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Date: June 22, 2010

To: Audit and Finance Committee

From: Jennifer Ruttman, City Auditor 

Subject: Follow-up Review of ITD Contract Monitoring Process

cc: Alex Deshuk, Manager of Technology and Innovation
Diane Gardner, Assistant Chief Information Officer
Stacey Knudtson, IT Services Leader
Jennifer Means, IT Budget Coordinator
Regan Robbins, IT Purchasing & Contract Coordinator
Chris Maher, IT Purchasing & Contract Coordinator
Pam Tyson, IT Procurement Coordinator

Pursuant to the Council-approved audit plan, we have completed a follow-up review of the ITD Contract Monitoring Process. Included with this letter are the final report and management's response to our recommendations.

We would like to thank the ITD management and staff for their cooperation, professionalism and assistance throughout the review process. If you have any questions please feel free to contact me at x3767 or Jerry Faccone at x2403.

FOLLOW-UP REVIEW

CITY AUDITOR

Report Date: June 7, 2010

Department: Information Technology Department

Subject: Follow-up Review of the ITD Contract Monitoring Process

OBJECTIVE

The objective of this review was to determine whether ITD has effectively implemented the procedural changes noted in their response to our audit of the ITD Contract Monitoring Process.

SCOPE & METHODOLOGY

To meet this objective, we:

- Reviewed and tested a sample of active contract files initiated since June 2009.
- Questioned ITD staff members and others as necessary.

BACKGROUND

On June 17, 2009, we issued a report on our audit of the ITD 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 Master File is where all key documentation for a contract is maintained. The 2009 audit revealed instances where ITD Master Files did not include documentation for purchase orders, legal contract review and approval, contractor background checks and access clearances, approved contract invoices, and insurance certificates. We recommended that, to comply with the City's Contract and Grant Agreement Monitoring Procedures, ITD should retain in a Master File all documentation relating to a contract, either electronically or in hard copy. In addition, to address a finding regarding insurance requirements, we recommended that certificates of insurance be obtained prior to the commencing of work under a contract.

ITD responded to these findings by stating that they would develop a checklist of contract elements to ensure that all required items were included or referenced in each contract Master File. The checklist would be stored in the Master File and updated at each relevant point in the contract development process. ITD also responded that the use of this checklist would ensure that insurance requirements were not overlooked.

CONCLUSION

Our follow-up review revealed that ITD has not created and used checklists to ensure that all required items are included or referenced in each contract Master File. As a result, the same deficiencies found in the 2009 audit continue to exist in current files, including the missing insurance certificates.

RECOMMENDATION

ITD should implement the Master File checklist as agreed, and should designate a specific individual responsible and accountable for ensuring this is done.



To: Jennifer Ruttman, City Auditor
From: Alex Deshuk, Manager of Technology & Innovation
cc: Diane Gardner, Assistant Chief Information Officer
Date: 6/22/2010
Re: Follow-up Review of ITD Contract Monitoring Processes – Draft Report

In response to the Audit's findings and recommendations memo of June 7, 2010 and related to specific questions Regarding Recommendation #1 which is: *ITD should implement the Master File checklist as agreed, and should designate a specific individual responsible and accountable for ensuring this is done.*

We appreciate the auditor's follow-up and apologize that while ITD did create such a checklist, we did not follow through in fully incorporating it in our procedures. ITD will be using the attached checklist and store a copy in each Master File with updates at each relevant point in the contract development process.

As indicated by a field on each check list, the Information Technology's Purchasing and Contract Coordinator assigned to the specific contract will be responsible for this process for contracts assigned to this individual. Supervision over the contract management area by Jennifer Means will ensure that this process becomes part of standard procedure.

I am also attaching a revised checklist that we intend to use rather than the original checklist created in June 2009.

Sincerely;

A handwritten signature in cursive script that reads "Alex P. Deshuk".

Alex P Deshuk
City of Mesa
Manager of Technology and Innovation

MASTER FILE CHECKLIST – [Agreement Name / Contractor Name]

1. Key Documentation

- a. Legal Review and Approval..... Yes N/A
- b. Insurance Certificate(s) Yes
- c. Purchase Order(s) Yes N/A
- d. Background Checks & Access Clearanceslocated in PD
- e. Invoices associated with the PO(s)located in Accounts Payable

2. Responsible Party

- Chris Maher x5489 Regan Robbins x2308 Pam Tyson x2822

DEFINITIONS

Master File – means where all Key Documentation for a contract is maintained

Key Documentation – (Auditor’s definition) means:

- documentation of legal review and approval
- insurance certificates
- purchase order(s)
- contractor background checks and access clearances
- approved contract invoices

Master File Checklist – means a document (hard or soft copy) in which completion and/or approval for each Key Documentation is recorded by the Responsible Party

Responsible Party – means the person in ITD responsible for a specific agreement, and for completing the Master File Checklist