



DeKalb County

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Department of Finance

Internal Audit and Licensing

TO: Kelvin L. Walton, Director- Purchasing and Contracting

FROM: Deputy Director of Finance, Internal Audit & Licensing

DATE: September 15, 2009

SUBJECT: DeKalb County Bid Process and Procedures Review

Internal Audit conducted a review of the County's Purchasing and Contracting Bid Process and Procedures for the period January 1, 2007 through April 30, 2009.

The issues raised in the report were discussed with the Deputy Directors of Purchasing and Contracting at an exit conference on September 15, 2009.

If you would like to comment on the report, you may consider sending your comments or response directly to our department head, Dr. Michael J. Bell.

We appreciate the cooperation and assistance we received from your staff during the course of this review. If you have any questions about the review or this report, please feel free to contact me at extension 404-371-2619.

Sincerely,

Eugene O'Mard

cc: Keith A. Barker, Chief Operating Officer and Executive Assistant
Dr. Michael J. Bell, Chief Financial Officer

**DeKalb County
Purchasing & Contracting
Bid Process and Procedure Review
Report: Dated September 15, 2009**

**Finance – Internal Audit & Licensing
Maloo Building
1300 Commerce Drive
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Decatur, Georgia 30030**

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**Purchasing & Contracting Department
Bid Process and Procedure Review
BACKGROUND**

Background:

The Purchasing & Contracting Department (P&C) is “the primary agency for the procurement of goods and services for DeKalb County Government. The department procures a variety of materials, supplies, equipment and services which are necessary for other County departments to provide service to the citizens of DeKalb County.” The department is responsible for the management and assurance of all public projects that are bid, awarded and completed, while adhering to all applicable laws, regulations, procedures and policies. The department is comprised of four divisions, Purchasing Division, Contracts Division, Compliance Division and Administration Division.

All non-emergency purchases and contracts with an estimated value greater than \$50,000 are solicited through a bid process and are advertised in the DeKalb County’s legal organ, The Champion. Solicitations are completed through an Invitation to Bid (ITB) or a Request for Proposal (RFP).

An “Invitation to Bid” is a solicitation of a specific commodity or service; it may be informal or formal. The ITB method uses the cost as a determining factor for bids submitted by the lowest responsive, responsible bidder. Solicitations are public and opened at 3:00 pm on the date specified in the ITB.

A “Request for Proposal” is a formal solicitation method that seeks to leverage the creativity and knowledge of business organizations in order to provide a solution to a unique procurement. The RFP solicits sealed price proposals from prospective vendors and seeks to obtain the “best value.” The RFP method does not use the cost of the project as the single determining factor, but rather uses a combination of lowest cost plus best proposed solution to determine the award. The names of RFP bidders are read aloud at 3:00 pm on the date specified on the proposal.

All ITBs and RFPs are sealed bids and are stamped with the receipt date by the Purchasing and Contracting Department (P&C).

Based on different levels of expenditure types, the department has established the following policies:

- 1) \$5,000 or less: A purchase order is placed with a LSBE, Local Small Business Enterprise, if available. One quote is adequate.
- 2) \$5,000 to \$10,000: A purchase order is placed with a LSBE, if available. One quote is adequate.
- 3) \$10,000 to \$25,000: A purchase order is placed with a LSBE, if available. Two quotes are adequate.
- 4) \$25,000 to \$50,000: A purchase order is placed with a LSBE, if available. Three quotes are adequate.
- 5) \$50,000 or more: Must be competitively solicited.

(For all purchases of \$50,000 or less, it is the responsibility of the buyer to objectively select LSBEs on a rotational basis)

Written notices of award letters for annual contracts are “issued when the cost of the procurement is \$100,000.00 or less. Board of Commissioner approval is required when the cost of the procurement exceeds \$100,000.00. The Director of P&C is authorized to award contracts for expenditures up to and including \$100,000.00.”

“For RFPs estimated to have a cost impact of less than \$100,000.00, the User Department Director, or designee, and the Director of P&C Department, shall determine representatives of the Selection Committee.

For RFPs estimated to have a cost impact greater than \$100,000.00, the Selection Committee shall be staffed as follows:

- a) A representative of the Finance Department
- b) A representative of the Contract Compliance Division
- c) The Deputy County Administrator
- d) Two representatives from the responsible user department (appointed by the User Department Director)
- e) Two representatives from impacted departments (appointed by the appropriate impacted Department Director(s), i.e. Information Systems, Facilities Management, Economic Development, etc., as determined by the Director of Purchasing and Contracting)”

Purchasing & Contracting Department
Report
OBJECTIVES

AUDIT OBJECTIVES AND METHODOLOGY

- To determine whether written policies, procedures, and controls have been established and implemented that govern the P&C Department Bid Process Procedure.
- Ensure transactions are processed in accordance with DeKalb County policies and procedures.
- Ensure internal controls have been implemented to limit risk of unauthorized or improper transactions.
- Ensure thorough bid process has been implemented to select the most cost-effective, efficient and responsive bidders.
- Also, determine if award amount is entered into Oracle as maximum expenditure and that each contract gives the County the right to audit their records.
- Review statistical data of bids for each year.

Our review was conducted in accordance with Generally Accepted Auditing Standards and included such tests of records and other auditing procedures as were considered necessary under the circumstances.

Based on the results of our review, we prepared specific issues and related recommendations for improvement that were discussed at the exit conference with management. These recommendations can be found in the following “Specific Objectives” sections of this report.

Specific Objectives:

1. Obtain manuals, policies and procedures.
2. Examine Internal Controls during each process to determine possible risk.
3. Ensure compliance with manuals, policies, procedures, laws and regulations.
4. Review procedures of other jurisdictions to seek ways to improve our process.

Scope:

To determine whether the P&C Department has adequate internal controls in place to ensure the bidding process is functioning as intended by reviewing and evaluating policies, processes, procedures, and internal control structure of the P&C Department. The period to be audited is January 1, 2007 thru April 30, 2009.

TESTING PROCEDURES:

The following were audit steps performed:

OBJECTIVE 1 - Obtain Manuals, Policies and Procedures

1. Obtain and review manuals, policies and procedures for the bid process.
2. Interview management and staff to develop an understanding of the Bid Process and Procedures.

OBJECTIVE 2 – Examine Internal Controls

1. Examine internal controls during each process to determine possible risk.
2. Ensure segregation of duties exist during the process.
3. Review the process for inputting, updating, processing and output.
4. Perform a system check to ensure adequate application control of input, processing and output.
5. Evaluate process for efficiency and effectiveness.

OBJECTIVE 3 – Ensure Compliance with Policies

1. Review manuals, policies, procedures, laws and regulations to ascertain conformity.
2. Perform tests of vendors selected through the Invitation to Bid (ITB) and Request for Proposal (RFP) process.
3. Determine how vendor was selected and whether the selection was reasonable and complied with policy.
4. Ensure documentation exists to support the selection process.
5. Ensure maximum award amounts coincide with maximum contract amounts.
6. Ensure total paid invoices do not exceed maximum contract amount.

OBJECTIVE 4 - Review Procedures of Other Jurisdictions

1. Compare DeKalb's policies with those of other jurisdictions.
2. Determine whether some policies of other jurisdictions can be considered as part of DeKalb County's process.

PURCHASING & CONTRACTING DEPARTMENT
2009 REVIEW
DETAILED COMMENTS

I. Obtain Manuals, Policies and Procedures

Internal Audit reviewed the operating procedures provided by the Administrative Division. Most operating procedures have been updated as of January, 2009 with the exception of Chapter 4, "Procedure for Review and Evaluation of Bids for P&C," which was last updated in June, 2007. This chapter lists the responsibilities of some divisions.

Internal Audit interviewed P&C and Information Systems staff to obtain an understanding of the Bid Process. The department set new mandates/initiatives beginning August 2008; which are Pre-Solicitation meetings, Pre Bid Meetings, Site Visit, Kick off Meetings, Performance Evaluation Forms, etc. We attended the Pre-Solicitation meeting, Bid Openings, Kick-Off Meeting, and Selection Committee Meeting.

Issues

- The responsibilities for some divisions are not updated. (Example: Contract compliance reviews Form 7 – Schedule of Local Small Business Enterprise Participation, Minority Business Enterprise and Women Business Enterprises Opportunity Tracking Form and certifies businesses as Local Small Business Enterprises (LSBE), Minority Business Enterprises (MBE), and Woman Business Enterprises (WBE)).
- The responsibilities of the Purchasing Division are not listed in Chapter 4, "Procedure for Review and Evaluation of Bids for P&C."
- In reviewing the ITB folders, some Buyers identified bidders as being non responsive on the abstract form with insufficient information or no explanation. ("Review Process by Buyer" – Chapter 6 pg.8) In reviewing the RFPs folders, inadequate documentation was provided showing record of documentation indicating cancellation or note referencing the new RFP number. A standardized checklist regarding documents that should be contained in RFP or ITB files was not available.
- Contract insurance and bond requirements for new projects or change in coverage are not part of the written operational procedures to be verified with Finance-Risk Management Division.
- The suppliers and the user departments are requested by P&C staff to fill out performance evaluations, quarterly. Purchasing Department stated verbally that performance evaluations are **required** for both the user departments and suppliers. Internal Audit did not find any written policy or procedures for performance evaluations being a requirement for suppliers and user departments. During our observation of the bid process; performance evaluations were discussed during the Kick-Off meeting with the supplier and user department and the importance of completing a performance evaluation each quarter.
- As stated by management there is no mechanism whereby staff checks to see if vendors are indebted to the County for taxes or fees.

Recommendation

- We recommend that Chapter 4, "Procedure for Review and Evaluation of Bids for P & C" be updated and include the responsibilities of the Purchasing Division.
- ITBs and RFPs can result in contractual agreements with significant dollar values. It is important that the ITB and RFP award process be designed to provide accountability and transparency. Therefore, we recommend that the selection committee vote tally, reference checks, etc. be maintained in their respective folders as support for the award process. Also, we recommend a

standardize checklist be formulated to ensure that all RFP and ITB folders contain the required information pertaining to the Bid Process.

- In order for the County to be more efficient in the use of tax dollars, we recommend implementing a Performance Evaluation Meeting with the user departments, suppliers, and P&C to properly monitor the quality of service provided. This information may be very important and helpful in renewing a current contract or awarding current suppliers other contracts. This also decreases the risk of the County awarding contracts to suppliers that have not or are currently not in compliance with the guidelines of the contract.
- Additionally, P&C should have a written policy and procedures manual for Performance Evaluation.
- We recommend that P & C include in their written operational procedures verification from Finance-Risk Management as it pertains to insurance and bonds requirements.
- We recommend that P&C include, as part of their eligibility process for future bids, a verification of outstanding taxes that the awardees may owe the County. Also, a copy of their Business License Certificate should be included as part of the required documentation to be submitted with the bids.

Comments

- Government agencies, universities, school districts, etc. have included a Debarment listing for organizations or individuals who have committed fraudulent activities as it relates to procurement services. The State of Georgia reviews “Federal Excluded from Procurement” list in their procurement process. We recommend that P&C include in the written procedures and bid process a review of the “Federal Excluded from Procurement” list after the opening of bids or receipt of proposals.
- Due to the appointment of a new P&C Director, Internal Audit suggests all manuals with examples of forms, memoranda or letters be updated with the new Director’s name. (i.e. Chapter 4)
- The pre-solicitation meeting, pre-bid meeting, site visits and kick-off meetings are efficient and informative sessions that add value to the Bid Process.

II. Examine Internal Controls

System Controls

We visited Information Systems, interviewed the staff to obtain an understanding and viewed some systems controls. Also, we reviewed system controls with the P&C, Systems/Procedures Administrator.

Information Systems Department assists P&C with sending solicitations to prospective suppliers through Oracle using the National Institute of Governmental Purchasing (NIGP) codes. Each supplier registered with the County is categorized based on the NIGP codes.

Information Systems Department demonstrated or informed us of the following controls on the Oracle system:

- On screen notification is given when a requisition has exceeded the available funds.
- An e-mail notification is sent to P&C 30 days prior to the expiration of a contract.
- After three unsuccessful attempts to log on, the password must be reset by Information Systems.
- A log on prompt is required after a 30 minute inactive session.
- “Contract Value” is a required field, when entering a new contract.

Purchasing Systems/Procedures Administrator performs the Oracle user setup based on position and hierarchy amount. User set-up is requested by the Department Head. The hierarchy amount is as follows:

- Level 1 – Up to \$5,000
- Level 2 – Up to \$10,000
- Level 3 – Up to \$50,000
- Level 4 – Up to \$200,000
- Level 5 – Greater than \$200,000

Once a contract is awarded and a new contract is input into the system by the Purchasing Assistant, it is approved by the P&C Director, Deputy CPO-Purchasing or Deputy CPO-Contracts; depending on the dollar amount of the contract. This also applies to updating the maximum contract amount.

Issues

- In the “Standard Operating Procedures” Chapter 6, the Senior Buyer is listed as having an approval level up to \$25,000. In reviewing the system controls, the senior buyer is listed as having an approval level up to \$5,000.
- Insurance information is entered into the “Terms and Conditions” tab of the Contract Project module to inform P&C of expired policies. A job is executed to provide the list. This field is optional because not all contracts require insurance.
- When the User Department inputs a non-catalog requisition into the “Oracle iProcurement” module, the contract number should be a required field. If a contract number has been omitted, the transaction is sent to Deputy Director of Contracts or Purchasing, who reroutes the transaction to the proper buyer to address or correct.

Recommendations

- We recommend that the “Standard Operating Procedures” Chapter 6 be updated to reflect the correct approval level.
- We recommend a new required field, “Insurance Required,” be added on the “Main” screen, with the choices of “Yes” or “No.” Once the user has selected “Yes”, this should trigger the insurance field as a requirement. P&C should coordinate the details with Information Systems.
- In order to be more efficient in the process, we recommend that certain controls be placed in the Oracle application to limit this manual procedure. We recommend that P&C add a new required field, “Is Purchase Contracted,” on the “Non-Catalog Request” screen, with the choices of “Yes” or “No.” Once the user has selected “Yes”, this should trigger the contract number field as a requirement.

Process Controls

In reviewing the files, we observed that an ITB can be awarded for as much as \$2,500,000.

The review process for an ITB consists of the following :1)an abstract preparation by Administrative Division 2)lowest bid analysis and verification of LSBE, MBE or WBE by Contract Compliance Division and 3)certification by Purchasing Division that the bidder is responsive and responsible. The User Department(s) do the reference check and assess the skill set and capability of the recommended bidder.

The review process for RFP is handled by the Selection Committee. The Selection Committee is responsible for reviewing and scoring the technical approach, establishing a cut-off score, performing and scoring interviews of interview-listed firms, completing reference checks and lastly, reviewing the cost proposals of short-listed firms. The committee makes a final selection as consideration for award of the contract usually with the low cost firm being the selected firm.

Issues

- In reviewing the bid folders, several items were not available in the folders showing where the Purchasing Department properly documented new mandates of meetings, site visit, or evaluation forms for the ITB process.
- In reviewing the ITB files, a “Vendor Performance Evaluation” meeting was held regarding the qualifications and level of experience by the vendor. In the minutes of the meeting, it was stated that the vendor falsely misrepresented the staff level of experience and qualifications. The contract amount relating to the experience in question was not to exceed \$2,000,000.
- It has been noted, proof of insurance is not required until after the bid is awarded; sometimes P&C sends reminders to awardees. This could potentially delay the award process and increase the risk of the possibility that the vendor may not provide the required insurance coverage.
- We observed in an ITB that performance and bid bond coverage was not required. We were unable to determine whether a performance and bid bond were required for that ITB. However, there are no established guidelines that relates to contract amount limits or project type.

Recommendations

- We recommend a standard listing of all required documents related to each ITB process be documented /recorded in each folder; this also includes all new mandates or initiatives issued since August 2008 by the Purchasing Division. This will allow the staff and others (open request) to research and locate items. P&C recently implemented this new practice. We recommend P&C update their operational procedures for this process.
- In order to limit risk and improve efficiency, we recommend that reference checks be a requirement for those ITBs that warrant a reference check.
- After discussions with Finance-Risk Management Division, we recommend that current insurance coverage be submitted with the bid proposals.
- In order to limit risk to the County, we recommend that P&C coordinate with Finance-Risk Management Division an established minimum dollar threshold and/or the project type for bond requirements.

Comments

- We commend P&C for taking the initiative to continually improve their processes. In order to improve P&C processes, selected staff members, along with IS personnel hold process improvement meetings every other Thursday.
- To allow users to be proficient in the use of the application, P&C Department has implemented a formal training program for educating and training users and staff as it relates to procurement.

III. Ensure Compliance with Policies

A sample of bids awarded was selected from a list received from P&C Department. Internal Audit reviewed files for supporting documentation of the selection process.

Invitation to Bid (ITB)

Internal Audit obtained DeKalb County Standard Operating Procedures for P&C Department Purchasing Division (Chapter 6; Updated January, 2009). Organization and Purpose, Section 1, describes the department’s hierarchy chart and lists the overall functions for the Purchasing Division. The Procurement Process, Section 2, explains the specifications and the procurement process for ITBs. As stated in “Background Section,” an ITB method uses the cost as a determining factor for bids submitted by the lowest responsive, responsible bidder. Internal Audit obtained the following definitions from the Purchasing staff:

Responsive Bidder: A vendor who has submitted a bid which conforms in all material respects to the requirements stated in the ITB.

Non-Responsive: A bid that does not conform to the mandatory or essential requirements of the ITB.

Non-Responsible: A bid from a vendor that does not have the capability to perform fully the contract requirements, or who does not have the integrity or reliability to assure performance.

Issues

- Inconsistencies with the abstract form as it related to recording the bids submitted by bidders: ITB# 3001006- The ITB requested list was Draeger Products. i.e. “Draeger PSS7000 SCBA with Sentinel 7000, NFPA 1981-2007 Ed.” There were two bidders, Draeger and Fisher Scientific. Fisher Scientific submitted two bids, i.e. “Scott NXG7” and “Scott AP75” as an equivalent to the Draeger Products and Draeger bid on the aforementioned Draeger product. For item 4, Draeger’s bid was “Included with Item No. 2.” The abstract form exhibited “See Bid,” for Draeger’s item 4. Fisher Scientific bid for item 8 was “SCOTT QD included w/scba.” The abstract form exhibited “N/B;” this means “No Bid.” Fisher Scientific bid for item 3 was “Not Needed for Scott Scba.” The abstract form listed “N/B” for this item. Fisher was considered non-responsive.

Draeger was awarded the contract for \$1,891,599.50

Fisher Scientific requested an open record for this ITB and stated that their bid was the lowest overall. Fisher’s overall bid was \$1,823,638.55 and \$1,833,675.99.

- Inconsistencies with deadline policies: P&C written procedures state that when an ITB or RFP “is received late, after the stated deadline (date and time) for submittal, it is recorded on the outside of the bid package and on the register sheet.” “Late bids and proposals will not be opened. However, the Director of P&C shall have the discretion to determine if a late bid can be opened if it’s determined in the best interest of the County. Late bids and proposals are returned to the offeror after an award is made to the winning bidder.” Listed in Section 2.2, Chapter 5, “Administrative Operations Division.”

Internal Audit observed that on two ITBs, late bids were opened and awarded for each ITB. They were Wilson Welding Service Inc., ITB# 3001001, and W.W. Williams, ITB# 3000688. There was no documentation located in the folders explaining acceptances and awards of late bids. Purchasing staff informed Internal Audit that the acceptance of Wilson Welding Service was determined by the Director and “the bidder was the only proponent meeting specifications,” and it would be in the best interest on the County. No further information was received for ITB# 3000688.

On the other hand, East Lake Auto Works Inc., ITB# 3000688 submitted its bid approximately eight minutes late and was disqualified. W.W. Williams submitted its bid approximately thirty-five minutes late and qualified.

- Inconsistencies with awarding to the lowest **responsive** bidder as it relates to the information found in the folder: We observed that on ITB# 3000715, ITB# 3001287 and ITB# 3001140 the lowest **responsive** bidder was not selected for an award.

ITB# 3000715, Snider Tire Inc. was the lowest bidder on five items and was recommended by Contract Compliance Division. Fleet Maintenance recommended the five items to other bidders. In some instances, the awardee was the 4th lowest bidder. The ITB folder contained no documentation

showing that Snider and other bidders were non-responsive or non-responsible. Snider requested an open record review of the bid under the open records request.

Purchasing staff informed Internal Audit that “lowest price is not the only factor when determining an award. While it is a major factor and probably carries more weight than other factors, the submitted bid must meet the specifications and utility as intended by the user department. In this instance, Snider Tire was non-responsive as they did not fill in the load range, ply of the tire, tread depth, and tire weight.” “ Two bids were submitted because the bidder bid the specified item and a suggested alternate. We are always willing to entertain alternates when applicable per a given ITB as long as the bidder first bids on the items as specified.”

ITB# 3001287- Three bidders, AA Suppliers Co Inc., Ferguson Waterworks and U.S. Saws, were awarded contracts from the bid. AA Suppliers Co Inc. was awarded 16 items; 7 items were the lowest bid. Seven items out of the sixteen items awarded to AA Suppliers, Ferguson Waterworks or U.S. Saws bids were lower bidders. In some instances, some of the items awarded to AA Suppliers Co Inc. their bid ranged from the 6th to 8th lowest bid. There was no documentation contained in the file explaining the reason for this selection. Purchasing staff informed Internal Audit that “it was in the best interest of the County to maintain continuity and assist in the contract administration during the life of the contract to limit the number of awardees; thus, the decision was made to award based upon commodity sections (commodity groups) instead of individual items.”

ITB 3001140 (Sodding, Sprigging And Sod) - Five bidders were awarded contracts from this bid; The Bolton Group and Landesign, Inc. were two awardees of the bid. The Bolton Group was awarded items 15 thru 21 items. Landesign, Inc. was the lowest bidder for all seven items. The file did not contain documentation that Landesign was non-responsive or non-responsible; an explanation for the selection was not included. Purchasing staff explained that “the low vendor was non responsive because they bid substitute items and did not address those specified in the ITB.”

- Inconsistencies with allowing one company to submit two different bids:
ITB# 3000715 - Internal Audit observed that Hill Tire Company submitted two bids; amounts submitted on the first bid were different from the amounts on the second bid. Hill Tire Company was awarded a contract. Purchasing staff informed us that one bid was for the specific item and the other bid was a suggested alternate. The acceptance of the bid for the specific bid item and an alternate item may be perceived as an unfair advantage by other bidders.

Recommendations

- We recommend that P&C be consistent in regard to listing bids on the abstract as it relates to non-responsiveness. Although, the ITB show no dollar amounts associated with the bid, the reviewer should take into account the notes associated with the bid. In the case of Fisher Scientific, the notes indicate a dollar value was included in the overall bid.
- We recommend that P&C include in the bid file/folder an explanation regarding the acceptance of late bids and supporting documentation when the lowest bidder was not selected. The policy should clearly state whether or not multiple bids are responsive or would be allowed and what would be the consequence.
- We recommend that P&C establish a policy regarding bidders who submit different multiple bids. The policy should clearly state whether or not multiple bids are responsive or would be allowed and what would be the consequence.

Comments

- During our review of the “Abstract of Bids,” Internal Audit observed on #ITB 3000715 that companies, Midtown Tire Inc, Nextire Group LLC Goodyear and Wingfoot Commercial Tire Systems, bids on several of the items were identical amounts.
- During our review of ITB # 3001147, we observed that a one bidder was not recorded on the abstract; the bidder complied with the deadline. All bids received are recorded on the abstract form and posted on the internet for public review; late bids and no bids, which are bidders who responded but opt not to bid on items, are not recorded.

Recommendation

- We recommend that P&C monitor the above companies’ future bids to ensure that these companies are not engaging in price fixing.
- In order to reduce errors that can result in challenges and protests from vendors, we recommend that during the bid opening all “No Bids” be noted on the “Register of Replies to Invitation to Bid”; this sheet can be used in the verification process of the abstract. Currently, “Late Bids” are noted on the register.

Request for Proposal (RFP)

Issues

- RFP # 07-500051 – (Professional Engineering Services for the Watershed Management Dept.) During the review of the folder, the selection committee minutes, dated August 23, 2007, revealed an email was sent to Purchasing staff from a current bidder (Haynes James & Associates); it stated Haynes James & Associates received information from a competing firm about their company being disqualified for not submitting a cost proposal.

Purchasing Management explained the ramifications of the selection committee members leaking information to others outside the RFP committee.

A copy of the e-mail was distributed to the selection committee members but was not disclosed in the RFP folder.

Internal Audit was informed that Purchasing Management investigated the “incident by contacting the firm responsible for the email. The firm stated the source of the information was another vendor, not a selection committee member. The firm did not reveal their source. Based on this, it was determined there wasn’t evidence a selection committee member violated the procedures.”

Recommendations

- We recommend that P&C include in the Selection Committee Guidelines for Review of the Request for Proposals the consequences for violation of the Confidentiality Policy. Management of P&C has informed us that any selection committee member who violates policies is subject to the disciplinary actions established by Human Resources. Also, the Department of P&C reserves the right to cancel any RFP if the integrity of the process has been compromised.

Comment

- RFP# 07-500075 - The LSBE Form which requires bidders to fill-in their percentage of LSBE participation was submitted with the technical proposal of the bid. The bidder submitted the dollar amount with the percentage. The committee could determine the total bid cost, by calculation.

Recommendations

- We recommend that purchasing emphasize to bidders that only percentages would be accepted in response to the LSBE participation.

Contracts

Issues

- In reviewing the files, Internal Audit observed minutes of a meeting held in January, 2009 regarding the performance evaluation of Metals & Materials Engineers, LLC (MME). A vendor performance evaluation relating to misrepresentation of qualifications on two resumes was submitted on April 21, 2008 by the user department, Watershed Management; a memo dated July 24, 2008 was submitted concerning the Vendor Performance Evaluation. Another vendor performance evaluation was submitted by Watershed Management on October 30, 2008 regarding the vendor not calibrating the flow monitors correctly as explained in the attachment of the contract. Lastly, it was discussed that all items were not fulfilled for a Purchase Order requested in April, 2008.

The following were extracted from the minutes of MME's responses as they related to each issue:

Misrepresentation of qualification- "MME's president interjected that his employee had 3 years of experience and was accepted for the position of supervisor but his experience was not on a continuous basis. As for the other employee, he served as field supervisor for over 2 years but his experience was not properly captured. He was indeed a supervisor with 5 years experience but not in the field of flow monitoring."

Not calibrating the flow monitors correctly – Watershed Management engineer stated that the manual measurements for the level of flow were compared with the sensor reading on the computer. Also, the worker in the manhole should perform the measurements inside the manhole and relay the information to the worker with the computer and adjustments should be made accordingly. The County employee stated that the method performed by MME's staff was incorrect; Dekalb County crew observed this procedure on September 4, 2008 and September 8, 2008 for various sites.

Incomplete purchase order – After MME's president reviewed the copy of Teledyne ISCO quotes, he "stated that items provided by ISCO were at no time verbatim, we put items on bid and several of those items we underbid some items to win the bid and the decision was based on our competition and several other different factors."

Despite the reports of substandard work, which was brought to the attention of management, MME continued to obtain contracts with the County. On April 28, 2009, the BOC approved the renewal of a \$2,000,000 contract with Metals & Materials, which will expire on April 30, 2010.

- On February 12, 2008, Item D (Installation and Maintenance of Sewer Flow Monitors: Invitation No. 3000799) was brought to the BOC for the approval of a contract with Metals & Materials in the amount \$465,955.75. The company's total bid was \$464,503.25. Three other bids were submitted by Hydromax USA, R.D. Zande & Associates, Inc. and DMD Engineering and Construction, Inc. in the amounts of \$748,012, \$1,834,635 and \$520,100, respectively. Item D was withdrawn. On February 26, 2008, Item A (Installation and Maintenance of Sewer Flow Monitors: Invitation No. 3000799) was approved by the BOC for \$2,000,000.

- Relative to MME mentioned above, Internal Audit requested the detailed breakdown of the bid items that would support the \$2,000,000 award. That information was never provided to us. However, Purchasing Management stated that “a decision was made that it was in the best interest of the County to exercise the final extension option with this vendor. In this instance the actual extension occurred in 2009 and the price increase was due to the departments increased usage of the contract. Actual contract usage is always determined by the User Department”.
- The vendor performance evaluation dated June 20, 2005, disclosed that substandard work was performed by ADS Environmental Services and Woolpert LLP. The following were the complaints on the “Vendor Performance Evaluation”:
 - During the life of the contract only 5% of the project was completed.
 - Contractors were paid 75% of the contract without completion of the work.
 - Contractors created false and fraudulent invoices.
 - Submission of contract to other vendors without the written approval from DeKalb County Board of Commissioners
 - Lack of cooperation from the vendors to accurately audit the products submitted to the User Department.

After a four year hiatus without a County contract, Woolpert LLP obtained a contract with the County effective March 25, 2009.

Recommendations

- We recommend that P&C implement a formal procedure regarding unsatisfactory or substandard performance of vendors/suppliers, including the creation of a DeKalb County Debarment Listing or the use of the “Federal Excluded from Procurement” list.
- In addition, Internal Audit recommends that Purchasing Department maintains proper documentation in the files to support withdrawal or replacement of a recommended award to the BOC for approval.

Comment

- Portland Utility Construction Co was awarded an emergency contract for the “Heritage Heights Bypass Pumping Main Replacement” project. The emergency occurred on April 22, 2008 as reported by Watershed Management’s Division of Construction & Management (C&M). C&M performed a temporary repair of the cracked pipe at the Heritage Heights location and discovered that the bottom of the line was damaged. Watershed Management’s Division of Long Range Planning and Asset Management (LRPAM) requested an estimate from Reynolds Inliner LLC (Reynolds). Reynolds visited the site to assess the damage. Reynolds gave an estimate of \$16,000 to repair the damage.

Reynolds was at the site to perform the repairs. C&M instructed the company to cease repairs because C&M believed that the entire pipe should be replaced and might collapse during repairs.

On September 22, 2008, a purchase order was created for Portland Utilities Co to replace the pipe for \$1,170,000.

Conclusion

- Internal Audit does not believe it was a prudent decision made by Watershed to take an emergency request in the amount of \$1,170,000 to the BOC on September 22, 2008. Based on the circumstances above, it would appear as though the request to the BOC was premature and overly costly.

IV. Review Procedures of Other Jurisdictions

Internal Audit obtained copies of the procurement policies from the State of Georgia, Gwinnett, Cobb, and Fulton Counties' websites.

We observed that Fulton County and the State of Georgia solicit their Request for Quotes (RFQ) online. The state uses a software technology called "e-Quote" to enable electronic responses.

Also, we observed that some jurisdictions added a "fraud and collusion" clause. (i.e. "I certify that this bid (proposal) is made without prior understanding, agreement, or connection with any corporation, firm, or person submitting a bid (proposal) for the same materials, supplies, or equipment, and is in all respects fair and without collusion or fraud. I understand that collusive bidding is a violation of State and Federal law and can result in fines, prison sentences, and civil damage awards. I agree to abide by all conditions of this bid (proposal), and certify that I am authorized to sign this bid (proposal) for the bidder (offeror)." [O.C.G.A. 50-5-67]. "I further certify that the provisions of the O.C.G.A. 45-10-20 et seq. have not and will not be violated in any respect.")

Comments

- Currently, P&C solicits quotes by phone. As a method of reducing paper documents received and automating the cost evaluation process, we recommend P&C consider automating the Request for Quotation (RFQ) process. Also, this process will promote fair competition.
- We recommend that the County adapts a similar "fraud and collusion" policy as stated above. It may be in the best interest of the County to inform bidders of consequences regarding fraud and collusion.