



City of Phoenix

Mission Statement

To improve the quality of life in Phoenix through efficient delivery of outstanding public services.

Project Team

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Project Number

1240014

This report can be made available in alternate format upon request.

Aviation Department Aviation Contract Insurance Monitoring

July 23, 2024

Report Highlights

Contract Monitoring

The Aviation Department effectively manages the contractor to ensure that vendors doing business with Aviation have current certificates of insurance on file.

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Aviation Contract Insurance Monitoring

Purpose

Our purpose was to verify that the City of Phoenix Aviation Department (Aviation) monitors the Exigis contract to ensure they comply with agreement requirements.

Background

The City of Phoenix (City) entered into agreement No. 146891 with Exigis Limited Liability Company (Exigis) on November 1, 2017, to monitor insurance coverage for vendors that do business with Sky Harbor International Airport (Sky Harbor). The aggregate contract value was not to exceed \$105,000. The initial contract term was three years with two optional one-year extensions. Both options were exercised, and on November 1, 2022, the City and Exigis, LLC entered a new five-year contract (No. 157356). Having current certificates of insurance on file, and ensuring those certificates provide adequate coverage limits, helps reduce Aviation's liability and protect assets.

The Contract and Services (C&S) and Business and Properties (B&P) divisions are the primary users of the contract. Aviation established insurance profiles for each type of contract monitored through Exigis. When Aviation enters a new contract, the project manager completes the Exigis Vendor Information form and selects the corresponding contract insurance profile with necessary changes to ensure it matches the contract. Exigis retains the certificates and monitors compliance based on the profile chosen, insurance limits, and expiration dates. The Exigis system sends out reminders when a vendor's insurance is expiring, non-compliant, or expired.

We reviewed Aviation's monitoring procedures to ensure Exigis complied with the contract requirements.

Results

Overall, Aviation adequately monitored the contract.

C&S monitors the Exigis contract. Staff ensure the vendor payments are accurate and that contracts were added to the database within 72 hours of submitting the request.

As of June 15, 2023, Exigis tracked insurance for 386 contracts. C&S and B&P conducted independent reviews of their contracts. The C&S Administrative Assistant II (AAll) periodically compares the contracts in Exigis with those in Supplier Relationship Management (SRM) to ensure Exigis tracks all their contracts' insurance requirements. The AAll contacts the responsible project managers if contracts are missing or listed as non-compliant. The project managers work with the AAll to ensure all errors are corrected. On September 11, 2023, the AAll reviewed the active SRM contract to ensure all contracts were in Exigis and that notices were sent when required. No exceptions were noted.

The two B&P Management Assistant IIs (MAII) reviewed Exigis in March 2024 to identify contracts missing from Exigis. B&P reviewed 254 contracts in SAP that should have been in Exigis. The MAIIs identified 131 non-compliant and 66 missing contracts in Exigis. The MAIIs worked with the responsible project managers to ensure all errors were corrected.

Both processes effectively ensured all eligible contract insurance requirements were tracked in Exigis.

Exigis did not always send notices as required by the Exigis Certificate of Insurance Workflow Summary. However, Aviation staff had processes to ensure vendors were notified.

The contract requires Exigis to notify vendors via email if their insurance is expiring or non-compliant. Additionally, Exigis must email vendors to request renewal certificates. Aviation created the Exigis Certificate of Insurance Workflow Summary that outlines timeframes for required emails. We tested 50 contracts to verify Exigis sent the required notices.

Notices Sent

Notice Type	Notices Required	Notices Sent	Variance
Non-Compliant	30	22	8
Renewal	20	16	4
Totals	50	38	12

Exigis sent 76% (38 of 50) notices required.

While Exigis did not send all required emails, both C&S and B&P had processes to review their contract insurance requirements and notify the responsible project manager of issues identified.

Aviation had controls to ensure Exigis invoices were accurate before they were paid.

The contract fees include an initial set-up fee plus a monthly base service fee for processing and verifying 500 base contracts. If Aviation had more than 500 contracts in the system, an additional \$95 would be due per contract terms. Aviation did not exceed 500 contracts during the period reviewed. Exigis billed Aviation the correct amount each month.

Recommendations

None

Scope, Methods, and Standards

Scope

We audited the Aviation Department's contract with Exigis to provide certificate of insurance tracking and monitoring services which began in October 2017, and was renewed as of November 2022.

The internal control components and underlying principles that are significant to the audit objectives are:

- Control environment
 - The oversight body should oversee the entity's internal control system.
 - Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
- Control activities
 - Management should design control activities to achieve objectives and respond to risks.
 - Management should implement control activities through policies.
- Monitoring activities
 - Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Methods

We used the following methods to complete this audit:

- Interviewed staff responsible for contract monitoring.
- Reviewed Exigis contract terms and conditions and evaluated contract compliance.
- Reviewed whether all contractors have current Certificates of Insurance.
- Compared insurance templates to sample contracts.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Data Validation

We assessed the reliability of Exigis data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and

(3) interviewing agency officials knowledgeable about the data. We determined that this data was sufficiently reliable for the purposes of this audit.

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.