



FORENSIC

DeKalb County Board of Commissioners

Purchasing and Procurement Analysis

March 10, 2008

ADVISORY

Phase I

- **Reviewed the following documents:**
 - **December 10, 2004 and January 22, 2008 Policy/Procedure for Purchasing Administration (“Policy”)**
 - **DeKalb County Code Sec. 18. Purchasing; contracts**
 - **November 14, 2007 Internal Audit Report and November 21, 2007 Addendum**
 - **Internal Audit Work Papers**

Phase I

- **Gathered and reviewed all available contracts for the following Information Systems (“IS”) vendors:**
 - **EMA, Inc (“EMA”)**
 - **Basic Commerce and Industries (“BCI”)**
 - **Scicom Infrastructure Services, Inc (“Scicom”)**
 - **ISPA, Inc (“ISPA”)**
- **Gathered PO data for above four vendors**
- **Interviewed ten County employees (Purchasing, Contracting, Finance, Internal Audit, Office of BOC, IS, HR)**
- **Obtained an understanding of the procurement process in Oracle**

Phase II

- **Selected a sample of thirty-three vendors from nine different categories in Oracle:**
 - **Services. Professional**
 - **Services. Professional. Consulting**
 - **Services. Professional. Engineering**
 - **Services. Technology**
 - **Services. Technology. Computer Equipment Installation**
 - **Services. Technology. Computer Equipment M&R**
 - **Services. Technology. Software Implementation**
 - **Services. Technology. Software Maintenance**
 - **Services. Technology. Training**

Phase II

- **Gathered PO data for the thirty-three vendors (2,184 POs)**
- **The thirty-three vendors represent the following services:**
 - **IS Consulting**
 - **Athletic and Recreational Contracting**
 - **Site Development/Waste Management/Environmental Engineering**
 - **Systems and Software Engineering**
 - **Entertainment Rental and Concessions**
 - **Legal Services**
 - **Engineering and Constructions**
 - **Land Appraisal and Right-of-Way Acquisitions**
 - **Food Distribution at Senior Center**
 - **Not-for-Profit Economic Development**
 - **Marketing/Public Relations**
 - **Architecture**

Phase II

- **Analyzed a sample of 140 POs to determine if appropriate procedures were followed:**
 - **Were three competitive bids obtained (if required)?**
 - **Was there an RFP (if required)?**
 - **Was BOC approval obtained (if required)?**
 - **Does the payment appear to be after-the-fact?**
 - **Was a contract number identified in either the contract number field or the description field?**
- **Analyzed all POs to determine if any other inconsistencies could be identified**

Phase II

- **Obtained and analyzed all available contracts for the thirty-three vendors (91 contracts)**
- **Compared total amount paid to the total value of all contracts for each vendor**
- **Inquiries with outside IS vendors (BCI and Scicom)**
- **Interviewed ten County employees (Purchasing and Contracting, Fleet Maintenance, Police Department, IS, HR, Finance, CEO's office)**
- **Conducted background checks to determine if a business relationship exists between any relevant party**

Documentation: Code and Policy

Observation

- There is a lack of consistency between the Code and Policy

Findings

- Certain procedures are not being adhered to since it is unclear which document should be followed in certain circumstances
- Lack of clarity and guidance relative to which document to follow

Recommendations

- The Code and the Policy should be reconciled and provide specific details:
 - The Code does not address any POs under \$50,000
 - The Code allows for exceptions to the RFP process for POs purchased under state or federal contracts; this exception is not addressed in the Policy
 - The Code does not address whether the three bid requirement is waived for POs issued under state or federal contracts
 - The Code requires BOC approval for contracts in excess of \$100,000; however, the Policy requires BOC approval for contracts equal to or greater than \$100,000
 - Neither the Code nor the Policy address contracts of POs equal to \$50,000

Documentation: Code and Policy

Observation

- Neither the Code nor the Policy address contracts which are for goods and services

Findings

- The procedures for professional services are not being followed when the contract provides for both services and goods. These contracts are treated as contracts for goods only which are held to less stringent standards.
 - Example Vendor: CDW Government Inc

Recommendations

- It should be determined whether three bids/RFP are needed for the service portion of a contract that contains both goods and services (contract equal to \$87,000 – prof. services of \$42,000 and goods of \$45,000)

Employee Knowledge and Understanding

Observation

- Individuals in one area of the procurement process are not aware of the duties/responsibilities of individuals within other areas the procurement process
 - Purchasers were not aware of the responsibilities of contract administrators and vice versa
- There is no manual which describes the roles and responsibilities of the various positions in the procurement process
- Individual employees were not aware of the specific procedures of the Policy which relate to their job function

Findings

- Employees were unclear of how their job function relates to the whole procurement process
- Procedures in the procurement process were not being followed since the employee was not certain with all the responsibilities associated to their job function
 - Obtaining three competitive bids for POs greater then \$25,000 and less then or equal to \$50,000
 - Obtaining RFPs for POs greater then \$50,000

Employee Knowledge and Understanding

Recommendations

- Employees should be provided with a manual (“how to guide”) which provides the step-by-step procedures in the procurement process and outlines the duties of each job function. All employees must be trained on the manual.
 - An employee must feel empowered to be able to hold others accountable when these procedures have not been properly followed
- Employees should be required to sign a copy of the Policy stating they have read and understood
- Employees should be held accountable for violations of Policy
- Inadequate or incomplete requisitions should be returned to the requestor

Contracts

Observation

- Contract information within Oracle was not always complete or accurate
- Departments other than Contracts are entering into contracts with vendors
- Project Contracts does not automatically feed amendments to a contract to the purchasing module in Oracle
- The contract “amount limit” within the terms section of the purchasing module has to be manually entered

Findings

- Since Project Contracts assigns a contract number prior to the terms of the contract being populated, all necessary information may not be captured within the system
- Amendments to a contract have to be manually changed within the purchasing module in Oracle
 - CH2M Hill, Inc and Jordan Jones and Goulding – the service period on the contract was extended and the expiration date in the purchasing module did not coincide with the extension

Contracts

Findings Cont.

- Information contained in the purchasing module in Oracle does not always match the terms of the contract and the information entered into Project Contracts
 - In one instance, the vendor identified on the contract and in Project Contracts did not match the vendor on the contract purchase agreement in the purchasing module of Oracle
 - In one instance, the contract value in Oracle was \$318,000 higher than the actual contract amount and the amount listed in Project Contracts
- Employees within the contracts department noted that they would receive fully executed contracts with a memo from the Executive Assistant requesting a number be assigned to the contract – “Kiss and Ship”
 - Scicom
 - Roy Ashley and Associates
 - Samit Roy
- In a sample of nine contracts, the “amount limit” in seven of them was left blank; thus, there was no ceiling on the contract value in Oracle

Contracts

Recommendations

- Project Contracts should require certain terms to be populated prior to the contract number being assigned
- Project Contracts should automatically feed all new and amended contracts into the purchasing module in Oracle
- Manual changes to a contract in Oracle should not be allowed, all changes should be entered into Project Contracts by the original contract administrator
- Drafting of contracts or assignment of POs should be the responsibility of the contracts department
- The contract “amount limit” field in the purchasing module should be automatically linked to the “contract value” field in Project Contracts
- Documentation should be maintained for “sole source” contracts

Contracts

Observation

- Oracle does not require a contract number be entered into the contract number field
- Contract numbers were referenced in the description fields within Oracle
- Certain vendors performed professional services without contracts

Findings

- In certain cases, POs failed to display contract numbers in the contract number field
 - Of the 140 POs sampled, 21 had a contract number in the contract number field
- Some contract numbers were referenced in the description and not in the contract number field
 - Of the 140 POs sampled, 30 had valid County contracts in the description field but not in the contract number field
- Professional services were being performed without a contract
 - Of the 33 vendors we reviewed, 20 had contracts

Recommendations

- There needs to be a clear definition of what constitutes “professional services”; and therefore, requires a contract
- Regardless of amount, Oracle should mandate a contract number be entered into the contract number field to properly account for professional service contracts
- Professional service requisitions should be routed to the contracts department so a contract administrator can draft a contract or determine if a contract already exists

State and Federal Contracts

Observation

- The County uses state/federal contracts
- Oracle does not allow for non-County (state/federal) contract numbers to be entered into the contract number field

Findings

- 31 of the 140 sampled contracts make reference to a state/federal contract
- None of the 31 POs contained any type of agreement between the County and the vendor; therefore, there was no limit to the amount of money that could be spent under these state/federal contracts
 - Total value of the 31 POs is \$1.8 million
- POs were issued under state/federal contract for one vendor when the actual contract was with a different vendor
 - Of the 140 POs sampled, 10 POs reference GS-35F-4742H, which is a contract number assigned to ST Net, Inc (who is not a vendor for the County)
 - The Director/Acting Director of IS approved at least 3 of these 10 POs
- No RFP/bids were identified for POs issued under another state's contract

State and Federal Contracts

Recommendations

- For POs issued under a state/federal contract, the County should require an agreement which defines the time, payment and scope of services to be rendered under the state/federal contract. These agreements should be given a County “contract number” so they can be referenced in the contract number field of Oracle.
- State/federal contract numbers used should match the vendor identified in Oracle
- Similar to County contracts, POs issued under another state’s contract should follow the proper competitive bids/RFP process
- The director for each department should appoint the individual who will be representing their department on the RFP selection committee

Contract Value

Observation

- Professional service vendors were paid more than the value of their contracts
- Professional service vendors were paid without contracts

Findings

- Vendors with contracts were paid \$10.9 million in excess of contract amounts (see Payments that Exceed Contract Value)
 - There is not always a link between the PO and the contract number, which results in contract values are not being reduced as POs are issued
 - There is no established contract limit because the “amount limit” field within the purchasing module of Oracle was not populated
- Vendors without contracts were paid in excess of \$5.4 million (see Payments to Vendors without Contracts)

Contract Value

Recommendations

- Professional service POs should contain a link to a valid contract number
- The “amount limit” field should be equivalent to the amount on the contract
- Professional service POs should be issued by a contract administrator to ensure that the proper procedures were followed
- “User” departments should be held accountable for adhering to the terms of their department’s contract
- Vendors should be made aware of County policies and procedures and be held accountable to those and terms of the contract

Payments that Exceed Contract Value

Vendor	Amount Paid*	Contract(s) Value
Basic Commerce and Industries	\$2,199,496	\$988,861
Elzra Johnson Jr	\$43,775	\$22,000
EMA, Inc	\$3,665,030	\$50,000
First Serve Inc	\$212,920	\$152,500
G4 Enterprise LLC	\$2,684,557	\$50,000
Lee P Brown and Associates	\$313,319	\$53,000
Profile Marketing and Public Relations LLC	\$45,900	\$29,700
RGA and Associates	\$85,710	\$28,910
Scicom Infrastructure Services	\$3,117,058	\$422,800
Vector Consulting	\$427,831	\$50,000

*Although these vendors appear to be professional services vendors, some payments may be for both goods and services. As of February 7, 2008.

Payments to Vendors without Contracts

Vendor	Amount Paid*	Contract(s) Value
Aldo Stancato	\$97,000	\$0
Atlantic Coast Consulting Inc	\$85,965	\$0
Bob's 1 2 3 Jump	\$38,665	\$0
Boykins Edwards Jr	\$5,150	\$0
Green Forest Social Ministry	\$47,908	\$0
Idea Integration	\$193,600	\$0
ISPA Inc	\$3,220,403	\$0
Jackson and Tull Chartered Engineers	\$914,880	\$0
Orange Technologies Incorporated	\$580,780	\$0
Signum Group LLC	\$207,750	\$0
The Lean Group LLC	\$89,990	\$0

*Although these vendors appear to be professional services vendors, some payments may be for both goods and services.
As of February 7, 2008.



Multiple POs Issued on the Same Day

Observation

- Multiple POs were issued to the same vendor on the same day for similar services

Findings

- In forty different instances, the same vendor was issued multiple POs that equaled or exceeded \$50,000
 - Twenty-nine of the forty vendors were issued POs that equaled or exceeded \$100,000
 - Thirty-one of the forty referenced a state/federal contract
- For example:
 - In one day EMA was issued eleven POs, each for \$49,000, and they all referenced the same state/federal contract. Three of these POs reference SAMS II and six reference CJIS.
 - On three different days, G4 Enterprises was issued multiple POs totaling more than \$50,000 for “application development”
 - In one day ISPA was issued six POs, exceeding \$268,000, which all indicated they were approved by the Executive Assistant

Multiple POs Issued on the Same Day

Recommendations

- A contracts director (or designee) should generate a daily report which would identify vendors who:
 - Were issued multiple contracts that have overlapping service periods – this report can be used to determine whether any of the overlapping contracts are for similar services
 - Were issued multiple POs in one day referencing the same contract number
- Buyers/contracts should be assigned a specific good/service on which they focus so they are familiar with the active contracts

Hiring

Observation

- The Director of IS has no authority to adjust his/her organizational structure to meet departmental needs
- There appears to be a lot of “red tape” in hiring process

Findings

- Needs within the IS department were not being met since the Director does not have authority to adjust the organizational structure
- Due to the length of time it takes to hire an individual, qualified IS candidates were no longer available when offered a position

Recommendations

- Allow the Director of IS to expedite the hiring process if a qualified candidate is identified
- The County should limit the time an employee is in an “acting” positions and attempt to permanently fill director level positions

Hiring

Observation

- Vacant job postings are only posted on the County website

Findings

- Non-qualified applicants are applying for jobs that require a specific skill set

Recommendations

- Post job openings which require a specific skill set in other areas than only on the County website (i.e. trade magazines, job fairs, internet job search sites, AJC)

Hiring

Observation

- The IS department tends to hire consultants rather than County employees due to the strict hiring procedures
- County employees do not have the skill set to support all IS applications

Findings

- The IS department is heavily reliant upon consultants
- The IS department is not able to internally support all of its critical functions
- Knowledge needed to support various applications is being retained by consultants and not County employees

Recommendations

- Allow the Director of IS more flexibility when hiring County employees
- Before an IS project is started, ensure that the County can internally support the application and an exit strategy for the consultants is in place

Budget

Observation

- The IS department is solely paying for projects that benefit other departments

Findings

- The IS department is exceeding its budget

Recommendations

- Professional service projects which are related to the IS department and another department should first be approved by both department heads. The department heads should agree on how the costs of these projects will be allocated to the different department budgets. The user departments should be held accountable to pay for their portion of the contract.
- All consultant time sheets should be approved by a County employee prior to being submitted for payment

Code of Ethics

Observation

- There is no formal Code of Ethics

Findings

- There is no formal set of standards for employees to reference and follow

Recommendations

- The County should have a formal Code of Ethics. Each employee must sign a verification that they have read and understand the Code of Ethics.
- The County should maintain an anonymous “1-800” line for employee concerns. The call-log should be provided directly to the BOC for review
- Employees must be held accountable with the requirements of the Code of Ethics
- Compliance with the County Code of Ethics must be emphasized by County management – “Tone At The Top”

Implementation

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