

# Council Threshold Compliance and Controls



**City of Charlotte**  
**Internal Audit Department**  
600 E. Fourth St.  
Charlotte, NC 28202

## **Staff**

**City Auditor**  
Gregory L. McDowell, CPA, CIA  
**Deputy City Auditor**  
Tina Adams, CPA, CIA  
**Senior Auditor**  
Lynette Stover

# Council Threshold Compliance and Controls Executive Summary

## Purpose

This audit was conducted to determine whether City Procurement has adequate processes and procedures in place for the execution of contracts and amendments from \$100,000 to \$500,000 that are signed by the City Manager's Office.

## Background

In 2017, Internal Audit conducted a review and determined the delegated authority to the City Manager should be approved to award contracts and amendments up to \$500,000.

On December 17, 2018, City Council adopted a resolution authorizing the City Manager to award, approve, and execute contracts and amendments to contracts up to \$500,000.

## Conclusion

City Procurement controls for City Manager approval of contracts from \$100,000 to \$500,000 are adequate.

## Highlights

**1. *Between December 18, 2018 and December 31, 2019, the City properly documented, reviewed and executed contracts awarded with values from \$100,000 to \$500,000.***

- Adequate processes and procedures were in place.

**2. *Threshold contract support documentation should be readily available.***

- Supporting documentation was not always uploaded to SharePoint site by Departments.

## Recommendations

- 1) City Procurement should generate a quarterly threshold contract report within 30 days following each quarter end and submit the report to the City Manager's Office for distribution to Council.
- 2) Departments should upload all required documents prior to submitting the contract document routing form. City Procurement should verify that all required documentation is uploaded to the SharePoint library prior to approval by the City Manager's Office.

## Actions Planned

City Procurement will generate the threshold contract report quarterly and submit to the City Manager's Office for distribution to Council. They will coordinate with departments to ensure the required documentation is uploaded to the SharePoint library.

## Contents

Highlights .....	1
Background .....	3
Objective .....	3
Scope, Methodology, and Compliance .....	3
Findings .....	5
1. <i>Between December 18, 2018 and December 31, 2019, the City properly documented, reviewed and executed contracts awarded with values from \$100,000 to \$500,000. ....</i>	5
2. <i>Threshold contract support documentation should be readily available. ....</i>	5
Conclusion .....	6
Distribution of Report .....	6

## Background

---

In 2017, Internal Audit conducted a review to determine whether the threshold for Council contract approval should be increased. The findings determined that opportunities existed to increase efficiencies. The City Auditor recommended that the City Manager's approval level for construction, goods and service contracts normally presented as part of the Consent Agenda be increased from \$100,000 to \$500,000, with subsequent notification to Council of approvals in that range. On December 17, 2018, City Council adopted a resolution to effect the recommended increase.

City Procurement, a division of the General Services Department is responsible for the centralized oversight of procurement and contracting activities and implemented enhanced oversight to support the modifications of contract award per the resolution. The approval process known as the Contracts, Amendments, Change Orders (CACO) provides instructions for departments when preparing contract documents for signature routing and execution. The process is divided into the following three areas:

- General information for preparing and routing packets for signatures
- Mandatory supporting documentation for the procurement process
- Completing the contract/amendment/change order routing form submission

## Objective

---

This audit was conducted to determine whether City Procurement has adequate processes and procedures in place for the execution of contracts and amendments from \$100,000 to \$500,000 that are signed by the City Manager's Office.

## Scope, Methodology, and Compliance

---

### Scope

The audit covers contracts and amendments from \$100,000 to \$500,000 executed after the December 17, 2018 City Council Resolution and as reported to Council by City Procurement for the period December 18, 2018 to December 31, 2019.

### Methodology

Audit staff performed the following procedures to accomplish the audit objectives:

1. Analyzed all contracts, amendments and change orders executed between December 18, 2018 and December 31, 2019. The sample size was established based on the number of contracts, using a statistical sampling tool. The testing selection was made using a random number generator.
2. Conducted attribute testing on the sample selections based on City Procurement's processes and procedures.

## Compliance

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Findings

---

### ***1. Between December 18, 2018 and December 31, 2019, the City properly documented, reviewed and executed contracts awarded with values from \$100,000 to \$500,000.***

Two reports were prepared and distributed to City Council addressing the period audited, detailing contracts signed by the City Manager's Office under the new authority approved by Council in December 2018:

- 12/18/18 – 6/30/19; provided in July 2019; detailing 87 contracts
- 7/1/19 – 12/31/19; provided in March 2020, detailing 97 contracts

Auditors selected a sample and reviewed 27% of these contracts. The award and execution of each followed the City's procurement policies, as established by City Procurement.

***Recommendation:*** City Procurement should generate a quarterly threshold contract report within 30 days following each quarter end and submit the report to the City Manager's Office for distribution to Council.

***Value Added:*** Compliance; Efficiency

***Management Response:*** Agreed. City Procurement will be responsible for generating the threshold contract report quarterly and will submit same quarterly report to the City Manager's Office within 30 days of each quarter end. City Procurement will implement this action upon the completion of the first quarter of FY2021. Submission and timing of the threshold contract report to the City Council will be left to the discretion of the City Manager's Office and should be monitored for submission to meet the requirement to report to Council.

### ***2. Threshold contract support documentation should be readily available.***

City Procurement uses the Contracts, Amendments, Change Orders (CACO) approval process to identify contracts for inclusion in the report provided to Council. When departments submit contracts, amendments and change orders to City Procurement for review and processing, they are also required to upload supporting documentation to a SharePoint library. This information should be added prior to the submission of the contract document routing form as it supports City Procurement's verification that proper solicitation procedures are followed. Once approved, City Procurement uploads the approved contract document routing form to the SharePoint library.

Auditors tested 49 of the 184 contracts executed during the period December 18, 2018 through December 31, 2019. For most of the contracts reviewed, documentation was available to support City Procurement's review for compliance with applicable procurement policies. There were six contracts among four departments where some of the required documentation was not uploaded or available on City Procurement's SharePoint library site. Internal Audit reviewed the documentation of four contracts in Munis that were approved prior to the CACO

process implementation. The remaining two contracts were reviewed after being uploaded by City Procurement.

**Recommendation:** Departments should upload all required documents prior to submitting the contract document routing form. City Procurement should verify that all required documentation is uploaded to the SharePoint library prior to approval by the City Manager's Office.

**Value Added:** Compliance

**Management Response:** Agreed. City Procurement will follow up with additional communication to all departments detailing the importance of submission of all supporting documentation. This communication will include any necessary protocols and compliance tracking and reporting required to improve the availability of supporting documentation required for verification and will be sent out not later than the first quarter of FY2021. City Procurement will continue to work to ensure that all required supporting documentation is uploaded to the SharePoint site library prior to final approval of all contracts, amendments, and change orders by the City Manager's Office.

## Conclusion

---

City Procurement controls for City Manager approval of contracts from \$100,000 to \$500,000 are adequate.

## Distribution of Report

---

This report is intended for the use of the City Manager's Office, City Council, and all City Departments. Following issuance, audit reports are sent to City Council via the Council Memo and subsequently posted to the [Internal Audit website](#).