

## **SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

### **2017-001    The County did not have internal controls in place to ensure it met competitive bidding requirements.**

#### ***Background***

In our three previous audits, we issued recommendations about following procurement requirements related to a contractor who provides mental health services to the community. The contractor is paid with federal funds. In 2014 and 2016 audits, these recommendations resulted in a management letter.

Federal grant requirements require the County to formally bid for professional services by issuing a request for proposal and selecting the most qualified contractor. Our current and previous audits noted that the County did not issue a request for proposal for these services, and instead considers the contractor a sole-source provider. State law provides exceptions to bid law in which the governing body may waive standard competitive requirements. A local government can use the “sole source” exception if it demonstrates that purchases are clearly and legitimately limited to a single source of supply. The County did not provide documentation supporting a sole-source designation for this contractor.

#### ***Description of Condition***

The County paid the contractor \$225,591 in 2015, \$241,256 in 2016, and \$172,453 in 2017.

In addition, the County extended the original contract, which expired in 2011, through June 30, 2015. The County continued to make payments totaling \$250,285 on this expired contract until it issued another contract extension in July 2017, extending it through June 30, 2018. Federal grant requirements do not allow for contract extensions and further require each additional contract to be formally bid.

#### ***Cause of Condition***

The County continues to consider the contractor a sole-source provider and believes the contractor is the only vendor offering these services. Although the County understands the bidding requirements, it has not made it a priority to obtain the proper documentation.

### ***Effect of Condition***

Without formally bidding for professional services, the County cannot determine if the most qualified provider was selected and cannot demonstrate compliance with federal procurement requirements.

### ***Recommendation***

We recommend the County follow federal procurement requirements and issue a request for proposal for mental health services, or provide adequate support regarding its sole-source designation for this contractor.

### ***County's Response***

In response to the audit finding regarding competitive bidding requirements, the County will follow all applicable laws.

### ***Auditor's Remarks***

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

§200.320 Methods of procurement to be followed

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply: (1) The item is available only from a single source;