Winnipeg | Audit

Contract/Vendor Management Audit

December 2020

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AUDIT AT A GLANCE

RECOMMENDATIONS

We recommend that the Chief Administrative Officer:

- *Designate a corporate group for oversight of contract management of goods and/or services contracts.*
- *Develop, communicate, and make accessible a list of the key roles and responsibilities for post-award administration of contracts for goods and/or services. This includes oversight of contract/vendor performance, ongoing monitoring of the contract administrator for compliance with contract provisions, and guidance for the proper payment process.*
- *Update the City's current contract administration training material to include information on post-award duties for goods and/or services contracts.*
- *Evaluate the opportunity to offer the City's Procurement and Contract Administration course more frequently than once per year.*
- *Develop an online version of the Procurement and Contract Administration course, with consideration for the needs of less experienced and part-time contract administrators.*

Project Background

The purpose of this audit was to review processes and ensure contracts contain adequate provisions for oversight; that contractors are held accountable for compliance with requirements; and that City contract administrators are fulfilling their required roles. The focus of this audit is limited to post-award contracts for good and/or services.

Key Observations

The City enters into hundreds of contracts for goods and/or services on an annual basis. These contracts vary significantly in the type of contract and dollar value, as they range from $500 to $8 million. The total estimated dollar value for expense related goods and/or service contracts was approximately $270.6 million in 2019.

We observed that there is currently no corporate group designated to provide oversight of the management of goods and/or services contracts, however, the Materials Management Division is considered the City's in-house expert. The lack of corporate-wide standards results in inconsistencies and the absence of oversight fails to ensure consistency in the performance of contract administration duties. Additionally, there are no defined and/or documented roles and responsibilities for contract administrators related to post-award contracts for goods and/or services.

The City's Procurement and Contract Administration course and Project Management Manual do provide some guidance for contract administration, but their primary focus is on capital contracts and/or pre-award activities. 69% of City contract administrators that participated in our survey identified that additional training would be beneficial to support their role.

Monitoring of vendor performance was occurring for majority of the contracts tested, but it was informal, inconsistent and not guided by defined and documented processes. We found limited guidance for contract administration at the corporate-wide level and/or within the bid opportunity.

Oversight of the contract administrators' performance was taking place informally and on an inconsistent basis for the contracts tested. We observed that the supervisors tended to rely on the contract administrators' understanding of how to manage contracts and ensure objectives were achieved.

All of the contracts tested had payment processes in place, however, only half of the contract administrators monitored the payments for compliance with the actual supply of goods and/or services received.

AUDIT BACKGROUND

The intent of this audit is to review and evaluate the current processes in place for contract management related to goods and/or services contracts.

- The Contract/Vendor Management Audit was added as a new project to the 2015 – 2018 Audit Plan. The audit was postponed in 2016 due to other commitments and resumed in 2018.
- The purpose of this audit is to review processes and ensure contracts contain adequate provisions for oversight; that contractors are held accountable for compliance with requirements; and that City contract administrators are fulfilling their required roles. The focus of this audit is limited to post-award contract management of contracts for good and/or services.
- Our audit methodology is located in **Appendix 5** and the risk assessment worksheet is in **Appendix 6**.

AUDIT OBJECTIVES

The two objectives identified for this audit involve the examination of City processes, systems, and controls and the performance evaluation of contract management.

- The objectives of this audit were:
  - To examine processes and procedures, adequacy of systems and effectiveness of controls in place to achieve contract/vendor management goals and objectives.
  - To evaluate the performance of contract/vendor management within the City of Winnipeg.

CONCLUSIONS

Contract Management practices are in place for goods and/or services contracts but need to be strengthened by clarifying oversight responsibilities, clearly defining roles and responsibilities, and enhancing training for administrators.

- The City has an opportunity to improve its processes for contract management of goods and/or services contracts. This can be achieved by designating a corporate group to provide oversight, defining clear roles and responsibilities for contract administrators, ensuring compliance with contract terms, and using appropriate payment processes.
- The City offers training for all contract administrators; however, we found that it heavily focused on capital contracts and pre-award activities. Management should evaluate the feasibility to offer training more frequently, include post-award duties and develop a course for less experienced and part-time contract administrators.

Generally, monitoring of both contract administrators and the vendors was occurring, but it was informal, inconsistent and not guided by implementation procedures.

- Supervisors tended to rely on contract administrators' understanding of how to manage contracts and ensure objectives are achieved. Approximately one-third of contract administrators who completed the survey identified that their performance as a contract administrator was discussed in their performance evaluation.
- Identification and resolution of contract risks and performance issues was informal and not guided by defined and documented procedures. Oversight of vendor performance is necessary to help ensure that the City receives the intended outcomes for each contract. In the case studies we reviewed, 7 of 8 contracts had controls in place to monitor performance; however, approximately half of the controls were operating effectively.

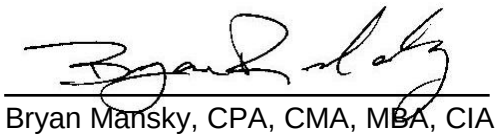
INDEPENDENCE

The Audit Department is classified as an independent external auditor under *Government Auditing Standards* due to statutory safeguards that require the City Auditor to report directly to Council, the City's governing body, through the Audit Committee.

The team members selected for this project did not have any conflicts of interest to the subject matter of the project.

ACKNOWLEDGEMENT

The Audit Department wants to extend its appreciation to all of the stakeholders who participated in this audit.



Bryan Mansky, CPA, CMA, MBA, CIA
City Auditor

December 14, 2020
Date

OVERVIEW

1.1 What is Contract Management?

- Industry leading practices define contract management (also known as contract administration) as a process for managing contracts throughout the contract life cycle while ensuring customer satisfaction. This includes the management of contract elements such as negotiation, changes, required interpretations, deliverables, contract terms and conditions and risk management. The contract life cycle phases include pre-award, award, and post-award[1]. The focus of this audit is limited to the post-award phase.
- A contract administrator is ultimately responsible for managing the contract. Responsibilities and requirements of each contract administrator vary depending on type, size, location and complexity of the procurement.
- The City of Winnipeg enters into hundreds of contracts on an annual basis. The contracts include; capital projects for construction of physical infrastructure, consulting contracts for specialized skills and/or knowledge, cooperative contracts in which one or more public sector organization conducts transaction under the same contract and terms, and non-capital contracts for goods and/or services. The focus of this audit is for non-capital contracts for goods and/or services that are provided by third-party vendors. These contracts cover a wide range of activities including garbage and recycling services, vehicle repair/maintenance, advertising, and office supplies.

1.2 Overall Financial Information

- The City's total estimated dollar value for expense related goods and/or services contracts was approximately $249.2 million in 2017, $246.5 million in 2018, and $270.6 million in 2019.
- These figures were provided by the Corporate Finance Department. The Department ran multiple queries to produce the estimated dollar values, as they were not readily available through existing queries or reports.
- The totals included expense related contracts only and exclude expenses related to consultants, professional and casual services, payroll and benefits, and most rental and leasing costs as they were outside the scope of this audit.

Financial Systems

- The City of Winnipeg uses two information systems for contract management; PeopleSoft Finance and Purtrac. PeopleSoft Finance includes financial information from the general ledger related to contract revenues and expenses and Purtrac has information for bid opportunities. Currently, the two systems are not integrated.
- We requested the total dollar value of contracts related to goods and/or services from Corporate Finance through PeopleSoft Finance. Our request did not have a standard pre-built PeopleSoft query, which caused Corporate Finance to provide us best estimate totals as noted above.
- We received data from Materials Management's Purtrac system for our trend analysis and case studies sample selection. We were able to rely on the data for the purposes of sample selection, however, unable to complete the trend analysis due to the following reasons:
    - Materials Management was not confident that the bid opportunity listings were 100% accurate for audit purposes.
    - The system was unable to distinguish between different types of contracts such as capital projects versus goods and/or services.

[1] Source: National Contract Management Association (NCMA).

- Certain fields within the listing were missing or inaccurate. This included missing contract dollar values, incorrect contract administrators, and a revenue-generating contract that was incorrectly identified as an expense but was later corrected. Materials Management indicated that the incomplete information was likely a result of non-mandatory fields or information not available when the data was entered.

1.3 Criteria

We researched Canadian jurisdictions, industry leading practices, and certification training for the Contract and Commercial Management designations. Using this research, we established criteria that were used to develop lines of inquiry, assess City training for contract administrators, and to assess contract management practices. The two main resources used are as follows:

- *National Contract Management Association (NCMA)*
- *International Association for Contract & Commercial Management (IACCM)*

Other sources included:

- *Project Management Body of Knowledge (PMBOK)*
- *World Bank, Procurement Guidance: Contract Management General Principles*
- *City of Winnipeg Project Management Manual, Chapter 9*
- *Government of British Columbia, Vendor Relationships*
- *Alberta's Vendor Management Program*

Further details on the resources used and criteria are in **Appendix 1**.

1.4 Procedures Performed at a High Level

The audit procedures primarily focused on three key areas; an online survey of all identified City contract administrators, attendance at the City's Procurement and Contract Administration course, and detailed analysis of a sample of individual case studies.

- We administered the survey to 332 contract administrators of which 42 were identified as managing capital contracts only. The response rate for the remaining participants was 70%.
- Training was assessed through review of material, participation in the City's course, and discussions with contract administrators.
- The case studies consisted of eight City contracts awarded for goods and/or services that were assessed against established criteria.

Further details on the procedures performed can be found in **Appendix 2**.

OBSERVATIONS

2.1 Contract Management Oversight

Governance/oversight is important as it strengthens an organization's ability to achieve its goals. It also provides a level of authority, allows for effective and efficient decision-making, and holds individuals accountable.

Observation

- The City does not have a formal corporate group designated to provide oversight of contract management of goods and/or services contracts.

Analysis

Our criteria for the assessment of post-award contract administration activities was developed through research of Canadian jurisdictions, industry leading practices, and training for certification in contract management. Refer to section 1.3 of the report for all criteria used for this audit.

Corporate Responsibility

We met with senior management and researched industry-leading practices, but we were unable to find specific guidance for governance/oversight of contract management related to goods and/or services contracts.

Summary Analysis

- Through discussions with senior management, we noted that there is no formal corporate group assigned to oversee the City's contracts for goods and/or services. However, senior management did state that the City's Materials Management Division is considered the in-house expert for contract management and that senior management is there to provide guidance as required.
- We found that the Materials Management website[1] includes information on the services provided by the Division such as contracts, training, consulting and other management matters related to bid opportunities, and that the Division is held accountable for services such as procurement and contract administration. However, the website wording would not make it explicitly clear that the Division is responsible for providing oversight of contract management processes and practices.
- Materials Management confirmed that they consider themselves the corporate oversight group as they are currently assisting City departments with issues related to contract administration on a daily basis.
- Both senior management and the Materials Management Division recognize the need for a centralized group for contracts related to goods and/or services.

RECOMMENDATION 1			
We recommend that the Chief Administrator Officer designate a corporate group for oversight of contract management of goods and/or services contracts.			
RISK AREA	Organizational Culture	**ASSESSMENT**	High

[1] Materials Management website (http://citynet/matmgt/divisional_info.stm) viewed June 10, 2020.

BASIS OF ASSESSMENT	The City of Winnipeg currently does not have a corporate group that provides oversight of contract management for goods and/or services contracts.
MANAGEMENT RESPONSE	
Corporate Finance, Materials Management Division, will designate responsibility and provide oversight of contract management for goods and/or services contracts that will include the actions called for in Recommendations.	
IMPLEMENTATION DATE	Third Quarter of 2021

2.2 Roles and Responsibilities

Defined roles and responsibilities are a key element of all successful organizations. They enable consistent expectations, efficient operations and standards for accountability. Defined roles and responsibilities also promote an organizational culture that emphasizes goal setting and achievement of desired outcomes.

Observation

- Roles and responsibilities for administrators of goods and/or services contracts are not defined and documented.

Analysis

Our criteria for the assessment of post-award contract administration activities was developed through research of Canadian jurisdictions, industry leading practices, and training for certification in contract management. Refer to section 1.3 of the report for all criteria used for this audit.

City Policies and Standards

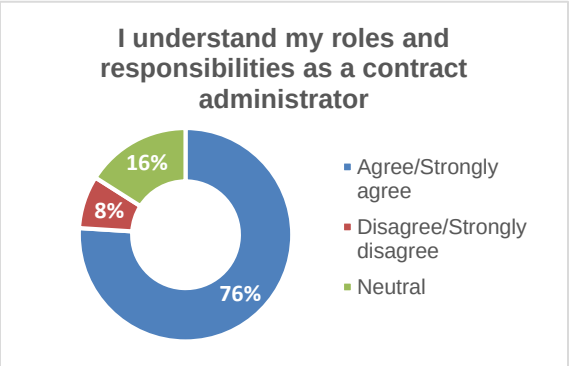
We reviewed City of Winnipeg literature, including General Conditions for the Supply of Goods, General Conditions for the Supply of Services, Materials Management Policy F1-003, and Administrative Standard FM-002. We found:

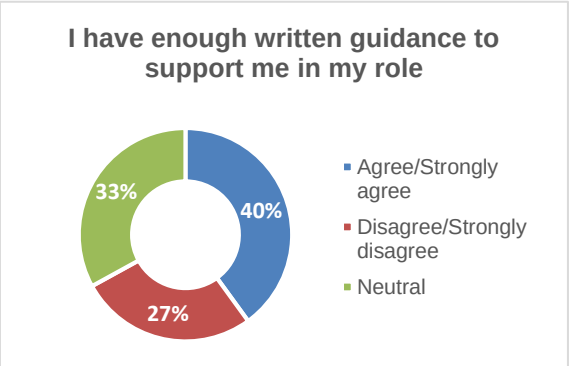
- Each of the General Conditions outlined roles and responsibilities of the contract administrator in certain scenarios, such as changes in work, site access, and defective work.
- Materials Management Policy F1-003 defined governance of materials management functions, but did not define the roles and responsibilities of contract administrators.
- Administrative Standard FM-002 defined delegated contract award authorities and reporting requirements, but did not include defined roles and responsibilities for contract administrators.

Our review was followed up with inquires to City departments including representatives from the Office of the CAO, Human Resources and Corporate Finance. They informed us that they were unaware of defined roles and post-award responsibilities for goods and/or services contract administrators. Communicating responsibilities such as fraud awareness, documentation, and tracking contract usage and payments are critical to ensure contract administrators understand the role.

Survey

We included questions related to roles and responsibilities on the survey administered to contract administrators. We found:





Case Studies

We asked the contract administrators in each of the case studies if they were aware of any defined and/or documented roles and responsibilities for their role. We found that:

- 5 of 8 referenced their job description for defined roles and responsibilities.
    - 3 of these job descriptions were reviewed. Each included concise, high-level descriptions of responsibilities, but none included descriptions to guide daily contract administration activities, or outcomes expected from performing their role.
- 3 of 8 referenced the contract bid opportunity.
    - All 3 of these bid opportunities were reviewed. Each included vendor requirements that can guide monitoring activities, but none included comprehensive guidance for all areas of contract administrator responsibilities.
- 1 of 8 referenced standard operating procedures.
    - These standard operating procedures were reviewed. They included limited instructions for tracking and maintaining a record of vendor activities, but not comprehensive text on how to administer the contract.

Summary Analysis

- The survey results indicate that 76% of the goods and/or services contract administrators understood their role and responsibilities. However, given the lack of defined roles and responsibilities it is unclear if what is understood is also what is expected and required. Furthermore, because only 40% of the respondents felt that they had sufficient written guidance, it is unclear what informs and supports their understanding.
- While job descriptions and the bid opportunity provide some insight into the role and responsibilities of contract administrators, we found that this was insufficient. These documents do not explicitly define the expectations of each contract administrator, or instructions for ongoing monitoring and oversight of contract performance. Instead, bid opportunities include explicit requirements of the vendor.
- Impacts of insufficiently defined roles and responsibilities include unnecessary frustration and uncertainty, varied interpretations and applications of expectations and requirements, as well as potential under-performance of employees and contracts. These issues can become compounded when a different employee becomes the contract administrator prior to contract end.
- Criteria developed from industry leading practices and reference material from other Canadian jurisdictions include defined roles and responsibilities for contract administrators. However, the City of Winnipeg is a large organization, with a significant diversity of contract type, value, term, requirements and outcomes expected. In this context, it can be a challenge to define a comprehensive set of roles and responsibilities that are detailed enough to guide activities, but also broad enough to be applicable to the diverse population of contracts.
- We have developed a list of key roles and responsibilities of post-award contract administration that can be applied to the diverse range of City contracts. The list is based on our research that was applied to our audit criteria. It is intended to be a starting point for consideration and to stimulate conversation. See **Appendix 4** for details.

RECOMMENDATION 2			
*We recommend that the Chief Administrative Officer develop, communicate, and make accessible a list of the key roles and responsibilities for post-award administration of contracts for goods and/or services. The topics included in **Appendix 4** should serve as a basis for the minimum content of a roles and responsibilities listing.*			
RISK AREA	Business Process	**ASSESSMENT**	High
BASIS OF ASSESSMENT	The City of Winnipeg currently does not have sufficient defined roles and responsibilities for post-award administration of contracts for goods and/or services.		
MANAGEMENT RESPONSE			
Corporate Finance, Materials Management Division, will develop a manual, which will include the definition of responsibilities for post-award administration of contracts for goods and/or services.			
IMPLEMENTATION DATE	Second Quarter of 2022		

2.3 Training

Training is essential to help ensure an organization has the capacity to meet its objectives. For contract management, training can provide a baseline for expectations, consistency of process activities, and equip employees with the knowledge and skills to respond appropriately to issues. The City of Winnipeg offers the Procurement and Contract Administration course and the Project Management Manual as training tools.

Observations

- The Procurement and Contract Administration course is focused on capital project contract administration, and on the pre-award activities of contract administrators.
- The two-day course is only offered once a year.
- There is no training module for contract administrators that manage contracts on a part-time basis.

Analysis

Our criteria for assessment of contract administration training were developed through research of industry leading practices and training for certification in contract management. Refer to section 1.3 of the report for all criteria used for this audit.

City of Winnipeg Training

The Procurement and Contract Administration course is delivered over two half days with a target audience of new contract administrators. Learning objectives for participants include[1]:

- Better understanding of the Materials Management Standard and related Administrative Standard(s);
- Identification of key issues to consider when preparing bid solicitation documents (insurance requirements, designating a Prime Contractor, qualifications, liquidated damages);
- Recognition of issues related to evaluation of proposals / bids (i.e. non-responsive bids, workplace safety & health programs);
- Writing a typical award report (award authorities);
- Describing the administrative processing of contracts and purchase orders;
- Addressing of contract performance issues.

We reviewed the course materials and found that:

- While information covered key areas of the entire contract life cycle, it was predominantly focused on pre-award activities.
- It was limited to PowerPoint slides. While the slides were useful as a course training aid, they lacked the detail to serve as procedural guidance or reference material to access once the course has been completed.

Course feedback from past participants suggested that:

- It was informative, helpful and delivered by expert instructors;
- It was focused on pre- award activities, such as request for proposal development, and bid evaluations;
- It was too advanced for the target audience of new contract administrators, and did not include enough ‘real life’ examples.

[1] Procurement and Contract Administration course information retrieved from City of Winnipeg intranet webpage on July 6, 2020.

Audit staff participated in the course and observed:

- The instructors were knowledgeable and encouraged dialogue with participants;
- The course was offered once per year, and available through classroom delivery only;
  - The Materials Management Division agreed that the course should be offered more frequently, but noted insufficient resources to increase frequency.
- Emphasis was on capital project contracts and pre-award activities, such as using templates, preparing bid opportunities and bid evaluations.
  - The pre-award activities included important steps such as establishing expectations, risk assessment, and processing contract documentation.

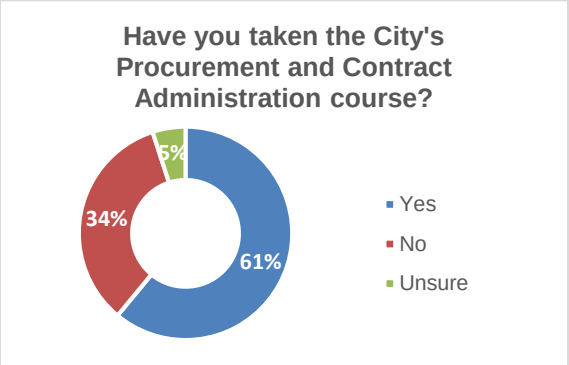
Industry Leading Practices and Certification Training

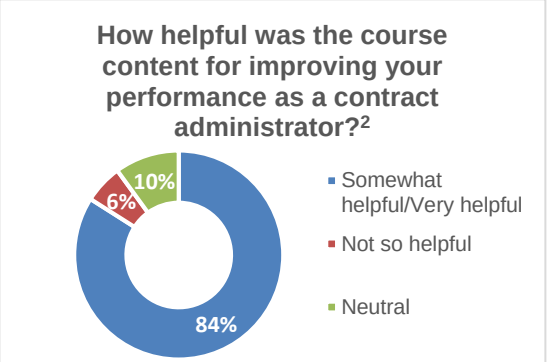
We compared the City's Procurement and Contract Administration course with industry certification training[1] and noted that:

- Several key industry certification topics were included in the City's training course, including governance and applicable standards, development of bid opportunities, and managing contract changes.
- We noted variances between City and industry certification training programs, including:
  - Monitoring and mitigating risk throughout the entire contract life cycle;
  - Guidance for planning contract delivery outcomes and monitoring to ensure quality;
  - Assessing contract performance and value for money at conclusion

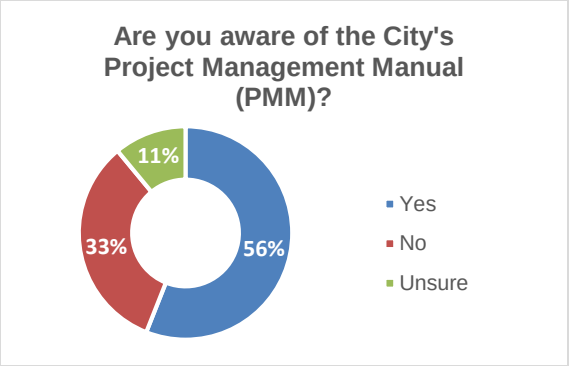
Survey

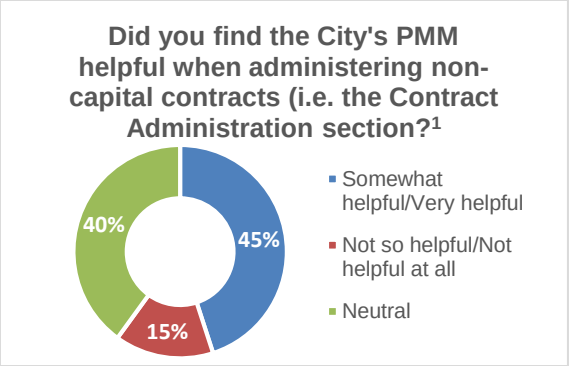
We asked contract administrators the following questions related to training:

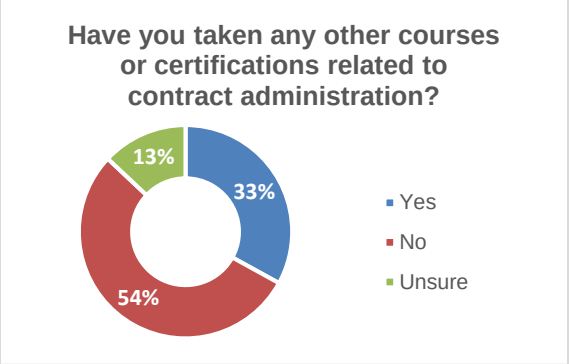




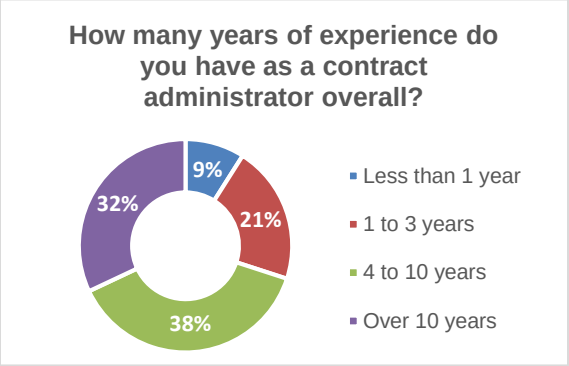
[1] The Contract and Commercial Management (CCM) Certification offered through the International Association for Contract & Commercial Management (IACCM).
[2] There were significantly less responses to this question, as only those that indicated they have taken the City course answered.











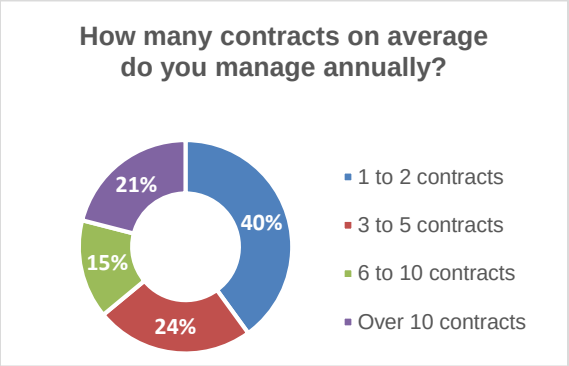


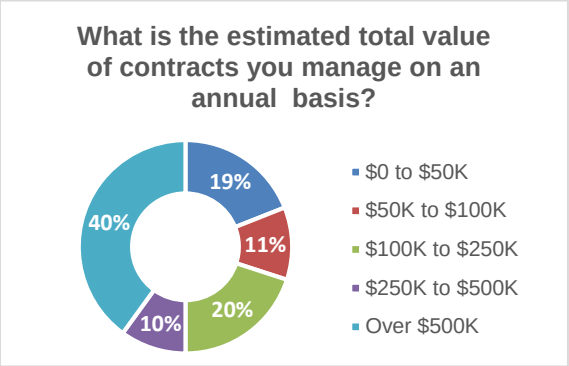
The survey included an opportunity for participants to offer their insight. We asked:

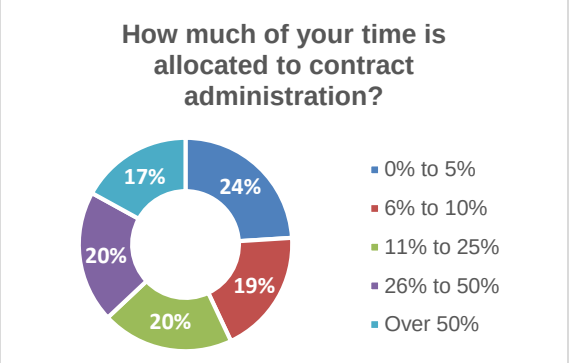
- *If there is any further information that you believe should be added to better explain your responses, or any other likes or concerns about contract administration at the City of Winnipeg, we invite you to share those thoughts.*
    - Several survey participants that responded to this question referenced a lack of training, or insufficient training.
    - Some respondents provided suggestions, including assignment of a mentor to new contract administrators, and the creation of a manual with specific instructions for administering City contracts for goods and/or services.

[1] There were significantly less responses to this question, as only those that indicated awareness of PMM answered.

We also asked contract administrators the following questions related to their workload:







Case Studies

We noted themes through discussions with contract administrators in the sample of case studies, including:

- 7 of 8 had completed the Procurement and Contract Administration course.
  - 4 of 7 completed the course well after they had started administering a contract.
  - 3 of 7 found the course helpful for pre-award activities, but not for managing the contract once it had been awarded.
  - 2 of 7 told us they were left to figure out how to manage the contract on their own, with little guidance.
- 4 of 7 that completed the course offered opinions.
  - 3 of 4 indicated the course should include more guidance for post-award activities.
  - 2 of 4 told us they thought they course should be mandatory for new contract administrators.
  - 1 of 4 commented that the course was helpful.
  - 1 of 4 commented that the course material was too advanced and included acronyms and industry jargon that was not defined.
- 6 of 8 were aware of the City Project Management Manual.
  - 3 of 6 told us the Manual as a resource is not well communicated.
  - 2 of 6 told us the Manual was not a helpful resource for administration of goods and/or services contracts.

- 1 of 6 indicated the Manual was a helpful resource for administration of goods and/or services contracts.

Summary Analysis

- Observations from interviews with case study contract administrators and participation in the City's course indicated emphasis on capital project contracts and pre-award activities. This approach relies on the assumption that the contract administrator that has developed the bid opportunity understands all requirements and will administer the awarded contract until the end of its term (i.e. turnover not considered). It also results in training gaps in the course content. For example, contract administrators that assume responsibility for an awarded contract may not know how/where to identify contract deliverables, how/when to perform monitoring activities, and their obligation for fraud awareness.
- Survey results indicate that 61% of the administrators for goods and/or services contracts have completed the City training; however, 54% of respondents did not take any other courses or certifications related to contract administration. For those that have completed the City's training found it helpful for their performance. Yet through review of course feedback and conversations with administrators in case studies, we found that many considered the course helpful for pre-award activities, but not as helpful for post-award administration of goods and/or services contracts.
- We also noted that 34% of administrators have not taken the City's training course and 5% were unsure if they had completed it. These results suggests an opportunity to increase awareness of the course and its importance for contract administration activities.
- We observed that all of the administrators from the case studies performed contract administration duties on a part-time basis. Additionally, the survey results indicated that approximately 40% of administrators only manage 1 to 2 contracts on an annual basis, and about 63% of administrators spend 25% or less of their time managing contracts. Some contract administrators expressed that the City training course was too advanced for their experience level, and suggested the need for an entry-level version.
- 69% of contract administrators agreed or strongly agreed that additional training would be beneficial. This highlights a need to reconsider the frequency and/or content of existing training to ensure it is meeting the needs of goods and/or services contract administrators.
- We found limited reference materials to help guide post-award administration of goods and/or service contracts. Content of the City's training course was accessible online, but was limited to high-level information on PowerPoint slides.
- The City of Winnipeg has created a Project Management Manual (PMM), to assist administrators plan, execute, monitor and close projects. Section 9 of the PMM is for contract administration. 56% of survey respondents indicated awareness of the Manual, but only 45% found it helpful for administration of contracts for goods and/or services. We noted similar results in the case studies; 7 out of 8 contract administrators were aware of the PMM, but only one acknowledged that it was somewhat helpful for post-award administration of contracts for goods and/or services. These results suggest there is an opportunity to develop new guidance to support staff tasked with the administration of contracts for goods and/or services with a focus on post-award activities.

RECOMMENDATION 3			
We recommend that the Chief Administrative Officer update the City's current contract administration training material to include information on post-award duties for goods and/or services contracts. The updates should provide contract administrators with sufficient material to reference in the future and include additional topics such as: • *Monitoring and mitigating risk throughout the entire contract life cycle;* • *Guidance for planning contract delivery outcomes and monitoring to ensure quality;* • *Assessing contract performance and value for money at conclusion.*			
RISK AREA	Business Process	**ASSESSMENT**	High
BASIS OF ASSESSMENT	The City of Winnipeg currently does not have sufficient training reference material for post-award administration of contracts for goods and/or services.		
MANAGEMENT RESPONSE			
Corporate Finance, Materials Management Division, will develop additional and comprehensive training material for post-award administration of contracts for goods and/or services.			
IMPLEMENTATION DATE	Third quarter of 2022		

RECOMMENDATION 4			
We recommend that the Chief Administrative Officer evaluate the opportunity to offer the City's Procurement and Contract Administration course more frequently than once per year.			
RISK AREA	Business Process	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	The City of Winnipeg currently does not have sufficient training for post-award administration of contracts for goods and/or services.		
MANAGEMENT RESPONSE			
Corporate Finance, Materials Management Division, will create additional post-award administration training opportunities for Contract Administrators responsible for goods and/or services.			
IMPLEMENTATION DATE	Third quarter of 2022		

RECOMMENDATION 5			
We recommend that the Chief Administrative Officer develop an online version of the Procurement and Contract Administration course, with consideration for the needs of less experienced and part-time contract administrators. This could also be used as a refresher for experienced contract administrators.			
RISK AREA	Business Process	**ASSESSMENT**	High
BASIS OF ASSESSMENT	The City of Winnipeg currently does not have sufficient training for post-award administration of contracts for goods and/or services.		

MANAGEMENT RESPONSE	
Corporate Finance, Materials Management Division, will add an on-line component of the Procurement and Contract Administration course.	
IMPLEMENTATION DATE	Third quarter of 2022

2.4 Oversight of Vendor and Contract Performance

Each year, the City of Winnipeg enters into hundreds of contracts with vendors for the purchase of goods and/or services. Oversight of performance is necessary to help ensure that the City receives the intended outcomes for each contract.

Observations

- Majority of contracts did not have defined and documented procedures for managing the contract.
    - Limited guidance for contract administration processes and procedures at the corporate-wide level and/or within the bid opportunity.
- Generally, monitoring of vendors and contract performance was occurring, but it was informal, inconsistent and not guided by implemented procedures.
- Identification and resolution of risks and contract performance issues was informal and not guided by defined and documented expectations or procedures. As a result, there is limited assurance that all significant risks and issues have been identified and addressed.
- Half of the contracts reviewed did not have a formal defined change process.

Analysis

Our criteria for assessment of post-award contract administration activities was developed through research of Canadian jurisdictions, industry leading practices, and training for certification in contract management. It includes the administrator monitoring compliance with contract requirements, assessing and documenting vendor performance, and identifying and responding to address issues and initiate improvements. All criteria used for this audit is included in Section 1.3 of this report.

Corporate-wide Guidance

- What was available:
    - The Procurement and Contract Administration course PowerPoint slide deck.
    - The City of Winnipeg Project Management Manual.
    - The General Conditions for the Supply of Goods.
    - The General Conditions for the Supply of Services.

We found that each of these sets of available guidance did not include specific procedures or direction for contract administrators relating to performing their monitoring activities.

- What was not available:
    - Documented roles and responsibilities of contract administrators;
    - Accessible instructions and/or guidance for monitoring vendor performance;
    - Accessible instructions and/or guidance for ensuring each payment to or from a vendor are reconciled with goods and/or services exchanged.

Case Studies

Guidance

- We asked contract administrators if they were aware of the City's Project Management Manual (PMM);
    - 6 of 8 were aware of the PMM.
        - Of the 6 that were aware, one found the Manual somewhat helpful, 2 indicated it was not helpful, and 3 were unsure if it was helpful.

- 1 of 8 was not aware of the PMM.
- 1 of 8 indicated that the PMM was not applicable.

- 6 of 8 case studies did not have formally defined or implemented procedures for administering the contract and performing their monitoring activities.
  - 1 of 8 had formally defined contract administration procedures implemented through the bid opportunity.
  - 1 of 8 had a limited number of defined procedures, but the contract administrator acknowledged they needed to be reviewed and updated.

- We noted instances in the case studies in which responsibility for a contract was reassigned, due to employee turnover.
  - The majority of those who had taken over responsibility for a contract indicated frustration with determining how, what and when to administer and monitor because of a lack of defined and documented procedures.

Monitoring

- 7 of 8 case studies had some measure of monitoring for compliance;
  - In 1 of these 6 monitoring was consistent and included documented outcomes.
  - In 5 of these 7 monitoring was inconsistent and outcomes were not documented.
    - Because of the inconsistency of activities and lack of documentation, we are unable to provide assurance on the effectiveness of monitoring that did occur.
  - 1 of 8 did not have monitoring for compliance processes defined, as it was a multi-departmental contract.

- 1 of 8 case studies used key performance indicators to measure contract performance;
  - 2 of 8 departments administering the case study contracts used key performance indicators (KPIs), but these KPIs were not specific to a contract; the KPIs applied to broader measurements such as service requests and expenditures within the branch of the department.
  - 5 of 8 did not use KPIs to measure contract performance.

- We reviewed contract terms and identified and tested key controls for oversight of contract and vendor performance. We found:
  - 7 of 8 contracts had controls in place to monitor contract and vendor performance. However, approximately only half of the controls were operating effectively. Some of the key issues noted were:
    - Minimal monitoring of vendor performance resulted in lack of assurance that good and/or services paid for were received.
    - Limited monitoring of vendor performance lead to a lack of assurance that the transaction value is accurate.
    - No evidence of required approval for service equipment prior to use; could lead to potential public safety issue.
    - Lack of monitoring and documentation for service response times; resulting in potential breach of contract and uncollected liquidation damages. The contract administrator is aware of the issue and working with the contractor to resolve it.
  - 1 of 8 did not have specific controls in place to monitor contract and vendor performance; however, there are processes for the contract from the operational side of the business that allow direct observation of performance.

Identifying and Addressing Issues

- 8 of 8 contracts did not include a formal risk assessment.
    - In 5 of 8 case studies, contract administrators indicated that risks are considered informally and addressed as required throughout the term of the contract.
    - In 3 of 8 case studies, contract administrators indicated that risks are not considered.
- 7 of 8 contracts did not have a documented process for addressing potential vendor and/or contract performance issues.
    - 7 of 8 had a documented fee structure to recover costs for issues of non-compliance within the bid opportunity, but no documented process for addressing performance issues.
    - 1 of 8 had a documented performance issue resolution process and fee structure to recover costs within the bid opportunity for issues of non-compliance.
- 16 of 16 contract administrators and supervisors indicated that there are opportunities to share lessons learned and offer suggested improvements.
    - 8 of 8 case studies did not have a defined and/or documented process to guide contract administrators on how, when and where to share knowledge and suggest improvements.
    - 2 contract administrators suggested a need for improved organizational communication regarding when and how to submit contract administration suggestions.
- 7 of 8 contracts included an option for a maximum number of mutually agreed upon extensions. Contracts with extensions provide an opportunity for improvements through negotiated changes to a previously agreed upon contract.
    - 5 of 8 contracts had been extended.
        - 3 of 5 had been extended during the audit scope period. Testing confirmed that all 3 had been appropriately approved.

Summary Analysis

Generally, administration and monitoring of contract performance was not guided by defined processes or procedural steps. Instead, day-to-day activities were based on practices developed over time and by requirements documented in the bid opportunity.

- The majority of contracts in the case study sample did not have its own set of defined procedures for administration, monitoring activities, and assessing risks.
- Existing guidance at the corporate level was minimal and insufficient to be used as a resource for contract administrators.
    - The Procurement and Contract Administration course material was limited to high-level information on PowerPoint slides;
    - The Project Management Manual was focused on infrastructure projects and contracts;
    - General Conditions for Supply did not include guidance for processes or procedural steps.
- A key issue with the lack of defined and documented procedures for monitoring and addressing performance issues is the inconsistency of frequency and effectiveness of contract administration activities. The activities are dependent on the interpretation of

the administrator, rather than expectations defined by the organization. This issue is compounded by the lack of defined and documented roles and responsibilities for contract administrators. The resulting impacts include:
    - Inconsistent administration activities, such as reconciling invoice amounts to vendor activities;
    - Inefficient and/or inadequate monitoring of performance and outputs;
    - Possible lost opportunities for savings and/or cost recoveries.
- Some contract administrators in the case study sample had assumed responsibility for a contract after it had been awarded to a vendor. These administrators indicated that they were required to determine how, when and what to monitor because of a lack of defined and documented procedures.
- We noted variety in the complexity of case study contracts. Some contracts were relatively simple, without an obvious need for defined and documented monitoring procedures. However, defined and documented monitoring procedures for each contract can help to ensure that oversight is consistent and occurring regularly occurring by:
    - Establishing a baseline of expectations;
    - Serving as guidance to contract administrators that must delegate responsibilities to employees tasked with participating in monitoring;
    - Documenting knowledge to be shared with incoming or inexperienced contract administrators.
- Monitoring for performance and compliance with contract terms occurred in the 7 of the 8 case studies; however, processes and procedures were inconsistent, often informal, and outputs of monitoring were rarely documented. As a result, the City has limited assurance that each contract achieved objectives, and transactions accurately reflected the work performed.
- Generally, monitoring of vendor and/or contract performance did not include the use of key performance indicators. While KPIs were not appropriate for all contracts, most contract outputs and outcomes can be recorded and tracked. Without KPIs, the City could not measure and compare outputs and outcomes to determine value for revenue and expenditures.
- Audit testing confirmed several of the key controls related to contract performance were operating as intended; however, we did identify instances in which controls were absent, or not applied, and/or were not operating effectively. These findings, and instances in which additional controls would be beneficial, have been communicated to the contract administrator and supervisor.
- While we found examples of issues identified and addressed by contract administrators, identification and response to contract-related issues were informal and dependent on the contract administrator.
    - Without documented guidance and/or procedures, each contract administrator was responsible to determine how, what, and when to monitor, how to assess and document performance, and how to respond and address issues.
    - Contract administrators indicated issues are addressed informally, typically through discussion or email.
- All of the contract administrators we interviewed were aware of expectations to share lessons learned. However, without a defined process for sharing lessons learned there are likely missed opportunities to leverage experiences and adjust practices to improve contract administration.

RECOMMENDATION 6			
We recommend that the Chief Administrative Officer develop, communicate, and make accessible a list of the key roles and responsibilities that include oversight of contract/vendor performance for post-award administration of contracts for goods and/or services.			
RISK AREA	Business Process	**ASSESSMENT**	High
BASIS OF ASSESSMENT	The City of Winnipeg currently does not have sufficient defined roles and responsibilities for oversight of vendor and contract performance for goods and/or services.		
MANAGEMENT RESPONSE			
The recommendations included in Recommendation 6 will be addressed in the list of key roles and responsibilities developed in accordance with Recommendation 2.			
IMPLEMENTATION DATE	Third quarter of 2022		

2.5 Oversight of Contract Administrator Performance

In order to ensure that expected results are received, a contract administrator is assigned responsibility to manage each contract awarded by the City of Winnipeg. Timely and effective feedback can contribute to the improvement of an employee's performance and the organization as a whole.

Observations

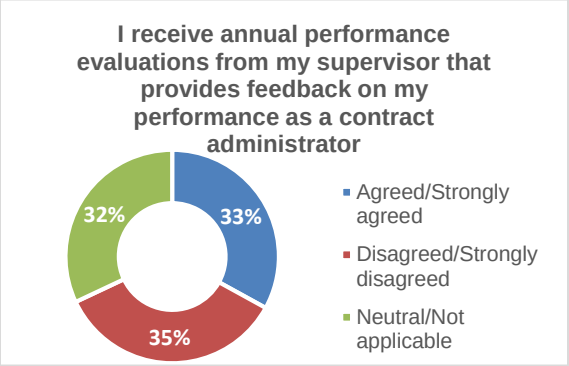
- Contract administrators were being monitored; however, it was informal and inconsistent. Supervisors tended to rely on contract administrators' understanding of how to manage contracts and ensure objectives are achieved.
- No case study had a formal succession plan for the contract administrator role, but all were prepared to respond with informal plans to address succession in the short and long terms.
- Each contract administrator and supervisor had reviewed the City's Code of Conduct, and 15 out of 16 completed an electronic sign-off; however, many were unaware of the City's new Conflict of Interest Policy. No indications of conflicts of interest, or unethical activities were found.

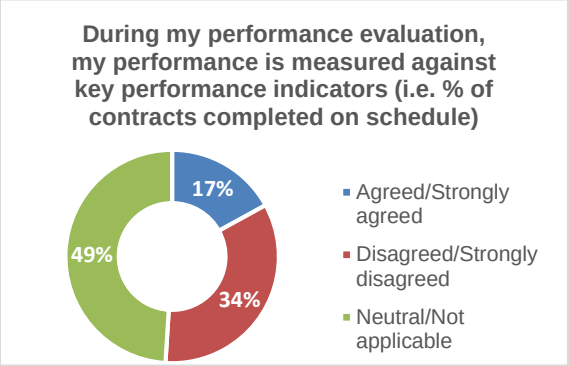
Analysis

Our criteria for assessment of post-award contract administration activities was developed through research of Canadian jurisdictions, industry leading practices, and training for certification in contract management. Refer to section 1.3 of the report for all criteria used for this audit.

Survey

We included questions related to oversight of contract administrators on the survey and found that:





Case Studies

Monitoring

We asked contract administrators and their supervisors if there was a process for monitoring the performance and activities of contract administrators to ensure compliance with requirements and achievement of contract objectives.

- 12 of 16 indicated that monitoring occurred, but informally and not guided by a defined process.
    - 9 of these 12 referenced performance evaluations as the method for monitoring.

- 8 of these 12 referenced informal meetings between the contract administrator and the supervisor.

- 4 of 16 indicated that no monitoring of contract administration activities occurs.
  - In each of these cases, the respondent indicated that issues would be identified promptly and addressed as required.

We asked contract administrators and their supervisors if contract performance factors into the performance evaluations of contract administrators.

- 11 of 16 indicated that contract performance is considered at a high-level in performance evaluations; however, 9 of these 11 also indicated a lack of a formal process to include contract performance in these assessments.

We asked supervisors how contract administrators are held accountable for their oversight of the contracts that they manage. Responses were varied, but we noted a theme of inconsistent and reactive monitoring. Examples included:

- Internal limits on approvals.
- No issues if the contract terms are being met.
- The supervisor will hear from affected stakeholders if issues come up.
- Through conversations, check-ins, and trust in contract administrator.

Succession Plan

We asked contract administrators and their supervisors if there was a process to address transition in the contract administrator role.

- 16 of 16 indicated no formal succession plan in place; however:
  - All were able to describe informal, short-term solutions for sudden replacement in the contract administrator role, as well as a longer-term plan of hiring if necessary.

- While all described informal plans to ensure the contract administrator role was staffed, the lack of defined and documented roles and responsibilities, and contract administration procedures presented challenges, including:
  - We noted instances in which supervisors were not well versed on all key contract details, instead relying on contract administrators to understand how to manage and ensure objectives are achieved.
  - Some contract administrators stated that they were required to determine methods of managing a contract, with minimal insight on past activities, and this led to inefficiencies and frustration.

- During the audit, we encountered a transition from one contract administrator to another. We reviewed the circumstances and found that:
  - No formal plan was in place, but the transition was managed with the incoming and outgoing contract administrators having overlapping periods of responsibility. This allowed for knowledge sharing through job shadowing.

Ethics

We did not find any indication of conflicts of interest, or unethical activities in the case studies.

We confirmed whether the contract administrators and their supervisors had reviewed and signed the City of Winnipeg annual Code of Conduct declaration.

- Each contract administrator and supervisor had reviewed the City of Winnipeg Code of Conduct.

- 15 of 16 had completed the electronic sign-off, acknowledging their review and acceptance of the Policy.
- 1 of 16 had reviewed the Code of Conduct declaration, but had not yet completed the electronic sign-off.

During the audit scope period, the City's Conflict of Interest Policy was embedded within the Code of Conduct Policy. A stand-alone Conflict of Interest Policy was established in May 2019. This occurred after the audit scope period, but prior to discussions with contract administrators and supervisors. We asked about awareness of the Policy and its requirements.

- Many were unaware that a stand-alone COI Policy had been established and that it was available for reference.

We questioned contract administrators and their supervisor how they would know if a conflict of interest had existed between an administrator and a vendor. Responses varied, but we noted themes, including:

- Unsure, as no protocols in place.
- Contract administrators are expected to self-declare.
- Other staff or outside parties will recognize and communicate to management.

Summary Analysis

Monitoring

- We found that case study data generally aligned with the survey. Monitoring of contract administrator performance and compliance with contract terms was inconsistent, and not specific to contract outputs.
  - For all contract administrators, contract administration was one of multiple responsibilities attached to their position. We were informed that performance was assessed at an overall level for their position, and not specifically for ensuring that contract compliance, requirements and objectives were met.
  - Some contract administrators received feedback on their performance, but many did not.
  - Monitoring of contract administrators was not guided by formal requirements or processes; instead monitoring of performance and/or contract outcomes was dependent on the supervisor.
- Inconsistent monitoring and assessments of performance not based on measurement can result in a lack of clarity of goals, priorities and expectations. More importantly, without adequate oversight, the City of Winnipeg has limited assurance that contracts are administered as expected and employees are performing all required activities.

Succession Plan

- While none of the case studies had formal succession plans in place, we found this reasonable given the limited number of staff in many of the organizational units. Furthermore, all of the case studies described informal short and long-term plans for the contract administrator role.
  - However, a lack of defined and documented roles, responsibilities and administration procedures created unnecessary challenges as incoming contract administrators were required to determine how to manage each contract.
  - Resulting issues can be compounded by inconsistent monitoring of contract administrators and contract outcomes.
- Without defined and documented roles, responsibilities and administration procedures, transition in the contract administrator role is made unnecessarily challenging. There is

also increased risk of the contract not being administered as intended, and that monitoring is insufficient to allow issues to be identified and addressed.

Ethics

- While each employee in the case studies had reviewed the City of Winnipeg Code of Conduct, some were unaware of how conflicts of interest would be identified and addressed. Additionally, many were unaware that a stand-alone Conflict of Interest Policy had been created and was accessible online.
    - As many had expressed uncertainty regarding COI protocols, there is an opportunity for City officials to highlight and increase communication about the recently developed Conflict of Interest Policy.

RECOMMENDATION 7			
We recommend that the Chief Administrative Officer communicate the expectation of ongoing monitoring of contract administrators' performance and for compliance with applicable contract provisions. This could include relevant contract terms, receipt of deliverables and the achievement of expected contract outcomes.			
RISK AREA	Business Process	**ASSESSMENT**	High
BASIS OF ASSESSMENT	Monitoring contract administrators through formal performance evaluations promotes accountability and helps ensure contract terms and intended outcomes are being met.		
MANAGEMENT RESPONSE			
Corporate Finance, Materials Management Division, will collaborate with Human Resource Services to support supervisors in monitoring and evaluating contract administrators.			
IMPLEMENTATION DATE	Third quarter of 2022		

RECOMMENDATION 8			
We recommend that the Chief Administrative Officer establish a process to increase awareness of the recently developed Conflict of Interest Policy for all City of Winnipeg staff.			
RISK AREA	Human Resources	**ASSESSMENT**	High
BASIS OF ASSESSMENT	Awareness and disclosure of any conflict of interest between City of Winnipeg staff and contractors is crucial in helping to prevent fraud and any perception of inappropriate conduct.		
MANAGEMENT RESPONSE			
Corporate Finance, Materials Management Division, will provide direction to Contract Administrators in the training material on the importance of understanding the Conflict of Interest Policy in relation to contracts.			
IMPLEMENTATION DATE	Third quarter of 2022		

2.6 Payments

All successful contractual relationships involve the exchange of timely and accurate payments for goods and/or services. For City of Winnipeg contracts, these principles are essential for ensuring that public funds are used prudently, with processes that promote trust and protect the public interest.

Observations

- All of the case studies had payment processes in place, however; only half managed and monitored the payment process for compliance with the actual supply of goods and/or services.
    - All contract payments tested included an authorized approval.
    - All contract payments tested were accurate to the invoice amount.
- Only half of case study contracts included documented use, performance and payment information that was reported periodically.

Analysis

Criteria used to assess contract payment processes were developed through research of industry leading practices for contract administration. Refer to section 1.3 of the report for all criteria used for this audit.

Payment Process

Payment processes vary among City of Winnipeg contracts, because differing contract requirements influence how payments are processed. Regardless, all payment processes have common elements, including:

i. Contract is awarded to a vendor.
ii. Payment-related information such as the contract and purchase order is entered into PeopleSoft Finance software.
iii. Vendor supplies goods and/or services, and sends invoice to Corporate Finance.
iv. Corporate Finance forwards invoice to the applicable City department/division for processing.
v. The contract administrator and/or finance staff review the invoice, and if acceptable, a department employee enters payment information into PeopleSoft Finance software.
vi. Payment amounts are approved by a supervisor.
vii. Corporate Finance accesses the information entered into PeopleSoft Finance to forward a payment to the vendor.
    - Corporate Finance has several documented procedures for the payment process, including steps to help ensure that Accounts Payable is processing each payment using accurate vendor address and banking information.

Case Studies

For each case study, the payment process testing included reviewing invoices and supporting documentation, ensuring compliance with contract terms (i.e. price and unit), following up on discrepancies, and confirming payments were approved by authorized personnel. We found:

- 4 of 8 contracts included payment processes that were managed and monitored for compliance with contract terms.
    - 3 of 8 contracts did not. In these 3, we found instances of review for compliance with contract terms, but also examples of:
        - Invoice amounts not reconciled to the amount purchased or sold.
        - Payments received not reconciled with the amount sold.

        - Inconsistent monitoring of allowable price adjustments.
        - Invoices not reconciled to supporting documentation.
    - For 1 of 8 contracts we were unable to conclude on this criterion due to documents not readily available.[1]

- All applicable contracts had authorized approvals for the vendor payment.
- 7 of 8 contract invoices were paid accurately; however, due to inconsistent monitoring of performance, and lack of payment reconciliation in some case studies, we are unable to provide assurance that payments accurately reflected the goods and/or services received.
- 4 of 8 contracts included some form of documented use and/or performance of payments that were reported to senior department staff. Generally, this information was monitored on an ongoing basis and periodically reported to senior department staff.
    - 1 of 8 contracts had begun too recently to assess.
    - 3 of 8 contracts did not include documented use/performance and/or expenditures that were reported periodically. In these 3 we found examples of:
        - Contract use and/or performance were not documented.
        - Contract spending was not periodically reported.
        - Contract value was increased without supporting documentation available for an authorized approval.

Summary Analysis

- Half of the case studies had evidence of payment processes that were managed and monitored for compliance with contract terms. Generally, in these case studies, invoices were reviewed, reconciled with supporting documentation, and payments had an authorized approval.
    - Some of the case studies did not have sufficiently managed and monitored collection and payment processes. This was unexpected as oversight of revenue and expenditures are fundamental to contract administration regardless of contract requirements and outcomes.
- The lack of consistency in how contract payment processes are managed and monitored can be attributed, in part, to an absence of defined roles and responsibilities.
    - We noted limited examples of documented expectations or instructions related to payment processing. This has resulted in differing interpretations, expectations and oversight processes that have developed independently over time, throughout City departments.
- The impact of contract payment and collection processes that are not sufficiently managed and monitored can be significant. Resulting issues can include over-expenditures, lost revenue, higher risk of fraudulent activities, and potential reputational damage.
- Documenting and reporting of contract use and spending provides decision-makers with information needed to monitor, and if necessary, respond with adjustments to contract use and expenditures. We expected administration of each case study contract to include documentation of use and/or performance, spending and/or revenue, and periodic reporting.

[1] Due to Covid-19 restrictions, refer to Appendix 3 for details.

- We found that funding for all contracts is reviewed and reported generally as part of the City budgeting processes.
- However, we noted that not all contracts in the case study sample documented contract use and spending and/or specific reporting of that information.

- The impacts of transactions that are not documented and reported periodically can include inventory errors, unnecessary expenditures and weakened oversight. Alternatively, when contract transactions are documented and periodically reported there are greater opportunities to track and compare outcomes and adjust expenditures accordingly.

RECOMMENDATION 9			
We recommend that the Chief Administrative Officer develop, communicate, and make accessible a list of the key roles and responsibilities to guide contract administrators in the proper payment process.			
RISK AREA	Business Process	**ASSESSMENT**	High
BASIS OF ASSESSMENT	The City of Winnipeg currently does not have sufficient defined roles and responsibilities for post-award administration of contracts for goods and services.		
MANAGEMENT RESPONSE			
The recommendations included in Recommendation 9 will be addressed in the list of key roles and responsibilities developed in accordance with Recommendation 2.			
IMPLEMENTATION DATE	Third quarter of 2022		

APPENDIX 1 – Criteria

The following resources were used to establish criteria for our audit:

National Contract Management Association

- The National Contract Management Association (NCMA) was established in 1959 and has almost 20,000 members.
- It offers professional growth and educational advancement through certifications and designations.

International Association for Contract & Commercial Management

- International Association for Contract & Commercial Management (IACCM) offers certifications and designations for contract and relationship management processes and skills standards.
- The organization has over 43,000 members across 175 countries and 18,397 corporations. IACCM members of include BC Hydro, COOP, DHL, and Chevron (with members from more than 90% of the global 500).

Other sources included:

- *Project Management Body of Knowledge (PMBOK)*
- *World Bank, Procurement Guidance: Contract Management General Principles*
- *City of Winnipeg Project Management Manual, Chapter 9*
- *Government of British Columbia, Vendor Relationships*
- *Alberta's Vendor Management Program*

The list of criteria used to evaluate the City's current contract management practices for goods and/or services, post-award contracts included:

- Pre-award activities (applicable throughout contract life cycle):
    - The contract administrator:
        - Has the authority to question and escalate.
        - Has defined and documented roles & responsibilities.
        - Ensures contract management procedures are implemented and in compliance with City policies.
        - Ensures contract commitments are ethical.
        - Ensures vendor products and/or services are offered with appropriate, competitive terms and conditions.
- Contract administration:
    - The contract administrator:
        - Contributes to or influences company policies related to contract management.
        - Provides guidance and/or training to employees, including project managers, for contract processes and practices.
        - Monitors vendor performance and compliance with contractual requirements and transactions.
        - Addresses performance issues related to meeting the intended goals/objectives of the contract.
        - Monitors buyer/seller satisfaction with City contractual terms, conditions and related practices. Recommends changes/improvements when deemed appropriate.

- Manage changes:
  - The contract administrator:
    - Has the authority to initiate, negotiate & implement contract modifications.
    - Has a defined and documented contract change process for contract management.
    - Addresses personnel issues and contribute to change management activities.
- Maintain contract:
  - The contract administrator:
    - Tracks and documents contract usage/spending and reports it periodically.
    - Manages the contract payment process.
    - Ensures there are standard operating procedures for granting contract extensions. Variations are documented and are accessible to the contract administrator.
- Contract close out:
  - The contract administrator:
    - Verifies requirements (i.e. deliverables) of the contract have been satisfied.
    - Reconciles contract key performance indicators (KPIs) to make the final payment.
    - Ensures payments are processed after certification of satisfactory work. All payments are made and documented in strict accordance with the terms of the contract.
    - Assesses and documents if contract terms facilitated meeting intended outcomes.
    - When applicable, ensures an additional inspection is performed in the period between contracts close out and warranty period expiry.

APPENDIX 2 – Procedures Performed

Survey Analysis

- We obtained several years of data from Materials Management and identified a population of City contract administrators.
- We then developed and distributed a survey with the assistance of the City's Office of Public Engagement. The survey was directed at City contract administrators who managed goods and/or services contracts, and those that managed a combination of goods and/or services contracts and capital project contracts.
    - Survey questions included inquiries about experience levels, training, workloads, performance feedback, and opinions about managing City contracts for goods and/or services.
    - The survey was sent to 332 contract administrators, of which 42 respondents identified themselves as managing capital contracts only.
- The survey was open to respondents over a two-week period. We received 202 responses and achieved a response rate of 70%. Our research indicated that this response rate was sufficient in order to form preliminary conclusions from the aggregated survey data.
- The survey responses were anonymous and not attributed to a specific respondent.
- The survey data was analyzed, and is a basis of support for overall conclusions and recommendations.

Training

- The City of Winnipeg offers the Procurement and Contract Administration course. The course is optional, delivered over two half-days, and has a targeted audience of new contract administrators.
- We reviewed City course material, feedback from past participants, and observed through participation in the course.
    - The course and associated training material was compared with industry certification training for the Contract and Commercial Management designation offered by the International Association for Contract and Commercial Management.
- The survey administered to City contract administrators included questions regarding training and opinions on documented guidance.
- We sought opinions on training and documented guidance from contract administrators in our sample of case studies.
- The assessment of City training, and data from the survey and case studies form a basis of support for our audit opinion on training for administrators of contracts for goods and/or services.

Case Studies

- We selected a sample of eight awarded goods and/or services contracts for analysis of contract management practices and compliance with terms.
- Contracts were selected from the population of City of Winnipeg bid opportunities for 2017 and 2018. The non-statistical sample of contracts is not representative, but multiple variables were considered to ensure variety, including:

- Differing special operating agencies and divisions within City departments;
- Range in contract dollar value;
- Expenditure or revenue-generating transactions; and
- Contract risk and complexity.

- Each contract and associated bid opportunity was reviewed. Key contract terms and requirements were identified and used as a basis for lines of inquiry.
- We met with each of the eight contract administrators and their supervisors, all independently, to discuss contract details and ask questions related to contract management practices.
- We assessed information that was collected for areas of risk, key controls, and relationship to our audit criteria.
  - Contract management practices were assessed against our audit criteria.
  - Key controls in each contract were tested in order to provide assurance on operating effectiveness.
  - Instances of insufficient managing and monitoring, including process details, have been communicated to the contract administrators and their supervisors.
- Control testing outcomes and all other relevant case study findings support our audit opinions and recommendations.

APPENDIX 3 – Overview of the Case Studies

High-level summaries of the case studies' demographics, assessment of key criteria, and key findings are noted below.

Select Overview of Case Study Contracts	Case Study A	Case Study B	Case Study C	Case Study D	Case Study E	Case Study F	Case Study G	Case Study H
Contract value[1]	<$10,000	$10,000 - $20,000	$100,000 - $150,000	$250,000 - $500,000	$500,000 - $1,000,000	$1,500,000 - $2,500,000	$2,500,000 - $5,000,000	>$5,000,000
Years of experience as a contract administrator and with the City as a contract administrator[2]	4 w/city 4 total	9 w/city 9 total	20+w/city 20+ total	5 w/city 30+ total	1 w/city 2+ total	5 w/city 5 total	6 w/city 6 total	12 w/city 12 total
Approx. average # and total $ value of contracts managed annually by the contract administrator	3-4 $1,000,000	2 $70,000	3 $530,000	21 $1,600,000	3 $530,000	1 $2,000,000	15 $10,000,000	1 $9,000,000
Approx. time allocated to contract administration[3]	15%	minimal	1%	3%	10%	8%	17%	50%
Contract administrator has taken the City's Procurement & Contract Administration Course and found it useful for administering post-award contracts	Not completed	Completed, Unsure if useful	Completed, Not useful	Completed Yes, useful	Completed, Useful for pre-award	Completed, Not useful	Completed, Not useful	Completed Yes, useful
Contract administrator aware of Section 9, Contract Administration of the City's Project Management Manual and found it useful for administering post-award contracts	No	Yes, Not useful	Yes, Somewhat useful	Yes, Not useful	Yes, Unsure if useful	Yes, Unsure if useful	Yes, Not useful	Yes, Unsure if useful
Contract administrator has signed off on the City's Code of Conduct	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes

[1] Contract values are based on Materials Management Purtrac System.
[2] Figures have been rounded up.
[3] The average time estimated by contract administrators was converted by Audit for a consistent format.

Key Criteria	Case Study A	Case Study B	Case Study C	Case Study D	Case Study E	Case Study F	Case Study G	Case Study H
Defined and documented contract administrator roles and responsibilities	No	No	No	No	No	No	No	No
Defined and documented procedures for administering contracts[1]	No	No	No	No	No	Limited	No	No
Monitoring for compliance with contract requirements and transactions	No	Yes[2]	Yes, not documented	Limited, not documented	Yes, not documented	Yes, not documented	Limited, not documented	Yes
Monitor and address vendor performance issues	No performance issues noted	No performance issues noted	No performance issues noted	No performance issues noted	Yes	Yes	Yes	No performance issues noted
Defined and documented contract change process	Yes, w/30 day notice	No	No	Yes, but price only	No	No	Yes, w/30 day notice	Yes
Contribute/influence to change management (i.e. lessons learned)	Informal process	Informal process	Informal process	Informal process	Informal process	Informal process	Informal process	Informal process
Monitoring contract administrator performance and compliance with terms	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal	Yes
Monitoring and managing the contract payment process	Minimal	Yes	Minimal	Minimal	Yes	Yes[3]	Yes	Yes
Contract use and dollars are documented, tracked, and reported periodically	No	No	Yes, use & dollars, no reporting	Yes, use & dollars, no reporting	Yes, use & dollars, no reporting	Yes	Yes, use & dollars, no reporting	N/A[4]

[1] This does not include the bid opportunity.
[2] Contract was for service on demand and monitoring in place through operational processes.
[3] There appear to be sufficient processes in place for this criterion; however, we were unable to verify whether the payment controls were operating effectively due to limited information available as a result of COVID-19 restrictions.
[4] Contract was too new to assess criteria.

Key Takeaways:

Key Case Study Findings:
Case Study A: • Limited monitoring of vendor performance; resulting in lack of assurance that services paid for are received. • Invoices and payments are reviewed and approved, but invoice amounts were not verified to amount purchased. • Expenditures exceeded intended contract maximum without required approval of over-expenditure report. • The contract administrator did not complete the City's Procurement & Contract Administration course.
Case Study B: • Straightforward contract for as needed services, with built in operational processes and procedures.
Case Study C: • Invoice and payments reviewed and approved, but invoice amounts not verified to amount purchased and delivered. • The amount of goods purchased was tracked and documented; however, there was no evidence of review for reasonableness.
Case Study D: • Limited verification of allowable price adjustments. • Minimal monitoring of vendor performance; resulting in lack of assurance that the transaction value is accurate.
Case Study E: • Services paid for were inconsistently verified to services received. • Code of Conduct/Conflict of Interest declaration not completed by contract administrator.
Case Study F: • Lack of monitoring and documentation for service response times; resulting in potential breach of contract and uncollected liquidation damages. The contract administrator is aware of the issue and working with the contractor to resolve it.
Case Study G: • No evidence of required approval for service equipment prior to use; could lead to potential public safety issue.
Case Study H: • For the areas tested, this was a well-managed contract.

APPENDIX 4 – Top 10 List for Contract Administration Responsibilities[1]:

Each contract administrator is expected to[2]:

1. Review the City of Winnipeg's Conflict of Interest Policy. Each real or perceived conflict must be discussed with the supervisor, documented and addressed in accordance with the Policy.

2. Review the bid opportunity and contract and identify specific deliverables prior to taking on the contract administration duties.

3. Assess risks that may impact the vendor's ability to meet contract terms or potential for fraud. Document and implement strategies to minimize the risks.

4. Define and document procedures for administering and monitoring each contract; include who is responsible for each procedure, when they are to be completed, and what (if any) outputs are produced.

5. Monitor vendor performance and progress towards meeting each contract objective. Document monitoring activities, outcomes and actions taken to address issues.

6. In the event of a significant issue, such as non-performance and/or breach of contract, refer to guidance on the Materials Management website (http://citynet/matmgt/debar.stm), or directly contact a Contract Officer.

7. Define and document the payment process. This includes verification of the price and units of goods/services received or sold, review and approval of invoices and supporting documentation, and tracking budgeted to actual costs or revenues.

8. Prepare and seek approval for an over-expenditure report prior to reaching the contract maximum, as directed by Administrative Standard FM002.

9. Ensure all contract changes, renewals and/or extensions are documented and approved by the appropriate authority. Keep all related documentation in a vendor file.

10. Ensure all contract terms have been satisfied, and any outstanding issues have been addressed prior to processing the final payment.

[1] The 10 top list was developed through research of Canadian jurisdictions, industry leading practices and training for certification in contract management that are identified in section 1.3 of the report.
[2] The Top 10 List is for discussion purposes and should not be interpreted by management as comprehensive listing of key roles and responsibilities.

APPENDIX 5 – Audit Methodology

MANDATE OF THE CITY AUDITOR

- The City Auditor is a statutory officer appointed by City Council under *The City of Winnipeg Charter*. The City Auditor is independent of the Public Service and reports directly to Executive Policy Committee, which serves as the City's Audit Committee.
- The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.
- Once an audit report has been communicated to Council, it becomes a public document.

PROJECT RISK ANALYSIS

- Our audits are conducted using a risk- based methodology.
- We considered the following potential risks when assessing whether the City has appropriate contract management practices for goods and/or services contracts:
    - Is there oversight for contract management within the City of Winnipeg?
    - Does the City have defined roles and responsibilities?
    - Does the City provide adequate training for administration of contracts?
    - Are there defined processes and/or procedures for managing a contract? Do the procedures assess vendor performance and compliance? Are performance issues addressed?
    - Are contract administrators monitored for performance in their role? Is there a place for transition on the role?
    - Are there processes to ensure an ethical contract administration environment?
    - Are payment processes managed and monitored for contract terms? Are payments documents and reported?
- Individual audit area risk assessments are provided for each issue discussed. The assessments discuss and detail the residual risk for issues after considering the City's mitigating risk controls.

- The scope of our audit included researching industry leading practices and certifications for contract management to establish criteria that was used to develop lines of inquiry,

SCOPE

assess City training for contract administrators, and to evaluate the City's contract administration practices.

- We also administered a survey to goods and/or service contract administrators and conducted eight case studies. The contracts for the case studies were selected from 2017-2018 bid opportunities.
- Other matters:
  As outlined above in the overview section, our stated procedures for the case studies included examining supporting documentation by City of Winnipeg Departments for control testing. Prior to the effects of COVID-19, the Audit team would have been on site and the City staff would have provided physical copies for review of specific and applicable documentation supporting the controls in place. To address the social distancing requirements associated with COVID-19, we were unable to gain access to the physical documents, and our audit procedures were revised to include:
  - Requesting specific file documentation from City staff to support the applicable control, this was subsequently provided to the Audit Department in electronic form. The electronic support did not always provide sufficient evidence for control testing.
  - Establishing a cut-off date of May 29th to receive supporting documentation for fieldwork after multiple follow-up requests. This resulted in a scope limitation for a couple of the case studies noted in **Appendix 1**.

APPROACH AND CRITERIA

- We conducted our 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 observations and conclusions, based on our audit objectives. We believe the evidence we have obtained provides a reasonable basis for our observations and conclusions.
- To gather sufficient appropriate evidence for our audit we conducted interviews with contract administrators and their supervisors across various City departments and special operating agencies to gain an understanding of how the City manages administration and oversight of contracts for goods and services once the contract has been awarded.

APPENDIX 6 – Risk Assessment Worksheet

Potential Impacts / Likelihood	Insignificant - None or minor change in services, project or processes - Very limited exposure of sensitive information - Very minor, non-permanent environmental damage - Financial impact < $100K	Minor - Minor change in achievement of service objectives - Limited exposure of sensitive information - Minor, non-permanent environmental damage - Financial impact $100K – $500K	Moderate - Moderate change in delivery of essential services - Exposure of limited amount of confidential information - Moderate environmental damage - Financial impact $500K – $1M	Major - Significant change in delivery of essential services - Exposure of significant amount of confidential information - Significant change in quality of life indicators - Major environmental damage - Financial impact $1M – $10M	Extreme - Unable to perform essential services for extended period Exposure of critical confidential information - Very significant change in quality of life indicators - Significant damage to environment - Financial impact >$10M
Almost certain (Excepted to occur unless circumstances change)	M	M	H	C	C
Likely (Probably occur in most circumstances)	M	M	H	C	C
Possible (Might occur under different circumstances)	L	M	M	H	H
Unlikely (Could occur if circumstances change)	L	L	M	H	H
Rare (May occur in exceptional circumstances)	L	L	M	M	M

Legend

C Critical risk:	Requires urgent action, monitor and review at least weekly by Senior Management and COO, inform CAO and Committee of Council
H High risk:	High impact, monitor and review at least quarterly by management, inform COO
M Moderate risk:	Monitor and review at least quarterly by management
L Low risk:	Review periodically, no explicit action required.