



Department of Administrative Services State Purchasing – eBid System

Audit Period: July 2012 through March 2012

Results Summary:

Objective	Conclusion
Security and Privacy	Well-Controlled
Application Systems Development	Well-Controlled with Improvement Needed
Vendor Management	Well-Controlled with Improvement Needed
Creation of Bid Event	Well-Controlled with Improvement Needed
Bid Process	Well-Controlled with Improvement Needed
Analyzing Bids/Awarding Contracts	Improvement Needed

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Executive Summary

Background

OAKS eBid is part of the eStrategic Sourcing Module implemented by the Department of Administration Services (DAS), Office of Procurement Services. The bidder registration system provides bidders the opportunity to register by commodity codes, for goods or services they can provide. Notices of bid events are then emailed to registrants and after logging into the system, the bidder can update their registration and respond to bid events electronically.

During the audit, OIA identified opportunities for DAS to strengthen internal controls and improve business operations. A summary, along with detailed observations, have been provided. OIA would like to thank DAS staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform assurance work related to the State Purchasing Program. This work was completed between March 27, 2012 and June 1, 2012. The scope of this audit was limited to eBid. The following detailed audit objectives included:

- Determine the administrative and logical controls adequately protect the confidentiality, integrity and availability of computer resources per business requirements.
- Determine the new application system's functionality is consistent with business requirements and the system operates within specifications.
- Determine design and effectiveness over management's controls to help ensure vendors, contracted to provide IT resources or perform IT functions, meet the needs of the business and comply with applicable contractual agreements and regulatory requirements in an effective and efficient manner.
- Evaluate the design and effectiveness of DAS' controls over the process for creation of a bid event.
- Evaluate the design and effectiveness of DAS' controls over the bid process.
- Evaluate the design and effectiveness of DAS' controls over the processes for analyzing bids/awarding contracts.



Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.

Observation 1 – Policies and Procedures

Policies, procedures and a sound internal control framework help ensure the actions initiated by management to address risks are performed and the entity's objectives are achieved. In addition, detailed procedures help ensure tasks are performed consistently and comply with laws and regulations.

Prior to making a purchase, agencies are required to give first consideration to the following state resources:

- Ohio Penal Industries (OPI)
- Central Warehouse/Pharmacy Services (OSS)
- Office of Procurement from Community Rehabilitation Programs (DAS)
- Rehabilitation Services Commission (RSC)
- DAS Term Contracts

During our review of the eBid process, we noted a lack of documented policies and procedures, including the following:

- A review of current state resources is performed; however, if a current state resource is not available, the review is not consistently documented.
- Evaluation of the winning bidder/vendor, for one-time events, is not documented.
- No review is performed of bidding trends and/or vendor analysis to monitor for errors or fraud.

The lack of formal policies and procedures may lead to inconsistent administration of the eBid procurement program. In addition, noncompliance with applicable laws and regulations may result in an invalid purchase and could leave the person who made the purchase, financially liable to reimburse the State for the procurement.



Recommendation		
<p>Develop policies and procedures for the eBid purchase request process. Such procedures should define the individual roles/titles, responsibilities, and detail the actions that should be taken at each stage in the process. Policies and procedures should include: controls to ensure state resources are used, standardized review process for each winning bidder/vendor, and periodic reviews of bidding trends and/or vendor analysis. The implemented policies and procedures should also be reviewed periodically by management and updated as needed.</p>		
Management Response		
<p>The Department will develop formal procedures for the overall administration of the eBid module. These procedures will contain a checklist for analysts to complete while they review the current state resources available, prior to the decision to competitively bid the item. This checklist will include their signature and date, documenting when the review was completed. The Department will also make improvements to the checklist used by some analysts to verify the bidder or vendor. This checklist will also include their signature and date, documenting when the review was completed. In addition, the Department will research and explore ideas for monitoring of vendors and trends. This monitoring may coincide with the annual ethics training.</p>		
Risk*	Remediation Owner	Estimated Completion Date
Moderate	eProcurement Strategic Sourcing Lead	September 2012

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

* Refer to Appendix A for classification of audit observations



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee