

GOVERNMENT CONTRACTS

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‘Lax’ contract oversight puts Long Beach at risk, audits find

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Vague contract terms, “lax” oversight and limited employee training could have resulted in Long Beach paying vendors for inadequate or uncompleted work in recent years, according to findings released by City Auditor Laura Doud’s office on Monday.

In [the report](#), Doud summarized a pattern of risks she found in 17 city contract audits completed between 2012 and 2016. The contracts were valued at nearly \$66 million, and included agreements for parks maintenance, airport parking facilities, trash hauling and other services.

The problem, she said, is the lack of a central database or contract monitoring system that allows employees to manage key terms and conditions, and insufficient guidance and training for employees on how to administer and manage contracts.

“Given the enormous amount of money spent each year on contracted goods and services, it is imperative that the city have an effective contract management process to help consistently administer the day-to-day oversight and ensure receipt of quality goods and services at competitive costs,” she wrote.

In response to Doud’s report, the city manager’s office acknowledged its shortfalls after pointing to the crippling effect the recent economic downturn had on city services.

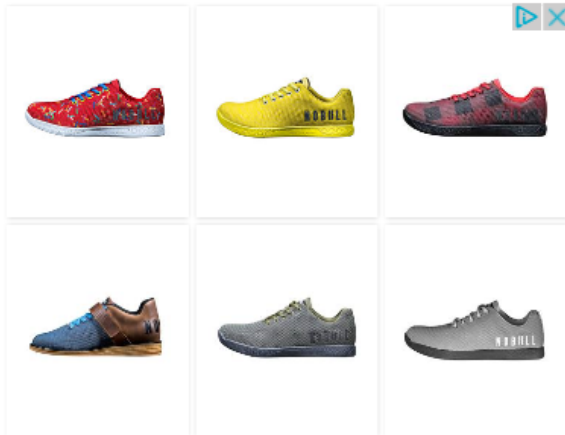
“As the national and local economies emerge from the Great Recession, it is important to remember that the city’s fiscal health is not an accident,” City Manager Pat West wrote. “It is the result of years of difficult decisions, prudence, and shared sacrifice.”

Though Doud was unable to determine the total number or amount of contractual commitments held by the city because, she said, information was “decentralized and recorded inconsistently,” the auditor’s office estimate the risks within the city to be “extensive.” Figures for fiscal year 2015-16 show an estimated \$574 million was spent that year on contracted services.

Several audits found the city failed to verify vendors' work and did not plan for contract renewals, which led to work being done without a contract in place and limited the city's control over the agreement and protection in case of a dispute. In some cases, the city backdated contracts when new agreements were reached without apprising the City Council.

Other findings include:

- The city paid rates that conflicted with contract terms or were based on informal agreements made between staff and vendors;



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- Major changes to a few contract terms occurred shortly after agreements were awarded without explaining why increases were needed;
- Contract oversight processes were performed manually with little use of technology;
- Contract evaluation and selection processes were not transparent;
- Lack of records exist to support contract activities.

Doud recommended a “comprehensive” overhaul of the city’s contract management processes that include strong oversight and contract management

training, some of which are already underway.

“We sincerely appreciate the City Auditor reviewing our contract management efforts and highlighting the need for improvement in this area,” West said.

West said the findings from Doud’s office have triggered a number of changes, including a new three-part training series on contract management that was initiated in February by the Finance and Public Works departments. City finance executives are also working to implement a new contract management software. A similar audit last year on the Job Order Contracting system — which allows city hall to quickly process bids for relatively small projects — found [contractors were low-balling projects](#) and then charging fees for cost overruns. The City Council suspended the program last April after Doud said the system was “highly vulnerable to fraud.”

Since that time, new controls have been put in place, including a \$500,000 cap on individual project costs, a third-party costing oversight and new training for employees. The City Council approved a [new Job Order Contracting system](#) on March 21, and authorized eight firms to bid for construction projects over the next year, each allowed up to \$2 million in work orders annually, or a total of up to \$16 million across the board.