



AUDIT HIGHLIGHTS

Facilities Management Contract Administration

January 13, 2020

Audit Report No. 2005

WHY WE DID THIS AUDIT

An audit of Facilities Management Contract Administration was included on the City Council-approved fiscal year (FY) 2019/20 Audit Plan. The audit objective was to evaluate Facilities Management's controls over contract administration, including cost-effectiveness and compliance.

BACKGROUND

The Facilities Management department, within the Public Works Division, provides on-demand and preventive maintenance services and scheduled life-cycle equipment replacements for the City's facilities and building-related equipment.

Through its Contract Administration section, Facilities Management uses contractors to provide certain services, including custodial and specialized services. Of a budget of approximately \$20 million, \$3.3 million is allocated to these services.

A Service Area Manager leads 4 Contract Coordinators, who serve as the point of contact for the contractors, working with the various City departments to schedule routine services and coordinate special requests.

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WHAT WE FOUND

Facilities Management overpaid a contractor \$164,600 and does not retain quotes to ensure that other billings match contract terms.

Facilities Management has provided limited guidance and training for its contract administrators. Specifically, we found:

- Facilities Management overpaid at least \$164,600 to a custodial contractor.
- Staff did not retain documentation that detailed the additional services and specified pricing for the work to be performed.

Contractor performance is not effectively monitored and performance problems addressed.

Facilities Management did not effectively monitor and ensure the contractor's performance quality despite longstanding compliance issues, and contract service changes are sometimes not documented.

Facilities Management staff do not maintain necessary documentation, and management does not regularly verify that contract files are complete.

A City Administrative Regulation requires specific documentation to be maintained. However, we found:

- Staff do not maintain documents necessary for effective contract management in their contract files.
- Management does not regularly verify that individual project files are complete and accurate.

WHAT WE RECOMMEND

We recommend the Facilities Management department management develop written policies and procedures and train staff to:

- Ensure the billed amounts agree to contract pricing. Also, recover the overpayments.
- Document contract requirements, monitor contractor performance, and consistently and effectively address performance concerns.
- Retain necessary documentation in the contract file.

MANAGEMENT RESPONSE

The department agreed with the audit recommendations and responded with plans to implement them during calendar 2020.