



Highlights

Why OCA Did This Study

In Fiscal Year (FY) 2014, the City of San Diego (City) managed approximately 674 active contracts for services and Capital Improvement Program (CIP) projects. [Contract Administration](#) - an essential part of the contract management system, involving the monitoring, closing-out, and performance evaluation of a contract - is decentralized in the City. In accordance with the City Auditor's FY 2015 Work Plan, we conducted a performance audit of Citywide contract administration to determine if City departments have adequate guidance and sufficient controls to ensure contract compliance.

What OCA Recommends

OCA made [nine recommendations](#) related to the establishment of policies and procedures to maintain accurate contractual information and supporting documentation, defining responsibilities prior to approving invoices for payment, ensuring contract compliance, the development of a Quality Assurance Surveillance Plan for all contracts, improving the contract amendment and close-out process, and improving the vendor performance evaluation and debarment process.

Management agreed to implement all nine recommendations.

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[Citywide Contract Oversight](#)

The City Should Strengthen and Standardize the Contract Administration Process to Ensure Contractual Commitments are Properly Monitored and All Payments Meet Contractual Obligations

What OCA Found

In the City of San Diego (City), [the Purchasing and Contracting Department](#) (P&C) manages the awarding of contracts for professional and general services that are necessary to support the City's operational and administrative functions. Once these contracts are awarded, designated contract administrators within each of the City's 25 departments are responsible for contract administration. The Public Works Department conducts all aspects of the contracting process for both Capital Improvement Program (CIP) and architectural engineering contracts. We identified several opportunities to strengthen contract administration processes for both CIP and services contracts.

- 1) [The City does not provide accurate, reliable contract award data](#) with supporting documentation through its Citywide financial system, SAP, even though capabilities and controls exist in the system. As a result, the City cannot determine the level of compliance with contractual terms. Additionally, due to the lack of standardized contract administration procedures, City departments inconsistently review deliverables to confirm compliance with contractual terms.
- 2) [The City does not have a standardized and automated contract modification and close out process](#), contributing to lengthy processing times. City departments do not consistently perform vendor evaluations which can potentially be used, where appropriate, in future contracting decisions.
- 3) [The City has not formally defined and developed a debarment process](#). A well established vendor debarment process is essential in the contracting process to safeguard the City from vendors who pose financial, legal, and material risks to the City.