

AUDIT OF BID SPECIFICATION REQUIREMENTS FOR SOLICITATIONS

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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent audit of Bid Specification Requirements for Solicitations.

- Internal Audit obtained an understanding of the process for soliciting for goods and services utilizing six (6) procurement methods.
- Between July 1, 2016 and June 30, 2017, a total of 118 solicitations were processed related to the six (6) procurement methods under review.
- Internal Audit selected and reviewed a random sample of 51 solicitations.
- There appears to be issues of non-compliance with the guidelines as found in the Procurement Manual and Standard Operating Procedures developed to ensure compliance with the Sarasota County Procurement Code.
- Identified opportunities for improvement.

OPPORTUNITIES FOR IMPROVEMENT

Compliance

- Develop and implement a quality assurance process to ensure valid proof of insurance is obtained from the awarded vendor timely.
- Document the review for existing contracts prior to publishing a solicitation.
- Obtain and document vendor qualifications required per bid specifications.

Process Improvement

- Require secondary approval for all addendums.
- Require proof of insurance be obtained in the solicitation process rather than in the purchase requisition process.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of Bid Specification Requirements for Solicitations. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to review compliance with applicable county ordinances, and policies and procedures related to bid specification requirements for solicitations.

Background

The Board of County Commissioners Sarasota County Ordinance No. 2016-019 (Ordinance), known as the County Procurement Code (Procurement Code), establishes the policy for the procurement of goods and services for the County, in accordance with Chapter 125, Florida Statutes. The Procurement Code and relevant Florida Statutes provides the foundation on which the Procurement Manual was created. The Procurement Manual references applicable Florida Statutes, Sections of the Ordinance and Standard Operating Procedures (SOPs) throughout the entirety of the document. The SOPs are incorporated into the Procurement Manual in order to ensure compliance with required rules and regulations.

When a purchase of goods or services exceeds \$5,000 the requesting department completes a solicitation worksheet and submits it to the Procurement Department. The Procurement Department works with the requestor to ensure the scope of work, technical specifications, due dates, insurance, and all other necessary items are complete. Specifications shall be written to encourage fair and open competition whenever possible and awards shall be made based upon criteria set forth within the solicitation. Once the bid specifications are agreed upon, the solicitation is reviewed by the Procurement Manager and then released within BidSync by the Procurement Analyst. BidSync is the software that Sarasota County has partnered with to host the County's bid opportunities. Vendors are then allowed to review the solicitation, ask questions for clarification, and submit their bids.

The audit focused on six (6) procurement methods solicited with public announcement and competition: Request for Informal Quotes (RFIQ), Invitation for Quotes (IFQ), Invitation for Bids (IFB), Request for Proposals (RFP), Request for Professional Services (RPS), and Request for Qualifications (RFQ).

Between the period of July 1, 2016 to June 30, 2017, the Procurement Department processed a total of 118 solicitations related to the procurement methods under review. The chart below provides the population and sample size, by type of procurement method.

Procurement Method	Population	Sample Size
Request for Informal Quotes (RFIQ)	6	6
Invitations for Quotes (IFQ)	28	10*
Invitation for Bids (IFB)	59	10*
Request for Proposals (RFP)	9	9
Request for Professional Services (RPS)	10	10
Request for Qualifications (RFQ)	6	6
TOTAL	118	51

*Random sample was selected using sample generation software.

Objectives, Scope and Methodology

The objectives of this audit were to determine if the Procurement Department’s internal controls related to awarding contracts based on required bid specifications are operating effectively and if they are in compliance with applicable laws, rules, regulations, policies and procedures.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Obtained an understanding of relevant Florida Statutes, County Ordinance 2016-019, Resolution No. 2016-055, the Procurement Manual and relevant SOP’s.
- Performed a walkthrough of the solicitation process.
- Conducted inquiries of county personnel.
- Reviewed bid submittals of the sampled solicitations.
- Verified bidders were responsive, responsible, and met the bid specifications.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standard*:

- (Standard 2130.A1) Adequacy and effectiveness of controls, particularly compliance with policies and procedures.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were five (5) *Opportunities for Improvement* identified as a result of the audit:

1. **Compliance with Standard Operating Procedures**
2. **Documentation ensuring established contracts do not exist**
3. **Verification of required qualifications**
4. **Review process for approving an addendum**
5. **Standard Operating Procedures related to Request for Informal Quotes**

1. Compliance with Standard Operating Procedures.

Observation

The SOP's for five (5) of the six (6) procurement methods under review (IFQ, IFB, RFP, RPS, and RFQ) require that if the solicitation will result in a contract, the procurement analyst will collect valid proof of insurance from the awarded vendor. The SOP for the sixth procurement method (RFIQ) does not contain such requirements; however, the department requesting the procurement is responsible for ensuring that the vendor has adequate insurance per SOP #34 – Purchase Requisition Process [See OFI No. 5, Standard Operating Procedures related to Request for Informal Quotes, page 10].

The sample of 51 solicitations tested included 45 that were processed under one of the five procurement methods that require the procurement analyst to collect valid proof of insurance from the awarded vendor (IFQ, IFB, RFP, RPS, and RFQ). Of these 45 solicitations, 39 included requirements of proof of insurance and 6 did not require proof of insurance. Of the 39 solicitations requiring insurance, two (2) instances were observed where documentation validating the awarded vendor's required insurance was either not obtained, or was obtained after the contract was executed.

Recommendation

To ensure compliance with SOP's related to IFQ, IFB, RFP, RPS, and RFQ, develop and implement quality assurance processes to ensure that valid proof of insurance is obtained prior to executing a contract or entering into an agreement with the awarded bidder.

Management Response

Before a vendor is awarded a contract or a purchase order the successful vendor would have to be deemed responsive. To be responsive a vendor is required to fully conform to the requirements stated in the solicitation documents, including insurance and bonding requirements. To ensure vendors are correctly deemed responsive SOP's related to IFQ, RFB, RFP, RPS, and RFQ's are being revised to require the procurement practitioner attach the specific insurance requirements to the Notice of Recommended Award (NORA) at the time approval of the NORA is requested. Procurement leadership will ensure the insurance documents are attached to the NORA before approving.

Furthermore, all procurement transactions are subject to a review process known as e-Bar and e-Car. This process affords all stakeholders the opportunity to review a purchase from a financial, operational, legal, risk and procurement standpoint prior to final approval of the purchase. As an additional preventative measure, no stakeholder should 'approve' an item unless and until the item or service is fully compliant within its area (i.e.: fully funded, legal, insured, operationally necessary and compliant with the requirements specified in the solicitation documents).

2. Documentation ensuring established contracts do not exist.

Observation

The Procurement Manual, Chapter 7.2.E related to RFIQ's (Category Two purchases) and Chapter 7.3.A.4 related to IFQ's (Category Three purchases) states that "no [Category Two / Category Three] purchase transactions shall be permitted where equivalent commodities or services are already available" under an existing contract, master contract, blanket contract, or term contract, except with written approval of the Procurement Official. SOP #38 – Request for Informal Quotes (RFIQ) Process, includes a step for the procurement analyst to ensure no existing contracts are in place for the products and/or services being requested. SOP #20 – Formal Invitation for Quotes ("IFQ") Process, does not include a step to ensure this is being completed. Neither SOP requires that this process be documented.

Through discussions with staff, it was determined the department does not issue solicitations where existing contracts are already in place. However, there is no evidence that the review procedure was performed to ensure there are no existing contracts prior to issuing a solicitation.

Recommendation

To ensure compliance with the Procurement Manual, SOP #20 – Formal Invitation for Quotes ("IFQ") Process, should be enhanced by requiring the procurement analyst to verify that no existing contract is in place for the products and/or services being requested. Additionally, both SOP's should be enhanced to ensure the review of existing contracts is being performed and documented.

Management Response

A solicitation worksheet is submitted by a department along with a help ticket to initiate the services of the Procurement Office. The solicitation worksheet will be modified to include an area for the department to indicate that the products and/or services being requested are not available pursuant to an existing agreement. The Procurement Manual SOP #20 will be updated to require the procurement practitioner responsible for managing the request to verify the accuracy of the information by reviewing the available existing contracts list and initialing the solicitation worksheet where appropriate.

3. Verification of required qualifications.

Observation

During the review of the 51 sampled solicitations, the auditor determined that proof of required certification was not obtained or documented for four (4) awarded bidders. The items identified are listed below:

- Three (3) solicitations required that the bidders must have specific licenses and/or certifications. Proof of the specific licenses and/or certifications were not obtained from the three (3) awarded vendors.
- One (1) pre-qualification solicitation required that copies of certifications be provided in order to be deemed responsive. One (1) of the twelve (12) bidders was deemed responsive without the required proof of certifications.

Recommendation

To ensure bidders meet the requirements outlined in the solicitations, the County should consistently request and obtain proof of licenses and certifications, as specified in the solicitation.

Management Response

Before a vendor is awarded a contract or a purchase order the successful vendor must be deemed responsive. To be responsive a vendor is required to fully conform to the requirements stated in the solicitation documents, including holding specified licenses and certifications. The results of the responsiveness review are contained on the responsive and responsible vendor matrix which accompanies the NORA.

To ensure vendors are correctly deemed responsive the procurement practitioner shall duplicate the minimum qualifications of a given solicitation onto the NORA thereby specifying the licensure, certification and/or other documentation required by the solicitation documents. In addition, proof of the stated licensure, certification or other documentation shall be attached to the NORA for review. Procurement leadership shall not approve the NORA without evidence of proper licensure and/or certification.

4. Review process for approving an addendum.

Observation

Vendors may pose questions regarding a posted solicitation. The procurement analyst will review the question(s), work with the soliciting Department if related to a technical specification, and then respond to the vendor. If a question requires a change to the bid documents or a technical response from the Department, the analyst will notify all bidders that an addendum will be posted. SOP #2 – Addendum Process, requires the procurement analyst to submit an addendum to their supervisor for approval, and once approved, the addendum is published in BidSync. If the senior procurement analyst is solely in charge of a solicitation and an addendum is needed, the senior procurement analyst is not required to obtain supervisor approval prior to publishing the addendum in BidSync.

Recommendation

To enhance oversight of the addendum process, management should ensure all addendums require secondary approval prior to publishing them in BidSync.

Management Response

SOP #2 will be modified to require that addenda issued by Sr. Procurement Analysts require authorization to release by the Procurement Manager.

5. Standard Operating Procedures related to Request for Informal Quotes.

Observation

RFIQ's are classified in the Procurement Manual as "Category Two – Greater than \$5,000 to \$25,000" procurements. Section 7.2.D of the Procurement Manual provides guidance for Category Two procurements stating that, "vendors are required to have insurance to perform work on County property" and that "a copy of an insurance certificate showing proof of coverage at the minimum levels must be received prior to commencement of any work". The SOP for processing RFIQ's does not require the procurement analyst to obtain proof of insurance from the awarded vendor, but rather places that responsibility on the requesting department in the SOP for requisition of a purchase order.

During review of six (6) solicitations, which was 100% of the population using the RFIQ procurement method, the auditor identified two (2) solicitations that resulted in approved purchase orders without first obtaining all the required proofs of insurance. In the first instance, the required proof of workers compensation insurance (or proof of exemption) and automobile insurance was lacking. In the second instance, the proof of general liability insurance was dated September 1, 2017, while the purchase order was issued July 6, 2017.

Recommendation

To ensure compliance with the Procurement Manual, management should revise SOP #38 - Request for Informal Quotes (RFIQ) to require that the procurement analyst request proof of insurance at the time the selected vendor is notified of the award.

Management Response

The Procurement practitioner must verify that a valid certificate of insurance has been obtained from the successful vendor prior to issuing a purchase order. SOP #38 will be revised to indicate same.

