

Interlocal Agreements Audit



Objective

Does the City effectively manage interlocal agreements?

Background

Interlocal agreements are specialized contracts that allow governments to exchange goods and services. They must comply with requirements outlined in Texas Government Code. The City of Austin uses interlocal agreements to contract with counties, states, universities, school districts, and other parties. The City is involved in four types of interlocal agreements. (See Exhibit 1 on next page)

The management of interlocal agreements is decentralized, and no department oversees the entire process. Unlike other contracts, the Purchasing Office is not involved in the procurement of goods or services through the interlocal agreements contracting process. Instead, the Law Department works closely with City departments to write the interlocal agreements and assist with negotiations. The Purchasing Office's role is to maintain records of approved interlocal agreements in the City's systems.

What We Found

The City does not know what interlocal agreements it has and departments use different approaches to manage them. As a result, the City does not have comprehensive information about interlocal agreements.

City departments have not fully implemented processes for managing interlocal agreements.

- City departments did not consistently provide the required information to the Purchasing Office to record interlocal agreements in City systems.
- For a sample of 25 interlocal agreements, we found that 6 of 25 (24%) were recorded in the City's financial system and 19 of 25 (76%) were not recorded in the City's financial system.

The City has not identified a standardized information system for managing interlocal agreements.

- The Purchasing Office has identified two different systems to maintain records of interlocal agreement. This is not aligned with best practices, which recommend a standardized system for contract management.
- Without a standardized information system for managing interlocal agreements, contract managers keep the records in various locations. We noted 11 of 25 (44%) of departments store their information in one location and 14 of 25 (56%) of departments store their interlocal information in two or more locations.

Having comprehensive information for interlocal agreements such as the amount of authorized funds, interlocal partners, and number of agreements could help the City know what interlocal agreements it has, improve coordination between City departments, and avoid duplication of agreements.

The interlocal agreements reviewed included all required clauses and contained most recommended clauses, but we noted some exceptions.

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What We Recommend

- The Chief Financial Officer in coordination with the City Manager should clearly define and communicate the roles and responsibilities of City departments.
- The Purchasing Officer should review the current processes and ensure that processes are followed by City departments.
- The Purchasing Officer should identify a standardized information system that is accessible to City staff involved in management of interlocal agreements.
- The City Attorney should ensure that the contract standards manual is referenced by individual attorneys when developing or revising agreements.

Exhibit 1: Types of interlocal agreements

| Type of Interlocal Agreement | Definition | Example |
|--|--|---|
| Provider interlocal agreement | City performs work and another government agency pays for it. | Travis County pays the City to provide animal services on unincorporated County land. |
| Receiver interlocal agreement | Another government agency performs work and the City pays for it. | The City pays Travis County to jail people arrested by the Austin Police Department. |
| Non-Financial interlocal agreement | Agreements between government agencies to exchange services without paying each other. | The City provides veterinary students at Austin Community College with internships at the Austin Animal Center. |
| Cooperative Procurement agreement ¹ | Government agencies use each other's competitively bid contracts. | The City can purchase FedEx services through a contract that the State of Texas already negotiated. |

Source: Office of the City Auditor interviews with Purchasing Office staff and contract managers of City departments, April 2021; contract manager survey conducted in September 2020.