



Date: February 4, 2013
To: Thomas Bonfield, City Manager
From: Germaine Brewington, Director of Audit Services
Subject: Transmittal of Contract Administration and Change Order Performance Audit (November 2012)

Executive Summary

The Audit Services Department completed the report for the Contract Administration and Change Order Performance Audit dated November 2012. The purpose of the audit was to determine the adequacy of the controls over contract management and change orders at the Departments of General Services and Public Works. The audit period covered contracts that were open during FY 2012.

Background

A judgmental sample of contracts was selected for examination: eleven in the Department of Public Works and six in the Department of General Services.

At the Department of General Services the contractor, architect and the project manager are required to sign off on a change order before it is enacted. The staff primarily rely on the expertise of the architect to ensure the cost of each change order is reasonable. In addition, the project manager, team lead, assistant director and the financial manager also review the change orders for reasonableness. At the Department of Public Works, a formal process for approving change orders is not in place. Audit staff reviewed Resolution # 9673 and City of Durham Contract Procedures to understand the approval authority for change orders.

The Departments of General Services and Public Works have effective contract monitoring practices in place to monitor the performance of the contractors, although opportunities for improvement were identified for the Department of Public Works. The Departments also have an adequate payment approval process, although opportunities for improvement were identified for the Department of General Services. The Department of General Services has adequate controls over the change order process.

Issues and Analysis

The attached report details the objectives, observations, and results of the Contract Administration and Change Order Performance Audit dated November 2012.

Recommendation

The Department of Audit Services recommends the City Council receive and accept the Contract Administration and Change Order Performance Audit dated November 2012 as presented and approved at the January 28, 2013 Audit Services Oversight Committee meeting.