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Office of the City Manager

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Finance Director

Subject: Recommendation Status Reports: Credit Card Audit, Cash Handling, Business License Tax, and Contracts Review Audits

INTRODUCTION

On February 26, 2019 the City Auditor reported to City Council on the status of all audit recommendations that had not yet been implemented (open recommendations). During the summer of 2019, Finance and City Manager's Office personnel met multiple times with the City Auditor's Office to discuss the status of recommendations for which Finance is responsible and provided documentation supporting the status of these implementations.

This report provides information on the status of all the open recommendations for the following four audits:

1. Credit Card Use: Clearer Guidance Needed
2. $52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures
3. Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues
4. Most Contracts Executed Timely But Contract Project Managers Could Use Better Tools and Guidance.[i]

CURRENT SITUATION AND ITS EFFECTS

As of December 10, 2019, Finance has taken action to either implement the open recommendations or provide information on the impediments the department must first overcome to fully address the City Auditor's Offices' recommendations.

The following summarizes the current status of the audits:

1. Credit Card Use: (Three Total Audit Recommendations): There were three outstanding recommendations. Two of the City Auditor's recommendations have been implemented and one is outstanding.

2. $52,000 Theft: (17 Total Audit Recommendations): There were three outstanding recommendations. 16 of the City Auditor's 17 recommendations were implemented prior to February 2019. Of the three remaining recommendations, all three are now implemented.

3. Business License Taxes: (20 Total Audit Recommendations): There were five outstanding recommendations. 15 of the City Auditor's 20 recommendations were addressed prior to February 2019. The five remaining recommendations have now been implemented.

4. Most Contracts Executed Timely: (Five Total Audit Recommendations): There were five outstanding recommendations. Four of the City Auditor's five recommendations were implemented prior to February 2019. The action taken by Finance was not presented to City Council until now. There is one remaining recommendation that has not been implemented.

Please see Attachment 1 detailing the status of the open recommendations, the progress Finance has made, and the impediments keeping the department from fully implementing the City Auditor's Recommendations. The detail provides information on only the recommendations that were either open as of February 2019 or that had not yet been reported to City Council. Information is also provided for the one recommendation in the cash-handling audit for which Parks, Recreation, and Waterfront was responsible. That recommendation has now been implemented.

BACKGROUND
Credit Card Audit: The City of Berkeley provides the use of credit cards as an alternative means to its traditional purchase order process. The City does not use purchasing cards (p-cards). While similar, p-cards differ from credit cards. They allow for more restrictions, such as controlling purchases to specific merchant categories and vendors. The City plans to implement a p-card program to replace the existing use of credit cards.

$52,000 Theft: (Cash-Handling) Audit: The City performs thousands of dollars in business transactions every day that translate into services and programs for the Berkeley community. Making sure that these revenues are used as intended requires management to establish policies and procedures that protect City staff and money, and to define the roles of cash handlers.

Business License Taxes: The City Council enacted the current business license tax ordinance in 1977, codified as Chapter 9.04 of the Berkeley Municipal Code (BMC), to raise revenue for municipal purposes. The BMC requires all individuals and entities engaged in business in Berkeley to obtain a City business license. The Finance Department is responsible for administering the tax program and enforcing the BMC's business license provisions.

Most Contracts Executed Timely (Contracts Review) Audit: Contract administration for the City is centralized in the Finance Department, under the General Services Manager. The General Services Manager reviews contract packages for completeness and serves as the single point of contact for all city departments' project managers. Project managers are responsible for initiating the procurement process, shepherding contract packages through the approval process, and monitoring contract activity. Together, the General Services Manager and Project Managers are the primary players in the administration of City contracts.

ENVIRONMENTAL SUSTAINABILITY
There are no identifiable environmental effects associated with the subject of this report.

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Attachments:
1: Auditee Response Form: Audit Recommendations and Corrective Actions Detail

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[i] Credit Card Use Audit: Clearer Guidance Needed (6/26/2018); Most Contracts Executed Timely but Contract Project Managers Could Use Better Tools and Guidance (10/6/2015); $52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures (4/1/2014); and Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues (5/29/2012). The City Auditor's Reports are available at: https://www.cityofberkeley.info/Auditor/Home/Audit_Reports.aspx

Auditee Response Form: Audit Recommendations and Corrective Actions Detail

Audit Title: Credit Card Use: Clearer Guidance Needed	
Open Recommendations	**Finance Response and Recommendation Status**
Finding 1: Credit card use practices are out of alignment with City purchasing policies	
1.1 Issue written credit card use policies and procedures that: • Reflect the City's expectations regarding credit card use, e.g., for immediate needs that cannot wait for the purchase order process. • Clarify acceptability, or not, of creating accounts with third-party payment groups, e.g., PayPal. • Address the use Amazon or similar organizations that offer cheaper prices but may result in noncompliance with procurement restrictions. • Incorporate current practices used by Finance to issue and manage credit cards. • Include best practices, for example, spending limits and reconciliation requirements. • Require staff provide itemized receipts to support purchases.	**Agree** **12/10/19 Status – Implemented:** Finance issued a memo covering each of the topics listed in the City Auditor's recommendation. The memo identifies the purchases for which credit cards may be used and the documentation needed for support, and references Administrative Regulation (A.R.) 3.26. The information from the memo will be incorporated into all relevant purchasing policies, including A.R. 3.26, when Finance aligns all purchasing policies as recommended in recommendation 1.3 below. **Initial Response**: A.R. 3.26 Credit Card Policy and Procedures Guidelines implemented 12/22/2017 addresses many of the recommendations in this Finding. Other recommendations will be addressed in A.R. 3.4 Purchasing Manual; A.R. 3.9 Policies and Procedures for Payment of Conference and Meeting; and any other administrative regulations, as applicable.

Audit Title: Credit Card Use: Clearer Guidance Needed	
Open Recommendations	**Finance Response and Recommendation Status**
• Require the City Manager approve department head credit card purchases. • Require the Finance Director approve the City Manager's credit card purchases. • Require staff verify that a purchase order is not the more appropriate procurement option in circumstances that do not clearly warrant the use of a credit card. For example, travel purchases clearly warrant use of a credit card while purchase of supplies may not. • Require indication of the need to use a credit card versus a purchase order on supporting documentation when it is not clear based on the purchase. For example, travel purchases clearly warrant use of a credit card while purchase of supplies may not. • Require Accounts Payable staff report to the Finance Director any City Manager and department head purchases that do not agree with City policies.	

Audit Title: Credit Card Use: Clearer Guidance Needed	
Open Recommendations	**Finance Response and Recommendation Status**
- Outline steps for reporting disallowed or questionable purchases to higher management and taking appropriate action to prevent further occurrence. - Require demonstrating that travel costs represent the lowest, reasonable fare available when costs do not reflect the most common economical purchase. - Require that credit card use be included in existing training programs, for example, Accounts Payable processing.	
1.2 Create and issue a written policy regarding food purchases. This policy should cover when food purchases are allowable, identify purchase limits, and require staff obtain itemized receipts.	**Agree** **12/10/19 Status - Implemented:** Finance issued Administrative Regulation (A.R.) 3.27. The A.R. covers when food purchases are allowable, identifies purchase limits, and requires staff obtain itemized receipts. **Initial Response**: Staff will develop a policy for the purchase of food using City funds, clarifying circumstances that may qualify, purchase limits, required documentation, etc. The Purchasing Manual will be updated to reference the requirement to adhere to

Audit Title: Credit Card Use: Clearer Guidance Needed	
Open Recommendations	**Finance Response and Recommendation Status**
	the food purchase policy and acceptable methods of paying for same, including payment by City credit card.
1.3 Align City policies and procedures reflecting purchasing requirements and restrictions: purchasing; travel and attendance; petty cash; credit card use; food purchases; and any others that, if not updated, would create disconnect regarding the City's expectations and create confusion for City staff expected to adhere to City policy.	**Agree** **12/10/19 Status – Not Implemented:** Finance is making some progress in this area but implementation rests with full implementation of Erma, the City's new financial and payment system, and then adjusting manual processes to align with automated capabilities. Doing so will help clarify what the city's appropriate purchasing procedures should be so that the appropriate information can then be updated to written procedures. **Initial Response**: Partially complete: A.R. 3.26 Credit Card Policy and Procedures Guidelines implemented 12/22/2017; A.R. 3.9 Policies and Procedures for Payment of Conference and Meeting Attendance updated 2/28/2018. To be completed:

Audit Title: Credit Card Use: Clearer Guidance Needed	
Open Recommendations	**Finance Response and Recommendation Status**
	Review and update of all related administrative regulations to align cohesively.

Audit Title: $52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures		
Open Recommendations		**Finance Response and Recommendation Status**
Finding 1: Revenue collection and monitoring: theft of at least $52,000; other thefts; and sharp, unexpected revenue declines.		
1.8	In collaboration with the Department of Information Technology, implement a general cash-handling system to serve as the city's single portal for all cash-collection activities. Such a system would allow Finance to: • Integrate with the City's financial system, FUND$, for automatic inputs of cash receipts. • Remove manual processes (e.g., reconciliations) and free up staff time to perform other cash-handling oversight activities.	**Agree** **12/10/19 Status - Implemented:** Finance included a new cashiering system with the contract for enterprise resource planning software and implementation. That contract identifies multiple software projects all of which are in different phases. Implementation of the cashiering component is on the work plan scheduled for November 2020. The City Auditor accepted this as viable solution to the intent of this recommendation and recognizes that software implementation is long, not short term.

Audit Title: $52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures	
Open Recommendations	**Finance Response and Recommendation Status**

• Develop graphic workflow maps that can generate procedures for processing cash transactions, and identify the specific positions assigned to each step in the cash-handling sequence.
 	
• Use automated restrictions to prevent staff from processing cash transactions when they:
 	
   ○ Have not taken the required cash-handling training.
 	
   ○ Are not assigned to processing cash-receipt transactions.
	12/12/17 Status: Partially Implemented through a new ERP system "ERMA" scheduled for Fiscal Year 2019. Finance has been working with IT to ensure that all recommendation specified on this finding are integrated into the new system.
	
	7/19/16 Status: Not implemented. The City released the RFP for the new ERP system on May 27, 2016. Responses were due back from vendors on July 14, 2016. The City expects to select a vendor and begin implementation by February 2017.
	
	12/1/15 Status: Not Implemented. The City has solicited advisory services from the Government Finance Officers Association (GFOA) related to the City's planned procurement and implementation of an Enterprise Resources Planning (ERP) system. The contract between the City and GFOA was signed on April 17, 2015. The first phase of the project, the needs assessment, started in June 2015, and will continue until the end of December 2015. We expect GFOA to prepare an RFP by mid-March 2016, and that the vendor interviews and selection will start shortly after. We are hoping to select a vendor by July-August 2016, and begin implementation toward the end of 2016.

Audit Title: $52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures	
Open Recommendations	**Finance Response and Recommendation Status**
	4/28/15 Status: Not implemented. A new software system, ERP (Enterprise Resource Planning), is on the horizon. It is anticipated that the implementation of this new system would incorporate the cashiering functions of the various departments. **Initial Response**: Not implemented. The departments of Finance and Information Technology have begun the research and investigation of various software options.
1.13 Develop supplemental cash-handling procedures describing activities unique to site-specific operations to accompany Finance's cash-handling manual. Obtain guidance from Finance to ensure that these procedures adequately protect cash and cash handlers. Also see recommendations 1.9 and 1.12.	**Agree** **12/10/19 Status - Implemented:** Finance obtained the procedures. However, a recurring issue is that cash-handling sites make modifications to those procedures without notifying Finance. In some cases, those procedures circumvent required citywide cash-handling procedures. To help address this issue, the Finance Director issued a memo to department directors and city management regarding the importance of proper cash-handling procedures. Additionally, the Finance Department has been doing more surprise cash counts as a deterrent to fraud and misuse, and to check on compliance with city procedures.

Audit Title: $52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures	
Open Recommendations	**Finance Response and Recommendation Status**
	12/19/17 Status: Partially Implemented. Based on surprise cash count visits, Finance is compiling sites that need supplemental cash handling manuals. Projected completion by December 2018. **7/19/16 Status:** Partially implemented. Finance will follow up with other City departments by September 2016. **12/1/15 Status:** No change from 4.28.15 status report. **10/28/14 & 4/28/15:** Partially implemented. Implemented for PRW. Other City departments are in the process of completing site-specific cash handling procedures. **Initial Response**: Partially implemented. Many City cash handling sites (including all PRW sites) already have cash handling procedures. PRW procedures are currently being revised and updated.
1.15 In connection with recommendation 1.14, install an access system such as barrier arms that open only after providing a paid ticket at the launch area to ensure boaters pay for a launch before using the ramp. This may require PRW to redesign the parking area to provide enough space for boaters to park their	**Agree** **12/3/19 Status - Implemented:** Installation of the barrier arms is complete. Boat launchers must pay to access the boat launch area.

Audit Title: $52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures	
Open Recommendations	**Finance Response and Recommendation Status**
vehicles and trailers after they pay for the launch ticket and still have access to the amenities (boat washing stations, etc.). The parking area should have a separate exit that opens by sensing that a vehicle has driven up to it so that boaters are not required to use a ticket to exit, since there is a likelihood tickets will get wet, which could cause machinery to malfunction.	**12/12/17 Status**: Partially implemented. The project is in construction, and scheduled for completion in November 2017. **7/9/16 Status**: Partially Implemented. Construction was advertised and bids were due at the beginning of July 2016. We anticipate completion in September 2016. **12/1/15 Status**: Partially Implemented. Design is being finalized, and construction will be advertised in November 2015. **4/28/14 Status**: Partially Implemented. The Department has determined the operation and design and will install the barrier arm by June 2015. **Initial Response**: Design and configuration options are under consideration. Approximate onetime construction and installation costs will be $55,000; and annual costs for service and maintenance will be approximately $10,000.

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	
Open Recommendations	**Finance Response and Recommendation Status**
Finding 1: Business license guidance is insufficient and is inconsistently applied.	
1.3 Develop a single set of Finance Department written procedures to provide complete guidance on how to process business licenses and calculate the amount of taxes, penalties, and interest due. Provide copies of the updated procedures and training to staff to ensure all staff involved in the business license process follow the same procedures and provide consistent guidance to businesses. The procedures should: • Provide guidance and examples on the date to use as the basis for calculating penalties and interest due for both renewing and closed businesses. • Provide guidance and examples for the types of subcontractor deductions allowed, how to determine that claimed deductions are appropriate, and the business types allowed to take the deduction. The determination of whether a deduction is appropriate should be based on the definition of "subcontractor" developed under Recommendation 1.1. above.	**Partially Agree** **12/10/19 Status - Implemented:** New policies and procedures developed, rigorously reviewed, and provided in extensive training to Finance staff prior to peak season. These procedures include processing business license applications, license renewals, closed businesses, and properly calculating and assessing taxes, penalties, and interest. Weekly drop-in workshops/sessions were provided to Revenue Collection and Treasury/Revenue Development staff during peak season. Updated business license website to include user-friendly language; fillable, auto-calculating forms; and frequently asked questions. Developed a worksheet for supervisory review of adjustments; system configured to require second-level approval for gross receipts, exemptions, allowable deductions, and pre-payments. Developed "Voided Fees" and "Voided Transactions" reports for monthly review of adjustments.

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	
Open Recommendations	**Finance Response and Recommendation Status**
- Include sample answers to questions that businesses frequently ask regarding business licenses. - As recommended in previous audits, require written support, including guidance on what constitutes sufficient support, for adjustments related to business license taxes. Revenue Collection staff should return to the initiating staff any adjustments received for input that do not include sufficient support. - As recommended in previous audits, require evidence of supervisory and/or interest adjustments. Revenue Collection staff should return to the initiating staff any adjustments received for input that have not had supervisory review. Supervisory review should include: - Written evidence of the review. - Manager review of large dollar transactions. The Director should establish criteria as to what constitutes a large-dollar transaction.	Referred reconciliation task to Accounting Division, this will be postponed until an Accounting Manager has been hired. **12/19/17 Status:** Partially Implemented. The Finance Department will be replacing Accela Business License module after the implementation of the core financials (ERP Project). In the interim, Finance has engaged Accela in identifying and improving processes such as accuracy of license status and marking the closing process easier, etc. Current policies and procedures are being documented in a comprehensive manual. **6/24/14 Status:** Finance will develop new P&Ps once Accela fully functional. **Initial Response**: A single set of written policies, procedures and frequently asked questions will be developed by the Finance Dept. and will be reviewed and approved by the Director of Finance. Finance will work on changing the current procedures to ensure timeliness of the reconciliation process. As part of the implementation of the new business license software, the cash receipts will be posted directly to the business license accounts, which will rectify the reconciliation issue.

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	
Open Recommendations	**Finance Response and Recommendation Status**
o Documented review of the monthly list of adjustments from the FUND$ Occupational License module and evidence that the list is used to identify and review all adjustments for necessity and accuracy. • Require a supervisor to reconcile, at least monthly, revenue recorded in the general ledger holding account with the payments recorded in the Occupational License module and for management to verify that reconciliations are performed as required. • Run the completed policies and procedures manual through a rigorous review process to ensure it adequately addresses questions and issues staff encounter while performing business license activities and that staff are clear on how to apply the procedures.	

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	
Open Recommendations	**Finance Response and Recommendation Status**
Finding 2: Efforts to collect delinquent business license taxes, penalties, and interests and to write-off uncollectible accounts are ineffective and insufficient.	
2.2 Enter into a contract with an outside collection agency to pursue collection of citywide delinquent accounts. Identify criteria for when to transfer accounts to the collection agency rather than pursuing collection in-house.	**Agree** **12/10/19 Status – Alternative Implemented:** Finance reorganized its operations to streamline its internal collection operations. Beyond just business license taxes, the collection unit is actively monitoring delinquent accounts and contacting customers regularly to collect on outstanding payments. The department has made tremendous progress in its collection efforts. For the 2018 & 2019 business license renewal period alone, Finance collected over $1.3Million on past due accounts. **12/12/17 Status**: Partially implemented. After implementation of Accela in 2013, the system was unable to generate delinquent reports, which triggers collection activities. On March 1, 2016, the first delinquent notice was generated which resulted in approximately collecting of half million dollars. Finance is compiling data to review to see if this recommendation should be implemented.

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	
Open Recommendations	**Finance Response and Recommendation Status**
	6/24/14 Response: This recommendation will be addressed when the reorganization of the Finance Department is complete. **Initial Response**: Not implemented. We will evaluate this recommendation in conjunction with the review and evaluation of all of the recommendations made by the City Auditor and Management Partners.
2.3 Immediately pursue collection efforts on all delinquent accounts that are within the statute of limitations for pursuing collection. Follow proven best practices for seeking payment, based on the age and amount of each account. Before initiating collection action, verify whether each account is on the unapplied balances list, and if so, adjust the account to determine whether there is a remaining delinquent balance to pursue for collection.	**Agree** **12/10/19 Status - Implemented:** Finance reorganized its operations to streamline its internal collection operations. Beyond just business license taxes, the collection unit is actively monitoring delinquent accounts and contacting customers regularly to collect on outstanding payments within the statute of limitations for pursuing collections. **12/12/17 Status**: Partially implemented. Finance is working with IT to generate ad hoc reports to properly account for all delinquent

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	
Open Recommendations	**Finance Response and Recommendation Status**
	accounts such as unpaid balances, unapplied balances and license year. Recently, Finance attended training for ad hoc reporting which will enable Finance to create collection reports. The collection process delinquent accounts will be improved with such readily-available reports. **6/24/14 Status:** As of August 2013, of the $1.1 million in reported unpaid fees, $505,624 were balances that were submitted to the County for collection on the property tax roll, but had not yet been adjusted from the business license system. Some of the balances were reduced as the result of Administrative Hearing decisions. Collection efforts continue on accounts that can be pursued and the remaining balances will be written off. **Initial Response**: Partially implemented. An analysis of all the unapplied balances will be part of the pre-Accela Occupational License software implementation clean-up. After a review and evaluation of that analysis, we will immediately pursue collection efforts on all accounts we believe are collectible.
2.4 Develop reports to monitor collection activity on a monthly and quarterly basis, including an aging report of past-due accounts and a report identifying	**Agree** **12/10/19 Status - Implemented:** Finance uses multiple monitoring reports, which include aging information, to track progress on

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues		
Open Recommendations		**Finance Response and Recommendation Status**
	collection strategies pursued on each delinquent account and the results. Use the results as a long-term planning tool for developing effective collection strategies and criteria for when to use them.	following up on delinquent accounts on a monthly basis and identifying trends in collection activities that inform future decisions for the collections unit. **6/24/14 Status:** New reports to monitor collection activity and aging reports will be developed as part of the on-going Accela Business License implementation. **12/12/17 Status**: Partially Implemented. Aging reports are generated from Accela Business License module but current reports do not have delinquent amounts or license year information. Finance is reviewing the options to generate accurate aging reports. **Initial Response**: We will develop appropriate strategies and reporting and tracking mechanisms, including the use of periodic activity reports and aging report.
2.5	Develop performance measures to evaluate the effectiveness of collection efforts. Establish a performance goal for each measure and monitor performance toward achieving the goals. Examples include: • Percentage of delinquent accounts collected	**Agree** **12/10/19 Status - Implemented:** Finance uses performance measures to evaluate the effectiveness of its collection activities. These measures have helped staff see their accomplishments, which in turn has helped improve collections even further for not only business license renewals but also other revenue streams as well.

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	
Open Recommendations	**Finance Response and Recommendation Status**
• Percentage of delinquent dollars collected • Average time to collect a delinquent account	This measures helped track the collection of over $1 million in delinquent accounts in 2019. The measures track: • Percentage of delinquent accounts collected • Percentage of delinquent dollars collected • Average time to collect a delinquent account **12/12/17 Status**: Partially Implemented. The current performance measure 150% of Revenue Development Specialist's total compensations (salary and benefits). In the interim, Finance continues to develop a more comprehensive performance measures based on the current receivables. Finance will be working on additional performance measures that will be effective July 1, 2018. **6/24/14 Response:** New performance measures will be developed as part of the Finance Department reorganization. **Initial Response**: Not implemented. We will develop appropriate performance measures for collection of delinquent accounts.

Audit Title: Most Contracts Executed Timely but Contract Project Managers Could Use Better Tools and Guidance	
Open Recommendations	**Finance Response and Recommendation Status**
Finding 1: The City vastly improved its performance in securing fully executed agreements before contract work commences, but barriers to full compliance must be addressed.	
1.1 Design two timeline graphics to visually display the length of time project managers should expect it to take to execute the average boilerplate contract and non-boiler plate contract (i.e., routine vs. non-routine contracts). Identify the full length of time from request for proposal to City Manager approval. Include the average review times for the departments involved with contract review to provide user departments with a structure for their contract needs planning. Post the timelines to Contracts Online.	**Agree** **12/10/19 Status - Implemented:** A "contract preparation date estimate" tool was created in MS Excel. It includes two timeline estimators to help project managers estimate the amount of time they will need to process both boilerplate and non-boilerplate contracts. The tool was implemented in June 2016. **Initial Response**: Finance will create timeline graphic for a typical boilerplate. Non-boilerplate contracts are situational and highly unpredictable, oftentimes involving discussions and negotiations between the City Attorney's office and outside counsel. Therefore, for non-boiler plate contracts, we will include information with the regular timeline that contract project managers should plan for extended preparation time, e.g., two months longer than the norm.
1.2 Continue providing semiannual reports of expiring contracts to project managers and work with the Department of Information Technology to convert the ad hoc query into an On Demand report that identifies all contracts set to expire within six months from the	**Partially Agree** **12/10/19 Status - Implemented:** The city's new financial system, Erma, allows for project managers to run reports of expiring

Audit Title: Most Contracts Executed Timely but Contract Project Managers Could Use Better Tools and Guidance	
Open Recommendations	**Finance Response and Recommendation Status**
date of the query. Provide project managers with access to the On Demand feature so that they can run the report as needed.	contracts. Finance developed procedures for doing so and provided this information to city staff. **Initial Response**: IT will design and complete an On Demand query. The departments will have access to run the OD query at will. This will enhance, reinforce, and encourage the department's active management of their respective contracts. Finance will supplement dissemination of contracts' status on a biannual basis (prior to FY-end close and CY-end close) with a city-wide notification report.
1.3 In collaboration with the Department of Information Technology and key contract review and approval departments, include contract management in Enterprise Resource Planning (ERP) needs. Work with key personnel in the contract review and approval departments, and with project managers who typically execute and manage a large number of contracts, to identify critical business needs, and methods for eliminating redundancies and streamlining the contract preparation, review, and approval process.	**Agree** **12/10/19 Status - Implemented:** Part of Erma implementation included having the Tyler Technologies manager meet with key city stakeholders to document the contracting processes, identify process redundancies, and note pain points. The all-day session included future state requirements and recommended business process changes that would exploit the new system's delivered functionality and drive efficiencies. Erma was implemented with the capacity to prepare, review, and approve contracts.

Audit Title: Most Contracts Executed Timely but Contract Project Managers Could Use Better Tools and Guidance	
Open Recommendations	**Finance Response and Recommendation Status**
	Initial Response: Inclusion of a modern contract management system in an ERP is highly desirable. We will work with Information Technology to include a contract management system in Enterprise Resource Planning and work with key personnel to identify the critical business needs for such a system. Actual purchase will depend on funding availability and consideration of other information system needs with a higher priority.
1.4 In coordination with the Department of Finance, enhance City training to include guidance for contract planning as part of project management. Once training is established, obtain feedback from training attendees and modify the training on an ongoing basis to meet the needs of project managers. Example training topics include: • planning for contract needs by aligning them with department work plans • structuring contract preparation needs with citywide approval timelines (also see recommendation 1.1)	**Agree** **12/10/19 Status - Implemented:** Complementary to the timelines created in response to recommendation 1.1 and an integrated contract management system within the ERP system, Finance's RFP/IFB and Contracts Procedures trainings courses encourage more continuous Q&A feedback during sessions that concentrate on discussing the actual timelines, roadblocks, and steps of planning, preparing, and executing solicitations and contracts versus simply presenting a slideshow detailing how the process is designed to work. Training sessions were scheduled twice per month (the 1st Friday morning and the 2nd Wednesday afternoon) beginning September – December 2016, and will continue going

Audit Title: Most Contracts Executed Timely but Contract Project Managers Could Use Better Tools and Guidance		
Open Recommendations		**Finance Response and Recommendation Status**
	• developing simple contract tracking systems to monitor contract timelines, expirations, and funding needs	forward based on demand. At minimum, the sessions will be offered quarterly. **Initial Response**: The City's training program will be enhanced to include better contract planning as part of project and time management. As is standard with any City training, feedback from attendees will be used to continually improve the City's training program.
1.5	Require departments to document their specific procedures for contract preparation, oversight, and management. Procedures should include: • planning for department specific actions, e.g., obtaining management's approval • tracking contract status and funding needs • attending City training courses when offered, e.g., contract preparation and FUND$ 101 • describing shared contract management responsibilities between project managers and support staff	**Agree** **12/10/19 Status - Not Implemented:** Finance is in the process of updating its procedures to align contract preparation, oversight, and management with Erma automated processes and purchasing policy requirements. This will include revamping Contracts Online so it's streamlined, more intuitive, and user-friendly, and to include a section that identifies department responsibilities based on this recommendation. This was accepted by the City Auditor as an acceptable alternative to the recommendation. **Initial Response**: None

Audit Title: Most Contracts Executed Timely but Contract Project Managers Could Use Better Tools and Guidance	
Open Recommendations	**Finance Response and Recommendation Status**
• requiring projects managers to coordinate with and respond to support staff's needs for contract administration • requesting contract extensions • aligning contract needs with department work plans • using Finance's contract process timelines and On Demand report of expiring contracts for contract planning (also see recommendations 1.1 and 1.2) • Minimum level of documentation needed to effectively manage contracts.	