Midpeninsula Regional
Open Space District

R-26-135
Meeting 26-22
September 9, 2026

AGENDA ITEM 7

AGENDA ITEM

Internal Audit Report for Fiscal Year 2025-26

CONTROLLER AND GENERAL MANAGER'S RECOMMENDATION

Accept the Internal Auditor's Report for Fiscal Year 2025-26.

SUMMARY

On April 9, 2025, the Midpeninsula Regional Open Space District (District) Board of Directors (Board) adopted Resolution No. 25-04 establishing an Internal Auditor function and appointed the Controller as the District's Internal Auditor. The Internal Auditor submitted his final Internal Audit Report for fiscal 2025-26 to the Board on August 13, 2026. The annual internal audit process specifies that the final report be placed on a board meeting agenda within four weeks of issuance to the Board.

DISCUSSION

The Board established the Internal Auditor function to promote efficient, effective and transparent District government operations. To fulfill this mission, the Resolution states that the Internal Auditor shall conduct financial and performance audits and examinations of District departments, programs, services and other activities. The purpose of these audits is to provide the Board and District Management with insights regarding the effectiveness and efficiency of the system of internal controls, management of risks, and compliance with District policies and procedures and regulatory requirements.

On June 10, 2025, the Internal Auditor issued an initial District assessment of its internal controls in accordance with a 2024 recommendation for timely, documented and reportable assessments as issued by the San Mateo County Civil Grand Jury to all public agencies within the county. The Controller made this assessment based on a broad review of District operations during fiscal 2024-25. The overall conclusion of this assessment was that the District's internal controls were well-designed and effective, and that compliance with District policies and control procedures was generally excellent.

Resolution No. 25-04 lists eight steps to completing the annual internal audit process. Step 1 is to work with management and the Board to develop the annual Audit Plan for the year. On June 10, 2025, having received the advice and counsel of the Board, General Manager and General

Counsel, the Internal Auditor submitted the 2025-26 Internal Audit Plan to the Board. A copy of the plan is attached to the final Internal Audit Report.

Step 2 requires the Internal Auditor to issue quarterly reports to the Board describing the status and progress towards completing the audits. The Internal Auditor presented these quarterly reports to the Board on October 15, 2025, January 21, 2026, and April 14, 2026.

Per the third step in the process, the Internal Auditor submitted the Internal Audit Plan for fiscal 2026-27 to the Board on June 25, 2026. Per the resolution, the objective items in this plan were identified by Management and the Board. Also on June 25, the Internal Auditor submitted his annual overall assessment of District internal controls, in accordance with the 2024 civil grand jury recommendation. Again, the Internal Auditor, based on the 2025-26 audits, assessed the District's internal controls as well-designed and effective, with generally excellent staff compliance with District policies and control procedures.

Following completion of the fiscal year, the fourth step is for the Internal Auditor to submit a full draft report to the General Manager, General Counsel, and Assistant General Managers. No timeframe is stated in the resolution, but the Internal Auditor submitted this report on July 23, 2026.

Per Step 5, Management submitted its responses to the draft report between July 23 and August 13, 2026.

The Resolution states that the Internal Auditor shall incorporate the management responses into a final report and submit it to the Board within three weeks of receiving the responses. Per Step 6, the Internal Auditor submitted the final report to the Board on August 13, 2026.

The final Internal Audit Report presents the detailed results of the fiscal 2025-26 audits, including management responses to the draft report. As explained in the report, one item in the 2025-26 Audit Plan, Residential Rental Lease Programs, was deferred to the fiscal 2026-27 Audit Plan.

Per Step 7, the final Internal Audit Report has been placed on the September 9, 2026 Board agenda, within four weeks of the submission of the report to the Board.

The final step in the annual process is for the Internal Auditor to report on the status of recommendations made in prior audits. Since this is the initial annual report, no such report is required until next year.

FISCAL IMPACT

None

PUBLIC NOTICE

Public notice was provided as required by the Brown Act. No additional notice is required.

CEQA COMPLIANCE

Board review of the Internal Auditor’s Report is not a project under the California Environmental Quality Act and no environmental review is required.

NEXT STEPS

Accept the Internal Auditor’s Report for fiscal year 2025-26.

Attachments:
1. FY 2025-26 Internal Audit Report
2. FY26 Internal Audit Report Responses

Prepared by/contact person:
Michael L. Foster, Controller and Internal Auditor

Midpeninsula Regional
Open Space District

DATE: August 13, 2026

TO: Board of Directors

FROM: Mike Foster, Controller

SUBJECT: FY26 Internal Audit Report

Last year, the Board established the following procedure for the annual internal audit report.

1. The Internal Auditor submits the final draft of the audit report to the GM, GC, and AGM's managing functions covered in the report.
2. Within three weeks, the Internal Auditor receives written responses to the draft report from the GM, GC, and AGM's.
3. The Internal Auditor incorporates the written responses into its final report or includes them verbatim.
4. The Internal Auditor submits the final version of the audit report to the Board, within three weeks of receiving the written responses.
5. The final audit report is placed on a Board meeting agenda within four weeks of the Board receiving the final report.

Internal Audit submitted its draft report to executive management on July 23 and has incorporated their responses. Accordingly, this memo completes step 4 in the process. Internal Audit previously, on June 25, 2026, submitted its annual assessment of District internal controls to the Board. The overall conclusion of the assessment is that the District's internal controls are well-designed and effective, and that compliance with District policies and control procedures is generally excellent.

The FY26 Internal Audit Plan included five issues to investigate. Attached is a copy of the plan. Issue #3, Residential Rental Lease Programs, has been postponed into the FY27 Plan due to the delay in finalizing the rental survey results and establishing new rental rates. The new appraiser (selected in an RFP process) conducting the survey reported individual appraisals that were considerably different, both higher and lower, than previously used in setting rental rates. Management put the new appraisals through extensive review and only recently completed the line-up of new proposed rental rates. Management decided to delay implementing the new rental rates until January 1, 2027—the normal time of the year to change rates.

The audit results for the other four planned topics are provided below.

Issue #1: **Credit Card Charges**

During FY26, District staff engaged in an average of 355 credit card transactions, for an average of $135,000, per month. Internal Audit selected and reviewed twelve charges per month over the period April 2025 through March 2026 (a total of 144 charges) from every department except Finance. All full-time District employees hold cards except Finance department staff. Internal Audit asked card users and managers questions about many of the charges, particularly the larger ones, and is satisfied that every one of the 144 charges was a valid use of District funds.

The purpose of credit card system is, of course, to speed progress on projects, and everyone agrees that it does so, especially in the field where the immediate need for materials, supplies and tools cannot always be anticipated. Another benefit is that the District receives a 1% rebate on all credit card purchases plus we obtain insurance against vendor fraud and abuse. The partial offset for this speed and convenience is (a) the management and accounting time to administer and control the system and (b) that some vendors charge a fee for paying with a card.

The Finance Department has established an effective control system for checking and processing credit card charges, built around the Wells 1 program. Of course, this checking is after-the-fact as the money was already paid at the time of the transaction. Wells 1 posts transactions every two days to each employee's credit card account. Card users submit back-up for each charge including [a] a receipt from the vendor showing the vendor's name, date, item(s) purchased, and the total price; [b] the project or department account to be charged; and [c] a clear business description of the item purchased. Card users are required to submit this back-up by the 10th day of the month following the transaction, and department managers submit their confirming approvals by the 15th day of the month. Some managers find value in the approval process as it is a tool for monitoring what employees have been working on and how much is being spent. Naturally, the back-up submitted is not always complete and the accounting staff work the rest of the month assembling a complete monthly package.

Individual monthly credit card limits are requested by department managers and are set at or below the employee's purchasing expenditure authority limit, by position. There is a well-controlled mechanism for department managers to request a higher limit for one-time purchases.

Looking for potential improvements in the system, Internal Audit solicited department manager comments and suggestions about how we use credit cards. About half of the managers find the procedures convenient and relatively easy to use. Others are less familiar with some of the system's helpful features or have specific complaints. Most offered suggestions for making the system less burdensome.

Among the complaints:

- Hard to enter multiple charge numbers on a single invoice
- Limits too low and procedures for obtaining temporary limits is too difficult
- Process for reimbursements is too difficult
- Wells 1is not tied to Munis, so it does not recognize new project numbers, which must be input
- Inadequate training of users, leaving too many fixes for managers
- Wells 1 is not compatible with Adobe Acrobat, so some users have difficulty with scanning and uploading documents
- Wells 1 does not perform well with Google Chrome or Microsoft Edge
- Need to change password every three months (Wells 1 requirement)
- There is no comment section where users can explain anomalies (but users can attach an explanation to the receipt)
- Some managers don't know that they can delegate the task of checking receipts to their management analysts, i.e. give them access to the system

Many of these complaints can be addressed with additional training of users and managers. The Finance Director and CFO are in the process of finalizing an updated credit card policy, which is to be followed by staff-wide training. We cannot change the Wells 1 system, but there are tools, templates, and tricks for getting around some of the deficiencies noted. The CFO must approve all temporary limit increases beyond certain levels and he considers this a valuable tool for spotting expenditure trends.

The Finance department has its own list of complaints about the card users and managers, which drive extra accounting time.

- Inconsistencies between amount and receipt
- Receipts not coded or incorrectly coded
- Late inputs and approvals
- No or poor business description (needed for the Claim List)
- Users wait to input receipts until after the month when they can do it immediately after purchase

- Use of credit card for purchases which should be made by purchase order
- Lack of accountability for poor user inputs and avoidance of purchase order

Recommendations for improving our credit card system:

- Conduct planned District-wide training so that all employees have the opportunity to learn the tools and templates that make complying with the credit card policies relatively easy
- Clarify/simplify the procedures for obtaining higher temporary limits, e.g. raise the department manager approval limit up to $10,000
- Ensure all managers know how to give system access to their analysts for the purpose of checking credit card receipts
- Work with managers to insist that non-emergency purchases over $3,000 be made with a purchase order
- Cards may not be used for non-emergency purchases if the vendor charges a credit card fee exceeding 2%.

Issue #2: **Processing Time**

As part of her campaign to speed project delivery, the General Manager requested that Internal Audit check the amount of time between board approval of procurements and the signing of contracts, which she called processing time.

Internal Audit reviewed twelve such contract approvals from FY24 and FY25, and 22 from FY26. Exhibit 1 lists each of these 34 contracts by vendor, with dates shown for board approval, project manager approval and general manager approval (equivalent to contract signing). The two right columns show the number of days between board approval and contract signing, and a few words explaining the major delay factor on projects with long processing time. Virtually all of the processing time was from board approval to project manager approval. The time between project manager approval and contract signing is seldom more than a couple days. The average and median processing times were slightly lower in FY26 (32 day average and 28 day median) than in FY24-25 (40 day average, 30 day median). Six of the FY26 projects achieved processing times of under 15 days, versus one in FY25.

The most prevalent explanation for longer-than-average processing time was vacation or medical leave. It is understandable that project managers work hard to complete board reports before going on vacation or medical leave. Then, the project sits until they return. If this constitutes an important project delay, instead of just getting the board report done early, department managers could designate someone else to move the contract along. However, our legal department counsels that project managers usually have unique knowledge of the scope of work and the services required. Someone without this knowledge would not be able to move the project to contract signing unless the scope of work had been fully negotiated before board approval.

Other explanations for slowness mentioned more than once were (a) funding remained available under an existing contract, thus no need to rush approval of a new contract, and (b) project implementation was delayed until better weather, thus no rush for contract approval. Internal Audit does not see these as processing time issues and, unless unnecessarily early board approval is considered bad, not a real problem.

Other issues noted that caused processing time to exceed norms on particular projects:

- Selected contractor could not obtain the required performance bond because its winning bid was so much lower than competitors that bonding companies did not believe the contractor could complete the project
- Unlike most projects that are largely task negotiated and priced before board approval, this project involved the board selecting between several alternatives, requiring considerable post-approval work between District and contractor before final negotiation of the contract
- Key personnel left the District and other projects were considered higher priority

Only the last project delay is a processing time issue. Legal indicates the key to a fast processing time is negotiating most contract details prior to board approval. When there is an identified need for fast processing, this is generally not a problem and the contract is negotiated before it is taken to the board.

Internal Audit has no recommendations regarding processing time as it does not appear to be a meaningful contributor to delays in project delivery.

Issue #4: **On-Call and Blanket Contracts**

The primary purpose of this audit was to see if the various departments were utilizing on-call and blanket contracts to achieve the desired time savings without losing the high quality and favorable pricing often obtained from our standard RFQ process. Upon reviewing each department's on-call contracting procedures and examining several dozen board reports and invoices from the Claims List, Internal Audit finds the approach developed by the Natural Resources (NR) department (and copied by some departments) delivers quality, speed and price control.

NR develops lists of pre-qualified firms for different types of work and obtains board approval to contract with any firm on the list, for a specified amount of dollars, generally $50,000 per year, over a set number of years. Each contractor is issued a contract in that amount. Individual task order procurements over $50,000 require a separate formal RFQ process. Between $10,000 and $50,000, NR staff selects three qualified and available firms and obtains fast and simple quotes via email. No formality, no delay, best combination of quality team and cost wins. Below $10,000, NR can pick any qualified firm. The task order is quickly negotiated and P.O. issued. Un-warranted change order demands occur infrequently and such firms are not selected again. As all firms are pre-qualified, no time is lost justifying the rejection of an unqualified low bidder. These on-call contracts are at the District level so any department can use them. As mentioned below, Internal Audit recommends that the board allow departments to issue on-call contracts for professional services over $50,000 per year, up to as much as $200,000 per year.

The NR on-call approach is only completely applicable to procurement of professional services. In our field departments, the District utilizes individual contracts for a variety of reasons, including to incorporate public works legal provisions mandated by the Department of Industrial Relations, but also because these projects involve work on District property and can have complex requirements that are best memorialized in a written contract. Individual task contracts give the District more certainty and protection against claims and damages. On-call contracting in our field departments has also been limited by reluctance of many potential contractors to pay prevailing wages and work in our challenging locations. Hence, the field departments do not have the stable of hungry quality contractors that NR has developed. For smaller projects not requiring an RFQ, a short-form contract is used, for projects up to $5,000. The field departments do have on-call contracts, but they are mostly used for emergencies. Staff makes an attempt to obtain price quotes, but availability is the key factor.

One issue with multi-year on-call contracts is pricing. Sometimes our multi-year on-call contracts lock in a price or a pricing mechanism, e.g. annual increases not greater than CPI. If the locked-in price is favorable, as noted on a few IT department contracts, this is excellent. Using the NR approach and where we have multiple potential contractors, each task order award over $10,000 is subject to some price competition, so future pricing is unnecessary. However, where there is only one vendor, lack of control over future pricing becomes an issue. One FY26 sole source grazing vegetation management contract was issued for four years despite the pricing being four times our original estimate. Internal Audit believes that such monopoly contracts should be subject to a new RFP every year, in case a new qualified vendor emerges.

Recommendations for improving the use of On-Call and Blanket Contracts:

- Increase the maximum limit, per year, for on-call and blanket contracts for professional services to at least $100,000. Internal Audit is comfortable up to $200,000 per year. The CFO notes that the Board has already authorized some $200,000 on-call contracts, for NR consultants, on a pilot basis.
- Multi-year contracts over $50,000 per year should not be awarded when there was only one qualified bidder.
- Continue study of on-call contracts in the FY27 Internal Audit Plan to consider better use of these contracts in the field departments.

Issue #5: **Claims List**

As a general check of operational efficiency and compliance with controls, Internal Audit examined 2-3 items from each claims list between June 25, 2025 and May 27, 2026: 83 purchases, totaling $3.7 million. These examinations confirmed excellent general compliance with all purchase authorization, contracting, documentation, and payment approval requirements and controls. Many of the purchases involved a formal RFQ process, some with significant savings from staff cost estimates. Others were task orders against on-call contracts, generally involving informal price competition. All significant sole source purchases were GM-approved. District staff continues to look for opportunities to piggy-back on State and other cooperative purchasing agencies to achieve maximum price discounts. Internal Audit noted a general lack of price scrutiny when contracting for services from other governmental or non-profit entities, but, when questioned, purchasers judged the pricing to be fair. A few invoices were not specific enough to be auditable, but purchasers were always able to supply additional back-up justifying the payments. One item that always stands out on each claims list is the amount of heavy equipment rental, some for many months at a time. While it sometimes appears that purchase may make more economic sense than continuing to rent, field management counters with valid arguments relating to maintenance cost, obsolescence, and lack of storage space. The FY27 audit plan will take another look at these buy vs. rent issues, as part of the Fleet Management topic. Internal Audit was surprised by how many organizations are sponsored by the District, 32. However, these 32 sponsorships involved contributions totaling only $98,000. Internal Audit found no instance where it felt that someone was taking advantage of the District or that the District had purchased something that was clearly not needed.

Good evidence of staff's efforts to hold down costs was provided in the Finance department's May 13, 2026 report to the board. The report estimated project savings in FY26 totaling some $2.4 million, largely from replacing budgeted consulting expense with in-house labor and savings from successful RFQ's. Consulting expense is interesting. The Board sometimes asks why our consulting expenses continue to increase in spite of hiring more employees per the FOSM. Increased staffing cuts both ways. First, more staff means more projects can be started, which leads to more consultants needed. The NR department now budgets 3.5 times more annual projects than it did in 2019, on 1.5 times more employees. Managers say they hire outsiders when they can do work faster and better than our staff. In particular, NR says that restoration plans are more complex than we can do well without expert help. On the other hand, the FY26 project savings noted above show that our expanded staff can and does replace budgeted consulting where appropriate.

Conclusion from examination of claims: District employees and management follow the rules and remain frugal, perfectionist, and collaborative.

cc: General Manager, General Counsel, CFO

FY26 Internal Audit Plan

	Issue	Why	Objective	Approach	Timeline
1	Credit Card Charges	$2.5M per year, 400 transactions/month. Recommended by GM and Finance Director.	Confirm adequacy of controls, compliance, and effectiveness. Suggest improvements.	Examine 12 of the most curious charges each month	monthly
2	Processing Time	Recommended by GM	Evaluate time between board approval and execution of purchase order. Suggest improvements.	Examine all board reports in first half of FY26. Develop useful statistic.	July-December
3	Residence Rental Lease Programs	Audit in 2022 showed many leases were underpriced and rules needed tightening.	Confirm that suggested improvements have been implemented and are effective and fair. Determine if leases meet District mission and objectives. Suggest improvements.	Compare lease rates to new Sept. 2025 survey data. Evaluate each non-employee residence against District objectives and mission.	January- March
4	Blanket P.O.'s	Achieiving substantial savings from RFP process. No such savings on blankets.	Determine if speed advantage of blanket P.O.'s is worth losing the potential RFP savings. Suggest changes that could achieve both objectives.	Examine two charges against blanket P.O.'s on each Claims List.	twice monthly
5	Continue to examine two items on each Claims List.	Good general check of operational efficiency and compliance with controls.	Learn how each function in the District operates. Evaluate general compliance with District controls and standards of cost effectiveness. Surface issues for audits in subsequent years.	Examine two items from each Claims List	twice monthly

Exhibit 1: Processing Time Audit

Board Approval	Vendor	PM Approval	GM Approval	Days	Why Longer
3/27/24	MIG	4/15/24	4/15/24	29	
4/24/24	Siegel & Strain	5/20/24	5/22/24	29	
6/26/24	Brannon	7/31/24	7/31/24	35	
7/24/24	Santa Clara Cty	8/24/24	8/24/24	30	
8/28/24	Eco Concerns	9/10/24	9/11/24	13	
10/23/24	Heritage	12/17/24	12/20/24	54	weather
1/22/25	Avila	2/11/15	2/13/25	22	
4/9/25	UC Santa Cruz	7/3/25	7/3/25	84	needed 9/25
4/23/25	Half Moon Bay Gr	6/12/25	6/12/25	51	weather
4/23/25	US Geog Survey	7/7/25	7/14/25	82	needed 8/25
5/14/25	MIG	6/6/25	6/9/25	22	
5/28/25	Herrara	6/24/25	6/25/25	26	
	Fiscal Years 2024 & 2025		**Average**	**40**	
			Median	**30**	
7/9/25	SFT	7/21/25	7/21/25	12	
7/9/25	Anchor	8/22/25	8/26/25	43	project options
7/9/25	Rocha	7/24/25	7/25/25	15	
7/23/25	Hammer Fence	8/15/25	8/22/25	29	
7/23/25	CSW/ST2	7/30/25	8/5/25	12	
7/23/25	Randazzo	8/16/25	8/19/25	25	
7/23/25	BKF Engineers	8/4/25	8/5/25	13	
8/13/25	LSA Associates	8/27/25	8/27/25	14	
8/20/25	Southwest Fence	9/24/25	9/25/25	34	
9/10/25	Roebblen	10/7/25	10/8/25	28	
11/12/25	ZFA	2/3/26	2/9/26	88	medical leave
12/10/25	Esri	1/6/26	1/8/26	28	
12/10/25	Panorama	1/6/26	1/9/26	29	
1/28/26	Sicular Amendment	2/11/26	2/11/26	14	
1/28/26	ECAST	4/28/26	5/4/26	96	difficulty bonding
2/25/26	LSA Associates	3/16/26	3/18/26	21	
3/11/26	Ecological Concerns	5/7/26	5/12/26	61	medical leave
3/11/26	Altor Construction	3/27/26	4/1/26	21	
3/28/26	Sharp Bus Sys	4/16/26	4/17/26	20	
4/8/26	SAE Construction	5/23/26	5/26/26	48	vacation
4/22/26	Biggs Cardosa	5/19/26	5/21/26	29	
4/22/26	Jo J. Albanese	5/21/26	5/21/26	29	
	Fiscal Year 2026		**Average**	**32**	
			Median	**28**	

ATTACHMENT 2

Midpeninsula Regional Open Space District

DATE: August 31, 2026

TO: Mike Foster, Controller

FROM: Ana Ruiz, General Manager and Rafaela Oceguera, Budget & Finance Manager (for Stefan Jaskulak, Administrative Services Director/CFO)

SUBJECT: FY26 Internal Audit Report Responses

In response to the Controller's Fiscal Year (FY) 26 Internal Audit Report, this memorandum addresses the findings and strategic recommendations resulting from the four core issues investigated under the FY26 Internal Audit Plan.

Issue #1: **Credit Card Charges**

As noted in the Controller's report, the updated credit card policy is currently being finalized. To ensure smooth implementation, the Budget & Finance Department will host a mandatory training session for all staff. This session will outline the policy changes and address the core credit card user complaints and the Internal Audit recommendations highlighted in the report. Feedback indicates a clear need for compressive staff training. While many of the report's findings will be resolved through these policy updates and additional education, some issues stem from existing system limitations. Below is a summary of the Controller's findings alongside our planned corrective actions.

The updated credit card policy establishes clear procedures for requesting temporary credit card limit increases and defines specific approval thresholds for Managers, Assistant General Managers (AGMs)/CFO, and the General Manager. To address the feedback and recommendations, the Budget & Finance Department will host a series of training sessions. These sessions will provide comprehensive instruction on transaction coding, matching receipt uploads to the correct transaction, and drafting appropriate business descriptions, while reinforcing timelines for both users and approvers. Additionally, the sessions will detail the workflow delegation process - enabling managers to authorize their departmental Administrative Assistant or Management Analyst to review transactions and flag any issues prior to final approval. Finally, the training will clarify the permitted use of a District credit card based on the transaction size and purchase type. Budget &

Finance staff will remain available at the conclusion of each session to answer individual questions.

While some credit card users have experienced minor system limitations, such as password reset issues, document upload errors, or browser compatibility constraints, these technical challenges are isolated. Most staff members are successfully using Adobe Acrobat and their web browser without issue. Nonetheless, the training sessions will provide a quick refresher on successfully uploading invoices in the system.

Implementation Timeline of Recommendations
The credit card policy will be finalized by this fall. Comprehensive training on the updated policy and on credit card usage will be completed by the end of 2026.

Issue #2: **Processing Time**

The Procurement team reviews all contracts, routes them for internal signatures, approves requisitions for purchase orders, and reviews all solicitations prior to posting on BidNet Direct, the District's public solicitations platform. The Procurement team's role in contract execution is consistent, timely, and structured to support departments in accelerating project delivery.

To help mitigate project-level delays, the Procurement team regularly communicates with staff to prioritize solicitations and contracts, ensuring that critical projects move forward as quickly as possible. The Procurement team also keeps departments informed of policy updates and provides training for new hires as well as refresher courses for existing staff, reinforcing consistent practices across the organization.

The Procurement program has expanded in recent years. Originally, the program was staffed with 1.5 full-time equivalent (FTE) positions prior to FY24 to 3 FTEs today, including a 0.5 FTE added in FY24 and a 1.0 FTE added per the FY25 Financial and Operational Sustainability Model (FOSM) Refresh. This staffing level enables the Procurement team to maintain consistent turnaround times and provide more proactive support for departments. It is worth noting that the Procurement team was recently awarded the 2026 Achievement of Excellence in Procurement award. Receiving this award means the District is recognized as operating at a nationally benchmarked level of procurement excellence, demonstrating innovation, professionalism, productivity, e-procurement strength, and leadership. It reflects the use of best-in-class, transparent, and efficient procurement practices, supported by strong policies, training, and performance measures.

<u>Implementation Timeline of Recommendations</u>
Not applicable --While the Controller did not issue recommendations, procurement processes will continue to operate as intended, and the team actively engages departments to gather feedback to continuously strengthen service delivery and staff satisfaction.

Issue #4: **<u>On-Call and Blanket Contracts</u>**

The Natural Resource department's on-call contracting model demonstrates an effective balance of speed, quality, and price control. The Internal Audit's observations align with the Procurement team's ongoing efforts to strengthen competitive sourcing while supporting departments with tools that accelerate project delivery.

Contracting practices vary across departments due to statutory requirement differences, prevailing wage obligations, and the operational complexity of work performed on District property. Natural Resource's pre-qualification and streamlined task-order approach offers a strong framework for the acquisition of professional services and should be expanded where appropriate. To support this, the Procurement team has committed to working directly with each department to evaluate whether NR's solicitation and contracting model is feasible and beneficial for their specific operational needs. This includes reviewing scope characteristics, exploring higher contracting thresholds, contractor and consultant availability, and regulatory considerations.

The Procurement team will continue evaluating how on-call contracting can be applied in field departments. Field operations face unique constraints, including prevailing wage requirements, limited contractor availability, and emergency-driven work that limit the applicability of NR's model. The Procurement team will collaborate with the General Counsel's Office to evaluate the current short-form contract and will work with staff to assess targeted pre-qualification pools, and emergency-ready vendor lists.

The Board holds ultimate discretion to approve multi-year contracts of any amount. The General Manager's current purchasing authority limit is $54,000. Staff must request Board approval for any contract exceeding this threshold. To retain favorable pricing, the Controller's second recommendation restricts multi-year contracts over $50,000 when only one qualified bidder responds. While staff actively solicit multiple vendors, securing competitive bids remains challenging for highly specialized work. This issue is further compounded by our remote locations and strict prevailing wage requirements, both of which limit vendor participation.

Implementation Timeline of Recommendations
Moving forward, the Procurement team will implement the recommended changes to strengthen the District's on-call and blanket contracting framework while maintaining compliance, competition and operational efficiency. In FY27, the Board will be receiving several multi-year contract approval requests for consideration as part of this effort, using the success achieved within NR as guidance for other departments. As the District pursues its contracting work, the option to secure multi-year contracts will be discussed and incorporated as appropriate.

Issue #5: **Claims List**

Continued training and collaboration with the Procurement Program and the Budget & Finance Department ensure the District remains operationally efficient while complying with internal controls. Staff remain committed to securing competitive pricing and will continue evaluating when to utilize consultants versus in-house resources to accelerate project delivery cost-effectively.

Additionally, staff will collaborate with the Controller to implement any recommendations from the Fleet Management analysis scheduled for FY27.

Implementation Timeline of Recommendations
Not applicable - As the Controller issued no specific recommendations for the Claims List, staff will maintain compliance with existing controls.

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