



CITY OF RICHMOND
City Auditor's Office

DATE: December 2, 2022

TO: Lincoln Saunders
Chief Administrative Officer

FROM: Louis Lassiter *LL*
City Auditor

SUBJECT: Procurement Services Audit

The City Auditor's Office has completed the Procurement Services audit and the final report is attached.

We would like to thank the DPS staff for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee
The Richmond City Council
Sabrina Joy-Hogg, DCAO of Administration & Finance
Rene Almaraz, Director of Procurement Services

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City of
RICHMOND
Office of the City Auditor

Audit Report# 2023-07
Department of Procurement Services
December 2, 2022



Audit Report Staff

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Highlights

Audit Report to the Audit Committee, City Council, and the Administration

Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY2022 audit plan approved by the Audit Committee. The objectives of this audit were to evaluate the Department's efficiency and effectiveness and test for compliance with procurement policies and procedures.

What We Recommend:

The Director of Procurement Services:

- Develop and implement monitoring procedures to ensure that the received proposals are forwarded to the Evaluation Panel members and sufficient justification is documented for those that are not.
- Develop and implement a quality assurance process to ensure the contract files are complete, adequately documented, and adhere to the Virginia retention schedule
- Implement a means to readily track key milestones in the contract execution process, analyze the data to identify delays/bottlenecks and implement strategies to address the corresponding causes.
- Develop and implement checklists to capture documentation of responsiveness for applicable solicitations.
- Re-evaluate the need for the passive renewal process and proceed accordingly.
- Continue efforts to develop and implement performance measures to better evaluate the efficiency and effectiveness of the Department's operations.
- Continue working to adopt and implement industry best practices.

Additional recommendations were issued, as noted in the report.

Procurement Services

Background – Pursuant to the authority outlined in City Code § 2-596(b), the Director of Procurement Services (DPS) serves as the City's principal public purchasing official and chief contract officer. As such, the Director establishes appropriate contracts and develops rules, regulations, and procedures for governing the City's procurement needs. DPS delegated the purchasing authority for small purchases (\leq \$100,000) to the agencies to allow for more expeditious purchases to fulfill their respective missions. The using agencies are responsible and accountable for complying with the City's procurement requirements.

What Works Well

- Generally, the contracts executed through the IFB process were properly procured and awarded per the City's policies and procedures.
- Eighty-nine percent (89%) of the reviewed contracts were renewed prior to expiration. On average, the contracts were renewed 40 days prior to the expiration dates.
- The reviewed IFBs and RFPs were publicly posted in a timely manner in accordance with procurement policy and regulations.

Needs Improvement

Finding #1 – Proposal Evaluation

Proposals received by the due date and time were not evaluated and scored for 36% (4/11) of reviewed contracts. For one of the contracts, a proposal was evaluated and scored but was not recorded on the bid log as being received. DPS could not provide explanations for these discrepancies.

Finding #2 – Contract Compliance

Opportunities exist to improve contract file documentation to better promote transparency in the public procurement process and ensure compliance with DPS' policies and procedures.

Finding #3 – Contract Execution Timeliness

Sixty-four percent (14/22) of the reviewed contracts were not executed timely in accordance with DPS' established timeframe goals. The auditor could not readily identify the specific causes of the delays due to a lack of documentation for key milestones in the processes.

Finding #4 – Responsive and Responsibility Assessment

Evaluation of the proposals and bids for outlined solicitation requirements and assessing the bidder's responsibility were inconsistently documented in the reviewed contract files.

Finding #5 – Contract Renewal

Eighty-nine percent (8/9) of the reviewed contracts were renewed timely. However, the auditor could not determine if the renewal process was completed within DPS' established timeframe goal. Also, DPS should reassess the need for the recently implemented passive renewal process.

Finding #6 – Performance Metrics

DPS needs to implement additional performance measures and improve the existing ones to better evaluate the Department's efficiency and effectiveness.

Finding #7 – Best Practices

DPS has implemented 47% (8/17) and partially implemented 29% (5/17) of the National Institute of Government Purchasing (NIGP) procurement best practices. Six percent (1/17) have not been implemented, and 18% (3/17) were not applicable.

Finding #8 – Contract Administration Training

DPS does not monitor to ensure the Contract Administrators complete the required annual training.

Management concurred with 17 of 17 recommendations. We appreciate the cooperation received from management and staff while conducting this audit.



BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

BACKGROUND

DPS is the centralized purchasing body for the City, and its goal is to enhance the provisions of services to the City's citizens by:

- Obtaining high-quality goods and services at a reasonable cost; and
- Ensuring a competitive and objective procurement process.

Pursuant to the authority outlined in City Code § 2-596(b), the DPS Director serves as the City's principal public purchasing official and chief contract officer. As such, the Director establishes appropriate contracts and develops rules, regulations, and procedures for governing the City's procurement needs.

DPS' roles and responsibilities include:

- assisting City departments and agencies procure goods and services,
- executing, modifying, and renewing City contracts,
- managing the City's Purchasing Card (P-Card) program,
- managing the Supplier Portal, which vendors must register within to do business with the City,
- managing the City's surplus property program, and
- managing the Procurement Module access requests.

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Mission

The mission of DPS is to “support the city by performing the procurement function in a customer-focused, strategic, ethical, and transparent manner while ensuring opportunities to diverse suppliers and complying with applicable governing laws and policies.”

Vision

“To be a best-in-class organization through effective use and implementation of the following strategies:

- Strategic sourcing and focused training to contain costs and improve productivity;
- Enabling technology that streamlines processes and empowers end-users to perform their job duties in a more efficient and effective manner; and
- Proactively and cooperatively engaging with our end-users and suppliers to creatively solve problems in a collaborative manner. “

Budget

Budget Summary	FY2020 Actual	FY2021 Actual	FY2022 Adopted	FY2023 Adopted
Personnel Services	\$1,331,016	\$1,461,466	\$1,531,610	\$1,695,219
Operating	\$41,194	\$94,999	\$25,976	\$53,305
Total General Fund ¹	\$1,372,207	\$1,556,462	\$1,557,585	\$1,748,525
Per Capita	\$6.05	\$6.75	\$6.80	\$7.72
Total Staffing	20	20	20	18

Auditor created from Adopted FY2023 Annual Fiscal Plan

¹ The general fund totals for FY 2020 and FY2021 actuals and FY2022 and FY2023 adopted amounts do not foot in the budget book.

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Staff Turnover and Vacancy

DPS turnover rate was 12.2% and 49.1% in FY2021 and FY2022, respectively. DPS vacancy rate² was 18.1% and 18.3% in FY2021 and FY2022, respectively. Compared to the City as a whole, DPS ranked 18th highest in turnover during FY2021 and 2nd in FY2022.

Purchasing Authority

DPS delegated the purchasing authority for small purchases (\leq \$100,000) to the using agencies to allow for more expeditious purchases to fulfill their respective missions. The using agencies are responsible and accountable for complying with the City's procurement requirements. DPS may reduce, suspend, or revoke the user agency's or employee's delegated authority due to failure to comply with the requirements.

DPS handles the below purchases through formal competitive procurement procedures³.

- Goods, non-professional services, and non-transportation-related construction over \$100,000;
- Transportation-related construction over \$25,000; and
- Professional service over \$80,000⁴.

RFPs for Goods & Non-Professional Services

The City solicits requests for proposals (RFPs) to procure items required to perform City operations and provide services to citizens. Competitive negotiation, which involves individual discussions between the City and the offeror, is used to procure these goods and services. "The objective of competitive negotiations is to achieve a written contract that is fair and reasonable in all respects including price." The user agency must submit a written justification to DPS outlining why competitive sealed bidding is not practicable or fiscally advantageous to the public.

² Vacancy rate includes both funded and unfunded positions.

³ Request for Proposals (RFP), Invitation for Bids (IFB) and Cooperative Agreements

⁴ Effective March 8, 2021, the dollar threshold required for formal competitive procurement procedures was increased to over \$80,000. Prior to change, the dollar threshold was greater than \$60,000.

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A summary of the RFP process is depicted below:

<i>Step</i>	<i>Action</i>
1	Identify and approve evaluation panel. Obtain " <i>Conflict of Interest and Confidentiality of Information Certifications</i> " from panel members.
2	Develop/approve the evaluation criteria/weights; written determination to use RFP.
3	Develop, review, and issue and publicly post the solicitation.
4	Receive and independently evaluate proposals; check references.
5	Panel meets to finalize consensus scoring and discuss results of reference checks.
6	Discussions with selected offerors, as determined by the panel.
7	Identify offerors for negotiations, conduct negotiations, and request, receive, and evaluate final proposal revisions, if necessary.
8	Prepare the supporting documentation for the selection decision.
9	Select the offeror.
10	Post Intent to Award or Notice of Award.
11	Brief the principal results of the source selection decision to appropriate officials (as required or appropriate).
12	Identify and approve contract administrator from using agency.
13	Award the contract(s).

DPS Policy 46 Competitively Negotiated Procurements

A panel of subject matter experts evaluates the proposals. Evaluation panel members are nominated by the user agencies' Directors and approved by DPS staff. The DPS Director must approve panel member substitutions.

City Code §21-67(b) and §21-67(e) requires the evaluation criteria and scoring weights assigned to each criterion to be included in the RFP. The evaluation criteria and scoring weights are specific to each RFP and must include, at a minimum, the below mandatory evaluation criteria.

- Minority Business Enterprise/Emerging Small Business (MBE/ESB) – comprises 30 percent of the total points;
- Accessibility – the degree of accessibility that the contractor will be able to provide to City officials who will be administering the contract; and
- Cost or Price- for goods and non-professional services.

Each panel member independently reviews the proposals and then meets to determine a consensus score for each proposal based on the evaluation criteria outlined in the RFP.

Scores for cost are calculated and assigned by the DPS Procurement Analyst. MBE/ESB scores are calculated and assigned by the Office of Minority Business Development (OMBD) following their internal policies and procedures.

The evaluation panel determines which proposals to advance to the oral presentation and/or negotiation phase based on the initial consensus scoring. The proposals are evaluated, and consensus scoring is conducted after each phase. The evaluation panel prepares a written narrative summarizing the evaluation and scoring process and award recommendation.

RFPs for Professional Services

Professional services, as outlined by City Code § 21-4, include “work performed by an independent contractor within the scope of practice of accounting, actuarial services, architecture, land surveying, landscape architecture, law, dentistry, medicine, optometry, pharmacy, or professional engineering.”

The RFP process for professional services is similar to the process for goods and non-professional services except for the following items:

- The aggregate cost of the services must exceed \$80,000⁵;
- Cost or price cannot be an evaluation criterion;
- Discussions with at least two offerors deemed fully qualified, responsible, and suitable based on initial responses and with emphasis on professional competence should occur;
- The City may negotiate contracts for architectural or professional engineering services related to construction projects for multiple projects provided:

⁵ Effective March 8, 2021, the dollar threshold required for formal competitive procurement procedures was increased to over \$80,000. Prior to the change, the dollar threshold was greater than \$60,000.

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- Projects require similar experience and expertise;
- The nature of the projects is clearly identified in the RFP; and
- The contract term is limited to one year or when the cumulative total project fees reach the maximum cost authorized, whichever comes first. The project fee for a single project cannot exceed \$2.5 million, and the sum of all projects performed under one contract cannot exceed \$10 million⁶.
- Awards for such contracts may be awarded to more than one offeror, and contracts may be renewed for three additional terms⁷.

Invitations for Bid (IFB)

The purpose of the IFB is to solicit competitive sealed bid responses when the award is given based on price. Contractors submit their prices in sealed envelopes that are publicly opened. This is performed to ensure full transparency. The award is made to the lowest responsive and responsible bidder.

There are eleven (11) basic steps in the competitive sealed bidding process and are as follows:

1. Identify the goods or services to be procured	2. Prepare the invitation for bids
3. Establish the procurement schedule	4. Compile a list of vendors
5. Issue the invitation for bids and provide public notice thereof	6. Conduct pre-bid conferences (if necessary)
7. Submittal of bids	8. Receipt of bids
9. Opening of bids	10. Evaluation of bids
11. Contract award and provide public notice thereof	-

⁶ Dollar threshold was increased from \$8 million to \$10 million effective July 1, 2022.

⁷ The number of renewals was changed to three additional terms effective July 1, 2022. Prior to the change, the renewal term was four additional one-year terms.

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The using agency identifies the goods or services needed and then writes specifications. Some of the specifications can include specific qualifications, life-cycle costing, value analysis, and any other criteria such as testing and workmanship. The requirements must be accurate and complete to ensure that a procurement meets the intended needs. The IFB must be publicly posted for at least ten (10) calendar days prior to the required bid due date. The received bids are time and date stamped and secured until the public bid opening date. The bids are opened in a public place and read out loud. The vendor's name and bid price are recorded for each received bid.

The bids are evaluated and awarded to the lowest responsive and responsible bidder. A responsive bid substantially conforms with the requirements outlined by the IFB. Conformance includes compliance with all documents required by the IFB, properly signed documents, and goods and services generally comply with the IFB specifications. A responsible bidder can fully perform the contract requirements and has the moral and business integrity and reliability that will assure good faith performance, including the following:

- being a regular dealer, supplier, or when required in the IFB, an authorized dealer of goods or services;
- can comply with the delivery requirements or performance schedule;
- demonstrated record of satisfactory performance and integrity; and
- have the necessary resources to fulfill the purchase order or contract terms.

Award Notice

An Intent to Award or Notice of Award is posted on the State's online electronic procurement system (eVA) for ten calendar days to allow for a protest period. An Intent to Award means the City will award a contract after the protest period ends. A Notice of Award means the City has already awarded a contract as of the notice posting (i.e., emergency purchase).

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Contract Renewals, Extensions, and Closeouts

Contract renewal is defined as the right that the City may exercise with the contractor's concurrence to renew the contract for a specific period, which is outlined in the original contract. City Code § 21-58 authorizes that a contract for goods, services, or insurance may be executed for any period of time deemed to be in the best interest of the City, provided the term of the contract and conditions for renewal or extensions if any are included in the solicitation and funding is available. Contract renewals, extensions, or options shall not be executed without specific contract provisions that allow for such. Additionally, contracts must include the "subject to appropriations" clause.

If the contract is renewed prior to the expiration, the renewal form is routed along with the proper documentation to the Director of DPS for signature. If the contract is renewed after the expiration, the Procurement Analyst must coordinate with the City Attorney's Office to develop a Contract Modification (Ratification). If all the renewal options have been exhausted, the City may opt to extend the contract for up to 12 months. Contract extensions greater than 180 days require the using agency's Deputy Chief Administrative Officer (DCAO)'s approval.

OBJECTIVES

To evaluate the Department's efficiency and effectiveness and test for compliance with procurement policies and procedures.

SCOPE

The scope of the audit is DPS' procedural processes during the 12 months ended December 31, 2021, and the current environment. The focus of this audit was IFBs, RFPs, and contract renewals.

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METHODOLOGY

The auditors performed the following procedures to complete this audit:

- Reviewed DPS policies and procedures and City Code to determine procurement requirements.
- Interviewed DPS staff to understand procurement processes.
- Reviewed a randomly generated sample of nine contracts renewed during calendar year 2021 to determine if they were renewed timely.
- Reviewed all 11 contracts that were executed in calendar year 2021 through the RFP process that had released funds to determine if they were executed timely and in compliance with procurement policies and procedures. Two contracts were executed from the same RFP; thus, the sample size for timeliness testing was noted as ten.
- Reviewed a judgmentally selected sample of 13 contracts executed in calendar year 2021 through the IFB process to determine if they were executed timely and in compliance with procurement policies and procedures. Two contracts were executed from the same IFB; thus, the sample size for timeliness testing was noted as twelve.
- Compared DPS procurement practices to the National Institute of Government Purchasing (NIGP) best practices.
- Conducted other tests as deemed necessary.

MANAGEMENT RESPONSIBILITY

City of Richmond management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

INTERNAL CONTROLS

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the auditors concluded that internal controls over contract execution and documentation processes need improvement. Improvement opportunities were also noted in the areas of policies and procedures, performance measures, training, and best practices. These observations are discussed throughout this report.

FINDINGS and RECOMMENDATIONS

What Works Well

- Generally, the contracts executed through the IFB process were properly procured and awarded per the City's policies and procedures.
- Eighty-nine percent (89%) of the reviewed contracts were renewed prior to expiration. On average, the contracts were renewed 40 days prior to the expiration dates.
- The reviewed IFBs and RFPs were publicly posted in a timely manner in accordance with procurement policy and regulations.

What Needs Improvement

Finding #1 – Proposal Evaluation

Condition:

The Auditors tested 11 contracts and noted inconsistencies in four reviewed. Of those four contracts, some of the proposals received by the due date were not evaluated and scored. Additionally, one of the contracts had a proposal that was evaluated and scored. However, the proposal was not recorded on the bid log as being received. Explanations for the discrepancies were not captured in the contract files, nor could be provided by DPS staff.

Criteria:

Received proposals are date stamped and recorded on a manual log. In accordance with DPS Policy Number 46 – Competitively Negotiated Procurements, the Procurement Analyst is responsible for pre-screening the proposals for compliance with RFP submission requirements and resolving any non-compliance issues. The policy further states that copies of all the proposals are distributed to the Evaluation Panel within five business days. Upon receipt of the proposals, each Evaluation Panel member individually reviews the proposals in accordance with the requirements stated in the RFP, including requested information. After the independent evaluations are completed, an initial consensus scoring meeting is conducted. Additional consensus scoring is conducted for firms invited for presentations, negotiations, and best and final offers.

Cause:

Adequate controls and monitoring were not in place to ensure the received proposals were forwarded to the Evaluation Panel for review and justification documented for those that were not. Also, there was no reconciliation of the bid log to the evaluation scoring documentation, which would identify any discrepancies.

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Effect:

Proposals may have been inappropriately excluded from the evaluation and scoring process, which limits competition. Without adequate explanations and documentation, DPS is unable to justify the reasons the proposals were excluded from further considerations and may create challenges for the City if any awards are protested.

Recommendation:

- 1. We recommend that the DPS Director develop and implement monitoring procedures to ensure that the received proposals are forwarded to the Evaluation Panel members and that sufficient justification is documented for those that are not. This process should include a reconciliation of the bid log to the scoring documentation and any discrepancies researched, resolved, and documented.*

Finding #2 – Contract Compliance

Condition:

The auditor tested 12 contracts executed through the IFB process and 11 executed through the RFP process for compliance with City's procurement policies and procedures and noted the observations below.

RFP Observations:

1. Nine of the reviewed contracts required written justifications for the use of competitive negotiations for goods and non-professional services. However, this documentation was not included in the contract files.
2. For five reviewed contracts, the required written justification and approval were not completed when the maximum assigned available points for the cost evaluation criterion for goods and non-professional services RFPs was less than 20 points.

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3. In one reviewed contract, cost was inappropriately used as an evaluation criterion for the professional services contract.
4. Four reviewed contracts did not have documentation of DPS approval of the Evaluation Panel members.
5. All eleven of the RFPs were publicly posted at least ten days prior to the due date of the proposals in the State's online electronic procurement system (eVA) to allow for competition. However, due to a lack of documentation, the auditor could not determine if two of the RFPs were published in a local newspaper as required by the City Code and DPS' policies and procedures.
6. Ten of eleven RFPs had written narratives summarizing the evaluation and scoring process and award rationale for the selected offerors. Only a draft, non-finalized copy of the award memo could be located for one of the reviewed contracts. Some inconsistencies were noted in the Evaluation Panel's proposal review and scoring process.
7. Documentation was not maintained in the contract files to support how DPS staff calculated and assigned the scores for the cost criterion. As such, the auditor could not determine whether the scores were calculated and assigned correctly for seven contracts.

IFB Observations:

Generally, the goods and services were properly procured and awarded per the City's policies and procedures. The IFBs were publicly posted at least ten days prior to the due dates of the bids in the State's online electronic procurement system (eVA) to allow for competition. The contracts were awarded to the lowest bidder, and in a few cases, multiple awards were issued. However, improvements are needed in reviewing and documenting assessments of the responsive and responsible bidders. Observations and corresponding recommendations are covered under the Responsive and Responsibility Assessment Section.

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Other Observations

8. A time clock stamp and manual log are used to capture the bid and proposals receipt dates and times. The manual logs were readily available and provided to the auditors. However, the actual time clock-stamped documentation was not provided for some of the contracts.
9. Intent to Award notices were timely posted on eVA to allow for the required protest period for 15 of the reviewed contracts. However, the auditor could not verify if the Intent to Awards were posted for eight contracts.

Criteria:

1. Per DPS Policy Number 46, section 46-5.10, a written determination that competitive sealed bidding is not practicable or fiscally advantageous to the public must be provided to justify using competitive negotiation for goods and non-professional services. The user agency must submit the justification with its initial request to DPS, which is included in the procurement file.
2. Per DPS Policy 46, Section 46-7.2.3, cost/ price is a mandatory evaluation criterion for goods and non-professional services RFPs. The user agency must submit a written justification to DPS for approval if assigning weights less than 20 points for this criterion.
3. City Code Section 21.68(b) prohibits using cost/price as an evaluation criterion in professional services RFPs.
4. DPS Policy 46, Section 46-5.9(b) indicates that the DPS Contact approves the initial Evaluation Panel membership nominations, and the DPS Director approves any substitutes.
5. City Code Sections 21.67(c) and 21.68 (b) require RFPs to be publicly posted on the City's website and in a newspaper of general circulation for at least ten days prior to the proposal due date to maximize the number of potential offerors. The solicitation link on DPS' website automatically redirects to eVA.

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6. DPS Policy 46, Sections 46-9.0, 46-10, and 46-12 indicates the scoring documentation needs to include evaluation criterion and maximum values for each; the Evaluation Panel's rationale for assigned scores, determination of offerors to advance to the next phase of the procurement process, and the panel members' signatures demonstrating consensus.
7. DPS Policy 46, Section 46-9.2 indicates that the scores for the cost evaluation criterion are calculated and assigned by the Procurement Analyst using a formula. The maximum points are assigned to the offeror with the lowest cost. Then points are proportionately assigned to the remaining offerors based on cost and the maximum number of evaluation points.
8. The proposals are date and time stamped upon receipt and recorded into a manual log.
9. Per City Code Section 21-164, any bidder or offeror may protest an award decision. Award notices are posted for ten calendar days to allow for the protest period.

The State's Records Retention and Disposition Schedule No. GS-02 requires contracts and supporting documentation to be retained for five years after expiration and purchasing records (i.e., bids, proposals, etc.) to be retained for five years after the end of the State fiscal year.

Causes:

1. DPS management indicated that the requirement for a written justification for competitive negotiation for goods and non-professional services was not enforced. The Department noted that this requirement would be reviewed to determine if it would be enforced or removed from the policy.
2. The required written justifications were not submitted to DPS for approval.
3. It is unknown why cost was included as an evaluation criterion in a professional services RFP. This error was not captured in the various review levels.
4. Approval documentation was not completed and/or maintained in the contract file.

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5. Documentation was not included in the hardcopy contract file, and per DPS staff, the electronic copy of the documentation was deleted in error.
6. Inconsistent documentation approaches were used amongst the DPS staff and the Evaluation Panel.
7. DPS management indicated that DPS staff calculate the scores and are not required to provide backup documentation for the assigned scores.
8. DPS management indicated they are not required to maintain the time clock stamp documentation.
9. Per DPS staff, the Intent to Award Notices were posted in eVA. However, documentation was lost during the State's conversion to a new platform.

Also, it was noted that DPS made changes to the procurement practices, which still need to be updated in the policies and procedures. In addition, the current contract file checklists need to be more detailed to provide sufficient guidance regarding the specific documents that should be included in the files. Some required documents (i.e., written justification for competitive negotiation) are not captured on the checklist.

Effects:

- Non-compliance with established procurement policies, procedures, and regulations could result in goods and services not being procured through the most efficient means.
- Contract files need improvement to demonstrate transparency in the public procurement process to document that goods and services were fairly and competitively procured.
- Updated policies and procedures will provide the user agencies with the necessary guidance to help ensure that complete and accurate information is provided to DPS to improve the efficiency of the procurement process.

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- Proposals not containing the required evaluation criteria may be improperly scored. As such, negotiations may not be conducted with the top offerors.
- The manual bid log alone is subject to transcription errors, and the time clock stamp enhances the recorded receipt of documentation.
- The cost evaluation criterion score could potentially impact whether a proposal is advanced to the oral presentation or negotiation phase. As such, documentation to support the rationale for the assigned scores should be maintained in the contract file to demonstrate that scores were calculated correctly and assigned.

Recommendations:

- 2. We recommend that the DPS Director continue efforts to update the policies and procedures to reflect current practices and requirements and provide training to the user agencies. Procedures should also be periodically reviewed and updated for any corresponding changes.*
- 3. We recommend that the DPS Director continue reviewing and revising the standard operating procedures to guide the DPS staff.*
- 4. We recommend that the DPS Director develop and implement a quality assurance process to ensure the contract files are complete, adequately documented, and adhere to the Virginia retention schedule.*
- 5. We recommend that the DPS Director enhance the existing contract file checklist to capture requirements outlined by City Code and DPS policies and provide guidance for DPS staff.*
- 6. We recommend that the DPS Procurement Analyst ensure compliance with the procurement policies and procedures.*

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Finding #3 – Contract Execution Timeliness

Condition:

The auditor analyzed 22 contracts and noted that 64% (14 of 22) were not executed timely in accordance with DPS' established timeframe goals. On average, it took 223 calendar days to execute the contracts through the Invitation to Bid (IFB) process and 308 calendar days through the Request for Proposals (RFP) process. Below is a summary of the total number of calendar days to fully execute the reviewed contracts from the requisitions' approval dates to the DPS Director signing the contracts.

IFB				RFP			
Construction (Goal 40-118 Days)				Goods and Non-Professional Services			
Goods and Non-Professional Services				(Goal 133-301 Days)			
(Goal 35-115 Days)				Professional Services (Goal 117-307 Days)			
Contract #1	64 days	Contract #7	165 days	Contract #1	147 days	Contract #6	587 days
Contract #2	305 days	Contract #8	196 days	Contract #2	244 days	Contract #7	208 days
Contract #3	293 days	Contract #9	155 days	Contract #3	162 days	Contract #8	224 days
Contract #4	340 days	Contract #10	277 days	Contract #4	393 days	Contract #9	586 days
Contract #5	157 days	Contract #11	364 days	Contract #5	237 days	Contract #10	291 days
Contract #6	193 days	Contract #12	170 days				

Criteria:

The user agency is required to remit an approved requisition and required documentation to DPS to initiate the formal competitive procurement process, which consists of four phases: (1) pre-solicitation, (2) solicitation, (3) pre-award, and (4) award. DPS' goal is to fully execute contracts within the below timeframes.

Solicitation Type	Total Calendar Days Goal
IFB (Construction)	40-118
IFB (Goods and Non-Professional Services)	35-113
RFP (Professional Services)	117-307
RFP (Non- Professional Services)	133-301

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The total number of calendar days is calculated from the requisition approval date to the DPS Director's signature on the contract.

Cause:

Generally, delays were identified in the pre-solicitation phase for the reviewed IFB and RFP processes. The pre-solicitation phase consists of drafting and finalizing the solicitation for publication and involves both DPS and user agency staff. Some delays were also noted between the bid opening and the user agency's bid evaluation and evaluation panel review and scoring of proposals. In addition, delays were noted in the award phase of the IFB process related to the receipt, review, and approval of the required bonds and insurance. However, the auditor was unable to readily identify the specific causes of the delays due to a lack of documentation for key milestones in the processes. DPS identified the below challenges that contribute to the timeliness of the RFP and IFB processes:

- User agency's request contains improper documentation or incomplete forms;
- Development of the scope of work;
- Complexity of the work;
- DPS' staff workload; and
- Evaluation Panel members scheduling.

DPS did not have a process in place to readily track and identify the delays and causes.

DPS encountered significant staff turnover and vacancies during the audit scope. Subsequent to the audit scope, DPS hired and onboarded additional staff.

The established timeframe goals date back to 2015 and 2016 and may not be reflective of the current environment.

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Effect:

Delays in executing contracts could result in the following:

- untimely procurement of goods and services for City operations;
- emergency purchases;
- contribute to circumvention of purchasing policies and procedures; and
- extensions of prior contracts to prevent lapses in contract services.

Also, DPS could better evaluate the timeliness, identify bottlenecks in the process and make informed programmatic/policy changes/decisions with key milestone data and documentation.

Recommendations:

- 7. We recommend that the DPS Director implement a means to readily track key milestones in the contract execution process, analyze the data to identify delays/bottlenecks and implement strategies to address the corresponding causes. Data should also be periodically analyzed to determine if adjustments are needed in the established timeframe goals.*
- 8. We recommend that the DPS Director work with the Procurement Analysts and Contracting Officers to establish a central repository and a process to maintain documentation for the key milestones in the contract execution process.*

Finding #4 – Responsive and Responsibility Assessment

Condition:

Evaluations of the bids and proposals for compliance with the solicitation requirements were inconsistently documented in the contract files. Some contract files included a spreadsheet documenting the criteria reviewed and the results, while others lacked indication that a review had been completed. A responsive bid substantially complies with the IFB requirements, such as

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the correct number of copies and authorized signatures, proof of insurability, bonding, delivery terms, warranty documentation, etc.

Also, inconsistencies were noted in the assessment of the bidder's responsibility. A responsible bidder is a business entity or individuals with the financial and technical capacity to perform the requirements of solicitations and subsequent contracts. However, toward the end of the audit scope, a formalized Award Recommendation Checklist, which outlined the criteria used to make these assessments, was implemented. The Award Recommendation Checklist was included in one of the reviewed contracts. The user agency identified the various criteria for assessing the lowest, responsive, and responsible bidder. However, the contract file did not include documentation to support the activities completed to perform the assessment.

Criteria:

Received proposals and bids are date stamped and recorded on a manual log. In accordance with DPS Policy Numbers 46, "*Competitively Negotiated Procurements*" and Policy Number 59, "*Professional Services*", the Procurement Analyst is responsible for pre-screening the proposals for compliance with RFP submission requirements and resolving any non-compliance issues.

DPS Policy 60, "*Competitive Sealed Bidding*" provide criteria (as applicable) for the following:

Responsive – The Procurement Analyst must:

- Determine if all required documents outlined by the solicitation were included in the bid.
- Determine if the bid was submitted timely.
- Determine if the documents are properly signed and dated.
- Determine if goods and services generally comply with the specifications.
- Identify exceptions to terms or conditions, qualifications, and errors or omissions.

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Responsible

The vendor/contractor has the capability, in all respects, to fully perform the contract requirements and the moral business integrity and reliability that will assure good faith performance. The bidder should:

- “be a regular dealer, supplier, or when required in the IFB an authorized dealer of the goods or services offered;
- have the ability to comply with the required delivery or performance schedule, taking into consideration other business commitments;
- have a satisfactory record of performance and integrity;
- have the necessary facilities, organization, experience, technical skills, and financial resources to fulfill the terms of the purchase order or contract.”

The National Institute of Government Procurement (NIGP) states that the evaluation of proposals and bids is accomplished through a checklist that substantiates whether the requirements of the RFP and IFB have been met. Documentation of the determination and rationale should be kept in the procurement file.

Causes:

Per DPS management, a checklist was available for the Procurement Analysts' use; however, it was not mandatory. In addition, DPS management indicated that a mandatory checklist would be rolled out. Prior to late 2021, a standardized award memo checklist was not in place for the user agencies.

Effects:

Bids and proposals that are consistently assessed for responsiveness and bidder/offeree responsibility promote better contracts with vendors that can provide the required goods and services to the City. Complete and consistent documentation should be maintained to support the assessment results and corresponding decisions.

Recommendations:

- 9. We recommend that the DPS Director develop and implement checklists to capture documentation of responsiveness for applicable solicitations.*
- 10. We recommend that the DPS Director require user agencies to certify documentation in support of completed activities on the Award Recommendation Checklist and implement a quality assurance process for completeness.*

Finding #5 – Contract Renewal

Condition:

The Auditor reviewed nine of the 42 contract renewals processed in CY2021 that were readily identified and noted the below observation:

- 8 out of 9 reviewed contracts were renewed prior to expiration. On average, the contracts were renewed 40 days prior to the expiration dates.
- 1 out of 9 reviewed contracts were not renewed prior to expiration. The contract was renewed four days after the expiration date. This is noted as an improvement, as the contract renewals prior to CY2021 for two of the reviewed contracts were completed months after the expiration dates.
- The auditor could not determine if contract renewals were completed within DPS' goal of 82-159 calendar days. Supporting documentation indicating when DPS initiated the renewal process with the user agencies and when the user agencies returned the completed renewal documentation was not in the contract files.

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- 2 out of 9 renewed contracts had price increases. Supporting documentation was provided to justify the increases. However, the price increase for one contract was not allowable per the escalation/de-escalation clause. Labor rates were increased, but the contract clause only allowed for price adjustments for materials.
- 8 of 9 renewed contracts did not have Contractor Performance Reports (CPR).

In addition, the below observations were noted.

- A listing of contracts that were subject to renewal and renewed during the audit scope could not be readily identified and provided to the auditor.
- DPS implemented a passive contract renewal process in CY2022 whereby contracts were renewed without cost/price increases when the user agencies failed to respond to the renewal requests within 15 days of notification. However, the renewal testing and the contract files did not indicate that the user agencies were non-responsive to justify this change. Also, passive renewals are not identified as a best practice.

Criteria:

Contracts may be renewed for the period specified in the original contract if deemed in the City's best interest and mutually agreed upon by the City and the Contractor. In accordance with DPS Policy 48, *"Contract Renewals, Extensions, and Closeouts,"* the below actions must be taken during the four segments of the renewal process:

- **Contract Review** – DPS staff identifies contracts that are expiring within 180 days. A Contract Renewal Form (CRF) and Contractor Performance Report (CPR) are sent to the user agency 150 days prior to the contract expiration.
- **User Agency** – The user agency decides whether to renew the contract. If the contract is renewed, the user agency follows up with the Office of Minority Business Development to determine if the contractor has or is complying with pledged minority participation goals. The user agency completes and returns the renewal documentation to DPS.

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- **Approvals** – DPS staff prepares the contract modification and renewal memo, remits documents to the DPS Director for approval, and negotiates price increases if applicable. DPS must ensure that the price increase is reasonable, based on comparison with the appropriate Consumer Price Index (CPI) or Producer Price Index (PPI), and that the request is submitted in writing and approved by the using agency Head. The procurement file should include documentation to support any price increases. If the contract is not renewed prior to expiration, DPS must coordinate with the City Attorney to create a ratification.
- **Renewal Finalization** – DPS staff sends the contract modification and documentation to the contractor for approval. The contractor-signed modification is routed along with the required documentation to the DPS Director for signature.

DPS' contract renewal process flowchart outlines key milestones and time goals for each segment of the process, as noted below.



Auditor Created from Contract Renewal Flowchart

Causes:

- A periodic quality assurance process is not in place to ensure that files are adequately documented.
- The completed and approved renewal forms and modifications were maintained in the contract files but supporting documentation could be enhanced (i.e., email to user agency to initiate renewal process) for the key milestones in the process.

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- Per DPS management, the contract renewal flowchart is from 2015, completely outdated, and is currently under review for a potential rework or removal based on the tradeoff of any provided value.
- The user agency approved the labor rate increases. However, DPS staff did not ensure that the requested price increases were allowable per the contract terms. Per DPS management, they rely on the user agency to approve the contractor's price increase requests.
- Per DPS leadership, CPRs were discontinued prior to the audit scope. However, the procurement policies and procedures were not updated to reflect this change.
- DPS did not have an adequate tool in place to readily identify contracts that were due for renewal or track the renewal statuses during the audit scope. Subsequent to the audit scope, DPS expanded its existing Project Status Report (PSR), which allows them to more efficiently track the procurement work and provide more visibility for the project workloads.
- Per DPS management, the passive renewal process was implemented due to a lack of responsiveness of the user agencies.

Effect:

DPS could better evaluate the timeliness, identify bottlenecks in the process and make informed programmatic/policy changes/decisions with key milestone documentation. Improved documentation also promotes the completeness of procurement files.

An unallowable price increase was approved, resulting in non-compliance with the contract terms and conditions and increased costs for the City.

The passive renewal process renews vendor contracts without evaluation of the vendor's performance and feedback from the user agencies. This could put the City at risk of doing business with poor-performing vendors and subsequent challenges if contracts are terminated later without supporting documentation.

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Recommendations:

11. We recommend that the DPS Director re-evaluate the need for the passive renewal process and proceed accordingly.
12. We recommend that the Procurement Analysts and Contracting Officers ensure that price increases are allowable and in accordance with the contract terms.
13. We recommend that the Procurement Analyst and Contracting Officers maintain documentation for the key milestones in the contract renewal process.

Note

Recommendations regarding policies and procedures and review of contract files for completeness were addressed under the contract compliance section.

Finding #6 – Performance Metrics

Condition:

DPS needs to implement additional performance measures and improve the existing ones to better evaluate the Department's efficiency and effectiveness. DPS participates in the City's performance-based budgeting, whereby performance measures and actual results are included in the Annual Fiscal Plan (budget book).

Below are the measures captured in the Adopted FY2022 and FY2023 Annual Plans. Per DPS management, the measures captured in the FY2022 Plan were not current.

Adopted FY2022 Annual Plan					
Performance Measure	FY2021 Performance Target	FY2022 Performance Target	Performance Measure	FY2021 Performance Target	FY2022 Performance Target
# of vendors registered annually	Pending	Pending	# of Small Purchases	NA	Pending
# of FOIA requests received and answered	NA	Pending	# of Request for Proposals (RFP)	NA	Pending
Combined City P-card volume reached for all city agencies	\$1,500,000	\$4,800,000	# of Invitation for Bid (IFB)	NA	Pending
% of qualifying small purchases paid via P-card	30%	50%	# of Client Trainings offered per year	NA	6

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P-Card Cost Avoidance	NA	Pending	Recruit & Retain Competent Staff	NA	Pending
% of Contracts Renewed on time	90%	90%	–	–	–

Adopted FY2023 Annual Fiscal Plan	
Performance Measure	FY2023 Performance Target
RFP Average Time from Initiation to Completion	307
IFB - Average Time from Initiation to Completion	118
RFQ - Average Time from Initiation to Completion	147
Sole Source Procurements - Average Time from Initiation to Completion	249
% of Qualifying Small Purchases Paid via P-card	65%

The majority of the measures captured in the FY2022 plan were output metrics without corresponding targets. Output metrics record the activities completed by an organization and provide useful information. However, they do not allow for an assessment of the results to determine if expectations were met. The measures captured in the FY2023 plan are more in line with the recommended procurement metrics included in the National Institute of Governmental Purchasing (NIGP) best practices. Below are some additional performance metrics that NIGP recommends procurement organizations track:

- Customer satisfaction,
- Procurement cycle time from initiating sourcing process to contract execution,
- Professional certifications, and
- Cost savings.

In addition, supporting documentation could not be provided for the reported percentage of contracts renewed timely.

Criteria:

NIGP states that public procurement organizations should develop a performance management program that allows for a continuous cycle of improvement and added value. Procurement should have a performance measurement system that assesses progress towards achievement of the strategic plan. A standard set of metrics aligned with strategic goals and objectives should be developed and regularly measured by the procurement function. The decision regarding which metrics to use varies by organizational goals and objectives. The performance measures should be meaningful, relevant, understandable, cost-effective to track and report, comparable, and focused on customer needs and demands.

Cause:

Performance-based budgeting (PBB) is relatively new to the City. DPS was one of seven departments that participated in the City's FY2020 inaugural PBB rollout. Also, DPS has experienced high turnover and vacancies for the past few years. The Department's primary focus has been facilitating the purchase of goods and services for City operations.

There was no formal method of tracking performance results for contract renewals during the audit scope.

Effect:

Meaningful, relevant, and well-defined performance measures and targets allow organizations to effectively and efficiently evaluate their operations to determine if expectations are being met, identify opportunities for improvement, and demonstrate value to stakeholders. The actual performance results should be documented and adequately supported to ensure that they are properly calculated and accurately communicated.

Recommendations:

- 14. We recommend that the DPS Director continue efforts to develop and implement performance measures to better evaluate the efficiency and effectiveness of the Department's operations.*

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15. We recommend that the DPS Director implement a formal method for tracking performance measures and results, including maintaining supporting documentation.

Finding #7 – Best Practices

Condition:

The auditors reviewed 17 best practices outlined by the National Institute of Government Purchasing (NIGP) and compared those to policies, procedures, and processes utilized by the DPS to determine if industry best practices are employed.

The comparison revealed that DPS has implemented approximately **47%** (8 of 17) and partially implemented **29%** (5 of 17) of the best practices identified. DPS has not implemented **6%** (1 of 17) of the best practices.

The following table depicts a brief description of the best practices and the implementation statuses:

Best Practice (NIGP)	Status
Procurement organizations should develop a comprehensive policy manual that clearly defines authority and responsibility and establishes guidelines for the organization and the procurement professional to follow when carrying out their responsibilities.	Partially Implemented
Public procurement professionals and stakeholders adhere to a well-defined and established code of ethics. The public procurement organization should have an adopted code of ethics and require its employees to uphold the code and seek commitment from all those with whom they engage.	Implemented
An Invitation for Bids (IFB) procurement method may be chosen when requirements are known, and the award is based primarily on price. To be eligible for the recommendation of the award, a bid must be “responsive”, and the bidder must be “responsible.” For procurements that fit the criteria for the use of an IFB, adherence to the practice guidance supports the procurement professional in navigating a successful IFB process and the achievement of desired outcomes.	Implemented
The public procurement professional is responsible for conducting the Market Research Process. The Market Research Process is critical because it provides the procurement professional with relevant and current information to make the most appropriate decision regarding the procurement of commodities and construction.	Not Applicable
Procurement professionals should take the lead in outsourcing activities by identifying services that could best be fulfilled through the outsourcing process. During the decision-making stage, it is the responsibility of the procurement team to ensure that the process is competitive, fair, transparent, and capable of delivering the best value for the public.	Not Applicable
Procurement organizations should seek to improve performance and lower costs through the use of performance-based contracts that: (1) describe the requirements in terms of results required rather than specifying how the work is to be accomplished; (2) set measurable performance standards; (3) describe how the contractor’s performance will be evaluated in a quality assurance plan; (4) identify and use positive and negative incentives, when appropriate.	Not Applicable

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Public procurement organizations should develop a performance management program that allows for a continuous cycle of improvement and added value. The performance management program should be integrated across the procurement organization, individual, and supplier levels.	Partially Implemented
Procurement should have a performance measurement system that assesses progress towards achievement of the strategic plan.	Partially Implemented
A standard set of metrics that are aligned with strategic goals should be developed and regularly measured by all units within the procurement function.	Partially Implemented
Procurement must ensure that a protest policy is established and documented for the entity. The policy must be made publicly available and, at a minimum, include: <ul style="list-style-type: none">• An interested party's right to protest• Mandatory filing procedures (e.g., time and format)• The roles and responsibilities of the entity handling the protest.	Implemented
A Request for Proposal (RFP) is a solicitation document issued through a competitive procurement method. An RFP is used when the requirements are not clearly known, are qualitative rather than quantitative, or when the entity is looking for a solution to a problem. An RFP tends to be utilized for technical and complex procurements as proposers are encouraged to offer creative and innovative solutions customized to the entity's needs. The evaluation of proposals requires pre-established criteria and processes, which are used to select a proposer(s) for contract award.	Implemented
Public procurement should understand its purpose concerning the organization and constituency it serves. The purpose should be clearly stated, in written format, by developing a Mission, Vision, and Values statement specific to the procurement function. Procurement should then develop a strategic plan that aligns goals and objectives in accordance with the Mission, Vision, and Values while fulfilling the obligation to meet the needs of the organization and the public. The plan should be reviewed and/or updated annually.	Partially Implemented
An organization practicing sustainable public procurement should consider the three aspects of sustainability (economic, social, and environmental) to create a more enduring approach to procuring goods and services that will contribute positively to the community and beyond.	Not Implemented
Public procurement should, to the greatest extent practicable, be transparent in its practices, processes, policies, and relationships with all stakeholders while ensuring the protection of confidential information.	Implemented
After conducting extensive due diligence and market research, public procurement should, where permissible by law or regulation, consider the use of cooperative contracts to lower prices, lower administrative costs, increase competition, and obtain more favorable terms and conditions. When using cooperative contracts, attention should be given to ensuring legal compliance, open competition, and effective/efficient use of time and resources.	Implemented
Procurement should develop a negotiation strategy based on the project's required and desired outcomes in alignment with entity goals. Integrative (win-win, interest-based) negotiation is the best practice in public procurement.	Implemented
Procurement should have a debriefing process. Debriefs should provide value to the proposer and the entity. The quality of debriefing derives from policy and is impacted by the clarity of the solicitation, evaluation process, documentation, and preparedness of the procurement professional conducting a debrief.	Implemented

Auditor Created

The DPS is decentralized within the City. Decentralization allows individual stakeholders to make purchases for their departments, unlike centralized entities, where a centralized team conducts all purchasing. Decentralization in the City also provides for the stakeholders, agencies, and departments to conduct post-award contract administration and vendor management. Therefore, three of the best practices were deemed to be not applicable.

Criteria:

Best practices for Procurement Services as outlined by NIGP.

Causes:

- The DPS has experienced high employee turnover and vacancies. DPS has adopted and implemented several best practices and has several others to consider for prioritization.
- Per DPS management, the department has explored the potential of adding sustainability as an evaluation factor for RFPs and total life cycle cost as part of IFBs. DPS is working to have two staff members trained as Certified Green Procurement Professionals (CGPPs) and will continue to explore sustainable procurement practices.

Effects:

Best practices are procedures that have been proven to produce optimal results that are established as a standard suitable for widespread adoption. Implementations of best practices can:

- reduce costs and help an organization be more efficient;
- improve staff skills;
- effectively use technology; and
- reduce waste and improve quality.

Recommendation:

- 16. We recommend that the DPS Director continue working to adopt and implement industry best practices.***

Finding #8 – Contract Administration Training

Condition:

DPS does not monitor to ensure the Contract Administrators complete the required annual training.

Criteria:

Per DPS Policy 37, *Contract Administration*, effective September 15, 2020, Contract Administrators must complete the online Contract Administrator Training by June 30th of each year. The policy further states that the training requirements should be included in the Contract Administrator's annual performance evaluation.

Causes:

Per DPS management, they are not monitoring this requirement, nor have they received any communications from the user agencies regarding non-compliance. However, DPS noted that they are reviewing the contract administrator training to ensure it covers all the requirements to conduct adequate post-award contract administration.

Effects:

DPS does not have an assurance that the annual training requirement is being met. Contract Administrators may not be properly trained to effectively administer the contracts resulting in non-compliance with the contract terms and conditions and procurement policies, procedures, and regulations.

Recommendation:

- 17. We recommend that the DPS Director develop and implement a monitoring tool to ensure the Contract Administrators complete the required annual training.*

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend that the DPS Director develop and implement monitoring procedures to ensure that the received proposals are forwarded to the Evaluation Panel members and that sufficient justification is documented for those that are not. This process should include a reconciliation of the bid log to the scoring documentation and any discrepancies researched, resolved, and documented.	Y	Incidents leading to this finding occurred during the pandemic and City Hall closure. Processes for receipt and delivery of bids/proposals during this period changed multiple times and contributed to improper documentation of receipt/delivery. See below for action steps.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Administrative Team		Implemented
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Current process requires hand delivery to Procurement Services Suite 1104 to the administrative team. Administrative team time/date stamps all bids/proposals received.
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend that the DPS Director continue efforts to update the policies and procedures to reflect current practices and requirements and provide training to the user agencies. Procedures should also be periodically reviewed and updated for any corresponding changes.	Y	Policies and SOPs are under review. SOPs have been removed from StarNet for rewrites. Procurement Services has previously provided training and the training was minimized during the pandemic. The department is currently developing procurement training curriculum for agencies and departments.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		CY 2023 Q2
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend that the DPS Director continue reviewing and revising the standard operating procedures to guide the DPS staff.	Y	Policies and SOPs are under review. SOPs have been removed from StarNet for rewrites.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		CY 2023 Q2
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	We recommend that the DPS Director develop and implement a quality assurance process to ensure the contract files are complete, adequately documented, and adhere to the Virginia retention schedule.	Y	The Department of Procurement Services maintains contract files on a shared drive, in CORERP and in paper files. This antiquated, redundant and duplicative process allows for inconsistent file management, bad standardization, lost documentation and wasted time. DPS is developing a plan to moving to a paperless file system with a centralized Quality Assurance sampling approach to ensure files are complete, documented and management is standard and consistent. The execution of this plan should start in the 4th quarter of CY 2023.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		CY 2023 Q3 - Q4
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	We recommend that the DPS Director enhance the existing contract file checklist to capture requirements outlined by City Code and DPS policies and provide guidance for DPS staff.	Y	There is an effort underway in DPS to update procurement policies and standard operating procedures. This is not a effort to revise all documents at once, but a prioritized process to revise the most impactful documents that touch most procurements. As these changes are made, file checklists will be updated to reflect the changes in these documents.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		On-going
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			All standard operating procedures have been removed from StarNet for a thorough review and update which is meant to streamline and shorten the document. Policies are being reviewed in a prioritized manner.
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
6	We recommend that the DPS Procurement Analyst ensure compliance with the procurement policies and procedures.	Y	The findings in this audit covered a period in which there was an 80-90% turnover in Procurement staff. As new team members have been on-boarded, they have received procurement and on-going training on Policies, procedures and processes. This, combined with the efforts at #4 above, will serve to ensure this compliance.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		On-going
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			On-boarding training, buddy system support and 1-1 training by the Contracting Officers.
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
7	We recommend that the DPS Director implement a means to readily track key milestones in the contract execution process, analyze the data to identify delays/bottlenecks and implement strategies to address the corresponding causes. Data should also be periodically analyzed to determine if adjustments are needed in the established timeframe goals.	Y	Program Status Review meetings with agencies are on-going and will continue to increase communication with the agencies, identify and reduce bottlenecks in processes on many procurements. On a more tactical level, and prior to the receipt of this finding, the Department of Procurement Services has already reviewed, and streamlined the RFP process. DPS has removed, combined and shortened steps and timelines for RFP procurements. Documentation has been simplified and RFP schedules will be tracked on each solicitation. A similar process will look at IFBs, Only Practical Source and other procurements to simplify and streamline the process.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director		Implemented
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			PSR is already implemented as an established process.

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
8	We recommend that the DPS Director work with the Procurement Analysts and Contracting Officers to establish a central repository and a process to maintain documentation for the key milestones in the contract execution process.	Y	Please see above. The Project Status Report serves to provide this information. As part of this effort, schedules and timelines will be implemented for procurements that merit this level of oversight. For other procurements, the Project Status report serves as the mechanism to communicate and jointly track procurements with agencies.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		Implemented
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			PSR is already implemented as an established process.
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
9	We recommend that the DPS Director develop and implement checklists to capture documentation of responsiveness for applicable solicitations.	Y	A checklist for the IFB responsiveness and responsibility for both the Procurement Analyst and the agency has been redeveloped as a best practice. DPS will develop similar checklists for RFPs.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		CY 2023 Q1
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
10	We recommend that the DPS Director require user agencies to certify documentation in support of completed activities on the Award Recommendation Checklist and implement a quality assurance process for completeness.	Y	The DPS Director will notify the using agency Director that supporting documentation is required for each of the items listed on the Award Recommendation Checklist. As part of the quality assurance process, DPS will sample the supporting documentation provided by the agency. In support of this quality assurance process, DPS requests internal audit to verify the processes and controls the agency maintains to develop this supporting documentation.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Contracting Officer		CY 2023 Q2
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
11	We recommend that the DPS Director re-evaluate the need for the passive renewal process and proceed accordingly.	Y	Agencies are responsible to perform post award contract management which includes, but is not limited to managing timelines of renewals, expirations and expenditure of funds. The passive renewal process was implemented as a stop gap measure to avoid inadvertent contract expirations which led to the need for contract ratifications. DPS is in agreement that this is a bad practice and is examining the elimination of passive renewals. DPS is piloting a report that would be sent to agencies to notify them of upcoming contract renewals and expirations and where contract expenditures have reached upwards to 90%. The agency can then determine the need to initiate a contract modification for contract renewal and/or add additional funding to the contract. If this report is successful, DPS will start reducing the number of passive renewals, and eventually eliminate them all together.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director		CY 2022 Q4
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
12	We recommend that the Procurement Analysts and Contracting Officers ensure that price increases are allowable and in accordance with the contract terms.	Y	Implemented. The Department of Procurement Services relies on the agency for approval of price increase changes. DPS also relies on the agency to develop and structure requirements for price increases in the contract if the current terms and not appropriate. As a request for a price increase is received by DPS, the agency provides concurrence, nonconcurrence or a another approach. The agency has the option to negotiate with the contractor and include DPS in those negotiations or DPS can also negotiate with the contractor. Depending on the outcome of any price increase or negotiation, the agency will submit a contract modification form and supporting documentation to DPS for processing.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Senior Procurement Analyst		Implemented
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Procurement Analysts and Contracting Officers currently ensure that price increases are allowable and in accordance with the contract terms.
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
13	We recommend that the Procurement Analyst and Contracting Officers maintain documentation for the key milestones in the contract renewal process.	Y	Implemented.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Procurement Analyst		Implemented
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See #11 above. DPS does have adequate tools in place to track contracts that are due for renewal. The report developed to recommendation #11 comes from the same source in CORERP which DPS has been using in the passive renewal process.
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
14	We recommend that the DPS Director continue efforts to develop and implement performance measures to better evaluate the efficiency and effectiveness of the Department's operations.	Y	As policies and processes are updated for certain types of procurements, DPS will determine if there's value in establishing a performance metric. DPS will also determine if there's value in establishing performance metrics to workload.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director		Implemented and On-going
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			In the current FY23 PBB performance measures, DPS has determined the targets for the # of Request for Proposals, # of Invitation for Bids, # of Cooperative procurements and the # Only Practical Source completed should be N/A. As there is no way to predict workload that flows into the DPS. DPS has identified target timeframes to complete some procurements and some of these are currently being evaluated. For example, see Management Response to Recommendation #7.

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
15	We recommend that the DPS Director implement a formal method for tracking performance measures and results including maintaining supporting documentation.	Y	Implemented. Using the data from the Project Status Report and CORERP, DPS has established a method for tracking performance measures, with the exception of P-Card data. The source of this information is in Bank of America Works.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director		Implemented and On-going
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See above.

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
16	We recommend that the DPS Director continue working to adopt and implement industry best practices.	Y	<p>The Department of Procurement Services generally agrees with the best practices identified. The implementation of some of these practices will depend on the value proposition they provide and the tradeoff in time to implement and maintain against time to conduct production procurement work in the department.</p> <p>Procurement decentralization that is the foundational structure of City's approach to procurement is not a best practice. For DPS to reach it's potential as a mature procurement and contracts organization, it should be centralized with pre-award and post-award functions (contract administration) conducted by DPS. Relying on stakeholders, agencies and other departments to conduct post-award contract administration is a poor model and practice.</p> <p>Agencies and departments exist to serve the project and not perform post award contract administration. They are set-up for post award project management. Agencies ensure the project is completed in a timely and quality manner. For agencies, the project will always take precedence over the contract. Procurement exists to serve the contract. DPS will continue to train agencies in all areas of procurement including contract administration. The existing structure puts the agency in a position of contract oversight after award. This should performed by an impartial procurement organization. There are alternatives to this structure and the City should re-evaluate its options. DPS recommends the City re-evaluate alternative contract administration approaches and implement a best practice.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director		On-going
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
17	We recommend that the DPS Director develop and implement a monitoring tool to ensure the Contract Administrators complete the required annual training.	Y	Please see Management Response to Recommendations 2 and 16. Contract Administration training is being reviewed and the curriculum will be updated. There will be a training monitor in DPS that ensures individuals taking this training are tracked.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
			CY 2023 Q2
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION