



Audit of the Small Business Purchasing Process

A Report to the City Commission

Mayor
Lauren Poe

Mayor Pro-Tem
Helen K. Warren

Commission Members

Harvey M. Budd

Craig E. Carter

Todd N. Chase

Charles E. Goston

Adrian Hayes-Santos

April 6, 2017

City of
Gainesville Office
of the City
Auditor

Carlos L. Holt – City Auditor

Audit of Small Business Purchasing Process

EXECUTIVE SUMMARY

April 6, 2017



Why We Did This Audit

The audit was included in the City Auditor's 2016 Fiscal Year Audit Plan due to a request by the OEO Director.

What We Recommend

Management should take actions to:

- Standardize criteria for certification into a single standard for General Government and GRU
- Compile a single vendor listing that can be added to, changed or deleted only by a OEO request form
- Require both General Government and GRU to produce their annual reports that will be forwarded to the OEO by November 15th each year for QA and inclusion into an annual public report
- Form a multidisciplinary team (IT, Procurement, Finance, OEO) to meet at least annually to ensure reporting needs are synchronized and obtainable.

BACKGROUND

The purpose of the City's Small and Service-Disabled Veteran Business Enterprise Program is to provide procurement opportunities to qualified small and local business through business identification and by providing assistance so that they can successfully participate in City of Gainesville procurement opportunities. City staff educates and certifies local small businesses and maintains Small Business Vendor Listings available to the City purchasers and the public. Gainesville Regional Utilities' (GRU) Purchasing Department handles those functions for its departments. Purchasers refer to Small Business Vendor Listings to identify potential vendors for quote requests for City business.

OBJECTIVES

The objectives of the audit were to determine the following:

- Did SBE spending reports accurately reflect expenditures spent on small and service-disabled veteran businesses?
- Were policies and procedures effective?

WHAT WE FOUND

The Office of Equal Opportunity provides oversight of the Small and Service-Disabled Veteran Business Enterprise Program. We found that:

- There is effectively two different programs with two sets of criteria, two business listings, two different required registrations, and two different processes
- The City's small business reporting custodianship is misplaced
- Annual small business reports were inaccurate
- General Government business processes for creating reports did not produce correct small vendor information
- Small business vendor payment reports were not adequately reviewed to ensure compliance to program objectives
- The definition of certified small business benefits were not clear
- Small Business Listing did not provide all business contact information
- The Small Business Listing included businesses with expired certifications
- Master vendor file was not controlled to ensure that small business vendor records were correct
- The OEO Director and staff were aware of design flaws in the program and were anxious for the audit to take place

GOVERNANCE

The City Commission established the Local Minority Business and Local Small Business Procurement Program in 1997 by resolution. In 2016, the City included service-disabled veterans as a recognized group and changed the program name to the Small and Service-Disabled Veteran Business Enterprise Program. The Program is administered by the Office of Equal Opportunity. The City established benefits for small (including women and minority) and service-disabled veteran businesses that qualify as a certified Small and Service-Disabled Veteran Business Enterprise Program vendor. City leadership created the policy to enable small businesses to compete for awards for City purchase orders and contracts. The Office of Equal Opportunity issues annual reports of the program.

SCOPE AND METHODOLOGY

This engagement segment concentrated on the process of operation and reporting of the Small and Service-Disabled Veteran Business Enterprise Program for fiscal years 2015-2016. During the engagement, we attended meetings, interviewed key personnel, observed and mapped processes, examined documents, attempted to recalculate figures, and compared program reports to known data.

PROGRAM SPECIFICS

Qualification Criteria

Businesses wishing to participate in the City's Small and Service-Disabled Veteran Business Enterprise Program must submit a Small Business application attesting that they meet certain criteria. Businesses seeking program inclusion from General Government applies through the Office of Equal Opportunity, while those seeking business from GRU applies directly with GRU.

Small Business Certification Requirements

Qualified small businesses are certified for three years, after which a new application/attestation is required for recertification. Criteria for vendor certification differ between GG and GRU (Figure 1).

Figure 1: Small and Service-Disabled Veteran Business Enterprise Program Criteria

Criteria	General Government Program Criteria	GRU Program Criteria
Business Location	Must be located within the corporate limits of the City of Gainesville	Must maintain a permanent, principal place of business with full-time employees within the GRU service area (for at least six months prior to the bid date).
Business Ownership	Independently owned and managed for-profit business.	Independently owned and managed for-profit business.
Business Licenses	Possess a current Occupational Business Tax Receipt	Licensed and authorized to engage in the business at issue.
Businesses' Number of Employees	Employ fewer than 100 permanent full-time employees	Employ 200 or fewer permanent full-time employees
Business Income	Have a net worth of less than \$3 million and an average net income of less than \$2 million (after federal income taxes, excluding carry-over losses).	Have a net worth of not more than \$5 million.
Business Category Minority (Women)	Meet all preceding criteria, and must be an independent for-profit business at	Meet all preceding criteria, and must be an independent for-profit business at least

Business	least 51% owned and managed by a minority (African American, Asian American, Hispanic American, Native American) or woman	51% owned and managed by a minority (African American, Asian American, Hispanic American, Native American) or woman
Business Category Service Disabled Veteran	Program accepts certification from other public agencies.	Program accepts certification from other public agencies.

Source: City Purchasing Policy, General Government and GRU Small Business Program Policies

Benefits to Contractors

The purpose of the Small and Service-Disabled Veteran Business Enterprise Program is to encourage the maximum utilization of small businesses within the City's procurement activities, discourage or prevent award barriers to qualification, and assist businesses with competitiveness. To accomplish this, City staff reaches out to locate vendors applying to do business within the City and to businesses throughout the community. Staff participates in vendor fairs distributing information about the City's Small and Service-disabled Veteran Business Enterprise Program. Staff also provides training opportunities to certified businesses to increase their chances of doing business with the City of Gainesville.

Once certified, the City recognizes these certified small businesses by offering several benefits such as being listed on the City's online directory of certified firms which is posted on the City's website and available to all City key purchasers. Several other benefits are afforded to certified businesses, such as assistance with preparing bids and other resources to aid in business competitiveness. Recent program changes now provide certified small businesses with the assigning of five percent of total points at the competitive level (above \$50,000) and business visibility via a link added to bid notices (also provided to any other business in the vendor listing).

Another potential benefit is that City purchases with an anticipated cost of \$50,000 or less, but greater than \$2,000 must have three (3) written quotes, including one from a certified small and/or service-disabled veteran business, if one exists within the commodity category. Purchasing Divisions may waive competitive bidding requirements for the first time order with a small and service-disabled veteran business, if \$10,000 or less, as long as the business' capabilities are in accordance with required standards.

When preparing to procure an item or service, purchasing personnel search the Small Business Listings for certified small businesses either by name or commodity code to distinguish the type of service the business provides. The listings, produced separately by GRU and general government, contain vendor contact information for sending quote requests. Small and Service-Disabled Veteran Business Enterprise Program administrators assist key purchasers with identifying certified businesses upon request.

Purchasing guidelines for General Government and GRU key purchases are as follows:

Figure 2: Purchasing Guidelines Snapshot

Items Costing:	Require:
\$2,000 or less	Verbal Quotation
\$2,000.01 to \$50,000	Three Written Quotations, which one quote must be from a certified small or service-disabled veteran program vendor, if one exists
Greater than \$50,000	Formal solicitation (five percent points if qualified)

Source: City Purchasing Policy

Once quotes are received, personnel select the most competitive business quote based on established criteria.

Reporting Results

Annually, the Office of Equal Opportunity reports the amount spent on certified small and service-disabled veteran businesses. General Government and GRU accounting data is housed in separate accounting systems with different data extraction requirements. General Government and GRU expenditures were reported separately and detailed by business type. Reported expenditures in fiscal year 2016 are detailed in Figure 3.

Figure 3: Small Business Program Reported Expenditures

General Government Expenditure Dollars		GRU Expenditure Dollars	
Small Business	526,994	Small Business	9,227,661
American Woman	2,795,689	American Woman	4,203,041
African-American	118,831	African-American	168,822
Hispanic-American	5,709	Hispanic-American	104,805
Asian/Hawaiian American	3,150	Asian/Hawaiian American	1,620,674
Native-American	0	Native-American	23,172
Service-Disabled Veteran	75,241	Service-Disabled Veteran	0
Total Expenditures	3,525,614	Total Expenditures	15,348,175

Source: Office of Equal Opportunity Fiscal Year 2016 Annual Report

OBJECTIVES AND CONCLUSIONS

1. *Did spending reports accurately reflect expenditures spent on small and service-disabled veteran businesses?*

No. The City's Small and Service-Disabled Veteran Business Enterprise Program was housed in two separate departments causing inconsistencies in program administration and reporting (see Observation A). Separate procurement modules and methodology used to administer and report small business operations were housed under different City entities which further fragmented reporting efforts. The department responsible for administering the Small and Service-Disabled Veteran Business Enterprise Program was also responsible for reporting program progress, which is a conflict of interest (see Observation B). Queries used to produce biannual and annual reports of general government expenditures spent on small and service-disabled veteran business were fallible, which resulted in some business expenditures being double-counted (Observation D). Prior to 2016, GRU reported purchase order dollars instead of expenditure dollars, while general government reported expenditure dollars. Purchase order dollars often include purchase order ceilings that were not reached, which were not reflective of actual dollars paid. VISA expenditures were not included in general government's 2015 small business report (Observation D).

2. *Were policies and practices effective?*

No. Policies and procedures over small and service-disabled veteran business reporting were not aligned to ensure that reported expenditures provided a consistent picture of program effectiveness. Key purchasers were not provided with consistent training and forms to aid with program compliance. Monitoring of program compliance was not conducted. General Government's Small Business Listing contained vendors who were no longer certified as a small and service-

disabled veteran business. This provided departments with uncertified vendors, although departments utilizing the list were seeking to comply with the City's purchasing policy which requires that one vendor quote must be a certified vendor, if one exists (Observation A). Staff unfamiliar with the City's accounting system altered small business vendor data within the City's accounting system, which deleted past entries prohibiting historical analysis (Observation C). The City's accounting system did not properly transfer small business vendor email addresses to the Small Business Listing (Observation D).

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control – Integrated Framework (2013 Framework)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to help management fulfill their internal control responsibilities.

Observation A: Two programs

There are effectively two Small and Service-Disabled Veteran Business Enterprise Programs due to: two different sets of criteria to qualify (including business size and location), registration required in two different places in order to be considered by General Government and GRU, and two separate contractor listings. The only part of the program that was the same was that the results of the program were reported together by the Office of Equal Opportunity who also is tasked with various duties administering the program.

Risks:

- Small business vendors do not receive benefits of the program due to being registered in only one place
- Perception of inequality due to differing requirements

Criteria:

- City of Gainesville Purchasing Policy Resolution 150616 of January 21, 2016, Section 8
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 3 – “Management establishes, with broad oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.”

Recommendations:

We recommend that OEO, General Government, and GRU:

1. Standardize program eligibility criteria into a single standard for both General Government and GRU.
2. Create one listing of certified contractors that will be linked to both procurement sites and used by both procurement departments.
3. Have a single position (OEO Office) to certify and re-certify all applicants. No contractors will be added or removed from program except by the OEO.

4. While both General Government and GRU are both procuring new Enterprise Resource and Planning (ERP) systems, consider a single procurement module that would be compliant with both new ERP systems.

Observation B: Misplaced ownership of reporting process

The placement of the reporting process of the Small and Service-Disabled Veteran Business Enterprise Program has not resulted in effective reporting and places the reporting custodian in a conflicted position. The reporting process currently resides with the Office of Equal Opportunity. There are a variety of reasons the reporting process should be placed elsewhere (see below). The role of the Office of Equal Opportunity to qualify vendors, certify and re-certify vendors, maintain the certification small/minority/veteran business listing, and seek adjustment of the organizational policy when needed is without conflict. However, reporting dollars spent on the program should be placed with the ownership of the purchasing processes. The Office of Equal Opportunity would be well advised to act as the Quality Assurance monitor of the reporting process by verifying reported results from general government and GRU (spot checking procurements, sampling, recompilation, etc.) before publishing the numbers.

The reporting process of the Small and Service-Disabled Veteran Business Enterprise Program is misplaced due to:

- a) The Office of Equal Opportunity Director has a vested interest in the program results and is conflicted (i.e. reporting poor results while requesting more assets; or, reporting increased purchases to demonstrate positive program influence).
- b) The Office of Equal Opportunity has limited ability to obtain the required information on its own. There are two separate procurement modules in use, two separate procurement policies (different dollar amounts for qualification of each), one dispersed procurement methodology (general government) and one consolidated methodology (GRU), not to mention two separate vendor application and qualification processes, giving the appearance of two different programs.
- c) The separate purchasing departments use differing criteria and maintain two different lists of certified vendors.
- d) Information Technology efforts to query data is contained under two different departments with different Charter Officers. The Office of Equal Opportunity Director is at a loss to know and factor in all of the process elements that have and will change over time.

Risks:

- Program effectiveness cannot be accurately measured
- Inaccurate reports lead to false conclusions
- Labor efforts are wasted on an ineffective reporting process
- Small business vendors do not receive benefits of the program

Criteria:

- City of Gainesville Financial Procedures Manual, Section 42-000, Local Small Business Procurement Program
- City of Gainesville Purchasing Policy Resolution 150616 of January 21, 2016, Section 8

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 3 – “Management establishes, with broad oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.”
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 10 – “The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.”

Recommendations:

We recommend that OEO, General Government, and GRU:

1. Assume full responsibility for reporting accurate results of actual procurement order obligations to certified vendors made during each fiscal year, delivering annual fiscal year results to the OEO by November 15th of each year.

Observation C: Lack of Internal Controls over Master Vendor File

Small Business vendor profile data administered by the Office of Equal Opportunity is housed in the general government’s accounting system (*Advantage Financial System*). When updating vendor business type data in the system, Office of Equal Opportunity staff modified the business type rather than adding additional data to the listing. This resulted in historical vendor data such as certification start and end dates and vendor business types being overwritten. Small business certification status within the City’s small business procurement program changes throughout the year. The business’ status during the fiscal year determines if the dollars spent on the vendor are reported as program dollars. The adjustments to vendor data in the City’s accounting system directly affected reported figures for small business dollars spent. Normally, Master Vendor File data is secured with very limited access and changes made by a very small number of trained individuals. Change requests are approved at various levels prior to entry.

Risks:

- Vendor profiles are inaccurate
- Historical information is lost
- Master Vendor File records are changed to facilitate fraudulent payments

Criteria:

- City of Gainesville Financial Procedures Manual, Section 42-000, Local Small Business Procurement Program
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 11 - “The organization selects and develops general control activities over technology to support the achievement of objectives.”

Recommendation:

We recommend that General Government:

1. Remove permissions and rights for OEO personnel to make changes to the Vendor Master File. All requested changes should be submitted by the OEO on a standardized add/delete/change form that will be forwarded by OEO to General Government and GRU.

Observation D: Inaccurate reports, ineffective process design

Program spending reports in recent years distributed to the City Commission and to the general public were incorrect, primarily due to ineffective design of the reporting process. Prior to fiscal year 2016, General Government reported vendor dollars actually spent while GRU reported entire purchase order dollars (to include purchase order ceilings that were not reached) not reflective of the actual dollars paid. For example, a sample of 152 transactions from GRU's fiscal year 2015 list of purchase orders:

Dollar Amount of Sampled Purchase Orders	\$2,056,512 ¹
Dollar Amount of Purchase Order Not Delivered	\$419,900
Dollar Amount of Actual Expenditure (Receipted)	\$1,636,612

For this sample, there was a difference of \$419,900 or 20 percent of the purchase order. The sampled purchase orders totaled over \$2,000,000, but only \$1,630,000 was actually paid out to vendors. Additionally, Visa transactions were not included in dollars spent on small businesses in 2015 for general government and GRU did not begin reporting dollars spent on service-disabled veteran businesses in fiscal year 2016 as required; however, a new field in the accounting system (SAP) is planned to be put in place. General government vendors with two business types were counted twice prior to 2016. General government vendors with expired certifications were also still resident in the certification listing long after the certification had expired while modification of business types was also performed, making correcting or reconstructing the reports so that the totals are correct extremely difficult.

General Government IT script queries did not align with program objectives because information technology personnel were not kept up to date with the various business processes and changes of the program. At the same time, the Office of Equal Opportunity did not know the details of the script queries from the general government accounting system and was not able to determine alignment with program objectives.

There is a lack of procedures to assist purchasers to comply with policies and procedures governing small business purchases, as well as establishing compliance and monitoring control activities. For instance, the City's Purchasing Policy requires that purchasing units must obtain three (3) written quotes for purchases above \$2,000 and less than \$50,000. One of the three quotes must be from a certified small or service disabled veteran business, or the department must document that effort was made to obtain the required quote.

Limited training has been provided to purchasers on this requirement and there is no standardized quote form to document compliance. Given that general government procurement is dispersed to the departments, there is an increased likelihood that compliance issues exist without abatement.

The following issues were noted:

¹ Incorrectly reported in total as spent

- Queries used to produce reports prior to 2016 counted dollars spent twice on vendors with multiple business types entered into the general government accounting system.
- The City accounting system did not properly transfer all vendor profile information to the Small Business Listing that is used by purchasing staff and loaded onto the City's public website for citizen access.
- General government vendors with expired certifications (some back to 2008) are included in the program vendor listings even though the purchasing policy states that the listing will be made up of certified vendors (with current certifications) and that one of the vendor quotes must be a certified vendor (with current certifications).
- The quality assurance process was absent for recent years and would likely have been of little value (other than to invalidate the report) due to the many gross errors in the process.

Risks:

- Program effectiveness cannot be accurately measured
- Inaccurate reports lead to false conclusions
- Labor efforts are wasted on an ineffective reporting process
- Small and service-disabled veteran vendors do not receive benefits of the program

Criteria:

- City of Gainesville Financial Procedures Manual, Section 42-000, Local Small Business Procurement Program
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 11 - “The organization selects and develops general control activities over technology to support the achievement of objectives.”
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 12 – “The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.”
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 14 – “The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.”

Recommendations for City Management:

We recommend that OEO, General Government, and GRU:

1. Form a multi-disciplinary reporting team (members from procurement, IT, EEO, Finance) to determine program reporting needs and how to obtain them, while documenting the results.
2. Hold one or more annual meetings of the multi-disciplinary reporting team to factor in recent or planned changes so that the program reporting process remain valid.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with 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 observations and conclusions based on our audit objectives.

AUDIT TEAM

Carlos L. Holt, CPA, CFF, CIA, CGAP, CFE, City Auditor
Eileen M. Marzak, CPA, CFE, Assistant City Auditor
Brecka Anderson, CIA, CFE, CGAP, Senior Auditor
Ronald Ison, IT Staff Auditor

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN



Office of Equal Opportunity
P O Box 490, Station 52
Gainesville, FL 32627-0490
(352) 334-5051
www.cityofgainesville.org

DATE: March 23, 2017

TO: Carlos Holt, City Auditor

FROM: Torey Alston, Equal Opportunity Director

A handwritten signature in blue ink, appearing to be "Torey Alston", is written over the "FROM:" line.

SUBJECT: OEO Amended Response - Audit of the Small Business Purchasing Process

Please see the attached amended response from the Office of Equal Opportunity.

Feel free to contact me directly if you have any questions or require additional information.

TLA/zi



rec'd
8/23/17
11:05

INTER-OFFICE COMMUNICATION

DATE: October 19, 2016
TO: Carlos Holt, City Auditor
FROM: Anthony Lyons, City Manager *AL*
SUBJECT: Audit of the Small Business Purchasing Process

This is to acknowledge receipt of the Audit of the Small Business Purchasing Program Draft Report. Our responses to the audit findings are attached to this memorandum.

Please do not hesitate to call if you have any questions regarding our response.

AL:mc

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN



GAINESVILLE REGIONAL UTILITIES

Customer Support Services

To: Carlos Holt, City Auditor
Via: Ed Bielarski
From: Bill Shepherd
Date: March 24, 2017
Re: Audit of the Small Business Purchasing Process

This is to acknowledge our receipt of the Audit of the Small Business Purchasing Program draft report. Our responses to the audit findings were submitted via email on March 23, 2017.

Please do not hesitate to contact me if you have any questions regarding our response.

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing responses to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for OEO, City Management and GRU:</i>		
<p>A) 1. Standardize program eligibility criteria into a single standard for both General Government and GRU.</p>	<p>GG: Agree Response: General Government <u>agrees</u> that there are many benefits to standardizing the program eligibility criteria for both the GG and GRU Small and Service-Disabled Veteran Business Programs. General Government recognizes, however, that ultimately the City Commission as the City's Policy-making Body may need to decide on the major parameters that the Commission prefers for qualifying businesses as "small," such as net worth, number of employees, net income and geographic location.</p> <p>GRU: Agree GRU concurs with the City Auditor's recommendation that the Small Business Programs have the same eligibility criteria. GRU believes that its small business definition is most inclusive since there is no location requirement and the remaining criteria are consistent with the Florida statute definition of small business.</p> <p>For reference the definition of Small Business in the Florida Statutes in terms of net worth and number of employees is noted immediately below.</p> <p><i>Florida Statutes Chapter 288.703</i> <i>Small business" means an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million</i></p>	<p>90 – 120 days from the date the City Commission officially accepts the Audit report.</p> <p>GRU will complete this item 90 – 120 days from the date the City Commission officially accepts the Audit report.</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p><i>or any firm based in this state which has a Small Business Administration 8(a) certification. As applicable to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments.</i></p> <p>If both General Government and GRU used the state criteria, employees would be able to use the State's Office of Supplier Diversity's Certified Vendor Directory for certified small businesses. This would potentially expand the number of small businesses that General Government currently uses, thereby increasing spend with small business. Having General Government and GRU define a small business in the same manner would alleviate confusion and establish consistent criteria in spend reporting.</p> <p>This could also eliminate the need for the City to do additional certification of businesses. Businesses wishing to be certified as a small business could be encouraged to do so with the State with the added benefit to the small business of being certified for use by any State agency, giving the business more exposure to purchasing opportunities, announcements, training information, etc.</p> <p>The unintended consequence of a more complex certification process is that businesses may not wish to invest time in the process. This could result in purchases with small non-certified businesses not being recognized in reporting. GRU has worked to keep the business identification process simple through an easy attestation form to encourage businesses to provide the information. GRU recommends continuing to use this practice for its small businesses.</p> <p>Due the complexity of needs within GRU, we have not and do not wish to put boundary restrictions on the small businesses we use as long as the meet the remaining criteria. We understand General Government is restricted to using boundaries as part of its program, however, all the remaining criteria could be the same if they align with the state statute making it less confusing</p>	

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>for small businesses to work with us.</p> <p>OEO: Agree</p> <p>The Office of Equal Opportunity concurs with the City Auditor’s recommendation. The Equal Opportunity Director believes there should be one small business program that supports General Government and Gainesville Regional Utilities. With each current program having two sets of criteria to qualify, two vendor registration processes and two listings of business owners, it is confusing to business owners and not very business friendly. General Government and Gainesville Regional Utilities staff along with staff from the Office of Equal Opportunity recently agreed to have one standard criteria.</p> <p>As the former head of the State of Florida Office of Supplier Diversity, the Equal Opportunity Director is keenly aware of the state’s certification program and its pros and cons for application by cities, counties, schools districts and other public agencies. The Equal Opportunity Director recommends obtaining data on the local small business community and developing criteria that meets our local community need based on our market, which is the spirit of the program. This data review will assist in determining the appropriate criteria and this should serve as a baseline to suggest policy changes. Federal and state courts have encouraged public agencies to develop programs and “tailor” them to their respective geographic area. The Equal Opportunity Director suggests continuing this conversation with the City Manager and GRU Manager on the overall process for doing business with the City and easing the burden on our business owners.</p> <p>The Equal Opportunity Director shared these initial assessments back in January 2016 in his 90 day review to the city commission.</p>	<p>A completion date for this recommendation will depend on consensus by the Equal Opportunity Director, City Manager, Gainesville Regional Utilities Manager with subsequent staff agreeing on uniform criteria. The Equal Opportunity Director is happy to initiate and lead the meetings for a decision within 60 days.</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>2. Create one listing of certified contractors that will be linked to both procurement sites and used by both procurement departments.</p>	<p>GG: Agree</p> <p>Response: General Government <u>agrees</u> that having one listing of certified businesses that are accessible to both GG and GRU would be helpful. General Government does see a strong need, however, for the City to settle on one specific process (or approach) through which businesses can become “certified.” The State of Florida has an existing certification program that could possibly serve this purpose.</p> <p>GRU: Agree</p> <p>GRU concurs with the City Auditor’s recommendation that a common directory would be useful. However, the complexity of different material group codes or commodities in GRU and General Government is challenging to manage. In the SAP implementation, there will be approximately 2800 different material group codes. Listing businesses without information about the service or materials that a vendor provides would not be useful to those using the directory. GRU has not seen B2GNow to understand its capabilities. With the current SAP project, many resources are committed to the project so GRU would need to determine the feasibility of creating a common directory at this time. An alternative approach in the interim would be to offer links to both directories on the OEO and GRU websites, provided that the same small business definition/criteria is established for the City and GRU. GRU’s intranet site already includes a link to the State’s Office of Supplier Diversity’s Certified Vendor Directory.</p>	<p>90 – 120 days from the date the City Commission officially accepts the Audit report.</p> <p>GRU will complete this item 90 – 120 days from the date the City Commission officially accepts the Audit report.</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>As a note, GRU does not certify businesses. An attestation is obtained every three years as a result of the previous City's audit of the Small Business Program Audit. A true business certification is a detailed process. For example, the State requires supporting documents including proof of residency, business ownership, a management component, and several other relevant documents. Service Disabled Veteran Enterprises must also provide military documentation which contains confidential information.</p> <p>OEO: Agree The Office of Equal Opportunity concurs with the City Auditor's recommendation. The Equal Opportunity Director believes there should be one listing of all qualified businesses in the program serving both General Government and Gainesville Regional Utilities. During last budget year, the city commission approved funds for the B2GNow Diversity Compliance Tool. Here are all the benefits of the B2GNow Diversity Compliance Tool:</p> <ol style="list-style-type: none"> 1. Synchronize all GG and GRU expenditures in one place for reporting and tracking internally and to the public. 2. Track subcontractor dollars by prime vendors. 3. Automate small business program application. 4. Real-time reporting of local, small, minority, women and veteran spending via online dashboard. 5. Customized and searchable directory of certified firms (small, minority, women and service-disabled veterans) <p>This tool can provide an internal and external listing of General Government businesses in a real-time, searchable format. To add Gainesville Regional Utilities businesses to this listing, would require additional dollars from the Gainesville Regional Utilities Manager. A completion date for this recommendation will depend on consensus by the Equal Opportunity Director and Gainesville Regional Utilities Manager with subsequent staff in agreement.</p>	<p>The Equal Opportunity Director is happy to initiate and lead the meetings for completion within 60-90 days for a manual listing. An automated, searchable database will be a module for completion in the B2GNow Diversity Compliance Tool implementation.</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>3. Have a single position (OEO Office) to certify and re-certify all applicants. No contractors will be added or removed from program except by the OEO.</p>	<p>GG: Agree</p> <p>Response: General Government <u>agrees</u> that having a single access point (OEO) for all vendors and businesses to use for certification purposes would be beneficial. It is perhaps worth noting that GG's anticipated new ERP system is expected to contain a module allowing vendor self-service with regards to submitting their Small and Service-disabled Veteran Business certification.</p> <p>GRU: Agree</p> <p>If the State definition of a small business was used as the basis for the program, the most efficient way for businesses to obtain certification would be to use the State of Florida's Office of Supplier Diversity Directory. This would make it easy for General Government departments to identify small businesses since the City does not maintain a vendor data base. This would also eliminate the need for OEO staff to certify small businesses. The OEO could partner with the State's Office of Supplier Diversity to offer periodic onsite assistance with small businesses in the Gainesville area.</p> <p>GRU Purchasing maintains a vendor data base in SAP and obtains a simple attestation as a part of the vendor registration process. Having businesses go through a certification process with the Office of Equal Opportunity would add another layer to the process. A new attestation is obtained every three years as a result of the last City audit. Businesses that do not provide an updated attestation within a month of GRU's request have their small business designation removed.</p>	<p>90 – 120 days from the date the City Commission officially accepts the Audit report.</p> <p>GRU will complete this item 90 – 120 days from the date the City Commission officially accepts the Audit report.</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>OEO: Agree</p> <p>The Office of Equal Opportunity concurs with the City Auditor’s recommendation. This may require a realignment of resources, budget impact and staffing to manage the increased workload, but the Equal Opportunity Director believes it is the most efficient method to ensure one central location for business certification by the City and increasing our business-friendly culture. The benefit of a formal certification process for businesses allows validation of information shared by business owners and ensures the City properly reports firms in the appropriate categories. The key to certification is verification rather than self-reporting.</p> <p>For example, in some public agencies, there could be a business owner self-reporting as a “Black Cuban-American Female” or a “Caucasian Ethiopian Male”. These scenarios have presented challenges to local public agencies and requires additional due diligence and legal guidance due to varying perspectives of self-reporting.</p> <p>In addition to certification and recertification, the office will enhance its technical assistance provided to business owners, business development opportunities and utilize our partnerships with various organizations including the U.S. Small Business Administration who meets with business owners in our office on a monthly basis. The Equal Opportunity Director is open to sharing his perspective with the City Manager and Gainesville Regional Utilities Manager on potential next steps and how to make this happen, with their support. A completion date for this recommendation will depend on coordination and synergy between the Office of Equal Opportunity and GRU Purchasing Department. The Equal Opportunity Director and Gainesville Regional Utilities Manager would need to discuss logistics, resources and how to carry out this recommendation.</p>	N/A

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>4. While both General Government and GRU are both procuring new Enterprise Resource and Planning (ERP) systems, consider a single procurement module that would be compliant with both new ERP systems.</p>	<p>GG: Partially Agree</p> <p>Response: General Government <u>partially agrees</u> with this recommendation. Although the B2GNOW Diversity Compliance software that OEO has recently purchased is designed to interface with both of the ERP systems which are currently in use by GG and GRU, B2GNOW is a reporting tool, not a procurement program. GG and GRU currently use different ERP systems for their financial processes, including procurement. As GG proceeds with its ERP selection process, this will be one of many considerations.</p> <p>GRU: Partially Agree</p> <p>A single procurement module would be a useful tool for interfacing both General Government and GRU systems; however, since there are separate financial systems, this may not be feasible. GRU is interested in learning about the benefits of B2GNow to learn of its capabilities.</p> <p>OEO: Agree</p> <p>During last budget year, the city commission approved funds for the B2GNow Diversity Compliance Tool. This tool is compliant with both General Government and Gainesville Regional Utilities systems, as this tool will interface with each system. Both ERP systems of General Government and Gainesville Regional Utilities will remain the original data source of record. We are in initial stages of finalizing next steps with the B2GNow Diversity Compliance Tool kickoff. The City Attorney's Office and the GRU IT Project Management Office are all working together on the initial stages.</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for OEO, City Management, and GRU:</i>		
<p>B)</p> <ol style="list-style-type: none"> 1. Assume full responsibility for reporting accurate results of actual procurement order obligations to certified vendors made during each fiscal year, delivering annual fiscal year results to the OEO by November 15th of each year. 	<p>GG: Agree</p> <p>General Government <u>agrees</u> that both GG and GRU should report their annual procurement order obligations to Small and Service-disabled Veteran Businesses in a consistent, accurate and all-inclusive format. General Government recommends that the final reporting date to OEO be extended from November 15th to December 1st of each year, to enable <u>all</u> expenditures occurring throughout the previous fiscal year to be accurately captured, recognizing that late adjustments are routinely required due to delays in invoice receipts from vendors.</p> <p>GRU: Agree</p> <p>GRU has been accurately reporting its SBE spend information on a bi-annual basis (by mid-April and mid-November) to the Equal Opportunity Director since 2006 as recommended by the City Auditor. The information has been based on purchase orders information and consistently formatted consistent with the Auditor, Office of Equal Opportunity, GRU and General Government's Small Business Coordinator. The SBE report has been provided by GRU Purchasing based on purchase orders since the beginning of its reporting through 2015. For 2016 spend, the Office of Equal Opportunity obtained</p>	<p>Dec. 1, 2017</p> <p>Dec. 1, 2017</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>information from GRU Accounting based on paid invoices.</p> <p>GRU Purchasing will develop SBE spend reports based on whatever criteria is desired once the basis for the reports is agreed upon with consensus from the City Auditor to ensure consistent information is provided for benchmarking purposes. Spend reports should include information noting the change in reported information so that benchmarking differences can be distinguished for accurate analysis.</p> <p>GRU will provide the requested information on December 1, 2017.</p> <p>OEO: Agree</p> <p>∴ The Office of Equal Opportunity concurs with the City Auditor's recommendation. The Equal Opportunity Director believes General Government and Gainesville Regional Utilities should report actual expenditures for each fiscal year to include all purchasing card transactions to small business owners. After input from the General Government Finance Director, the Equal Opportunity Director would like to see the reporting date moved to December 1st of each fiscal year. Both General Government and Gainesville Regional Utilities would be asked to comply with this new date. This will assist in ensuring the</p>	N/A

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>Equal Opportunity Director delivers a full comprehensive annual report on all OEO activities within a reasonable time period. Since coming on-board in October 2015, the Equal Opportunity Director has produced two annual reports with disclosures and notes highlighting the reporting process. These disclosures and notes were not provided prior to October 2015 in any annual report by the OEO.</p> <p>The Equal Opportunity Director has been candid and forthcoming about his initial concerns with the City's (General Government and Gainesville Regional Utilities) data collection and reporting process. He shared this with the previous Equal Opportunity Committee in April 2015 and the full city commission on May 7, 2015, prior to employment. After his selection and hiring as Equal Opportunity Director, he shared his concerns about internal data collection, reporting and program structure with both purchasing departments and the City Auditor's Office. Subsequently, he delivered a 90 Day assessment to the city commission outlining concerns and areas for continuous improvement. These actions led the Equal Opportunity Director to engage the City Auditor's Office to focus on</p>	

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>this issue and determine if the initial assessments were valid.</p> <p>A completion date for this recommendation will coincide with the end of the current fiscal year and beginning of the next fiscal year. Ultimately, public release of the OEO Annual Report will symbolize overall completion.</p>	
<i>Recommendations for City Management:</i>		
<p>C)</p> <p>1. Remove permissions and rights for OEO personnel to make changes to the Vendor Master File. All requested changes should be submitted by the OEO on a standardized add/delete/change form that will be forwarded by OEO to General Government and GRU.</p>	<p>GG: Agree</p> <p>General Government <u>agrees</u> that the Vendor Master File access rights should be restricted solely to appropriately-trained GG Accounting personnel. General Government will coordinate with OEO to develop a standardized form for submitting needed changes to the Vendor Master File data base.</p>	<p>30 – 60 days from the date the City Commission officially accepts the Audit report.</p>
<i>Recommendations for OEO, City Management, and GRU:</i>		
<p>D)</p> <p>1. Form a multi-disciplinary reporting team (members from procurement, IT, EEO, Finance) to determine program reporting needs and how to obtain them, while documenting the results.</p>	<p>GG: Agree</p> <p>General Government <u>agrees</u> that formation of such a team would be beneficial to all parties.</p>	<p>30 – 60 days from the date the City Commission officially accepts the Audit report.</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>GRU: Agree</p> <p>GRU is willing to participate in a reporting team 30-60 days from the date the City Commission officially accepts the audit report.</p> <p>OEO: Agree</p> <p>∴ The Office of Equal Opportunity concurs with the City Auditor’s recommendation. As implementation of the B2GNow Diversity Compliance Tool kicks off in the near future, the Equal Opportunity Director has formed an internal project team to work on implementation. The team will include GRU IT Project Management Office, GG/GRU Procurement, GG Budget/Finance, GRU Budget/Finance and the Office of Equal Opportunity, with the Equal Opportunity Director serving as the overall Project Manager. A similar team or the same team could be utilized for this need. A completion date for this recommendation will depend on consensus by the Equal Opportunity Director, City Manager and Gainesville Regional Utilities Manager. The Equal Opportunity Director is happy to initiate and lead the meetings for a decision within 60 days.</p>	<p>30-60 days</p> <p>Within 60 days</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>2. Hold one or more annual meetings of the multi-disciplinary reporting team to factor in recent or planned changes so that the program reporting process remain valid.</p>	<p>GG: Agree</p> <p>General Government <u>agrees</u> that holding one or more meetings of the multi-disciplinary reporting team each year would help strengthen the reporting process.</p>	<p>90 – 120 days from the date the City Commission officially accepts the Audit report.</p>
	<p>GRU: Agree</p> <p>GRU is willing to participate in reporting team meetings. GRU is willing to participate in a reporting team 60-90 days from the date the City Commission officially accepts the audit report.</p>	<p>60-90 days</p>
	<p>OEO: Agree</p> <p>The Office of Equal Opportunity concurs with the City Auditor’s recommendation. As implementation of the B2GNow Diversity Compliance Tool kicks off in the near future, the Equal Opportunity Director has formed an internal project team to work on implementation. The team will include GRU IT Project Management Office, GG/GRU Procurement, GG Budget/Finance, GRU Budget/Finance and the Office of Equal Opportunity, with the Equal Opportunity Director serving as the overall Project Manager. A similar team or the same team could be utilized for this need and could meet at least quarterly to ensure proper</p>	<p>60-90 days</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	internal communication. A completion date for this recommendation will depend on consensus by the Equal Opportunity Director, City Manager and Gainesville Regional Utilities Manager. The Equal Opportunity Director is happy to initiate and lead the meetings, with an initial meeting occurring within 60 days.	