
INDEPENDENT PROCUREMENT REVIEW REBUILDING PUBLIC TRUST

AGA ATLANTA CHAPTER MEETING

JUNE 18, 2020



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Atlanta City Auditor

LEARNING OBJECTIVES

- Become aware of government procurement fraud risks
- Assess your organization's role in detecting/preventing procurement fraud

INHERENT RISK IN PROCUREMENT CYCLE



- **Procurement fraud:** Unlawful manipulation of the procurement process to acquire contracts, goods or services or to obtain **an unfair advantage** during the process:

- Conflicts of interest
- Bid rigging
- Collusive bidding
- Bribery
- Kickbacks
- Falsifying contractor qualifications/status
- Labor mischarging
- Ordering excess goods
- Product substitution
- False, duplicate, or inflated invoices
- Change order abuse

RED FLAGS FOR BID-RIGGING AND COLLUSION

- ❏ Clarification sought by proponents is not answered in writing and circulated to all bidders
- ❏ Delay between deadline for submitting and opening submittals
- ❏ Poor controls and inadequate bidding procedures
- ❏ Winning submittal voided for “errors” in contract specifications
- ❏ Submittals accepted after the submission deadline
- ❏ Submittals are “lost”
- ❏ A qualified proponent is disqualified for questionable reasons
- ❏ Inadequately publicized requests for submittals
- ❏ Allowing an unreasonably short time to bid
- ❏ Significant number of qualified proponents fail to bid
- ❏ Political figures on the evaluation committee
- ❏ Changing evaluation criteria during evaluation
- ❏ Voiding all bids for alleged errors in specifications
- ❏ Unusual bid patterns
- ❏ Losing proponents hired as subcontractors
- ❏ Apparent connections between bidders

POLLING QUESTION

- How prevalent is procurement fraud in your organization?
 - Low Risk
 - Medium Risk
 - High Risk
 - Don't Know

“CITY OF ATLANTA’S FORMER CHIEF PROCUREMENT OFFICER ADAM SMITH PLEADS GUILTY TO TAKING BRIBES”

United States Department of Justice

THE UNITED STATES ATTORNEY'S OFFICE
NORTHERN DISTRICT OF GEORGIA

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FOR IMMEDIATE RELEASE

Tuesday, September 26, 2017

City of Atlanta's former Chief Procurement Officer Adam Smith pleads guilty to taking bribes

ATLANTA - Adam L. Smith, the former Chief Procurement Officer for the City of Atlanta, has pleaded guilty to conspiring to accept more than \$30,000 in bribe payments from a vendor who obtained millions of dollars in city contracts.

“Great trust was placed in Smith as Chief Procurement Officer for the City of Atlanta, and he abused his position to serve his own financial interests,” said U.S. Attorney John A. Horn. “Public corruption offenses, like Smith’s, can erode the confidence that the people have in government.”

“The guilty plea in federal court of former City of Atlanta Procurement Officer Adams will ensure that he is held accountable for his greed based criminal conduct as he now awaits sentencing. It is hoped that this case serves as notice to others that similar such conduct among public officials will not be condoned and that there are severe consequences should that notice go unheeded,” said David J. LeValley, Special Agent

Atlanta businessman
indicted in latest city
hall scandal charges

Former city official Mitzi Bickers indicted in City Hall bribery scandal

Update: Former Atlanta minority contracting officer pleads guilty to wire and tax fraud

Former Atlanta Contractor Sentenced To 5 Years In Prison

Elvin "E.R." Mitchell Jr. was sentenced Tuesday to 5 years in prison in a widening bribery scandal involving Atlanta City Hall.



Former Atlanta Deputy Chief of Staff sentenced to prison

Evelyn Katrina Taylor-Parks has been sentenced to federal prison for conspiring to accept bribe payments. At the time of the crimes, Taylor-Parks served as Atlanta's Deputy Chief of Staff to Mayor Kasim Reed.

AJC EXCLUSIVE:
Atlanta procurement
official fired amid
federal probe



CITY COUNCIL ESTABLISHED INDEPENDENT PROCUREMENT REVIEW (IPRO)

- 18-O-1189 passed June 2018 to amend city charter to create the function of independent procurement review within the City Auditor's Office to improve transparency and accountability in the procurement process.
- ...**review** all procurement records with an aggregate value of **\$1 Million or greater**, seeking council authorization, and **conduct a conflict verification of each proponent** responding to solicitations. ...shall provide an Independent Procurement Review Report to the council that the contract file is **complete, or note areas of perceived deficiencies...**
- The **council shall not approve legislation** for contracts as described in this subsection **without first having received the Independent Procurement Review Report.**

CITY PROCUREMENTS SUBJECT TO INDEPENDENT REVIEW

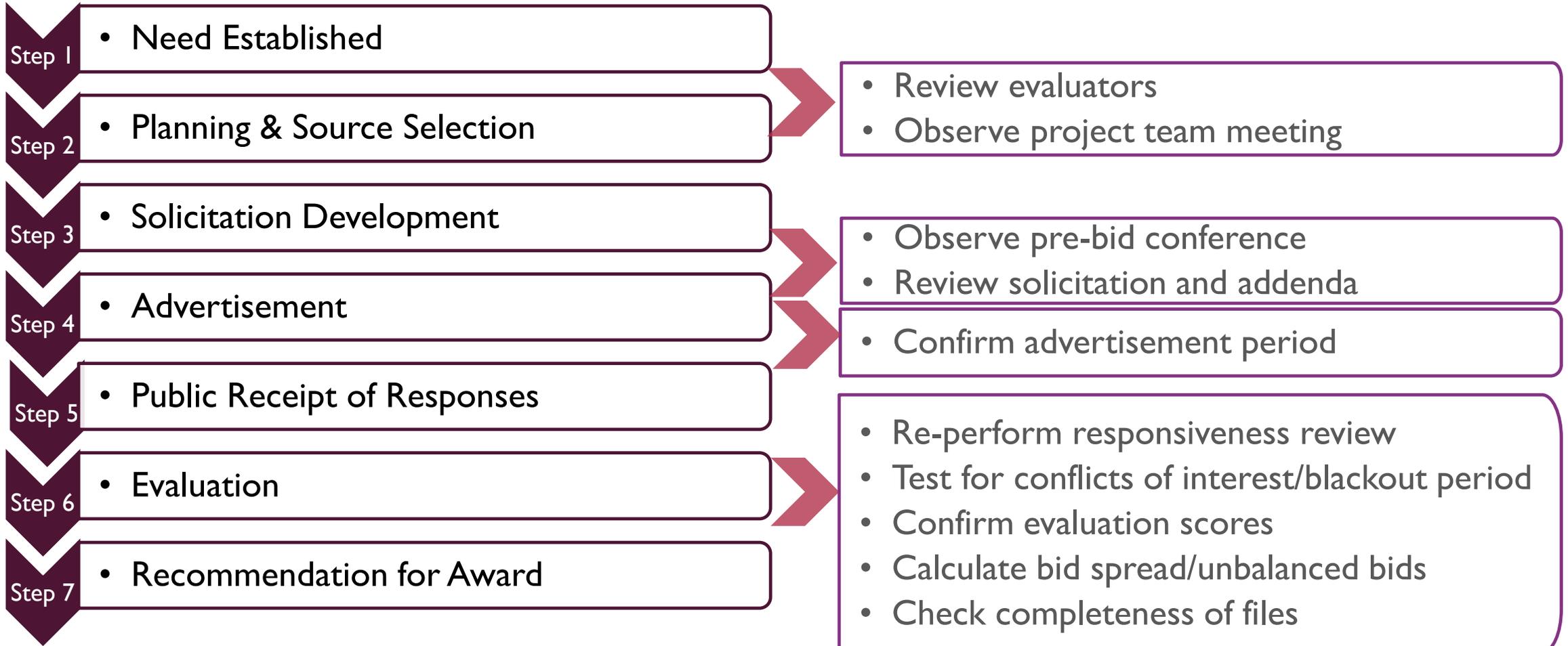
Formal Procurements

Type	When Used
Invitation for Bid ✓	Price and responsibility are primary means for the award
Request for Proposal ✓	Identifying the most responsible proponent who will provide a specific service or commodity that poses the greatest value to the city
Request for Qualifications ✓	City solicits statements from a group of professionals or suppliers to satisfy a future need
Request for Information	Used to obtain information from contractors in a specialized or unique field prior to soliciting a formal bid or proposal

Alternative Procurements

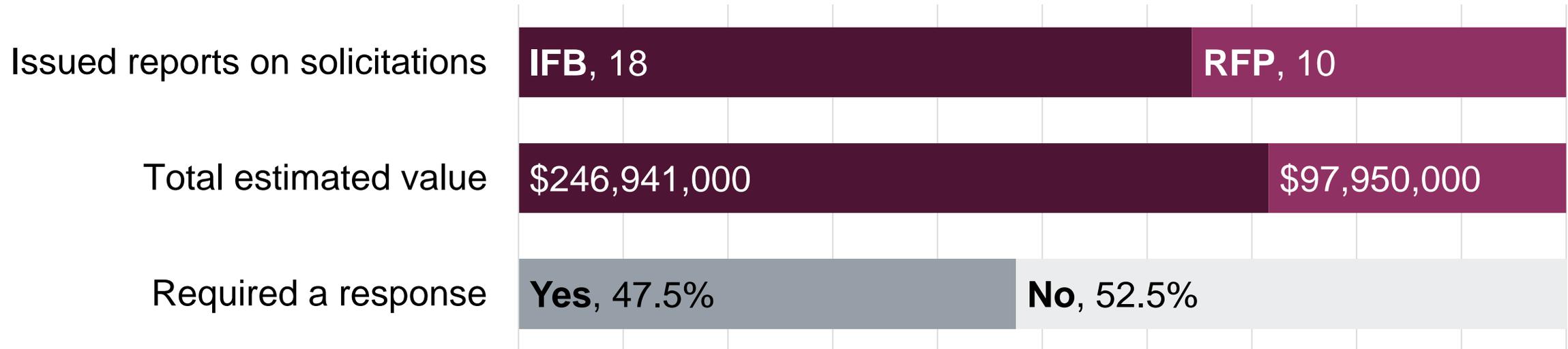
Type	When Used
Emergency Authorization	An emergency exists that presents a threat to public health, welfare, or safety, or interruption of essential services
Special Procurement ✓	An unusual or unique situation exists that makes the application of competitive requirements contrary to public interest
Sole Source ✓	CPO determines that there is only one source for a supply, service, construction item or professional or consultant service
Cooperative Procurement	Price agreement exists with another governmental agency

INDEPENDENT PROCUREMENT REVIEW PROCESS

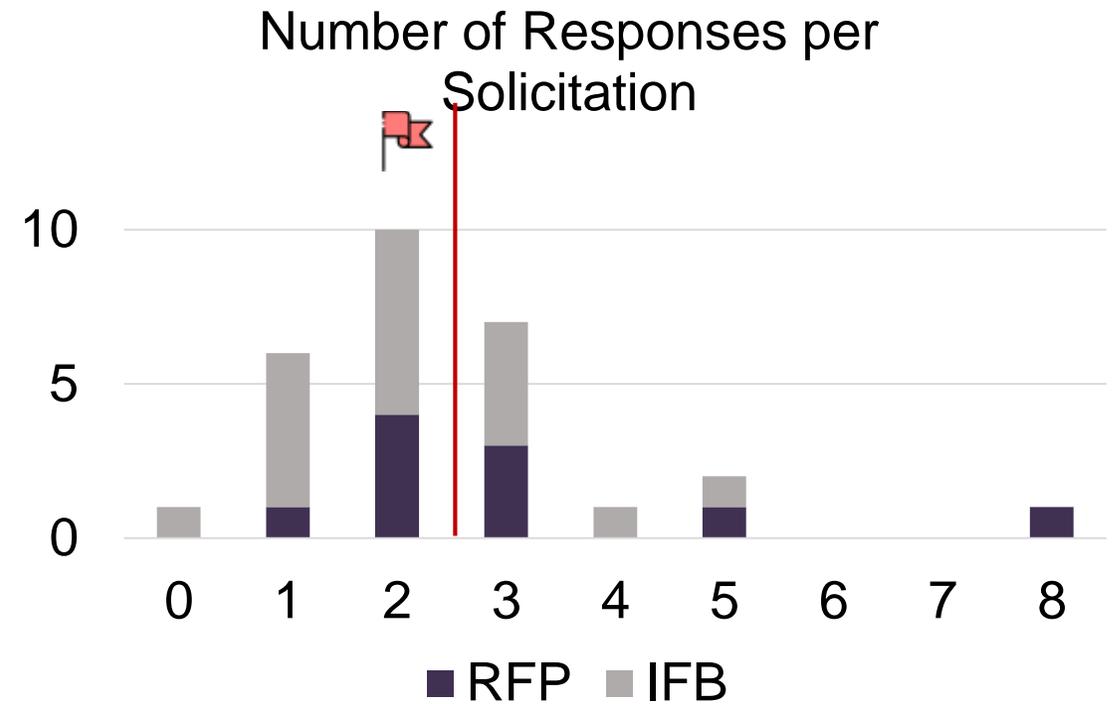
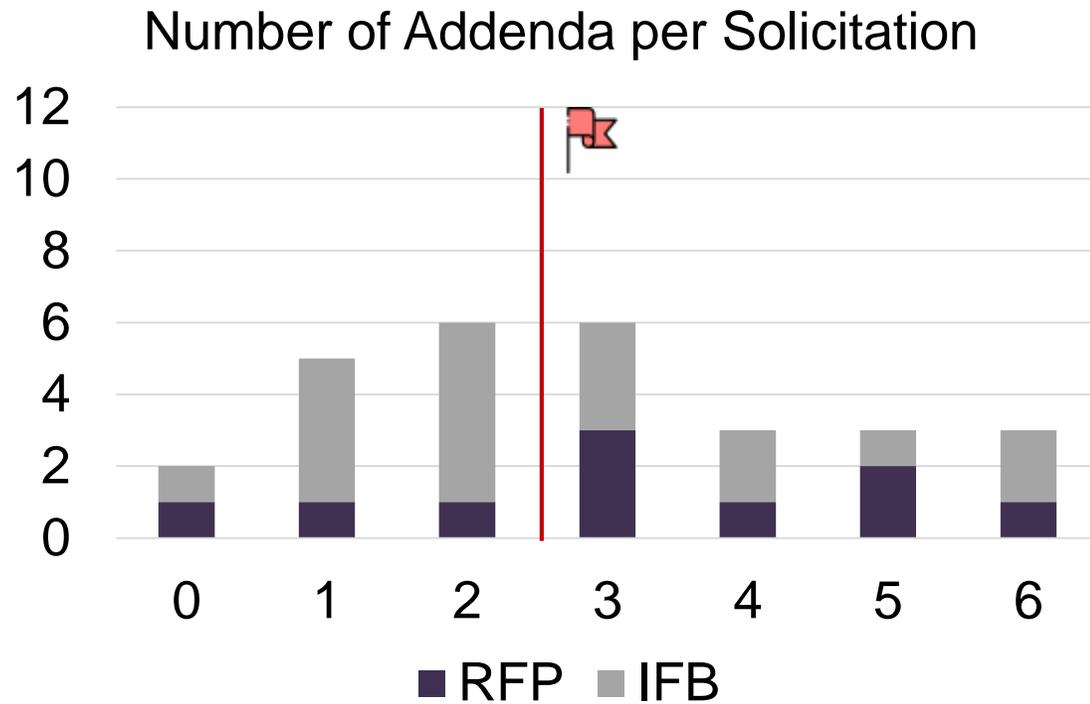


IPRO RESULTS TO-DATE

- Issued reports on **28 solicitations**
- Total estimated value of **\$344.9 million**
- **12 solicitations cancelled**
- **118 Findings**

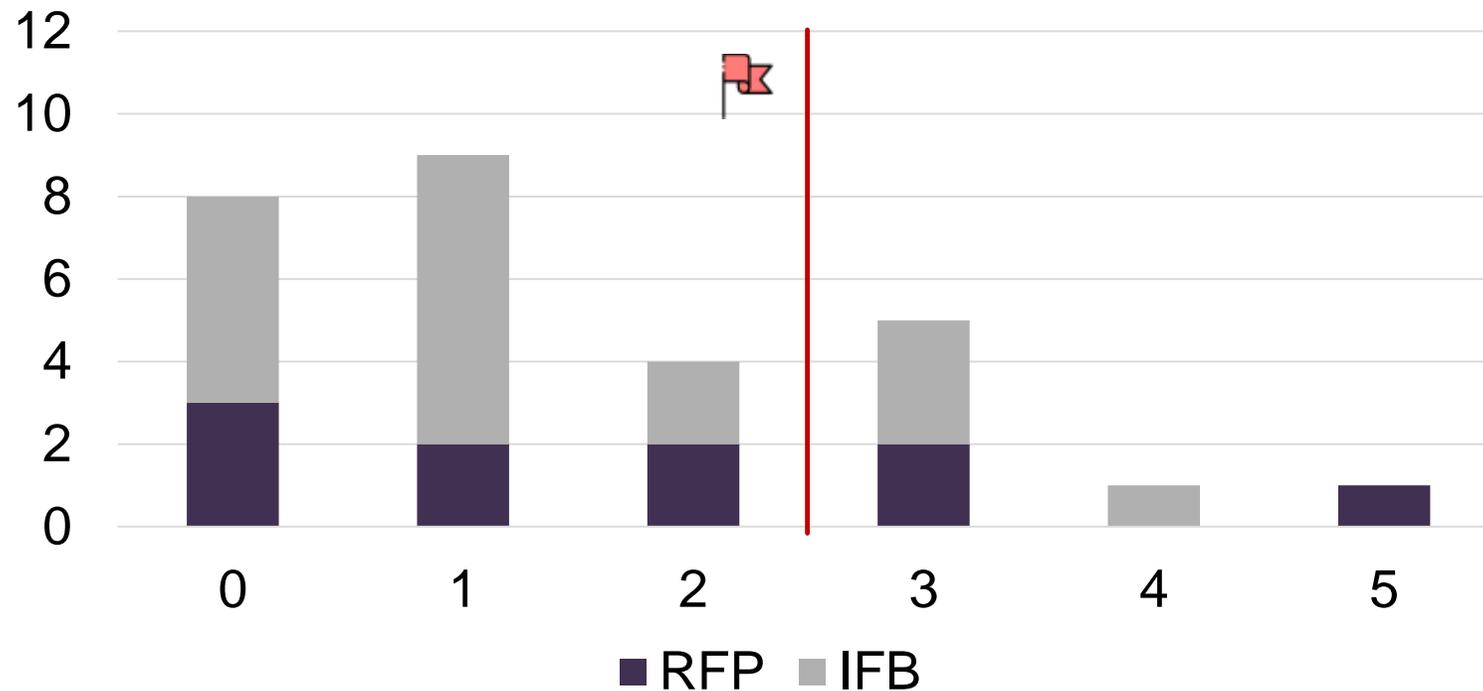


CLARITY AND COMPETITION SHOW NEED FOR IMPROVEMENT



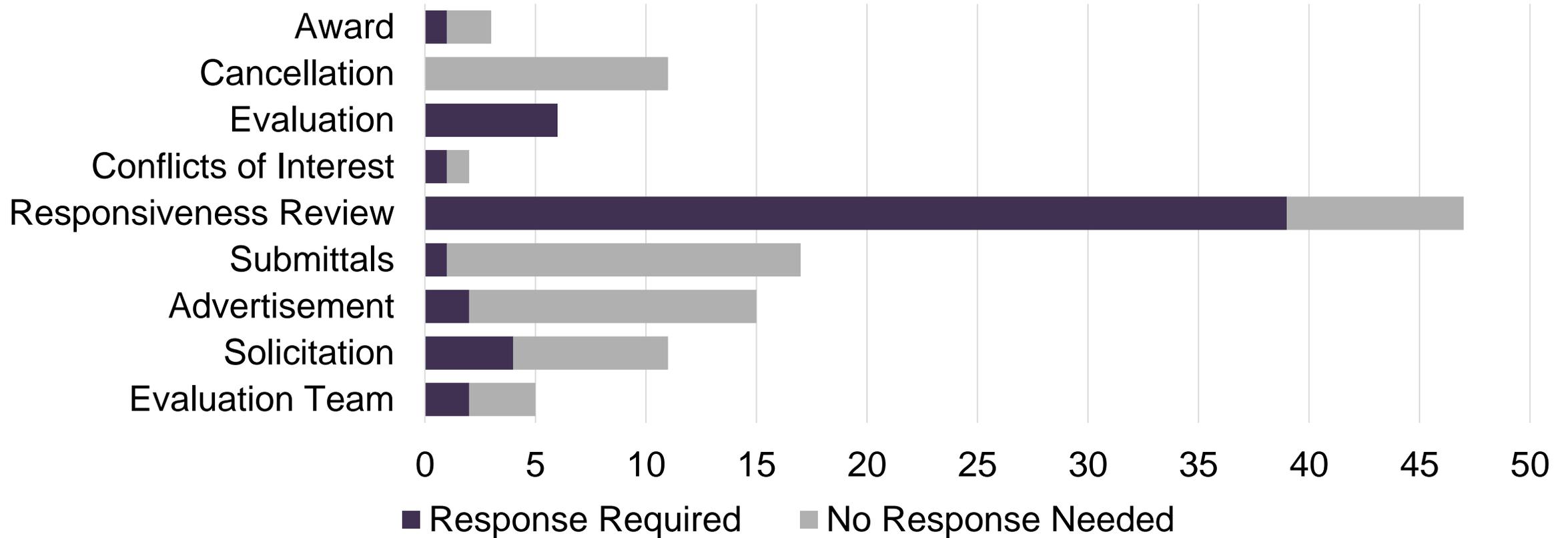
75% OF THE SOLICITATIONS HAD FEWER THAN 3 RESPONSIVE BIDS/PROPOSALS

Number of Responsive Proponents per Solicitation



RESPONSIVENESS REVIEW AND CANCELATIONS CONTINUE TO CHALLENGE

IPRO Findings by Type



POLLING QUESTION

- What best describes your organization's role in oversight of the procurement process?
 - Conduct periodic audits
 - Investigate specific allegations
 - Continuous monitoring/audit
 - Other
 - None

IPRO CHALLENGES AND NEXT STEPS

Challenges

- Tools and techniques can't detect collusion or extortion
- Avoiding making management decisions
- Balancing timeliness and quality

Next Steps

- IPRO moving to newly established Office of Inspector General
- Continuing to improve robustness of tests
- Start looking at smaller contracts
- Meta-analysis to look for patterns

EXPENSE OF MONITORING VS. RISKS



Monitoring is expensive



Not monitoring could be **more** expensive

