

AUDIO VISUAL CONTRACT REVIEW

PROGRAM EVALUATION AND AUDIT



METROPOLITAN
C O U N C I L

Contents

Highlights.....	3
Summary of Findings.....	4
Introduction.....	7
Background.....	7
Objective.....	8
Scope.....	9
Methodology	9
Limitations.....	10
Equity.....	10
Recognition	10
Non-Finding Observations	11
Observations	14
Enterprise A/V Strategy.....	14
Invoice Review and Contract Administration	19
Other – Facilities	27
Conclusions.....	29
Appendix A: Acronym List.....	30
Appendix B: Categories	31
Appendix C: Distribution List.....	32
Appendix D: Information Services Management Response	33

Highlights

A/V procurement, contract management, and invoice review need improvement

What We Found

What's Working Well

Conference rooms generally worked, allowing remote and on-site staff to communicate. Purchased equipment was located. IS proactively brought concerns to Audit.

What Needs Improvement

Enterprise A/V Strategy: installations are done as separate small projects without a centralized process to plan, procure, install, and maintain equipment. This leads to wasted time and resources including when a room is set up and then repurposed in a short time frame, when multiple small projects are handled individually, or when warranties are purchased despite coverage through other contracts.

Project Manager Duties: The Council has widespread challenges with project managers holding vendors to contract terms. In this and other audits, invoices were approved while missing documentation, paid late, sent before goods and/or services are fully received, incorrectly paid labor as a lump sum rather than adjusting to actuals, or otherwise not following contract terms/best practices. Project Managers also rarely report vendor performance to Procurement.

Other: Audit could not confirm actual labor hours because of weak visitor logs, which is also a security concern.



What We Recommend

IS should consider changes and improvements to the Council's A/V purchasing and maintenance strategy. Project Managers should use training and other resources to improve contract administration. Procurement can support these by modifying some trainings and purchasing forms. Audit will revisit CPVs more broadly in the near future.

Why We Did This Work.

The audit objective was to confirm that vendors provided their services according to contract terms, and that charges were reasonable, allowable, and paid on time. These goals support the Council's commitment to accountability, transparency, and stewardship.

What We Reviewed

We reviewed a sample of State CPV A-203(5) invoices from January to September 2023. Supporting documentation including quotes and visitor logs were examined.

Additionally, we reviewed ten invoices from A/V maintenance contract 21P034 between April 2022 and February 2024 due to potential overlapping services.

How We Did This Work

We reviewed contracts A-203(5) and 21P034, identifying contractual requirements concerning invoices. Using a judgmental sample of invoices, we reviewed supporting documentation. We also visited rooms to confirm that the items on the invoices were installed, talked with staff about how the work was completed and their experience with vendors, reviewed visitor logs/policies, and confirmed the number and quality of quotes.

Summary of Findings

Number	Description	Recommendation	Follow-up Action	Page
Enterprise A/V Strategy				
1	Warranty Charges The Council paid for duplicative warranties.	Information Services Unified Communications team should perform cost-benefit analysis to determine whether additional warranties provide value beyond the existing contract terms and maintenance agreement, and which of the two solutions (maintenance agreement or additional warranty coverage) is preferred for future A/V purchases. Then, communicate this to project managers.	Confirmation	<u>15</u>
		Information Services should implement and document an enterprise-wide warranty tracking system for future technology installations.	Confirmation	<u>15</u>
2	P/T Services 5 of 24 invoices had professional and technical services in excess of the contractual limit.	IS Procurement should work collaboratively with RA Procurement to assess the suitability of the A/V CPV for large-scale projects with significant professional technical costs. This evaluation should include exploring alternative procurement methods.	Confirmation	<u>16</u>
3	Inactive contract before extension Procurement's contract renewal process was not followed, leading to a lack of documentation and an inactive contract for twenty-two days.	Contract extension training should be either incorporated into pre-existing training or included in a new training session.	Confirmation	<u>18</u>

3	Inactive contract before extension (cont.)	Automated reminders should be implemented such that contracts are renewed before their expiration date.	Confirmation	<u>18</u>
		Procurement should clarify in policy and procedure if contracts can be retroactively extended.	Closed	<u>19</u>
Invoice Review and Contract Administration				
4	Unadjusted Labor Vendors charged and were paid for estimated, not actual, labor costs.	Procurement's Contract Management Support Unit, in consultation with Project Managers should enhance the current CPV training by including information on adjusting estimates to actuals.	Confirmation	<u>20</u>
5	Invoice Documentation Invoices lacked supporting documentation for labor, goods, freight, mileage, and maintenance agreements.	Contract Management Support Unit should develop a form letter for PMs to communicate to vendors the minimum required documentation that should be provided with each invoice, and that invoices cannot be approved for payment without the minimum required documentation.	Confirmation	<u>21</u>
		Require and document invoice review training for project managers at regular intervals.	Confirmation	<u>21</u>
6	Vendor Performance Reporting Contract managers did not report poor vendor performance to Procurement.	Procurement should add a prompt to report on vendor performance as a part of the contract closeout process.	Confirmation	<u>23</u>

7	<p>Late Payments</p> <p>4 of 24 invoices were paid late, incurring over \$3,000 of interest and lost discounts.</p>	<p>In addition to Accounts Payable implementing other Audit recommendations for late payments, Project Managers should not accept invoices if goods and services have not been provided unless contractually stipulated otherwise.</p>	Confirmation	25
8	<p>Pre-Invoicing</p> <p>Maintenance agreement invoices were frequently pre-invoiced and did not have supporting documents, violating the contract terms.</p>	<p>Project Managers should hold contractors accountable to the contract terms and not approve invoices if services rendered are invoiced prior to completion.</p>	Confirmation	26
		<p>Contract Management Support Unit should formulate explicit criteria for acceptable documentation of invoice approval, emphasizing that an acknowledgment of receipt email should include detailed information and entails a certification that goods were received per the contract.</p>	Confirmation	27
Other – Facilities				
9	<p>Vendor Logs</p> <p>Council Facilities do not adequately keep track of onsite vendors.</p>	<p>The Council should develop an enterprise plan for how to manage visitor and vendor movement for all Council facilities, recognizing that the approach may vary depending on the function and risk level of each facility.</p>	Pending	28

Introduction

Background

Since the beginning of the COVID-19 pandemic, the Council's need for audio-visual (A/V) technology has significantly increased. Equipping rooms with A/V capabilities has allowed staff to communicate and collaborate efficiently at any distance.

Most of the Council's audio-visual goods and services are purchased through the Minnesota State Cooperative Purchasing Venture (CPV) A-203(5) ("the state contract"). Per State Statute, CPVs allow for cooperative buying with established prices while satisfying competitive procurement requirements.¹ By using this CPV, the Council can easily contract with four vendors approved to provide audio-visual products in the Metro Area. This report will refer to the vendors as "Vendor A," "Vendor B," "Vendor C," and "Vendor D."

In the past, the Council has primarily used Vendor A. From 2019 to 2023, the Council has spent \$2.51 million with Vendor A. In September of 2023, Audit received a memo from the Chief Information Officer (CIO) raising concerns about Vendor A's invoicing practices and contract compliance. The research into the complaint began in October and was originally intended to be a brief review of equipment and visitor logs. However, interviews with various business units indicated that there may be broader issues with contract administration, visitor tracking, and invoice documentation. In early November, Audit decided to conduct a formal audit and expand the sample to include all A/V vendors under the state contract. Sharing similar risks and objectives, this audit is an extension of the Contract Administration² and Information Services Contract Administration audits that were completed in June of 2023.³

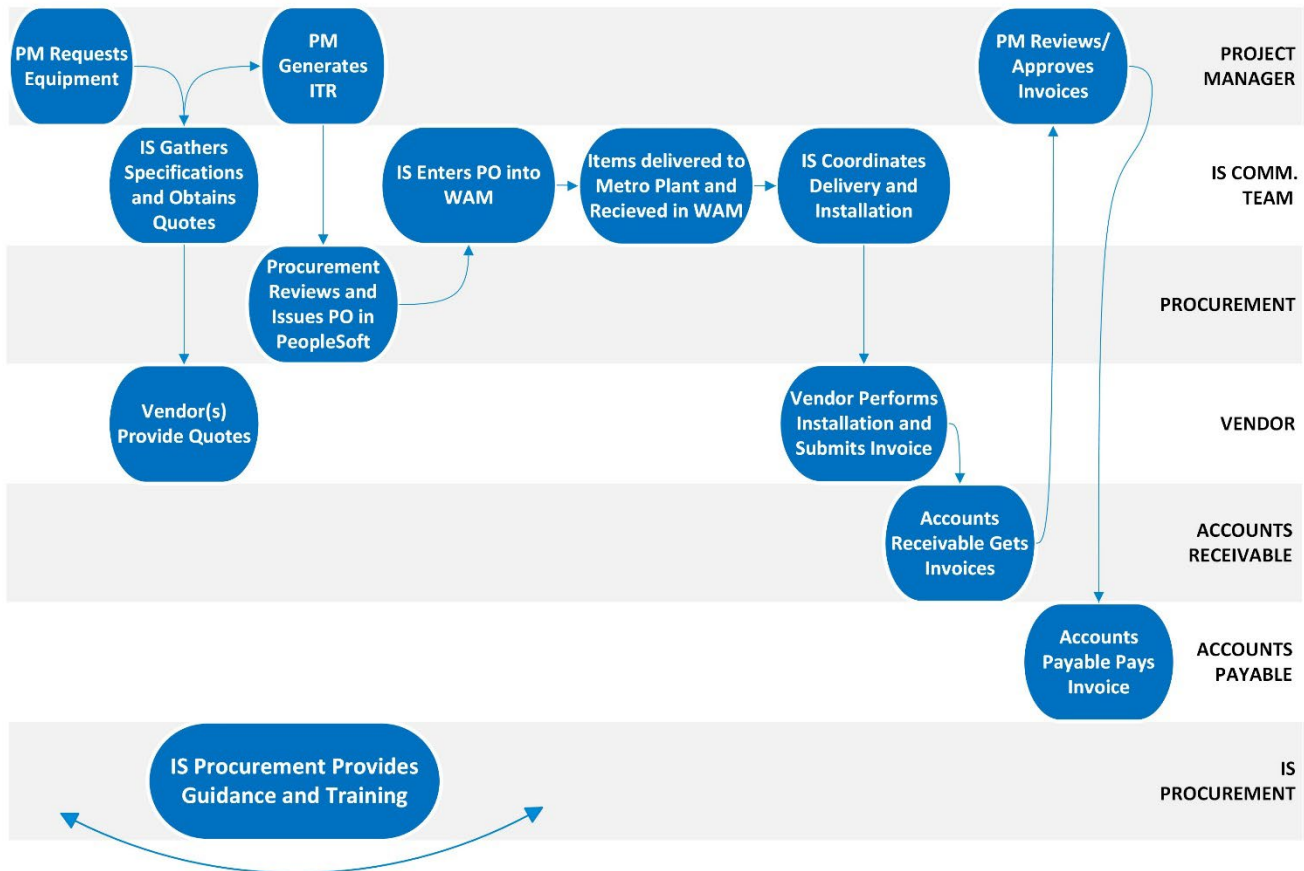
The A/V equipment procurement process involves multiple stakeholders across divisions (**Image One**). Information Services (IS) initiates the process upon receiving a request, gathering specifics from the requester. IS Procurement then assists IS staff in obtaining quotes, and Project Managers (PMs) generate an Information Technology Request (ITR) to formalize the request. In some cases, IS staff acts as the requester, taking on the PM's role. Procurement issues a purchase order (PO), which is tracked in WAM for IS expenses and then paid in PeopleSoft. When the equipment arrives, IS updates WAM, and the vendor proceeds with setup. PMs review invoices, ensuring receipt of services and goods and alignment with contractual requirements. Upon PM approval, Accounts Payable (AP) processes payment. Procurement is available to help manage vendor performance, an ability that will be strengthened by the recent creation of a dedicated contract management unit and the creation of the contract management guidebook. The entire workflow is anticipated to become more streamlined with the implementation of IS' ongoing Service Portfolio Management initiative.

¹ [Minn. State Statutes 471.345 Subd. 15](#) "For a contract estimated to exceed \$25,000, a municipality must consider the availability, price and quality of supplies, materials, or equipment available through the state's cooperative purchasing venture before purchasing through another source."

² Metropolitan Council Program Evaluation and Audit, Contract Administration, June 2023. [Contract Administration Report \(metro council.org\)](#).

³ Metropolitan Council Program Evaluation and Audit, IS Contract Administration, June 2023 [IS-Contract-Administration-Report.aspx \(metro council.org\)](#)

Image One – A/V Procurement Process



Source: Program Evaluation and Audit

Objective

The overall objectives were to evaluate if vendors on CPV A-203(5) provided their services according to contract terms and if the incurred charges were reasonable, allowable, and paid on time.

1. Determine if contract deliverables were provided and within the scope of #A-203(5).
2. Determine if incurred charges were reasonable, allowable, and paid on-time per the terms of #A-203(5).

These objectives address operational risks, such as work exceeding contract scope, unenforced contract terms, or undelivered services. These objectives also address the financial risk of late payments, double-billing, or payments for unperformed services leading to excess charges and financial loss. By addressing these risks, Audit supports an accountable contractual management process, which aligns with *Thrive MSP 2040's Stewardship* outcome and *Accountability* principle.⁴ It

⁴ Metropolitan Council, *Thrive MSP 2040 Plan* (<https://metrocouncil.org/Planning/Thrive-2040/Thrive-MSP-2040-Plan.aspx>)

also supports the Council’s strategic plans by promoting accessibility, transparency, and accountability.

Scope

Initially, the audit was limited to vendors’ activities and associated documentation under State CPV A-203(5) from January to September 2023. Due to potential overlap with the State CPV, this Audit expanded the scope to include services provided through A/V Maintenance Contract 21P034. Invoices from the entire period of the contract from April 2022 to February 2024 were eligible for review.

Methodology

To determine if contract deliverables were provided and within the CPV’s scope – as well as reasonable, allowable, and paid on-time – Audit reviewed invoices, supporting documentation, interviewed project staff, and conducted onsite visits to confirm that items had been installed. For CPV A-203(5), Audit created a judgmental random sample of 24 invoices across 18 purchase orders, including 14 invoices from the most frequently used vendor, Vendor A (**Table One**). Audit used a judgmental selection to exclude any invoices that IS previously reviewed and to include services at different Council locations or with lesser-used vendors. During invoice review, auditors looked at whether purchases were allowable, paid on time, and if they were documented and supported.

Table One – Sample Breakdown by Vendor

Vendor	Total Invoices*	Invoices in Sample	% of Total Invoices Sampled
Vendor A	477	14	3%
Vendor B	7	7	100%
Vendor C	3	3	100%
Vendor D	0	0	N/A

*For the period 1/1/2023 - 9/14/2023

Auditors reviewed CPV A-203(5) for contractually stipulated invoice requirements, which were then compared against the invoice details. Deviations from contractual items or other unusual characteristics were documented. Auditors checked invoices against quotes to ensure they matched and counted the number of quotes used when required. Calculations of markups were performed and compared against contract pricing where applicable. Assessment of sufficient supporting documentation was carried out in WAM, AppXtender, and PeopleSoft. During each on-site visit, the audit team also reviewed available visitor and vendor logs to validate labor charges.

Audit also randomly sampled ten invoices associated with an ongoing maintenance contract with Vendor A, Contract 21P034. This contract requires Vendor A to provide a full-time employee to address various audio-visual requirements, including installation services. Given the perceived overlap in services with CPV A-203(5), the audit reviewed the invoices and accompanying documentation to ensure contractual adherence and identify any instances of potentially duplicative billing.

Limitations

Audit could not confirm whether correct items were installed at the Robert Street and Heywood Chambers and the Environment Quality Assessment (EQA) building as the rooms were refreshed between the installation and onsite visit. Due to limited availability of visitor logs in some locations, Audit was unable to quantify any potential duplicative or over billing for projects in most spaces.

Equity

CPV A-203(5) includes a Metropolitan Council Underutilized Business (MCUB) vendor, so ensuring that all vendors have opportunities to be selected can help the Council achieve its MCUB spending goals and demonstrate its commitment to the *Thrive MSP 2040* equity outcome.

Recognition

Audit extends our gratitude to Procurement for their knowledge of CPVs and to Metro Transit and Regional Administration's Accounts Payable departments for their knowledge of invoice payment and processing. Special appreciation goes to the Information Services team's proactive and collaborative approach in addressing concerns. We also express our thanks to all staff across divisions for their flexibility and cooperation during onsite visits.

Non-Finding Observations

Purchased Items were Installed and Functional

IS proactively brought their concerns to Audit. The conference rooms sampled were generally functional, allowing for efficient communication between remote and on-site staff. Invoiced items were located, apart from rooms that had been repurposed or refreshed before Audit’s testing took place.

An Accurate Inventory of A/V Items is a Developing Initiative

If technology is not properly accounted for, maintained, or updated, the organization risks operational disruptions, resource and budgetary allocation challenges, and security breaches. Poor asset tracking and coordination may have contributed to the short lifespans of some equipment. For example, multiple rooms had A/V equipment installed, but then were refreshed or repurposed in a short time frame.⁵

Previous audit work identified challenges surrounding the comprehensive tracking of IT assets. In June 2021, Audit recommended that the Council implement a centralized system of record to track assets. This recommendation was one of several aimed at enhancing the maturity of the Council’s Information Technology Asset Management (ITAM) program.⁶ As of December 2023, the Technology Lifecycle Management audit showed ongoing difficulties in tracking IT assets.⁷

In the past, PMs have handled requests for A/V equipment on their own, resulting in “rogue purchases” that IS is unaware of until they are asked to service the equipment. Auditors did not consistently observe asset tags, which may exacerbate the issue.⁸ IS has a running list of rooms and their respective anticipated refresh timeline. Additionally, IS is transitioning to a Service Portfolio Management framework, which will move all requests for IS services and equipment to a single point of contact, the service desk.⁹

High Turnover and Undocumented Roles and Responsibilities

Audit’s last annual risk assessment identified understaffing as a key risk for IS.¹⁰ At the time of the risk assessment, approximately one fifth of full-time positions were unfilled. The roles and responsibilities within the newly established IS Procurement department are yet to be formally documented, possibly contributing to confusion regarding the acquisition of IT assets. During the IS Contract Administration

⁵ For example., the Metro Plant EQA Lab conference room invoice was dated 1/3/2023 and repurposed by 1/10/2024.

⁶ Metropolitan Council Program Evaluation and Audit, Information Technology Asset Management Audit, June 2021, [Tech-Asset-Mgmt-Report.aspx \(metro council.org\)](#)

⁷ Metropolitan Council Program Evaluation and Audit, Technology Lifecycle Management Report, August 2023, [Technology-Lifecycle-Management-Report.aspx \(metro council.org\)](#)

⁸ This observation was not part of invoice testing so Audit cannot confirm the frequency of missing tags.

⁹ Metropolitan Council, [The Wire, July 11: New IS model will lead to better service \(govdelivery.com\)](#)

¹⁰ Metropolitan Council Program Evaluation and Audit, 2024 Annual Risk Assessment and Audit Plan, December 2023, [2024 Risk Assessment and Audit Plan \(metro council.org\)](#)

Audit, Audit recommended to document the new department’s roles and responsibilities.¹¹ In part due to the high turnover, Audit did not receive a management response and so the issue persists. Through interviews, Audit found that the understanding of the division’s role varies greatly between Procurement, IS Procurement, and project managers. From Procurement’s perspective, IS Procurement is responsible for undertaking preparatory work as the basis for subsequent actions within the Procurement department. However, IS Procurement primarily sees its role as providing training resources for IS staff responsible for contract management.

Expired Certificates of Insurance

Contract 21P034’s certificates of insurance were expired in WAM and were not in AppXtender. According to Procurement, the PM is responsible for updating these certificates. While expired certificates of insurance do not impact the contractor’s contractual obligation to maintain insurance, missing this documentation upon contract extension could lead to compliance risks with regulatory requirements that mandate the provision of current certificates of insurance. When brought to IS’ attention, they worked with the vendor to obtain updated certificates.

MCUB Misclassification

An invoice incorrectly indicated that a vendor was an MCUB. Specifically, the Purchase Order (PO) notes stated, “MCub vendor- under Mcub micro threshold” as justification. However, this vendor does not appear in the MCUB Directory. Of the A/V vendors, only Vendor B is an MCUB. Further, none of the other vendors are former MCUBs. None of the POs for Vendor B included references to its MCUB status. The root cause was unable to be determined, but improperly categorizing MCUBs can result in going through the wrong procurement process or miscalculating MCUB progress goals.

Procedure Required Clarification on Implied Federal Purchase Order Terms

Four invoices reviewed drew from explicitly marked FTA funds, and one drew from Congestion Mitigation and Air Quality (CMAQ) funding. FTA Circular 4220.1E section 7(e) encourages intergovernmental procurement agreements, but FTA standards apply to these agreements when using FTA funds.¹² The Council’s Procurement Procedure FM 14-1a, section 10.2 permits Joint Purchasing Agreements and Cooperative Purchasing Ventures but emphasizes that FTA-funded procurements need additional clauses.¹³ Applicable FTA Purchase Order Terms and Conditions are implied for nonstandard agreements and are made available via link on the Metropolitan Council website.¹⁴ Upon initial review, Procurement Procedure used "Joint Purchasing Agreements" and "cooperative purchasing venture (CPV)" interchangeably without clearly defining the relationship and differences between them, particularly pertaining to procedure when using federal funds. When

¹¹ Metropolitan Council Program Evaluation and Audit, IS Contract Administration, June 2023 [IS-Contract-Administration-Report.aspx \(metro council.org\)](#)

¹² “Intergovernmental Procurement Agreements. (1) Grantees are encouraged to utilize available state and local intergovernmental agreements for procurement or use of common goods and services. When obtaining goods or services in this manner, grantees must ensure all federal requirements... are properly followed and included, whether in the master intergovernmental contract or in the grantee's purchase document.”

¹³ “Joint Purchasing Agreements made through Joint Purchasing Agreements satisfy the Council’s competitive procurement requirements. Procurements made with FTA funds are not permitted under Joint Purchasing Agreements unless the FTA-required clauses are added to the contract.”

¹⁴ Procurement Metropolitan Council, FTA TERMS [FTA Terms - Metropolitan Council \(metro council.org\)](#)

brought to Procurement’s attention, Procurement incorporated clarifying language as part of the update. The Procurement Procedure was updated in April 2024.

CPV Requirements for Quote Procurement Were Overlooked

Initially, when reaching out to Audit, IS noted that projects over \$25,000 using the state CPV required multiple quotes. Out of nineteen purchase orders, three met this threshold, yet only one quote was obtained (**Image Two**). Both IS and Procurement took proactive steps to address this issue. IS started requesting multiple quotes from available vendors, and Procurement added a new checkbox to its CPV checklist for quotes to prevent similar oversights in the future. Additionally, Procurement included information about quotes in its CPV training to increase project manager awareness.

Image Two - Quotes Received Versus Quotes Needed by Project:

Dollar Value	Projects	Quotes Needed	Quotes Present			
<\$25,000	Chambers	1	2			
	Robert 1A	1	1			
	Robert 2nd Floor	1	1			
	Robert 4A	1	1			
	Robert 5A	1	1			
	Robert 5th Floor	1	1			
	Transfer Road 103	1	1			
	Rail SCADA	1	1			
	Overhaul Base Training Room	1	1			
	Gold/Purple	1	1			
	Metro Plant EQA Lab	1	1			
	Goods Only (x5)	1	1			
\$25,000 - \$49,999	Blue Line Project Office 1	2	1	X		
>\$50,000	Blue Line Project Office 2	4	1	X	X	X
	North Loop Garage	4	1	X	X	X

Observations

Enterprise A/V Strategy

The Council paid for duplicate warranties.

Under the state contract, vendors must handle warranties and maintenance for third-party products, provide repairs or replacements for nonconforming items for 90 days, and allow returns within 45 days without restocking fees. There are separate terms for construction warranties covering labor and materials for one year. All installations that had labor itemized, as opposed to lump sum, were billed at the \$95 hourly construction labor rate and may fall under the one-year construction warranty. IS communicated with the Office of State Procurement (OSP), who said that additional warranty charges can be waived upon request. The contract language is unclear whether the warranties are included in pricing or if they should be billed as separate line items.

Vendors charged for warranties on thirteen of fourteen (93%) invoices from Vendor A and on one of the three (33%) invoices from Vendor C (**Table Two**), ranging from 90 days to one year. Vendor B did not charge for any warranties. The most expensive warranty, Vendor A's One Year Premium Warranty Plan, cost \$2,599 after a 67% markup. Their invoices also included charges for "Poly Plus," a premium customer support agreement. After a 9% markup, the Poly Plus charges totaled about \$4,600 across 9 invoices. Combined, warranties and Poly Plus came to \$12,799.69 across the 24 invoices. The Council also has a separate maintenance agreement for a contracted employee from Vendor A. Per that agreement, the contractor is onsite 40 hours per week at \$85/hour. The contractor's tasks include preventive maintenance, software updates, troubleshooting, and testing/installation of equipment.

Table Two: Warranty Charges

Vendor	# Invoices	# With Warranties	\$ in Warranties	Warranty as % of \$
Vendor A	14	13	\$6,553	3.8%
Vendor B	7	0	\$0	0.0%
Vendor C	3	1	\$1,560	4.4%

PMs are responsible for reading and applying the contract terms, approving invoice line items, and ensuring the charges are reasonable and supported. As A/V requests sometimes bypass IS, who stores warranty information and handles service requests, PMs may not realize that there are existing mechanisms like the contracted employee to troubleshoot equipment even without a warranty or may assume that warranties are used more often than they are.

Although additional warranties are allowed under the terms of the state contract, they may not provide much added value to the Council. The Council has a maintenance agreement to handle problems and the CPV has contract terms for defective/non-conforming products. Both the maintenance agreement and Vendor A's standard warranty cover site visits and system troubleshooting/repair, while the maintenance agreement also covers testing, preventive maintenance, software updating, and assistance with installation. This means the Council is needlessly paying for duplicative services.

Recommendations:

1. Information Services Unified Communications team should perform cost-benefit analysis to determine whether additional warranties provide value beyond the existing contract terms and maintenance agreement, and which of the two solutions (maintenance agreement or additional warranty coverage) is preferred for future A/V purchases. Then, communicate this to project managers.

IS Management Response: IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we optimize the value of our contracts and ensure alignment with budget. HP/Polycom will soon release a product called LENS that will provide a method to track warranties in a central location. We will then be able to look at warranty costs and benefits, and better determine what type of warranty is needed to support METC gear. In the meantime, IS will scrutinize future proposed warranties for necessity and redundancy with other agreements by August 2024.

Timetable: August 1, 2024

Staff Responsible: Manager, Unified Communication and Collaboration, IS

Audit Follow-Up: Confirmation

2. Information Services should implement and document an enterprise-wide warranty tracking system for future technology installations.

IS Management Response: IS will eventually address this requirement in the Operations domain of IS' emerging governance model in which we document the characteristics of our assets, including warranty status. In the meantime, IS will record maintenance status in LENS when that application is available (date to be determined).

Timetable: December 1, 2024.

Staff Responsible: Manager, Unified Communication and Collaboration, IS

Audit Follow-Up: Confirmation

5 of 24 invoices' professional and technical services exceeded the contract limit.

Five invoices contained professional and technical services exceeding the contractual limit (**Table Three**). According to the state contract, professional/technical (P/T) services must be related to the purchase of equipment or software from the contract and are limited to \$5,000 per project. Three categories qualify as P/T services: design engineering, project management and programming and configuration. PMs lacked familiarity with the contract terms, and as P/T services were billed in three different categories, identifying the total amount requires additional review and calculations.

Table Three: Projects that Exceeded Professional Technical Threshold

Project	Design Engineering	Project Management	Programming & Configuration	Total	Exceeding Limit
BPO1	\$1,080	\$1,890	\$3,360	\$6,330	\$1,330
BPO2	\$1,320	\$2,700	\$4,320	\$8,340	\$3,340
Robert 1A	\$720	\$1,530	\$3,360	\$5,610	\$610
Bus Garage B205	\$1,080	\$1,890	\$3,840	\$6,810	\$1,810
Chambers*	\$690	\$570	\$4,600	\$5,860	\$860

*Invoice included both the St. Paul and Minneapolis Chambers.

The relatively low P/T services limit may indicate that this CPV is best designed for smaller-scale projects or goods-focused procurements. Engaging in large-scale design projects under the CPV thus both risks using the CPV as a “workaround” to other procurement processes and also detracts from the intended purpose of this method. This misalignment may result in inefficiencies and increased project costs, ultimately diminishing the Council's credibility and eroding public/employee trust in the procurement processes.

Recommendation:

- IS Procurement should work collaboratively with RA Procurement to assess the suitability of the A/V CPV for large-scale projects with significant professional technical costs. This evaluation should include exploring alternative procurement methods.

Procurement Management Response: IS Procurement will contact RA Procurement before submitting a CIM or Requisition for a large-scale project to determine the suitability of the preferred cooperative contract. RA Procurement will create a procurement action plan (PAP) in consultation with IS Procurement. The PAP will identify roles, responsibilities, timelines, requirements, and a contract management plan to ensure there is a shared understanding between RA Procurement and IS Procurement for large-scale A/V CPV projects. This process will also assess whether the A/V CPV is a suitable procurement vehicle for IS Procurement needs or if an alternate procurement strategy is more appropriate.

IS Management Response: IS will eventually address this requirement in the Financials domain of IS’ emerging governance model in which we maintain a standard approach to the value of our contracts and ensure alignment with budget. In the meantime, IS will immediately limit future professional services fees to \$5,000 per project, consulting with RA Procurement for any exceptions.

Timetable: PAP in place by September 1, 2024. Professional Services limited immediately.

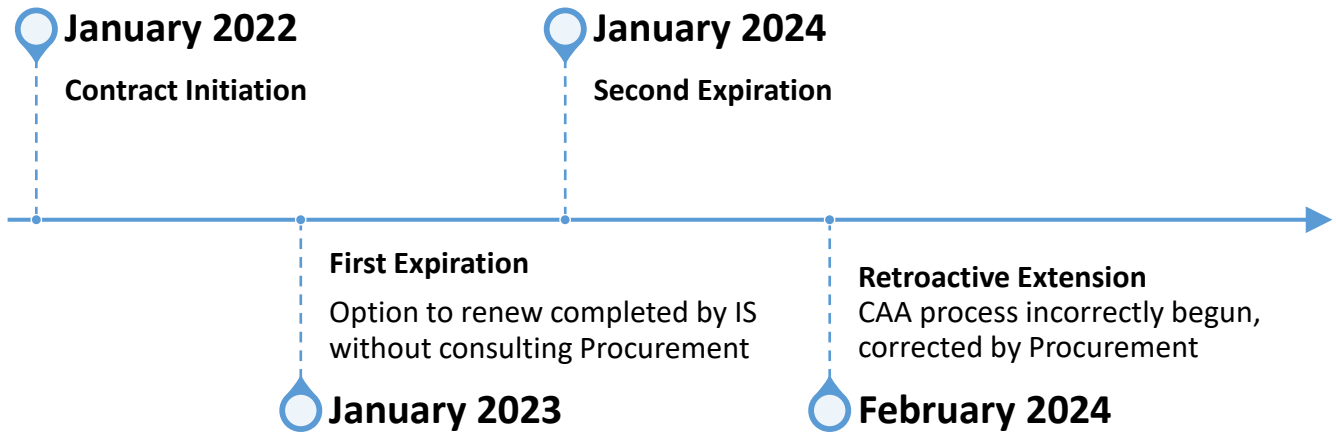
Staff Responsible: Chief Procurement Officer, RA and Assistant Director, Services, Governance, and Administration, IS.

Audit Follow-Up: Confirmation

Neither maintenance agreement renewal followed Procurement’s contract renewal process, which led to twenty-two days of service without an active contract.

The maintenance agreement was originally set to terminate on January 31st, 2023, with options to extend for three additional one-year periods. The Council opted to use this extension twice and encountered unique challenges each time (**Image Three**).

Image Three: Timeline of Renewal Actions for Maintenance Agreement



The process for using CAA vs. Extension Letters is included in the Procurement Procedure and is elaborated in more detail in a guiding document on SharePoint.¹⁵ According to this document and the contract itself, the extension required both parties’ written agreement. This guiding document notes that documentation of extensions should be included in AppXtender.

When the contract was first extended, no documentation of the extension was issued in WAM, PeopleSoft, or AppXtender, the common systems of record. Since Procurement was not involved in this renewal, documentation had not been retained in the system of record. According to Procurement Procedure FM 14-1a, “Requestors must confer with Procurement department staff to determine if the use of options is appropriate to an individual procurement. AP noted the expiration in June, five months after the contract’s expiration, which was resolved by updating records to accurately reflect the extension. At Audit’s request, Procurement obtained documentation of an email agreement from December 22nd, 2022.

For the second extension, IS Procurement initiated a Contract Amendment Authorization (CAA) on February 22nd, 2024 approximately a month after the expiration date. The CAA was not completed because the option to extend was included in the contract, rendering a CAA unnecessary. Once RA Procurement saw the CAA and the timing, IS sent an email to Vendor A to confirm that they agreed with the extension and cancelled the CAA. The email stated that the agreement would retroactively

¹⁵ [CAA vs. Extension Letter Process Reminder.pdf \(sharepoint.com\)](#)

apply to the period that no contract was in place. No policy for retroactive contract extension was found, but retroactive effective dates are atypical and known to come with increased legal risk.

The contract renewal process is manual. Without automated reminders or systems, it is more likely that the Council could improperly charge to or receive services under an expired contract. Without the contract's protection, the Council has increased legal and financial risks if a service is not provided. Additionally, leaving open expired contracts is a fraud risk. Although the new Contract Management Support Unit is conducting regular trainings, no training has yet been devoted to contract extension. Procurement training is not required prior to becoming a contract manager.

Overall, mishandling of the two contract extensions represents a failure to follow established procedures for documenting and authorizing contract extensions. Although in this instance the consequences were minor, other scenarios could have more severe effects. Without a contract in place, the Council may not be protected if a service was incorrectly provided or if Vendor A's employee was injured while they were onsite.

Recommendations:

4. Contract extension training should be either incorporated into pre-existing training or included in a new training session.

Procurement Management Response: The Contract Management Support Unit offers Contract Management 101 training, which includes contract extensions, on a quarterly basis. This training is offered to all Council employees.

IS Management Response: IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we maintain a standard approach to contract renewals. In the meantime, IS Procurement will review the Procurement Procedure and supporting documents by August, 2024.

Timetable: This training was first offered in 2023. Next available training session is June 20, 2024. IS will review the Procurement Procedure by August 2024.

Staff Responsible: Manager, Compliance and Administration, RA Procurement and Assistant Director, Information Services, Projects, Governance, and Administration, IS.

Audit Follow-Up: Confirmation

5. Automated reminders should be implemented such that contracts are renewed before their expiration date.

Procurement Management Response: On a monthly basis, an expiring contract list is e-mailed to project managers notifying them that their contracts are set to expire within six months of the report being sent. RA Procurement will begin posting this report on the Contract Management Support Unit METNET page for business units to reference.

IS Management Response: IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we maintain a standard approach to contract renewals. In the meantime, IS Procurement will document and plan for contract expirations one year in advance. This will be done by September, 2024.

Timetable: Expired Contract Report will be posted on the Contract Management Support Unit METNET page by July 1, 2024. IS will document and plan for contract expirations by September 2024.

Staff Responsible: Manager, Compliance and Administration, RA Procurement and Assistant Director, Information Services, Projects, Governance, and Administration, IS.

Audit Follow-Up: Confirmation

6. Procurement should clarify in policy and procedure if contracts can be retroactively extended.

Procurement Management Response: An expired contract cannot be amended, unless after consultation with the Chief Procurement Officer it is determined to be permissible and in the Metropolitan Council's best interest. FM 14-1 Procurement Policy, and 14-2 Expenditures for the Procurement of Goods and Services Policy govern the execution of non-construction contract amendments. Reference Procurement Procedure 14-1a.

IS Management Response: IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we maintain a standard approach to contract renewals. By August 2024, IS Procurement will document its position on retroactive contract extensions.

Timetable: Procurement Procedure 14-1a was last updated on April 1, 2024.

Staff Responsible: Chief Procurement Officer, RA and Assistant Director, Information Services, Projects, Governance, and Administration, IS.

Audit Follow-Up: None - closed. Audit has confirmed the updated language. The procedure was updated during the audit, and the updated language is sufficiently clear.

Invoice Review and Contract Administration

Vendors charged and were paid for estimated, not actual, labor costs.

All fifteen invoices that included labor charges matched quoted labor charges exactly. Council staff described a "flat rate" philosophy where vendors set a price and did not charge more or less than what was listed on the quote. This flat rate is not in line with the terms of the contract. According to CPV A-203(5), "Services must be invoiced for the actual number of hours performed." In the case of this contract, adjustments of estimates based on actuals can only be cost-beneficial, as quotes serve as a not-to-exceed amount.

Based on discussions with project managers, A/V project managers did not understand the contract terms and their responsibility to verify work logs. Even if staff had understood the requirements to charge actual labor costs, verifying the number of hours worked would have been challenging due to limited vendor tracking, the lack of daily work logs, and an unreliable check-in/check-out process at many Council facilities.

Audit was unable to determine if the Council was overcharged due to the vendors' poor documentation and the Council's weak physical controls. Without controls in place, there remains a significant financial risk that the Council might be paying for more labor hours than were provided.

Recommendation:

7. Procurement's Contract Management Support Unit, in consultation with Project Managers should enhance the current CPV training by including information on adjusting estimates to actuals.

Procurement Management Response: CPV training was last updated on June 10, 2024, and will expand on invoice training. Subsequent revisions will include training on estimates to actuals.

IS Management Response: By end of year, IS will have a more mature PMO that complies with IS' emerging governance model in which we drive a standard approach to documenting effort. We will ensure that vendors are quoting professional services consistent with MN State Purchasing Contract a-203(5). While IS will ask vendors to self-report their hours to the PMO, IS often prefers a flat rate for professional services to avoid budget breakage.

Timetable: 3rd Quarter 2024

Staff Responsible: Manager, Compliance and Administration, RA Procurement and Manager, Project Management Office, IS.

Audit Follow-Up: Confirmation

Invoices lacked supporting documentation for labor, goods, freight, mileage, and maintenance agreements.

According to the state contract, invoices must include the following details:

- Details of products including quantity, description, unit price, & extended price
- Contract/vendor information
- Location and duration of services
- Labor rates not on price schedule
- Software and licensing agreements
- Quote, purchase order, invoice, & contract numbers
- Maintenance agreements
- Freight costs
- Mileage costs
- Lodging costs w/ details and receipts

All invoices reviewed lacked, to varying degrees, essential details and documents for labor, goods, freight, mileage, and maintenance agreements (**Table Four**). The most significant absences were manufacturer details, quote numbers, and state contract categories, which made it challenging to verify pricing and align purchases with contractual agreements. Missing pre-markup cost obscured the basis for markup calculations. Additionally, maintenance agreements were not consistently attached, potentially leading to difficulties in enforcing adherence to maintenance terms and identifying duplicative agreements. Missing mileage details in one invoice and inadequate shipping cost documentation in others also increases the risk of inaccurate expense reporting and potential overpayment for services. Notably, no invoices sampled had work logs attached. Audit did not see documentation that PMs held vendors accountable to the contract terms by requesting these documents.

Inaccurate billing and potential overpayment are more likely without these documents. Additionally, the lack of proper documentation limits legal options in case of disputes. The missing supporting documents each uniquely protect against inaccurate billing.

Table Four: Missing Required Details and Documentation for Invoices

Missing Documents	# of Invoices Requiring Documentation	# of Invoices Missing Documentation	# of Invoices N/A
Quote Numbers	24	24	0
Work Logs	24	24	0
State Contract Category	24	9	0
Shipping Cost	15	14	9
Manufacturer Details	20	13	7
Maintenance Agreements	17	17	7
Contract Number Reference	24	3	0
Missing Cost Information	24	3	0
Mileage Documentation	1	1	23

Table Notes: Total sample size was 24 invoices. Not all documents were required for each invoice depending on the inclusion of labor, goods, and other miscellaneous charges.

Recommendations:

- Contract Management Support Unit should develop a form letter for PMs to communicate to vendors the minimum required documentation that should be provided with each invoice, and that invoices cannot be approved for payment without the minimum required documentation.

Procurement Management Response: The Contract Management Support Unit will develop a template for Project Managers to utilize to send to contractors/vendors informing them of the minimum requirement for each invoice.

IS Management Response: IS will eventually address this requirement in the Financials domain of IS’ emerging governance model in which we direct required elements of vendor invoices. By August, 2024, Procurement will make a best effort to communicate this to our vendors, and IS PMO will enforce the control by end of year.

Timetable: 2nd Quarter 2025 for the form letter. IS will communicate to vendors by August 2024 and enforce controls by the end of 2024.

Staff Responsible: Manager, Compliance and Administration, RA Procurement; Assistant Director, Information Services, Projects, Governance, and Administration, IS; and Manager, Project Management Office, IS.

Audit Follow-Up: Confirmation

- Require and document invoice review training for project managers at regular intervals.

Procurement and Finance Management Response: Senior Council leadership will need to develop an agency-wide response that develops a unified vision for training and secure the resources to accomplish.

IS Management Response: By end of year, IS will have a more mature PMO that complies with IS’ emerging governance model. IS will implement the suggested training among the

project managers. Projects are currently managed by engineers who don't have the cycles or the focus to implement this recommendation.

Timetable: December 31, 2024 for IS Training. To be Determined for Agency-Wide vision on training.

Staff Responsible: Regional Administrator and Manager, Project Management Office, IS.

Audit Follow-Up: Confirmation

Contract managers did not report poor vendor performance to Procurement.

Vendor C completed two projects that were fraught with challenges. However, project managers did not maintain sufficient documentation of poor vendor performance. The invoice for the audio-visual setup of a training room at Overhaul Base exceeded the quoted total, included unsupported shipping charges, and included a restocking fee.¹⁶ A note in WAM documented the change but did not indicate approval by the project manager. According to the PM, this project took almost a year to complete, and the vendor was unresponsive for large periods of time. The PM filed a report with the Better Business Bureau, but no other action was taken, and thus the vendor's poor performance was not reported internally or to the State Office of Procurement.

Similar issues occurred on the vendor's other project. IS staff who worked closely on this project noted that the vendor was "unresponsive" and "in disarray." PMs stated that they were unwilling to work with this vendor in the future, but the Council's Procurement Procedure prohibits any arbitrary action in selecting vendors.¹⁷ To ensure actions are not arbitrary, poor vendor performance should have been documented and reported to Procurement. No staff interviewed outside of Procurement were aware of the internal vendor performance reporting tools. From 2022 to 2023, there were only seven vendor reports entered across the entire Council, indicating Council-wide challenges in vendor performance reporting, both good and bad.

Poor vendor performance may result in increased costs, compromised project timelines, and substandard deliverables. Not documenting non-compliance with contract terms will make these risks more likely to occur in the future. Federal Transit Administration (FTA)-funded procurements require a "responsible" bidder.¹⁸ To determine this, Procurement may rely on reported deficiencies. If deficiencies are undocumented, Procurement may be unable to determine a vendor's responsibility. If staff avoid certain vendors without a formal reason, they are judging solicitations arbitrarily, which is non-compliant with Procurement requirements. This situation presents reputational risks. Vendors may perceive it as easy to circumvent Council terms and still receive payment, or that they are being unfairly excluded.

¹⁶ Due to poor documentation of when the 45-day return window occurred, Audit could not determine whether this was a valid restocking fee.

¹⁷ FM14-1a, Procurement Procedure. Internal Procedure.

¹⁸ "Award Only to a Responsible Bidder or Offeror. SAFETEA-LU amended 49 U.S.C. Section 5325 to require FTA assisted contract awards be made only to "responsible" contractors possessing the ability, willingness, and integrity to perform successfully under the terms and conditions of the contract. Responsibility is a procurement issue that is determined by the recipient after receiving bids or proposals and before making a contract award.

Failing to report instances of subpar vendor performance also forfeits the inherent advantage of CPVs. The State is a resource for contract management and monitoring vendor performance related to CPVs. Working with the State reinforces the idea that CPVs are designed not only for cost savings but also well-managed execution of contracts and high standards for vendor performance, ultimately benefiting all participants.

Recommendation:

10. Procurement should add a prompt to report on vendor performance as a part of the contract closeout process.

Procurement Management Response: A reminder will be included in the list of expiring contracts email that is sent out on a monthly basis to report on vendor performance as part of the contract closeout process.

IS Management Response: IS will eventually address this requirement in the Financial domain of IS' emerging governance model in which we monitor service delivery. In the meantime, IS Procurement will prompt MetC stakeholders on vendor performance so that it can be documented and considered for future opportunities. This will be in place by August, 2024.

Timetable: July 1, 2024 for including the reminder in the expiring contracts e-mail. August 2024 for prompting stakeholders on vendor performance.

Staff Responsible: Manager, Compliance and Administration, RA Procurement and Assistant Director, Information Services, Projects, Governance, and Administration, IS.

Audit Follow-Up: Confirmation

4 of 24 invoices were paid late, potentially incurring over \$3,000 in interest and lost discounts.

4 of 24 of the sampled invoices (~17%) from the CPV A-203(5) were paid late. On average, late payments were late by 24 days. Additionally, one invoice was paid between 10 and 30 days which resulted in a lost prompt payment discount, but this invoice is not late.

According to Council Procedure FM 10-1 and State Statute 471.425, the Council must pay invoices within 35 days of receipt of "completed delivery of goods or services or the satisfactory installation, assembly or specified portion thereof, or the receipt of the invoice for the delivery of goods or services, whichever is later," unless otherwise stated by contract terms.¹⁹ State statute indicates that interest of 1.5% must be paid for each month or part of a month that an invoice is paid late.²⁰ Invoices

¹⁹ [FM 10-1 Accounts Payable Payment Method Policy](#): "All staff involved in processing payments for the Council are responsible for ensuring that payments are processed accurately and paid according to the terms of the contract, or if no contract terms apply, within 35 days of the date of receipt."

²⁰ [MN State Statute 471.425](#): "The rate of interest calculated and paid by the municipality on the outstanding balance of the obligation not paid according to the terms of the contract or during the standard payment period shall be 1-1/2 percent per month or part of a month."

were considered paid late if the time from the received date to the accounting date exceeded the contract terms, which are shorter than the 35-day terms required by state statute (**Table Five**).

Table Five: Contract A-203(5) Payment Terms

Vendor	Payment Terms
Vendor A	NET 30
Vendor C	
Vendor B	1% in 10, NET 30
Vendor D	

The 2022-07A Contract Administration audit reviewed all invoice payments made between January 1, 2021, and September 30, 2022, and found that the Metropolitan Council overall paid invoices late approximately 10% of the time, with Metro Transit (MT) and Regional Administration (RA) specifically both paying late about 16% of the time.²¹ This contract audit identified many possible causes which continue to be applicable, including:

- Delayed invoice review by Project Managers (PMs)
- Complicated processes using multiple systems for reviewing and approving invoices.
- Mismatch of information on invoice and PO
- Vendors not getting invoices to appropriate staff.
- Manual data entry of receipt dates and terms.

According to RA AP, some vendors frequently pre-invoice. As soon as goods are ordered, vendors send invoices, which often arrive before goods and services have been received. PeopleSoft does not have a good way to track timeliness based on the received date, and not all invoices had a clear received date. As a result, there is not an easy way to automatically know which invoices are valid and late, rather than waiting for goods and services to be received.

Delayed payments to MCUBs or DBEs pose additional reputational and operational risk. Small businesses may have less cash on hand to weather payment delays. Failure to pay on time may result in DBEs being hesitant to work with the Council, hindering the Council’s ability to meet MCUB program goals. Failure to pay invoices on time means statutory interest will accrue. For the four late invoices, the Council may owe approximately \$3,125 in interest to vendors.

Table Six: Interest on Late Payments

Invoice Number	Invoice Amount	Terms	Interest	Days to Pay	Days Late
609948	\$8,569.24	30	\$385.62	65	35
609846	\$37,980.36	30	\$1,139.41	60	30
609851	\$53,294.42	30	\$1,598.83	54	24
931973	\$49.01	30	\$1.47	36	6
Total	\$99,893.03		\$3125.33	Avg: 53.75	Avg: 23.75

²¹ Metropolitan Council Program Evaluation and Audit, Contract Administration, June 2023 [Contract-Administration-Report.aspx \(metro council.org\)](#)

Recommendation:

11. In addition to Accounts Payable implementing other Audit recommendations for late payments, Project Managers should not accept invoices if goods and services have not been provided unless contractually stipulated otherwise.

Procurement Management Response: Invoice training is offered by the Contract Management Support unit in their Contract Management 101 training as well as the CPV training. These two trainings are offered on a quarterly basis and Project Managers should attend this training on an annual basis. Announcements for these training courses, and more, are included in The Wire and posted to METNET. Ultimately, Project Managers are responsible for reviewing and approving invoices for payment by Accounts Payable, so it is incumbent upon them to ensure they are receiving the recommended training.

IS Management Response: By end of year, IS will have a more mature PMO that complies with IS' emerging governance model. IS will implement the suggested training among the project managers. IS requests that, at that time, project managers are added to the invoice or invoices are otherwise routed to them in a timely fashion.

Timetable: Training is currently available to all Council employees and will be updated in the 4th quarter of 2024.

Staff Responsible: Manager, Compliance and Administration, RA Procurement as trainers and advisors. Manager, Project Management Office, IS for IS' actions.

Maintenance agreement invoices from Vendor A were frequently pre-invoiced and did not have supporting documents, violating contract terms.

Pre-invoicing is the practice of issuing invoices before the actual goods or services are delivered or performed. Invoices for the maintenance agreement (21P034) were frequently pre-invoiced, meaning that it would be impossible to provide the required documentation of services rendered.

As of February 2024, \$353,592 has been billed under the maintenance contract at \$14,733 per month. Audit randomly sampled ten of the twenty-four invoices, six of which (60%) were invoiced before services were fully rendered for that month. Under contract, the contractor must provide the Council with a sufficiently detailed report of the services performed by the 20th day of each month following the month in which the services were provided.²² None of the sampled invoices contained documentation of work completed or a summary of the work. Instead, all reviewed invoices contained a single, general line item indicating that the contracted employee provided services for the specified month according to the contract (**Image Four**). Thus, the invoices should have been denied by the PM until all required information was provided, including the date(s) of services performed, which by definition is not possible until after the end of the month.²³

²²Contract 21P034 "III. METHOD OF PAYMENT"

²³ Ibid.

Image Four: Example of General Line Item from Maintenance Invoices

Due Date	SalesPerson	Purchase Order No	Terms	Ship Date	Contract
06/16/2023		Contract 21P034 05/10/2023	Net 30	05/16/2023	21P034

Qty Ord	Qty Ship	Qty Back Ordered	Item No. & Description	Price	Ext. Price
1	1	0	EDGE-Custom-Service-TBI performed services for the month of May per contract 21P034.	\$14,733.00	\$14,733.00

Without supporting documentation of work completed, it is difficult to determine potential duplicate services between the maintenance contract and installation invoiced under the state contract. For example, the maintenance contract states “[t]echnician assists Council IS/Telecom Staff with testing and installations” which is also a service that Vendor A provides under the state contract.

AP identified and communicated invoice abnormalities. Notably, the vendor occasionally sent invoices for multiple months at once, even before the completion of the second month billed. AP noted that it is common for monthly agreements from other vendors to be billed at the beginning of the month, rather than at the end. AP is not familiar with contract terms and relies on PMs to approve payment as they should be familiar with the terms for their contracts. However, in this case PMs approved each invoice reviewed despite the invoices not following contract terms. Although they were invoiced and received before the end of the month, no sampled invoices were paid prematurely.

Pre-invoicing can create discrepancies in the timing of payments and service delivery. It could lead to inaccurate financial reporting. This may result in overpayment/duplicate payment or payment for services that were not delivered as per the contract terms. Additionally, if invoices are approved for payment before services are rendered, it removes a mechanism by which the Council can hold vendors accountable by withholding payment for goods and services not delivered per contract terms.

Recommendations:

- 12. Project Managers should hold contractors accountable to the contract terms and not approve invoices if services rendered are invoiced prior to completion.

Procurement Management Response: Invoice and contract management training are offered by the Contract Management Support unit in their Contract Management 101 training as well as the CPV training. These two trainings are offered on a quarterly basis and Project Managers should attend this training on an annual basis. Announcements for these training courses, and more, are included in The Wire and posted to METNET. Ultimately, Project Managers are responsible for reviewing and understanding the terms and conditions of the contract as well as understanding the scope. Project Managers are encouraged to reach out to the Contract Support Management Unit for any questions that arise during the life of the contract.

IS Management Response: By end of year, IS will have a more mature PMO that complies with IS’ emerging governance model. IS will implement the suggested training among the project managers. IS requests that, at that time, project managers are added to the invoice or invoices are otherwise routed to them in a timely fashion.

Timetable: Training is currently available to all Council employees and will be updated in the 4th quarter of 2024.

Staff Responsible: Manager, Compliance and Administration, RA Procurement as trainers and advisors. Manager, Project Management Office, IS for IS' actions.

13. Contract Management Support Unit should formulate explicit criteria for acceptable documentation of invoice approval, emphasizing that an acknowledgment of receipt email should include detailed information and entails a certification that goods were received per the contract.

Procurement Management Response: Training on invoice processing is included in the Contract Management 101 training as well as the CPV training. Both training courses will be updated to include information regarding acknowledgements of receipt emails confirming goods or services were received per the contract.

IS Management Response: IS will eventually address this requirement in the Financial domain of IS' emerging governance model in which vendor managers oversee invoice reconciliations. In the meantime, IS Procurement will share written guidance with the project managers on criteria for accepting invoices.

Timetable: 4th Quarter 2024

Staff Responsible: Manager, Compliance and Administration, RA Procurement as trainers and advisors. Manager, Project Management Office, IS for IS' actions.

Audit Follow-Up: Confirmation

Other – Facilities

The Council does not have an overall plan for how to keep track of onsite vendors.

Audit observed an inconsistent approach to tracking visitors/vendors depending on the location. Locations without public-facing areas like Transfer Road did not usually have someone at the front desk whom Audit could speak with about visitor policies and procedures. Instead, card readers controlled access to the building entrance. Accordingly, there were no visitor logs available to review for some locations. Most locations had some level of card access to office areas and manual visitor logs, but they were often not completed consistently and lacked accurate in/out times. Audit could only confirm the time spent on site by visitors at the Metro Plant, which had a robust log and controlled access.

At a high level, agencies should have a facility access policy informed by the facility security level, the types of tenants and visitors, and emergency plans.²⁴ Council facilities serve a variety of functions, with different levels of public-facing services or contracted employees. Thus, they all have different amounts of non-employees who need to enter the space, levels of public/non-public access, and forms to suit their functions. The Council does not have an enterprise-wide physical security document that systematically addresses these varied needs.

Without systemic and effective tracking of who is in a building, the Council cannot reconcile vendors' actual labor hours. If there are disputes about labor hours charged on an invoice, incomplete or nonexistent visitor logs make it much more difficult to resolve questionable charges in the Council's favor. Vendors may realize that certain locations do not log their hours onsite and could begin overcharging, knowing that the Council does not have evidence to win a payment dispute. Additionally, historic data is not available to help determine "reasonable" amounts of time on site for certain kinds of work, so future project costs could be inflated based on incorrect past charges.

Additionally, it is a safety and security risk. In case of fire, tornado, active shooter, or other emergencies, people may be unaccounted for and harmed if nobody knows they were onsite. Theft or other crime committed in Council facilities may also go unsolved if there are not good records of who was onsite, especially if camera footage is not promptly requested and saved.

Recommendation:

14. The Council should develop an enterprise plan for how to manage visitor and vendor movement for all Council facilities, recognizing that the approach may vary depending on the function and risk level of each facility.

Management Response: Pending

Timetable: Pending

Staff Responsible: Pending

Audit Follow-Up: Pending

²⁴ The Interagency Security Committee published best practices on Facility Access Control in 2020. These guidelines apply to all "nonmilitary federal Executive Branch departments and agencies," including both leased and owned spaces. ([ISC Best Practices for Facility Access Control | CISA](#))

Conclusions

Audit determined that contract deliverables were provided and within the scope of Contract A-203(5), but due to a lack of supporting documentation, could not determine if incurred charges were reasonable and allowable. This report's findings continue to highlight systemic issues in contract administration, including a lack of effective contract oversight. Prior audits, including IT Asset Management, IS Contract Administration, MTPD LASO Contract Administration, and Contract Administration all have similar findings. This poses significant financial and legal risks. To address these issues, the Council must adopt a more vigilant approach to evaluating vendors and monitoring contracts, especially those with unique terms and the possibility of decentralized purchases such as CPVs.

Inadequate oversight stems from a lack of knowledge of contract terms and the absence of a unified and well-defined A/V procurement strategy. The CPV's benefits should be weighed against the efficacy of alternative contracting mechanisms, particularly for larger-scale and design projects where open bidding may offer better bulk pricing. Risks associated with CPVs in general will be more thoroughly assessed in a CPV Audit scheduled to begin in late 2024.

Enhancing awareness of vendor performance reporting mechanisms, strengthening vendor evaluations, and improving training for invoice reviews will improve accountability and performance monitoring. Additionally, the Council should implement secondary mechanisms to help validate labor charges such as refining visitor and vendor logging procedures. Despite the heightened need for substantive invoice review, efforts to identify and address the root causes of late payments should continue to be prioritized.

The establishment of a new Contracts Management Support Unit is a promising step toward implementing these changes and supporting managers in understanding contract terms and the importance of thorough invoice review. The evolving role of IS Procurement and the transition to Service Portfolio Management should further bolster these efforts. Through these structural changes, the Council can establish a more transparent, accountable, and efficient procurement process for A/V expenditures.



June 20, 2024
Matthew J. LaTour, Chief Audit Executive
Program Evaluation & Audit

Appendix A: Acronym List

AP – Accounts Payable
A/V – Audio Visual
CAA – Contract Amendment Authorization
CM – Contract Manager
CMAQ – Congestion Mitigation and Air Quality
CPV – Cooperative Purchasing Venture
DBE – Disadvantaged Business Enterprise
FTA – Federal Transit Administration
FTE – Full Time Equivalent
IS – Information Services
ITAM – Information Technology Asset Management
ITR – Information Technology Request
MCUB - Metropolitan Council Underutilized Business
MT – Metro Transit
OSP - Office of State Procurement
PM – Project Manager
PO – Purchase Order
P/T – Professional/Technical Services
RA – Regional Administration
WAM – Oracle Utilities “Work and Asset Management” System

Appendix B: Categories

Program Evaluation and Audit recommendations are categorized according to how Audit will follow-up on them. The categories are:

- **Retest** — Audit will retest the area using the same or similar procedures after a recommendation has been implemented and sufficient time has passed for the changes to take effect. The retest will take place on a specified timetable. The recommendation will be closed once the change has occurred. A new audit project will be opened for retesting and any new findings will include new recommendations.
- **Confirmation** — Audit will confirm that an adequate risk response has been completed on the agreed upon timeline. The recommendation will be closed once the change has taken place.
- **Assess Risk** — Audit will not plan for specific follow up to these recommendations. Audit will discuss the area as part of its annual risk assessment activities and consider future audit work in the area.



Appendix C: Distribution List

All audit reports are reported to the general public and are available on www.metrocouncil.org. This audit report was distributed to the following parties:

- Members of the Audit Committee
- Regional Administrator
- Deputy Regional Administrator
- Chief Financial Officer
- Chief Information Officer
- Chief Procurement Officer
- Deputy Chief Financial Officer
- Assistant Director, Services, Governance, and Administration
- Manager, Unified Communication and Collaboration
- Manager, Accounts Payable



Appendix D: Information Services Management Response

Management Response to Recommendation 1 on warranty charges:

Optimize Value	EDM02 EDM04
Ensure that costs and budget are leveraged efficiently.	
	<ul style="list-style-type: none"> None assigned
	<ul style="list-style-type: none"> Evaluate return on IT investments. Measure the effectiveness of IT resources with business needs. Identify ways to optimize.

IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we optimize the value of our contracts and ensure alignment with budget. HP/Polycom will soon release a product called LENS that will provide a method to track warranties in a central location. We will then be able to look at warranty costs and benefits, and better determine what type of warranty is needed to support METC gear. In the meantime, IS will scrutinize future proposed warranties for necessity and redundancy with other agreements by August 2024.

Management Response to Recommendation 2 on warranty charges:

Assets	BAI09
Track HW/SW assets and optimize value	
	<ul style="list-style-type: none"> None assigned.
	<ul style="list-style-type: none"> Maintain asset inventory Identify asset relationships Manage asset life cycle

IS will eventually address this requirement in the Operations domain of IS' emerging governance model in which we document the characteristics of our assets, including warranty status. In the meantime, IS will record maintenance status in LENS when that application is available (date to be determined).

Management Response to Recommendation 3 on P/T Services:

Vendor Management	APO10
Minimize the risk associated with suppliers and ensure competitive pricing.	
	<ul style="list-style-type: none"> Procurement
	<ul style="list-style-type: none"> Identify and categorize suppliers and contracts. Evaluate suppliers and contracts. Align contracts to enterprise standards and legal and regulatory requirements. Reassess supplier risk. Maintain and monitor supplier contracts and service delivery.

IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we maintain a standard approach to the value of our contracts and ensure alignment with budget. In the meantime, IS will immediately limit future professional services fees to \$5,000 per project, consulting with

Management Response to Recommendation 4 on contract extension training:

Vendor Management	APO10
Minimize the risk associated with suppliers and ensure competitive pricing.	
	<ul style="list-style-type: none"> Procurement
	<ul style="list-style-type: none"> Identify and categorize suppliers and contracts. Evaluate suppliers and contracts. Align contracts to enterprise standards and legal and regulatory requirements. Reassess supplier risk. Maintain and monitor supplier contracts and service delivery.



IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we maintain a standard approach to contract renewals. In the meantime, IS Procurement will review the Procurement Procedure and supporting documents by August, 2024.

Management Response to Recommendation 5 on automated reminders for contract expirations:

Vendor Management	APO10
Minimize the risk associated with suppliers and ensure competitive pricing.	
	<ul style="list-style-type: none"> Procurement
	<ul style="list-style-type: none"> Identify and categorize suppliers and contracts. Evaluate suppliers and contracts. Align contracts to enterprise standards and legal and regulatory requirements. Reassess supplier risk. Maintain and monitor supplier contracts and service delivery.



IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we maintain a standard approach to contract renewals. In the meantime, IS Procurement will document and plan for contract expirations one year in advance. This will be done by September, 2024.

Management Response to Recommendation 6 on Procurement clarifying the Procurement Policy:

Vendor Management	APO10
Minimize the risk associated with suppliers and ensure competitive pricing.	
	<ul style="list-style-type: none"> Procurement
	<ul style="list-style-type: none"> Identify and categorize suppliers and contracts. Evaluate suppliers and contracts. Align contracts to enterprise standards and legal and regulatory requirements. Reassess supplier risk. Maintain and monitor supplier contracts and service delivery.


IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we maintain a standard approach to contract renewals. By August 2024, IS Procurement will document its position on retroactive contract extensions.

Management Response to Recommendation 7 on Procurement enhancing current CPV training on adjusting estimates to actuals:

Projects	BAI01
Manage and report on projects.	
	<ul style="list-style-type: none"> Victor Barge
	<ul style="list-style-type: none"> Organize project participants. Drive project objectives. Report schedule, funds, outcomes. Monitor project performance against enterprise goals.



By end of year, IS will have a more mature PMO that complies with IS' emerging governance model in which we drive a standard approach to documenting effort. We will ensure that vendors are quoting professional services consistent with MN State Purchasing Contract a-203(5). While IS will ask vendors to self-report their hours to the PMO, IS often prefers a flat rate for professional services to avoid budget breakage.

Management Response to Recommendation 8 on developing a form letter that communicates minimum required documentation for invoices:

Vendor Management	APO10
Minimize the risk associated with suppliers and ensure competitive pricing.	
	<ul style="list-style-type: none"> Procurement
	<ul style="list-style-type: none"> Identify and categorize suppliers and contracts. Evaluate suppliers and contracts. Align contracts to enterprise standards and legal and regulatory requirements. Reassess supplier risk. Maintain and monitor supplier contracts and service delivery.

IS will eventually address this requirement in the Financials domain of IS' emerging governance model in which we direct required elements of vendor invoices. By August, 2024, Procurement will make a best effort to communicate this to our vendors, and IS PMO will enforce the control by end of year.

Management Response to Recommendation 9 on requiring and documenting invoice training:

Projects	BAI01
Manage and report on projects.	
	<ul style="list-style-type: none"> Victor Barge
	<ul style="list-style-type: none"> Organize project participants. Drive project objectives. Report schedule, funds, outcomes. Monitor project performance against enterprise goals.



By end of year, IS will have a more mature PMO that complies with IS' emerging governance model. IS will implement the suggested training among the project managers. Projects are currently managed by engineers who don't have the cycles or the focus to implement this recommendation.

Management Response to Recommendation 10 on prompting reports on vendor performance:

Vendor Management	APO10
Minimize the risk associated with suppliers and ensure competitive pricing.	
	<ul style="list-style-type: none"> • Procurement
	<ul style="list-style-type: none"> • Identify and categorize suppliers and contracts. • Evaluate suppliers and contracts. Align contracts to enterprise standards and legal and regulatory requirements. • Reassess supplier risk. • Maintain and monitor supplier contracts and service delivery.



IS will eventually address this requirement in the Financial domain of IS' emerging governance model in which we monitor service delivery. In the meantime, IS Procurement will prompt MetC stakeholders on vendor performance so that it can be documented and considered for future opportunities. This will be in place by August, 2024.

Management Response to Recommendation 11 on rejecting invoices if the goods/services have not been provided:

Projects	BAI01
Manage and report on projects.	
	<ul style="list-style-type: none"> • Victor Barge
	<ul style="list-style-type: none"> • Organize project participants. • Drive project objectives. • Report schedule, funds, outcomes. • Monitor project performance against enterprise goals.


By end of year, IS will have a more mature PMO that complies with IS' emerging governance model. IS will implement the suggested training among the project managers. IS requests that, at that time, project managers are added to the invoice or invoices are otherwise routed to them in a timely fashion.

Management Response to Recommendation 12 on rejecting pre-invoices:

Projects	BAI01
Manage and report on projects.	
	<ul style="list-style-type: none"> • Victor Barge
	<ul style="list-style-type: none"> • Organize project participants. • Drive project objectives. • Report schedule, funds, outcomes. • Monitor project performance against enterprise goals.

By end of year, IS will have a more mature PMO that complies with IS' emerging governance model. IS will implement the suggested training among the project managers. IS requests that, at that time, project managers are added to the invoice or invoices are otherwise routed to them in a timely fashion.

Management Response to Recommendation 13 on Procurement developing explicit criteria for acceptable documentation for invoice approval:

Vendor Management	APO10
Minimize the risk associated with suppliers and ensure competitive pricing.	
	<ul style="list-style-type: none"> • Procurement
	<ul style="list-style-type: none"> • Identify and categorize suppliers and contracts. • Evaluate suppliers and contracts. Align contracts to enterprise standards and legal and regulatory requirements. • Reassess supplier risk. • Maintain and monitor supplier contracts and service delivery.

IS will eventually address this requirement in the Financial domain of IS' emerging governance model in which vendor managers oversee invoice reconciliations. In the meantime, IS Procurement will share written guidance with the project managers on criteria for accepting invoices.

Management Response to Recommendation 14 to develop an enterprise plan for managing visitor and vendor movement at the Council:

This recommendation belongs with Building Management.



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