



Memorandum

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To: Hon. Carlos Alvarez, Mayor, Miami-Dade County
Dr. Eneida O. Roldan, MD, President and CEO, Jackson Health System

From: Christopher Mazzella, Inspector General

Date: May 4, 2010

Subject: *OIG Final Audit Report Re: Public Health Trust/Jackson Health System's Use of the County's Miscellaneous Construction Program, Ref. IG09-78A*

Attached please find the above-captioned final audit report. This audit was initiated because of complaints received by the Miami-Dade County Office of the Inspector General (OIG) that alleged favoritism in the procurement of architectural and engineering (A&E) services. This audit is part of a comprehensive review of A&E and construction contracts administered by Jackson Health System (JHS), including those awarded under the County's Miscellaneous Construction Contract Program (MCC) and the Equitable Distribution Program (EDP). Our first report, dated November 16, 2009, examined JHS' utilization of the County's EDP (IG08-15A). This audit is the second in a series of audits and focuses on JHS's use of the County's MCC.

A copy of this report, as a draft, was provided to JHS and the Miami-Dade County Office of Capital Improvements (OCI) for their comments. OCI and JHS responses are included in Appendix A and Appendix B, respectively. We have included their comments within our report. Please be advised that the OIG is requesting an informational status report from JHS in 90 days relating to its implementation of corrective actions and additional training in response to the OIG's recommendations. **We respectfully request that we receive this report from JHS on or before August 6, 2010.** No follow-up is being required of OCI. For reading convenience, the next page contains a short abstract of our report issues.

cc: Board of Trustees, Public Health Trust of Miami-Dade County
Sen. Javier D. Souto, Miami-Dade County Board of County Commissioners
Hon. Dorrin D. Rolle, Miami-Dade County Board of County Commissioners
George M. Burgess, County Manager
George Navarrete, Acting Director, Office of Capital Improvements
Theodore Lucas, V.P. for Strategic Sourcing & Chief Procurement Officer, JHS
Robert M. Scheffer, Interim Director, Capital Projects Dept., JHS
Marlane Berg, Director, Internal Audit, JHS
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor
Clerk of the Board (copy filed)

ABSTRACT
Final Audit Report IG09-78A

In this audit of JHS' use of the County's Miscellaneous Construction Contract Program (MCC), we found at least one condition that was identical to a condition noted in our audit of JHS' use of the County's Equitable Distribution Program. We observed that there was a lack of documentation plaguing project procurement and status reporting. JHS project managers did not always have complete project files documenting the project cycle from *Request for Price Quotation* (RPQ) through project closeout.

In addition, JHS project managers did not take the necessary steps to ensure that their projects' information was entered into OCI's Capital Improvements Information System (CIIS). The MCC relies on OCI's CIIS, which, among its many uses, "houses" MCC project files and forms. As a result, prospective contractors that were solicited for the subject work were not drawn from the MCC contractor rotational pool. In addition, subsequent award and payment amounts were not entered into CIIS and, as a result, contractor standings, in the rotational pool, were based on incomplete data. This would affect later MCC awards because a MCC contractor's prospective eligibility to submit proposals for future work is based on its ranking in the rotational pool, which is based on past award and payment amounts. A rotational pool is used to equitably distribute work among the participants based on their respective standings. Standings not based on complete data, i.e., total award and payment amounts, would result in improper contractor selections and this would defeat the purpose of the rotational pool. We noted that JHS does not have direct access to CIIS. However, the fact that JHS project managers do not have online access to CIIS does not relieve them of their responsibilities to document their procurement and administrative activities and to promptly submit required data to OCI for input to CIIS through alternative means, e.g., with OCI's assistance.

We are also reporting on another problematic condition that we found in our review of the *Strategic Sourcing and Procurement Relocation* project (P-00785). We believe that there was questionable judgment on the part of JHS project management staff when they continued a procurement knowing that the described project work scope, as advertised, was materially different from that shown on the project's drawings. As a result of project management's explanation to the OIG, we concluded that this procurement appears to have been a rather convoluted series of events that, in our opinion, were poorly managed by JHS staff.

In summary, the OIG continues its efforts to highlight risk areas in JHS construction contracting and project management activities that, by their existence, tend to give credence to the complaints received by the OIG alleging favoritism in JHS construction and related procurements. The OIG is encouraged by JHS's responses to this audit, as well as to the earlier audit. JHS is on the right track to make these activities not just more efficient and effective, but with a documented objectivity and transparency that will serve to reassure process participants that contractor selections are free from project manager bias and contractor favoritism.

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I. INTRODUCTION

The Office of the Inspector General (OIG) audited the Public Health Trust's (PHT)/Jackson Health System's (JHS) use of Miami-Dade County's Miscellaneous Construction Contract program (MCC). The Miami-Dade Board of County Commissioners established the MCC in October 2002 through Resolution R-299-02. Miami-Dade County's Office of Capital Improvements (OCI) administers the MCC.

The objective of the MCC is to obtain competitive, cost-effective, and quality construction services for miscellaneous and emergency construction projects through the creation of a prequalified pool of contractors, as well as to provide small businesses with the opportunities to participate on construction projects. County Administrative Order No. 3-39 (A.O. 3-39), *Standard process for construction of Capital improvements, acquisition of professional services, construction contracting, change orders and reporting* (effective June 23, 2003), sets forth MCC objectives, criteria for establishing contractor eligibility, and outlines the *Request for Price Quotation (RPQ)* process. Other MCC terms and conditions are contained in the two forms of miscellaneous construction contracts—MCC 7040 and MCC 7360.

The MCC 7040 contract is a 100% set aside for qualified Community Small Business Enterprise (CSBE) firms wishing to participate in the program. The MCC 7360 contract is open to all qualified firms and requires prequalification at the time of the project award.¹ Under both contracts, an individual project's construction cost cannot exceed \$2.5 million. During our audit period, JHS had four active and/or completed MCC 7040 projects. JHS had no MCC 7360 projects during this same period.

This audit is the second in a series of audits that is part of a larger review of JHS' architectural and engineering (A&E), and construction contracts. We initiated these audits, in part, because of complaints received by the OIG alleging favoritism and other procurement abuses in JHS' Capital Projects Department. Our first audit report, which we issued on November 16, 2009, focused on JHS' use of the County's Equitable Distribution Program (EDP).²

¹ MCC 7360 is only used when federal funding is involved or when a 100% CSBE goal is not attainable due to the unavailability of certified vendors in the required area. Since JHS did not use MCC 7360, our discussion will focus only on its usage of MCC 7040.

² OIG Reference IG08-15A (Final Report dated November 16, 2009)

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In that report, we described deficient record keeping by JHS project managers that raised “red flags” about their procurements to the extent that we believed there could be a reputational risk to JHS. We noted that such practices lend credence to the complaints received by the OIG alleging favoritism and contract steering. In another finding, we described how JHS project managers “rescoped” a relatively small project, with design fees totaling \$12,500, into a much larger project—with design fees totaling almost \$125,000. JHS project managers, without a competitive process, “awarded” the revised work scope that included over \$110,000 in new work to the same firm that had received the original award valued at \$12,500.

II. TERMS USED IN THIS REPORT

A.O.	Administrative Order
CIIS	Capital Improvements Information System
CSBE	Community Small Business Enterprise
EDP	Equitable Distribution Program
JHS	Jackson Health System
MCC	Miscellaneous Construction Contract Program
OCI	Office of Capital Improvements
OIG	Office of the Inspector General
PHT	Public Health Trust
RPQ	Request for Price Quotation

III. RESULTS SUMMARY

In this audit, we found at least one condition that was identical to a condition noted in our audit of JHS’ use of the County’s Equitable Distribution Program. We observed that there was a lack of documentation plaguing project procurement and status reporting. JHS project managers did not always have complete project files documenting the project cycle from *Request for Price Quotation* (RPQ) preparation through project closeout. In addition, JHS project managers did not take the necessary steps to ensure that the information that they did have was entered into OCI’s Capital Improvements Information System (CIIS). As a result, prospective contractors to be solicited were not drawn from the MCC contractor rotational pool. In addition, subsequent award amounts were not entered into CIIS and, as a result, contractor standings, in the rotational pool, were based on incomplete data, thereby affecting future MCC awards.

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The MCC relies on OCI's CIIS, which, among its many uses, "houses" MCC project files and forms. The MCC component is a 100% web-based interactive database and record keeping system that all but eliminates the need for "hard copy" paper. User departments are required to go online and complete via computer, almost all procurement activity record keeping, project status reporting, payment processing, project closeout, contractor performance evaluations, and much more. However, JHS and County automated systems are not compatible; therefore, JHS does not have the ability to connect directly with CIIS. The fact that JHS project managers do not have online access to CIIS does not relieve them of their responsibilities to document their procurement and administrative activities and to promptly submit required data to OCI for input to CIIS through alternative means.

JHS created its own MCC RPQ form and other in-house project records. Consequently, its in-house MCC project files may contain some documentation but, generally, not complete CIIS documentation. Importantly, most of the information contained in these records was never entered into CIIS.

For example, we observed in three project files JHS generated RPQ forms. However, because JHS did not submit a CIIS/MCC RPQ form to OCI, JHS did not receive an OCI-prepared bidders' list. Instead, JHS developed its own bidders list of contractors that it selected from a listing of CSBE firms maintained by what was then the Department of Business Development (now known as the Department of Small Business Development). In other words, prospective contractors were not selected by OCI from the MCC rotational pool based on their respective standings therein. The purpose of maintaining a rotational pool is that it can be used to distribute work among program participants in an equitable manner; not using the pool defeats the primary purpose of maintaining the pool.

A CIIS-generated RPQ was not the only missing information in CIIS. In addition, JHS did not enter award, project status, and payment information into CIIS nor did it forward the required information to OCI for entry into CIIS. As a result, OCI was unaware of the JHS project awards and payments made to the contractors. This deficiency situation had an undesirable impact in that OCI could not update MCC contractor rotational values and pool standing without complete, accurate, and timely JHS project data. This may have influenced contractor assignments on later MCC projects. Furthermore, although JHS project managers may have documented some aspects of their MCC project procurements and subsequent construction activities, by not following the rules they did not take all of the required steps to ensure the fairness, transparency, and integrity of their MCC-related activities.

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We are also reporting on another problematic condition that we found in our review of the *Strategic Sourcing and Procurement Relocation* project (P-00785). We believe that there was questionable judgment on the part of JHS project management staff when they continued a procurement knowing that the described project work scope, as advertised, was materially different from that shown on the project's drawings. As a result of project management's explanation to the OIG, we concluded that this procurement appears to have been a rather convoluted series of events that, in our opinion, were poorly managed by JHS staff.

One notable outcome was that the original MCC contractor was not awarded about \$90,000 in work shown on the A&E drawings but not included in the original RPQ scope. When JHS later revised this project scope, it downsized the work to approximately \$10,000, and then awarded it to another contractor that was a non-CSBE firm, i.e., an ineligible MCC contractor. In addition, when JHS later "re-awarded" the downsized work scope to the original contractor, it left out approximately \$40,000 of other work from the new award. This work was also shown on the A&E drawings. Literally, within months after re-awarding this project, JHS added back this work scope and approved change orders for this work totaling over \$52,000.

This questionable project management practice of materially changing a project scope without going through a new procurement reinforces the perception that JHS project management is not following the rules or using good judgment when operating in non-standard conditions. The awarding of the downsized scope to a non-CSBE firm, as a bid waiver, fuels this perception, as does the \$52,000 in change orders. This questionable decision-making is similar, in context, to one that we noted in our EDP audit report, dated November 16, 2009, about JHS's handling of the Central 7 Pharmacy project.

Lastly, JHS management told the OIG that it has used the MCC on a limited, as-needed basis—four times during the period of January 2006 to September 2009—and will continue to use it in that manner, if at all, in the future. Since September 2009, JHS has not used the MCC.³ We were informed by JHS that it has developed alternative contracting processes that will all but eliminate its need to access the MCC in the future. However, regardless of the procurement vehicle used to award construction contracts, JHS project managers must complete and must document their project-related activities, in accordance with approved guidelines.

³ Just prior to this report's issuance, JHS informed the OIG that it was preparing another MCC 7040 solicitation.

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IV. CONCLUSION AND RECOMMENDATIONS

The poor JHS practices described are not isolated instances confined to the MCC program alone. As noted earlier, we saw some of these practices during our audit of JHS' use of the County's EDP. Our concern is that these practices reflect similar deficiency situations—inexperienced or poorly trained or unmotivated staff, and/or ineffectual supervision, or some combination thereof. The results are procurements that reflect procedural expediency at the expense of procedural compliance and good judgment. In general, government employees responsible for procuring goods and services have an affirmative obligation to ensure that the procurement is transparent and fair, and performed and documented in accordance with the procedures. Whether a system or process is old or new, it will not perform as intended when operating staff exercise poor judgment by taking procedural short cuts, such as by not performing required actions and/or not preparing required documentation of the actions taken, and/or when supervisory review is ineffectual, if not nonexistent.

We recommend that JHS management should educate/train its project management staff and supervisory personnel on the need for them to follow approved procedures and improve the quality of their work, and to comply with administrative guidelines and to clarify best practices. In addition, supervisory personnel should be required to affirmatively document their reviews and approvals of key project documents and milestones.

Auditee Responses and OIG Rejoinder

A copy of this report as a draft was provided to OCI and to JHS for their comments, on March 25, 2010, although our recommendations were directed solely at JHS. OCI and JHS both provided responses to the draft report and they are attached to this final report as OIG APPENDIX A and APPENDIX B, respectively. As part of its response, JHS provided several attachments, including a draft of its *Process Roadmap*, which will be a primary tool in ensuring that all procurement steps are properly followed and documented. However, due to the volume of attachments submitted by JHS, the attachments are not included as part of this final report as distributed, but will be included in their entirety when this report is posted on the OIG's website (www.miamidadeig.org).

JHS responded affirmatively to our recommendations, as well as provided a chronological recap, with accompanying documents, related to our discussion of the circumstances surrounding JHS project P-00785, *Strategic Sourcing and Procurement*

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Relocation. JHS' comments reflect its continuing efforts that it first reported in its response to the earlier cited OIG audit on its use of the County's Equitable Distribution Program (EDP). Such remedial efforts include preparing the aforementioned *Process Roadmap*, and enhanced training and development for staff and supervisors. In addition, regarding the MCC specifically, JHS will work with OCI and the County's Enterprise Technology Services Department to gain access to CIIS.

In its response, OCI described the conditions under which JHS could gain access to CIIS and to obtain an MCC funding allocation.

Requested Follow-up

The OIG requests that JHS submit a follow-up report to the OIG in 90 days, on or before August 6, 2010, regarding its progress in implementing its new procedures, processes, and training. Should it be available, at this time, the OIG requests that JHS provide us with a copy of its final *Process Roadmap*. In addition, JHS should report on its progress towards obtaining access to CIIS.

V. OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of County affairs and the power to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts, and transactions. The Inspector General has the power to analyze the need for, and the reasonableness of, proposed change orders. The Inspector General is authorized to conduct any reviews, audits, inspections, investigations, or analyses relating to departments, offices, boards, activities, programs, and agencies of the County and the Public Health Trust.

The Inspector General may, on a random basis, perform audits, inspections, and reviews of all County contracts. The Inspector General shall have the power to audit, investigate, monitor, oversee, inspect and review the operations, activities and performance and procurement process including, but not limited to, project design; establishment of bid specifications; bid submittals; activities of the contractor and its officers, agents and employees; lobbyists; County staff; and elected officials, in order to ensure compliance with contract specifications and detect corruption and fraud.

The Inspector General shall have the power to review and investigate any citizen's complaints regarding County or Public Health Trust projects, programs,

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contracts, or transactions. The Inspector General may exercise any of the powers contained in Section 2-1076, upon his or her own initiative.

The Inspector General shall have the power to require reports from the Mayor, County Commissioners, County Manager, County agencies and instrumentalities, County officers and employees, and the Public Health Trust and its officers and employees, regarding any matter within the jurisdiction of the Inspector General.

VI. OBJECTIVES, SCOPE, AND METHODOLOGY

Our primary objective was to evaluate whether the procurement process used by JHS was in accordance with A.O. 3-39 and MCC 7040 procedures. Our other objectives were to determine whether payment requisitions provided by contractors were properly supported and approved for payment, and to assess the effectiveness of JHS' staff in administering and overseeing project activities.

OIG Auditors interviewed JHS procurement staff and the project managers for the four projects. We reviewed JHS hard copy and CIIS online project files to evaluate the procurement process used to contact the MCC firms, obtain price quotes, and award the project. We also reviewed these project files to assess JHS' record keeping of project construction activities. Additionally, we reviewed the contractors' payment requisitions to determine that they were properly supported and approved. Our work included checking reported project percent completions, retainage calculations, and recomputing payment amounts. We also visited project worksites and interviewed one project contractor. Furthermore, we met with OCI staff to discuss the MCC process, as well as to gain an understanding of its oversight of JHS' use of the MCC program.

We reviewed all four projects that JHS initiated under the MCC 7040 program during the period of January 2006 to September 2009. The projects' scopes of services involved ceiling tile replacement; exterior caulking, painting and waterproofing of a building; office renovation and relocation; and a sewer line connection. As of March 2010, all projects have been completed. Table 1 (next page) shows summary data for all four projects, their descriptions, and statuses, as of March 2010.

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Table 1 Project Status as of March 2010

RPQ No.	Project No.	Project Description	Award Amount	Project Complete
21395987	None	North Wing 1 st Floor Ceiling Project	\$35,000	Sept 2009
08-4509-AA Rev 1	P-00819	JMT Exterior Painting, Caulking & Waterproofing	\$629,699	Aug 2009
08-5220-RB	P-00785	Strategic Sourcing & Procurement Dept Relocation to JMT 8 th Floor	\$200,000	Mar 2010
PHT-001A-004	None	810 West Mowry Drive Sewer Connection	\$36,143	Feb 2008 ¹
Total			\$900,842	

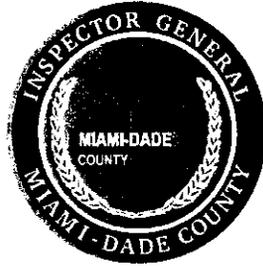
¹ This project began in 2005; however, due to unforeseen conditions and poor contractor performance the project became inactive and JHS terminated the contractor. In October 2007, JHS initiated a second procurement and re-awarded the project to another contractor. The second contractor completed the work in early 2008. The first award was for \$24,243 and the second award was for \$11,900.

We conducted our audit in accordance with the *Principles and Standards for Offices of Inspector General* promulgated by the Association of Inspectors General (AIG). The AIG principles and standards for audits are in conformity with the *Government Auditing Standards* issued by the Comptroller General of the United States.

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The OIG appreciates the cooperation and assistance afforded us by personnel from JHS and from OCI during the course of our audit.

**MIAMI-DADE COUNTY
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OIG APPENDIX A

Office of Capital Improvements Response

IG09-78A

From: "Martinez, Johnny (OCI)" <JUANMAR@miamidade.gov>
Date: Mon, 29 Mar 2010 12:59:18 -0400
To: Mazzella, Christopher (OIG)<cmazz@miamidade.gov>
Cc: Navarrete, George (OCI)<GLN@miamidade.gov>; Finol, Ana (OCI)<ANAW@miamidade.gov>; De Oliveira, Ultimo (OCI)<ULTIMO@miamidade.gov>
Subject: OIG Draft Report, IG09-78A

Mr. Mazzella:

I have read the draft IG report dated March 25, 2010 and have reviewed the report with George N., Ana F. and Ultimo. We have no disagreements with the report. Two comments:

1- On page 3 of 7, first paragraph, the report states that "... JHS does not have the ability to connect directly to CIIS." My understanding is that they could connect if they paid an access fee to ETSD.

2- If JHS want to use the MCC they will need an allocation of funds set aside for them out of the remaining contracting authority approved by the BCC. This will allow them to issue awards up to that authorized amount. Every department that uses the MCC has assigned an allocation. As you know, when the total allocation approved by the BCC is spent, we go to the BCC to ask for additional contracting allocation.

Johnny Martinez, P.E.
Director, Office of Capital Improvements
Miami Dade County
111 NW 1st Street, Suite 2130
Miami, FL 33128
Phone: 305-375-2736
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"Delivering Excellence Every Day"

**MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL**



OIG APPENDIX B

Jackson Health System Response

IG09-78A



April 22, 2010

Christopher Mazzella
Inspector General
Office of the Inspector General
19 West Flagler Street, Suite 220
Miami, FL 33130

RE: OIG Draft Report IG09-78A, "Audit of PHT/JHS Use of the County's Miscellaneous Construction Contract Program"

Dear Mr. Mazzella:

Please find enclosed Jackson Health System's written response to OIG Draft Report IG09-78A, "Use of the County's Miscellaneous Construction Contract Program."

We look forward to your comments and advice. Should you have any questions, please do not hesitate to contact me at (305) 585-7333.

Sincerely,

A handwritten signature in black ink, appearing to be "T. Lucas", written over a horizontal line.

Theodore G. Lucas
Vice President, Chief Procurement Officer
Strategic Sourcing Division

TGL/tb
Enclosure

Cc: Eneida Roldan, MD, President and CEO, Jackson Health System
David Small, Chief Operating Officer, Jackson Health System
Regginald Jordan, Corporate Director, Support Services, Jackson Health System
Robert Scheffer, Interim Director, Capital Projects, Jackson Health System

Jackson Health System Response to OIG Draft Report IG09-78A, "Audit of PHT/JHS Use of the County's Miscellaneous Construction Contract Program"

This response to OIG draft audit report IG09-78A has been prepared jointly by management and staff in Jackson's Procurement Management Department and Support Services Division (Capital Projects and Engineering). Please also see the referenced attachments and exhibits. We thank you and your OIG staff that have personally met with the Jackson team during our analysis and preparation of this response and have been most cordial and supportive.

OIG Finding – *Lack of documentation*

In the continued effort to develop a standard method for project manager record keeping, the necessary protocol to follow and supplementary forms and checklist to guide staff, the Procurement Management Department is developing a training curriculum that will become the foundation for training of all JHS Support Services staff (Capital Projects and Engineering). Our goal is to develop a Process Roadmap that will serve as an illustration of proper steps necessary to prepare for a procurement, provide a portfolio of contract vehicles that are available, and include the newly developed forms and checklists to help Support Services staff to uniformly maintain their project folders post contract award. Please see our working draft of the Process Roadmap, attached. A copy of the final Roadmap will be forwarded to you. We welcome your comments at this time.

OIG Finding – *Project information is not entered into the Capital Improvements Information System (CIIS)*

The Procurement Management Department is currently in communication with the Office of Capital Improvements (OCI), and the County ETSD Department, to coordinate the necessary permissions from the County to gain "intranet" access to the CIIS platform. (See Attachment 1.) Our goal is for the County to provide JHS access to the CIIS web based program so that we may be able to use it (as per contract guidelines) for both the Equitable Distribution Program (EDP) and the MCC. In the interim, we will continue to work with OCI in having them serve as our proxy for information input on any EDP projects we find a need to engage in. We will not use the MCC contract until we have been granted access and provided initial instructional training on the CIIS program

In place of the MCC contracts, JHS has made a multi-vendor (four contractors) award of a competitively priced, cost-effective contract for miscellaneous and emergency construction work. Similar to the MCC contract, the JHS version was also competed on a 100% Set Aside basis so that all awardees are Certified Small Business Enterprises as established by the Small Business Development Department.

Additionally, the JHS Support Services Division in conjunction with the Procurement Management Department, is currently developing scope of service documents for other solicitations that will result in similar competitively priced, cost-effective contracts for miscellaneous and/or emergency construction projects for the Jackson North and South campuses.

OIG Finding – JHS did not receive an OCI-CIIS bidders list when using the MCC

Given that JHS did not have access to the CIIS system in the instances that the MCC program was used, the following steps were followed in developing a bidders list:

1. The Procurement Management Department reviewed the then current list of MCC awarded vendors in good standing.
2. Depending on the project trade (for example a painting project), the Procurement Management Department reviewed the subset for the “painting trade”.
3. A random list of contractors was selected based on the subset for the given trade; additionally to the extent that any previously performing vendors that were also on the list of approved MCC vendors in good standing were noted for the subset, then those respective vendors were invited to compete for award based on the RFQ requirements (typical method of award was to lowest responsive and responsible bidder).

JHS uses the MCC contract infrequently, but would like to have it available to us. However, JHS will not use the MCC contract until such time, which we believe will be soon, that JHS obtains “intranet” access to the County’s CIIS system and the appropriate training to use that web-based software tool.

OIG Finding – P-00785 8th Floor Relocation Project

The following is a chronological recap of the major events that transpired during the JMT 8th Floor Relocation project. This information has been prepared based on the Procurement Management Department contract file and the project file of the JHS Support Services Division.

August 12, 2008

Purchase requisition in the amount of \$160,000 for Construction and \$20,000 for Contingency; total of \$180,000 (see Exhibit A) was processed for P-00785, The Strategic Sourcing & Procurement Department Relocation Project to JMT 8th Floor.

September 18, 2008

Pursuant to Miami Dade County Miscellaneous Construction Contract (MCC), Request for Price Quotation (RPQ) Number 08–5220-RB was issued.

October 6, 2008

A sole bid was received from the general contractor in the amount of \$176,000 (see Exhibit B). After submitting their quote, the general contractor referenced that due to errors in the plans and potential unforeseen conditions, their quoted price could be increased significantly (see Exhibit C).

November 25, 2008

With the change in Project Managers (PM), the newly assigned PM discovered that over designed and erroneous plans were received from the architect of record. Coupled with over designed plans, an exorbitant construction budget/estimate was submitted by the architect and thus value engineering options were evaluated; with the understanding that additional funding may be required. Subsequently, additional funding in the amount of \$150,000 was approved for completion of the project.

April 6, 2009

Following the vetting of the Scope of Work (SOW) and value engineering initiatives, a second quote was requested and received from the general contractor in the amount of \$217,970, (see Exhibit D & E) which was negotiated down to \$200,000 as noted in Purchase Order (PO) 409002649 (see Exhibit F, dated May 8, 2009).

The fire alarm and sprinkler system was installed at JHS and the telephone and data systems vendor was utilized under the competitively awarded Florida Department of Transportation (FDOT) contract. The value engineered scope of work and subsequent cost for additional work provided by these low voltage vendors was negotiated by the PM and Procurement Management Department respectively. The mechanical contractor (that had previously performed HVAC work (see Exhibits G) in the same location) was contacted, to provide the requested value engineered options at a fraction of the originally estimated cost of \$90,000 for a total mechanical cost of \$9,980 (see Exhibits H).

Exhibit I provides a summary of all change orders that were completed for the project.

Summary under this Finding

Owner requested change orders for unforeseen conditions, building code requirements and other value added initiatives were negotiated and issued to the general contractor in the amount of \$58,000.

Additional work was awarded to the low voltage and mechanical contractors (non-CSBE contractors) under special circumstances relative to the necessary cost savings/value engineering due to the subsequent lack of project funding in the amount of \$43,000. The additional scope requirements resulted in significantly lower costs than if the work would have been added to general contractor's contract award, which would have been added to their overhead and profit.

As of this report, the project (P-00785) has been completed and a Certificate of Occupancy issued.

OIG Finding – Need for continued training and development of Project Managers and Supervisors

Collaboratively with all JHS Departments, the Procurement Management Department continuously provides training, education and is constantly developing new materials and information that can be utilized to assist departments throughout JHS. To that end, it is anticipated that the Procurement Department will conduct a two-part training session to

cover the materials as described below and further demonstrated in draft form (see Attachment 2).

As such, the Procurement Management Department has scheduled an EDP Procedure & Process In-service training session (to be lead by OCI staff) which has been scheduled for the JHS Support Service Division on Wednesday, April 28, 2010.

As previously suggested, attached is a copy of the preliminary (draft) training materials which is being finalized and will provide refresher training for the Support Services Division to include all major aspects of the procurement process, including but not limited to:

1. Development of scope steps required, fundamentals
2. Identification of budget and confirmation of funding source
3. Small Business Development application of measure process
4. Procurement method description
 - a. JOC
 - b. EDP
 - c. Blanket contract awards
 - d. Accessing other government agency competitive contracts
 - e. Informal competitions (less than \$200K)
 - f. Formal competition (RFP, RFQ, ITB)
 - g. Approval thresholds
 - h. Emergency awards
5. Contract award process (Procurement functions)
6. Contract administration process (Support Services' functions)
 - a. Standardized record keeping
 - b. Standardization of forms
 - c. Vendor payment process
 - d. Project close out process
7. Contract modifications and change order review process
8. *Other discussion/training items are being developed...*

This training session is being scheduled for the third week of May 2010.

Attachments and Exhibits