



CITY OF ORLANDO

Office of Audit Services and Management Support

MEMORANDUM

To: Kevin J. Edmonds, General Administration Department Director
Jon D. Mead, Purchasing Director

From: Beryl H. Davis, CPA, CGFM, Director
Office of Audit Services and Management Support

Re: Follow-Up Review of Purchasing Division Process Improvement Review
(Report No. 07-17)

Date: September 10, 2007

Attached is a summary of the status of our recommendations as determined from our follow-up review of the Purchasing Division Process Improvement Review (Report No. 07-01) issued October 27, 2007. Our follow-up was made in accordance with generally accepted government auditing standards, except that we did not perform substantial tests of evidence supporting the replies from the officials responsible for resolving audit findings and recommendations. We thank Purchasing for providing a thorough response which explains the actions taken and consideration given to each recommendation.

Seven of the ten recommendations in the original report have been implemented. Two recommendations are not implemented. One item is no longer recommended.

One implemented recommendation concerned the study of four possible enhancements to Purchasing authority. Purchasing has implemented the recommendation by studying these areas and the attached matrix summarizes their conclusions. They have decided to only take action on one of these enhancements, an increase in the approval authority of the Purchasing Director.

Two other implemented recommendations concerned enhancements to the JDE System that could improve the efficiency of the purchase requisition process. Purchasing concurred with these recommendations and effectively implemented the recommendations by requesting such enhancements. However, two key stakeholders raised issues with the cost and utility of these enhancements.

The recommendations not implemented are summarized below:

- *Initiate a discussion among interested parties regarding the possible benefit of contracting with a vendor that offers insurance certificate monitoring.* Purchasing believes that this item should be assigned to Risk Management. Our recommendation was made to Purchasing as they are the City function most familiar with all contracts being entered into by City departments. As a further

service to these departments, it was thought that Purchasing could initiate the discussion of whether insurance certificate monitoring was in the best interest of the City.

Audit Services and Management Support will address this possible enhancement in an upcoming review of City contracts.

- *End the use of the Control Log for Facilities Management purchases after they have updated their work order and billing software.* Purchasing reports that this project has not been funded. Therefore, no action can be taken at this time to implement the recommendation.

The item no longer recommended concerns the creation of focus groups of individuals identified as needing training in the procurement process. We believe that the creation of such focus groups is a low priority and acknowledge that the efforts made by Purchasing to instruct users have been an effective use of their resources. For example, Purchasing has created a detailed website and training materials. Purchasing staff also assist City employees in the procurement process when requested.

We will follow up on the status of the two recommendations not fully implemented during our quarterly review of open recommendations in all City departments.

We wish to thank the officials of the departments affected by these recommendations for their cooperation with the follow-up request.

George McGowan, Manager, Audit Services and Management Support performed this follow-up review.

BHD/gjm

Attachments

- c: Honorable Buddy Dyer, Mayor
 Byron W. Brooks, Chief Administrative Officer
 Joseph M. Robinson, Chief of Staff
 Rebecca W. Sutton, Chief Financial Officer
 Raymond M. Elwell, Deputy CFO
 Kevin Walsh, Assistant Purchasing Director/MBE Officer

**REPLY AND IMPLEMENTATION SUMMARY
FOLLOW-UP REVIEW OF PURCHASING DIVISION PROCESS IMPROVEMENT REVIEW**

#	RECOMMENDATIONS	RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
	Purchasing should:				
1.	Update the time intervals of each process listed in City Policy and Procedure 1000.12 to reflect current conditions and inform clients of standard purchase timeframes.	Concur	Implemented	October 2006	
2.	Consider methods to efficiently track, monitor and report efforts to meet time intervals and deliver timely services to clients.	Do Not Concur	Implemented		This information is available to a manual audit of specific hard copy files. We continue to efficiently track, monitor and report the timely delivery of services. This has always been a top priority with the Office of Purchasing and the customer interviews conducted as part of the Process Improvement Review confirmed the end-users are appreciative of Purchasing's timely processing of their requests for goods and services.
3.	Request that the JDE System budgetary check occur at the time the PO is approved by the client to prevent delays and allow for the timely resolution of	Concur	Implemented	January 2007	Purchasing filed a service request with Technology Management (TM) on this subject.

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#	RECOMMENDATIONS	RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
	funding issues.				See below.
	<p>TM RESPONSE:</p> <p>From a technical perspective, this is something that can be done, however it is not a trivial task. It is our understanding that Management and Budget (M&B) does not believe that this is something that should be done. If all stakeholders agree that this should be implemented, because of our current staffing levels and limited access to contractor support, it could take up to 3 months to design, test and implement.</p> <p>M&B RESPONSE:</p> <p>See attached.</p> <p>AUDIT SERVICES AND MANAGEMENT SUPPORT (AS&MS) COMMENTS:</p> <p>A service request was made by Purchasing and, therefore, the recommendation is considered implemented. However, key stakeholders do not agree that such a change is needed or necessary. No further action is suggested.</p>				
4.	Request an enhancement to the JDE system to automatically e-mail approvers when requisitions are entered.	Concur	Implemented	January 2007	<p>Purchasing filed a service request with Technology Management (TM) on this subject.</p> <p>See below.</p>
	<p>TM RESPONSE:</p> <p>This is something which can technically be done. This would be a manual process which would require that all approvers have their email addresses manually entered into the JDE system, and subsequently maintained as approvers are added or deleted to the JDE system, and as name changes occur which impact approvers email addresses. Unfortunately there is not a way to automate the initial entry or update processes.</p>				

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	<p>It is important to note, while creating efficiencies for this particular process, this will actually create some inefficiencies as well. Not only is the manual maintenance of the email addresses in multiple systems inefficient, emails will also be generated and sent to these people for any other JDE process that is associated with them. There is not a way to limit the email to just the requisition process.</p> <p>AS&MS COMMENTS:</p> <p>A service request was made by Purchasing and, therefore, the recommendation is considered implemented. The explanation of the difficulties in implementing the recommendation leads to the conclusion that cost of this process change may outweigh the anticipated benefits. No further action is suggested.</p>				
5.	Initiate a discussion among interested parties regarding the possible benefit of contracting with a vendor that offers insurance certificate monitoring.	Do Not Concur	Not Implemented		Should be assigned to Risk Management.
6.	Codify in City Policy the current internal practice requiring the assignment of a weight to each evaluation factor in the bid/proposal and that exceptions to this process must be approved by the CAO.	Do Not Concur	Implemented	February 2007	
7.	Advise selection committees regarding City Code provisions that allow the determination of a "responsible" bid, including their ability to reject any bid from a company that does not have the ability and skill to perform the service.	Do Not Concur	Implemented	January 2007	

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8.	Create focus groups of individuals identified as needing training in the procurement process and meet with these individuals to instruct them in required practices to increase their understanding of their role in the process.	Do Not Concur	No longer recommended		<p>The FOCIS Group (formed when the present JDE System was first implemented) included representatives from all divisions involved in the procurement process and this type of Focus Group could best address the process.</p> <p>AS&MS COMMENTS: While a focus group could be a beneficial enhancement, it would be costly to organize and hold group meetings. Purchasing has created some effective online tools and written guidelines for use by City staff. These tools should continue to be refined and utilized to assist City staff to understand the Purchasing process.</p>
9.	End the use of the Control Log for Facilities Management purchases after they have updated their work order and billing software.	Concur with Reservations	Not Implemented		This is a Facilities Management item. Facilities Management has not received funding for the project to update the work order and billing software.

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#	RECOMMENDATIONS	RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
10.	Study possible enhancements to Purchasing authority, as explained below:	Partially Concur	Implemented	Various dates	AS&MS COMMENTS: Purchasing has studied the possible enhancements, as explained below. They believe one item is worth pursuing. We encourage Purchasing to continue efforts to fully implement this enhancement.
	<ul style="list-style-type: none"> • Increase the Approval Authority of the Purchasing Director 				An e-mail was sent to Legal Affairs in January 2007 requesting Chapter 7 revisions.
	<ul style="list-style-type: none"> • Institute a Blanket Purchase Order Process for Annual Contracts 				See below.
<p>AUDITEE COMMENTS:</p> <p>This recommendation was considered during one of our audit review sessions and Purchasing still considers the current system to be the most cost effective, efficient and user friendly among the many variations used by government agencies to purchase goods and services from annual (or term) contracts.</p> <p>Any procurement not exceeding \$1,000 may be authorized by a Department Director, Office Head, Division Manager, or Bureau Chief and their designees. A procurement card or check request will be used to authorize vendor payment.</p> <p>Otherwise, for larger purchases, Purchase Orders are generated from requisitions entered and approved by the requesting end-using organization – the same end-using organization entrusted with the public monies reflected in each requisition.</p> <p>Annual Contracts are vehicles to consolidate certain requirements into one contract (covering a period of one or more years) – thus eliminating the need for individual requisitions and Purchase Orders for those requirements during the life of the Annual Contract. The Director of Purchasing authorizes the creation of an Annual Contract at the request (memo/email) of an end-user.</p>					

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	<p>Once a Purchase Order is issued, the end-user is responsible for monitoring the open Purchase Order, receiving the items ordered, and certifying the invoice (which is certifying that the items order were received and invoiced at the price on the Purchase Order). This certification allows accounting to pay said invoice.</p> <p>Once an Annual Contract has been established, the end-user (rather than Purchasing) is responsible for ordering against said contract.</p> <p>Policies and Procedures 1000.5 addresses Annual (or Term) Contracts. It clearly indicates that each such contract has specific terms, conditions and pricing schedules, which must be adhered to and monitored by the using agency.</p> <p>It indicates that City employees authorized to order and receive Annual Contract items are responsible for ensuring that only valid Annual Contracts are utilized - and that maximum contract dollar value limitations and maximum individual order dollar value limitations are not exceeded. As per 1000.5, if an Annual Contract requires Scope of Work and/or maximum dollar value changes, the requester must first contact Purchasing and receive a fully executed Contract Amendment prior to release of a work authorization to the Contractor for the amended Scope of Work.</p> <p>One of the major problems (in some end-using organizations) is that the ordering authority is being delegated to individuals that have no access to a computer or the contract. These are individuals just trying to get the job done, but they place orders to vendors without Annual Contracts, or they order materials or services from vendors with Annual Contracts – but order materials or services not on that contract. The fiscal people in those organizations need to be involved in the ordering.</p> <p>Before any such revision to policy is considered, a cost/benefit analysis should be performed and a detailed review of comparable annual contract procedures being used by other government agencies should be conducted.</p>				
	<ul style="list-style-type: none"> Transfer Responsibility for Administering the Solicitation of All Professional Services to the Purchasing Division 	Do Not Concur			See below.

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	<p>AUDITEE COMMENTS:</p> <p>Most government agencies similar in both size and dollar value of capital improvement budgets to the City of Orlando have placed the responsibility for administering the solicitation of A&E (Architectural and Engineering) professional services within the Public Works Department. These cities and counties include Broward, Tampa, Jacksonville, Miami-Dade, and Pinellas. The main reason for this is that the engineering disciplines and technical expertise required for these projects resides in the Public Works arena.</p> <p>The splitting up of responsibilities for administering the solicitation of all professional services contracts between Purchasing and Public Works for engineers, architects, landscape architects and land surveyors would not be cost effective and could result in delays and much confusion during the services acquisition process.</p> <p>The Capital/Infrastructure Administration Division (CIAD) of Public Works currently provides engineering design, survey, project and construction management services for public infrastructure improvements. Section 133.2 of City Policy and Procedures provides the process they are required to follow in the selection of engineers, architects, landscape architects, land surveyors and design/build firms. They are required to follow Florida Statutes – CCNA, and have a Consultant’s Qualifications Board (CQB) with the Public Works Director, City Attorney, CFO, Public Works appointee and Mayor appointee serving as members. The Public Works Director serves as Chairman. The Selection Committees formed to evaluate proposals and select awardees usually consist of a Purchasing representative, Public Works Engineers and a third party with technical expertise, no vested interest and objectivity.</p> <p>The Professional Services Acquisition process followed by Public Works differs substantially from the Purchasing process, mainly due to the CCNA requirements and the degree of technical engineering expertise required to develop, award and administer these types of contracts.</p> <p>The CAID staffing consists of 15 personnel (5 administrative and 10 engineering) and they provide support for construction services contracts as well as professional services. It would be difficult and possibly inefficient, to assign their professional services contracts to Purchasing. This could result in a duplication of effort and increased staffing because the same engineering disciplines would be required by Public Works to develop and monitor the contracts and Purchasing would need additional administrative and professional staff to handle the acquisition process from solicitation to the award.</p>				

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#	RECOMMENDATIONS	RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
	<ul style="list-style-type: none"> Require Purchasing staff to Serve as Non-Voting Chairs of All Selection Committees 	Do Not Concur			See below.
<p>AUDITEE COMMENTS:</p> <p>The current system, which provides the Department Director of the end-user agency the authority to serve as the Committee Chairperson or to delegate this authority to a designee, has worked quite effectively for the past twenty years. The number of appeals of Committee decisions by proposers has been only three and this is much less than the number received by other government purchasing agencies. The Purchasing Office and the M/WBE Office are always represented on the Committees by non-voting members that serve as advisors. The Purchasing Agent responsible for the solicitation must remain impartial should a protest occur and the Committee Chairperson must be knowledgeable of all aspects of the service or system being procured. The Purchasing Agent provides training to selected Chairpersons to ensure City policies pertaining to RFPs are understood and followed and assists the Chairperson during the entire evaluation process including the timely resolution of any procedural or legal issues.</p> <p>Please refer to the attached document titled “Differences Between Orange County and City of Orlando RFP Advisory Committee Meeting Practices” prepared by Purchasing.</p>					



CITY OF ORLANDO

To: Beryl H. Davis, Director, Office of Audit Services & Management Support

From: Mike Stieber, Budget Manager

Date: September 10, 2007

Subject: Purchasing Division Process Improvement Review (Report 07-01)
Recommendation 3

Recommendation 3 of the above report reads as follows. "Request that the JDE System budgetary check occur at the time the PO is approved by the client to prevent delays and allow for the timely resolution of funding issues." The Purchasing Division concurred with the recommendation.

The Management and Budget Division is responsible for reviewing the budgetary check and resolving any funding/approval issues. As such, the Finance Department would, respectfully, like to provide input on this issue.

Although we feel that there is no ultimate right or wrong answer as to when the budgetary check should occur (either at the requisition or Purchase Order level), our preference is for this check to occur at the Purchase Order level. This is how the current system configuration is set up.

The budgetary check at the Purchase Order level has worked well. We feel that this is most appropriate considering the City's process and are not aware that there have been any significant delays or drawn out resolutions of funding issues. Requisition amounts entered are often inaccurate. Also, there are requisitions that, for various reasons, never make it to the Purchase Order stage. Budget checking a legitimate Purchase Order, with an accurate total, is the best course of action. Lastly, we feel that it is incumbent upon the personnel doing the requisition input and approval to ascertain that there is sufficient budget for the purchase being requested. If there is not, we are always available to resolve any issues

This recommendation should not be implemented for the reasons outlined.

Thank you very much for your consideration of this request.

c: Jon Mead, Purchasing Director
Kevin Edmonds, General Administration Department Director
Mark Hoover, Software Support Sr. Manager

DIFFERENCES BETWEEN ORANGE COUNTY AND CITY OF ORLANDO RFP ADVISORY /SELECTION COMMITTEE MEETING PRACTICES

	ORANGE COUNTY	CITY OF ORLANDO
WHO CHAIRS COMMITTEE MEETINGS?	County Purchasing and Contracts Division Manager (his Purchasing and Contracts Administrator, or the Contracts Supervisor) chairs all RFP Advisory / Selection Committee Meetings	End-user Technical Expert chairs each meeting
DOES PURCHASING AGENT FOR RFP ATTEND?	YES	YES
WHAT IS THE FUNCTION OF CHAIR?	Chair Only Facilitates the Meeting -- Relying on the Technical Expertise of Voting Committee Members and Purchasing Agent's Familiarity with Proposals	Technical Expert Chairs / Leads the Review and Relies on the attending Purchasing Agent for Procedural Guidance
NUMBER OF RFPs PER YEAR	54	26
AVERAGE NUMBER OF MTGS PER RFP	1	4
AVERAGE NUMBER OF HOURS PER MTG	1	2
AVERAGE HOURS PER RFP	1	8
AVERAGE RFP HOURS PER YEAR	54	208 **
COMMITTEE HEARS PRESENTATIONS?	No (Just Scores from Reviewing Proposals -- County Feels that Presentations give the Proposer a Second Bite from the Apple when the Proposal Should Speak for Itself)	Yes
CHAIR RESPONSIBLE FOR MANUAL MINUTES?	No (Digitally Recorded Because Purchasing Feels it is too Difficult to Record Complete, Accurate Minutes by Hand)	Yes
WHEN ARE MEETINGS HELD?	Only on Wednesday Afternoons --Meeting Slots for Two Different RFPs each Wednesday Afternoon with some Wednesdays Excluded from Scheduling	Any Time -- As Required

CONCLUSIONS

The City and the County treat the RFP Advisory / Selection Committee process very differently.

The Orange County Purchasing and Contracts Division Manager (his Purchasing and Contracts Administrator, or the Contracts Supervisor) acts as RFP Committee Chair Facilitator on Wednesday afternoons with no responsibility for written minutes and no responsibility for hearing hours of presentations. The Committee only meets 1 time for approximate 1 hour to score each proposal. The 54 RFPs last year only required approximately **54** hours of time on Wednesday afternoons.

City of Orlando End-user technical experts (relying on an attending Purchasing Agent for procedural guidance) chair / lead City RFP Committees with the responsibility for the minutes and hearing hours of presentations. On the average, there are approximately 4 meetings of approximately 2 hours each for each RFP -- which can be held at any time. The 26 RFPs last year required approximately **208** hours of time, and each meeting was scheduled at various times. Some meetings lasted for 8 hours.

With the above differences between how the County and the City handle the RFP Committee process, it would be very difficult for the City's Office of Purchasing to assume Chair responsibilities.

CHRONOLOGICAL LISTING OF PURCHASING'S EFFORTS / PROBLEMS WITH RESPECT TO CHAIRING RFP COMMITTEES

When the Office of Purchasing was asked to Chair RFP Committee Meetings, it was initially thought that since the Purchasing Agent assigned to each RFP was already attending his/ her own RFP Committee Meetings, he / she could also Chair said meetings.

However, the Office of Legal Affairs (OLA) pointed out that even though the Purchasing Agent would be a non-voting Chair, he / she would be subject to the Sunshine Law and not be allowed to coordinate / communicate with other voting members of the Committee except in the posted, public-forum meeting.

This restriction on the Purchasing Agent would keep him / her from performing the duties of his / her job with respect to the assigned RFP. Therefore, the Purchasing Agent had to resign from the Chair position.

To avoid the above issue, it was decided it would be necessary to assign the Procurement Manager to the position of non-voting Chair to all RFP Committee Meetings with each Purchasing Agent attending the Committee Meetings of his / her assigned RFPs.

With the above assignment, there will be two staff members from Purchasing attending each RFP Committee Meeting -- which is twice the previous 208-hour requirement.

Not only does this assignment double the number of hours that Purchasing must supply staffing to RFP Committee Meetings, the Procurement Manager would have to attend all Committee Meetings for all the RFPs assigned to all his subordinate Purchasing Agents.

These Committee Meetings can be scheduled for any time -- and with the urgency to conclude the advisory / selection process, meeting conflicts are inevitable.

With the sheer total numbers of RFP Committee Meetings required, this additional assignment is one not easily absorbed into the duties of the Purchasing Manager.

This additional assignment also interferes with the Purchasing Manager's ability to provide the customer service necessary in the execution of his position -- since he (as non-voting member of each RFP Committee) cannot talk to the other members of each Committee about that RFP outside each Committee Meeting.

With the number of RFPs (multiplied by the number of meetings for each) plus the number of other Committee Members from various RFP Committees working throughout the City, it would become difficult for the Procurement Manager to differentiate which City employees were on which Committees -- and he would, therefore, find it difficult to talk to any customer (at ease) for fear of violating the Sunshine Law.