



City of Annapolis Procurement Function Review and Recommendations

Draft Report

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I. Executive Summary

Prior to beginning the project, Matt Walker, President, NIGP Code and Consulting Services, and Rick Berry, Senior Consultant, contacted Bruce Miller, Director of Finance, and Melissa Leaman, Senior Accountant, to discuss the scope of services and project approach. The NIGP Consulting Team requested advance information regarding the City's procurement operation and planned an on-site meeting with the City staff. The Team reviewed all available information and conducted the on-site meeting on March 14, 2014. As part of the on-site meeting, the Team interviewed Finance department leaders, key procurement staff, and stakeholders. The Team acquired and/or requested additional information that was pertinent to the review. Upon completion of the on-site meeting, all information was compiled and analyzed by the Review Team. This report provides recommendations to improve the efficiency and effectiveness of the procurement function in the City of Annapolis, including recommended enhancements to procurement policies, a new procurement manual with improved content and flow, recommendations to improve the procurement process, and recommendations for the planned Purchasing Card (P-Card) program.

II. Introduction

The City of Annapolis, MD commissioned the National Institute of Governmental Purchasing (NIGP) Consulting Program to conduct a high-level review of several areas of the City's existing procurement function, including review and recommendations for the planned P-Card program. NIGP Consulting assigned Rick Berry, FNIGP, CPPO, VCO, and Etta Henry, CPPB, VCCO, VCO to the project. Mr. Berry was assigned as the Lead Consultant on this project.

III. Approach and Methodology

The NIGP Consulting Team conducted a review and analyzed the following:

- Purchasing Policies and Procedures
- The Procurement Processes
- Existing procurement documents and templates
- P-Card Program documents

The first phase of the analysis included review of the current procurement documentation in advance of the on-site visit. The second phase included a review of the current procurement processes by talking with key procurement staff stakeholders at an on-site visit. The on-site visit included meetings with the Executive Leadership in Finance, the Procurement Officer, Procurement staff, Accounts Payable, the Internal Auditor, and various user departments. These meetings and subsequent emails and phone conversations generated additional information and data for further analysis. The third phase included the NIGP Consulting Review Team's

comparison of the current procurement policies and procedures with the documented policies and procedures, including the planned P-Card program, to determine areas of improvement. Upon completion of the analysis of all information, the Team developed recommendations to address each aspect of the project scope of work.

IV. Scope of Work

The scope of work includes: *“NIGP Consultants will work with the City to review several areas of the existing procurement function and offer recommendations for improvement. The scope . . . will be focused on the following primary areas as part of a high-level procurement review for the City.”* The scope of work includes the following:

- Task A: Review of the City’s procurement policies and procedures
 1. Recommendations on how to improve the Procurement Manual
 2. How to best communicate with those involved in the procurement process
- Task B: High level review of the procurement function and to identify key areas of potential inefficiency
- Task C: High level review of existing documents and templates utilized during the procurement process and how to best standardize and document the procurement process in the future
- Task D: Review of the current purchasing card (P-Card) program, including recommendations for how to incorporate the purchasing tool in existing policies and procedures

The Review Team will address each of the components of the scope of work with specific recommendations to facilitate improvements to the policies and procedures (the Manual), procurement processes and the P-Card program.

Task A: Review of City’s procurement policies and procedures to include recommendations for improving the Procurement Manual and how best to communicate it to those involved in the procurement process

The existing “Purchasing Policies and Procedures Manual” represents a compilation of a variety of purchasing and purchasing related policies and procedures that are relevant to the procurement of goods and services for the City. In its current state, the Purchasing Manual is a collection of policies and procedures referenced by specific titles and subject numbers. The last update of the Manual was in 1996. This section of the report will address each policy in the order listed in the current Manual and will include specific comments and recommendations for each. The Review Team will recommend enhancing language, combining sections, and/or sequencing the policies

and procedures in an order that better addresses the flow of work throughout the City's procurement process (the procurement cycle).

The Review Team recommends that the following roadmap based on the American Bar Association (ABA) Model Procurement Code (MPC) be considered when developing or updating public procurement manuals. Based on the MPC, the following elements should be considered and procurement manuals should:

- be prefaced with a statement or synopsis including reference to enabling Statute
- discuss the principles, goals and objectives of the procurement organization and its programs
- define the procurement organizational structure and reporting relationships
- clearly define the duties, roles, responsibilities and authority of those who participate in the procurement process
- clearly define the organization's procurement policies and procedures
- follow the flow of the procurement cycle, at a minimum:
 - requisitions
 - specifications
 - solicitations processes, methods of procurement
 - purchase orders, contracts and awards
 - contract administration
 - surplus property and surplus sales
 - provide additional details to support contract administration including receiving, inspection, and acceptance

The Review Team has provided specific recommended changes to the Manual to enhance content, provide for greater clarity, and re-sequence sections for consistency with the procurement cycle. Recommendations are based on best practices supported by the American Bar Association's "Model Procurement Code" format. The Review Team's recommendations include changes in the form and flow of the Manual, as well as content improvements and new sections to address primary procurement steps. These changes will better align the current Manual with best practices and the ABA Model Procurement Code guideline. The Team recommends expanded language to strengthen and/or clarify several existing sections as well as the roles, responsibilities and authority of City staff involved in the procurement process. The following general guidelines should be followed when updating the Manual:

- Write clear and directive policy statements for each policy
- Format of policies should be:
 - Policy Statement
 - Definitions

- Discussion
- Steps for any major processes - if applicable
- Roles and Responsibilities
- Procedures (stated or referenced)
- Group like topics into same area
- Ensure language is gender neutral
- Update terms and ensure terms are used consistently throughout all policies

The remainder of this section, “Task A - Policies and Procedure Review”, will address each “policy” individually and include comments and recommendations for each.

Statement of Policy

Comments: The current policy statement is a clear indication of the Mayor’s intent to establish a strong centralized procurement organization including general goals, objectives and functions. This “Statement” section provides a strong cornerstone for the Purchasing Manual. Since this “Statement” was initially written, there have been changes in processes that should be addressed in this section. The current language states that all purchases “can only be made by purchase order”. Since the City intends to utilize a P-Card program for small purchases in the future, the language in this section should be modified to address this and similar small purchasing procedures to enable increased efficiency.

Recommendations: The Review Team recommends that language be added to allow the use of P-Cards and other small purchasing procedures to increase efficiency and effectiveness of the procurement function in the City. The Team also recommends the City add a statement to clarify that the Purchasing Officer shall be the head of centralized purchasing and shall have authority to manage all aspects of centralized purchasing, including all decisions that are necessary to appropriately manage the procurement function.

Forward

Comments: The Forward indicates the general purpose of the Manual and states that “the authority and responsibility of purchasing rests with the Central Purchasing Department”. This section provides some information but is not as comprehensive as it needs to be to provide clear direction to staff regarding the vision, purpose, intent, goals and objectives. The Manual should serve as a comprehensive guide for all stakeholders who participate in the procurement process and serve as a handbook for necessary procurement policies, principles and practices.

Recommendations: The Review Team recommends that this section be expanded upon to provide a framework for the intent, purpose and objective of the Manual. The Manual should also address or reference relevant procurement statutes, ordinances and administrative directives. In order to provide clear direction to all staff members involved in the procurement process, the

Review Team recommends that this section be expanded to include, but not necessarily be limited to, the following:

- Relevant Statutes
- Statement of Purpose
- Vision Statement
- Mission Statement
- Goals and Objectives
- Guiding Principles – examples are as follows:
 - Obtain high quality goods and services
 - All procurement processes be conducted in an open, fair and impartial manner
 - Avoid impropriety and the appearance of impropriety
 - Ensure all qualified vendors have access to the City’s procurement opportunities
 - Seek competition to the maximum feasible degree
 - All procurement policies, procedures, processes and programs involve openness and administrative efficiency
 - Specifications reflect the needs of the City rather than being drawn to favor a particular vendor
 - Purchasers and vendors freely exchange information

Purpose, Use, Philosophy of Manual - Policy #010

Comments: The language contained in this section provides clear direction and supports the recommended expanded language addressed in the “Forward”. It is, however, very brief and should be expanded to provide clearer direction to City staff. Policy #15 provides similar information.

Recommendations: The Review Team recommends that the City combine the value added content of Policy #010 and Policy #015 and that this information be included in the Forward.

Policy Revision - Policy #015

Comments: The language contained in this section details the process required to make policy revisions. Policy #010 provides similar information. Grouping of similar topics in the same section of the Manual provides more user friendly access to related topics and information.

Recommendation: See recommendation in Policy #010 stated above.

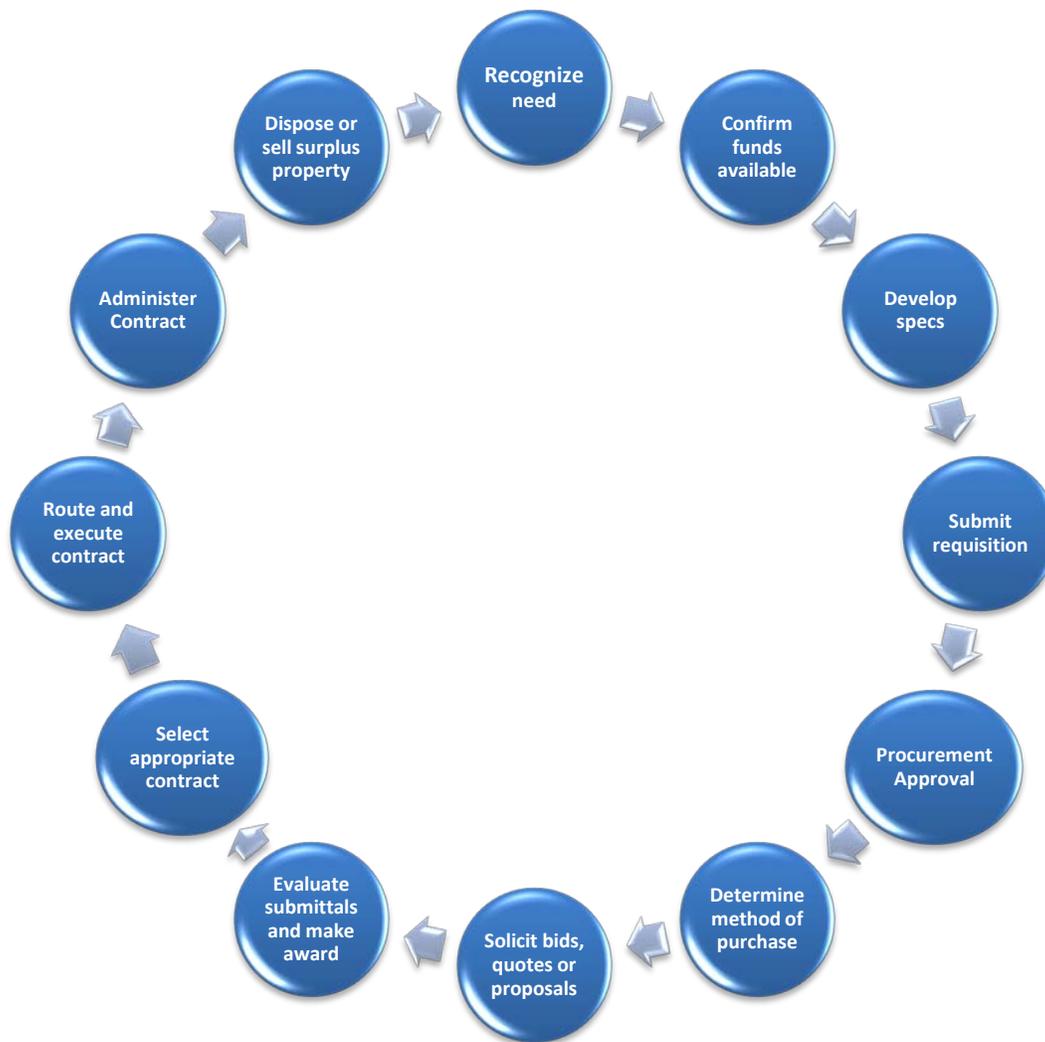
Overview of Purchasing - Policy #020

Comments: This section should provide a complete overview of the entire procurement process to include who has authority and responsibility for the procurement function. This policy also

provides important information regarding dollar threshold requirements for formal and informal purchases. This information is appropriately included in this section to provide a general overview of purchasing.

Blanket purchase orders are addressed but term contracts are not. If the blanket purchase orders are addressed in this section, term contracts should also be included as well as definitions and the appropriate use for each. The overview is missing some key components that should be included to provide a general review of the entire purchasing process. The overview should include a reference to all aspects of the “procurement cycle”.

Recommendations: The Review Team recommends that a statement similar to the following be added to this section to better clarify the role of the Purchasing Officer. An example of such language is: “The Purchasing Officer shall be responsible for administration, review and management of all policies, procedures, processes and programs that support or result from the procurement of goods and services for the City as well as selection of the appropriate method of procurement”. The Team also recommends that this section be expanded to identify all of the typical steps in the procurement of goods and services; the “procurement cycle”. It should begin with the identification of the needs for goods or services, ensuring funds are budgeted, and include all processes from the requisition through the appropriate methods of procurement, to contract award, contract administration and surplus property disposal/sale. The following chart is a representation of the procurement cycle that should be reviewed, revised and considered for inclusion in a revised Manual.



This section should identify the major procurement processes and steps in general terms in order to provide a foundation to clearly explain the individual processes, roles and responsibilities that will be addressed in later sections of the Manual. The dollar thresholds that require certain methods of procurement should be included in this section; preferably in a simple table format for clarity. All methods of procurement should be included: small purchasing procedures (including petty cash and P-Cards), formal methods of procurement (including competitive sealed bidding and competitive sealed proposals), emergency, and sole source procurements. Additional support information should also be provided to improve clarity for each topic and flow of the Manual.

Organizational Charts

Comment: The current Manual does not include an organizational chart. It is generally helpful for this information to be included in a manual in order to provide information for City staff.

Recommendations: The Review Team recommends that organizational charts be included for the organization as a whole as well as a separate organizational chart for the purchasing department. The Team also recommends that the purchasing staff names, titles and contact information be provided in this section.

Purchasing Responsibilities – Policy #100

Comment: This is a good section that clearly articulates the general roles and responsibilities of all parties involved in the procurement process.

Recommendation: The Review Team recommends that additional language be added to clearly project that the Purchasing Officer shall have the authority and responsibility to manage all aspects of the procurement function, to interpret all procurement policies and procedures, and to develop and administer all procurement programs that support the efficient and effective implementation of the procurement process for the City.

Ethical Standards – Policy #105

Comment: This is an important section and provides a good foundation for ethics.

Recommendations: The Review Team recommends that the NIGP Code of Ethics be specifically included within this section or in an appendix. In order to provide a central location for all ethics and ethics related topics, the Team recommends that this policy be combined with the following:

- Vendor Relations - Policy #260
- Gifts and Entertainment - Policy #265
- Personal Purchase for Employees - Policy #270
- Gifts and Entertainment - Policy #504
- Conflict of Interest - Policy #506

All sections should be reviewed to ensure the language in each area is not redundant. The Team also recommends that the City consider removing the statements in these policies that indicate that lunch with vendors is appropriate. The revision to this section will provide all staff with a single location in the Manual to address all ethics and ethics related topics.

Prudent Buyer Principle – Policy #110

Comment: The Prudent Buyer Principle is good information, but it should be included as a part of a broader set of procurement principles and specifically addressed in the “Forward” or Purchasing Responsibilities – Policy #100 of this Manual.

Recommendation: The Review Team recommends deleting this section and moving any value added content to the “Forward” to support the recommended procurement principles.

General Purchasing Policy – Policy #200

Comments: This section provides clear direction regarding a general policy statement. However, it does not address criteria for the award of competitive sealed bids which should be awarded to the lowest responsive and responsible bidder. It does not include reference to the competitive sealed proposal process (RFPs) at all. This information is needed in order to encompass all methods of procurement. There is also no language that addresses the P-Card program.

Recommendations: The Review Team recommends the follow additions to this section:

- Item 5 language should be modified to state that “Bids shall be awarded to the lowest responsive and responsible bidder, . . .”
- Add language to address the award of contracts for Competitive Sealed Proposals. These shall be awarded based on criteria and negotiations.
- Add language to address the award of Competitive Sealed Bids. These shall be awarded to the lowest responsive and responsible bidder.
- Add language to state that the Purchasing Officer shall be responsible for all procurement processes and programs.
- Add language to address the P-Card Program and who will be responsible for the program.

Purchase Commitments – Policy #205

Comments: This section provides very clear and necessary direction and requires either a purchase order or petty cash. It does not address P-Card use, which should be stated and encouraged.

Recommendations: The Review Team recommends the City add language to address the P-Card program, its intended use, encourage its use, and name the responsible parties for the program.

Purchase Order - Policy #210

Comments: This section is titled “Purchase Order” but also includes the requisition requirements that lead to a purchase order. It requires a purchase order for “every” purchase, which prohibits other methods of purchase such as petty cash, P-Cards, etc.

Recommendations: The Review Team recommends the title of this policy be changed to “Purchase Orders and Requisitions” and that all other policies related to requisitions and

purchase orders be grouped, appropriately labeled, and added to this section. The recommended grouping is as follows:

- Purchase Commitments - Policy #205
- Requisitions - Policy #210
- Purchase Requisitions - Policy #300
- Purchase Request - Policy #514
- Purchase Orders - Policy #305
- Purchase Order - Policy #405
- Purchase Order Change Request - Policy #410
- Purchase Order - Policy #518

The Team also recommends adding language to address purchasing card use and reference the P-Card program in the appropriate sections stated above, as well as addressing other methods of small purchasing that are adopted by the City for the purpose of increasing efficiency and effectiveness of the procurement processes. In addition, the Team recommends that definitions for both requisitions and purchase orders be added in the appropriate sections, and that the purpose, importance and responsibility of each be clearly stated. Grouping these sections will consolidate all information regarding each of these topics in a single location. This change will provide more user friendly information for City staff.

Petty Cash – Policy #215

Comment: This is a good section and clearly identifies the City’s policy on Petty Cash.

Recommendations: The Review Team recommends this policy, and other policies that address purchasing processes below the formal solicitation threshold, be grouped in a Small Purchases Section of the Manual and that each section state the purpose, intent and who is responsible for each sub-section. This section should include but not be limited to:

- Petty Cash - Policy #215
- Check Requests - Policy #275
- Purchasing Cards Use - New Policy
- Request for Quotations - Policy #415
- Blanket Orders - Policy #220
 - Blanket Order Releases - Policy #225
 - Blanket Order Control Sheet - Policy #230
- Standing Orders - Policy #235

Blanket Purchase Orders – Policy #220

Comments: This policy is very well written and provides detailed instructions. However, there is no mention of term contracts. The workflow/workload section of this report provides additional information and recommendations regarding blanket orders. Term contracts provide a variety of advantages over blanket contracts. Both have advantages and disadvantages, which should be considered. From a policy perspective, this policy section should enable the use of both blanket and term contracts, as well as any variation of each.

Recommendations: The Review Team recommends that definitions for blanket purchase agreements, standing orders, and price agreement term contracts be added to this section. The appropriate use of each and any procedural differences should also be addressed. The Team recommends that this policy, along with Blanket Order Releases Policy #225, Blanket Order Control Sheet Policy #230, and Standing Orders Policy #235 be combined and included in a Small Purchases section of the Manual recommended above. Language should be added to Policy #220 to state that the Purchasing Officer shall select the most appropriate method of procurement to develop Blanket Purchase Orders and Term Contracts. All major terms should be defined.

Blanket Order Releases – Policy #225

Comment: The content of this section is clear.

Recommendations: The Review Team recommends that the language be more directive. Words such as “should” should be replaced with “shall”. See above recommendation regarding grouping of other blanket order requirements with Policy #220, including definitions of all major terms.

Blanket Order Control Sheet – Policy #230

Comment: The content of this section is clear.

Recommendations: The Review Team recommends that the language be clarified by eliminating words such as “it is suggested” and replaced with more directive language. See above recommendation regarding grouping of other blanket order requirements with Policy #220, including definitions for all major terms.

Standing Orders – Policy #235

Comment: The content of this section is clear.

Recommendation: See above recommendation regarding grouping of other blanket order requirements with Policy #220, including definitions for standing orders and other major terms.

Formally Advertised Bids – Policy #240

Comments: The section clearly identifies the dollar threshold and specific procedures required for formal advertised bids (competitive sealed bidding). However, it does not address competitive sealed proposals. In addition, newspaper advertising for all bids and proposals for 7 days is very expensive and may not be required for general invitations for bids (IFBs) and request for proposals (RFPs). It is more common for Construction and Architectural and Engineering (A&E) services.

Recommendations: The Review Team recommends that the title for this section be changed to “Formally Advertised Solicitations” and that both Competitive Sealed Bidding and Competitive Sealed Proposals be addressed with specific information for each as follows:

- Definitions
- Appropriate use of each
- Process steps
- Award criteria
 - Lowest responsive and responsive bidder for Competitive Sealed Bidding
 - Criteria based evaluation and negotiations for Competitive Sealed Proposals
- Roles and responsibilities for the requisitioning department and centralized purchasing staff

The Team also recommends that the City consider whether or not newspaper advertisement for 7 days is required by law, and if not, determine if advertisement requirements include all IFBs and RFPs, or just construction and A&E solicitations. Upon a determination, this section of the Manual should be modified to reflect the City’s decision.

Bid Protest Procedures – Policy #242

Comments: This section is well written and provides clear direction for all parties. However, the policy only references “Bids”. There is no stated procedure for competitive sealed proposals. Competitive Sealed Proposals are an important formal method of procurement that should also be addressed in this procedure.

Recommendations: The Review Team recommends that this policy be renamed “Bid and Proposal Protest Procedures” and that all references to the term “Bid(s)” be expanded to include “Bids or Proposals”.

Capital Outlay Purchases – Policy #245

Comments: The Capital Outlay section provides necessary general information. However, additional information is needed to include a comprehensive definition, any established dollar thresholds, and other specific criteria that requires items to be categorized as capital outlay.

Recommendations: The Review Team recommends that a definition, dollar thresholds and specific criteria be added to this section, as well as any comments about inventory requirements, special accounting codes, and a method for locating the approved capital outlay list. In addition, all references to “competitive bidding” should be expanded to include “competitive sealed proposals”.

Group Purchases – Policy #250

Comments: This section is very brief but provides clear direction that “Central Purchasing shall endeavor to participate in group purchasing programs found acceptable to the City”. Group purchasing, more commonly referred to as cooperative purchasing, is a valuable procurement tool that saves expenditure dollars and allows considerable administrative efficiency. The City utilizes cooperative contracts extensively. Therefore, this section should be expanded to maximize the flexibility of the City staff to use cooperative contracts and to provide more specific direction regarding their use.

Recommendations: The Review Team recommends that the City consider expanding the policy to encompass the entire cooperative purchasing concept, including:

- Definitions
- Advantages of cooperative procurement
 - cost savings
 - administrative efficiency
- Types of cooperative contract opportunities
 - state contracts
 - consortiums
 - piggybacking
 - consolidated cooperative procurement
- Requirements/criteria that must be considered when evaluating cooperative contracts
- Any requirements for revenue sharing
- Purchasing Officer’s authority to approve

Relations with Requisitioning Departments - Policy #255

Comment: This section is redundant and is covered elsewhere in the Manual.

Recommendation: The Review Team recommends that the City delete this policy.

Vendor Relations – Policy #260

Comments: The Vendor Relations section is very focused on centralized Purchasing’s intent to control vendor interaction with City departments. The City must decide if this is still their intent. Generally, vendor relations are enhanced by encouraging open communication between City departments and vendors.

Recommendations: The Review Team recommends that the City review this policy and make a determination of whether it is appropriate. Upon determination, this section should be updated. In addition to updating the Policy, the Team recommends the development of a Vendor Guide to provide information on how to do business with the City, including an application process to be added to the vendor (Bidder) list, commodity code information, and where to go for procurement and/or payment assistance.

Gifts and Entertainment – Policy #265

Comments: It is important for all ethics related policies to provide clear direction to staff regarding appropriate behavior. Generally, procurement policy does not include language that specifically allows lunch with vendors. Procurement policies often include language that states the City shall avoid impropriety and the appearance of impropriety. Since procurement staff with decision making responsibility having lunch with vendors could provide “appearance” issues, the City may want to reconsider this language.

Recommendations: The Review Team recommends removing the statement “there is nothing questionable or unethical in the lunching with a salesman to give him a better opportunity to present his case”. As previously recommended, this policy should include a grouping of ethics related topics along with Policy #105 and #270 within a comprehensive Ethics section of the Manual.

Personal Purchases for Employees – Policy #270

Comment: This is a very short policy that provides important information, but would provide clearer information if it was grouped with similar sections.

Recommendation: The Review Team recommends that this information be included in a comprehensive Ethics section of the Manual along with other ethics related policies #105 and #265.

Check Request – Policy #275

Comments: This is a well written and detailed check request procedure. It would be clearer to staff if it was included with other similar small purchasing procedures, such as P-Card, petty cash, single quotation purchase orders, etc.

Recommendation: The Review Team recommends that this procedure be included in a recommended new small purchases section of the Manual along with other purchasing procedures below the mandatory formal solicitation threshold.

Equal Opportunity Provision – Policy #280

Comment: This is an important topic. However, there is little substance in this policy statement.

Recommendations: The Review Team recommends that the City consider the level of importance of this section. Upon making a decision, the City should develop a more comprehensive Equal Opportunity statement/policy. The Team also recommends that any policy statement that is decided upon should be included in all formal solicitations.

Emergency Purchases – Policy #285

Comment: The section is well written and provides clear direction.

Recommendations: The Review Team recommends that the Emergency Purchases policy include a statement that indicates “during an emergency, the City shall exercise sound judgment and achieve the maximum degree of competition that is feasible given the emergency situation”. The Team also recommends this policy be added to the recommended new “Methods of Procurement” section of the Manual, along with Small Purchases, Competitive Sealed Proposals, Competitive Sealed Bidding, and Sole Source Procurement.

Purchase Requisition – Policy #300

Comment: This section is comprehensive, well written and provides good procedures.

Recommendations: The Review Team recommends additional statements to stress the important components of good requisitions; identification of requested goods and services including high quality specifications, appropriate account codes and appropriate approval by authorized staff. As previously recommended, Policy #300 should be included with a grouping of all other requisition and requisition related policies along with Policy #514 and certain components of Policy #205 Purchase Commitments. Each section should be reviewed to ensure there is no conflicting language and that redundant language is removed. Language should also be included to state that P-Card transactions will not require requisitions. The policy also states that two quotes are required for purchases under \$1,000 and three quotes for transactions \$2,500

- \$10,000. The Team recommends the City review benchmark information and consider adjusting this requirement. This issue will be further addressed in the procurement process portion of the report.

Purchase Order – Policy #305

Comment: This section is comprehensive, well written and provides good procedures.

Recommendations: As previously stated, the Review Team recommends all purchase order and purchase order related policies be combined and included in a separate Purchase Order section of the Manual. These policies include: #205, #210, #215, #305, #405, and #410. The Team also recommends that the language for all policies in the purchase order section be reviewed to ensure the language is consistent and there is no redundancy.

Purchase Order – Policy #405

Comment: This section is an extension of Policy #305.

Recommendation: The Review Team recommends that the procedures included in this policy be included as part of Policy #305.

Purchase Order Change Request – Policy #410

Comment: This section provides necessary information and is clear and concise.

Recommendation: The Review Team recommends that this policy be grouped with Policy #305 and other purchase order related policies as previously recommended.

Request for Quotation – Policy #415

Comments: This section identifies the Request for Quotation (RFQ) form and that it must be completed and signed, but it does not state when it should be used and how the resulting quotations shall be evaluated.

Recommendations: The Review Team recommends that the dollar threshold requirements for the use of the RFQ form be included in the policy as well as the number of vendors that must be solicited and how the quotations should be evaluated and awarded. The award criteria is generally the lowest responsive and responsible quotation. The section should also identify any roles and responsibilities that relate to the RFQ process. The Team also recommends that this policy be included in the Small Purchases Procedures section of the Manual that has been previously recommended.

Tabulation of Bids – Policy #420

Comment: The title of the section is Tabulation of Bids but the body of the policy only addresses RFQs, not competitive sealed bidding or competitive sealed proposals.

Recommendations: Since the components of a bid and quote are virtually the same, the Review Team recommends the title of this policy be changed to “Tabulation of Bids and Quotes” and that the language in the policy address both RFQs and IFBs. Since RFPs generally require stating only the names of the offerors at the formal proposal opening, this information should also be included in this section.

Cost Reduction Form – Policy #425

Comments: This is a very vague form. The value of this form and what information is required is unclear. It appears to be an internal procedure and perhaps should be included in a desktop reference procedural document rather than the Purchasing Manual.

Recommendation: The Review Team recommends this section be deleted from the Manual.

Competitive Bidding - Policy #430

Comment: This policy appears to support Policy #240, Formally Advertised Bids.

Recommendations: The Review Team recommends this section be reviewed and that any language that adds value be combined with Policy #240 and any redundant information be deleted.

Unit of Issue Designation - Policy #435

Comments: It is unusual to see this level of detail in a purchasing manual. This type of information would be more helpful if included in a desktop guide, where it can be easily modified and updated to help users. The real concern with including such detail in a manual is that it provides direction that may or may not apply in all situations.

Recommendation: The Review Team recommends this section be deleted from the Manual.

Ethical Conduct Regarding Information - Policy# 502

Comment: This section includes valuable information that will help to support a comprehensive Ethics section of the Manual.

Recommendation: As previously recommended, the Review Team recommends that this information be included in a comprehensive Ethics section of the Manual.

Gifts and Entertainment - Policy #504

Comment: This section includes valuable information that will help to support a comprehensive Ethics section of the Manual.

Recommendation: As previously recommended, the Review Team recommends that this information be included in a comprehensive Ethics policy in the Manual.

Conflict of Interest - Policy #506

Comments: The current policy is subjective based on the discretion of the Purchasing Officer. This section requires more information and direction in order to provide clear direction to staff.

Recommendations: As previously recommended, this section should be included in a comprehensive Ethics section of the Manual. The Review Team also recommends that the City clarify conflict of interest directives within this section and that the following issues be considered to provide more detailed information. Examples include, but are not limited to, the following:

- Individuals that are involved in any aspect of the procurement process to include the requisition, evaluation, award or contract, cannot accept gifts, compensation, and promise of employment or anything of value.
- These requirements are binding on the employee's immediate family (immediate family should be defined) or any person that resides in the same household.
- The penalty for violation of this policy shall be a misdemeanor (appropriate for Maryland) and forfeiture of employment.

Relations with Other Departments – Policy #508

Comments: This section is good general information and would be more appropriately placed in the Principles section in the beginning of the Manual. The information within this section is more of a statement of guidance to internal Purchasing staff rather than a City policy.

Recommendations: The Review Team recommends that this section be eliminated and that any statements that add value regarding Purchasing's responsibility to departments be stated in the Forward or Purchasing Responsibilities - Policy #100 section of the Manual.

Relations with Vendors - Policy #510

Comment: This section provides important guidance to Purchasing Staff and includes a good statement of intended purchasing values and conduct.

Recommendation: The Review Team recommends this section be clarified and combined with Policy #260 to support a comprehensive Vendor Relations Policy.

Determining Method of Procurement – Policy #512

Comments: This is a very important section that is needed to establish criteria and set the stage for the selection of all methods of procurement. It provides clear expectations regarding dollar thresholds and solicitation requirements for request for quotations and invitation for bids. However, it does not address all methods of procurement or who is specifically responsible for selection of the most advantageous method of procurement.

Recommendations: The Review Team recommends that this policy be modified to address all methods of procurement and that a detailed description, purpose and process be developed for each. The methods of procurement that should be addressed are as follows:

- Small Purchases
 - Check Requests
 - Purchasing Card Transactions
 - Phone Quote
 - Request for Quotations
- Competitive Sealed Bids
- Competitive Sealed Proposals
- Emergency Purchases
- Sole Source Purchases

The section should also state that the Purchasing Officer shall be responsible for selecting the most appropriate method of procurement.

Purchasing Requisition - Policy #514

Comments: This policy appears to be a continuation of Policy #300 – Purchasing Requisition. Information regarding requisitions is fragmented in two others sections: Policy #205 and #300. The Manual should include a single location for all like topics.

Recommendation: Rather than fragment the procedures for requisitions in two places, the Review Team recommends incorporating the content of Policy #205, #300 and #514 into a single requisition section. By doing so, there will be one place for staff to find all information regarding requisitions.

Specifications - Policy #516

Comments: Specifications are among the most important topics in a purchasing manual. Specifications are the basis for a requisition, the key component of a request for quote or invitation for bid, the basis for evaluation, and the primary component of a contract. It is imperative to have a well-developed specification section in the Manual. Since specifications are

utilized for bids and quotes, it is also necessary to address Scopes of Work. Scopes of Work are required for all Competitive Sealed Proposals (Request for Proposals). As a result, they should be addressed in the Manual as well.

Recommendations: The Review Team recommends the City expand the language in the Manual to address the purpose, type and appropriate use of specifications, as well as the appropriate requirements of a good scope of work. This information should be developed and included along with the roles and responsibilities for developing and approving each. Policy #516 should be renamed “Specifications and Scope of Work Requirements” and be included as a separate section in the Manual.

Selecting Suppliers – Policy #517

Comments: This policy is important, but the manner in which portions of the policy are written is very informal and does not provide clear direction. The policy should address the process by which suppliers can sign up to be on the City’s bid list, how they are assigned to the bidders list, commodity code requirements, and how to determine opportunities to participate in solicitations. There should also be clear direction of any special outreach efforts for small, minority, woman or veteran-owned businesses. The policy should also state that supplier selection is based on lowest responsive, responsible quote/bidder, best value, or based on cooperative contract awards.

Recommendations: The Review Team recommends that the City evaluate their current process to determine vendor requirements, how suppliers are selected through the procurement process and update this policy accordingly. This information should be included in an appropriate place in the Manual.

Minority Procurement Program – Policy #517a

Comments: This section is very brief. Most Minority Procurement Programs have a clear and direct policy statement and the means in which the City intends to implement the policy.

Recommendations: The Review Team recommends that the City consider their existing efforts with respect to minority vendors, as well as any other groups (women owned, small business, veterans, etc.) to determine a clear and concise policy statement and how the City intends to accomplish the goals related to minority participation in the City’s procurement. The policy should also include definitions as well as roles and responsibilities for City staff regarding the program.

Purchase Orders - Policy #518

Comment: This policy is actually a support purchase order procedure that is an extension of Policy #210, #305 and #405.

Recommendation: The Review Team recommends that the value added components of this section be added to a Comprehensive Purchase Order section. Care should be taken to ensure that the language is consistent throughout the Manual and there is no redundancy.

Telephone Quotations - Policy #520

Comment: This brief procedure supports small purchasing procedures.

Recommendation: The Review Team recommends that the value added components of this section be included in the new recommended Small Purchasing Procedures of the Manual.

Informal Quotations - Policy #522

Comment: This brief procedure supports small purchasing but needs to be expanded to provide a clearer picture of informal quotation requirements.

Recommendation: The Review Team recommends that the components of this section be added to Policy #415 to develop a more comprehensive procedure. This information should be included in the new recommended Small Purchasing Procedures section of the Manual.

Formally Advertised Bids – Policy #524

Comments: This section includes the dollar threshold requirements for formally advertised bids, but it does not address competitive sealed proposals. In addition, the \$10,000 threshold stated in this section is out of date. The dollar threshold was increased in 2011 to \$25,000 for non-construction and \$50,000 for construction.

Recommendations: The Review Team recommends that these important requirements be combined with the requirements of Policy #240 and #430 to develop a comprehensive Competitive Sealed Bid Policy within the recommended Methods of Procurement Section. The Team also recommends that a similar comprehensive Competitive Sealed Proposal Policy be developed and included in the recommended Methods of Procurement section of the Manual. The dollar thresholds for both construction and non-construction procurements should be updated in this section as well as all major process steps and any pertinent support information.

Negotiated Purchases - Policy #526

Comments: Based on the Team’s analysis of this section, it appears to be a variation and possibly support of sole source procurements (Policy #528). The guidance is vague as it does not address the method of procurement it is intended to address.

Recommendations: The Review Team recommends the City evaluate the language in Policies #524 and Policy #528 and determine the value added language within each. This information should be combined, along with any other related language, to develop a comprehensive sole source policy that includes adequate language to require all appropriate steps including cost analysis, value analysis and negotiations.

Sole Source Purchases - Policy #528

Comments: Sole Source Procurement is a primary method of procurement and one that is worthy of considerable control to avoid abuse. Components of this section and section #524 include language that will be helpful in the development of a comprehensive Sole Source process. This information is very important in order to provide clear direction for procurement and departmental staff.

Recommendations: The Review Team recommends that a definition of Sole Source Procurement be included in the policy to note that sole source procurements are procurements in which only one source is “practically” available. Additional language should be added to require the City to conduct reasonable analysis to justify and approve sole source procurements and that there shall be documentation to support the decisions. There should also be a requirement for the Purchasing Officer to conduct value analysis, cost analysis and sole source negotiations with any sole source vendor prior to awarding a contract. Components of Policy #524 and #528 should be reviewed to develop a comprehensive sole source section which should be included in the Methods of Procurement section of the Manual.

Communication of Policies and Procedures

The best way to communicate policies and procedures is to ensure that the City has a revised comprehensive, high quality Procurement Manual. The City needs to update the Procurement Manual to ensure it represents all primary components of the procurement process in a single document that is easily understood and user friendly. The revised Manual should be sequenced to follow the flow of the procurement cycle and include clear and concise statements of policies, appropriate roles and responsibilities, and clearly defined processes. It should also strengthen and clarify the authority of the Procurement Officer, clarify and/or address all major procurement processes, and serve as central repository for all procurement policies. Once the Manual has been updated, it should be posted on the City’s web-site and notices distributed to City staff to ensure that all staff are aware of the new Manual, how to access it, and where to go for

assistance. The Central Purchasing staff should also develop and provide procurement training for all City staff involved in any aspects of the procurement process. This training should be based directly on the content of the Manual and should also include any necessary training required to ensure staff understand the automated aspects and requirements of the procurement process.

Task A Recommendation Summary

The Review Team recommends the City rewrite the procurement policies and include these policies and major processes and programs in a new Procurement Manual. The Team recommends that the Manual be focused at the policy, process and program level and that any related procedures be referenced as standard operating procedures but not included in the Manual. The Manual should remain stable and only be changed if major policies or programs change. Standard operating procedures should be changed whenever it is necessary, which is often ongoing. The Manual should follow the sequence of the procurement cycle, include a well-developed glossary of terms, and include the individual recommendations included in the Manual policies and procedures (Task A) section of this report.

Task B: High Level Review of the Procurement Function to Identify Key Areas of Potential Inefficiency

The previous section of this report addressed the current policies and procedures included in the Procurement Manual as well as additional policy changes provided by the City. This section will address the procurement processes that are currently in use by the City. In order to gain a complete understanding of the City's procurement function, the Team reviewed all documentation, interviewed staff, and requested and analyzed additional information. The Review Team spoke with Bruce Miller, Director of Finance, and Melissa Leaman, Senior Accountant, to confirm the scope of work, provide document requests and establish meeting dates and interview schedules. The Team evaluated all available information in preparation for the on-site meetings including the enabling legislation that affects procurement, existing policies and procedures, and a draft of the P-Card program policy that is being considered for implementation.

The Review Team conducted an on-site visit to interview primary staff members and stakeholders involved in the procurement process. The goal of this site visit was to acquire as much information as possible regarding current procurement processes and to identify areas of improvement. The Team focused on the major steps in the procurement process from requisition through purchase order development as well as the systems and processes used to support the procurement function.

The City scheduled the on-site visit for March 14, 2014 which included meetings with the following:

- Finance Department
 - Bruce Miller, Director of Finance
 - Melissa Leaman, Senior Accountant
- Purchasing Department - Brian Snyder, Procurement Officer
- Information Technology - Paul Thorn, Chief Information Officer
- Accounts Payable – Karl Roy, Accountant
- Internal Auditing – Alexia Arama Gascon, Accountant
- Department of Public Works
 - Marcia Patrick, Assistant to the Director of Public Works
 - Tracy Brown, Administrative Office Associate
- Police Department – Joanne Jones, Police Planning Analyst

The primary focus of each meeting was to gain a better understanding of the City’s current procurement processes. The intent of the review and discussions with key stakeholders was to consider a variety of perspectives and compare the current processes with the documented policies and procedures. The ultimate goal of Task B was to identify all components of the City’s current procurement process and consider and recommend opportunities to improve efficiency and effectiveness of the procurement process.

Requisition to Purchase Order Process Overview

The City’s procurement process is automated from requisition to payment through the use of the MUNIS system. Requisitions are entered by requesting departments. The system utilizes “workflow” to automate the necessary approval of requisitions including any additional reviews for specific commodities or services. For example, all information technology requisitions are routed to Information Technology for approval prior to being submitted to Purchasing.

Departments are responsible for developing specifications and/or scopes of work for the requisitions. The specifications and/or scopes of work are reviewed by Purchasing to ensure they are complete, clear and concise and are not unnecessarily trade restrictive. Based on interviews, Purchasing and requisitioning departments work well together on the development of appropriate specifications or scopes of works.

The City has established dollar thresholds for both small purchases and formally advertised purchases. Small purchases are those below \$25,000. Formally advertised purchases are purchases of goods and services above \$25,000 and Construction above \$50,000. Based on the updated documentation provided, the small purchasing thresholds are as follows:

\$0 - \$1,000	No competitive pricing, at the Buyer's discretion if Central Purchasing determines the price to be fair and reasonable
\$1,000 - \$2,500	At least two written or oral quotes required
\$2,500 - \$25,000	At least three written quotes required

Purchasing reviews all requisitions to ensure the dollar threshold requirements are being followed for each purchase. Departments are allowed to acquire quotes from vendors for small dollar purchases. These quotes are then reviewed by Purchasing and utilized when they are deemed appropriate. Purchasing seeks input from the requisitioning department as part of the evaluation process.

Blanket contracts and cooperative contracts are widely used in order to increase administrative efficiency and cost savings where the Procurement Officer deems them appropriate. Many blanket purchase orders are developed in the early weeks of the fiscal year to aid departments and provide an efficient means of meeting their small purchasing requirements while encumbering funds to assist in managing their budget. Blanket purchase orders follow the existing dollar threshold requirements for formal solicitation. Based on the information reviewed, it does not appear that the City uses a large number of price agreement term contracts.

Solicitations for Competitive Sealed Bids and Competitive Sealed Proposals require a more in-depth process than Requests for Quotes, which requires greater oversight and scrutiny. Purchasing provides extensive review of specifications and scopes of work and works closely with the requisitioning department regarding the solicitation package review. The City Attorney's office is also involved in the preparation of Invitation for Bids (IFBs) and Request for Proposals (RFPs). IFBs and RFPs are advertised on the eMaryland MarketPlace which provides excellent visibility of opportunities for vendors to participate in the City's procurement processes. The system is commodity code driven and works well to enhance the City's automated procurement system. Interested vendors contact the City and request IFB/RFP packages, which are provided by Purchasing. Purchasing centrally receives and publically opens bids and proposals and evaluates them along with the requisitioning department based on the criteria set forth in the solicitation document and City policy.

The Procurement Officer has authority to award purchase orders; however, the formal contract approval process requires multiple reviews prior to submission to the Mayor for review and execution. The steps in the process include:

- Requisitioning department
- City Attorney
- Finance Department
- City Manager
- Mayor

Purchase orders are electronically maintained within the MUNIS system. Formal contracts are provided to the successful vendor and the original contract is maintained in the City Attorney's office. Purchasing also scans and maintains electronic copies of all formal contracts.

Contracts are administered by the requisitioning departments. While no formal written process has been established, based on interviews with department staff, specific staff members are assigned contract administration responsibilities for each contract. Those staff members are responsible for oversight of contract administration functions to include receiving, inspection and acceptance and completion of the appropriate e-receiving steps in MUNIS to allow for payment of invoices. The Internal Auditor also reviews certain aspects of contract administration periodically to verify that invoices are being paid per the contract terms and conditions.

Central Purchasing embraces the use of cooperative contracts. State contracts, consortiums and joint purchases are considered and utilized whenever they are deemed feasible and advantageous to the City. The City's Purchasing Officer is heavily involved in several governmental consortiums and uses them to increase administrative efficiency and gain cost savings based on existing cooperative contract opportunities.

Surplus Property is also managed by Central Purchasing. The disposal of surplus property with value is auctioned utilizing GovDeals; a nationally recognized electronic governmental auction service. This approach to the sale of surplus property provides extensive visibility to a wide variety of interested parties and generally results in excellent revenue recovery from the sale of property with minimal consumption of staff resources.

The procurement processes that are currently being utilized from requisition to award of contracts/purchase orders, contract administration and surplus property sales are well developed and substantially automated. The staff members that were interviewed provided positive comments about Central Purchasing, stating that they were responsive, helpful, customer service oriented, cooperative, and provided timely services. When asked what recommendations could improve the procurement process, most individuals indicated that a P-Card would be very beneficial and that better procurement processes would be helpful. It was generally recognized that the current procurement process does not match the documented existing policies.

The degree to which the procurement system was automated was impressive. The MUNIS system allows for a completely automated procurement system from requisition to purchase/award with e-receiving capability. The eMaryland Marketplace system allows for electronic advertisement of IFBs and RFPs to a wide variety of vendors. This system maximizes vendor visibility to City procurement opportunities. The use of GovDeals is an excellent cost effective way to achieve maximum revenue from the sale of surplus property. While there are some additional ways to utilize automation (electronic quotations, electronic IFB and RFP solicitations and responses), the City's procurement system is currently very well developed.

The Review Team recommends cost benefit analysis to determine the return on investment for further automation of the procurement process, as some enhancements could be quite costly for a limited number of transactions.

Dollar Thresholds

The competitive sealed bidding and competitive sealed proposals dollar thresholds and processes are somewhat low based on the 2012 NIGP Benchmark Survey (see chart below). The Survey indicates that 72% of responding national agencies have a formal solicitation threshold greater than \$25,000. Based on the Survey, 50% of responding national agencies have formal competitive thresholds of \$50,000. Since the City is currently at \$25,000 for general goods and services and \$50,000 for construction, the Review Team recommends changing the dollar thresholds for competitive sealed bidding or competitive sealed proposals for goods and services to \$50,000.

Formal Competitive Threshold	
Less than \$24,999	27.42%
\$25,000 - \$49,999	31.72%
\$50,000 - \$99,999	28.49%
\$100,000 and Greater	12.37%

The small purchasing threshold defined in the policy and in the currently utilized processes requires extensive resources. The current processes that require multiple quotations could be relaxed to rely on the independent judgment of departmental and procurement staff to award small purchases as well as an increase in the thresholds that required verbal and written quotations. The following is an example (not a specific recommendation) for consideration for non-construction goods and services other than cooperative contracts, sole source or emergency purchases:

\$0 - \$2,500	Single Quote: Best judgment of staff with approval of Purchasing; use of P-Card preferred up to P-Card limit
\$2,500 - \$10,000	Verbal or Catalogue Quotes if available; use of P-Card preferred up to P-Card limit
\$10,000 - \$25,000	Written quotes (RFQ) if available
\$25,000, +	Formal Competitive Processes required – Competitive Sealed Bidding or Competitive Sealed Proposals

Note: Change from \$25,000 to \$50,000 if approved by the City

Similar thresholds could be established for Construction Procurements with \$50,000 as the formal competitive process requirement.

The Review Team recommends the small purchases threshold be reviewed to increase flexibility with focus on balancing the resources required to implement small purchasing procedures; particularly with very small purchases. Any changes in thresholds should be clearly stated in the appropriate section of the Procurement Manual.

The Team recommends that the processes for competitive sealed bidding and competitive sealed proposals be clearly documented in a revised procurement manual. The Manual should also include the other methods of procurement; small purchases, emergency purchases, and sole source purchases. This recommendation is expanded upon in the policy and procedure review of this report.

Small Purchases

With the exception of petty cash for small dollar reimbursements and check requests for certain items that are exempt from procurement, the current procurement policies and processes in place include only one primary method for processing small purchases.

The Review Team recommends the City consider the following additional processes to address small purchases:

- Direct Payments
- P-Card
- Single quote

Direct Payments: Direct payments are processes utilized by many governmental agencies to avoid the administrative cost of issuing purchase orders for small purchases below a pre-established dollar threshold. For example, based on the 2012 RPMG Benchmark Survey, the cost of a purchase order is \$93. Therefore, for every purchase order that is issued below \$93, the administrative cost is more than the actual cost of the goods. As a result, many organizations have evaluated their comfort level associated with the risk of allowing departments to purchase below an established dollar limit in order to avoid the cost of issuing purchase orders. Common thresholds for direct payments are \$100, \$250, \$500 and even higher. Some are as high as \$5,000. Several staff, including Internal Auditing and Accounts Payable, indicated they would consider such a process.

The Review Team recommends the City consider establishing a Direct Payment process for purchases between \$0 and \$250.

Purchasing Cards: The City is currently in the planning stages of implementing a purchasing card (P-Card) program. P-Card programs have several advantages including excellent flexibility

for City departments to meet the procurement needs, administrative cost savings due to reduction of purchase orders, and revenue from the use of the P-Card program. Based on the previously mentioned RPMG Survey, the cost to issue a purchase order is \$93. The cost of a P-Card transaction is \$21. Therefore, for every transaction converted from a purchase order to a P-Card the cost savings is approximately \$72. The benefit of P-Card use can be expanded further by tying the use of P-Card to term contracts, which will be further addressed in the following section of the report. It should be noted that appropriate transaction and monthly expenditure thresholds should be established, along with proper supervisor approval and adequate administrative oversight to ensure the P-Card system includes appropriate controls to avoid abuse.

The Review Team recommends that the P-Card program be expanded to the maximum degree feasible. Additional P-Card recommendations will be addressed in more detail in a separate section of this report.

Blanket Purchase Orders, Term Contract Use and Spend Analysis

The City currently issues Blanket Purchase Agreements (BPAs) to meet many of the small purchasing needs of City departments. BPAs are issued for a variety of not-to-exceed dollar limits for specific commodities and services. These limits can be any amount depending on the type of commodity or service and the department's needs. Many blanket orders are issued at the \$5,000 and \$10,000 level. The City departments like BPAs as they have several advantages:

- They allow departments the flexibility to order items on an as-needed basis without the burden of issuing individual purchase orders as long as the purchase is consistent with the terms and conditions of the contract and the dollar limit on the BPA is not exceeded.
- BPA requests follow the traditional procurement process. Therefore, they are issued only after the appropriate competitive requirements are satisfied.
- They generally provide good value for the City.
- They reduce the requirement for issuing purchase orders for individual small purchases.
- They allow the department to encumber funds in advance and better control their budgets.

As a result of the above advantages, BPAs have become a preferred tool for many purchases. However, BPAs have some disadvantages as well.

- They encumber funds based on expenditure estimates for goods or services for a period of time. The expenditure estimates used in the development of BPAs are generally not exact. Therefore, when the departments' needs exceed the BPA limit, a change order is necessary. When expenditures are less than the encumbered expenditure estimate, a change order or accounting action is necessary to release the encumbered money. As a

result, while BPAs have advantages, they also tend to generate a significant number of change orders, or accounting changes, to manage funds.

- Some BPAs have specific commodities and services with specific processes for each. However, many have general commodity or services categories with general discounts. BPAs often provide the commodity groupings and reference discounts for undetermined commodities or services. Unlike most purchase orders, BPAs usually provide no direct match of goods or services stated on the purchase order with those stated on the invoice. As a result, there is less control of what is purchased in comparison with traditional purchase orders.
- BPAs are purchase orders that encumber funds; therefore, P-Cards cannot be used.

BPAs are an excellent tool for general groupings of goods or services with undetermined quantities. However, non-encumbered term contracts could provide some advantages.

Price Agreement Term Contracts (Term Contracts) have the advantage of incorporating many of the advantages of currently used BPAs without the restriction of encumbering funds. Term contracts have several advantages:

- They do not encumber funds, thereby reducing the requirement of change orders to manage funds.
- Term contracts provide the same level of flexibility for departments to meet their needs as BPAs.
- They enable the voluntary or mandatory use of P-Cards.
- If used in conjunction with P-Cards, there is a dramatic reduction in the number of checks that will need to be issued in comparison with BPAs.

As a result, Term Contracts do not require the administrative burden of creating change orders to manage encumbrances. Term Contracts also have the advantage of enabling P-Card use, which provides better internal controls, better oversight of expenditures, reduction of checks, as well as generation of revenue.

While the City does not have an established workload measurement that includes the number of blanket purchase orders, based on information provided by Central Purchasing, the Review Team estimated that there were approximately 350 blanket purchase orders issued in FY13. Therefore, approximately 18% of total purchase orders were blanket orders. This information indicates that there is substantial potential for combination of several departmental blanket purchase orders into city-wide term contracts. The report indicates that there were approximately 250 purchase orders (13% of total purchase orders) issued to the top ten vendors during FY13. See chart below for vendors the City issued fifteen or more purchase orders to during the last fiscal year.

Vendor	# of Purchase Orders
RelianceNet	35
Office Depot	32
Palmer Printing	30
SHI International	30
Home Depot	19
AT&T	18
Capital Gazette	17
Douron	17
Neptune Technology	17
Sprint	17
Tele-Tector of Maryland	17

This is another strong indication that term contracts may be beneficial. These are indications that some of these purchase orders could be combined into term contracts. These city-wide term contracts can be used in concert with direct payments, P-Cards or purchase orders. The City should consider requiring P-Card use for selected term contracts. Term contracts have the advantage of decreasing costs due to higher volume discounts, increasing internal controls, and providing the opportunity for P-Card use, thereby increasing administrative efficiency and generating revenue. They also avoid the requirement for changes necessary to continually manage encumbrances.

The above information provides a general analysis of basic purchase order information to determine some fundamental procurement decisions and reports. This information can be further sorted and analyzed to evaluate other information, such as commodity groupings, formal solicitation types, contract types, departmental workload, minority vendor utilization, contract solicitations, awards, etc.

The Review Team recommends the City review the information provided above in order to develop new small purchasing programs and procedures (direct pay and P-Card programs), update solicitation thresholds and delegation thresholds, as well as to identify blanket term contract and P-Card programs and program goals. The Team also recommends additional analysis of the purchase orders to determine the potential of developing policies and programs to further increase efficiency, and that the City consider development of comprehensive workload and performance metrics.

Based on the information provided above, the Team recommends the City consider converting BPAs to Price Agreement Term Contracts whenever it is deemed feasible and consider attaching

a P-Card component or requirement on all term contracts where practicable. In addition, the Team recommends the City evaluate the “Contract” capability in the MUNIS system to determine the ability to enter non-encumbrance contacts into the system.

Cooperative Contracts

The City currently uses cooperative contracts in order to improve cost savings and increase administrative efficiency. However, the policy Manual does not provide clear direction regarding use of cooperative contracts.

The Review Team recommends the City expand the cooperative contract language in the Purchasing Manual in order to provide better information, guidelines, and clear direction to City staff, and to encourage their use whenever the Procurement Officer deems them to be advantageous to the City.

Contract Administration

The purpose of contract administration is to ensure that contracts are appropriately managed and that all parties, including City staff and the vendor, comply with all terms and conditions of contracts. The City currently does not have a formal contract administration policy in place. Contract Administration is a vital component of the procurement cycle.

The Review Team recommends the City develop a comprehensive contract administration policy. This policy should include, but not be limited to, the following requirements:

- Clear definition of contract administration
- Clear description of the components of contract administration to include
 - Receiving
 - Acceptance
 - Inspection
 - Verification of invoices with contract terms and conditions and
 - Approval of invoices for payments
- Clear roles and responsibilities for each of the components noted above
- Contractor performance monitoring process
- Contract expiration and renewal reporting and tracking
- Training
- Oversight of department’s contract administration activity
- Contract dispute process

In addition, the Team recommends Central Purchasing manage the overall contract administration function to include assignment of a designated departmental contract administrator, training of departments, oversight and monitoring. This process should be

included in the Procurement Manual and a training requirement should be mandated for all staff that are involved in or supervise the contract administration function.

Metrics

The City currently has a well-developed procurement program in place. However, there are currently few workload and performance metrics being utilized. The City could benefit from the development of key workload and performance measures to better monitor and manage the performance of certain programs.

The Review Team recommends the City identify key workload and performance metrics and begin tracking them to measure successes. The following is a list of some workload and performance metrics to be considered by the City.

- Requisitions: number, and department, commodity/services
- Purchase orders: number, dollar, department, commodity/services
- Contracts: number, dollar, department, commodity/services
- Solicitations: type, number, dollar, department, commodity/services, processing time for each type
- P-Card Program: number of cards, cardholders, dollar expenditures, number of transactions, number of abuses discovered, growth over time
- MBE: number of contract awards, dollar volume of contract awards, proportion of both number and dollar of awards in comparison of total awards

Minority Business Enterprise (MBE) Policy

While the current Purchasing Manual includes a brief policy regarding the Minority Business Enterprise Program, it is very brief and has limited content. Based on interviews with staff, the City is currently developing a Minority Business Enterprise program.

The Review Team recommends that as soon as the program is developed that it be included in a prominent place in the Manual and that information regarding this program be distributed to all parties that have a role in the procurement process.

Customer Satisfaction

Based on interviews, Procurement staff is considering use of the NIGP Customer Satisfaction Survey. The advantage to this survey is that it is developed and administered by an outside organization which is perceived to be more objective.

The Review Team endorses the use of this survey and recommends that it be issued each year to continually monitor the City's satisfaction of the procurement process.

Workload

The purpose of this section is to provide a high level overview of procurement workload metrics and to identify some policies and procedures that may require additional analysis and possible modification to increase efficiency.

Purchase Orders: A review of purchase orders and formal solicitations provides an indication of the overall volume of work flowing through the Central Purchasing. As the table below demonstrates, this information can be broken down into dollar categories to determine the amount of workload in each category in comparison to overall workload. Based on information provided to the Review Team, Central Purchasing issued 1857 purchase orders in FY13. This is approximately 928 purchase orders issued per Purchasing staff member. The analysis below, which includes purchase order information for FY13, can be used to establish the most appropriate dollar threshold for P-Card use, single quotations, request for quotations, formal solicitation, and how work is assigned to staff, as well as the most advantageous use of delegation of procurement authority to departments.

Value	Count	% of Total #	Cumulative % of #	Total \$	% of Total \$	Cumulative \$	Cumulative % of \$
0 - \$99	115	6.19%		\$6,505	0.03%		
\$100 - \$249	153	8.24%	14.43%	\$26,085	0.12%	\$32,590	0.15%
\$250 - \$499	201	10.82%	25.26%	\$74,491	0.34%	\$107,081	0.49%
\$500 - \$999	264	14.22%	39.47%	\$183,922	0.85%	\$291,003	1.34%
\$1,000 - \$2,499	387	20.84%	60.31%	\$616,989	2.85%	\$907,991	4.20%
\$2,500 - \$4,999	256	13.79%	74.10%	\$879,588	4.06%	\$1,787,580	8.26%
\$5,000 - \$9,999	202	10.88%	84.98%	\$1,411,436	6.52%	\$3,199,015	14.78%
\$10,000 - \$24,999	164	8.83%	93.81%	\$2,621,512	12.11%	\$5,820,527	26.89%
\$25,000 - \$49,999	51	2.75%	96.55%	\$1,745,558	8.07%	\$7,566,085	34.96%
\$50,000 - \$99,999	35	1.88%	98.44%	\$2,247,343	10.38%	\$9,813,428	45.34%
\$100,000 and \$999,999	27	1.45%	99.89%	\$6,356,727	29.37%	\$16,170,155	74.71%
\$1,000,000 and above	2	0.11%	100.00%	\$5,472,635	25.29%	\$21,642,790	100.00%
TOTAL	1857	100%		\$21,642,790	100%		

A brief analysis reveals several issues that may be worthy of consideration and more study. Examples of issues that may warrant an in-depth analysis of the information is as follows:

- **Purchase from \$0 - \$99** represent 6.19% of volume but only .03% (\$6,505) of all purchase order expenditures; an average of \$56.57 per purchase order. The administrative cost to issue a purchase order is \$93. Therefore, the administrative cost of issuing these

purchase orders is more than the cost of the goods or services. This information indicates that this category should be considered for P-Cards or direct payment processes – a process which allows for payment without a purchase order at a cost saving of \$71 per transaction.

- **Purchases from \$0 - \$249** represent 8.24% of volume but only .123% (\$26,085) of purchase order expenditures; an average of \$212.80 per purchase order. This category is very low risk and may also be a good candidate for P-Cards or a direct pay process due to administrative efficiency stated in the item above.
- **Purchase orders from \$0 - \$2,499** represent 20.84% of volume but only 4.2% (\$907,991) of total expenditures. Comparatively speaking, this category represents a moderate amount of workload but a small amount of expenditures. As a result, this category represents moderately low risk. These numbers indicate that this category is a candidate for the single quotation limit to allow procurement and departmental staff to use their best judgment for purchases. It should be noted that staff should be using cooperative contracts and price agreement term contracts whenever practicable and feasible along with P-Card use.
- **Purchase orders from \$2,500 - \$24,999** (or \$50,000 if approved by the City) represent 93.81% of volume and 26.89% (\$4,912,535) of total expenditures. This category represents considerable workload and dollar expenditures, which also are fairly complex. The City's updates in 2011 require at least three written quotes. This is appropriate for this category of expenditures. It should be noted that cooperative contracts and price agreement term contracts should be used whenever practicable and feasible.
- **Purchase orders above \$25,000** (or \$50,000 if approved by the City) represent only 6.19% of the volume and 73.1% (\$15,822,263) of total expenditures. This is the most complex and high risk category that should require formal solicitations and extensive evaluations. This area should receive the highest degree of attention from the most qualified department and procurement staff. The City currently conducts approximately 30 formal solicitations per year, including capital construction contract solicitations.

Formal Solicitations: In addition to the Purchase Orders processed by Central Purchasing, the Purchasing Officer conducts approximately 30 formal solicitations annually. There is currently no method of tracking the type of formal solicitation, Invitation for Bid (IFB) or Request for Proposal (RFP), but this could be established through the development of a report using Excel.

Based on feedback from several key departments, Central Purchasing works very well with departmental representatives in the development and evaluation of formal solicitations. Departmental representatives stated that Purchasing was very responsive and they appreciated the level of knowledge and guidance that was provided. This level of cooperation and collaboration will serve as a solid framework as Central Purchasing continues to work with departments to develop term contracts to meet their departmental needs.

The recommendations included throughout this report will facilitate the shift of small dollar transactions away from purchase orders to the P-Card and a direct pay process. This shift will free Central Purchasing staff time to conduct analysis, conduct formal solicitations and develop term contracts. This analysis will require resources. Shifting small dollar transactions to departments, with appropriate guidance and controls, will allow the Central Purchasing staff the time needed to develop contracts which will result in additional cost savings and administrative saving for the City.

The Review Team recommends that the City begin capturing purchase order and formal solicitation workload metrics and begin analyzing them on a regular basis. This recommendation has been included in the Metrics section of the report.

Summary of Procurement Function Review

The Team's initial review of procurement policies indicated that there was very little automation of the process and that the policies and procedures had not been updated since 1996. However, the on-site review revealed that the City had well developed procurement processes and excellent procurement automation from requisition through payment. This is a strong indication that there has been a recent paradigm shift which has resulted in considerable enhancements in procurement automation and associated processes during the last three years. These recent improvements in the procurement process appear to be the result of a change in leadership. In addition to the numerous automated processes, the on-site visit revealed that the Central Purchasing staff has a solid understanding of procurement and are viewed by all staff during interviews as knowledgeable, helpful, supportive and timely. Overall, there is excellent use of automation and dedicated staff to support the procurement function. The procurement related documents, Invitation for Bids, and Request for Proposal documents are also well developed. This is largely due to staff that is experienced in formal solicitations and contract development with excellent support and collaboration by the City Attorney's Office.

The current procurement processes are well developed and based on interviews with staff, there are plans for additional procurement program enhancements and possibly automation for the future. There have been considerable enhancements during the past three years. However, the documented processes included in the Manual are lagging behind the recent process changes and automation.

In summary, the Review Team recommends that the City develop a new policy level Procurement Manual based on the procurement process recommendations set forth in this section of the report, that it be posted on the City's website, and that the Purchasing staff develop a procurement training program, with focus on particularly important areas such as contract administration and the new P-Card program. Since the P-Card program has the potential of generating considerable administrative efficiency, the Team is recommending further

development of a P-Card policy and program with adequate security features. The Team also recommends that the City consider tying price agreement contracts with P-Card use.

The Review Team recommends the City develop a set of workflow and performance metrics to manage work and measure procurement performance. Some basic workload measurements for procurement organizations which should be utilized as a means to develop procurement related policies and procedures include, but are not limited to, the following:

- Purchase Orders by Number and Dollar
- Formal Solicitations by Number and Dollar
- Blanket and Term Contracts by Number and Dollar

The Team recommends the City analyze the historical purchase order information to determine opportunities for development of price agreement term contracts which will result in fewer blanket purchase orders. The Team also recommends the City analyze the purchase order information to possibly modify thresholds for small purchasing.

Task B Recommendation Summary

The Review Team recommends:

1. Dollar Thresholds
 - a. Change the dollar thresholds for competitive sealed bidding or competitive sealed proposals for goods and services to \$50,000.
 - b. The processes for competitive sealed bidding and competitive sealed proposals be clearly documented in a revised procurement manual.
 - c. The Manual address all methods of procurement; small purchases, emergency purchases, sole source purchases; competitive sealed bidding and competitive sealed proposals.
 - d. The small purchases threshold be reviewed and possibly increased with a goal of improving administrative efficiency and flexibility, that the City consider adopting a process for direct payment of very small purchases.
 - e. Once the thresholds are adopted, the Team recommends that they should be clearly stated in the appropriate section of the Procurement Manual.
2. Small Purchases
 - a. Direct Payments: The City consider establishing a Direct Payment process for purchases between \$0 and \$250.
 - b. P-Cards: The P-Card program be expanded to the maximum degree feasible.
3. Blanket Purchase Orders, Term Contract Use and Spend Analysis
 - a. The City review the information provided above in order to develop new small purchasing programs and procedures (direct pay and P-Card programs), update

solicitation thresholds and delegation thresholds, as well as to identify blanket term contract and P-Card programs and program goals.

- b. The City conduct additional analysis of the purchase orders to determine the potential of developing policy and programs to further increase efficiency, and that the City consider development of a comprehensive workload and performance metrics program.
 - c. The City consider converting BPAs to Price Agreement Term Contracts whenever it is deemed feasible and consider attaching a P-Card component or requirement on all term contracts where practicable.
 - d. The City evaluate the “Contract” capability in the MUNIS system to determine the ability to enter non-encumbrances term contacts into the system.
4. Cooperative Contracts
 - a. That the City expand the cooperative contract language in the Purchasing Manual in order to provide better information, guidelines, and clear direction to City Staff, and to encourage their use whenever the Procurement Officer deems them to be advantageous to the City.
 5. Contract Administration
 - a. The City implement a formal contract administration process/policy and that this policy identifies, at a minimum, the steps identified in the report.
 - b. Central Purchasing manage the overall contract administration function to include assignment of a designated departmental contract administrator, training of departments, oversight and monitoring.
 6. Metrics
 - a. The City identify key workload and performance metrics and begin tracking them to measure successes.
 7. Minority Business Enterprise (MBE) Policy
 - a. As soon as this program is fully developed that it be included in a prominent place in the Manual and that information regarding this program be distributed to all parties that have a role in the procurement process.
 8. Customer Satisfaction
 - a. NIGP Consulting endorses the use of the NIGP Customer Satisfaction Survey and recommends that it be issued each year to continually monitor the City’s satisfaction of the procurement process.

Task C: Documents and templates and how to standardize and document the procurement process moving forward

Based on information provided by the City, many of the procurement related documents are currently being reviewed and updated by the Purchasing Officer in collaboration with the Assistant City Attorney. This is an excellent practice to ensure appropriate legal review for all contractual documentation. The Review Team included very detailed and specific recommendations specifically related to the Procurement Manual. Once updated, the Procurement Manual will serve as the standard guide for Central Purchasing and departments to document the entire procurement process. The P-Card policies and procedures and related documentation are currently being developed. Specific recommendations related to the P-Card documentation are provided in Task D of this report. Once the Purchasing Manual and P-Card policies and procedures have been updated, the Review Team recommends that Central Purchasing develop departmental training for each.

Task C Recommendation Summary

The documents and templates are very good and are being reviewed by the Procurement Officer and the City Attorney's Office for continued improvement. The Review Team has no additional recommendations for this section.

Task D: Review of the current Purchasing Card (P-Card) program, including recommendations for how to incorporate the purchasing tool in existing policies and procedures

This section of the report will review the City's current P-Card policies, procedures, transaction limits and controls as well as provide recommendations for strategies to establish a robust and transparent P-Card program that will incorporate this valuable purchasing tool into the existing procurement processes.

The P-Card program is a powerful tool used to enhance efficiency of the purchase to payment process for small dollar transactions. It is an effective process used extensively by many high performance procurement organizations to improve efficiency of small dollar transactions while maintaining review and control. Therefore, specific guidelines providing clarification on approvals and purchase restrictions must be established and monitored on a consistent basis. Since the City is initiating the P-Card program, this is an exceptional opportunity to establish clear and comprehensive guidelines to encourage use of the program to enhance efficiency while at the same time ensuring appropriate controls are in place.

The functionality of most P-Card systems provides mechanisms to implement effective controls and monitoring for tracking and reviewing purchase transactions. P-Cards can serve as a cost saving, efficiency enhancing tool that can provide great value in the processing of small dollar

transactions. In addition to the administrative efficiencies that are gained through the use of P-Cards for small dollar transactions, the City can also benefit from the rebate generated by the use of the card. Current and future trends among best performing public agencies are to use the P-Card as an efficient and effective payment mechanism, not only for small purchases, but also for blanket and term contracts, electronic catalog orders, and individual contract payments.

A robust and effective P-Card program requires clear policies, supporting procedures and the appropriate level of control. The program should include, but not be limited to, the following components:

- Accountability
- Audit Program
- Automated Tools for reconciliation and program administration
- Comprehensive training program
- Policy and procedures manual

The City provided two documents related to the new P-Card program. The first document, “Wells Fargo Commercial Card Program Policy and Procedures Manual”, appears to be a template provided by Wells Fargo to assist in the development of organization specific P-Card policies and procedures. The second document, “City of Annapolis P-Card Policy”, is a brief overview of the program which includes a description of the purpose of the program as well as general statements regarding the usage, restrictions and reporting associated with the program. Both of the documents provide somewhat limited information. However, these documents should be combined and enhanced to develop a comprehensive P-Card program policy which should clearly define the purpose of the program, the roles and responsibilities of Finance, Purchasing and departments, and provide clear guidance regarding authorized and restricted purchases, consequences for violation of the use of the card, and receipt and documentation requirements.

In addition to a comprehensive policy, a detailed, procedural “Cardholder Quick Reference Guide” will be very beneficial to departments. This Quick Reference Guide, which is referenced several times in the Well Fargo documentation, should provide detailed procedures related to approving transactions, running reports, and monitoring transactions. Since this is a new program and system for departments, the City (in coordination with the Wells Fargo P-Card Implementation Team) should develop training documentation to include screen shot navigation of the Well Fargo system. Initial in-person training should be developed upon the implementation of the program with periodic refresher training offered on an as-needed basis and for new City employees. This information should be included in the Cardholder Quick Reference Guide to serve as a resource for departments as the program is implemented and as an on-going resource to support program expansion.

The City is currently in the process of establishing a P-Card program in which departmental cards will be issued to purchase small dollar transactions. The existing documentation states that P-Cards will be issued to departments with authority for use granted by the Department Director. The current plan is to establish the monthly limit at \$1,000 per department. This limit is well below the RPMG Purchasing Card Benchmark survey results of \$8,700 for small organizations. Based on this current monthly limit, the City will realize very little of the administrative efficiency benefit associated with P-Card usage. Most organizations set limits at \$1,000 or \$5,000 per transaction with monthly limits of \$10,000 or \$20,000 based on departmental need in order maximize use of P-Cards for small purchases, and particularly so if P-Card use is tied to term contracts.

Following implementation of the new program, the City may want to consider expanding the P-Card program to further assist the user agencies in obtaining small dollar goods and services. This change would reduce the volume of small dollar transactions currently being processed as purchase orders, so that staff may focus efforts on more complex and higher value purchases such as developing cost saving term contracts. Based on a review of the FY13 purchase order data provided by Purchasing, 469 purchase orders were issued for transactions less than \$500. In addition, 733 purchase orders were issued for transactions less than \$1,000. Transitioning even 50% of these transactions to the P-Card, would result in approximately \$26,000 in administrative savings (\$71 savings per transaction transferred from purchase order to P-Card based on the RPMG report). This is a substantial saving which would allow departments the flexibility to quickly obtain the small dollar goods and services they need while freeing up Purchasing staff resources to focus on higher value and more complex procurement initiatives.

There are several best practices and strategies for P-Card use and program growth that can be implemented by the City to market and slowly expand the program to increase administrative efficiency, allow for faster processing time for small dollar purchases, maintain an appropriate level of control and monitoring, and increase revenue through P-Card rebates. The 2012 RPMG Purchasing Card Benchmark report recommends several strategies for expanding the P-Card program to access these noted benefits. Those strategies are as follows:

- Market the benefits of the P-Card program and, where applicable, mandate use of the P-Card for specified purchases
- Target specific commodities and/or vendors for preferred or mandatory P-Card use
- Review the list of merchants that accept P-Card payments to identify existing vendors where payments can be transitioned to P-Card transactions
- Review incoming requisitions to identify opportunities to require P-Card use rather than issuance of a purchase order

- Maximize use of program available limits and restrictions (merchant category codes, discretionary limits, additional approvals required above a certain dollar threshold) to ensure appropriate control
- Maximize use of available reporting and monitoring capability to ensure appropriate level of oversight and control

The City is in an excellent position to develop a robust P-Card program. The recommendations included herein are supported by best practices to improve organizational efficiency, administrative cost savings, increased revenue generation through P-Card rebates, and staff workload reduction.

The Review Team recommends the City analyze small dollar expenditures by department to ensure that the most appropriate transactions and monthly limits, as well as merchant category code restrictions, are established. Initially, low transactions and/or monthly limits may be implemented. The Team recommends that these limits be reviewed within six months to a year following implementation to ensure that limits are appropriately set so that the City can maximize the administrative efficiency and controls that are provided by the P-Card program. In addition, the Team recommends that the City utilize the merchant category code restrictions available within the P-Card system to restrict usage of the cards for unauthorized goods and/or services.

To take advantage of these potential administrative costs savings while ensuring appropriate monitoring and controls of the program, the Review Team recommends the City include the following as it implements the new P-Card program:

- Mandatory in-person training prior to the issuance of the P-Card
- Agreements signed by departmental staff identifying responsibilities for appropriate P-Card use and documentation requirements
- Agreement signed by the Department Director identifying responsibilities associated with approval of card use and resulting reconciliation
- Development of comprehensive policies and procedures to clearly define appropriate use of P-Cards
- Identification of departmental responsibilities associated with P-Card use, approval, reconciliation and maintenance of receipts and supporting documentation
- Use merchant category code restrictions to ensure P-Cards cannot be utilized for restricted goods and/or services
- Development of an audit and review process to ensure appropriate use and maintenance of required documentation
- Use of the P-Cards for purchases on term contracts

- Allow the use of P-Cards for services
- Systematic follow up, refresher training
- Mandatory use of the P-Card for certain term contracts
- Review daily and monthly transaction limits to ensure appropriate limits are established per department

The Review Team recommends that a comprehensive P-Card policy and procedure be developed along with mandatory training for all appropriate City staff prior to issuance of the P-Cards. The Team also recommends that P-Cards be used in conjunction with the City's term contracts and that City meet with the Wells Fargo representatives to ensure that their system will accommodate the recommendations included herein. In addition, the City should consider mandatory use of the P-Card for certain transactions or to identified vendors.

Task D Recommendation Summary

The Review Team recommends that the City:

1. Develop a comprehensive P-Card program policy that clearly defines the purpose of the program, the roles and responsibilities of Finance, Purchasing and departments, and provides clear guidance regarding authorized and restricted purchases, consequences for violation of use of the P-Card, and receipt and documentation requirements.
2. Develop a "Cardholder Quick Reference Guide" to provide detailed procedures related to approving transactions, running reports, and monitoring of transactions. This Guide should include screen shot navigation guidance for the Wells Fargo P-Card system.
3. Develop training documentation and require in-person training prior to the issuance or use of the P-Card. Provide refresher training as needed.
4. Review transaction and monthly limit recommendations to maximize administrative efficiency associated with P-Card usage. Evaluate the transaction and monthly limits within six months following implementation to ensure that limits are appropriately set so that the City can maximize the administrative efficiency and controls that are provided by the P-Card program.
5. Analyze small dollar expenditures by department to ensure that the most appropriate transaction and monthly limits are established,
6. Implement merchant category code restrictions for cardholders based on the specific needs of departments.
7. Promote or require the use of P-Cards with the City's term contracts.
8. Following implementation, conduct ongoing analysis and develop additional means to enhance program expansion for other areas of small purchases.

V. Conclusion

The City's current procurement processes are generally well developed and significantly supported through automation by MUNIS, eMaryland MarketPlace, and GovDeals. The Review Team included several recommendations that have the potential of substantially improving the procurement process. Shifting blanket purchase orders to term contracts could reduce the number of change orders, enable the use of P-Cards, increase volume discounts and improve internal controls. The City could also benefit from formalizing a contract administration program to include a clear policy statement, clear roles and responsibilities, and training. The primary benefit of this program is to ensure all parties comply with all contract/purchase order terms and conditions, that contract expiration and renewal dates are tracked, and that contract disputes are appropriately addressed.

The Review Team recommended the development of workload and performance metrics with the goals of providing information that is necessary to manage the procurement organization and provide information to enable upper management to monitor the performance of Central Purchasing. The Team also recommended a Direct Payment program for purchases below \$250 and increased the dollar threshold requiring formal solicitations to \$50,000 for goods and services. The goal of this recommendation is to increase administrative efficiency for small purchases and to allow more time for the Purchasing staff to focus on complex formal solicitations and contracting issues.

While the current procurement processes are good, the City's Procurement Policies and Procedures Manual has not kept pace with the positive changes that have evolved over the past few years. The policies and procedures need to be rewritten to fully address all major aspects of the procurement process with improved content and flow based on the procurement cycle. These policies should address all processes from requisition to purchase order, as well as contract administration and surplus property. Each policy should include: a clear policy statement, roles, responsibilities and authority and all major process steps. The Team recommends that the Manual be written at the policy level addressing major policies and processes and that individual checklists and procedures be developed and maintained outside of the Manual. The Team has also provided recommendations to support the development of comprehensive P-Card policies and procedures so that the P-Card can become the City's primary tool for small purchasing. The procurement forms and documents are very well written, largely due to the cooperation and collaboration between the Procurement Officer and the City Attorney's Office.

Central Purchasing has done a good job of meeting the City's procurement needs. Interviews with department staff indicated the Procurement staff is cooperative, responsive and professional. Other than implementing a P-Card program, they had few recommendations on how to improve the procurement process. Based on these interviews, the departments appear to be satisfied with the level of service they are receiving from Central Purchasing.

While the City's procurement process works well in its current state, the recommendations included in this report will further improve the procurement process, assist with the successful implementation of a good P-Card program, and dramatically improve the City's procurement policies.