



Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP  
City Auditor

## HIGHLIGHTS

Highlights of City Auditor Report #1110, a report to the City Commission and City management

### WHY THIS AUDIT WAS CONDUCTED

We conducted an audit of the City's Vendor Incentive Programs, including Minority Business, Locality, Charitable Contributions, and Volume of Work. Our objectives were to evaluate the internal controls related to each vendor incentive program, determine compliance, and identify the program strengths, potential weaknesses, and areas for improvement. As part of the audit, we conducted a survey of 12 Florida cities (with a comparable population to Tallahassee) regarding their vendor incentive programs. Additionally, we surveyed 867 City vendors to determine their level of satisfaction with the Minority Business Enterprise (MBE) Office that administers the MBE Program, Procurement Services Division that administers the local businesses, charitable contributions, and volume of work programs.

### WHAT WE RECOMMENDED

Key recommendations we provided to management included:

- 1) Consider replacing the MBE program with a Small Business Enterprise Program. If the MBE program continues, the MBE Office should obtain a new Disparity Study and update the MBE policy to include provisions identified during the audit.
- 2) Increase monitoring of MBE participation on job sites and resume annual reporting of their accomplishments.
- 3) Improve tracking of City payments to MBE and DBE subcontractors through prime contractors.
- 4) Compare the costs of the Local Vendor Incentive Program to the benefits, and either discontinue the program, or change the program structure and/or incentives so the program makes a difference. *Note: At the March 9, 2011, City Commission meeting, the program was suspended and a redesigned certification program was implemented with the goal of increasing local vendor participation.*
- 5) Reconsider the costs of administration versus the benefits of the Charitable Contribution Incentive Program to determine if the program is meeting its intended purpose.
- 6) Ensure correct information is being recorded on the Charitable Contributions Incentive Tracking log and the correct contribution reporting form is consistently being used.
- 7) Establish a contract with the United Partners for Human Services to clarify and document the responsibilities related to the Charitable Contribution Vendor Incentive Program.
- 8) Reconsider the costs of administration versus the benefits of the Volume of Work Incentive Program to determine if the program is meeting its intended purpose. Consider changing the program to provide additional opportunities for vendors that have never received work from the City, while at the same time addressing the need to acquire goods and services at a competitive price.

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May 6, 2011

## AUDIT OF THE CITY'S VENDOR INCENTIVE PROGRAMS

***Recommendations were provided toward evaluating whether the four vendor incentive programs are meeting the needs for which they were intended.***

### WHAT WE CONCLUDED

Based on our testing of bid solicitation, we can provide assurances that bids involving MBE, Local Vendor, and Charitable Contribution incentives were awarded in accordance with City incentive program ordinances and policies. None of the bids we tested were awarded based on Volume of Work incentive points.

#### MBE Program key conclusions included:

- The MBE program policies are outdated or are not in agreement with federal laws and related US Supreme Court opinions.
- The City's current MBE Policy is based on the results and recommendations from an outdated Disparity Study (1990). The study addressed how proficient the City is in representing the community's business population in the entity's purchasing activities, with a particular emphasis placed on the community's minority business makeup.
- The MBE Office has not conducted job site visits to monitor MBE participation on jobs, tracked prime contractor payments to MBE subcontractors, or regularly reported the accomplishments of the MBE Office.

#### Local Vendor Incentive Program key conclusions included:

- Fewer local vendors are winning bids due to local incentive points. Bids reviewed show a majority of bids (33 of 57) were won by local vendors without local vendor incentives.

#### Charitable Contribution Program key conclusions included:

- Few vendors are winning bids due to the Charitable Contribution incentive points. Procurement management estimated there have been only one or two instances where the charitable contribution was the deciding factor in the bid decision since the program began in September 2006.
- None of the 11 Florida cities surveyed had a Charitable Contributions Incentive Program similar to Tallahassee.
- The Charitable Contribution Incentive Tracking Log was not accurate, in that some contributions were missing and some were duplicated.
- The United Partners for Human Services has been paid \$40,000 annually since 2006 to perform services related to verification of charitable contributions without a formal written contract defining the deliverables expected by the City. They have also not provided an annual report to the City since 2007.

#### Volume of Work Program key conclusions included:

- Procurement management reported incentive points awarded for volume of work are rarely the deciding factor in bid awards. In our review of 120 bids, none of the bids we evaluated were awarded based on Volume of Work Incentive points.

*Audit of the  
City's Vendor Incentive  
Programs*

**AUDIT REPORT #1110**

**May 6, 2011**



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Audit conducted by:

Patrick Cowen, Auditor

Beth Breier, CPA, CISA, Audit Manager

Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP, City Auditor

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# *City's Vendor Incentive Programs*



Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP  
City Auditor

Report #1110

May 6, 2011

## *Executive Summary*

*We conducted an audit of the City's four vendor incentive programs in the procurement of goods and services*

We have conducted an audit of the City's Vendor Incentive Programs, including Minority Business, Locality, Charitable Contributions, and Volume of Work. Our objectives were to evaluate the internal controls related to each vendor incentive program, determine compliance with laws, regulations, policies, and identify the program strengths, weaknesses, and areas for improvement. As part of our audit, we conducted surveys of 12 cities (including Tallahassee) with a comparable population to Tallahassee, regarding their vendor incentive programs, and 867 City vendors to determine their level of satisfaction with the vendor incentive program.

For each of the four City vendor incentive programs, we provide a description, discuss how the City compares to other cities, and show City vendor's level of satisfaction with the program.

### **Minority Business Enterprise Vendor Incentive Program**

The City adopted a Minority Business Enterprise (MBE) Policy in 1991 to provide opportunities for MBEs to obtain work from the City. The MBE Office, located in the Economic and Community Development Department, works with the Procurement Division to provide information regarding MBE vendors during the City's bid evaluation process. Except for Tallahassee, only 1 of 11 other comparable Florida cities surveyed has a MBE Program.

During our evaluation of the MBE Program, we can provide assurances from our testing of bid solicitations that bids involving MBE incentive points were assigned in accordance with City incentive program ordinances and policies. We also identified issues and provided recommendations. These issues and recommendations include:

- 1) The current program structure and operation is based upon outdated policies and statistics and therefore likely does not comply with United States (U.S.) Supreme Court rulings related to race and gender neutral alternatives. A Small Business Enterprise Program (SBE) may be more suited for the City. An SBE is defined as a local business that meets a predetermined set of criteria (i.e., revenue or profits, number of employees, or age of the business). SBE Programs often track the number of different race and gender groups that make up the program, and the amounts that were spent with each group. The most recent Disparity Study was conducted in 2004, and one of the recommendations was to convert the MBE Program to an SBE Program. The recommendations from the 2004 Disparity Study report were never implemented.
  
- 2) Should the MBE Program continue:
  - a. A new Disparity Study should be obtained and the MBE Policy and MBE Office's operations should be updated based on the study's results and recommendations. The current MBE Policy is based on recommendations provided from the 1990 Disparity Study.
  - b. The policy should also be updated to include a dollar range and percentage to limit the additional amounts the City will pay for awarding an RFP to a vendor that receives MBE incentive points, but is not the lowest bidder.
  - c. The policy should be updated so all minorities are assigned equitable incentives. While MBEs are defined as African Americans, Hispanic Americans, Asian Americans, Native Americans and women, the City only assigns MBE points for African Americans and women. The rationale for not establishing goals and assigning points to other minorities was based on the makeup of the business community at the time the MBE Policy was created in 1991. The makeup of the current business community has likely changed since that time.
  - d. The updated policy should then be made available to all City employees.
  
- 3) The Administrative Policies and Procedures #900 "MBE Policy" requires the MBE Office to monitor City contracts with MBE

Participation, and allows for MBE firms to be decertified from the MBE Program if they allow or participate in fraudulent representation or participation on City projects or contracts. The MBE Office can determine compliance with both of these matters by developing and implementing a process to regularly visit job sites during the year. Management estimated they conducted 75-100 site visits annually from 2007-2009, but in Fiscal Year 2010 they were only able to conduct two site visits due to reduced staffing.

- 4) As required by the MBE Policy, the MBE Office should produce annual reports that capture all payments made to MBE vendors, and show the accomplishments of the MBE Program. The last annual report issued covered Fiscal Years 2004 - 2006.
- 5) Of the 120 bid evaluations we reviewed, 15 prime contractor bids included a MBE or Disadvantaged Business Enterprise (DBE) utilization plan as part of the winning company's proposal. By responding to the solicitation packages, vendors are agreeing to submit a final payment affidavit detailing the prime contractor's actual payments to the MBE and DBE subcontractors. For the 15 bid evaluations, only three final payment affidavits submitted by prime contractors were located in MBE's files. MBE staff should improve their tracking of City payments to MBE and DBE subcontractors through prime contractors. Because the data needed to show the effectiveness of the MBE Program relies on the final payment affidavits being tracked, the effectiveness of the MBE Program cannot be determined at this time.
- 6) Management scheduled the MBE Advisory Committee to meet at least quarterly, but due to a lack of a quorum, they have had to cancel 40% of their meetings over the last two and a half years. The City should continue to seek out qualified individuals who have the necessary time and desire to attend quarterly meetings to provide advice and guidance to the MBE Office.

### **Local Vendor Incentive Program**

The Procurement Section oversees the Local Vendor Incentive Program. Ordinance No 89-O-0074, "Local Vendor Ordinance" was passed in November 1989, creating an incentive program to provide additional



opportunities for local businesses in procuring contracts for goods and services from the City of Tallahassee. Except for Tallahassee, only three of 11 other comparable Florida cities surveyed have a local vendor incentive program.

During our evaluation of the Local Vendor Incentive Program, we can provide assurances from our testing of bid solicitations that bids involving local incentive points were awarded in accordance with City incentive program ordinances and policies. We also identified one issue and provided the following recommendation.

Procurement's tracking log, as well as interviews with procurement staff show fewer and fewer local vendors are winning bids due to local incentive points. As a result, the City should compare the cost of the Local Vendor Incentive Program to the benefits, and either discontinue the program or change the incentive and/or program structure so the program makes a difference. In our testing of 57 bid solicitations, only three vendors won as a result of the Local Vendor Incentive Program, while 33 local vendors won without help from the incentive program. We noted that local vendors did not participate on 15 bids, however, when local vendors did participate in the bidding, they were successful, winning 86% (36 of 42) of the bids. [See Table 6 on page 28] If the City continues to believe the Local Vendor Incentive Program has merit, consideration should be given to increase the incentives and the number of local vendors bidding to increase the number of local bids awarded while at the same time addressing the need to acquire goods and services at a competitive price.

*Note: At their March 9, 2011 meeting, the City Commission approved the development and implementation of a Local Business Certification Program. The Program was approved as a one year pilot project and suspended the current Local Preference Ordinance and Policy during the pilot project period.*

### **Charitable Contribution Vendor Incentive Program**

The City of Tallahassee established the Charitable Contribution Vendor Incentive Program in September 2006, through Ordinance 06-07-47AA, "Charitable Contribution Incentive Program." The City Commissioners wanted to implement an incentive to reward vendors for making charitable contributions in the local community. Except for Tallahassee, none of 11

other comparable Florida cities surveyed have a charitable contribution vendor incentive program.

During our evaluation of the Charitable Contribution Vendor Incentive Program, we can provide assurances from our testing of bid solicitations that bids involving Charitable Contribution Program incentive points were awarded in accordance with City incentive program ordinances and policies.

We also identified issues and provided recommendations. These issues and recommendations include:

- 1) The procedures for the Charitable Contribution Program listed on the City's Intranet site do not reflect changes to the valuation of in-kind contributions made by the City Commission in September 2009. Subsequent to our fieldwork, Procurement management updated the procedures and posted them on the City's Intranet.
- 2) During our audit, we found that the Charitable Contribution Form was recently modified changing who will verify the contribution, however the older form was still occasionally being sent out with bid solicitations. Subsequent to our fieldwork, Procurement management revised the form to clarify the 12-month window language and is continuing to work with the agents to ensure the correct form is consistently utilized with future City bid solicitations.
- 3) During our audit, we found the Charitable Contribution Incentive Tracking Log was not accurate. In some cases, contributions were duplicated on the log, and in other instances contributions were missing. We also noted that United Partners for Human Services (UPHS), a non-profit agency that assists the City manage the Charitable Contribution Incentive Program, has not been providing annual reports to the City, as required in the procedures manual. The last time UPHS submitted an annual donation report to the City was in 2007. Procurement management should clarify with staff and UPHS what information is to be recorded and reported, when it is to be recorded and reported, and by whom the information is to be recorded and reported.

- 4) Procurement management estimated there has only been one or two instances since the program began in 2006 where charitable contribution incentive points have been the deciding factor in the bid decision. In our review of 120 bid solicitations, we only found one instance where a charitable contribution was the deciding factor. Should the program continue, management should reconsider the costs of administration versus the benefits of the program to determine if the program is meeting its intended purpose.
  
- 5) The United Partners for Human Services (UPHS) has been paid \$40,000 annually since 2006 without a contract. UPHS performs services related to verification of charitable contributions made by businesses submitting proposals to City bids. UPHS reported \$196,000 in total contributions from October 2009 – August 2010. Although required by policy, UPHS has not submitted an annual donation report to the City since 2007. Should the program continue, a contract should be put in place between the City and UPHS to clarify and document responsibilities related to the Charitable Contribution Vendor Incentive Program, and management should follow up with UPHS to verify they are completing the items detailed in the contract.

### **Volume of Work Vendor Incentive Program**

The City established the Volume of Work provision in 1983 for architects and engineers with a goal of “equitable distribution of contracts among qualified firms” during the bid evaluation process. In effect, the more work an architect or engineer performs for the City, the fewer points they receive when proposing to contract for needed services. While Tallahassee has a volume of work incentive program, none of the 11 other comparable Florida cities have an incentive program like this.

During our evaluation of the Volume of Work Vendor Incentive Program, we can provide assurances from our testing of bid solicitations that bids involving volume of work incentive points were awarded correctly and in accordance with City incentive program ordinances and policies. We also identified issues and provided recommendations. These issues and recommendations include:

- 1) Procurement management reported that incentive points assigned for volume of work are rarely the deciding factor in bid awards but

has not created a Volume of Work Tracking Log to document the impact. Management should reconsider the costs versus the benefits of the Volume of Work Program to determine if the program is meeting its intended purpose.

- 2) Should the program continue in a similar manner, management should consider changing the program to provide additional opportunities for vendors that have never received work from the City, while at the same time addressing the need to acquire goods and services at a competitive price.

We would like to thank and acknowledge the full and complete cooperation and support of management and staff from the Department of Economic and Community Development's Minority Business Enterprise and Department of Management and Administration Procurement Division, City survey respondents, and United Partners for Human Services during the audit and development of this audit report.

# *City's Vendor Incentive Programs*



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City Auditor

Report #1110

May 6, 2011

## *Scope, Objectives, and Methodology*

The 2010 Work Plan for the Office of the City Auditor included an audit of the City's four vendor incentive programs, Minority Business, Locality, Charitable Contributions, and Volume of Work (i.e., encouraging sharing work among vendors). Our specific objectives were to:

- 1) Obtain and document our understanding of vendor incentives in the procurement of goods and services.
- 2) Evaluate the internal controls related to each vendor incentive program in the procurement of goods and services.
- 3) Determine compliance with laws, regulations, and policies related to vendor incentives in procurement of goods and services.
- 4) Identify program strengths, potential weaknesses, and areas for improvement for each vendor incentive program.

To achieve these objectives, we interviewed key staff, and reviewed relevant documentation including laws, regulations, policies and procedures, consultant reports, City logs and reports, vendor information, and bid evaluations. We reviewed 120 bid solicitations and documentation and tested 57 to determine compliance with City policies and procedures, and to determine the extent that vendor incentives were the deciding factor in a bid decision.

We also conducted two surveys to gather information from other cities and City vendors. First, we surveyed 12 comparable Florida cities (including Tallahassee) to compare the extent vendor incentive programs were utilized. Second, we surveyed 867 City of Tallahassee vendors to obtain their level of satisfaction with the services provided by the Department of Economic and Community Development's Minority Business Enterprise (MBE) Office that administers the MBE Program, and the Department of Management and Administration's Procurement Services Division that administers the local businesses, charitable

contributions, and volume of work programs. The vendor survey instrument is in Appendix B. Detailed results and comments were provided to the respective departments in an anonymous fashion for their use.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## ***Program Descriptions, Issues, and Recommendations***

*The Minority Business Enterprise (MBE) Office manages the MBE Program and works closely with Procurement Division to evaluate MBE participation in vendor proposals.*

The City has four vendor incentive programs designed to assist vendors in procuring bids and contracts from the City: Minority Business, Locality, Charitable Contributions, and Volume of Work. This section of the report provides a description of each program, issues identified during the audit, and recommendations to address each identified issue.

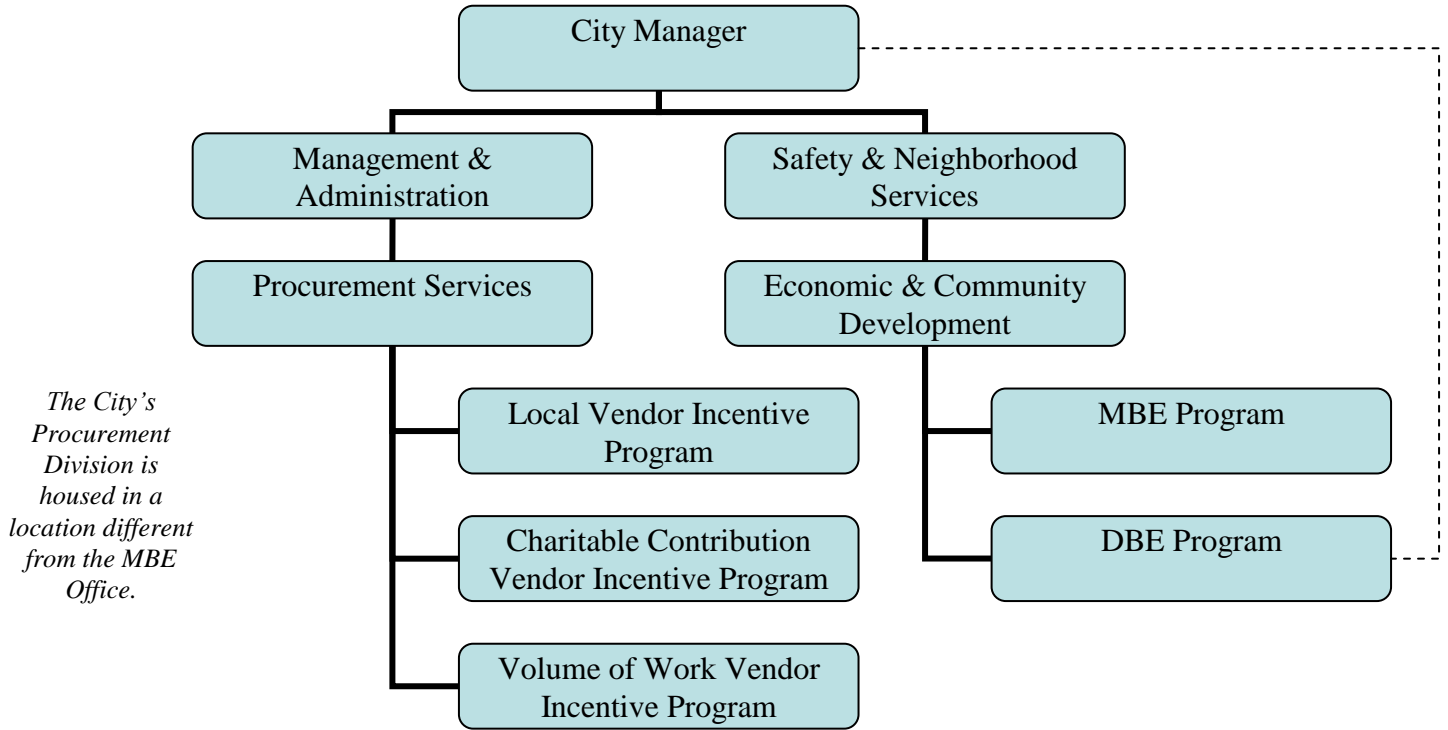
### **Minority Business Enterprise Vendor Incentive Program**

#### **Background**

The Minority Business Enterprise (MBE) Program is managed in the City's MBE Office, located in the Economic and Community Development Department in the Safety and Neighborhood Services area. The MBE Office consists of a MBE administrator, one administrative specialist, and one administrative aide. This staff oversees the two business enterprise programs, Minority (MBE), and Disadvantaged (DBE). A MBE Program was established by the City to provide opportunities for MBEs to obtain work from the City's procurement activities. The MBE Program is also set up to provide training, education, and technical assistance to MBEs. The DBE Program is a federal designation for businesses experiencing a social or economic disadvantage and is not limited to certain ethnic groups.

The MBE Office works with the Procurement Division (located in the Department of Management and Administration) to provide information regarding MBE vendors during the City's bid evaluation process. Figure 1 shows where the Procurement Division and the MBE Office are located in different service areas in the City.

**Figure 1: City Organization Chart Showing the Location of Procurement Services and the MBE Office**



Source: City Organization Charts

Note: The dotted line indicates direct communication between the DBE Administrator and the City Manager.

During our audit, we conducted a survey of 11 Florida cities close in population to Tallahassee (12 cities including Tallahassee) to compare vendor incentive programs. Of the 12 cities, five have either a MBE Program (Orlando and Tallahassee), or a Small Business Enterprise Program (Gainesville, Jacksonville and Hollywood). In four of the five cities that have either a SBE Program or a MBE Program, their program is housed in a department separate from procurement. Only one city has both their SBE Program and procurement services housed in the same department (Jacksonville). One city reported they keep their SBE Program and procurement separate because their SBE Program can assist businesses with their bid proposals, and they did not want someone from the SBE Program to be involved in evaluating the bids. As shown above in Figure 1, the City's MBE Office is located in a separate service area than Procurement Services.

Table 1 below shows the total City payments made directly to MBE and DBE vendors by category. Table 2 shows the total prime contractor payments to MBE and DBE subcontractors as reported by the prime contractors.

**Table 1**  
**Total City Payments Made Directly to**  
**MBE and DBE Vendors for Fiscal Years 2008-2010 (1)**

Category	FY 2008 Amount (2)	FY 2009 Amount	FY 2010 Amount (through 6/30/10)	Period Total
MBE-Black	\$566,390	\$1,126,087	\$855,189	\$2,547,666
MBE-Other	\$151,472	\$182,380	\$135,315	\$469,167
MBE-Woman	\$3,807,988	\$3,004,862	\$1,502,983	\$8,315,833
Total payments made to MBE Prime Contractors	\$4,525,850	\$4,313,329	\$2,493,487	\$11,332,666
Total payments made to DBE Prime Contractors	\$29,700	\$1,265,204	\$945,791	\$2,240,695
Total payments made to MBE and DBE subcontractors	\$4,555,550	\$5,578,533	\$3,439,278	\$13,573,361

Source: PeopleSoft Financials

Note 1: Includes only payments made to MBE and DBE vendors (including prime contractors) for each Fiscal Year (FY 2010 is through June 30, 2010).

Note 2: This amount does not include all payments made to MBE vendors in 2008. See paragraph below Table 2.



**Table 2**  
**Total Prime Contractor Payments to MBE and DBE**  
**Subcontractors for Fiscal Years 2008-2010 as reported by the MBE Office (1)**

<b>Category</b>	<b>FY 2008 Amount</b>	<b>FY 2009 Amount</b>	<b>FY 2010 Amount (through 6/30/10)</b>	<b>Period Total</b>
MBE-Black	\$5,024,498	\$2,604,435	\$590,813	\$8,219,746
MBE-Other	\$260,414	\$189,478	\$0	\$449,892
MBE-Woman	\$7,263,399	\$2,246,836	\$536,694	\$10,046,929
Total payments made to MBE Subcontractors	\$12,548,311	\$5,040,749	\$1,127,507	\$18,716,567
DBE	\$1,278	\$132,519	\$0	\$133,797
Total payments made to MBE and DBE subcontractors	\$12,549,589	\$5,173,268	\$1,127,507	\$18,850,364

Source: MBE Office

Note 1: Payments to MBE subcontractors by prime contractors are not currently tracked on a consistent basis. These amounts are the prime contractors' payments to MBE subcontractors reported to the City MBE Office by the prime contractors on available affidavits and progress reports. These amounts have not been audited.

The reports of City payments to MBE vendors (shown in Table 1) were prepared using payment data and MBE certification data stored in the City's financial system. During Fiscal Year 2008, procedures were changed as to how MBE vendor certifications were recorded in the system. Previously, MBE staff was changing the "real time" certification information thereby overwriting prior certification information. When reports were run for current City payments to MBE vendors, the information was correct. However, when reports were run for historical City payments to MBE vendors, the prior years' payments were not correct and were most likely understated since the historical MBE certification information was no longer in the system. Therefore, reports of City payments to MBE vendors prior to and including 2008 do not report accurate information and should not be relied upon. In Fiscal Year 2008, MBE staff corrected their procedures and is no longer overwriting the certification data; therefore, data after Fiscal Year 2008 is more accurate.

The MBE Office assists minority businesses in their efforts to procure business from the City of Tallahassee, or from prime contractors doing

*The MBE Office accepts applications to the MBE Program from businesses in the local community, defined as the four counties surrounding Tallahassee (Gadsden, Jefferson, Leon and Wakulla).*

business with the City. The City's MBE Policy defines minority businesses as African Americans, Hispanic Americans, Asian Americans, Native-Americans, and women. To qualify as a MBE business, certain criteria must be met, such as the controlling owner (owns at least 51% of the business) must fit into one of the minority groups, and be actively involved in the day-to-day management of the business. Additionally, to be accepted into the City's MBE Program, a business must complete the MBE Application and include the following documentation, where applicable, for review by MBE Office staff:

- proof of minority status
- resume of the principle owners
- any professional licenses held
- proof of residency (must be located within Gadsden, Jefferson, Leon, or Wakulla County)
- documentation of business structure (sole proprietor, partnership, corporation, LLC)
- business tax certificate
- business insurance certificate
- fictitious name registration
- previous two years tax returns or balance sheets
- detailed listing of inventory available for resale
- by-laws and minutes of meetings
- stock ledger and copies of all stock certificates
- bank signature card or letter from the bank

The MBE Office may conduct site visits on any business applying for certification or re-certification, or at any time the MBE Office deems it necessary to ensure that MBE firms are actively participating on City projects or contracts.

Businesses accepted into the MBE Program are certified as a MBE vendor for a one-year period, and must be re-certified annually to maintain their MBE certification. If the MBE Office determines that a business does not qualify for MBE certification, there is a process for the business to appeal the MBE Office's determination. The MBE Advisory Committee is the final step in the appeal process, and all appeals shall be heard and a decision rendered by the Committee within 30 days of receipt of the notice to appeal. Any business that has been denied MBE status may not reapply for 6 months.

*The City and County MBE Office work together to accept each other's certified vendors into their respective programs.*

*The City also certifies vendors as Disadvantaged Business Enterprise (DBE) for work contracted out using federal dollars.*

*During the bid evaluation process, up to 7.5 points are assigned to black-owned businesses and up to 3.0 points for woman-owned businesses. No points are assigned to other MBE businesses.*

Acceptance into the program allows a business to be placed in the online MBE directory found on the City of Tallahassee website. The City has a reciprocal agreement with Leon County; therefore, any business in the City's MBE Program will automatically be accepted into the Leon County MBE Program as long as they also meet Leon County's program requirements, and vice-versa. The MBE Office conducts and participates in periodic outreach efforts to inform MBE businesses about the City's MBE Program, including sponsoring a Minority Enterprise Development (MED) Week held in October each year.

Similar to a MBE certification, a vendor may also be certified as a Disadvantaged Business Enterprise (DBE) vendor for federal purposes. The difference between a MBE and a DBE is that DBEs are not limited to certain ethnic groups, they can be any business where the controlling owner (owns at least 51% of the business) is experiencing a social and economic disadvantage. African Americans, Asian Americans, Hispanic Americans, Native Americans, and women are rebuttably presumed to be at a disadvantage and are included in the DBE category. Anyone that does not belong to one of those groups must prove they are at a social and economic disadvantage, such as individuals with a disability. Any business applying as a DBE vendor must have a site visit conducted. Additionally, the MBE Office staff may conduct site visits to project sites where MBEs or DBEs are being utilized to verify that the certified businesses are in fact performing the work.

The City encourages prime contractors to subcontract with MBE businesses when working on City capital projects by assigning points during the bid evaluation process for MBE participation. Points assigned to contractors in the bid evaluation process vary depending on the type and amount of MBE participation stated in the proposal. If the vendor proposes purchasing materials or equipment from MBE vendors, 60% of the value will be used to determine the MBE points, whereas 100% of the value will be used to determine MBE points when the contractor utilizes a MBE subcontractor or purchases materials or equipment manufactured by the MBE vendor.

Points are assigned during the bid evaluation process when the contractor's bid proposal meets the MBE goal for that project. When the MBE goal is met, up to 10.5 points are assigned; 7.5 points for black participation and 3.0 points for women participation. No points are assigned to vendors that are not classified as black-owned or women-

owned. The City’s MBE Policy does allow for “set-asides,” but the MBE administrator reported that set asides are not established for projects or contracts because courts have deemed them unconstitutional for MBE Programs. Set-asides are when some contracts are set aside so only a certain group of vendors are allowed to bid on them.

Prime contractors are required to submit an “MBE Utilization Summary” form documenting their anticipated utilization (i.e., commitment) of MBE vendors in their proposals for City capital projects. The MBE Office reviews all eligible incoming solicitations, and ranks bids (i.e., capital projects), or assigns points (i.e., professional services) based on MBE participation. The MBE Office also reviews the Good Faith Estimates of any business that does not meet the MBE goals to obtain the desired MBE points, and provides advice and guidance to the departments in their evaluation of the bids.

After a project is completed, the prime contractors are required to submit a notarized affidavit certifying the dollar amount paid to the MBE subcontractors. Currently, the MBE Office does not compare the commitment proposed on the MBE Utilization Summary form to the reported amount paid on the certified affidavit.

Using Table 3 below, the City policy allows the requesting department to award an operating bid to a MBE business if the MBE business is within a certain percent of the non-MBE low bid.

**Table 3  
Bid Variances When MBEs Without the Lowest Bid Could be  
Awarded the Bid for Operating Expenditures**

Bid Levels	Bid Variance
\$0 - \$19,999	10%
\$20,000 - \$39,999	9%
\$40,000 - \$59,999	8%
\$60,000 - \$79,999	7%
\$80,000 - \$99,999	6%
\$100,000 - \$149,999	5%
\$150,000 - \$249,999	4%
\$250,000 - \$499,999	3%
\$500,000 - \$999,999	2%
\$1,000,000 - \$10,000,000	1%

Source: Administrative Policies & Procedures Manual (APP 900)

*Departments can request a bid for operating expenditures be awarded to a MBE vendor when the MBE bid is within a predefined percent of the lowest bid.*

Additionally, the policy requires that the MBE Office report at least annually on MBE participation by the City. This report is to be broken down by department, and the results shall be used as a performance measure for department directors and appointed officials.

The Fast Track initiative, Ordinance 09-O-13, passed February 11, 2009, and extended by the City Commission on February 24, 2010, revises the City's purchasing policy and process to minimize the time between project design and construction for all capital projects initiated by the City. There are comparable initiatives in Leon County, Leon County School Board, State of Florida, and federal government. As part of the initiative, purchasing authority thresholds are increased, required advertising periods are suspended, RFP requirements are lessened, and minimum MBE participation is increased from 10% to 15% for quotes and bids.

City management and a MBE Citizen Advisory Committee oversee the MBE Office operations. The Advisory Committee, established by the City Commission in 1994, is to provide for citizen comments and views on matters related to the MBE Program. The Advisory Committee is made up of nine members of the local business community (Gadsden, Jefferson, Leon and Wakulla Counties) appointed by the Mayor, one of which must be an architect, and one of which must be an engineer. The Committee is to meet quarterly, or as needed in the case of appeals or special purposes.

*The 114 respondents to the City's vendor survey were made up of 31% MBE vendors, 69% non-MBE vendors.*

In order to gauge the vendor's impression of various City vendor incentive programs, we conducted a survey of 867 vendors during September 2010. For our survey, vendors included: 1) 456 vendors registered to receive City bids on DemandStar (an online service for businesses to search bids posted by government agencies); and 2) 411 MBE vendors, both current and inactive, identified in the City's PeopleSoft financials system. Surveys were distributed either via email (when a valid email address was known) or US mail. Of the 867 surveys, we received 114 responses for a response rate of 13.1%; however, respondents did not answer every question.

*65% of respondents to the City's vendor survey believed that MBE businesses should receive incentive points on bid evaluations.*

Of the 114 responses, 65% (74 of 114) believed that MBE businesses should receive incentive points on bid evaluations with the City. MBEs made up 34% (39 of 114) of the respondents. The 114 respondents selected all of the vendor incentives they have received, and some of them indicated that they have received more than one type of vendor incentive.

Of the 411 surveys sent to MBE vendors (214 vendors had active certifications and 197 had inactive certifications), only 39 responded (9.5%). Below are some key results from the survey by MBE respondents:

- 85% (34 of 40) were aware they needed to apply as a MBE with either the City or the County, not both to be a certified MBE for both governments.
- 77% (30 of 39) said the City does not have practices or procedures that prevent them from bidding on City contracts. [One comment to this question mentioned the City has not updated its program recently, "The City has not updated its programs and thus (does not) know that the (MBE) community has grown."]

Of those who were not MBE or did not subcontract with MBEs, 49% (37 of 76) believed MBEs should receive incentive points on bid evaluations with the City.

We asked the survey participants a series of questions in which they were requested to select on a scale of 1-5, with 1 = the lowest, and 5 = the highest to indicate their level of agreement with each statement. MBE respondents generally:

- Indicated the City's process for applying for MBE status was easy (4.11 mean score).
- Were satisfied with the City's MBE Program (3.53 mean score).
- Indicated that DemandStar made participating in City bids easier (3.22 mean score).

The vendor survey is in Appendix B. Detailed results and comments were provided to the respective department in an anonymous fashion for their use.

#### Laws and Regulations Related to the MBE Program

There are laws, regulations, and policies that relate to the City's MBE Program, including federal regulations, and City ordinances, policies, and procedures. These are further described below.

Code of Federal Regulation (CFR) 13 and 49 - 13 CFR establishes the criteria businesses must meet to be considered a Disadvantaged Business Enterprise (DBE). 49 CFR Part 26 establishes rules that must be followed

for federally assisted contracting in the Department of Transportation, such as for federal roads, and 49 CFR Part 23 establishes rules for allowing DBE participation in concessions at airports around the country.

City Ordinance 09-O-13, "Fast Track Ordinance" – This initiates the Fast Track Program designed to allow certain projects to move more quickly in procuring goods and services. It increased the incentive assigned to contracts utilizing MBE participation.

City Commission Policy # 242 – This City policy establishes policies for a uniform procurement system and includes policies for the MBE Program.

City Administrative Procedures Policy # 900 – This internal policy and procedure provides detailed guidelines for how the MBE Program should operate.

*Two U.S. Supreme Court opinions have influenced laws and policies related to government (federal, state and local) MBE Programs.*

Additionally, there have been a number of federal district court cases and two key United States (U.S.) Supreme Court case opinions that have influenced laws and policies over the years. Below is a brief summary of the two U.S. Supreme Court case opinions, Richmond v Croson, and Adarand v Pena.

First, the City of Richmond v. J.A. Croson Co., 488 U.S. 469 (1989) eliminated set-asides in MBE Program. In 1983, the City of Richmond, Virginia passed a regulation requiring contractors winning City construction contracts to set-aside 30% of the work for MBEs. Croson lost a bid as a result of the set-aside program, and sued the City of Richmond. The U.S. Supreme Court ruled in favor of Croson. The Court's decision stated:

*The [City of Richmond's] Plan is not narrowly tailored to remedy the effects of prior discrimination, since it entitles a black, Hispanic, or Oriental entrepreneur from anywhere in the country to an absolute preference over other citizens based solely on their race. Although many of the barriers to minority participation in the construction industry relied upon by the city to justify the Plan appear to be race neutral, there is no evidence that the city considered using alternative, race-neutral means to increase minority participation in city contracting. Moreover, the Plan's rigid*

*30% quota rests upon the completely unrealistic assumption that minorities will chose to enter construction in lockstep proportion to their representation in the local population.*

The Court stated it is more constructive to try to identify the characteristics of the advantaged and disadvantaged classes in order to justify their disparate treatment, instead of using stereotypical analysis across their population, but a Plan cannot rely solely on broad-brush assumptions of historical discrimination. Instead, for a Plan to be justified, it must show a compelling governmental interest and be narrowly tailored employing a racial preference to accomplish a remedial purpose.

Second, *Adarand v. Peña*, 515 U.S. 200 (1995) was the basis for encouraging government organizations to implement DBE Programs in place of MBE Programs. Adarand Contractors submitted the lowest bid as a subcontractor for a road project for the U.S. Department of Transportation, but was not awarded the work by the Prime Contractor. Instead, the prime contractor received additional compensation for utilizing a minority business in place of Adarand, even though they had to pay more to use the minority subcontractor. As a result, Adarand sued. The U.S. Supreme Court ruled in favor of Adarand. The Court's decision:

*... makes explicit that federal racial classifications, like those of a State, must serve a compelling governmental interest and must be narrowly tailored to further that interest....When race-based action is necessary to further a compelling interest, such action is within constitutional constraints if it satisfies the narrow tailoring test set out in this Court's previous cases.[Adarand Constructors, Inc. v. Peña, Secretary of Transportation, et al. Certiorari to the United States Court of Appeals for the Tenth Circuit, October 1994]*

These two U.S. Supreme Court decisions, along with other lower court decisions, set forth the legal guidance that should be the basis for well-designed minority and disadvantaged business enterprise programs. The two key requirements for such a program are the program must 1) serve a compelling governmental interest, and 2) be narrowly tailored to further that interest.



### **Audit Testing Results and Issues and Recommendations**

We can provide assurances from our testing of bid solicitations that bids involving MBE incentive points were awarded in accordance with City incentive program ordinances and policies.

During our audit, we noted areas where improvements in the MBE Program could enhance the program's operations and effectiveness in the community. These areas are related to updating the current MBE Policy and program, better tracking of City monies paid to MBE businesses, more site visits, reporting on an annual basis, and increased utilization of the MBE Advisory Committee. Each of these is described below.

***The current MBE Program structure and operation is based upon outdated policies and statistics and therefore likely does not comply with U.S. Supreme Court rulings related to race and gender neutral alternatives.***

*The City should reconsider whether the MBE Program should be redesigned and be a small or disadvantaged business enterprise program.*

***Should the MBE Program continue, the MBE Policy and Program should be updated to:***

- 1) Eliminate MBE set-asides;***
- 2) Assign the points so all minorities receive equitable incentives;***
- 3) Add a dollar range and a percentage to limit the additional amounts the City will pay for awarding an RFP to a vendor that receives MBE incentive points, but is not the lowest bidder; and***
- 4) Update the MBE Policy and MBE Office's operations based on recommendations from a newly obtained Disparity Study. The current MBE Policy is based on recommendations provided from the 1990 Disparity Study. Lastly, the updated policy should be made available to all City employees.***

The City's MBE Policy allows set-asides for MBE bidders only. Even though the MBE Office reported they have not been utilizing set-asides as allowed in the policy, the policy should be updated to eliminate allowances for set-asides. Set-asides have been struck down in the U.S. Supreme Court unless certain requirements have been met. In the two U.S. Supreme Court cases described above, the court ruled past racial

discrimination was not grounds for racial quotas when bidding public contracts. The two key requirements for having a MBE Program that allows set-asides are the program must 1) serve a compelling governmental interest and 2) be narrowly tailored to further that interest.

*The current MBE assignment of points is based on the makeup of minorities in the community from the 1990 Disparity Study. As a result, Hispanic, Asian, and Native Americans currently receive no MBE incentive points.*

The second item that should be updated in the MBE Policy is to reconsider the goals established and points assigned to minority groups. While MBEs are defined as African Americans, Hispanic Americans, Asian Americans, Native Americans and women, the City only assigns MBE points to African Americans and women. The rationale for not establishing goals and assigning points to the other minorities was based on the makeup of the business community at the time the MBE Policy was created in 1991. The makeup of the current business community has likely changed since that time. Currently, African Americans are assigned 7.5 points, and women are assigned 3 points. Zero points are assigned to businesses owned by Hispanic Americans, Asian Americans, or Native Americans. The policy should be updated to establish appropriate goals and assign points to minority groups in the bidding process.

Thirdly, the current MBE Policy does not limit during the RFP evaluation how much additional money the City is willing to pay for using a MBE firm when that firm does not have the lowest bid. Without a dollar range and percentage (like in Table 3 for bids) to limit the additional amounts the City pays for awarding an RFP to a vendor that receives MBE incentive points, but is not the lowest bidder, the City could spend significantly more money on a project, just to use a MBE firm.

*The City's MBE Policy is based on outdated results and recommendations obtained from a 1990 Disparity Study.*

Fourthly, the City's current MBE Policy is based on the results and recommendations from the 1990 Disparity Study. The Disparity Study was updated in 2004, but none of the recommendations made were implemented in the City's MBE Policy. A disparity study is a study of how proficient an entity is in representing the community's business population in the entity's purchasing activities, with a particular emphasis placed on the community's minority business makeup.

As discussed previously, the U.S. Supreme Court ruled that a MBE Program must serve a compelling governmental interest and be narrowly tailored to further that interest in order to comply with the law. Having a compelling interest means there must be a strong basis of evidence showing past or present discrimination in the local area that requires remedial attention. This remedial attention must be narrowly tailored to

specifically remedy the identified discrimination. Municipalities may be able to accomplish this through the information collected and analyzed in a Disparity Study. The governmental entity must show it was the direct source of the discrimination, and must also consider race/gender neutral alternatives first.

*If APP 900 "Minority Business Enterprise Opportunity and Participation Policies and Procedures" is in effect, it should be made available to all City employees.*

Finally, Administrative Policy & Procedures No. 900 (APP 900), titled "Minority Business Enterprise Opportunity and Participation Policies and Procedures," last updated in 1993, is not currently listed under the Administrative Procedures page on the City's Intranet, which brings into question whether APP 900 is still in effect. The MBE Office follows APP 900 procedures for the MBE Program, and the Procurement Division is following Commission Policy 242. The Commission Policy outlines the objectives of the MBE Program, while the details about how the MBE Policy is to be applied to all procurement transactions, such as the specific points to be granted to MBEs in the bid evaluation process, and instances where bids may be awarded to MBEs if they are within a certain percentage of the non-MBE low bid, are outlined in APP 900. The APP 900 policy needs to be updated and should work in conjunction with Commission Policy 242.

We recommend management reconsider whether the MBE Program is still suitable in meeting the needs of the community, or should be revised to a Small Business Enterprise Program (SBE) to better comply with U.S. Supreme Court rulings related to race and gender neutral alternatives. An SBE is defined as a local business that meets a predetermined set of criteria (i.e., revenue or profits, number of employees, or age of the business). SBE Programs often track the number of different race and gender groups that make up the program, and the amounts that were spent with each group.

Should the MBE Program continue in a similar format, we recommend: 1) the City obtain a new Disparity Study, and update the MBE Policy based on the study's data, results, and recommendations; 2) the updated MBE Policy should eliminate set asides, and assign equitable points to minority businesses and add a dollar range and percentage to limit the additional amounts the City pays for awarding an RFP to a vendor that receives MBE incentive points, but is not the lowest bidder; and 3) the updated policy be routed through the proper administrative channels and made available to all employees on the City's Intranet site.

***The MBE Office should make more frequent site visits to verify MBE Participation.***

The Administrative Policies and Procedures #900 "MBE Policy" requires the MBE Office to monitor City contracts with MBE Participation, and allows for MBE firms to be decertified from the MBE Program if they allow or participate in fraudulent representation or participation on City projects or contracts. The MBE Office can determine compliance with both of these matters by developing and implementing a process to regularly visit job sites during the year. Management estimated they conducted 75-100 site visits annually from 2007-2009, but in Fiscal Year 2010 they were only able to conduct two site visits due to reduced staffing.

We recommend the MBE Office develop and implement a process to regularly visit job sites during the year to verify the proposed MBE participation. One potential alternative would be for the MBE Office to identify and work with other City departments to record observations related to MBE businesses on site while already conducting other required inspections. In many cases, the City is already sending staff to inspect job sites for compliance with city, state or federal codes and regulations. An inspector who is already making a site visit could notate which companies are on site working, and relay that information to the MBE Office.

***The MBE Office should report regularly on the success and accomplishments of the MBE Program through periodic reports.***

*The MBE Office should resume producing annual reports showcasing the accomplishments of the MBE Program.*

As required by the MBE Policy, the MBE Office should produce annual reports that capture all payments made to MBE vendors, and show the accomplishments of the MBE Program. The last annual report issued covered Fiscal Years 2004 - 2006. Past reports have provided a summary of detailed MBE expenditures by department and budget type (capital, operating, etc). The MBE expenditures include monies paid by the City to MBEs, and payments from prime contractors to MBE subcontractors for City projects.

Currently, there is not a consistent process in place to ensure that all MBE expenditures (capital and operating) are being captured and included in the existing MBE report procedures. Additionally, the reports being prepared from the City's financial system had not been including all payments made to MBE vendors over the years as understood by MBE

staff. This was caused by the method used to change MBE certification designations in prior years. The methodology has since been corrected, but our audit procedures determined that the records of City payments to MBE vendors prior to and including 2008 are not accurate and should not be relied upon.

We recommend the MBE Office resume producing annual reports to show the accomplishments of the MBE program. We also recommend that the MBE staff work with Accounting Services to implement a process to ensure that all intended data is being captured and reported.

***The MBE Office should develop and implement a process to collect and verify payments made by prime contractors to the MBE subcontractors.***

*Payments made by Prime Contractors to MBE Subcontractors should be tracked.*

Tracking payments to MBE subcontractors relies on prime contractors submitting payment information to the City. During our testing of bid solicitations, we reviewed 15 MBE vendor files in the MBE Office which revealed final affidavits detailing expenditures made to MBE subcontractors, and only 3 files included the final affidavits, meaning the final affidavits have not been consistently received and reported as part of the City's MBE participation.

We recommend the MBE Office improve their tracking of City payments to MBE subcontractors through the prime contractors. This could be done by creating a log to track the amount pledged in the good faith estimates submitted by the selected prime contractor and compare that amount with the final affidavit submitted at the completion of the project. This will allow staff to quickly identify missing affidavits and ensure data is not over or underreported in the annual report.

***The MBE Advisory Committee should meet on a regular basis, at least quarterly, to accomplish its task of advising and providing guidance to the MBE Office.***

Management scheduled the MBE Advisory Committee to meet at least quarterly, but due to a lack of a quorum, they have canceled 40% of their meetings over the last two and a half years.

*The MBE Advisory Committee had to cancel 40% of their meetings over a 30-month period due to low attendance.*

At the time of this report, there were three openings on the committee. Current committee members will be asked to nominate qualified people to fill the vacancies since there are not enough candidates who have already

applied for the openings. MBE staff believes new members for the committee could alleviate the problems they were having in obtaining a quorum.

We recommend management continue to seek out qualified individuals who have the necessary time and desire to attend quarterly meetings to provide advice and guidance to the MBE Office.

## Local Vendor Incentive Program

### Background

The Procurement Section oversees the Local Vendor (Locality) Incentive program. See Figure 1 on page 10 for the location of the Procurement Division in the City. Ordinance No 89-O-0074 was passed on November 8, 1989, creating an incentive program to provide additional opportunities for local businesses in procuring contracts for goods and services from the City of Tallahassee. The ordinance defines a local business as any “person, firm, corporation, or other business entity which is duly licensed and authorized to engage in the particular business at issue, and which has maintained a permanent place of business with full-time employees within Leon, Wakulla, Gadsden, or Jefferson County, Florida for a minimum of six months prior to the date bids were received for the purchase or contract at issue.” According to the ordinance, a business whose main office is outside the local area may qualify as a local company if their proposal indicates their local office will be conducting a certain percentage of the work for the project, as defined in the solicitation package.

*A vendor can qualify as a local vendor if they are duly licensed and authorized to engage in business and maintains a permanent place of business within the county area for at least six months.*

There are several instances where local incentive credits would not be granted to businesses, including:

- Purchases or contracts with an estimated value of \$10,000 or less;
- Contracts for professional services which are subject to the Competitive Consultant Negotiation Act;
- Anytime funds are granted by an entity which prohibit incentive points; or
- Purchases or contracts made in emergency situations.

A Procurement agent is assigned to manage every bid file, and to calculate and assign the local incentive credits during the bid evaluation process. The business is not required to fill out any additional paperwork, or note anywhere in their bid proposal that they are a local business because the necessary information is already in the bid package. The Procurement agent only verifies that the business is a local business through the City's business tax office or through the Florida Department of State's Division of Corporations when a business is awarded a bid as a result of the Local Vendor Incentive program.

During bid evaluations, local businesses are typically assigned 10 incentive points, but fewer points may be assigned in some situations. The amount of points to be assigned will be defined in each request or proposal. For Fast Track projects, the local incentive point total is increased to 15 points, or 15% of the total allotment of incentive points. Additionally, if a local vendor is not the lowest bid, a local bidder may still be awarded the bid if their bid is within a specified dollar amount of the lowest bid, as shown in Table 4 for capital projects and Fast Track Projects.

**Table 4**  
**Bid Variances When Local Businesses Without the Lowest Bid Could be Awarded the Bid for Capital Projects**

<b>Bid Levels:</b>	<b>For non Fast Track Projects, Local bids must be within:</b>	<b>For Fast Track Projects, Local bids must be within:</b>
Under \$250,000	5% of the winning bid	10% of the winning bid
\$250,000 - \$500,000	3% of the winning bid	5% of the winning bid
Over \$500,000	2% of the winning bid (not to exceed \$25,000)	3% of the winning bid (not to exceed \$50,000)

Source: City of Tallahassee Ordinance 99-O-0059

*The number of incentive points is increased for local businesses for Fast Track Projects.*

Unlike the MBE program, there are no local incentive points assigned to businesses that subcontract with local businesses.

Procurement staff is to track and log bid information when the local incentive is the deciding factor in awarding a bid. Procurement's log indicated a local bidder has won a contract because of the Local Vendor Incentive program only two times in the last five years, and three times in the last seven years. According to Procurement staff, local businesses are

winning bids, but not because of the Local Vendor Incentive program. Some local vendors are winning bids because they have the best bid or proposal. Between October 1, 2007, and July 31, 2010, the City issued approximately 480 bids, proposals, and quotes (we refer to all of these as bids).

*Procurement reported that local businesses mostly win bids because they have the best bid, not because of local incentive points.*

Based on the data provided in Procurement's Local Vendor Incentive tracking log, Table 5 shows a breakdown by fiscal year how many bids were won because of local incentives, and the sum of those bids. Also shown are the City's total disbursements over each of the last three fiscal years for comparison. The current Local Vendor Incentive program impacts only a small percentage of total monies spent by the City each year.

**Table 5**  
**The Number of Bids won as a result of the**  
**Local Vendor Incentive Program Credits by Fiscal Years (3)**

Fiscal Year	Bids won as a result of Local Incentives	Total Amount of Bids won as a result of Local Incentives	Total City General Disbursements	Percentage of Total Winning Bids to Total City Expenditures
2000	20	\$ 111,798		
2001	11	\$ 283,815		
2002	3	\$ 42,755		
2003	2	\$ 858,268		
2004	0	\$ 0		
2005	1	\$ 246,000		
2006	0	\$ 0		
2007	0	\$ 0		
2008	2	\$ 17,421,906 (1)	\$ 652,098,123	2.66%
2009	0	\$ 0	\$ 554,793,516	0%
2010 (2)	1	\$ 37,635	\$ 416,937,016	.009%

Source: Procurement Local Incentive Program Tracking Logs as corrected by the audit.

Notes: (1) The tracking log did not include 2 bids: \$17,337,420, and \$84,486, that were won due to the Local Vendor Incentive program.

(2) Fiscal Year 2010 figures include data through June 30, 2010.

(3) The table does not include 11 bids from the tracking log because they were not won due to the Local Vendor Incentive program.

*The number of bids won due to local incentive points has dwindled since fiscal year 2001.*

As evidenced by Procurement's data in the table above, the Local Vendor Incentive program had more impact in fiscal years 2000 and 2001, but then dwindled. Since 2001, only nine bids were awarded as a result of local incentive credits. No bids were decided because of the Local Vendor Incentive program in four of the last seven years. Over the 11 year period reported in the tracking log, an average of 3.6 bids annually was being impacted by the Local Vendor Incentive program.



During the audit, we reviewed 120 bids and only identified three instances (less than 3%) where incentive points assigned for being a local business resulted in that business being awarded the bid. Additionally, in our detailed testing of 57 bid solicitations, we noted that 33 local vendors won without help from the incentive program. As shown in Table 6, local vendors won 63% (36 of 57) and lost 11% (6 of 57) of the bids we analyzed. As noted below, of the 57 bids we reviewed, local vendors did not participate on 15 bids. When local vendors did participate in the bidding, they were successful, winning 86% (36 of 42) of the bids we reviewed.

**Table 6  
The Impact of the Local Vendor Incentive Program  
On Bids During Our Audit**

Bids Disposition:	Number	Percent
Won as a result of the Local Vendor Incentive Program	3	5%
Won by locals without the Local Vendor Incentive Program	33	58%
Won by non-locals where no local vendors bid on the project	15	26%
Won by non-locals where local vendors bid on the project	6	11%
<b>Total</b>	<b>57</b>	<b>100%</b>

If the City continues to support the Local Vendor Incentive program, consideration should be given to change the incentive and/or program structure to increase the number of local bids awarded, while at the same time addressing the need to acquire goods and services at competitive prices.

In our survey of vendors, 80% of the 114 respondents believed local businesses should receive incentive points on bid evaluations with the City. We also asked respondents to select which City vendor incentives they had received: MBE (Black Business Enterprise), WBE (Women Business Enterprise), MBE (Non-Black Business Enterprise), Charitable Contributions, Local, Contractor who subcontracts with MBE and/or WBE businesses, none of the above, or Other. Only 14 (11%) of the 114 respondents indicated they have received local vendor incentive credits. For the purposes of this survey, we asked any respondent who answered local, other, or none of the above to answer additional questions in our survey; there were 75 respondents in this category. Respondents did not answer every question.

Of the 75 respondents, 72% (50 of 69) believed there are not any factors that prevented them from bidding on City contracts.

We asked the survey participants a series of questions in which they were requested to select on a scale of 1-5, with 1 = the lowest, and 5 = the highest to indicate their level of agreement with each statement. Respondents who selected local, other, or none of the above indicated:

- DemandStar has made participating in City bids much easier (the mean score was 2.60, meaning they partially believed DemandStar has made bidding easier).
- They were only partially satisfied with the City's Local Business Incentive program (the mean score was 2.71).

The vendor survey is in Appendix B. Detailed results and comments were provided to the respective department in an anonymous fashion for their use.

#### Laws and Regulations Related to the Locality Program

There are City ordinances, policies, and procedures that relate to the City's Locality program. These are further described below.

City Local Ordinance No 89-O-0074 – This is the ordinance passed by the City Commission that established the Local Vendor Incentive program. Ordinance No 99-O-0059 amended the Local Vendor Incentive program.

City Ordinance 09-O-13, Fast Track Ordinance – This ordinance initiated the Fast Track program designed to allow certain projects to move more quickly in procuring goods and services and increased the number of local incentive points that can be assigned to local businesses.

City Commission Policy # 242 – outlines the policies to be followed for the Local Vendor Incentive program.

Procurement Division's Procedures Manual outlines the procedures Procurement agents are following for the Local Vendor Incentive program.

#### Audit Testing Results and Issues and Recommendations

We can provide assurances from our testing of bid solicitations that bids involving local incentive points were awarded correctly and in accordance

with City incentive program ordinances and policies. During our audit, we noticed one area where improvements could be made in the Local Vendor Incentive program related to evaluating the cost of the program to the benefits.

***The City should compare the costs of the Local Vendor Incentive Program to the benefits, and either discontinue the program, or change the program structure and/or incentives so the program makes a difference.***

*DMA management should conduct an analysis of the costs versus benefits of the Local Vendor Incentive Program to determine if the program is meeting the intended purpose.*

Procurement's tracking log, as well as interviews with Procurement staff show fewer and fewer local vendors are winning bids due to local incentive points. As a result, DMA management should reconsider whether the Local Vendor Incentive Program as operated is still meeting the intended purpose. In our testing of 57 bid solicitations, only three vendors won because of the Local Vendor Incentive Program, while 33 local vendors won without help from the incentive program. As previously noted in Table 6, by excluding the bids where local vendors did not participate, local companies won 86% (36 of 42) of the bids we reviewed.

There is some question as to whether the local vendor incentive program is achieving the intended results, as fewer and fewer local vendors are winning bids due to local incentive points (see Table 5). City management should reconsider whether the program is providing the intended benefits to local businesses and the City.

We recommend the Department of Management and Administration management conduct an analysis of the costs versus the benefits of the Local Vendor Incentive Program to determine if the program is meeting its intended purpose. If the City continues to believe the Local Vendor Incentive Program has merit, consideration should be given to changing the incentives and/or program to increase the number of local bids awarded, while at the same time addressing the need to acquire goods and services at a competitive price.

Subsequent to our fieldwork, at their March 9, 2011 meeting, the City Commission approved the development and implementation of a Local Business Certification Program. The program was approved as a one year pilot project and suspended the current Local Preference Ordinance and

Policy during the pilot project period. The new program gives a 20% preference to businesses located within Leon County and a 10% preference given to businesses in Wakulla, Gadsden and Jefferson counties, with a differential cap of \$200,000 on the amount paid over the low bid. The City Auditor's office has been requested to conduct an audit review after one year to analyze any effects on competition that arise due to the implementation of this program.

## Charitable Contribution Vendor Incentive Program

### Background

*After first meeting the MBE goals required in a bid, businesses can receive additional incentive points by making contributions to qualified non-profit agencies that are members of the United Partners for Human Services (UPHS).*

The City of Tallahassee established the Charitable Contribution Vendor Incentive Program on September 27, 2006, through Ordinance 06-07-47AA, "Charitable Contribution Incentive Program." The City Commissioners wanted to implement an incentive to reward vendors for making charitable contributions in the local community. Businesses can receive charitable contribution incentive points when making charitable donations (either monetary or in-kind contributions) to qualified 501(c)(3) non-profit agencies contributing to the health and human service needs of residents in the Tallahassee Metropolitan Statistical Area. A qualified agency must be a member of the United Partners for Human Services (UPHS) ([www.unitedpartnersforhumanservices.org/](http://www.unitedpartnersforhumanservices.org/)). Additionally, vendors must first meet the minimum MBE goals required in the bidding evaluation process before being eligible to receive charitable contribution incentive credit. The Procurement Division oversees this incentive program. See Figure 1 on page 10 for the organizational chart showing the location of the Procurement Section.

*During fiscal year 2010, \$175,000 eligible donations were verified for Charitable Contribution incentive points.*

Vendors must submit a Charitable Contribution Verification Form signed by the UPHS representative along with each bid package submitted to the City. Only donations made within 12 months prior to the opening date of the interested bids are eligible to receive incentive credit for the respective bid. Donations may be used for multiple bids within that 12-month period until that donation is the deciding factor in winning a bid. Amounts declared on in-kind contributions must be confirmed by an appraisal or quote from a third party, or the donor's published customer price list verifying the value of the donation. UPHS records indicate that \$175,000 in eligible donations was verified for Charitable Contribution incentive points during fiscal year 2010. UPHS verifies that the charitable donation

was paid to the qualified non-profit organization as claimed by the business.

In November 2010, there were 92 non-profit organizations listed in the UPHS website that businesses could contribute to in order to receive Charitable Contribution incentive points during bid evaluations. UPHS has been providing verification services to the City since the ordinance passed in 2006 without a written contract. The City Ordinance and Charitable Contribution Procedure require UPHS to provide annual reports of donations made to qualified agencies for the current and previous fiscal year, as outlined in the Charitable Contribution Procedures and City Ordinance. The City has paid UPHS \$40,000 annually since the ordinance was passed in 2006.

There are several instances where charitable contribution incentives are not granted to vendors, including:

- Any contract valued at \$10,000 or less;
- Contracts for professional services which are subject to the Competitive Consultant Negotiation Act;
- Anytime funds are granted by an entity which prohibit incentive points; or
- Purchases or contracts made in emergency situations.

Up to five (5) incentive points will be assigned to a vendor depending on the size of the bid, and the size of the donation amount. Table 7 below shows the varying bid levels, donation amounts, and percentage points that may be assigned.

**Table 7  
Incentive Points Assigned for Various  
Bid Levels and Charitable Donation Values (1)**

<b>Bid Levels</b>	<b>Donation Value</b>	<b>Bid Preference</b>	<b>RFP Bonus Points</b>
\$10,000-\$25,000	\$1,000	5%	5 or 5% of Total
	\$800	4%	4 or 4%
	\$600	3%	3 or 3%
	\$400	2%	2 or 2%
	\$200	1%	1 or 1%
\$25,001-\$50,000	\$2,500	5%	5 or 5% of Total
	\$2,000	4%	4 or 4%
	\$1,500	3%	3 or 3%
	\$1,000	2%	2 or 2%
	\$500	1%	1 or 1%
\$50,001-\$100,000	\$5,000	5%	5 or 5% of Total
	\$4,000	4%	4 or 4%
	\$3,000	3%	3 or 3%
	\$2,000	2%	2 or 2%
	\$1,000	1%	1 or 1%
\$100,001-\$250,000	\$10,000	5%	5 or 5% of Total
	\$8,000	4%	4 or 4%
	\$6,000	3%	3 or 3%
	\$4,000	2%	2 or 2%
	\$2,000	1%	1 or 1%
\$250,000-\$500,000	\$25,000	3%	5 or 5% of Total
	\$20,000	2%	2 or 2%
	\$15,000	1%	1 or 1%
Over \$500,000	\$50,000	2%	5 or 5% of Total

*Charitable Contribution incentive points vary by size of bid and donation value. Up to 5 points or 5% of the total points available in the bid evaluation.*

Source: City Charitable Contributions Policy

Note: (1) The Fast Track initiative did not add or modify any of the Charitable Contribution policies.

The Procurement agent assigned the bid file is responsible for calculating and assigning the charitable contribution credit during the bid evaluation process. Procurement uses the verification forms submitted by vendors to log all charitable contributions made. Because a donation may be submitted as part of multiple bid proposals, before adding an entry into the log, Procurement agents are to review the log to ensure that the donation has not already been listed, or used as part of a winning bid.

Procurement management reported that the Charitable Contribution incentive points assigned to vendors are rarely the deciding factor during bid evaluations. During our testing, we noted only one bid out of 120 bids

over the last three fiscal years where a vendor was awarded the bid due to Charitable Contribution Credits.

During our survey of 11 Florida cities comparable in population to Tallahassee, none of the cities had a similar program that provided incentives to vendors that made charitable contributions in their local community. See Appendix C for the responses received during the city survey.

*In our survey of 11 cities comparable in size to Tallahassee, none had a program that provided incentive to vendors that made charitable contributions in their local community.*

In our survey of vendors, 63% (72 of 114) of the respondents believed businesses that make charitable contributions to local charities should not receive incentive points on bid evaluations with the City. We also asked respondents to select which City vendor incentives they had received: MBE (Black Business Enterprise), WBE (Women Business Enterprise), MBE (Non-Black Business Enterprise), Charitable Contributions, Local, Contractor who subcontracts with MBE and/or WBE businesses, none of the above, or Other. Only 8 of 114 vendors responding indicated they had received Charitable Contribution incentive points during bid evaluations. Key survey results from respondents that indicated they had received charitable contribution incentives included:

- 75% (6 of 8) said they would donate the same amount to charities even if they did not receive any incentive points on bid evaluations with the City.
- 75% (6 of 8) said the City does not have practices or procedures that have prevented them from bidding on City contracts.

We asked the survey participants a series of questions in which they were requested to select on a scale of 1-5, with 1 = the lowest, and 5 = the highest to indicate their level of satisfaction with each statement. Respondents that had received the Charitable Contribution incentives:

- Indicated that DemandStar has made participating in City bids much easier (the mean score was 1.86 meaning they did not believe DemandStar has made it easier).
- Were not very satisfied with the City's Charitable Contribution Vendor Incentive Program (2.5 mean score).

Three comments about the Charitable Contribution Vendor Incentive Program by respondents indicated they believed the program benefits

larger businesses more than smaller businesses because larger businesses are more likely to have the financial means to make large contributions.

The vendor survey is in Appendix B. Detailed results and comments were provided to the respective department in an anonymous fashion for their use.

#### City Ordinances and Policies Related to the Charitable Contribution Program

City Charitable Contribution Ordinance 06-0-47AA – This is the ordinance passed by the City Commission that establishes the Charitable Contribution Incentive Program.

Procurement Division Charitable Contributions Procedures – This outlines the procedures to be followed for the Charitable Contribution Incentive Program.

#### **Audit Testing Results and Issues and Recommendations**

We can provide assurances from our testing of bid solicitations that bids involving Charitable Contribution Program incentive points were awarded in accordance with City incentive program ordinances and policies.

During the audit, we noted areas where improvements in the Charitable Contribution Program could be made to better communicate the policy to employees, update the verification form, improve tracking of eligible donations, evaluate the effectiveness of the Charitable Contribution Vendor Incentive Program, and execute a contract with UPHS to provide defined services to the City.

*The Charitable Contribution procedures should be updated and made available to City employees for reference and guidance.*

***The procedures for the Charitable Contribution Program listed on the City's Intranet site do not reflect changes to the valuation of in-kind contributions made by the City Commission in September 2009.***

The procedures posted on the City's Intranet site for employees to refer to for developing bids and request for proposals still includes the outdated requirements. One of the more significant changes from the old procedures to the new procedures is valuing in-kind contributions. Previously, two



quotes identifying the value of the in-kind contribution must have accompanied any in-kind contribution form, and now only one quote is necessary.

Anyone using the older requirements could unintentionally communicate the wrong requirements to vendors who may have been able to meet the current requirements. We recommend that Procurement management update the Charitable Contributions procedures to reflect the current policy and make it available to City employees for reference and guidance. Subsequent to our fieldwork, Procurement management updated the procedures and posted them on the City's Intranet.

***The Charitable Contributions Verification form needs to be updated to reflect the City's Ordinance and be used in a consistent manner.***

During our audit, we found that the Charitable Contribution Form is not consistent with the ordinance. Additionally, even though the form was recently modified changing who will verify the contribution, the older form was still occasionally being sent out with bid solicitations. The ordinance states, "donations must be made within the previous 12 months prior to the opening date of the interested bid", while the charitable contribution verification form states, "not more than 12 months prior to the date/time for receipt of bids/proposals."

*The current Charitable Contribution Form should be consistently used in City bid solicitations.*

While Procurement staff indicated that the opening date and the receipt date are the same, the difference in wording could cause confusion for the vendors and/or UPHS representative verifying that contributions have been made within the specified eligible time period.

In addition, to meet current policy requirements, the Charitable Contribution Form has been modified so only the UPHS representative's signature is accepted to verify that a donation has been made to a qualifying charitable organization. Previously, either a UPHS or United Way representative could sign the form. During our testing, we noted instances when older forms accepting verification by either an UPHS or United Way representative have been included with recent outgoing City

solicitations. Procurement management indicated they will work with their agents to make sure they are all using the correct form.

We recommend the contribution form language be updated to use the same language regarding the 12-month window that the ordinance uses to provide consistency, and help avoid confusion for prospective donors and verifiers. We also recommend Procurement management continue working with the agents to make sure the correct form is consistently utilized with City bid solicitations. Subsequent to our fieldwork, Procurement management revised the form to clarify the 12-month window language and is continuing to work with staff to ensure the correct form is consistently utilized with future City bid solicitations.

***Procurement Services' Charitable Contributions Incentive Program Tracking Log needs to be updated and corrected, defined information should be consistently recorded, and annual reports should be reported to the Commission.***

As stated above, Procurement staff has been using the Charitable Contributions Verification forms submitted by vendors in their bid proposals to log all charitable contributions made. The established procedures for the Charitable Contribution Program require that UPHS submit to the City "an annual report of donations made to all applicable agencies for (the) current and previous fiscal year." Procurement is to "track the number of bids/contracts awarded based on the vendor's receipt of points/percentages for donations in accordance with Ordinance No. 06-O-47AA."

*The information recorded on the Charitable Contribution Tracking Log had discrepancies indicating that the log was not correct.*

During our audit, we found:

- Procurement's Charitable Contribution Incentive Tracking Log should only include bids awarded based on charitable contribution preference. However, the information on the log we reviewed was not accurate in that some contributions were duplicated, and some contributions were missing from the tracking log. Additionally, Procurement staff was putting more information on the log than was required, and was not entering information on the log in a consistent manner. For example, some staff understood data was to

*UPHS has not been providing annual reports to the City. The last time UPHS submitted an annual donation report to the City was in 2007.*

be entered only when the contribution was the deciding factor in the bid decision, whereas other staff thought data was entered anytime donation forms were submitted with bid proposals.

- UPHS has not been providing annual reports to the City. The last time UPHS submitted an annual donation report to the City was in 2007.

Without accurate information being recorded and maintained, management will not have accurate information to evaluate whether a donation is eligible for incentive points, or evaluate the effectiveness of the Charitable Contributions Vendor Incentive Program. We recommend Procurement management clarify with staff and UPHS what information is to be recorded and reported, when it is to be recorded and reported, and by whom the information is to be recorded and reported. Procurement should ensure that donations used as the deciding factor in a bid decision are only used once during bid evaluations. Procurement management indicated they have corrected past charitable contribution information and have communicated with staff to clarify what information should be recorded, maintained, and reported.

***City management should reconsider the costs of administration versus the benefits of the program to determine if the Charitable Contribution Incentive Program is meeting its intended purpose.***

Procurement management estimated there has only been one or two instances since the program began in 2006 where charitable contribution incentive points has been the deciding factor in the bid decision. In our sample of 120 bids, we only found one instance where a charitable contribution affected the bid decision.

The purpose of the Charitable Contribution Vendor Incentive Program, as defined in the City Ordinance, is to encourage businesses to donate funds to eligible local non-profit agencies that provide services beneficial to City residents. Based on our review, as stated in the above issue, the records of charitable giving are not valid and cannot be relied upon to support the

extent the program has resulted in additional contributions to local charitable organizations.

Procurement management reported that the percentage points assigned for charitable contributions rarely is the deciding factor when a vendor wins a bid at the City. Management estimated there have been only one or two instances where the charitable contribution was the deciding factor in the bid decision since the program began in September 2006. Between October 1, 2007, and July 31, 2010, there were approximately 480 bids, proposals, and quotes (we refer to all of these as bids). During our testing of 120 bids, we identified only one instance (less than 1%) where charitable contributions provided additional benefit to the bidder.

*City Management should evaluate whether the Charitable Contribution Vendor Incentive Program is providing the intended benefits to local non-profit agencies.*

The Charitable Contribution Vendor Incentive Program costs the city \$40,000 annually, plus administrative costs, and requires steps to be taken by the vendors, UPHS representative, MBE Office staff, and Procurement staff. If the program is not providing the intended benefits to local non-profit agencies, the City should reconsider whether the cost of the program is worth the benefits. We recommend management reconsider the costs versus the benefits of the Charitable Contribution Vendor Incentive Program to determine if the program is meeting its intended purpose.

*The City should have a written contract with UPHS to define deliverables expected related to the Charitable Contribution Vendor Incentive Program.*

***A contract should be executed between the City and UPHS to clarify and document the responsibilities related to the Charitable Contribution Vendor Incentive Program.***

The United Partners for Human Services (UPHS) has been paid \$40,000 annually since 2006 without a contract. UPHS performs services related to verification of charitable contributions made by businesses submitting proposals to City bids. UPHS reported \$196,000 in total contributions from October 2009 – August 2010. The City Ordinance requires “an annual review to be provided to the City Commission starting one year after passage”, and the Procurement Policy states that UPHS shall, “Provide the City with an annual report of donations made to all applicable agencies for current and previous fiscal year. Reporting period shall correspond with the City’s fiscal year.” The last time UPHS submitted an annual donation report to the City was in 2007.

Should the program continue, we recommend a contract be put in place between the City and UPHS to clarify and document responsibilities related to the Charitable Contribution Vendor Incentive Program, and management should follow up with UPHS to verify they are completing the items detailed in the contract. This contract should provide details regarding what the City wants to see in an annual report from UPHS, as well as specific information on how the City wants UPHS to manage their portion of the program, including the approval process UPHS should go through in order to receive funding. Such a contract would enable the City to determine whether UPHS is providing the required services when approving invoices for payment. Management indicated that Economic and Community Development Human Services Division is developing the contract for UPHS to be implemented in fiscal year 2011.

## **Volume of Work Vendor Incentive Program**

### **Background**

The City of Tallahassee Commission Policy #242, approved in July 2000, allows City employees to use the Competitive Negotiation method in procuring Continuing Service Agreements with vendors that provide architectural and engineering services. The volume of work criteria is allowed according to Florida Statute 287.055, "the Consultant's Competitive Negotiation Act" (CCNA). The City's Volume of Work Vendor Incentive Program only applies to Continuing Service Agreements with vendors providing those specified architectural and engineering services. The Procurement Division oversees the Volume of Work Incentive Program for the City. See Figure 1 on page 10 for the location of the Procurement Division in the City.

The City established the Volume of Work provision in 1983 with a goal of "equitable distribution of contracts among qualified firms" during the bid evaluation process. Bid respondents are required to list any work completed for the City within the preceding 36 months of the bid closing date. A Procurement agent uses the ratings provided in Table 8 to calculate the incentive points to add to the bid tabulation sheet. In May 2009, Commission Policy # 242 was revised, increasing the dollar amounts in the

bid levels associated with the program. For Fast Track projects, the program changes so that 5 points are assigned to any business that has not received any work from the City within the preceding 36 months, and businesses that have received work, regardless of the bid amount, do not receive any points. The following table shows how many points are currently assigned to businesses during the bid evaluation process for non Fast Track Projects and Fast Track Projects.

**Table 8**  
**Volume of City Work**

Volume of City Work Received in the preceding 36-months	Points Assigned for Bids (non-Fast Track Projects)	Points Assigned for City Fast Track Projects
\$0	10	5
\$1-\$300,000	10	0
\$300,000 - \$600,000	8	0
\$600,000 - \$900,000	6	0
\$900,000 - \$1,200,000	4	0
\$1,200,000 - \$1,500,000	2	0
Greater than \$1,500,000	0	0

Source: Procurement Purchasing Manual

*Procurement management reported that the Volume of Work points rarely, if ever, have been the deciding factor in the bid award.*

Procurement management reported that the Volume of Work points rarely, if ever, have been the deciding factor in the bid award. According to Procurement, the Fast Track Program and the economy has made bidding more competitive, resulting in fewer instances where limiting the amount of work awarded to a company may be necessary. Procurement does not keep a log of when the points are assigned related to Volume of Work Program, or when the points result in a bid award.

In our survey of vendors, 60% (68 out of 113) of the respondents believe businesses that receive little to no work with the City should not receive additional points during the bid evaluation process.

We also surveyed 11 Florida cities comparable in population size to Tallahassee to identify other cities that assign points related to Volume of Work. Of 12 cities (including Tallahassee), Tallahassee was the only City that provides points based on volume of work in the bid evaluation process. One city (Hollywood) provided some incentives for first time vendors by allowing departments to hire a first time vendor without bidding the work out for purchases under \$10,000.

#### City Ordinances, Policies, and Procedures Related to the Volume of Work Program

City Commission Policy # 242 – outlines the policies to be followed for the Volume of Work Program.

Procurement Division Procedures Manual outlines the procedures to be followed for the Volume of Work Program.

City Ordinance 09-O-13, Fast Track Ordinance – This ordinance initiated the Fast Track Program designed to allow certain projects to move more quickly in procuring goods and services and increased the number of incentive points that can be assigned to businesses based on volume of work.

#### **Audit Testing Results and Issues and Recommendations**

We can provide assurances from our testing of bid solicitations that bids involving Volume of Work Incentives were awarded in accordance with City incentive program ordinances and policies.

During the audit, we noted one key area where improvements in the Volume of Work Vendor Incentive Program could be made related to reconsideration of the costs versus benefits to continue the program. This is described in more detail below.

***City management should reconsider the costs of administration versus the benefits of the program to determine if the Volume of Work Incentive Program is meeting its intended purpose.***

Procurement management reported that incentive points assigned for volume of work are rarely the deciding factor in bid awards but has not created a Volume of Work Tracking Log. Management should reconsider the costs versus the benefits of the Volume of Work Program to determine if the program is meeting its intended purpose. This was confirmed during our audit testing. In our review of 120 bids, none of the bids we evaluated were awarded where the deciding factor was Volume of Work Incentive points.

*City management should evaluate whether the Volume of Work Program is providing the intended benefits.*

If the program is not the deciding factor in any bids, then the program may not be utilizing the City's resources efficiently, or the program may need to be redesigned to meet the intended benefit for which the program was designed. We recommend the Department of Management and Administration management reconsider the costs versus the benefits of the Volume of Work Program to determine if the program is meeting its intended purpose. Should the Volume of Work Program continue in a similar manner, we also recommend management consider changing the program to provide additional opportunities for vendors that have never received work from the City, while at the same time addressing the need to acquire goods and services at a competitive price.

## ***Conclusion***

This report provides a description of each of the City's vendor incentive programs. We reviewed a sample of 120 and tested 57 bid solicitations and supporting documentation to evaluate the internal controls related to the vendor incentive programs, and determine compliance with the policies related to vendor incentives in the procurement of goods and services. Through this evaluation, we documented very few instances where a vendor incentive program was the deciding factor in the bid decision.

We can provide assurances from our testing of bid solicitations that bids involving MBE, Local Vendor, and Charitable Contribution incentives were awarded in accordance with City incentive program ordinances and policies. We can also provide assurances from our testing of bid solicitations that there were no bids involving Volume of Work Incentives



that were awarded that should not have been awarded in accordance with City incentive program ordinances and policies.

Our audit results of the vendor incentive programs did indicate that the MBE Program policies are outdated or are not in agreement with federal laws. Additionally, current reports and/or documentation show that the other program areas result in additional benefit to only a limited number of vendors. Through our sample of bids, and our survey of 12 cities, and 867 vendors we were able to note the program's strengths, potential weaknesses, and areas for improvements.

We identified potential issues and provided recommendations. Appendix A provides management's action plan to address these recommendations.

We would like to thank and acknowledge the full and complete cooperation and support of management and staff from the Department of Economic and Community Development's Minority Business Enterprise and Department of Management and Administration Procurement Division, City survey respondents, and United Partners for Human Services during the audit and development of this audit report.

***Appointed  
Official's  
Response***

**City Manager:**

From FY2008-FY2010, the Minority and Disadvantaged Business Enterprise Programs have awarded in excess of \$32 million dollars to minority and disadvantaged businesses through contracting opportunities with the City of Tallahassee. I am pleased to see that the recent review of the City's Vendor Incentive Programs confirmed that bids involving MBE, Local Vendor and Charitable Contribution incentives were awarded in accordance with City incentive program ordinances and policies. The programs achieved the objective of providing opportunities for Women, Minority and Local Businesses to participate in City Procurement activities.

Staff is already in the process of addressing concerns and Procurement Services has completed a number of the recommended action plan items identified for Local Vendor, Charitable Contribution, and Volume of

Work Vendor Incentive Programs. We plan to conduct a new disparity study and update the MBE policy based on the results of the study. Within the next two months, staff will develop and implement a process to conduct regular job site visits to verify MBE participation. We have also developed an action plan and time schedule to address the remaining concerns.

I appreciate the hard work by the City Auditor's Office as well as the hard work and cooperation of the Department of Management and Administration and the Economic and Community Development Department.

## Appendix A – Management's Proposed Action Plan

Action Steps	Responsible Employee(s)	Target Date
<b>A. Objective: Improvements to be made to the MBE Vendor Incentive Program</b>		
1. Reconsider whether the MBE Program is still suitable in meeting the needs of the community, or should be revised to a Small Business Enterprise Program to better comply with U.S. Supreme Court rulings related to race and gender neutral alternatives.	MBEO Staff, (data collection) MBE Advisory Committee (Recommendation) City Attorney (Legal Issues) City Commission (Final Decision)	90 days (August 5, 2011)
2. If the program continues, obtain a new Disparity Study, and update the MBE Policy based on the study's data, results, and recommendations.	City Commission (Decision on disparity Study) MBEO Staff (Policy Update)	60 Days for Initial Decision, 180 days for total project completion (November 5, 2011)
3. If the program continues, the updated MBE Policy should eliminate set asides, and assign equitable points to minority businesses, and add a dollar range and percentage to limit additional amounts the City pays for awarding a bid to a vendor that receives MBE incentive points, but is not the lowest bidder.	MBEO Staff, City Attorney Office, Procurement	Concurrent 90 Days (August 5, 2011)
4. Make the MBE Policy available to all City employees.	MBEO Staff, PIO	30 Days (or less) (May 31, 2011)
5. Develop and implement a process to regularly visit job sites during the year to verify MBE participation.	MBEO Staff & Public Works/Engineering	90 Days (August 5, 2011)
6. Resume producing annual reports to showcase the accomplishments of the MBE Program.	MBEO Staff	Annual Report produced for FY 11 by 12/11
7. Work with Accounting Services to implement a process to ensure that all intended data is being captured and reported.	MBEO Staff, Accounting Services, Procurement, Public Works	Within the Total 180 day time period (November 5, 2011)

<p>8. Implement a process to improve tracking of City payments to MBE subcontractors through the prime contractors.</p>	<p>MBEO Staff, Accounting Services, Procurement, Public Works ,ISS</p>	<p>Within the Total 180 day time period (November 5, 2011)</p>
<p>9. Continue to seek out qualified individuals who have the necessary time and desire to attend quarterly meetings to provide advice and guidance to the MBE Office.</p>	<p>MBEO Staff, Mayor's Office</p>	<p>Underway and Ongoing</p>
<p><b>B. Objective: Improvements to be made to the Local Vendor Incentive Program</b></p>		
<p>1. a. Compare the cost of the Local Vendor Incentive Program to the benefits, to determine if the program should be discontinued, or if changes should be made to the incentive points and/or program to increase the number of local bids awarded.</p> <p>b. Identify possible ways to increase the number of local vendor bidders, such as making solicitations available through the City's website.</p>	<p>Cathy Davis</p>	<p>The City Commission adopted a Local Business Certification Program as a pilot project on March 9, 2011.</p>
<p><b>C. Objective: Improvements to be made to the Charitable Contribution Vendor Incentive Program</b></p>		
<p>1. Update the Charitable Contribution procedures to reflect the current policy and make it available to City employees for reference and guidance.</p>	<p>Bernice McQueen</p>	<p>Completed January 2011</p>
<p>2. Modify language on the contribution form and use the same language regarding the 12-month window that the ordinance uses to provide consistency, and help avoid confusion for prospective donors and verifiers.</p>	<p>Kent Rickey</p>	<p>Completed January 2011</p>
<p>3. Continue working with the agents to make sure the correct form is consistently utilized.</p>	<p>Kent Rickey</p>	<p>12/31/2011</p>
<p>4. Clarify and communicate with staff and UPHS what information is to be recorded and reported, when it is to be recorded and reported, and by whom the information is to be recorded and reported.</p>	<p>Cathy Davis</p>	<p>12/31/2011</p>
<p>5. Reconsider the costs versus the benefits of the Charitable Contribution Vendor Incentive Program to determine if the program is meeting its intended purpose.</p>	<p>Raoul Lavin</p>	<p>12/31/2011</p>

<p>6. Should the program continue, a contract will be put in place between the City and UPHS to clarify and document responsibilities related to the Charitable Contribution Vendor Incentive Program, and follow ups with UPHS will be conducted to verify they are completing those responsibilities.</p>	<p>Raoul Lavin</p>	<p>12/31/2011</p>
<p><b>D. Objective: Improvements to be made to the Volume of Work Vendor Incentive Program</b></p>		
<p>1. Reconsider the costs versus the benefits of the Volume of Work Program to determine if the program is meeting its intended purpose.</p>	<p>Raoul Lavin</p>	<p>12/31/2011</p>
<p>2. Should the program continue, management will consider changing the program to provide additional opportunities for all vendors that have never received work from the City, while at the same time addressing the need to acquire goods and services at a competitive price.</p>	<p>Raoul Lavin</p>	<p>12/31/2011</p>

## Appendix B – Survey of City Vendors

### Office of the City Auditor Procurement Services Vendor Survey



The Office of the City Auditor is conducting an audit of the City's Minority Business Enterprise (MBE) and Vendor Incentive Programs (charitable contributions and locality). This questionnaire relates to vendors' satisfaction with the services provided by the Department of Economic and Community Development's Minority Business Enterprise Division that administers Minority and Women Business Enterprise (WBE) programs, and the Department of Management and Administration's, Procurement Services Division that administers local businesses and charitable contributions programs.

Please take 15-20 minutes to complete this questionnaire online or you may print it and return it to the City Auditor's Office by FAX (891-0912) or mail it to Office of the City Auditor 300 South Adams Street Box A-22 Tallahassee, FL 32301. All comments, suggestions, concerns, and positive aspects of the program are welcome. If you have questions, need clarification, or want to personally speak to us about the program, please contact Patrick Cowen at 891-8065 or Beth Breier at 891-8386. Please complete the survey by **Friday September 17, 2010**

- |   |                              |                             |                              |
|---|------------------------------|-----------------------------|------------------------------|
| 1) I believe Minority/Women Business Enterprises (M/WBE) should receive incentive points on bid evaluations with the City.  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 2) I believe local businesses should receive incentive points on bid evaluations with the City.   | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 3) I believe businesses that make charitable contributions to local charities should receive incentive points on bid evaluations with the City.   | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 4) I believe businesses that have received little to no work with the City in the past should receive additional points during the bid evaluation process to give new businesses more opportunities to receive City work. | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |

Why do you feel this way?

- 5) Have you received vendor incentive points during the City's procurement bid evaluation process?  
 Yes     No     I don't know what vendor incentive points are

- 6) Which vendor incentive(s) have you received? (Please select all that apply):
- |   |  |
|---|--|
| <input type="checkbox"/> MBE (Black Business Enterprise)                              | <input type="checkbox"/> WBE (Women Business Enterprise) |
| <input type="checkbox"/> MBE (non black Business Enterprise)                          | <input type="checkbox"/> Charitable Contributions        |
| <input type="checkbox"/> Local Business   | <input type="checkbox"/> None of the above               |
| <input type="checkbox"/> Contractor that sub-contracts with MBE and/or WBE businesses |  |
| <input type="checkbox"/> Other (Please list) _____                                    |  |

If you selected one of the MBEs, WBE, or are a contractor that subcontracts with MBE and/or WBE businesses above, please click [here](#) to complete the questions in Section I. If you selected Charitable Contributions, please click [here](#) to complete the questions in Section II. If you selected Local, None of the above or Other, please click [here](#) to complete the questions in Section III. If you selected more than one, please complete all Sections that apply. There is space at the end of the survey for any additional comments you would like to make.

**Section I. Please complete this section if you selected one of the MBEs, WBE, or are a contractor that subcontracts with MBE and/or WBE businesses in question 6.**

For the following questions, please select either Yes, No, or Not Applicable (N/A).

- |  |                              |                             |                              |
|--|------------------------------|-----------------------------|------------------------------|
| 7) I am aware that the City of Tallahassee and Leon County have a Minority/Women Business Enterprise (M/WBE) Certification Agreement.  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 8) I am aware that I only need to apply as an M/WBE with <b>either</b> the City <b>or</b> the County, not both, to be a certified M/WBE for both governments.  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 9) I have registered as an M/WBE with the State of Florida.  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 10) I am aware that registering with the State does not register my company as an M/WBE with the City?   | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 11) I would hire M/WBE subcontractors even if I did not receive any incentive points on bid evaluations with the City?<br>Why or why not? _____  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 12) I believe that an M/WBE <u>will</u> be awarded a contract/bid regardless of the M/WBE's proposed price.  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 13) I believe the City fairly contracts work to businesses?<br>If not, please explain. _____   | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 14) Are there factors that you believe prevent you from receiving City contracts?<br>If yes, what are they? _____  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 15) Does the City have practices or procedures that have prevented you from bidding on City contracts?<br>If yes, what are they? _____   | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 16) Does the City have practices or procedures that have prevented you from receiving contracts?<br>If yes, what are they? _____   | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 17) Have you ever inquired as to why your bid proposal was not selected by the City?<br>If yes, who did you contact and what did you find out?<br>_____  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 18) Were you satisfied with the City's response?<br>Please explain. _____  | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 19) Has the City made any attempts to encourage you to bid on City contracts?<br>If yes, what were they? _____<br>If no, describe what outreach efforts you would like to see implemented?<br>_____      | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |
| 20) Have you ever been a low bidder and not been awarded the City contract?<br>If yes, why? _____<br>In order to assist in our follow-up, please provide the procurement #s, bid #s, or RFP #s.<br>_____ | Yes<br><input type="radio"/> | No<br><input type="radio"/> | N/A<br><input type="radio"/> |

If we may contact you, please provide your name and phone number.

On a scale of 1-5, please indicate your agreement with the following statements with 1 = the lowest and 5 = the highest level of agreement, or N/A if the question does not apply to your business.

- |   |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 21) The City's Co-Sponsored Minority Enterprise Development (MED) Week is very informative. | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 22) The City's process for applying for M/WBE status is easy.                               | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 23) The City's process for reapplying for M/WBE status is easy.                             | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 24) I will reapply for M/WBE status with the City.  | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 25) The City's bidding process is easy.   | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 26) Onvia DemandStar has made participating in City bids easier.                            | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 27) The City's bid evaluation process is fair.  | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 28) The City's bid evaluation process is transparent.                                       | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 29) The City does not show favoritism to certain businesses.                                | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 30) It is easy to find guidelines for the M/WBE program on the City's website.              | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 31) I am satisfied with the City's M/WBE program.   | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Please answer the following questions.

32) In the last 12 months, about how many City contracts have been:

- a. awarded to your business? \_\_\_\_\_
- b. subcontracted to your business? \_\_\_\_\_

33) How do you find out the City has put a project out for bid? (Please mark all that apply)

- Received an email or mailed notification
- Received a phone call notification
- Saw the listing on Demand Star
- Saw an Advertisement in the newspaper
- Other: \_\_\_\_\_

34) What can the City do to improve the procurement and selection process?

---

35) What can the City do to improve the Minority/Women Business Enterprise Program?

---



**Section II. Please complete this section if you selected Charitable Contribution in question 6.**

For the following questions, please select either Yes, No, or Not Applicable (N/A).

- 36) I would donate the same amount to charities even if I did not receive any vendor points on bid evaluations with the City? Yes No N/A
- 37) I believe the City fairly contracts work to businesses? Yes No N/A  
 If not, please explain. \_\_\_\_\_
- 38) Does the City have practices or procedures that have prevented you from bidding on City contracts? Yes No N/A  
 If yes, what are they? \_\_\_\_\_
- 39) Are there factors that you believe prevent you from receiving City contracts? Yes No N/A  
 If yes, what are they? \_\_\_\_\_
- 40) Does the City have practices or procedures that have prevented you from receiving contracts? Yes No N/A  
 If yes, what are they? \_\_\_\_\_
- 41) Have you ever inquired as to why your bid proposal was not selected by the City? Yes No N/A  
 If yes, who did you contact and what did you find out? \_\_\_\_\_
- 42) Were you satisfied with the response? Yes No N/A  
 Please explain. \_\_\_\_\_
- 43) Has the City made any attempts to encourage you to bid on City contracts? Yes No N/A  
 If yes, what were they? \_\_\_\_\_
- If no, describe what outreach efforts you would like to see implemented?  
 \_\_\_\_\_
- 44) Have you ever been a low bidder and not been awarded the City contract? Yes No N/A  
 If yes, why? \_\_\_\_\_
- In order to assist in our follow-up, please provide the procurement #s, bid #s, or RFP #s.  
 \_\_\_\_\_
- If we may contact you, please provide your name and phone number. \_\_\_\_\_

On a scale of 1-5, please indicate your agreement with the following statements with 1 = the lowest and 5 = the highest level of agreement, or N/A if the question does not apply to your business.

- 45) The City's process for applying for Charitable Contribution points is easy. 1 2 3 4 5 N/A
- 46) The City's bidding process is easy. 1 2 3 4 5 N/A
- 47) Onvia DemandStar has made participating in City bids easier. 1 2 3 4 5 N/A
- 48) The City's bid evaluation process is transparent. 1 2 3 4 5 N/A
- 49) The City's bid evaluation process is fair. 1 2 3 4 5 N/A

- |   |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 50) The City does not show favoritism to certain businesses.  | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 51) It is easy to find guidelines for the Charitable Contribution Vendor Incentive Program on the City's website. | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 52) I am satisfied with the City's Charitable Contribution Vendor Incentive Program.                              | 1                     | 2                     | 3                     | 4                     | 5                     | N/A                   |
|   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Please answer the following questions.

53) In the last 12 months, about how many City contracts have been:

- a. awarded to your business? \_\_\_\_\_
- b. subcontracted to your business? \_\_\_\_\_

54) How do you find out the City has put a project out for bid? (Please mark all that apply)

- |   |  |
|---|--|
| <input type="checkbox"/> Received an email or mailed notification | <input type="checkbox"/> Received a phone call notification    |
| <input type="checkbox"/> Saw the listing on Demand Star           | <input type="checkbox"/> Saw an Advertisement in the newspaper |
| <input type="checkbox"/> Other: _____                             |  |

55) What can the City do to improve the procurement and selection process?  
\_\_\_\_\_

56) What can the City do to improve the Charitable Contribution Incentive Program?  
\_\_\_\_\_

**Section III. Please complete this section if you selected Local, None of the above, or other in question 6.**

For the following questions, please select either Yes, No, or Not Applicable (N/A).

- |  |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| 57) I believe that local businesses should receive incentive points on bid evaluations with the City?  | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 58) I believe the City fairly contracts work to businesses?<br>If not, please explain. _____   | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 59) Are there factors that you believe prevent you from bidding City contracts?<br>If yes, what are they? _____                                      | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 60) Does the City have practices or procedures that have prevented you from bidding on City contracts?<br>If yes, what are they? _____               | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 61) Does the City have practices or procedures that have prevented you from receiving City contracts?<br>If yes, what are they? _____                | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 62) Have you ever inquired as to why your bid proposal was not selected by the City?<br>If yes, who did you contact and what did you find out? _____ | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 63) Were you satisfied with the City's response?<br>Please explain. _____  | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 64) Has the City made any attempts to encourage you to bid on City contracts?<br>If yes, what were they? _____                                       | Yes                   | No                    | N/A                   |
|  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

If no, describe what outreach efforts you would like to see implemented?  
 \_\_\_\_\_

- 65) Have you ever been a low bidder and not been awarded the City contract? Yes No N/A  
 If yes, why? \_\_\_\_\_     
 In order to assist in our follow-up, please provide the procurement #s, bid #s, or RFP #s.  
 \_\_\_\_\_

If we may contact you, please provide your name and phone number. \_\_\_\_\_

On a scale of 1-5, please indicate your agreement with the following statements with 1 = the lowest and 5 = the highest level of agreement, or N/A if the question does not apply to your business.

- |   |                         |                         |                         |                         |                         |                           |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|
| 66) The City's bidding process is easy.   | <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 | <input type="radio"/> N/A |
| 67) Onvia DemandStar has made participating in City bids easier.                                | <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 | <input type="radio"/> N/A |
| 68) The City's bid evaluation process is transparent.   | <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 | <input type="radio"/> N/A |
| 69) The City's bid evaluation process is fair.  | <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 | <input type="radio"/> N/A |
| 70) The City does not show favoritism to certain businesses.                                    | <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 | <input type="radio"/> N/A |
| 71) It is easy to find guidelines for the Local Business Incentive Program on the City website. | <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 | <input type="radio"/> N/A |
| 72) I am satisfied with the City's Local Business Incentive Program.                            | <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 | <input type="radio"/> N/A |

Please answer the following questions.

- 73) In the last 12 months, about how many City contracts have been:  
 a. awarded to your business? \_\_\_\_\_  
 b. subcontracted to your business? \_\_\_\_\_

- 74) How do you find out the City has put a project out for bid? (Please mark all that apply)  
 Received an email or mailed notification  Received a phone call notification  
 Saw the listing on Demand Star  Saw an Advertisement in the newspaper  
 Other: \_\_\_\_\_

75) What can the City do to improve the procurement and selection process?  
 \_\_\_\_\_

76) What can the City do to improve the Local Business Incentive program?  
 \_\_\_\_\_

77) Additional Comments:  
 \_\_\_\_\_

## **Appendix C – Survey of Comparable Cities**

The following table shows the Cities' responses to several questions asked during the phone survey of the 11 cities, and the City of Tallahassee.

Question	Jacksonville	Orlando	Hialeah	Fort Lauderdale	Tallahassee	Cape Coral	Port St. Lucie	Pembroke Pines	Hollywood	Coral Springs	Gainesville	Clearwater
<b>Population Size</b>	807,815	230,519	210542	183,126	171,992	156,835	154,353	145,661	141,740	125,783	114,916	105,774
<b>How does your City define a minority?</b>	No MBE Program.	Black, Hispanic, Native American, Asian, Women.	No MBE Program.	No MBE Program.	Black, Hispanic, Asian, Native American, Women	No MBE Program.	No MBE Program.	No MBE Program.	No MBE Program.	No MBE Program.	No MBE Program.	No MBE Program.
<b>Do you give points for MBEs?</b>	No, we have a Small Business Program (JSEB).	Yes	No	No	Yes	No	No	No	No, we have a Small Business Program	No	No, we have a Small Business Program	No
<b>Do you give points for charitable contributions?</b>	No	No	No	No	Yes	No	No	No	No	No	No	No
<b>Do you give points for being local? How do you define local?</b>	Yes, 5 surrounding counties	No	No	No	Yes, 4 surrounding counties	No	Yes, 5 surrounding counties	No	Yes, within the City Limits	No	No	No
<b>Do you give incentive points based on volume of work?</b>	No	No	No	No	Yes	No	No	No	No	No	No	No
<b>How do you put solicitations out for bid?</b>	In-house	DemandStar	In-house	Bidsync	DemandStar	DemandStar	DemandStar	In-house	DemandStar	In-house	DemandStar	In-house
<b>Do you conduct site visits to ensure the MBE is performing the work?</b>	Yes	Yes	N/A	N/A	Yes	Yes	No	N/A	N/A	N/A	No	No
<b>In what Department is the minority program managed?</b>	Procurement and JSEB are under Central Operations.	Chief Administrative Office, Procurement is under Business & Financial Services	N/A	N/A	Economic & Workforce Development, Procurement is in Finance & Administration	N/A	N/A	N/A	Economic Development, separate area from Procurement.	N/A	Economic Development, Procurement is under Finance.	N/A