



Date: September 6, 2016
To: Mayor and Members of the City Council
From: Patrick H. West, City Manager *PW*
Subject: Contract Administration Audits

One of the goals the Office of the City Auditor (Auditor) has for 2016 is to conduct performance audits examining how the City manages contracts. The Auditor has selected 10 contracts to audit throughout City departments (see attached). To date, seven audits have been completed – five pertaining to City Manager departments, and two pertaining to the Port. In the five City Manager department contract audits, the Auditor made a total of 57 recommendations. We agreed with 51 of the recommendations, and disagreed with only 6.

As your City Manager, I have to tell you that I agree with the Auditor that there is a need for stronger contract management in each department audited.

During the past 15 years, the City has dealt with a \$103 million structural deficit, followed by the worst recession since the Great Depression. More than 800 positions were eliminated. In order to respond to these fiscal crises, we, as a City, eliminated a large number of management, administrative, and supervisory employee positions throughout all departments. That said, we never stopped in our attempts to meet the service priorities that our City Council and community expect. This has come at a great cost to our bureaucratic and administrative functions.

As noted, the Auditor's Office has completed seven contract management performance audits. We have every reason to believe that the three remaining audits in this series will include similar findings and recommendations regarding the need for stronger contract management. It is clear we must make an effort to enhance our contract management abilities. While we can look to adding management, administrative, and supervisory positions back into our departments, this could take a significant amount of time, as well as a significant contribution from our General Fund budget.

While we explore this in terms of human resources and financial management, beginning immediately, I plan to engage the services of a management consultant in the area of contract management. I will require each person in the City responsible for managing contracts to participate in professional training recommended or provided by this consultant. This will be above and beyond the current training and job requirements of these employees. Additionally, I will be tasking those staff, and their Department Heads, to place a higher priority on contract management and oversight, which may result in some delays of service. We will balance this as much as possible to try to avoid other impacts to our customers.

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I want to thank the Auditor for highlighting these needs in the performance audits of our contract management abilities and look forward to aggressively dealing with them.

PHW
Attachment

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
ARTURO SANCHEZ, DEPUTY CITY MANAGER
REBECCA JIMENEZ, ASSISTANT TO THE CITY MANAGER
DEPARTMENT HEADS

Contracts Audited

Completed

1. Department: Technology & Innovation
Contract: Shewak & Lajwanti International, Inc.
Purpose: Upgrade the City's internet security system software, migrate users to the new system and provide on-going technical support.
2. Department: Technology & Innovation
Contract: Solnovo, Inc.
Purpose: Personal computer (PC) replacement; personal computer inventory.
3. Department: Financial Management (Lead)
Contract: ABM Onsite Services-West, Inc.
Purpose: Custodial services to nine City departments and more than 75 buildings.
4. Department: Harbor (Port)
Contract: The International Center for Management & Organization Effectiveness, Inc.
Purpose: Assess and identify core competencies of key leadership, and to deliver team-building and leadership training.
5. Department: Harbor (Port)
Contract: Shaffer Psychological Institute
Purpose: Employee assessment, coaching and facilitation services.
6. Department: Public Works
Contract: Graffiti Protective Coatings, Inc.
Purpose: Citywide graffiti abatement
7. Department: Gas & Oil
Contract: Utiliworks Consulting, LLC
Purpose: Technical consulting services related to the evaluation, design, procurement, and implementation of an advanced metering infrastructure system.

Pending

8. Department: Library Services
Contract: Unique Management Services
Purpose: Collections of fines, fees, and library materials
9. Department: Fire
Contract: Allstar Fire Equipment
Purpose: Procurement of firefighter turnout gear
10. Department: Unknown
Contract: Unknown
Purpose: Unknown