



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Countywide Procurement

*Controls Appear To Be Adequate;
Improvements Can Be Made*

August ■ 2012

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The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

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Do the Right Things Right



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August 7, 2012

Max W. Wilson, Chairman, Board of Supervisors
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Mary Rose Wilcox, Supervisor, District V

We have completed our Fiscal Year 2012 review of Procurement. This audit was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- The County does not have a system to track total contract expenditures
- The Procurement Code was followed for procurements we reviewed
- Contracts do not always include required clauses for terms and conditions
- User access controls over the procurement system can be strengthened
- Most vendors are satisfied with the County's procurement process

Within this report, you will find an executive summary, specific information on the areas reviewed, and agency responses to our recommendations. We reviewed this information with the County Manager's Office, Facilities Management Department, Flood Control District, Human Services Department, Office of Procurement Services, and Public Health Department. We appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Richard Chard at 506-7539.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

Contract Expenditure Tracking (Page 7)

The County does not have a reliable system in place for reporting total expenditures by individual contract. Credit card payments, wire transfers, and warrants paid without contract number references, are not linked and aggregated with individual contract expenditures. Without this information, the County cannot ensure that contract expenditures stay within amounts approved by the Board of Supervisors, or “not-to-exceed” contract provisions. The Office of Procurement Services (OPS) is unable to accurately determine how much the County spends on contracted supplies and services. This situation reduces the effectiveness of procurement internal controls and Board of Supervisors oversight. OPS should continue to work with the Department of Finance and the Office of Enterprise Technology to develop a reliable system for tracking total contract expenditures.

Non-Construction Procurement (Page 9)

The County Procurement Code was followed for the non-construction goods and services procurements we reviewed. However, contracts did not always include required clauses. We identified 13 missing clauses in 6 of 11 contracts reviewed. Omission of required clauses could impair the remedies available in the event of vendor default, thereby increasing legal and financial risks to the County. OPS should periodically review Arizona Revised Statutes to ensure the Procurement Code is updated with pertinent regulations and should develop internal procedures to ensure County contracts include required provisions.

Emergency Procurement (Page 13)

The Procurement Code was followed for the five Emergency Procurements we reviewed. However, one of the procurements that initially qualified for treatment as an Emergency Procurement subsequently exceeded its approved end-date by over two years and its approved budget by \$1.7 million. Emergency Procurements that substantially exceed approved timelines and budgets could weaken the effectiveness of P-Code requirements. County management should document approval of time and expenditure increases and should require agencies to account for increases.

Construction Procurement (Page 15)

The Procurement Code was followed for the nine construction procurements we reviewed. One procurement, associated with a Facilities Management Department contract, did not contain the required file documentation for public bids, rejection letters, evaluation documents, and agency head approvals. Missing documentation reduces transparency in the competitive bid process. Facilities Management Department should review procurement processes to make sure procedures are followed and documented.

Information Technology (Page 17)

While controls exist for managing user access to the countywide procurement application (BidSync), OPS has not developed formal policies and procedures over user access management (add, change, delete). Inadequate user access controls may jeopardize system availability and data integrity. OPS should establish formal policies and procedures over user access management for the BidSync application.

Vendor Satisfaction (Page 20)

Eighty-three percent of vendor survey responses reported that vendors were “Satisfied” or “Very Satisfied” with the County’s procurement process.

Introduction

Background

Procurement is the process of buying, purchasing, renting, leasing, or otherwise acquiring any information, commodities, services, or construction. Maricopa County (County) procures a wide variety of goods and services needed to support dozens of County agencies. In 1987, the County Board of Supervisors (Board) adopted the Maricopa County Procurement Code (P-Code) to facilitate County procurement. The P-Code outlines the requirements and related procedures that must be followed when procuring goods and services with public monies.

As described below, most County procurements are categorized as Article 3 (non-construction) or Article 5 (construction). These procurement types are the focus of this review.

Procurement Types	
Article 3: Non-Construction	Procurements associated with the solicitation of all services and commodities for County use, except those that are an integrated part of the design, construction, reconstruction, and remodel of County facilities
Article 5: Construction	Procurements associated with the design, construction, reconstruction, and remodel of County facilities and structures, including related professional services

Source: Maricopa County P-Code

The procurement types reviewed in this report are listed in the Scope and Methodology section that follows. Definitions are provided in the Appendix.

Organizational Structure

The Board has the power to contract for and purchase real and personal property and services under Arizona Revised Statutes (ARS) Title 11. This power is partially delegated to the Director of the Office of Procurement Services (OPS), who was designated as the County’s Chief Procurement Officer (CPO) in June 2009. With the exception of Public Works construction contracts, OPS contracts for the purchase of goods and services used by all County agencies. Subsequent to our review, Article 5 procurement administration was transferred from the County Engineer to the CPO.

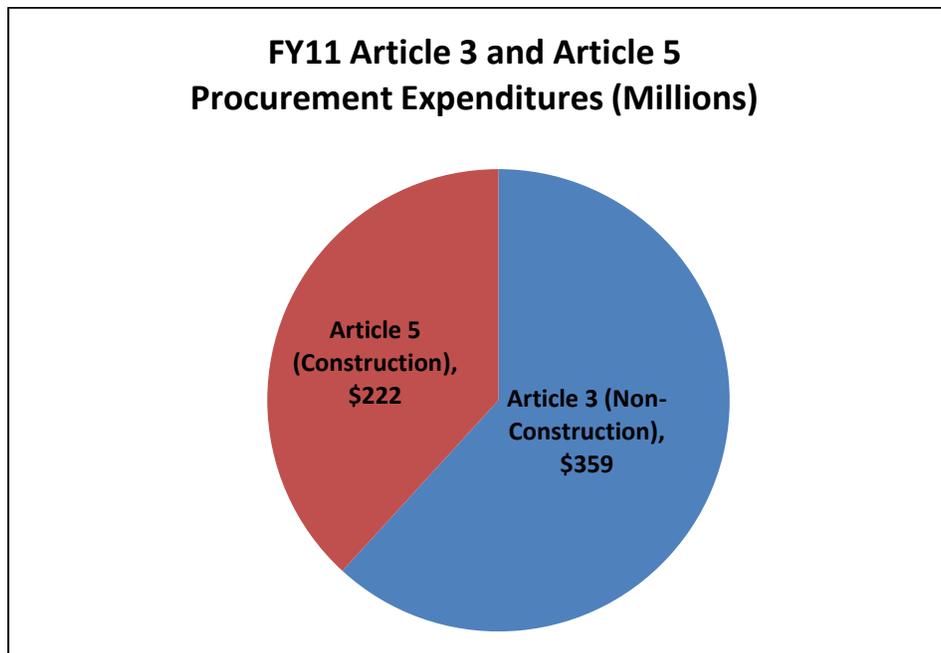
The Board also granted the Public Health Department (PHD) the delegated procurement authority to solicit contracts for services unique to that department. PHD creates the solicitation, prepares the contract, creates the final contract, and has the County Attorney review the contract before it is awarded. However, based on the dollar amount, either the CPO or BOS must approve final PHD contracts. The Board increased the CPO’s procurement authority to \$250,000 in December 2004. A summary of delegated procurement authority, at the time of our review, is shown on the next page.

Delegated Authority	Approval Limit	Type
Chief Procurement Officer (CPO)	\$250,000	Article 3: Non-Construction
Public Works / County Engineer	\$250,000	Article 5: Construction

Subsequent to our review, the CPO’s delegated authority was increased to \$500,000.

Financial Impact

Our review focused on Article 3 and Article 5 procurements expended during Fiscal Year (FY) 2011. Procurements during this period totaled \$581 million.



Scope and Methodology

Our audit objectives were to determine if:

- The County is able to track aggregate data, such as the number of contracts and the financial data corresponding to those contracts.
- Article 3 and Article 5 contracts adhere to the County P-Code.
- Appropriate IT user access controls are in place over the BidSync application.
- County vendors report satisfaction, dissatisfaction, or other concerns about procurement.

To meet these objectives we: (1) gained an understanding of the County’s procurement and contracting activities; (2) interviewed key staff members; (3) reviewed applicable statutes, the

County P-Code, and policies and procedures; (4) conducted a survey of registered vendors; (5) reviewed user access controls in place over the BidSync application; and (6) examined select County contracts, bid records, and other documentation related to the acquisition of goods and services.

Our scope included all contracts in the County’s Advantage financial system with FY 2011 expenditure activity. We judgmentally selected 29 procurements with expenditures totaling \$83.3 million for review. Our sample by procurement type and dollar value is summarized below. Results of our review are reported on the following pages.

FY11 Summary of Contracts Reviewed (Millions)	Total Population	Audit Sample	Percent Sampled
<u>Article 3 (Non-Construction)</u>			
Low Bid	\$130.4	\$ 9.1	7%
Request for Proposal (RFP)	122.0	21.3	17%
Sole Source	60.9	6.6	11%
Request for Qualifications (RFQ)	17.1	13.5	79%
Emergency	17.1	14.5	85%
< \$50,000	11.5	0.1	1%
Sub-Total – Article 3	\$359.0	\$65.1	18%
<u>Article 5 (Construction)</u>			
Capital Improvement Program	\$204.0	17.5	9%
On-Call (Flood Control District)	17.9	0.7	4%
Sub-Total – Article 5	\$221.9	\$18.2	8%
Total	\$580.9	\$83.3	14%

The contract totals reflected above (and throughout this report) do not include Procurement Card (P-Card) expenditures or payments that do not reference a contract, as further discussed in Issue 1 (page 7).

Our audit work focused on determining compliance with P-Code requirements in the areas listed below, based on procurement type.

- Notice of Solicitation
- Competitive Bids
- Vendor Selection
- Evaluation and Award Notifications

- Required Contract Clauses
- Required Documentation
- Proper Approvals

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require the following:

- An independent audit staff and audit organization
- An objective audit staff performing the work
- A competent staff current with continuing education requirements
- A system of quality control procedures
- Sufficient and appropriate evidence based on audit objectives

Issue 1 Contract Expenditure Tracking

Summary

The County does not have a reliable system in place for reporting total expenditures by individual contract. Credit card payments, wire transfers, and warrants paid without contract number references, are not linked and aggregated with individual contract expenditures. Without this information, the County cannot ensure that contract expenditures stay within amounts approved by the Board of Supervisors, or “not-to-exceed” contract provisions. The Office of Procurement Services (OPS) is unable to accurately determine how much the County spends on contracted supplies and services. This situation reduces the effectiveness of procurement internal controls and Board of Supervisors oversight. OPS should continue to work with the Department of Finance and the Office of Enterprise Technology to develop a reliable system for tracking total contract expenditures.

Criteria

Contracts generally include “do not exceed” expenditure provisions. As explained in the Introduction section of this report, delegated authority to award contracts is dependent on anticipated contract amounts. Implicit in these requirements is the need for tracking cumulative expenditures for each contract.

Condition

In order for a vendor payment to be linked to a contract, a purchase order must be created. Some agencies bypass the purchase-order process due to the time required to process purchase orders, or the uncertainty of estimated expenditures. When vendors are paid without purchase orders, the payments do not reference a contract number.

In addition, County credit cards, also known as Procurement Cards (P-Cards), are used as a convenient payment method to purchase items from vendors, whether or not the vendors have a contract with the County. Non-contract purchases are legitimate if total purchases do not exceed \$5,000 per vendor, per year. However, when P-Card purchases are made with vendors who do have County contracts, the County’s financial system is unable to identify and link the purchases to specific contracts. Currently, P-Card expenditure data does not interface with the County’s financial system (Advantage). As a result, the County does not have a reliable system in place to monitor total contract expenditures.

Three key agencies (OPS, Department of Finance, and Office of Enterprise Technology) have been meeting to discuss how to report contract expenditures through Advantage. To date, the identified solution, to purchase Web System 3.0 Advantage, has not been implemented. The team is currently exploring ways to automate the purchase-order process via the procurement system.

Effect

An accurate accounting of contract expenditures is essential for proper contract administration. Without this information, the County cannot ensure that contract expenditures do not exceed the amount approved by the Board or “not-to-exceed” contract provisions. Further, OPS does not have complete information on how much the County spends on contracted supplies and services. This condition increases the risk of (1) improperly estimating contract solicitation values, and (2) undermining procurement policies and procedures established to increase competitive and transparent procurement.

Cause

Financial system limitations prevent the linking and aggregating of individual contracts to payments lacking contract number references. These payment types include credit card payments, wire transfers, and warrants paid. In addition, the US Bank procurement card system and the County’s Advantage financial system do not interface.

Recommendation

OPS should continue to work with the Department of Finance and the Office of Enterprise Technology to develop a reliable system for tracking total contract expenditures.

Issue 2 Non-Construction Procurement

Summary

The County Procurement Code was followed for the non-construction goods and services procurements we reviewed. However, contracts did not always include required clauses. We identified 13 missing clauses in 6 of 11 contracts reviewed. Omission of required clauses could impair the remedies available in the event of vendor default, thereby increasing legal and financial risks to the County. OPS should periodically review Arizona Revised Statutes to ensure the Procurement Code is updated with pertinent regulations and should develop internal procedures to ensure County contracts include required provisions.

Background

Article 3 of the County Procurement Code (P-Code) defines the requirements and authorities for procurement and contract activities associated with the purchase of goods and services. Article 3 includes the following procurement types:

- Request for Proposal (RFP)
- Request for Qualifications (RFQ)
- Lowest Bid (LB)
- Sole Source Procurement
- Procurements < \$50,000
- Emergency Procurement

Criteria

The P-Code governs procurement activities in the County. It requires County agencies to perform certain detailed procurement procedures, which should be documented in the contract file. The procedures were established to promote transparency, competitiveness, and adherence to public policies related to immigration, foreign trade, and ineligible vendors.

Many applicable requirements are common to all Article 3 procurements, while other requirements vary by dollar amounts or other special circumstances. Examples include Emergency and Sole Source conditions. Emergency Procurements are discussed separately in Issue 3 (page 13). Non-emergency requirements are summarized below.

General Requirements

- Contracts should be awarded to the lowest responsive and responsible bidder.
- All procurement records should be retained and disposed of according to records retention guidelines.
- Proposals should be evaluated by a selection committee appointed by the CPO. Evaluations should be based on the proposal criteria.

- The County should include a contract clause that asserts its right to audit the financial records and back-up documentation of awarded contracts.
- Goods and services contracts should include a clause that requires the contractor to certify that the contractor does not have scrutinized business operations in Iran or Sudan.
- After September 30, 2008, contracts should not be awarded to any contractor or subcontractor that fails to comply with federal and state immigration laws and regulations.
- Contracts should not be awarded to certain parties that are debarred, suspended, or otherwise ineligible for participation in federal assistance programs or activities.
- The County should include a contract clause that requires contractors to obtain all permits and licenses required to conduct business in the State of Arizona.

Sole Source Procurements Equal to or Greater Than \$50,000

- The Board may award a contract without competition if clear and convincing written documentation demonstrates that only one source is available.
- An explanation should be provided as to why no other source would be suitable.

Sole Source Procurements Less Than \$50,000

The CPO may make a determination that a commodity or service is only available from one vendor.

Procurements Less Than \$50,000

- Respondents should submit quotations on a form and the quotations should be recorded and placed in the procurement file.
- If practical, solicitations for purchases estimated to cost \$35,000 or more, but not to exceed \$50,000, should be prepared as RFQs with a provision for written quotations from at least 5 potential vendors.
- If practical, solicitations for purchases estimated to cost \$15,000 or more, but not to exceed \$35,000 should be prepared as RFQs with a provision for written quotations from at least 3 potential vendors.

Condition

We reviewed 3 procurements for each of the procurement types listed in the following table. Contracts were not required for 4 of the 15 procurements as dollar thresholds to require contracts were not met.

Based on our sample, we found that the P-Code was followed and contracts were properly authorized. However, we found that 13 required clauses were missing from 6 of 11 (54%) contracts in our review. We also found that one sole source procurement did not have complete pricing terms documented. Although a written contract was not required due to the amount (< \$50,000), the pricing terms and description of services to be provided were not specific.

FY11 Article 3 Procurement Type (Millions)	Total Population	Audit Sample	Percent Sampled	Contracts Reviewed
Low Bid	\$130.4	\$ 9.1	7%	3
Request for Proposal (RFP)	122.0	21.3	17%	3
Sole Source	60.9	6.6	11%	2
Request for Qualifications (RFQ)	17.1	13.5	79%	3
< \$50,000	11.5	0.1	1%	0
Total	\$341.9	\$50.6	15%	11

Required Clause	Exceptions
Right to Audit	3
Prohibition of Procurements with Sudan or Iran	3
Prohibition of Procurements with Entities Debarred or Suspended	3
Records Retention Requirements	3
Compliance with Immigration Laws and Regulations	1
All Contracts Included Contractor License Requirement Clauses	0
Total	13

Effect

In the event of vendor default, omission of required clauses in procurement contracts could impair the remedies available to the County and increase related legal and financial risks.

Cause

OPS and the Public Health Department use preformatted contract templates in their procurement processes. The templates are not systematically updated for P-Code changes or new statutory requirements.

OPS does not review and update the P-Code regularly to ensure that any new ARS clauses, such as ARS 41-4401 *Government procurement; e-verify requirement*, are included in the P-Code.

The Human Services Department did not maintain a current vendor price agreement for sole source procurement. The relatively informal documentation requirement of this procurement may give the appearance that complete cost and service delivery descriptions are not needed.

Recommendations

Office of Procurement Services should:

- A.** Implement procedures to regularly review Arizona Revised Statutes to ensure that required procurement-related statutes are included in the P-Code.
- B.** Ensure that contract templates contain all required clauses, and that a reliable system is in place to ensure that the templates are updated timely if requirements change.
- C.** Ensure that all contracts are closely reviewed at renewal so that all required clauses are included.

Human Services Department should:

- D.** Document and maintain detailed price agreements for all sole source purchases.

Public Health Department should:

- E.** Revise procedures to regularly update contract templates to ensure that all required contract clauses are included.
- F.** Update procedures to ensure that when a contract is renewed or extended that it is carefully reviewed and updated to include all required contract clauses.

Issue 3 Emergency Procurement

Summary

The Procurement Code was followed for the five Emergency Procurements we reviewed. However, one of the procurements that initially qualified for treatment as an Emergency Procurement subsequently exceeded its approved end-date by over two years and its approved budget by \$1.7 million. Emergency Procurements that substantially exceed approved timelines and budgets could weaken the effectiveness of P-Code requirements. County management should document approval of time and expenditure increases and should require agencies to account for increases.

Criteria

ARS allows normal procurement requirements to be suspended and replaced with expedited Emergency Procurement (EP) procedures when there is a threat to public health, welfare, or safety.

Article 3 of the County P-Code specifies that an immediate and serious need for commodities, services, or construction that cannot be met through normal procurement methods is an emergency condition. Adherence to routine procurement procedures in unusual and time-critical situations could seriously threaten the functioning of County government. Other conditions that may justify EPs include situations where adherence to normal procurement procedures is impracticable, unnecessary, or contrary to the public's best interest.

EP requests must include written documentation describing the emergency or other unusual situation. Furthermore, all EPs should be limited in time and quantity to satisfy the emergency need. EPs costing \$50,000 or more should be approved by the County Manager, while all others may be approved by the CPO.

Condition

We reviewed 5 of 45 EPs approved from FY 2009 through FY 2011, as shown below. (Three EPs were approved by the County Manager and two were approved by the CPO.)

FY11 Article 3 Emergency Procurement (Millions)	Total Population	Audit Sample	Percent Sampled
County Manager	\$16.6	\$14.4	86%
Chief Procurement Officer	0.4	0.1	25%
Total	\$17.0	\$14.5	85%

We reviewed each procurement contract for compliance with the P-Code. The P-Code required the following documentation:

- A written request to the County Manager or CPO.
- A description of the existing threat to public health, welfare, property, or safety.
- A request that must be limited in time and quantity.

We found that the requirements were initially met for all five of the EPs reviewed. The following exceptions were noted for one EP requested by the Office of Enterprise Technology (OET) and approved by the County Manager.

Contract	Amount Approved	Amount Spent	Approved End Date	Exceptions
ADP/PeopleSoft Consultants (staff augmentation)	\$1,410,000	\$3,102,722	7/1/2009	Amount expended exceeds approved amount by nearly \$1.7 million, as of June 30, 2011. The EP continues to be funded even though the approved "end date" was 7/1/2009.

Effect

Emergency Procurements that substantially exceed approved timelines and budgets could weaken the effectiveness of P-Code requirements.

Cause

County management may have concurred with emergency procurement increases, but did not document its approval or document how OET was accountable for time and expenditure increases.

Recommendations

County management should:

- A. Document approval of time and expenditure increases.
- B. Require agencies to account for Emergency Procurement time and expenditure increases beyond those originally approved.

Issue 4 Construction Procurement

Summary

The Procurement Code was followed for the nine construction procurements we reviewed. One procurement, associated with a Facilities Management Department contract, did not contain the required file documentation for public bids, rejection letters, evaluation documents, and agency head approvals. Missing documentation reduces transparency in the competitive bid process. Facilities Management Department should review procurement processes to make sure procedures are followed and documented.

Criteria

Article 5 of the County P-Code defines the requirements and authorities for procurement and contract activities associated with design, construction, and reconstruction. The P-Code requires County agencies to perform detailed procurement procedures, which should be documented in the contract file. Procedures include the following:

- Obtain appropriate project approvals
- Publish public notice (notarized copy must be on file)
- Receive vendor bid proposals
- Create selection committee
- Evaluate proposals
- Award contract to successful vendor
- Document reasons for proposal rejections and notify unsuccessful bidders
- Obtain appropriate approvals for contract vendor
- Obtain required documentation (e.g., evidence of insurance, etc.)
- Document justifications for contract modification (i.e., change orders)

Condition

We reviewed nine procurements with original contract amounts totaling \$18.2 million. Our sample included seven Flood Control District (FCD) contracts with expenditures totaling \$14.2 million, and two Facilities Management Department (FMD) contracts totaling \$4 million.

Based on our sample, we found that the P-Code was followed and contracts were properly authorized. However, one procurement, associated with a FMD contract, was missing documentation for public bids, evaluations, rejection letters, and agency head approvals.

The following table compares our sample with total Article 5 procurements during FY 2011.

FY11 Article 5 Procurement (Millions)	Total Population	Audit Sample	Percent Sampled
Facilities Management (FMD)	\$151.3	\$ 4.0	3%
Flood Control District (FCD)	52.7	13.5	26%
On-Call Contracts (FCD)	17.9	0.7	4%
Total	\$221.9	\$18.2	8%

Effect

Missing documentation reduces transparency in the competitive bid process.

Cause

The documentation exceptions for one FMD contract were associated with personnel changes.

Recommendation

Facilities Management Department should review supervisory processes to make sure procurement procedures are followed and documented.

Issue 5 Information Technology

Summary

While controls exist for managing user access to the countywide procurement application (BidSync), OPS has not developed formal policies and procedures over user access management (add, change, delete). Inadequate user access controls may jeopardize system availability and data integrity. OPS should establish formal policies and procedures over user access management for the BidSync application.

Criteria

COBIT is an international, generally accepted, information technology (IT) control framework that Internal Audit uses for guidance to evaluate IT control requirements, technical issues, and business risks. The COBIT framework includes the following:

- Establish and maintain approval procedures for system user accounts that include specifying the data owner that grants access privileges and approves the level of access.
- Establish and maintain a formalized process for requesting, establishing, issuing, suspending, modifying, and closing user accounts and related user privileges, and perform regular management review of all accounts and related privileges.

Federal Information System Controls Audit Manual (FISCAM) provides a methodology for performing IT control audits in accordance with generally accepted government auditing standards. FISCAM recommends instituting policies and procedures for formal authorization of user access to information resources. Policies should address:

- User access for routine operations
- Emergency access
- Sharing and disposition of data with groups external to the entity
- Segregation of duties

Condition

BidSync Application Overview

In FY 2010, OPS procured a new countywide procurement application, BidSync, to replace an aging application. BidSync is an electronic bid notification and electronic procurement (eProcurement) service that connects vendors and suppliers to government agencies seeking to purchase products and services. Maricopa County uses BidSync to announce and manage opportunities for purchases requiring competitive bids.

Account Management Controls

The BidSync vendor supports the application and database, and grants Administrator access levels to the application. Two OPS employees, with Administrator access levels, manage

County employee user profiles within the application. OPS establishes, modifies, or removes user access to the BidSync system based on receipt of a completed Delegated Authorization Agreement (DAA) form and/or a User Access form. The form used is dependent on the type of access desired. DAA form users are assigned a profile to purchase services and supplies up to \$15,000; the form is used to ensure that only authorized individuals have access to procure goods and services. The User Access form is used to assign users various profile options such as create bids, create requisitions, or interact with vendor profiles.

We reviewed account management controls and found that:

- OPS does not have formal policies and procedures for establishing, modifying, or removing user access from the BidSync system.
- 14 of 69 active user accounts, across 4 County agencies, were reviewed and determined to have appropriate authorization; they were also granted user access in accordance to their job responsibilities as identified on the DAA form or the User Access form, as applicable.
- 3 of 14 terminated users over a 2 month period were tested and determined to have had their BidSync access appropriately removed.

SAS 70

A SAS 70 is a review by an independent Certified Public Accountant to assess the internal controls of a service organization such as BidSync. A SAS 70 review should consider the following:

- Application development, implementation, and maintenance.
- System security—including disaster recovery, environmental controls, segregation of duties, and physical and logical security.
- Transaction processing—including recording, reporting, calculations, and transmission.
- Computer operations—including system processing and support.

BidSync does not have a SAS 70 report; however, we were able to review the SAS 70 for Rackspace, a service company contracted by BidSync to host its application and storage. Ernst and Young issued the following opinion:

“In our opinion, the controls that were tested, as described in our description of the tests of operating effectiveness, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in our description of those tests were achieved during the period from January 1, 2010 to September 30, 2010.”

Effect

Formal procedures help to ensure that user access to BidSync is properly authorized and that access levels are appropriate based on current job responsibilities. Inadequate user access controls may jeopardize system availability and data integrity.

Cause

OPS user access procedures are informal and undocumented, which may result in improper establishment of access level for users.

Recommendation

OPS should establish formal policies and procedures over user access management (add, change, delete) for the BidSync application.

Issue 6 Vendor Satisfaction

Summary

Eighty-three percent of vendor survey responses reported that vendors were “Satisfied” or “Very Satisfied” with the County’s procurement process.

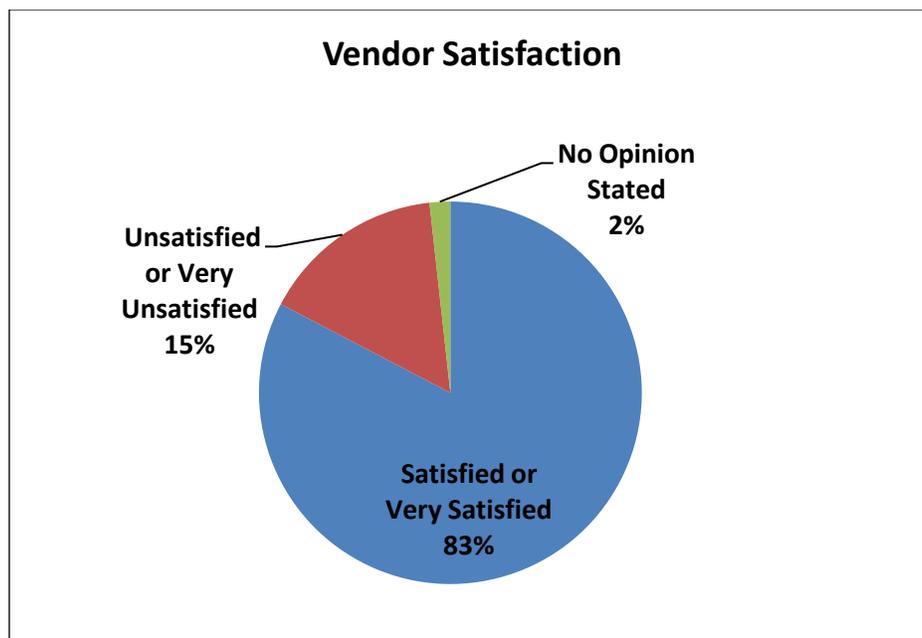
Criteria

A primary goal for OPS is to ensure that expenditures for goods and services made by the County achieve maximum value by requiring efficient, transparent, and competitive procurement practices.

Condition

A confidential electronic Vendor Satisfaction Survey was sent to 15,916 active vendors. Active vendors are those who have had some type of procurement activity since FY 2006, such as registering as a vendor, submitting bids, or selling goods and services to the County. From the active vendor list, 8,030 vendors have received at least one payment since FY 2006.

We received 802 responses (a 5% response rate). As shown below, 83% of the responding vendors reported they are “Satisfied” or “Very Satisfied” with the County’s procurement process.



In addition to providing satisfaction ratings, many vendors provided feedback about the procurement process. Those expressing dissatisfaction generally mentioned disappointment at not receiving County business, and frustration with the bid notification processes—especially the cost of subscribing to the automatic alert option offered by the BidSync system.

One of the primary objectives of sending vendor surveys was to provide opportunities for vendors to report illegal and unethical procurement practices. Based upon the responses we received, nothing came to our attention that indicated concerns about fraud or abuse.

Recommendation

None, for information only.

Appendix – Procurement Type Definitions

Request for Proposal (RFP)

RFPs are used when pricing is not the only factor for a procurement award. Prior to the evaluation committee reviewing the proposals, the buyer determines if the vendor's proposal meets all contract requirements. When a vendor meets all the requirements, they are considered responsive. An evaluation committee reviews all responsive RFP submissions. The evaluation criteria are set by the Office of Procurement Services (OPS) in the RFP specifications. The RFP with the highest final score is offered a contract and any negotiation is completed. Once a contract is agreed upon, it is submitted to either the CPO or the Board depending on the dollar value for final approval.

Request for Qualifications (RFQ)

The requesting agency contacts their appointed buyer to determine what the agency needs to create an accurate RFP. RFPs are used when pricing is not the only factor for an award. Prior to the evaluation committee reviewing the proposals, the buyer determines if the vendor's proposal meets all contract requirements. When a vendor meets all the requirements, they are considered responsive.

Lowest Bid (LB)

Based on the specifications, the buyer creates a solicitation which is advertised for a minimum of two weeks in both print media and on the OPS website. The solicitation specifies the close date and time. Vendor bids are opened by the buyers who determine if the vendor met all of the solicitation requirements. If the vendor did not meet the requirements, the vendor would be deemed non-responsive and the bid would not be considered. The buyer reviews the bids to ensure specifications are met and to determine the lowest bidder. The buyer then creates an award notification. A copy of the bid and award notification is forwarded to the requesting agency for review. Once the agency has approved the award, the buyer creates a contract to be approved by the CPO or the Board. Once the CPO or Board approves the contracts, the contracts and price agreements are uploaded on the OPS website.

Sole Source Procurement

Sole Source procurement is not used unless clear and convincing evidence exists that shows only one source can perform the work. Agency requests must include a written explanation and evidence why only one vendor is qualified.

Procurements < \$50,000

Less than \$5,000

For purchases less than \$5,000, the using agency makes purchases from a County contract; if a contract exists. If a contract does not exist, the agency may obtain a quote to order the goods or services and pay for the purchase using a Procurement Card or a purchase order.

Between \$5,000 but less than \$15,000

OPS handles the procurement. If no contract exists, OPS obtains at least three verbal vendor quotations. Evidence of the quotes is placed in the procurement file. A purchase order is issued.

Between \$15,000 but less than \$35,000

If no contract exists, OPS obtains at least three written vendor quotations. If less than three quotes are obtained, the reason must be documented in the file. All written quotes are placed in the procurement file. A purchase order is issued.

Between \$35,000 and \$50,000

If no contract exists, OPS obtains a minimum of five written quotations from vendors. The quotes must be maintained in the procurement folder. If less than five quotes are obtained, the reason must be documented in the folder. A purchase order is issued.

Emergency Procurement

An Emergency Procurement is used if there is a threat to public health, welfare, property, or safety. A written determination of the basis for the emergency and for the selection of the particular contractor is included in the contract file.

Agency Responses

AUDIT RESPONSE
COUNTYWIDE PROCUREMENT AUDIT – JUNE 2012
OFFICE OF PROCUREMENT SERVICES (OPS)
June 15, 2012

Issue #1 – Contract Expenditure Tracking

The County does not have a reliable system in place for reporting total expenditures by individual contract. Credit card payments, wire transfers, and warrants paid without contract number references are not linked and aggregated with individual contract expenditures.

Recommendation: The Office of Procurement Services should continue to work with the Department of Finance and the Office of Enterprise Technology to develop a reliable system for tracking total contract expenditures. We recommend that the BOS adopt a policy requiring cumulative expenditure tracking by contract.

Response: **Concur In Part**—Implementation of a new financial system is outside the control of OPS and there is no guarantee a new system will be capable of satisfying this recommendation. OPS will continue to participate in discussions with Finance and OET on the implementation of an enterprise system to meet the needs of the County. While OPS recognizes the benefit of tracking all spend against individual contracts it realizes that achieving this goal would be cost prohibitive, and from a budgetary perspective, redundant. The Board of Supervisors on an annual basis approves lump sum budgets by department which set forth the revenue and expenditures approved for them to carry out their responsibilities. All expenditures are automatically checked against the appropriate budget by the County's enterprise financial application to confirm that sufficient capacity exists in the Board approved budget to eliminate the possibility of over expending a department's budget. While the level of compliance apparently envisioned in the recommendation would be virtually impossible, achieving even a meaningfully higher compliance level would require a significant increase in the number of accounts payable personnel necessary to review and verify that every expenditure appropriately decremented the correct contract. A very similar situation would be confronted on p-card purchases where any contract reference would have to be verified by OPS before monthly expenditure information was pushed into the central financial system. If this contract reference verification was not performed, the potential for significant errors in the data would make any efforts to accurately track spend against contracts highly suspect and further contribute to increase spend tracking inaccuracy. The cost of this additional review and verification effort would not be offset by any recognizable financial benefit. OPS recognizes that tracking contract spend is a best practice which enables it to use this information to negotiate prices advantageous to Maricopa County and it makes every reasonable effort to increase this capability.

Target Completion Date: Unknown at this time.

Benefits/Costs: Unknown at this time.

Issue #2 – Non-Construction Procurement

The Procurement Code was followed for the non-construction goods and services (Article 3) procurements reviewed. However, contracts did not always include required clauses. We identified 13 missing clauses in 6 of 11 (54%) contracts reviewed.

Recommendation A: Implement procedures to regularly review the Arizona Revised Statutes to ensure that required procurement-related statutes are included in the P-Code.

Response: **Concur in Part** – OPS currently reviews and tracks changes to Arizona Revised Statutes and incorporates those changes into the Procurement Code when appropriate. However, not all statutory changes are appropriate for inclusion into the Procurement Code since the Code's purpose is to define procurement policy and procedures, not contract terms and conditions. Only those statutory changes that affect procurement policy or procedures and determined to be in the best interest of the County are submitted for consideration by the Board of Supervisors for incorporation into the Procurement Code. Specific statutory language such as E-Verify and Iran/Sudan are not appropriate for inclusion in the Procurement Code and are added to our standard contract and solicitation templates. Further, contract and solicitation templates contain standard language that requires all County contractors to comply with all statutory requirements specific to the commodity or service being provided. This issue has been discussed with and verified with the County Attorney's Office.

Target Completion Date: None.

Benefits/Costs: Assure compliance with statutory requirements.

Recommendation B: Ensure that contract templates contain all required clauses, and that a reliable system is in place to ensure that the templates are updated timely if requirements changes.

Response: **Concur—completed.** Staff has been instructed that they are to only use templates from the central location on the shared drive of the network and not to use templates saved on their local drives.

Target Completion Date: 6/1/2012

Benefits/Costs: Increased accountability and increased awareness of contract clauses.

Recommendation C: Ensure that all contracts are closely reviewed at renewal to ensure that all required clauses are included.

Response: **Concur—completed.** All contracts have been reviewed for content and updated when required. OPS will revise its renewal procedures to include the requirement to verify and update contract language as required.

Target Completion Date: 6/1/2012

Benefits/Costs: Increased accountability and increased awareness of contract clauses.

Issue #5 – Information Technology

While controls exist for managing user access to the countywide procurement application (BidSync), OPS has not developed formal policies and procedures over user access management (add, change, delete).

Recommendation: OPS should establish formal policies and procedures over user access management (add, change, delete) for the BidSync application.

Response: **Concur—will implement.** While OPS concurs with this recommendation and will develop a user access policy, at this time the Bidsync application is used as a supplemental procurement tool only and does not replace any of the currently required processes or edits performed by the Advantage Extended Purchasing System. Bidsync is currently only used to issue and receive solicitations. It does not issue purchase orders nor have the ability to commit the County to binding transactions; the Advantage EPS is maintained as the enterprise procurement system of record and as such the Advantage security policies should be treated as the authority with respect to user access security. However, current plans are to expand the use of the BidSync system which will require the policies and procedures recommended by Internal Audit.

Target Completion Date: 12/31/2012

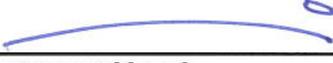
Benefits/Costs: Increased accountability and reduced liability to the County.

Issue #6 – Vendor Satisfaction

Eighty-three percent of the vendors surveyed reported they were “Satisfied” or “Very Satisfied” with the County’s procurement process.

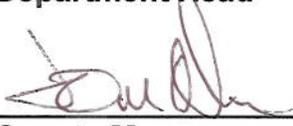
Recommendation: None. For information only.

Approved By:



Department Head

6/15/12
Date



County Manager

6/20/12
Date



Maricopa County

Human Services Department

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Fax: 602-506-8789
TDD: 602-506-4802
www.hsd.maricopa.gov

Trish Georgeff
Director

Renee Ayres-Bunavidez
Deputy Director

TO: Richard Chard, Deputy County Auditor
FROM: Trish Georgeff, Director *Trish Georgeff*
SUBJECT: Audit of Procurement-response, Human Services Department
DATE: June 21, 2012

Issue #2: Human Services Department did not maintain a current vendor price agreement for sole source procurement. The relatively informal documentation requirement of this procurement may give the appearance that complete cost and service delivery descriptions are not needed.

Recommendation D: Human Services should document and maintain detailed price agreements for all sole source purchases.

Response: Concur. Human Services had a verbal agreement with the vendor for the sole source purchase. However, the Department did not formalize that price agreement. Human Services will work on formalizing a detailed price agreement with sole source vendors beginning in Fiscal Year 2012 as appropriate.

Target Completion Date: December 30, 2012

Benefits/Costs: Documenting and maintaining detailed price agreements for sole source purchases will ensure that the costs incurred are allowable, allocable and reasonable under grant-related activities.

Approved by:

Trish Georgeff

Department Head

6-21-12

Date

Renee Ayres-Bunavidez

County Manager

6/22/12

Date

AUDIT RESPONSE
DEPARTMENT OF PUBLIC HEALTH
June 12, 2012

Issue #2 – Procurement of Goods and Services

The Procurement Code was followed for the non-construction goods and services (Article 3) procurements reviewed. However, contracts do not always include required clauses. We identified 13 missing clauses in 6 of 11 (54%) contracts reviewed.

Recommendation E: Revise procedures to regularly update contract templates to ensure that all required contract clauses are included.

Response: Concur. Beginning in May 2012, OPS began sending the Public Health Procurement Officer updated templates whenever changes are made to them. The Public Health Procurement Officer also recently received a list of all clauses and will review the templates to ensure they are all included.

Target Completion Date: 10/29/12

Benefits/Costs: Improved process and increased awareness of contract clauses.

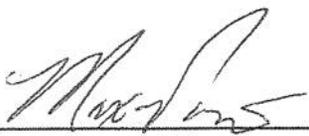
Recommendation F: Update procedures to ensure that when a contract is renewed or extended that it is carefully reviewed and updated to include all required contract clauses.

Response: Concur. The Public Health Procurement Officer will create a contract renewal checklist to be used when contracts are renewed. One item that will be included is the review of all required clauses.

Target Completion Date: 10/29/12

Benefits/Costs: Improved process and increased accountability.

Approved By:

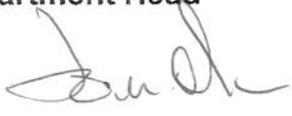


Department Head

For Dr. Bob England

6/21/12

Date



County Manager

6/22/12

Date

**AUDIT RESPONSE
COUNTY MANAGER'S OFFICE
August 3, 2012**

Issue #3 – Emergency Procurement

The Procurement Code was followed for the five Emergency Procurements we reviewed. However, one of the procurements that initially qualified for treatment as an Emergency Procurement subsequently exceeded its approved end-date by over two years and its approved budget by \$1.7 million.

Recommendation:

County management should:

- A. Document approval of time and expenditure increases.
- B. Require agencies to account for Emergency Procurement time and expenditure increases beyond those originally approved.

Response: Concur— The Chief Officer of Procurement Services (OPS) will proceed to modify the Maricopa County Procurement Code to state that an emergency will not last for more than one year. If the emergency exceeds one year, then a new authorization must be approved by the County Manager. It is believed that the one-year time frame will give time for the department to mitigate the emergency. The County Manager's Office will work with OPS to make the required change to the Procurement Code.

Additionally, the authorization letter to the requesting department will now ask that the department submit with the monthly update a balance of funds approved for use against the authorized amount that is necessary to mitigate the emergency.

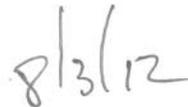
Target Completion Date: October 5, 2012

Benefits/Costs: Compliance with policies and increased accountability.

Approved By: _____



County Manager



Date



Maricopa County
Facilities Management Department

Facilities Management
401 W Jefferson Street
Phoenix, AZ 85003
Phone: 602-506-1141
Fax: 602-506-4275
www.maricopa.gov

TO: Audit Department

FROM: Janet Palacino, Director
Facility Management Department

DATE: June 5, 2012

SUBJECT: **Audit Response - Facilities Management Department**

Issue #4 – Procurement of Construction Related Activities

The Procurement Code was followed for the nine construction-related (Article 5) procurements reviewed. One procurement, associated with a Facilities Management Department contract, did not contain the required file documentation for public bids, rejection letters, evaluation documents, and agency head approvals.

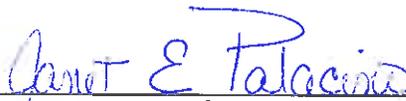
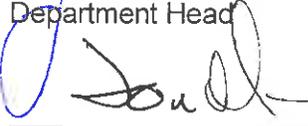
Recommendation: Facilities Management Department should review supervisory processes to make sure procurement procedures are followed and documented.

Response: Concur, but with the change of Article 5 procurement activities now being conducted by the Office of Procurement Services (OPS), the function of file documentation and retention has moved to OPS. Facilities Management will no longer be responsible for the contents of procurement files for construction-related activities.

Target Completion Date: n/a

Benefits/Costs: Compliance with policies and increased accountability.

Approved By:

	6.12.12
Department Head	Date
	6/13/12
County Manager	Date