

**AUDITOR GENERAL**

Halifax Regional Municipality

# **CONTRACT MANAGEMENT AUDIT**

**PRESENTATION TO  
AUDIT & FINANCE STANDING COMMITTEE**

**JUNE 21, 2017**

# WHO IS HERE TODAY

- Evangeline Colman-Sadd, CPA, CA
- Paul Flinn, CPA, CGA

# EXECUTIVE SUMMARY

## Overall

- Some positive aspects
- Opportunities for improvement

## Why we did the audit

- Significant cost
- Good contract management is necessary to achieve value

## Business units audited

- Finance, Information, Communication, and Technology
- Operations Support
- Parks and Recreation
- Transportation and Public Works

# AUDIT RESULTS

## **Contracting practices**

- Generally complied with procurement policy, but contract management framework weak
- New procurement policy as at February 2017 is stronger

## **Amended contracts**

- Business units generally made changes consistent with procurement guidelines
- One contract extended two years past end date

# AUDIT RESULTS

## **Work completed before payments made**

- 92 invoices from 30 contracts properly supported and approved
- Good examples of contract performance monitoring at Transportation and Public Works
- Other business units
  - Addressed problems when issues were identified
  - Relied on informal or complaint-driven monitoring

# AUDIT RESULTS

## **Contract monitoring not consistent in the organization**

- Transportation and Public Works
  - Overall good job on performance reports for most contracts
- Operations Support
  - Monthly inspections not completed

## **Recommendation**

- Review current contract terms to ensure terms are reasonable given staff allocated to ongoing monitoring

# AUDIT RESULTS

- Parks and Recreation
  - Annual performance reviews for some contracts
  - Does not complete required reviews for standing offer contracts
- Finance and Information, Communication, and Technology
  - Vendor performance information not kept
  - Reviews required not completed
- Information, Communication and Technology division
  - Internal business case for nine new full time positions

# AUDIT RESULTS

- Across business units
  - Greatest gap in performance monitoring found in standing offer contracts

## **Recommendation**

- All business units should monitor compliance with all contract terms

# AUDIT RESULTS

## Inconsistent evaluation of vendors

- Some vendor evaluations performed but not consistently
- New procurement policy
  - Requires vendor evaluations to be kept by Procurement division

## Recommendations

- Business units should evaluate vendor performance
- Procurement division should establish processes ensuring vendor evaluations are completed and used

# AUDIT RESULTS

## Project-specific performance terms

- Contracts tested had clauses protecting the public interest
- However, 11 of 30 contracts had no specific payment penalty clauses
  - Payment penalty clause provides incentive to deliver on contracts

## Recommendation

- All external service contracts should require a payment penalty clause

# AUDIT RESULTS

## **Other business units**

- Should review recommendations
- Make any changes needed to improve their practices

## **Recommendations**

- Management has agreed to implement all five recommendations

# QUESTIONS?