

# Contract Administration Audit: Universal Protection Services, LP

*Limited Scope Review  
Report 9 of 10*



*Independence you can rely on*

**October 17, 2016**

**Laura L. Doud**  
*City Auditor*

**Deborah K. Ellis**  
*Assistant City Auditor*

**Terra Van Andel**  
*Deputy City Auditor*

**Hannah Morgan**  
*Senior Performance Auditor*



# Table of Contents

Issues & Recommendations..... 1

*Finding 1. Rates paid were not consistent with contract terms which could result in the Department paying more than contractually obligated.* 2

*Finding 2. Available data is not being used to ensure accuracy of invoices. Therefore, overbillings could occur and go unnoticed.* 4

*Finding 3. Errors occurred during execution of the contract and amendment. Without distinct and accurate terms, the contract cannot be properly enforced.* 5

*Finding 4: Reporting to management needs improvement so that the Contract Administrator is not the only one aware of the Contractor and their performance.* 6

*Finding 5. Lack of Department guidance and training on effective contract management as well as lack of contract monitoring software results in an absence of clear responsibilities, expectations, and communication across the Department. This requires each Contract Administrator to establish their own process, which increases the risk of fraud and is an inefficient use of staff resources.* 7

Background ..... 9

Objective, Scope & Methodology ..... 11

Appendix A ..... 12

Management Comments ..... 13

# Issues & Recommendations

*This is Report 9 of 10 in our series of limited scope audits of City contracts.*

This report includes the results of a limited scope review of contract WD-3198 between the City of Long Beach Water Department (Water or Department) and Universal Protection Services, LP (UPS or Contractor). It is the ninth of ten contract audits reporting on the adequacy of the City’s monitoring procedures and internal controls over the administration of contracts. A summary report that compiles the results of the ten individual contract audits will be issued separately.

In July 2015, the Department contracted with UPS for a one-year contract initially valued at \$380,000 for professional security services. The contract encompasses security guard patrol of various Department facilities, coverage at two guard posts, and performance of other miscellaneous security services. In July 2016 the contract was extended using the first of two one-year options.

The Department appears to be effectively monitoring the Contractor’s performance to ensure that security services for their critical infrastructure facilities are performed up to standards. The Department is involved in the selection, training, assignment, and review of UPS security personnel and their activities. However, we found areas related to the payment and administrative oversight of these services where improvements can be made.

*Payments were not consistent with contract terms.*

Payments were not consistently made within contract terms, and all available data is not being used to verify charges. While conditions we observed did not cause material cost overruns during our audit period, the potential for that to occur exists.

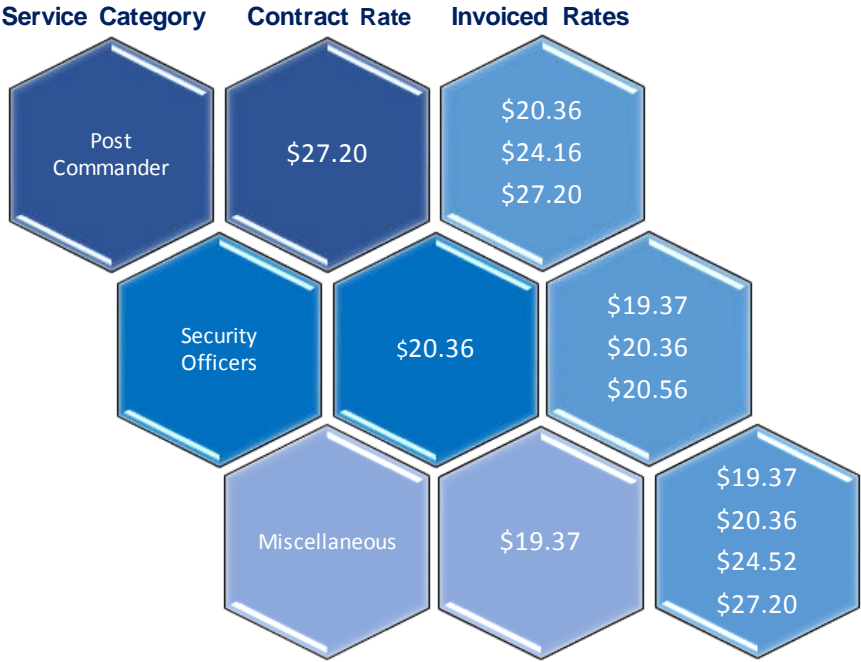
We want to thank the Department’s staff for their assistance, patience and cooperation during this audit.

**Finding 1. Rates paid were not consistent with contract terms which could result in the Department paying more than contractually obligated.**

A. Invoices are inconsistent in their application of rates for services.

The Department and Contractor’s view of rates is different from how the contract is set up. The contract assigns rates to three service categories representing different activities, roles, and responsibilities: 1) Post Commander, 2) Security Officers for guard posts and patrol of facilities, and 3) Extra Security for Engineering Projects and Miscellaneous Security Services (Miscellaneous). See Figure 1 below for the service category and associated contract and invoiced rates. However, the Department and Contractor explained that specific employees are chosen for assignments based on their skill sets, and therefore hours are billed at the rate associated with the employee regardless of the services they performed.

**Figure 1  
Services and Associated Rates**



We found that rates on invoices were not consistently applied using either of these methodologies. Invoices showed rates applied to multiple categories and multiple rates applied to individual employees. Conditions we observed in a sample of invoices included:

- 65% of the occurrences of Miscellaneous Security Services were billed at higher rates associated with the Post Commander and Security Officer categories.
- The rate assigned to the Security Officers category was applied to all three services.
- On one invoice (which represents a one week time period) a single employee was paid at all three different rates identified in the contract.
- An employee was paid two different rates for working the same type of special event on various dates.

In addition, 11% of the invoices reviewed included hours paid at a rate not identified in the

contract that could not be explained.

While the payment of incorrect rates, in the sample of invoices reviewed, resulted in an immaterial difference in costs, the potential exists for overpayments to occur. The inconsistency of the rates makes it difficult to review invoices, and without the correct understanding of how rates should be applied, it is not possible to ensure accuracy of the charges per contract terms. It is important for the Department to review invoices and ensure terms and rates are consistent with the contract.

*B. The Department paid for sick leave even though the contract does not include it.*

The contract does not state the Department is responsible for sick leave charges of Contractor employees. However, we noted instances when UPS employees were out sick and the Department paid for both the hours of the sick employee and the hours of the replacement employee to cover that shift, essentially paying twice for the same work.

According to the Department, these hours were inadvertently paid. They will be seeking reimbursement for the sick leave paid and will be reviewing invoices to ensure sick leave is not paid in the future.

*C. Contractor and the Department verbally agreed to pay an employee at a probationary rate while assessing the performance of that employee.*

The contract states that the agreement, including all exhibits, shall not be amended except in writing. However, a verbal agreement was made to pay an employee a rate not included in the contract. A UPS employee was paid at a probationary rate while the Department was assessing if that individual could fulfill the duties required of a higher position.

The employee was assigned the Post Commander position for a trial period. A verbal agreement was made to pay the employee at a rate lower than the one the contract assigns to Post Commander but higher than the employee's previous rate. While this situation resulted in an underpayment, rates should not be paid other than those specified in the contract. Any agreements should be put in writing so they are formalized and payment for the new terms can be enforced appropriately.

Subsequently, the First Amendment, which went into effect in July 2016, included a new category for this particular employee because the Department and Contractor felt the employee should be compensated differently due to his experience level. However, this amendment was not executed until after the situation above had occurred.

**Recommendations:**

- 1.1 Ensure that both the Department's and Contractor's representatives are aware of all contract terms. They should understand how rates are supposed to be applied per the contract so they are able to ensure appropriate payments.**
- 1.2 Determine if the scope of work and associated rates should be modified to reflect a different methodology based on how services are actually being provided. We recommend this be done prior to the second one-year extension period.**
- 1.3 Formalize any future verbal agreements or changes to terms timely with a written amendment to ensure the contract reflects current terms agreed upon by the Department**

**and Contractor and to ensure authority exists to pay by those terms.**

***Finding 2. Available data is not being used to ensure accuracy of invoices. Therefore, overbillings could occur and go unnoticed.***

A. *Invoices related to Engineering Project security are only reviewed at a daily, not hourly level.*

The Department's policy is for security personnel to be present at construction project worksites when work is being performed. This service is part of the miscellaneous category of the contract and the Department spends approximately \$40,000 on this service annually. This service is billed on separate invoices, which are reviewed and approved for payment by personnel in the Engineering Bureau.

The Department contracts with various construction inspectors to monitor the worksites and job progress. These inspectors fill out Daily Reports regarding their observations, however, these reports vary by inspector and do not always confirm the presence of security or the hours of the worksite each day. Invoices are compared against these Daily Reports and overall project timelines to verify the project occurred. However, the Daily Reports are not detailed enough to enable the Department to verify hours worked by security personnel. We reviewed invoices and available backup for a few projects and found that the Department paid for more hours than documented and hours they could not verify were worked.

The Department does have documentation available that could verify the hours billed by UPS. Special Job Timesheets that contain employee name, start and end times, total hours worked, and notes on why the work was conducted are filled out by employees for miscellaneous category work. During our audit, this information was not used by the Department to review invoices. However, towards the end of our fieldwork, the Department started to review Special Job Timesheets for these invoices. Personnel in the Operations Bureau had started to verify hours against the Special Job Timesheets while personnel in the Engineering Bureau continued to authorize payment of the invoices. It is important that the review and authorization for payment of these invoices are linked because payment should not be made until after the amount is verified. Therefore, we encourage the Department to ensure that communication occurs or the process is updated to ensure accurate payments.

***In addition, the contract includes the use of smartphones with CyCop technology. CyCop is a system application that enhances security services through employee tracking capabilities, recording and reporting on incidents, and timekeeping. CyCop has the ability to show employee check-in and check-out times as well as GPS location.*** Although the contract just started its second year, these capabilities are not yet available to personnel working at engineering worksites. Once available, this data could also be used to verify the hours billed by UPS for these services. We encourage the Department to work with UPS to add CyCop functionality for those employees.

Payments for Engineering Project security have averaged about \$40,000 per year in the past four years. Without proper and thorough review of hours invoiced the Department may pay for hours not worked.

B. *Invoices for Regularly Scheduled services are not reviewed against existing system data.*

***CyCop reports with data depicting the check-in/out of shifts and GPS pings became***

***available for regularly scheduled security personnel in February 2016, however, these reports are not used to review invoices.*** Instead, Operations personnel verify charges against schedules and manual employee timecards for routine and non-engineering project related security services. While these documents appear to materially match charges on invoices, CyCop data could provide a more reliable record of when Contractor employees are working their shifts. Instead of having employees manually write down or check off times worked, CyCop would be able to electronically capture the specific time when employees signed in and signed out for their shifts.

It is important that the most reliable form of evidence is used to verify invoices to ensure all payments reflect the amount of work performed.

**Recommendations:**

- 2.1 For invoices related to Engineering Projects, continue recent use of Special Job Timesheets to verify hours. In addition, work with the Contractor to explore the expansion of CyCop data for these services so it can be used to verify hours in the future.**
- 2.2 Ensure a connection between the verification of hours and authorization of invoices for Engineering Projects to ensure payments are made only after proper review has occurred.**
- 2.3 Begin use of CyCop data to verify invoices for regularly scheduled work to ensure hours billed equal the amount of hours actually worked. Review should be sufficient enough for the Department to be comfortable with the accuracy of charges without causing significant time loss or delay for Department personnel.**
- 2.4 Communicate to Contractor employees that the use of the check-in/out functionality on CyCop is required and that it is being used as the official record of hours worked. The Department must ensure that the data is reliable when using it as primary back-up for charges.**

***Finding 3. Errors occurred during execution of the contract and amendment. Without distinct and accurate terms, the contract cannot be properly enforced.***

***A. Overlap exists between current and prior contract terms.***

UPS held a prior contract with the Department for professional security services from July 15, 2012 to July 14, 2015. However, the term for the current contract began on July 1, 2015 which caused a 14 day overlap between the two contracts.

During the 14 day overlap, approximately \$11,000 in services was provided to the Department. While the total authority of the prior contract could have accommodated these charges, the purchase order, which was set up for less than the contract amount, would have been exceeded. Therefore, the majority of the charges for this time period were applied to the current contract's purchase order, thus the Department avoided having to modify the prior one.

It is important to have continuous coverage of the contract, but an overlap can cause confusion regarding which contract terms apply to the work performed during the overlap period and how to pay for that work.



B. *Contract Amendment included incorrect pricing.*

The term of the first amendment for the contract began on July 1, 2016 and was for the same amount as the original contract, \$380,000. However, the Rates and Charges schedule attached to the amendment includes a cost of \$389,107 for the one-year extension. The Rates and Charges schedule outlines the service categories, the rates, and the estimated hours for the year, which serves as a budget for the various services provided by the Contractor and is used to establish the contract amount. So, this results in conflicting costs of services within the amendment and the attachments.

The original contract allows for a 3% increase for the extension period, which could raise the amendment amount up to \$391,400. The Department indicated that the incorrect pricing for the amendment was an oversight and they will be re-executing the amendment to include the allowable 3% increase, which would cover the expected increase in costs.

C. *Contract does not include all sections from the City's contract template.*

The City has a contract template that serves as a guideline for the sections and language that should be included in all City contracts. This template includes a section on the Equal Benefits Ordinance, which states that the Contractor will provide benefits to both its employees with spouses and its employees with domestic partners during the performance of the contract. This section was not included in the Department's contract with UPS. Therefore, this contract does not have consistent terms with other contracts in the City and lacks an ordinance that the City has determined is part of their practices.

**Recommendation:**

**3.1 Policies and Procedures should be developed and training should be provided to staff to ensure that contractual elements, including timing, pricing, and inclusion of all required terms, are executed correctly.**

***Finding 4: Reporting to management needs improvement so that the Contract Administrator is not the only one aware of the Contractor and their performance.***

At the Department's monthly all managers meetings, the Acting Contract Administrator<sup>1</sup> presented information regarding the security operation to the General Manager as well as other managers throughout the Department. Information shared is mostly forward thinking to security for upcoming events or discussing specific incidents that occurred in the past month. However, information regarding the Contractor specifically and their performance is not communicated at this meeting.

At the end of our fieldwork, the vacant position for Manager of Security and Emergency Preparedness was filled. The new Manager started communication with the Director of Operations regarding performance expectations for the Contractor and execution of the contract amendment. We encourage the Department to continue with this type of communication and establish a process to ensure it occurs.

---

<sup>1</sup> The position of Manager of Security and Emergency Preparedness was vacant until the end of our fieldwork. This position would normally be responsible for the contract with UPS and would act as Contract Administrator, therefore, an Acting Contract Administrator was assigned during the vacancy.



It is important to communicate to other decision makers and supervisors information related to the Contractor and contract oversight to ensure accountability for the Contract Administrator's duties. When the Contract Administrator is the only one aware of this information they can make decisions regarding issues with no oversight and there can be problems with continuity of knowledge if that person leaves the position or Department.

**Recommendation:**

**4.1 Ensure upward reporting to Management from the Contract Administrator occurs. There should be regular communication regarding Contractor performance, staffing of the contract, payments, and other key items as they arise. Any key decisions made or actions taken as a result of this communication should be documented to maintain the history in the official contract file.**

***Finding 5. Lack of Department guidance and training on effective contract management as well as lack of contract monitoring software results in an absence of clear responsibilities, expectations, and communication across the Department. This requires each Contract Administrator to establish their own process, which increases the risk of fraud and is an inefficient use of staff resources.***

*A. Department-wide guidance and training on contract management does not exist.*

Overseeing service contracts requires both technical and contract administration knowledge. These are two very different skill sets. Contract administration best practices call for guidance and training to be provided to staff who are responsible for overseeing contracts. In addition, policies and procedures should be established along with an adequate training program that will assist staff in being effective contract managers with set policies and procedures for staff to follow.

There is neither a Department-wide standardized training on contract administration for its employees nor policies, procedures or guidelines detailing best practices of contract administration. As a result, contract administrators must initiate their own policies, which can result in inconsistencies and deficiencies throughout the Department. It is critical that staff have the skills and knowledge to provide adequate oversight of contracts.

*B. Comprehensive contract database does not exist.*

Without an effective database to actively manage contracts, including key terms, conditions, and renewal planning, there is no method to account for all contracts within the Department. It also requires individual contract administrators to devise and manage their own system to track contract information. This results in a risk that contracts are not being properly monitored or renewed timely.

**Recommendations:**

**5.1 Develop a Department standard training program on contract administration best practices.**

**5.2 Establish Department standard policies and procedures for overseeing contracts.**

**5.3 Invest in a contract monitoring system that allows the Department to capture all contracts, including but not limited to term/expiration dates, award authority, associated purchase order information, insurance expirations, and other key terms and conditions.**

# Background

## **Operation**

The Department is responsible for the security of critical City infrastructure.

The Water Department's (Department) Division of Security and Emergency Preparedness is responsible for ensuring a safe and secure environment for employees, visitors, and customers, as well as mitigating, preparing for, responding to, and recovering from emergencies. This includes protecting the Department's facilities, as well as the public, by reducing any possible threats to Department services.

Due to the nature of the services provided by the Department, their facilities are considered critical infrastructure, which are assets where destruction would have a debilitating impact on security, public health, or safety. The Department uses guidelines from the Department of Homeland Security and the American Water Works Association to determine the level of security needed for their operation. These guidelines encourage strategic improvements to security to lessen the impact of potential attacks on critical infrastructure locations.

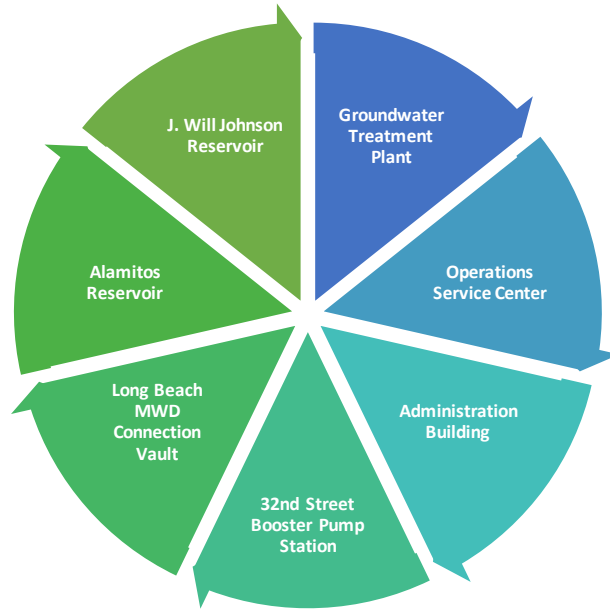
## **Contract**

*UPS provides the Department with professional security services.*

The Department has contracted with Universal Protection Services, LP (UPS) for over four years for professional security services. UPS held a prior contract from July 2012 to July 2015. Over time the cost of these services increased due to additional patrol hours deemed necessary by Department personnel and allowable increases to rates for the services. In addition, this prior contract did not include miscellaneous services, which were occurring but were paid for outside of the contract.

In July 2015, the Department entered into the current \$380,000 contract with UPS. This contract calls for continuous daytime coverage at two guard posts, patrol of various locations, and includes the performance of other miscellaneous services. In July 2016 the Department exercised the first of two one-year extension periods to continue the contract.

**Figure 2**  
**Critical Infrastructure Contract Locations**



**Contract Monitoring**

*The Department is responsible for managing the contract to ensure the Contractor completes the required scope of services with quality.*

After entering into a contractual obligation, the Department is responsible for monitoring the Contractor's performance and compliance with contract terms and conditions. Appendix A provides additional information related to contract administration, including best practices and components of effective contract monitoring.

# Objective, Scope & Methodology

*This audit assesses whether the Department employed sound contract monitoring procedures to ensure the Contractor complied with key terms & provisions.*

The objectives for this audit were to evaluate the adequacy of the Water Department's (Department) monitoring procedures and internal controls over the contract administration, to examine related payments and to review the compliance with key contract provisions. The audit scope was the activity to date on the original contract term of July 2015 to June 2016, and included review of the recently executed first amendment for the one-year extension period starting July 2016.

We reviewed the contract terms and conditions along with related records, including invoices, procurement documents, legislative text, contract amendments, and purchase orders. We also reviewed regulatory criteria including the City Charter Article XVIII, along with the City's Procurement Policy and Administrative Regulations. In addition, we used best practices and principles in public procurement and contract monitoring to evaluate the adequacy of the Department's oversight responsibilities.<sup>2</sup>

To perform the work we conducted the following procedures:

- I. Procurement Method – Reviewed the method used to purchase the contract, including competitive bid documents where applicable and the executed contract, to determine whether the contract and accompanying amendment complies with the City's purchasing guidelines. We also verified that the contract was properly approved by the Board of Water Commissioners.
- II. Risk Assessment & Control Environment – Performed a review of contract related data to assess the contract risk. Interviewed Department employees to gain an understanding of the activities they perform in managing the contract and monitoring the Contractor's performance, as well as to assess the internal control environment. We also verified the Contractor's compliance with key contract terms and conditions.
- III. Payment Processing – Compared Contractor payments to the original invoice and supporting records where available to verify accuracy, appropriateness and proper approval. We also evaluated the timeliness of payment processing.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), which 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

<sup>2</sup> *Principle and Practices of Public Procurement*, Sept. 2013, by the National Institute of Government Purchasing, Inc. and the Chartered Institute for Purchasing and Supply; and *Components of an Effective Contract Monitoring System*, July 2003, by the State of Georgia Department of Audits and Accounts Performance Audit Operations Division.

# Appendix A

In its simplest terms, contract monitoring provides the City with assurance that it is receiving the services or goods for which it has paid. But taken further, active contract monitoring mitigates risk, with risk defined as the probability of an event or action having an adverse effect on the City.<sup>3</sup> Proper oversight and monitoring creates a strong control environment that can deter fraud, waste, and abuse. As shown in Figure 3, components of an effective contract monitoring system include an ethical tone that starts at the top of the organization, ongoing monitoring, and thorough recordkeeping.

**Figure 3**  
**Best Practices in Contract Management**

TONE AT THE TOP	
<p>I. Establish a consistent, high quality contract monitoring &amp; compliance system across the organization.</p> <p>II. Publish, communicate and implement written policies.</p>	<p>III. Provide training in contract compliance &amp; monitoring to those with the responsibility for contract oversight.</p> <p>IV. Limit contract risk by requiring disclosure of conflicts of interest.</p>
CLOSE OVERSIGHT and GOOD ADMINISTRATION	
<p>V. The contract scope-of-work often is the City’s primary means of communicating these expectations. Ensure the SOW includes:</p> <ul style="list-style-type: none"> <li>• Clear expectations &amp; deliverables that are defined and specific.</li> <li>• A plan that considers all significant issues that may affect the success of the project.</li> <li>• A contingency plan to address how the agency would respond in the event of an interruption of service delivery.</li> <li>• A dispute resolution procedure that requires timely resolution.</li> </ul> <p>VI. Use standard project schedules to document project progress, responsibilities, timing, and problems.</p> <ul style="list-style-type: none"> <li>• Hold regular meetings to discuss the information in the schedule and agreement on changes. Agree to the frequency of updates.</li> </ul> <p>VII. Perform onsite monitoring to ensure the contractor’s compliance.</p> <ul style="list-style-type: none"> <li>• Visits can verify actual performance against scheduled or reported performance and ensure the contractor is dedicating sufficient resources and appropriate personnel.</li> </ul>	<p>VIII. Evaluate the contractor's performance and provide feedback.</p> <ul style="list-style-type: none"> <li>• Focus on outputs and outcomes that assess some aspect of the effect, result, or quality of the service.</li> </ul> <p>IX. Contract files are organized and complete. Records are critical should any contract dispute occur. Items to include:</p> <ul style="list-style-type: none"> <li>• Method of evaluation and award. Maintain a copy of the contract, modifications, and amendments; as well as insurance records.</li> <li>• All contract activities, including meetings, communications, issues, and agreed-upon changes or resolution.</li> </ul> <p>X. Contractor invoices are accurate, complete &amp; sufficiently supported. Records regarding any change to payment schedules, pricing, or timing should be maintained.</p> <p>XI. Payments are linked to satisfactory performance, properly reviewed, and approved.</p>

<sup>3</sup> *Components of an Effective Contract Monitoring System*, July 2003, by the State of Georgia Department of Audits and Accounts Performance Audit Operations Division.

# Management Comments

Management's response begins on the following page.



# MANAGEMENT RESPONSE AND ACTION PLAN

## Water Department

### Universal Protection Services, LP Contract Administration Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.1	Ensure that both the Department's and Contractor's representatives are aware of all contract terms. They should understand how rates are supposed to be applied per the terms so they are able to ensure appropriate payments.	H	3	Agree	David Lopez (Manager of Security and Emergency Preparedness) & David Luu (Contractor)	David Lopez has held a meeting with David Luu to discuss this issue in depth and to ensure a better understanding of contract terms. These meetings will be held on a regular basis.	Aug. 1 2016. Next meeting to take place October 25 2016.
1.2	Determine if the scope of work and associated rates should be modified to reflect a different philosophy based on how services are actually being provided. We recommend this be done prior to the second one-year extension period.	M	3	Agree	David Lopez & Tai Tseng (Director of Ops)	Review of the scope of work to ensure business needs are met.	90 days prior to end of current contract extension.
1.3	Formalize any future verbal agreements or changes to terms timely with a written amendment to ensure contract reflects current terms agreed upon by Department and Contractor and to ensure authority exists to pay for those terms.	M	3	Agree	David Lopez	All future revisions will be submitted/completed with proper written amendments.	Immediately
2.1	For invoices related to Engineering Projects, continue recent use of Special Job Timesheets to verify hours. In addition, work with the Contractor to explore the expansion of CyCop for these services so it can be used to verify hours in the future.	H	5	Agree	David Lopez, Engineering staff & David Luu	Currently in talks with David Luu to expand the use of CyCop tracking system.	Immediately
2.2	Ensure a connection between the verification of hours and authorization of invoices for Engineering Projects to ensure payments are made only after proper review has occurred.	H	5	Agree	Dept. Staff	Improve communication between the Contractor, Engineering staff, and time keeping records	Immediately
2.3	Begin use of CyCop data to verify invoices for regularly scheduled work to ensure hours billed equal the amount of hours actually worked. Review should be sufficient enough for the Department to be comfortable with the accuracy of charges without causing significant time loss or delay for Department personnel.	M	5	Agree	David Lopez & David Luu	Currently in talks with David Luu to expand the use of CyCop tracking system.	Immediately
2.4	Communicate to Contractor employees that the use of check-in/out functionality on CyCop is required and that it is being used as a record of the hours worked. The Department must ensure that the data is reliable when using it as primary back-up for charges.	M	5	Agree	David Lopez & Dept. staff	improve process of time keeping records review and validation.	Immediately

# MANAGEMENT RESPONSE AND ACTION PLAN

## Water Department

### Universal Protection Services, LP Contract Administration Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
3.1	Policies and Procedures should be developed and training should be provided to staff to ensure that contractual elements, including timing, pricing, and inclusion of all required terms, are executed correctly.	H	6	Agree	Liza Gutierrez (Procurement Officer, LBWD)	A mandatory training session for Managers was held on September 27th. Managers from each division invited appropriate employees to attend the training. A second mandatory training session for those who weren't able to attend first one is scheduled at the end of November this year and will be open for other employees to attend.	Dec.2016
4.1	Ensure upward reporting to Management from the Contract Administrator occurs. There should be regular communication regarding Contractor performance, staffing of the contract, payments, and other key items as they arise. Any key decisions made or actions taken as a result of this communication should be documented to maintain the history in the official contract file.	M	7	Agree	David Lopez & Tai Tseng (Director of Ops)	Improve communication between the different levels of management to ensure all parties are aware of relevant issues	Immediately
5.1	Develop a Department standard training program on contract administration best practices.	H	7	Agree	Liza Gutierrez	Create a comprehensive procedure and flow chart to assist with best practices in contract administration	Dec. 2016
5.2	Establish Department standard policies and procedures for overseeing contracts.	H	7	Agree	Liza Gutierrez	Create a comprehensive procedure and flow chart to assist with best practices in contract administration	Jan 2017
5.3	Invest in a contract monitoring system that allows the Department to capture all contracts, including but not limited to term/expiration dates, award authority, associated BPO information, insurance expirations and other key terms and conditions.	H	8	Agree	Tai Tseng	Short Term Solution: An Excel sheet listing purchase orders and term dates is updated monthly and distributed to appropriate divisions within the department. Long Term Solution: City Purchasing is using the module for contract management that Planet Bids offers. The department will explore that option in the next month. Additionally, Financial Management has recently selected a new financial management system in which the intent is to include contract management as part of the upgrade.	Short Term - Immediately Long Term - 2017

#### Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

#### Yellow areas - to be completed by the department