

**Professional Service Contracts Follow-Up Audit
May 2015**

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May 8, 2015

Honorable Mayor and Members of the City Council:

I am pleased to present the Professional Service Contracts Follow-Up Audit. The audit objective was to determine the implementation status of prior audit recommendations.

Audit follow-up procedures indicate management has fully implemented all four prior audit recommendations.

We would like to thank the Finance and Purchasing staff for their assistance and cooperation during the audit.

Lori Brooks

Lori Brooks, CPA, CIA, CGAP, CRMA
City Auditor

c: Trey Yelverton, City Manager
Theron Bowman, Deputy City Manager
Jim Parajon, Deputy City Manager
Gilbert Perales, Deputy City Manager
Mike Finley, Director of Finance
Debra Carrejo, Purchasing Manager

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Professional Service Contracts Follow-Up Audit

Office of the City Auditor
Lori Brooks, CPA
City Auditor

Project #15-06

May 2015

Executive Summary

***All four prior audit
recommendations were
fully implemented***

Fully Implemented

*A new account was created
to record professional
service expenditures*

*Financial Services staff
ensures that PO's for
professional service
expenditures over \$3,000
are coded appropriately*

*A new policy was
developed establishing the
process and required
documentation for
professional service
agreements*

*Professional service
contracts are entered into
Lawson and designated as
professional services for
the purpose of monitoring
and tracking*

As part of the Fiscal Year 2015 Annual Audit Plan, the City Auditor's Office has completed a follow-up audit of the Professional Service Contracts Audit released in January 2014. The audit was conducted in accordance with generally accepted government auditing standards. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit objective was to determine the implementation status of prior audit recommendations.

Management concurred with all four recommendations in the initial audit report. Audit follow-up procedures indicate management has fully implemented all four prior audit recommendations.

The following was noted:

- A new account has been established to record professional service expenditures.
- Finance staff ensures PO's for professional service expenditures over \$3,000 are coded appropriately.
- A new policy was developed establishing the process and required documentation for professional service agreements. The policy has been approved by the City Manager and has been incorporated into the City policies.
- Professional service contracts are entered into the Lawson financial system and designated as professional services, for the purpose of monitoring and tracking.

Audit Scope and Methodology

The following methodology was used in completing the audit.

- Discussed the current implementation status of the recommendations with the Chief Financial Officer and the Purchasing Manager.
- Reviewed the FY 2015 Budget Kick-Off Presentation.
- Reviewed the FY 2015 Budget Instructions for new account 61043 to be recorded in GovMax.
- Reviewed FY 2015 professional service expenditures over \$3,000.
- Reviewed proper account coding for professional service contracts.
- Reviewed correspondence with departments regarding account code for professional service contracts.
- Reviewed the approved Professional and Consultant Services Procurement Policy.
- Reviewed the purchasing manual for inclusion of requirement for accurate tracking of professional service contracts through the Lawson financial system.

Status of Prior Audit Recommendations

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
1. The Chief Financial Officer should consider establishing a new account to record professional service expenditures.	Concur	This will be included as part of the 2015 budget	Chief Financial Officer	October 1, 2014	Implemented. Management Comment: This was accomplished prior to the beginning of FY15. Account #61043 was added to the Chart of Accounts and specifically designated for new professional service contracts/PO's.
2. The Chief Financial Officer should utilize Financial Services staff to ensure that PO's for professional service expenditures over \$3,000 are coded appropriately.	Concur	Purchasing staff will review PO's	Purchasing Manager, Chief Financial Officer	October 1, 2014	Implemented. Management Comment: This was implemented on 10/1/2014 (BoFY15). Now, the purchasing agents review any known or described professional services POs over \$3K and ensure that 61043 is listed. <i>Note:</i> To maintain tracking continuity, a small amount of long-term professional services contracts that used individual POs were kept under same account number as at contract initiation; which will drop off by attrition as the contracts end.
3. The City Manager's Office should require that that departments comply with the Purchasing Division's guidelines for selecting and documenting professional service agreements or implement a new policy governing the process and required documentation for professional service agreements.	Concur	None	Chief Financial Officer	March 1, 2014	Implemented. Management Comment: An Administrative Policy has been approved by the City Manager. When legal has completed a review of the Professional Services Guidelines and Procurement Manual section that aligns with this policy, a global announcement will be sent out notifying employees.

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
4. The City Manager should require that departments ensure that professional service contracts are entered into Lawson and designated as professional services for the purpose of monitoring and tracking.	Concur	None	Chief Financial Officer	October 1, 2014 due to implementation of new account code.	Implemented. Management Comment: Section 5.4.4 of the Purchasing Manual states the CMO mandates that professional services contracts be encumbered through the Lawson system. Departments are responsible for compliance regardless of type of purchase.