



# Santa Clara Valley Water District

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**File No.:** 18-0051

**Agenda Date:** 2/13/2018

**Item No.:** 4.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. (Navigant) and the Subsequent Fiscal Year 2017-2018 (FY18) Consultant Contracts Improvement Process.

### **RECOMMENDATION:**

Receive a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the FY18 Consultant Contracts Improvements Process.

### **SUMMARY:**

To address a request made by the Board of Directors on October 27, 2015, District staff has prepared the following status update to the Board on the implementation of the Navigant Audit recommendations. While the Board has not formally directed staff to present to the Board Audit Committee, the committee received notice of the status of the audit during its June 24, 2015 meeting.

#### *2015 Consultant Contracts Management Process Audit*

After non-compliance events were identified in 2014, District management commissioned an audit of the Consultant Contracts Post-Award Management Process (Audit). Navigant was engaged and completed a detailed compliance review of 66 consultant contracts. Navigant also reviewed the District's policies, processes, and technology framework within which consultant contracts are managed post-award.

Results of the Audit reflected a weakness in the District's post-award contract management processes. The Audit found that the majority of post-award contract management activities (including contract data and documentation record-keeping) were conducted in a decentralized and inconsistent manner across multiple individuals, teams, departments, and systems. This, combined with a lack of clear accountability for post-award contract management tasks, was deemed the principal cause of the non-compliance events identified in 2014.

According to Navigant, the most significant Audit finding was related to the on-going management of insurance certificates in the Contracts Administration System (CAS). The recommendation related to this key finding was addressed by staff beginning in FY 2015-2016 (FY16) and has since been resolved through both CAS enhancements and the procurement and implementation of Exigis, which

is a system that ensures insurance compliance and tracks expiration. Consultant Contracts Services (CCS) staff proactively works with external consultants and insurance vendors to ensure that all insurance certificates remain in compliance.

Navigant had also recommended centralization of the contract management function. In response to that recommendation, the District conducted a benchmark study of public agencies, which found that the contract management function was decentralized in 12 of the 14 comparator agencies. The remaining agencies that had the centralized models were the San Francisco Public Utilities Commission and the Metropolitan Water District, both of which have very large procurement departments, with approximately 48 and 100 staff respectively. Since receiving this recommendation, the District has focused on reinforcing and improving standard policies, procedures, and documentation. The recommendation to centralize the contract management function is under review by District management.

In total, Navigant made 11 recommendations; nine (9) of which focused on post-award and two (2) of which focused on pre-award. Three (3) have been completed in full; two (2) others, with multi-part recommendations, have been completed in part; and one (1) of the recommendations is under review. The five (5) remaining recommendations are in progress. A full list of the recommendations with detailed status updates can be found in the Audit Implementation Status Table (Attachment 2).

#### *Staff Resources*

The greatest challenge to implementing the policy and procedure related recommendations has been the availability of staff resources; however, staff resources have been identified and are assigned to focus on implementing the remainder of the post-award recommendations in FY18.

In 2011, modifications to the workflow in the Consultant Contracts Office impacted its ability to meet the District's consultant contracting demands. These modifications resulted in a decreased level of direct support provided by the Consultant Contracts Office to District project managers in drafting and negotiating consultant agreements. Some consider this workflow change to be a significant factor that negatively impacted the quality and timelines in developing, reviewing, and approving consultant agreements in the past.

To address resource needs, staff requested, and the Board approved three new full-time positions dedicated to focusing on capital consultant contracts. These positions were filled in FY 2016-2017 (FY17).

Further, a program administrator was secured for one-year (FY18) on a temporary promotion to focus on the outcomes of a four-day Contracts Improvement Process Workshop (Workshop) that was conducted in Quarter Four (Q4) of FY17. The Workshop focused primarily on pre-award improvements to the Consultant Contracts Process with a goal of streamlining the processes and shortening the timelines. Key stakeholders participated, including District Counsel, and Project Managers, Unit Managers, and Deputy Officers from Administration and Watersheds and Water Utility Capital Divisions.

#### *FY18 Consultant Contracts Improvement Process*

In Quarter One (Q1) of FY18, the Consultant Contracts Improvement Process team thoroughly evaluated the existing pre-award consultant contracts process workflow to identify process deficiencies and potential opportunities to reduce contracting cycle times. Key findings showed that each step in the workflow could be streamlined to improve the process. However, the primary focus should be on providing an enhanced level of customer service during drafting and negotiations, beginning with preparing the preliminary scope of services for the Request for Proposals (RFP). As contract subject matter experts, providing this level of support to project managers during the drafting of agreements is critical, as project managers are not regularly called upon to draft contract scope of services. Additionally, training staff on writing, drafting, evaluating, and negotiating RFPs and agreements will be critical to achieving a streamlined process.

In addition, establishing target timelines, to be approved by project managers and their next level management, and driven by the consultant contracts staff as process owners will enhance ownership and accountability for process participants.

In Quarter Two (Q2), the process improvement team worked to establish the Roles, Responsibilities and Target Timelines for Consultant Contracts and Amendments. This improved workflow clearly identifies the role of each stakeholder in the process and key milestones that will be tracked to measure performance. As part of the workflow, consultant contracts staff is to drive the process, while providing an enhanced level of customer service during the drafting and negotiation phases, beginning with the RFP development.

In the beginning of Quarter Three (Q3), the process improvement team engaged the District Counsel's Office, as they are key stakeholders in the process. The remaining steps for Q3 are to conduct stakeholder review meetings with project managers, unit managers, and deputy officers to communicate the identified improvements and receive their input on the improved process.

While implementation of the process improvements will formally begin in Quarter Four (Q4) upon completion of stakeholder review, components critical to its success are already being initiated. For instance, staff training is underway on topics related to Request for Proposal development, contract drafting, and negotiations. CCS staff has also started taking on an ownership role for contract cycle times and enhanced their contract drafting and negotiation support to project managers. Some of the sequential approvals have been eliminated and substituted with concurrent approvals. Additional training will continue to be provided on an ongoing basis.

Once the process improvements are fully implemented, staff will begin tracking performance as measured against the new milestones. To allow sufficient time for implementation and tracking, staff plans to submit a performance measurement update with six months of data through a CEO Bulletin in Q3 of FY 2018-2019, and return to the Board in Q1 of FY 2019-2020 with a full year of data for a status update on the implementation of the process improvements.

#### **FINANCIAL IMPACT:**

There is no financial impact associated with this item. Costs associated with implementing the audit

recommendations and process improvements are included in the FY18 Board-adopted budget.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Navigant Audit

Attachment 2: Audit Implementation Status Table

Attachment 3: PowerPoint

**UNCLASSIFIED MANAGER:**

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