



Highlights

Why OCA Did This Study

In April 2015 we presented to the Audit Committee (Committee) a report on Citywide Contract Oversight. Based on the significant internal control weakness findings in that audit, the Committee requested that our office review a selection of contracts to identify impacts of contract administration deficiency, or loss to the City due to lack of oversight.

Our audit objective was to:

- Review active contracts to identify any financial losses to the City and any control deficiencies in procurement and administration of City contracts.

What OCA Recommends

- The Purchasing and Contracting (P&C) Department should require and ensure purchase orders are tied to contracts.
- P&C and the Comptroller's Office should maximize available discounts, and modify a process narrative to clearly assign responsibility to ensure contract pricing is billed.
- Park & Recreation (P&R) should ensure all facilities have adequate inventory systems.
- P&R and the City Attorney's Office should develop contract language and training for contract administrators with specific direction on allowable charges and allowable procurement methods.
- The City's executive management, should take a lead role in systematically addressing contract administration and oversight problems.

Management agreed to implement all recommendations.

For more information, contact Eduardo Luna at (619)533-3165 or cityauditor@sandiego.gov

Audit of Selected Contracts

Continued Inconsistencies with Contract Administration and Procurement Highlights the Need for a Strengthened Internal Control Environment

What OCA Found

Based on our review, we found administrative and oversight issues in the limited number of contracts we analyzed. Although the issues we identified in these specific contracts cannot be extrapolated to all contracts under City management, in our view, the issues identified merit additional City executive management attention. We found the following P&C contract oversight issues:

- Contracts were not properly executed, or lapsed, and in one case, work was performed before the contract was finalized;
- Purchase orders were not always properly tied to existing contracts; and
- Invoices were paid without verifying contract pricing.

These types of lapses in oversight resulted in the City operating with a contract that may be unenforceable; increase workloads related to creating purchase orders and potentially clouding spending transparency; and risk that the City does not receive its contracted discounts.

In addition, we found the following client Department contract oversight issues:

- Contract authorization procedures for extraordinary labor were not followed or written pre-authorizations were not obtained in 76 percent of the extraordinary labor we reviewed;
- Procurement methods may have deviated from procurement requirements;
- A department approved and paid charges that were not set forth in the contracts; and
- The department did not ensure receipt of available cash discounts.

These oversight deficiencies may result in lack of accountability for spending; the City missing out on the benefits of competitive awards; vendor overpayments; and missing out on available cash discounts.

Numerous factors contributed to the ongoing contracting oversight deficiencies. In our view, City executive management, should take a more active role in designing rules and procedures, overseeing implementation, and monitoring City contracts to ensure effectiveness and accountability.

