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INTERNAL AUDIT DEPARTMENT

Report Number: 2018-005

***FINAL REPORT – Audit of the Controls over the
Request for Proposals Involving On-site Vendors***

November 16, 2018

***Latona Thomas, CPA, Director
Michelle Swaby, CPA (inactive), PT Senior Internal Auditor
Andrea Clayton, Internal Auditor II
David Murry, Internal Auditor II***

Table of Contents

Transmittal Memorandum	Page i
Background	Page 1
Results of Review	Page 3
Interim Verbal Report	Page 3
RFP Record Retention Compliance Needs to be Reinforced	Page 4
Missing Facilitation/Evaluation Documents	Page 4
DOT RFP Project #X0000	Page 4
Water RFP Project #C0138	Page 5
Other Record Retention Issues	Page 6
<u>Recommendations 1 - 2:</u>	Page 7
<u>Recommendation 3:</u>	Page 8
Additional Oversight/Monitoring Needed at the Countywide Level	Page 8
Inconsistency in the RFP Preparation Phase	Page 8
Inconsistency in the RFP Facilitation/Evaluation Phase	Page 9
Inconsistency in the RFP Award Phase.....	Page 9
<u>Recommendations 4 - 5:</u>	Page 10
Other Control Activities Need to be Revised, Implemented, or Reinforced	Page 10
Policy Revisions are Needed.....	Page 11
<u>Recommendation 6:</u>	Page 12
User Department Training should be Implemented	Page 12
<u>Recommendation 7:</u>	Page 13
Other User Department Internal Monitoring should be Reinforced	Page 13
<u>Recommendations 8 - 9:</u>	Page 14

Appendices

Appendix I – Detailed Objectives, Scope, and Methodology.....	Page 15
Appendix II – Abbreviations	Page 17
Appendix III – Major Contributors to This Report.....	Page 18
Appendix IV – FINAL Report Distribution List	Page 19
Appendix V – Outcome Measures	Page 20
Appendix VI – Auditee’s Response to the Draft Report	Page 21



COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA

100 Cherokee Street, Suite 250
Marietta, Georgia 30090
phone: (770) 528-2556
latona.thomas@cobbcounty.org

Director

November 16, 2018

MEMORANDUM

TO: Rob Hosack, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: **FINAL REPORT** – Audit of the Controls over the Request for Proposals Involving On-site Vendors

Attached for your review and comments is the subject final audit report. The overall objective of this audit was to evaluate the controls over the preparation, facilitation/evaluation, and award of Request for Proposals (RFP) involving selected on-site vendors, and to assess compliance with Cobb County's (the County) Purchasing Policy for Procurement of Professional Services (the Policy) as it relates to the identified projects¹.

Impact on the Governance of Cobb County

The recommendations in this report, if implemented, will strengthen countywide and departmental controls over RFPs involving on-site vendors by the County's departments. County leadership and citizens can be assured that the County's RFP involving process on-site vendors is fair, transparent, effective and efficiently managed.

Executive Summary

We found that countywide controls exist and are adequate but were not followed or applied consistently, and the respective department controls over the preparation, facilitation/evaluation, and award varied among the three referenced RFP processes. PARKS' control activities were deemed adequate; Water's controls were deemed adequate overall with an exception; and DOT's controls were deemed adequate in the preparation phase, but we were unable to conclude on the adequacy of controls in the facilitation/evaluation and award phases because evidence to substantiate the process and results was not available.

¹ Parks, Recreation and Cultural Affairs (PARKS), Department of Transportation (DOT), and the Water System (Water). See 'Background' on Page 1 for further discussion.

We also found that both PARKS and Water complied with the Policy, with an exception noted in Water's RFP process relative to missing documents. For DOT, we were unable to conclude on whether they complied with the Policy because several critical documents were missing.

In addition to the record retention issues, we noted that additional oversight/monitoring is needed, the Policy needs to be revised, and user training needs to be implemented to increase the effectiveness and provide additional assurance on the integrity of the County's RFP process involving its on-site vendors.

Recommendation(s)

We made nine recommendations to address weaknesses in record retention compliance, oversight/monitoring controls, policy revisions, user department training, and coordination between departments regarding reporting.

Responses

The County Manager provided a response to our draft report and concurred with each of the nine recommendations. The complete responses to the draft report are included in Appendix VI. We will perform a follow-up on corrective actions in six months from the date of this report. A copy of this report will be distributed to those affected by the report recommendations. Please contact me at (770)528-2559, if you have questions.

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Background

This project focused on three Cobb County (the County) departments that provide office and working space for vendors² with multi-year management contracts: 1) Parks, Recreation and Cultural Affairs (PARKS); 2) Department of Transportation (DOT); and 3) Water System (Water). In each of these three contractual relationships, the vendor is housed inside the respective County facilities along with department staff. The vendors serve as administrators over a significant number and dollar-value of projects. With the close physical proximity and interrelated business operations there is inherent risk³ relative to segregation of duties. As such, controls are needed to ensure the integrity of the Request for Proposals (RFP) process where the referenced vendors are potential bidders.

PARKS

PARKS has a program management services contract with Moreland Altobelli Associates, Inc. to manage its 2016 Special Purpose Local Option Sales Tax (SPLOST⁴) funded programs and the continuation of the 2011 SPLOST program. The PARKS program management services consist of program management assistance, pre-construction services, and complete construction management services. These services were procured using RFP Sealed Bid #15-6064, and the bid opening date was July 23, 2015.

DOT

DOT has a program management services contract with Atkins North America, Inc. to manage its 2016 SPLOST Transportation Improvements Program (TIP) and the continuation of the 2005 and 2011 SPLOST TIP. DOT's program management services include program management assistance, pre-construction services, right-of-way management/acquisition/appraisal services, and complete construction management services. These services were procured using RFP Project #X0000, and the bid opening date was June 25, 2015.

Water

Water has a construction management services contract with Jacobs Project Management Company to manage its Fiscal Year (FY) 2016 Capital Improvement Program. These services include constructability reviews, easement acquisition, bidding and contract execution assistance, construction contract management, and inspection of water main and sewer line installation and rehabilitation projects for the Water System. These services were procured using RFP Project #C0138, and the bid opening date was June 25, 2015.

Synopsis of On-site Vendor Agreements

On the next page is a synopsis of the on-site vendor agreements to include the contacts terms (i.e. dates, amounts, and funding sources, etc.).

² These three on-site vendors manage interrelated business operations within the referenced departments.

³ Inherent risks are the risks that occur if no controls are implemented to mitigate the risk. [Source: www.theiia.org]

⁴ SPLOST is a financing method for funding capital projects and is a 1% tax levied by the County, as allowed by the State, for funding the building of parks, schools, roads or other public facilities.

Synopsis of the County's On-site Vendor Agreements

Department	Type of Service	Vendor Name	Initial Contract Term ⁵	Initial Contract Term Cost	Subsequent Contract Term	Subsequent Contract Term Cost	Source of Funding
PARKS	Program Management Services over SPLOST projects	Moreland Altobelli Associates, Inc.	1/1/2016-12/31/2017	\$2,722,130	1/1/2018-12/31/2022	County and Vendor to negotiate	PARKS SPLOST Fund
DOT	Program Management Services over SPLOST projects	Atkins North America, Inc.	1/1/2016-12/31/2017	Not to exceed \$20,905,000	1/1/2018-12/31/2023	County and Vendor to negotiate	DOT SPLOST Transportation Improvements Program
WATER	Construction Management Services over Capital Improvement Program Projects	Jacobs Project Management Company	10/1/2015-09/30/2018 ⁶	\$7,049,281	Two consecutive, one-year renewal terms	An annual 2½ percent increase for each billing rate in the agreed upon Hourly Rate Schedule	Water System's Construction Services Program FY2016 Capital Improvement Program

Table 1 – Source: Executed contractual agreements for the respective three departments.

Cobb County Purchasing Policy

The County's 'Policy for the Procurement of Professional Services' (the Policy) applies when the cost of professional services⁷ is expected to exceed \$50,000. As such, each of these contractual agreements were initiated using this Policy and were properly advertised as required.

The scope of our audit focused on the County's the referenced three on-site vendors and the most recent 2015/2016⁸ RFP process. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

⁵ For PARKS and DOT, this represents the first work authorization period.

⁶ Executed contract indicates three years ending 09/30/2019, but we calculated the three-year ending with a start date of 10/1/2015 to be 09/30/2018.

⁷ Per the Policy, "a professional service is a service provided in support of County operations and/or projects from an independent contractor or consultant in a professional occupation or field. A professional occupation is an occupation which requires exceptional qualifications by education and experience in a particular field or discipline to perform a specialized service."

⁸ This audit plan project was initiated but deferred to allow completion of other departmental project priorities and staff changes. The original scope did not have to be revised because contracts with the three on-site vendors are multi-year contracts that have not been re-bid.

Results of Review

Our overall objective of this audit was to evaluate the controls over the preparation, facilitation/evaluation, and award of Request for Proposals (RFP) involving selected on-site vendors, and to assess compliance with Cobb County's (the County) Purchasing Policy for Procurement of Professional Services (the Policy) as it relates to the identified projects. We found that countywide controls exist and are adequate but were not followed or applied consistently among the three referenced departments. We found that the respective department controls over the preparation, facilitation/evaluation, and award varied in the referenced 2015/2016 RFP process⁹. PARKS' control activities were deemed adequate; Water's controls were deemed adequate overall with an exception; and DOT's controls were deemed adequate for the preparation phase, but we were unable to conclude on the adequacy of controls in the facilitation/evaluation and award phases because evidence to substantiate the process was not available. We did note evidence of the Board of Commissioners' (BOC) approval of DOT's vendor selection and contract agreement, but no documentation to support the evaluation results were available.

We also found that both PARKS and Water complied with the Policy, with an exception noted in Water's RFP process relative to missing documents. For DOT, we were unable to conclude on whether they complied with the Policy because the required documentation was not provided.

Interim Verbal Report

Due to the potential risks associated with the critical missing documents for DOT's 2015 RFP Project #X0000, we issued an interim verbal report to the Interim DOT Director, Purchasing Director, and County Manager. We discussed the missing documents, the potential risks and impacts, existing RFP record retention responsibilities and practices, and proposed organizational changes within the Purchasing Department. We recommended that the DOT staff should continue to search for the missing documents; the Purchasing Department should address the RFP record retention weakness; and the County Manager should assess the overall impact of the missing documents on the current contract award. We also noted that the Purchasing Department was in the process of making organizational changes to its existing RFP involvement. Subsequent to our interim verbal report, the County Manager issued a memorandum dated May 21, 2018, notifying all departments that "effective June 1, 2018, the Purchasing Department will begin assigning a Manager or Buyer to serve as a member of all department RFP and RFQ¹⁰ evaluation committees". In addition to serving on committees, the County Manager indicated¹¹ that Purchasing staff "will also be making sure that file documentation is kept in both the user department file as well as a file to reside in the Purchasing Department".

⁹ See 'Background' on Page 1 for specific references.

¹⁰ Request for Qualifications.

¹¹ Source: May 22, 2018 email correspondence.

During our audit, we found other opportunities for improvement in the both the written Policy and the oversight/monitoring of the RFP process at the countywide level, that would create an increased level of effectiveness and provide additional assurance on the integrity of the County's RFP process involving its on-site vendors. In the accompanying pages are further details on the adequacy of controls, areas of noncompliance with the Policy, opportunities for improvement identified, and recommendations.

RFP Record Retention Compliance Needs to be Reinforced

During our fieldwork, we noted weaknesses in the RFP record retention process that included missing facilitation/evaluation documents, and other record retention issues. As a result, the record retention requirements need to be reinforced.

Missing Facilitation/Evaluation Documents

DOT RFP Project #X0000

We noted a critical control weakness where a significant number of documents to substantiate the facilitation/evaluation of DOT's RFP Project #X0000 were missing. Table 2 on Page 6 provides a detailed listing of the facilitation/evaluation documents maintained. Sections XI.C. and XI.D. of the Policy outlines the responsibilities of both the user and Purchasing departments, respectively. Section XII outlines the guidelines for the selection committee composition, evaluation criteria, and cost evaluation. In the RFP in question, DOT staff coordinated each phase of the RFP selection process (i.e. preparation, facilitation/evaluation, and award). We found that BOC authorization was obtained to advertise, conduct a public hearing, and issue the RFP. However, documentation to support the selection committee's composition, oath forms¹², and review, evaluation, and ranking of vendors was missing. Per discussion with DOT and Purchasing staff, the missing information could have been the result of changes in personnel, but no documents were provided, and we were unable to substantiate this assertion. We did note email correspondence of a proposed selection committee, but no approval of the final selection committee, which differed from the proposed group.

We were also unable to determine if the correct evaluation criteria points were used in the selection committee's review and evaluation. Section XII.B. of the Policy states "The weight given to each criterion set forth below¹³ shall be determined by the User Department, approved by the Purchasing Manager, and shall equal 100 points, not including cost". We were provided and reviewed the final RFP package dated May 15, 2015, and noted that the evaluation criteria points totaled 105. Not only is this non-compliant with the Policy, but with the absence of the approved criteria form or any committee evaluation documents, there is no assurance that the correct number of points was used in the evaluation process or the impact on the overall outcome of the ranking or results.

¹² Selection Committee Member Oath Form used to ensure no conflict of interest with proposers exist.

¹³ This term refers to the list of evaluation criteria in the Section XII.B. of the Policy.

We found that DOT obtained BOC approval of the ranking of the top qualified firms and authorization to negotiate the final scope of services and fees with the top ranked firm. The BOC subsequently approved a consolidated contract with Atkins North America, Inc., along with Work Authorization I in an amount not to exceed \$20,905,000. See 'Background' on Page 1 for further information. Although BOC approval was noted, we found no evidence to support the facilitation/evaluation process in this RFP.

Because the RFP process is decentralized and facilitated at the user department level without adequate oversight/monitoring by the Purchasing Department, there is an increased risk of missing or incomplete facilitation/evaluation materials to substantiate contract awards. In addition, BOC approvals and authorizations are based on the County staff's assertion that established policies have been followed, and the absence of documents critical to RFP process can erode County leadership and stakeholder trust.

In addition, the County is required to follow the record retention schedules¹⁴ as provided by the Georgia Archives. While the retention schedules provide no guidelines as to where these documents should be maintained, we believe the user department should maintain working copies of supporting RFP documents, but the Purchasing Department, a quasi-centralized¹⁵ County function, should retain the final copy of contract packages, to include all documents associated with the preparation, facilitation/evaluation, and award. In addition, the RFP record retention compliance need to be reinforced by additional oversight/monitoring at the countywide level.

Water RFP Project #C0138

We found two other record retention issues involving the RFP process involving on-site vendors. Water was unable to produce one of their selection committee member's signed 'conflict of interest' oath form, and no evaluation criteria approval form was generated. Water staff responsible for RFP Project #C0138 indicated that the referenced form was misplaced during the transition from a retiring employee, but we were unable to substantiate this assertion. Water added that it was not their practice to utilize the evaluation criteria approval form unless the evaluation criteria and weights changed from the previous RFP. As such, we agreed the 2015 RFP evaluation criteria to the 2010 RFP criteria, noting that the 'Availability' criteria was expanded to include the County's Local Vendor Presence Program. The 'Financial Stability' criteria also remained the same but was expanded to include the specific areas to be evaluated. The evaluation criteria, although identified in the 2015 RFP, was not approved and maintained by the Purchasing Manager. Approval of the evaluation criteria is designed to serve as evidence that the criteria complies with the Policy and is properly identified to the respective RFP. The absence of such could lead to inaccurate information being disseminated and noncompliance with established procurement practices.

¹⁴ Source: Local Government Record Retention Schedules [https://www.georgiaarchives.org/records/local_government/]

¹⁵ Quasi-centralized is used to explain that the Purchasing Department serves as the centralized contact for procurement functions within the County's organizational structure, but user departments facilitate and oversee their respective procurement activities. In addition, there is currently no compliance function within the Purchasing Department.

Facilitation/Evaluation Documents Maintained

Description of Documents	DOT	PARKS	Water
<i>Selection Committee Approval Form</i>	No	Yes	Yes
<i>Selection Committee Signed 'Conflict of Interest' Oath Form</i>	No	Yes	Yes [One member's oath form missing ¹⁶]
<i>Evaluation Criteria Approval Form</i>	No	Yes	Not used ¹⁷
<i>Bid Evaluation Form</i>	No	Yes	Yes
<i>Final Committee Scores</i>	No	Yes	Yes
<i>Financial Stability Scores</i>	No	Yes	Yes
<i>BOC Approval of Vendor Ranking and Award</i>	Yes	Yes	Yes [Ranking not required ¹⁸]

Table 2 - Source: Compiled by the Internal Audit Department based on evidence provided by the respective departments.

Other Record Retention Issues

During the preliminary phase of our audit, no electronic version of complete contract packages for the three referenced RFPs was maintained except in paper form within the County Clerk's office. The electronic versions of BOC-approved executed contracts did not include attachments or exhibits, including RFP responses. We contacted the County Clerk's office and noted that they had recently revised their procedures and implemented the corrective action to include the complete contract packages online. As such, the County Clerk indicated that all BOC-approved contracts (including attachments and exhibits) that are executed by the Chairman on or after January 2017, would be scanned and made available electronically. We did not test the current operating effectiveness of this revised process and thus cannot provide assurance thereon.

In addition to the County Clerk's corrective action, we believe the use of the existing County contract management repository is the optimum location for housing complete contract documents. We noted that some County documents are being input into the repository, but additional reinforcement is needed to ensure the repository reflects a complete and accurate house of County contracts. Section 5.1 of the County's 'Policy on Procurement and Contract Management' states that "Each department that originates a contract shall keep a signed original copy of the contract in the department's file". Also, there are no requirements nor is it Purchasing's practice to maintain copies of complete contract packages. Effective use of the contract management repository will reduce the number of paper copies maintained throughout the County, minimize the risk of incomplete contract documents being maintained, and can be used as a method of contract monitoring. Easily accessible complete contract packages using the repository will assist user departments in effectively overseeing and monitoring contract compliance to protect the interests of Cobb County.

¹⁶ See 'Water RFP Project #C0138' on Page 5.

¹⁷ Water did not use as a matter of department practice. See discussion in the 'Water RFP Project #C0138' section on Page 5.

¹⁸ Based on the procurement selection method used.

Maintaining documents in accordance with the County's purchasing policies is critical to ensuring that a fair, transparent, and unbiased review and evaluation is afforded to each prospective bidder or responder to a RFP. RFP documents also serve as evidence that user departments are meeting their responsibility of procuring contracted services of the highest quality at the most reasonable cost through fair and open competition. In addition, compliance with record retention guidelines (documents maintained as evidence) is critical to substantiate proper segregation of duties between County staff and on-site vendors. See 'Interim Verbal Report' section on Page 3 for interim corrective actions taken.

Recommendations

The County Manager should:

Recommendation 1: Coordinate with the County Attorney's office to determine the impact of the missing Department of Transportation facilitation/evaluation documents on the existing contract, document the results, and proceed accordingly.

Auditee Response: **Concur.** The County Manager met with the County Attorney, DOT and Support Services staff on August 15, 2018 to determine the impact of the missing documents. During this meeting all parties were informed that all the existing and former county employees who served on the selection committee were contacted and confirmed that the company who was awarded the work was indeed the firm that was ranked the highest. It was also determined that the recommendation to award was properly presented to the Board of Commissioners and voted on in accordance with applicable policy and procedure. Given these facts, no additional actions (other than the recommendations for improvement contained in this report) were determined necessary.

Recommendation 2: Require the Purchasing Department to develop a list of minimum required forms/documents to be retained during the preparation, facilitation/evaluation, and award phases of Request for Proposals. The forms/documents should comply with the State and County record retention requirements and the County's Purchasing Policy for the Procurement of Professional Services. The minimum required forms/documents should also be included in a checklist. The checklist should be reviewed and signed as attestation to completeness and maintained with each RFP file within the Purchasing Department, and readily available upon request.

Auditee Response: **Concur.** The Purchasing Department currently maintains a checklist of minimum required forms/documents applicable to the preparation, facilitation/evaluation, and award of phases of Request for Proposals. The Purchasing Director will review the checklist to ensure that all required documents are included in each solicitation file. Expected Completion Date: January 1, 2019

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Recommendation 3: Require that complete contract packages, to include Request for Proposals process documents, be maintained and included in the County's electronic contract management repository. For instances where the repository is not used, paper copies should be maintained.

Auditee Response: **Concur.** The Purchasing Department is currently finalizing the on boarding of contract documents for all county departments in the contract management repository. After completion of the on boarding process, Request for Proposal process documents will be maintained in the electronic repository. Until documents can be maintained in the repository, the Purchasing Director will ensure that paper copies of Request for Proposal process documents for all departments be maintained in solicitation files in the Purchasing Department. Expected Completion Date: January 1, 2019

Additional Oversight/Monitoring Needed at the Countywide Level

We found that countywide level controls exist and was adequate over the RFP process involving the three referenced on-site vendors, but the controls were not followed or applied consistently or completely. As stated previously, the County has the Policy to ensure fair and transparent competition during the procurement of professional services, but there was no compliance function in place to ensure the Policy was being followed as expected. Purchasing staff had an inconsistent level of involvement in the preparation, facilitation/evaluation, and award of the three RFPs involving the referenced on-site vendors. We also found that department compliance with the Policy and adequacy of control activities were directly linked to the inconsistent level of involvement and oversight/monitoring by the Purchasing Department.

Inconsistency in the RFP Preparation Phase

During the preparation phase of the three RFPs, we noted that Purchasing staff assisted PARKS in the development phase by providing input into the RFP content, advertised the RFP, and was present at the pre-bid meeting. For Water, we noted no documented interaction with Purchasing during the development phase, but Purchasing was included on the email correspondence for advertisement, and no pre-bid meeting was held. For DOT, we noted that Purchasing staff provided input into the RFP content, was included on the email correspondence for advertisement, and attended the pre-bid meeting.

Due to the inherent risks of segregation of duties and the close proximity of on-site vendors during the development of RFPs where the on-site vendor is a prospective bidder, we evaluated the department control activities to ensure the on-site vendors were excluded from the referenced RFP preparation process. In each instance, the department representatives asserted that the previous RFP was used as a template with no significant changes to the scope of work requested. We independently compared the three referenced RFPs to the previous RFPs¹⁹ and validated only minimal changes to the scope of work for new services to be procured and other RFP sections due to changes in Policy requirements. As such, having an increased level of involvement by Purchasing staff will not eliminate the segregation of duties risks involving on-site vendors, but it will minimize these risks.

¹⁹ We did not perform any procedures on the previous RFPs, and thus provide no assurance thereon.

Inconsistency in the RFP Facilitation/Evaluation Phase

During the facilitation/evaluation phase, we noted that Purchasing staff served as a voting selection committee member for the referenced RFPs for PARKS and Water, but there was no documented evidence of involvement in the DOT evaluation process. Purchasing staff neither served as a voting member or technical advisor in the DOT RFP process. During this audit, we noted an email dated August 2, 2016 from the Purchasing Supervisor indicating that a Purchasing Department representative must be on every evaluation committee as a voting or non-voting/advisory member. We did not perform any procedures to determine the current operating effectiveness of this change. In each facilitation/evaluation phase, we reviewed available documents to validate its transparency and compliance with the Policy. See the 'RFP Record Retention Compliance Needs to be Reinforced' section and Table 2 on Page 6, respectively for discussion of the results and corresponding recommendations. For each of the three referenced RFPs, we also confirmed that the Purchasing Department received the RFP responses and facilitated the bid opening.

Inconsistency in the RFP Award Phase

We noted BOC approval of contract awards in each of the three referenced RFPs. For PARKS and DOT, we specifically noted BOC approval of the ranking of the top qualified firms, authorization to negotiate the final scope of services and fees with the top ranked firm, and subsequent approval of a contract award. BOC approval of rankings and authorization to negotiate was not required by Water based on the procurement selection method used.

We also noted that the BOC approved contract award recipient was consistent with the committee results for both PARKS and Water. As indicated previously, we were unable to substantiate the committee results for the referenced DOT RFP. See the 'RFP Record Retention Compliance Needs to be Reinforced' section and Table 2 on Page 6, for further discussion.

A second level of monitoring, outside of user departments, should be in place to provide assurance that all RFPs are initiated, facilitated/evaluated, and awarded in a consistent manner; in accordance with approved County policies; and procured in a fair, transparent, and competitive manner. A key component in any internal control framework²⁰ is assigning the authority and responsibility to oversee and monitor designated functions. Clear directives are needed to ensure that oversight/monitoring and compliance responsibilities with the Policy and other County expectations are being followed as intended. Areas of noncompliance and inconsistencies in practice should be investigated, resolved with approval, and documented. Any resulting Policy revisions should be presented for approval by the BOC. A strong system of oversight/monitoring of procurement activities involving on-site vendors, will minimize the County's risk of challenges to the results of its procurement process. Additional oversight/monitoring will also ensure that County's policies are being followed and all related procurement forms are prepared, maintained, and readily available upon request.

²⁰ An effective internal control framework is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

Recommendations

The County Manager should:

Recommendation 4: Review the current oversight/monitoring role and responsibilities of the Purchasing Department relative to the Requests for Proposals process. The results should be incorporated into a revised Purchasing Policy for the Procurement of Professional Services and/or other countywide guidance and directives.

Auditee Response: **Concur.** Please note that the Purchasing Department began providing strict oversight and guidance of the Request for Proposals process for all departments five years ago with the exception of the Department of Transportation and the Water Department. Purchasing has recently become actively involved in the RFP process for these departments, and the Purchasing Director is currently assigning a member of the Purchasing team to serve on all RFP evaluation committees. In addition, the Purchasing Director is currently reviewing the Policy on Procurement of Professional Services and revisions will be made to more clearly delineate the role and responsibilities of the Purchasing Department relative to the Request for Proposal process. Expected Completion Date: February 28, 2019 (Revision and update of Policy for the Procurement of Professional Services)

Recommendation 5: Designate the Purchasing Department with the compliance monitoring function and responsibilities over the County's Purchasing Policy for the Procurement of Professional Services. Compliance measures may include, but not be limited to, increasing awareness that the Purchasing Department is the steward of the Policy; mandating the completion of all required forms/documents by the user departments; and performing random compliance checks.

Auditee Response: **Concur.** As stated under Recommendation 4, The Purchasing Department currently provides strict oversight and guidance for all departments in regard to the Request for Proposal process for the procurement of professional services. As the Purchasing Director, I feel that the departments recognize the Purchasing Department as the steward of the Policy for the Procurement of Professional Services. Purchasing has implemented changes in its oversight and guidance of procurement activities in the Department of Transportation and the Water Department, and will continue to be actively involved in the oversight and monitoring of the Request for Proposal process for these departments. Expected Completion Date: Immediate

Other Control Activities Need to be Revised, Implemented, or Reinforced

During our fieldwork, we noted that other control activities are needed to strengthen the overall procurement of professional services: revisions to the Policy are needed, user department training should be implemented, and other user department internal monitoring should be reinforced. We also believe that addressing the issues highlighted below will strengthen the documentation on the procurement of professional services, provide employees with clearer guidance, and increase operational efficiency.

Policy Revisions are Needed

We noted that the Policy needs to be revised to clarify responsibilities and approval levels, incorporate recent County Manager directives, eliminate vague and ambiguous statements, include any approved updates in County practices, include acceptable alternatives, if applicable, and provide other best practices in the procurement of professional services. One critical revision is the need for a compliance monitoring function. The current Policy does not delegate the responsibility of monitoring user department compliance with the Policy. See ‘Additional Oversight/Monitoring Needed at the Countywide Level’ on Page 8 for further discussion. Below are a few additional examples to substantiate the need for policy revisions. Other revisions will be discussed verbally during our exit conference.

One example of a Policy clarification needed includes the approval to use selection method one, ‘Competitive Negotiations’. The Policy indicates that one of the County Manager’s responsibilities is to “Approve the use of Selection Method One, Competitive Negotiations, when cost is expected to exceed \$500,000”; however, neither of the three referenced RFPs followed this process because the request is included and approved by the BOC. As such, there is no documented evidence maintained to substantiate that this process is currently being followed.

The County Manager interim corrective action directives as discussed in the ‘Interim Verbal Report’ section on Page 3, also needs to be incorporated into the Policy. We also noted a ‘RFP/RFQ Checklist’ on Purchasing’s internal department webpage, but we noted no reference to its applicability and use in the current Policy. As such, the Policy needs to be revised to incorporate the County Manager’s directives, the checklist, and similar approved changes in practice.

Another area of the Policy that needs revision is where it includes vague and ambiguous statements. Section XI.C.4. indicates that user departments should “Coordinate development of RFQs and/or RFPs in conjunction with the Purchasing Department”, but there is no indication as to Purchasing’s authority in this process. This statement could be revised to indicate whether Purchasing is expected to approve the RFPs or serve in any other capacity. See ‘Additional Oversight/Monitoring Needed at the Countywide Level’ on Page 8 for further discussion on the inconsistencies in Purchasing’s involvement in the three referenced RFPs. In the absence of clear statements, we noted that DOT and Water performed some aspects of the RFP process based on past department practices, rather than the Policy.

We also noted that in two of the three referenced RFPs (Water and DOT), the user department performed the duty of advertisement. Although the Policy states that it is Purchasing’s responsibility to, “Advertise, solicit, and distribute RFPs or RFQs and distribute the addenda”, Purchasing staff indicated it’s a current practice to allow departments to advertise their RFPs for budgetary reasons. With that being the case, all acceptable alternatives should be included in the Policy.

Outdated policies could result in unapproved procedures, inconsistent actions, misapplication of requirements and may not support training efforts. Countywide policies should be periodically evaluated based on the needs of user departments, procurement best practices, and expectations of County leadership. As changes are implemented, the policies should be revised/updated to ensure that user department employees understand what is expected of them.

The current Policy should be revised to include specific record retention requirements, changes deemed applicable to meet the current County structure, and corrective actions resulting from this report. The revised Policy should be presented to the BOC for approval and then distributed to affected departments.

Recommendation

The County Manager should:

Recommendation 6: Require the Purchasing Department to collaborate with user departments and determine the current applicability and practicality of each Policy section based on the County's risk tolerance and revise the Policy accordingly. Collaboration topics should include, but not be limited to the following:

- Board of Commissioner expectations regarding a fair, transparent, and competitive procurement process;
- Clear delineation of roles, responsibilities, and approval levels;
- Recent County Manager interim directives;
- How to properly organize and retain documentation involving Requests for Proposals;
- Specific record retention requirements;
- The elimination of vague and ambiguous statements;
- Approved updates in County practices;
- The utilization of the Purchasing Department's 'RFP/RFQ' Checklist;
- Acceptable alternative methods, guidelines, or documents;
- List of minimum required forms/documents;
- Segregation of duties;
- Corrective actions resulting from this report; and
- Other best practices.

The revision should be submitted for BOC approval and subsequently distributed countywide.

Auditee Response: **Concur.** The Purchasing Department currently works in a collaborative manner with user departments to determine the applicability and practicality of each policy section based on the County's risk tolerance. As stated in Recommendation 5, the Purchasing Director will direct the department to increase its oversight and work in a more collaborative manner with the Transportation and Water Departments. In addition, the Policy on Procurement of Professional Services will be revised and updated, and distributed countywide. Expected Completion Date: February 28, 2019

User Department Training should be Implemented

At the time of the audit, we noted no recent or scheduled periodic training specifically designed to address the RFP process, to include the preparation, facilitation/evaluation, and award of RFPs involving on-site vendors. With changes in personnel and department structures, it is critical that employees are aware of and have a clear understanding of the Policy, other procurement best practices, and their individual and user department responsibilities.

Countywide training will provide assurance to the County that those tasked with facilitating the RFP process, possess the required skills and competencies needed. The lack of training can lead to increased man hours required to re-perform incomplete process steps and/or search for missing or misplaced documents; legal issues from unintended mistakes or fraudulent actions; and overall noncompliance with the Policy and other procurement activities.

Recommendation

The County Manager should:

Recommendation 7: Require that the Purchasing Department implement periodic, mandatory countywide training on the County's Purchasing Policy for the Procurement of Professional Services. The training topics should include, but not be limited to revisions based corrective actions from this report and other industry best practices.

Auditee Response: **Concur.** The Purchasing Department has been conducting periodic countywide procurement training during the past five years. More recently, a county wide procurement training session was held in May 2018. In September 2018, the Purchasing Department presented a two-hour session on procurement policies and processes to Department of Transportation personnel. The Purchasing Director will increase the number of procurement training programs annually on a countywide basis and offer training to individual departments, especially the larger departments that require the procurement of professional services. Expected Completion Date: February 28, 2019

Other User Department Internal Monitoring should be Reinforced

County contract management guidelines indicate that each department is responsible for managing their own contracts and that contracts should be properly administered to protect the County's interest. For the three referenced RFPs, we found a combination of oversight/monitoring functions of the budgeted/contracted amounts at various levels: User Department, Finance Department (Finance), and the SPLOST Oversight Committee, if applicable. Each user department tracks vendor payments not to exceed contracted amounts, and Finance monitors the overall revenues and expenditures at the program level (i.e. 2016 SPLOST Program). For the referenced PARKS and DOT RFPs, which are funded by SPLOST, the SPLOST Oversight Committee also receives quarterly reports from County departments and other municipalities included in the SPLOST Program. We found that each of the three referenced departments with on-site vendors had controls in place to track and monitor the budgeted/contracted payments to on-site vendors, which included segregation of duties.

We did find that although the quarterly SPLOST reports are generated by Finance and distributed to PARKS and DOT, the Finance Division within DOT was not on the distribution list. Because DOT's Finance Division were not aware of the reports, there was no internal reconciliation/validation between Finance's reports and DOT's internal records. We also noted that Finance's reports are generated from the County's financial system where all payments and financial data is maintained, but DOT also uses a separate interfacing project management system to track and monitor its SPLOST projects. Since the Finance Divisions of the respective user departments are responsible for the day-to-day financial monitoring of its projects, each should be afforded the opportunity to review, validate, and provide input on the quarterly SPLOST reports prior to submission to the SPLOST Oversight Committee.

The Finance reports were sent to the DOT Director's office for review, but that review did not include the DOT Finance Division staff. Implementing a coordinated effort that includes the Finance staff within the user departments will further ensure the completeness and accuracy of SPLOST reports.

We also performed procedures to ensure that payments to the three referenced on-site vendors did not include payments for individual projects under their administration, unless included in the contractually agreed services. We found that the description of the payments and expenditure object codes used were consistent with services included in the contract agreements. We also found the three referenced contracts with on-site vendors did not prohibit the vendor from proposing or bidding on projects under their administration. While we did not find any evidence that the on-site vendors were paid for individual projects that fall under their administration, we believe the County should explore adding the specific restriction to future contract languages.

The addition of the prohibitive language will reduce the risk of potential segregation of duties issues and ensure that the procurement process of individual projects for which the on-site vendors administer remain fair, transparent, and competitive.

Recommendations

The County Manager should:

Recommendation 8: Require that the Finance Department coordinate with the Finance Division or function of user agencies and departments with SPLOST projects to ensure that quarterly SPLOST reports are reviewed and validated for completeness and accuracy prior to submission to the SPLOST Oversight Committee.

Auditee Response: **Concur.** Deputy County Manager was designated by the Board of Commissioners to serve as the Liaison between the Board of Commissioners and the SPLOST Oversight Committee and has been coordinating such review. Expected Completion Date: Immediate

Recommendation 9: Coordinate with County personnel and explore the option of adding restrictive language to Requests for Proposals involving on-site vendors that prevent the vendors from bidding on individual project for which they oversee and administer.

Auditee Response: **Concur.** The Purchasing Director will ensure that language is added to Request for Proposals for the procurement of professional services that will prohibit consultants that oversee and administer individual projects from bidding on the projects. Expected Completion Date: January 1, 2019

Detailed Objectives, Scope, and Methodology

We conducted this review as part of our annual audit plan and in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Internal Audit's objective was to evaluate the controls over the preparation, facilitation/evaluation, and award of Requests for Proposals (RFP) involving selected on-site vendors²¹, and to assess compliance with Cobb County's (the County) Purchasing Policy for Procurement of Professional Services (the Policy) as it relates to the identified projects. The scope of our audit focused on the County's three on-site vendors and the most recent 2015/2016 RFP process. This audit plan project was initiated but deferred to allow completion of other departmental project priorities and staff changes. The original scope did not have to be revised because contracts with the three on-site vendors are multi-year contracts that have not been re-bid.

In order to accomplish our objective, we will perform the following sub-objectives:

- I) Determined if the controls over the preparation, facilitation, evaluation, and award of the RFP process involving on-site vendors (within DOT, Water, and PARKS) were adequate to ensure proper segregation of duties.
 - a) Interviewed designated RFP personnel to obtain clarification on outstanding issues from the preliminary survey.
 - b) Obtained documentation, if any, to substantiate the development, review, and approval of the RFP including the scope of services, selection method used, selection criteria (i.e. draft documents, emails, approved forms, etc.)
 - c) Obtained documentation, if any, to substantiate the facilitation/evaluation process inclusive of the following (i.e. dates, location, attendees, etc.), at a minimum:
 - Pre-bid meeting;
 - List of evaluation committee members (approved);
 - Bid-opening results;
 - Committee meeting/evaluation results (individually and/or collectively);
 - Prospective bidder interviews;
 - Final committee results; and
 - Correspondence with Purchasing staff and committee members regarding facilitation/evaluation results.
 - d) Obtained documentation, if any, to substantiate the award of the RFP including the respective agenda items, approved minutes, executed contract, bid evaluation package, notice to proceed, etc.

²¹ Parks, Recreation and Cultural Affairs (PARKS), Department of Transportation (DOT), and the Water System (Water). See 'Background' on Page 1 for further discussion.

- e) Reviewed executed contractual agreements and identify specific language that allows the on-site vendor to bid on subsequent individual projects.
 - f) Interviewed the respective personnel and obtained clarification on how fieldwork procedures in I.b-d are documented in individual projects.
 - g) Assessed the adequacy of controls regarding segregation of duties.
- II) Determined if DOT, PARKS, and the Water System complied with the County's Purchasing Policy for the Procurement of Professional Services (*based on the selection method used*).
- a) Researched the State Retention Guidelines for RFPs and respective contractual, professional agreements.
 - b) Interviewed the designated personnel within Water, DOT, and PARKS regarding their understanding of the retention requirements.
 - c) Determined whether the minimum record retention guidelines are being followed.
- III) Determined if each department's controls were adequate for tracking/monitoring the budgeted/contracted amounts with on-site vendors as agreed.

Abbreviations

County	Cobb County
RFP	Request for Proposals
BOC	Board of Commissioners
PARKS	Parks, Recreation and Cultural Affairs Department
Water	Water System Agency
DOT	Department of Transportation Agency
PMS	Program Management Services
CMS	Construction Management Services
Policy	Policy for Procurement of Professional Services
RFQ	Request for Qualifications
FY	Fiscal Year
SPLOST	Special Purpose Local Option Sales Tax

Major Contributors to This Report

Latona Thomas, CPA, Internal Audit Director
Michelle Swaby, CPA (inactive), PT Senior Auditor
Megan Pickens, Internal Auditor II (*previous employee*)

FINAL Report Distribution List

Erica Parish, Agency Director, Department of Transportation
Steve McCullers, Agency Director, Water System
Jimmy Gisi, PARKS Director
Joe Tommie, Purchasing Director
Eddie Canon, Support Services Agency Director
William Tanks, Public Services Agency Director
Jackie McMorris, Deputy County Manager
Deborah Dance, County Attorney
Bill Volckmann, Finance Director/Comptroller
Cobb County Audit Committee
Internal Audit Department File

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; Recommendations, when implemented, will provide assurance of the fairness, transparency, compliance, and reporting of County procurement process. (See Pages 3-14).

Methodology Used to Measure the Reported Benefit:

We found that the County’s internal control framework over RFPs needed to be revised, implemented, and/or reinforced. Specifically, missing critical documents impacts the County’s ability to provide assurance that its procurement process is fair and transparent.

Type and Value of Outcome Measure:

- Protection of Resources – Actual; Recommendations, when implemented, will provide assurance that County procurement records are safeguarded from destruction or loss. (See Pages 3-14).

Methodology Used to Measure the Reported Benefit:

We found weaknesses in the record retention requirements within the County’s internal control framework over RFPs. Specifically, we were unable to substantiate compliance with the County’s Purchasing Policy for the Procurement of Professional Services due to missing critical documents.

Auditee's Response to the Draft Report



COBB COUNTY MANAGER'S OFFICE

100 Cherokee Street, Suite 300
Marietta, Georgia 30090-7000
Phone: (770) 528-2600 Fax: (770) 528-2606
robert.hosack@cobbcounty.org

Rob Hosack
County Manager

DATE: November 15, 2018
TO: Latona Thomas, CPA, Director, Internal Audit
FROM: Rob Hosack, County Manager *RH*
SUBJECT: Audit of Controls over RFP's Involving On-Site Vendors

Several recommendations were made and our response to those recommendations are below.

Recommendations

The County Manager should:

Recommendation 1: Coordinate with the County Attorney's office to determine the impact of the missing Department of Transportation facilitation/evaluation documents on the existing contract, document the results, and proceed accordingly.

Response: Concur

The County Manager met with the County Attorney, DOT and Support Services staff on August 15, 2018 to determine the impact of the missing documents. During this meeting all parties were informed that all the existing and former county employees who served on the selection committee were contacted and confirmed that the company who was awarded the work was indeed the firm that was ranked the highest. It was also determined that the recommendation to award was properly presented to the Board of Commissioners and voted on in accordance with applicable policy and procedure. Given these facts, no additional actions (other than the recommendations for improvement contained in this report) were determined necessary.

Recommendation 2: Require the Purchasing Department to develop a list of minimum required forms/documents to be retained during the preparation, facilitation/evaluation, and award phases of Request for Proposals. The forms/documents should comply with the State and County record retention requirements and the County's Purchasing Policy for the Procurement of Professional Services. The minimum required forms/documents should also be included in a checklist. The checklist should be reviewed and signed as attestation to completeness and maintained with each RFP file within the Purchasing Department, and readily available upon request.

Response: Concur

The Purchasing Department currently maintains a checklist of minimum required forms/documents applicable to the preparation, facilitation/evaluation, and award of phases of Request for Proposals. The Purchasing Director will review the checklist to ensure that all required documents are included in each solicitation file.

Expected Completion Date: January 1, 2019

Recommendation 3: Require that complete contract packages, to include Request for Proposals process documents, be maintained and included in the County's electronic contract management repository. For instances where the repository is not used, paper copies should be maintained.

Response: Concur

The Purchasing Department is currently finalizing the on boarding of contract documents for all county departments in the contract management repository. After completion of the on boarding process, Request for Proposal process documents will be maintained in the electronic repository. Until documents can be maintained in the repository, the Purchasing Director will ensure that paper copies of Request for Proposal process documents for all departments be maintained in solicitation files in the Purchasing Department.

Expected Completion Date: January 1, 2019

Recommendation 4: Review the current oversight/monitoring role and responsibilities of the Purchasing Department relative to the Requests for Proposals process. The results should be incorporated into a revised Purchasing Policy for the Procurement of Professional Services and/or other countywide guidance and directives.

Response: Concur

Please note that the Purchasing Department began providing strict oversight and guidance of the Request for Proposals process for all departments five years ago with the exception of the Department of Transportation and the Water Department. Purchasing has recently become actively involved in the RFP process for these departments, and the Purchasing Director is currently assigning a member of the Purchasing team to serve on all RFP evaluation committees. In addition, the Purchasing Director is currently reviewing the Policy on Procurement of Professional Services and revisions will be made to more clearly delineate the role and responsibilities of the Purchasing Department relative to the Request for Proposal process.

Expected Completion Date: February 28, 2019 (Revision and update of Policy for the Procurement of Professional Services)

Recommendation 5: Designate the Purchasing Department with the compliance monitoring function and responsibilities over the County's Purchasing Policy for the Procurement of Professional Services. Compliance measures may include, but not be limited to, increasing awareness that the Purchasing Department is the steward of the Policy; mandating the completion of all required forms/documents by the user departments; and performing random compliance checks.

Response: Concur

As stated under Recommendation 4, The Purchasing Department currently provides strict oversight and guidance for all departments in regard to the Request for Proposal process for the procurement of professional services. As the Purchasing Director, I feel that the departments recognize the Purchasing Department as the steward of the Policy for the Procurement of Professional Services. Purchasing has implemented changes in its oversight and guidance of procurement activities in the Department of Transportation and the Water Department, and will continue to be actively involved in the oversight and monitoring of the Request for Proposal process for these departments.

Expected Completion Date: Immediate

Recommendation 6: Require the Purchasing Department to collaborate with user departments and determine the current applicability and practicality of each Policy section based on the County's risk tolerance and revise the Policy accordingly. Collaboration topics should include, but not be limited to the following:

- Board of Commissioner expectations regarding a fair, transparent, and competitive procurement process;
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- Other best practices.

The revision should be submitted for BOC approval and subsequently distributed countywide.

Response: Concur

The Purchasing Department currently works in a collaborative manner with user departments to determine the applicability and practicality of each policy section based on the County's risk tolerance. As stated in Recommendation 5, the Purchasing Director will direct the department to increase its oversight and work in a more collaborative manner with the Transportation and Water Departments. In addition, the Policy on Procurement of Professional Services will be revised and updated, and distributed countywide.

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Response: Concur

Deputy County Manager was designated by the Board of Commissioners to serve as the Liaison between the Board of Commissioners and the SPLOST Oversight Committee and has been coordinating such review.

Expected Completion Date: Immediate

Recommendation 9: Coordinate with County personnel and explore the option of adding restrictive language to Requests for Proposals involving on-site vendors that prevent the vendors from bidding on individual project for which they oversee and administer.

Response: Concur

The Purchasing Director will ensure that language is added to Request for Proposals for the procurement of professional services that will prohibit consultants that oversee and administer individual projects from bidding on the projects.

Expected Completion Date: January 1, 2019

cc: Jackie McMorris, Deputy County Manager
Deborah Dance, County Attorney
Agency Directors
Joe Tommie, Purchasing Director