



Final Report

# AUDITOR'S OFFICE



County-wide Contract Maintenance Audit:

## CHANGES NEEDED TO IMPROVE CONTRACTING OUTCOMES

REPORT NO. 20-01

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# Executive Summary

## Why this Audit

This audit was initiated in response to both our internal risk assessment and a request by the Clark County Council. It focuses on management of the post-award or contract maintenance phase of the contract management process. This phase begins after the contract is signed by both parties and ends when it is fully depleted and has been closed.

## What We Found

Overall we found contract maintenance in Clark County is limited by a lack of vision, communication, coordination, and training. In particular, current county policies and practices do not address data interdependencies between departments with shared responsibilities over fiscal management and external reporting requirements.

As a result of a decentralized structure and shared responsibilities, departments have implemented several different tools and systems. While necessary to address unique requirements, the decentralized structure with shared responsibilities also created some duplication as a number of systems attempt to meet different needs with similar information.

We found data in departmental files and systems are generally inconsistent. Further, contract files required by county policy lack consistency or were incomplete. Reports from departmental contracting systems were not reliably on time. A lack of standards at state and county levels, as well as limited training for contracting staff, contributed to the inconsistencies.

## What We Recommend

County policy should be updated to acknowledge departments' shared responsibilities and clearly define roles. The policy should also address oversight, testing, and additional internal controls to implement standards. These standards should address issues such as the consistency and timeliness of access to contract maintenance data.

The county should develop a county-wide index of all contracts and required supporting files. Document management software in current use by departments should be considered. The index ideally would include standard financial contracts as well as leases, memoranda of agreement, letters of agreement, and similar documents. It would improve communication and increase opportunities for departments to coordinate shared responsibilities.

Lastly, the county should identify training requirements for staff with contract maintenance responsibilities and establish or adopt a training program.

The County Manager concurred with the conclusions and recommendations both verbally and in an email response; his implementation plan is included in *Appendix 3*.

We thank the County Manager and his staff for their cooperation on this audit.

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## Audit Standards

We conducted this performance audit in accordance with generally accepted government auditing standards (GAAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Introduction

Professional logistics management has evolved rapidly, with new professional organizations emerging in the process. A few key terms are useful to help define this audit environment:

**“Purchasing”** is either a general term used by business and government to represent buying material and services, or it is the internal team with responsibility for managing that function. A purchasing team often includes responsibility for immediate or simple purchases as well as relatively low dollar value transactions using purchase orders or credit accounts. As a department or internal workgroup, purchasing focuses on the transactional or tactical needs of the organization. Responsibility for longer term or larger contract purchases often evolve into a separate organization. (See figure 1)

The term **“procurement”** is increasingly replacing “purchasing”. Over the past few decades end users have become more empowered to execute transactions directly, and purchasing officers are focused on more complex issues. Procurement begins with the transactional responsibilities of a purchasing team and adds oversight, business operations and strategic goals. As a purchasing team expands its oversight role to that of a procurement office, the need expands for staff and managers to develop improved technical, conceptual and human relation skills.

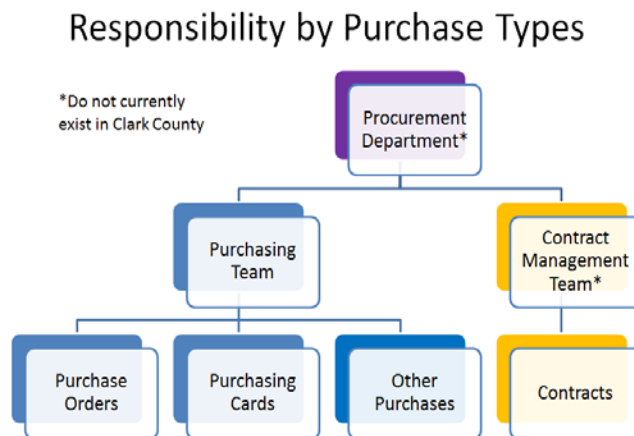


Figure 1: Purchasing organization

A **“contract”** is an agreement between two or more parties. It is usually written and is most often an exchange of some value. All contracts have a life cycle that has a defined beginning and end. Non-financial contracts such as administrative agreements, letters of agreement, and leases also require management.

**“Contract management”** is both a specialized competency within the procurement profession and a three-phase process to manage contracts. (See figure 2)

The **“contract management process”** consists of three phases in the National Contract Management Association’s (NCMA) Book of Knowledge (NCMA-CMBOK). We will use the NCMA definitions of pre-award, contract award, and post award phases.

a. **Pre-Award or Requirements Development Phase**  
Users choose the contract type, develop the scope and establish requirements.

b. **Award or Negotiation Phase**  
The contract is established, awarded, and approved.

c. **Maintenance or Post-Award Phase**  
The approved contract is managed through its useful life until it is closed. Contract maintenance is the focus of this audit.



Figure 2: The Contract Management Process

“**Maintenance**”, or “**post-award**”, is the final phase in the three-phase contract management process. Some professional associations and contracting organizations alternatively refer to this phase as **contract administration** or **contract monitoring**. For consistency, this audit will use “**contract maintenance**”.

In the NCMA model, contract maintenance is ideally organized as a specialized competency within a larger procurement organization. However, not all organizations follow this model since it requires knowledge beyond basic purchasing buyer skills. The management and strategic skills needed are identified in the NCMA foundational contracting competencies; see figure 3, below:

Paragraph	Title
o 3.1	Contract Management (general)
o 3.2	Contract Performance and Quality Assurance
o 3.3	Subcontract Management
o 3.4	Contract Changes and Modifications
o 3.5	Transportation
o 3.6	Contract Interpretation and Disputes
o 3.7	Contract Closeout
o 3.8	Contract Termination

Figure 3: NCMA Contracting Foundational Competencies



### Why this Audit

This audit was initiated in response to both our internal risk assessment and a request by the County Council. It focuses on the maintenance or **post-award** phase – which begins after the contract is approved by both parties and ends when it has been closed out. Due to this audit’s narrow scope, we did not test for compliance with external regulations such as federal requirements for monitoring or reporting.

This topic was identified in our risk assessment due to a large quantity of recent newspaper articles as well as reports by the Washington State Auditor’s Office. *The Columbian* newspaper has reported on a variety of contract related concerns in Clark County over the past two years, to include late and incorrect invoicing, inaccurate payments, and other issues related to various stages of contract management (*Figure 4*). These recent examples highlight contracting challenges the county has experienced.

- Portland-Vancouver Junction Railroad (PVJR) lease complications (Dec, 2018)
- Late billing of the Cowlitz Tribe for service and safety contracts (Feb, 2019)
- County labor contracts that did not define current practices (Mar, 2019)
- Livingston Quarry contract management issues (Aug, 2019)
- Camp Bonneville federal environmental cleanup contract issues (Sep, 2019)
- SAO Management Letter for Com Dev \$80k contract: There was insufficient proof the vendor chosen was the most qualified (Dec, 2018)

*Figure 4: Select Examples of Clark County’s Contract Related Issues*

## Audit Results

### I. Effectiveness of contract maintenance is limited by lack of communication and coordination

#### County policy does not address data interdependencies

Clark County does not have a procurement department or a centralized contracting function. The county's centralized purchasing department does assist departments with the pre-award and award phases for some contracts based on type and value. However, staff does not have the responsibility or training to assist effectively in the post-award phase. Instead, each department is independently responsible for managing the post award, or contract maintenance phase. County Policy PR-100 requires departments to designate a contract manager for each contract; (*see Para 1, line 5*) the policy also requires two data storage files be maintained; the Procurement File (PF) by the Purchasing Department and the Contract Management File (CMF) by the department with the contract.

The Contract Management File (*Para B*) is the official file of record for each contract and is maintained by the department that issues the contract. It covers all phases of contract activity. The CMF consists of five sections with up to 14 elements of information as directed by PR-100. For example, elements include original signed contract, contract amendments, and any contract extensions. The information required in the CMF may be kept in any combination hard copy and electronic files.

The policy requirement for departments to designate a contract manager appears to be primarily related to maintaining the CMF. It is unclear if responsibilities of the designated contract manager include all aspects of contract maintenance. Contract managers we surveyed indicated there are few individuals with the necessary skills and work capacity. Still, at least three departments have some dedicated staff trained in contract maintenance.

The Procurement File (*Para A*) is maintained in the Purchasing Department, containing up to eight pieces of key information identified in PR-100. Items required include an evaluation matrix, documents related to the competitive selection process, and a copy of the executed contract. The file is maintained by the Purchasing Department to document the pre-award and award phase activity in which they participate. The Procurement File is anticipated to be stored primarily as a hard copy file.

Although individual departments are responsible for their own contract maintenance, they **share responsibility** with other departments for two broad county-wide objectives:

1. Responsible **fiscal management** (budgets, revenue, expenses, risk and liability management, etc.)
2. Compliance with **external reporting requirements** (regulatory agencies, state and federal granting agencies, financial statement reporting, bond letters, etc.)

Departments are responsible for fiscal management of contracts they issue or generate. However, organizations such as the Auditor's Office and Budget Department also have responsibility for elements of fiscal management of county activities. This includes monitoring

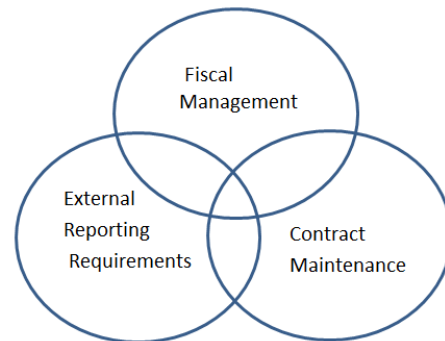
financial data and preparing documents such as the Comprehensive Annual Financial Report and the Annual Budget. These organizations are also responsible for elements required to ensure compliance with external reporting requirements.

As a result of the decentralized structure and shared responsibilities, departments have implemented various tools and systems. These include document files, processes, software, and other contracting tools. Some departments are able to use the systems owned by another department. For example, multiple departments use the financial data in Oracle® to report to different external agencies; some departments also have significantly different external reporting requirements or report to agencies that require unique data not found in Oracle®. This situation has resulted in some departmental systems with both programmatic and financial information. While necessary to address unique requirements, it also created some duplication as a number of systems attempt to meet different needs with similar information. (Figure 5)

### **Contract maintenance files lack consistency and do not comply with county policy**

To evaluate contract maintenance more fully, we interviewed managers and key technical staff. We also surveyed active and former contract managers and tested contract file contents. We requested departments provide us a list of all contract files between January 1, 2017 and December 31, 2018 with a minimum value of \$10,000. In most cases we used a 10% random sample from these lists to select contracts for testing. While the most common contract types chosen were *Professional Services* and *Client Services*, the only limitation on the type of contract in the pool was that it had to be a primarily financial contract, not a memorandum of understanding (MOU) memorandum of agreement (MOA), Internal Logistics Agreement (ILA) or similar non-financial contract. **Unfortunately the results of our testing cannot be applied to the entire contract population as the total number of valid contracts in the county is unknown at this time.**

To test contract maintenance records we compared the Procurement Files and Contract Management Files against County Contract Policy PR-100. We also compared data in each departmental contract information system to the Oracle® financial record. Contract managers from six organizations were requested to provide a list of all contracts and related data. We tested a selection of contract records for completeness, consistency, and timeliness.



**Figure 5: Interrelationships Develop from Overlapping Needs for Data**

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*Note: Oracle® was the financial system of record for the county until it was replaced by the Workday® Financial System in April, 2019. Additionally, departments use a variety of software to manage their contracts. Software used ranges from Excel® and custom SQL programs to commercial contracting software such as Field Manager® Contract Logix® and Bonfire®.*

a. **Completeness** of files in terms of location and content: For testing, complete was defined as the purchasing file (PF) and contract management files (CMF) containing key contract related documents identified in PR-100 "2009 County Contract Policy".

b. **Consistency** of information: We tested the overlapping data by comparing data provided by departments to the Oracle® financial system. A very low error rate is expected to be maintained due to the risk level and nature of the data.

c. **Timeliness** of access: Monitoring activities and quality testing required that personnel are able to reasonably access signed contracts, statements of work and other supporting documents. Source of data may be the Oracle® master financial file or departmental software used to track contracts. For our testing, information was considered timely if it was returned within two weeks, (i.e., 14 calendar days) and contained the data requested.

### Procurement files are not complete

We tested a selection of 8 fields within 13 contract Procurement Files to determine if they contained key information required in PR-100. Of the 104 fields tested, 34 were blank or had incorrect data (see chart 1).

Common contracting data fields	File Errors
RFP reference number (If done)	0
Staff report is present	9
Staff report signed & dated	4
Approved contract signatures (contract or, contractee and PAO)	4
Signed contract is numbered and dated	0
Signed date matches start date staff report within 30 days	8
e-Verify proof in file	5
Decision matrix	4
Total errors	34

**Chart 1: Procurement File (PF) compared to policy requirements - 13 files tested**

### Data in files and systems are generally inconsistent

We compared the Procurement File to the Contract Management File for a selection of contracts. We tested four fields (contract #, description, value and start date). They were tested to determine the consistency of information. On average, data matched between the files 64% of the time (see chart 2).

Department	Department Contract Pool	Contracts Matched	Percent Matches
Community Service	239	35	15%
General Service	135	90	67%
IT - All Leases	28	20	71%
Public Health	222	183	82%
Public Works	209	207	99%
Totals / Average Match%	833	535	64%

**Chart 2: Procurement File (PF) matching to Contract Management File (CMF) fields**

Data in the departmental contract files should also align with the Oracle® master file. We tested four fields of information to determine if they consistently match: contract number, contract description, contract value, and start date. 30% of data fields matched (See chart 3).

Org	initial	verify date	verify value	size	match 1:	match 2	match 3:	match 4:	matches	matches	percent
	submit	pre 2019	\$10k or more	Sample	"contract #"	"description"	"value"	"start date"	possible	actual	match
ID	55	55	55	6	5	5	4	5	24	19	79%
IT	28	21	20	2	2	2	0	0	8	4	50%
PH	222	215	183	18	6	18	0	12	72	36	50%
GS	80	45	35	5	3	1	1	1	20	6	30%
DCS	239	105	97	10	3	3	0	3	40	9	23%
PW	209	207	207	21	0	0	1	0	84	1	1%
Total	833	648	597	62	19	29	6	21	248	75	30%

**Chart 3: Four field matching departmental contract files to Oracle® master file**

Goal: Test is to match four fields of CMF management data in departmental contract management files to four required elements of the Oracle® master file. Match rate of 80% or better was expected.

Result: Combined match rate averaged only 30%, while the highest score of 79% was produced by the Indigent Defense (ID) contract management. ID was expected to produce a higher success rate considering they are large volume of relatively simple contracts that are repetitive. Overall, contract maintenance data access should be timely for both management and reconciliation.

### Reports from departmental contracting systems are not reliably on time

We requested contract maintenance data from six organizations. The request was for contract supporting data to be provided in a single Excel spreadsheet within 14 days of the request. There was a large variance in the departments' ability to respond with the quickest requiring only one day while the longest took over 70 days to provide the information (See chart 4).

#### Department Level Response Timeliness

Organization	Request Date	Completed	Days to Fulfill Request
Community Services	1/10/2019	1/11/2019	1
GS- Assorted	2/1/2019	2/13/2019	12
GS – Leases	2/1/2019	2/15/2019	14
GS - Indigent Defense	1/18/2019	2/1/2019	14
Information Technology	2/15/2019	3/6/2019	19
Public Health	3/5/2019	4/1/2019	27
Public Works	1/18/2019	3/29/2019	70
Average (days)			22.4

**Chart 4: Timeliness of response to request for contract maintenance data**

**Result of the timeliness test:**

Three of seven organizations provided responses in 14 days or less; Public Health responded in less than two hours with a usable report. Public Works has another layer of management that appeared to impede their communications and affect response timeliness. In their case, the complexity of delegating the response to eight subordinate organizations using three different software tracking tools combined with staffing issues was difficult to overcome.

**Updating contract maintenance policies and creating an index of contracts would improve communication and coordination of shared responsibilities**

A user survey was conducted of 50 active and former contract managers. The 86% completion and response rate was exceptionally high. Managers consistently stated that existing county level written policies and procedures are not useful; comments indicated they are out of date and do not address current issues and problems. County policies and procedures should be updated to reflect organizational changes and the dynamics of overlapping responsibilities. They should also define roles and systems of record for financial and programmatic information related to every contract in the county.

***The county would benefit from a centralized index system of all county contracts.*** Different departmental needs will continue to drive the types of tools and software required to maintain their contracts. This makes it unlikely that a centralized contract management system would accommodate all needs or prevent multiple systems from being required. Rather than managing contracts, a centralized index of contracts should provide timely access to:

- A complete listing of all county contracts, including specialty contracts such as Interlocal Agreements, Memorandum of Agreements and Leases;
- Basic information about each contract such as if it the contract is active;
- The identification where key contract information is located as well as the department responsible, (fulfills departmental requirements under PR-100 for Contract Management Files and supporting best practices);

This increased communication should better support responsible fiscal management, quality program management and high compliance with external reporting requirements.

**II. Standardized training and contract process monitoring will improve contract management outcomes**

Based on a survey of current and former county contract managers, 72% of those surveyed believe decentralized operations are best for the county's needs. They still believe the County needs more oversight structure with better focused training. Most contract managers indicate they were not properly trained for their positions. A defined training program and improved training were the most requested changes identified in the survey responses.

### **Limited standards contribute to inconsistent processes**

State law is the basic building block of local government structure; in the case of contract maintenance, the focus has been on requirements and structure for state level entities, not local government. We were unable to identify specific guidance for local government contract maintenance procedures after the contract is approved. The lack of guidance at the state level puts increased pressure on county government to establish effective contract maintenance structure. Without county-level standards, the result has resulted in a variety of approaches to contract maintenance for Clark County departments.

### **A simple, well documented county-level monitoring program will improve results**

County wide contract monitoring should primarily focus on a compliance related program to ensure key steps in the contract management process are followed. Unscheduled reviews of contract monitoring activities following clear checklists will improve the consistency and outcomes of contract maintenance. The level of monitoring and follow-up should be based on a combination of contract type and risk, following simple checklists or templates developed from best practice examples.

At the county level, staff with advanced contract maintenance and communications skills are needed to operate a monitoring and compliance program based on contract type and risk. This would optimally either use an existing employee with appropriate skills for a contract maintenance training and oversight program, or hiring a new employee with a contract law or advanced contract maintenance background.

### **Contract maintenance staff should have an appropriate training program**

A sample of the contract management files required by contract management policy PR-100 revealed two factors working against developing an effective contract maintenance program: first, a low awareness of the contract managers need to improve, and second, low organizational prioritization to implement the required policies.

A formal training program would help improve both the low awareness and the low prioritization. Training should begin with a common, baseline level of knowledge to ensure clear communications, followed by increased complexity and knowledge based on higher levels of professional need. Such training is available from the State of Washington or commercial and professional programs.

### **Training options exist with the state and with professional contract maintenance organizations**

Washington State Department of Enterprise Services has a free “Washington State Contract Management Training Program” consisting of five online training modules for managers and non-managers. While it is focused on state rules and operations, at least three of the five levels have high correlation with work done in local government. The training is free and covers many of the core competencies listed as necessary for contract managers by NCMA.

While there is no contract skill development program in Clark County, professional contracting organizations such as NCMA or IACCM provide multiple paths of advanced training, advancement, certification and qualification. Staff with contract maintenance or oversight responsibilities should have well documented records of the training received and the skills they have mastered.

### Recommendations:

- a. **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)
- b. **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 current status of all contracts, improving consistency and timeliness of access to contract maintenance files. (Procedures)
- c. **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)
- d. **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)
- e. **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)



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## Appendix A: Audit Methodology

### Audit Objectives

**Objective 1: Determine if the current maintenance practices control contract risk and reduce liability.**

Finding A: Contract risk and liability are not managed effectively in a consistent manner across the county. Risk and liability are effectively managed when the records are complete, comprehensive and timely; records often do not meet these three standards in Clark County.

**Objective 2: Determine if existing decentralized contract maintenance policy meets department needs.**

Finding B: Current policy does not meet departmental needs. Clark County has no strategic contract maintenance training plan, nor has it identified training requirements for employees with contract maintenance responsibilities

**Objective 3: Determine if county contract maintenance is consistent with state law and best practices.**

Finding C: Clark County is consistent with the limited state laws that are applicable to contract maintenance. The County could improve compliance with contract maintenance best practices.

### Scope

- This audit focuses on the maintenance phase of contract maintenance, although results may lead to work in other phases. The eligible population is active (open) contracts between January 1, 2017 and December 31, 2018.
- Audit work was performed between October, 2018 and January, 2020.
- Separate by type of contracts using the ten types of contracts, as defined in Clark County Ordinance 2016-11-04 or the 15 contract types as defined in the Clark County Oracle® database.
- Scope Limitations
- Oracle® Financials was officially replaced with Workday® Financials in March 1, 2019 when the financial module went live.

#### Inclusions

- Include contracts valued \$10,000 and over (531 contracts)

#### Exclusions

- Exclude contracts valued under \$10,000 (142 contracts)
- Exclude non-financial agreements; MOA and MOU and similar
- Exclude all leases regardless of leasee or lessor role
- Exclude grants (sufficient external oversight)

**Surveyed organizations** - Sample contract users during 2017 or 2018 including:

- Department of Community Services (DCS)
- Public Works Department (PWD)
- Department of Public Health (DPH)
- Department of Information Services (DIS)
- Department of General Services (GS)
- Indigent Defense Program (GS)

## Methodology

To determine if audit objectives were met, we conducted individual interviews with active managers and contract maintenance personnel; compared individual departmental data integrity of six organizations to the financial management system; and conducted an anonymous survey of approximately fifty active and former contract maintenance staff to identify practices and perceptions.

- 1) Review laws, policies and procedures related to contract maintenance.
- 2) Interview key administrators and leaders.
- 3) Conduct interviews with key contracting personnel.
- 4) Have purchasing team provide a copy of the latest list of active contracts from Oracle® as of October 1, 2018. Exclude closed or inactive contracts. This should be essentially the same group that is being imported into Workday®.
- 5) Identify contract maintenance best practices and develop a contract maintenance checklist based on best practices.
- 6) Develop a **sampling plan** based on contract type or value as needed.
- 7) Check samples for consistency of files compliant with General Services policy PR-100.
- 8) Survey organizations with established contract maintenance functions. Deploy surveys to quantify existing practices, environment, and training.
- 9) Integrate the results of the surveys into data collection.
- 10) Survey contract buyers, administrators, and managers using multiple survey tools:
  - **Survey #1:** To financial managers countywide with contracts in use: Combined number and identity of contracts in department as of October 31, 2018 based on departmental tracking tools. Include vendor name and dollar value of each contract. Identify departmental contract administration and management staff.
  - **Survey #2:** To departmental contract administration and monitoring staff: Develop and deploy an anonymous online survey of contract maintenance effectiveness to estimated 50 employees with contract responsibilities.
  - **Survey #3:** Procurement File quality comparison of multiple data fields to Oracle® FMS data: Determine the degree to which the hard copy file of record aligns with the FMS data.
- 11) Identify if Internal Logistics Agreements (ILA), Memorandums of Understanding (MOU), Memorandums of Agreement (MOA) and similar documents are tracked consistently
- 12) Conduct research in other audits and gather background information
- 13) Review existing policies and procedures
- 14) Review existing contract related performance statistics
- 15) Conduct analysis of data
- 16) Conclude on each objective

### Assessing the Reliability of Computer-Processed Data

The audit standards we based our work on came from GAO 09-680G, “Assessing Data Reliability” (Page 5) where it defines completeness, accuracy and consistency as they apply to data reliability.

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## Appendix B: Participating Organizations

- **Selection of contract maintenance users within Clark County**

Based on a survey of contract managers and staff, there are six primary groups of contract maintenance users included in this audit pool. The number of qualified contracts to include in the evaluation varies from an initial submission of 833 contracts by the departments to a “cleansed” sample that consists of 648 contracts that fully met the initial selection criteria. The organizations and contracts for this evaluation include:

- a. **Community Services:** The Department of Community Services (DCS) generally uses large federally funded **professional service contracts**. The contract formats tend to be consistent. The key organization is resourced with two FTE of dedicated contract maintenance staff.

<b>Organization:</b>	<b>Department of Community Services</b>
Contracts in 2017-2018 qualified sample:	239
Percent of total county sample:	28%
DCS sample total value:	\$40,183,037
Dedicated contract support staff:	2 staff members

Community Services is a mature organization with well-defined processes and well documented policies and procedures. **Professional services contracts** (also called “Personal Services” by some) in Community Services follow either federal or Community Services templates and are managed using cross functional teams. Only basic financial data was inputted to Oracle® to create a contract file to allow payment of invoices. Most contract maintenance was done in *Contract Logix*®, a software package that was replaced in early 2019 with new contract maintenance software *Bonfire*®. While useful for other phases of contracting, it does not currently interface with *Workday*® for invoicing or payments. Contracts for the department of Housing and Urban Development (HUD) are managed in separate software named “*Neighborly*”.

Program coordinators “own” contract maintenance within DCS overall. The program coordinators are assisted by a functional team that includes a mix of program manager, contract specialist and a member of finance as needed. The team meets regularly to stay on top of management requirements from state and federal sources. Their best source of assistance for **professional service contracts** are their internal expert team members. Training includes high quality, contract focused specialty courses and informal internal training.

- b. **General Services:** As of mid-year 2018 two to four staff members responsible for **professional service contracts** and **leases** reside in General Services. Their contract responsibilities include purchasing, Indigent Defense attorneys, and leases. In January 2019, General Services began a reorganization that is still ongoing and involves divestiture of these contract responsibilities.

<b>Organization:</b>	<b>Internal / General Services</b>
Contracts in 2017-2018 qualified sample:	135
Percent of total county sample:	16%
GS sample total value:	\$6,295,418
Dedicated contract support staff:	2 staff members

- c. **Information Services:** As of February 15, 2019 IT has no designated contract managers. Currently, each project manager is responsible for their own contract maintenance.

<b>Organization:</b>	<b>Information Technology</b>
Contracts in 2017-2018 qualified sample:	28
Percent of total county sample:	3%
IT sample total value:	\$34,613,720
Dedicated contract support staff	Project managers are responsible for their own

- d. **Public Health:** Public Health most commonly uses direct *professional service contracts* funded by federal grants. They are smaller than Community Services with limited but focused contract maintenance resources. They also have been using *Contract Logix*® for contract maintenance and also switched to *Bonfire*® in 2019 with Community Services.

<b>Organization:</b>	<b>Public Health</b>
Contracts in 2017-2018 qualified sample:	233
Percent of total county sample:	28%
DPH sample total value:	\$11,877,799
Dedicated contract support staff:	1 staff member

Public Health contract maintenance teams are organized similarly to Community Services, and they meet with managers monthly in similar reviews. They initially transferred about 70 contracts of various sizes to Workday® in 2019.

- e. **Public Works:** Public Works purchases primarily use *professional services contracts* and *public works contracts*. They spend the highest amount per contract, by far. The Public Works grants include specialty areas such as drainage, buildings, roads and transportation infrastructure. They have decentralized all oversight, management and storage of contracts to the user level, adding another layer of decentralized management to the contracting practice. There are eight to ten separate management units with unique contracting responsibilities, methods of working and contract maintenance procedures. Written policies and procedures were not available from Public Works when the audit began in 2018, but since that time some documentation has been updated and made available from their ClarkNet intranet site beginning in April, 2019.

<b>Organization:</b>	<b>Public Works</b>
Contracts in 2017-2018 qualified sample:	209
Percent of total county sample:	25%
PW sample total value:	\$118,552,091
Dedicated contract support staff:	various staff members

There is a second managerial layer below department level within Public Works. Work units below department level in Public Works report that they separately maintain their own contract maintenance files. Data is generally stored in one of the two custom built applications (construction contracts are in *Field Manager*® and other contracts in a custom SQL based consultant database) or *Excel*® depending on the management unit. While Public Works as an organization was not responsive with timely or comprehensive information related to contracts, individual management units were able to provide more timely and focused responses when queried directly. As internal resources, Public Works members indicate that they have four to six personnel with contract related duties and varying skills or abilities.

Training that is conducted is focused on state WSDOT standard specifications and federal grants in use. Staff report that contract maintenance related training is inconsistent and infrequent. Public Works' most frequent source of assistance beyond the purchasing team appears to be either their internal assigned experts or the Prosecuting Attorney's Office.

- f. **Other Contract Users:** As of September 2019, oversight of Indigent Defense contract maintenance was moved to DCS and other contracting responsibilities have been relocated to Budget and Support Services. Individuals with contract maintenance responsibilities and varying contract skills exist in other organizations, ranging from staff who temporarily produce and manage low-volume, low cost contracts to employees who permanently manager high value contracts. It is not clear who currently owns the contract maintenance function. The best remaining sources of assistance for this group of occasional users is the Prosecuting Attorney's Office, or Community Services depending on the type of contract being used.

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## Appendix C: Management Comments

<b>Date:</b>	January 14, 2020		
<b>To:</b>	Clark County Auditor's Office	<b>From:</b>	Kathleen Otto Deputy County Manager Director, Internal Services
<b>RE:</b>	Contract Management Audit Response	<b>CC:</b>	Shawn Hennessee County Manager

The Clark County Auditor's Office conducted an audit of contract management pursuant to their internal risk assessment and as requested by the County Council.

Overall, the County is in agreement that there are opportunities for improvement to the Contract Management function. We will be utilizing a recently vacated FTE to assist in the development, implementation, and management of a Countywide Contract Management program. The County appreciates the information outlined in the Audit and provides the following responses to their six recommendations.

**Recommendation #1:** Develop county-level long range strategy, policy, & procedures. Update or replace Clark County Contracting Policy PR-100, clarifying county vs departmental roles and responsibilities include contract oversight, testing and applying internal controls. (Policy)

*Response #1: The County is committed to updating policies to ensure compliance with laws and current practice. The County will review and update Policy PR-100 to ensure compliance with the law and current practice. Once updated, this Policy will be reviewed with applicable staff in the County who manages day-to-day contracts.*

**Recommendation #2:** 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 current status of all contracts, improving consistency and timeliness of access to contract maintenance files. (Procedures)

*Response #2: Working with the department contract managers, the County will periodically review and audit processes, including but not limited to, ensuring contractual obligations are being met, contract management files are being maintained, developing a business processes, etc.*

**Recommendation #3:** 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 & management tools)

*Response #3: The County agrees that a county-wide index of all contracts is essential to ensure efficiency and transparency. The County will review current systems being utilized, work with key stakeholders (e.g. IT and departments) and develop a recommendation on how to provide a county-wide index while allowing departments to have full functionality and flexibility. Note, this recommended system may include costs, for both systems and staff time, and will need to be reviewed and prioritized against other potential competing interests in the County.*

**Recommendation #4:** 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)

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

*Response #4 and #5: The County is committed to ensuring employees are set up for success and have the right skillset to conduct the business of the County. The County will review the foundational competencies, work with internal staff as well as take advantage of outside training (e.g. DES) and require annual trainings. Additionally, the County will work with managers and Human Resources to develop standardized business processes (which can be altered based on specific business functions), competencies for job descriptions and performance measures; ensuring both existing employees understand the expectations as well as making certain the County is hiring individuals with the necessary skillset.*

In summary, the County is committed to updating policies, developing an index of all contracts, determining appropriate skillsets, provide training, draft and implement business processes and provide an internal resource and oversight of the contract management function. This process will take time and resource. With that said, the County will be starting the process in early 2020. Again, we appreciate the feedback received from the audit and look forward to presenting changes that will further enhance the County's opportunities.