

**Performance Audit:
Contract Administration**

December 2012

**City Internal Auditor's Office
City of College Station**

Contract Administration Audit

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Introduction

The City Internal Auditor's Office conducted this performance audit of contract administration pursuant to Article III Section 30 of the College Station City Charter, which outlines the City Internal Auditor's primary duties.

A performance audit is an objective, systematic examination of evidence to assess independently the performance of an organization, program, activity, or function. The purpose of a performance audit is to provide information to improve public accountability and facilitate decision-making. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal control; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.

A performance audit of city contract administration was included in the fiscal year 2013 audit plan based on direction given by the Audit Committee.

Contract administration is one of the four major aspects of contract management. The other three aspects are planning, formation, and close-out. This audit has two primary portions. The first is an audit of city-wide contract administration policies, and the second is a detailed audit of the administration of three specific contracts in the City.

Contracting is a major function for the City of College Station. In fiscal year 2012, the City signed over 300 contracts with a combined value of more than \$33 million. In approaching the administration of these contracts, the City uses a decentralized system wherein the administrative responsibilities are assigned at the departmental level, rather than having a single department or division dedicated solely to contract administration. City-wide policies for contract administration can be found in several locations, specifically, the purchasing manual and the project management handbook; but these policies are not meant to be comprehensive, and for the most part, departments set their own policies and procedures for contract administration.

In selecting the three contracts in this audit report that would receive a detailed investigation, we tried to select the contracts which carry

the greatest amount of risk for the city; but also represented a variety of contract types and a variety of city departments. The three contracts ultimately selected were: (1) a sewer pipe construction contract managed by Public Works, (2) a tree trimming service contract managed by College Station Utilities, and (3) a little league facility user agreement managed by Parks and Recreation. Table 1 below provides a summary some of the risks we analyzed for the contracts we selected in this audit.

Table 1: Contract Risk Summary

Risk Category	South Knoll	Rios Trees	CSLL
Contract Type	Construction	Service	Facility Use
Monetary Amount	\$3,700,000	\$1,200,000	\$11,000
Insurance Amount	\$2,000,000	\$5,000,000	\$2,000,000
Public Perception Risk	Low/Med	Low/Med	Med/High
Safety & Liability Risk	Medium	Med/High	High

Audit Objectives

This audit evaluated College Station contract administration policies and practices, and answers the following questions:

- Are City of College Station contract administration policies in line with established best practices?
- What level of contract administration is occurring in the City?
- Are the service providers the City has contracts with meeting the requirements of their contracts?
- Is the City fulfilling their end of the terms and conditions of the contracts?

Scope and Methodology

This audit was conducted in accordance with government auditing standards (except for the completion of an external peer review),¹ which are promulgated by the Comptroller General of the United States. Audit fieldwork was conducted from October 2012 through December 2012.

The audit methods included:

- Reviewing the work of auditors in other jurisdictions and researching professional literature to identify best practices regarding contract administration.
- Interviewing city staff responsible for performing various related duties and/or oversight functions.
- Reviewing applicable city policies and procedures and relevant state and federal laws and regulations.
- Performing a risk analysis on the fiscal year 2012 contracts.
- Detailed review of the terms and conditions **of three of the City's** contracts.
- On-site inspections to verify contract requirements have been met.
- Analysis of financial documents to verify accurate, timely, and proper payments.

¹ Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review is planned for 2013.

Findings and Analysis

The City Lacks Sufficient Contract Administration Policies

The City of College Station could better align itself with best practices in contract administration by developing policies specifically aimed at contract administration, and conducting regular contract administration training.

Policies Specific to Administering Contracts Are Lacking

Policies and procedures for administering contracts should be clear and easily accessible to staff. The written policies may be at an organizational or departmental level, but should be organized in such a way that all contracts within the organization fall under a written contract administration policy. If the City chooses to have the majority of its contract administration policies written at a departmental level, the organization-wide policy should at the minimum require that each department have a written contract administration policy.

Currently in the City of College Station, there is not a comprehensive set of policies and procedures that are specifically aimed at contract administration. The City has several different policies that affect contract administration. **These policies can be found in the City's *Purchasing Manual*, *Project Management Handbook*, and soon to be released *Project Delivery Manual*.** However, because these manuals are not specifically aimed at contract administration (the Purchasing Manual is aimed at purchasing, the Project handbooks are aimed at capital projects) contract administration policies are not always clear or easily accessible to all contract administrators, especially non-capital project contract administrators.

Contract Administration Policies Should Follow Best Practices

The **City's** policies and procedures do not fully address all of the topics that should be a part of an organization's contract administration **policies and procedures. At a minimum, an organization's policies and procedures** regarding contract administration should state that (1) responsibility and authority should be clearly assigned and well defined, (2) monitoring functions should focus on the outcomes of services provided, (3) contract administrators should create and keep

documentation on the **contractor's performance**, (4) contract documentation should be well organized, (5) contractor performance reviews should be followed-up on, (6) contingency for **contractor's** failure should be addressed, and (7) payments should be linked to satisfactory performance.

Generally, contract administration responsibility and authority is clearly assigned, and well defined. Administration and monitoring of a contract is more likely to occur when responsibility and authority is clearly assigned and well defined.

In College Station, responsibility is clearly assigned. The Project Management Handbook specifies that once a project is approved, the department in charge is to assign the project to a project manager.

Authority is for the most part clearly assigned and defined. This is because the question of authority in contract administration generally only comes up when the terms of a contract need to be changed (called change orders), and in College Station the authorities for change orders have been clearly assigned and well defined.

According to the **City's purchasing manual**, there are three levels of authority for change orders, based on the monetary value of the change:

- A change order less than \$3,000 requires the approval of the Contract Manager and the Department Director.
- A change order between \$3,000 and \$50,000 requires the approval of the Contract Manager, Department Director, Chief Financial Officer, and City Manager.
- A change order greater than \$50,000 requires the approval of Legal, the City Council, the Contract Manager, the Public Works Director, the Department Director, the Chief Financial Officer, and the City Manager.

In the few occurrences where authority is needed in non-change order situations, authorities are less clearly defined. In practice, these authorities seem to lie with the Contract Manager—and this can perhaps be inferred from the Project Management Handbook since there the Project Manager is given the responsibility for the entire contract (and responsibility and authority tend to go hand-in-hand).

City-wide policies do not direct the focus of contract monitoring on outcomes. All city contracts should be monitored to

ensure that both the contractor and the City are performing the contract. Furthermore, when this monitoring occurs, the focus should be on the outcomes (rather than inputs or other factors).

Because there are many different types of contracts, it may prove difficult to create a city-wide, or even a department-wide, policy that focuses on outcomes that will be applicable to all contracts. Nevertheless, while the written policy may not be able to state precisely what outcomes should be measured, there should be a policy in place reiterating the principle that monitoring should focus on outcomes.

Documentation regarding contractor performance could be improved. Contract administrators should create and keep **documentation on the contractor's performance.** Performance reporting generally involves collecting and disseminating performance information on scope, schedule, cost and quality and can be categorized as follows:

- **Status reporting** – describing where a contract currently stands
- **Progress reporting** – describing what has been accomplished
- **Forecasting** – predicting future status and progress
- **Risk reporting** – describing areas of uncertainty and vulnerability

Documenting contractor performance is important for a number of reasons including providing (1) updates to management, (2) background information in case the current administrator must be replaced, and (3) evidence in case of disputes with the contractor.

There does not seem to be a city-wide policy requiring performance documentation of contractors. Because of this some departments may not be keeping adequate performance documentation for their contractors. This lack of documentation creates the risk that (1) management will not be well informed of the **contractor's** performance; (2) time, energy, and information could be lost if the contract administrator must be replaced; and (3) useful evidence will not be present in the case of a dispute with the contractor.

Policies and procedures regarding contract document organization and retention could be better communicated.

Contract files should hold all the information necessary to know what was expected and received under the contract. Contract files should be organized so that someone could reconstruct and understand the

history of the contract in the absence of the contract administrator. By keeping contract documentation well organized, there will be less time and information lost if a contract administrator must be replaced. Additionally, greater organization can help the contract administrator perform more effectively.

The City's policies carry little direction for contract administrators beyond the fact that some types of records must be retained due to statutory requirements. Because of this, many of the City's contract documents may not be organized in line with best practices, and additionally, there may be some confusion among contract administrators about which documents should be retained, and for how long. These employees may benefit from guidance in the City's policies on how documents should be filed, which documents should be retained, and for how long.

City policy does not require contractor performance reviews or followed-up actions. Results of monitoring reviews, audits and investigations should be routinely followed-up on to ensure corrective actions have been taken and to identify common problem areas.

The requirement of routine follow-ups is an important policy because many of the other policies will only be valuable when follow-up occurs. For example, there is less reason to document a contractor's performance if the administrator does not subsequently follow-up to make sure performance has improved.

College Station currently has no city-wide policy requiring routine follow-ups. However, the City does have some policies regarding how to address some specific problems. The Project Management Handbook contains guidelines for how to shut down a project in the case of safety issues, non-conformance to plans and specifications by the contractor, or damage to adjoining property. The Purchasing Manual contains some guidelines on actions to be taken when a contractor does not perform on time.

The City lacks an adequate policy requiring a contingency plan in case of the contractor's failure. The contract administration policies should address the need for a contingency plan in the case the contractor does not meet the contract's requirements. By having a contingency plan the contract administrator will be better able to assess risk, and will be prepared in case the contract fails.

College Station currently has no policy calling for all contracts to have a contingency plan in case of that **contractor's failure**. Capital projects generally have a contingency plan because the Project Management Handbook explains the need for retainage and bonds—which are a way to insure against a **contractor's failure**. However, for the contracts where retainage or bonds are not feasible the City lacks an adequate policy for contingency plans.

Payments should be linked to satisfactory performance. For contracts that involve monthly or quarterly payments, agencies should require a vendor to submit programmatic reports in advance of or concurrent with its invoices. The programmatic reports should be directly related to the terms of the contract. Furthermore, a prescribed billing format for all contracts can increase efficiency and effectiveness of monitoring.

According to the project management handbook, the project manager approves invoices before payments are made; however, it does not specify the criteria for approval. According to the purchasing manual, the Accounting Office processes all invoices and payments.

The **City's policies** could be improved by including guidelines for the project manager to use during the approval process. Because projects can vary greatly, it may be unreasonable for the city-wide policies to contain very detailed guidelines; however even basic guidelines, such as a reminder to focus on outcomes, could be beneficial.

Training Sessions for Contract Administrators Should be Held

Organizations, or their departments, should hold regularly scheduled contract management training. Training sessions should be mandatory, and should include training on risk assessment and performance measures. This will ensure that contract administrators are aware of their responsibilities, and have the knowledge and skills necessary to perform their duties.

The City of College Station has performed project management training in the past, which has touched on contract management issues. However, these trainings do not appear to be regularly scheduled, and, in terms of contract management, the training seems to have been focused on contract formation with only marginal attention given to contract administration.

The South Knoll Construction Contract is Well Administered

The City of College Station contracted with Elliott Construction for \$3.7 million for the installation of a new sewer pipe in the South Knoll area. Construction began on October 15, 2012.

Public Works is in the Process of Improving its Policies

Organizations involved in contract administration should have policies and procedures for administering contracts that are clear and easily accessible to staff. (For a detailed description of best practices for contract administration policies, refer to the first section of this report beginning on page 4.)

The South Knoll construction project is a capital project—i.e., a project that helps maintain or improve a City asset, which is often called infrastructure. Managers of capital projects make heavy use of the **City’s Project Management Handbook**. This handbook addresses many of the previously stated best practices but does not always do so directly or fully. However, it should be noted that when this audit was initiated, Public Works had already begun a new project management handbook, titled *Project Delivery Manual*.

The Project Delivery Manual—while still in draft form during the course of this audit—does a better job of including these best practices within its policies. As the Project Delivery Manual continues to be refined, we encourage the developers of the manual to make sure all seven of the stated policies—documented on page 4 and 5 of this report—are included in its content.

The following table summarizes how well the contract’s administration practices align with best practices.

Table 2: Best Practices for Contract Administration

7 Best Practices for Contract Administration	South Knoll	Rios Trees	CSLL
1. Assigned & Defined Responsibility & Authority:	Yes	Yes	Mostly
2. Focused Monitoring Functions on Outcomes:	Yes	Yes	No
3. Kept Contractor Performance Documentation:	Mostly	Mostly	No
4. Organized Files and Documentation:	Yes	No	No
5. Followed-up on Contractor Performance:	Yes	Mostly	No
6. Developed Contingencies for Contract Failure:	Yes	Yes	No
7. Linked Payments to Satisfactory Performance:	Yes	Yes	N/A

Responsibility and Authority Is Clearly Assigned and Defined

The responsibilities and authorities of contract administrators should be clearly assigned and defined. This will increase the likelihood that monitoring of a contract will actually occur.

On the South Knoll contract, the responsibilities and authority are clearly assigned and defined. The majority of the contract administration responsibilities fall on two city employees, a graduate engineer, and a construction inspector.

The engineer is the individual who is primarily responsible for the contract. Specifically, he is **responsible for the project's scope, schedule, and budget**. He has authority to make decisions on the project, so long as the cost is less than \$3,000. Decisions costing **more than \$3,000, but less than \$50,000 need the City Manager's approval**; and decisions costing more than \$50,000 require the **City Council's approval**.

The inspector is responsible for checking the **contractor's work (on site)** to make sure it is being done correctly, for checking that safety standards are being met, and for approving materials being used by the contractor in the construction project. Like the engineer, he has the authority on decisions that cost less than \$3,000.

When it comes to authorities and approvals for construction projects, city practices are not always in line with policies. As was previously stated, according to the purchasing manual, contract administrators have the authority to make change orders up to \$3,000, but for change orders beyond that, they need the additional approval (at the very least) of the Chief Financial Officer and the City Manager.

However, in practice, following this policy is not always feasible on construction contracts. Construction contracts sometimes run into unforeseeable obstacles that require a change order to the contract before work on the project can continue. Getting all of the approvals necessary for a change order can sometimes take a week or two; and sometimes the project cannot afford to wait that long. (The reasons the project cannot afford to wait include the fact that some projects are on strict deadlines, and the fact that sometimes a delay on a construction project would require the City to pay the contractor despite not performing any work during the delay).

Because the contract administrator feels he cannot afford to delay the project, he often authorizes the change order before all of the other approvals have been executed. Often the change order is well under way—if not already completed—by the time it reaches the City Manager for signing off.

It is almost always best for an organization's policies and practices to be in line with each other. Therefore, the City should alter its policies, practices, or both, so that they are in line with each other.

Contract Monitoring Activities Mostly Focus on Outcomes

While there is value in monitoring all requirements of a contract, the most effective contract monitoring activities focus on outcomes. (For a more detailed description of this topic, see pages 5 and 6).

Monitoring on the South Knoll project seems to focus mostly on outcomes. This is evidenced by the fact that charges on invoices are linked to specific outcomes. By linking payments to specific outcomes the contract administrators focus on outcomes when approving invoices, and contractors focus on outcomes in order to get paid.

Another major monitoring activity is the **Construction Inspector's daily** status and progress reports. These reports seem to primarily focus on what is currently being worked on with a secondary focus on what has been accomplished (i.e. outcomes). These daily inspection reports might be slightly improved by reversing the focus so that the primary focus is on what has been accomplished, and the secondary focus is on what is in process.

Performance Reporting and Filing Systems are Adequate

Documentation for contract administration has two primary aspects: (1) performance reporting, and (2) filing of reports and other documents.

The South Knoll contract performance reporting may be slightly improved. Performance reporting generally involves four kinds of reports: status reports, progress reports, forecasting reports, and risk reports. (For a more detailed description of performance reporting, see page 6).

The South Knoll contract has adequate reporting for status reports, progress reports, and forecasting. However, these reports could perhaps be improved by including additional commentary from the report writers regarding **qualitative aspects of the contractor's** performance.

The South Knoll project does not appear to have sufficient risk reporting. For the most part, the graduate engineer and construction inspector are aware of the upcoming uncertainties and vulnerabilities, but have not formalized them into reports. Creating risk reports can benefit the project because it keeps other members of city management aware of the current risks, provides beneficial background in case a new administrator is assigned to the project, and can act as evidence in case of a dispute with the contractor.

The South Knoll project has an adequate filing system.

Contract files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator. (For a more detailed description of contract document organization, see pages 6 and 7).

The South Knoll project is well organized, with all files available together and organized in an understandable way. Furthermore, all construction contracts in the Department of Public Works follow a similar document filing system which would allow any of the other engineers in Public Works to pick up the project with a minimal loss of time.

The South Knoll Contract Has Adequate Follow-up Reviews

Results of monitoring reviews, audits and investigations should be routinely followed up on to ensure corrective actions have been taken and to identify common problem areas.

The construction inspector monitors and reports on the South Knoll construction project every day. Because of this, he is able to follow-up **on the previous day's** findings each day.

The Contract Has a Sufficient Contingency In Case of Default

A contingency in case of default is valuable to contract administrators because it helps them to better assess risk, and be prepared in case the contract does in fact fail.

The South Knoll project's contingency plan is written into the contract. **Under the contract's "Bond Provisions," and "Surety" sections, the contractor is required to obtain a surety bond, and should the Contractor fail to perform on the contract, the City may hire other contractors to finish the job and then require the original contractor and the contractor's surety to pay the expenses.**

Payment Process on the South Knoll Contract is Adequate

Best practices state that payment for contract related services should be linked to satisfactory performance, and not just paid on a regular schedule without regard for whether contractors are actually meeting contract requirements.

The South Knoll contract follows this best practice. When the City receives an invoice from Elliott construction, that invoice contains individual line items for each charge. These charges can be linked to a specific activity or material cost.

When the project manager receives this invoice, he and the construction inspector travel to the work site and check to make sure the charges are legitimate. If everything is satisfactory he approves the invoice which is then forwarded to Accounting for payment.

This current system is adequate because it reasonably ensures the City is receiving the services it has paid for, and it also separates the authorization of invoices from the payment of invoices, which helps prevent fraud within the City.

Elliott Is Adequately Fulfilling Major Contract Requirements

The South Knoll contract has hundreds of different contract requirements. In fact, submittals alone make up nearly a hundred **contract requirements. Additionally, many of the contract's** requirements would require experience in engineering that is beyond the level of **expertise in the Auditor's Office. Therefore,** rather than attempting to personally verify that Elliott Construction is adequately fulfilling contract requirements, we verified whether the contract **administrators'** monitoring activities were adequate.

In a construction project the important requirements to watch for are: **whether the contractor is following the engineer's design, whether the**

contractor is on schedule, whether the project is within budget, and whether the contractor is following safety standards.

Monitoring of the engineering design is sufficient. The city hired the company Western Solutions to create the engineering designs for the South Knoll construction project. Elliott Construction has been hired to follow Western Solutions' design.

The contract administrators perform several activities to ensure that Elliott Construction is adequately performing on this requirement. First, the construction inspector and the graduate engineer visit the construction site regularly to make sure design specifications have been met. For example, on visits they make sure the contractor is burying the pipe at the correct depth and in the correct location, and that they are using the correct type of pipe. Furthermore, the City uses Western Solutions for material testing to make sure materials used in the construction project meet the projects design specifications.

Monitoring of the schedule is sufficient. For large construction projects, such as the South Knoll project, it is important that the project stay on schedule since numerous small delays can quickly compound into major delays.

The contract administrators closely follow how well the contractor is sticking to the construction schedule. They track the projects progress using the **construction project's full schedule**, as well as a two-week look-ahead report that they receive every two weeks.

Monitoring of the budget is sufficient. Due to the bidding process, a construction contract's budget is set before the construction even begins. Therefore, monitoring the project's budget primarily entails ensuring that the City only pays the amount that was previously agreed to, and that any necessary change orders are properly managed. As has previously been addressed in this audit report, the South Knoll construction project has an adequate payment process and change order process (although, as was noted, the change order policies and practices need to be better aligned).

Monitoring of safety standards is sufficient. The Public Works department has made safety a top priority on all of their construction projects. Because they have labeled it a priority, it is important that they safety standards be monitored.

During the construction inspector's daily inspections he makes note of any safety issues he discovers. If it is an immediate safety concern, he will correct the problem on site. He also records the issues in his daily log to record the progress and history of safety concerns.

Employment Relationship with the Contractor is Appropriate

The City has hired Elliott Construction as an independent contractor, and not as an employee. The difference between these two types of employment statuses can have important consequences regarding the applicability of employment laws, taxation, rights upon termination, and legal liability.

However, employment status is an area where substance is regarded higher than form, and so it is less important whether the City is calling Elliott an independent contractor, and more important that the City is treating Elliott like an independent contractor. There are three separate criteria which should be examined when deciding whether a contractor is being treated as an independent contractor or an employee: (1) the amount of behavioral control, (2) the amount of financial control, and (3) the type of relationship between the parties.

The City's level of behavioral control indicates an independent contractor relationship. When employers hire an independent contractor, they are primarily concerned with the results achieved and exercise very little control over how the contractor achieves the results.

With Elliott Construction, the City, for the most part, tries to avoid exerting behavioral control. Specifically, they avoid controlling the "means and methods" Elliott uses to complete the project. Nevertheless, the City does exert some behavioral control—especially when regulatory or safety issues are involved. However, they do not appear to exert behavioral control to the point of creating an employee relationship.

The City's level of financial control indicates an independent contractor relationship. When employers hire an independent contractor, the contractor bears the risk of loss or profits; whereas with an employee the employer bears the risk of loss or profits.

Elliott Construction is supplying its own equipment and is being paid a flat fee by the City, and therefore is bearing the risk of loss. The City does reimburse Elliott Construction for the cost of materials, but this price is based on an agreed-upon value made at the bidding, and Elliott cannot charge higher than this agreed upon level, even if they must in reality pay a higher price. Therefore, Elliott Construction is still bearing the risk.

The relationship between the City and Elliott Construction indicates an independent contractor relationship.

The relationship between an employer and independent contractor is generally for a specified term, either for a specific time period or for the duration of a specific project; whereas the relationship between an employer and employee is generally on-going, or "at will."

The Elliott Construction contract is for a specific project, thus indicating an independent contractor relationship.

The Rios Tree Trimming Contract is Well Administered by CSU

College Station Utilities (CSU) contracted with Rios Tree in a service contract. This \$1.2 million, three year contract is for right-of-way tree trimming on existing power line sections or future line additions of the electric distribution or transmission system of the City.

Rios Tree is a San Antonio based company. This is the second time in a row that Rios Tree won the tree trimming bid. They won this most recent bid primarily because they were the lowest bidders, but also because they had previously provided satisfactory service.

Rios Tree's services for the City can be summarized into three categories: (1) complete annual clearing and trimming maintenance of circuit line sections of the electric system distribution feeder circuits, (2) clearing of new line right-of-ways and spot clearing or trimming of existing electric system line sections not included on the above referenced distribution feeder circuits, and (3) transmission right-of-way clearing. In doing this, Rios Tree must remove all overhang over the lines, clear 6 feet minimum around the conductor, clear 10 feet below the conductor, clear 2 to 3 feet around the service lines, and clear enough for climbers and equipment changes. The work is intended to reduce customer outages and damages to system infrastructure, as well as homeowner's electrical service.

Contract Administrators in CSU Lack Written Policies

Organizations involved in contract administration should have policies and procedures for administering contracts that are clear and easily accessible to staff. (For a detailed description of best practices for contract administration policies, refer to the first section of this report beginning on page 4.)

Neither College Station Utilities nor the City as a whole has a policy addressing all seven stated best practices—documented on page 4 and 5 of this report. Unless the City decides to adopt a city-wide policy that addresses all of these issues, CSU should develop a set of policies for contract administration that is tailored to the department, and that addresses the seven best practices stated previously.

As is described below, CSU contract administrators are already following many of the best practices despite not having them officially written. Nevertheless, the department should develop written policies for all of **these areas, even if the department’s contract administrators** are already following the best practice. By creating an official, written policy, the department can better ensure all employees are on the same page, that all administrators have the same expectations, and that less institutional knowledge will be lost if employment positions change.

The following table summarizes how well the contract’s administration practices align with best practices.

Table 3: Best Practices for Contract Administration

7 Best Practices for Contract Administration	South Knoll	Rios Trees	CSLL
1. Assigned & Defined Responsibility & Authority:	Yes	Yes	Mostly
2. Focused Monitoring Functions on Outcomes:	Yes	Yes	No
3. Kept Contractor Performance Documentation:	Mostly	Mostly	No
4. Organized Files and Documentation:	Yes	No	No
5. Followed-up on Contractor Performance:	Yes	Mostly	No
6. Developed Contingencies for Contract Failure:	Yes	Yes	No
7. Linked Payments to Satisfactory Performance:	Yes	Yes	N/A

Responsibility and Authority is Clearly Assigned and Defined

The responsibilities and authorities of contract administrators should be clearly assigned and defined. This will increase the likelihood that monitoring of a contract will actually occur.

On the Rios Tree contract, responsibility and authority were both clearly assigned and defined. The majority of both responsibility and authority has been assigned to the Electrical Transmission/Distribution Supervisor. **Essentially, the only authority the Supervisor lacks when it comes to contract administration is over change orders above \$3,000.**

However, it should be noted that the primary reason responsibility and authority can be considered well defined is because the Electrical Transmission/Distribution Supervisor bears almost all of the responsibilities and authorities. If any additional employees were **involved significantly in the contract's administration, specific** responsibilities and authorities would need to be more clearly assigned and defined; preferably in **writing**.

Monitoring Activities Focus Properly on Outcomes

While there is value in monitoring all requirements of a contract, the most effective contract monitoring activities focus on outcomes. (For a more detailed description of this topic, see pages 5 and 6).

Monitoring of the Rios Tree contract has its primary focus on outcomes. This is evidenced by the fact that the weekly status reports focus on milestones reached and weekly accomplishments. For example, the August 10, 2012 weekly status report stated that the contractor trimmed off all transmission lines, cut the underbrush, and chipped the brush along the lines from Spring Creek Substation to Greens Prairie Creek. This is a specific outcome being monitored, and furthermore it is an appropriate outcome to measure because the contract administrator can easily verify the accuracy of the status report by traveling to the site and seeing if the milestone has been completed satisfactorily.

Contract Documentation Could Use Improvement

Documentation for contract administration has two aspects: (1) performance reporting, and (2) filing of reports and other documents.

The Rios Tree contract has mostly adequate performance reporting. Performance reporting generally involves four kinds of reports: status reports, progress reports, forecasting reports, and risk reports. (For a more detailed description of performance reporting, see page 6).

The Rios Tree contract has some reports that constitute adequate performance reporting. The weekly status reports constitutes both status and progress reports, and the project work plan constitutes forecasting. These reports could be further improved if the contract administrator added comments to the reports that help describe qualitative factors on how well the contractor is performing on the contract.

The Rios Tree contract does not currently have risk reports. **Risk reports could prove to be a useful addition to the contract's** current monitoring system. These reports will help contract managers be better prepared for any potential uncertainties or vulnerabilities.

The Rios Tree Contract Needs Stronger Filing Practices

Contract files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator. (For a more detailed description of contract document organization, see pages 6 and 7).

While for the most part sufficient reports and documentation have been collected for the Rios Tree contract; the organization of these contracts could be improved. The contract administrator should create a filing system that holds all the information necessary to know what was expected and received under the contract, and that would allow someone to reconstruct and understand the history of the contract in the absence of the administrator.

Follow-up Activities are Occurring, But May Be Improved

Results of monitoring reviews, audits and investigations should be routinely followed up on to ensure corrective actions have been taken and to identify common problem areas.

The administrator for the Rios Tree contract routinely follows-up on problems discovered during his monitoring activities. However, these follow-up activities are not always recorded. The contract administrator may find it beneficial to record the results of follow-up

activities in order to document whether the problem has improved, or if it continues.

The Rios Tree Contract Has a Sufficient Contingency Plan

A contingency in case of default is valuable to contract administrators because it helps them to better assess risk, and be prepared in case the contract does in fact fail.

If Rios Tree Services were to default on its contract, CSU plans to offer the next lowest bidder of the tree trimming contract the chance to complete the project at a pro-rated rate.

CSU Contract Payments Procedures Align with Best Practices

Best practices state that payment for contract related services should be linked to satisfactory performance, and not just paid on a regular schedule without regard for whether contractors are actually meeting contract requirements.

The Rios Tree contract requirements most relevant to pay for performance are the tree trimming and clearing requirements. In general, Rios does two types of cutting services for the City. The first is their scheduled cutting along the power lines. This is scheduled out so that each area is cut about once every three years. The second set of services are for instances when citizens call the City and request certain trees/branches be cut down. In these cases, the Electrical Transmission/Distribution Supervisor will check out the site to decide whether trimming the requested tree is actually a city need (i.e. the tree/branches are in the **City's right-of-way**, and creates a risk to the **City's power lines**). **If the Supervisor determines that the tree does** need to be trimmed, he will mark the tree then send out work requests to Rios for trimming.

The Rios Tree contract follows best practices for payment of services. When the City receives an invoice from Rios Tree, that invoice can be linked to performance on a specific activity. When the Electrical Transmission/Distribution Supervisor receives this invoice, he is then able to check the specific **work site (if he hasn't already)** to ensure that the work has been adequately completed. If the work is adequate, he approves the invoice, which is then forwarded to Accounting for payment.

This current system is adequate because it reasonably ensures the City is receiving the services it has paid for, and it also separates the authorization of invoices from the payment of invoices, which helps prevent fraud within the City.

Generally, Rios Tree has Fulfilled its Contract Requirements

At one hundred and one pages in length, the Rios Tree contract contains dozens of contract requirements. It would not have been a wise use of audit resources to verify whether all contract requirements have been completed, given that some requirements would have cost significant amounts of time and resources for comparatively little benefit.

The following contract requirements were investigated: (1) whether tree trimming was completed on schedule, (2) whether English speaking liaisons were available among each work crew, (3) whether required documents were delivered to the City, (4) whether Rios Tree held current liability insurance, and (5) whether work crews clearly indicated their employment with Rios Tree Services.

Tree trimming was completed on time. The contract required that the City's 138 kV transmission line right-of-ways be trimmed and cleared by September 2012. This contract requirement has been completed.

English speaking liaisons were available. In the past, the contract administrator sometimes had difficulty communicating with the tree trimming work crews because none of the crews spoke English. Because of this, the administrator included in the current contract with Rios Tree the requirement that each crew must have at least one liaison at each site who is able to speak clear and concise English.

We traveled to several of the work sites and visited with the work crews there. We were able to confirm that all work crews had a member that could speak some English.

Required documents have been delivered to the City. The contract requires that Rios Tree deliver to the City the following documents: (1) a tree trimming work plan, (2) a safety plan, (3) a weekly trimming report, and (4) a weekly clearance report.

These documents are valuable to the City because they keep the City up-to-date on what Rios Tree is doing and planning to do. Furthermore, the information contained in these documents make a considerable contribution to the **City's progress reporting**. Rios Tree has met these terms of the contract and has delivered these necessary documents to the City.

Rios Tree Maintains Current Insurance. The contract requires that Rios Tree maintain insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work. This insurance protects the City from potential liability that is associated with hiring contractors to perform work for the City.

Rios Tree maintains current insurance, which is not due to expire until June 15, 2013. Significantly, **this insurance meets the contract's requirement for a "[l]imit of \$1,000,000 per occurrence for bodily injury and property damage with an annual aggregate limit of \$2,000,000," as well as meeting the other insurance requirements set out in the contract.**

Work crews properly indicated their employment with Rios Tree. The contract requires that the contract crews wear clothing that identifies the company they represent and that their work vehicles be clearly marked with their company's name or logo. The contract requires this because the work crews frequently work in the customer's back yard.

During on site visits we found that the vehicles were properly marked and that most of the employees in the work crews were wearing the proper clothing. However, a few workers on the work crews were not wearing the proper clothing. The contract administrator stated that this occasionally happens, and when he notices it he talks to Rios Tree management to remind them to enforce this rule.

The contract administrator's response to these occasional lapses in **the work crews' dress** seems appropriate as these lapses are unlikely to cause any significant problems so long as the majority of each work crew continues to dress properly.

Employment Relationship with the Contractor is Appropriate

The City has hired Rios Tree as an independent contractor, and not as an employee. The difference between these two types of employment statuses can have important consequences regarding the applicability of employment laws, taxation, rights upon termination, and legal liability.

However, employment status is an area where substance is regarded higher than form, and so it is less important whether the City is calling the Contractor an independent contractor, and more important that the City is treating the Contractor like an independent contractor.

There are three separate criteria which should be examined when deciding whether a contractor is being treated as an independent contractor or an employee: (1) the amount of behavioral control, (2) the amount of financial control, and (3) the type of relationship between the parties.

The City's level of behavioral control indicates an independent contractor relationship. When employers hire an independent contractor, they are primarily concerned with the results achieved, and exercise very little control over how the Contractor achieves the results.

With Rios Tree, the City exercises minimal behavioral control. With the exception of enforcing certain safety standards, the City does not control how Rios trims the trees, nor does the City control which Rios employees work on which projects or when.

The City's level of financial control indicates an independent contractor relationship. When employers hire an independent contractor, the contractor bears the risk of loss or benefit of profits; whereas with an employee the employer bears the risk of loss or profits.

Rios Tree is supplying its own equipment and is being paid a flat fee by the City. Therefore, Rios Tree is bearing the risk of loss or profit; so, the City does not exercise much financial control over the contractor.

The relationship between the City and Rios Tree indicates an independent contractor relationship. The relationship between an employer and independent contractor is generally for a specified term, either for a specific time period or for the duration of a specific project; whereas the relationship between an employer and employee is generally on-going, or “at will.”

The Rios Tree contract is for a specific term of three years, thus indicating an independent contractor relationship.

Little League Contract Administration Needs Improvement

The City of College Station contracted with College Station Little League (CSLL) in a facility user agreement. In this agreement, the City has agreed to allow CSLL to use the little league fields, and in return CSLL has agreed to operate the City’s little league program.

Contract Administrators Lack Written Policies

Organizations involved in contract administration should have policies and procedures for administering contracts that are clear and easily accessible to staff (For a detailed description of best practices for contract administration policies, refer to the first section of this report beginning on page 4.)

Neither the Parks and Recreation department nor the City as a whole has a policy addressing all seven of the previously stated best practices. However, while meeting with Parks and Recreation, we learned that they are currently in the process of revamping their contract management system. As they do so, we hope they will make sure to include all seven stated best practices in their policies.

Table 4 on the next page summarizes how well the contract’s administration practices align with best practices.

Table 4: Best Practices for Contract Administration

7 Best Practices for Contract Administration	South Knoll	Rios Trees	CSLL
1. Assigned & Defined Responsibility & Authority:	Yes	Yes	Mostly
2. Focused Monitoring Functions on Outcomes:	Yes	Yes	No
3. Kept Contractor Performance Documentation:	Mostly	Mostly	No
4. Organized Files and Documentation:	Yes	No	No
5. Followed-up on Contractor Performance:	Yes	Mostly	No
6. Developed Contingencies for Contract Failure:	Yes	Yes	No
7. Linked Payments to Satisfactory Performance:	Yes	Yes	N/A

The Little League Contract was Not Reassigned

The responsibilities and authorities of contract administrators should be clearly assigned and defined.

When the contract was first initiated between the City and College Station Little League, we were told that responsibility was clearly assigned to a contract manager. Unfortunately, during the period of this contract, the contract manager ended employment with the City, and when that happened the responsibilities for this contract were not adequately reassigned. Because of this, some aspects of the **contract’s administration** were neglected. The most notable deficiency was that the little league contract was not renewed for 2012.

The City should ensure facility users are always under contract.

The City enters contracts with facility users because the contract grants the City specific rights, and protects the City against specific liabilities. If the City allows organizations to use the facilities without entering into these contracts, the City may not be able to avail itself of these rights and protections.

The City did not sign a contract with College Station Little League for use of the facilities in 2012. The last time a contract was signed was in 2011, and because the 2011 contract stipulates the agreement is for the duration of the 2011 use permit, the 2011 contract is almost certainly expired. Therefore because the City does not have a current contract with CSLL, it probably could not avail itself of the rights and protections created by the facility user agreements if it became necessary.

This deficiency opens the City to significant risk of liability. Specifically, the contract makes College Station Little League

responsible for repairing any damages to the facilities that occur during CSLL's use; and the contract indemnifies the City from any losses or liabilities for injuries, deaths, or property damage in connection with use of the facilities. Both of these liabilities could result in damages that could exceed a million dollars.

Therefore, because the liability of being off-contract is potentially very high, and the cost of renewing the contract every year is very low, Parks and Recreation should ensure all expired contracts are renewed before contractors are allowed to continue their operations.

The Little League Contract Lacks Sufficient Monitoring

Contracting with outside organizations creates great value for College Station because it allows the City to provide community services that the City would otherwise lack the manpower to provide. However, as has already been discussed, it also opens the City to substantial risk. Therefore, it is critical that all contracts are sufficiently monitored.

In 2012, monitoring of the College Station Little League contract has been insufficient. Specifically, monitoring has been insufficient for three of the contract's major requirements: (1) insurance, (2) background checks, and (3) payments.

We were unable to verify whether insurance policies were sufficiently monitored. The City's contract with College Station Little League (CSLL) requires CSLL to hold general liability insurance. The insurance policy must be furnished to the City before use of the facility begins.

CSLL holds current liability insurance for up to \$2 million. However, we were unable to verify whether the insurance policy was obtained by the City prior to the start of the season. For the other contracts we checked whether insurance policies were received on time by looking at the contract, where the insurance policy is attached to the contract; or by checking the insurance on file on laserfiche. However in this case, there was no 2012 contract, and the 2012 insurance was not uploaded onto laserfiche. Therefore, while we know that CSLL has current insurance, we were not able to verify whether the City received the insurance certificate before use of the facility began.

Parks and Recreation should obtain insurance policies before the start of a new season, and ensure that those insurance policies are then

put on file with the City. This will ensure that all organizations using **the City's** facilities are properly insured. These insurance policies have multi-million dollar coverage, so there is great benefit in ensuring that the organizations are insured; by contrast, the cost of monitoring is quite low.

Parks and Recreation has not sufficiently monitored the criminal background checks. Because of the sensitive nature of working with young children, the College Station Little League contract requires CSLL to perform criminal background checks on little league volunteers before the beginning of the season. According to the contract, CSLL is only required to supply the City with the results of the background checks upon request.

Parks and Recreation did not request a copy of the results of these background checks. In the future, the department should request and review a copy of these background checks every year. This monitoring activity would marginally increase city staff workload; however, doing so would help **reduce the City's risk exposure; while** also providing assurance of greater safety for program participants.

Parks and Recreation has not sufficiently monitored payments from CSLL. The City's contract with College Station Little League requires that they pay the City \$10.00 per resident player in the league.

For 2012, College Station will receive \$11,180 from College Station Little League, based on CSLL's **statement that** they had 1,118 registrants. Historically, the contract administrator for CSLL contracts has not investigated whether the registrant number provided by CSLL is accurate. While it may not be feasible for Parks and Recreation to **initiate a full investigation of the Little League's finances every year,** the City can substantially reduce the risk of fraud, abuse, or error by performing reasonability analysis.

An example of a possible reasonability analysis is as follows: CSLL reported that the fall season had 303 players. The CSLL's **game** schedule indicates 30 little league teams from College Station. By dividing the 303 players by the 30 teams, we find an average of 10.1 players per team. Most baseball teams have at least 9 players per team; therefore, this average of 10.1 is reasonable. If the number were substantially higher or lower we might be prompted to investigate further.

Contract Documentation Needs Improvement

Documentation for contract administration has two primary aspects: (1) performance reporting, and (2) filing of reports and other documents.

The little league contract lacks sufficient performance reports. Performance reporting generally involves four kinds of reports: status reports, progress reports, forecasting reports, and risk reports. (For a more detailed description of performance reporting, see page 6).

The CSLL contract does not currently have sufficient performance reporting. The Parks and Recreation department should make sure that contract administrators are creating sufficient performance reports. These reports do not need to be extensive. However, they should still be created at regular intervals **throughout the contract's** life to (1) help management stay updated, (2) in case the current administrator must be replaced, and (3) in case of disputes with the contractor.

Parks and Recreation should align their contract filing system with best practices. Contract files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator. (For a more detailed description of contract document organization, see pages 6 and 7).

When this audit began, the Parks and Recreation department had recently begun a revamp of their contract management system. As part of that process, they were also updating their contract document filing system. While Parks and Recreation finalizes this new system, the department should be sure to align the system with the best practices previously stated.

Contractor performance reviews should be followed-up on. Results of monitoring reviews, audits and investigations should be routinely followed up on to ensure corrective actions have been taken and to identify common problem areas. Parks and Recreation should develop a process for addressing problems with contractors that includes creation and follow-up on performance reports.

The Contingency in Case of Default is Insufficient

A contingency in case of default is valuable to contract administrators because it helps them to better assess risk, and be prepared in case the contract does in fact fail.

Though not written anywhere in an official capacity, if the College Station Little League contract were to default, we were told that Parks and Recreation employees would assume the duties currently provided by College Station Little League. It was not within the scope of this audit to determine the feasibility of this contingency plan, but to work, this plan would need to consider the impact of taking over the league on its participants and also the potentially increased costs to the City. This plan does not need to cover every detail, but should be a general strategy that considers the major impacts of contract default.

Proper Controls Exist for Receiving Payments

Whenever employees handle money for the City, it is important that duties be separated in order to reduce the likelihood of fraud.

In Parks and Recreation, the contract administrator receives the check, and then passes it on to another employee to record it. From there the check is delivered to the bank via armored car. This process has properly separated duties.

CSLL Has Met the Contract's Major Requirements

The City's contract with College Station Little League requires CSLL to perform numerous tasks. This audit report details the more significant findings. Specifically, we found that College Station Little League holds current liability insurance, and we found evidence that CSLL performed the required criminal background checks. We found only one area of minor non-compliance, in that CSLL did not submit on time to the City a list of all CSLL officers.

The City Has Met All Major Contract Requirements

The City's contract with College Station Little League requires the City to perform four specific actions: (1) mark the fields to proper dimensions, and remark as necessary; (2) clean and stock the restrooms; (3) install nets, bases, and similar equipment; and (4)

perform general grounds maintenance of facility and city installed equipment.

When this audit began, two game nights remained, so we were able to see the contract in action, and confirm that the City has met all of the four above contract requirements. The fields were properly marked; the restrooms were well stocked and clean; nets, bases and other equipment were available; and the grounds were generally well maintained.

Recommendations

City-wide Recommendations

1. The City should either create a city-wide contract administration policy, or ensure that every department that manages contracts has a department-level contract administration policy that is easily accessible to staff. At a minimum, these contract administration policies and procedures should state that (1) responsibility and authority should be clearly assigned and well defined, (2) monitoring functions should focus on the outcomes of services provided, (3) contract administrators should create and keep **documentation on the contractor's performance, (4) contract documentation should be well organized, (5) contractor performance reviews should be followed-up on, (6) contingency for contractor's failure should be addressed, and (7) payments** should be linked to satisfactory performance.
2. The City should help ensure contract administrators are up-to-date on knowledge and skills by holding regularly scheduled contract administration training. While the training may address numerous issues, it should be sure to include training on risk assessment and performance measures.

Public Works Recommendations

3. City management should work with Public Works to ensure that change order policies are in line with change order practices. Specifically, Public Works sometimes gives the go ahead on change orders for construction projects above \$3,000 before it has been officially approved by all individuals from whom the policies require approval. This **practice appears to be opposed to the City's written policy.**
4. As the new Project Delivery Manual is finalized, drafters should make sure the manual directly addresses all seven of the best practices described in recommendation 1.
5. Public Works contract administrators should create risk reports along with their other performance reports. These risk reports describe upcoming uncertainties and vulnerabilities, and can help members of management become more aware of risks, provide beneficial background in case a new administrator is assigned to the project, and can act as evidence in case of a dispute with the contractor.

College Station Utilities Recommendations

6. Unless city management decides to create a city-wide policy for contract administration, College Station Utilities should develop written contract administration policies that, at a minimum, directly address the seven best practices described in recommendation 1.
7. College Station Utilities contract administrators should create risk reports along with their other performance reports. These risk reports describe upcoming uncertainties and vulnerabilities, and will help members of management be more aware of risks, provide beneficial background in case a new administrator is assigned to the project, and can act as evidence in case of a dispute with the contractor.
8. College Station Utilities should institute a contract document filing system. This organizational system should hold all the information necessary to know what was expected and received under the contract. The contract files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator.

Parks and Recreation Recommendations

9. Unless city management decides to create a city-wide policy for contract administration, Parks and Recreation should develop written contract administration policies that, at a minimum, directly address the seven best practices described in recommendation 1.
10. Parks and Recreation should ensure that contract administrators are reporting (on a regular basis) the status of the contract, what has been accomplished, and any areas of uncertainty or vulnerability. As it pertains to the CSLL contract, goals or objectives related to the following factors could be considered: league participation, facility maintenance, participant safety, and monetary appropriateness.
11. Parks and Recreation should institute a contract document filing system that holds all the information necessary to know what was expected and received under the contract. The contract files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator—or in the case a change in the contract administrator occurs. For example, as it pertains to the College Station Little League (CSLL) contract, the following could be included but is not limited to: a current contract, contractor proof of insurance, performance reporting, contingency plans in case of contract default, contractor financials and a verification analysis of the accurateness of the financials, and the criminal back ground checks.

Management Responses

To: Frank Simpson, Interim City Manager

From: Jeff Kersten, Executive Director Business Services

Date: January 28, 2013

Subject: Performance Audit: Contract Administration Recommendation Responses

Attached are staff responses to the Contract Administration audit.

City-wide Recommendations

- 1. The City should create a city-wide contract administration policy, or ensure that every department that manages contracts has a department-level contract administration policy that is accessible to staff. At a minimum, these contract administration policies and procedures should state that (1) responsibility and authority should be clearly assigned and well defined, (2) monitoring functions should focus on the outcomes of services provided, (3) contract administrators should create and keep documentation on the contractor's performance, (4) contract documentation should be well organized, (5) contractor performance reviews should be followed-up on, (6) contingency for contractor's failure should be addressed, and (7) payments should be linked to satisfactory performance.**

Response: Staff concurs that there should be a city-wide contract administration policy, and will assess what resources will be needed to accomplish this.

- 2. The City should help ensure contract administrators are up-to-date on knowledge and skills by holding regularly scheduled contract administration training. While the training may address numerous issues, it should be sure to include training on risk assessment and performance measures.**

Response: Once a city-wide contract administration policy is in place, staff will work to establish a training plan on contract administration, and will assess what resources will be needed to accomplish this.

Public Works Recommendations

- 3. City management should work with Public Works to ensure that change order policies are in line with change order practices. Specifically, Public Works sometimes gives the go ahead on change orders for construction projects above \$3,000 before it has been**

officially approved by all individuals from whom the policies require approval. This practice appears to be opposed to the City's written policy.

Response: City staff will continue to work together to align the policy and procedure on the approval of change orders. However, staff recognizes there will be instances where construction cannot be delayed or postponed without a significant financial impact while change orders route for signature and approval. Therefore, some change orders will continue to need to be ratified.

- 4. As the new Project Delivery Manual is finalized, drafters should make sure the manual directly addresses all seven of the best practices described in recommendation 1.**

Response: City staff concurs with the recommendation. The seven best practices will be discussed in the Project Delivery Manual. Additionally, the seven best practices will be described in more detail in a separate contract management handbook.

- 5. Public Works contract administrators should create risk reports along with their other performance reports. These risk reports describe upcoming uncertainties and vulnerabilities, and can help members of management become more aware of risks, provide beneficial background in case a new administrator is assigned to the project, and can act as evidence in case of a dispute with the contractor.**

Response: City staff concurs with the recommendation. The Project Delivery Manual will address risk reporting.

College Station Utilities Recommendations

- 6. Unless city management decides to create a city-wide policy for contract administration, College Station Utilities should develop written contract administration policies that, at a minimum, directly address the seven best practices described in recommendation 1.**

Response: Staff concurs that there should be a city-wide contract administration policy, and will assess what resources will be needed to accomplish this.

- 7. College Station Utilities contract administrators should create risk reports along with their other performance reports. These risk reports describe upcoming uncertainties and vulnerabilities, and will help members of management be more aware of risks, provide beneficial background in case a new administrator is assigned to the project, and can act as evidence in case of a dispute with the contractor.**

Response: Staff concurs that there should be a city-wide contract administration policy, and will assess what resources will be needed to accomplish this. Risk reporting will be addressed in that policy.

- 8. College Station Utilities should institute a contract document filing system. This organizational system should hold all the information necessary to know what was**

expected and received under the contract. The contract files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator.

Response: Staff concurs that there should be a city-wide contract administration policy, and will assess what resources will be needed to accomplish this. A contract document filing system will be addressed in that policy.

Parks and Recreation Recommendations

- 9. Unless city management decides to create a city-wide policy for contract administration, Parks and Recreation should develop written contract administration policies that, at a minimum, directly address the seven best practices described in recommendation 1.**

Response: Parks and Recreation concurs.

The Parks and Recreation Department will follow the guidelines and policies that the City adopts as they move forward addressing this audit report. That policy should include the “Best Practices” as outlined in the audit report. The Parks and Recreation Department will create an internal “tickler” file that will list all of the contracts and ILAs that it manages, complete with dates and details for renewal so that each of them can be addressed in a timely manner.

- 10. Parks and Recreation should ensure that contract administrators are reporting (on a regular basis) the status of the contract, what has been accomplished, and any areas of uncertainty or vulnerability. As it pertains to the CSLL contract, goals or objectives related to the following factors could be considered: league participation, facility maintenance, participant safety, and monetary appropriateness.**

Response: Parks and Recreation concurs.

Over the past year, there have been several staff changes within the Parks and Recreation Department. One of those was the resignation of the Athletic Supervisor who oversaw the Little League contract. By default, that contract oversight became the oversight responsibility of that person’s supervisor. In order to have consistency in oversight and enable better management of contracts and ILAs, responsibility for this will be transferred to the appropriate Assistant Director (Operations or Programs). This action will address all of the stated deficiencies.

- 11. Parks and Recreation should institute a contract document filing system that holds all the information necessary to know what was expected and received under the contract. The contract files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator – or in the case a change in the contract administrator occurs. For example, as it pertains to the College Station Little League (CSLL) contract, the following could be included but is not limited to: a current contract, contractor proof**

of insurance, performance reporting, contingency plans in case of contract default, contractor financials and a verification analysis of the accurateness of the financials, and the criminal background checks.

Response: Parks and Recreation concurs.

The Parks and Recreation Department will follow the guidelines and policies that the City adopts as they move forward addressing this audit report. That policy should include the “Best Practices” as outlined in the audit report. The Parks and Recreation Department will create an internal “tickler” file that will list all of the contracts and ILAs that it manages, complete with dates and details for renewal so that each of them can be addressed in a timely manner.

Over the past year, there have been several staff changes within the Parks and Recreation Department. One of those was the resignation of the Athletic Supervisor who oversaw the Little League contract. By default, that contract oversight became the oversight responsibility of that person’s supervisor. In order to have consistency in oversight and enable better management of contracts and ILAs, responsibility for this will be transferred to the appropriate Assistant Director (Operations or Programs). This action will address all of the stated deficiencies.