



Memorandum

TO: Kara DeArrastia, City Clerk
Eric Anderson, City Attorney

FROM: Bill Greene, City Auditor (X8982)

CC: Rosa Inchausti, City Manager
Greg Ruiz, Chief Deputy City Manager
Keith Burke, Deputy City Manager
Lisette Camacho, Deputy City Manager

DATE: December 18, 2025

SUBJECT: Citywide Contract Retention Review

Purpose

The purpose of this consulting engagement was to recommend process improvements to ensure that all City of Tempe (City) contracts receive legal review, are executed in accordance with City requirements, and are forwarded to the City Clerk for official record retention.

Background

Generally, the City's approach to contract development, review, execution, and retention is decentralized. While certain requirements—such as those outlined in the City Procurement Code—are centralized, the responsibility for ensuring proper contract handling ultimately rests with individual departments.

The City's Procurement Code requires that contracts valued at \$100,000 or more be solicited through the Procurement Division of the Financial Services Department (Procurement). In accordance with City Code and policies, Procurement is responsible for ensuring proper contract development, legal review, and execution by City Council, while the City Clerk's Office maintains the official contract record. Beyond the contracts handled by Procurement, many other written agreements are initiated by individual City departments, often requiring varying levels of authorization. In the absence of enterprise-wide policies, departments are responsible for establishing procedures to ensure proper legal review, execution, and retention.

Scope and Methods

The objective of this consulting engagement was to provide information as described in the purpose statement above. The work performed does not constitute an audit in accordance with *Government Auditing Standards*.

To achieve our stated objective, we performed the following review steps:

- Interviewed staff and reviewed applicable guidance to understand current business processes.
- Researched best practices for contract execution and retention.
- Mapped business processes within identified departments.
- Surveyed peer jurisdictions to identify industry practices and policies.

Results

An overarching policy is needed to establish clear and consistent expectations for contract legal review, execution and retention.

Contract development and execution within the City is a decentralized process. While a significant portion of City contracts are facilitated through Procurement, many other agreements are initiated and managed by individual departments. Currently, the City lacks an enterprise-wide policy establishing standards for contract legal review, execution, and retention. In the absence of such a policy, departments responsible for contracts are left to develop their own business processes.

A lack of organizational policy can lead to inconsistent contract development, execution, and retention. Prior reports issued by the Internal Audit Office (IAO) have identified numerous exceptions in these areas. Examples include contracts:

- Executed without legal review.
- Signed by individuals not authorized to execute contracts on behalf of the City.
- Not fully executed (i.e., missing required signatures from all parties).
- That could not be located in the City's official records.
- For which the official copy did not include the most recently amended version of the agreement.

We selected several City departments for evaluation based on their higher volume of contract activity. For the following departments, we interviewed staff and mapped their business processes:

- City Clerk
- Procurement
- Engineering
- Economic Development

Through staff interviews and a review of business processes, we identified several

areas where contract processes could be strengthened.

- **Continuity of Documentation-** Development of naming conventions for contracts throughout the City to easily identify department and version of the document.
- **Collaboration of Departments-** Some contracts are a multi-department effort, and delays exist in getting documentation to the correct employees and departments which delays overall contract execution time and delivery of documents to vendors.
- **Document Retention and Execution-** Processes are needed to maintain copies of fully executed contracts throughout the contract lifecycle and retention period.
- **Succession Planning-** As primary contract management staff separate from the City, training of staff on contract management processes should be prioritized. Instances have occurred in which departmental knowledge of processes is lost, and employees are tasked with identifying contracts and deliverables, creating new processes, and evaluating vendor performance without historical knowledge.

Legal review of contracts prior to execution is essential to ensure the agreement is enforceable, aligns with applicable laws and policies, protects the City's interests, and mitigates potential legal and financial risks.

Contracts represent binding obligations on behalf of the City, and consistent treatment across the organization helps ensure those obligations are met while reducing financial risk and legal liability. Contracts often include performance metrics, renewal options, termination provisions, and amendments. A thorough understanding of each agreement is essential for making informed decisions, pursuing favorable modifications, terminating contracts when appropriate, and using public funds effectively.

The City Attorney's Office has developed standardized templates for use by certain City departments to promote consistency in contract form and content. In addition to these templates, the City Attorney's Office has established processes to evaluate contracts forwarded for legal review, delegate signing authority as permitted by City Code and is developing a matrix to identify signature authority for various City positions. Together, these measures serve as important management controls over the contracting process.

We met with the City Attorney's Office to discuss the legal review of contracts. The City Attorney's expectation is that all agreements be submitted for legal review prior to execution; however, he acknowledged that no standard process currently exists to ensure this occurs without exception.

Maintaining a complete and accurate record of all executed agreements is essential for ensuring the City can effectively manage its obligations, enforce contract terms, and demonstrate accountability in its use of public resources. Reliable contract records also reduce legal and financial risk by providing clear documentation of rights, responsibilities, and commitments.

We attempted to conduct a records reconciliation to verify whether all contracts were properly executed and maintained as official City records. However, due to the City's decentralized approach to contract development, review, execution, and retention, it was not possible to identify the total contract population.

Although several applications are used across the City to store contracts (e.g., OnBase, Contract Insights, Euna, and PM Web), there is no single repository for all contract types executed citywide. City departments follow their own document retention processes, which may include one or multiple storage locations, such as shared departmental network folders. Without a central repository or overarching policy governing how agreements are tracked and stored—and with each department potentially handling multiple contract types—no single department has ownership of the overall process.

Through our research, we identified numerous types of agreements executed on behalf of the City, each with different initiation procedures and approval requirements. In the absence of an enterprise-wide policy, departments rely heavily on institutional knowledge to manage these agreements. Below are examples of common agreement types throughout the City and the staff responsible for their execution. Copies of final and amended agreements are maintained in multiple locations:

- **Procurement Contracts:** Managed by the Procurement Division within the Financial Services Department. The Procurement Code requires that contracts valued at \$100,000 or more be awarded by the Tempe City Council (Council).
- **Intergovernmental Agreements (IGAs):** These agreements may originate from multiple departments. By statute, IGAs require Council authorization.
- **Grants:** Obtained by various City departments. While grant applications may be executed by the City Manager or designee, final approval of grant awards must occur at a public Council meeting.
- **Construction Contracts:** Facilitated by the Engineering Department. Master contracts require Council approval.
- **Development Agreements:** Originating from multiple departments, these agreements require Council action—via ordinance or resolution—depending on their terms.
- **Leases:** Related to occupancy of City-owned facilities leased as commercial spaces to the public. These agreements are executed by the City Manager or designee with approval from the City Attorney and may originate from several departments.
- **Other Agreements:** Any additional arrangements that meet the definition of a contract—namely, agreements between parties that create mutual, legally enforceable obligations.

There is an opportunity to strengthen the City's contract processes by implementing best practices and leveraging technological efficiencies.

Survey Research

We researched best practices for contract execution and retention by reviewing local government practices, professional procurement guidance, and best practice recommendations from software solution providers. From this research, we identified several recommended practices for effective contract execution:

- **Formal Execution Workflow:** Establish a documented contract execution process, including both internal and external approvals.
- **Signature Methods:** Utilize digital signatures, in addition to wet signatures, to expedite execution.
- **Communication of Execution:** Notify all relevant parties once contracts are fully executed.
- **Centralized Repository:** Maintain a central repository for all executed contracts to ensure accessibility, security, and consistent retention.
- **Training:** Provide staff with training on contract procedures and system functionality.

Using these identified best practices, we conducted a survey of municipalities to understand which practices they have implemented and to gather feedback on outcomes. Survey responses were received from the Cities of Scottsdale, Chandler, and Flagstaff in Arizona, and Austin, Texas. From these responses, we identified several practices currently in place as well as opportunities for improvement based on their experiences.

Adopted Key Practices

- All survey respondents indicated that legal review is required prior to execution, and each city uses standardized contract templates.
- Three of the four cities reported having formally adopted workflows for contract execution.
- Three of the four cities have an enterprise-level contracts policy.

Participant Feedback

When asked about areas for improvement and lessons learned from implementing best practices, survey respondents provided the following insights:

- Ensure users can easily retrieve contracts in the system; several organizations noted challenges with document access.
 - Collaborate closely with the City Attorney to keep contract templates current and streamline legal reviews.
 - Procure a new ERP system with contract management capabilities.
 - Centralize contracts to maintain continuity and consistent oversight.
 - Provide adequate training to ensure employees can navigate systems and maintain operations amid staffing changes.
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Enterprise Resource Planning System

The Financial Services Department is currently evaluating an Enterprise Resource Planning (ERP) solicitation. According to management, contract management is expected to be a key functionality of the new system. This presents an opportunity to establish a secure, centralized contract repository that supports version control, advanced search, financial integration, and performance monitoring.

Simplified Contract Execution

Electronic signatures were identified as a best practice for contract execution. Currently, several departments use Adobe Acrobat Sign for digital signatures. Standardizing this process, where permissible, will help streamline contract execution across the organization.

Recommendation:

Consider forming a task force to address needed improvements in contract administration processes. Establishing a contract-focused task force could support the development of standardized procedures and training for contract execution, review, and retention, while fostering greater consistency across the City. Topical areas for the task force may include:

- **Development of an enterprise-level policy and workflow** addressing:
 - Legal review
 - Contract execution
 - Roles and responsibilities of contract administrators
 - Maintaining contract files
 - Monitoring contractor performance
 - Monitoring financials
 - Closing out contracts
 - Records retention
- **Development and implementation of training** to support the overarching policy and ensure staff understand requirements for contract execution, retention, and management.
- **Identification of contract-related capabilities in the new Enterprise Resource Planning system** and incorporation of applicable best practices.

IAO Review Team:

Bill Greene, City Auditor

Angela Hill, Sr. Internal Auditor