



Date: March 30, 2017
To: Laura L. Doud, City Auditor
From: Patrick H. West, City Manager *PL West*
Subject: **Staff Actions in Response to Contract Administration Audits**

As the national and local economies emerge from the Great Recession, it is important to remember that the City's fiscal health is not accident. It is the result of years of difficult decisions, prudence, and shared sacrifice. Over the past ten years, approximately \$140 million was eliminated to balance General Fund budgets. More than 700 positions were eliminated, including large numbers of management, administrative, and supervisory employee positions throughout all departments. This has come at a great cost to our bureaucratic and administrative functions, including contract management and oversight. That said, we never stopped in our attempts to meet the service priorities that our City Council and community expect.

We sincerely appreciate the City Auditor reviewing our contract management efforts and highlighting the need for improvement in this area. City staff has taken numerous actions in response to the City Auditor's contract administration audits and the City Council's July 21, 2016 request that the City Manager address the concerns raised by the City Auditor. A summary of these actions is provided below. Many of these actions were reported to the City Council in a memorandum dated December 8, 2016.

Increased Emphasis on Contract Administration

As was detailed in the September 6, 2016 memorandum to the City Council, the City Manager tasked Department Heads to place a higher priority on contract administration (management) and oversight, and to develop improved monitor processes and capability. This may result in some delays in service, but every effort will be made to avoid other impacts to customers.

Contract Administration Training Programs

As an immediate response to the contract administration audits, Financial Management offered "Effective Contract Management" training. Training topics included the lifespan of a contract, the responsibilities of a contract manager, and contract management best practices. Two large group sessions were attended in July 2016. The training was video recorded, and is now available on the Financial Management intranet website along with the accompanying PowerPoint presentation. The video and materials will remain available for on-demand training, with additional group sessions scheduled in 2017. Financial Management also provides specialized training for groups on an as-needed basis.

In February 2017, Financial Management and Public Works initiated a three-part training series on contract management, presented by an outside consultant. The first session was entitled, "The Why's and What's of Contract Management."

During this session, department contract staff learned about the importance of specification and scope of work as it relates to their department and the services provided through the contract. The roles of the department and Purchasing were defined, and guidelines were provided on how to evaluate performance, identify deficiencies, and adequately document any anomalies. The second session, which is currently underway, is entitled, "Taking it to the Next Level." This session focuses on the technical aspects of a contract, how to make changes to an existing contract, monitor and improve the performance of a particularly difficult vendor or situation, work across departmental lines on a city-wide contract, and prepare reports throughout the contract life. The content of the third session is currently under development.

Policies and Procedures for Oversight of Standardized Citywide Contracts

Financial Management is working towards providing City staff with contract management software tools to support improved contract oversight. The introduction of contract management software is expected to increase access to contract information and provide tools to strengthen ongoing monitoring efforts. Once implemented, software functionality will provide a strong foundation for development of additional policies and procedures related to contract oversight.

Staff has evaluated several software options, and is currently in the process of implementing contract functionality available within PlanetBids (the City's current bidding platform) as an interim improvement until the contract module in the new Citywide Enterprise Resource Planning (ERP) Financial and Human Resources system is launched. To date, Financial Management staff has loaded approximately 100 citywide usage contracts into PlanetBids, and is now starting to load newly awarded contracts. These contracts are being used to pilot test functionality such as improved access to contract documents, notifications in advance of contract expiration to allow time for a procurement process, and tracking of contractor performance. Staff plans to transition over to the new ERP to implement these improvements and more. While ERP implementation is in the early phases and a full list of upcoming improvements is not yet known, staff expects the system to be an important tool in support of improved contract oversight as a result of the ability to store and access contract information and documents alongside related financial data in a single system with significantly improved workflows.

New procurement-related policies and procedures and associated training will be developed in parallel with ERP system implementation, and will encompass appropriate contract-related content. In preparation, Purchasing staff are scheduled to enroll in an eight-week online course which examines the contract administration process and best practices for public procurements.

Capital Project Management and Delivery

To specifically address overall contract management and project delivery, Public Works has implemented several changes to improve effectiveness and efficiency. Organizationally, a new Public Works division, Project Management, was established to better align work teams, provide coordinated training, and ensure a focused approach.

Active project monitoring is now a priority for the Project Management teams. Tools, such as Microsoft Project and Project Tracker 2.0 are now a required element of managing project schedules and tasks. These tools will help keep resources focused and allow for better planning. Information is also being entered into a "project status template," which will be made available to the community in early 2017.

Additionally, Public Works in partnership with the City's utilities, is working to identify a new Project Performance Management software system. This new tool will help provide more robust oversight and coordination between various construction projects. The goal is to bring a recommendation before the City Council the first quarter of 2017.

Project Manager Qualifications and Certifications

Through the Civil Service testing and recruitment process, the City is hiring individuals with the necessary credentials, experience and training to handle the daily responsibilities of the job they perform. Continuing education is an important part of a successful project delivery process, and, over the past year, a significant amount of training was provided in several areas. Beyond these training efforts, Public Works is looking at more formal certifications for its Project Managers. Options being considered include:

- *Internal Certification Program:* Our staff will work with industry professionals and other City departments to create a training program that will teach the skills necessary to be a successful Project Manager with the City of Long Beach.
- *Class Completion at Local University Level:* Local universities such as California State University, Long Beach have classes taught through their Engineering Departments that focus on Project Management and Construction Management. It is being assessed if there is a class makeup that will build the skills necessary for a Project Manager.
- *Professional Certification Programs:* Certifications might include Project Management Professional (PMP), Project Management Institute (PMI), and Certified Associate in Project Management (CAPM).

JOC Program Changes

Though not part of the City Auditor's series of contract administration audits, the audit of the Job Order Contracting (JOC) program identified similar concerns about contract management and procedures. In response to the audit, the program was immediately suspended. Since that time, new policies and controls have been put into place through the adoption a new ordinance and the creation of a new Administrative Regulation. The new policies/controls include a limitation on the cost of the projects (\$500,000 max.), third-party

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costing oversight, and enhanced JOC training for employees. The new JOC program returned to the City Council (for approval new JOC contractors) on March 21, 2017.

Again, I want to thank the City Auditor for highlighting the need for improvement in our contract management abilities, and we will continue to take steps to strengthen them.

PHW

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