

REPORT HIGHLIGHTS



CONTRACTING FOR SERVICES – SELECTION PROCESS
PERFORMANCE AUDIT, AUGUST 2016

DEPARTMENT OF HUMAN SERVICES

CONCERN

The Department of Human Services (Department) has not ensured that its contractor selection process adheres to the Procurement Code and procurement rules so that its evaluation of proposals and selection of contractors fosters competition, ensures fair and equitable treatment, and promotes a system of integrity and quality.

KEY FINDINGS

- There are gaps in the Department's processes for ensuring that the most advantageous offeror is selected and that the evaluation process is transparent and equitable to all offerors. Consistently following established requirements helps ensure the solicitation process is fair and transparent. We identified problems with the Department's adherence to the Procurement Code, procurement rules, and its own established processes for 8 of the 17 Requests for Proposals (RFPs) in our sample, including:
 - The Department did not evaluate proposals for four RFPs in our sample, offering a total of about \$6 million in funds, in accordance with the scoring methodologies described in the RFPs.
 - The Department accepted two proposals on RFPs that were dated after the submission deadline. These RFPs offered \$3.2 million in funds.
- Based on our review of a sample of 17 RFP files, the Department had no documentation of the evaluation or mitigation of any of the potential conflicts of interest disclosed by evaluation members.
- State departments apply a variety of interpretations of the Procurement Code when selecting services contractors using federal grant funds. Currently there is virtually no direction in statute, rule, or guidance from the State Controller's Office on how departments should select service contractors using federal grants.

BACKGROUND

- An RFP allows the Department to solicit offeror proposals and identify the offeror that most successfully meets the program requirements listed in the RFP solicitation. RFPs are meant to increase competition and transparency in state purchasing while ensuring that the State secures the most advantageous contract.
- In Fiscal Year 2015, the Department had a total of \$1.2 billion in contracts for services related to its various functions.
- In Fiscal Year 2015, the Department issued 34 RFPs for services. Total awards ranged from approximately \$100,000 to approximately \$3.6 million.

KEY RECOMMENDATIONS

- The Department of Human Services should strengthen its processes for selecting services contractors by developing written policies and procedures that establish which documents should be generated and maintained for each RFP and provide direction on developing RFP criteria that accurately reflect how the RFPs will be evaluated.
- The Department of Human Services should improve controls over conflicts of interest when selecting personal services contractors by implementing written policies describing what constitutes a potential conflict of interest that should be disclosed, criteria for evaluating whether a disclosed situation represents a conflict, options for mitigating conflicts, and related documentation.
- The Department of Personnel & Administration should clarify its guidance and/or rules regarding selecting contractors for services using federal grant funds to promote efficient and effective use of such funds within the requirements of the Procurement Code and rules. This should include seeking statutory change, as necessary.

The Departments agreed with these audit recommendations.