

# County of Stanislaus Procurement Management Audit



**Audit Report**

**May 2018**

*"Provide a safe, sustainable, integrated and efficient transportation system  
to enhance California's economy and livability"*

## PREPARED BY:

California Department of Transportation  
Independent Office of Audits and Investigations – MS 2  
Post Office Box 942874  
Sacramento, California 94274-0001  
[www.dot.ca.gov/hq/audits](http://www.dot.ca.gov/hq/audits)

## AUDIT TEAM

MarSue Morrill, Chief, External Audits-Local Governments  
Luisa Ruvalcaba, Audit Manager  
Ashna Singh, Auditor in Charge

P1500-0002

## TABLE OF CONTENTS

<u>SUMMARY</u>	2
<u>OBJECTIVES</u>	2
<u>SCOPE</u>	2
<u>METHODOLOGY</u>	3
<u>BACKGROUND</u>	3
<u>CONCLUSION</u>	3
<u>VIEWS OF RESPONSIBLE OFFICIALS</u>	4
<u>FINDINGS AND RECOMMENDATIONS</u>	5
<b>FINDING 1 - Procurement Practices Need Improvement</b>	5

### ATTACHMENT

#### I. Audit Response from the County of Stanislaus

# **SUMMARY, OBJECTIVES, SCOPE, METHODOLOGY, BACKGROUND, AND CONCLUSION**

## **SUMMARY**

The California Department of Transportation (Caltrans), Independent Office of Audits and Investigations (A&I) audited the County of Stanislaus' (County) Procurement Management to determine if controls are adequately designed and operating effectively to ensure compliance with agreement provisions, and state and federal regulations. We determined that the County can improve its processes with date stamping submitted proposals, improving evaluation and selection process, and ensuring correct mathematical calculations of scoring sheets.

## **OBJECTIVES**

The audit was performed to determine whether the County's third party contracts billed to Caltrans were procured in accordance with respective agreement provisions, and state and federal regulations. The audit included testing of requests for proposals (RFPs) for consultant services billed to Caltrans on agreements HSIPL-5938(238), STPL-5938(240), CML-5938(239), and BRLSZ-5938(188). Our audit period was from July 1, 2016 to January 25, 2018.

## **SCOPE**

We conducted a procurement management audit of the County's agreements with Caltrans to determine if the County's third party contracts were procured in compliance with the agreements, and applicable laws and regulations. Further, we assessed the County's accounting principles and significant estimates made by management to determine the overall presentation of the procurement process. The audit comprised tests of documentary evidence supporting the County's financial management system relative to the procurement practices. The audit was limited to compliance activities. Our field work was completed on March 23, 2018 and transactions occurring subsequent to this date were not tested and, accordingly, our conclusion does not include costs or credits arising after this date.

The County is responsible for complying with applicable agreement provisions, and state and federal regulations. In addition, the County is responsible to ensure their financial management system relative to procurement practices is able to accumulate and segregate reasonable, allocable, and allowable costs. Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## METHODOLOGY

We conducted our audit in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was less in scope than an audit performed to express an opinion on the financial statements of the County. Therefore, we did not audit and are not expressing an opinion on the County's financial statements.

The audit of the County's financial management system relative to procurement practices included survey questionnaires and interviews of County staff to obtain an understanding of the County's procurement process. The audit comprised of transaction testing of various procurements to evaluate compliance requirements stipulated in the County's agreements with Caltrans.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and the records selected. An audit also includes assessing the accounting principles used and significant estimates made by the County, and evaluating the overall presentation of the procurement process.

## BACKGROUND

Caltrans has a legal and fiduciary responsibility to ensure that all state and federal funds are expended in compliance with state and federal laws, regulations, and agreements. Caltrans performs audits to ensure it is meeting its legal and fiduciary responsibilities and that state and federal funds are properly expended by local government agencies.

## CONCLUSION

Based on our audit, we determined that overall, the County complied with the respective agreement provisions, and state and federal regulations. Following are exceptions that were identified:

- For one of the four procurements tested, the County could not provide support for the date and time of when two of the proposals were submitted to ensure they were received within the stipulated timeframe.
- For one of the four procurements tested, a RFP had unclear language on the method to be followed during the consultant selection and evaluation processes.
- For one out of the four procurements tested, the individual evaluation scores for two of the panel members were mathematically incorrect.

**VIEWS OF RESPONSIBLE OFFICIALS**

Our findings and recommendations consider the County's response dated May 17, 2018 to our May 8, 2018 draft report. Our findings and recommendations, the County's response, and our analysis of the response are set forth in the Findings and Recommendations section of this report. A copy of the County's full written response is included as Attachment I.

This report is intended as information for Caltrans management, the Federal Highway Administration, and the County. The report is a matter of public record and will be placed on Caltrans' website, which can be viewed at <[www.dot.ca.gov/audits/INC.html](http://www.dot.ca.gov/audits/INC.html)>.

If you have questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

**MARSUE MORRILL, CPA**

**Chief**

**External Audits – Local Governments**

**Independent Office of Audits and Investigations**

**May 18, 2018**

## FINDINGS AND RECOMMENDATIONS

### FINDING 1. – Procurement Practices Need Improvement

The County of Stanislaus did not procure their consultant contracts in accordance to federal and state procurement regulations. Specifically, we noted the following deficiencies in contracts the County billed to Caltrans:

#### BRLSZ-5938(188)

- The County was unable to provide verification of the receipt (date and time) of two proposals submitted for pre-construction reviews, construction management, and inspection services work for the Santa Fe Bridge over the Tuolumne River project. According to the scoresheets, four proposals were received and evaluated but there was no receipt log for two of the proposals. The County stated that for those two proposals sticky notes were used to record the date and time information but the sticky notes got lost or misplaced. Due to the missing information, we were unable to verify if the two proposals were submitted by the Request for Proposal (RFP) deadline.

Title 23 Code of the Federal Regulations (CFR) Part 172.7 (a) (1) (iv) (F) states, "*The contracting agency shall retain supporting documentation of the solicitation, proposal, evaluation, and selection of the consultant in accordance with this section and the provisions of 2 CFR 200.333.*"

- The consultant evaluation and selection process on interviews was unclear and confusing in the RFP. The RFP stated, "If deemed necessary, consultant selection for the interview process will be based on information provided in proposal ad reference. The top five proposals may be invited for consultant interviews." What was "deemed necessary" and would trigger an interview was not included in the RFP. Although the County received and scored four proposals, it only conducted interviews with the top two ranked firms. The County's explanation was the scores on the two firms from the initial round of evaluations were off by only two points. To ensure a fair assessment, either all four firms should have been interviewed or the RFP should have been clear as to when and why an interview would be conducted. The County acknowledged that to the language in the RFP was ambiguous and confusing.

2 CFR § 200.319 (c) (2) states, "*Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.*"

2 CFR § 200.320 (d) (1) states, "*Requests for proposals must be publicized and identify all evaluation factors and their relative importance.*"

**STPL 5938(240)**

We found mathematical errors in the score sheets from consultants' evaluations. The person who input the information did not re-calculate to verify the accuracy of the score totals reported per firm. While this error did not impact the outcome of the procurement, a lack of mathematical verification can impact the overall ranking and selection of the top firm, which could result in the most qualified firm not being selected.

2 CFR § 200.333 states, "*Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained...*"

**RECOMMENDATION**

We recommend the County:

- Maintain date stamped proposal envelopes, or a receipt log to show evidence of date and time submittal of proposals received.
- Implement policy and procedures to provide a clear and accurate process for the evaluation and selection of consultants from RFPs.
- Verify the mathematical accuracy of the score calculations to ensure accurate scores are used to determine the top ranked firm.
- Take Caltrans, Division of Local Assistance online Procurement A&E Contracts training, at <http://www.dot.ca.gov/hq/LocalPrograms/AE/index.htm>.

**SUMMARY OF COUNTY'S RESPONSE**

County has done the following to address the recommendations outlined in the report:

- Created a receipt log to document evidence of the date and time proposals are submitted for A&E contracts.
- Modified the RFP to clearly outline when interviews will be conducted to aid in the evaluation and selection of consultants.

In addition, the County is scheduling the project managers to take the online Procurement A&E Contracts training over the next six months and are having the contract administrators' double check the results calculations.

See Attachment I for County's complete response.

**ANALYSIS OF COUNTY'S RESPONSE**

We appreciate the County's decision to implement the revised processes and procedures. Any new processes and procedures implemented subsequent to our fieldwork date have not been reviewed or audited.





**DEPARTMENT OF PUBLIC WORKS**

**Matt Machado, PE, LS**  
Director, County Surveyor

**Chris Brady, PE**  
Deputy Director - Design/Survey/Fleet Maintenance

**Frederic Clark, PE, LS**  
Deputy Director - Development/Traffic

**David Leamon, PE**  
Deputy Director - Construction Administration/Operations

**Letti Ortiz**  
Senior Business and Finance Manager

[www.stancounty.com/publicworks](http://www.stancounty.com/publicworks)

5-14-18

MarSue Morrill,  
Chief  
External Audits – Local Governments  
Independent Office of Audits and Investigations – MS 2  
California Department of Transportation  
P.O. Box 942874  
Sacramento, CA 94274-0001

Re: Procurement Audit and Investigations for A&E Contracts – Stanislaus County

Ms. Morrill,

The following letter is in response to the Draft Audit Report provided to Stanislaus County staff on 5/8/18. The County has reviewed the report and has the following comments regarding the recommendations outlined in the report.

**Recommendation #1:** The County has created a receipt log to accurately document evidence of the date and time of proposal submittals for A&E contracts. Staff will use this log moving forward during the Request for Proposal process of consultant procurement.

**Recommendation #2:** The County's Request for Proposal has been modified to more clearly outline when interviews will be utilized by County staff to aid in the evaluation and selection of consultants.

**Recommendation #3:** Moving forward, more care will be taken when transcribing proposal evaluation results to the evaluation summary spreadsheet. Our contract administrator will double check the results while she is certifying the Conflict of Interest statements.

**Recommendation #4:** To improve the proficiency of Department's staff in following the requirements of Chapter 10 of the Local Assistance Procedures Manual, staff is in the process of scheduling the Department's project managers to review the Procurement A&E Contracts online training (Modules 1-5) over the next six months.

The County is confident that as a result of the above mentioned corrective measures, the County will improve its compliance with all applicable state and federal regulations relating to the procurement of A&E consultants.

If you have any further questions or concerns, please do not hesitate to call me at (209) 525-4184.

Sincerely,

Chris Brady, P.E.  
Deputy Director

Cc: Luisa Ruvalcaba, Audit Manager  
Ashna Singh, Auditor in Charge