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Date: December 1, 2010

To: Audit & Finance Committee

From: Jennifer Ruttman, City Auditor *JR*

Subject: Follow-up Review of Engineering Department Contract Monitoring Process

cc: Beth Huning, City Engineer  
Kelly Jensen, Assistant City Engineer  
Anthony Araza, Capital Improvement Projects Administrator  
Tracy Pytlakowski, Senior Fiscal Analyst

Pursuant to the Council-approved audit plan, the City Auditor's office has completed a follow-up review of our audit of the Engineering Department's contract monitoring process. The final report is attached.

Please feel free to contact me at x3767 or Jerry Faccone at x2403 if you have any questions or comments about this report.

## **FOLLOW-UP REVIEW**

**CITY AUDITOR**

**Report Date: December 1, 2010**

**Department: Engineering Department**

**Subject: Follow-up Review of the Engineering Contract Monitoring Process**

### **OBJECTIVE**

The objective of this review was to determine whether the Engineering Department has effectively implemented the procedural changes noted in their response to our February 2010 audit of the Engineering contract monitoring process.

### **SCOPE & METHODOLOGY**

To meet this objective, we:

- Reviewed reports and procedures implemented following the audit.
- Questioned Engineering staff members and others as necessary.

### **BACKGROUND**

On February 16, 2010, we issued a report on our audit of the Engineering contract monitoring process. The objectives of that audit were to determine the adequacy of policies, procedures and controls over the contract monitoring process, and to determine if the monitoring of contracts was being performed and documented according to policy. The audit revealed the following findings:

- A Stop Work Order was not issued on a construction project upon expiration of a contractor's required insurance coverage.
- Design consultants performed professional services before contracts were executed.
- Employees not authorized to make payments on contracts had update access to records.

We recommended that Engineering implement controls to ensure that construction inspectors not allow construction to continue beyond the expiration of insurance; and that contracts be established and signed prior to the performance of any design services on behalf of the City by consultants. We also recommended that only those employees authorized to make payments on contracts have "update" access to payment records, with others limited to "read-only".

In response to these findings, Engineering implemented the following corrective actions:

- The City's Information Technology Department was engaged to develop a report that shows the status of all insurance certificates for construction projects and generates emails on the first and fifteenth of each month to notify contractors and consultants that their insurance is expiring.
- The process for determining required contractor and consultant insurance was improved through the use of the industry standard ACORD form. Communication among department personnel regarding insurance issues was also improved.

- Project tracking data now includes the date design services were requested and the date the design contract was signed, to ensure that consultants do not prematurely perform design services.
- Access for updating payment records is now limited to those authorized to make payments.

**CONCLUSION**

In our opinion, based on this review, the Engineering Department has effectively implemented the procedural changes noted in their response to our February 2010 audit of the Engineering contract monitoring process.