

Audit #17-08:

Contract Management

Executive Summary Report

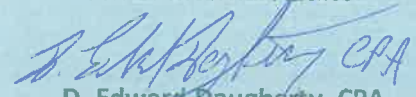
Office of the City Auditor and Clerk
Internal Audit

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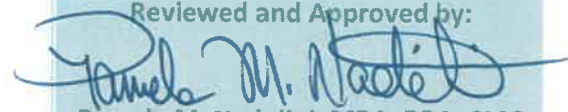
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EXECUTIVE SUMMARY

AUDIT 17-08: CONTRACT MANAGEMENT

AUDIT SCOPE

The scope of this audit included a review of the procurement of contracts by the Purchasing Division and the City. The audit focused on the policies, procedures, processes and controls over procurement that were in place during the audit period. The audit period was July 1, 2016 to June 30, 2017.

REPORT CONTENT AND LIMITATION OF USE

This executive summary report is limited in detail. In order to obtain the full background on a particular item, please contact Internal Audit prior to drawing conclusions based on the limited information contained in this report. Objective ratings indicate the levels at which the objectives were met; rating definitions are included in the **appendix**.

AUDIT CONCLUSIONS

The City was generally in compliance with policies and procedures over the contract and procurement process. Procedures were in place and functioning effectively to prevent noncompliance with State Statutes and City Procurement Code.

Internal controls over the administration and monitoring of contracts were generally adequate with some opportunity for enhancement, specifically with regards to contract monitoring and procurement oversight; exceptions are noted in the detailed audit report. For a list of audit observations and recommendations, see page 3 of this report.

This audit focused on the following objectives:

Audit Objective	Objective Rating		
1) Determine whether the City is in compliance with policies and procedures over the contract procurement process; and	X		
2) Assess the adequacy, efficiency, and effectiveness of the Purchasing Department's organizational structure, systems, procedures and consistency of implementation over contract procurement.		X	

Green – A green control rating indicated that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control, where risk appears to be minimized and appropriately managed.

Yellow – A yellow control rating denotes opportunities for improvement exist relating to the controls reviewed.

Red – A red control rating denotes significant risk or exposure to the City that requires immediate attention and remediation efforts.

**AUDIT 17-08: CONTRACT MANAGEMENT
OBSERVATIONS AND RECOMMENDATIONS**

Management Action Plans					
Audit Recommendation	Priority	Concur	Do not Concur	Proposed Management Action	Action Item Due Date
<p>1. Monitoring procedures and processes should be created and documented that provide departments with, among other things, guidelines for administering contracts to be in compliance with City Ordinance 12-5009 Sec. 2-353(b)(3).</p> <p>A monitoring policy should promote consistent, effective, and equitable vendor monitoring across all City departments. The policy could include a process for measuring the City's satisfaction of goods or services received along with a formal performance evaluation. Also, the policy could include external and internal training requirements for employees who are responsible for monitoring contracts.</p>	High	X		<p>The Purchasing Division already has a performance evaluation systems in place. These evaluations are stored in the contracts database. However, these evaluation have been optional. The Purchasing Division is exploring training options for contract management. Once the contract management training is put in place then performance evaluations would become mandatory.</p>	10/1/2018
<p>2. To ensure compliance with State Statutes and determining that contracts are procured following best practices to limit the City's risk or exposure to negative outcomes we recommend the Public Art Committee and any other City Committees that participate in processes or decisions where public funds are expended or impacted have individuals available to provide guidance during the procurement process.</p>	High	X		<p>The City has used Café (www.callforentry.org) for the 3 most recent Calls to Artists, and intends to continue as response has been very good. The use of Café is a cost effective and efficient method for issuing a Call to Artists as this website has a national following among artists. Once a Call to Artists is issued on Café, an artist can submit an art proposal at no cost. In addition, the steps below will be incorporated as part of the Purchasing Divisions review process.</p> <ol style="list-style-type: none"> 1. Purchasing reviews and approves a draft Call to Artists prior to it being reviewed and approved by the Public Art Committee and City Commission. 2. Purchasing reviews artists' submittals on the Café website using an administrative login to the system at the close of the Call to Artists. Once Purchasing approves of the submittals, the submittals can be forwarded to the Public Art Committee for review. 3. Purchasing observes the Public Art Committee selection process/voting that occurs during public meetings. This will involve at least two meetings: 1st – consideration of all artist submittals and selection of 3 artists for in-person presentations; and 2nd – in-person presentations by 3 artists with recommendation of preferred artwork to the City Commission. 	6/1/2018

EXHIBIT A: AUDIT PRIORITY CLASSIFICATION SYSTEM

Internal Audit utilizes the following classification scheme applicable to internal audit recommendations and the appropriate corrective actions:

Priority Level ¹	Description	Implementation Action ³
High	Fraud or serious violations are being committed or have the potential to occur, security issues, significant financial or non-financial losses are occurring or have the potential to occur. ²	Immediate
Medium	A potential for incurring moderate financial or equivalent non-financial losses exists. ²	Within 60 days
Low	A low priority observation indicates that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control however operation or administrative process may be improved if certain additional changes are implemented.	60 days to 6 months

¹ The City Auditor and Clerk is responsible for assigning internal audit recommendation priority level categories. A recommendation that clearly fits the description for more than one priority level will be assigned the higher priority level.

² For an audit recommendation to be considered related to a significant financial loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved, or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-financial losses would include, but not be limited to, omission or commission of acts on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.

³ The implementation time frame indicated for each priority level is intended as a guideline for establishing target dates. Determining proposed action dates is the responsibility of the Charter Official(s) over the area(s) or function(s) audited.

NOTE: Please note that this exhibit is a standard form which appears in every audit and is meant to be utilized to aid management in understanding the seriousness or potential seriousness of an audit observation. A "High" or "Medium" priority rating assigned to an audit observation should not be construed to mean that fraud or wrongdoing is, in fact, occurring but rather fraud or wrongdoing has the potential to occur in the absence of adequate internal controls.