



Report Issued

April 24, 2026

**Audit Report No.
26-04**



**City of Cape Coral
City Auditor's Office**

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Departmental Administration of Leases, Contracts, and Agreements Audit

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TO: Mayor Gunter and Council Members
FROM: Andrea R. Russell, City Auditor *ARR*
DATE: April 24, 2026
SUBJECT: 26-04 Departmental Administration of Leases, Contracts, and Agreements Audit

The City Auditor's Office conducted a performance audit of selected City Departments' administration of leases, contracts, and agreements. This audit is included in the City Auditor's FY26 approved Audit Plan. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to the Cape Coral Police, Parks and Recreation, Public Works, and Utilities Departments management and staff for the courtesy, cooperation, and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380.

C: Michael Ilczyszyn, City Manager
Connie Barron, Assistant City Manager
Mark Mason, Assistant City Manager
Aleksandr Boksner, City Attorney
Kimberly Bruns, City Clerk
Anthony Sizemore, Chief of Police
Joe Petrella, Parks and Recreation Director
Matt Williams, Public Works Director
Jeff Pearson, Utilities Director
Yoe Lopez, Deputy City Attorney
John Naclerio, Senior Assistant City Attorney
Sarah Evins, Special Projects Coordinator
Audit Committee

REPORT HIGHLIGHTS

26-04 DEPARTMENTAL ADMINISTRATION OF LEASES, CONTRACTS, AND AGREEMENTS AUDIT

Issued April 24, 2026

Objectives

1. To determine if departmental inventory of leases, contracts, and agreements is accurate and complete to support effective administration.
2. To evaluate if controls over departmental administration of leases, contracts, and agreements are appropriately designed and operating effectively to ensure that vendor services provided and payments are in accordance with lease, contract, or agreement terms.

WHY THIS MATTERS

Within the City of Cape Coral (City), individual departments manage arrangements with vendors providing goods or services through leases, contracts, or agreements (LCAs). Services provided by external vendors can result in expanded capacity, cost savings, efficiency, and access to specialized expertise that may not be readily available if the City were to provide the same services. Effective administration of LCAs is important for protecting public funds and other assets, ensuring services are delivered as promised, and supporting legal and ethical compliance in government operations. Ongoing monitoring helps departments identify and address issues, provide meaningful resolutions, and strengthen accountability and transparency as the City increases engagement with vendors to provide services to the community.

DEPARTMENTAL BENEFITS

1. **Cape Coral Police Department:** All the agreements provide meaningful benefits to the department and enhance the department's ability to serve the community effectively.
2. **Parks and Recreation Department:** Agreements strengthen financial performance, programming capacity, and facility utilization through the successful leases, contracts, and agreements.
3. **Public Works and Utilities Departments:** Agreements provide successful adherence to regulatory requirements, building relationships with the community, and assist in finding ways to improve City services.

WHAT WE FOUND

The City Auditor's Office conducted a performance audit of selected departments' administration of LCAs. This audit is included in the City Auditor's FY26 approved Audit Plan.

Departments maintain LCA lists and perform LCA administration; however, we identified areas within their processes that could be improved to provide more efficient operations and better oversight of their administration of LCAs. These items are discussed in more detail in the Findings and Recommendations section of the report.

While we identified areas of opportunity for improvement of administration of LCAs, we determined controls are in place and operating as intended. No material violations to LCA terms or material control deficiencies were noted.



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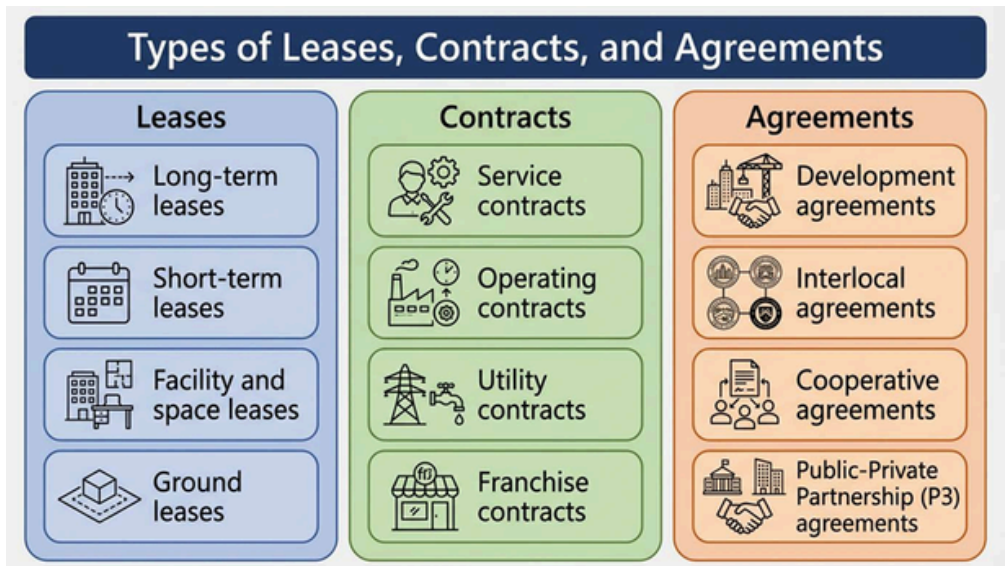
Background



City of Cape Coral (City) departments deliver a wide range of services to the community, many of which depend on engagement with external parties, including leases, contracts, and agreements¹ (LCAs). These arrangements provide a variety of services such as infrastructure development, maintenance, consulting, and other forms of support essential to City operations. In recent years, the City has started to utilize vendors to provide management and

maintenance services in certain facilities and properties. Robust management of LCAs is necessary to ensure these services are provided in accordance with agreement terms.

The City currently utilizes several different types of LCAs. Each can be long term, technically complex, and financially significant, involving substantial commitments of public funds and allocations of risk between the City and external partners. Engaging external vendors to provide services and manage facilities allows the City to operate more efficiently while maintaining quality services to the community.



Effective LCA management and administration help ensure that these arrangements achieve their intended public benefits by leveraging private-sector expertise, allocating and managing risk, and maintaining strong performance oversight.

¹ Agreements may include licensing or Service Level Agreements.

Departments oversee their own LCA lists and track and monitor their respective LCAs. Effective administration and oversight of LCAs require documented processes and controls.

Effective Administration Controls

| | | |
|---|--|--|
|  <p>Monitor Performance Track contractor performance against contractual obligations and LCAs</p> |  <p>Review & Authorize Payments Review, validate, and authorize all payments</p> |  <p>Incentives & Penalties Apply performance incentives or penalties as appropriate</p> |
|  <p>Enforce Remedies Apply contractual remedies when needed</p> |  <p>Approve Amendments Approve contract amendments through proper channels</p> |  <p>Maintain Records Keep complete, reliable records for transparency and accountability</p> |

Controls should monitor contractor performance against contractual obligations, including performance and financial attributes included in the agreements. An accurate list of all agreements is necessary for proper tracking and administration.

Because these duties may be spread across multiple departments, clear governance, defined roles, and strong coordination among departments are essential to provide

| | |
|--|--|
| <p>Strong Administrative Practices</p> <ul style="list-style-type: none">  Promotes economy  Ensures quality  Manages risks | <p>Weak Administrative Practices</p> <ul style="list-style-type: none">  Service failures  Financial losses  Reduced transparency |
|--|--|

positive outcomes for the City. Given the scale, diversity, and complexity of City LCAs, robust inventory management and administrative policies and procedures, appropriately trained personnel, and reliable information systems are essential to safeguard public assets and achieve intended outcomes.

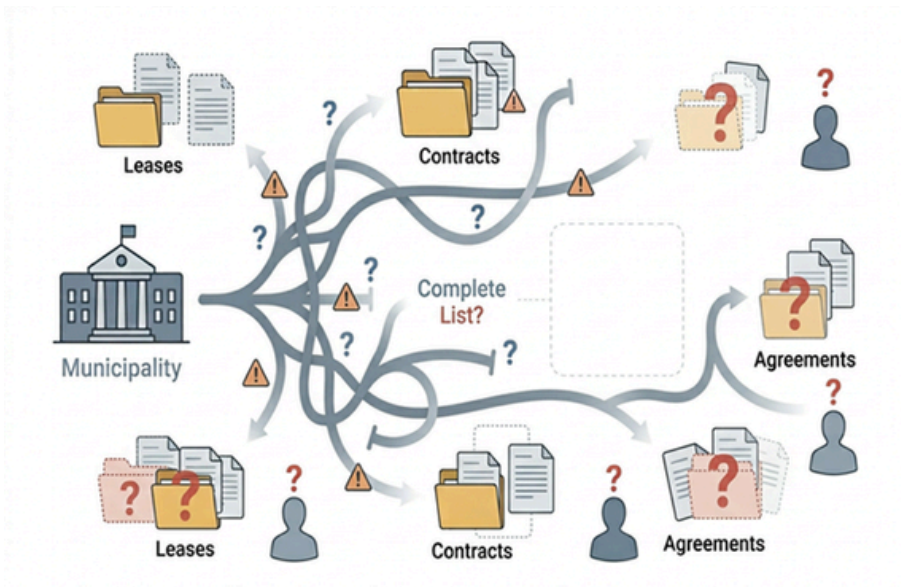
Findings and Recommendations

FINDING 2026-01: Departments Need to Maintain LCA Lists

Rank: High

Condition:

The process for maintaining and monitoring LCAs is decentralized with individual departments producing their own lists and monitoring their own LCAs. Because of the decentralized nature of the procurement process, the City has not established a formal methodology, roles, or responsibilities for departments to create and maintain an accurate list.



Procurement provided a list of contracts and agreements from the procurement software². Public Works Real Estate provided a list of leases upon audit request but does not maintain a standing inventory. We used these lists to select a sample of departments to determine the accuracy of departmental LCAs lists.

We requested LCA lists³ from Parks and Recreation, Public Works, Cape Coral Police Department (CCPD), and Utilities. Each department maintains these lists independently from Procurement. We attempted to compare the lists of LCAs from Procurement and Real Estate to individual departmental inventories; however, because Procurement and the departments track their LCAs differently, we were unable to produce any meaningful comparisons. A lack of formal guidance can contribute to the disorganization and confusion on LCA tracking.

² Procurement provided a list of contracts and agreements from the procurement software that were formally solicited. While the information was not present on the report, Procurement stated the list included items assigned a purchase order (PO). We purposefully excluded transactions with PO's because there is a process in place for those types of purchases.

³ Since there is a defined process in place for PO purchases, we excluded these transactions from the departmental LCA lists requested.

The California Association of Public Procurement Officials (CAPPO)⁴ best practices recommends establishing:

“A Single Source of Truth,” whereby a “centralized contract repository eliminates the headache of scattered files across shared drives and email inboxes.”

The City has a centralized repository with information for agreements that have been processed through formal procurement located on the City’s website. Guidance in the contract administration manual⁵ from Financial Services would assist departments to formalize their individual informal lists. The department lists would also provide a means to document key aspects of LCAs, including contract provisions and contractor performance that do not appear on the Procurement list on the website.

Criteria:

- Properly defined list of LCAs to allow for accurate monitoring and administration
- CAPPO best practices

Cause:

- No guidance for LCA lists
- Lack of defined policies and procedures for maintenance of LCAs

Effect:

- Potential inadequate administration and monitoring of LCAs
- Potential incomplete list of LCAs
- Confusion among departments regarding responsibilities and duties for administration of LCAs

⁴ CAPPO is the oldest purchasing association in the nation.

⁵ See Finding 2026-02, Finalize the Citywide Contract Administration Manual.

Recommendations

2026-01a:

Develop and finalize the departmental lists of leases, contracts, and agreements.

Management Response and Corrective Action Plan:

Public Works

2026-01a Select one of these boxes:

Agree **Partially agree*** **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-01a

A department list is compiled; however, we are verifying completion of the list.

2026-01a **Management Action Plan Coordinator:**
Public Works Director

2026-01a **Anticipated Completion Date:**
6/16/2026

Utilities

2026-01a Select one of these boxes:

Agree **Partially agree*** **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-01a

The Utilities Department has completed the list of leases, contracts and agreements and we will provide as needed.

2026-01a **Management Action Plan Coordinator:**
Utilities Director

2026-01a **Anticipated Completion Date:**
10/16/2026

Recommendations

Continuation of

2026-01a:

Develop and finalize the departmental lists of leases, contracts, and agreements.

Management Response and Corrective Action Plan:

Parks and Recreation

2026-01a Select one of these boxes:

Agree **Partially agree*** **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-01a

We are already using Smart Sheets to manage many of our agreements and will continue to progress forward to ensure we meet all expectations

2026-01a **Management Action Plan Coordinator:**
Parks and Recreation Director

2026-01a **Anticipated Completion Date:**
11/3/2026

CCPD

2026-01a Select one of these boxes:

Agree **Partially agree*** **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

We will develop and finalize the departmental list of leases, contracts, and agreements, as per the recommendation.

2026-01a **Management Action Plan Coordinator:**
Chief of Police

2026-01a **Anticipated Completion Date:**
09/30/2026

Recommendation

2026-01b:

Financial Services:

Develop procedures for departments to create and maintain accurate lists of LCAs.

Management Response and Corrective Action Plan:

Financial Services

2026-01a Select one of these boxes:

Agree **Partially agree*** **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-01a

Management will finalize and publish the Contract Administration Manual, incorporating standardized procedures that will align with the management action plans in Recommendation 2026-01a.

2026-01a Management Action Plan Coordinator:

Financial Services Director

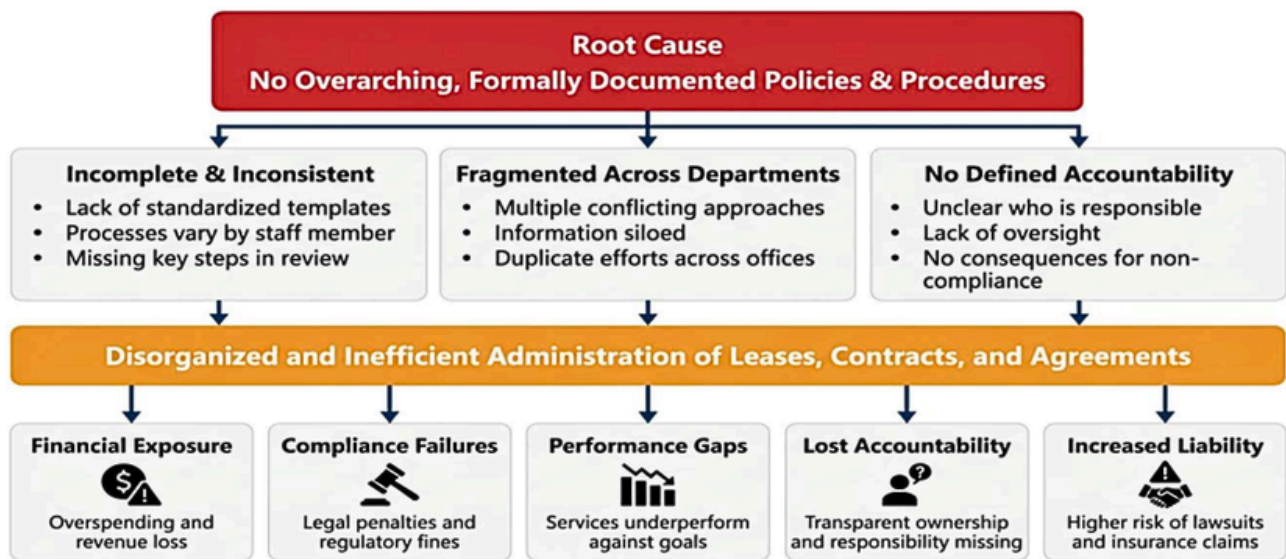
2026-01a Anticipated Completion Date:

06/01/2026

FINDING 2026-02: Finalize the Citywide Contract Administration Manual
Rank: Medium

Condition:

The City has not finalized an overarching, formally documented contract administration manual governing the administration of leases, contracts, and agreements (LCAs)⁶. This is a recommended best practice from the National Association of State Procurement Officials (NASPO) Contract Administration Guide. Departments reported using a mix of program specific General Orders, divisional manuals, standard operating procedures, informal procedures, and contract-by-contract practices. Some departments reported having no formal policies or procedures specific to LCAs. Without a standardized citywide framework, policies and procedures over these activities remain incomplete, inconsistent, and fragmented, resulting in inefficient contract administration. Proper administration of LCAs requires effective oversight and monitoring to ensure terms are met and enforced in a consistent and fair manner. Improper monitoring may also contribute to lapses in LCAs, which could lead to gaps in services and increased cost and liability to the City if LCAs expire or are not renewed in a timely manner. Controls over the process need to be strengthened to provide consistent, efficient monitoring to ensure the LCAs provide the most benefit to the departments and the City.



⁶At the time of the audit a Citywide Contract Administration Manual is in draft form and being tested in select Departments.

Results

The Summary of Solicited Projects from Procurement Software Table outlines the number of projects with the corresponding dollar value for the departments selected⁷. We reviewed a sample of 25 LCAs from Parks and Recreation, Public Works, CCPD, and Utilities.

Summary of Solicited Projects from Procurement Software

| Department | Number of projects | Dollar Value |
|--------------------|--------------------|-----------------|
| Parks & Recreation | 15 | \$1,210,561.90 |
| Police | 32 | \$17,240,957.07 |
| Public Works | 99 | \$47,482,262.86 |
| Utilities | 51 | \$50,572,293.57 |

Of the 25 LCAs, one was duplicated because Procurement and the department were both tracking the LCA but by different names⁷. Additionally, there was an LCA on one of the department's list but when asked for documentation to support LCA requirements, we were

referred to another department that handled the administration of the LCA. These types of situations support the need for a centralized inventory database⁷. We noted for 10 of 23⁸ LCAs (43%) tested documentation required by the LCA was not available; however, the missing information did not prevent proper administration of the agreements or cause any violation to agreement terms. A lack of a defined process and adherence to best practices could lead to noncompliance with LCA terms or state statutes if administrators are not aware of requirements.

Criteria:

- Defined policies and procedures for administration, tracking, and monitoring
- NASPO
- Individual LCA specifications

Cause:

- No finalized formal citywide policy for LCA administration
- Historical reliance on autonomous program-level management
- Decentralized contract administration practices

Effect:

- Inconsistent monitoring of LCAs
- Increased risk of noncompliance with legal, financial, service level, or program requirements.

⁷ See Finding 2026-01, Departments Need to Maintain LCA Lists.

⁸ We selected a sample of 25; however, one LCA was duplicated, as noted above. One LCA was not applicable for testing and was properly excluded from testing and results.

- Increased risk that key provisions such as performance, data sharing, confidentiality, insurance, renewals, or terminations are not consistently monitored or enforced
- Potential for LCAs to lapse, auto-renew, or continue without proper authorization or assessment of ongoing need and performance
- Insufficient departmental policies

Recommendation

2026-02:

Financial Services should work with City departments to develop a contract administration manual for leases, contracts, and agreements (LCAs) that clearly defines departmental roles and responsibilities for proper LCA administration and monitoring.

Management Response and Corrective Action Plan:

2026-02 Select one of these boxes:

Agree **Partially agree*** **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-02

Management will finalize and publish the Contract Administration Manual which will provide departments with a standardized process for LCA administration and monitoring.

2026-02

Management Action Plan Coordinator:

Financial Services Director

2026-02

Anticipated Completion Date:

06/01/2026

Scope

Based on the work performed during the planning phase and the assessment of risk, the audit covers processes, policies, and procedures in place over Parks and Recreation, Public Works, Utilities and CCPD LCA administration for FY24 and FY25. To evaluate the processes in place, we reviewed individual department practices and related policies and procedures in conjunction with applicable laws and regulations, and best practices. Our audit did not include compliance testing of any LCAs with procurement procedures or compliance with LCA terms but focused rather on LCA monitoring and administration.

Statement of Auditing 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.

Methodology

In order to achieve the audit objectives and gain an understanding of LCA inventory management and administration processes, we conducted interviews and walkthroughs with key staff in Financial Services, Parks and Recreation, Public Works, Utilities, and CCPD. Original records as well as copies were used as evidence and verified through physical examination. Sample size and selection were based on the CAO sampling methodology.

Objective 1: To determine if departmental inventory of leases, contracts, and agreements is accurate and complete to support effective administration.

We analyzed the lists Procurement and Real Estate provided to determine which departments we would test based on number of LCAs and value to the City. We judgmentally selected 25 LCAs to test in Objective 2. Also, we performed a comparison of the Procurement and Real Estate lists with the departmental lists to determine if the lists were accurate.

Methodology (continued)

Objective 2: To evaluate if controls over departmental administration of leases, contracts, and agreements are appropriately designed and operating effectively to ensure that vendor services provided and payments are in accordance with lease, contract, or agreement terms.

We obtained an understanding of controls relevant to the audit objective by sending selected departments a request that included specific questions regarding their controls and processes in place over LCA administration. Additionally, we reviewed LCAs to determine key elements of each LCA selected for testing. From the key elements identified, we judgmentally selected certain LCA criteria to test compliance with LCA requirements.

To support the sample methodology described above to achieve the audit objectives, we discussed, obtained an understanding of, and observed necessary software systems utilized by the departments to administer their LCAs. By doing this we deemed the data reliable for purposes of our audit objectives.

Departments also utilized data from the City's financial accounting system to verify financial information. The financial accounting system is tested by the external auditors as part of the Annual Comprehensive Financial Report. Based on the results of the external auditor's procedures, no additional data reliance testing was deemed necessary.

Unless specifically stated otherwise, based on our selection methods and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions for testing, findings, and recommendations on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.