

## AUDIT REPORT

## CITY AUDITOR

<b>Report Date:</b>	<b>September 12, 2017</b>
<b>Department:</b>	<b>Arts and Culture/Mesa Arts Center</b>
<b>Subject:</b>	<b>Contract Monitoring</b>
<b>Lead Auditor:</b>	<b>Kate Witek, Sr. Internal Auditor</b>

### **OBJECTIVE**

This audit was conducted to determine whether contract monitoring processes and related internal controls effectively ensure that: vendors comply with contract terms, the City receives what it pays for, and contract related risks are appropriately mitigated.

### **SCOPE & METHODOLOGY**

To accomplish our objective, we:

- Interviewed staff regarding contract monitoring processes, systems, and internal controls.
- Evaluated monitoring procedures, based on agreed upon criteria.
- Reviewed and tested active term contracts > \$5,000.
- Tested payments to verify pricing and deliverables accurately reflected contract terms.

### **BACKGROUND**

A “term” contract is an agreement with a vendor for recurring purchases of goods and/or services, up to a maximum dollar amount, for a fixed period of time, when quantities needed can only be estimated. Term contracts must be continuously monitored by City staff, to ensure financial, compliance, and operational objectives are met.

As of March 2017, Mesa Arts Center staff members were monitoring 27 term contracts for operations-related goods and services, accounting for approximately \$1.3M of the MAC’s \$8M non-personnel budget. These contracts provide temporary theater workers, AV equipment and services, ticketing systems and services, materials for art classes, and many other operational necessities throughout the year. Employees in the MAC’s various functional areas monitor deliverables, vendor performance, and operational needs; while administrative staff members process payments and monitor expenditures to ensure budget and contract limits are not exceeded.

### **CONCLUSION**

In our opinion, the MAC’s processes for monitoring term contracts provide reasonable assurance that vendors and staff comply with contract terms, the City receives what it pays for, and critical risks related to contract monitoring are minimized. We identified a few minor opportunities for improvement and provided informal recommendations to management; however, no formal corrective action plans were issued. Therefore, no audit follow-up review is planned.