



*Cobb County...Expect the Best!*

***INTERNAL AUDIT DIVISION***

***Report Number: 2011-003***

***Analysis of Unit Price Contract  
Agenda Presentations***

***February 3, 2011***

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## COBB COUNTY INTERNAL AUDIT

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*Division Manager*

February 3, 2011

### MEMORANDUM TO COBB COUNTY MANAGER

FROM: Latona Thomas, CPA, Manager 

SUBJECT: Analysis of Unit Price Contract Agenda Presentations

This report presents the results of our Analysis of Unit Price Contract Agenda Presentations. Per your request, we facilitated a review of the methods in which unit price contract agendas are presented to the Board of Commissioners. Our objective was to determine a best practices approach between the Transportation Agency (DOT) and the Water System, which would minimize or eliminate any confusion in the awarding of work under unit price contracts and subsequent agenda presentation.

We met with several staff members of both DOT and the Water System and discussed their approach to unit price contracts from inception to the award of projects. We also discussed the functionality of the Cobb County Project Management Information System as it relates to unit price contracts. The accompanying report is a detailed summary of our analysis along with proposed changes. DOT and Water System staff has reviewed these changes and concur. As such, we believe these changes will minimize any further confusion during unit price contract agenda presentations.

Please contact me at extension 2559 with any questions.

## *Background*

At the request of the County Manager, we facilitated a review of the methods in which unit price contract agendas are presented to the Board of Commissioners (BOC). Both the Transportation Agency (DOT) and Water System use unit price contracts; however, there is a disparity in the way each prepares its agenda items for BOC approval. Our objective was to determine a best practices approach, which would minimize or eliminate any confusion in the awarding of work under unit price contracts and subsequent agenda presentation.

## *Results of Analysis*

During the months of November and December 2010, the Internal Audit Division held meetings with staff members of DOT and the Water System, respectively. During these meetings, we discussed their approach to unit price contracts from inception to the award of projects. We also facilitated a meeting between the two departments regarding the functionality of the Cobb County Project Management Information System (CCPMIS). Below is a summary of those meetings and proposed changes.

Unit price contracts are initiated via a Request for Proposal (RFP) as distributed or made available on the County's website. BOC approval is requested for all responsive bidders, and subsequently contracts executed.

### *DOT*

Subsequent to BOC approval of responsive bidders, a zero value unit price contract is entered into CCPMIS along with each group and individual line item amounts for each approved bidder, and awarded a contract number for future use. When work needs to be awarded, a bid tab spreadsheet<sup>1</sup> is prepared to determine the lowest responsive bidder of all approved unit price contractors. Once the lowest bidder is selected, a regular BOC agenda item is submitted for approval. Per DOT accounting staff, all unit price contract work is generally paid with SPLOST<sup>2</sup> dollars and, therefore, submitted as a regular agenda item regardless of the dollar amount. However, as a general rule for non-SPLOST related funding, only projects costing over \$50,000 are submitted for BOC approval as required.

The current functionality of CCPMIS limits DOT's options for tracking project awards. As such, each project awarded under a unit price contract is reflected as a numerically sequenced supplemental agreement (i.e. SA #1, 2, 3, etc.) to the zero value unit price contract. Consequently, DOT's unit price contract agenda items are presented in the same manner.

The wording in the agenda items read as if DOT was adding supplements to previously awarded work. In fact, the supplemental agreement numbers serve as placeholders to indicate the number of different projects awarded to a unit price contractor during an established unit price contract period.

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<sup>1</sup> A spreadsheet prepared in Microsoft Excel by DOT staff.

<sup>2</sup> Special Local Option Sales Tax.

In addition, if an existing project or award requires an addendum, it would be reflected as the next available supplemental agreement number with a reference back to the original supplemental agreement number or project award (i.e. SA#15 to SA#1). Final change orders are handled in a similar fashion (i.e. CO#1 to SA#1). When additional supplemental agreements or change orders are required to an original project award, a table will be provided within the background section of the agenda item to detail all activity to that respective project award.

Subsequent to the attached March 19, 2010, memo from the County Manager, a bid tab spreadsheet is still prepared to determine the lowest responsive bidder; however, it is used in connection with the revised process below:

- For emergency projects, additional written quotes are requested from approved unit price contract vendors and compared to the bid tab spreadsheet to determine the overall lowest bid amount.
- For non-emergency projects, approved unit price contract vendors are asked to meet at the site of the project to review the specific scope of work and provide a revised bid. Lump sum fixed items may be added during this time instead of person-hours and equipment estimates (i.e. grading and traffic control).

The lowest bidder is then selected and must be equal to or lower than the original unit price contract amounts reflected in the bid tab spreadsheet.

### ***Proposed Changes for DOT***

- Each project under an approved unit price contract will be referred to as a '***work order***' instead of a '***supplemental agreement***'
  - For example, the agenda items will read similar to the following: 'To approve Project No. D8240-WO#1 to the 2009 Countywide Unit Price Contract with XYZ Company (MIS Contract No. 000352) for school zone safety and operational improvements on Bill Murdock Road at Walton High School. (Commission District 3)'

**- or -**

- 'To approve a contract with XYZ Company for drainage system repairs on Kurtz Road, Project No. D2660-WO#1 to the 2009 Countywide Unit Price Contract, MIS Contract No. 000434. (Commission District 3)'

**NOTE: Additional language will be included in the background similar to the following:** 'On May 12, 2009, the Board of Commissioners approved the 2009 Countywide Unit Price Contracts. In an effort to ensure the most competitive pricing possible, current Unit Price contractors were given an opportunity to offer quotes for this project, reflecting current market conditions.'

- Supplemental Agreements<sup>3</sup> and Change Orders<sup>4</sup> will be handled as originally intended.

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<sup>3</sup> Involves a change in the scope of work (i.e. items or services not covered in the original contract).

<sup>4</sup> Involves a change in quantity (i.e. items or services already included in the original contract).

## ***Proposed Changes for DOT, continued...***

- An enhancement to the CCPMIS is needed to :
  - Update the current selections available to include a work order feature
  - Update the CCPMIS interface to export line items
  - Upgrade the CCPMIS to support Internet Explorer 7 and Internet Explorer 8 (already in progress...originally quoted at \$8,880 but negotiated down to \$6,800 of which DOT and Water agreed to split 50% each) NOTE: According to Bryan Gresham, Microsoft no longer supports Internet Explorer 6
  - Remaining quote amount = \$16,320 to be equally divided between DOT and Water (per DOT staff, DOT's portion can be paid using remaining 2005 SPLOST dollars)

NOTE: Overall functionality should be evaluated prior to making this change.

## ***Water System***

Subsequent to BOC approval of responsive bidders, a zero value Microsoft Excel worksheet is prepared to include each group and individual line item amounts for each approved bidder. When work needs to be awarded, a bid tab spreadsheet<sup>5</sup> is prepared to determine the lowest responsive bidder of all approved unit price contract vendors. For projects costing under \$50,000, once the lowest bidder is selected, the project is awarded. Each new project is then entered into the Maximo work order system and given a numerically sequenced work order number (i.e. WO#1, 2, 3, etc.). For projects costing over \$50,000, once the lowest bidder is selected, a consent BOC agenda is submitted for approval as required. These projects are entered into CCPMIS as a new contract.

Subsequent to the attached March 19, 2010 memo from the County Manager, a bid tab spreadsheet is still prepared to determine the lowest responsive bidder; however, it is used in connection with the revised process below:

- For projects where no significant advantage will be gained from providing contractors with the opportunity to revise their unit prices (generally very small projects), and at the direction of the Water System Director, the bid tab spreadsheet is used to determine the lowest bidder.
- For other non-emergency projects, all unit price contractors are provided an opportunity to review the proposed scope of work and adjust their bid unit prices downward to reflect the current workload, economic conditions, or other factors that might lead to a reduction in proposed cost. The lowest bidder is determined by comparing the adjusted bid amounts for each contractor to the bid tab spreadsheet.
- For emergency projects, if time allows, the adjustment process outlined above is utilized. In the unusual circumstance where time does not allow for such an adjustment, the bid tab spreadsheet is used to determine the lowest bidder.

The lowest bidder is then selected and must be equal to or lower than the original unit price contract amounts reflected in the bid tab spreadsheet.

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<sup>5</sup> A spreadsheet prepared in Microsoft Excel by CCWS staff.

## ***Proposed Changes for the Water System***

- Develop a process to pull a report by vendor that reflects each work order or project awarded to a particular vendor for a specific unit price contract period.

## ***Other Proposed Changes (Overall)***

- Written procedures should be developed and maintained by each department to include the most recent March 19, 2010 memorandum from the County Manager.
- The CCPMIS Administrator will hold quarterly user group meetings with staff from both departments to discuss future functionality needs.
- The CCPMIS Administrator will explore the possibility of using CCPMIS to determine the lowest bidder for a project since the information is already in the system for DOT and can be loaded for Water.
- Discuss with the Purchasing Department whether:
  - Purchasing should review RFPs prior to distribution, or
  - Purchasing should develop a checklist that could be used by DOT and Water to ensure all the required elements of a RFP are included and properly reviewed.
- Continue to explore the ongoing possibility of using a Delivery Order (DO).  
*(NOTE: If this process is implemented, further guidance regarding SPLOST-related projects will be needed to eliminate any potential duplication of efforts).*

### *Detailed Objectives, Scope, and Methodology*

Our objective was to determine a best practices approach, which would minimize or eliminate any confusion in the awarding of work under unit price contracts and subsequent agenda presentation.

To accomplish our objective we:

- I. Met with DOT and Water System staff responsible for preparing unit price contract agendas for BOC approval.
- II. During these meetings, we discussed their approach to unit price contracts from inception to the award of projects.
- III. Facilitated a meeting between the two departments regarding the functionality of the Cobb County Project Management Information System (CCPMIS).



*Abbreviations and Glossary*

RFP	Request for Proposal ( <i>original solicitation for unit price bids</i> )
DOT	Department of Transportation
BOC	Board of Commissioners
CCPMIS	Cobb County Project Management Information System
SPLOST	Special Local Option Sales Tax

*Major Contributors to the Report*

Latona Thomas, CPA, Internal Audit Division Manager

*Analysis Distribution List*

David Hankerson, County Manager  
Steve McCullers, Water System Agency Director  
Faye DiMassimo, Transportation Agency Director  
Dan McDuff, Transportation Agency Deputy Director  
Vicki Gardener, Transportation Agency Administrative Division Manager  
Timmy Vaughn, Water System Manager  
Virgil Moon, CPA, Support Services Agency Director  
Mark Kohntopp, Interim Purchasing Director  
Bryan Gresham, CCPMIS Administrator  
Internal Audit Division File

## Memorandum from the County Manager

MAR-19-2010 15:02

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David Hankerson  
County Manager

#### MEMORANDUM

TO: Agency Directors  
Department Managers

FROM:  David Hankerson  
County Manager

DATE: March 19, 2010

SUBJECT: Use of Unit Price Contracts

With the current economy and the state of the construction sector, in many circumstances it should be possible for the County to achieve better pricing than now offered through some current unit price contracts. Specifically, those unit price contracts used for such physical needs as construction, paving, grading, water & sewer related work, stormwater projects and concrete work.

The use of the unit contract prices for such work will only be allowed if justified to the respective department head and in turn by the County Manager. Department project managers are expected to act in one of the following ways:

1. Present job spec's to unit price contractors for quotes with the understanding that prices proposed will be lowered to current market pricing. If considered acceptable this needs to be presented for approval as stated. It is acceptable with contracts to accept lower pricing; not acceptable for higher pricing.
2. Solicit project bids outside of an existent unit price contract. Purchasing needs to be presented a minimum of 3 verbal quotes for jobs under \$10,000 or minimum of 3 written quotes for jobs ranging from \$10,000 to the \$50,000 sealed bid level. Submitted pricing should then be compared to unit contract pricing, with the best pricing being the basis for the County's award.
3. For jobs estimated to exceed the \$50,000 sealed bid level the respective department has the option of (1) negotiating with current unit price contractors for better pricing or (2) to proceed with a formal sealed bid again; comparing outcomes with the unit contract pricing to determine the best pricing for the County to base its award.

Sam Olen, Chairman  
Helen Goreham, District 1  
Bob Ott, District 2  
Tim Lee, District 3  
C. Woody Thompson, District 4

Equal Opportunity Employer

Use of Unit Price Contracts

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**March 19, 2010**  
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This directive does not apply to competitively bid unit price contracts, price agreements, master agreements or maintenance agreements where a commodity (e.g. office supplies, paper, cleaning supplies, carpet, tires) or non-construction service (e.g. janitorial, equipment maintenance) is procured. Neither does it apply to the state contracts, use of other jurisdictions' contracts or those of regional or national purchasing cooperatives (e.g. MICTA and U.S. Communities) as long as they are not furnishing construction or other similar physical services. However, if you find any commodity's pricing to be high contact Purchasing to discuss alternative approaches.

Again, unit price contracts for construction type jobs, involving labor and/or equipment, are not to be used if pricing is not reduced to acceptable current market conditions. How this is to be accomplished is stated above. However, if there are questions please direct them to Rick Brun, Purchasing Director, or Mark Kohntopp, Purchasing Division Manager.

TOTAL P.002