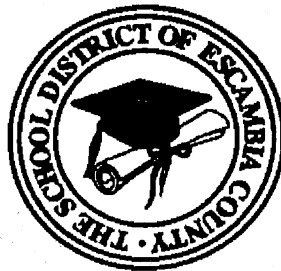


PROJECT # 2002-11

**SCHOOL DISTRICT OF ESCAMBIA COUNTY
INTERNAL AUDITING DEPARTMENT**



REVIEW OF

**CUSTODIAL CLEANING SUPPLIES
BID #25-98**

REPORT ISSUED: DECEMBER 11, 2001

**SCHOOL DISTRICT OF ESCAMBIA COUNTY
INTERNAL AUDITING DEPARTMENT**

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Accepted By Audit Planning and Review Committee:

December 10, 2001

Published:

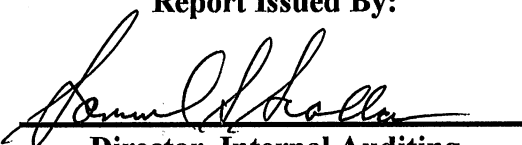
December 11, 2001

Field Work Conducted By:



Auditor

Report Issued By:



Director, Internal Auditing

**SCHOOL DISTRICT OF ESCAMBIA COUNTY
CUSTODIAL CLEANING SUPPLIES
BID #25-98**

REVIEW REPORT

Background

The school district has encountered a high turnover and transfer of custodial staff from school to school in recent years. Because of this, District staff decided in early 1998 to try to utilize a standardized cleaning system. This system would be consistent throughout the District such that additional training would not be required when an employee was transferred to another school or location and would reduce training requirements for new hires. In March 1999, the District issued an invitation to bid to several local vendors. Bids received were reviewed and 3 vendors were selected as semi-finalists. Each semi-finalist was given 2 schools to use as test sites for 30 days to test their proposed system. At the end of the test period, a District committee evaluated the products and services and made a final selection. The contract was awarded to PR Cleaning Supply Company for one year with the option to renew annually for four additional years. The District is currently in its fourth year of the agreement.

Scope and Objectives

We have conducted a review of the District's bid #25-98 "Cleaning Standardization System" and related expenditures. Our review covered the period of July 1, 1998 through May 2, 2001. This review was conducted at the request of the Superintendent based on concerns raised by several local vendors regarding the bid and subsequent expenditures made for cleaning products and equipment.

The objectives of our review were to: 1) evaluate the bid process used in the award of bid #25-98; 2) review the purchases made from the successful bidder and other vendors from the initial award to date; and 3) analyze the decision to renew the bid award for the remaining years of the 5-year agreement.

Conclusions

Based on the results of our review, we believe that the decision to acquire custodial supplies and training services using the cleaning standardization system concept was appropriate and served the intended purpose. In addition, we conclude that the *bid process* and *evaluation methods* were also appropriate for the products and services under consideration. While we were unable to provide substantive evidence to evaluate the vendor's specific concerns, there were some issues noted regarding the documentation of the bid evaluation, purchases made from the successful bidder, and the decision to renew the agreement that we want to bring to management's attention. Those items are discussed in the observation section following.

Observations

The Bid Award

- We reviewed various bid documents and noted that the field evaluation forms used to evaluate products being tested were not always signed, were often incomplete (not all categories were rated), and did not always identify the person who completed the form. Even the memorandum written by the custodial operations committee to notify the evaluation team of its vendor recommendation was not signed or initialed. In effect, there is nothing to document each bid evaluator's certification of their vendor selection. While missing signatures and incomplete forms can sometimes be an indication of potential problems in the bid process, we are not aware of any evidence indicating inappropriate activities regarding this bid evaluation. Due to the documentation issues discussed above, we are unable to certify that the final bid award results were not affected.
- One of the bid evaluation criteria was product cost. Vendors submitted unit costs for the 13 individual products being bid. However, we noted inconsistencies in the unit of measure for the prices submitted by the vendors. Due to these inconsistencies, we were unable to calculate comparable units of measure for all of the products (i.e., per container, per gallon, per dilution ratio, etc.). Because the bid evaluation did not appear to be weighted heavily on the cost component of the bid, or appeared to be focused more on obtaining a cleaning system rather than finding the lowest product cost, the final result of the bid evaluation was not likely affected by these inconsistencies.

Decision to Renew

- The bid award was for a 5-year period renewable annually. The contract was renewed for the second, third, and fourth year, but there was nothing to indicate that staff performed a cost analysis. The cost appears to be significantly higher than estimated in the original bid. In addition, there was nothing to indicate that District staff verified contract compliance (i.e., annual training sessions, price increases, etc.). The Purchasing Buyer did provide us copies of evaluation forms distributed to the schools for 2 of the 3 renewal periods (one by mail in February 1999 and one via e-mail in May 2001 prior to the award for the fourth year). The forms requested information on customer satisfaction with the products and services. However, there was no indication that a cost analysis or contract compliance review was conducted for any of the years. Based on responses to our questionnaire sent to all principals and head custodians during our review, the vendor does not appear to have conducted the required annual training sessions ("no less than two (2) sessions per year at each facility") and there appears to be dissatisfaction by many principals and head custodians with the high cost of the cleaning products.

Expenditures

- The "Cleaning Standardized System" bid contained 13 products. In addition to these bid items, other custodial/cleaning products have been purchased from PR Supply as well as other vendors. While reviewing purchases made from PR Supply, we noticed instances where identical items were purchased, sometimes only a few months apart, but different prices were charged. While this could be the result of a periodic change in price by the vendor, it could also indicate price differences for different customers. In one instance noted, a school was charged \$2.47 per case more than another school for the same product (a non-bid item) invoiced on the same day. Since the school with the larger purchase was charged more, the difference was not a quantity discount. There were price differences noted for some of the bid items as well. While the price differences we found were typically quite small (generally 1 to 4 cents per item), we are concerned that there are no procedures in place to ensure schools and the District are being charged the correct price. Also, some schools were charged a \$2.50 "chemical transport" fee while other schools were not.
- The District purchased vacuum cleaners from P R Supply. This item was not on the original bid but instead was "price quoted" by the Purchasing Department. The original quote (made on February 12, 1999) requested prices for quantities of 88 and 100 Hoover vacuum cleaners. On March 30, 1999 a separate quote requested prices for quantities of 75 and 80 Hoover or equivalent vacuum cleaners. The price of the vacuum actually purchased was \$175. At this price, the original quantities quoted would have required a sealed bid (i.e., exceed the \$15,000 limit for quotes). The lower quantities requested in the second quote would have resulted in a \$14,000 cost, just under the bid limit. During the year covered by the quote, based on the final quote price, there were 109 of these vacuum cleaners purchased for approximately \$19,000. Of the 109, the Custodial Department purchased 80 in April 1999 and 22 in June 1999.

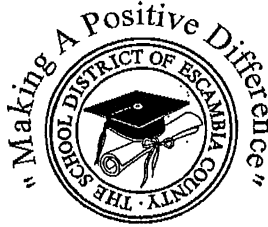
The two different quotes within a short time frame, the volume purchased, and the short time between the two orders suggest that the purchases were split to avoid the requirements for a sealed bid. District personnel stated that the second purchase could have been the result of unexpended funds from equipment purchases during the year that became available at the end of the fiscal year. To utilize the leftover funds, a budget transfer would have been made to purchase additional vacuum cleaners. We attempted to verify this information. However, because the purchases were made several years ago, those records have been purged. Budget Department personnel stated that based on year-end budget figures, it appears that the funding source used to purchase vacuum cleaners actually decreased rather than increased.

While reviewing other purchases of like items for possible bid violations, we did notice significant purchases of buffers, mats, and scrubbers. The District should consider obtaining bids for these items.

Recommendations

Based on the items discussed above and given the significant cost increase over the original estimate, we recommend the District reevaluate its custodial needs and conduct a new bid for such products. We also recommend that procedures be established to monitor the bid activity (i.e., use of products, annual cost, customer satisfaction, pricing, etc.) to better analyze the benefits of the bid.

Please see management's responses attached.



MEMORANDUM

PURCHASING & BUSINESS SERVICES DEPARTMENT

Date: November 30, 2001

To: Mr. Samuel S. Scallan
Director, Internal Auditing

From: Barry G. Boyer
Purchasing Manager

Subject: Custodial Cleaning Supplies, Bid #25-98

I would like to take this opportunity to voice a concern. This is the third time that "local vendors" raised concerns over this issue, once with the previous administration, then with the attorney generals' office, and now internal auditing. To date, nothing of substance has been found and I hope this will once and for all put these accusations to rest. The title of the bid should have suggested to those same vendors, that the way we buy custodial supplies, and what we buy would change. To the best of my memory, we emphasized that fact during the pre-bid conference. We also noted for them at the time, that since the selected vendor would act as a consultant, although not guaranteed the business, they would most certainly influence what would be purchased. Now with district business diminished, which should have been anticipated, they now raise objections years later that they failed to raise when they could legally "protest" the bid award.

Response to Observations:

Re: Unsigned Evaluation Forms. Many people were involved and purchasing relied on others to complete and return the forms. The decision was a joint decision of the custodial evaluation committee, and although these forms are indications of the actual testing, neither the committee nor the vendors themselves contested the results. Anonymity in evaluations are not altogether unheard of, it protects those that might perceive a backlash if findings are not given in a certain manner or for a certain company.

Re: Product Cost. As noted cost was not the main focus of the bid and though costs were tabulated because of different dilution ratios, total cost became difficult to compute. I agree we could have done better on projecting total cost, although the dollars and cents would not reflect the main objective of the bid, which was to improve custodial services.

Re: Decision to Renew. Purchasing usually relies on the requisitioning department to recommend renewal or not of any contract. We did conduct a survey that indicated the system did improve school custodial services and some did express concern about cost.

Mr. Samuel Scallan

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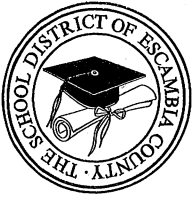
Re: Pricing Discrepancy. This goes beyond the scope of the bid, and I cannot speak on behalf of PR's pricing policies, but I will forward your findings to them concerning these apparent discrepancies.

Re: Vacuum Cleaners Purchases. Purchasing relies on the end user to provide accurate information concerning prospective purchases. Based on the need and pricing available to us at the time, the item was quoted appropriately. It is my understanding that as we reached the end of the year, an assessment of available funds indicated more purchases could be affected prompting a second quote. I agree, if we knew what the total was going to be that a formal bid would have been appropriate. In the future we will take a closer look at items that are considered "standard products" for the district and are subject to reoccurring purchases throughout the year, bidding them even if the initial purchase does not justify a bid. Purchasing is sensitive about acquisition costs, and a formal bid is the most expensive form of acquiring products, therefore when other cost effective options are open to us, we need to consider them. Note this item is outside of the scope of the original bid referenced.

Conclusion:

With all due respect, we disagree with your recommendation to rebid. We have one year left on the contract that appears to have accomplished our main goal of improving custodial services and we do not find sufficient justification to cancel the current contract. I agree that a closer look at all aspects of custodial services might be warranted if additional improvements are expected and that the necessary adjustments to the bid process will be made accordingly.

cc: Mark Pursell, Director



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JIM PAUL, SUPERINTENDENT

"Making A Positive Difference"

Memorandum

To: Sam Scallan, Director
Internal Auditing

From: Mark R. Pursell, Director *MP*
Maintenance Services

Date: December 5, 2001

Re: Review of Custodial Cleaning Supply Bid #25-98

This in response to your report on the review of Custodial Cleaning Supply Bid #25-98 dated November 13, 2001. I have reviewed the response from Barry Boyer, Purchasing Manager, and I agree with his comments and conclusion. However, I feel that it is appropriate to make some additional comments.

It comes as not a surprise the conclusion of your review is that **the bid process and evaluation methods were appropriate**. As Mr. Boyer stated, this issue has been evaluated and re-evaluated several times in the past with the same conclusion as you derived.

I want to specifically address the vacuum cleaner purchases that you presented. It is not uncommon to "reserve" a percentage of budgeted dollars to handle emergency, urgent or safety needs. This is done with carpet, door replacement, and equipment budgets, just to name a few. Purchasing Department staff and I share the same recollection that the first quote you referred to exceeded the amount that was to be encumbered at that time.

Our goal during the budgeting process is to as accurately as possible forecast the future. Due to the enormous amount of custodial equipment in our system, coupled with the impossible task of accurately predicting a failure rate, estimating the amount and type of custodial equipment to purchase is difficult. Custodial equipment falls under either object 641 or 642 budget code depending on the price. For example, vacuum cleaners fall under different coding than extractors. We are fortunate to have some flexibility to submit budget amendments to transfer funding between objects depending on the type of equipment that is required. Also, the object 641 that you referred to is for **all non-capitalized equipment**, not just vacuum cleaners. Therefore, it is possible for end of the year figures to differ from original figures. In no way should this be interpreted as an attempt to avoid initial bid requirements.

Sam Scallan, Director of Internal Auditing
Review of Custodial Cleaning Supply Bid #25-98
December 5, 2001
Page 2

I agree with Mr. Boyer that in the future we should identify "standard products" for the bid process. I will be discussing implementing this process as he described as soon as possible.

MRP/shp

c: Ted A. Kirchharr, Assistant Superintendent of Operations
Charles M. Peterson, Assistant Director of Maintenance Services
Barry Boyer, Purchasing Manager
Hercules Thames, Custodial Services Manager