



Internal Audit Report

Computer Training Contract
March 2002



Audit Team Members

George Miller, Audit Manager

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Internal Audit Department

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March 15, 2002

Don Stapley, Chairman, Board of Supervisors

Fulton Brock, Supervisor, District I

Andrew Kunasek, Supervisor, District III

Max W. Wilson, Supervisor, District IV

Mary Rose Wilcox, Supervisor, District V

We have completed our limited scope review of the County's Computer Training Contract (BS 996020). This audit was conducted in accordance with the Board approved audit plan. Our review focused on Maricopa County department users of this contract.

The highlights of this review are as follows:

- County departments do not adequately monitor the contractors' performance and compliance with contract provisions.
- County users do not inform the Materials Management Department of issues relating to contractor service.
- One contractor appears to be billing 31 percent more than the amount authorized by the contract.

We have attached the report package, which we reviewed with the Material Management Department. We appreciate the department's fine cooperation. If you have questions or wish to discuss items presented in this report, please contact George Miller at 506-1586.

Sincerely,

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

Ross L. Tate
County Auditor

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Executive Summary

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County user departments do not adequately monitor Computer Training contractors' performance and compliance with contract requirements. The lack of adequate monitoring increases the County's risk for poor contractor performance and financial liability. The Materials Management Department should advise users of this exposure and lead the County's efforts to strengthen monitoring controls.

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Our review of 15 Computer Training Contract billings (\$41,181) found that one vendor does not bill the County according to contract rates. We estimate that the contractor's invoices (\$27,521) were \$8,657 more (31%) than the amount authorized by the contract. The Materials Management Department should strengthen County controls over the contract's billing and payment process.

Introduction

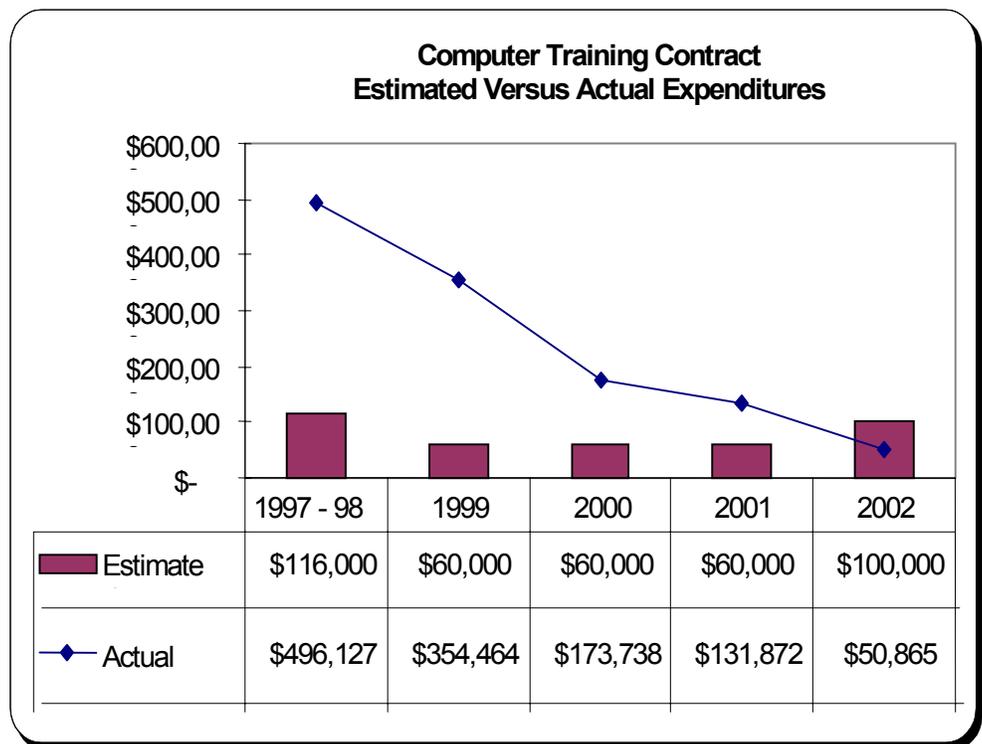
Background

Maricopa County's Computer Training Contract (BS 96020) was established in May 1997. The agreement provides County employees with computer based software training on word processing, spreadsheet, database, graphics, operating systems, and Web browser applications. Introductory, intermediate, and advanced level classes are available. Two vendors (Training A La Carte and New Horizons) are authorized to provide the training services.

This contract has not been previously reviewed by the Materials Management Department or the Internal Audit Department. This agreement expires later this year but can be renewed if both the County and vendors desire to do so.

Contract Expenditures

The chart below shows the County's estimated and actual contract expenditures. Annual actual expenditures have significantly exceeded the amounts forecasted. This is possibly due to the difficulty of capturing complete contract expenditure amounts, from the Advantage 2.0 system, and then using the figures to project future expenditures. County departments' utilization of this contract has declined.



Scope and Methodology

Our audit objectives were to determine:

- To what extent Computer Training Contract vendors have fulfilled contract obligations to provide services for the County
- If the contractor billing invoices are adequately documented and comply with contract requirements
- If contractor billings, and resulting County payments, do not exceed the rates/amounts authorized by the contract.
- To what extent the County monitors contractor performance and, if necessary, initiates corrective actions

This audit was performed in accordance with Government Auditing Standards.

Issue 1 Contract Compliance & Monitoring

Summary

County user departments do not adequately monitor Computer Training contractors' performance and compliance with contract requirements. The lack of adequate monitoring increases the County's risk for poor contractor performance and financial liability. The Materials Management Department should advise users of this exposure and lead the County's efforts to strengthen monitoring controls.

Contract Requirements

Section 3.9 of the Computer Training Contract states: "The Materials Management Department and Management & Budget shall monitor the Contractors compliance with, and performance under the terms and conditions of the Contract." Adequate contract monitoring is necessary to ensure that vendors deliver effective training services in accordance with contract terms and pricing provisions.

Contract Monitoring Activities

We interviewed staff from County departments that utilize the Computer Training contract and reviewed file documentation to determine the extent of contract monitoring activities. We found that the Human Resources Department's Planning and Training Division is the only office conducting formal monitoring of the vendors' performance. The office reviews 25 percent of the evaluations completed by the County employees who receive training coordinated by the division. The dollars covered by the Planning and Training Division's review accounts for only five percent of total contract expenditures.

County departments that coordinate their own training perform minimal monitoring activities. As previously noted, the Materials Management Department has not yet performed a compliance review of this contract and does not receive copies of participant evaluations from the vendors.

The lack of monitoring appears to be the result of unclear monitoring roles and responsibilities. County user departments assume that someone else is monitoring the contractors' performance and pricing. This control weakness increases the County's risk for poor contractor performance and financial liability.

Recommendation

The Materials Management Department should:

- A. Advise users of the Computer Training Contract to monitor vendor performance, keep written documentation of activities, and report exceptions to its office.
- B. Update the contract language to clearly define monitoring roles.

Issue 2 Vendor Billing Review

Summary

Our review of 15 Computer Training Contract billings (\$41,181) found that one vendor does not bill the County according to contract rates. We estimate that the contractor's invoices (\$27,521) were \$8,657 more (31%) than the amount authorized by the contract. The Materials Management Department should strengthen County controls over the contract's billing and payment process.

Contract Billing Provisions

Two contractors (Training a La Carte and New Horizons) are authorized to provide computer training services. Contract provisions specify different rates depending upon class location (County facility or vendor classroom) and class size. The rates are based on a per class or per hour basis with manuals and training material included.

The contract does not contain requirements related to billing support documentation or invoicing protocol. The lack of required documentation increases the risk that the County may be overcharged or billed for unauthorized services.

Billing Reviews and Results

We tested 15 paid invoices (\$41,181 total) from FY 2001 and FY 2002 to determine if the contractor billings and County payments conformed to authorized rates. The invoices were billed to 10 departments and represent 23 percent of the total amount billed.

The results of our review are:

- No exceptions to contract pricing requirements were found for any of the 8 invoices (\$13,660 total amount) submitted by Training a la Carte.
- For 6 of its 7 billings (\$27,521 total amount), New Horizons did not bill the County according to the rates (per hour or class) authorized by the contract. The vendor billed using an undefined "unit price" multiplied by a "quantity" (number of students or class days), which does not allow users the ability to verify the billings against the contract.
- New Horizons appears to have overcharged County user departments by \$8,657 (31%) for the 6 billings.

Because of vendor's billing methodology, County users cannot validate the invoices to contract rates. We found no documentation showing that departments have questioned this practice.

Recommendation

The Materials Management Department should:

- A. Instruct user departments to closely review all computer training billings, verify that charges do not exceed the authorized contract amount, and deduct any overcharges from payments.
- B. Instruct user departments to notify the Materials Management Department of significant billing issues encountered.
- C. Meet with New Horizons to correct the billing process problems identified above.
- D. Strengthen contract invoicing controls to provide adequate documentation so County departments can easily verify vendor billings to contract agreements.



MARICOPA COUNTY MATERIALS MANAGEMENT

To: Ross Tate, Internal Auditor

From: Wes Baysinger, Director, Materials Management *WB*

Date: March 13, 2002

RE: Computer Training Contract, Serial 96020-RFP, Audit Response

Attached, please find Materials Management's response to the audit conducted by Internal Audit of Serial 96020-RFP, Computer Training Contract. As indicated in our response, the target dates for implementing these recommendations are all prior to the end of the fiscal year.

If you have any questions on the audit response, please contact me.

96020_AUDIT.DOC



**Materials Management's Audit Response
Computer Training Contract (Serial 96020-RFP)**

Issue 1

- A. Advise users of the Computer Training Contract to monitor vendor performance, keep written documentation of activities, and report exceptions to its office.

Response: Concur. The County has decided not to re-bid the computer-training contract. The County has determined that it would be in its best interest to utilize the State of Arizona's contract for these services. The Procurement Officer, in coordination with the CIO's Office, will schedule a meeting of the major County users and the five contract vendors to address everyone's roles and responsibilities under the terms of the contract. This will include both contract monitoring and contract administration issues. A follow-up meeting will also be set to monitor contract progress and address any additional issues as appropriate.

Target Date: June 2002

Benefits/Costs: Increased control and accountability. Contract compliance. User training. /Staff time

- B. Update the contract language to clearly define monitoring roles.

Response: Concur. The County has decided not to re-bid the computer-training contract. The County has determined that it would be in its best interest to utilize the State of Arizona's contract for these services and that contract contains its own specific terms and conditions. The Procurement Officer, in coordination with the CIO's Office, will schedule a meeting of the major County users and the five contract vendors to address everyone's roles and responsibilities under the terms of the contract. This will include both contract monitoring and contract administration issues. A follow-up meeting will also be set to monitor contract progress and address any additional issues as appropriate.

Target Date: June 2002

Benefits/Costs: Increased control and accountability. Contract compliance. User training. /Staff time

Issue 2

- A. Instruct user departments to closely review all computer-training billings, verify that changes do not exceed the authorized contract amount, and deduct any overcharges from reimbursements.

Response: Concur. The County has decided not to re-bid the computer-training contract. The County has determined that it would be in its best interest to utilize the State of Arizona's contract for these services. The Procurement Officer, in coordination with the CIO's Office, will schedule a meeting of the major County users and the five contract vendors to address everyone's roles and responsibilities under the terms of the contract. This will include both contract monitoring and contract administration issues. A follow-up meeting will also be set to monitor contract progress and address any additional issues as appropriate.

Target Date: June 2002

Benefits/Costs: Increased control and accountability. Contract compliance. User training. /Staff time

B. Instruct user departments to notify the Materials Management Department of significant billing issues encountered.

Response: Concur. (See above)

Target Date: Same (See above)

Benefits/Costs: Same (See above)

C. Meet with New Horizons to correct the billing problems identified above.

Response: Concur. The Procurement Officer has already contacted New Horizons and made them aware of the issues. A report on all training with associated billings was tendered to the Procurement Officer by the vendor covering the past twenty-four months. A Materials Management Contract Monitor will review this report and provide a more in depth analysis on any potential refunds to the County. If this analysis reveals further inconsistencies, a full five-year contract review will be conducted.

Target Date: March, 2002

Benefits/Costs: Correction of billing process and potential refund to County/Staff time

D: Strengthen contract invoicing controls to provide adequate documentation so County departments can easily verify vendor billings to contract agreements.

Response: Concur. Same response as A, B, and C above.

Target Date: See above

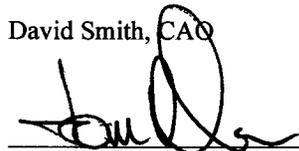
Benefits/Costs: See above



David Smith, CAO

3/14/02

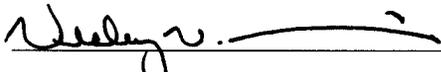
Date



Tom Manos, CFO

2/13/02

Date



Wes Baysinger, Materials Management Director

3/13/02

Date