



Performance Audit

**Office of Management and Budget
Bureau of Procurement**

Report by the
Office of City Controller

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AUDITEE RESPONSE



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

May 6, 2019

The Honorable William Peduto, Mayor of Pittsburgh
and Members of Pittsburgh City Council

Dear Mayor Peduto and Members of City Council:

The Office of the City Controller is pleased to present this performance audit of the **Office of Management and Budget's (OMB) Bureau of Procurement** conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter. Our procedures were conducted in accordance with applicable government auditing standards and are limited to our objectives, scope, and methodology sections of this report.

EXECUTIVE SUMMARY

The mission of the Office of Management and Budget's, Bureau of Procurement is to ensure the effective and efficient use of resources in order to sustain the delivery of quality services to the residents of the City of Pittsburgh. The OMB director is appointed by the mayor and oversees the following sections: administration, capital, asset management and infrastructure finance, governmental operations and finance transformation, and procurement. Duties include the management, development, execution and oversight of the annual operating budget, capital budget and special revenue funds as well as oversight of the division of fleet, procurement, and asset management.

OMB's Bureau of Procurement is responsible for requesting bids from vendors and awarding contracts to obtain goods and services for all city departments. Each city department then uses these awarded contracts to order items as needed. Procurement oversees the processes, policies and technological advancements to improve its overall function.

This audit assesses the process, procedures and policies for awarding various contracts for services and products used by the City, examines the effectiveness and use of co-operative agreements, examines procurement card procedures and costs and makes recommendations for improvement.

When a department realizes a need for a certain service or commodity and a funding source is identified, the department contacts OMB's procurement team. Every contract related to city business is authorized by an ordinance or resolution by City Council. Contracts for general

materials or supplies require a resolution that designates a maximum amount to be spent and from which account it is to be paid.

In 2015, a new platform was introduced to centralize all solicitations for goods and services throughout the city. Prior to this innovation, each city department solicited their own bids for RFPs by advertising in local newspapers and relied on the county to solicit bids for commodities. Code for America, an organization developed to bridge the technology gap between private and public sectors, was enlisted to develop this software for OMB. They developed two e-procurement (electronic procurement) systems named Beacon and Scout.

Our findings and recommendations are discussed in detail beginning on page six. We believe our recommendations will provide more accountability and improve operation efficiency.

We would like to thank the Office of Management and Budget Bureau of Procurement's staff for their cooperation and assistance.

Sincerely,



Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the Office of Management and Budget's (OMB), Bureau of Procurement was conducted pursuant to section 404(c) of Pittsburgh's Home Rule Charter. This audit assesses the process, procedures and policies for awarding various contracts for services and products used by the City, examines the effectiveness and use of co-operative agreements and examines procurement card procedures and costs.

This is the first performance audit of the City's procurement process and procedures since the function was taken over by OMB in 2016. A past performance audit of the Department of General Service's Purchasing Division was conducted in 1993. That audit examined internal controls, the competitive bidding process, surveys of vendors, time analysis of the payment process, and a search for duplicate and other problem invoice payments.

OVERVIEW

The mission of the Office of Management and Budget's, Bureau of Procurement is to ensure the effective and efficient use of resources in order to sustain the delivery of quality services to the residents of the City of Pittsburgh. The OMB director is appointed by the mayor and oversees the following sections: administration, capital, asset management and infrastructure finance, governmental operations and finance transformation, and procurement. Duties include the management, development, execution and oversight of the annual operating budget, capital budget and special revenue funds as well as oversight of the division of fleet, procurement, and asset management.

OMB's Bureau of Procurement is responsible for requesting bids from vendors and awarding contracts to obtain goods and services for all city departments. Each city department then uses these awarded contracts to order items as needed. Procurement oversees the processes, policies and technological advancements to improve its overall function.

The management of public funds is bound by an ethical code of conduct and accountability. Transparency, integrity, economy, openness, fairness and competition are some of the fundamental principles of public procurement. The competitive method of procurement promotes transparency, economy and efficiency, and limits favoritism.

Procurement Organization

Procurement was under the Department of General Services until circa 2005 when the department was disbanded with some duties such as fleet maintenance being outsourced and with some procurement duties given to Allegheny County. It was reasoned that increased cooperation with Allegheny County would result in price savings due to increased need. The City kept only

two purchasing agent positions and turned over to the County all contract bidding and administration responsibilities paying the County approximately \$300,000 a year for this service.

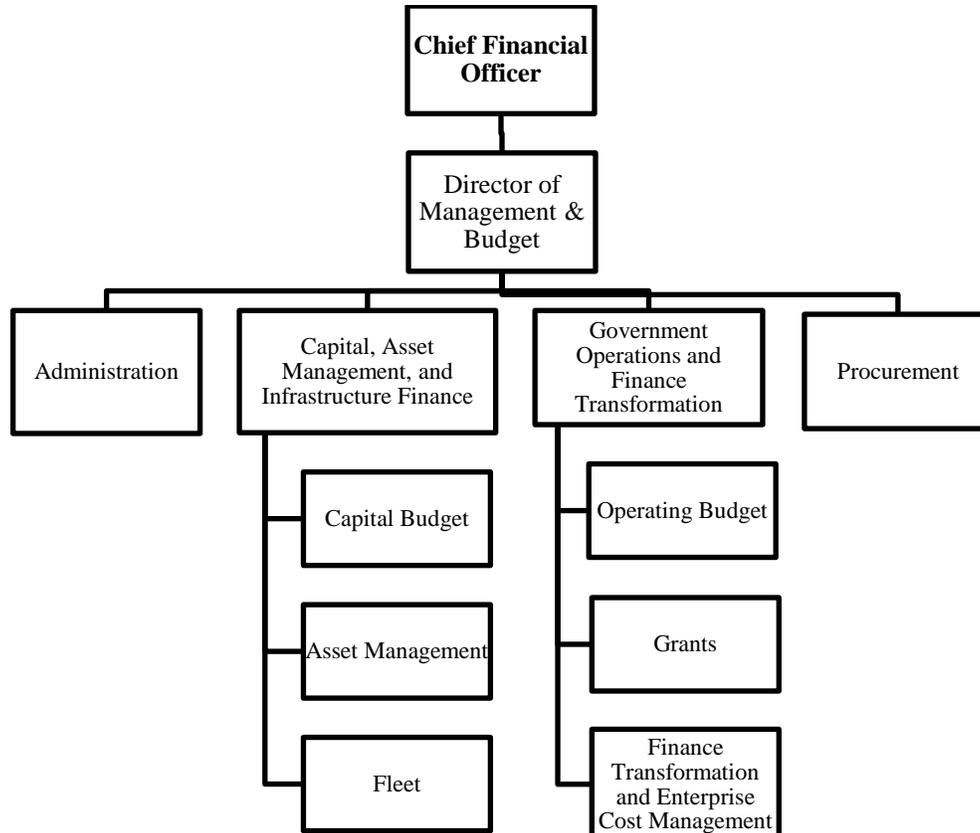
In early 2015, the National Institute of Governmental Purchasing (NIGP) was engaged to consult with the City on the best way forward to create a professional procurement environment. As a result, the Office of Management and Budget was tasked with enforcing financial and budgetary policies across city departments and hiring and organizing the city's own procurement team.

There were six procurement positions budgeted in 2016: an assistant director/procurement manager, two senior procurement analysts, two procurement coordinators and one procurement specialist for a total budget of \$338,917.

In 2017, procurement had seven positions budgeted for a total of \$416,033 comprising of an assistant director, a manager of procurement analytics, a senior procurement analyst, a procurement analyst, a senior procurement coordinator, a procurement coordinator and a procurement specialist.

The following figures show OMB's structure. In 2017 a Chief Financial Officer position was created to oversee the entire department. Prior to 2017, the OMB director was the department head.

**FIGURE 1
Office of Management & Budget Organizational Chart**



According to OMB administration, the City was still engaged with county purchasing in 2016. It was a transitional year with procurement activity limited to phone quotes, informal solicitations, and managing Scout, the software program between the County and the City. In 2017, OMB took back responsibility of all procurement activity for the City.

Terms

City of Pittsburgh procurement has several options for departments looking to obtain services and commodities. They are:

- Invitations for Bid (IFB) are released by procurement, typically with set line item pricing, and are used for commodity and non-professional service contracts. Vendors submit their bids and contracts are awarded to the lowest responsible bidder, either by total contract or line item.
- Request for Proposals (RFP) are released for contracts that are for professional services or anything where more than cost must be factored into the contract.
- Request for Quotes (RFQ) are used for a one time purchase of a commodity or non-professional service under \$30k. Three (3) or more quotes are obtained for each purchase.
- Pre-Qualified (PQ) require vendors to apply and obtain approval based on certain criteria. Contracts are then bid as individual projects and the lowest bid (or lowest combined bid) is awarded among the pre-qualified vendors.
- State Contracts, such as COSTARS, are contracts that are previously negotiated by the Commonwealth of Pennsylvania for use by all members of the program. These contracts may cover multiple vendors in a single contract.
- Cooperatives allow the City to use similar contract terms previously agreed upon by a vendor and another government or institution. The City is a member of several cooperative purchasing agreements.
- P-Cards are used by departments for single purchases under \$3,000. P-cards can be used like credit cards for any vendor. However when used, OMB must approve the purchase.

OBJECTIVES

1. Examine the procurement process and procedures for various city contracts
2. Examine the procurement process and procedures for the use of co-operative agreements
3. Determine if new processes are more efficient and cost-effective than in the past
4. Make recommendations for improvement

SCOPE

The scope of this performance audit is purchases and contracts for the years 2016, 2017 and 2018.

METHODOLOGY

The auditors met with the City's chief financial officer, OMB's director and assistant director/procurement manager.

In order to learn about the bid opening process the auditors attended numerous bid openings.

The NIGP report was reviewed along with all materials made available by procurement in the employee portal.

Invitations for Bids issued in 2017 were obtained from OMB and were researched using the Controller's Office OpenBook public-facing website and checked for record completeness.

A list of contracts entered into through cooperative organizations and the Commonwealth of Pennsylvania were obtained through the City of Pittsburgh's Scout and OpenBook public-facing websites. Information about each contract was obtained through the OnBase document database.

Invoices for items purchased from Amazon from June 2017 until December 2017 were pulled from OnBase and entered into a spreadsheet. Items were matched via ASIN (Amazon Standard Information Number) with items available in the general consumer version of Amazon. Each item was then searched for on the internet for the closest comparable item and its cost.

An updated analysis of Amazon purchases the City made was undertaken for 2018. ASIN numbers were gathered for all items which could be compared for savings analysis. A sample was analyzed comparing the costs of the items as well as shipping costs.

A list of Controller's Office items bought from Staples Business Advantage in 2017 and 2018 was compared to Amazon Business prices to see if Amazon offered any advantage to business purchases.

The comparison price test was expanded to include purchases from the 2018 Grainger contract. The auditors chose a sample from purchases made in October, November and December 2018 that were listed in OnBase. In total, 13 invoices were chosen from 51, a 25% sample. This yielded 50 Grainger invoices with various purchases.

P-Card transactions for 2017 were examined as well as the RPMG Research Corporation's '2014 Purchasing Card Benchmark Survey Results'. P-Card transactions were expanded to include a sample for 2018. The Controller's Office accounts payable section was able to grant temporary access to Bank of America's Works website where P-Cards purchases are tracked.

A list of pre-qualification contracts and accompanying information was obtained using Scout.

Zip codes for contract vendors were obtained through OnBase. Maps plotting vendor location were created online using Esri ArcGIS Online for 2017 and 2018.

FINDINGS AND RECOMMENDATIONS

Home Rule Charter

Act 62 of 1972, Pennsylvania's Home Rule Charter and Optional Plans Laws, gave counties and municipalities in Pennsylvania the right to create and adopt a home rule charter. The City of Pittsburgh's Home Rule Charter was approved by the electorate in the election held November 5, 1974. After the Home Rule Charter was enacted, Pittsburgh established City Codes for other rules, procedures and processes for the plethora of situations that occur in a City the size of Pittsburgh.

The City of Pittsburgh's Home Rule Charter, Article 5, Budget & Fiscal Matters, Bidding Procedures, Section 512, covered procurement practices and states:

Unless the amount is increased by ordinance, each contract subject to competitive bids exceeding two thousand dollars shall be awarded by sealed bid procedure. Invitations for bids shall include reasonable public notice by advertisement in a newspaper circulated generally in the City. All bids shall be filed sealed in the controller's office and shall be opened for the first time and announced publicly at the time and place designated in the notice. (Underline added) Unless the amount is increased by ordinance, a contract subject to competitive bids involving two thousand dollars or less may be awarded on oral or letter bids, or on specific prices set forth in the seller's literature.

The original intent of the Home Rule Charter was to allow an independent third party to accept and oversee the bid opening process. This keeps the process honest and above reproach.

Home rule charters can be changed. Pennsylvania Title 53 (Chapter 29, Subchapter C, Section 2941 allows home rule charters to be amended by a vote of the City Council. This subchapter outlines the procedure for amendment of a charter and states: "The procedure for amending a home rule charter or optional plan of government shall be through the initiative procedure and referendum or ordinance of the governing body as provided for in this subpart". (Underline added.)

Prior to April 2016, all bid openings for city contracts were conducted in the controller's office. Controller's authorized personnel would record and document all the submitted bids along with the contract award to the lowest responsible bidder.

City Code Changes

Pittsburgh's City Council authorized two amendments to the Home Rule Charter governing bid filings and openings for contracts. The first amendment occurred on April 27, 2016 to Chapter 161: Contracts, section 161.06, Bid Filing and Opening. It was amended to read:

All bids shall be filed in a secure, sealed format with the City Controller and opened publicly by the City Controller or his or her designee unless otherwise

provided in the contract authorization ordinance or resolution, at the time and place designated in the notice to bidders. Bids shall be announced to the persons present.

The second amendment happened on September 21, 2017 with changes made to the same chapter and section, Chapter 161: Contracts, section 161.06, Bid Filing and Opening. It was amended to read:

All bids shall be filed in a secure, sealed electronic format with the Office of Management and Budget and opened publicly by the Director of the Office of Management and Budget or designee, and witnessed by the City Controller or his or her designee unless otherwise provided in the contract authorization ordinance or resolution, at the time and place designated in the notice to bidders. Bids shall be announced to the persons present.

Finding: City council voted to remove control of bid openings from the City Controller's Office. A City Controller's Office representative is required to witness all bid openings.

Reasons for Change

OMB approached city council to make these changes. According to OMB management, electronic bidding was being done by the county for years and when OMB took back procurement, it was a logical extension for the City to continue electronic bidding and eliminate paper bids.

OMB advertises the bids online and vendors, using the Beacon software program, log into it with an individual user ID and password to review proposals and submit their bid forms. All submitted bids go directly to OMB. OMB believes that this is more efficient and secure to have everything in one place.

According to OMB management the Beacon software system is specifically for government procurement. The system does not allow any access to bids until the bid deadline is reached. However it will allow time extensions and changes to a proposal. If a proposal is changed it will notify vendors that inquired about the proposal, that a change has been made. Bidders must accept all changes sent to them. Time will be extended so vendors can make the required changes and (re)submit their bids.

With both council amendments, nothing was changed about the awarding of contracts. Contracts are still awarded according to the rules of that type of bid. The Controller's Office continues to witness the "opening" of bids in OMB offices. These "openings" are performed at a computer monitor that is password protected with an OMB authorized employee.

Once the bid is awarded, OMB issues a contract to be signed by the vendor and department director. All components of the signed contract are sent to the City Controller's Office for review, the controller's signature and to be scanned into the City's Onbase software system. Once scanned, the Onbase system automatically populates the contract onto OpenBook for the public to view.

Finding: Bid openings and bid documentation storage responsibilities were changed from the controller's office to OMB's bureau of procurement. This makes OMB the only department with hands on contact with all bid materials and awarding process.

Finding: The OMB office has sole control of and access to the bidding of contracts.

Finding: The City Controller's Office maintains responsibility for the scanning and storage of the signed contract.

The auditors expressed concern with one department responsible for the bid opening process. Conversation with OMB management assured the auditors that the software system used cannot be tampered with.

Bid Solicitation

The Office of Management and Budget's, Bureau of Procurement is responsible for requesting bids from vendors and awarding contracts. The office oversees bid processes, policies and technological advancements to improve the overall function of soliciting and awarding bids.

When a department realizes a need for a certain service or commodity and a funding source is identified, the department contacts OMB's procurement team. Every contract related to city business is authorized by an ordinance or resolution by City Council. Contracts for general materials or supplies require a resolution that designates a maximum amount to be spent and from which account it is to be paid.

There are four (4) types of bid requests which the procurement team can solicit for the City of Pittsburgh: 1) Request for Proposals, 2) Invitation for Bid, 3) Request for Quotes, and 4) Pre-Qualified.

Request for Proposals - RFPs are for professional services where something other than cost needs to be factored into the award. An important factor that distinguishes an RFP from an IFB is that other criteria aside from "lowest price which meets specifications" determine the winning bid. An RFP will list all of these additional criteria. Examples of RFPs that have been listed for bid are marketing and graphics design services, investment services for the municipal pension fund, fleet management services, and services to assist city planning with a comprehensive zoning for waterfront properties.

Invitation for Bid - IFBs are for commodity and non-professional service contracts where purchases occur multiple times a year. Typically these contracts set line item pricing and discounts per line item. These are usually awarded to the lowest cost bidder. Examples of recent IFBs include accessories for all-terrain vehicles, chargers for the electric vehicles in the city's fleet, and various swimming pool chemicals.

Request for Quotes - RFQs are for one-time purchases of commodities or non-professional services under \$30,000 for which no regular contracts are held and are urgently needed.

Pre-Qualified - PQs are projects which the procurement team bids out whenever there is a need. All vendors on the PQ list are pre-qualified and when a need arises, are solicited and the lowest bid is awarded. Types of services currently on PQ contracts include plumbing, HVAC, general construction, demolitions, pruning and tree removal, uniforms, auditing services, printing and photography, special events, excavation of snow removal and concrete installation.

Bid Solicitation Technological Advancements

In 2015, a new platform was introduced to centralize all solicitations for goods and services throughout the city. Prior to this innovation, each city department solicited their own bids for RFPs by advertising in local newspapers and relied on the county to solicit bids for commodities. Code for America, an organization developed to bridge the technology gap between private and public sectors, was enlisted to develop this software for OMB. They developed two e-procurement (electronic procurement) systems named Beacon and Scout.

Beacon (<http://pittsburghpa.gov/beacon/index.html>) lists all bid opportunities and offers email notification for future contracts. It is in this online platform that companies can submit bids.

Scout (<https://procurement.pittsburghpa.gov/scout/>) is Beacon's companion app, a tool for city staff to quickly identify and subscribe to contracts that are already in place. Within the first three months, 350 businesses registered on Beacon and as of June 2018, 2,400 potential vendors were registered.

Finding: The use of Beacon and Scout has streamlined the process and made it more easily accessible to a variety of prospective bidders.

RECOMMENDATION 1:

The administration should continue using Beacon and Scout, and continue to advertise its existence for businesses who want to join and do business with the City of Pittsburgh.

Request for Proposals Process

The process for soliciting, evaluating and executing an RFP is straightforward. The requesting department meets with the OMB procurement team to discuss scope, timeline and process. If the project is **expected to be over \$30,000** a formal RFP must be issued by OMB in coordination with the requesting department. Public advertisement is required on the internet and in a newspaper of general circulation.

OMB works with the requesting department to refine the scope of work or services and will seek expert input from within the City, e.g. a custom software solution will be explored with the information technology (IT) staff before the final RFP is produced. If the project is **not expected to exceed \$30,000**, OMB solicits informal proposals from at least three qualified providers and/or issues a public advertisement on the internet and in at least one newspaper of general circulation.

All RFPs contain general terms and conditions, administrative information, a clearly defined scope of work, evaluation criteria and how the vendor's response should be formatted. The packet also includes the deadline date for submissions and the date when all the bids will be revealed. This date the bids are revealed is called the bid opening date and is open to the public.

If a vendor calls with questions before the RFP's due date, OMB works jointly with the department to address concerns. Typically RFPs allow thirty days for vendors to submit proposals. Sometimes a vendor pre-proposal meeting is held ten days after the RFP has been posted. All RFPs are posted on Beacon.

Awarding the Bid

Procurement compiles vendor questions and will deliver them to the requesting department to be answered within 24-48 hours. No departmental personnel are permitted to communicate to vendors or their representatives between the RFP release and the RFP award. All communications must go through the RFP coordinator or the vendor may be disqualified. When all bids are received they go to an evaluation committee for review.

The objective of the evaluation committee is to recommend the vendor whose proposal is most responsive to the project needs within available resources. Committee members must be unbiased and must not have a personal or business interest in the proposal. Typically, this committee is made up of OMB staff and staff from the referring department, with additional members from specialized fields from within the city, if needed.

The evaluation committee members will receive all the bids or proposals, a Non-Conflict of Interest Form and a scorecard within 24-48 hours after the RFP's submission deadline. These forms are completed within one week and returned to procurement. The committee will then meet to discuss each vendor's proposal and a vote is taken. A letter is then drafted to the winning proposal's vendor and to the vendors who will not be used. City Council approval is then obtained to enter into the contract. The law department reviews the scope of services and vendor proposal.

If the contract is over \$25,000, the paperwork is submitted to the EORC (Equal Opportunity Review Commission) for approval. Paperwork is then submitted to the Controller's Office for the Controller's signature and then scanned into publicly available OpenBook Pittsburgh (<http://www.openbookpittsburgh.com/>) which lists all contracts the City of Pittsburgh holds.

Exempt Contracts

The following professional service contracts are exempt from requiring a competitive selection process, contingent on a written waiver by the city solicitor:

- 1) Emergency Professional Service contracts (an unforeseeable circumstance arises that presents a threat to proper performance of essential function or that will likely result in material loss or threat to property),
- 2) Sole Source Professional Service contracts (a contract involving unique professional services that are documented to be available from one source only),
- 3) Contracts requiring compliance with terms and conditions of a court order, government grant or government order,
- 4) Contracts for expert witnesses or consultants associated with anticipated or pending litigation,
- 5) Intergovernmental agreements.

This is not an exhaustive list; the full list of exemptions can be found in the City of Pittsburgh's City Code (§ 161.02a).

Record Maintenance

All contracts, after they are signed by the controller, are scanned into OnBase and posted on OpenBook Pittsburgh. Contracts are searchable by department, contract type, vendor name, keyword, contract number and contract approval date. There are currently over 13,000 contracts housed in this database and all are available for public view.

Contract Records Maintenance

The auditors conducted a review of the Controller's Office OpenBook website to determine if the contracts provided to the public were posted accurately and completely. A complete contract would include the following: contract returned from the vendor, a signed and witnessed articles of agreement, a signed and notarizing debarment affidavit, a completed statement of affiliations, a vendor contact sheet, a signed and completed W9, certificates of insurance listing the City of Pittsburgh as additionally insured, an EORC for contracts \$25,000 or more, a performance bond (if required) and a bid award report. The bid award report lists the title of the bid, a brief description, the bid started and opening dates, the period of contract dates, and most importantly a listing of all pieces of the contract with each company's bid.

A list of all IFBs posted in 2017 were obtained from OMB. These 57 IFBs included plumbing services, electrical maintenance, insurance coverage, removal of scrap tires and HVAC work. Thirty-eight (38) bids were for service and 19 were commodities. All of the 57 IFBs and contracts were scanned and posted on the website.

Average Number of Bidders

The 54 IFBs for which we found bid reward reports were awarded to 81 companies, after receiving 123 bids. This averages out to 2.28 responses per contract. There were 2 instances of bids being rejected. One was for the vendor not having the requisite certification paperwork and another for poor performance of the vendor in past interactions with the city.

Finding: OMB tracks vendor performance in order to avoid contracting again with a poorly performing company.

RECOMMENDATION 2:

OMB administration should continue to track vendor performance in order to avoid contracting with a poorly performing company. This also sets an example for other companies doing business with the City; contractors will know that they will be held accountable for their workmanship.

Evaluation Committee Accountability

The evaluation committee makes the final decision to hire a vendor to work for the City. However the auditors could not find a list of the evaluation committee members, or a signed copy of their non-disclosure form as part of OpenBook. The auditors saw that this paperwork exists, however it is not part of the contract submitted to the Controller's Office to be scanned in OpenBook.

The auditors reviewed the practices of the City of Cincinnati and the City of Houston and found that after a contract is awarded they publicize the score card and name of the evaluation committee members for each award contract.

Finding: OMB does not submit the evaluation committee members and score card as part of the contract paperwork so it can be scanned for public viewing.

RECOMMENDATION 3:

OMB administration should require the contracts scorecard and the names of the evaluation committee members be listed in the contract paperwork. A copy of their signed non-disclosure forms should also be included. This way the information can be given to the City Controller's Office staff and be scanned and posted into OpenBook. The public needs to know who is responsible for the selection of vendors; this will keep the evaluation members accountable. Public transparency would help alleviate any concerns of favoritism that might surface with the selection of one vendor over another.

Requests for Information

Traditionally, RFPs in particular have been issued publicly but the responses have been shielded by confidentiality agreements. This is owing to proprietary information or solutions that have been tailor-made in the response to the request. A Request for Information (RFI) can precede an RFP and is emerging as a way for some cities to research possible solutions in advance of issuing an RFP. This market analysis before an RFP benefits business since the results of RFIs are made public and other cities can see what challenges and solutions were developed.

RFIs are especially valuable in the discourse about Smart Cities, particularly because the nature of the concept is rapidly evolving. A Smart City is one that collects data to manage resources more efficiently, for example the 311 data being mapped out to define trouble spots or traffic lights managed by smart sensors. An RFI is a way to explore all options without investment.

In March 2017, OMB issued an RFI for the Smart Streetlight project. Pittsburgh owns and operates approximately 40,000 streetlights, the majority of which are traditional sodium HID (high-intensity discharge lamp) luminaries installed in 1994. It is believed the city could realize a cost savings of 60-80% if the switch could be made to more energy efficient LED lights.

The city received twenty-five (25) responses by the time this RFI closed in April 2017, suggesting that companies are recognizing that the RFI approach is benefitting them as well. The City's RFI and its responses can be found at <https://data.wprdc.org/dataset/smart-streetlight-rfi-responses>.

Finding: RFIs are a cost effective way to conduct market analysis ahead of a complicated RFP.

RECOMMENDATION 4:

OMB administration should continue to use RFIs as a way to find solutions and the companies that could provide these solutions for the City.

Prequalified Contacts

Prequalified contracts allow OMB to prescreen and select vendors to bid on certain services for the city. After the beginning of the contract period, a vendor can apply at any time during the contract period and be considered an eligible vendor for the remainder of the contract period.

Most of these contract periods cover a three to four year period. All contacts have either one 2 year or two 1 year options to renew. Currently, the city has 17 active prequalified contracts, with between 1 and 18 eligible vendors (Table 1).

Once approved, vendors are then able to bid on new requests, and are then selected by lowest price or lowest price grouping (for example, if there are multiple demolitions on a single street, the vendor with the lowest combined total price for all houses on that street may be chosen).

Vendors that want to be considered for the prequalified list must fulfill a list of requirements that typically include a written agreement, W-9 tax form, affidavit of debarment, certificate of insurance, reference sheet, and a vendor information form. Certain contracts may have additional requirements, such as proof of a contractor license or the city's anti-sweatshop provision. Prequalified contracts typically cover a three to four year period.

**TABLE 1
CITY OF PITTSBURGH
Prequalified Contracts
2016-2018**

Description	Approved Vendors
Plumbing Rehabilitation, Repair, Renovations for Various Sites (Including CDBG Areas)	3
Mechanical (HVAC) Rehabilitation, Repair, Renovation for Various Sites (Including CDBG Areas)	4
General Construction Rehabilitation, Repair, Renovation for Various Sites (Including CDBG Areas)	11
Electrical Rehabilitation, Repair, Renovation for Various Sites (Including CDBG Areas)	7
Pruning and Removal of Trees	4
Apparel, Uniforms, Promotional Items, Trophies, etc.	15
Professional Auditing Services	5
Printing Services	5
Demolition Services	9
Tree and Tree Services	1
Eligibility to Bid on Photography, Videography & Editing Services	7
Eligibility to Bid on Marketing, Publicity and Graphic Design Services	18
Eligibility to Bid on Pre-demolition Asbestos Survey Services	6
Demolition Services Including CDBG Areas	8
Special Event Services	4
Earth Excavation and Snow Removal	9
Concrete Installation, Rehab & Renovation Services (Including CD Areas)	6
TOTAL	122

Source: City of Pittsburgh Scout

While the types of prequalified contracts remained the same from 2017 to 2018, the total number of prequalified contracts increased from 109 to 122 during this period. Some vendors have multiple active contracts; for example, the same vendor may be prequalified under both plumbing and mechanical rehabilitation contracts.

Local Purchasing

Pittsburgh City Council has, at multiple occasions, expressed support of purchasing locally when possible. Budget directors have sent memoranda to department directors on behalf of council to purchase within the city when possibly, with examples in 2000, 2012, and 2014. These memoranda, in particular, cite explanatory purchases made at retail locations outside of the city.

Currently, there is legislation pending (File #2018-0698) that would amend Chapter 161 with a provision that if all else is equal in a bid, being local would be considered the tiebreaker. Location preference will first be within the City of Pittsburgh, then Allegheny County, then Pennsylvania.

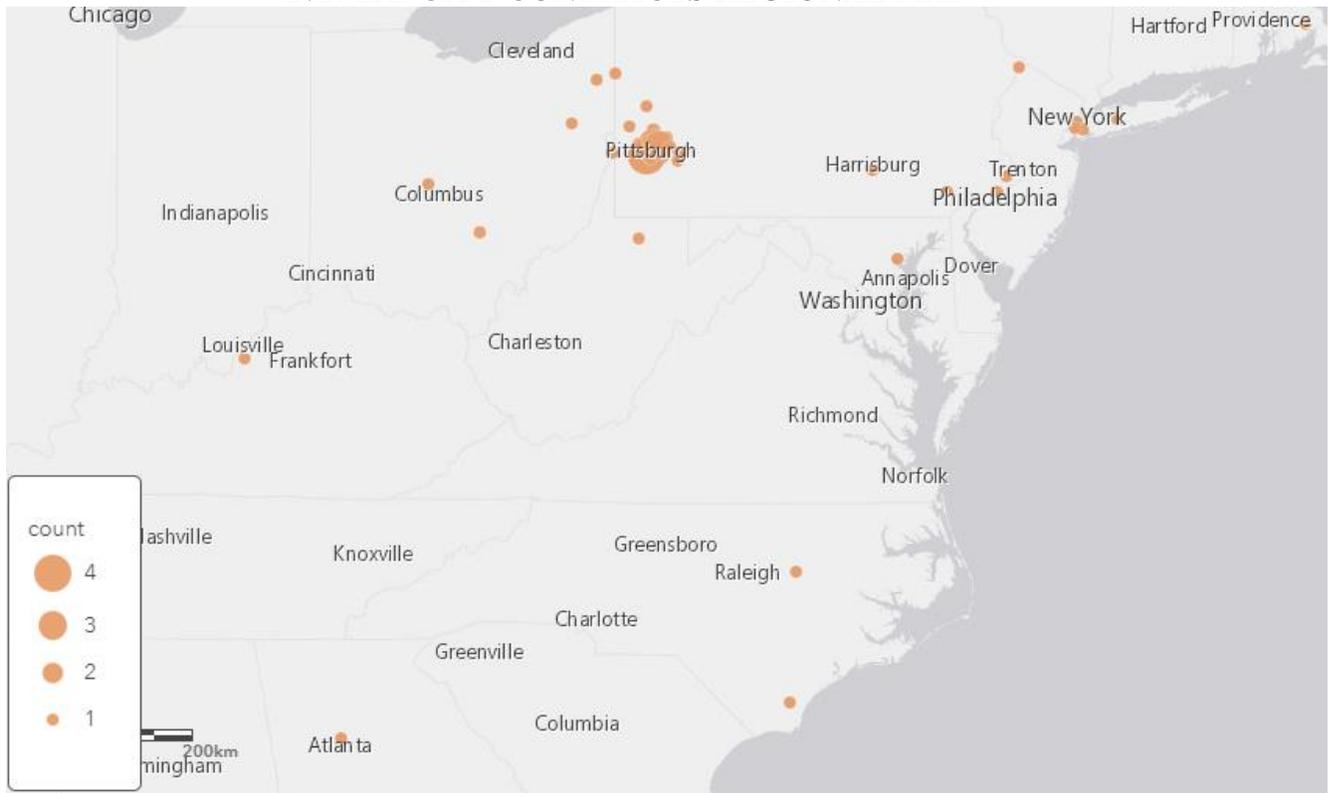
OMB has proposed many changes to the City Code in 2018, under proclamation 2018-0698, to reflect best practices in local government procurement. These amendments are described in the March 2018 Fiscal Impact Statement as “Amending the Pittsburgh Code, Title One: Administrative, Artic VII: Procedures, chapter 161: Contracts, in order to update, clarify and modernize the procurement code for the City. Changes include updating any current reference of Finance to OMB, removing references to Act 47 & Allegheny County shared services, increasing some of the limits (e.g., lower limit requiring the full competitive process is now \$50,000 to match the updated EORC code); adds provisions for tie bids, bid protests, bid retractions and the use of Pre-Qualified contracts; and modifies and clarifies what is eligible for waiver of competitive process.”

As of February 2019, these amendments remain in committee and have not been passed by City Council.

Vendor Locations

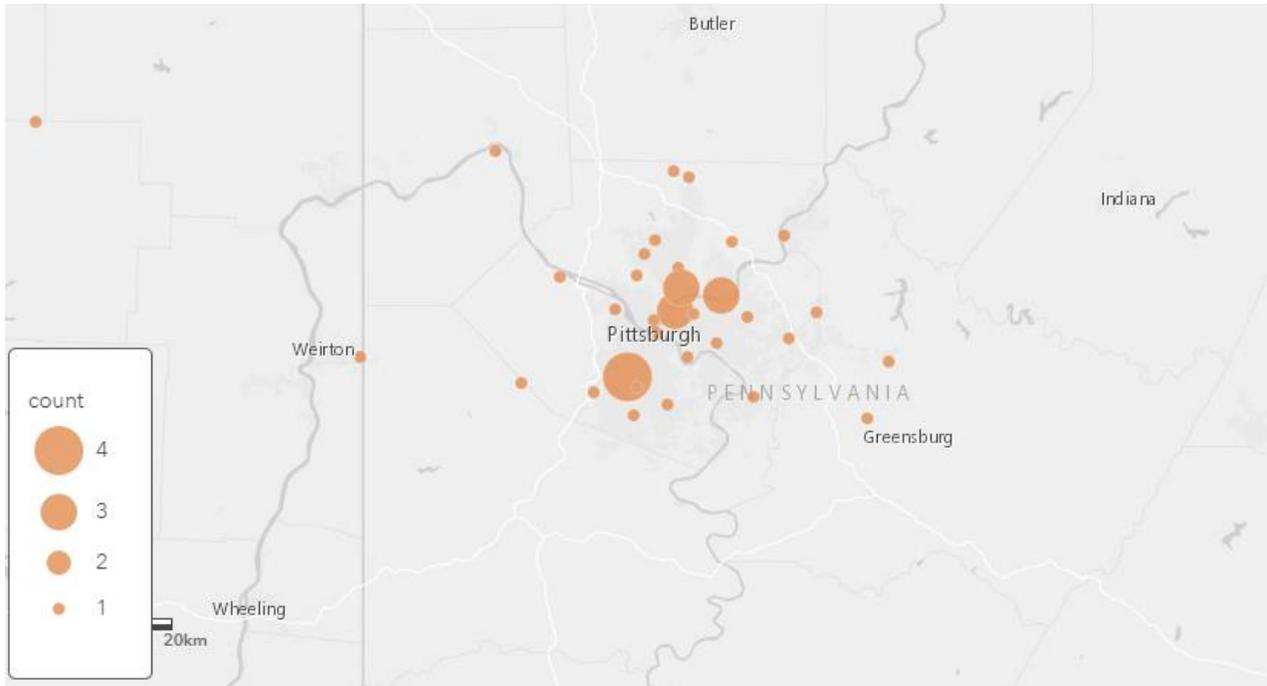
The auditors mapped the locations of some of the vendors, both locally and across the United States. Figures 2 and 3 show vendors available through City IFB contracts both at a regional and local level. Similarly, Figures 4 and 5 show vendors with IFB contracts procured in 2018. Figures 6 and 7 show vendors available in city prequalified contracts at both the regional and local level.

FIGURE 2
2017 IFB CITY CONTRACTS REGIONAL MAP



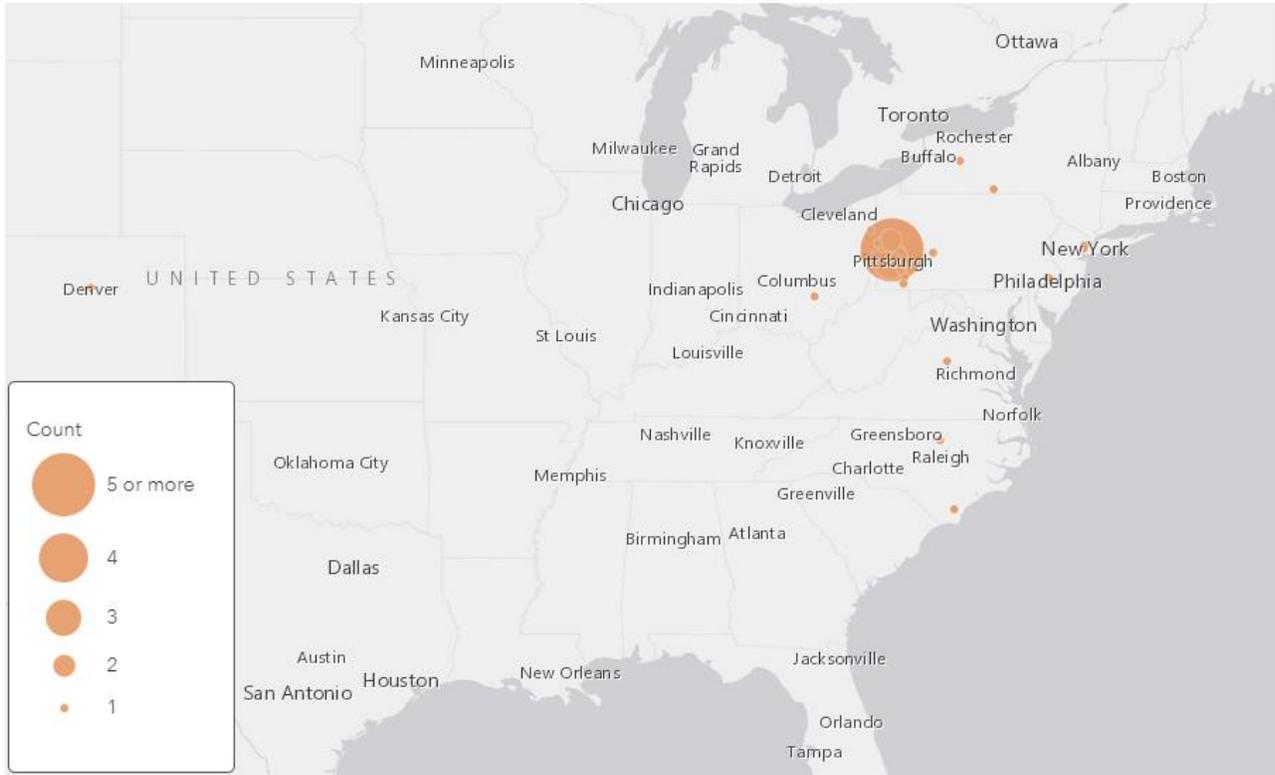
Source: OnBase, Esri. One vendor in Seattle is located outside the visible map area.

FIGURE 3
2017 IFB CITY CONTRACTS LOCAL MAP



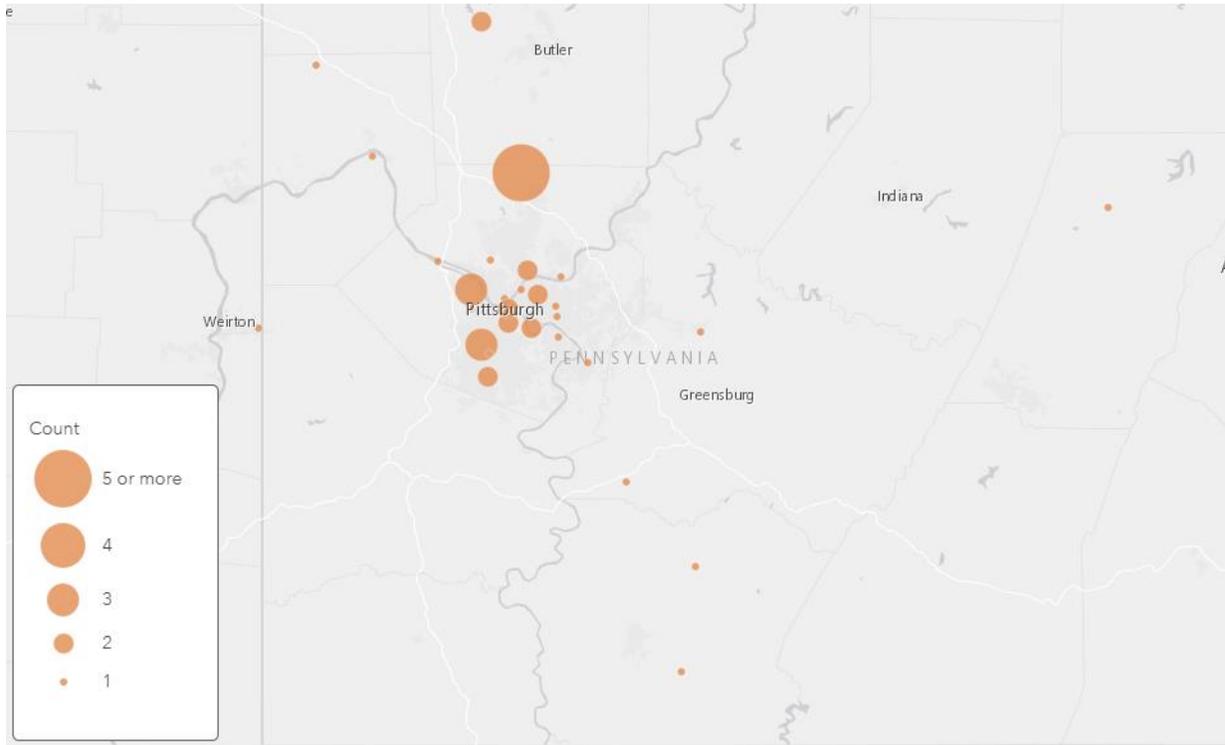
Source: OnBase, Esri

FIGURE 4
2018 IFB CITY CONTRACTS REGIONAL MAP



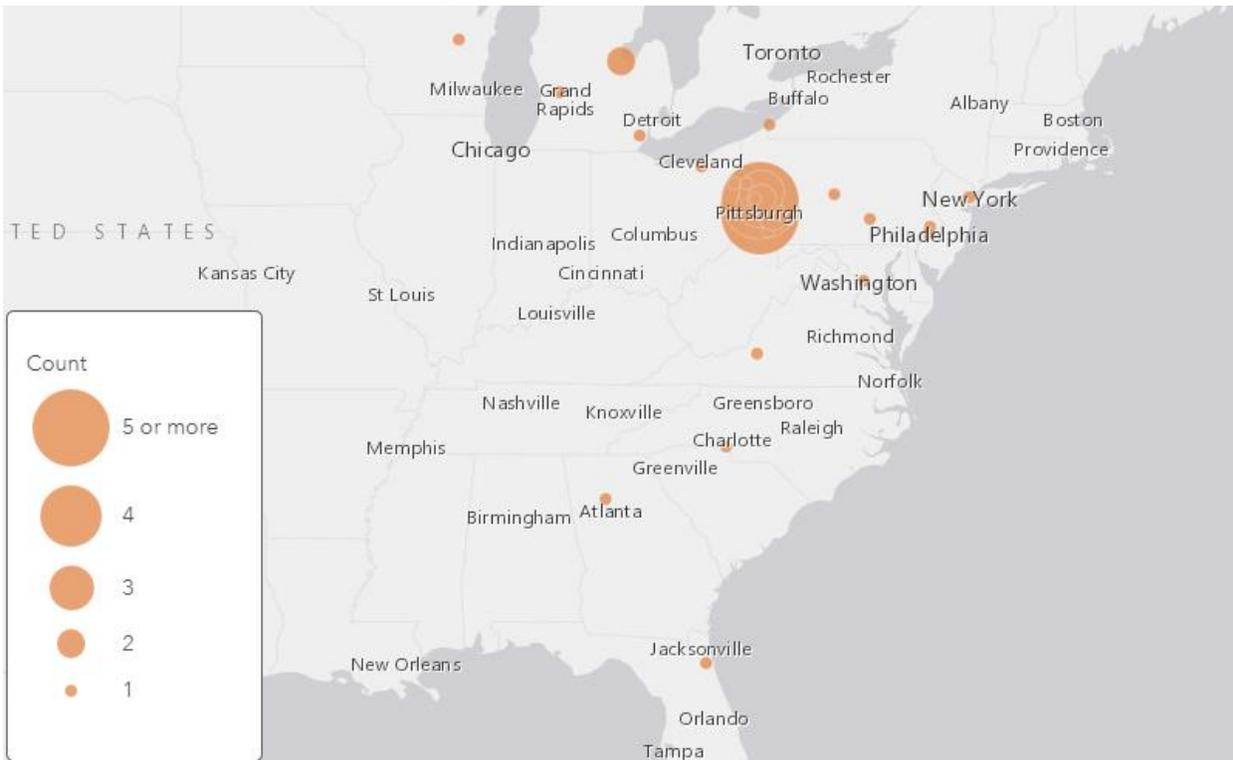
Source: OnBase, Esri. One vendor located in Seattle is outside the visible map area.

FIGURE 5
2018 IFB CITY CONTRACTS LOCAL MAP



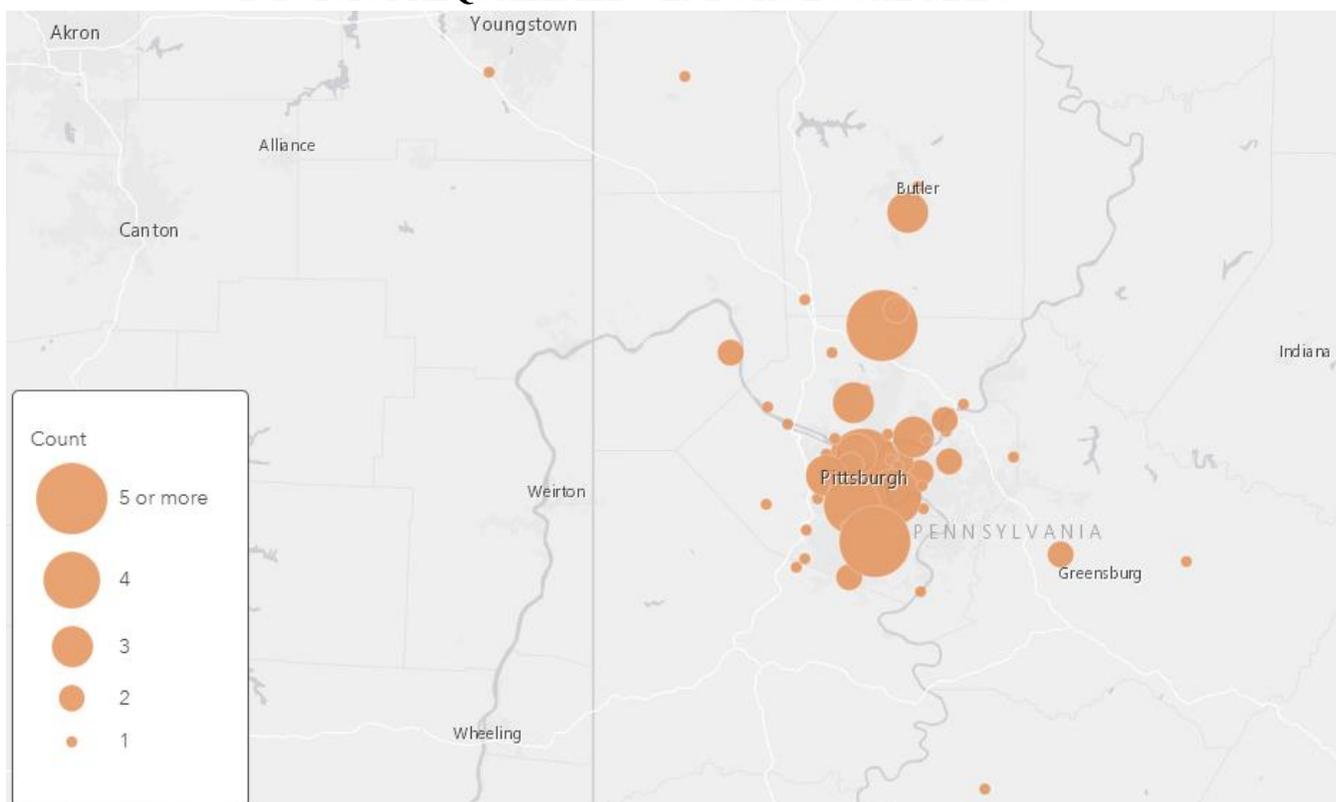
Source: OnBase, Esri.

FIGURE 6
2016-2018 PREQUALIFIED VENDORS REGIONAL MAP



Source: OnBase, Esri. Two vendors located in Portland, OR and Sacramento, CA are outside the visible map area

FIGURE 7
2016-2018 PREQUALIFIED VENDORS LOCAL MAPS



Source: OnBase, Esri.

The majority of IFB vendors in both 2017 and 2018 (46 of 79, or 58.2%, and 35 of 57, or 61.4%, respectively) were located in Allegheny County. Likewise, a majority of vendors under prequalified contracts were located in Allegheny County (81 of 117, or 69.2%).

Finding: While some vendors for city contracts are located in other state and around the county, most vendors of city contracts are clustered in the local area.

Recent Procurement Changes

In 2015, OMB administration requested the NIGP agency to review the City’s procurement processes and issue recommendations for improvement. It was noted in this report that the City did not compare well to either the American Bar Association’s Model Procurement Code or the NIGP’s OA4 Agency accreditation. The Model Procurement Code provides the elements for a legal and procedural framework for government procurement and the OA4 criteria provide a framework for comparing an entity’s procedures versus best practices.

It was particularly noted that procurement was a very fragmented and splintered system spread throughout the City and County and that department personnel found the process confusing and overwhelming.

The NIGP study noted that OMB and the Law Department had started working together to develop standard written policies and templates. Presently, these policies and templates are available to all city employees on the employee intranet.

RECOMMENDATION 5:

OMB administration should continue to develop and draft policies and procedures for the various procurement processes. In addition, dates should be noted on the links showing the latest version available. All web site links should be checked to see they are linked to the latest version and that no links are broken.

Cooperative Agreements

Rather than engaging in the labor-intensive bidding process, the City can join into existing cooperative agreement contracts with other government entities and nonprofit organizations to save money. According to OMB's financial management policies, a co-op is defined as a cooperative agreement where other government agency contracts can be used in order to obtain lower prices from suppliers. The City participates in several cooperatives that are operated by the Commonwealth of Pennsylvania, non-profit corporations, and other local government entities.

PA State Contracts and COSTARS

The State of Pennsylvania allows local governments to purchase products using state contracts that have been previously written or negotiated. Additionally Pennsylvania offers COSTARS, a cooperative purchasing program organized through the PA's Department of General Services (DGS). COSTARS does not function like other cooperative purchasing programs. It is primarily a prequalified list compiled by DGS for the use of participating members. Participating vendors/suppliers must pay \$1,500 to the Commonwealth of Pennsylvania to be included in the COSTAR list. However, the fee is adjustable depending on whether the vendor is a small business, minority business, veteran etc.

Any local public procurement unit is eligible for membership and is defined as any political subdivision, any public authority, any tax-exempt nonprofit educational or public health institution or organization, any nonprofit fire, rescue, or ambulance company, or any other entity that spends public funds for the procurement of supplies, services, and construction. There are no fees for members to use any COSTARS contracts. There are currently over 8,800 members of COSTARS and 2,000 participating suppliers.

The COSTARS program allows for local member entities to leverage cooperative purchasing with each other or state-affiliated entities to increase their purchasing power to lower pricing. COSTARS also requires all participating vendors to report any COSTARS purchases to DGS. According to the COSTARS website, the goals of the program are:

- To encourage, expand and facilitate the opportunities for members to achieve procurement savings and best value through an interactive partnership with the Commonwealth.
- To provide increased opportunities for suppliers of any size to participate and compete for members' business.
- To provide contracts with competitive pricing.¹

Pennsylvania also provides opportunities for local governments to purchase through other programs, including through DGS and the Pennsylvania Department of Transportation (PennDOT).

Most COSTAR contracts with more than one available vendor **specify that any member using the contract should obtain bids from multiple vendors to obtain the best pricing and terms for their own needs.**

The City has 91 COSTARS contracts available for department use. Like all other contracts the City enters into, available for use does not mean that the contract will be or has been used. Price comparison is always the best method to determine what contract to use. A list of the types of available contracts can be seen in Table 2.

TABLE 2

CITY OF PITTSBURGH COSTARS and State Contracts Available for City Department Use 2016-2017			
Description	Number of Vendors/Contracts	Description	Number of Vendors/Contracts
Consulting Services	315	Emergency responder loose supplies	76
Master IT Services	244	Aggregate & anti-skid	67
IT Hardware	180	Furniture & window treatments	67
Commercial furniture	152	Maintenance, Repair, & Testing for Surveillance, Security, & Fire System Services	61
Aggregates & anti-skid materials	142	Recreational & fitness equipment	58
Commercial furniture	137	Theater furniture, fixtures, audio/visual equipment & musical instruments	54
Commercial grade food service equipment	136	Software	51

¹ Pennsylvania Department of General Services.
<http://www.dgs.pa.gov/Local%20Government%20and%20Schools/COSTARS/Pages/default.aspx>

COSTARS and State Contracts Available for City Department Use (Continued)			
Agricultural/grounds-keeping type power equipment	50	Laboratory supplies	10
Lab supplies & equipment	49	Signage	10
Surveillance, security & fire systems	49	Body armor	9
Janitorial supplies	47	Passenger vehicles	9
Construction/heavy-duty type power equipment	44	Passenger vehicles	8
2-way radio communications equip. & accessories	43	Body armor	7
Bridge & highway maintenance materials	43	Snow plows	7
Tree trimming & stump removal services	35	High density filing equipment	6
Facility maintenance materials	31	Mailroom equipment	6
Two-way radio equipment & services	28	Microfilm equipment, supplies, & services	6
Copiers	22	Plows maintenance & repair parts	6
Sign language interpretation	20	Traffic control equipment	6
Non-English Translation & Authentication of Documents	19	Carpet & carpet installation	5
Street lighting, parking meters & street furniture	17	Herbicide (2 vendors eligible for COSTARS)	5
Less lethal & duty gear	15-16	Uniforms	5
Graphic & printing services, equipment & supplies	15	Police lighting & accessories	5
Grounds keeping services & supplies	13	Sodium chloride (bulk road salt)	5
Fire extinguishers, maintenance & repair	12	Sodium chloride (bulk road salt)	5
Sign language interpretation & transliteration services	12	Work gloves	5
Bituminous stockpile patching material (cold mix)	11-19	Appliances, cafeteria equipment & supplies	4
Mailroom equipment	11	Police lighting & accessories	4
Medical supplies	11	Surveying instruments & accessories	4
Construction equipment	10	Commercial laundry equipment	4

COSTARS and State Contracts Available for City Department Use (Continued)			
Aftermarket parts	3	Third party IT hardware maintenance	1 (Pomeroy IT Solutions)
Enterprise IT peripherals	3	Wireless communication services (voice & data)	1 (AT&T)
Motor oil, lubricants, antifreeze & diesel exhaust fluid	3	Wireless communication services (voice & data)	1 (Verizon Wireless)
Online Legal Services	3	Wireless communication services (voice & data)	1 (T-Mobile)
Sodium chloride (bulk road salt)	3	Dilution control chemicals	1 (State Industrial Products)
Tires: auto, truck, off the road & farm	3	Wireless communication services (voice & data)	1 (Sprint)
Maintenance, repair & operations	3	Telecommunications managed services	1 (Mci Worldcom Communications/Verizon)
Online legal research	2	IT hardware, maintenance & support services	1 (Immix Technology Inc.)
Tires, auto, truck, off the road & farm	2	IT subscription services	1 (Gartner Group)
Traffic signs	2	GIS software & services	1 (ESRI)
Cartegraph Systems Inc.	1 (Cartegraph)	Waterborne traffic line paint	1 (Ennis Paint Inc.)
Fleet card program	1 (WEX Inc.)	Dishwashing chemicals	1 (Ecolab Inc.)
Glass beads used in traffic line paint	1 (Potter Industries LLC)	Dlt Solutions (Oracle)-Gsa Pa Material & Service	1 (Dlt Solutions Inc.).
Janitorial supplies	1 (Xpedx LLC)	Enterprise software	1 (Dell Marketing LP)
Janitorial supplies	1 (Vertativ)	Crack & joint sealing materials	1 (Craftco Inc.)
Small package delivery	1 (UPS)	Shredding services (on-site)	1 (BRM Holdings)

Source: City of Pittsburgh Scout, OpenBook

U.S. General Services Administration

The Cooperative Purchasing Program through the U.S. General Services Administration (GSA) allows for state, local, and tribal governments to utilize certain GSA contracts. These contracts include Schedule 70 (IT products, services, and solutions) and Schedule 84 (law enforcement and security products, services, and solutions) contracts. Cooperative purchasing allows eligible bodies to purchase using these contracts at any time for any reason. These contracts can be seen in Table 3 below.

TABLE 3

CITY OF PITTSBURGH GSA Contracts Available for Department Use 2016-2017
Description
Alarm & signal systems, facility management, professional security & guard services
Total solutions for law, fire, clothing, mgmt., & emergency disaster response
Special purpose clothing
Marine craft & equipment
Law enforcement & security equipment supplies & services
Firefighting & rescue equipment, urban & wildland
Alarm & signal systems, facility mgmt., protective service occupations
Total solutions for law enforcement, security, facilities management, fire, rescue, clothing, etc.

Source: City of Pittsburgh OpenBook

Keystone Purchasing Network

Keystone Purchasing Network (KPN, formerly Pennsylvania Joint Purchasing Council) was created by the Central Susquehanna Intermediate Unit in 1974. KPN obtains its bidding authority through Pennsylvania State Law and began as a local program before expanding to serve agencies in 43 states. School districts, universities, intermediate agencies, vocational schools, charter schools, cities, and counties are some examples of current members. Most of its work relates to bids, contract awards, and contract management, though it will occasionally issue RFPs. Any public agency can join as a member for free, and KPN is part of the Association of Educational Purchasing Agencies (AEPA), a cooperation with 26 other states.

TABLE 4

CITY OF PITTSBURGH KPN Contracts Available for Department Use 2016-2017		
Vendor	Description	Awarding Agency or Organization
Mobilease Modular Space	Portable modulars and buildings	Central Susquehanna Intermediate Unit d/b/a/ KPN

Source: City of Pittsburgh Scout, OpenBook

National Association of State Procurement Officials

The National Association of State Procurement Officials (NASPO) is a non-profit organization that comprises of public purchasing officers across 50 states and Washington, DC that provides research, training, and publications related to public procurement. NASPO's cooperative purchasing program, ValuePoint, began in 1992. All states are eligible to use ValuePoint contracts, with involvement determined by each individual state's statutes. State statutes also determine what type of organizations may use ValuePoint contracts, though typically this includes states agencies, higher education, political subdivisions, and some non-profit organizations.

TABLE 5

CITY OF PITTSBURGH NASPO Contracts Available for Department Use 2016-2017		
Vendor	Description	Awarding Agency or Organization
AT&T	Wireless communications	Nevada
T-Mobile	Wireless communications	Nevada
Verizon Wireless	Wireless communications	Nevada
Sprint/nextel Communications	Wireless communications	Nevada

Source: City of Pittsburgh Scout, OpenBook

Sourcewell

Sourcewell (formerly National Joint Powers Alliance, or NJPA) is a service cooperative formed by the Minnesota Legislature as a public corporation and agency. Members include education, government, and nonprofit organizations. Sourcewell is governed by county commissioners, city council members, mayors, and school board members, and its aim is to competitively solicit bill nationals for its members. There are over 50,000 members. A list of Sourcewell contracts can be found in Table 6 below.

TABLE 6

CITY OF PITTSBURGH Sourcewell Contracts Available for Department Use 2016-2017		
Vendor	Description	Awarding Agency or Organization
Shaw Contract Flooring d/b/a Spectra Contract Flooring	Flooring	Sourcewell
Mohawk Resources	Vehicle lifts & hoists	Sourcewell
North Hills Auto Supply Inc. Napa	Fleet services, parts, & equipment	Sourcewell
United Parcel Service	Logistics services/mail equipment	Sourcewell
Govdeals	Surplus auction liquidation	Sourcewell

Source: City of Pittsburgh Scout, OpenBook

National Cooperative Purchasing Alliance

National Cooperative Purchasing Alliance (NCPA) is likewise a national government purchasing cooperative for school districts, higher education facilities, healthcare organizations, religious organizations, nonprofit corporations, and city, county, local, and state government entities. A lead agency solicits a bid on behalf of all NCPA members which is advertised for a minimum of 30 days. The bid is written to allow all members to then use the terms included in the agreement.

TABLE 7

CITY OF PITTSBURGH NCPA Contracts Available for Department Use 2016-2017		
Vendor	Description	Awarding Agency or Organization
Zep Superior Solutions	Comprehensive operational and janitorial supplies solutions	Region 14 Education Service Center, Abilene, TX
Taser International/Axon Enterprise, Inc.	Body Worn Cameras & Storage System	City of Tucson

Source: City of Pittsburgh Scout, OpenBook

OMNIA Partners

OMNIA Partners comprises four different group purchasing subsidiaries: 1) Prime Advantage, 2) Corporate United for corporation and private business, 3) National IPA and 4) U.S. Communities for government and public sector purchasing. The City has entered into contracts with both National IPA and U.S. Communities.

National Intergovernmental Purchasing Alliance, or National IPA (formerly The Cooperative Purchasing Network, or TCPN) encompasses more than 50,000 public and government purchasing entities. Contracts are organized and solicited by a lead agency with language to allow for their usage by partnering organizations. Once a contract is awarded to a supplier, all information is posted publicly for National IPA members.

Principal lead agencies of National IPA included the cities of Rochester Hills, MI; Tuscon, AZ; Las Vegas, NV; Sacramento, CA; Fort Worth, TX; Mesa, AZ; Nashville, TN; and Tamarac, FL and the counties of Dupage, IL and Sacramento, CA. Contracts offered through National IPA include (but are not limited to) business products, furniture, public safety, fleet, apparel, travel, construction, and athletic fields. There is no fee to participate and no restrictions on the size of an order. A list of these contracts can be seen in Table 8.

TABLE 8

CITY OF PITTSBURGH National IPA Contracts Available for Department Use 2016-2017		
Vendor	Description	Awarding Agency or Organization
Otis Elevator	Elevator, Escalator, Lifts Maintenance, Repair and Related Service	Metropolitan Government of Nashville, TN and Davidson County
School Specialty, Inc.	School Supplies	National IPA
Fastenal Company	Maintenance, Repair, & Operations Supplies	National IPA

Source: City of Pittsburgh Scout, OpenBook

U.S. Communities is a nonprofit government purchasing cooperative that aggregates the purchasing power of public agencies nationwide. By 2016, more than 55,000 public agencies were using U.S. Communities contracts to procure over \$2 billion dollars in products and services annually; every month, 400 new public agencies register to participate. U.S. Communities allows public agencies to join in on contracts with no signup or user fees and no minimum purchasing requirements. Cooperative pricing contracts are available to all public entities, including non-profit research institutes, K-12 school districts, universities, government agencies and healthcare organizations. Like National IPA, a lead agency solicits bids and awards contracts through a competitive process allowing other U.S. Communities members to utilize the contract terms. U.S. Communities was purchased by OMNIA Partners in April of 2018. A list of

all U.S. Communities available for City of Pittsburgh Department use can be seen in Table 9 below.

TABLE 9
CITY OF PITTSBURGH
U.S. Communities Contracts Available for Department Use
2016-2017

Vendor	Description	Awarding Agency or Organization
Tapco	Traffic Control Products and Solutions	Barron County WI Highway Department
Kone	Elevator and Escalator Maintenance and Services	City and County of Denver
Insight Public Sector	Technology Products, Services and Solutions	County of Fairfax, VA
DLT Solutions (Oracle)	Oracle Products Services and Solutions	Maricopa County
Gopher Sport	Athletic Supplies and P.E. Equipment	Harford County Public Schools, Maryland
Rehrig Pacific Company	Waste Carts, Recycling Carts, and Related Products and Services	Miami-Dade County
Herc Rentals	Equipment Rental Services	NC State University
Language Select	Foreign Language Interpretation, Translation Services and Related Services and Solutions	City of Chicago
Amazon Business	Amazon Business Contract	Prince William County Public Schools
Hd Supply Facilities Maintenance, Ltd.	Mro Supplies	Maricopa County
The Home Depot U.S.A. Inc.	Mro Supplies	Maricopa County
Kompan, Inc.	Playground and Outdoor Fitness Equipment, Site Accessories, Surfacing and Related Products & Services	City of Charlotte
Virco Inc.	Education, Classroom, Misc. Support Furniture and Related Products	San Diego Unified School District
Graybar Electric Co.	Electrical Products	City of Los Angeles
Premier, Inc.	Food Service & Related Services	North Carolina State University
Trane U.S. Inc.	HVAC Products, Installation, Services & Related Products & Services	Board of Education of Harford County
Hd Supply Facilities Maintenance, Ltd.	Wholesale MRO Commodities & Related Services	Maricopa County

Source: City of Pittsburgh Scout, OpenBook

Finding: Given the variety and number of cooperative agreements the city has access to it is difficult to retroactively determine if pricing was the lowest offered.

Finding: The concern with the various cooperative agreements available is whether the price of the products listed in the contract is the lowest price available. Each department is responsible for researching the contracts for the lowest price.

RECOMMENDATION 6:

OMB administration should encourage and assist City departments in determining which current contract has the lowest price available by comparing at least three (3) different contract pricing.

Amazon Contract

A nationwide cooperative purchasing agreement of products through a single-source, on-line marketplace has many advantages for public agencies. Contracting with Amazon through a single competitive solicitation process eliminates the need for multiple bids or requests for proposals and combining the volume of materials ordered should achieve the most cost effective pricing. It is important to note that this contract gives public agencies access to Amazon Business, which is a division of Amazon devoted to providing a purchasing solution for businesses.

Amazon usually offers free shipping with purchases but it depends on the warehouse location and the item ordered. Also vendors sell through Amazon and they usually charge shipping.

One of the cooperative contracts that the City entered into via U.S. Communities was Amazon Business on March 15, 2017. This contract has an option to renew for 3 additional 2 years periods.

2017 Amazon Savings Analysis

The auditors were concerned that city departments were ordering items off the Amazon contract because of its ease without checking prices from other contracts. Also of concern was the utilization of a non-local vendor (Amazon) over local vendors and whether the amount of cost savings was worth not supporting local businesses.

The auditors conducted an analysis of the items bought from Amazon Business to see if cooperative agreements is a cost-effective alternative for the City to utilize. Invoices for items purchased from Amazon Business from May 2017 until December 2017 were gathered from Onbase and were matched via ASIN (Amazon Standard Information Number) with items available in the general consumer version of Amazon in March 2018. To compare its cost to

publically available website vendors, the item was searched on the internet for the closest comparable item and its cost.

There were 130 line items, 229 individual items, ordered in the time frame. Auditors were able to locate 120 line items with full documentation in OnBase. The auditors then categorized them into the following categories:

- appliances,
- furniture,
- office supplies,
- operational (office supplies, workout equipment for public safety personnel, disposable gloves, small hand tools),
- recreational (materials needed for Citiparks children's recreational events), and
- technical items (computer hard drives and assorted accessories).

Operational items were the majority of purchases at 42%, with recreational at 24%, technical items at 23% and appliances and furniture at just over 10%. Many departments elected to use Amazon Business: 50% of the Amazon purchases were made by the police department, 33% by the parks department, 10% by the mayor's office with council, personnel and planning sharing the remaining 7%.

Since orders were placed in the last half of 2017 and the analysis took place up to nine months later, it was determined that technical purchases should be removed from the sample owing to the rapid depreciation of technical equipment.

Removing the technical items from the analysis left the line item total to be examined at 92. Eight-five (85) of those items had the item for sale on the publicly available Amazon, and 74 had the same item for sale on other publically available websites, such as Walmart, Home Depot, Lowe's, and Barnes & Noble.

From June to December 2017, the City ordered \$7,587.14 of non-technical items from Amazon. Prices were compared per single item, as comparing multiples of the same item would skew the analysis. Comparing the single unit prices without shipping with prices available on publically available Amazon saw the city realize a cost savings of 1.1% and comparison with items found on publically available websites saw a 17% savings. The price comparison does not include shipping costs because in most cases shipping is included.

Finding: Generally, the City saves money using the Amazon Business contract.

2018 Amazon Savings Analysis

The city wrote 151 checks for purchases to Amazon Business in 2018 for a total of \$115,641.74. These were 649 line items that yielded over 2,000 individual items. Of the \$115,641.74 paid for these items, the City paid \$548.43 in shipping. In some instances special offers are available. In 2018 the City received \$178.85 in special offers. These special offers offset the price of shipping. Subtracting these offers from the shipping charges brings the total to \$369.58; roughly \$0.57 per line item.

Similar to previous analysis, the auditors removed technical items which would naturally see a steep reduction in price in over a year in a retrospective price comparison examination. These technical items represented 140 line items (21.5%), at a total of \$41,548. Removed from the total were items missing documentation and items which were later returned and refunded; these represented 51 line items (.7%).

Auditors took a random sample of 25% of the remaining line items. One hundred and fifteen (115) line items purchased by the City in 2018 were compared to the exact items found on publically available websites. Auditors wanted to examine if Amazon Business prices were in fact competitive and also if shipping charges would offset any potential savings.

This sample consisted of 331 items that the city paid \$13,942.28, including \$134.24 in shipping. Five of these line items were no longer sold on Amazon, so an ASIN number could not be collected to make an exact comparison. These items were excluded from the analysis. Further, some vendors only sell through Amazon therefore a comparison could not be made or an item was out of stock on any other website. Twenty-one line items were excluded for these reasons.

Auditors were able to compare 87 line items consisting of 259 individual items. The table below illustrates Amazon Business prices the City paid versus what prices and shipping costs would have been had the items been purchased on popular consumer websites.

TABLE 10

2018 Comparison of Amazon Purchases versus Other Online Merchants			
Name of Vendor	Number of Items Compared	Shipping Costs	Total Cost
Amazon	259	\$100.30	\$11,403.11
Other	259	\$519.94	\$13,757.85

Examining each line item, Amazon had the lowest price 45 times (52%) or equal to its competitor 8 times (9%), totaling 61% of time Amazon Business can offer a lower or the same price as other online competitors. Amazon Business continues to surpass the competition in terms of shipping costs with the competition charging five times the amount for shipping as Amazon Business did.

Finding: Amazon Business continues to be the better choice for most items that the City has ordered in the past.

RECOMMENDATION 7:

OMB should continue to monitor Amazon Business competitiveness and be prepared to act if the terms of the next contract is not as favorable to the City's interests in terms of price and shipping.

Staples Contract Comparison

Another analysis was undertaken to determine if Amazon could undercut an established vendor the City has used for a number of years. A listing of all orders placed in 2017 was gathered from Staples Business Advantage for the Controller's Office's purchases.

A total of \$29,982.82 on 110 line items was spent primarily on business supplies and computer equipment. Auditors were able to match items via item number or were able to find the same item via a different company for 92 line items, representing 604 individual items. Most of the items not found were computer-related items that were no longer sold or items no longer sold by Staples so an item match was impossible.

Of the 92 line items examined, the Staples total for all items was \$14,021.88 and the total for Amazon was \$12,521.90. This represents a \$1,499.98 or 10.7% savings to the city from purchasing on Amazon. Of these 92 items, a lower price was found on Amazon 39 times, representing 42% of the time. This information should be used with some caution since the analysis was conducted a year after the items were purchased, and some Amazon items were add on items (a certain amount needed to be ordered already before the lower price was available).

The same analysis was conducted for purchases made in 2018 from Staples Business. The purchase price was compared to the business price on Amazon.

A total of \$12,796.91 was spent on 85 line items, per the information provided by Staples from purchases invoiced to the City of Pittsburgh in 2018. There were 481 items purchased. The purchases represented: office supplies, cleaning supplies, computer accessories, and some small appliances.

Auditors were able to search for like items and compared pricing on Amazon Business website. There were 13 line items purchased via Staples that were not available on Amazon. This could be due to the fact that item was no longer available, description was not sufficient to search, or Amazon did not have like product.

There were 73 line items examined and compared: The total for items purchased with Staples was \$11,377.82 and the total if like items were purchased via Amazon, would have been \$10,667.40. The difference would have been a saving of \$710.42, or approximately 6.3%. Of the 86 items examined, a lower price was found on Amazon 29 times, representing 33.7 % of the time. Again, these price comparisons were obtained months after Staples purchases were made.

Grainger Contract Comparison

The auditors selected a second contract, the Grainger contract, to compare to Amazon prices. Grainger is also an established vendor the City has used for a number of years. They supply the City with items such as hoses, trash pumps, water pumps etc. with the majority of purchases requested by the Department of Public Works.

In order to reduce the likelihood of product price increase over time, the auditors chose a sample from purchases made in October, November and December 2018 that were listed in the OnBase document database.

The database contains copies of all check payments made from the City Controller's Office. In total, 13 checks were chosen from 51 checks written during the sample period, a 25% sample. The sample contained invoices and back up documentation ranging from 4 to 26 scanned documents and after viewing all the documentation yielded 50 Grainger invoices. None of the Grainger invoices had shipping or tax charged on them. Five (5) invoices, from EMS, were removed because the ordered item could not be found on the public Grainger's website, so a direct comparison was not possible. This left 45 invoices for review. The auditors chose 49 items from the invoices for comparison costing \$16,594.81.

The auditors decided to conduct an additional comparison of Grainger purchases to Home Depot business prices. Home Depot is another resource available to the City to save money. Items were compared by price, make and model number. In other words, if the item wasn't exact the item was marked as not found.

Purchases from Grainger tend to be mechanical and industrial in nature with some items being specialty purchases. Fifteen (15) of the Grainger items could not be located on either the Amazon or Home Depot website. This left 34 items to compare to either Amazon or Home Depot.

Six (6) items were found on both the Amazon and Home Depot websites. The cost of these 6 items was \$1,555.16 from Grainger; Amazon would have charged \$1,950.57 a 25.43% increase and Home Depot would have charged \$1,260.85, an 18.92% decrease. Shopping at Home Depot for these items would have been a substantial savings.

Twenty-seven (27) items purchased from Grainger could only be found on Amazon. Grainger charged \$8,247.83 for them and Amazon would have charged \$10,898.90, an increase of 32.14%. One (1) item purchased from Grainger for \$653.76 was not found on Amazon but was found at Home Depot for \$430.08 a 34.21% savings.

Finding: Purchase comparisons of the Grainger contract items found that Home Depot, when they had the same product, had the lowest price. Overall Amazon prices were higher than Grainger. This again supports the need for purchasers to "shop around" for prices.

Purchasing Cards (P-Cards)

OMB and the Controller's Office released a RFP in June 2016 to modernize and increase the efficiency of the vendor payment process by implementing an electronic payment (e-payables) and purchasing card (P-Card) program. The P-Card program was another recommendation from the NIGP report. The P-Card program contract was awarded to Bank of America in the fall of 2016.

The following advantages were listed in the NIGP report:

1. Convenience of city staff. A P-Card program can be used to obtain small dollar value items.
2. Using the P-Card on items with established contracts quickens and simplifies the process.
3. Rebates available from credit card companies would be a modest income generator.

Before the P-Card program was instituted, the City required a purchase order be created, processed and authorized. This resulted in a large administrative burden and a highly paper intensive process that significantly impacted the length of time it took to pay vendors.

When P-Cards were started in the fall of 2016, purchases were limited to those under \$3,000 per transaction. Prior to that time, these types of purchases were limited to \$2,500. In general, these small purchases make up a very sizable portion of purchase orders processed by the City. For example, in 2015, the year before P-cards, the City processed over 25,000 purchase orders totaling \$68.6 million payable to over 2,000 different vendors. Of this total number of purchase orders, 88% were below the threshold of then \$2,500.

In 2014, the RPMG Research Corporation's '2014 Purchasing Card Benchmark Survey Results' noted that 82% of cities also employed per transaction limits and those averaged \$2,038. This study also indicated that across all industries the incidence of fraud and employee misrepresentation is very low, about 0.009% of purchasing card spending.

Finding: The City's P-Card transaction limit is higher than the national average of \$2,038.

Types of P-Card Purchases and Process

P-Card purchases may be used to purchase anything (within policy) that is under the \$3,000 single transaction limit, not being purchased using grant funds, and not being used for asset or capital purchases. Examples of allowable purchases on P-Cards are explanatory type items as per rules of city council, small dollar food purchases from vendors who are not on contract, one-time small dollar emergency purchases, subscriptions, continuing and certification education credits, and conference registration fees. Items expressly forbidden are items on contract, gift cards, alcohol, office supplies, software, and lease payments.

Each P-Card purchase begins with the cardholder entering a purchase request into the Bank of America Works website. A purchase request can be bypassed if it is an emergency. Once this purchase request is approved in Works, the funds are made available on the P-Card.

Purchases must be made within fourteen days after approval and the vendor must charge that specific P-Card. Once purchased, the receipt must be attached to the transaction in Works. P-Card holders are responsible for ensuring the sales tax is not charged on the order.

P-Card approvers have the authority to approve and reject purchase requests made by cardholders. Approvers are also responsible for checking to ensure the purchase is in the budget prior to approving the purchase request for funds.

P-Card accountants are tasked with reviewing transactions on the following points: the budget is adequate for the charge prior to approving the transaction, all transactions are properly coded and all purchases are made within all applicable guidelines, all receipts attached to their transactions in Works, and all approvals are happening in a timely manner.

All transactions are subject to City Council approval under the rules of explanatory invoices. After the purchase, a list of all transactions are provided to City Council on a weekly basis by OMB budget analysts. These budget analysts also monitor the spending accounts and ensure that the transactions are being coded correctly.

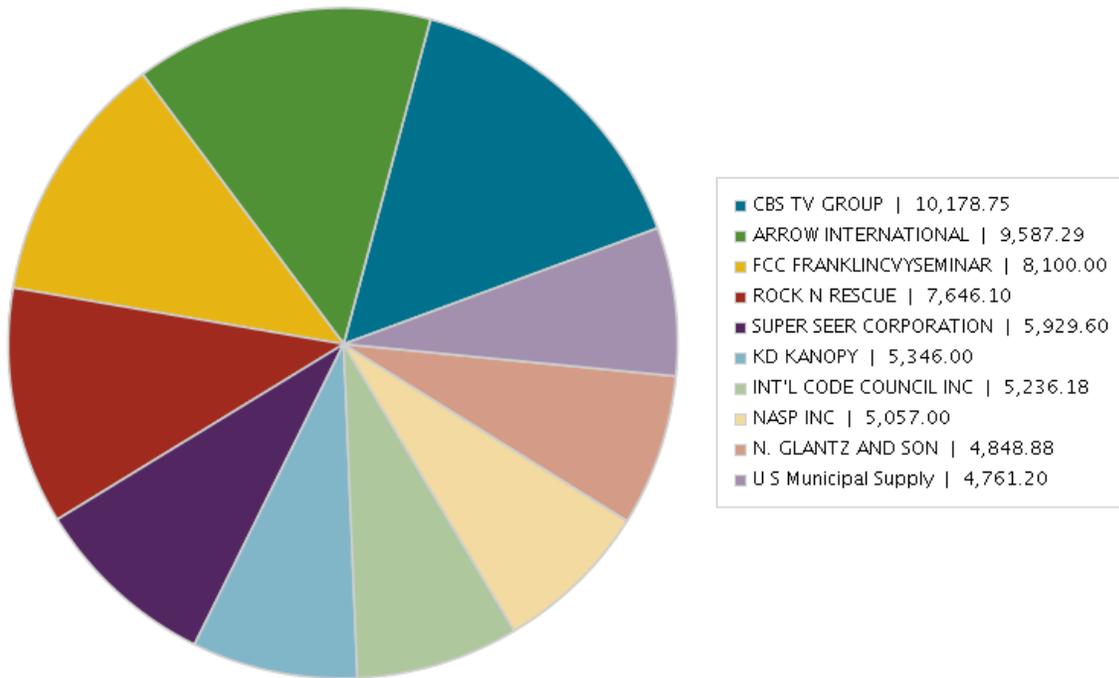
P-Card Analysis

The auditors conducted an analysis of P-Card transactions for 2017 and 2018 using Bank of America's Works website. According to the dashboard for the City of Pittsburgh, there were 672 debit transactions in 2017. Auditors were able to find them all. The average purchase across all debit transactions was \$573.77 and the total for the year was \$385,572.15.

In 2018, there were 2,258 debit transactions with an average purchase of \$582.88, totaling \$1,316,133.08 for the year. This results in a 236.0% increase in number of debit transactions and a 241.3% increase in total debit spending from 2017 to 2018.

The dashboard has the capability to visualize the data it retains. The figure below is 2017's top spending per vendor. As can be seen, there are no vendors currently getting a large proportion of P-Card transactions. Two (2) of these debits were inadvertent double charges from the vendors which were later refunded. These 2 debits were removed from the analysis, for a total of 670.

FIGURE 8
Top 10 Highest Expenditures per Vendor 2017



From Bank of America's Works

Below is a brief description of what these top ten purchasing vendors shown above represent. They are listed in order of purchasing amounts from high to low:

- CBS TV GROUP: Advertising for the Great Race
- Arrow International: Purchase of medical equipment
- FCC Franklin CVYSEMINAR: Franklin Covey online training modules
- Rock N Rescue: Rescue equipment relating to climbing
- Super SEER Corporation: motorcycle helmets for medics
- KD Kanopy: Tent pieces replacement
- Int'l Code Council: Code books for PLI personnel
- NASP, Inc: Archery equipment for parks classes
- N Glantz and Son: DPW sign making (on contract since 6/2017)
- US Municipal Supply: Sign pole bases

Explanatory purchases appearing before council for approval are items that are not covered by an active contract with the city. It is not only in the interest of transparent government that complete receipts are provided with all P-Card purchases, it is also important for OMB to be able to note what is needed and what contract(s) they are purchased from.

The auditors, in examining this list of the top ten vendors, noted that some companies being used with P-Cards could be under a contract. In fact, the City did execute a contract with N

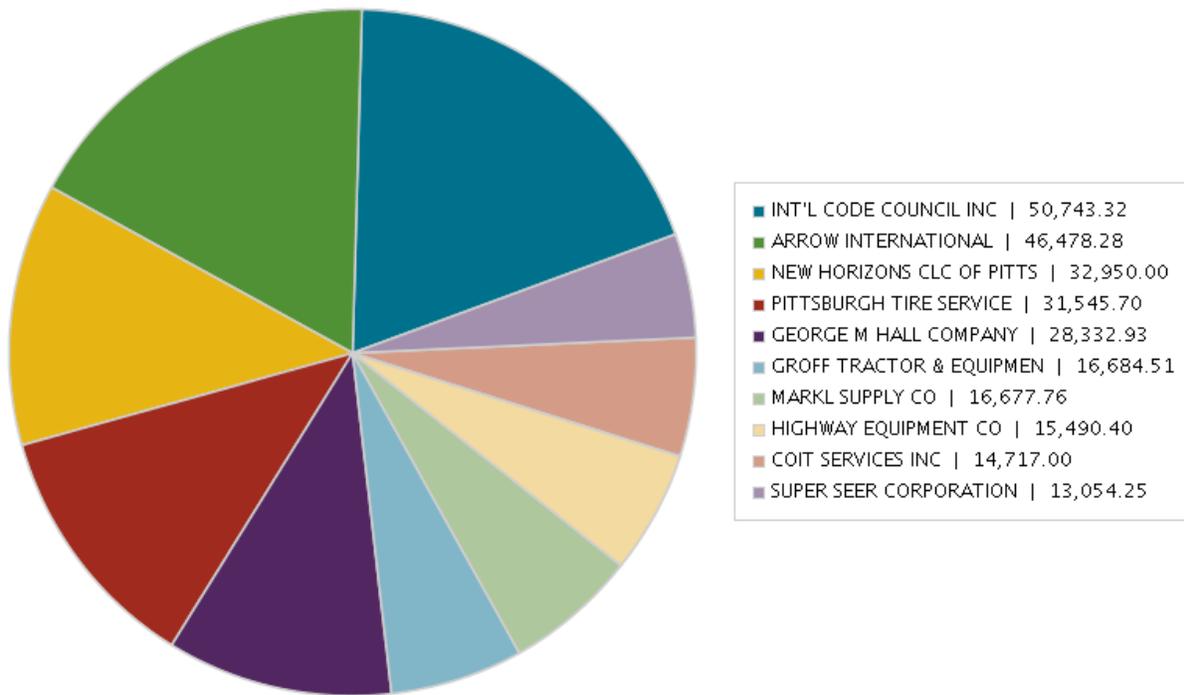
Glantz and Son in June 2017. The City had been purchasing from them for a span of three years. This contract locked in prices.

RECOMMENDATION 8:

OMB staffers should continue to identify products frequently used on P-cards and try to secure item prices with a contract. This would save the City money.

The same information was gathered from Bank of America Works P-card transactions in 2018.

**FIGURE 9
Top 10 Highest Expenditures per Vendor 2018**



INT'L CODE COUNCIL: Code books for PLI personnel

Arrow International: Purchase of medical equipment

New Horizons CLC of Pitts: Classes for IT employees

Pittsburgh Tire Service: Tires

George M Hall Company: Lumber and building materials

Groff Tractor & Equipment: Heavy equipment

Markl Supply Company: Law enforcement equipment

Highway Equipment: Heavy equipment parts

Coit Services: Carpet, upholstery and drapery cleaning

Super Seer Corporation: motorcycle helmets for medics and police

After examining the 2018 top 10 vendors receiving payments via P-cards, the auditors noted that possibly 6 out of the 10 had existing contracts with the City. In other words, P-cards were used for vendors who were already under contract with the City.

For instance in 2018 the City spent \$16,677.76 with Markl Supply who is part of Costars and the City spent \$16,684.51 with Groff Tractor who had a city contract until late 2018. Also, the City has contracts with companies who provide heavy equipment items and carpet cleaning services, yet purchases were made using a P-card instead of a purchase order through a contract. P-card expenditures were \$15,490.40 and \$14,717.00 respectively.

Finding: The possibility that P-cards are being used for purchasing items that are already under contract is very high.

Not all contracts cover every needed item. However with the great increase in percentage of expenditures and money, the auditors question if purchasers are even looking at what is under contract.

Receipt Requirements

From the *City of Pittsburgh Financial Management Policies: Purchasing Card Policy*, a receipt *must* consist of the total amount of the purchase, tax amount, and details of items purchased. In the event a receipt is unavailable, the cardholder must attach a written description of the purchase along with a signed certification that the items were purchased in accordance to city policy.

The fifth highest P-card expenditures were with the Super SEER Corporation not currently under contract. The auditors found that the information available on the Works system does not itemize the purchased items. Therefore it is difficult to state if this vendor could be contracted or if the purchase confirmed to Council rules.

Finding: Auditors found that in some instances a charge receipt was attached to a purchase and the number and description of items was missing.

Finding: Without a list of items on a receipt it is impossible to know what is being purchased and what could be contracted.

RECOMMENDATION 9:

OMB administration should continue to educate P-Card holders on what is considered an adequate receipt. Having a complete receipt would help OMB pinpoint items not on contract that could be contracted and thus theoretically save the City money.

It should be noted that OMB management stated that the City Controller's Office has the power to withhold payment of any invoice where receipts are inadequate.

Sole Source Providers

The second highest P-card transactions are from Arrow International. This is a medical equipment provider and the City's EMS department purchases items with a very high frequency. Arrow International, a division of Teleflex, is the sole provider of EZ-IO medical devices and accessories and as such will not enter into contracts.

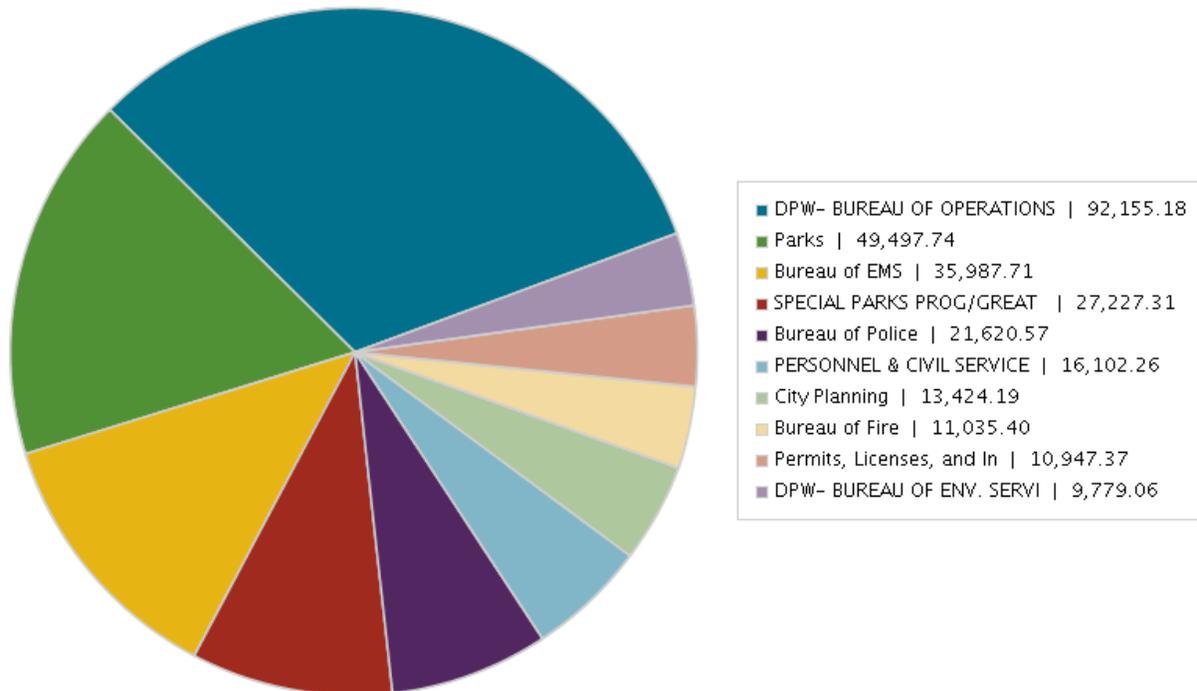
However auditors found that the City of Jacksonville was able to secure an agreement with Arrow to hold pricing for one year, and then executed a sole source blanket order to purchase what was estimated to be needed for the year. Because of Arrow's refusal to enter into a contract with the City of Pittsburgh, EMS has had to seek council approval for this product for many years under explanatory process.

A sole source contract was executed with Arrow International in July 2018. However the P-card continued to be used after this date.

RECOMMENDATION 10:

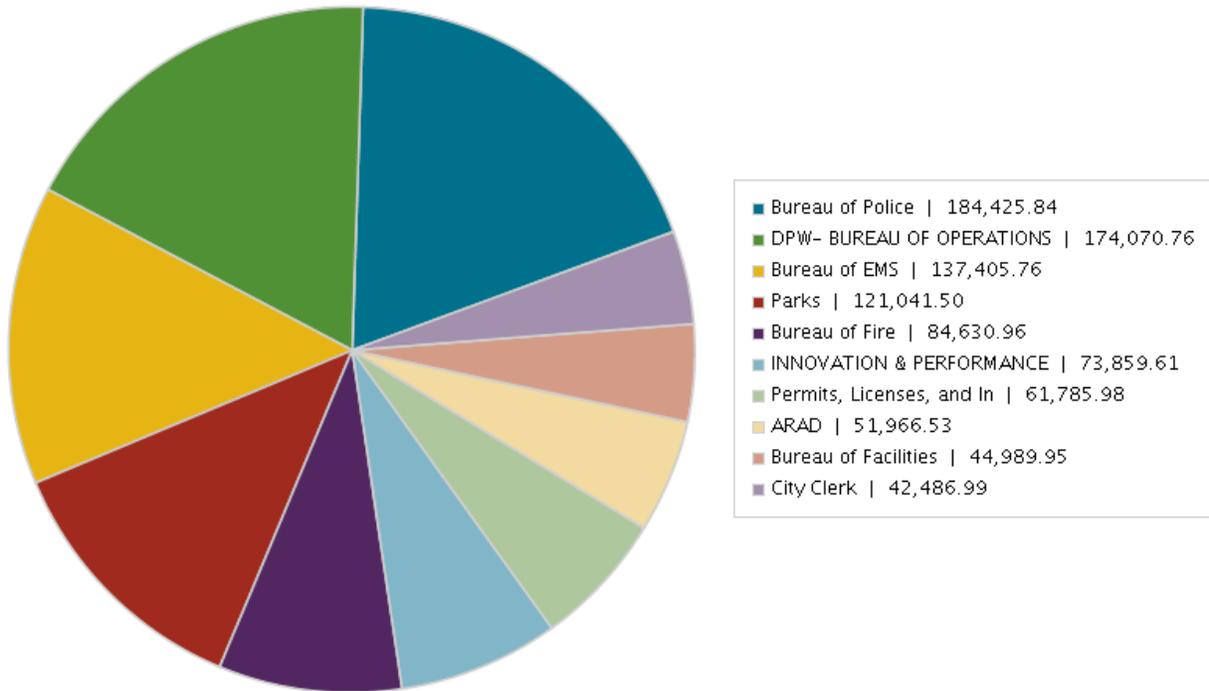
OMB administration should provide continuing education to staff on the appropriate use of P-cards. This should happen particularly when a new contract is initiated that can be utilized by departments to save the City money.

FIGURE 10
Top 10 Departments using P-Cards in 2017



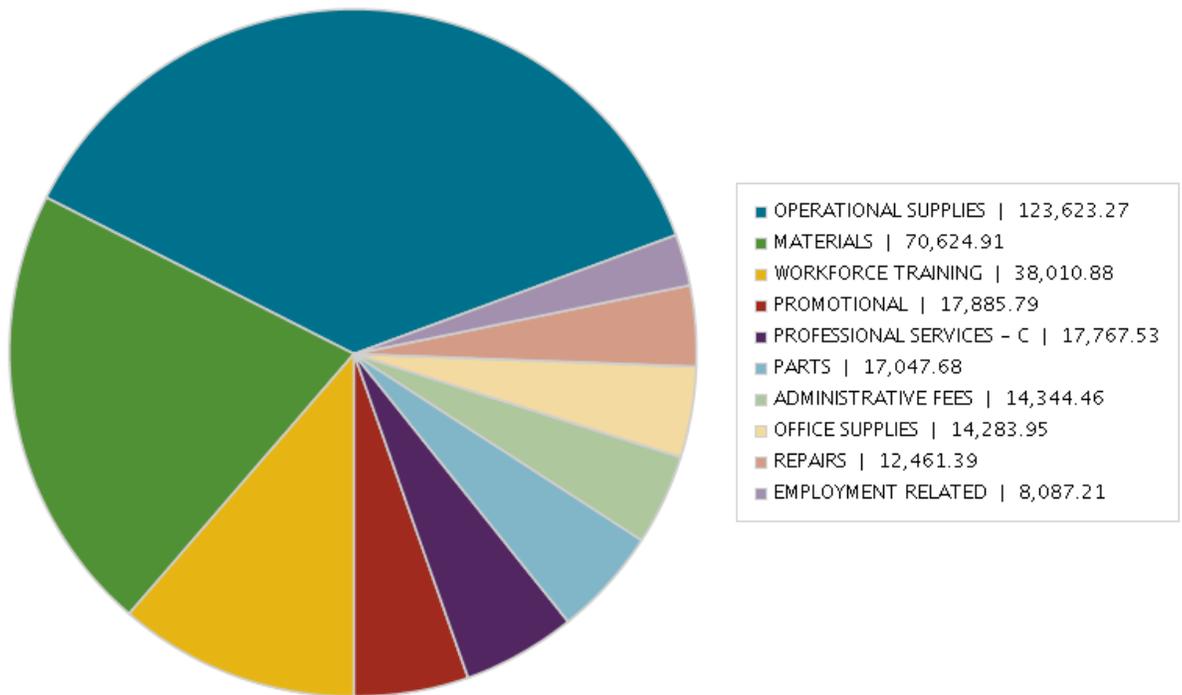
From Bank of America's Works

FIGURE 11
Top 10 Departments using P-Cards in 2018



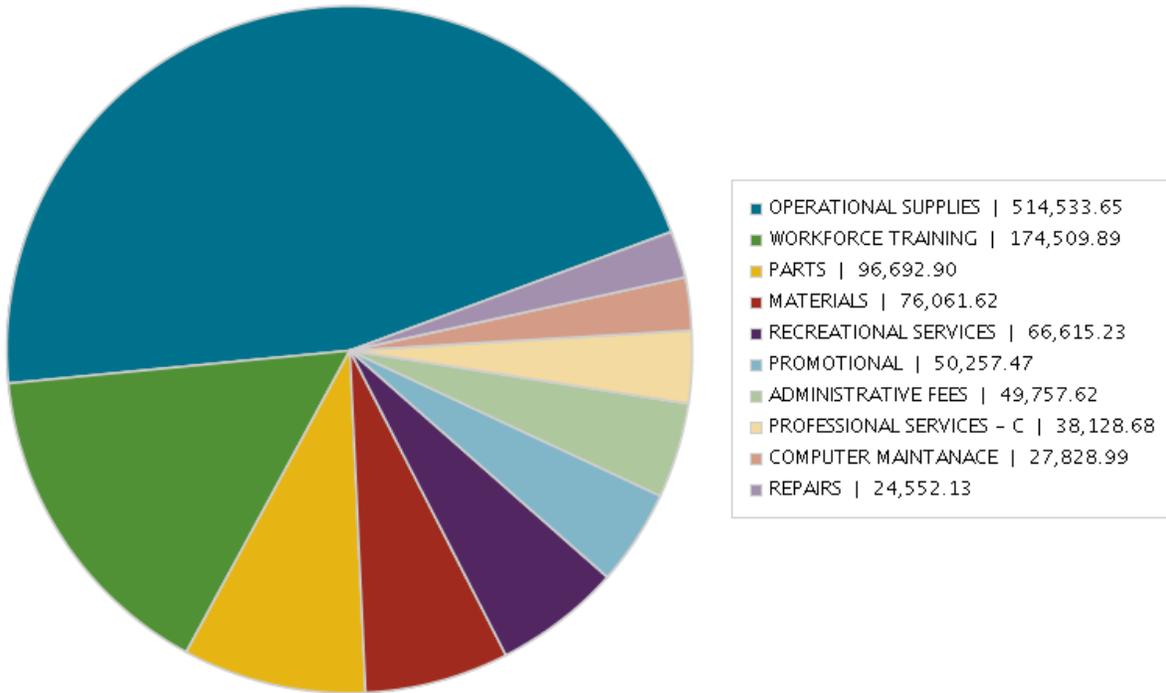
From Bank of America's Works

FIGURE 12
Types of Purchases Made on P-Cards 2017



From Bank of America's Works

FIGURE 13
Types of Purchases Made on P-Cards 2018



From Bank of America's Works

P-Card Paperwork and Council Approval

P-cards purchases fall under the rules for explanatory invoices and must be approved by city council. The paperwork sent to council for approval only has a brief description of what was purchased.

Finding: A copy of the P-Card Exemption Request is not presented to City Council for approval nor is it scanned into Bank of America Works website.

Without a copy of the P-Card Exemption Request, controller's office personnel cannot understand the entire picture of the purchase. Questions as to why the purchase was needed, if the item was on contract and why the contract was not used cannot be answered.

RECOMMENDATION 11:

OMB administration should require the departments to not only scan the receipt into the Works site but a copy of the P-Card Exemption Request. Once scanned into Works the controller's office inspectors can review the purchase and flag any transaction that indicates the cardholder is not abiding by P-Card policy.

RECOMMENDATION 12:

OMB administration should continue to present Council with a brief description of the purchase, but also have on hand electronic access to the additional information that gets filed with purchases. This full disclosure of information will give council the entire picture as to why the purchase was needed.

According to the City of Pittsburgh's Financial Management Policies, explanatory invoices "will be provided to council for approval within 10 business days". The auditors wanted to examine if council was being provided with all of the transactions within the 10 day time frame, and how long it was taking for council approval.

Finding: There is no documentation as to when explanatory invoices are sent or provided to council. The only date available on the paperwork is the date council approves the invoice.

Auditors examined the dates of council approval on the P-Card transactions. For the calendar year of 2017, there were 619 transactions taking place before December 13, 2017. All were examined. Of these transactions, only 2 were not approved by Council; approvals occurred within an average of 14.8 calendar days.

Finding: Less than half of 1 percent (.4%) of transactions were not put before City Council for final approval.

Considering this was the first year of P-Card implementation, this shows that OMB's procurement process involving P-Cards approvals is being handled in a timely manner.

Finding: Transactions are receiving final approval from City Council within an average of 15 days, even counting transactions in late July and August when Council is in summer recess.

P-Card Receipt Analysis

Next, the dashboard was used to see how many transactions had a receipt attached. In 2017, out of 670 transactions, 33 were found to have no receipts. However, of these 33 transactions, 28 of them are to the same vendor, on the same date. These were \$10 charges for employees to attend a class. It also should be noted that each of the 670 receipts was not individually examined. The Bank of America Works website lists whether the card holder has attached a receipt related to that transaction and it is incumbent upon those signing off on the transaction to determine if it is adequate.

Earlier it was noted that some receipts were inadequate for the vendors with the highest dollar amount of transactions. Auditors decided to take 20% of the debit transactions and analyze them for proper usage of the P-Card program and complete documentation of receipts.

One hundred and thirty four (134) transactions were picked at random, totaling \$67,699.36. Three of the randomized sample were the missing class receipts and were not counted, leaving 131 transactions. Fifteen transactions (11.5%) were found to have inadequate

documentation. In most cases, a very brief description was included in the memo line of the Works website, however this description did not say number of items, if tax was charged, or if shipping and handling were included. These 15 transactions totaled \$11,038.66.

This test was expanded for 2018 P-card transactions. The auditors reviewed a 20% sample of debit transaction in 2018 using a systematic random sample; the sample size totaled 451 transactions. Of these 451 transaction, 430 or 95.3% of the transactions included a receipt online.

The 430 transactions with receipts were broken down as follows:

- 366 or 81.15% had a receipt and paid no tax,
- 41 or 9.09% had receipts but were not itemized,
- 19 or 4.21% the receipt showed that taxes were charged
- 2 or 0.44% the receipt price did not match the amount paid,
- 1 or 0.22% had the incorrect receipt uploaded and,
- 1 or 0.22% had an illegible receipt.

The auditors were able to determine that the City was charged \$222.26 in sales tax in 19 transactions. Forty-one (41) of the 430 transactions had a receipt that was not itemized so as to whether tax was charged, or not, could not be determined. These 41 transactions totaled \$34,555.88.

The remaining 21 or 4.66% were missing receipts for a total of \$21,496.86. Out of these missing receipts, 12 or 57.14% were transactions from the Bureau of Police and totaled \$15,855.87.

Finding: In our sample of transactions in 2017, 11.5% of purchases did not include suitable receipt documentation in the Bank of America Works. In the 2018 sample, 9.98% of transactions did not have suitable documentation.

Finding: Less than one percent of transactions were missing a receipt in 2017. In 2018, the number of transactions with missing or incorrect receipts increased to 4.66%.

RECOMMENDATION 13:

Departments and/or individuals who consistently do not provide proper documentation of their purchases, should have their access to p-cards reconsidered.

Procurement Department Survey

Auditors developed a questionnaire to determine if various city departments were aware of current procurement procedures and training available. The procurement person responsible for ordering was emailed a survey testing their knowledge of the current procurement process.

The 10 departments surveyed were: Human Resources & Civil Service, Citizens Police Review Board, City Planning, Commission of Human Relations, Controller's Office, Finance Department, Fire Department, Innovation & Performance (I&P), Law Department and Emergency Medical Services (EMS).

Finding: Only 8 of the 10 departments responded to the emailed survey. I&P and the Fire Department did not respond.

Following is a list of the questions asked, followed by the response(s).

1. Are you aware that training is available for procurement procedures via OMB? Eight (8) out of 8 or 100% of the responding departments were aware that training was available to them.
2. Have you attended any of the informational sessions that were made available by OMB? Six (6) or 75% of the 8 departments responding said that they had attended informational sessions.
 - a. If yes, were the sessions helpful?
Five (5) or 83% of the 6 departments found the sessions informative.
3. Does your department's have a procurement procedure or process that you follow? Seven (7) or 88% of the departments that responded said that they had some form of a procurement procedure or process in place.
4. Are you aware that there are a variety of contracts available for different types of purchases? Ex: Amazon, Home Depot, Staples, etc.
Six (6) or 75% of the departments that responded said "yes".
5. How responsive do you find OMB's procurement staff and are they timely?
Eight (8) or 100% responded that OMB's procurement staff was responsive. Only 1 of the 8 departments stated that OMB was not timely.
6. Do you find Beacon and Scout useful? Four (4) of the eight responded "yes" with the remaining 4 responding "no".
7. Do you have any recommendation for improvement for OMB's procurement procedures?

Responses included:

- Expanding the search terms on Scout so that more options will appear, or provide suggestions on how to yield better results.
- Expanding the depth of outreach for respondents to RFPs.
- Include in training the importance of making purchases related to city business at locations within the City.

- One department stated that they informed OMB of a website called Citymart as a way to expand the depth of respondents for RFP's. Citymart is a website that provides "diverse vendors" for procurement as well as data and market research for procurement solutions.

Survey results show that there are some gaps in the training of department procurement personnel. Many departments surveyed had a problem using the Beacon and Scout software programs.

Finding: Half of the departments (50%) did not find OMB software systems, Beacon and Scout, helpful.

RECOMMENDATION 14:

OMB administration needs to have staff members conduct follow up instruction on the use of Scout. This way problems can be identified and solutions given.

RECOMMENDATION 15:

OMB management should routinely ask the procurers in each department for suggestions and feedback to OMB's services. This will keep OMB abreast of problems and concerns within the departments and help procurement run more efficiently.

AUDITEE RESPONSE



CITY OF PITTSBURGH

Office of Management and Budget

William Peduto, Mayor

Jennifer Olzinger, Acting Director

April 16, 2019

Mr. Michael Lamb
City Controller
414 Grant Street, 1st Floor
Pittsburgh, PA 15219

RE: Audit of the Office of Management & Budget, Bureau of Procurement

Dear Mr. Lamb:

In response to your internal audit of the Office of Management & Budget, Bureau of Procurement, I respectfully offer the following comments and clarifications for your review:

OVERVIEW

Procurement Organization

- The City actually kept three Purchasing Agents, not two.
- Scout was never managed between the City and County. Scout is a proprietary custom program designed for the City by the Code for America fellows in 2015.
- In 2016 procurement was not just limited to those items described. Work performed also include centralized RFP's for all City Departments, JDE requisition approval, full spec reviews for each contract sent to the County for posting and managing the City's online contract database, Scout and also contract management tool (Conductor).

Terms

- RFQ's – It should be clarified that a minimum of 3 suppliers are solicited for quotes – as called for by City Code.
- P-Card – It should be clarified that OMB does NOT approve the pcard purchases. Those are approved by the assigned financial analysts in each Using Department. OMB's role is to manage the program under the Policy, enforce compliance and provide reporting.

FINDINGS AND RECOMMENDATIONS

Home Rule Charter

- The Councilmanic amount for small dollar purchases (aka explanatories) and competitive bidding threshold was changed effective January 17, 2017 increasing the amount from \$2,000 to \$3,000. (Res. 2 of 2017, File 2016-1091)
- **Finding:** City council voted to remove control of bid openings from the City Controller's Office. A City Controller's Office representative is required to witness all bid openings.

- **While, Webprocure has the capability for bids to be extended, this is only done when a solicitation extension is approved by a manager/assistant director.**
- Additional reasons for this change not listed in your document are as follows:
 - Implementing best practices in government procurement in regard to compliance of sealed bids, use of technology and others.
 - Increasing efficiencies in the bidding, awarding and contracting processes resulting in the elimination of an administrative position @ \$40,000/year plus benefits
 - Expanding access and outreach to suppliers (bid responses have more than doubled, increasing competition and reducing costs to the City.
 - Mayor’s executive order to “go paperless”
- **In response to the finding** “The auditors expressed concern with one department responsible for the bid opening process. Conversation with OMB management assured the auditors that the software system used cannot be tampered with”
 - The Web Procure system can provide fool-proof reporting that can prove unequivocally that bids were not opened until after the official closing and/or the opening time posted (whichever is the latter). These reports have been offered to the Controller’s Office on multiple occasions but were told they did not need to see them. If your office, at any time, would like to see this reporting please let us know.
- Overall, it is OMB’s position that the Controller’s oversight was NOT diminished in any way, just simply made more efficient. The Controller still audits the award and contract prior to signature, confirming the low bid was appropriate. This is where the true checks and balances occur.

Bid Solicitation

- Invitation for Bid – clarification should be made the awards are always (not usually) made to the lowest, responsible bidder. There may be times where the low bid is non-responsible in some way, disqualifying their bid. Those cases, while rare, must be appropriately documented and are audited by your Office during the contract review.

Bid Solicitation Technological Advancements

- The “original” Beacon software (now replaced by WebProcure), was also a proprietary program designed for the City by the Code for America fellows, was introduced in 2015 for purposes of outreach and advertisement as the City was struggling to find adequate bidders or those other than incumbents. We needed new ways of reaching the more suppliers to increase competition and drive down costs. This system was NOT introduced to centralize all solicitations and is no longer in use. The “new” Beacon solicitation tool (WebProcure software) was implemented in January 2017.

Request for Proposals Process

- City Code no longer requires that advertisements be placed in newsprint (only online) unless otherwise required by the funding source (ie. CDBG, grant, etc.)

Awarding the Bid

- Questions are addressed in a timely manner, but the 24-48 hour time frame is not a set standard of delivery. Many RFP questions are quite in depth and require meetings with the departments to gather information and provide responses.
- The EORC threshold was changed effective September 30, 2018 from \$30,000 to \$50,000 for professional services.

Evaluation Committee Accountability

- **Finding:** OMB does not submit the evaluation committee members and score card as part of the contract paperwork so it can be scanned for public viewing.
 - Cincinnati and Houston do not have the same laws surrounding the RTKL process. Pittsburgh's RTKL currently prohibits the posting of "internal deliberation materials" of which scorecards and committee lists are considered to fall under. OMB will continue to follow this process until authorized to do so otherwise by Code changes and/or written direction from the City's Law Department.

COOPERATIVE AGREEMENTS

PA State Contracts and COSTARS

- There are actually only 35 Costars total and the City of Pittsburgh has not even adopted all of them. I believe when you said the City has 91 Costars contracts, that you meant to say Costars AND state contracts. While we have all of these contracts adopted, we have probably used about half of them in the last year.
- There is a procurement policy in place that says if a department is using a costars contract for a purchase over the explanatory limit, they must receive at least 3 bids. This is to help ensure they are getting the best price on the items they are purchasing.
- Having multiple contracts with similar items is necessary at times for the City's department users. These contracts could have different delivery terms, different manufacturers available, or different service terms. Giving departments choices lets them pick which is best for that particular situation.

RECOMMENDATION 9

Pcard Receipt Requirements

- It should be clarified that it is City Council that has the authorization to hold payment when they review the transactions each week, not the Controller's Office.

RECOMMENDATION 10**Sole Source Providers**

- It should be clarified that sole source contracts do not cover each and every item a supplier may sell. They are many times restricted to one or more specific items carried that are sole-source as opposed to their entire catalog offering. This specific agreement is ONLY for the specific IV needles required by EMS. P-card purchases are allowed for any other items purchased as long as it adheres to pcard policy.

RECOMMENDATION 11

- A p-card exemption request is not something that currently exists. OMB believes there may be a misunderstanding of the p-card process. We would request an additional conversation surrounding this particular recommendation. P-card purchase requests ARE accessible in Works (these fund the card prior to purchases being made) and can already be reviewed by your Office. Training on how to do so can be provided upon request.

Procurement Department Survey

- It should be clarified that Beacon is a site for vendors, not for City employees. City employees do NOT use the Beacon tool, thus invalidating this question in its entirety.
- The 10 departments surveyed were those that use the system the least. A more fair and objective sampling would have been 3 large departments, 3 medium departments, 3 low use departments. DPW, Bureau of Police and Parks are the most high volume users and their input should have been considered.
- OMB is in the process of replacing Scout with a new module for contract management that will be part of our WebProcure system (aka new Beacon) that will be implemented in Q2 of 2019.

Thank you for your kind consideration of these items of note.

Sincerely,



Jennifer Olzinger
Acting Director
Assistant Director/Procurement Manager
Office of Management and Budget

cc: Doug Anderson, Deputy Controller
Gloria Novak, Performance Audit Manager