

# Procurement and the Auditor (The Remix)



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# Auditing the Procurement Cycle



# Responsibilities of the Agency



- Agencies should adhere to VPPA and APSPM Guidelines and Agency Policies
- Agencies should have an internal control system in place to prevent or discourage misconduct

# Responsibilities of the Auditor



- Audit the agency based on VPPA, APSPM Guidelines and Agency Policies
- Auditor's responsibility to test that system of controls to determine if it is in place and working
  - Examples
    - ✓ ensure contracts are properly approved by agency personnel and vendors
    - ✓ ensure contract payments are properly authorized by the contract administrator

# What are we Auditing?



- **Contract Procurement**
  - Competitive Sealed Bidding
  - Competitive Negotiation
  - Sole Source
  - Emergency
  
- **Contract Management**
  - Contract Administrator Duties
  - Vendor Performance
  - Adherence to Contract

# Contract Procurement



- Ensure proper method is used based on what is being procured and the price of the item(s) being procured
  - Up to 50,000-use QQ while soliciting four sources (min. two SWAM)
  - Over 50,000-use competitive sealed bidding or competitive negotiation while soliciting 6 sources (min. 4 SWAM)
- Agency investigated potential cost prior to awarding if necessary

# Contract Procurement (What documentation are we looking for?)

- **Competitive Sealed Bidding**
  - original solicitation (scope)
  - proof of public advertisement
  - addendums
  - evidence that award was made to lowest responsive and responsible bidder
  - evidence of solicitation to SWAM vendors
  - copies of all bids (successful and unsuccessful)

# Contract Procurement (What documentation are we looking for?)

- **Competitive Negotiation**
  - specific statement of needs (scope)
  - evidence of proposal scoring
  - evidence of negotiation with two or more vendors
  - references of submitters (past work)
  - evaluation committee - appropriateness of members on evaluation committee in relation to services being procured

# Contract Procurement (What documentation are we looking for?)



- **Sole Source**

- determination of need for use of sole source
- reasonableness of price
- adequate approval
- award notice

- **Emergency**

- determination of need for use of emergency
- determination of danger for public property or personal safety at time of procurement
- proper approval
- award notice

# Contract Procurement



- **Common issues**
  - **Missing documentation**
  - **Inability to produce Master Contract listing**
  - **Unorganized contract files**
  - **Missing signatures on contracts**
  - **Wrong procurement method used**

# Contract Administration



Constitutes that primary part of the procurement process that assures the State gets what it paid for.

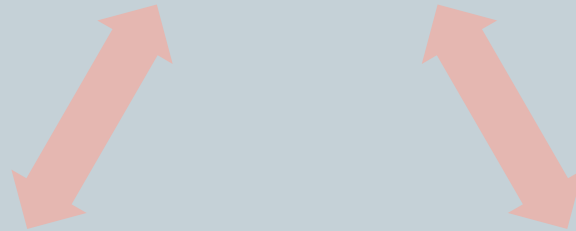
## Best Practices:

- Proactive contract compliance enforcement
- System capability that allows for automated reporting of contracts
- Contract compliance and performance measured consistently
- Vendor/Contractor communication

# Contract Administration



**Contract  
Administrator**



**Accounts  
Payable**

**Contractor**

# Contract Administration



## Benefits of Preemptive Contract Administration

- Provides an easy method to access pertinent contract info
- Helps reduce risk
- Minimizes misunderstandings
- Helps protect public interest

# Contract Administration (What documentation are we looking for?)



- **Assigned Contract Administrator duties**
  - Contract Administrator roles and duties are stated in writing and accepted by contract administrator
  - Contract Administrator has copy of contract and knowledge of contract terms
  - Contract Administrator is tracking expenses making sure contract expenses don't exceed contracted amount
  - Tracking and assessing vendor performance

# Contract Administration (What documentation are we looking for?)



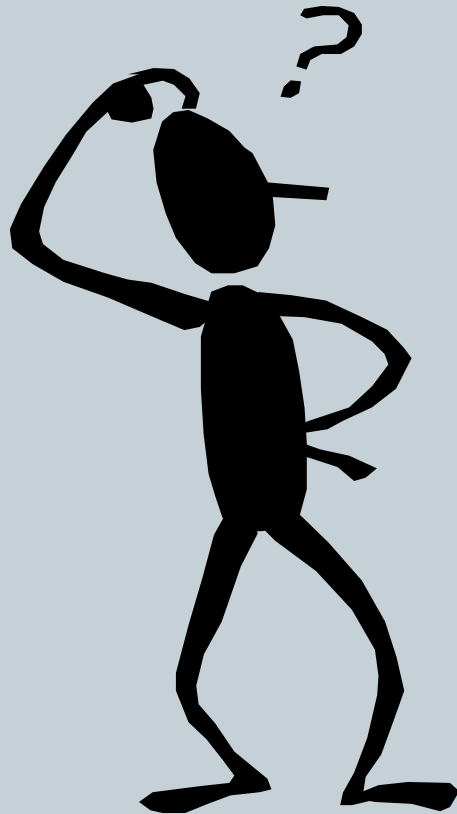
- **Common issues**
  - contract administrator has no knowledge of contract
  - duties broken up between different departments or persons (i.e. department approval, contract admin. sign off)
  - amount paid does *not* match contract prices
  - contract administrator not reviewing/approving payments

# Recommendations



- Contract administrator should be aware of and work closely with AP to help track contract expenses annually and over the life of the contract
- Contract administrators should do price comparisons between price listing and invoices submitted by the vendor
- Keep everything in the contract file that shows compliance with APSPM and VPPA and keep those files neat (electronic documentation is very neat and saves file space!)
- Keep track of contract dates! Have a detailed Master Contract Listing
- Agencies should ensure that internal policies and procedures exist and are being followed

# Questions and Answers



# BUYER'S FEUD



**Auditor's pet peeve when performing contract procurement test work**



- 1
- 2
- 3
- 4



## Common types of contract fraud or abuse found



1

2

3

4



**Common pieces of evidence left out of the contract file**



1

2

3

4



**Common mistakes seen made by contracting officer**



1

2

3

4



**Common management points issued related to contract procurement and administration**



1

2

3

4



## Common criteria used by auditors to select contracts for testwork



1

2

3

4



**Common controls absent in the procurement/approval/payment process**



- 1
- 2
- 3
- 4

