year supply contract. Rather, the investigation established that DPS’s procedures in approving emergency contracts and in managing the procurement process for the new five-year supply contract were lax. The IGO’s analysis of the ten emergency contracts revealed that the City spent approximately \$467,000 (or 30%) more for materials supplied under the emergency contracts during the 13 months before the new, competitively-bid five-year supply contract was issued, and approximately \$201,000 more than it would have under the prior competitively bid contract. Since the initiation of the IGO’s investigation, DPS has sent all department heads a reminder of the emergency contract policy and procedures. Without additional action, however, the emergency contracting process remains vulnerable to manipulation, abuse, and a lack of transparency and accountability. In addition, the investigation revealed that a significant number of emergency contracts issued by the City in 2011 were prompted by vendor debarments. The City’s Municipal Code and Debarment Rules, however, give the Chief Procurement Officer (CPO) discretion to postpone termination of a questionable vendor’s contracts if DPS receives a written statement from the user department stating that the termination will necessitate an emergency contract. Nevertheless, DPS does not proactively solicit such requests, and only if prompted by a request from the user department does it assess the cost benefit of immediate contract termination or whether the existing contract is required for the public’s health, safety, or welfare or whether the City is unable to acquire a comparable contract.

## II. BACKGROUND

### A. **City Concrete Suppliers**

In February 2007, Azteca Supply Company entered into a five-year supply contract with the City to provide reinforced concrete sewer pipe, fittings, gaskets, and catch basins as needed by the Department of Water Management (DWM). Following an investigation jointly conducted by the IGO and Federal Bureau of Investigation, Azteca, Azteca's owner, and her husband, were indicted on February 4, 2010, on federal fraud charges for allegedly engaging in a scheme to defraud the City and other governmental agencies by purporting to be a legitimate MBE/WBE materials supplier when, in fact, Azteca was acting as a broker and pass-through for other vendors. The next day, DPS issued Azteca a notice of Proposed Interim Restrictions and Proposed Debarment. On March 12, 2010, after providing Azteca an opportunity for comment, DPS imposed interim restrictions on Azteca that had the effect of ending Azteca's contract and began the process for debarment. In accordance with the City of Chicago Debarment Rules regarding interim restrictions, DPS concluded that the facts alleged in the indictment were highly reliable and sufficiently serious to warrant terminating all of Azteca's existing contracts with the City and found the company ineligible for new City contracts.<sup>1</sup> DPS's conclusions about the Azteca indictment were ultimately vindicated in the criminal proceedings: on December 3, 2010 Azteca's owner pleaded guilty to one count of mail fraud in connection with MBE fraud. As a result, on December 13, 2010, DPS permanently debarred Azteca.

In a March 29, 2012 memorandum to the IGO, DPS explained its decision to impose interim restrictions, stating that "DPS's policy at the time of this indictment was to place interim restrictions upon any firm indicted for fraud against the City." DPS reported that it "did not undertake a cost-benefit analysis when determining whether interim restrictions should have been placed upon Azteca," explaining that "DPS believes that, except in extraordinary circumstances, engaging in a cost-benefit analysis with respect to the decision to place interim restrictions on a vendor indicted for defrauding the City would send a damaging message to the City's residents and business community regarding the City's expectations of honesty and fair dealing in its business partners." DPS noted that it "does conduct cost benefit analyses upon the request of the user departments," and cited a recent debarment in which a company was permitted to temporarily continue at the request of the user department to prevent the disruption of janitorial services.

In March 2010, however, as a consequence of DPS's summary termination of the Azteca contract incident to the then-pending debarment, DWM required a new supplier of concrete sewer pipe. DPS and DWM initiated an emergency contract process. Elmhurst-Chicago Stone (Elmhurst), a concrete manufacturer, was ultimately awarded ten emergency contracts between March 2010 and April 2011, each with an approximate award amount of \$250,000. Elmhurst did not have any City contracts before the emergency contracts.

In the meantime, DPS and DWM sought a new five-year supply contract. In April 2011, following a competitive bidding process, Welch Brothers, Inc. (Welch), a concrete and

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<sup>1</sup> See City of Chicago Debarment Rules, Paragraph 7.04(b).

construction supply company, was awarded a five-year supply contract to provide DWM reinforced concrete sewer pipe, fittings, gaskets, and catch basins.

**B. Relevant Authorities**

1. Illinois Municipal Purchasing Act

The Illinois Municipal Purchasing Act establishes the criteria and protocol for municipal procurement, including emergency procurement. The section of the Act addressing emergency contracts reads as follows:

In the case of an emergency affecting the public health or safety, so declared by the corporate authorities<sup>2</sup> of the municipality at a meeting thereof duly convened, which declaration shall require the affirmative vote of a majority of all the members thereof and shall set forth the nature of the danger to the public health or safety, contracts may be let to the extent necessary to resolve such emergency without public advertisement. The resolution or ordinance in which such declaration is embodied shall fix the date upon which such emergency shall terminate, which date may be extended or abridged by the corporate authorities as in their judgment the circumstances require.

The purchasing agent hereinafter provided for, may purchase or may authorize in writing any agency of such municipal government or of the institutions, boards or commissions thereof, if any, to purchase in the open market without filing requisition or estimate therefor, and without advertisement, any supplies, materials or equipment, for immediate delivery to meet bona fide operating emergencies where the amount thereof is not in excess of \$40,000. A full written account of any such emergency together with a requisition for the materials, supplies or equipment required therefor shall be submitted immediately to the purchasing agent and shall be open to public inspection for a period of at least one year subsequent to the date of such emergency purchase. The exercise of the authority herein vested in the purchasing agent in respect to purchases for such bona fide operating emergencies shall not be dependent upon a declaration of emergency by the corporate authorities under the first paragraph of this section.

65 ILCS 5/8-10-5.

The Act distinguishes between “an emergency affecting the public health or safety” and “operating emergencies,” but does not define either type of emergency. For “operating emergencies,” the authority to declare an emergency rests with the purchasing agent (i.e., the Chief Procurement Official), but, notably, the CPO’s contracting authority for “operating emergencies” is more limited than for “public health and safety” emergencies. If the City

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<sup>2</sup> Defined as “the mayor and aldermen or similar body when the reference is to cities.” 65 ILCS 5/1-1-2(2)(a).

Council declares a public health or safety emergency, the CPO has full discretion to contract without competitive bidding to address the emergency, limited only by the duration set by City Council. The Act does not limit the dollar amount or types of purchases the CPO may make for public health or safety emergencies. However, by contrast, the statute does limit the CPO’s authority concerning operating emergencies by providing that the CPO may authorize purchases for “supplies, materials or equipment, for immediate delivery” and setting a purchasing limit, which Chicago has increased to \$250,000 through the exercise of home rule authority.<sup>3</sup> Procurements in excess of the purchasing limit for emergency contracts must be made under a separately approved emergency contract. Ordinarily, contracts may not be split into parts so as to stay below the purchasing limit. Emergency contracts, however, are exceptions to this rule.<sup>4</sup>

## 2. DPS Emergency Procurement Policies and Procedures

The DPS Procurement Policy and Procedure Manual in effect as of October 2011 outlined the steps involved in awarding an emergency contract.<sup>5</sup> The manual defines an “emergency” as a circumstance that poses a “clear and imminent danger, requiring immediate procurement of services, supplies or equipment to prevent or mitigate the loss or impairment of life, health, property or essential public services and would not have been avoided by due care and diligence.” The manual further provides that an emergency exists in the following situations:

- 1) a public calamity that requires the immediate appropriation of goods or services to relieve the necessity of the municipality’s residents or to preserve the property of the municipality; 2) it is necessary to preserve or protect the public health or safety of the municipality’s residents; or 3) because of unforeseen damages to public machinery, equipment or other property.

In contracting for an “operational emergency,” the user department must solicit firms, gather quotes, and prepare a memorandum with a recommendation to DPS. The memorandum must address the following ten points: 1) why the situation is an emergency, 2) the impact on any health/safety and/or operational concerns, 3) if the emergency is a matter of health/safety and/or operational concerns 4) define the duration of the emergency, 5) why normal contracting procedures are not feasible, 6) a detailed description of the goods and/or services to be provided 7) a detailed description of the solicitation process, 8) the names of firms solicited, identifying at least one MBE/WBE firm solicited (or justification for not soliciting an MBE/WBE firm), 9) the total price and the vendor being recommended, and 10) justification for selecting that vendor. DPS evaluates the user department’s request against the following criteria: 1) whether or not the

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<sup>3</sup> See M.C.C. § 2-92-644. The Chicago Municipal Code § 2-29-40 also provides the Executive Director of Emergency Management and Communications authority to enter into and execute instruments and agreements for the expenditure of funds subject to appropriation to provide City resources in disasters to prevent injury or loss of life.

<sup>4</sup> The Municipal Purchasing Act, 65 ILCS 5/8-10-6, states “Except as to emergency contracts authorized by Section 8-10-5, no undertaking...shall be split into parts...for the purpose of avoiding the provisions of this Division 10.”

<sup>5</sup> As part of its 2012 budget presentation to the City Council’s Committee on Budget and Management in October 2011, DPS submitted the procedures DPS follows for awarding emergency contracts as an excerpt from its Procurement and Process Manual.

situation meets the definition of an emergency, 2) whether or not there is an immediate need, and 3) whether or not it is practical to use an existing contract or to bid a large or small contract.

On December 21, 2011, DPS issued an Emergency Procurement Procedures Memorandum sent to all department heads. As described by a senior DPS official, this memorandum was intended as a reminder of the City's emergency procurement policies. The memorandum explains that emergency procurements should only be used after the department determines it cannot use an existing contract, the small order process for purchases under \$100,000, or the U.S. Communities or U.S. General Services Administration Schedules. Section II of the December 2011 memorandum more explicitly defines procurement situations unfit for emergency contracts:

The Chief Procurement Officer will not consider any emergency procurement requests if the immediate need falls into one of the following categories:

1. Requirement is not a bona fide operational emergency as determined by CPO.
2. Expiring grants or funding.
3. Lack of advance planning for the purchase of goods and/or services to support various projects or programs.
4. Expiration of a contract and lack of advance notice of department's intent to renew through a new solicitation via competitive bid or Request for Qualifications (RFQ) or Request for Proposal (RFP), as applicable.
5. Time period for competitive bidding or RFP is too long.

The memorandum reiterates that department heads seeking an emergency contract must provide the CPO a memorandum detailing the need for the contract and condenses the previous 10-item list into seven points that must be addressed by the department. If the CPO authorizes the department to proceed with emergency procurement, the department must solicit bids from at least three vendors. Vendors then submit their bids to the DPS Bid and Bond Room; the bids are posted to the internet and forwarded to the department for its review and recommendation of award. The CPO may then approve, reject, or seek clarification of the user department's recommendation.

### 3. Chicago Municipal Code and Debarment Rules

The City's Debarment Rules provide the standards and procedures for debarment as well as the necessary conditions for suspension of a debarment in situations when goods or services are required for the public health, safety, or welfare of the City. As noted above, the CPO relied on Paragraph 7.04(b) of the Debarment Rules to impose interim restrictions on Azteca and to immediately terminate Azteca's supply contract after the indictment. That provision provides:

“When the cause(s) for debarment are sufficiently serious and the evidence supporting debarment is compelling or highly reliable, including but not limited to indictment . . . for the causes listed under *Section V(a)* . . . in the sole discretion of the Chief Procurement Officer, he or she may take an interim action constraining

the vendor in dealing with the City after the Notice [of Proposed Debarment] but before a final decision is made. . . . Such constraints may include but are not limited to any of the following: (1) Termination of all existing contracts between the vendor and the City. (2) Termination of the vendor’s participation as supplier or subcontractor on existing contracts. (3) Ineligibility for the award of new contracts.”

Paragraph 10.04 of the Debarment Rules, however, also contemplates a situation in which debarment of a particular vendor may pose a threat to the public health, safety, or welfare of the City:

The Chief Procurement Officer may suspend a debarred person’s or entity’s ineligibility to contract with the City in whole or in part in order to allow execution of a specific contract or type of contract with the person or entity, upon written application by a Department Head whose agency is affected by the proposed contract, setting forth facts and providing documentation sufficient in the judgment of the Chief Procurement Officer to establish:

- (a) that the public health, safety or welfare of the City requires the goods or services of the person or entity, or that it is otherwise in the best interest of the City to use the goods or services of the person or entity, or
- (b) that the City is unable to acquire the goods or services at comparable price and quality, or in sufficient quantity from other sources.

Effective June 30, 2010, after the Azteca indictment and interim restrictions, City Council amended the Municipal Code to add provisions which provide that a business or individual charged or indicted for any felony or criminal offense involving a list of enumerated acts, including fraud against the City, shall be ineligible to do business with the City. § 1-23-020. The amendment incorporated the debarment provisions detailed above, stating that the CPO has the option to terminate a contract based on a business’s failure to maintain eligibility, but provides that upon written application by the user department, the contract shall not be terminated if the CPO determines the contract is required for the public health, safety, or welfare or that the City is unable to procure the goods at comparable price, quality, and quantity:

The failure of any natural person, business entity or controlling person to maintain eligibility to do business with the city in violation of Section 1-23-030 shall render any action, as defined in Section 1-23-030, in behalf of or in any way connected to such natural person, business entity or controlling person voidable or subject to termination or revocation, as applicable, at the option of the chief procurement officer after consultation with the city department or agency involved in such action. Provided, however, that no such action shall be voided, terminated or revoked by the chief procurement officer if, upon written application to the chief procurement officer, the head of the city department or agency involved in such action sets forth facts sufficient in the judgment of the chief procurement officer to establish (1) that the public health, safety or welfare

of the city requires such action or the goods or services provided as a result of such action; or (2) that the city is unable to acquire the goods or services provided as a result of such action at comparable price and quality, or in sufficient quantity, from other sources.

M.C.C. § 1-23-040. The ordinance further authorizes the Corporation Counsel and CPO to promulgate rules and regulations necessary to implement the requirements of the ordinance.

In its March 29, 2012 memorandum to the IGO, DPS provided its interpretation of this ordinance provision, commenting that it “gives the City a powerful tool to limit contracting opportunities for those who have been convicted or indicted for crimes against the City, including bribery and fraud.” However, DPS noted, “Chapter 1-23 has also created the potential for increased emergency contracting.” DPS asserted that the new ordinance reduced the CPO’s discretion following an indictment for the crimes enumerated in the Municipal Code:

Unlike the debarment process, Chapter 1-23 of the Municipal Code leaves very little discretion in the hands of the CPO when making a determination of ineligibility to do business with the City. Indeed, by its express terms, 1-23-020 mandates that a vendor be found ineligible as soon as it is indicted for any of the crimes enumerated in that section of the Code. Moreover, it requires DPS to terminate all contracts with indicted vendors with no time period for a transition.

DPS did not address the ordinance’s provision permitting an indicted vendor to continue if a department head provides written application to the CPO to establish that termination would necessitate an emergency contract. DPS did report that it conducts cost benefit analysis, but only upon the request of user departments.

### **III. SUMMARY OF INVESTIGATION**

#### **A. Elmhurst’s Emergency Contracts**

DWM requested the initial emergency contract with Elmhurst in a memorandum to DPS dated March 2, 2010. DWM explained that “[d]ue to circumstances and uncertainty surrounding the current vendor,” Azteca, and upcoming construction projects planned for March, April, May, September, and October 2010, the department had an immediate need for concrete sewer pipe, fittings, gaskets, and catch basins. DWM described its solicitation process, the quotes received, and the rationale for selecting Elmhurst. DWM stated that it had solicited emergency contract bids from four contractors: Elmhurst, Welch, Concrete Specialties, and Sewer Builders. Welch and Sewer Builders were non-responsive. Concrete Specialties provided price quotes, but was unable to secure for its own immediate inventory all of the 283 items on the specification list. DWM selected Elmhurst as the winning bidder.

The CPO approved DWM’s emergency contract request on March 4, 2010, writing only that “it is determined that this procurement is necessary to meet a bona fide operating emergency.” DWM began ordering from Elmhurst. By March 22, 2010, DWM had exceeded the \$250,000 purchasing limit. The department issued a request for another emergency contract,

which was approved by the CPO. Subsequent emergency contracts were requested and approved each time DWM exceeded the \$250,000 limit. There was a six-and-one-half month break between the first five and the last five emergency contracts. Altogether, the City paid Elmhurst \$2,399,305 on ten emergency contracts that spanned slightly over a one-year period. The table below lists the contracts awarded to Elmhurst.<sup>6</sup>

Contract Description	Award Date	Award Amount	Vendor	Payments
P.O. 21879 Reinforced concrete sewer pipe	3/4/2010	\$250,000	Elmhurst – Chicago Stone	\$249,988
P.O. 21982 Reinforced concrete sewer pipe	3/24/10	\$250,000	Elmhurst – Chicago Stone	\$249,227
P.O. 22055 Reinforced concrete sewer pipe	4/12/10	\$250,000	Elmhurst – Chicago Stone	\$153,136
P.O. 22207 Reinforced concrete sewer pipe	5/6/10	\$250,000	Elmhurst – Chicago Stone	\$252,617
P.O. 22318 Reinforced concrete sewer pipe	5/28/10	\$250,000	Elmhurst – Chicago Stone	\$254,835
P.O. 23831 Reinforced concrete sewer pipe	12/6/10	\$250,000	Elmhurst – Chicago Stone	\$247,346
P.O. 23832 Reinforced concrete sewer pipe	12/23/10	\$250,000	Elmhurst – Chicago Stone	\$249,130
P.O. 24311 Reinforced concrete sewer pipe	3/15/11	\$250,000	Elmhurst – Chicago Stone	\$249,558
P.O. 24359 Reinforced concrete sewer pipe	3/28/11	\$250,000	Elmhurst – Chicago Stone	\$243,468
P.O. 24540 Reinforced concrete sewer pipe	4/15/11	\$250,000	Elmhurst – Chicago Stone	\$250,000

With each emergency contract request, DWM was required to submit both a request memorandum and the results of the solicitations to DPS. The DPS procurement policy requires user departments to issue new solicitations and gather new quotes for each emergency contract. However, in an interview with IGO investigators, the senior DWM employee who prepared DWM’s emergency requests, admitted that the department did not solicit new quotes for some of the emergency contracts because they were requested within in a short time span. In those instances, the DWM employee provided DPS with previously submitted solicitations and vendor responses.

The IGO reviewed the emergency contracts awarded to Elmhurst and the supporting documentation posted on the City’s website.<sup>7</sup> The IGO’s review revealed that each emergency contract request provided substantially the same information as the first request and did not reflect any change in circumstances over the course of the 13-month period. In each request, DWM cites restrictions on Azteca, describes vendors solicited, price quotes received, and the rationale for selecting Elmhurst. Several of the requests also state that DWM had separately submitted to DPS specifications and a requisition for a new duration supply contract. In DWM’s request for the eighth and ninth contracts, DWM asserted that it had “worked diligently with DPS, since March 2010, to secure a new contract for this commodity” and addressed the repeated use of emergency contracts by stating:

<sup>6</sup> Notably, payments on two of the emergency contracts, P.O. 22207 and P.O. 22318, exceeded the award amount and statutory limit for emergency contracts.

<sup>7</sup> By law, DPS is required to make the full written account of the operating emergency and requisition open for public inspection. Accordingly, DPS discloses the emergency contract requests and authorizations online. See [http://www.cityofchicago.org/content/city/en/depts/dps/provdrs/contract/svcs/emergency\\_contracts.html](http://www.cityofchicago.org/content/city/en/depts/dps/provdrs/contract/svcs/emergency_contracts.html). With respect to the Elmhurst emergency contracts, however, DPS has posted a full set of documents for eight of the ten emergency contracts. DWM appears to have requested the eighth and ninth contracts simultaneously, but DPS has not posted the CPO’s authorization for the eighth contract nor the request and authorization for the tenth contract. However, the IGO’s review of the eight available emergency contract requests and authorization memoranda revealed no material variances among them.

Several factors have caused the department to seek multiple emergency contracts for the materials specified above. These factors include but are not limited to: the previous contractor being debarred by the City of Chicago; the low dollar threshold for an emergency contract; the length of time it takes to secure a replacement long term agreement and the DWM obligation to preserve public health through our infrastructure maintenance programs.

In early 2011, (before Elmhurst was awarded its last three emergency contracts) investigators reviewed the contract administration files for the first seven emergency contracts. The contract administration file includes all records relevant to the procurement process and award decision. Other than the requesting memoranda, no documents in the contract files provided additional information regarding the justifications of the contracts as emergencies.

A DPS official informed the IGO that DWM informed DPS in contemporaneous conversations that the emergency contracts for sewer pipe were needed because old sewers were collapsing and DWM had scheduled construction for new sewers. In addition, the City has no warehouse in which it could build up an inventory and the supplies must therefore be shipped directly to the job sites. These additional explanations, however, were not included in the emergency contract requests or authorizations.

The DPS official explained that at the end of 2011, DPS looked back at its performance for the year and noted that the high number of emergency sewer contracts was one area of concern. In response, DPS issued the December 21, 2011 emergency procurement procedures memorandum to all department heads to “tighten up” internal procedures and remind user departments of the proper process for requesting and issuing emergency contracts. The official contended that the memorandum was meant to serve as a reminder and clarification of the policy; it was not intended as a change in DPS policy. The DPS official explained that DPS does not encourage non-competitive or emergency contracts, but when such matters arise, there is a stronger focus to make sure the user department is doing everything right, including justifying the contract, considering minority firms, and directing vendors to respond via the bid and bond room. The memorandum was meant to ensure all department heads were on the same page regarding the types of requests that would not be considered.

## **B. Review of Emergency Contracts 2010 through 2011**

IGO investigators reviewed all of the City’s emergency contracts posted on the City’s website for 2010 and 2011. In 2010, the CPO authorized 20 emergency contracts, and in 2011, the CPO authorized 47 emergency contracts, 32 of which were issued in response to the blizzard of February 2, 2011.<sup>8</sup> For nearly all emergency contracts, DPS posts the CPO’s authorization for the requesting department to enter into an emergency contract based on the CPO’s declaration of a “bona fide operating emergency.” The authorization memoranda are generally accompanied by the department’s request for the emergency contract, the resulting purchase order, and the selected vendor’s bid.

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<sup>8</sup> As noted above, full documentation for two emergency contracts to Elmhurst are not posted on the City’s website. The total number of contracts includes these two contracts with Elmhurst.

In nearly all instances, the department's request consisted of a one or two-page memorandum, describing the need for the procurement in narrative form. Like the documentation supporting the Elmhurst contracts, the requests provide only brief explanations of the need for an emergency contract. The memoranda are not standardized in a way that would require the author to address each criterion required by the DPS Policy and Procedure Manual. For three of the contracts authorized in 2011 and one of the contracts authorized in 2010, no requesting memorandum is posted to show why an emergency contract was necessary. The IGO's review of the reasons provided for the emergency contracts revealed that in 2011, in addition to the three emergency contracts with Elmhurst, six of the 15 non-blizzard-related emergency contracts were issued as a result of a vendor's debarment or contract cancellation. Although none of the debarments resulted in multiple emergency contracts with the same vendor as with Elmhurst, five of the 2011 emergency contracts were caused by the debarment of just two companies, both of which provided goods to multiple City departments.

### **C. New Duration Supply Contract**

When DPS suspended Azteca's contract in March 2010, DWM and DPS began the procurement process to issue a bid advertisement so the City could secure a new five-year supplier. In order to account for recent technological changes or industry improvements, DWM did not want to use the same specifications used for the Azteca contract and, therefore, began drafting a new set of specifications.

DPS DataTracker database records for specification 84722 show that from April through July 2010, DPS worked with DWM to develop these new contract specifications. DWM made changes affecting both performance metrics and technical aspects of the specifications. On July 6, 2010, the Law Department received the revised specifications and after some additional revisions, provided conditional approval on December 1, 2010. The bid specifications were first advertised on December 17, 2010, more than nine months after the Azteca interim restrictions were imposed and the first emergency procurement approved. In addition, five revisions were advertised as addenda in January and February 2011. The addenda addressed issues including MBE/WBE requirements, revised language regarding pipe and gaskets, provided answers to questions about product substitutions, clarified drawings, and revised quantities of several line items. The new five-year supply contract was eventually awarded to Welch on April 15, 2011, more than a year after Azteca's debarment.

In response to an IGO request, DPS provided records showing the preparation, legal review, revision, and approval of the specification (No. 84722), including redacted correspondence with the Law Department.<sup>9</sup> The IGO's review of the records provided did not reveal any one individual or specific reason for the length of time it took to finalize the contract.

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<sup>9</sup> The IGO cautions that because DPS redacted the requested documents, the IGO may not have all of the information relevant to this case. DPS claimed the redacted portions of its correspondence with the Law Department are exempt from disclosure under the attorney-client and work-product privilege doctrines. The availability of the attorney-client privilege with respect to City departments' obligation to comply with IGO requests remains the subject of litigation between the IGO and the Law Department, currently pending in the Illinois Supreme Court, *Ferguson v. Georges*, No. 112488, (Ill. Sup. Ct.).

In interviews with the IGO, DPS and DWM employees cited the delay in awarding the new contract as the reason Elmhurst received so many emergency contracts. DWM expected to issue the new duration supply contract by October 2010. According to a senior DPS employee, the contract was a top priority for the department, but, the employee noted, the procurement process takes time. Posting a bid advertisement with contract specifications requires multiple reviews by the user department (in this case DWM), DPS, and Law. The departments reviewed contract exhibits, specifications, commodity codes, bid advertisements, responses to contractors' questions, and a series of five contract addenda, which revised the specifications. The reviews took longer than expected, and the new supply contract was not issued until April 2011.

A DPS official told the IGO that DWM was slow in finalizing the specifications. The responsibility of drafting the specifications rests with the user department, which has the technical expertise. The official noted that there were numerous, time-consuming revisions, even though, the DPS official believed, DWM may have been able to use the same specifications as those used for Azteca.

A DWM employee, however, reported that Law was significantly involved in many of the procurement steps, and that Law's review slowed things down. The DWM employee estimated that Law's review added six months to the procurement process.

An employee in the Department of Law involved in the review of the specifications told the IGO that DPS did not initially inform Law that the file was a priority and at no time during the review was Law informed that DPS was concurrently issuing emergency contracts for the underlying procurement. Although Law received the revised specifications on July 6, 2010, it was not until late July 2010 that DPS informed Law the contract was "an emergency." Law then provided comments within a week. The employee explained that the comments did not involve any legal issues and thus, Law did not expect or need to see the file again. DPS, however, sought Law's approval of every revision and comment response, and in September 2010, DPS sent the file back to Law. In October 2010, DPS followed up with Law asking that Law expedite the final review, and on December 1, 2010, Law provided conditional approval of the specifications. The Law Department employee believed that the delay in Law's final approval of the specifications was unusual and the result of miscommunications between DPS and Law.

IGO investigators also interviewed a senior employee with Welch and asked why the company declined to provide price quotes on the emergency contracts. The Welch employee explained that the company did not participate in the emergency contract bids because Welch management did not want its price quotes released to the City or any competitor before the five-year supply contract bid date. To Welch, the five-year supply contract was much more valuable than the initial \$250,000 emergency contract, so the company decided not to bid.

#### **D. Cost Comparison**

The IGO conducted a cost analysis that compared prices of items purchased from Elmhurst under the emergency contracts with the prices of the same items quoted by Welch for the new five-year supply contract. The IGO further compared the prices of those items

purchased under the emergency contracts with the prices of the same items under the previous supply contract with Azteca. The review found that the items purchased under the emergency contracts cost nearly 10% more than the previous Azteca contract and nearly 30% more than the new supply contract with Welch.

In order to conduct the analysis, IGO investigators obtained a shipment report from Elmhurst that listed all items delivered to the City between May 2010 and April 2011. The records show that Elmhurst shipped 32,587 items priced at a total of \$2,279,170. Investigators were able to match transactions (item numbers, descriptions, prices, quantities, dates, and customer ID numbers) on the shipping report to remittance advices obtained as supporting documentation to City vouchers on file with the Department of Finance. The IGO deemed the shipping report as accurate for purposes of performing the price comparison.

The transactions on Elmhurst's shipping records were aggregated to determine the total quantity of each shipped item. The stated price rates were verified against Elmhurst's emergency contract quotes, and the total cost was recalculated. Next, the IGO obtained Welch's five-year supply contract bid and, using its price quotes, calculated a total cost had the City purchased from Welch. The IGO excluded from this analysis any items shipped by Elmhurst but not having the same item description on Welch's bid.

The results show that for the transactions analyzed, Elmhurst's prices were approximately 30% greater than Welch's. What cost the City \$2,104,925 under the emergency contracts could have been purchased for \$1,637,502 under the competitively bid pricing under the new supply contract with Welch. Similarly, the same items could have been purchased for \$1,903,731 under the previous supply contract with Azteca. Charts showing the costs for each supplier are attached as appendices to this report.

#### **IV. ANALYSIS**

With limited exceptions, unadvertised, non-competitive procurement is the least favorable contracting method because it often does not yield the most responsive, lowest bidder. A very likely outcome is that the City ends up paying more than it would otherwise pay under an advertised and competitively bid contract. Additionally, without sufficient documented justification, emergency procurement lacks the transparency and accountability necessary to preempt appearances and claims of impropriety. The IGO investigation revealed that 1) DPS authorized the emergency contracts without sufficient documentation supporting the need for an emergency contract, 2) at least some of the emergency contracts may have been avoided with due care and diligence by DPS in managing the procurement process, 3) the use of the emergency contracts has a significant financial cost to the City, given that the ten emergency contracts cost approximately 30% more than the contract prices obtained as a result of a fully competitive process, 4) a significant number of emergency contracts in 2011 were the result of vendor debarment or contract cancellation. In addition, the Municipal Code and Debarment Rules afford the CPO important discretion in determining whether to terminate an ongoing contract based on the contract's impact on the public health, safety, or welfare. But the investigation revealed that unless requested by the user department, DPS does not review whether interim

restrictions or contract termination will necessitate an emergency procurement, which often result in higher costs to the City.

#### **A. Justification for the Emergency Contracts**

Under the City's procurement policies, emergency contracting is only permitted to address an emergency that presents a "clear and imminent danger, requiring immediate procurement of services, supplies or equipment to prevent or mitigate the loss or impairment of life, health, property or essential public services and would not have been avoided by due care and diligence." The DWM contract was for the supplies necessary for the maintenance and repair of the City's sewer system. One can readily hypothesize any number of circumstances and arguments that would support a finding that these supplies were necessary to prevent the impairment of essential public services, but DWM's requests did not provide such detailed justification. DWM did not explain why scheduled infrastructure maintenance programs could not be postponed or why a delay would constitute an emergency. In addition, the majority of DWM's requests did not detail how the underlying danger "would not have been avoided by due care or diligence."

While DPS's emergency contract authorizations might have been appropriate for the early contracts awarded to Elmhurst, five contracts were awarded *after* the anticipated release of the new supply contract in October 2010. Such delays likely could have been avoided with due care and diligence. Each of the three departments involved contributed to the delays. In interviews with the IGO, a DPS official asserted that the new contract was delayed due to department reviews by Law and DWM for revised specifications and a series of addenda. But in its later contract requests, DWM asserted that it had worked diligently with DPS to secure a new contract. And as the Department of Law employee told the IGO, DPS did not initially inform Law of the urgent nature of the specification and miscommunication on both ends further delayed the legal review. Although the user department is responsible for updating the specifications and ensuring accurate bids, DPS is ultimately responsible for managing the specification process and ensuring that the competitive bid process is efficiently and properly executed. Here, a process that was expected to take seven months took 13 months despite the fact that the department had a continuing, emergency need for the product.

The IGO further notes that DPS's authorization of the eighth and ninth emergency contracts was contrary to DPS's later clarification of its policy, issued in its December 21, 2011 Emergency Procurement Procedures Memorandum. In its later requests, DWM stated that the contracts were needed due to "the length of time it takes to secure a replacement long term agreement." But under DPS's Emergency Procurement Procedures Memorandum—intended as a reminder and not a change in the department's existing procedures—the CPO should not have considered any emergency procurement requests if the immediate need was simply that the "time period of competitive bidding or RFP is too long."

Finally, for each emergency contract reviewed, the IGO found that DPS issued the emergency contract based on inadequate documentation from DWM. The City's procurement policies require user departments to clearly detail the emergency and the department's

solicitation process. Accordingly, DPS failed to identify or resolve any of following inadequacies:

1. DPS failed to require DWM to explain in its requests for emergency contracts why the situation was an emergency or how the procurement would impact the situation. DWM's requests stated only that, "Due to circumstances and uncertainty surrounding the current vendor, Azteca Supply, DWM would like to request an emergency contract." The request stated a concern but did not explain why the situation met the City's definition of an emergency, how critical the scheduled construction jobs were, or how the situation would be resolved.
2. DPS failed to require DWM to define the duration of the emergency. The anticipated duration of the emergency would have been particularly relevant for the first request on March 2, 2010 because, at that time, the underlying factors causing the emergency were expected to last until October 2010 when DWM hoped to complete the new supplier contract. From the beginning, DWM knew it would need multiple emergency contracts given the anticipated duration of the operational emergency. Given the volume of the subsequent emergency contracts, this would have been an important factor to consider. The duration of the emergency would have also been helpful when determining the practicality of other procurement methods, such as a new five-year duration contract with rewritten specifications or a shorter duration supply contract based on the exact specifications used in Azteca's contract.
3. DPS failed to require DWM to explain why normal contracting procedures were not feasible. DPS's Procurement Policy and Procedure Manual in effect at the time the emergency contracts were issued, specified that the expiration of a contract or grant does not constitute an immediate need for an emergency contract. In the instance of DWM's request for Elmhurst's emergency contract, Azteca's debarment with two years remaining on its five-year contract most closely resembles a contract expiration. Other than time constraints, the IGO is not aware of any factors that would limit the feasibility of normal contracting. If, in this case, the limiting factors were indeed time constraints, DWM's memorandum failed to explain why the projects could not be rescheduled.

Based on the IGO's review of the other emergency contracts authorized in 2010 and 2011, these deficiencies were not unusual. The documentation supporting the Elmhurst contracts was not substantially more or less detailed than any of the other emergency contracts awarded in the last two years. In almost every instance, the emergency contract was requested in a one or two-page memorandum from the user department, briefly describing the situation in narrative form. Given that the Municipal Purchasing Act seeks to encourage full transparency around emergency contracts by requiring that DPS make a "full written account" of any emergency and the ensuing contract open for public inspection, the robust documentation of each emergency contract is particularly important. Additionally, the IGO recommends that DPS ensure that all emergency contracts are consistently posted on the City's website.

## **B. Debarment Procedures**

The IGO's review of recent emergency contracts revealed that in 2011, 9 of the 15 non-blizzard-related emergency contracts, including the 3 with Elmhurst that year, were issued following the debarment of a vendor or cancellation of a previous contract. The circumstances underlying each debarment or contract cancellation may vary widely. But in each case, the IGO recommends that DPS take into account the possibility that an immediate contract termination may needlessly precipitate a call for emergency contracting. With respect to the interim restrictions imposed on Azteca prompting the need for ten emergency contracts for sewer pipe, both M.C.C. § 1-23-40 and Paragraph 7.04(b) of the Debarment Rules authorize the CPO to immediately terminate the contract if a vendor has been indicted for fraud in relation to the contract. On the other hand, M.C.C. § 1-23-040 and Paragraph 10.04 of the Debarment Rules, authorize the CPO to permit an ineligible or debarred entity to continue performing on a contract if a department head provides documentation to show that the contract is necessary to the City's public health, safety, or welfare or that the City is unable to acquire the goods or services at comparable price and quality, or in sufficient quantity from other sources.

The IGO fully appreciates DPS's concern for the City's reputation and expectations of honesty and fair dealing. But the Municipal Code and Debarment Rules anticipate that immediate contract termination pending debarment or following an indictment may lead to bona fide operating emergencies, and both give the CPO discretion to continue an existing contract to avoid such emergencies and the resulting emergency contracts where appropriate. Given that recent debarments have required multiple emergency contracts, the IGO recommends that in all cases of debarment or findings of ineligibility, the CPO proactively consult user departments before terminating such contracts to determine whether termination will necessitate emergency contracts, assess the impact of any immediate contract termination, and document any such findings. DPS has stated that it currently conducts cost benefit analyses only upon request from the user department. While the Municipal Code requires written application from the user department to justify continuation of a contract with an indicted vendor, nothing in the ordinance prohibits the CPO from proactively consulting the department head and asking relevant questions. Such consultation may prompt the user department to make a written request to maintain the current contract; such a request would necessarily detail many of the same factors that would otherwise be required in the user department's request for an emergency contract. Upon request from the user department, the CPO may then make a determination, at her discretion, whether to postpone the contract termination. If DPS disagrees with this interpretation of M.C.C. § 1-23-040 and believes that the CPO may not proactively reach out to departments for this purpose, the IGO recommends that DPS seek amendment and clarification of the ordinance to permit full use of the ordinance's exception in cases where a finding of ineligibility would necessitate an emergency contract.

## **V. RECOMMENDATIONS**

The IGO does not recommend disciplinary action against the employees responsible for Elmhurst's emergency contracts. The IGO's review of other emergency contracts revealed that DPS has awarded multiple emergency contracts with insufficient documentation. DWM's initial request was therefore not unusual. The subsequent number and frequency of the additional

emergency contracts to Elmhurst, however, were unusual and raised larger questions about the adequacy of DPS's emergency procurement procedures. Accordingly, the IGO recommends that DPS:

1. Require DPS employees and user departments to follow relevant emergency contracting statutory provisions and DPS policies, and provide more thorough written justification for emergency contracts to better assure appropriate levels of transparency, accountability, and public confidence in the integrity of the requested (and approved) emergency procurement.
2. Require user departments to provide explicit justification for any requests in which more than one emergency contract is requested for the same vendor for the same emergency.
3. Develop a standardized form for user departments to use when requesting an emergency contract to help ensure that user departments provide all required supporting justification.
4. Work with the Department of Law to ensure that the department is informed when a requested legal review of contract project specifications or other documents is related to an ongoing emergency contract and that all employees know that the requested review is therefore urgent.
5. As part of the debarment process or before terminating pending contracts with a contractor for its failure to maintain eligibility to contract with the City, proactively consult user departments to determine whether interim restrictions or other contract termination will necessitate emergency contracts and assess and document the costs and benefits of any such restrictions. If interim restrictions are imposed or a contract is terminated, the IGO recommends that DPS work with user departments to develop plans to replace the incumbent contractor proposed for debarment in the most operationally efficient and cost-effective manner.

**APPENDIX A: COST COMPARISON BETWEEN WELCH AND ELMHURST**

Item No. & Description (truncated text)	Welch Supply Contract	Elmhurst Emergency Contract	Qty.	Cost w/ Welch	Cost w/ Elmhurst	Cost Difference
15 CONCRETE WI SPECIFIED GASKETS 72IN 1.0. C	\$ 163	\$ 150	424	\$ 69,112	\$ 63,600	\$ (5,512)
23 CONCRETE WI SPECIFIED GASKETS 54IN 1.0. C	\$ 101	\$ 84	16	\$ 1,616	\$ 1,344	\$ (272)
24 CONCRETE WI SPECIFIED GASKETS 54IN 1.0. C	\$ 88	\$ 78	384	\$ 33,792	\$ 29,952	\$ (3,840)
27 CONCRETE WI SPECIFIED GASKETS 48IN 1.0. C	\$ 60	\$ 62	1,875	\$ 112,500	\$ 117,000	\$ 4,500
30 CONCRETE WI SPECIFIED GASKETS 42IN 1.0. C	\$ 41	\$ 54	1,701	\$ 69,741	\$ 92,313	\$ 22,572
32 CONCRETE WI SPECIFIED GASKETS 36IN 1.0. C	\$ 43	\$ 39	256	\$ 10,880	\$ 9,869	\$ (1,011)
33 CONCRETE WI SPECIFIED GASKETS 36IN 1.0. C	\$ 40	\$ 37	2,912	\$ 115,024	\$ 107,890	\$ (7,134)
36 CONCRETE WI SPECIFIED GASKETS 30IN 1.0. C	\$ 28	\$ 33	6,872	\$ 192,416	\$ 228,838	\$ 36,422
39 CONCRETE WI SPECIFIED GASKETS 24IN 1.0. C	\$ 22	\$ 20	14,752	\$ 317,168	\$ 287,664	\$ (29,504)
44 CONCRETE WI SPECIFIED GASKETS 18IN 1.0. C	\$ 15	\$ 13	24	\$ 360	\$ 311	\$ (49)
60 CONCRETE WI SPECIFIED GASKETS 72IN I.D. X	\$ 163	\$ 228	4	\$ 652	\$ 912	\$ 260
69 CONCRETE WI SPECIFIED GASKETS 54IN 1.0. X	\$ 88	\$ 138	8	\$ 704	\$ 1,104	\$ 400
72 CONCRETE WI SPECIFIED GASKETS 48IN 1.0. X	\$ 58	\$ 76	12	\$ 696	\$ 908	\$ 212
75 CONCRETE WI SPECIFIED GASKETS 42IN 1.0. X	\$ 41	\$ 102	28	\$ 1,148	\$ 2,850	\$ 1,702
78 CONCRETE WI SPECIFIED GASKETS 36IN 1.0. X	\$ 40	\$ 91	60	\$ 2,400	\$ 5,460	\$ 3,060
81 CONCRETE WI SPECIFIED GASKETS 30IN I.D. X	\$ 28	\$ 68	56	\$ 1,568	\$ 3,833	\$ 2,265
84 CONCRETE WI SPECIFIED GASKETS 24IN I.D. X	\$ 22	\$ 52	118	\$ 2,596	\$ 6,136	\$ 3,540
114 CONCRETE WI SPECIFIED GASKETS 54IN 1.0.	\$ 1,500	\$ 1,680	3	\$ 4,500	\$ 5,040	\$ 540
120 CONCRETE WI SPECIFIED GASKETS 42IN 1.0.	\$ 1,100	\$ 1,118	8	\$ 8,800	\$ 8,944	\$ 144
122 CONCRETE WI SPECIFIED GASKETS 36IN 1.0.	\$ 900	\$ 936	1	\$ 900	\$ 936	\$ 36
126 CONCRETE WI SPECIFIED GASKETS 30IN 1.0.	\$ 781	\$ 620	6	\$ 4,686	\$ 3,718	\$ (968)
129 CONCRETE WI SPECIFIED GASKETS 24IN 1.0.	\$ 625	\$ 475	8	\$ 5,000	\$ 3,796	\$ (1,204)
140 CONCRETE, WI LADDER RUNGS - TYPEA 72 IN	\$ 4,313	\$ 6,960	1	\$ 4,313	\$ 6,960	\$ 2,647
143 CONCRETE, WI LADDER RUNGS - TYPEA 54 IN	\$ 2,969	\$ 5,280	1	\$ 2,969	\$ 5,280	\$ 2,311
144 CONCRETE, WI LADDER RUNGS - TYPEA 48 IN	\$ 2,556	\$ 4,920	2	\$ 5,112	\$ 9,840	\$ 4,728
145 CONCRETE, WI LADDER RUNGS - TYPEA 42 IN	\$ 2,056	\$ 4,800	5	\$ 10,280	\$ 24,000	\$ 13,720
146 CONCRETE, WI LADDER RUNGS - TYPEA 36 IN	\$ 1,794	\$ 4,560	5	\$ 8,970	\$ 22,800	\$ 13,830
147 CONCRETE, WI LADDER RUNGS - TYPEA 30 IN	\$ 1,638	\$ 4,200	9	\$ 14,742	\$ 37,800	\$ 23,058
148 CONCRETE, WI LADDER RUNGS - TYPEA 24 IN	\$ 1,500	\$ 3,600	40	\$ 60,000	\$ 144,000	\$ 84,000
149 CONCRETE, WI LADDER RUNGS - TYPEA 18 IN	\$ 1,188	\$ 2,760	6	\$ 7,128	\$ 16,560	\$ 9,432
158 CONCRETE, WI LADDER RUNGS - TYPEA WI S	\$ 3,406	\$ 5,400	1	\$ 3,406	\$ 5,400	\$ 1,994
160 CONCRETE, WI LADDER RUNGS - TYPEA WI S	\$ 2,719	\$ 4,920	2	\$ 5,438	\$ 9,840	\$ 4,402
174 CONCRETE, WI LADDER RUNGS - TYPEA WI D	\$ 3,063	\$ 4,800	1	\$ 3,063	\$ 4,800	\$ 1,737
178 CONCRETE, WI LADDER RUNGS - TYPEB 48 IN	\$ 3,625	\$ 7,080	1	\$ 3,625	\$ 7,080	\$ 3,455
179 CONCRETE, WI LADDER RUNGS - TYPEB 42 IN	\$ 3,375	\$ 6,840	4	\$ 13,500	\$ 27,360	\$ 13,860
180 CONCRETE, WI LADDER RUNGS - TYPEB 36 IN	\$ 3,063	\$ 6,000	1	\$ 3,063	\$ 6,000	\$ 2,937
181 CONCRETE, WI LADDER RUNGS - TYPEB 30 IN	\$ 2,938	\$ 5,640	5	\$ 14,690	\$ 28,200	\$ 13,510
182 CONCRETE, WI LADDER RUNGS - TYPEB 24 IN	\$ 2,750	\$ 5,040	28	\$ 77,000	\$ 141,120	\$ 64,120
187 CONCRETE, WI LADDER RUNGS - TYPEB WI SI	\$ 3,713	\$ 6,480	2	\$ 7,426	\$ 12,960	\$ 5,534
191 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 5,438	\$ 6,960	2	\$ 10,876	\$ 13,920	\$ 3,044
192 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 5,125	\$ 7,440	3	\$ 15,375	\$ 22,320	\$ 6,945
193 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 4,813	\$ 6,960	3	\$ 14,439	\$ 20,880	\$ 6,441
194 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 4,500	\$ 6,320	6	\$ 27,000	\$ 37,920	\$ 10,920
195 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 4,250	\$ 6,009	13	\$ 55,250	\$ 78,117	\$ 22,867
196 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 4,125	\$ 5,400	17	\$ 70,125	\$ 91,800	\$ 21,675
240 CONCRETE, TUMBLING BASIN - 60" X42" X 7"	\$ 2,750	\$ 5,040	1	\$ 2,750	\$ 5,040	\$ 2,290
241 CONCRETE, TUMBLING BASIN - 48" X30" X 7"	\$ 2,625	\$ 4,070	2	\$ 5,250	\$ 8,140	\$ 2,890
245 CONCRETE, TUMBLING BASIN - 60 IN.DIAME	\$ 938	\$ 4,560	1	\$ 938	\$ 4,560	\$ 3,622
246 CONCRETE, TUMBLING BASIN - 48 IN.DIAME	\$ 750	\$ 3,740	2	\$ 1,500	\$ 7,480	\$ 5,980
253 INLETS, REINFORCED CONCRETE, TY ASTANC	\$ 125	\$ 222	1	\$ 125	\$ 222	\$ 97
254 REINFORCED CONCRETE WI INTEGRALBASE J	\$ 500	\$ 480	40	\$ 20,000	\$ 19,200	\$ (800)
255 REINFORCED CONCRETE WI INTEGRALBASE J	\$ 500	\$ 600	247	\$ 123,500	\$ 148,200	\$ 24,700
262 RISERS, CATCH BASIN, REINFORCEDCONCRE	\$ 65	\$ 78	922	\$ 59,955	\$ 71,946	\$ 11,991
263 RISERS, CATCH BASIN, REINFORCEDCONCRE	\$ 80	\$ 79	73	\$ 5,828	\$ 5,753	\$ (75)
270 CONCRETE, OFFSET WI FLAT BOTTOM48IN.I.	\$ 55	\$ 300	184	\$ 10,120	\$ 55,200	\$ 45,080
273 CONCRETE, WI LADDER RUNGS - 60 IN.I.D.	\$ 250	\$ 720	10	\$ 2,500	\$ 7,200	\$ 4,700
276 RINGS, REINFORCED CONCRETE,ADJUSTING	\$ 25	\$ 30	289	\$ 7,225	\$ 8,670	\$ 1,445
277 RINGS, REINFORCED CONCRETE,ADJUSTING	\$ 38	\$ 60	99	\$ 3,762	\$ 5,940	\$ 2,178
<b>Total</b>				<b>\$ 1,637,502</b>	<b>\$ 2,104,925</b>	<b>\$ 467,423</b>

**APPENDIX B: COST COMPARISON BETWEEN ELMHURST AND AZTECA**

Item No. & Description (truncated text)	Elmhurst Emergency Contract	Azteca Supply Contract	Qty.	Cost w/ Elmhurst	Cost w/ Azteca	Cost Difference
15 CONCRETE WI SPECIFIED GASKETS 72IN 1.0. C	\$ 150	\$ 149	424	\$ 63,600	\$ 63,176	\$ 424
23 CONCRETE WI SPECIFIED GASKETS 54IN 1.0. C	\$ 84	\$ 105	16	\$ 1,344	\$ 1,680	\$ (336)
24 CONCRETE WI SPECIFIED GASKETS 54IN 1.0. C	\$ 78	\$ 95	384	\$ 29,952	\$ 36,480	\$ (6,528)
27 CONCRETE WI SPECIFIED GASKETS 48IN 1.0. C	\$ 62	\$ 70	1,875	\$ 117,000	\$ 131,250	\$ (14,250)
30 CONCRETE WI SPECIFIED GASKETS 42IN 1.0. C	\$ 54	\$ 62	1,701	\$ 92,313	\$ 105,462	\$ (13,149)
32 CONCRETE WI SPECIFIED GASKETS 36IN 1.0. C	\$ 39	\$ 55	256	\$ 9,869	\$ 14,080	\$ (4,211)
33 CONCRETE WI SPECIFIED GASKETS 36IN 1.0. C	\$ 37	\$ 51	2,912	\$ 107,890	\$ 148,512	\$ (40,622)
36 CONCRETE WI SPECIFIED GASKETS 30IN 1.0. C	\$ 33	\$ 39	6,872	\$ 228,838	\$ 268,008	\$ (39,170)
39 CONCRETE WI SPECIFIED GASKETS 24IN 1.0. C	\$ 20	\$ 30	14,752	\$ 287,664	\$ 442,560	\$ (154,896)
44 CONCRETE WI SPECIFIED GASKETS 18IN 1.0. C	\$ 13	\$ 25	24	\$ 311	\$ 600	\$ (289)
60 CONCRETE WI SPECIFIED GASKETS 72IN I.D. X	\$ 228	\$ 149	4	\$ 912	\$ 596	\$ 316
69 CONCRETE WI SPECIFIED GASKETS 54IN 1.0. X	\$ 138	\$ 95	8	\$ 1,104	\$ 760	\$ 344
72 CONCRETE WI SPECIFIED GASKETS 48IN 1.0. X	\$ 76	\$ 70	12	\$ 908	\$ 840	\$ 68
75 CONCRETE WI SPECIFIED GASKETS 42IN 1.0. X	\$ 102	\$ 62	28	\$ 2,850	\$ 1,736	\$ 1,114
78 CONCRETE WI SPECIFIED GASKETS 36IN 1.0. X	\$ 91	\$ 51	60	\$ 5,460	\$ 3,060	\$ 2,400
81 CONCRETE WI SPECIFIED GASKETS 30IN I.D. X	\$ 68	\$ 39	56	\$ 3,833	\$ 2,184	\$ 1,649
84 CONCRETE WI SPECIFIED GASKETS 24IN I.D. X	\$ 52	\$ 30	118	\$ 6,136	\$ 3,540	\$ 2,596
114 CONCRETE WI SPECIFIED GASKETS 54IN 1.0.	\$ 1,680	\$ 1,698	3	\$ 5,040	\$ 5,094	\$ (54)
120 CONCRETE WI SPECIFIED GASKETS 42IN 1.0.	\$ 1,118	\$ 1,320	8	\$ 8,944	\$ 10,560	\$ (1,616)
122 CONCRETE WI SPECIFIED GASKETS 36IN 1.0.	\$ 936	\$ 1,250	1	\$ 936	\$ 1,250	\$ (314)
126 CONCRETE WI SPECIFIED GASKETS 30IN 1.0.	\$ 620	\$ 1,225	6	\$ 3,718	\$ 7,350	\$ (3,632)
129 CONCRETE WI SPECIFIED GASKETS 24IN 1.0.	\$ 475	\$ 850	8	\$ 3,796	\$ 6,800	\$ (3,004)
140 CONCRETE, WI LADDER RUNGS - TYPEA 72 IN	\$ 6,960	\$ 3,945	1	\$ 6,960	\$ 3,945	\$ 3,015
143 CONCRETE, WI LADDER RUNGS - TYPEA 54 IN	\$ 5,280	\$ 2,540	1	\$ 5,280	\$ 2,540	\$ 2,740
144 CONCRETE, WI LADDER RUNGS - TYPEA 48 IN	\$ 4,920	\$ 2,135	2	\$ 9,840	\$ 4,270	\$ 5,570
145 CONCRETE, WI LADDER RUNGS - TYPEA 42 IN	\$ 4,800	\$ 1,820	5	\$ 24,000	\$ 9,100	\$ 14,900
146 CONCRETE, WI LADDER RUNGS - TYPEA 36 IN	\$ 4,560	\$ 1,545	5	\$ 22,800	\$ 7,725	\$ 15,075
147 CONCRETE, WI LADDER RUNGS - TYPEA 30 IN	\$ 4,200	\$ 1,415	9	\$ 37,800	\$ 12,735	\$ 25,065
148 CONCRETE, WI LADDER RUNGS - TYPEA 24 IN	\$ 3,600	\$ 1,325	40	\$ 144,000	\$ 53,000	\$ 91,000
149 CONCRETE, WI LADDER RUNGS - TYPEA 18 IN	\$ 2,760	\$ 1,250	6	\$ 16,560	\$ 7,500	\$ 9,060
158 CONCRETE, WI LADDER RUNGS - TYPEA WI S	\$ 5,400	\$ 2,635	1	\$ 5,400	\$ 2,635	\$ 2,765
160 CONCRETE, WI LADDER RUNGS - TYPEA WI S	\$ 4,920	\$ 2,145	2	\$ 9,840	\$ 4,290	\$ 5,550
174 CONCRETE, WI LADDER RUNGS - TYPEA WI D	\$ 4,800	\$ 2,615	1	\$ 4,800	\$ 2,615	\$ 2,185
178 CONCRETE, WI LADDER RUNGS - TYPEB 48 IN	\$ 7,080	\$ 2,882	1	\$ 7,080	\$ 2,882	\$ 4,198
179 CONCRETE, WI LADDER RUNGS - TYPEB 42 IN	\$ 6,840	\$ 2,640	4	\$ 27,360	\$ 10,560	\$ 16,800
180 CONCRETE, WI LADDER RUNGS - TYPEB 36 IN	\$ 6,000	\$ 2,400	1	\$ 6,000	\$ 2,400	\$ 3,600
181 CONCRETE, WI LADDER RUNGS - TYPEB 30 IN	\$ 5,640	\$ 2,230	5	\$ 28,200	\$ 11,150	\$ 17,050
182 CONCRETE, WI LADDER RUNGS - TYPEB 24 IN	\$ 5,040	\$ 2,095	28	\$ 141,120	\$ 58,660	\$ 82,460
187 CONCRETE, WI LADDER RUNGS - TYPEB WI SI	\$ 6,480	\$ 3,000	2	\$ 12,960	\$ 6,000	\$ 6,960
191 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 6,960	\$ 4,319	2	\$ 13,920	\$ 8,638	\$ 5,282
192 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 7,440	\$ 4,080	3	\$ 22,320	\$ 12,240	\$ 10,080
193 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 6,960	\$ 3,840	3	\$ 20,880	\$ 11,520	\$ 9,360
194 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 6,320	\$ 3,600	6	\$ 37,920	\$ 21,600	\$ 16,320
195 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 6,009	\$ 3,430	13	\$ 78,117	\$ 44,590	\$ 33,527
196 CONCRETE, WI LADDER RUNGS - TYPEB WID	\$ 5,400	\$ 3,300	17	\$ 91,800	\$ 56,100	\$ 35,700
240 CONCRETE, TUMBLING BASIN - 60" X42" X 7"	\$ 5,040	\$ 2,435	1	\$ 5,040	\$ 2,435	\$ 2,605
241 CONCRETE, TUMBLING BASIN - 48" X30" X 7"	\$ 4,070	\$ 2,295	2	\$ 8,140	\$ 4,590	\$ 3,550
245 CONCRETE, TUMBLING BASIN - 60 IN.DIAME	\$ 4,560	\$ 1,335	1	\$ 4,560	\$ 1,335	\$ 3,225
246 CONCRETE, TUMBLING BASIN - 48 IN.DIAME	\$ 3,740	\$ 955	2	\$ 7,480	\$ 1,910	\$ 5,570
253 INLETS, REINFORCED CONCRETE, TY ASTANC	\$ 222	\$ 105	1	\$ 222	\$ 105	\$ 117
254 REINFORCED CONCRETE WI INTEGRALBASE /	\$ 480	\$ 350	40	\$ 19,200	\$ 14,000	\$ 5,200
255 REINFORCED CONCRETE WI INTEGRALBASE /	\$ 600	\$ 475	247	\$ 148,200	\$ 117,325	\$ 30,875
262 RISERS, CATCH BASIN, REINFORCEDCONCRE	\$ 78	\$ 95	922	\$ 71,946	\$ 87,627	\$ (15,681)
263 RISERS, CATCH BASIN, REINFORCEDCONCRE	\$ 79	\$ 105	73	\$ 5,753	\$ 7,649	\$ (1,896)
270 CONCRETE, OFFSET WI FLAT BOTTOM48IN.I.	\$ 300	\$ 240	184	\$ 55,200	\$ 44,160	\$ 11,040
273 CONCRETE, WI LADDER RUNGS - 60 IN.I.D.	\$ 720	\$ 185	10	\$ 7,200	\$ 1,850	\$ 5,350
276 RINGS, REINFORCED CONCRETE,ADJUSTING	\$ 30	\$ 21 *	289	\$ 8,670	\$ 5,997	\$ 2,673
277 RINGS, REINFORCED CONCRETE,ADJUSTING	\$ 60	\$ 25	99	\$ 5,940	\$ 2,475	\$ 3,465
<b>Total</b>				<b>\$ 2,104,925</b>	<b>\$ 1,903,731</b>	<b>\$ 201,194</b>

\* Azteca's original bid mistakenly quoted the price for item 276 as \$2,070. This was a typo; the intended price was \$20.70.