

3. Acceptance of the Office of the City Auditor Report AU22-005 Audit of Citywide Contractor Pools [Kevin W. Barthold, City Auditor]

CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Citywide Contractor Pools

Project No. AU22-005

October 3, 2023

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a citywide audit of contractor pools, which encompasses City ordinances where various City departments select contractors to provide specific, repetitive services when requested. The audit objectives, conclusions, and recommendations follow:

Determine if spending within Contractor Pools is evenly distributed based on past expenditures for services provided.

Overall, spending on Contractor Pools is evenly distributed among contractors based on past expenditures that we reviewed. We determined that expenditures for contractor services provided within contractor pools were reasonably balanced and were not disproportionately allotted to one contractor over another.

However, we identified administrative opportunities related to citywide policies and procedures, specifically processes associated with documenting contractor selection methods, recording past performance, and monitoring remaining contract capacity.

The Finance Department Management agreed with our recommendations and has developed positive action plans to address them. Management's verbatim response is in Appendix C on page 7.

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Background

Contractor pools are a type of ordinance agreement used by the City. They are created when City Council approves a single ordinance agreement to conduct business with multiple contractors who perform similar services, thus forming the contractor pool.¹ Departments may refer to contractor pools as job order contracts (JOC), on-call contracts, task-order contracts, annual contracts, or indefinite-delivery/indefinite-quantity (IDIQ) contracts. These contract types operate in similar ways within the City. Therefore, they were grouped together and included in the audit scope.

The contractor pools are used by approximately 20 departments throughout the City, such as Public Works, Parks and Recreation, Building Equipment Services, and Aviation. Some advantages are time and cost savings. It is more efficient for departments to select an approved contractor from the contractor pool when recurring services are needed.

Contractors in a pool are procured using COSA Procurement Policy & Procedures through the request for proposal (RFP) or request for competitive sealed proposal (RFCSP) process. The COSA Procurement Policy & Procedures also include acceptable utilization of contractors. Contractors also must understand that work is performed on an as-needed basis and does not guarantee the issuance of work for the entire contract term. The City may award contracts to two or more contractors, especially when the expected volume exceeds the capacity of a single contractor, or the scope of services required is outside that of a single contractor.

Approximately 200 contractors participate in the City's contractor pools. The contract conditions include terms such as an established base period or term, renewal options, and capacity (dollar value). Base terms are typically two or three years, and the City can renew the contract with up to three annual extensions but may not exceed five years in total.

Some City departments have department-specific documents and tracking logs or may use SAP or PRIMELink for monitoring. Also, some departments that frequently use contractor pools have assigned monitoring tasks to specific employees.

Departments are responsible for selecting a contractor from the contractor pools based on department needs, contractor expertise, and available contract capacity. Additionally, departments ensure delivery of the agreed-upon services and should record the past performance of the contractors selected.

¹ This system is used by departments to select contractors and consultants for project work orders and task orders requiring services such as general contracting, remodeling, maintenance, electrical, plumbing, engineering, architectural, Real Estate appraising, & environmental consulting.

Audit Scope and Methodology

The audit scope was all active ordinance agreements for services provided to City departments as well as the contractor pools and contractors associated with the ordinance agreements as of March 2023.

Our scope included contractor pools that departments may call job order contracts (JOC), on-call contracts, task-order contracts, annual contracts, or indefinite-delivery/indefinite-quantity (IDIQ) contracts. These contract types operate in similar ways within the City. Therefore, they were grouped together and included in the audit scope.

To establish criteria for testing, we interviewed management and staff from multiple departments, reviewed City ordinances, and researched related administrative directives, policies, and procedures. Our testing criteria included active ordinance agreements approved by City Council and SAP reports detailing the approximate amounts spent with each contractor and the frequency of contractor selection.

We reviewed a sample of City departments to determine if policies and procedures existed for documenting contractor selection methods, recording past performance, and monitoring remaining contract capacity within contractor pools.

We obtained the approximate total expenditures for a sample of 40 contractors included in 8 contract pools to determine if expenditures were reasonably balanced amongst the contractors participating in the pool.

We completed this by using the following methodology. We obtained a list of expenditures from SAP and sorted them by accompanying ordinance number. We then used the list to obtain a population of contractors included in the contractor pools and confirmed that the pools align with the approved ordinances. We obtained total expenditures for each contractor by including only expenditures with corresponding ordinance numbers populated in SAP.

We relied on computer-processed data in SAP to obtain the approximate value of the services provided by each contractor. We used this data to evaluate spending amongst the contractors encompassing each pool. We performed direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls affected the results of our audit.

We conducted this performance audit 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.

Audit Results and Recommendations

Overall, we determined that spending on contractor pools is reasonably balanced based on department needs and contractor qualifications.

We identified 36 ordinance agreements within the audit scope that aligned with our criteria for contractor pools. Based on the type of service and dollar value, we judgmentally selected eight contractor pools which included 40 contractors and determined total expenditures per contractor. We summed the expenditures for the contractor pools and each of the 40 individual contractors.

See Appendix A for total expenditures by contractor.

A. Policies and Procedures

City Departments do not have policies and procedures for documenting contractor selection methods,² recording past performance, and monitoring the remaining contract capacity of contractor pools. We reviewed a sample of six departments and determined that five did not have policies and procedures. One department that frequently uses contractor pools has created a guide that has been used as a resource by other departments when selecting contractors from the pool.

Departments using contractor pools have not established policies and procedures for documenting contractor selection methods, recording past performance, and monitoring remaining contract capacity.

A lack of citywide policies and procedures and inconsistent selection methods among departments might harm the City's reputation resulting in the potential reduction of future contract pools, which may adversely impact operations.

Recommendation

The Director of Finance and Procurement Departments collaborate with departments who frequently use contractor pools to create policies and procedures that establish citywide standards for documenting contractor selection methods, evaluating performance on past projects, recording past performance for consideration of future selection, and monitoring the remaining contract capacity for each contractor.

² Documentation of contractor selection methods may include measures of past performance, availability, and knowledge of the particular service requested.

Appendix A – Contractor Expenditures

Contractor expenditures for active contracts as of March 2023

	Services	Start Date	Term/Years	Contractor	Dollar Value Spent	
1	Material Testing	August 2, 2018	5	A	\$380,494	41%
				B	\$295,603	32%
				C	\$249,184	27%
				Total	\$925,281	100%
2	Engineering Consulting - Aviation	April 4, 2019	5	A	\$8,167,947	37%
				B	\$7,420,376	34%
				C	\$6,298,706	29%
				Total	\$21,887,029	100%
3	Storm Water Capital Projects	August 13, 2020	3	A	\$3,457,891	36%
				B	\$3,399,228	36%
				C	\$2,619,707	28%
				Total	\$9,476,825	100%
4	Civil Engineering	January 14, 2021	2	A	\$999,906	11%
				B	\$999,874	11%
				C	\$999,510	11%
				D	\$999,348	11%
				E	\$999,297	11%
				F	\$994,527	11%
				G	\$989,637	11%
				H	\$960,460	10%
				I	\$690,085	7%
				J	\$652,190	7%
				Total	\$9,284,833	100%
5	Engineering	March 18, 2021	2	A	\$164,582	37%
				B	\$146,762	33%
				C	\$139,440	31%
				Total	\$450,784	100%
6	Traffic Signal Optimization	April 8, 2021	3	A	\$750,000	25%
				B	\$749,838	25%
				C	\$749,364	25%
				D	\$692,557	24%
				Total	\$2,941,759	100%
7	General Contractors	February 17, 2022	3	A	\$4,366,384	19%
				B	\$3,744,454	16%
				C	\$3,624,606	16%
				D	\$3,624,606	16%
				E	\$2,620,447	11%
				F	\$2,307,951	10%
				G	\$1,750,657	8%
				H	\$858,141	4%
				Total	\$22,897,246	100%
8	Asbestos Consulting	April 7, 2022	3	A	\$73,418	27%
				B	\$47,000	18%
				C	\$45,618	17%
				D	\$41,000	15%
				E	\$36,349	14%
				F	\$25,000	9%
				Total	\$268,385	100%

Appendix B – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager

Ken Lyssy, CFE, Auditor in Charge

Sabrina Salinas, Auditor

Appendix C – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 25, 2023

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Citywide Contractor Pools.

The Finance Department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p>Policies and Procedures</p> <p>The Director of Finance and Procurement Department collaborate with departments who frequently use contractor pools to create policies and procedures that establish citywide standards for documenting contractor selection methods, evaluating performance on past projects, recording past performance for consideration of future selection, and monitoring the remaining contract capacity for each contractor.</p>	4	Accept	Russell Huff, Assistant Finance Director	March 31, 2024
	<p>Action plan: Finance is in the process of developing a new Administrative Directive, AD 8.14, <i>Contract Administration and Compliance</i>, which will include language on the administration of on-call contractor pools. The AD will direct departments to develop policies and procedures which include documenting the process for selecting contractors from an established pool, evaluating, and recording contractor performance, and monitoring remaining contract capacity. It is expected the AD will be finalized by March 31, 2024.</p>				

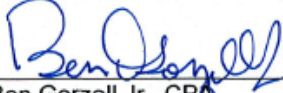
We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,



Troy Elliott, CPA
Deputy Chief Financial Officer
Finance Department

9/25/2023
Date



Ben Gorzell Jr., CPA
Chief Financial Officer
City Manager's Office

9/26/2023
Date