

Memorandum



CITY OF DALLAS
(Report No. A15-012)

DATE: August 14, 2015
TO: Honorable Mayor and Members of the City Council
SUBJECT: Audit of the Department of Business Development and Procurement Services' Internal Controls for Request for Proposal Procurements¹

The Department of Business Development and Procurement Services' (BDPS) internal controls for Request for Proposals (RFPs) do not ensure the:

- RFPs are processed timely
- Effectiveness of the RFP process
- RFP documentation is proper, complete, and retained

The issues and associated recommendations resulting from this audit are discussed in more detail on the following pages. In addition, please see Attachment I for Background information related to the audit.

Background

The BDPS administers the City of Dallas' (City) centralized purchasing system and is responsible for ensuring all procurement processes comply with Federal, State, and local procurement laws.

Request for Proposals

An RFP defines the City's needs for performance of a particular consulting, service, revenue, or similar project; its objectives, scope of work, evaluation and qualifications criteria, and other pertinent facts needed to prepare a proposal to perform the requested work for the City.

An RFP usually involves who is most qualified to receive a contract, as opposed to who has the lowest price. The RFP allows flexibility in procedure, allows negotiation of contract terms, and contemplates a most advantageous award.

Source: BDPS, Administrative Directive 4-05, *Contracting Policy* (AD 4-05)

¹ This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with the Fiscal Year 2012 Audit Plan approved by the City Council. The audit objective was to determine whether processing controls for purchasing and contracting for goods and services were adequate. After the audit was initiated, BDPS retained the services of National Institute of Governmental Purchasing (NIGP) consultants to conduct a procurement process review/operations improvement and efficiency review. As a result, this audit was limited to internal controls for Request for Proposals (RFPs). The audit scope included RFP processes and transactions from October 1, 2009 to November 24, 2014. This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective. To achieve the audit objective, we interviewed BDPS personnel; reviewed policies and procedures, the Texas Local Government Code, AD 4-05, NIGP best practices and benchmarks, and the State of Texas Contract Management Guide; tested judgmental samples of transactions; performed various analyses; and, conducted a BDPS customer satisfaction survey.

The RFPs Are Not Processed Timely

The BDPS routinely missed expected timelines for processing RFPs. A judgmental sample of 30 of 168, or 18 percent, of the RFPs presented to the City Council from October 1, 2009 through November 24, 2014 showed that:

- Seventeen of 30 RFPs, or 57 percent, totaling \$135,827,574 were presented to the City Council after the originally estimated date. On average, the RFPs were presented to City Council 144 days after the originally estimated date.
- Sixteen of 30 RFPs, or 53 percent, totaling \$130,619,619 took longer to process than BDPS' expected 22 weeks (154 days²). On average, the RFP processing took an additional 157 days longer than BDPS expected.

Timely RFP processing is not completely within BDPS' control. In addition to BDPS, the department initiating the procurement and the City Attorney's Office participate in the RFP process. Delays in RFP processing whether created by BDPS or by other involved departments may: (1) reduce BDPS' operational efficiency; (2) disrupt City of Dallas' (City) services; and, (3) cause City departments to continue to operate under expired contracts.

The RFPs were not processed timely because BDPS' policies and procedures do not include appropriate policies, standards, and procedures to measure and improve the timeliness of RFP processing as follows:

- Stated policy that establishes an expectation for the timely completion of RFPs within certain parameters, such as 154 days
- Adopted standards for the timely completion of each step in the RFP process, including those steps that are not directly within BDPS's control
- Procedures to:
 - Benchmark the actual time it takes to complete each step within the RFP process and the final RFP
 - Compare actual results of RFP processing against the adopted standards to evaluate opportunities to further improve timeliness

² In a January 2014 presentation to the City Council, BDPS stated that RFPs are completed within 13 to 22 weeks (91 to 154 days) from the time of receipt of a requisition by BDPS to the date City Council grants approval.

The 2012 National Institute of Governmental Purchasing (NIGP) survey of government entities showed an average RFP process length of 72.3 calendar days from a requisition to issuance of a purchase order or contract. In addition, a BDPS procurement review performed in 2014 by NIGP consultants showed that the length of the RFP process from requisition to purchase order for the cities of Houston, Phoenix, and San Diego ranged between 120 to 150 days.

The BDPS Lacks Certain Internal Controls that Could Improve the Effectiveness of the RFP Process

The BDPS lacks certain internal controls that could improve the effectiveness of the RFP process. As a result, the business community and the citizens of Dallas may lose confidence in the City's procurement process if it is performed without the internal controls used commonly in the procurement industry.

Testing results for a judgmental sample of 30 RFP files totaling \$220,135,703 showed BDPS does not require:

- The BDPS' employees and RFP evaluation committee members involved in the RFP process to complete non-disclosure and conflict of interest statements. (Note: In September 2014, BDPS began requiring non-disclosure statements from RFP evaluation committee members. These non-disclosure statements do include language intended to identify conflicts of interest; however, they are not clearly identified as such.)
- Documentation of the methods used to select members of RFP evaluation committees, including the appropriate number of evaluators and their qualifications

City Policies

"Purchasing shall carefully screen individuals proposed to work on the evaluation committee to ensure that there will be no conflict of interest or other conflict with the City Code of Ethics."

"The evaluation committee will be comprised of at least one (1) designated representative of Purchasing and at least one (1) designated representative of the initiating department, along with designated representatives of other affected user departments. The members of the evaluation committee shall have sufficient expertise in the particular operations of the departments affected by or benefiting from the use of the goods or services to be procured, except that the specific individual or individuals who will be directly responsible for administering the contract to be awarded can only serve as a non-voting member on the committee. The evaluation committee should, to the greatest extent possible, reflect the racial and ethnic diversity of the City of Dallas."

Source: AD 4-05

Best Practice

The State of Texas requires state employees involved in preparing a solicitation to sign and submit a non-disclosure and a conflict of interest statement prior to beginning work on a solicitation. A non-disclosure statement is also required for members of the evaluation committee prior to engaging in any discussion about, or having access to proposal documents.

Source: State of Texas Contract Management Guide

- Documentation of the evaluators' score sheets names, titles, departments, and dates of completion
- Completion of Business Inclusion and Development (BID) evaluations of proposals for revenue collection services in excess of \$250,000

In addition, BDPS does not require documentation of BDPS' periodic review of Administration Directive (AD) 4-05, *Contracting Policy*, to ensure it aligns with changes made by the Texas Legislature to Texas Local Government Code (TxLGC) Chapter 252, *Purchasing and Contracting Authority of Municipalities*. According to BDPS, a review of the following updates to TxLGC 252 was performed; however, BDPS did not document its decision to:

- Use competitive sealed proposal for the purchase of goods.³ The BDPS also did not perform a corresponding update to AD 4-05.
- Leave the threshold for the approval of public works change orders by an administrative official at \$50,000 rather than increase it to \$100,000.⁴

City Council Resolution 08-2826 created the BID Plan to promote inclusion of Minority and Women-Owned Business Enterprises (M/WBEs) by providing equal opportunity for participating in City construction, procurement, and professional services contracts. The BID Plan requires granting evaluation points to encourage a meaningful inclusion of M/WBE participation in response to proposals estimated to be in excess of \$250,000.

Documentation of BDPS' periodic reviews of AD 4-05 alignment with State law allow City management to ensure that the review was performed and that the review covered all relevant legislative updates.

Some RFP Documentation is Not Proper, Complete, and Retained

Some RFP documentation is not proper, complete, and retained. Without proper and complete documentation, BDPS cannot ensure: (1) the terms of the contract match the initial RFP specifications; (2) contracts awarded to proposers with the highest scores are supported by individual score sheets; (3) proposers do not have conflicts of interest that may disqualify them from submitting a proposal; and, (4) all vendors were

³ 80th Legislature (2007) House Bill (HB) 3517 – The bill allows for the competitive sealed proposal process to be used on goods.

⁴ 82nd Legislature (2011) HB 628 adds subsection (c-1) to Section 252.048 – If a change order for a public works contract in a municipality with a population of 500,000 or more involves a decrease or an increase of \$100,000 or less, or a lesser amount as provided by ordinance, the governing body of the municipality may grant general authority to an administrative official of the municipality to approve the change order.

evaluated by the BID Division. Table I below shows the testing results of a judgmental sample of 30 RFP files.

Table I

Results of RFP Documentation Review

Documentation Included in BDPS' RFP Files	Yes	No	Percent Not Included	Amount Tested
Evaluator score sheets ⁵	19	11	37	\$ 53,573,402
BID evaluation memos	23	7	23	20,978,718
Proposers' Conflict of Interest Questionnaire	28	2	7	4,478,773
Signed and dated proposers' Conflict of Interest Questionnaire ⁶	28	2	7	22,869,163
Signed contract	29	1	3	425,000
Contract signature page	29	1	3	7,400,000

Source: Based on information provided by BDPS, 844 solicitations totaling \$1,757,272,884, which also included RFPs, were presented to City Council from October 1, 2009 through November 24, 2014.

The RFP documents are sometimes incomplete or missing because BDPS does not have:

- A standard checklist of documents that should be retained in the RFP files
- Consistent templates for the RFP documentation
- Consistent order of placing documents in each of the RFP files
- A management review of RFP documentation to ensure consistency
- A single location for storing RFP files and individual documents

The AD 2-51, *Records Management*, Section 1, requires City departments “to create accurate and complete records of all city business transactions, to preserve those records in a manner that ensures they have not been lost, damaged or altered without authorization and documentation.”

⁵ The evaluation committee is responsible for evaluating and scoring RFPs “strictly on the basis of the best value criteria and scoring weights or methods shown in the request for RFPs.” The BDPS is responsible for reviewing the evaluation committee’s work and forwarding a recommendation to the City Manager’s Office (CMO) per AD 4-5 Section 7.2.3 (I) (2) & (J).

⁶ The Conflict of Interest Questionnaire (CIQ) is a form used by the City to identify a possible conflict of interest between the proposer and applicable City employee(s). The CIQ is included in the solicitation package provided to potential proposers. The BDPS requires the completed CIQ at the time the proposal is submitted.

According to:

- The AD 4-05, Section 5.8.8, BDPS has to *“ensure that contracts are signed by the appropriate parties and that copies of signed contracts are provided to the City Attorney's Office, City Secretary's Office (the original record copy), Purchasing, and City Controller's Office Accounts Payable and Cost Accounting.”*
- The TxLGC Chapter 176 *Disclosure of Certain Relationships with Local Government Officers; Providing Public Access to Certain Information*, Section 176.006 a Conflict of Interest Questionnaire (CIQ) must be filed with the records administrator of the local governmental entity no later than the seventh business day after the date the person becomes aware of facts that require the statement to be filed.
- The BDPS' BID Guide, Section 7(G), BID Program should evaluate compliance with the BID Plan for contracts in excess of \$250,000.

An August 8, 2006 City Manager memorandum requires that effective October 1, 2006 the winning proposer sign the contract prior to City Council approval. Compliance with this requirement cannot be determined without including in the contract a *“date”* line to be completed when the contract is signed.

We recommend the Director of BDPS:

- I. Ensure timely processing of RFPs by including in BDPS' policies and procedures appropriate policies, standards, and procedures to measure and improve the timeliness of RFP processing as follows:
 - Establishing an expectation for the timely completion of RFPs within certain parameters, such as a specific number of days or service type
 - Adopting standards for timely completion of each step within the RFP process, including those steps that are not directly within BDPS' control
 - Benchmarking the actual time it takes to complete each step within the RFP process and the final RFP
 - Comparing actual results of RFP processing against the adopted standards to evaluate opportunities to further improve timeliness

II. Improve the effectiveness of the RFP Process by requiring:

- City employees in the departments initiating the procurements to complete non-disclosure statements and conflict of interest statements
- BDPS' employees involved in preparing the RFP and evaluating the proposals to complete non-disclosure statements and conflict of interest statements
- Evaluation committee members complete conflict of interest statements
- Documentation of the methods BDPS used to select members of RFP evaluation committees, including the appropriate number of evaluators and their qualifications
- Documentation of the evaluators' names, titles, departments, and dates of completion of the evaluator score sheets
- Signature date line to be included in contracts
- Documentation of BDPS' periodic reviews of AD 4-05 to ensure it aligns with the Legislative changes made to TxLGC

III. Improve the effectiveness of the RFP Process by considering the inclusion of BID evaluations for revenue collection services in excess of \$250,000

IV. Update AD 4-05 to align with TxLGC Chapter 252 that allows the use of competitive sealed proposals for the purchase of goods

V. Enforce consistency in RFP documentation and filing by requiring:

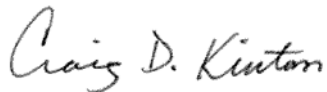
- A standard checklist of documents that should be retained in the RFP files
- Consistent templates for the RFP documentation
- Consistent order of documents placed in each of the RFP files
- Periodic management review of RFP documentation for consistency
- A single location is used for storing RFP files and individual documents

Prior to revising the audit objective to focus on internal controls for RFPs, the Office of the City Auditor (Office) conducted a BDPS customer satisfaction survey for the various services provided by BDPS. The survey results showed BDPS' highest satisfaction rating was in the area of team courtesy with 33 percent of the survey respondents being very satisfied and 56 percent satisfied. The lowest satisfaction rating was setting up master agreements in a timely manner where 38 percent of the survey respondents were moderately satisfied and 38 percent were not satisfied. Please see Attachment II for the complete survey and results.

Please see Attachment III for management's response to the recommendations made in this report. Also, please note that the BDPS Director did not indicate agreement or disagreement with Recommendation III to consider the inclusion of BID evaluations for revenue collection services. According to BDPS, the BID policy does not currently pertain to revenue contracts and a change in policy would require direction from the City Council. The City Council may wish to consider whether or not to include revenue collection contracts in the City's BID policy.

We would like to acknowledge management's cooperation during this audit. If you have any questions or need additional information, please contact me at 214-670-3222 or Carol Smith, First Assistant City Auditor, at 214-670-4517.

Sincerely,



Craig D. Kinton
City Auditor

Attachments

C: A. C. Gonzalez, City Manager
Jeanne Chipperfield, Chief Financial Officer
Warren M. S. Ernst, City Attorney
Ileana Fernandez, Senior Executive Assistant City Attorney
Michael Frosch, Director – BDPS
Stephanie Cooper, Assistant Director – BDPS
Mario Alvarado, Procurement Manager – BDPS

ATTACHMENT I

Background

The BDPS administers the City of Dallas' (City) centralized purchasing system and is responsible for ensuring all procurement processes comply with Federal, State, and local procurement laws. The BDPS also ensures an open competitive bidding process by reviewing specifications jointly with City departments, obtaining bids through advertising and direct solicitation, establishing and monitoring master agreements (term contracts and agreements), and issuing purchase orders. The BDPS is International Organization for Standardization (ISO) 9001 certified and has outlined its current procedures in its Quality Management System Manual.

Texas Local Government Code Chapter 252, *Purchasing and Contracting Authority of Municipalities*, governs the City's procurement process and prescribes competitive sealed bidding or competitive sealed proposals for contracts over \$50,000 with some exceptions.

The City's Administrative Directive (AD) 4-05, *Contracting Policy*, prescribes detailed rules for the procurement of goods and services to be compliant with applicable laws regulating the contracting process including Chapter XXII, Section 11, of the City Charter which prohibits City employees and officials from having a direct or indirect financial interest in any contract with the City. It also includes policies to:

- Ensure that all contracting activities are conducted in a uniform and equitable manner
- Encourage competition, prevent favoritism, and obtain the lowest price or best value in the interest of the City and its taxpayers
- Encourage participation by Minority and Women-Owned Business Enterprises (M/WBE) under the Business Inclusion and Development (BID) Plan
- Create and maintain adequate, complete, and user-friendly documentation for contracting activities subject to applicable laws and City policies
- Comply with the Texas Public Information Act

Request for Proposals

The City uses Request for Proposals (RFPs) to solicit procurements exceeding \$50,000 which are selected based on the best value or most advantageous proposal. Based on information provided by BDPS, 844 solicitations totaling \$1,757,272,884, which also includes RFPs, were presented to City Council from October 1, 2009 through November 24, 2014.

The RFP procurement process is comprised of the following four steps:

1. Solicitation

- Develop and publish specifications as required by Texas State Law
- Advertise a minimum two consecutive weeks
- Close by the published time/date

2. Evaluation

- Committee evaluation
- Negotiations on price/terms, etc.

3. Recommendation

- Concurrence on advantageous proposer
- Final verification on recommended proposer's information
- Contract requested (if necessary) – City Attorney's Office

4. Council Consideration

- Provide background, purpose and description of the procurement, history of item
- Submit completed agenda item to City Council for consideration

ATTACHMENT II

Business Development and Procurement Services' Satisfaction Survey Results

The Office of the City Auditor (Office) requested that the Master Agreement /Contract Coordinator⁷ (MAC) in each of the City departments complete a survey of their satisfaction with the services provided by the Department of Business Development and Procurements (BDPS). The BDPS' highest satisfaction rating on page 5 of this attachment was in the area of team courtesy with 33 percent being very satisfied and 56 percent satisfied.

RFP Related Results

The following survey responses to RFP related areas were identified as needing improvement (see tables on the following pages):

Question 1c – Turnaround time to get an order placed once it has been submitted to BDPS: 26 percent were moderately satisfied and five percent were not satisfied

Question 2 – Turnaround time to get a purchase order once the requisition has been approved by BDPS: 23 percent were moderately satisfied and 23 percent were not satisfied

Question 3j – Setting-up master agreements with sufficient information: 38 percent were moderately satisfied and 15 percent were not satisfied

Question 3k – Renewing master agreements in a timely manner: 38 percent were moderately satisfied and 38 percent were not satisfied

Question 4g – Kept up-to-date on the status of your orders: 36 percent were moderately satisfied and 18 percent were not satisfied

⁷ **Survey:** The Office of the City Auditor (Office) requested that the Master Agreement Coordinator/Contract Coordinator (MAC) for the following departments (35) to complete a survey: (1) Aviation; (2) City Attorney's Office; (3) City Manager's Office; (4) City Secretary's Office; (5) Civil Service; (6) City Controller's Office; (7) Code Compliance Services; (8) Communication and Information Services; (9) Convention and Event Services; (10) Court and Detention Services; (11) Cultural Affairs; (12) Dallas Fire-Rescue; (13) Dallas Police Department; (14) Dallas Water Utilities; (15) Development Services; (16) Economic Development; (17) Equipment and Building Services; (18) Fair Housing Office; (19) Housing/Community Services; (20) Human Resources; (21) Judiciary; (22) Library; (23) Mayor and City Council; (24) Office of Emergency Management; (25) Office of Environmental Quality; (26) Office of Financial Services; (27) Office of Risk Management; (28) Park and Recreation; (29) Public Information Office; (30) Public Works; (31) Sanitation Services; (32) Strategic Customer Services; (33) Street Services; (34) Trinity Watershed Management; and, (35) WRR Radio. The auditor sent the survey request to the MACs on July 23, 2014 and received the survey responses through November 7, 2014 from 39 MACs.

Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

Question 5b – Understanding of contractual authority: 23 percent were moderately satisfied and five percent were not satisfied

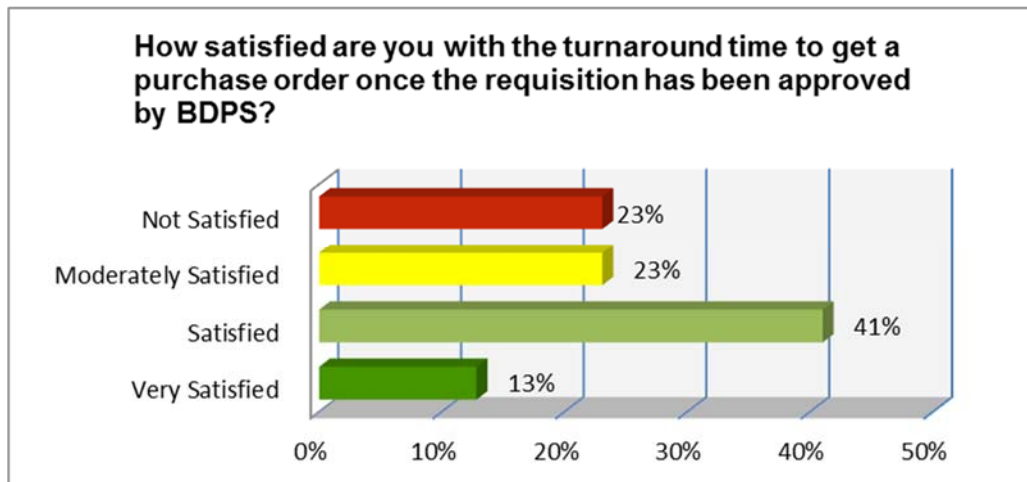
Question 6: Overall satisfaction with BDPS services: 26 percent were moderately satisfied and 16 percent were not satisfied

Question # 1

How satisfied are you with the turnaround time to get an order placed once you have submitted it to BDPS?	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied	N/A
	Percent				
a. An informal bid (IFS) not exceeding \$50,000	5	46	15	15	18
b. A formal bid (RFB) exceeding \$50,000	3	33	23	13	28
c. A request for proposal (RFP)	5	33	26	5	31
d. A request for competitive sealed proposal (RFCSP)	8	26	21	5	41
e. An emergency procurement	8	41	10	10	31
f. A sole source procurement	18	31	15	13	23
g. A single bid procurement	8	26	21	13	33

Note: Minor differences are due to rounding

Question # 2



Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

Question # 3

How would you rate your satisfaction with the services provided by BDPS in the following areas?	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied	N/A
			Percent		
a. Requests for product information	10	38	23	5	23
b. Knowledge of commodities	21	41	21	8	10
c. Help with vendors when problems occur	15	38	31	5	10
d. Requests for assistance with complex purchases	13	41	21	8	18
e. Sourcing qualified vendors	8	49	15	8	21
f. Contract review	8	46	10	18	18
g. Pricing	5	51	21	10	13
h. Meeting delivery dates	5	54	21	13	8
i. Best value evaluation	5	38	33	5	18
j. Setting up Master Agreements with sufficient information	8	31	38	15	8
k. Renewing Master Agreements in a timely manner	5	15	38	38	3

Note: Minor differences are due to rounding

Question # 4

How would you rate the overall performance of BDPS' team in the following areas?	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied	N/A
			Percent		
a. Courtesy	33	56	10	0	0
b. Knowledge of products and vendors	15	46	31	8	0
c. Positive problem solving attitude	21	49	23	8	0
d. Promptness of returning calls and e-mails	21	38	31	10	0
e. Willingness to address your needs	18	51	23	8	0
f. Responsive to request for special assistance	23	38	26	8	5
g. Kept up to date on the status of your orders	8	38	36	18	0
h. Rush and emergency orders are accommodated	8	41	28	8	15

Note: Minor differences are due to rounding

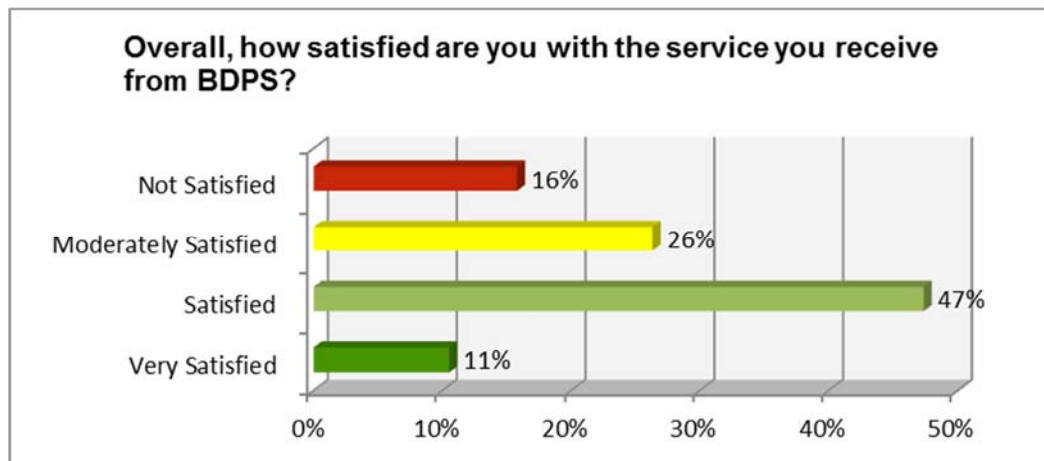
Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

Question # 5

How would you rate your understanding of the following?	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied	N/A
			Percent		
a. Spending authority	26	49	10	8	8
b. Contractual authority	23	44	23	5	5
c. Preferred vendors	23	46	18	8	5
d. Bid threshold	26	46	8	8	13
e. Terms and conditions	18	49	15	5	13

Note: Minor differences are due to rounding

Question # 6



Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

BDPS Customer Survey					2014
Question	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied	Not Applicable
1. How satisfied are you with the turnaround time to get an order placed once you have submitted it to BDPS? (Respond where applicable)					
a. An informal bid (IFS) not exceeding \$50,000					
b. A formal bid (RFB) exceeding \$50,000					
c. A request for proposal (RFP)					
d. A request for competitive sealed proposal (RFCSP)					
e. An emergency procurement					
f. A sole source procurement					
g. A single bid procurement					
2. How satisfied are you with the turnaround time to get a purchase order once the requisition has been approved by BDPS?					

Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

BDPS Customer Survey	2014
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Question	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied	Not Applicable
3. How would you rate your satisfaction with the services provided by BDPS in the following areas?					
a. Requests for product information					
b. Knowledge of commodities					
c. Help with vendors when problems occur					
d. Requests for assistance with complex purchases					
e. Sourcing qualified vendors					
f. Contract review					
g. Pricing					
h. Meeting delivery dates					
i. Best value evaluation					
j. Setting up Master Agreements with sufficient information					
k. Renewing Master Agreements in a timely manner					

Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

BDPS Customer Survey					2014
Question	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied	Not Applicable
4. How would you rate the overall performance of BDPS' team in the following areas?					
a. Courtesy					
b. Knowledge of products and vendors					
c. Positive problem solving attitude					
d. Promptness of returning calls and emails					
e. Willingness to address your needs					
f. Responsive to request for special assistance					
g. Kept up to date on the status of your orders					
h. Rush and emergency orders are accommodated					
5. How would you rate your understanding of the following?					
a. Spending Authority					
b. Contractual Authority					
c. Preferred Vendors					

Management's Response

Memorandum

RECEIVED

JUN 22 2015

City Auditor's Office



CITY OF DALLAS

DATE: June 22, 2015

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report:
Audit of the Department of Business Development and Procurement Services' Internal Controls for Request for Proposal Procurements

Our responses to the audit report recommendations are as follows:

Recommendation I

We recommend the Director of BPDS Ensure timely processing of RFPs by including in BDPS' policies and procedures appropriate policies, standards, and procedures to measure and improve the timeliness of RFP processing as follows:

- Establishing an expectation for the timely completion of RFPs within certain parameters, such as a specific number of days or service type
- Adopting standards for timely completion of each step within the RFP process, including those steps that are not directly within BDPS' control
- Benchmarking the actual time it takes to complete each step within the RFP process and the final RFP
- Comparing actual results of RFP processing against the adopted standards to evaluate opportunities to further improve timeliness

Management Response / Corrective Action Plan

Agree Disagree

BDPS agrees with recommendation I, which recommends establishing standards explicitly to improve timeliness for completing RFP's.

BDPS agrees to work with the Communication and Information Services Department to seek a recommendation on a project management solution to track the numerous stages within the procurement cycle. Tracking the timeline will provide opportunities for further efficiencies and continuous improvement.

Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

The BDPS policies and procedures provide guidelines for each step within the procurement cycle with the clear understanding of the varying levels of complexity and due diligence being required depending on the procurement. BDPS differs from many other agencies that only manage the solicitation process; BDPS' procurement process encompasses all detailed aspects of the process to include completion of specifications through compliance of all terms and conditions to the execution of the resulting contract. Each solicitation, regardless of the method of solicitation used (Informal, Request for Bid, Request for Proposal), has its own characteristics and complexities. Additionally, other factors such as the number of responses, vendor questions, site visits, and the level of contract negotiations have an impact on the number of events and completion schedule of each project. The major differences between a Request for Bid and the Proposal process are the ability for the vending community to provide solutions to the City's needs and the ability to negotiate contract terms. To understand the complexity of the Proposal process, the evaluation steps should be clearly understood. Unlike the low bid process, an evaluation team is convened to review proposal submissions and participate in vendor presentations. The process also allows for multiple submissions known as Best and Final Offers which further differentiates the process from the low bid process. Finally, contract negotiations with the highest ranked proposer(s) are conducted often including members of the City Attorney's Office and the proposer's legal staff.

The City Auditor's Office judgmental sample (30 projects), were some of the more complex projects within the City of Dallas over the five year audit period. This audit specifically addressed the Request for Proposal process and did not take into account the other procurement workload within BDPS. It should be noted that for the same audit period, BDPS processed a total of 1,029 projects requiring Council consideration totaling \$2,238,394,036. The judgmental RFP samples represented 3.5% of the total agenda items or 12% of the total dollars of the overall agenda items BDPS processed for the same audit period.

BDPS' primary focus is to comply with all Federal, state and local procurement regulations. Secondly, BDPS ensures specifications are clear to the vending community to encourage competition. Although BDPS would be in favor to establishing a project management system, the system will be in place to provide data for comparison purposes rather than to meet a predetermined schedule. BDPS will continue to process each procurement request with due diligence and timeliness meeting all applicable policies and statutes. BDPS will however, review the use and purpose of the current timeline form to ensure information used therein accurately serves the project.

Implementation Date

March 2016

Responsible Manager

Purchasing Agent/Assistant Director

Recommendation II

We recommend the Director of BDPS improve the effectiveness of the RFP Process by requiring:

- City employees in the departments initiating the procurements to complete non-disclosure statements and conflict of interest statements
- BDPS' employees involved in preparing the RFP and evaluating the proposals to complete non-disclosure statements and conflict of interest statements
- Evaluation committee members complete conflict of interest statements
- Documentation of the methods BDPS used to select members of RFP evaluation committees, including the appropriate number of evaluators and their qualifications
- Documentation of the evaluators' names, titles, departments, and dates of completion of the evaluator score sheets
- Signature date line to be included in contracts
- Documentation of BDPS' periodic reviews of AD 4-05 to ensure it aligns with the Legislative changes made to TxLGC

Management Response / Corrective Action Plan

Agree

Disagree

BDPS agrees with recommendation II. BDPS agrees to implement a process that requires individuals serving in capacities impacting a solicitation and/or award recommendation process to complete a document that addresses non-disclosure and conflict of interest for respective procurement projects.

Audit of the Department of Business Development and Procurement Services Internal Controls for Request for Proposal Procurements

BDPS implemented a non-disclosure practice in September 2014, requiring all evaluation team members' review and signature. The form was created after reviewing the State of Texas process and in consultation with the City Attorney's Office. The form included language specifically intended to address any potential conflict of interest. BDPS will modify the form to include separate sections for conflict of interest and non-disclosure. Additionally, BDPS will require internal procurement staff to complete a conflict of interest statement annually.

BDPS agrees to document the names, title and department of the evaluation committee members serving on each proposal evaluation. The requesting department(s) and BDPS rely on City staff to serve on procurement evaluation committees; each committee member is selected by the department based on sufficient expertise in reference to respective projects and in accordance to the AD 4-5. Every effort is made to ensure the evaluation team reflects the racial and ethnic diversity of the City of Dallas.

BDPS agrees to modify the existing evaluation form score sheets to include evaluator's names, title, department and date score sheet was completed.

The contract documents are created by the City Attorney's Office. BDPS will consult with the City Attorney's Office on the requested change to the contract signature line.

BDPS agrees to review the AD 4-5 periodically to ensure it aligns with prevailing processes and procedures. The City Attorney's office shall be included in the review for legislative changes made to the Texas Local Government Code.

BDPS, in consultation with the City Attorney's Office have been working on revisions to AD 4-5 over the last 9 months. The document will be circulated for comments this fiscal year.

Implementation Date

January 2016

Responsible Manager

Assistant Director/Purchasing Agent

Recommendation III

We recommend the Director of BPDS improve the effectiveness of the RFP Process by considering the inclusion of BID evaluations for revenue collection services in excess of \$250,000.

Management Response / Corrective Action Plan

Agree Disagree

BDPS is following the City Council policy(Resolution 08-2826).

The current Business Inclusion Policy specifically addresses City's expenditures not revenue contracts. The policy was adopted based on the completion of an Availability and Disparity Study and any recommendation to modify the current Council policy on inclusion would require Council direction.

Recommendation IV

We recommend the Director of BPDS update AD 4-05 to align with TxLGC that allows the use of competitive sealed proposal for the purchase of goods.

Management Response / Corrective Action Plan

Agree Disagree

Implementation Date

January 2016

Responsible Manager

Assistant Director/Purchasing Agent

Recommendation V

We recommend the Director of BPDS enforce consistency in RFP documentation and filing by requiring:

- A standard checklist of documents that should be retained in the RFP files
- Consistent templates for the RFP documentation
- Consistent order of documents placed in each of the RFP files
- Periodic management review of RFP documentation for consistency
- A single location is used for storing RFP files and individual documents

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Management Response / Corrective Action Plan

Agree Disagree

BDPS agrees with recommendation V. BDPS will develop appropriate files, templates, checklists and procedures to manage control of documents associated with future procurement projects processed by BDPS. The implementation of the templates, checklists and procedures will standardize the procurement files and the documentation contained therein. Periodic management review of RFP documentation will be performed on an ongoing basis. All files are (or will be) stored in single location and archived according to the City's document retention records.

It should be noted that BDPS does not have a record management system to electronically file all applicable files in one electronic file. The procurement process is a paper driven process with thousands of responses being submitted annually. BDPS began scanning contract documentation within the City's financial system in 2012. Additionally, individual electronic file folders were created in both the procurement and BID compliance areas to assist in electronic storage.

Implementation Date

January 2016

Responsible Manager

Assistant Director/Purchasing Agent

Sincerely,



Michael Froesch
Department of Business Development
and Procurement Services

6/22/15



Jeanne Chipperfield
Chief Financial Officer

C:

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