

**Inside the Beltway:
Keep your Purchasing
Records on the Right Road**

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Agenda

Internal controls maintain the integrity of the procurement process. A fully documented procurement record illustrates compliance with internal controls.

- What are internal controls and why are they necessary
- How do internal controls apply to procurement
- The procurement record



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Internal Controls

- Definition -

The integration of the activities, plans, attitudes, policies and procedures of the people of an organization working together in compliance with applicable laws and regulations to provide reasonable assurance that the organization will achieve its objective and mission through effective stewardship of public resources.



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Internal Controls

- *Elements* -

- Control environment
- Communication
- Assessing and managing risk
- Control activities
- Monitoring



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Why Internal Controls?

- Objectives -

1) To promote orderly, economical, efficient and effective operations and to produce quality products and services consistent with the organization's mission and State Finance Law, NYS policies and regulations.

2) To safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud.

3) To ensure adherence to laws, regulations, contract requirements and management directives.

4) To develop and maintain reliable financial and management data and to accurately present that data in timely reports.

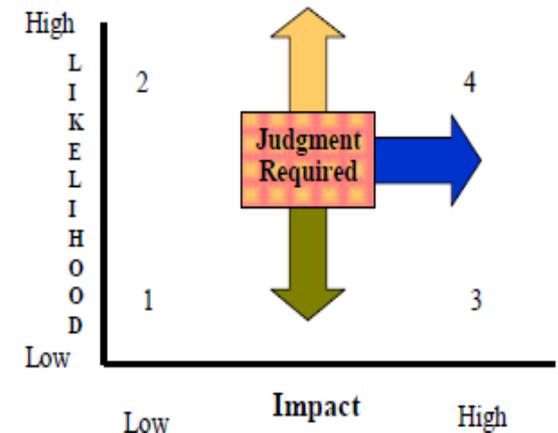


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Risk Assessment

- An organization performs a risk assessment to discover potential events that threaten its ability to accomplish its goals.
- Likelihood + impact = highest risk
 - What could go wrong and how would it happen?
 - What are the consequences?
 - Accept, avoid, or reduce risk?

Evaluating Risk



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Internal Control Activities and the Procurement Process

- What can occur without internal controls over the procurement process?
- Risks include:
 - Failure to follow applicable laws, rules, policies, procedures
 - Paying higher prices
 - Procuring from unreliable vendors
 - Procuring goods or services that don't meet needs or are inferior
 - Duplicative effort
 - Fraud



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Internal Control Activities and the Procurement Process

- Procurements must be conducted in accordance with:
 - Applicable laws, rules and regulations
 - New York State Procurement Guidelines
 - Agencies' established internal controls
- Written procedures should indicate:
 - Separation of duties
 - Individuals authorized to initiate a procurement
 - Activities required to perform and complete a procurement
 - The flow of documents
 - Required levels of approval



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The Procurement Record

- Paper Trail -

- The procurement record provides evidence of compliance with laws, guidelines and established internal controls
- It details significant information and actions relating to the procurement process
- It substantiates decisions made, events, transactions
- It indicates:
 - Overview of the process
 - Necessary actions
 - Timetables

WHO – WHAT – WHEN – WHERE – WHY – HOW



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How the Procurement Record Components Maintain the Integrity of the Procurement Process

- Pre-advertisement phase:

- Meet with program staff regarding need for commodity or service
- Verify availability via preferred sources, OGS contracts, existing agency contracts
- Obtain management approval to proceed
- Work with outside agencies/obtain approvals as applicable

- DOB B-1184 form
- ITS Plan to Procure
- DOL prevailing wages
- Civil Service sign off
- Department of Financial Services



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How the Procurement Record Components Maintain the Integrity of the Procurement Process

- Pre-advertisement phase, continued:
 - Select appropriate procurement methodology, such as
 - IFB Low Price or RFP Best Value
 - Select appropriate contract vehicle
 - Prepare specifications
 - Determine contract start and end dates



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How the Procurement Record Components Maintain the Integrity of the Procurement Process

- Pre-advertisement phase, continued:
 - Determine Method of Award, such as
 - Lot vs. Grand Total
 - Cost/Technical ratio
 - Create solicitation package
 - Formulate bidders' list
 - Draft evaluation instrument and procedures



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How the Procurement Record Components Maintain the Integrity of the Procurement Process

- Solicitation phase:
 - Contract Reporter advertising
 - Solicitation dissemination
 - Q & A documentation if applicable
 - Bidders conference / site visit if applicable
 - Selection of evaluation team
 - Finalization of evaluation instrument and procedures in conjunction with appropriate staff
 - Receipt of proposals / certified bid tabulation



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How the Procurement Record Components Maintain the Integrity of the Procurement Process

- Evaluation and award phases:
 - Canvass of non-bidders for less than 3 bids
 - If no response, agency explanation memo
 - Price justification if less than 3 bids
 - Cost evaluation



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How the Procurement Record Components Maintain the Integrity of the Procurement Process

- Evaluation and award phases, continued:
 - Technical proposal analysis
 - Review specifications/qualifications and proof of winner bidder's compliance
 - Provide evaluation instructions to reviewers
 - Keep record of reviewers score sheets plus documentation of any score changes and why (when required)
 - Document interviews with potential awardees if applicable
 - Who will set up and who will conduct interviews
 - Same questions are asked of all potential awardees
 - Retain agency and proposer correspondence such as clarifications or negotiations and agency responses



How the Procurement Record Components Maintain the Integrity of the Procurement Process

- Evaluation and award phases, continued:
 - Award & non-award letters
 - Debriefings, protests
 - Documentation requirements
 - Vendor agreement and authorized agency signatures
 - All external approvals



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OSC Procurement Record Considerations

- The process must comply with all bidding requirements
 - Stated method of award is followed
 - Evaluations performed in compliance with the evaluation instrument
 - Mandatory minimum vendor experience verified
 - Specifications met
- Consistency within and among bid documents
 - Contract Reporter advertisement, solicitation and submitted contract
 - Bid, budget and contract



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Summary

- The elements and objectives of Internal Controls
- The Procurement Record as a tool to show compliance with internal controls
 - Also serves to protect the state agency
- The agency's plan for the procurement compared with what actually happened
- The procurement record should tell the complete story



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Questions



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**THANK
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