CITY OF ATLANTA
City Auditor's Office
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Performance Audit:

Airport Construction Contract Solicitations

Why We Did This Audit

The airport launched a $6 billion expansion program. We last reviewed procurement solicitation and evaluation processes at the airport in 2006. A performance audit could help provide assurance that the city's procurement processes are fair and transparent.

What We Recommended

To ensure transparency and facilitate accuracy quality control reviews, the chief procurement officer should:

- perform a quality assurance review of the scoring methodology
  - automate the calculations
  - ensure that evaluation scores are verified
- record evaluation scores using a standardized memorandum template and provide a copy to the user department
- record the final determination of responsiveness, and the name and date of the person conducting the review
  - in cases when a submittal is deemed non-responsive, document the reason for the determination on the responsive checklist
- evaluate bid patterns to detect potential fraud
- implement an e-procurement system that allows submittals to be received, reviewed, evaluated and stored within the system
- provide specific justification for the cancellation of a solicitation in the management file
- verify all required documentation is maintained in the project files according to city code and procurement procedures

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

What We Found

While the city's procurement process follows the American Bar Association's Model Procurement Code, which is designed to be fair and transparent, our review of 54 construction-related solicitations for the airport, amounting to just over $1 billion, found red flags indicating elevated risk of fraud.

We found calculation errors in 13% of proposals for projects evaluated or awarded. In one case, the error appears to have changed the outcome of an award. We also found eight instances of a bid or proposal deemed responsive in error with three that may have affected the outcome of an award; the results of the Department of Procurement's responsiveness review were ambiguous for an additional 11 bids or proposals received and missing for 29.

The city cancelled 10 of the 63 solicitations in our sample. City code allows the chief procurement officer or department head to cancel a procurement when it is in the best interest of the city; the reasons for cancellation were unclear in 6 of the 10 cancellations.

Strengthening documentation of the procurement process could better protect the city against fraud and the appearance of corruption. Procurement is creating electronic forms with input controls to reduce errors that disqualify proponents. A complete e-procurement system would improve consistency and quality control.

Robust competition helps to reduce risk of fraud. We found 39% of the solicitations in our scope received fewer than three responses. The distribution of bid amounts for some solicitations also indicates heightened risk of collusion. Bids that are too far apart could indicate that the winning bidder had inside information. Procurement should evaluate bid patterns to detect potential fraud.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1:	We recommend the chief procurement officer perform a quality assurance review of the scoring methodology, ensure that it is consistent with procedures, and use a tool to automate the calculations. Once the automated spreadsheet is developed, Procurement should ensure that all evaluation score inputs into the spreadsheet are verified.	
Response & Proposed Action:	A standardized Excel Evaluation Matrix Template was developed and sent to the Procurement Officers to discuss with contracting officers. The formulas on the template were vetted and locked. The template allows the Contracting Officer the ability to change the weights of the criteria and validate that the aggregate weight does not exceed 100 and the aggregate score does not exceed 1,000. This ensures accuracy of the scores. In additional to this, a manual calculation is conducted to compare the scores.	**Agree**
Timeframe:	November 2017	
Recommendation #2:	We recommend the chief procurement officer record evaluation scores using a standardized memorandum template and provide a copy to the user department at the end of the scoring session.	
Response & Proposed Action:	We will develop a memo template and append it to the Evaluation Matrix referenced in Recommendation One after review from the Department of Law. This memo and matrix will be distributed to the user departments at the appropriate time in the procurement cycle.	**Agree**
Timeframe:	April 2018	
Recommendation #3:	We recommend the chief procurement office record the final determination of responsiveness, and the name and date of the person conducting the review. In cases when a submittal is deemed non-responsive, document the reason for the determination on the responsive checklist.	
Response & Proposed Action:	In June 2017, DOP developed a Non-Responsiveness Determination Form as tool to record non-responsive documentation. We will modify and standardized the template used to record the initial responsive review. This revised template will be affixed to the Non-Responsiveness Determination Form to provide a comprehensive record of responsive and non-responsiveness submittals.	**Agree**
Timeframe:	April 2018	

Recommendation #4:	We recommend the chief procurement officer evaluate bid patterns to detect potential fraud.	
Response & Proposed Action:	We will solicit the assistance from Internal Audit for methods to detect potential fraud. The Audit conducted by Internal Audit referenced two (2) sources.	**Agree**
Timeframe:	July 2018	

Recommendation #5:	We recommend the chief procurement officer implement an e-procurement system that allows all submissions and required documents to be received, reviewed, evaluated and stored within the system.	
Response & Proposed Action:	DOP recognizes value of an e-procurement system. We have engaged in conversation with DAIM for a solution. The Oracle Upgrade will provide more e-procurement functionalities. To design a system for all submissions will require Code and Procedures changes. • Benchmark other cities to determine what e-procurement systems are used and how they are used • Identify best practices • Conduct on-line demos for solutions	**Agree**
Timeframe:	September 2018	

Recommendation #6:	We recommend the chief procurement officer provide the specific justification for the cancellation of a solicitation in the management file.	
Response & Proposed Action:	We currently request user agencies to provide written reasons when requesting cancelation of a solicitation. We will meet with DOL for its opinion and recommendation to determine the department's course of action.	**Agree**
Timeframe:	May 2018	

Recommendation #7:	We recommend the chief procurement officer verify all required documentation is maintained in the project files according to city code and procurement procedures.	
Response & Proposed Action:	The Project File Checklist will be updated to include new forms and procedures. Staff will be trained on the Checklist and the first audit will occur by March 2018. We will also reinstitute the quarterly review of project files.	**Agree**
Timeframe:	March 2018	