

FROM	NAME & TITLE	Harry E. Black, Director <i>H. Raymond per</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 454, City Hall (396-4940)		
	SUBJECT	Finance Response to OIG Recommendations in Case #2012-0070, VOIP Telephone Procurement Activities by the City of Baltimore		

TO

DATE:

David McClintock, Inspector General
Office of the Inspector General
Room 640, City Hall

September 21, 2012

Please find below the Bureau of Purchases response.

OIG Recommendation 1 - The OIG recommends that the City establish a procedure to clarify certain mandatory or suggested action items to aid in the contract administration of blanket contracts. It is believed that a concise statement or list of contractual action items that are directly relevant and targeted towards effective contract administration as it pertains to both Purchases and the potential User Department/ Agency will improve the City's accountability over blanket contracts.

Response – In October, 2011 Purchases successfully advocated for changes to BuySpeed, the software that underlies CitiBuy, which would allow buyers to obtain electronic quotes from all awarded vendors on master blanket contracts that required an additional level of quoting beyond the initial competitive bidding process and at the time of purchase. Purchases believed that this change would dramatically tighten the internal procurement controls of CitiBuy relating to Master Blanket contracts requiring these additional quotes.

The software vendor, Periscope Holdings, agreed that these change would be valuable for all BuySpeed customers and implemented them in Release 10.0 of BuySpeed which the City upgraded to on July 14, 2012. This will insure that an electronic bid tabulation will track all vendor quotes and document those vendors, who were requested to provide a quote, but failed to submit one. CitiBuy will also send an automatic email to these vendors notifying them that a quote has been requested. Although this functionality was initially targeted to support the City's new IT staffing contract that piggybacks off of the State of Maryland's CATS II staffing contract, it extends well beyond the CATS II contract and directly addresses the OIG's main recommendation.

OIG Recommended Action Item 1.a.(Identify) Which entity is responsible for requesting quotes, the number of quotes required, and the reporting/approval procedure for any deviation.

Response - It should be noted that not all master blanket contracts require a second level of quoting from vendors. Purchases makes every effort to place narrative line items on contracts that explain procedures as required. Nonetheless, the OIG recommendation to review the clarity of instructions for a given contract is well taken. Regardless of whether or not an agency is requested to provide quotes (as they were on P514950, the ultimate responsibility

for obtaining them rests with Purchases. Purchases reinforces this with its buyers on a regular basis.

OIG Recommended Action Item 1.b. (Identify) How quotes and quote attempts are documented via uploading into the CitiBuy system. Quotes should be received by fax, mail, or email only.

Response - It should be noted that the preferred method (and procurement best practice) of obtaining quotes on such contracts will be to obtain them electronically in CitiBuy whenever practical. Email and fax quotes are seen as secondary but Purchases will reinforce the need for their attachment and the inclusion of emailed quote requests that have not been responded to. The use of a detailed note on the CitiBuy Notes tab may also be an effective means of documenting a quote request that may have occurred by phone with no response.

OIG Recommended Action Item 1.c. (Identify) The minimum timeframe a City agency must provide for vendors to provide quotes. It is suggested that a minimum of 48 hours or two business days be provided.

Response - The timeframe for requesting that vendors provide quotes is never less than two days and is always clearly noted in the vendor communication. Electronic quote requests from within CitiBuy clearly state both the date and time when quotes will no longer be accepted.

OIG Recommended Action Item 1.d. (Provide) A clear delineation of which entity and which staff has the authority to approve purchases to proceed procedurally after the required actions have been reviewed/verified.

Response- The review of procurements for approval is already established in CitiBuy's electronic approval paths as further evidenced in the attached charts. Purchases will consider implementing additional checks during approvals in addition to ongoing buyer education.

OIG Recommendation 2. The OIG recommends that in cases where User Departments indicate that quote requests did not receive a response, or were otherwise not feasible, Purchases engage in efforts to verify the thoroughness of the efforts on an as-needed basis. A policy of engaging in verification efforts under certain circumstances would provide a significant and meaningful oversight and control mechanism to help ensure City purchasing is being conducted within established guidelines.

Response - Purchases will continue to engage in ongoing efforts to provide appropriate verification that the guidelines for procurement have been followed. It should be noted that not every procurement can be audited but Purchases will be looking at taking a more organized approach to making the appropriate checks for completeness at a more detailed level on a reasonable sample of selected procurements – especially in the area where quote requests have not received a response.

OIG Recommendation 3. The OIG recommends that the City enact policy that establishes which activities shall not be engaged in or performed by staffing companies and their contractors. It is further suggested that consideration be given to limiting certain activities for a period after a contractor is converted to employee status. Limitations may be based on

position held or restricted to actions involving companies related to the contractor period. Policy areas for consideration may include the following:

- a. Contractors may not make or engage materially in personnel- or human resources-related decisions.
- b. Contractors may not be involved materially in procurement.
- c. Contractors may not serve in City management or senior advisor positions.
- d. Staffing companies must disclose to the City immediately any of the above activities or actions that create the appearance of such activities.

Response - Purchases supports and has always been a strong advocate for all efforts to tighten controls on the integrity of the procurement process as they impact ethical procurement practices.

OIG Recommendation 4. The OIG recommends that any policy set forth or revised to address Recommendation #3 be implemented in a manner that requires signed acknowledgments by both staffing companies and their sub-contractors. In addition, the City should consider the inclusion of sanctions for failure to report covered conduct by staffing agencies doing business with the City in order to provide adequate remedies for any breach.

Response - Purchases supports and has always been a strong advocate for all efforts to legally strengthen such controls with awarded vendors.

General Comments in Response to OIG Report and Recommendations

It is worth noting that Purchases has requested thousands of competitive quotes on thousands of procurements. CitiBuy allows vendors to register for National Institute of Government Purchasing (NIGP) commodity and service codes which are automatically used for vendor notification when quotes or bids are requested. These codes and their associated vendors can also be searched in CitiBuy to obtain the names of vendors for informal quotes. All of these notifications are recorded directly in CitiBuy. As noted above, these capabilities have now been extended to Master Blanket contracts that require additional quotes.

The referenced computer hardware and software contract is large and wide-ranging and did not require vendors to address detailed capabilities and certifications behind the discounts that they offered. The lack of such specification can make certain vendor offerings difficult to assess in terms of total cost to the City – sometimes requiring the buyer to rely on available City technical expertise. In this case, the technical experts on whom the buyer relied were City employees who were responsible for managing the City's network. City employees were, in fact, heavily involved in the processing of both releases from master blanket PO P514950, as can be seen in the attached charts.

In this bid, Daly had already offered a 40% discount, EnNet a 37% discount and Digicon a 39% discount. Digicon had no reason to believe and could have had no knowledge that Purchases would not seek quotes from other vendors. Their quote represented a 43.75% discount off of list price. the buyer, noted Digicon's Gold Certified Partner status because MOIT technical experts had told him that this status provided important added value in this procurement of a major citywide switch replacement which would also enable the handling of VOIP network traffic. This status provides the following according to the Cisco website:

Gold Certified Partner: Cisco Gold Certified Partners have achieved the highest level of credibility and the broadest range of expertise across multiple technologies by achieving all of the following four advanced specializations: Unified Communications, Routing and Switching, Security, and wireless LAN. They have also integrated the deepest level of Cisco Lifecycle Services expertise into their offerings and demonstrate a measurably high level of customer satisfaction.

Benefits to Working with Cisco Gold Certified Partners

Cisco Gold Certified Partners have access to world-class products and service programs, technical support, productivity tools, and training and are prepared to deliver intelligent, integrated network solutions that meet your business needs. Cisco Gold Certified Partners provide:

- Value: Access to the most comprehensive sales, technical, and lifecycle services training and resources helps Cisco partners sell, deliver, and support Cisco solutions. Combining Cisco expertise with their own value-added services portfolio uniquely positions Gold Certified Partners to serve as your trusted technology advisor.
- Proven technical expertise: Maintaining the multiple technology specializations required for Gold Certification means a partner can integrate technologies to deliver the more sophisticated solutions your business demands.
- Focus on customer satisfaction: With access to the same online customer satisfaction evaluation tools Cisco uses to evaluate its own performance, partners can identify strengths and develop targeted plans to serve your needs.
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Digicon's Cisco specializations (noted on the Cisco website) include: Advanced Routing & Switching, Advanced Security, Advanced Unified Communications, Advanced Wireless LAN

Daly Computers, which offered a 40% initial discount in this area has already noted on page 22 of the OIG report that their "intent was to offer just Ironport products and that their bid did not include an offer to sell networking and infrastructure products from Cisco. Based on the Cisco website, Daly does not carry any advanced Cisco partner certifications and only has "authorizations" for Registered Partner status and Cisco Capital Financing. They are IronPort Silver Certified.

En Net Services offered the lowest initial discount of the three vendors at 37%, which was 6.75% less than the 43.75% discount extended by Digicon. They noted on page 24 of the report that they "will occasionally increase the discounts beyond the contracted amount if the orders are for large quantities. They have Cisco specializations in Advanced Routing & Switching and Express Foundation. They are a Cisco Premier Certified Partner

Premiere Certified Partner: Cisco Premier Certified partners have achieved the Cisco Express Foundation Specialization. This specialization expands technical competency in the integration of basic routing and switching, wireless LAN, and security technologies. Cisco Premier Certified Partners have also integrated a basic level of Cisco Lifecycle Services into their offerings and demonstrate a high level of customer satisfaction.

Benefits to Working with Cisco Premier Certified Partners

Cisco Premier Certified Partners have achieved their status by investing in and training a highly skilled team to achieve the Express Foundation Specialization. These partners can deliver integrated network infrastructure solutions that will support key Cisco wireless LAN and security technologies. Cisco Premier Certified Partners provide:

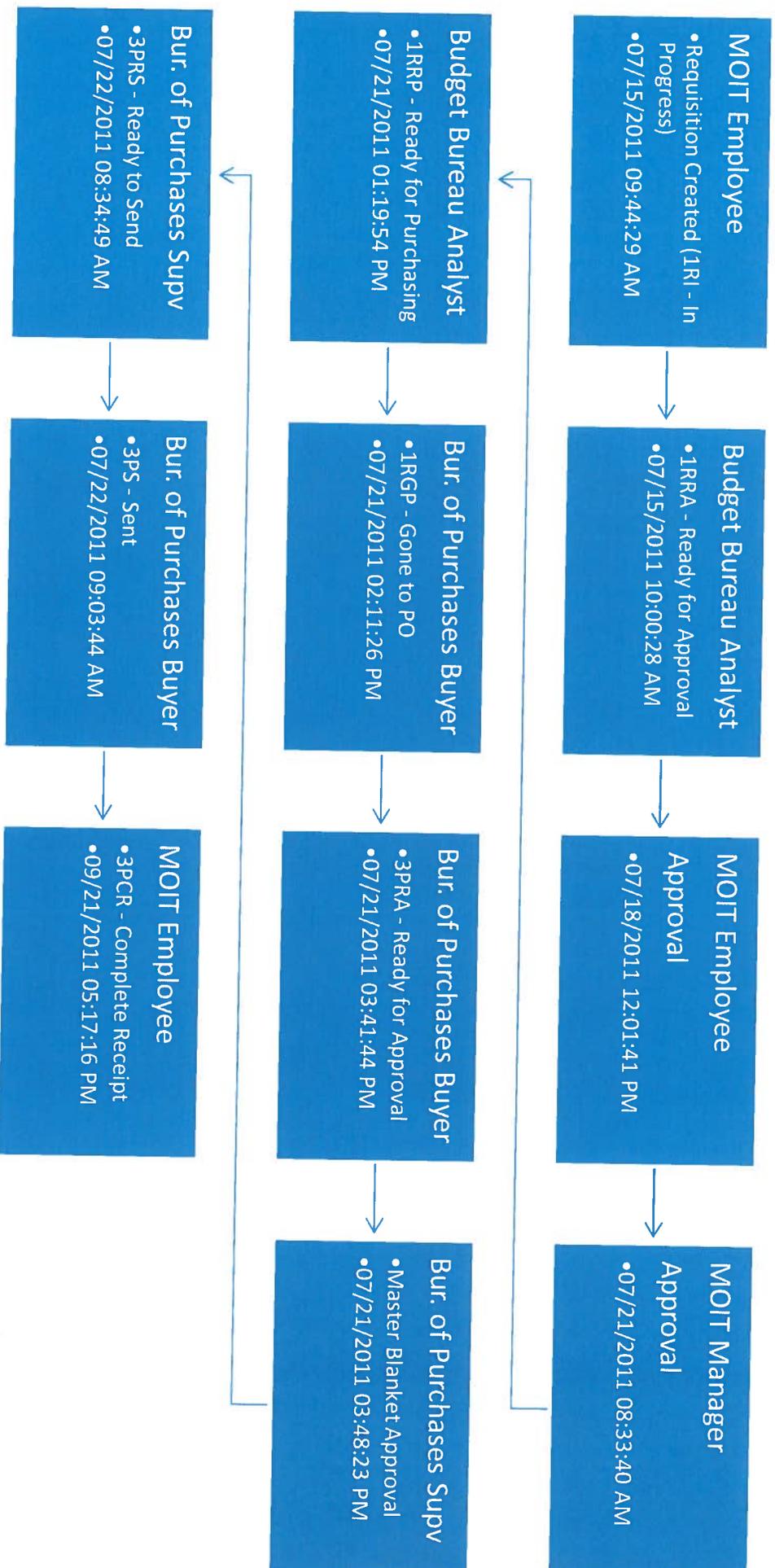
- Value: Access to the most comprehensive sales, technical, and lifecycle services training and resources helps Cisco partners sell, deliver, and support Cisco solutions. Combining Cisco expertise with their own value-added services portfolio uniquely positions Premier Certified Partners to serve as your trusted technology advisor.
- Proven technical expertise: Maintaining the multiple technology specializations required for Premier Certification means a partner can integrate technologies to deliver the more sophisticated solutions your business demands.
- Focus on customer satisfaction: With access to the same online customer satisfaction evaluation tools Cisco uses to evaluate its own performance, partners can identify strengths and develop targeted plans to serve your needs.

Based on all of the above, Purchases believes that it was reasonable to accept the MOIT recommendation that a vendor's status as a Cisco Gold Certified Partner can provide significant added value to the City in a major network switch implementation that included unified communications.

City Employee Review and Approval

Requisition R581235 to Release PO P514950:53

Total Cost = \$441,450.00



City Employee Review and Approval

Requisition R578037 to Release PO P514950:54

Total Cost = \$218, 030.33

