



proud past, promising future

CLARK COUNTY
WASHINGTON

AUDITOR
GREG KIMSEY

MEMORANDUM

Date: July 29, 2021
To: Kathleen Otto, County Manager
From: Michael Nash, Performance Auditor, Auditor's Office
Subject: Follow-up Report #20-01:
2020 Audit of Countywide Contract Maintenance

On January 21, 2020 the Clark County Auditor's Office Audit Services issued an audit report on Countywide contract maintenance. The audit found that effective management of the post-award or maintenance phase of contracting in Clark County was limited by a lack of vision, communication, coordination, and training. The audit made five recommendations to address these issues.

In April 2021, we began an initial follow-up to determine the progress made in addressing the issues raised in the audit. We also assessed whether the risk environment surrounding countywide contract maintenance had changed, as the County entered additional contracts for goods and services related to the COVID-19 pandemic.

Summary Results

Progress in addressing the countywide contract maintenance issues identified in the 2020 audit has been substantially impeded by the COVID-19 pandemic, which led to a countywide hiring freeze.

Overall, some progress has been made on 3 of the 5 recommendations. The County created a contract administrator position. Once the hiring freeze ended, a contract administrator was hired and began working in April 2021. The creation of this position was a significant step in the development of an overall strategy and structure of a county-level contract maintenance oversight program. The contract administrator is currently working with the Auditor's Office Financial Services Department to evaluate contract management software with a goal of procuring and implementing a system by early 2022.

Additionally, purchasing staff noted that since the conclusion of the audit, the County has seen an increase in large dollar-value contracts, many of which were for goods and services to address COVID-19.

A comparison of contracts from 2017-2018 from Oracle / FMS against contracts from 2019-2020 in Workday showed increases in both the number and percent of contracts over \$10,000 as well as the number and percent of contracts over \$1 million¹.

Contract Comparison: 2017-2018 (Oracle / FMS) and 2019-2020 (Workday)

	Total Contracts		Contracts over \$10K		Contracts Over \$1M	
	2017-18	2019-20	2017-18	2019-20	2017-18	2019-20
Contracts Listed in System	573	853	393	682	26	56
Percent of Total Contracts	-	-	68.6%	80%	4.5%	6.6%

Purchasing staff further noted that while the number of large dollar-value contracts has increased, much of the activity was concentrated in departments with significant experience in contracting and contract management, including Public Health and Community Services.

Although progress in addressing audit recommendations was impeded by COVID-19, the County has taken an important step in defining the structure of contract oversight and maintenance by hiring a contract administrator. At the same time, the increase in high-dollar value contracts further underscores the need to address the findings and implement recommendations from the audit.

Recommendation Status and Remaining Tasks

<p>Recommendation 1:</p> <p>Develop county-level long range strategy, policy, and procedures. Update or replace Clark County Contracting Policy PR-100, clarifying county vs departmental roles and responsibilities including contract oversight, testing, and applying internal controls. (Policy)</p>	<p>Progress</p>
--	------------------------

¹ Neither data set represents a complete universe of active countywide contracts. The 2020 audit determined that FMS data did not represent a complete universe of valid contracts in the County. Additionally, leases and certain other contract types were not captured in Workday at the time follow-up work was conducted.

Current Status: The County hired a new contract administrator in April 2021. The contract administrator has been tasked with developing a countywide contract administration and oversight program to address this recommendation. Internal Services and Purchasing noted that COVID-19 and the resulting hiring freeze delayed action on this recommendation.

Purchasing staff reported that they began compiling existing policies and procedures in March 2019 as a first step to creating and updating a comprehensive policies and procedures manual for purchasing, which would include procedures for contract maintenance. Staff retirement, combined with COVID-19, put those efforts on hold but purchasing staff indicated that they are expected to resume by July 2021.

Remaining Tasks: The contract administrator, with input from purchasing and department staff responsible for contract administration, should develop county-level long range strategy, policy, and procedures for post-award contract maintenance. As draft documents are completed, they should begin the process to seek comment from departments and other county management and staff before being approved and adopted.

Staff reported that progress on developing countywide policies is expected over the next 12 to 18 months; procedures will be developed after new contract management software is procured and progress has been made on the development of countywide policy.

<p>Recommendation 2:</p> <p>Define the structure of a county-level contract maintenance oversight program that periodically checks department quality control processes based on risk and cost. The program should be able to quickly generate a precise contract inventory as well as validate the status of all contracts, improving consistency and timeliness of access to contract maintenance files.</p>	<p>Progress</p>
--	-----------------

Current Status: Hiring the contract administrator was the County's first step in developing and defining a county-level contract maintenance oversight program. The contract administrator has been tasked with the development of a system or process to quickly generate a precise contract inventory and has been working with the Auditor's Office Financial Services Department to evaluate potential contract management software. The current goal is to procure a system and have it in place by early 2022.

Remaining Tasks: As new contract management software is implemented, a risk-based county-level contract maintenance oversight program should be adopted that leverages the capabilities of the new system.

<p>Recommendation 3:</p> <p>Develop a comprehensive county-wide index of all contracts and supporting contract files or systems available to all. Consider the possibility of expanding systems currently used including those with document storage capability. (OnBase, Bonfire, Field Manager) Allow for possibility that convergence of software may take many years. (Structure and management tools)</p>	<p>Progress</p>
--	------------------------

Current Status: The contract administrator has been working with the Auditor’s Office Financial Services Department to evaluate contract management software, which would function as the comprehensive county-wide index of all contracts. Once countywide needs have been determined and a software system that meets those needs is identified, the software will be procured through the procurement process.

In addition, the County is now using the Workday financial management system, which includes a contracts module. Purchasing staff reported that departments enter contract information, (excluding non-financial agreements and leases) into Workday and attach a copy of the signed contract. The information is then reviewed by Purchasing before invoices can be submitted by contractors. No formal written procedures exist but purchasing staff indicated that they are starting work on written procedures for how contracts should be entered into Workday.

The contracts module within Workday allows staff to attach documents as needed, including the documents required under existing purchasing policy PR-100. We tested of a small sample of contracts and all five contracts sampled had a signed copy of the contract as well as signed contract amendments attached to the electronic file. While it is not currently being used to store documents required under PR-100, Workday may be useful as a repository for supporting contract files.

Remaining Tasks: Once contract management software has been procured, ensure comprehensive countywide index of all contracts and supporting contract files or systems available to all. The current goal is to procure a system and have it in place by early 2022.

<p>Recommendation 4:</p> <p>Establish appropriate contract management skill at county level. At the basic skill level, NCMA foundational competencies identified in the NCMA-CMBOC chapter 3 might suffice; for advanced skills that achieve best practice level, a working knowledge of all eight NCMA foundational competencies would be required. (Training)</p>	<p>Open</p>
---	--------------------

Current Status: Progress has not yet been made on establishing appropriate contract management skill at county level, due in large part to COVID-19 and the associated countywide hiring freeze.

Remaining Tasks: Establish appropriate contract management skill at county level. At the basic skill level, NCMA foundational competencies identified in the NCMA-CMBOC chapter 3 might suffice.

<p>Recommendation 5:</p> <p>Establish or adopt a contract maintenance training program. Training should be conducted and documented to meet identified requirements based on analysis of risk and the type of contract used. It should include training in contract changes and modifications; interpretation and disputes; closeout and contract termination. (Training management)</p>	<p>Open</p>
--	--------------------

Current Status: Progress has not yet been made in establishing or adopting a contract maintenance training program, again due in large part to COVID-19 and the associated countywide hiring freeze.

Remaining Tasks: Establish or adopt a contract maintenance training program. Training should be conducted and documented to meet identified requirements based on analysis of risk and the type of contract used.