



## *Performance Audit:*

### **Expired Contracts and Cooperative Agreements**

#### *What We Found*

The Department of Procurement is required by city code to notify user departments of contract expiration. The department began notifying users of contract expiration in 2018, primarily via email.

The Department of Procurement tracks citywide contracts manually using a spreadsheet called a combined division report. Information from the report is loaded into Oracle and used to generate the automated notifications to user departments. The report is incomplete, which limits its usefulness and results in some notifications falling through the cracks. This has contributed to the city retroactively approving contracts to make payments on expired contracts. Procurement staff stated the Oracle Cloud upgrade should streamline contract tracking and notification.

The city code allows the chief procurement officer to participate in cooperative agreements already procured by other public entities to procure goods, services, or construction, but must certify that the agreement was competitively procured. Cooperative agreements can reduce administrative costs and allow the city to meet needs more quickly than through a formal procurement process. Procurement staff told us that departments may use cooperative agreements due to a lack of planning and may not communicate needs timely enough to avoid a service disruption or other operational impacts.

We found that the city cannot be fully assured that cooperative agreements provide the best value. We reviewed 20 randomly selected cooperative agreements and found that 18 did not contain all documents to show competitive pricing, such as price comparisons or market data. Two of these packages contained pricing support. We identified 77 unique cooperative agreements in legislation between 2017 and 2018 totaling approximately \$88.2 million. Atlanta Information Management and Watershed Management are the city's top users of cooperative agreements.

#### *Why We Did This Audit*

We undertook this audit because city councilmembers expressed concern about the city paying on expired contracts. Our audit reviews the city's administration of contracts, including amendments, renewals, extensions, and expiration. It also examines roles and responsibilities of the Department of Procurement and user agencies and evaluates the completeness of data sources used by contract administrators to monitor the status of existing agreements.

#### *What We Recommended*

To reduce the risk of operating with and making payments on expired contracts, the chief procurement officer and user agencies should:

- ensure that all active contracts are included on the combined division report and the status of the contracts is up-to-date
- once the Oracle Cloud upgrade is available, procurement staff should ensure that the complete contract inventory is entered and maintained in the system and used to notify user departments of expiring contracts based on the schedule outlined in Department of Procurement standard operating procedures

To ensure that the city is obtaining competitive pricing when using cooperative agreements, the chief procurement officer should:

- ensure that user departments submit all required documents in the request packages
- require user departments to submit price comparisons or market research to support the use of cooperative agreements

For more information regarding this report, please use the "contact" link on our website at [www.atlauditor.org](http://www.atlauditor.org)

## Management Responses to Audit Recommendations

### Summary of Management Responses

**Recommendation #1:** To reduce the risk of operating with and making payments on expired contracts, the chief procurement officer should ensure that the complete contract inventory is entered and maintained in the Oracle system and used to notify user departments of expiring contracts based on the schedule outlined in procurement's procedures.

**Response & Proposed Action:** The procurement department is actively engaged in entering contracts into Oracle ATL cloud system, and the system is set to automatically notify identified resources at 210 days before expiration. The department has also developed a supplemental ad hoc report which can also be used to track expiration dates. **Agree**

**Timeframe:** December 2019

**Recommendation #2:** To reduce the risk of operating with and making payments on expired contracts, the chief procurement officer should ensure that all active contracts are included on the combined division report and the status of the contracts is up-to-date.

**Response & Proposed Action:** The department is working to ensure that all active contracts are recorded; however, as Oracle reporting capabilities advance, the department will likely move away from manually produced spreadsheets such as the combined development report. Nevertheless, the Department of Procurement agrees that the referenced contract data must be reported in a standard report that is available upon demand. **Partially Agree**

**Timeframe:** December 2019

**Recommendation #3:** To ensure that the city is obtaining competitive pricing when using cooperative agreements, the chief procurement officer should ensure that user departments submit all required documents in the request packages.

**Response & Proposed Action:** The department will ensure that using agencies are made aware of all requirements for cooperative procurement requests and that procurement professionals receive refresher training on how to review and process cooperative agreement requests. **Agree**

**Timeframe:** September 2019

**Recommendation #4:** To ensure that the city is obtaining competitive pricing when using cooperative agreements, the chief procurement officer should require user departments to submit price comparisons or market data to support the use of cooperative agreements.

**Response & Proposed Action:** The procurement department will continue to emphasize the requirement for using agencies to provide adequate price comparison information and ensure that using agencies are aware of the requirement. **Agree**

**Timeframe:** September 2019

---

**Recommendation #5:** To ensure that the city is obtaining competitive pricing when using cooperative agreements, the chief procurement officer should work with law and user departments to propose changes to city code for City Council consideration to better match the timing of written notices of contract expiration to the procurement cycle.

**Response & Proposed Action:** The chief procurement officer will continue to coordinate with the law department and using agencies, as appropriate, to assess the extent to which changes to city code to align the timing of contract expiration notices with the procurement cycle is an effective means of ensuring competitive pricing when using cooperative agreements.

**Partially Agree**

**Timeframe:** September 2019

---