

**Performance Audit:
Efficiency of the Procurement Process**

February 2024

**City Auditor's Office
City of Atlanta**

File #23.11



CITY OF ATLANTA
City Auditor's Office
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Performance Audit:

Efficiency of the Procurement Process

What We Found

While the Department of Procurement took several steps to standardize its operations, strengthen competition, and enhance efficiency, our audit found that the department should continue to improve reporting and document retention. It could also enhance the uniformity of operations and cost savings through publishing its draft procedures and fostering economies of scale through the use of punchout vendors.

The department communicated to City Council that it had reduced the average cycle time for competitive procurements to 186 days as of January 2023. A random sample of 35 solicitations from the department's monthly reports found that 14 of these had inaccurately calculated cycle times. Correcting these figures showed that the average cycle time was actually 400 days for the sample. Similarly, the department reported decreasing purchase order processing time by over 90% since January 2022, but our audit found that the median time to process purchase orders was the same when comparing January to August 2022 with September 2022 to March 2023.

Documentation and reporting issues also surfaced during the audit. The department did not retain all its documentation in ATLCLOUD and SharePoint, such as solicitations and contracts. In 18% of the alternative procurements we reviewed, the department failed to provide the necessary documents justifying alternative procurements, potentially leading to inconsistencies and risks in the procurement process. Moreover, inconsistent labeling of purchases hindered tracking against annual vendor limits, creating challenges in monitoring compliance and potential overspending.

We recommended the department work with the city's ATLCLOUD vendor to enhance automated tracking for accurate reporting, clarifying reporting metrics to ensure accuracy in City Council reporting, ensuring proper documentation for alternative procurements, improving labeling in ATLCLOUD for better tracking and compliance, and refining the anti-corruption measures within the department's draft policies and procedures.

Why We Did This Audit

We undertook this audit because an efficient procurement process helps mitigate the risk of departments circumventing process controls. We assessed the efficiency of the procurement process and reviewed anti-fraud measures adopted in the updated procedures.

What We Recommended

To ensure fair and open competition, accurate reporting, and risk mitigation, the chief procurement officer should:

- finalize the draft policies and procedures and train staff
- work with the city's ATLCLOUD consultant to connect the solicitation and contract modules if possible
- ensure all contracts, engagement packages, and justification forms are uploaded to ATLCLOUD or SharePoint
- continue to implement the RACI chart and integrate key dates into ATLCLOUD
- clarify City Council reporting metrics for purchase orders
- create a mandatory field in ATLCLOUD to track non-contract related spending and make the micro or small purchase field mandatory
- consistently label and track purchase categories and encourage city agencies to use punchout vendors to seek economies of scale

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

Management Responses to Audit Recommendations

Summary of Management Responses		
<p>Recommendation #1: We recommend that Procurement incorporate all anti-corruption controls and processes in practice into their draft policies and procedures to ensure that these practices are clearly documented and accessible to all staff.</p>		
<p>Response: Agree</p>	<p>Status: Partly Implemented</p>	<p>Estimated Completion Date (M/Y): 03/24</p>
<p>Recommendation #2: We recommend that the department finalize the draft policies and procedures and train staff on how to apply them to provide clear guidance to staff and enhance anti-corruption controls.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 07/23</p>
<p>Recommendation #3: We recommend that Procurement staff work with the city's ATLCLOUD consultant, Deloitte, to identify whether the solicitation and contract modules can be connected for automated cycle time reporting and improved reporting accuracy.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 07/23</p>
<p>Recommendation #4: We recommend that the department ensure all contracts are uploaded into ATLCLOUD as part of award close-out for reporting.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 07/23</p>
<p>Recommendation #5: We recommend that the department continue to implement the RACI chart and integrate key dates into ATLCLOUD to increase reporting accuracy and identify areas for process improvement.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 10/23</p>

<p>Recommendation #6:</p> <p>We recommend that the department clarify its purchase order metrics and calculations for City Council reporting to improve accuracy and consistency.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 07/23</p>
<p>Recommendation #7:</p> <p>We recommend that Procurement ensure procurement request engagement package and justification forms are retained in SharePoint and, if possible, in ATLCLOUD to help mitigate the risk of approving alternative procurements without adequate justification.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 08/23</p>
<p>Recommendation #8:</p> <p>We recommend that Procurement create a mandatory designation field in the ATLCLOUD requisition form for contract or non-contract-related spending and make the micro or small purchase field mandatory to improve consistency, accuracy, and employees' ability to track potential overages.</p>		
<p>Response: Agree</p>	<p>Status: Partly Implemented</p>	<p>Estimated Completion Date (M/Y): 12/23</p>
<p>Recommendation #9:</p> <p>We recommend that Procurement find a method to consistently label and track purchase categories and leverage these data and its category management model to identify opportunities to achieve economies of scale.</p>		
<p>Response: Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): 03/24</p>
<p>Recommendation #10:</p> <p>We recommend that Procurement encourage user agencies to use punchout vendors.</p>		
<p>Response: Agree</p>	<p>Status: Click to select current implementation status.</p>	<p>Estimated Completion Date (M/Y): 07/23</p>



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February 1, 2024

Honorable Mayor and Members of the City Council:

We conducted this audit of the Department of Procurement's procurement cycle efficiency, focusing on calendar year 2022 and the first quarter of calendar year 2023, because an efficient procurement process helps mitigate the risk of departments circumventing process controls. The department has undergone several leadership changes in the past five years, which contributed to changes in the procurement process.

While the department took several steps to standardize and improve operations, the Department of Procurement should continue to improve reporting, document retention, and seeking economies of scale. Our recommendations focus on increasing the accuracy of the department's reports through enhanced use of ATLCloud and improved document retention, further mitigating risks through published policies and procedures, and achieving economies of scale through improved analysis and increased use of punchout vendors.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent a draft report to management on November 18, 2023, and received their response on December 20, 2023. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Rebecca Robinson, Lindsay Kuhn, and Neeka Benton.

Amanda Noble
City Auditor

Danielle Hampton
Chair, Audit Committee

Efficiency of the Procurement Process

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Introduction

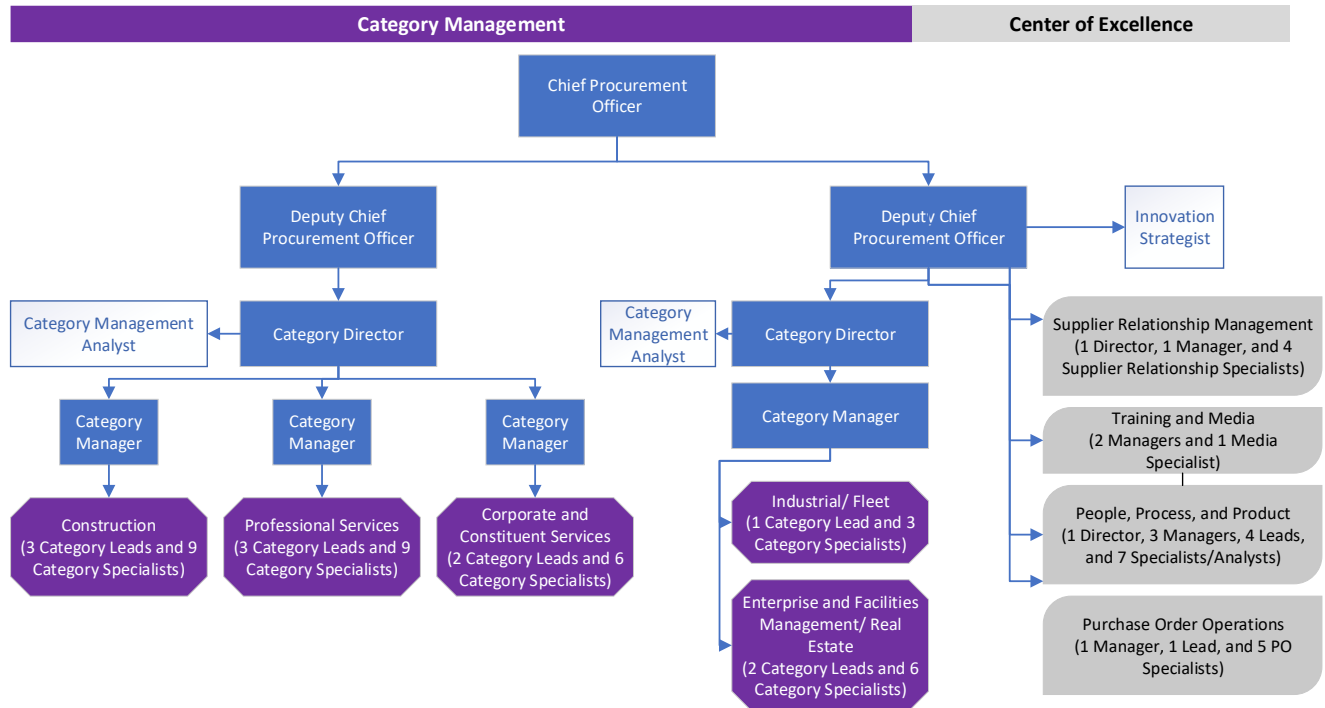
The Department of Procurement is charged with acquiring all commodities and services for city departments. Delays in receiving goods and services negatively affect operations and incentivize departments to circumvent procurement controls that are intended to ensure a fair and competitive purchasing process. In September 2017, one of the city's former chief procurement officers pleaded guilty to conspiratorial bribery for accepting bribes from a city vendor. In January 2018, he was convicted and sentenced to two years and three months in prison, three years of supervised release, and ordered to pay \$44,000 in restitution and a \$25,000 fine. Since then, the department has undergone three changes in leadership, contributing to changes to the procurement process. We undertook this audit to assess the efficiency of the procurement process and review anti-fraud measures adopted in the updated procedures.

Background

The Department of Procurement manages the purchasing of commodities, services, and construction for all departments and agencies within the City of Atlanta. The department is headed by the chief procurement officer. Procurement has had four chief procurement officers since 2017.

The current chief procurement officer has implemented several changes since taking over in June 2022. He reorganized the department, which was previously structured by the departments or agencies it served within the city, into a category management model, comprising construction, professional services, corporate services, constituent services, industrial/fleet, and enterprise and facilities management/real estate. This new model emphasizes the procurement function rather than the user agency (the department requesting the procurement); for example, all landscape contracts would go through staff in the professional services category rather than individually by department. Exhibit 1 shows this new model and the categories, as well as the department's cross-cutting support team, the Center of Excellence. The Center of Excellence manages vendor relationships, purchase orders, and data reporting and analytics.

Exhibit 1: Procurement Reorganized into a Category Management Model as of July 2023



Source: Created by audit team based on information provided by the Department of Procurement staff

Department Procures Goods and Services through Different Methods with Varying Levels of Competition

City purchases are separated into three categories: competitive solicitations, alternative solicitations, and micro and small purchase orders. Competitive solicitations involve the most competition, which helps accomplish the city's goal of maximizing cost effectiveness. Alternative solicitations have varying levels of competition but are more restricted in terms of competition than competitive solicitations. Micro and small purchase orders involve the least competition. The three purchasing categories are:

1. **competitive solicitations:** purchases that the city opens to all potential vendors; the city then evaluates the submissions based on certain criteria to choose the vendor(s)
 - types of procurement: requests for proposals, invitations for bid, requests for information, and requests for quotations
2. **alternative solicitations:** purchases in which Procurement waives the usual requirements for special situations, such as

when a limited pool of vendors are qualified to provide the commodity or the desired service

- user agencies must submit certain documentations to justify requests for alternative procurements
- types of procurement: emergency procurements, sole source procurements, special procurements, and cooperative agreements

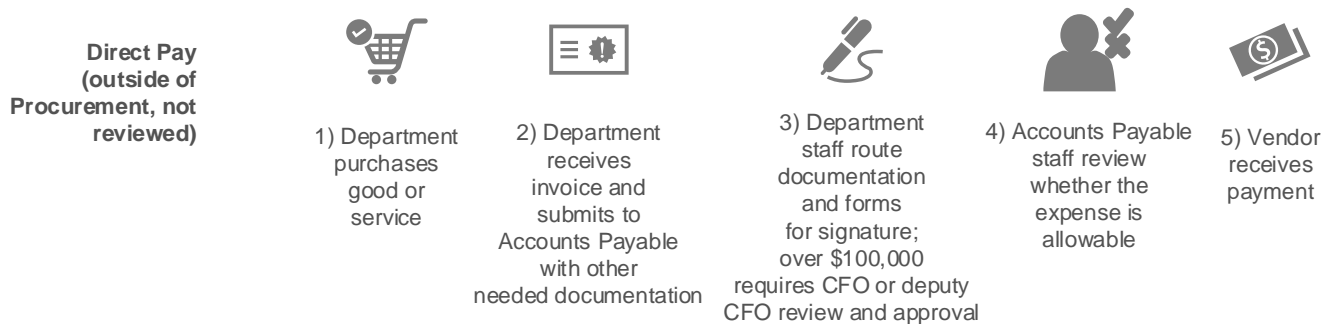
3. **micro and small purchase orders:** purchases below established dollar amount thresholds, in which the user agency can select the vendor directly

- micro purchases require one quote, small purchases require three quotes
- city code sets annual limits on user agencies' micro and small purchases from the same vendor

Of these types of purchases, micro and small purchase orders have the fewest steps and controls. Alternative procurements have more steps and controls than micro and small purchases, but fewer than competitive procurements.

User agencies can also make direct payments through the Department of Finance when competitive sourcing is not possible, such as conference registrations, subscriptions, settlements, and court fees, and this process has the fewest controls (see Exhibit 2).

Exhibit 2: Departments Can Use Direct Payments for Certain Purchases



Source: Created by audit team based on 2022 Direct Pay audit

A 2022 audit by our office found that some of these payments could have qualified as part of Procurement's micro purchase process based on the dollar amounts. Exhibit 3 details the differences among these purchasing categories, and the types of procurements each includes.

Exhibit 3: Competitive Procurements Foster More Broad-Based Competition than Other Methods

Procurement Method	Description	Types of Procurement Included
Competitive solicitations	<ul style="list-style-type: none"> open to all potential vendors that meet qualifications 	<ul style="list-style-type: none"> requests for proposals invitations for bid requests for information requests for quotations
Alternative procurements	<ul style="list-style-type: none"> Procurement waives the usual requirements for special situations user agencies must justify request for alternative procurements 	<ul style="list-style-type: none"> emergency procurements sole source procurements special procurements cooperative agreements
Micro & small purchase orders	<ul style="list-style-type: none"> purchases below established thresholds user agency selects the vendor directly with either one (micro) or three (small) quotes 	<ul style="list-style-type: none"> micro purchase small purchase






Source: Created by auditors based on department's draft policies and procedures

The procurement process varies based on the type of solicitation, as shown in Exhibit 4. The exhibit documents the processes in place as of March 2023. Competitive procurements have more oversight and controls than alternative procurements or procurements made using micro or small purchases; the latter two methods could thus be riskier for achieving cost effectiveness.




For competitive procurements, Procurement receives a PREP (procurement request engagement package) from the user agency. The package includes basic information such as the requested goods or services, scope of work, contact person, and estimated budget. User agencies submit the package to Procurement staff through email, outside of ATLCLOUD, the city's e-procurement system. Next, the contract specialists meet with the user agency and other city stakeholders to finalize needs and create the solicitation in ATLCLOUD. Procurement advertises the solicitation on the city website, a process which is automated through ATLCLOUD. Next, the department holds a pre-bid conference for potential vendors, receives questions from potential vendors, and issues addenda through ATLCLOUD. The bid automatically closes in ATLCLOUD at the end of the advertisement period.

Exhibit 4: Alternative Procurements and Procurements Using Micro and Small Purchase Orders Are Riskier than Competitive Procurements

Competitive Procurement Process

- 1)  Requesting agency identifies scope of work and submits PREP package
- 2)  Procurement staff hold a project team meeting with requesting agency and internal stakeholders
- 3)  Procurement advertises solicitation
- 4)  Procurement holds a pre-bid conference, gathers questions submitted by applicants, and issues answers and other changes via addenda
- 5)  Bid closes, Procurement and evaluators (if applicable) review, and requesting agency and CPO submit recommendations for award
- 6)  If over \$100,000, award goes through legislative review and approval
- 7)  Procurement routes final contract for review and signatures; clerk signs and stamps final contract
- 8)  Requesting agency prepares requisition to purchase goods or services; Procurement approves and creates purchase order




Alternative Procurement Process

- 1)  Requesting agency develops scope of work and identifies potential vendor(s) or cooperative agreement(s)
- 2)  Requesting agency submits alternative procurement PREP package with quote(s) and required justification/documentation
- 3)  CPO approves alternative procurement request and documents rationale in final determination memo
- 4)  If a sole source or special procurement over \$100,000, or a cooperative agreement, legislative review and approval
- 5)  Final contract review and signatures for all cooperative agreements and, in some special cases, for sole source and special procurements; clerk signs and stamps final contract



- 6) Requesting agency prepares requisition to purchase goods or services; Procurement approves and creates purchase order

Micro and Small Purchase Order Process

- 1)  Requesting agency identifies purchasing need and potential vendor(s)
- 2)  Requesting agency submits requisition with one quote for micro or three quotes for small purchases and other documentation as required
- 3)  Procurement staff review, approve, and create purchase order

Source: Created by auditors based on the department's draft policies and procedures as of March 2023

For certain awards, particularly those over \$100,000, the user agency guides the award through the legislative review and approval process. Procurement then routes the final contract for review and signatures. Once fully signed, the clerk signs and stamps the final contract, at which point the contract is fully executed. The user agency prepares a requisition to request purchase of the goods or services authorized by the award. Procurement reviews and approves the requisition and creates a purchase order. The requisition records a commitment from the city to purchase a good or service, and the purchase order advances this commitment to an obligation, which are system budgetary controls.

The process for alternative procurements is shorter than for competitive procurements. The requesting department must identify that the procurement is a special situation that requires waiving the usual requirements for a competitive solicitation, such as a limited pool of qualified vendors. The user agency defines what it needs and develops a scope of work and estimated budget. Then, the user agency finds a potential vendor(s) or cooperative agreement(s) to meet its needs. The user agency then fills out a procurement request engagement package specific to that type of alternative procurement and includes all required justification documentation. Procurement employees review the package, and the chief procurement officer determines whether to approve the request. The chief procurement officer documents this decision in a final determination memo. Special and sole source procurements over \$100,000 and all cooperative agreement procurements require legislative review and approval. Procurement then routes the final contract for review and signatures, the clerk signs and stamps the contract, and the procurement moves forward to the requisition and purchase order stage.

Procurements made using micro or small purchase orders have the fewest steps. The user agency identifies what it needs to procure and whether the total cost is within the small or micro purchase limit. During our audit, the dollar threshold was \$5,000 for micro purchases and \$20,000 for small purchases; this has since increased to \$20,000 for micro purchases and \$100,000 for small purchases. Next, the user agency finds one vendor (for micro purchases) or three vendors (for small purchases) and solicits quotes. The user agency selects the vendor that offers the lowest price for small purchases and submits a requisition to Procurement. Procurement employees review the requisition for completeness, and, if approved, create a purchase order based on the requisition. Alternative procurements are riskier because they have fewer steps

and controls, which creates opportunities for individuals to steer the procurement process.

Procurement Uses ATLCLOUD for Most of Its Work

Procurement uses the city's enterprise resource planning system, ATLCLOUD, for most of its work. ATLCLOUD has several procurement-specific modules for solicitation and contract management. ATLCLOUD automates some of the steps shown in Exhibit 3 for competitive procurements, such as advertising the solicitation and closing for submissions. Procurement employees use several reports from ATLCLOUD and Procurement's customized departmental dashboard to monitor and report on its work.

ATLCLOUD does not, however, track many of the steps and processes shown in Exhibit 3. These include receiving the procurement request engagement package, Procurement's responsiveness review, the user agency's evaluation, and contract routing and signatures. Procurement also has not enforced uploading project files into ATLCLOUD, like the procurement request engagement package or final determination memo. The department supplements ATLCLOUD with SharePoint, using the latter to track detailed notes and updates and retain files, and produces a monthly activity report to report on metrics not fully captured by ATLCLOUD.

Department Reports to City Council and Mayor's Office

City Code Section 2-1142 requires the Department of Procurement to report on certain metrics to city council monthly, such as methods for competitive solicitations' sourcing, emergency procurements, and change orders. The department also reports to the Mayor's Office monthly on metrics such as average vendor submissions per solicitation, number of solicitations posted for advertisement, and the number of open and active solicitations exceeding the target execution days. One metric that Procurement reports in its quarterly City Council briefings is cycle time, which measures the time from Procurement receiving a complete procurement request engagement package (the start of a competitive solicitation) to contract execution. The department told us that the metrics it submits to City Council are not as useful as the ones it reports to the Mayor's Office. Procurement staff told us that the department is drafting a proposed amendment to the procurement code that would adjust reporting requirements for City Council to match the reports the department is sending to the Mayor's Office.

Audit Objectives

This report addresses the following objectives:

- Has the city's procurement process gained efficiency while implementing anti-corruption measures?
- Are controls in place to ensure that small and micro purchases comply with city code and Procurement's reporting is accurate?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Our audit focused on completed competitive and alternative solicitations created between January 2022 and March 2023 and purchase orders created during fiscal year 2023 (July 2022 through June 2023). Our scope for purchase orders differed because city code criteria are based on fiscal year vendor limits.

Our audit methods included:

- interviewing Procurement staff to understand the solicitation process, reporting, and data availability
- interviewing Office of Enterprise Risk Management, Department of Law, and Ethics Office staff to understand their roles in the solicitation process
- analyzing data sources for monthly City Council reports and quarterly updates for accuracy of Procurement's reporting
- testing a random sample of 35 competitive solicitations reported as executed on the Department of Procurement's monthly internal report to verify cycle time with other sources, including executed contract and clerk's office records
- testing fiscal year 2023 purchase orders labeled as small or micro purchases against annual vendor limits to ensure that user agencies did not exceed the limit
- reviewing the department's website, reports, draft policies and procedures, form templates, and sample forms to gain and an understanding of Procurement's procedures

- reviewing the city's Procurement code for criteria related to process efficiency, purchase orders, and formal and alternative procurement requirements
- identifying best practices for procurement efficiency and anti-corruption to evaluate the department's policies and practices
- benchmarking small and micro purchase thresholds against comparable municipalities
- observing a request for proposals evaluation session to assess it for consistency with best practices
- analyzing the number of responses per competitive solicitation over the scope period to assess gains in competition

Generally accepted government auditing 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.

Findings and Analysis

Procurement Could Improve Efficiency and Transparency by Enhancing E-Procurement

The Department of Procurement is working to standardize documents, strengthen competition, and become more efficient. Importantly, it has implemented or retained most recommended anticorruption measures as it has sought to improve efficiencies. The department, however, made errors in reporting the results of its efforts. The department intends to measure cycle time as the number of days between receipt of a procurement request engagement package to contract execution. Our review of a random sample of 35 solicitations from 79 listed in Procurement’s monthly activity reports found 14 with incorrectly calculated cycle times due to manual reporting processes. When corrected, these solicitations took an average of 400 days to complete, compared to the 279 days calculated from the report. Department staff reported in error to City Council that it had cut average cycle time for competitive procurements to 186 days as of January 2023, compared to its goal of 120 days. Procurement also reported cutting purchase order processing time by over 90% since January 2022; but when comparing January to August 2022 with September 2022 to March 2023, the median time to process purchase orders was unchanged. In both periods, most purchase orders were created on the same day the requisition was approved—better than the department’s goal of three days.

During our audit, Procurement had several reports and a dashboard set up in ATLCLOUD to assist with reporting, but none of the preset reports contained all the needed information. Further, staff did not always upload solicitations or contracts into ATLCLOUD. As a workaround, the department created a manual report that was the basis for some of its reporting, but we found errors in the report. Manual reports create additional work for staff and increase the risk of errors.

Procurement did not retain documentation in ATLCLOUD, so Procurement staff established a repository in SharePoint. Some files were also missing in SharePoint. Procurement failed to provide 18% of the documents needed to justify using an alternative procurement, including the memo from the user agency to the chief procurement officer, outlining the reasons for requesting an alternative procurement.

The department made progress and has continued to implement improvements after our audit period. Procurement drafted policies and procedures to replace the outdated version published in 2014; implemented new tools to enhance data collection, retention, and reporting; and reorganized the department. Our recommendations focus on increasing efficiency, accuracy, and compliance; clarifying reporting metrics; and publishing the draft policies and procedures.

Department Has Taken Steps to Improve Operations

Procurement implemented almost all the anti-corruption best practices we identified. Employees have created a revised draft of the department's policies and procedures, which capture most of these best practices and are more up to date than the previously published policies and procedures from 2014. The department also increased competition on competitive solicitations from 31% in January 2022 to 42% in March 2023. Updated documents, anti-corruption controls, and increased competition could help the city mitigate risk and improve efficiency.

The department is standardizing operations by updating its forms and policies and procedures, which are mostly consistent with best practice anti-corruption controls. Prior to our audit, Procurement drafted more up-to-date and comprehensive policies and procedures to replace the previous ones from 2014. Procurement has been working on drafting its policies and procedures for several years, but these are still in draft form. Procurement has implemented 24 of 28 best practice anti-corruption controls into its practices but included only 15 of these 28 controls in its draft policies and procedures. Controls in practice that are missing from draft policies and procedures are the department's:

- recordkeeping/audit trail process
- confidential reporting hotline
- prohibition of personal purchases
- staff training and certification requirements
- procedures for publicizing successes
- IT strategies and policy
- DocuSign approval process
- process to detect and mitigate control gaps in ATLCLOUD
- steps to match invoice against goods and services received

The anti-corruption controls are based on best practices from various sources, including the Organization for Economic Co-operation and Development, the United Nations, and the Chartered Institute of Public

Finance and Accountancy. Documenting all anti-corruption controls in the draft policies and procedures helps mitigate the risk of inconsistent control application, especially among newer staff.

Exhibit 5: Procurement Has Implemented Most Controls Consistent with Best Practices

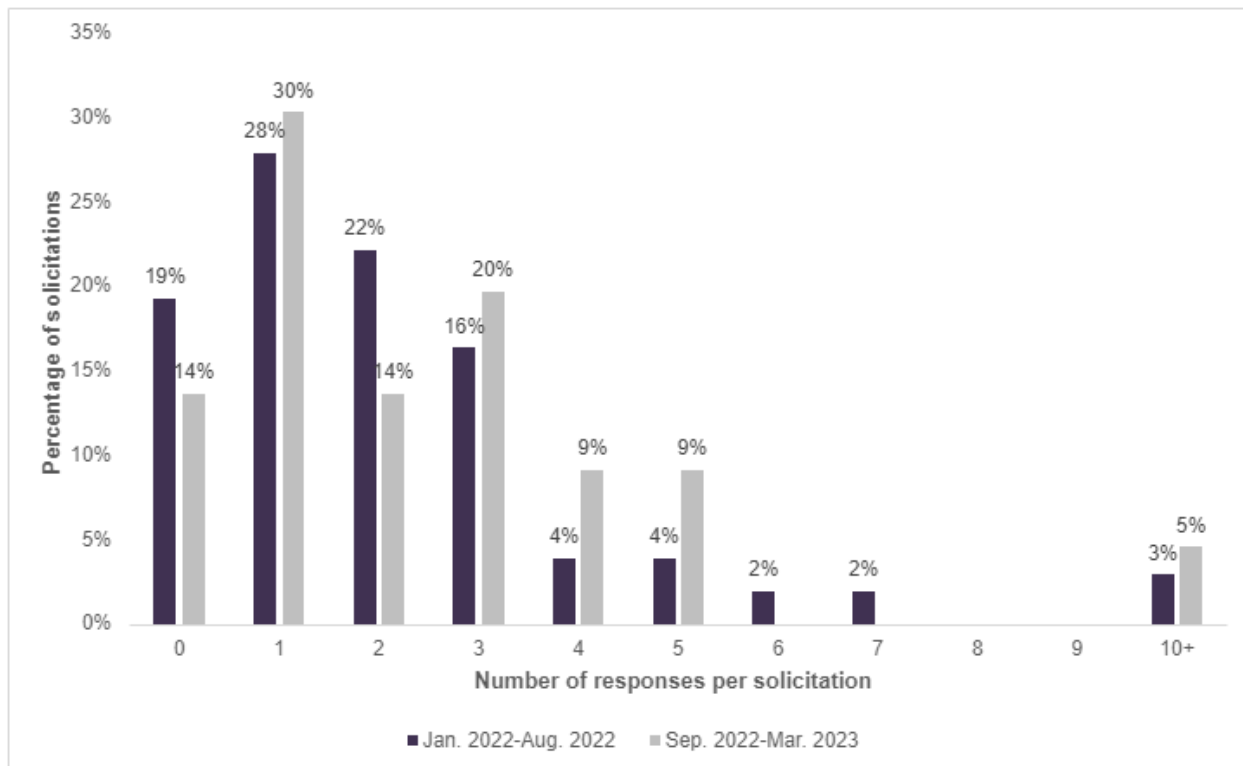
Procurement Controls	In Practice?	In P&Ps?
Transparency	All 8	7 of 8
Integrity/Ethics	All 4	2 of 4
Tone at the top	4 of 5	1 of 5
Supplier registration	1 of 3	1 of 3
e-Procurement	All 5	3 of 5
Separation of Duties	2 of 3	1 of 3

Source: Developed by auditors through research of procurement anti-corruption best practices

We recommend that the chief procurement officer incorporate all anti-corruption controls and processes in practice into their draft policies and procedures to ensure that these practices are clearly documented and accessible to all staff. This will help maintain consistency in the controls’ application and reduce the risk of corruption and fraud in procurement activities. We also recommend that the chief procurement officer finalize the draft policies and procedures and train staff on how to apply them. This will provide clear guidance to all staff involved in procurement processes and enhance the department's overall anti-corruption efforts.

Vendor participation on competitive solicitations increased from 2022 to 2023. The percentage of competitive solicitations at or over the department’s goal of three responses increased from 31% to 42% between the periods of January 2022 to August 2022 and September 2022 to March 2023. Exhibit 6 shows the percentage of formal solicitations meeting the department’s goal increased during the six-month period from September 2022 through March 2023 but still falls short of the department’s goal. The overall average was 2.3 responses per formal solicitation, and 110 of 170 formal solicitations had fewer than three bids. City Code Section 2-1104 requires the department to foster broad-based competition, which helps increase the quality and cost effectiveness of goods and services the city procures. Fewer responses can lead to lower quality and less efficient use of city funds. The department increased sourcing events and vendor outreach starting in January 2023, and the number of responses per solicitation increased between January and March 2023.

Exhibit 6: Percentage of Formal Solicitations Meeting Department’s Goal of Three Responses Increased in Late 2022 and Early 2023



Source: Graph created by auditors based on data from ATLCLOUD solicitations module, filtered for IFBs and RFPs with a creation date between 1/1/2022-3/31/2023, not including amendments

Procurement implemented a previous audit recommendation in solicitation management forms and sessions. We reviewed five sample procurement request engagement packages, two forms from departments requesting approval of the proposed procurement evaluators, and one form evaluating a submission’s responsiveness. In terms of the responsiveness review, the department implemented a 2018 recommendation by our office to include a clear determination of responsiveness, document reasons for a non-responsive decision, and record the name and date of the person reviewing. The other forms contained most of the required information from the draft policies and procedures.

We observed a request for proposal evaluation and found that Procurement staff incorporated most of the best practices to evaluate competitive procurements recommended by the National Institute of Government Purchasing, Inc. The evaluation matrix included the responsiveness criteria the institute recommended. The staff member also facilitated discussion until the evaluation team reached a consensus score, alternated which evaluator gave feedback first, and upheld the blackout period. Areas for improvement include separating technical and cost proposal reviews

for requests for proposals, ensuring Procurement employees do not share any opinions about scores, and having a formalized template for recording scores.

Procurement Could Improve Reporting, Document Retention, and Seeking Economies of Scale

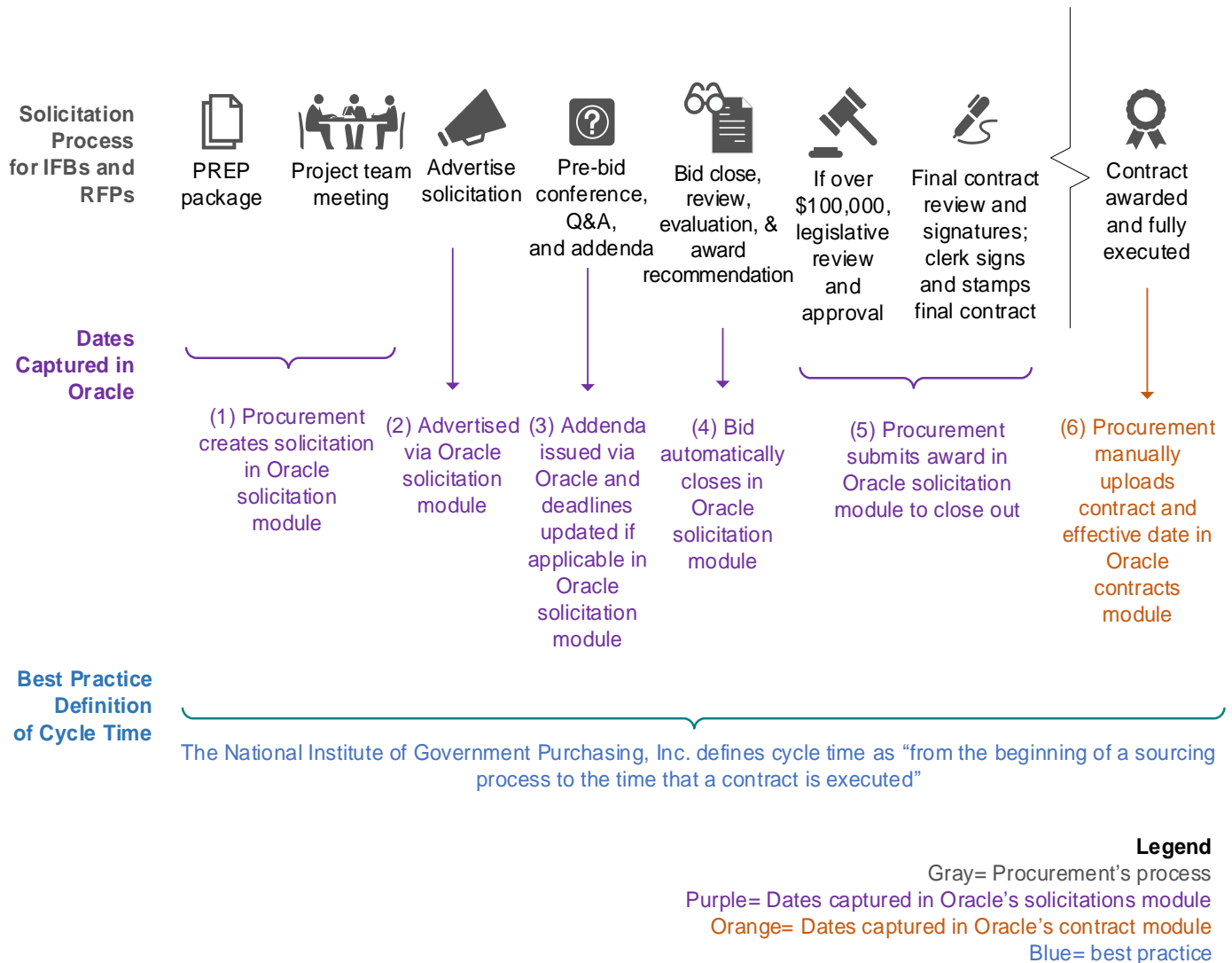
Procurement's quarterly updates to City Council reported that cycle time was 186 days compared with the department's 120-day goal. We found inaccuracies in the report used to compile these data. The department implemented a new tool in fiscal year 2024 to assist with tracking and reporting. Procurement also mistakenly reported to City Council that it had cut the time to process purchase orders by more than 90% between January 2022 and January 2023. The median time to process purchase orders was unchanged when comparing the periods of January 2022 to August 2022 with September 2022 to March 2023.

Procurement employees are charged with ensuring compliance with city code for alternative procurements, annual vendor limits, and efficient use of funds. The department failed to provide the required justification for 18% of alternative procurements. Of 19,059 purchase orders processed in fiscal year 2023, we identified 54 purchase orders in which departments may have exceeded annual vendor limits on micro and small purchases. This number could be higher due to inconsistent labeling of purchases that are micro or small purchase orders. The department was working on ways to increase cost effectiveness through economies of scale during our audit. More comprehensive use of ATLCLOUD's capabilities could foster this.

Procurement's reports to City Council overstated gains in competitive solicitation cycle time. In its March quarterly update to City Council, the department reported that it had reduced the monthly average solicitation cycle time for competitive proposals from 292 days in January 2022 to 186 days in January 2023. The department's draft policies and procedures stated that the goal is to process competitive solicitations within 120 days. We randomly selected 35 competitive solicitations awarded or executed from January 2022 through March 2023 out of 79 listed on the department's monthly Procurement Activity Reports. We found 14 of the 35 (40%) had a calculated cycle time based on a different date than the date we found for the executed contract. When corrected, the sampled solicitations had an average cycle time of 400 days, compared with 279 days calculated from the report. A key factor in these discrepancies is that the department lacks a way to automatically track its full definition of cycle time because the data are kept in two separate modules within ATLCloud, which are not currently connected.

Exhibit 7 shows eight key steps in the competitive procurement process, along with the dates that are captured in ATLCloud. The exhibit compares these dates to the best practice definition of cycle time, which is from the beginning of a sourcing process to execution. ATLCloud does not track many key cycle dates, such as receipt of the initial procurement request engagement package and legislative approval, that would enable the department to identify specific process inefficiencies.

Exhibit 7: Procurement Does Not Track All Process Steps for Cycle Time in ATLCLOUD



Source: Created by auditors based on interviews, observations, data analysis, and research on best practices

Because ATLCLOUD currently does not track all steps to calculate cycle time, Procurement employees track these updates manually through a monthly form, as shown in Exhibit 8. Staff manually calculate cycle time and type the resulting number into the “Duration” column. Manual cycle time calculations pose a risk of inaccurate reporting to City Council. We found that the cycle time calculation was inaccurate for 40% of sampled solicitations. The monthly, manual form also measures different dates, starting from the time of advertisement rather than receipt of a completed procurement request engagement package. Another challenge of tracking cycle time steps manually is that the department does not consistently upload contracts into ATLCLOUD once executed, and the contract’s executed date is the final step for the cycle time calculation.

Exhibit 8: Staff Manually Enter Cycle Time Data in Monthly Form

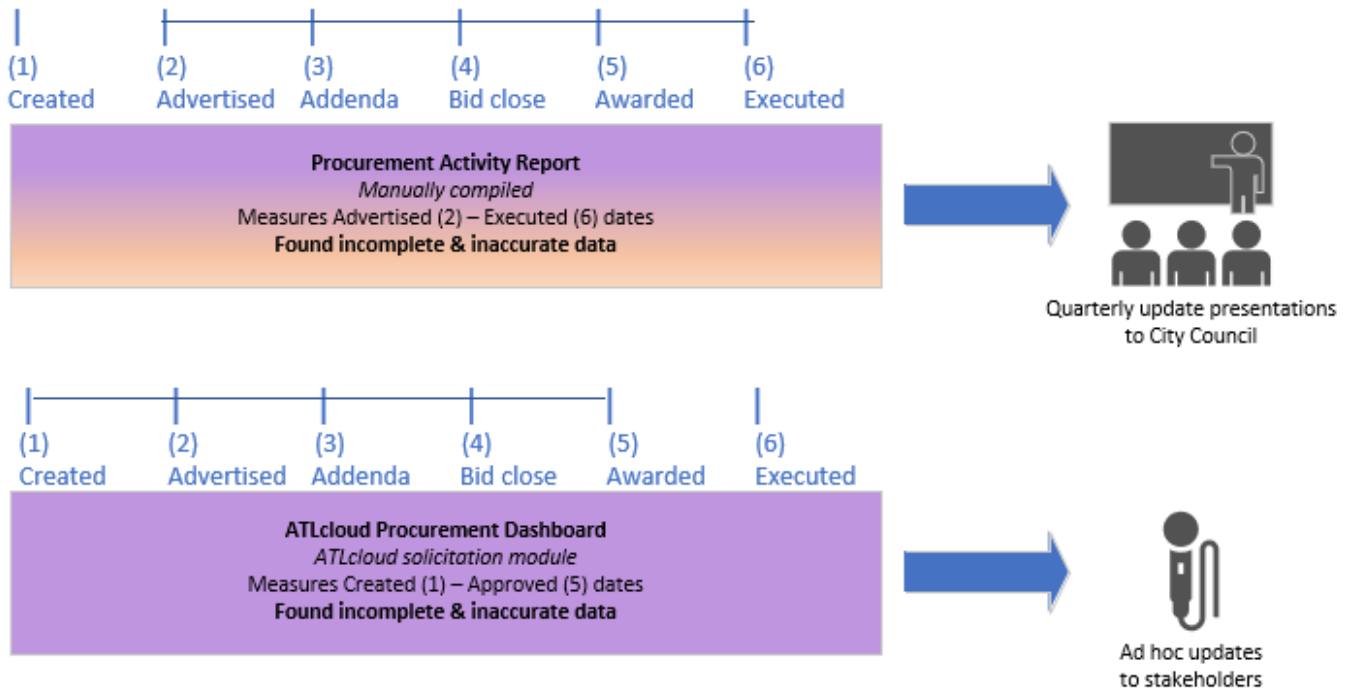
The screenshot shows an Excel spreadsheet with the following data:

Category Specialist	Category	Project Number	Project Title	Method of Completion	User Agency	Duration - (Total Number of Days from Advertisement to Execution)	Total
IFB's							
Malik Gill	Construction	IFB/DOT/2209-1230120	Traffic Lights and Road Repair	Executed	DOT	170	\$5
RFP's							
Malik Gill	Construction	RFP/DOT/2206-1220340	Sidewalk Repairs	Cancelled	DOT		
Alternate Cooperative Procurements							
Emergency Authorizations							

Source: Screenshare by Procurement staff during interview via Microsoft Teams

Additionally, staff told us that Procurement uses the monthly form to report on cycle time in its quarterly update to City Council but provides ad hoc updates to stakeholders based on information generated by its ATLCLOUD dashboard. Exhibit 9 shows that the ATLCLOUD dashboard measures different dates than the monthly form used for quarterly updates to City Council. Neither the quarterly updates nor ad hoc updates capture the full cycle time. The National Institute for Government Purchasing, Inc. defines cycle time as the time from the beginning of the sourcing process through contract execution. The department told us that it measures cycle time from receipt of a complete procurement request engagement package through contract execution. The source for quarterly updates to City Council starts at the date the solicitation was advertised through contract execution; advertising date comes after receipt of a complete procurement package. The source data for ad hoc updates measures from the time the solicitation was created in ATLCLOUD until Procurement staff marked it as “approved” in the system rather than when the contract was executed. We found incomplete and inaccurate data in both sources.

Exhibit 9: Procurement’s Reports Are Inaccurate, Incomplete, and Inconsistent



Source: Created by audit team based on interviews, observations, data analysis, and research of best practices

Procurement employees are aware of the data limitations and implemented a manual RACI form (responsible, accountable, consulted, and informed) to track staff completion of tasks in April 2023, as shown in Exhibit 10. This form documents specific tasks and captures more complete dates from receiving the initial package through uploading the contract in ATLCloud. Staff also told us that the department recognizes manual data collection is inefficient, so the date fields in the RACI chart will be added to ATLCloud, which would enable staff to run automatic reports to calculate the full definition of cycle time.

Exhibit 10: Procurement Created a New Form to Better Track Cycle Time and Other Dates

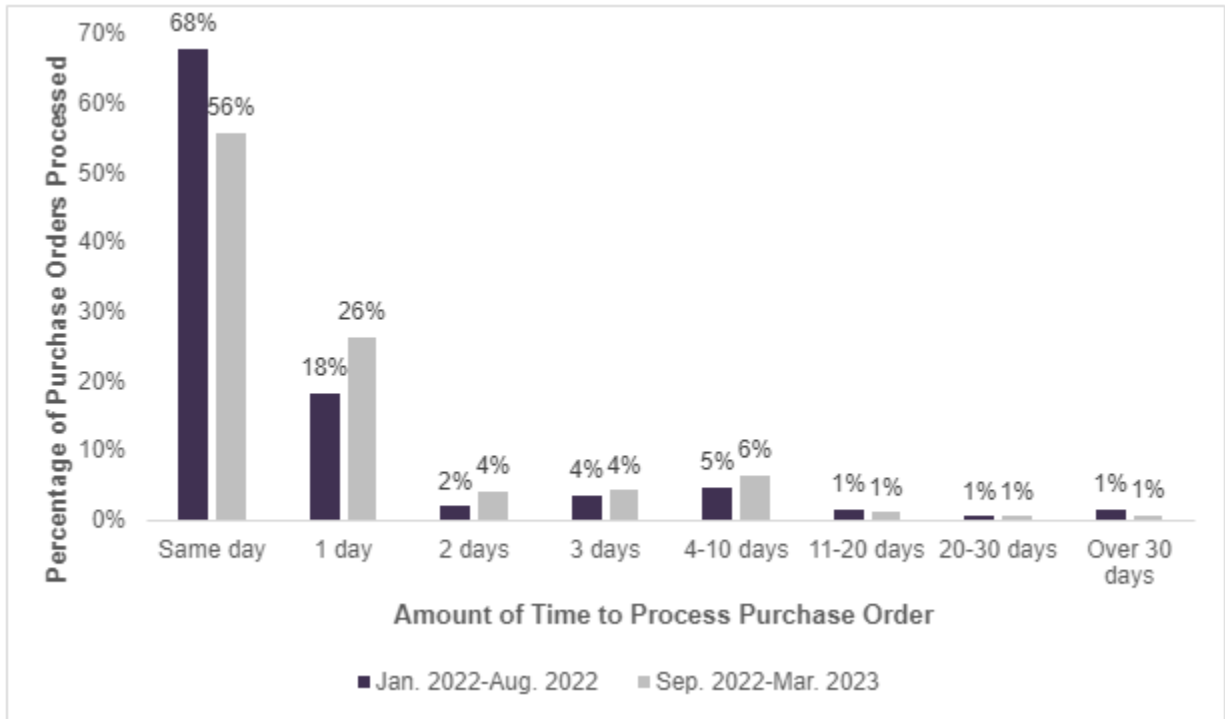
Number of Days (D)	Tasks	Proposed Date	Actual Date	Task Owner	DOP	DOL	User Agency	IPRO	Risk Mgmt.	OCC	Other	Status
Task / I = team Member to be kept informed about the task												
Project Pre-Planning												
D-15 / (15)												
-15	Create Team Charter (Goals / Objective / Target Outcome)	#####	04/14/23									
-15	Assign Executive Sponsors	#####										
-10	Document Scope (what is in, what is out)	#####										
-5	Define Team Members	#####										
-5	Document Team Contact List	#####										
-4	Hold Kick Off Meeting	#####										
-4	Set Team Rules & Guidelines	#####										
-4	Assign Team Roles & Responsibilities	#####										
-4	Create Project Timeline	#####										
-4	Identify Interdependencies & Create Risk Mitigation Plan	#####										
-3	Review Draft Contract & Key T&C - update if necessary	#####										
-3	Create Supplier Diversity Plan & Goal for the Project	#####										
-3	Assign Diversity Goals (if applicable)	#####										
-1	PREP Documents Complete and Ready for DOP Review	#####										

Source: Department of Procurement staff

We recommend that the chief procurement officer work with the city’s ATLCloud consultant, Deloitte, to identify whether the solicitation and contract modules can be connected for automated cycle time reporting. We also recommend that the chief procurement officer ensure all contracts are uploaded into ATLCloud as part of award close-out for reporting. The chief procurement officer should also continue to implement the RACI chart and integrate key dates into ATLCloud to increase reporting accuracy and identify areas for process improvement.

The department’s median time to process purchase orders is the same day but has not shown gains that Procurement has reported. We found that the department processed 97% of purchase orders created between January 2022 and March 2023 within its goal of three days. The three-day goal refers to the amount of time from requisition approval to purchase order approval. The median time to process purchase orders was unchanged when comparing the periods of January 2022 to August 2022 with September 2022 to March 2023, as shown in Exhibit 11. Procurement reported to City Council in its March quarterly update that it cut the average purchase cycle time by over 90% between January 2022 and January 2023. Minimizing the time to process purchase orders increases efficiency, but accurate reporting is critical to assess the effectiveness of different initiatives.

Exhibit 11: Median Time to Process Purchase Orders is Same Day But Has Not Shown Reported Gains in 2023



Source: Created by auditor based on ATLCLOUD POA Detail report for 1/1/2022-3/31/2023

We recommend that the chief procurement officer clarify its purchase order metrics and calculations for City Council reporting to improve accuracy and consistency.

Of 80 alternative procurements, the department failed to provide required justification documents for 14 (18%). Of 80 alternative solicitations, 66 (82%) had the required alternative procurement justification documents according to Procurement’s draft policies and procedures. The department’s draft policies and procedures require different documentation based on the type of alternative procurement, but all include a memorandum from the user agency to the chief procurement officer justifying the request, as shown in Exhibit 12.

Exhibit 12: Special Procurements Had the Lowest Percentage of Justifications

Type of Alternative Procurement	Total Sampled	Number with Justifications	Percentage with Justification
Cooperative agreements	8	8	100%
Emergency procurements	12	11	92%
Sole source procurements	11	11	100%
Special procurements	49	36	73%

Source: Created by audit team based on department’s draft policies and procedures

The absence of proper documentation is a red flag for potential fraud. Justification documents show that circumstances warranted using a special procurement rather than a competitive procurement process. Documentation also establishes a baseline for re-evaluating contracts.

In most cases, the missing documentation was the user agency memo requesting the alternative procurement. This document, which serves as the original rationale and justification from the user agency, is a control to help prevent Procurement staff bias. Several factors contributed to the lack of compliance with documentation requirements, including files not being maintained and updated in SharePoint, lack of awareness among staff about the draft policies and procedures, turnover and project file hand-off with the new reorganization, and staff accepting inadequate documentation from user agencies. Procurement staff told us that the department now has a way to link ATLCLOUD to SharePoint, has uploaded all files from the previous fiscal year into SharePoint, and is now requiring file upload from the beginning of the project to address these issues.

We recommend that the chief procurement officer ensure the procurement request engagement package and justification forms are retained in SharePoint and, if possible, in ATLCLOUD to help mitigate the risk of approving alternative procurements without adequate justification.

More consistent labeling would help Procurement track spending over the annual vendor limit for micro and small purchases. Prior to recent legislative changes, City Code Section 2-1190 restricted departments to spending a maximum of \$5,000 on micro purchases and \$20,000 on small purchases from the same vendor annually, establishing annual limits on spending by vendor.¹ Micro and small

¹ In July 2023, City Council passed Ordinance No. 23-O-1212 to raise the annual department vendor limit to \$25,000 for micro purchases and \$100,000 for small purchases.

purchases require less evidence of competition, so this ordinance helps to ensure that the city does not favor particular vendors. Procurement employees work to prevent overages by checking the history of all purchases by the user agency from a particular vendor within the fiscal year when Procurement receives requisition. Procurement employees, however, do not consistently label whether the purchase order is for a micro purchase, small purchase, or associated with a contract-

We tested over 19,000 purchase orders created in fiscal year 2023 and found only 54 purchase orders in which departments potentially exceeded the micro and/or small purchase limits. Without accurate and consistent labeling, however, this number may be higher. Department staff told us that labeling had improved, but we found that actual labeling decreased from 77% in July 2022 to 67% in June 2023.

We recommend that the chief procurement officer create a mandatory designation field in the ATLCLOUD requisition form for contract or non-contract-related spending and make the micro or small purchase field mandatory to improve consistency, accuracy, and employees' ability to track potential overages.

Procurement is implementing measures to achieve economies of scale in the future. Procurement staff told us the department is not yet leveraging economies of scale. One way to evaluate these areas is to code the type of purchase and analyze categories for potential cost savings and overlap. ATLCLOUD has a field for this, but it is currently being used to code and track expenses against the city's budget. This can present difficulties, for example, when a user agency requests bug spray under its office supplies budget but the actual product would be under pest control.

City Code Section 2-1104 requires the department to maximize the economy of city funds. Purchasing economies of scale allow buyers, such as the city, to negotiate better prices for buying a larger amount of products; for example, a company buying 10,000 pens would receive a better per unit rate than an office buying one box of pens at a time. Without economies of scale, the city is losing cost savings typically associated with volume purchasing.

User agencies can also make purchases through ATLCLOUD from selected punchout vendors with catalogs of available products and prices, such as Staples. Purchases using punchout vendors are easier and more efficient. Department staff told us that some of its punchout vendors currently provide rebates for volume discounts.

The department is working with other city stakeholders to increase volume discounts and coordinating with the Department of Finance to standardize how user agencies can use the discounted funds.

We recommend that the chief procurement officer find a method to consistently label and track purchase categories and leverage these data and its category management model to identify opportunities to achieve economies of scale. We also recommend that the chief procurement officer encourage user agencies to use punchout vendors.

Recommendations

In order to mitigate risks such as fraud, the chief procurement officer should:

1. incorporate all anti-corruption controls and processes in practice into its policies and procedures
2. finalize the draft policies and procedures and train staff on how to apply them

In order to ensure accurate reporting, the chief procurement officer should:

3. work with the city's ATLCLOUD consultant, Deloitte, to identify whether the solicitation and contract modules can be connected for automated cycle time reporting
4. ensure all contracts are uploaded into ATLCLOUD as part of award close-out
5. continue to implement the RACI chart and integrate key dates into ATLCLOUD to increase reporting accuracy and identify areas for process improvement
6. clarify its purchase order metrics and calculations for City Council reporting

In order to ensure that departures from competitive solicitations are warranted and alternative solicitations have the required justification documents, the chief procurement officer should:

7. ensure procurement request engagement package and justification forms are retained in SharePoint and, if possible, in ATLCLOUD

To ensure that departments do not exceed the limit for small and micro purchases, the chief procurement officer should:

8. create a mandatory designation field in the ATLCLOUD requisition form for contract or non-contract-related spending and make the micro or small purchase field mandatory

In order to achieve economies of scale, the chief procurement officer should:

9. find a method to consistently label and track purchase categories and leverage these data and its category management model to identify opportunities to achieve economies of scale
10. encourage city agencies to use punchout vendors

Appendices

Appendix A: Management Review and Response to Audit Recommendations

Report # 23.11	Report Title: Efficiency of the Procurement Process	Date: February 2024
Recommendation 1: We recommend that the chief procurement officer incorporate all anti-corruption controls and processes in practice into their draft policies and procedures to ensure that these practices are clearly documented and accessible to all staff.		
Risk Category: Safeguard Assets		Response: Agree
Related Findings: 1. Procurement has implemented 24 of 28 best practice anti-corruption controls into its practices but included only 15 of these 28 controls in its draft policies and procedures.		
Proposed Action: The remaining 4 best practice controls will be implemented, and all controls will be documented in the SOP		Current Status: Partly Implemented
Business Owner: Kevin Floyd		Estimated Implementation Date (M/Y): March 2024
Additional Comments:		

Recommendation 2: We recommend that the chief procurement officer finalize the draft policies and procedures and train staff on how to apply them to provide clear guidance to staff and enhance anti-corruption controls.		
Risk Category: Safeguard Assets		Response: Agree
Related Findings: 1. Procurement has been working on drafting its policies and procedures for several years, but these are still in draft form.		
Proposed Action: The revised SOP was finalized in July and is being officially communicated to the City in January.		Current Status: Implemented
Business Owner: Kevin Floyd		Estimated Implementation Date (M/Y): July 2023
Additional Comments:		

Recommendation 3: We recommend that the chief procurement officer work with the city's ATLCLOUD consultant, Deloitte, to identify whether the solicitation and contract modules can be connected for automated cycle time reporting and improved reporting accuracy.	Risk Category: Monitoring and Reporting	Response: Agree
Related Findings: <ol style="list-style-type: none"> 1. Department staff reported in error to City Council that it had cut average cycle time for competitive procurements to 186 days as of January 2023. 2. We reviewed a random sample of 35 solicitations from 79 listed in Procurement's monthly activity reports and found 14 with incorrectly calculated cycle times due to manual reporting processes. When corrected, the sampled solicitations had an average cycle time of 400 days. 3. The department lacks a way to automatically track its full definition of cycle time because the data are kept in two separate modules within ATLCLOUD, which are not currently connected. 		
Proposed Action: The contract and solicitation modules have been connected in Oracle to provide cross module reporting and analytics.		Current Status: Implemented
Business Owner: Kevin Floyd		Estimated Implementation Date (M/Y): July 2023
Additional Comments:		

Recommendation 4: We recommend that the chief procurement officer ensure all contracts are uploaded into ATLCLOUD as part of award close-out for reporting.	Risk Category: Contract Management	Response: Agree
Related Findings: <ol style="list-style-type: none"> 1. Staff manually entered the contract end date in a monthly report to calculate cycle time, but not all contracts and executed dates were uploaded into ATLCLOUD. 		
Proposed Action: Uploading the contract is the final step in the award close-out process and is required per the department's Oracle ATLCLOUD Data policy.		Current Status: Implemented
Business Owner: Kevin Floyd		Estimated Implementation Date (M/Y): July 2023
Additional Comments:		

Recommendation 5: We recommend that the chief procurement officer continue to implement the RACI chart and integrate key dates into ATLCcloud to increase reporting accuracy and identify areas for process improvement.	Risk Category: Monitoring and Reporting	Response: Agree
Related Findings: 1. Procurement implemented a manual RACI form (responsible, accountable, consulted, and informed) to better track tasks and capture more complete dates, from receiving the initial package through uploading the contract in ATLCcloud, which would enable staff to run automatic reports to calculate the full definition of cycle time.		
Proposed Action: The RACI chart functionality has been integrated in Oracle so the data resides in the same procurement system as the solicitation and contract and can be reported the same.		Current Status: Implemented
Business Owner: Kevin Floyd		Estimated Implementation Date (M/Y): Oct 2023
Additional Comments:		

Recommendation 6: We recommend that the chief procurement officer clarify its purchase order metrics and calculations for City Council reporting to improve accuracy and consistency.	Risk Category: Monitoring and Reporting	Response: Agree
Related Findings: 1. Procurement mistakenly reported to City Council that it had cut the time to process purchase orders by more than 90% between January 2022 and January 2023. The median time to process purchase orders was unchanged when comparing the periods of January 2022 to August 2022 with September 2022 to March 2023.		
Proposed Action: All metric reporting and dashboards were baselined and calibrated at the start of the fiscal year to ensure accurate reporting for FY24 onward.		Current Status: Implemented
Business Owner: Kevin Floyd		Estimated Implementation Date (M/Y): July 2023
Additional Comments:		

<p>Recommendation 7:</p> <p>We recommend that the chief procurement officer ensure procurement request engagement package and justification forms are retained in SharePoint and, if possible, in ATLCcloud to help mitigate the risk of approving alternative procurements without adequate justification.</p>	<p>Risk Category:</p> <p>Safeguard Assets</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <ol style="list-style-type: none"> 1. The department failed to provide the required justification for 14 of 80 (18%) alternative procurements; most of these documents were the department’s alternative justification memo. This document, which serves as the original rationale and justification from the user agency, is a control to help prevent Procurement staff bias. 		
<p>Proposed Action:</p> <p>The SharePoint repository has been linked to Oracle contracts so that all the project justification is housed in both the Oracle system and SharePoint as a backup, but accessible all from within Oracle.</p>		<p>Current Status:</p> <p>Implemented</p>
<p>Business Owner: Kevin Floyd</p>		<p>Estimated Implementation Date (M/Y): Aug 2023</p>
<p>Additional Comments:</p>		

<p>Recommendation 8:</p> <p>We recommend that the chief procurement officer create a mandatory designation field in the ATLCcloud requisition form for contract or non-contract-related spending and make the micro or small purchase field mandatory to improve consistency, accuracy, and employees’ ability to track potential overages.</p>	<p>Risk Category:</p> <p>Process Improvement</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <ol style="list-style-type: none"> 1. Of 19,059 purchase orders processed in fiscal year 2023, we identified 54 purchase orders in which departments may have exceeded annual vendor limits on micro and small purchases. This number could be higher due to inconsistent labeling of purchases that are micro or small purchase orders. 2. Department staff told us that labeling had improved, but we found that actual labeling decreased from 77% in July 2022 to 67% in June 2023. 		
<p>Proposed Action:</p> <p>The fields for tracking exist and will be set to mandatory during off-hours of the holiday break as to not disrupt workflow.</p>		<p>Current Status:</p> <p>Partly Implemented</p>
<p>Business Owner: Kevin Floyd</p>		<p>Estimated Implementation Date (M/Y): Dec 2023</p>
<p>Additional Comments:</p>		

Recommendation 9: We recommend that the chief procurement officer find a method to consistently label and track purchase categories and leverage these data and its category management model to identify opportunities to achieve economies of scale.	Risk Category: Cost Control	Response: Agree
Related Findings: 1. Procurement currently lacks a field in ATLCLOUD to analyze similar costs across departments for volume discount opportunities.		
Proposed Action: All category codes are being calibrated to align to one of the 5 procurement categories so that proper spend data across categories can be leveraged moving forward.	Current Status: Started	
Business Owner: Kevin Floyd	Estimated Implementation Date (M/Y): March 2024	
Additional Comments:		

Recommendation 10: We recommend that the chief procurement officer encourage user agencies to use punchout vendors.	Risk Category: Cost Control	Response: Agree
Related Findings: 1. User agencies can make purchases through ATLCLOUD from selected punchout vendors with catalogs of available products and prices for a better per unit rate and increased efficiency.		
Proposed Action: We have implemented a directive to all user agencies that if a vendor has a punchout option, they must use it and we have seen 95-100% compliance since July 2023.	Current Status: Implemented	
Business Owner: Kevin Floyd	Estimated Implementation Date (M/Y): July 2023	
Additional Comments: We also have a roadmap of 25 additional punchout vendors to bring onboard over the course of the next year.		