



City of Albuquerque

Office of Internal Audit

FOLLOW-UP OF THE
PROFESSIONAL/TECHNICAL CONTRACT
DEVELOPMENT & APPROVAL PROCESS AUDIT

Report #17-13-108F

February 22, 2017

INTRODUCTION

The Office of Internal Audit (OIA) performed a follow-up of Audit No. 13-108, Professional/Technical Contract Development & Approval Process during fiscal year (FY) 2017. The purpose of this follow-up is to report on the progress made by the Department of Finance & Administrative Services (DFAS) – Purchasing Division (Purchasing Division) in addressing the audit's findings and recommendations. Our follow-up procedures rely on the department providing the status of the recommendations.

A follow-up is substantially less in scope than an audit. The objective is to report on the status of corrective action regarding the audit's findings and recommendations.

We limited our scope to actions taken to address our audit recommendations from the final audit report dated December 11, 2013 through the submission of actions on January 19, 2017.

BACKGROUND

Professional/Technical Services are defined as those services performed by or under the direction of a licensed professional, other professional technician, or other person with technical training as more particularly defined by the City Purchasing Officer. The Purchasing Division is the central purchasing office for the City of Albuquerque (City) and is responsible for providing procurement support to user departments.

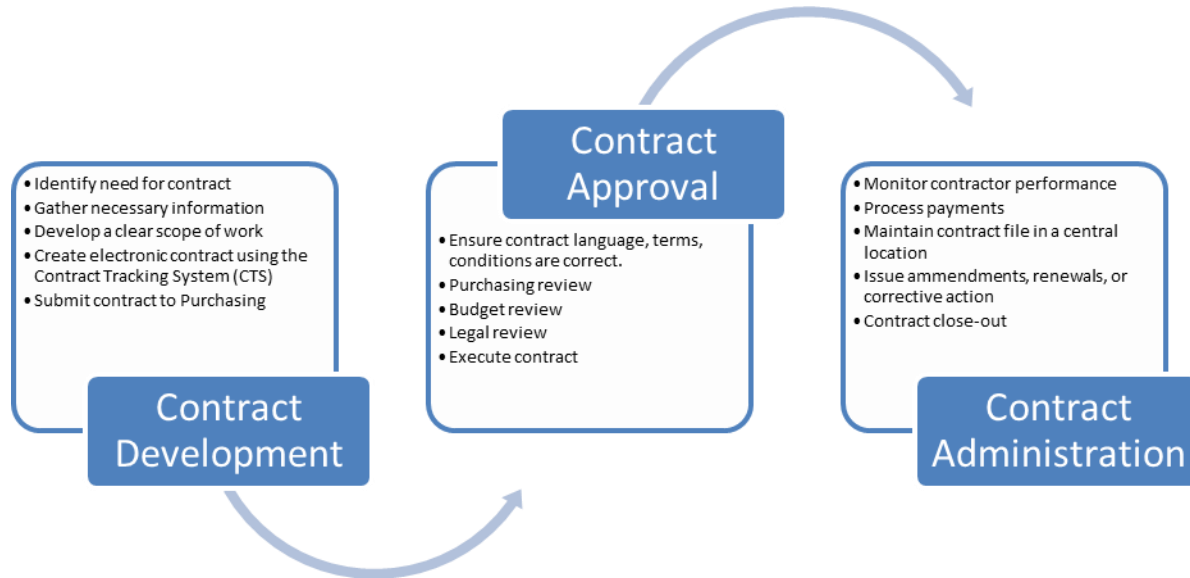
The key business objectives of the Purchasing Division are to:

- Decrease the City's financial and legal liability by maintaining a standardized process of review for all professional/technical agreements, and
- Improve the effectiveness of departments' programming by efficiently reviewing their draft agreements for legal issues as well as assisting with the drafting of the scopes of services and methods of payments.

The complete contracting process consists of three phases:

- Contract Development,
- Contract Approval, and
- Contract Administration.

The graphic below shows the contract process.



Note: The original audit focused solely on contract development and approval and did not address contract administration.

SUMMARY

Of the three recommendations addressed in the original audit report, one has been fully implemented, one is in process, and one has not been implemented.

The status of the recommendations is identified by the symbols in the following legend:

- Fully Implemented
- ★ Resolved
- ◆ In Process
- ⬮ Not Implemented

Recommendation #1 DFAS should:

Require that departmental employees authorized to create contracts attend annual contract training. Department employees should not be permitted to generate contracts without having taken the required updated training.

Formally track the amount of time contracts spend in the Purchasing Division before receiving final approval in order to monitor the effectiveness of additional training and internal processes. This will also enable the Purchasing Division to identify struggling departments whose contracts are frequently returned.

Response: *“DFAS Purchasing (Purchasing) agrees with the finding and agrees in part to the recommendations.*

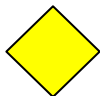
***“Purchasing plans to replace the Contract Tracking System (CTS) with a new software program during FY14. All departmental employees who anticipate being users of this new system will be required to receive training. Access will not be granted without training. At the start of each fiscal year, commencing with FY15, all users will be required to receive annual training.*”**

“Purchasing processes over 600 contracts annually and does not have the staffing capability to formally track the amount of time each contract is in Purchasing before receiving final approval to monitor the effectiveness of additional training. Rather than tracking each contract, Purchasing proposes to conduct a sampling from various users and departments to ascertain the effectiveness of its training.”

Estimated Completion Date: *“Training and monitoring policies to be implemented no later than July 1, 2014.”*

Status Reported by DFAS: Purchasing provided in-depth training to departmental employees during the roll-out process of the system designed to replace CTS. Following the system’s implementation and use, it was determined that the system did not meet the needs of the City, and CTS is once again the system used to create professional/technical contracts. The in-depth training provided was relevant to CTS. Additional training was provided in FY2016 and follow-up training will be conducted in FY2017.

The ERP remediation for e-Procurement is not yet complete, but is expected to go live by the end of February 2017. Once live, the system will automatically track the amount of time contracts spend in Purchasing and at the various stages of the contracting process.



In Process

The Purchasing Division provided in-depth training to departmental employees regarding professional/technical contract creation and requirements. However, the Purchasing Division, as proposed, has not reviewed a sample of contracts from various users and departments to determine how long contracts remain in the Purchasing Division before approval to ascertain the effectiveness of the training.

Recommendation #2: DFAS should:

Remind Purchasing Division staff of the proper filing process for various contracts.

Review procurement internal controls to ensure that all files are complete and up-to-date and verify that a signed original contract is on file.

Include a verification checklist in each contract file to aid the Purchasing Division in ensuring that all

files are complete.

Conduct a follow-up with the City Clerk to ensure all contracts submitted are, in fact, received.

Response: *“DFAS Purchasing agrees with the finding and recommendations.*

“Recommendations 2-4 are in place; however, due to staff shortages and turn-over during FY13, not all staff members were familiar with the internal controls or had the ability to ensure that all of the internal controls regarding the various contracts were being met at the time this audit was conducted. The Purchasing Customer Satisfaction Manager conducted individual training for each of the Processors (administrative support personnel responsible for file maintenance) during the month of September. All other staff members received training on August 28, 2013.”

Estimated Completion Date: “Completed”

Status Reported by DFAS: Periodic training and reminders are given to Purchasing’s staff at Division staff meetings regarding the pertinent documents that must be contained in each procurement methodology file. Purchasing requires the City Clerk’s Office to initial the contract control form indicating receipt of agreements delivered.



Fully Implemented

The Purchasing Division provides periodic trainings and reminders for its staff during the Division’s staff meetings. Contract receipt by the City Clerk’s Office is indicated on the Purchasing Division’s contract control form.

Recommendation #3: DFAS should:

Specify that “disconnect CTS access rights,” in addition to other computer accesses, be included on the ‘Employee Clearance Form’ when an employee terminates with the City.

Request that ITSD set up CTS access on an expiration schedule so that user access is automatically revoked following an established period of inactivity, for example, after six months of inactivity.

Response: *“DFAS Purchasing agrees with the finding and recommendations.*

“DFAS through its ERP Division will address the “Employee Clearance Form” as it moves forward with its PeopleSoft remediation efforts.”

“Annual training will determine access to CTS or its replacement program. The annual training will be a requirement for access renewal.”

Estimated Completion Date: "July 1, 2014"

Status Reported by DFAS: Requests to add "Disconnect CTS access rights" to the City's Employee Clearance Form or for CTS access to be set up on an expiration schedule have not been made. CTS operates using Lotus Notes. As City employees terminate or retire from City employment or change positions, access to CTS is automatically inaccessible as the Lotus Notes ID is unique to each computer and user and cannot be carried over or accessed from another computer.



Not Implemented

As the ERP remediation is not yet complete, the Purchasing Division has not made any requests involving CTS. Access to CTS may be automatically eliminated as employees terminate or transfer to other positions, but the Purchasing Division has not taken an active role in limiting access to the system.

Follow-Up
Department of Finance & Administrative Services
Purchasing Division
February 22, 2017

#17-13-108F

SUBMITTED:

Contract Auditor

REVIEWED & APPROVED:

Lawrence L. Davis, Acting City Auditor
Office of Internal Audit

APPROVED FOR PUBLICATION:

Chairperson, Accountability in
Government Oversight Committee