Special Report Highlights
October 2018

City's Contracting Processes



Objective

The objective of this special report was evaluate the City's approach to developing, awarding, monitoring, and closing out contracts.

Background

The City of Austin uses contracts to obtain a variety of goods and services. Management of contracts is decentralized meaning that no one group or department is responsible for overseeing the contracting process. Instead, contracts are typically overseen by the department primarily contracting with the outside entity. The City currently manages nearly 2,700 contracts with a total authorized value of $5.5 billion.

What We Learned

Currently, the City manages nearly 2,700 contracts with a total authorized value of $5.5 billion. The Office of the City Auditor performed 28 projects (21 audits and 7 investigations) that addressed contract management between fiscal year 2010 and fiscal year 2018. Results from these audits and investigations indicate there are weaknesses in the way the City manages contracts, many of which have persisted citywide for several years. These contracting weaknesses negatively impact the City's ability to properly safeguards resources, maintain public trust, and ensure service delivery to residents.

Specifically, the City does not always:

- initiate contracts based on accurate information;
- award contracts in compliance with established processes and procedures;
- develop contracts in ways that ensure all the City's interests are protected and resources are safeguarded;
- effectively monitor the contracts to ensure that the City received all the contracted deliverables and that the contractors complied with all contract requirements; and
- close projects in compliance with established processes and procedures.

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Exhibit 1: Several contract-related issues have been persistent

Component	Number of Issues	Key Issues
Initiation 	3 (14%) prior contract-related audits found issues in this area	• Projects designed without full review and review process changed due to external pressure • Decentralized contract management with limited coordination between departments
Award 	3 (14%) prior contract-related audits found issues in this area	• Contracts awarded without following established process • Inconsistent use of vendor evaluation forms in award decisions • Concerns regarding independence of inspectors, designers, and builders
Development 	11 (52%) prior contract-related audits & 1 investigation found issues in this area	• Poorly developed contract terms and expectations • Key contract clauses modified without seeking legal advice • No or limited legal review of contracts • Contractors not required to submit supporting documentation • Delayed drafting and renewal of contracts • Contracts signed before department approval • Contracts developed based on what third parties offered rather than goals or established community needs
Monitoring 	17 (81%) prior contract-related audits & 6 investigations found issues in this area	• Ineffectively coordinated monitoring roles and responsibilities • Monitoring procedures were not documented or implemented • On-site reviews not always performed • Contractors not monitored to ensure compliance with contract terms • Contract changes not documented or approved • Penalties for delays not assessed
Closeout 	2 (10%) prior contract-related audits found issues in this area	• Clients not always surveyed at the end of the project, and when they were surveyed, the information was not used in future contracting decisions

SOURCE : Analysis of the Office of the City Auditor reports related to contract management, October 2018

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