



Contract Compliance Review of Northeast Grounds Management, Inc.

June 2015

Office of Internal Audit

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June 25, 2015

Re: Contract Compliance Review of Northeast Grounds Management, Inc.

Honorable Audit Committee Members,

At your request, the Office of Internal Audit conducted a review of the Northeast Grounds Management, Inc. contract. The accompanying report details findings and recommendations for improvement. The results of the review have been discussed with City management who has taken numerous positive actions in response to these recommendations. City management's responses have been incorporated into the report.

This report is not intended to be an adverse reflection of the City or of its vendors; rather it is intended to contribute to the improvement of the City's risk management, control, and governance processes.

We wish to personally acknowledge the support received throughout this process from the Procurement and Parks, Buildings and Recreation Management Department management, their staff, and all others that helped to provide information during this review. We thank them for their cooperation and courtesies extended.

Respectfully submitted,

Yong Ju No
Director of Internal Audit

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Table of Contents

Highlights	1
Introduction and Background	2
Objectives, Scope, and Methodology	4
Findings and Recommendations	5

June 2015



Office of Internal Audit

Highlights

Why We Did This Study

This review was performed at the request of the Springfield City Council's Audit Committee. The request was made as a result of the recent financial issues with the City's contracted vendor at the time, Northeast Grounds Management, Inc.

What We Recommend

We made the following recommendations:

- Loosen the ten year experience requirement for vendors providing maintenance services on public grounds.
- Adopt a zero tolerance policy on compliance with annual bonding requirements.
- Implement a process to vet vendor's annual tax certification.
- Document changes to services and locations with signatures from both parties.
- Develop formal written policies and procedures to monitor grounds maintenance services.
- Improve contract execution process by obtaining all required documents and signatories prior to the commencement of work and payment to vendor.
- Use standardized contracts.

For more information, contact Yong No at (413) 784-4844 or yno@springfieldcityhall.com.

Contract Compliance Review of Northeast Grounds Management, Inc.

The City of Springfield (City) was unharmed by its contract with Northeast Grounds Management, Inc. (Northeast). However, opportunities exist to improve the City's processes in vetting vendors; documenting policies and procedures to monitor vendor services; and executing contracts, renewals, and amendments.

Background

Northeast was a grounds maintenance service company located in Springfield, MA and was the City's grounds maintenance vendor since 2005. The City terminated its contract with them in December 2014.

Objectives and Scope

The objectives of the review were to evaluate the accuracy of expenditures and whether payments made to Northeast were in accordance with contracts, renewals, and amendments.

Our review covered the period from August 2012 through December 2014.

What We Found

The requirement that bidders have ten years of experience in providing maintenance services on public lands in the 2012 Invitation for Bid appears to have been too restrictive as Northeast, the City's incumbent vendor, was the sole bidder.

The Fiscal Year 2015 contract renewal was unwarranted as the vendor was unable to obtain annual performance and labor and materials bonds.

The vendor's annual tax certification was not vetted. In Fiscal Year 2015, taxes of approximately \$45,000 were owed to the City of which \$19,000 in personal property taxes dated back to Fiscal Year 2013.

Changes to services and locations were not properly documented.

No formal written policies exist regarding departmental contract monitoring.

Critical documents were missing in contracts, renewals, and amendments. Additionally, the City did not fully execute certain amendments to the contract.

Standardized contracts were not used.



INTRODUCTION

On January 29, 2015, the City of Springfield's Audit Committee requested that the Office of Internal Audit (OIA) examine the Northeast Grounds Management, Inc. (Northeast) contract. Specifically, the OIA was asked to determine if the landscaping services on terraces were performed in accordance with contract provisions, test invoices from Northeast for overbillings to the City, review the bidding process used by the City, and determine if any exceptions were made to the contract. This report is not intended to be an adverse reflection of the City or of its vendors. The intent is for City management to utilize these findings and recommendations to improve its processes in vetting vendors, monitoring vendor services and accuracy of invoices, and executing contracts, renewals, and amendments.

BACKGROUND

In July 2012, the Department of Parks, Buildings and Recreation Management (PBRM) along with the Office of Procurement submitted an advertisement requesting sealed bids from qualified vendors (Invitation for Bid) for grounds maintenance services including snow and ice management. The requested services consisted of mowing, trimming, clean-up, snowplowing, sanding, salting and disposal of debris. The fixed-price services were to be applicable to specific enumerated school properties and municipal properties such as parks, terraces, traffic islands and other real estate. The initial term of the contract was one year for an estimated amount of \$1,500,000. The City retained the option to extend the contract for two, additional one-year periods. The Invitation for Bid among other things included the following requirements:

- Bidders have a minimum of ten years' experience in providing maintenance services on public lands, documentation that the vendor has the appropriate staff and equipment to complete the required work, at least three years' experience in conducting full service maintenance activities for a New England city or town for specified locations, and the proper completion of a proposal in the format required by the Invitation for Bid.
- The selected bidder has general liability coverage including amounts of \$2,000,000 for general aggregate and product liability/completed operations, \$1,000,000 for personal and advertising injury, and other requisite amounts.
- The selected bidder has both a performance bond and a labor and materials payment bond in the amount of 100% of the total contract amount.

The services were classified in accordance with the state's non-building Public Works project requirements under MGL Chapter 30 Section 39M. This section requires that the contract should be awarded to the lowest responsible and eligible bidder.¹ Several companies expressed interest in submitting bids; however, Northeast Grounds Management, Inc. was the sole bidder and was ultimately awarded the contract.

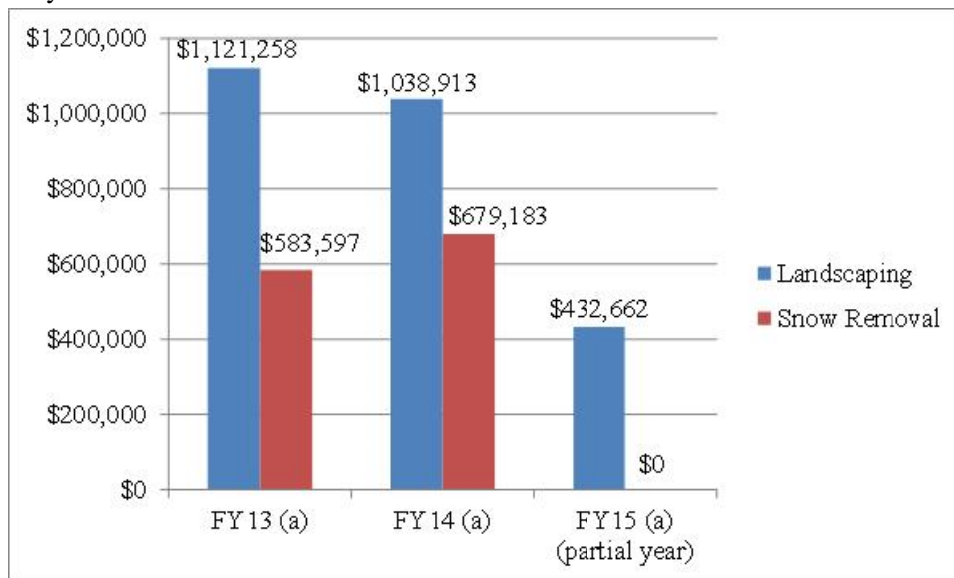
¹MGL Chapter 30 Section 39M: "The term 'lowest responsible and eligible bidder' shall mean the bidder: (1) whose bid is the lowest of those bidders possessing the skill, ability and integrity necessary for the faithful performance of the work; (2) who shall certify, that he is able to furnish labor that can work in harmony with all other elements of labor employed or to be employed in the work; (3) who shall certify that all employees to be employed at the worksite will have successfully completed a course in construction safety and health approved by the United States Occupational Safety and Health Administration that is at least 10 hours in duration at the time the employee begins work and who shall furnish documentation of successful completion of said course with the first certified payroll report for each employee; (4) who, where the provisions of section 8B of chapter 29 apply, shall have been determined to be qualified thereunder; and (5) who obtains within 10 days of the notification of contract award the security by bond required under section 29 of chapter 149; provided that for the purposes of this section the term "security by bond" shall mean the bond of a surety company qualified to do business under the



Northeast Grounds Management, Inc. was formed in 1998 and has been the City's grounds maintenance vendor since 2005. After the vendor was selected from the 2012 Invitation for Bid, the contract awarded and subsequent renewals occurred as follows:

Contract Term	Contract Amount	Change Orders Requested for Contract	Revised Contract Amount	Performance Bond	Labor and Materials Bond	Tax Certification Affidavit
August 1, 2012 - July 31, 2013	\$ 1,500,000	\$ 375,000	\$ 1,875,000	\$ 1,500,000	\$ 1,500,000	Obtained
August 1, 2013 - July 31, 2014	1,875,000	-	1,875,000	Not obtained	Not obtained	Not obtained
August 1, 2014 - July 31, 2015 (1)	1,500,000	-	1,500,000	Not obtained	Not obtained	Obtained
August 1, 2014- August 31, 2014	193,435	-	193,435	Not obtained	Not obtained	Not applicable
September 1, 2014 - September 30, 2014	133,435	-	133,435	193,435	193,435	Not applicable
October 1, 2014 - October 31, 2014	133,435	-	133,435	133,435	133,435	Not applicable
November 1, 2014 - July 31, 2015 (2)	\$ 800,000	\$ -	\$ 800,000	\$ 800,000	\$ 800,000	Not applicable
<i>(1) Contract was prepared but not utilized; month to month contracts superceded this contract</i>						
<i>(2) Contract was terminated in December 2014.</i>						

In general, the contract called for two types of services: landscaping and snow removal services. Vendor invoices by fiscal year and by service are illustrated below:



(a) The City's fiscal year expenditures do not conform to the City's contracted amounts due to differences in periods, i.e., the term of contract was from August to July.

laws of the commonwealth and satisfactory to the awarding authority; provided further, that if there is more than 1 surety company, the surety companies shall be jointly and severally liable."



This graph indicates that there were decreases in landscaping services from Fiscal Year (FY)13 to FY15. These decreases were due to budgetary cuts in FY14 and FY15 as well as the outsourcing of the maintenance of non-irrigated terraces by the Hampden County Sheriff's Department in FY15.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objectives of this review were to:

- Evaluate the accuracy of expenditures and whether payments made to Northeast Grounds Management, Inc. were in accordance with contracts and amendments.
- Confirm that the vendor complied with contractual key provisions of the agreements.
- Review the controls surrounding the City's solicitation and contract process to ensure controls are operating as intended and in accordance with procurement policies and procedures.

Scope

Our review of the Northeast Grounds Management Inc. contract covered the periods from August 2012 through December 2014.

Methodology

To achieve our objectives, we performed the following:

- Interviewed Park, Building, and Recreation Management (PBRM) employees responsible for overseeing the Northeast Grounds Management, Inc. contract.
- Interviewed employees from the Office of Procurement to gain an understanding of the City's bidding process utilized for the contract.
- Reviewed the contracts and amendments related to Northeast Grounds Management, Inc.
- Reviewed complaints received through the City's 311 Department from June 2014 through December 2014 relevant to the contract and obtained responses/resolutions from the PBRM department.
- Confirmed that the surety companies listed on the bonds and insurance companies were licensed to do business in Massachusetts.
- Developed tests to determine whether there were any potential duplicate invoices. Invoices dated between October 31, 2012 through December 5, 2014 were tested.



- Selected and tested a sample of transactions for the period from June 2014 to December 2014 to confirm that all tested invoices were accurately calculated and properly in accordance with the pricing and services per the agreement. Responses and documents were obtained from the PBRM department for any discrepancies.
- Compared expenditures against limits set by contracts and amendments.

Our findings and related recommendations are in the following sections of this report. The responsibilities for the preparation, administration, and monitoring of this grounds maintenance contract in general involve primarily the Office of Procurement and the Parks, Building, Recreation Management Department. Each department was given the opportunity to respond to the findings. We have noted next to each management's response to which department the finding is applicable. The departmental responses are incorporated into the report following each finding and recommendation.

FINDINGS AND RECOMMENDATIONS

Finding 1: The experience requirement in the 2012 Invitation for Bid appears to have been too restrictive.

Open and fair competition is vital in public sector procurement. There should be equal access for competition by vendors for public contracts without discrimination, denial of access, or unfair advantages. However it is a balancing act in that vendors must also be able to meet any required specified qualifications to be awarded a public contract.

The experience requirement the City specified in its Invitation for Bid posted on July 2, 2012 indicated that qualified vendors should have at least ten years' experience in providing maintenance services on public lands among other requirements. Northeast Grounds Management, Inc. was the only vendor who met the requirements and applied.

The experience requirement appears to have been too restrictive as only one bidder applied: Northeast Grounds Management, Inc., the City's incumbent vendor. We researched the IFB's in other municipalities in the Commonwealth. Although somewhat smaller, the City of Brockton, MA and City of Waltham, MA as a comparison did not specify a minimum years' experience in providing maintenance services on public grounds in requests for bids for snow plowing services in 2014 and 2013, respectively.² The City of Springfield did revise its experience requirement from ten years to five years in its subsequent IFB for grounds maintenance in January 2015.

Although the City's intent for obtaining only highly qualified vendors is commendable and a best practice, having only one vendor submit a bid response and proposal may result in the City not obtaining the best price for services sought. Vendors receiving an unfair competitive advantage can decrease quality and enable them to artificially inflate prices.

² The City of Brockton, MA has a 2013 population estimate of 94,089 and twenty-eight schools. The City of Waltham, MA has a 2013 population estimate of 62,227 and nine schools. Sources: <http://factfinder.census.gov>, www.brocktonpublicschools.com, www.walthampublicschhols.org.



Recommendations

We recommend that City Management continue to loosen its experience requirements of ten years in order to encourage more vendors to apply in any future request for bids. Although we do not recommend lowering our standards for City services, the City should strive to encourage fair competition as a best practice.

Management Response (Office of Procurement)

We concur with the auditor's finding. The Office of Procurement and Parks and Recreation believed that 10 years was the appropriate experience requirement for vendors in our 2012 Request for Bid for grounds maintenance based on overall scope of work and market research. We have since changed the experience requirement to 5 years in our most recent request for bid for grounds maintenance.

Finding 2: Contract renewal was unwarranted as vendor was unable to obtain an annual performance and labor and materials bonds.

Performance and labor and materials bonds are required to provide protection to the City from financial loss should the vendor fail to perform according to the terms and conditions of the contract. These bonds effectively shift the cost of a default to a surety company instead of having the City/taxpayer assume the risk. Bonding capacity is a crucial and an appropriate safeguard to ensure vendors are capable of undertaking performance on a contract.

In June 2014, a contract renewal was drafted for FY15 in the amount of \$1,500,000. Northeast Grounds Management, Inc. was unable to obtain the annual bonds required under the contract. City Management then restructured the contract on a month-to-month basis, commencing in August 2014. Monthly performance and labor/material bonds were obtained for September 2014 and October 2014.

Municipal officials have a responsibility to protect public assets, ensure that contracts are adhered to, and ensure that taxpayers obtain what they are paying for under those contracts. Knowledge of a vendor's financial status is critical for municipalities. It is an ideal method to ensure the vendor is able to perform in the taxpayer's best interest. Currently one of the only formal means the City has to determine financial viability is whether the vendor can obtain required annual bonding. The inability to provide required bonding information should have been used as the primary litmus test to indicate the vendor's financial incapacity. Management's decision to allow the vendor's continued performance could have been detrimental to the City's best interests.

Recommendations

We recommend that City Management adopt a zero tolerance policy for executing contracts or amendments where bonding cannot be obtained by the vendor. The City should strive to ensure vendors are in compliance with the City's standards without compromise.

We also recommend that City Management implement a comprehensive process to identify a bidder's financial issues prior to awarding significant contracts. The Massachusetts Office of the Inspector General (IG) recommends as another means of financial assessment, vendors submit information from a credit reporting agency such as Equifax, Experian, TransUnion and/or Dun & Bradstreet.



Per the IG below are examples of potential requests for financial references that can be utilized:

Example: Each bidder must submit a credit report from a credit reporting agency containing the bidder's credit history for the last seven (7) years. The credit report must be dated no earlier than 60 days prior to the bid submission date.

Example: Each bidder must submit a business information report or business profile from a credit reporting agency. The report must be dated no earlier than sixty (60) days prior to the bid submission date.

Management Response (Office of Procurement)

We concur with the auditor's finding. Northeast Grounds Management (NEG) represented a local, Springfield based vendor who had an excellent history of past performance of services. Given its status as an exceptional "corporate citizen" to the City, the joint decision was made by Procurement, DPBRM, and Finance to allow the City to partially renew the contract with Northeast, on a monthly basis until it was able to secure full bonding for the amount remaining on the contract as a temporary measure only for the months of August, September, and October of 2014. Partial contract renewals and monthly bonding allowances were a special and deliberate deviation from this practice was decided by several departments for NEG only, and at no point were the City's interests in jeopardy (it should be noted the vendor was also fully insured during this time period). When Northeast did financially collapse, Procurement immediately reacted by issuing the pre-prepared bid specifications, to ensure services were in place for the critical winter months.

Finding 3: Vendor's Annual Tax Certification Affidavit was not vetted.

The City's Invitation for Bid requires compliance with Federal, Commonwealth of Massachusetts, and City of Springfield tax laws. Vendors must complete a Tax Certification Affidavit as an attachment to the bid proposal. The affidavit requires a notarized vendor signature as certification under the pains and penalties of perjury that the vendor is in compliance with all taxes required by law. Vendors not in compliance are disqualified from the bidding process. The City also requires vendors to supply such an affidavit with contracts and contract renewals. Northeast Grounds Management, Inc. provided two signed affidavits during the course of the contracted services. However, information on the certifications was not vetted by the City prior to the award of the bid, contracts, or contract renewals. Northeast owed the City taxes of \$45,301 in FY2015 of which \$18,737 in personal property taxes dated back to FY2013.

In December 2014, the Comptroller's office in collaboration with the City Treasurer/Collectors office proactively chose to verify compliance by the vendor with City of Springfield tax laws after news of the vendor's financial issues surfaced. It was discovered that the vendor owed the City \$7,689 in 2014 excise taxes and \$37,612 in 2012-2015 personal property taxes. The taxes were then withheld out of funds earmarked to be paid to the vendor for an outstanding invoice.

The awarding of contracts to vendors with outstanding tax liabilities presents a risk to the City of potential non-performance of contractual services.



Recommendations

We recommend that City Management implement formal consistent procedures for the verification that taxes are up to date to ensure bidders are properly excluded from the bidding process if they are not in compliance with City tax laws. This same process should be utilized before significant contracts and renewals are awarded/executed. This vetting process should be part of a comprehensive strategy to identify potential vendor financial issues to protect the assets of the City and to minimize the risk that crucial City services may be adversely impacted.

Management Response (Office of Procurement)

We concur with the auditor's finding. Procurement has processed over 1155 contracts to date, current staffing levels make checking every tax affidavit extremely difficult, if not impossible. Vetting every contract would also make the current contract processing times longer, and must also be considered. It should also be noted that the City vetting process would verify whether or not a vendor owes City of Springfield fees, and checks on the State and Federal level would be additional processes.

Procurement is currently working with the Office of the Collector to establish a procedure to performing tax checks on contracts of significance or over a certain dollar threshold that keeps contract processing times to a minimum, but is limited by staffing issues in both Departments. Procurement understands that the Office of the Collector has created and is actively recruiting for a staff position that would monitor the tax status of City vendors and work with the Office of Procurement as a liaison for this purpose. In the case at present the Vendor's tax status was vetted after the financial difficulty became apparent. City taxes were found to be owed, and the money was ultimately collected by the Office of the Collector by deducting it from what the contractor was owed.

Finding 4: Changes to service and locations were not properly documented.

The contract includes a proposal sheet submitted by Northeast Grounds Management, Inc. The proposal sheet includes itemized pricing for distinct sites and specifically listed services. The sites list each school, municipal building, terrace, and Park by name. Also included in the vendor's proposal sheet were prices submitted for each of the following services (if applicable to the particular location): mowing, trimming, spring cleanup, fall cleanup, parking lot plowing, parking lot ice control, sidewalk snow clear, and sidewalk ice control.

During the course of the contract period July 2014 to December 2014, services were requested for and provided to additional sites not originally listed in the contract. Additional non-contractual services were also requested and provided including pruning, edging and mulching. Out of the 31 invoices that were sampled and tested, 24 contained sites and/or services that could not be matched to the original contract. In one instance the PBRM negotiated altered payment terms for requested services. A lower price was agreed to rather than the prices that were reflected in the contract.

The contract allows the City to add or remove sites at fixed prices based on acreage. The PBRM department did document some of the site additions in letters to the vendor, however the letters were not signed by the vendor nor was it evident whether the pricing was based on acreage as per the contract. The additional services were not agreed to in writing by both parties nor were there any related contract amendments for the additional services.

Lack of support for changes in contract could lead to misunderstandings of work to be performed by vendor and expose the City to unnecessary services and liability.



Recommendations

The contract allowed the City to modify contracted sites by a pre-determined methodology based on the acreage of the site. The City should abide by its contracts and ensure changes are fully detailed in the manner outlined in the contract. Going forward, PRBM changes that are contractually allowed should always be agreed to in writing by both parties and calculated in the manner specified in the contract. Other non-contractual changes such as price variations, additional or reduced services required by the City, etc. should be provided to the Office of Procurement and require the preparation of a formal contract amendment.

Management Response (PBRM)

The department requested all pricing in writing from the vendor. The department meets monthly with the vendor to review work performance and scheduled work. All funding was encumbered and the department did not exceed the contract encumbrance amount. The department will work with Procurement and Law to determine when a formal amendment is required.

Management Response (Office of Procurement)

While this recommendation was directed to DPBRM, it should be noted that whenever a change in the scope of services or amount needed for services, for any contracts, are reported to Procurement amendments are drafted to reflect an increase or decrease in the contract services and corresponding contract value. The form for amendments are currently being modified and revised to include specific justification as requested by department heads.

Finding 5: No formal written policies exist regarding departmental contract monitoring.

As the departmental administrator/manager of these agreements, it was incumbent upon the PBRM department to closely monitor and ensure strict compliance to achieve the objectives that are mandated in the grounds maintenance contract documents. Invoice accuracy monitoring is a challenge given the numerous properties that are serviced, the seasonal nature of the services performed, and the need for physical observation to ensure the services were performed in an acceptable manner. An additional complexity stems from the non-contractual sites and services that were added throughout the course of the agreement (see previous finding) that also are monitored for performance.

Internal practices are performed to determine the accuracy of vendor invoices submitted for payment. Due to the monitoring of contracted services and sites by the PBRM department from August 2014 to December 2014, vendor overbilling of listed work, work that was not performed, and work that was not deemed to have been performed satisfactorily, were properly caught and were not paid to the vendor. Therefore the City was able to proactively save \$70,312. However, there were no written policies and procedures to ensure that these practices are consistently followed.

Lack of formal written policies and procedures can lead to misunderstandings. Failure to provide employees with policies and procedures/guidelines leaves much too individual interpretation, and can adversely affect job performance including reducing efficiency on the job.



An essential element of internal control is a system of authorization and documentation, which can be achieved through the establishment and implementation of formal policies and procedures. Formal policies and procedures communicate management's intentions and expectations, and provide employees with written procedures to carry out activities in an effective and efficient manner.

Recommendations

The PBRM department should develop written policies and procedures regarding monitoring grounds maintenance services and the accuracy of related invoices. For example it should be specified when the City shall inspect the service location (same business day, next business day, etc.), the process for ensuring the invoice amounts are calculated correctly and are in accordance with contractually agreed upon amounts, etc. Upon inspection if the specified work has not been completed, a policy should be documented regarding communicating necessary corrective measures. A process should be in place for communicating billing adjustments to the vendor as well as formally adopting any terms or conditions changes via a contract amendment as warranted. Once developed and approved, such policies and procedures should be distributed and clearly communicated to all department employees.

Management Response (PBRM)

The department does have policies and procedures and the contract provides the guidelines which the contractor adheres to in performing the work outlined under the contract. The department will work with Human Resources and Law to expand the current policies and procedures under which the City operates.

Finding 6: Critical documents were missing in renewal and amendments to contract.

The Invitation for Bid (IFB) required a performance bond and also a labor and materials payment bond in the amount of 100% of the total dollar award. Northeast Grounds Management, Inc. initially obtained the required performance and labor and materials bonds specified in the IFB for the first term of the contract in satisfaction of this requirement. However, these bonds were not updated to cover the increase in value of the contract as specified in amendment 1 to the contract and not renewed for FY14 and for month of August 2014. Additionally the contract required that the vendor complete an annual Tax Certification Affidavit. There was no evidence of a completed Tax Certification Affidavit for FY14 and the FY2015 amendments. These items were not properly attached to the executed contract or amendments.

The lack of performance and labor material bonds exposed the City to significant risk by the vendor. The lack of Tax Certification Affidavits provided no vendor assurance that the vendor was in compliance with tax laws and to up to date with City taxes.

Recommendations

City Management should ensure that the City obtains proof of performance/labor and material bonds and tax certificates prior to the awarding or renewal and amendment of contracts. The Office of Procurement should attach these required documents to the contract prior to its circulation to departments for signature. The Law Department's approval on the contract "as to form" should serve as confirmation that all required documents are present and properly incorporated as exhibits to the contract.



The City's accounting system, MUNIS, contains a Contract Management module that can be utilized to help to track the vendor's compliance. Scanned copies of required documents and the related expiration dates of those documents can be obtained in the system to be used for monitoring.

Management Response (Office of Procurement)

We concur with the auditor's finding. Tax Affidavits are now required with every contract renewal as standard practice in Procurement. Previous policy included obtaining the notarized affidavits only upon initial contract award, or with the original bid submission. The Office of Procurement's policy is that all contract renewals that require bonding, must have updated bonding attached with renewal.

Finding 7: The City did not fully execute certain amendments to the contract.

Amendments 2 and 3 to the contract which renewed the contract for August 2014 and September 2014, respectively, were not signed by the required signatories. Purchase orders were issued and services were subsequently procured and paid without the contracts being fully executed.

The performance of a contract before there is a fully executed agreement may expose the City to risks of misunderstandings as to the terms which will govern the contract and to potential liability. Additionally, Massachusetts General Laws prohibit payments to a vendor prior to the execution of the contract.

Recommendations

We recommend that City Management implement procedures to ensure contract amendments are signed prior to the performance of any work by and payment to a vendor.

Management Response (Office of Procurement)

We concur with the auditor's finding. Tax Affidavits are now required with every contract renewal as standard practice in Procurement. Previous policy included obtaining the notarized affidavits only upon initial contract award, or with the original bid submission. The Office of Procurement's policy is that all contract renewals that require bonding, must have updated bonding attached with renewal.

Finding 8: Standardized contracts were not used.

For the grounds maintenance services, a two-page condensed Price Agreement rather than a standardized City agreement was executed. We noted that several significant terms and clauses that typically exist in other standardized City contracts were not included in the short Price Agreement with Northeast Grounds Management, Inc., such as:

- Scope of services
- Invoices and payment
- Primary contacts for the City and vendor
- Termination
- Requirements for the vendor to preserve records and the City's right to audit
- Conflict of interest
- Other requirements

***Recommendations***

We recommend the use of standardized contracts rather than two-page Price Agreement contracts. Additionally, we recommend such standardized contracts to include additional key clauses clarifying the City and vendor's obligations and responsibilities to prevent potential ambiguity regarding expectations and requirements. It should be clear which additional modifications are allowed per the contract (and the methodology to utilize) and which modifications would require an amendment to the agreement.

Management Response (Office of Procurement)

The Office of Procurement agrees with this finding. The contracts and forms that were reviewed by IA in this audit span over a period approximately three (3) years. Since the first contract was executed (2012), there have been numerous steps taken by the Office of Procurement to update all of its forms, and increase the level of protection the City maintains through its contracts. The current vendor awarded in February of 2015, was given one the updated form contracts that was drafted by Procurement and reviewed by the Law Department for use in all on-call service/blanket contracts. All standard contract forms are currently being updated by Procurement, and will be periodically reviewed to ensure that all proper protections, terms, and clauses are contained on a case by case basis.