



PRESS RELEASE

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City Auditor Doud's Report Reveals Changes Needed to Manage City's Extensive Use of Contracted Goods & Services *Long Beach City Agrees with Recommendations & Is Implementing Changes*

Long Beach, CA – Long Beach City Auditor Laura Doud today released a [Summary Report of Contract Administration Audits](#). Contracts provide valuable goods and services that allow the City to deliver public services to citizens. However, there are risks associated with contractual relationships into which the City enters. Prior to 2015, the City Auditor's Office performed several audits on or related to City contracts that identified a pattern of risks related to the City's administration and oversight of contracts. Based on this, the Office recently conducted a series of contract administration audits to more closely evaluate the City's oversight of contracts. The summary report found that audits of contracts for various goods and services from 2012 through 2016, totaling nearly \$66 million, had recurring patterns of risk across different City departments indicating that comprehensive changes are needed to better manage the City's extensive use of contracts.

The report found two primary factors that contributed to inconsistencies and lax oversight of City contracts: a) a lack of an effective contract monitoring system (CMS); and b) a lack of Citywide staff guidance or training on how to manage contracts. Without a CMS and proper guidelines, employees are left to determine the best way to manage contracts, which has resulted in inconsistent and poor contract oversight.

Several audits found limited City verification of contract work performed and limited assurance that the City paid an appropriate price or received the services and goods for which it has paid. For example, in managing the \$1 million per year graffiti abatement contract, the City did not validate the accuracy of incident report data even though the data's reliability was questionable due to the lack of controls.

The audits also found the City did not properly plan for contract renewals resulting in periods where work was being performed without a contract in place, limiting the City's control over the vendor or protection in case of dispute. In addition, several audits found instances where major changes to contract terms occurred after a contract was awarded. For example, the City's contract for Emergency Board-Up Services to secure unsafe conditions on private property showed labor rates increased by as much as 5% and materials by as much as 65% only two months after the contract was executed without justification as to why increases were needed.

As a result of the audits, the Mayor and City Council are aware of these recurring contract oversight risks, and City Management, including the Harbor and Water Departments, are implementing controls – such as procedural modifications and contract administration training and policies – to address this issue. Responses from the City Manager and Water Department further detail City actions to implement the City Auditor's recommendations.

"I am pleased the importance of good contract oversight has been recognized, and City Management has begun addressing risks discussed throughout this report. Providing resources and guidance to City staff can have an immediate positive impact in protecting City assets," said City Auditor Laura Doud. "We will continue to monitor this progress as work still needs to be done to ensure the City is vigilant in its contract administration and oversight, as many of these contracted goods and services are vital to the public."

The complete Contract Administration Audit Summary Report can be viewed [here](#).

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