



OFFICE OF THE STATE AUDITOR



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Contact: Stelios Pavlou (303) 869-2833
stelios.pavlou@state.co.us

DIANNE E. RAY, CPA
STATE AUDITOR

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NO DIRECTION FOR STATE DEPARTMENTS ON SELECTING SERVICE CONTRACTORS USING FEDERAL FUNDS

DENVER—The Colorado Office of the State Auditor (OSA) has released its audit of Contracting for Services - Selection Process and has found that when it comes to selecting contractors for services using federal grant funds, different state departments apply a variety of interpretations of the Procurement Code and there is virtually no direction in statute, rule, or guidance from the State Controller's Office on how state departments should select contractors for services using federal grants.

The audit focused primarily on the selection process at the Department of Human Services and found that it does not always adhere to all Procurement Code or procurement rule requirements intended to foster competition, ensure fair and equitable treatment, and promote a system of integrity.

In Fiscal Year 2015, the Department had a total of \$1.2 billion in contracts for services related to its various functions. During this period, the Department issued 34 Requests for Proposals (RFPs) for services. Individual awards ranged from approximately \$100,000 to approximately \$3.6 million. 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.

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, 80203
COLORADO

303.869.2800

When auditors looked at the process, they identified problems with the Department's adherence to some requirements of the Procurement Code, procurement rules, and its own established processes for 8 of the 17 RFPs that the auditors included in their sample. For example, four RFPs totaling about \$6 million were not evaluated according to the scoring methods that the Department indicated that it would use. Additionally, the Department had no documentation of the evaluation or mitigation of any of the potential conflicts of interest disclosed by evaluation members for any of the 17 RFPs that were examined.

The audit makes three recommendations.

The full report is available on the OSA's website: www.colorado.gov/auditor

Under the direction of the State Auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.