



Purchasing and Contract Management Review

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CARSON CITY

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Executive Summary

Eide Bailly LLP (referred to as "we," "our," or "us") performed a comprehensive review of Carson City's ("City") Purchasing and Contracts Management process to evaluate the adequacy and effectiveness of internal controls, policy compliance, and contract oversight. This review focused on whether contracts are procured, executed, and monitored in accordance with applicable City policies and procedures, as well as legal and regulatory requirements. The last review of this function was completed in 2017.

While the engagement confirmed that foundation internal controls are in place and generally functioning to support compliance, oversight, and vendor performance monitoring, several opportunities for improvement were identified. The engagement results in two (2) findings and one (1) observation, each accompanied by actionable recommendations to enhance compliance and reinforce internal controls. Addressing these issues will enhance transparency, promote consistent procurement practices, and strengthen the City's ability to manage contracts efficiently and in alignment with public stewardship responsibilities.

We extend our gratitude to the Purchasing and Contracts Administrator for her valuable contributions throughout this assessment. Her insights significantly enhanced our understanding of the City's purchasing and contracts management processes and provided a foundation for the recommendations designed to strengthen operational controls.

Background Information

Carson City serves approximately 58,000 residents¹ and delivers a wide range of services, including utilities, public safety, infrastructure maintenance, social programs, and community support. Every year, the City purchases millions of dollars in goods and services to support these operations. This procurement activity is coordinated through the Purchasing and Contract Management division within the City Manager's Office.

Purchasing and Contract Management are critical functions that support the effective delivery of services across all City Departments. The structure is partially centralized, with the Purchasing and Contracts Administrator overseeing citywide procurement policies and contracting procedures, while individual departments are responsible for managing and monitoring their own contracts.

The Purchasing and Contract Management division plays a central role in facilitating procurement activities, issuing solicitations (e.g., bids, RFPs, RFQs), reviewing contract documents, and ensuring adherence with the City's purchasing policies and procedures. Responsibilities include verifying the use of appropriate procurement methods, maintaining centralized contract records, and supporting compliance with legal and regulatory requirements.

City contracts vary in scope and complexity and may involve construction, consulting, professional services, technology, and operational support. Effective contract administration requires clear documentation of scopes of work, deliverables, performance expectations, timelines, and payment terms. It also relies on the consistent application of controls such as competitive procurement, formal contract approvals, vendor performance monitoring, and invoice verification. The City's ***Purchasing and Contracts Policies and Procedures*** ("P&Ps") provides comprehensive guidance for users to align with City requirements and applicable federal and state laws.

As of the date of this report, the City has 162 active contracts with a total value of approximately \$107 million, of which \$93.5 million, or about 87%, are associated with Public Works contracts.

¹ Carson City population as of December 2024 per Nevada Demographics report. Source: https://www.nevada-demographics.com/cities_by_population

Objective & Scope

The **Objective** of the Purchasing and Contract Management Review was to identify and evaluate the effectiveness of controls and oversight in the contract administration process, including contract management and compliance monitoring. The key objectives include an independent review and assessment of the following:

- Evaluate the City's procurement process and compliance with established policies and procedures.
- Establish whether adequate internal controls are in place to ensure vendor's performance is in accordance with statement of work and invoice payments have been properly processed.
- Identify improvement opportunities related to the efficiency and effectiveness of the contract monitoring controls.

The **Scope** of the engagement was from June 30, 2024, to current operations.

This engagement was performed in accordance with the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA).

Methodology

In alignment with the objective, the assessment involved the following key activities:

1. Obtained and reviewed the City's procurement policies and procedures (P&Ps), purchasing thresholds, and compliance documents to establish a baseline understanding of the current control environment.
2. Obtained and reviewed the current Contract Register, including critical details such as contract type, status, contract owner and department, vendor, effective dates, total value, renewal terms, scope of work, payment terms, and any amendments or modifications.
3. Gained an understanding of contract and procurement processes through documentation review, data collection, discussions with the Contracts and Purchasing Administrator and the Fiscal Analyst within the Public Works Department. This department manages approximately 51% of the City's active contracts and represents 87% of the total contract value.
4. Selected a representative sample of contracts base on identified risk factors to ensure diverse coverage across departments, contract types, and procurement methods.
5. Analyzed procurement files for each sampled contract to verify the presence of key documentation such as original requisitions, purchase orders, submitted bids, and supporting communications.
6. Reviewed executed contracts and related amendments to confirm alignment with procurement files and inclusion of essential terms such as scope of work, payment terms, and vendor performance metrics.
7. Assessed documentation used to monitor compliance for each selected contract, including evidence of tracking against defined key performance indicators (KPIs) and contractual outcomes.
8. Evaluated each sampled contract for compliance with established guidelines, focusing on:
 - a. Adherence to deliverables and specific timelines.
 - b. Alignment of invoices with contractual terms and authorized purchase orders.
 - c. Fulfillment of services or delivery of goods as defined in the contract.
9. Reviewed the change order process to determine whether appropriate controls are in place to ensure accurate documentation, prevent errors or procurement circumvention, and mitigate risk of fraud or unauthorized changes.

Results of the Purchasing and Contract Management Review

Our assessment revealed that the internal controls implemented for the City's purchasing and contract management processes are functioning as intended to support compliance with procurement policies and procedures, ensure proper authorization, and process payments in accordance with executed contracts. These controls play a critical role in mitigating the risks of non-compliance, financial inaccuracies, and unauthorized commitments.

The assessment also identified opportunities for improvement within the contract administration and monitoring process. Specifically, control gaps were noted related to the documentation of procurement steps, monitoring of vendor performance, and consistency in maintaining centralized contract records. We identified two (2) findings and one (1) observation, each accompanied by actionable recommendations to enhance oversight, strengthen compliance, and promote consistency in contract-related practices across departments.

Addressing these findings and observation will help improve transparency and accountability in procurement, foster fair and competitive vendor selection, and enhance the City's ability to monitor contract performance and spending. These improvements will contribute to a more efficient, consistent, and well-controlled contract management process, ultimately strengthening the City's overall procurement framework.

As part of this review, we have categorized identified issues into Findings and Observations to differentiate between matters requiring corrective action and those representing opportunities for improvement.

Findings

Findings are issues that represent a deviation from established policies, procedures, regulatory requirements, or best practices. These issues may pose risks to the City, such as noncompliance, financial inaccuracies, security vulnerabilities, or operational inefficiencies. Findings require management's attention and corrective action to mitigate potential impacts. Each finding includes a description of the issue, the criteria or standard that was not met, the root cause, the potential effect or risk, and a recommendation for resolution.

Observations

Observations are not necessarily violations of policies or regulations but represent areas where processes or controls could be enhanced to improve efficiency, effectiveness, or risk management. While observations do not require immediate corrective action, addressing them may lead to operational improvements, cost savings, or risk reduction. Observations are provided for management's awareness and consideration, with recommendations for potential enhancements where applicable.

By distinguishing between findings and observations, this report provides clear and actionable insights to support continuous improvement within the City's Purchasing and Contract Management processes.

FINDING #1 – Professional Services Contracts

The City's *Purchasing and Contracts Policies and Procedures* (P&Ps) require departments to obtain at least three (3) informal proposals for professional services contracts exceeding \$25,000. During testing procedures, we noted five (5) professional services contracts that did not include documentation of at least 3 informal proposals. This may be due to lack of awareness or inconsistent understanding of the policy by department staff.

While the Nevada Revised Statutes (NRS)² exempts professional services from competitive solicitation requirements, the City established an internal requirement to promote fairness, competition, and transparency. Competitive selection processes increase the likelihood of obtaining the best value for services and help maintain public trust in procurement practices. However, these benefits are only realized when policies are

² NRS 332.115 exempts professional services from competitive solicitation. Source: NRS website

<https://www.leg.state.nv.us/nrs/nrs-332.html#NRS332Sec115>

consistently followed and enforced.

Non-compliance with the City's internal policy may reduce transparency and accountability in the vendor selection process; increase the risk of favoritism, inefficiency, or procurement at non-competitive prices; and undermine the City's efforts to promote fairness and stewardship of public funds, even if technically permissible under state regulation.

Recommendation

We recommend that the City reinforce policy requirements by providing a refresher training to departments on informal proposal requirements for professional services contracts exceeding \$25,000. Additionally, the City should require departments to document the justification when the proposal requirements cannot be met. Lastly, the City should consider implementing periodic compliance reviews to ensure departments are consistently applying and documenting procurement requirements.

Management Response

The City agrees with this recommendation, and will revise the Purchasing Policy, to align with NRS. Additionally, the Purchasing Administrator will conduct ongoing training sessions with all departments once the new policy is finalized. The City expects to complete the trainings by June 30, 2026.

FINDING #2 – Notification for Expiring Contracts

The City currently relies on a manually maintained Contract Register to track contract expiration dates. There is no automated system in place to generate notifications or reminders for upcoming contract expirations.

Monitoring responsibilities are manually assigned to department staff. This is likely the result of the City not utilizing system functionality within Munis or external tools to generate contract expiration alerts.

According to the Government Accountability Office (GAO) Green Book Principle 10 (Design of Control Activities)³ and the National Institute of Governmental Purchasing (NIGP) Public Procurement Practices⁴, automated controls and alerts should be used when feasible to reduce the risk of human error in critical monitoring processes such as contract renewals and expirations.

Reliance on manual tracking increases the risk of contracts expiring without timely renewal or closeout. This can result in service disruptions, legal non-compliance, or unauthorized continuation of services without a valid contract in place. The risk is heightened during periods of staff turnover or increased workload.

Recommendation

We recommend that the City implement an automated notification system to alert responsible departments and staff of upcoming contract expirations. This functionality should be integrated into Munis. If Munis configuration is not feasible, automated Outlook calendar alerts or email notifications could be generated based on Contract Register data.

Management Response

The Purchasing Administrator will determine if notifications through Munis can be autogenerated when a contract is expiring. If it is not possible to turn on only this one notification, without turning on all notifications, then instead, the contract register will be maintained in a universally accessible folder for departmental review. The City expects to complete this recommendation by July 31, 2025.

OBSERVATION #1 – Contract Documentation

During our review of the City's contract management processes, we noted that supporting documentation

³ <https://www.gao.gov/greenbook>

⁴ <https://www.nigp.org/resource/global-best-practices/global-best-practice-contract-administration.pdf>

related to older executed contracts, was not consistently saved to the City's shared drive or attached to the corresponding contract within Munis. Instead, some documentation is stored in individual staff email accounts or local folders that are not accessible to others. This is likely due to the City not having a formal policy or standard operating procedure requiring consistent documentation practices for contract records. For newer contracts, we noted improvements in recordkeeping practices, with more consistent use of Munis as a repository for all contract-related documents.

Best practices outlined in the GAO Standards for Internal Control (Green Book, Principle 13) and the GFOA's Best Practices in Contract Administration recommend that documentation supporting financial and contractual transactions be complete, accessible, and centrally maintained to ensure transparency, accountability, and continuity.

The absence of centralized and consistent contract documentation increases the risk of incomplete records, impairs effective oversight, and may hinder future reviews. It also increases the risk of operational disruption due to staff turnover or absence, as important documentation may not be readily available.

Recommendation

To address this, we recommend that the City formalize a policy requiring all departments to upload supporting documentation for contracts (such as W-9s, insurance certificates, business licenses, proposals, and correspondence) to Munis and to a designated folder on the City's shared drive. This policy should be supported by staff training and periodic quality control reviews to ensure compliance across all departments.

Management Response

Since the inception of Munis all executed contracts and their amendments are attached via the content manager. The previous ERP system utilized by the City was HTE, which lacked the capability to include any attachments. The Purchasing Administrator will examine and confirm that all information is properly attached in Munis.