

MUNICIPAL AUDITING REPORT CITY OF ROANOKE



RCPS Purchasing Follow-Up

November 15, 2021

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AUDIT OBJECTIVES & CONCLUSIONS

Audit Objectives:

1. Did the Purchasing Department implement and communicate procedures for disclosing vendor assistance with specifications for purchases above the small purchasing threshold of \$10,000?

Yes – Purchasing implemented a new procedure, “*Disclosure of Vendor Assistance in Specification Preparation – Purchases over \$10,000*” that includes a form employees must complete explicitly acknowledging any vendor involvement in specifications (see **Exhibit 1**). Purchasing has posted the procedure and form on the Division’s intranet where all employees can access it.

2. Did the Purchasing Department develop and communicate procedures requiring departments to document their assumptions and cost estimates in advance of publishing an “Invitation for Bid” (IFB) or “Request for Proposal” (RFP)?

Yes – Purchasing developed, and posted to the RCPS Intranet, *Project Cost Procedures* which require cost estimates as part of an IFB / RFP request and provides examples of how estimated costs can be determined.

3. Did the Purchasing Department implement a process to monitor compliance with the Division’s small purchase procedures, which require departments to obtain four (4) quotes to help ensure competitive pricing?

Yes – Purchasing implemented the *RFQ Monitoring Process* in which Purchasing staff review quotes and contact vendors in specified situations to ensure vendors were given a fair opportunity to submit a competitive bid or proposal, and to verify that the quotes on file accurately reflect what the vendor submitted.

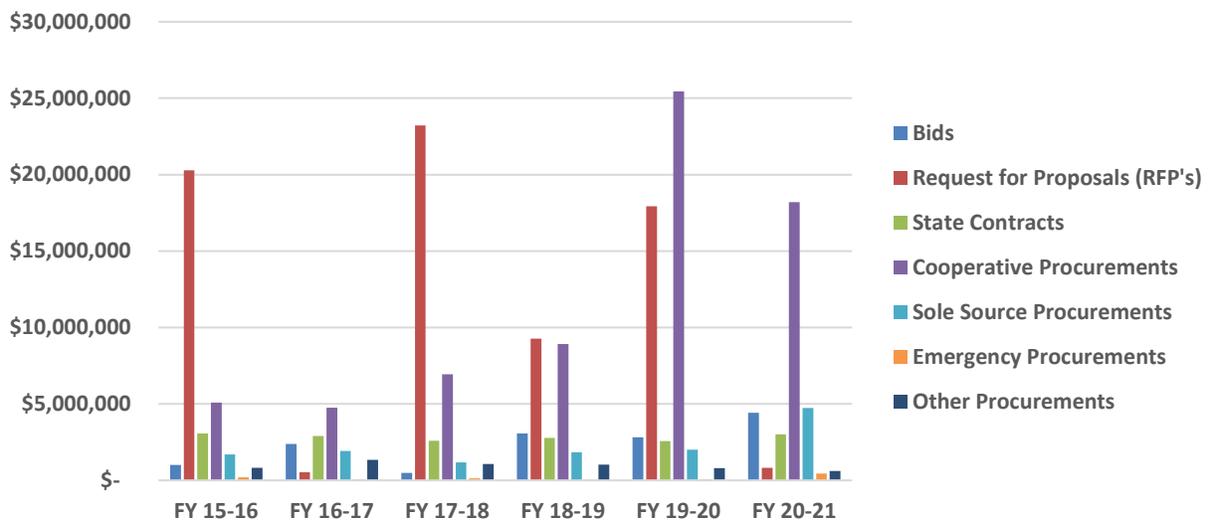
END OF AUDIT OBJECTIVES & CONCLUSIONS

BACKGROUND

The Purchasing Department’s primary objective is to help schools and departments procure goods and services in compliance with all applicable laws, regulations, and policies. These legal requirements incorporate the concepts of price, quality and best value.

Every quarter, the Purchasing Department prepares a “Procurement Analysis,” which is presented to the School Board by the Chief Financial Officer along with the “Financial Overview and Statements.” The analysis shows the method used to procure goods and services and compares the mix in the current fiscal year with the previous one.

Procurement Analysis FY 16 - FY 21



Some of the more significant procurements in the most recent years reviewed represented in the chart above are due to the following:

- FY 21 Cooperative Procurements: \$3,513,889 for Trane Energy Performance Contract; \$1,577,007 for Trane Campus Wide HVAC Air Quality Improvements; \$1,428,067 and \$1,086,549 for Technology Supplies (CDW Government); \$1,000,000 S4Teachers for Substitute Teaching/Staffing
- FY 20 RFP’s: \$17,000,000 for procurement of the Energy Performance Contract Financing with TD Equipment Finance, Inc.

- FY 20 Cooperative Procurements: \$16,492,371 for the Energy Performance Contract with Trane
- FY 18 RFP's: \$21,640,000 for procurement of Construction Manager at Risk – Fallon Park Elementary School with Avis Construction Company, Inc.

Sole Source procurements increased by \$2,729,247 from FY20 to FY21. There were over 80 sole source contracts awarded in FY21 totaling \$4,781,852. The Director of Purchasing noted that the Division purchased significantly more sole source instructional materials than would have normally been possible had it not been for federal pandemic relief funds.

We completed our original audit of the Purchasing function in 2017. The audit primarily focused on: 1) the use of RFPs and IFBs to encourage competition for large purchases, 2) ensuring competitive pricing for goods and services costing \$5,000 to \$100,000 procured directly by departments, and 3) the effectiveness of the purchasing card program for purchases costing less than \$5,000. Our recommendations addressed the following:

- Formal acknowledgement by employees with purchasing responsibilities of the Virginia Public Procurement Act regarding conflicts of interest
- Disclosure of the use of vendor representatives and / or vendor marketing materials to develop specifications for any purchase expected to exceed \$5,000
- Documentation and communication of formal procedures and guidelines for the use of the Fifth Third purchasing card
- Implementation of a Purchasing Card Program Employee Agreement
- Documentation of procedures to address all vendor protests
- Requirement of specific assumptions and computations to support the cost of each Invitation for Bid or Request for Proposal
- Establishment of screening criteria for small purchases that prompt additional evaluation by Purchasing staff

We followed up on these action plans in 2020, noting that most had been satisfactorily completed. Management focused on addressing what they viewed as the most significant action plans immediately after the original audit. Due to the Keystone system implementation

and other job responsibilities taking precedence, the Purchasing Department had not fully implemented the following procedures as anticipated:

- Procedures for disclosing vendor assistance with specification preparation for purchases above the small purchasing threshold of \$10,000
- Procedure requiring departments to specify their assumptions and certain cost computations when publishing an “Invitation for Bid” (IFB) or “Request for Proposal” (RFP)
- Procedure to outline the Purchasing Department’s approach to monitoring Requests for Quotes (RFQ) received from departments

END OF BACKGROUND

OBJECTIVE 1: Vendor Assistance Disclosure

In the prior follow-up audit, the Purchasing Department had not implemented procedures for disclosing vendor assistance with specifications for goods and services expected to exceed \$5,000. This increased the risk of inadvertently violating one or more of the provisions of the conflict of interest act.

The Purchasing Department planned to finalize the disclosure procedures for purchases expected to exceed \$5,000, to include a disclosure form requiring employees to affirm if vendor assistance was received in developing specifications. Once finalized, the procedures would be posted on the RCPS intranet for access and download by employees.

Action Completed / Issues Resolved – Yes**Follow Up – November 2021:**

Since the prior follow-up audit, RCPS raised the threshold for purchases designated as “small” from \$5,000 to \$10,000. We reviewed Purchasing’s new procedure, “*Disclosure of Vendor Assistance in Specification Preparation – Purchases over \$10,000*” and confirmed the procedure has been posted to the RCPS intranet where all employees can access it. The procedure includes a well-designed disclosure form that employees must complete and send to the Purchasing Department documenting any assistance received from vendors or vendor marketing materials (see **Exhibit 1**). The disclosure form requires the employee’s printed name, signature and date. As designed, we believe the procedures and form effectively address the risks identified in the original audit.

END OF OBJECTIVE 1

OBJECTIVE 2: Project Costs Procedures

In our prior follow-up audit, the Purchasing Department had not yet created written procedures requiring departments to develop cost projections when publishing an “Invitation for Bid” (IFB) or “Request for Proposal” (RFP). Absent cost projections, management may not have an adequate basis for evaluating the reasonableness of bids and proposals, particularly when only one (1) vendor responds.

The Purchasing Department planned to develop procedures requiring departments to specify their assumptions and certain cost computations for requested IFBs and RFPs. Purchasing planned to include these costs projections in the IFB and RFP files. Once finalized, Purchasing planned to send the procedures to all employees typically involved in developing IFBs and RFPs, and planned to post the procedures on the RCPS intranet accessible to all Division employees.

Action Completed / Issues Resolved – Yes**Follow Up – November 2021:**

Purchasing developed the procedures as planned, effective July 2020. The *Project Cost Procedures* require cost estimates as part of an IFB / RFP request and provides examples of how estimated costs can be determined. We confirmed that the procedure has been posted to the RCPS intranet and is accessible to all Division employees. As designed, we believe the procedure effectively addresses the risks identified in the original audit.

END OF OBJECTIVE 2

OBJECTIVE 3: RFQ Monitoring

The Purchasing Department had not been documenting its efforts to spot check vendor quotes reported by Departments procuring goods and services expected to cost between \$5,000 and \$100,000. Without documentation, we were unable to verify the process was in place and effectively functioning during the last follow up audit. Documentation is also necessary for the Director of Purchasing to be able to review his staff's findings and ask follow-up questions.

The Purchasing Department planned to develop a written procedure to outline their approach to monitoring the small purchases RFQ monitoring process. The procedure was expected to outline the documentation to be reviewed and when to contact vendors to confirm their quote information or to ask why a quote was not submitted. Purchasing planned to create a log and file to document the requisitions reviewed and to document the actions taken as a result of such reviews. Once finalized, Purchasing planned to share the new procedure with employees typically involved in developing Requests for Quote, and to post it on the RCPS intranet making it accessible to all Division employees.

Action Completed / Issues Resolved – Yes

Follow Up – November 2021:

Purchasing implemented the RFQ Monitoring Process effective July 2020 and it is accessible to employees through the Division's intranet. The procedure states that purchasing staff will contact vendors who submit "no bid" responses and those that do not respond to a quote request. It also indicates that Purchasing will review RFQs for patterns of unresponsive vendors, and for vendors who are consistently the low bid. We noted that the procedure does not specify criteria for selecting RFQs for validation. The procedure does state that Purchasing will maintain a log and files to document its reviews of RFQs and the associated results. As designed, we believe the procedure effectively addresses the risks identified in the original audit.

END OF OBJECTIVE 3

SUMMARY OF MANAGEMENT ACTION PLANS

NA – all action plans have been completed

MANAGEMENT COMMENTS

None were provided.

ACKNOWLEDGMENTS

We would like to thank Eric Thornton, Director of Purchasing, for his cooperation and assistance throughout the follow-up audit.



Cari Spichek, CIA
Senior Auditor



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Municipal Auditor

Exhibit 1

Disclosure Form - Vendor Assistance in Specification Preparation

IFB/RFP/RFQ/Requisition Number:

The following occurred when developing specifications (answer all questions):

- 1. Vendor developed or assisted in developing the specifications? Yes___ No___

- 2. Vendor marketing materials were used in developing the specifications? Yes___ No___

- 3. Vendor was paid to assist in developing specifications or to provide marketing materials? Yes___ No___

4. Describe the vendor assistance provided or vendor marketing materials used (write "N/A" if not applicable):

Employee Name (Print): _____

Employee Signature: _____

Date: _____