

Audit Report

Consultant Contract Management

March 2026



The City regularly hires consultants. Consultants generally provide services for which departments do not have the capacity or expertise. The City has implemented procurement policies for consultant contracts and assigned contract development and oversight responsibilities. However, the City may not be able to demonstrate that consultant services were justified or that they efficiently helped meet City objectives and the needs of the residents. In addition, we found that departments do not consistently evaluate the performance of their consultants. As a result, the City may be rehiring consultants with a history of performance issues.

Consultant Contract Management

Objective

The objective of this audit was to determine whether the City is managing consultant contracts in an efficient and economical manner.

What We Found

The City has implemented procurement policies for consultant contracts and assigned contract development and oversight responsibilities. However, the City may not be able to demonstrate that consultant services were justified or that they efficiently helped meet City objectives and the needs of the residents. In addition, we found that departments do not consistently evaluate the performance of their consultants.

Our review sampled 28 consultant contracts and found:

- Staff did not conduct or document a needs assessment before hiring the consultant in almost 40% of contracts. As such, the City may not be able to show why the consultant was necessary and worth the expense.
- For about 82% of the contracts, the hiring department did not appear to assess or document their in-house capabilities to determine whether the same work could be done by City staff instead of by consultants.
- 16% of contract deliverables were not measurable or specific. Without clear deliverables, consultants may be able to satisfy the terms of their contract without meeting the City's needs.
- For six contracts, staff were unable to provide supporting evidence that they had received all required deliverables. In some cases, staff were unable to answer basic questions about their contracts such as whether the department performed a needs assessment before engaging with the consultant or received the deliverables.
- About 71% of the contracts were closed without performing a formal evaluation of the contractor's performance. This could result in rehiring consultants with performance issues and may discourage consultants from providing the City with their highest quality work.

What We Recommend

We recommend the Director of Austin Financial Services provide clear guidance to departments on how to conduct needs assessments and to work with the City Manager's Office to ensure departments maintain all contract-related records and perform consultant performance evaluations at the end of the engagements.

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Cover: Photo by By Amina Atar, accessed from UnSplash, 2026.

Objective

The objective of this audit was to determine whether the City is managing consultant contracts in an efficient and economical manner.

Background

During fiscal years 2023 to 2025, the City spent over \$279 million on services provided by consultants, and annual expenditures on consultants increased by \$21 million (25%). Austin Energy, Austin Economic Development, Austin Technology Services, and Austin Aviation accounted for 61% of the total consultant expenditures during that timeframe.

The City separates consultant services into two broad categories: general consulting services and professional consulting services. For the purposes of this audit, we focused on general consulting services only. General consulting services include consultant advice and assistance relating to public health, software and technology management, environmental and operational strategies, human resource management, and other specialized activities. General consulting services account for approximately 95% of the money spent by the City on consultants. See Appendix A for the yearly breakdown of both general and professional consultant expenses by department.

The City hires external consultants to provide or expand services that departments do not have the internal capacity or expertise for, as well as to provide outside perspectives on City programs. Best practices note that consultant contracts, when managed properly, can provide significant value to an organization. However, if they are not managed well, they can drain an organization’s budget without meeting the organization’s needs. Mismanaged contracts can undermine the public’s confidence in an organization’s financial practices.

The City’s consultant contracting process involves multiple stakeholders and activities. Specific duties are outlined in the City’s Central Procurement Manual. Several stakeholders and their roles are highlighted in the exhibit below.

Exhibit 1: Several stakeholders are involved in the consultant contracting process

City Council	Departments	Austin Financial Services	Boards and Commissions	Public and Advocacy Groups
• sets policy • authorizes funding	• identify service needs and obtain authorizations • provide specifications and statements of work • submit requisition to Austin Financial Services Central Procurement • perform contract monitoring • perform contract close-out	• advertise and solicit requisitions • develop and execute contracts • assist departments	• advise Council on relevant issues • review and make recommendations on funding priorities, planning steps, and criteria documents	• identify and advocate for issues • make recommendations related to consultants and their work

Source: Auditor analysis of City's Contract Procurement Manual and other reports, September 2025

The City's contracting process involves multiple stages. Responsibilities for managing these stages are split between the requesting department and the Central Procurement Division within Austin Financial Services.

Finding 1

The City may not be able to demonstrate that consultant services were justified or that they efficiently helped meet City objectives and the needs of residents.

The City requires that departments determine whether consultant services are needed and are of good value for the City. The City also requires departments to monitor contracts to ensure that all deliverables are received on time and are of good quality. Doing this enables the City to demonstrate that the consultant services were justified and they efficiently helped to meet City objectives and the needs of the residents.

We reviewed 28 general consulting services contracts and found that:

- Departments did not consistently conduct or document needs assessments prior to engaging with the consultants.
- Departments did not provide us with a documented assessment of their in-house capabilities that could justify the need to hire an outside consultant.
- Some of the deliverables were not measurable or specific.
- Staff were unable to provide supporting documentation for some of the deliverables, and in some cases, staff were unable to answer basic questions about their contracts such as whether the department performed a needs assessment before engaging with the consultant or received the deliverables.

A needs assessment helps an organization think about its internal priorities and objectives and whether the service is truly needed.

Departments did not consistently conduct or document needs assessments prior to engaging with the consultants

Best practices recommend organizations fully define their needs and justify how the procurement achieves the best value for the organization. The City's Central Procurement Manual requires department staff to define the needs for services and to obtain necessary authorization before engaging with a consultant.

For 11 (39%) of the 28 contracts we reviewed, staff could not provide a formal needs assessment. Specifically:

- 9 (32%) did not have a documented needs assessment. Some staff provided reasons including: a needs assessment was done informally; the department was directed to do the work and as such did not perform a needs assessment.
- 2 (7%) we were unable to determine if a needs assessment was developed because staff who were responsible for managing the contracts were no longer with the City and current staff were unable to locate the supporting documents.

We found there was a lack of adequate guidance on how departments should perform and document a needs assessment. Certain consultants can be hired without going through a competitive bidding process. In these cases, departments are required to fill out a template that includes a documented justification for services. However, the majority of the contracts in our scope were procured through a competitive process that did not require a documented justification. For these contracts, there were no templates or formal guidance for how to document the need for the service. When the City is unable to show why the service is needed or why a consultant is the best way to meet this need, it is difficult to determine whether this was an efficient and appropriate use of City funds.

Departments were unable to provide documentation to justify hiring consultants instead of conducting the work with City staff

For the contracts in our sample, we requested documentation to show whether departments considered their ability to conduct the work with City staff before hiring consultants. For about 82% of the contracts, staff did not provide a documented assessment to justify the need to hire an outside consultant. Some staff said that assessments were done informally. Others said they were not sure whether assessments were carried out because the initial contract managers were no longer employed with the City and they were not sure where the documentation might be. We did not find any contracts where hiring a consultant was clearly unjustified. However, this lack of documentation may create a perception that the contracting process is not transparent and that the City is not using taxpayer money responsibly.

Some of the deliverables were not clearly defined.

According to best practices, contracts should clearly define their deliverables, including timelines and how success will be measured.

Exhibit 2: Examples of key characteristics of good contract deliverables

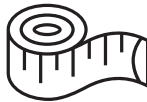
Poorly written deliverables could lead the contracting parties to operate with different expectations and result in disputes about whether performance obligations were met.



Specific: Clearly define what is delivered



Timelines: Establish delivery date



Measurable: Specify how success will be tracked

Source: Auditor analysis of best practices related to developing contract performance measures, September 2025

Well-defined deliverables help set clear expectations that all parties understand. Conversely, vague or ambiguous deliverables can make it difficult for staff to determine when a deliverable is complete and whether it meets the terms of the contract.

We identified 225 deliverables in the 28 contracts in our sample. While most of the deliverables were measurable, 35 (16%) were not. We also noted that some measures were not clearly defined, as shown in Exhibit 4.

Exhibit 3: Examples of contract deliverables that were not measurable

Deliverable	Concern
<u>Assist</u> in the planning, implementation and financing of and economic development initiatives and projects [sic]	These deliverables did not clearly define what the consultant was responsible for. - Saying “assist” without defining what it means creates confusion - The deliverables do not set criteria that would enable City staff to verify completion and quality Such deliverables could lead to contracting parties operating with different expectations
<u>Assist</u> in monthly committee meeting and coordination facilitation	
<u>Assist</u> in onboarding and training new and current staff and partners	
<u>Assist</u> in financing of public facilities	
<u>Assist</u> in the development of specific CQM program activities	

Source: Auditor analysis of contract deliverables included in a sample of 28 consultant contracts, September 2025

Staff were unable to provide supporting documentation for some deliverables, and in some cases were unable to answer basic questions about the contracts.

According to best practices, organizations should store information in a way that allows those who need the information to readily access it. Maintaining documentation for the contract deliverables shows how consultants met their contractual obligations and allows City staff to easily access this information. It also helps show that the City's processes for monitoring consultants are effective and transparent.

We reviewed the supporting documentation for the deliverables in our sample and noted several issues related to six contracts. Specifically:

- In four of these contracts, department staff could not find support for one or more deliverables.
- In one of these contracts, staff could not find supporting documentation and did not know if the City received the deliverables or not.
- In another of these contracts, the scope of work was referenced, but it was not included in the signed document and staff were unable to provide a copy of the approved statement of work. As such, we were unable to determine what deliverables the City contracted for.
- For three of these contracts, the department was able to provide support for the deliverables, but they could not answer basic questions about why the contract was needed, because the original contract manager had left the City.

Lastly, it took some departments several weeks to respond to our office's requests for information. This appears to be the result of poorly organized information. For example, it took one department over six weeks to find the supporting documentation for the deliverables because they said the previous contract manager had left the City and they did not know where to find this information.

Finding 2

City departments do not consistently evaluate the performance of consultants, which may result in rehiring consultants with performance issues and missing opportunities to encourage consultants to provide the highest quality of work for the City.

Best practices state that organizations should assess the performance of their contractors and determine whether the contractor met the terms of the contract. These assessments help determine whether the contractor provided quality work, met deadlines, and note any issues. These assessments help organizations make informed hiring decisions for future contracts. Assessments also encourage contractors to provide a high level of service.

We found that staff do not always assess the performance of their consultants or the value of the work they received from them. When they do an assessment, these are not often shared with other departments. Staff said that even in instances where a department has identified a poorly performing contractor, this information is not shared with other departments that may hire the same consultant in the future. One reason for this is that the City does not generally consider past performance when hiring a consultant. Staff in one department emphasized that for many contracts, if a contractor who has performed poorly in the past submits the lowest bid, City staff cannot refuse to hire them. The City is allowed to place contractors on a do not hire list, but we found that this is not a common occurrence and that departments often avoid this route because it is a time-consuming process that requires a lot of documentation.

We found that most departments did not perform performance assessments at the end of the engagements in our sample of 28 contracts. Specifically, for:

- 18 of the contracts (64%), department staff said that they did not perform consultant performance evaluations at the end of the engagements.
- 2 of the contracts (7%), staff were unable to provide support, including documentation related to any performance assessments. This is because the original contract managers had left the City, and current staff did not know where to find the documentation.

Some departments cited a contract closeout checklist as the only form of evaluation they conducted. However, these checklists do not assess the quality of the consultant's work. We also found examples where the checklists did not accurately reflect the City's experience with the contractor. For example, for one contract, staff told us the City only received some of the required deliverables because "the contractor found it challenging to complete deliverables due to not being able to find a subcontractor to complete the study." However, the closeout checklist shows that the contractor provided "all products or services required."

Exhibit 4: Example of a closeout checklist that did not match the contract manager's assessment

Response from department

5. Did the Department receive the contracted deliverables from the contractor? – If so, provide supporting documentation, if available.

Partially. The contractor provided deliverables through the March 2024 milestone. At that point, the contract and deliverables were re-assessed against the HQL Recommendation.

6. Did the contractor provide the deliverables within the contractual timelines? If not, why?

Partially. The Contractor found it challenging to complete deliverables due to not being able to find a subcontractor to complete the study.

7. Did the Department/City utilize the consultant work, and if so, how? – Provide any supporting documentation, if available.

The Department is striving to continue the study and keep foundational elements of the previous study, including the HSPQ recommendations.

8. Did the Department conduct a post-contract contractor performance evaluation? If so, please provide a copy of the evaluation.

Yes Document Attached.

Contract Closeout Checklist

Project Name	Project/Contract Reference Number	Prepared By (print)	Preparer's Initials
Customer	Contact	Contact's Phone #	Date Prepared

Activity	Anticipated Date	Completed Date
Yes	N/A	No
1. ☒ ☐ ☐ All products or services required were provided to the buyer.		9/21/2024
2. ☒ ☐ ☐ Documentation adequately shows receipt and formal acceptance of all contract items.		09/21/2024
3. ☐ ☐ ☒ No claims or investigations are pending on this contract.		09/21/2024
4. ☐ ☒ ☐ Any buyer-furnished property or information was returned to the buyer.		
5. ☒ ☐ ☐ All actions related to contract price revisions and changes are concluded.		9/21/2024
6. ☐ ☒ ☐ All outstanding subcontracting issues are settled.		09/21/2024
7. ☐ ☒ ☐ If a partial or complete termination was involved, action is complete.		
8. ☐ ☒ ☐ Any required contract audit is now complete.		
9. ☐ ☒ ☐ The final invoice was submitted and paid.		09/21/2024
10. ☐ ☒ ☐ Outstanding balances de-obligated	12/31/2025	

Source: Auditor review of consultant contract documentation, September 2025

There is no Citywide requirement for departments to assess most of their consultants' performance at the end of an engagement. Performance assessments are only required for construction-related consultants. These are primarily architects and engineers, and they only represent about 5% of the City's overall consultant spending. Staff are allowed to consider the past five years of assessments when hiring for these services. Austin Financial Services (AFS) management said their goal is to extend the requirement to perform assessments to all consultants. According to management, the new evaluation program should roll out later this year.

Due to the lack of documentation, we did not find specific instances of poor performing consultant contractors being rehired by the City. However, department staff said they sometimes have issues with contractors that are not formally documented and that these contractors may be hired by the City again.

Additional Observation

One contract in our sample referenced the wrong consultant. This could impact the City's ability to enforce the contract or to take legal procedures against the consultant should a contract dispute arise. This contract, for more than \$240,000, referred to different contractors in the header and in the opening paragraph of the contract. This discrepancy was noted by department staff and communicated to AFS. AFS staff acknowledged the discrepancy and said it would be corrected at the time of the contract renewal. However, there were at least two amendments to the contract, but the discrepancy was never corrected.

Recommendations and Management Response

1

To ensure departments only hire consultants to provide work that is needed and useful, the Director of Austin Financial Services should:

- Provide clear guidance to departments on how to conduct needs assessments
- Work with the City Manager's Office to ensure departments maintain all essential contract documentation, procurement documentation and contract deliverables

Management Response: Agree

Proposed Implementation Plan: Austin Financial Services (AFS) plans to review the current instructions, documents, and procedures that guide departments in conducting needs assessments for consulting services contracts ("Needs Assessment"). This review aims to ensure that departments have a clear and effective process for determining whether consulting services are necessary and beneficial. As improvements are needed, AFS will update the Needs Assessment and communicate the revised version to all departments in a way that confirms their understanding of the new requirements.

Because the distinction between consulting services and other service contracts can sometimes be subjective, AFS will also evaluate whether applying the Needs Assessment to all service contracts would be advantageous. If this broader application is deemed appropriate, the process may become a required step when departments initiate solicitations or contract sourcing in the City's procurement system. This change would help standardize decision-making and ensure consistency across all service-related procurements.

In addition, AFS will collaborate with the City Manager's Office to review existing departmental practices for contract monitoring. This includes examining documentation and procedures related to milestones, deliverables, and contractor performance throughout the contract lifecycle. AFS will also assess the capabilities of current systems and identify potential enhancements to contract monitoring tools and processes, with the goal of helping departments maintain compliance with all monitoring requirements more efficiently and effectively.

Last, AFS will collaborate with Budget and Organizational Excellence to assess how the City might conduct further analysis of the use of consultants relative to their scopes of work versus internal staff capability and/or capacity.

Proposed Implementation Date: October 1, 2026

To ensure the City makes informed decisions when hiring consultants, the Director of Austin Financial Services should work with the City Manager to:

- Require City departments to perform post consultant performance evaluations and lessons learned for all consultant contracts
- Establish the evaluation criteria and communicate the criteria to all departments
- Determine how the results from the performance evaluations should be used in future hiring of consultants and clearly communicate that guidance to all departments

Management Response: Agree

Proposed Implementation Plan: AFS manages contractor performance through the Contractor Performance Evaluation (CPE) tool within the Procurement Business Program for Contract Management. The CPE documents performance and provides feedback for consultants and contractors involved in construction-related services and projects. Historical performance data is considered in future contract awards, and the current CPE process already addresses all three audit recommendations.

At the start of FY26, AFS began plans to expand the use of the CPE tool to all contracts administered by AFS. In preparation for this transition, AFS is reviewing the CPE forms in an effort to broaden them to apply to all contracts for goods and services, including contracts for consulting services. Planning for the CPE expansion is ongoing, with implementation anticipated later this fiscal year.

Proposed Implementation Date: October 1, 2026

Appendix A - Consultant Spending per Year by Department

From October 2023 through July 2025, the City of Austin spent almost \$279 million on consulting services. Four departments: Austin Energy, Economic Development, Technology Services, and Aviation accounted for approximately 61% of the total funding.

Department	FY 2023	FY 2024	FY 2025	Total Spending	Percent of Total Spending
Austin Energy	\$ 21,421,319	\$ 21,365,706	\$ 22,014,537	\$ 64,801,561	23.20%
Economic Development	\$ 19,150,005	\$ 28,931,817	\$ 11,702,781	\$ 59,784,603	21.41%
Communications and Technology Management	\$ 8,607,845	\$ 7,757,562	\$ 10,031,327	\$ 26,396,733	9.45%
Aviation	\$ 5,713,868	\$ 5,006,459	\$ 7,322,314	\$ 18,042,641	6.46%
Financial Services	\$ 449,748	\$ 932,477	\$ 16,481,146	\$ 17,863,371	6.40%
Capital Contracting	\$ 4,045,710	\$ 5,130,838	\$ 6,085,493	\$ 15,262,041	5.46%
Housing	\$ 1,324,469	\$ 5,695,271	\$ 7,504,331	\$ 14,524,071	5.20%
Human Resources	\$ 3,033,971	\$ 3,450,683	\$ 4,255,050	\$ 10,739,703	3.85%
Management Services	\$ 2,123,884	\$ 2,158,679	\$ 1,478,205	\$ 5,760,769	2.06%
Development Services	\$ 2,294,116	\$ 1,784,657	\$ 1,597,086	\$ 5,675,860	2.03%
Transportation and Public Works	\$ -	\$ 2,639,839	\$ 3,026,955	\$ 5,666,794	2.03%
Austin Water	\$ 1,732,677	\$ 1,575,120	\$ 2,110,104	\$ 5,417,901	1.94%
Austin Public Health	\$ 1,637,281	\$ 1,920,491	\$ 1,501,765	\$ 5,059,538	1.81%
Austin Transportation	\$ 3,111,846	\$ 1,714,886	\$ 206,351	\$ 5,033,084	1.80%
Information Security Office	\$ 670,882	\$ 1,264,868	\$ 2,090,935	\$ 4,026,685	1.44%
Watershed Protection	\$ 2,336,861	\$ 757,874	\$ 835,685	\$ 3,930,420	1.41%
Police	\$ 865,243	\$ 91,315	\$ 669,050	\$ 1,625,607	0.58%
Austin Resource Recovery	\$ 199,286	\$ 187,831	\$ 1,013,058	\$ 1,400,174	0.50%
Small and Minority Business Resources	\$ 354,165	\$ 479,056	\$ 499,526	\$ 1,332,747	0.48%
Law	\$ 741,550	\$ 320,468	\$ 232,769	\$ 1,294,787	0.46%
Office of City Auditor	\$ 760,040	\$ 57,270	\$ 40,500	\$ 857,810	0.31%
Communications and Public Information	\$ 116,268	\$ 177,091	\$ 550,178	\$ 843,537	0.30%
Parks and Recreation	\$ 434,748	\$ 116,399	\$ 148,150	\$ 699,297	0.25%
Planning	\$ -	\$ 83,008	\$ 599,577	\$ 682,585	0.24%
Austin Convention Center	\$ 115,722	\$ 361,662	\$ 74,405	\$ 551,789	0.20%
Municipal Court	\$ 268,028	\$ 147,537	\$ 54,427	\$ 469,992	0.17%
Fire	\$ 105,620	\$ 279,921	\$ 20,030	\$ 405,571	0.15%
Wireless Communication Services	\$ 42,344	\$ 42,420	\$ 139,452	\$ 224,216	0.08%
Social Service Contracts - APH	\$ 73,290	\$ 112,881	\$ 6,029	\$ 192,200	0.07%
Austin Public Library	\$ 180,637	\$ -	\$ 3,783	\$ 184,420	0.07%
Capital Delivery Services	\$ 28,460	\$ 33,081	\$ 109,356	\$ 170,897	0.06%
Building Services	\$ 10,500	\$ 32,500	\$ 81,250	\$ 124,250	0.04%
Emergency Medical Services	\$ -	\$ 8,550	\$ 78,550	\$ 87,100	0.03%
Mayor and Council	\$ -	\$ 3,090	\$ 49,319	\$ 52,409	0.02%
Fleet Mobility Services	\$ -	\$ 45,820	\$ -	\$ 45,820	0.02%
Austin Code	\$ 23,102	\$ 6,000	\$ -	\$ 29,102	0.01%
Animal Services		\$ 13,000	\$ 10,000	\$ 23,000	0.01%
Forensic Science	\$ -	\$ -	\$ 17,550	\$ 17,550	0.01%
Office of the City Clerk	\$ 773	\$ -	\$ -	\$ 773	0.00%
Grand Total	\$81,974,255	\$94,686,128	\$ 102,641,022	\$ 279,301,405	100.00%

Source: Auditor analysis of consultant funding reports from Austin Financial Services management, September 2025

Scope

The audit scope included all City general consultant contract management activities and practices during fiscal years 2023 through 2025.

Methodology

To complete this audit, we performed the following steps:

- interviewed staff from multiple City departments including Austin Financial Services, Austin Parks and Recreation, Austin Energy, Austin Public Health, Austin Resource Recovery, Austin Technology Services, and Austin Housing
- analyzed expenditures of consultants for fiscal years 2023 through 2025
- researched best practices and guidance relating to managing consultant contracts
- reviewed relevant plans, policies, procedures, and reports
- reviewed a judgmental sample of 28 consultant contracts. Due to the sampling method, the results cannot be projected to the population.
- surveyed department contract management staff overseeing the contracts in our sample
- evaluated risk of fraud, waste and abuse related to the City's management of consultant contracts
- evaluated internal controls related to the City's consultant contract management efforts and practices

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Austin City Auditor's Office was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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