



MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

**REVIEW OF THE
EXPEDITED PURCHASING PROGRAM (EPP)**

Project Number 05-13-33-06

January 29, 2007

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BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

M E M O R A N D U M

TO: Honorable Chairman Bruno A. Barreiro and
Members, Board of County Commissioners

FROM: Charles Anderson, CPA 
Commission Auditor

DATE: January 29, 2007

SUBJECT: Review of the Expedited Purchasing Program (EPP)

We have conducted our Review of the Expedited Purchasing Program (EPP), and we submit this report, which contains observations, recommendations, and management responses. Management concurred with our recommendations.

We thank the staff of the Department of Procurement Management for their cooperation and input throughout the review. Please let me know if you need further information.

c: Honorable Carlos Alvarez, Mayor
George Burgess, County Manager
Murray A. Greenberg, County Attorney
Chris Mazzella, Inspector General
Alina Hudak, Assistant County Manager
Cathy Jackson, Director, Audit and Management Services Department
Miriam Singer, Director, Department of Procurement Management

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I. EXECUTIVE SUMMARY

This review reports on the Expedited Purchasing Program (EPP) pilot project, from the program's original effective date of February 6, 2005 through September 30, 2006. It is a follow-up to our January 23, 2006 report, *Nine-Month Review of the Expedited Purchasing Program* (Nine-Month Review), which reported on the EPP through October 31, 2005. We noted no irregularities in internal controls, and no procurement irregularities were observed. Only one bid protest questioned the EPP, and the Hearing Officer's findings fully supported the EPP processes and the County's actions. We found that procurement cycle time was reduced for EPP procurements when compared to non-EPP procurements made in the quarter prior to implementation of the EPP. The County Manager's decision to increase the delegation of EPP authorities on May 30, 2006, as we had recommended in the Nine-Month Review, was significant in enabling Staff to better take advantage of the EPP; as a result, cycle time reduced dramatically after May 30, 2006. The chart in Attachment 1 graphically illustrates the relationship between Days to Award (cycle time) and Scope Approval Date.

II. OBJECTIVE AND SCOPE

This review reports on the EPP pilot project, from the program's effective date of February 6, 2005 through September 30, 2006. The first half of this period was the subject of OCA's Nine-Month Review. The Nine-Month Review is frequently referred to in this report, but the contents of the Nine-Month Review are not repeated in detail except when necessary. This review also includes follow-up on the status of implementation of recommendations in the Nine-Month Review.

Our objectives were identical to those for the Nine-Month Review with the addition of follow-up on recommendations made in the Nine-Month Review. The objectives were:

1. Verify compliance with the enabling legislation (Ordinance No. 05-26);
2. Determine the impact of EPP on cycle time for procurement, from receipt of the procurement request with complete specifications in the Department of Procurement Management (DPM), to issuance of the award to the selected vendor;
3. Review any EPP procurement irregularities waived by the County Manager and any bid protests; and
4. Follow-up on recommendations made in the Nine-Month Review.

III. BACKGROUND

The EPP was established by Ordinance No. 05-26, adopted January 27, 2005, and became effective February 6, 2005. It was created as a 12-month pilot program for expedited competitive purchase of supplies, materials and services, including professional services other than professional architectural, engineering and other services subject to Section 2-10.4 [of the Code] and Section 287.055 of the Florida Statutes, which are estimated to cost \$1 million or less.

It required that the County Manager make the final determination of best value in accordance with the method and criteria set forth in the solicitation, and formal selection committee use was not required where the County Manager determined the additional time required could compromise the delivery of an essential service. Furthermore, it reduced the bid protest period to five days and provided for quarterly reports to the County Commission regarding the application of this ordinance to contract awards greater than \$100,000.

Ordinance No. 05-26 also required that the Commission Auditor (OCA) review and evaluate the operation of the EPP, including a specific requirement for the Nine-Month Review, which was issued by OCA on January 23, 2006.

The Nine-Month Review indicated that, of 29 solicitations approved for processing through the EPP as of October 31, 2005, eight (8) had been awarded. No significant compliance or program performance issues were noted. We reported that an opportunity existed to reduce cycle time for EPP awards if the County Manager further delegated EPP authority as was authorized by Ordinance No. 05-26 and as already existed for non-EPP procurements in accordance with A.O. 3-38. We identified that cycle time for most EPP awards through October 31, 2005 was less than the average for non-EPP awards in FY2004-05, but too few EPP awards had been made to reach statistically significant conclusions.

Ordinance No. 06-15, adopted January 24, 2006, extended the EPP one additional year.

In its EPP Guidelines and Justification Form, DPM summarized EPP features as follows.

- *The bid protest period is reduced from ten to five days.*
- *Methods of procurement may include but not be limited to: Invitations to Negotiate, Best and Final Offers, in addition to the more traditional Request for Proposals (RFP), Request for Qualifications (RFQ) and Invitations to Bid (ITB.)*
- *Criteria for determining best value may include, but not be limited to: price, quality, experience, the ability to deliver the required good and services and the nature and urgency of the County's needs.*
- *Technical, professional and legal staff may be used to determine best value as set forth in the solicitation documents without the need to utilize the formal Selection Committee process established by the County.*
- *The County Manager's or designee's written recommendation to award a contract under the EPP shall be sufficient to commence the bid protest period and terminate the Cone of Silence.*
- *Any legislation contrary to the provisions of the EPP shall be deemed suspended or amended as necessary to give effect to the intent of this ordinance during its effective term.*
- *The EPP is a pilot program that will form the basis for changes in future procurement practices in Miami-Dade County.*

IV. METHODOLOGY AND SUMMARY RESULTS

This review consisted principally of inquiries of personnel and analytical procedures applied to programmatic data. It was substantially less detailed in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding financial statements or programs taken as a whole.

Our objectives in this review are listed below. Summary results for each objective are in italicized text, immediately following each objective.

Objective 1—Compliance with enabling legislation

To satisfy the first objective, we examined:

- County Manager and DPM's directives implementing the EPP;
- DPM's periodic reports on the EPP, which provided detail for each solicitation by type and number from February 6, 2005 (Inception) through September 30, 2006;
- DPM's EPP tracking logs for each of the 66 solicitations that had been approved for the EPP through September 30, 2006; and
- A judgment sample of DPM's EPP procurement folders were examined in the Nine-Month Review to test consistency of data in EPP-related reports and tracking logs.

Data from DPM reports and tracking logs were reviewed to verify that:

- Procurements recommended for the EPP Pilot program complied with value and approval criteria;
- Delegations of authority were in writing; and
- EPP contract awards complied with value and approval criteria in legislation (must not exceed \$1 million).

In satisfying Objective 1, we also observed the DPM's internal control system for the EPP, which included control points, such as a system of approvals, authorizations, segregation of duties, and supervision.

We noted no exceptions in compliance or internal controls.

Objective 2—Impact of the EPP on cycle time for procurement, from receipt of the procurement request with complete specifications in DPM, to issuance of the award to the selected vendor

To satisfy the second objective we:

- Tabulated EPP solicitation Tracking Form data and calculated appropriate descriptive statistics;
- Compared tabulated EPP data and statistics with historical non-EPP procurement data using DPM's FY2004-05 Departmental Quarterly Performance Reports; and
- Reviewed directives and flow charts for EPP processes.

Based on the limited data available for this review, we can say that:

- (1) As observed in the Nine-Month Review, cycle time for most EPP awards through September 31, 2006 was less than the average for non-EPP awards in quarter prior to implementation of the EPP; and*
- (2) Over time, cycle time for most EPP awards got shorter as the EPP progressed.*

Objective 3— Review of EPP procurement irregularities waived by the County Manager and bid protests

Interviews with DPM staff indicated that, for the period reviewed (February 2005-September 2006), no EPP procurement irregularities had been waived, and only one bid protest had been received on an EPP award recommendation. The bid protest questioned the use of a selection panel in lieu of a larger, formal selection committee. The Hearing Examiner's findings fully supported the EPP selection panel process and the County's actions. We noted that, subsequent to the period reviewed, another protest was received on an EPP procurement, but the bid protest was immaterial to EPP policies or procedures.

No procurement irregularities were observed. In the only bid protest that questioned the EPP process, the EPP process and the County's actions were fully supported by the Hearing Examiner's findings.

Objective 4— Follow-up on recommendations made in the Nine-Month Review

Two (2) recommendations were made in the Nine Month Review.

1. DPM and the County Manager consider delegation of EPP approval authority to mirror traditional procurement procedures.

Status: This recommendation was implemented. On May 30, 2006, the County Manager delegated authority to the DPM Director to reject and approve EPP awards up to \$500,000 and to advertise EPP procurements with estimated values up to \$1 million.

2. DPM further develop and document internal procedures and performance measures for EPP workflow management, analysis and record keeping.

Status: This recommendation is considered satisfied. DPM concurred with this recommendation in the Nine-Month Review. Implementation was informal (except for the portions provided for in the delegation of authority by the County Manager), but no process discrepancies were noted in this review. If the EPP is made permanent, review and update of DPM's standing policies and procedures would be appropriate.

V. DATA SUMMARY

As of September 30, 2006:

Overall:

- 66 solicitations were approved for processing through the EPP; and
- 27 contracts had been awarded through the EPP, including 8 awards in the Nine-Month Review and 19 subsequent awards.

Pre-EPP:

- For the quarter prior to implementation of the EPP (FY04-05 Qtr 1), DPM reported that average cycle time, from scope approval to award, was 188 days for RFPs & ITBs up to \$1 million.

EPP:

- Average cycle time for the 27 EPP awards was 162 days (not including one award that required 443 days and is not representative of EPP awards as a whole.)
- Average cycle time for EPP awards through May 30, 2006 was significantly more than for awards made after May 30, 2006 (198 days vs. 40 days, respectively.) May 30, 2006 is the date that the County Manager increased the EPP authorities delegated to the DPM Director.
- There was a strong correlation between date of scope approval and cycle time...the later the date of scope approval, the shorter the cycle time. The chart in Attachment 1 graphically illustrates this relationship between Days to Award (cycle time) and Scope Approval Date.
- No significant compliance or program performance issues were noted (as was also reported in the Nine-Month Review.)

EPP Summary Statistics (February 6, 2005 through September 30, 2006*)

	Pre-EPP	EPP Overall		Through 5/30/06***		After 5/30/06***	
	Cycle Time* (days)	Contract Value	Cycle Time** (days)	Contract Value	Cycle Time** (days)	Contract Value	Cycle Time** (days)
Average	188	\$524,964	162	\$572,100	198	\$367,844	40
Median		\$496,475	151	\$500,000	224	\$331,623	37
Maximum		\$950,000	296	\$950,000	296	\$900,000	74
Minimum		\$20,000	18	\$90,000	61	\$20,000	18
Standard Deviation		\$298,913	93	\$285,744	72	\$312,993	21
Number of Awards		26*		20		6	

* Not including EPP-RFP489 that took 443 days to award.

** Cycle time was computed from date of final scope approval to date of award.

*** May 30, 2006 is the date that the County Manager increased the EPP authorities delegated to the DPM Director.

VI. OBSERVATIONS AND RECOMMENDATIONS

Simplification of procurement processes reduced cycle time

Using the EPP, Staff was able to reduce the cycle time required to make awards. Over time, cycle time became significantly faster. It was the County Manager's delegation of increased EPP authorities to the DPM Director on May 30, 2006, that enabled the simplifications in the EPP to become most effective.

Cycle time reductions were the net result of multiple factors and were not the result of the singular action of increasing the delegation of authority. These factors included:

- Authorization of the use of technical, professional and legal staff to determine best value (as set forth in solicitation documents) without the need to utilize formal selection committee processes was repeatedly mentioned in interviews with DPM staff as a highly effective process simplification and time saver.
- The County Manager's delegation of additional authorities to the DPM Director, which we had recommended in our Nine-Month Review, substantially reduced the amount of paperwork and processing required for procurement processing and allowed DPM to better take advantage of the EPP.
- Staff became more conscious over time of the circumstances in which the EPP was and was not helpful. This "learning effect" most clearly showed in the strong correlation between scope approval date and reduced cycle time and in the low utilization of the EPP in FY05-06 prior to the County Manager's delegation of authorities on May 30, 2006. Attachment 1 graphically illustrates this relationship.

Recommendations

1. Maintain diligence in selection of the appropriate procurement process.

The degree to which Staff became more efficient over time at selecting which procurements could be expedited by the EPP demonstrated the importance of diligence in this regard. Simplification worked to expedite procurements in the EPP and will potentially reduce costs. However, the choice of which procurements will and will not benefit from simplified procurement processes will remain a critical decision point, particularly when best value selection criteria are unclear.

Management Response

The Department of Procurement Management concurs with this recommendation. Staff training regarding the selection of procurements through the EPP has been completed. New staff is trained as to the value, procedures and requirements involved in processing solicitations through the EPP. The requirements are reviewed and reinforced at staff meetings. At the department level, Contracting

Officer/Agent decisions to purchase through the EPP are subject to approval through an appropriate management chain of command. Approval is required by a Supervisor, Division Director and the Department Director to ensure selection of those procurements best suited for processing through the EPP. The Department will continue to exercise its discretion with great care and diligence in this regard.

2. Consider opportunities for simplifying other procurement processes.

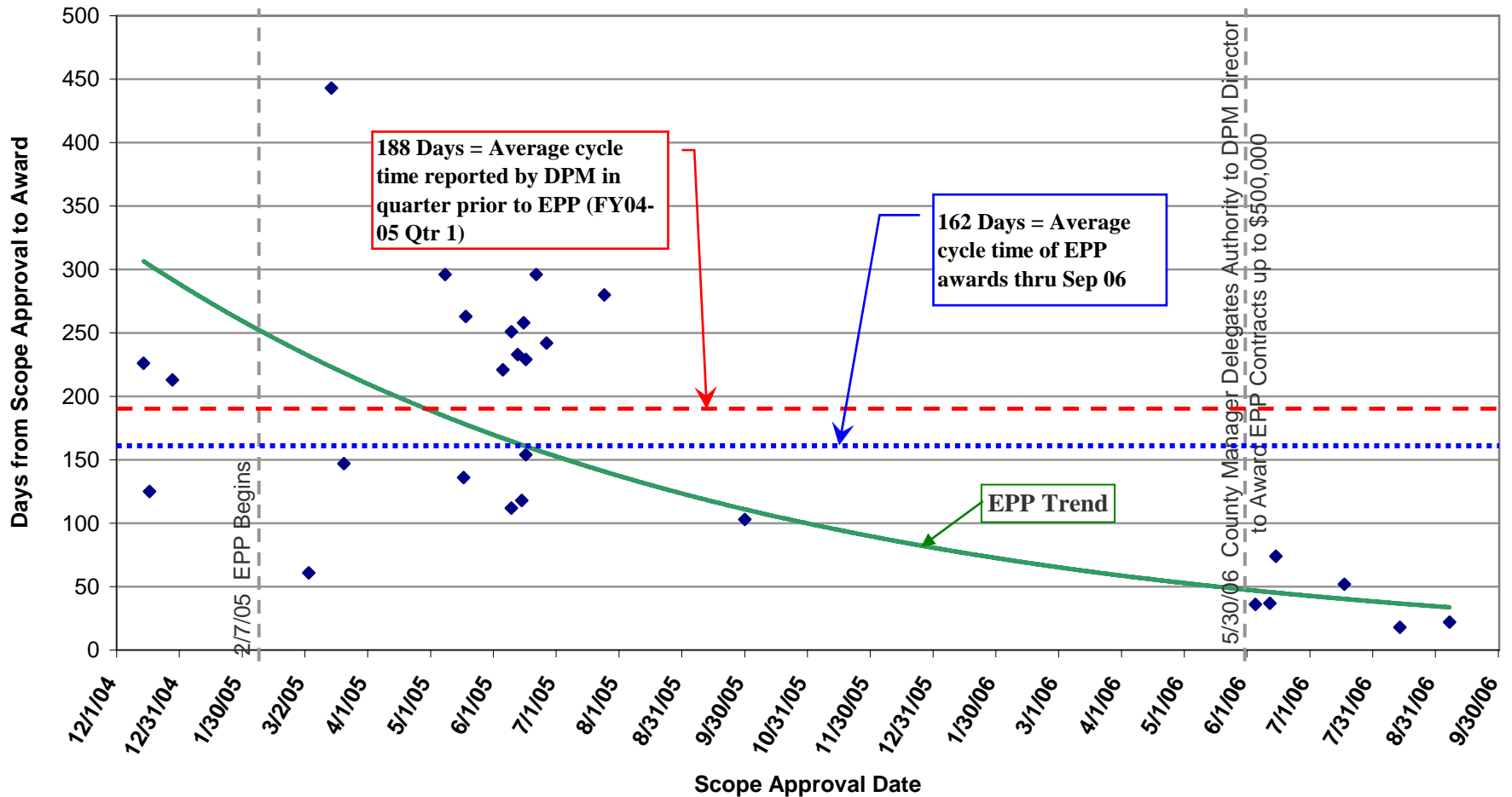
The EPP pilot project expedited procurements through reductions in the use of formal selection committees and reductions in paperwork and processing requirements resulting from delegation of authority. Other procurement processes may benefit from similar simplifications, including consideration of further delegations of authorities to DPM.

Management Response

The Department of Procurement Management concurs with this recommendation. The step-by-step review of the goods and services procurement workflow and business processes, completed by DPM, identifies several business improvement initiatives that simplify the procurement process. Currently, the Department has completed more than half of the reforms that are within its management span. Implementation of a significant number of additional administrative and legislative reforms is underway and the completion of the first level of implementation is now anticipated to be completed by the end of the calendar year. These additional projects include a significant reduction in the number of affidavits required of vendors at the time of contract award, simplifying boilerplates and other solicitation documents, eliminating redundant and non-value added tasks, completing tasks simultaneously and conducting concurrent reviews. Implementation of these and numerous other streamlining, value-added initiatives will provide for a more simplified procurement process with a continued focus on integrity, fairness, transparency, and full and open competition.

DAYS TO AWARD v. SCOPE APPROVAL DATE
for Each of the 27 EPP Contract Awards February 6, 2005 through September 30, 2006

Chart illustrates: (1) overall trend of decreasing cycle time for EPP awards
 (2) significant decrease in cycle time for procurements with "Scope Approval Dates" after May 30, 2006; and
 (3) low utilization of EPP Oct 05-Jun 06



Memorandum



Date: January 26, 2007

To: Charles Anderson, CPA
Commission Auditor

From: Miriam Singer
Director
Department of Procurement Management

Subject: Response to the Commission Auditor's Review of the Expedited Purchasing Program

Office of the

JAN 26 2007

Commission Auditor

Thank you for the opportunity to respond to the Commission Auditor's (CA) Review of the Expedited Purchasing Program (EPP) of January 24, 2007.

A total of sixty-six solicitations have been processed through the EPP since the inception of the Program on February 6, 2005 through September 30, 2006. DPM has managed the EPP as a pilot program, implemented quality control and administrative procedures for approving and processing solicitations; and trained staff on the process requirements. The Program offers increased flexibility and has allowed for reduction of unnecessary bureaucracy, while preserving the openness and integrity of the process. The EPP has been fully integrated into the set of business tools utilized by the County to procure goods and services. The benefits of the Program are being realized, and have been proven as a useful and beneficial tool that saves time in the procurement process. Therefore, a proposal to codify this Program has been presented to the Board of County Commissioners for consideration.

A response to each of the recommendations included in your review is addressed below.

1. Review Recommendation – *Maintain diligence in selection of the appropriate procurement process: The degree to which Staff became more efficient over time at selecting which procurements could be expedited by the EPP demonstrated the importance of diligence in this regard. Simplification worked to expedite procurements in the EPP and will potentially reduce costs. However, the choice of which procurements will and will not benefit from simplified procurement processes will remain a critical decision point, particularly when best value selection criteria are unclear.*

DPM Response: The Department of Procurement Management concurs with this recommendation. Staff training regarding the selection of procurements for processing through the EPP has been completed. New staff is trained as to the value, procedures and requirements involved in processing solicitations through the EPP. The requirements are reviewed and reinforced at staff meetings. At the department level, Contracting Officer/Agent decisions to purchase through the EPP are subject to approval through an appropriate management chain of command. Approval is required by a Supervisor, Division Director and the Department Director to ensure selection of those procurements best suited for processing through the EPP. The Department will continue to exercise its discretion with great care and diligence in this regard.

2. Review Recommendation – *Consider opportunities for simplifying other procurement processes: The EPP pilot project expedited procurements through reductions in the use of formal selection committees and reductions in paperwork and processing requirements resulting from delegation of authority. Other procurement processes may benefit from similar simplifications, including consideration of further delegations of authorities to DPM.*

DPM Response: The Department of Procurement Management concurs with this recommendation. The step-by-step review of the goods and services procurement workflow and business processes,

completed by DPM, identifies several business improvement initiatives that simplify the procurement process. Currently, the Department has completed more than half of the reforms that are within its management span. Implementation of a significant number of additional administrative and legislative reforms is underway and the completion of the first level of implementation is now anticipated to be completed by the end of the calendar year. These additional projects include a significant reduction in the number of affidavits required of vendors at the time of contract award, simplifying boilerplates and other solicitation documents, eliminating redundant and non-value added tasks, completing tasks simultaneously and conducting concurrent reviews. Implementation of these and numerous other streamlining, value-added initiatives will provide for a more simplified procurement process with a continued focus on integrity, fairness, transparency, and full and open competition.

Should you have any questions, please do not hesitate to contact me at 305-375-5878.

c: George M. Burgess, County Manager
Alina T. Hudak, Assistant County Manager
Abigail Price-Williams, Assistant County Attorney
DPM Management Staff