



**Internal Audit Report**  
**Pinal County**  
**Vendor and Contract Management Review**  
**March 2019**

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# Pinal County Vendor and Contract Management Review Internal Audit Report

## Executive Summary

### Background

Pinal County Internal Audit performed an audit of its Vendor and Contract Management Processes to evaluate the current state of, and compliance with, respective policies, procedures, and internal controls, and identify Opportunities for Improvement (“OFI”).

In pursuit of providing required governmental services for its constituents, Pinal County contracts with numerous outside vendors to operate as intended. Per the 2017 Pinal County Comprehensive Annual Financial Report, for the fiscal years ending June 30, 2016 and 2017, governmental and business-type expenses totaled approximately \$259 and \$249 million, respectively.

As part of a comprehensive vendor and contract management function, it is imperative that Pinal County develop and implement a succinct set of policies and procedures to govern key activities, including but not limited to:

- Performing appropriate due diligence on prospective vendors;
- Periodically evaluating contractual obligations with existing vendors;
- Defining required sourcing provisions; and
- Establishing standard contractual language and periodic monitoring procedures to assess vendor compliance with contractual obligations.

As of January 2019, the County had over 1,000 active vendors with applicable spend across all County departments during the period of January 1, 2018 - December 31, 2018.

### Scope, Objective and Approach

#### Scope:

The scope of this review included:

- Evaluating comprehensiveness and assessing adherence to current policies and procedures in place governing the Vendor and Contract Management processes (*County Policy\_9.10*)
- Reviewing the Vendor Risk Assessment Process to validate:
  - Vendors are reviewed using a standardized risk assessment methodology
  - Vendors are reviewed on a recurring, periodic basis
  - Appropriate evidence or supporting data is obtained to evaluate new and existing vendors
- Reviewing the Contract Management Process to verify if:
  - The County has developed and utilizes standardized contracts for vendor purchases
  - Appropriate parties, including Legal, are integrated into the contract approval process
  - Formalized authorization thresholds have been implemented
- Assessing if monitoring functions have been established to periodically evaluate vendor performance and compliance with agreed upon contractual terms.

#### Objectives:

The objectives of the review of Pinal County’s Vendor and Contract Management processes were to:

- Assess compliance with County policies and procedures
- Verify the current vendor assessment process is comprehensive in nature and conforms to industry best practices to provide effective monitoring of new or high-risk vendors.
- Analyze the contract management process for efficiency and adequacy of monitoring procedures.

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- Identify improvement opportunities related to the efficiency and effectiveness of the contract and vendor management procedures and monitoring controls

### **Procedures Performed:**

Our review of the Pinal County Vendor and Contract Management process followed the Pinal County Internal Audit Methodology. Accordingly, detailed procedures performed entailed:

- Interviewing Finance, Procurement and Legal personnel to gain an understanding of the current policies and procedures in place.
- Reviewing a sample of current contracts awarded to vendors from the period of January 1, 2018 - December 31, 2018 to evaluate if appropriate procedures were performed relating to:
  - Initial Vendor Assessment (pre-contract awarding)
  - Ongoing Vendor Evaluation (pre-contract awarding)
  - Vendor Approval (pre-contract awarding)
  - Obtainment of Multiple Bids (contract awarding)
  - Formal Contract Review and Negotiations (contract awarding)
  - Operationalization of Contract (cost code development, data entry, etc.)
- Evaluating the Vendor and Contract Management Monitoring processes to determine if appropriate procedures were performed relating to:
  - Scope and Breadth of Monitoring Procedures
  - Assessment of Compliance with Contractual Provisions
  - Assessment of Adherence to established Service Level Agreements
  - Enforcement of Penalties/Fines on Non-Compliant Vendors
- Assessing the current organizational structure to determine if appropriate human and capital resources are allocated at critical positions.
- Performed data analytics on vendor, contract and third party spend populations to evaluate the completeness and accuracy of contractual data, identify a comprehensive vendor population and the respective departmental utilization and assess vendor redundancies within departments.

### **Summary of Results – Areas of Strength**

As part of the above documented procedures, Internal Audit noted the following strengths present in the Vendor and Contract Management processes.

- Leadership over the Procurement department is experienced and knowledgeable of the subject matter.
- Current Procurement personnel are experienced and tenured in their respective positions, resulting in increased efficiency in completing required tasks
- The County has implemented cross-training opportunities within the Procurement Department and has participated in knowledge sharing across the County.
- Procurement personnel, in conjunction with the County Attorney's office, have recently completed a revision of the Procurement Manual to incorporate best practices identified in peer municipalities.
- Internal Audit noted that the respective departments responsible for contract management are knowledgeable of services provided by the respective vendors and can clearly articulate operational expectations that have been agreed upon with the vendor.
- Interdepartmental relationships between the Procurement Department and the respective contracting departments is collegial in nature and results in positive resolutions of identified issues.

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**Summary of Results – Opportunities for Improvement**

The following **opportunities for improvement** were observed during the review. Control and process improvement opportunities identified by Internal Audit are discussed more thoroughly in the Detailed Improvement Opportunities and Action Plans section that follows.

No.	Opportunities for Improvement	Risk Ranking
1.	The Procurement Manual does not delineate an on-going process or formalized framework to establish minimum standards for contract monitoring by the County. As a result, the County utilizes a decentralized approach to evaluate vendor compliance with established County contracts, service level agreements or fulfillment standards.	High
2.	Internal Audit experienced significant difficulties obtaining relevant data to perform data analysis during the audit. Accordingly, Internal Audit noted that data reporting is not mature, resulting in an inability to effectively assess and utilize data analytics to improve current operations.	High
3.	Standard County contracts, statements of work, or boiler-plate terms and conditions are not periodically reviewed by the Procurement Department or County Attorney's office. As a result, the County may be utilizing outdated contractual templates that position the County in a detrimental legal or financial position when engaging with outside vendors.	Medium
4.	There is a lack of coordination between the Procurement Department and respective contracting departments during the contract life cycle, including bid solicitation, contract execution and monitoring of vendor performance and contractual requirements.	Medium
5.	Contract Monitoring performed by various departments lacks standardization and may result in an inadequate review of vendor performance. Internal Audit noted that performance of Contract Monitoring is inconsistently performed and lacks a consistent depth or understanding of key contractual requirements.	Medium
6.	The Procurement Department does not have a formal risk assessment process in place to appropriately risk rank external vendors utilizing a standardized set of evaluation factors. As a result, the County is unable to determine which vendors are high risk in nature and require additional oversight by the County.	Medium
7.	Internal Audit noted that one contract, solicited under a previous process by the Public Works Department, did not retain evidence of completion of Conflict of Interests certifications from individuals participating in the solicitation evaluation process. As a result, the County may have entered into contracts, with evaluation members that had conflicting interests that may not align with the County's financial and legal interests.	Medium
8.	Supplier Performance Feedback is not consistently obtained from County departments by the Procurement Department in anticipation of annual or bi-annual renewals of existing vendor contracts. As a result, the County may be renewing contracts with vendors that are not adequately performing according to County expectations, may have a divisive relationship with the County, and/or are not adhering to established financial and operational service level agreements (SLAs).	Medium

\*Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

In addition to the observations noted above, Internal Audit identified process enhancements for management's consideration. However, due to their low nature of risk, Management responses for identified process enhancements are not required. Please review Appendix D for additional information on process enhancements identified during the engagement.

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**Detailed Improvement Opportunities and Action Plans**

No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
1.	<p><b>The Procurement Manual does not delineate an on-going process or formalized framework to establish minimum standards for contract monitoring by the County. As a result, the County utilizes a decentralized approach to evaluate vendor compliance with established County contracts, service level agreements or fulfillment standards.</b></p> <p>Per inquiry with Procurement Management, the current Pinal County Procurement Procedure Manual was recently updated in conjunction with the County Attorney’s office during Q2 FY18 and effective as of January 1, 2019.</p> <p>However, Internal Audit noted that the County does not have policies in place to provide guidelines for monitoring vendor compliance with established contractual obligations on a continuous basis.</p> <p>Currently, the County has determined that the responsibility for monitoring of contracts is with the respective departments. As a result, the current process is fragmented in nature and produces inconsistent review of the existing vendor population. Due to the structure of the current contract monitoring process, the County may be exposed to the following risks:</p> <ul style="list-style-type: none"> <li>• Inconsistent/insufficient level of vendor reviews and documentation by the respective departments</li> <li>• Lack of formal monitoring criteria (e.g. SLAs, Key Performance Indicators (KPIs), Compliance Requirements)</li> <li>• Inability to identify non-conforming vendors in a timely manner</li> </ul>	High	<ol style="list-style-type: none"> <li>1. The Procurement Department should develop a standardized contract monitoring process, that is memorialized in the Procurement Manual, that allows for the identification and documentation of KPIs or SLAs that require additional monitoring.</li> <li>2. Key elements of the new contract monitoring process should include the following:               <ol style="list-style-type: none"> <li>a. Standard Evaluation Form that identifies minimum review standards over contract specific KPIs or SLAs</li> <li>b. Defined Periodic Reporting Timelines</li> <li>c. Formal in-person review touchpoints between Procurement and the Requesting Department</li> <li>d. Minimum documentation standards for Contract Monitoring Procedures</li> <li>e. Enhance the current quarterly realignment meeting to include a discussion of all open contracts</li> <li>f. Establish materiality thresholds (Risk Ranking and \$) for contracts requiring contract monitoring</li> </ol> </li> </ol>	<p><b>Responsible Party:</b> Lori Pruitt, Purchasing Manager</p> <p><b>Expected Completion Date(s):</b> 04/01/2020</p> <p><b>Management Action Plan #1:</b> A Contract Monitoring Procedure will be developed and memorialized in the Purchasing Department Procedure manual. The procedure will define roles and responsibilities of both the purchasing department and the using departments, vendor/commodity risk identification and ranking, documentation requirements, and communication methods.</p> <p><b>Expected Completion Date(s):</b> 05/01/2020</p> <p><b>Management Action Plan #2:</b> Training will be developed and offered to using departments to help them understand their contract monitoring responsibilities.</p> <p><b>Expected Completion Date(s):</b> 05/31/2020</p> <p><b>Management Action Plan #3:</b></p>

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No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
				Bonfire will be evaluated for opportunities to enhance contract monitoring procedures. If no cost options exist, they will be implemented, however if cost is associated, findings will be shared with the County Finance Director for consideration in the next budget cycle.
2.	<p><b>Internal Audit experienced significant difficulties obtaining relevant data to perform data analysis during the audit. Accordingly, Internal Audit noted that data reporting is not mature, resulting in an inability to effectively assess and utilize data analytics to improve current operations.</b></p> <p>During the audit, IA attempted to perform various data analytics based on data obtained from EnterpriseOne (E1), OnBase and Bonfire. Upon receiving the data requests from the Procurement Department, Internal Audit noted the following issues:</p> <ul style="list-style-type: none"> <li>• Due to the lack of reporting capabilities in OnBase, Internal Audit was unable to validate the completeness and accuracy vendor information in OnBase</li> <li>• Reporting capabilities within the various information systems was disparate in nature and not easily generated</li> <li>• Due to the disparate nature, performing data analytics was cumbersome in nature and required extensive manual manipulation to agree separate data reports</li> </ul> <p>As a result of the items noted above, and through inquiry with Procurement Management, Internal Audit has determined that the Procurement Department is not able to effectively assess and utilize data analytics to improve its current operations with the current suite of reporting capabilities.</p>	High	<ol style="list-style-type: none"> <li>1. The Procurement Department should consider investing in additional reporting options available with the Bonfire Solicitation Application (e.g. Bonfire Performance Management Module) to establish a centrally located repository and data reporting application for procurement information.</li> <li>2. The Procurement Department should enhance current procedures to streamline the process utilized to upload supporting documentation into the OnBase document repository and establish thresholds to define timeliness of uploads.</li> </ol>	<p><b>Responsible Party:</b> Lori Pruitt, Purchasing Manager</p> <p><b>Expected Completion Date(s):</b> 08/31/2019</p> <p><b>Management Action Plan #1:</b> Data reporting and analysis options within Bonfire and those available from alternative sources will be researched and evaluated. If no cost options exist, they will be implemented, however, if cost is associated, findings will be shared with the County Finance Director for consideration in the next budget cycle.</p> <p><b>Expected Completion Date(s):</b> 04/01/2020</p> <p><b>Management Action Plan #2:</b> Procedures will be reviewed and revised as necessary to incorporate streamlined process to include expectations for timeliness of data input.</p>

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3.	<p><b>Standard County contracts, statements of work, or boiler-plate terms and conditions are not periodically reviewed by the Procurement Department or County Attorney's office. As a result, the County may be utilizing outdated contractual templates that position the County in a detrimental legal or financial position when engaging with outside vendors.</b></p> <p>Per inquiry with Procurement Management and the County Attorney's office, there is no formal process in place to periodically evaluate the legal and economical tenants of current legal contracts or boiler-plate templates. As a result, the County is not proactively reviewing its existing legal and contractual library for changes in the legislative or business environments that may impact the County's contractual relationship with outside vendors.</p> <p>Specifically, Internal Audit obtained two boiler-plate templates for Construction engagements and noted that 13 contractual sections, from the general provisions noted below, require updating or modification:</p> <ul style="list-style-type: none"> <li>• Assignment and Contracting</li> <li>• Contractor's Responsibility</li> <li>• Retention of and Access to Records</li> <li>• Termination, Postponement, or Abandonment</li> <li>• Cooperation by the Contractor</li> <li>• Removal of Unacceptable and Unauthorized Work</li> <li>• Instalment/Progress Payments and</li> <li>• Extra Work</li> </ul>	High	<ol style="list-style-type: none"> <li>1. The Procurement Department should establish a contract template review protocol with the County Attorney's office on an annual basis to evaluate existing contract templates/boilerplates for the following changes:               <ol style="list-style-type: none"> <li>a. Updated Contractual Legal Guidance</li> <li>b. Applicable Federal and State Legislative Update</li> <li>c. Inconsistencies/ Inefficiencies noted in the operationalizing of the contract process</li> <li>d. Implementation of Industry Best Practices</li> </ol> </li> <li>2. Internal Audit has reviewed the current Construction Boilerplate and identified key areas that require enhancement to ensure the County is negotiating from a strong legal position.</li> </ol>	<p><b>Responsible Party:</b> Lori Pruitt, Lorina Gillette, Shonna McBride</p> <p><b>Expected Completion Date:</b> 12/31/2019</p> <p><b>Management Action Plan:</b> An internal, comprehensive review of all contract boilerplates will be initiated to evaluate for changes as recommended. Revisions to boilerplates will be suggested based on those findings and will be reviewed by County Attorney's office and Risk Management prior to implementation. A procedure for annual review of all contract boilerplates will be developed. Review of Construction boilerplates will include additional reviews and approvals by the Public Works and Facilities Directors.</p>
4.	<p><b>There is a lack of coordination between the Procurement Department and respective contracting departments during the contract life cycle, including bid solicitation, contract execution and monitoring of vendor performance and contractual requirements.</b></p> <p>Due to the lack of a formal process to coordinate monitoring activities between the Procurement Department and the contracting department, there is a potential lack of accountability or responsibility for managing the Vendor</p>	Medium	<ol style="list-style-type: none"> <li>1. Refer to the recommendations outlined for Observation #1.</li> <li>2. The County should standardize the use of an electronic format for all solicitations to ensure that all departments are utilizing the same process to solicit outside vendor services.</li> </ol>	<p><b>Responsible Party:</b> Lori Pruitt, Purchasing Manager</p> <p><b>Expected Completion Date:</b> 04/01/2020</p> <p><b>Management Action Plan #1:</b> A Contract Monitoring Procedure will be developed and memorialized in the</p>

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	<p>relationship upon completion of the bidding and contracting process.</p> <p>Currently, the County has established quarterly touchpoints titled "Quarterly Realignment Meetings" where the Procurement Department meets with all departments to discuss upcoming procurement needs and other ad hoc items brought forth by the respective department.</p> <p>However, there is no formal agenda item or standing discussion point to discuss the monitoring of existing vendors contracts. As a result, issues identified during the previous quarter may not be presented to the Procurement Department in a timely manner, which could negatively impact the County's ability to effectively provide services to its constituents.</p>			<p>Purchasing Department Procedure manual. The procedure will define roles and responsibilities of both the purchasing department and the using departments, vendor/commodity risk identification and ranking, documentation requirements, and communication methods.</p> <p><b>Expected Completion Date:</b> 05/01/2020</p> <p><b>Management Action Plan #2:</b> Training will be developed and offered to using departments to help them understand their contract monitoring responsibilities.</p> <p><b>Expected Completion Date:</b> 07/31/2019</p> <p><b>Management Action Plan #3:</b> Recommendations for standardized use of electronic formats for Construction solicitations will be developed and presented to County leadership for incorporation upon their approval.</p>
5.	<p><b>Contract Monitoring performed by various departments lacks standardization and may result in an inadequate review of vendor performance. Internal Audit noted that performance of Contract Monitoring is inconsistently performed and lacks a consistent depth or understanding of key contractual requirements.</b></p> <p>As part of the procedures performed during the audit, Internal Audit selected five contracts for testing and met with the</p>	Medium	Refer to the recommendations outlined for Observation #1.	<p><b>Responsible Party:</b> Lori Pruitt, Purchasing Manager</p> <p><b>Expected Completion Date:</b> 04/01/2020</p> <p><b>Management Action Plan #1:</b> A Contract Monitoring</p>

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	<p>respective departmental process owners to gain an understanding of the monitoring procedures performed by departmental personnel. The five contracts selected for testing were:</p> <ul style="list-style-type: none"> <li>• Consultant Engineering</li> <li>• Sunland Asphalt</li> <li>• Motorola Solutions</li> <li>• Summit Foods Services</li> <li>• Wexford Health Services</li> </ul> <p>Based on conversations with Management, and review of the bid solicitation and final contract, Internal Audit evaluated the monitoring procedures for adequacy and timeliness. From the testing performed, Internal Audit noted multiple observations for the Summit Foods Services and Wexford Health Services contracts including:</p> <ul style="list-style-type: none"> <li>• Failure to obtain required compliance certifications / statements in a timely manner</li> <li>• Failure to obtain and/or lack of review of periodic vendor reports and</li> <li>• Insufficient maintenance of key reports or supporting evidence of procedures performed</li> </ul>			<p>Procedure will be developed and memorialized in the Purchasing Department Procedure manual. The procedure will define roles and responsibilities of both the purchasing department and the using departments, vendor/commodity risk identification and ranking, documentation requirements, and communication methods.</p> <p><b>Expected Completion Date:</b> 05/01/2020</p> <p><b>Management Action Plan #2:</b> Training will be developed and offered to using departments to help them understand their contract monitoring responsibilities.</p> <p><b>Expected Completion Date:</b> 05/31/2019</p> <p><b>Management Action Plan #3:</b> Bonfire will be evaluated for opportunities to enhance contract monitoring procedures. If no cost options exist, they will be implemented, however, if cost is associated, findings will be shared with the County Finance Director for consideration in the next budget cycle.</p>
6.	<p><b>The Procurement Department does not have a formal risk assessment process in place to appropriately risk rank external vendors utilizing a standardized set of evaluation factors. As a result, the County is unable to determine</b></p>	Medium	1. As part of a mature contract monitoring process, the Procurement Department should develop a standardized risk	<p><b>Responsible Party:</b> Lori Pruitt, Purchasing Manager</p>

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	<p><b>which vendors are high risk in nature and require additional oversight by the County.</b></p> <p>Per inquiry with Procurement Management, the current Pinal County Procurement Procedure Manual was recently updated in conjunction with the County Attorney's office during Q2 FY18 and effective as of January 1, 2019.</p> <p>Per review of the County's Procurement Procedure Manual, Internal Audit noted the following general procurement practices documented specific procedures for the following content areas:</p> <ul style="list-style-type: none"> <li>• Bid Solicitation Process</li> <li>• Vendor Assessment</li> <li>• Vendor Awarding and</li> <li>• Contract Initiating and Review</li> </ul> <p>However, Internal Audit noted that the County does not have a process in place to formally "risk rank" vendors for monitoring purposes. As a result, the County is not able to effectively delineate which vendors require additional due diligence or stricter contract monitoring procedures.</p> <p>Additionally, due to resource constraints on the department, it is imperative that the department develop additional criteria, outside of dollar value materiality thresholds, to efficiently identify vendors that require enhanced procedures.</p> <p>Refer to Appendix C to view an analysis of the number of vendors per department to further illustrate the need for the County to risk rank vendors.</p>		<p>assessment process, that is memorialized in the Procurement Manual, that allows for consistent evaluation of vendor risk that is utilized in identifying vendors that require monitoring. Items to be included in the evaluation of risk ranking should consider the following:</p> <ol style="list-style-type: none"> <li>a. Service Type Evaluation</li> <li>b. Vendor Financial Analysis</li> <li>c. Supplier Past Performance/References</li> <li>d. Contract Length</li> </ol> <p>2. Develop a preferred vendor's listing that is reviewed and updated on an annual basis by the Procurement department to incorporate departmental feedback on existing vendors.</p>	<p><b>Expected Completion Date:</b> 10/31/2019</p> <p><b>Management Action Plan:</b> A Risk Assessment Process will be developed as part of the Contract Monitoring Procedure to include identification of vendors that require monitoring and a ranking system as recommended.</p>
7.	<p><b>Internal Audit noted that one contract, solicited under a previous process by the Public Works Department, did not retain evidence of completion of Conflict of Interests certifications from individuals participating in the solicitation evaluation process. As a result, the County may have entered into contracts, with evaluation members that had conflicting interests that may not align with the County's financial and legal interests.</b></p>	Medium	<p>The Procurement Department should review the current active listing of Public Works contracts, entered into utilizing the previous process, to identify any contracts that may have any indication of a conflict of interest by the evaluation committee.</p>	<p><b>Responsible Party:</b> Lori Pruitt, Lorina Gillette</p> <p><b>Expected Completion Date:</b> 10/31/2019</p> <p><b>Management Action Plan:</b> A review of all active Public Works contracts will be</p>

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	<p>As part of the procedures performed during the audit, Internal Audit selected five contracts for testing and met with the Procurement Department to document the Bid Solicitation, Vendor Assessment, Vendor Awarding and Contract Initiating and Review activities.</p> <p>The five contracts selected for testing were:</p> <ul style="list-style-type: none"> <li>• Consultant Engineering</li> <li>• Sunland Asphalt</li> <li>• Motorola Solutions</li> <li>• Summit Foods Services</li> <li>• Wexford Health Services</li> </ul> <p>During testing, Internal Audit noted that Consulting Engineering did not retain evidence of completion of Conflict of Interests certifications from individuals participating in the solicitation evaluation process. As a result, the County may have entered into contracts, with evaluation members that had conflicting interests, that may not align with the County's financial and legal interests.</p> <p>Per discussion with the Procurement Department, this contract was initially solicited and negotiated through the Public Works Department in 2016. As a result, the evaluation and solicitation process were completed through a different process.</p> <p>Currently, this process has been taken over by the Procurement Department and is documented within the Pinal County Procurement Procedure Manual.</p>			<p>completed to identify any potential Conflict of Interest by Evaluation Committees.</p>
8.	<p><b>Supplier Performance Feedback is not consistently obtained from County departments by the Procurement Department in anticipation of annual or bi-annual renewals of existing vendor contracts. As a result, the County may be renewing contracts with vendors that are not adequately performing according to County expectations, may have a divisive relationship with the County, and/or are not adhering to established financial and operational service level agreements (SLAs).</b></p>	Medium	<p>The Procurement Department should enhance the current quarterly realignment meeting to include a discussion of supplier performance and completion of the current Supplier Performance Feedback template for vendors with contracts requiring renewal within the upcoming quarter.</p>	<p><b>Responsible Party:</b> Lori Pruitt, Purchasing Manager</p> <p><b>Expected Completion Date:</b> 08/31/2019</p> <p><b>Management Action Plan #1:</b> A procedure will be developed to enhance Quarterly Strategic Alignment Meetings (SAM's)</p>

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	<p>As part of its normal procedures, the Procurement Department has developed a process to obtain feedback from the contracting departments on vendors that have an upcoming contract renewal option within the next six months.</p> <p>Currently, the process involves the Procurement Department distributing an email to the contracting department with an attached word document called the "Supplier Performance Feedback" form. The "Supplier Performance Feedback" captures relevant data including:</p> <ul style="list-style-type: none"> <li>• Timeliness of Product/Service Delivery</li> <li>• Quality of Product/Service</li> <li>• Customer Service Quality &amp; Courtesy</li> <li>• Reliability of Supplier</li> <li>• Overall Supplier Performance</li> <li>• Renewal Decision (Y/N)</li> </ul> <p>For 6 of 10 samples selected, Internal Audit noted that the Supplier Performance Feedback form was not requested for the selected vendor. Upon further investigation, Internal Audit noted, per review of the Contracts Disposition log, that the selected vendor is listed as an RFP solicitation and was renewed for FY2019 which would have required a completed "Supplier Performance Feedback" form prior to renewal.</p> <p>Additionally, Internal Audit noted that the Contracts Disposition log does not accurately reflect the Supplier Performance Feedback requested. IA noted a variance between the feedback received per the Contracts Dispositions log and the feedback requested.</p>			<p>currently conducted with departments to include discussion of current contracts and documentation of vendor performance for consideration prior to contract renewals.</p> <p><b>Expected Completion Date:</b> 05/31/2019</p> <p><b>Management Action Plan #2:</b> Bonfire will be evaluated for opportunities to enhance contract and vendor performance monitoring procedures. If no cost options exist, they will be implemented, however if cost is associated, findings will be shared with the County Finance Director for consideration in the next budget cycle.</p>

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<b>High</b>	<b>Medium</b>	<b>Low</b>
Material impact on financial statements of the organization	Less than a material impact on financial statements	No impact on financial statements
Significant impact on the operating effectiveness	Moderate impact on operating effectiveness	Minor impact on operating effectiveness
Significant impact on the safeguarding of critical assets throughout the organization	Moderate impact on the safeguarding of critical assets	No significant risk to the organization
Significant impact on the accomplishment of the operational objectives for the organization	Moderate impact on the accomplishment of the operational objectives	Management relied upon for minor modifications to manage the issue
Significant impact on management's decision making for the organization	Moderate impact on management's decision making	Materiality is low
Significant risk for non-compliance with regulations, laws and policies	Potential for non-compliance with regulations, laws and policies	Minimal risk for non-compliance with regulations, laws and policies
Significant risk for litigation for the organization	Potential risk for litigation	Low risk for litigation
Numerous occurrences of the noted issue	Random occurrences of the noted issue	Minimal occurrences of the noted issue
No controls or mitigation plans exist	Controls/ mitigation plans need to be updated and improved	Controls/ mitigation plans are in place and consistently applied
Significant impact/loss of staff, critical widespread impact on morale	Some impact on a few staff or negative impact on morale	Minimal impact on staff

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**Appendix B: Statement of Limitations**

This report (e.g. report of findings/recommendations, table, chart, summary) provides Pinal County management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel will significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

**Pinal County Vendor and Contract Management Review  
Internal Audit Report**

**Appendix C: Supplier Analytics Review**

As part of the data analytics performed for the Vendor and Contract Management Review, Internal Audit analyzed the number of vendors with reported in spend in calendar year 2018 and the disbursement of activity across the County’s various departments. As part of the review, Internal Audit was trying to determine if there were any departments that utilized a significantly higher number of vendors compared to other departments. Additionally, the number of vendors utilized by the department would illustrate a potential need to develop a preferred vendor listing and risk assessment of all vendors for monitoring purposes. Table 1 illustrates the top twelve departments by outside spend for calendar year 2018. Table 2 illustrates the top twelve departments with highest number of unique vendors, in addition to the number of vendors with over \$50k spent in calendar year 2018.

**Table 1**

Department Cost Center	External Cost Center Spend
Superior Court Admin	\$ 28,726,063.23
Security Cost Center	\$ 12,590,587.52
County Attorney	\$ 12,526,508.02
One Stop Shop	\$ 12,230,216.78
Public Works	\$ 8,525,758.79
Sheriff	\$ 7,005,769.19
Public Health	\$ 6,157,930.00
Library	\$ 5,563,439.40
Juvenile	\$ 3,678,304.89
Recorder	\$ 3,148,905.12
Facilities	\$ 2,980,936.26
Human Resources	\$ 2,890,795.94
Total:	\$ 103,134,419.20

**Table 2**

Department Cost Center	# of Unique Vendors	# of Vendors over \$50K
County Attorney	279	37
Security Cost Center	271	24
Superior Court Admin	245	25
Sheriff	217	27
Public Works	204	32
Public Health	149	18
Recorder	101	10
Juvenile	99	12
Facilities	99	8
MIS	84	7
Human Resources	68	7
Adult Probation	67	3
Total:	1883	210