

## **FOLLOW-UP REVIEW**

**CITY AUDITOR**

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| <b>Report Date:</b>  | <b>April 25, 2019</b>                              |
| <b>Department:</b>   | <b>Parks, Recreation, and Community Facilities</b> |
| <b>Subject:</b>      | <b>Facilities Maintenance Contract Monitoring</b>  |
| <b>Lead Auditor:</b> | <b>Dawn von Epp, Sr. Internal Auditor</b>          |

### **OBJECTIVE**

The objective of this review was to determine whether the action plans presented in response to our January 2018 Facilities Maintenance Contract Monitoring audit have been effectively implemented.

### **SCOPE & METHODOLOGY**

To accomplish our objectives, we reviewed the methodologies used to forecast contracted repairs; interviewed staff; tested samples of invoices for contract compliance and accuracy; and reviewed contract capacity reports and threshold increase requests.

### **BACKGROUND**

On January 22, 2018, we issued a report on our audit of Facilities Maintenance contract monitoring. The objectives of that audit were to determine whether the department's contract monitoring processes provide reasonable assurance that vendors comply with contract terms, the City receives what it pays for, and contract related risks are appropriately mitigated.

The audit report included several recommendations, summarized as follows:

1. Use only Delivery Orders to obtain contracted services under a Master Agreement.
2. Train and require staff to accurately forecast expenditures.
3. Ensure estimated requirements are realistic when contracts are established.
4. Prior to paying an invoice, verify that all charges on the invoice are accurate and in accordance with contract terms.
5. For contracts with a cost+% pricing structure, require the vendor to provide evidence of costs.

In response to the report, the department agreed with the recommendations and presented corrective action plans.


### **CONCLUSION**




All of the action plans associated with the audit have been successfully implemented. Additional details are presented in the attached Appendix.

**APPENDIX**

 = Implemented

 = In Progress


 = Not Implemented



| <u>Corrective Action</u>   | <u>Implementation Status</u>  |   |
|--|---|---|
| <b>IAP#1: Expenditures exceeded contract limits</b>  |   |   |
| <p><b>Recommendation 1-1:</b> Facilities Maintenance should use only Delivery Orders to obtain contracted services covered under a Master Agreement.</p> <p><b>Management Response:</b> Staff currently reviews requests for contracted services and issues Delivery Orders covered under the Master Agreement. This was implemented in July 2017.</p> <p><b>Estimated Completion Date:</b> 7/1/17</p>   | <p><b>Implemented</b> - Facilities Maintenance staff issues Delivery Orders for contracted services; not Purchase Orders (POs).</p>   |    |
| <p><b>Recommendation 1-2:</b> Management should ensure staff members responsible for contracting and budgeting are adequately trained in forecasting expenditures.</p> <p><b>Management Response:</b> Available training classes will be attended by staff as well as conferring with Purchasing on best practices in forecasting and establishing contract limits are realistic and reasonable; this will be an ongoing practice. Sign-off of attended training will be documented.</p> <p><i>Note: When it became apparent that in-house training was not available, Facilities Maintenance staff said they would use expenditure data from ADV FIN for the past year combined with the life of equipment, as well as viewing the City as a whole, to understand the age of buildings and equipment, when available.</i></p> <p><b>Estimated Completion Date:</b> 12/31/18</p> | <p><b>Implemented</b> - Facilities Maintenance staff uses data from the prior fiscal year to forecast an average quantity of monthly repair labor hours and to identify estimated repair material costs for each contract year. The age of repaired equipment was not available to include in the forecast.</p> |    |
| <p><b>Recommendation 1-3:</b> Facilities Maintenance management should:</p> <ol style="list-style-type: none"> <li>a) Ensure that total expenditures for goods and services covered by a contract do not exceed the approved contract maximum.</li> <li>b) Obtain formal approval to raise the contract maximum when such an increase is necessary.</li> <li>c) Carefully scrutinize estimated requirements when contracts are established.</li> </ol>   | <p><b>Implemented</b> - Facilities Maintenance staff reviews contract capacity data, and formally requests approval to increase contract thresholds, as needed. They attempt to estimate contract usage in a realistic manner when contracts are established.</p>   |  |

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|---|---|---|
| <p><b>Management Response:</b> Contract reports are reviewed monthly for contract capacity. As needed, increases to contracts are requested formally through Financial staff and management approval prior to contract time and money expired. As contracts are established, estimated usage above the quoted contract requirements is provided with a worst case scenario intent.</p> <p><b>Estimated Completion Date:</b> 12/31/18</p>  |   |   |
| <b>IAP#2: Charges are not always checked for compliance with contract terms.</b>  |   |   |
| <p><b>Recommendation 1:</b> Prior to paying an invoice, staff should verify that all charges on the invoice are accurate and in accordance with contract terms.</p> <p><b>Management Response:</b> Staff currently reviews contracted service charges on invoices based on contract terms. Training (on-the-job) has been in process since April 2017 with new staff and will continue as new staff are hired. This has been implemented and will be an ongoing item of training.</p> <p><b>Estimated Completion Date:</b> 12/31/18</p> | <p><b>Implemented</b> - Facilities Maintenance staff verifies that vendor invoice charges are accurate and in accordance with contract terms.</p> |    |
| <p><b>Recommendation 2:</b> For contracts which include a cost+% pricing structure, staff should require the vendor to provide evidence of their costs.</p> <p><b>Management Response:</b> Based on contract terms, staff will begin immediately requesting cost evidence information from vendor per invoice received. Some contracted invoices have already been providing this information.</p> <p><b>Estimated Completion Date:</b> 12/31/18</p>  | <p><b>Implemented</b> – Invoices issued in association with these contracts now include the required cost data.</p>                               |  |