CITY OF SAN ANTONIO

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August 18, 2015

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SUBJECT: Audit Report of Transportation and Capital Improvements On-Call Contracts

Mayor and Council Members:

We are pleased to send you the final report of the Transportation and Capital Improvements On-Call Contracts. This audit began in September 2014 and concluded with an exit meeting with department management in July 2015. Management's verbatim response is included in Appendix B of the report. The Transportation and Capital Improvements' management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Transportation and Capital Improvements

On-Call Contracts

Project No. AU14-005

August 18, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Transportation and Capitol Improvements Department (TCI), specifically on-call contracts. The audit objectives, conclusions, and recommendations follow:

Are controls over on-call contracts for professional services adequate?

Yes, controls over on-call contracts for professional services are adequate. TCI is correctly following the solicitation process for on-call contracts. Additionally, task orders created from on-call contracts are adequately supported.

However, TCI does not use PrimeLink consistently. We noted TCI is not retaining consistent support documentation in PrimeLink for on-call contracts. While TCI staff was able to locate all required documentation, PrimeLink is designed to be the central project management system for on-call contracts.

Additionally, we noted one vendor had charged TCI the incorrect rates for task orders. Upon notification, TCI contacted the vendor to obtain a refund for the overpayment.

Finally, we noted that 13 of 49 on-call contracts expiring in FY 2014 did not have an extension letter sent out until after the contract had expired. This led to TCI issuing 13 task orders on expired contracts.

We recommend that the Director of TCI perform the following:

- Develop policies and procedures to ensure consistent use of PrimeLink and identify support documentation for retention in PrimeLink.
- Establish procedures and controls to ensure contractually agreed to rates are followed for task orders.
- Ensure all provisions in the Procurement/Contracting Policy and Procedures Manual are followed, specifically those related to expiring on-call contracts.

TCI Management's verbatim response is in Appendix B on page 6.

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Background

The City utilizes on-call contracts to expedite completion of infrastructure projects citywide. On-call contracts are used on an as needed basis and are typically for smaller projects or services. These types of services or projects can include design work, repairs, environmental studies, real estate appraisals, work on streets, drainage and traffic, or material testing. To use an on-call contract, a task order is created in TCI's project management system, PrimeLink. This task order will have an attached project proposal created by the selected on-call contractor. The proposal details the scope of work and associated prices and fees for the designated service. In FY 2014, approximately $67 million task orders were created. Please see table below for a breakout of the number and value of task orders created for FY 2014.

Department/Division	# Task Orders	$ Value Task Orders
Parks	65	$1,209,530
TCI Real Estate	62	191,250
TCI Environmental	234	3,028,091
TCI Vertical	124	4,664,968
TCI Job Order Contracts	210	8,756,447
TCI Technical Services	535	11,078,559
TCI Public Works	908	38,125,632
Total	**2,138**	**$67,054,477**

Audit Scope and Methodology

The audit scope was fiscal year FY 2014. This included all new on-call contracts, all expired on-call contracts, and all task orders created during the fiscal year.

We interviewed TCI management and staff regarding the task order process and the contracting process and conducted process walkthroughs. We reviewed TCI policies and procedures to obtain an understanding of the task order process. Testing criteria included the TCI Contract Services manual and executed on-call contracts.

We obtained a listing of all on-call contracts issued in FY 2014 and obtained the solicitation documents to determine if TCI followed the required procurement process. We obtained a listing of all expiring on-call contracts in FY 2014 and obtained the renewal letters TCI sent to determine if all expiring on-call contracts were renewed before the expiration date. We obtained a listing of all task orders created in FY 2014 and randomly selected 40 for testing. We determined if the task order adhered to the contract, was properly approved, and, if applicable, payment was recorded in SAP.

We relied on computer-processed data in the PrimeLink system to obtain a listing of all task orders created in FY 2014 and to validate any payments issued. Our reliance was based on performing direct tests on the data. Our direct testing included comparing task order charges to the contracted rates and tracing payments issued into SAP. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

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.

Audit Results and Recommendations

A. Adherence to the Procurement Process

We obtained a listing of all on-call contracts issued in FY2014 and obtained and reviewed the required solicitation documents. TCI correctly followed the solicitation process and adhered to all established criteria for all 34 contracts issued in FY 2014.

Recommendations

None.

B. Inconsistent Use of PrimeLink

TCI is not retaining consistent support documentation in PrimeLink for on-call task orders. Audit selected 40 task orders for accuracy testing and identified several items missing from PrimeLink including on-call contract documentation, project proposals, vendor invoices, and support for the service or product provided. While TCI was able to locate the missing documentation outside PrimeLink and the task orders were properly supported, it is designed to be the central project management system for on-call contracts. As such, all on-call contract support and relevant task order support documentation should be retained in PrimeLink.

Inconsistent use of PrimeLink can lead to inefficiency and missing support documentation. One task order had rates negotiated outside of the on-call contract. However, the project manager no longer worked for the City and rate negotiation support could not be provided.

Additionally, audit identified twelve task orders that were created after work had been completed by the vendor. According to TCI PrimeLink process flows, the task order is created to begin an on-call contract project and should not be created after the vendor has completed their work. Performing work outside of PrimeLink can also lead to inconsistent documentation support or vendors charging incorrect rates for work performed.

Recommendations

The Director of TCI should develop policies and procedures to ensure consistent use of PrimeLink and identify support documentation for retention in PrimeLink.

C. Incorrect Rates

Vendors charged incorrect rates to TCI for task orders. Audit identified two task orders where the incorrect rate was charged. TCI staff did not follow the established contractual rates for the on-call contract. Rate schedules are established in on-call contracts and should be used for task orders. Upon notification, TCI reviewed all task orders issued under this contract and contacted the vendor to issue a credit memo for $2,160.

Recommendations

The Director of TCI should establish procedures and controls to ensure contractually agreed to rates are followed for task orders.

D. Inadequate Monitoring of On-Call Contract Renewals

TCI did not renew 13 of 49 expiring on-call contracts before the expiration date. This occurred because TCI did not execute the controls in place to ensure contracts are renewed before their expiration. The Procurement/Contracting Policy and procedures manual requires TCI to request the contractor's extensions for contracts at least two months prior to the expiration date.

Audit identified thirteen task orders with a dollar value of $27,100 that were issued on expired contracts. Additionally, vendors issued eight invoices associated with the thirteen task orders totaling $18,050.

Recommendation

The Director of TCI should ensure all provisions in the Procurement/Contracting Policy and Procedures Manual are followed, specifically those related to expiring on-call contracts.

Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Douglas Francis, Auditor in Charge
Lawrence Garza, Auditor

Appendix B – Management Response

CITY OF SAN ANTONIO
TRANSPORTATION & CAPITAL IMPROVEMENTS

August 6, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Transportation and Capital Improvements (TCI) – On-Call Contracts

The Transportation & Capital Improvements Department (TCI) would like to thank the Office of the City Auditor for its professional and thoughtful engagement in this audit. TCI has reviewed the audit report and has developed the following Corrective Action Plans corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
B	**Inconsistent Use of PrimeLink** The Director of TCI should develop policies and procedures to ensure consistent use of PrimeLink and identify support documentation for retention in PrimeLink.	3	Accept	Debbie Racca-Sittre, Assistant Director	12/15/15
	Action plan: TCI will identify the supporting documentation appropriate for each type of on-call contracts. Once identified, TCI will develop policies and procedures to ensure consistent use of the PrimeLink System and staff will be trained on the new process.				
C	**Incorrect Rates** The Director of TCI should establish procedures and controls to ensure contractually agreed to rates are followed for task orders.	4	Accept	Debbie Racca-Sittre, Assistant Director	12/15/15
	Action plan: New standard operating procedures will be developed and TCI staff will be required to review the requirements and rate schedules set forth in the executed contracts. Staff training will be completed to ensure staff fully understands the new procedures. Since task order contracts are utilized by other City departments, TCI will send a letter to the vendors reiterating that they must perform work only after they have approved the Task Order in PrimeLink, and refrain from negotiating task orders that will exceed the contract negotiated rates, dollar limit, and/or expiration date.				

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
D	**Inadequate Monitoring of On-Call Contract Renewals** The Director of TCI should ensure all provisions in the Procurement/Contracting Policy and Procedures Manual are followed, specifically those related to expiring on-call contracts.	4	Accept	Debbie Racca-Sittre, Assistant Director	9/30/15
	Action plan: TCI has updated the process for renewing and expiring on-call contracts in the Procurement/Contracting Policy and Procedures Manual. The updated process is as follows: 1) The responsible manager of the on-call contract shall request a contract extension at a minimum of two (2) months prior to the renewal date of a contract. 2) If a contract is expiring with no renewal options, the responsible manager of the on-call contract shall request a new solicitation at a minimum of six (6) months prior to the contract's termination. TCI Contract Services Division staff will monitor renewal dates for the on-call contracts and notify the responsible manager of the on-call contract before contract expires.				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

Mike Frisbie, P.E., City Engineer
Director of TCI

8-6-15
Date

Peter Zanoni
Deputy City Manager
City Manager's Office

8-7-15
Date