



Office of the Inspector General
Bureau of Internal Audit

Report No. 13-08
February 2013

Review of FMMIS and DSS Assessment Project Procurement

Divisions of Operations and Medicaid

Executive Summary

At the request of the Chief Inspector General, Melinda Miguel, the Bureau of Internal Audit performed a review of the Agency for Health Care Administration's (Agency) procurement process for the Florida Medicaid Management Information System (FMMIS) and Decision Support System (DSS) Assessment Project. The focus of this review was the procurement indexed as AHCA RFP 008-11/12.

In April, the Governor signed into law the 2012-2013 General Appropriations Act. Included in this Act was an appropriation (\$1.5 million) for the Agency to competitively procure a private consultant to evaluate Florida's Medicaid Management Information System (MMIS) as a result of the state transitioning to managed care for most Medicaid recipients. The consultant will be tasked with performing environmental scans of Florida and other comparable states' MMIS and Decision Support Systems to develop recommendations for a "Best in Class" model to support Florida's Statewide Medicaid Managed Care program. (See the chart on page four for a timeline of procurement activities.)

Based on our review, the procurement's project scope of services addressed the basic requirements of this Act. We also noted that the Agency complied with 85% of the applicable statutory, administrative code and Agency policy requirements. However, it appears Agency personnel were more concerned with the timeliness of the procurement rather than obtaining high quality services at the "best value"¹ to the state.

We have identified opportunities for improvement in documentation requirements (especially decision points), evaluation criteria, minimum scoring, and evaluator training. The Findings and Recommendations section of this report provides details of our evaluation results.

Scope, Objectives, and Methodology

The objectives of our engagement were to determine the Agency's compliance with applicable statutes, rules, and the Agency's *Procurement of Goods and Services* manual (Policy/Procedure #4006) in connection with the Agency's solicitation for a comprehensive evaluation to be performed of FMMIS and DSS and to determine whether the project's scope of services conformed to the requirements of the 2012-13 General Appropriations Act.

To accomplish our objectives, we reviewed applicable laws, rules, and regulations; interviewed appropriate Agency staff; reviewed business processes, procedures and related documents; and documented operations.

¹ "Best Value" means the highest overall value to the state based on objective factors that include, but are not limited to, price, quality, design, and workmanship. (Section 287.012(4), Florida Statutes (F.S.))

Background

Standards for the Procurement Function²

Adequate procurement planning is necessary to ensure individual procurement actions are started in sufficient time to meet operational needs. This would help ensure important elements of the procurement process (like the selection of vendors) are not undertaken hurriedly, or even by-passed all together. Adequate procurement planning should also ensure that a procurement function is not overstretched by compressing too much activity into a short time frame.

It is important that an organization has clear and verifiable procurement procedures in place including internal controls intended to prevent any problems that may weaken the procurement process.

The procurement function should evaluate a request for procurement and ask for any additional clarification and needed information, both in terms of the technical substance of the request or the workload placed on the procurement function. In all cases, a request for procurement with weak details and specifications may lead to remedial work later in the procurement process, and it is therefore important to clarify important information early in the procurement cycle.

A comprehensive assessment of costs and benefits should be conducted for all major procurement actions, with the overriding concern that the procurement must be in the interest of the organization. Establishing the point at which the cost/benefit tradeoff is optimized is the basic challenge of procurement.

Where quantifiable criteria are used, it is common for procurement functions to establish a minimum score at which a potential vendor proposal is deemed technically acceptable. (Each individual criterion may be weighted for importance in reaching the overall score.) Examples of technical evaluation criteria are the quality of the proposed good or service; the extent to which a potential vendor has understood the organization's needs; and the potential vendor's commitment to customer service.

The distortion of technical evaluation scores is a major risk in procurement processes. A procurement function should use the most suitable methodology for evaluating procurements. The organization should be aware of the ways in which scoring methods can influence the outcome of a procurement, and how the sensitivity of scoring methodologies may be open to manipulation.

Following the technical evaluations, the procurement function identifies the preferred vendor as the one whose offer conforms to technical requirements and gives the best value for the money. If a procurement process results in a very small number of potential vendors (one or two) that pass the technical evaluation, the procurement function should undertake additional procedures to ensure that the proposals give the best value for money and is in the best interest of the organization. The procurement function must use care under such circumstances, as the organization tends to encounter higher risks in the absence of strong competition.

² David O'Regan, CIA, FCA, [Auditing the Procurement Function](#), (Oxford Press, 2008)

Agency's Competitive Procurement Process

The Agency's procurement process includes three phases:

- Development
- Posting, evaluation and award, and
- Protest

During the development phase, the Agency creates the procurement document. The Agency sometimes seeks input from the public and the industry through a Request for Information (RFI) process prior to development of the solicitation. The Agency considers this information when it develops its own version of a procurement document. The Procurement Office creates the document in conjunction with program office staff (typically the Contract Manager). The General Counsel's office and the appropriate Agency management staff review the final procurement document. For routine contracts, the development phase takes four to ten weeks.

For this particular procurement, the Agency used a solicitation type called a Request for Proposal (RFP). The Agency's *Procurement of Goods and Services* (Policy 4006) defines an RFP as:

A competitive solicitation for sealed proposals with title, date, and hour of public proposal opening designated. Comparative judgmental review and award is made based on defined evaluation criteria other than price, such as technical or professional expertise and content of the technical proposal offered.

An RFP is used when the Agency is able to adequately specify the commodities or services to be purchased and can identify the qualifications or efforts required of potential vendors. An RFP must specify evaluation criteria that will be used to determine the award, and must indicate the relative weight of these criteria. Examples of criteria that may be considered in addition to price are the vendor's proposed method of achieving the Agency's stated goals, past experience/expertise, present available resources, schedule, work samples, and staff resumes. For this procurement, evaluation criteria components included past performance, financial information, cost proposal and the technical response.

The final version of the procurement document is posted (advertised) on the Department of Management Services' Vendor Bid System (VBS), soliciting responses from interested vendors. When all responses have been timely received, the Procurement Office determines whether the responses meet the mandatory criteria. Responses that meet all minimum requirements are then evaluated and scored³ by Agency personnel (Evaluator). The highest ranking vendor is awarded the contract, and notice of the award is posted on the VBS. The time frames for responding, evaluating and posting of the award are established in the bid document. The posting, evaluation and award phase usually takes at least three months. Vendors who are not awarded the contract may challenge the award decision (protest). Notice of the challenge must be given within 72 hours of the posting of the award.

The following table reflects the events for the procurement process addressed in this report.

³The responses are scored on the Agency's Standard Evaluator Score Sheets.

FMMIS AND DSS ASSESSMENT PROJECT TIMELINE

DATE	EVENT
4/17/12	The 2012-13 General Appropriations Act is approved by the Governor. The Act provided \$1.5 million to the Agency to competitively procure a private consultant to assess Florida's Medicaid Management Information System as a result of the transition to Statewide Medicaid Managed Care.
5/14/12	The initial RFP was listed on the Vendor Bid System (VBS).
5/30/12	The addendum of vendor questions and Agency answers were added to VBS.
6/12/12	The Agency held its Public Bid Opening where only one vendor, Software Engineering Services (SES) responded. The vendor did not meet the financial information requirement for the Agency's mandatory criteria.
6/21/12	The evaluation of SES' proposal started.
6/26/12	The Agency posted the following on VBS: "Agency's notification of delay in the intended award".
7/23/12	The Agency posted the following on VBS: "The Agency's Decision to reject all responses."
7/23/12	The Agency sent a letter to SES declaring its intent to pursue negotiations.
8/02/12	The Agency sent a second letter to SES to request additional financial information, to replace a member of the key staff and to include documentation for the replacement.
8/07/12	The clarification information was received from SES.
8/08/12	The financial information received from SES was evaluated.
8/23/12	The Project was put on hold when the Office of Inspector General was asked to review the project.

Findings and Recommendations

Based on our review of the Agency's procurement process for AHCA RFP 008-11/12, our findings and recommendations for process improvement have been divided into four categories:

- Compliance
- Documentation
- Scoring and Weights, and
- Training

Compliance

Contract Manager Certification

Finding: The person serving as Contract Manager for AHCA RFP 008-11/12 was not an Agency Certified Contract Manager, as required by Agency policy. Although this person received contract manager training conducted by the Department of Financial Services as required by statute, his training occurred approximately two months after his appointment as Contract Manager for RFP 008-11/12.

Recommendation: The Agency should ensure only an Agency Certified Contract Manager is assigned to manage a contractual project.

Management Response: The Agency utilizes only Certified Contract Managers to manage active contracts. A Certified Contract Manager is not required during the solicitation process since there is not yet a contract. If an employee who is not certified as an Agency Contract Manager is assigned to a solicitation and will manage the resulting Contract, the Procurement Office will ensure they receive Agency Contract Manager Certification and Department of Financial Services Training as soon as possible.

Mandatory Criteria

Finding: The Mandatory Criteria evaluation sheet, which was completed for the vendor on the day the bids were opened, had a check by "NO" for Criteria F. This criterion is for "Financial Information." The vendor failed to submit the Statement of Cash Flows and Notes to the Financial Statements. In addition, the vendor failed to submit an Income Statement that met the 12-month requirement. On June 12, 2012, the day the proposal was opened and evaluated for mandatory criteria, the proposal should have been rejected and posted to VBS as stipulated in the RFP.

Recommendation: The Agency should comply with its procurement language, "Failure to submit" any mandatory requirement "will result in the rejection of a prospective vendor's response," or not include those requirements in the procurement package.

Management Response: The Agency complies with Florida Statutes, Florida Administrative Code and Department of Management Services' directives in relation to mandatory criteria requirements.

The Agency moved forward with evaluation for the one respondent as a result of Section 287.057(5), Florida Statutes. The respondent was provided the opportunity to submit the necessary documents in order to meet mandatory requirements. The respondent was then evaluated.

Finding: The Mandatory Criteria sheet did not contain the vendor's name. Each document in a vendor's file should clearly identify that vendor in case any document is separated from the file.

Recommendation: The Mandatory Criteria sheet should have a place to identify the vendor whose information is recorded on the Mandatory Criteria sheet.

Management Response: The Procurement Office will ensure the vendor name is identified on all mandatory criteria forms.

Posting of Awards

Finding: According to the RFP schedule, the "Anticipated Posting of Notice of Intent to Award" was June 25, 2012. The Agency posted the "Agency's notification of delay in the intended award" on June 26, 2012. For this posting, there were no addenda added to the advertisement or to the original solicitation document as required in the RFP. This may have led to some confusion when, on June 26, two (potential) vendors emailed the Agency and requested a copy of the RFP. The Agency's award decision was not advertised until July 23, 2012.

Recommendation: The Agency should post timely advertisements on VBS. All advertisements should have an adequate description of the purpose of the advertisement. Addendums should be attached with additional information.

Management Response: The Procurement Office will ensure notices are posted timely and accurately to the Vendor Bid System.

Documentation

Decision Points

Finding: The Agency documented some decision points in the procurement process such as the review of the draft RFP, vendor questions and answers, and correspondence with the potential vendor. However, there was no supporting documentation in the bid file explaining the reasons behind the Agency's decision to post a delay of the award; to use Section 287.057(5), F.S.⁴ and proceed with the only vendor, SES, who responded to the RFP; or to allow SES to amend its proposal even though the vendor had not submitted all the required financial documentation and had an employee who was ineligible to participate on the project.

Recommendation: The Agency should document in writing all major decision points in the procurement process. Any communication with the Office of General Counsel should also be documented with specific detail.

Management Response: The Procurement Office will ensure sufficient documentation is maintained in procurement files.

⁴ If less than two responsive bids, proposals, or replies for commodity or contractual services purchases are received, the department or other agency may negotiate on the best terms and conditions. The department or other agency shall document the reasons that such action is in the best interest of the state in lieu of resoliciting competitive sealed bids, proposals, or replies. Each agency shall report all such actions to the department on a quarterly basis, in a manner and form prescribed by the department.

Evaluator Score Sheets

Finding: The Evaluators' score sheets had numerous changes including strike-throughs, changes noted in red, point changes, and total points changes. These changes were not always initialed, dated and/or explained. In addition, there was no designated place for Evaluators to sign and date their evaluations.

Recommendation: All changes should be explained in writing, initialed and dated. Evaluators should sign and date their score sheets. In the future, the Agency may want to consider asking the Evaluators to provide a brief narrative to sum up their evaluation and identify any issues/problems that requires a discussion.

Management Response: The Procurement Office will develop a procedure to include evaluators signing and dating their score sheets. Evaluators will also be provided additional training by the Procurement Office.

Past Performance Questionnaires (Client Reference Forms)

Finding: Procurement staff verifying vendor past performance did not sign or date the Past Performance Questionnaire or the attached Reference Check Call Logs.

Recommendation: Procurement staff should sign and date questionnaires, as required.

Management Response: The Procurement Office will ensure the past performance questionnaires are signed and dated.

Finding: The Past Performance Questionnaire does not include the verification of the potential vendor's project dates and project description. When employers perform reference checks, they normally ask the reference to verify this information.

Recommendation: The Agency should consider requiring the addition of the project dates and a detailed description of provided services on the questionnaires.

Management Response: The Procurement Office will update the Past Performance Questionnaire.

Scoring and Weights

Evaluation Criteria and Scoring

Finding: The Agency awards three percent (20/656) of the total points for "Financial Information." Three percent would not make a significant difference in any vendor's total score. In addition, the Agency does not currently require audited financial statements. Unaudited statements could contain inaccurate, incomplete and/or unsubstantiated information.

Recommendation: The Agency should consider how scores and weights reflect what is important to the accomplishment of the project. If a category is important for the project, that category should reflect a higher weight and require detailed verification and/or evaluation of criteria. The Agency should consider requiring audited financial statements for projects over a certain dollar threshold (example: \$1 million).

Management Response: The Agency has implemented revised financial language for solicitations.

SUMMARY OF EVALUTION CRITERIA AND SCORING

Evaluation Criteria Components	Maximum Raw Score Possible	Weight Factor	Maximum Points Possible	% of Total Points*	Comments	Who Evaluates or Verifies
Past Performance	126	1	126	19%	The vendor provides certification of three references. The Agency documents through questionnaire by phone calls but questionnaire does not include details of performance or dates.	Procurement staff
Financial Information	20	1	20	3%	There are no evaluation questions. The financial statements can be unaudited.	Agency CPA
Cost Proposal	5	7	35	5%	The respondent with the lowest proposed fixed total contract amount will receive the maximum allowable points (5).	Procurement staff
Technical Response	185	**	475	72%		Evaluators (6 categories) and IT staff (1 category)
TOTALS			656	100%		

*Total may not add to 100%, due to rounding.

**There were varying weights.

Minimum Scoring

Finding: According to the Evaluator Score Sheets, there are no minimum scores required for the total overall score or individual criteria component scores. For example, if the total points scored in the financial information section is less than the minimum points required for that section, the vendor would be disqualified, even if the proposal otherwise met the minimum overall score. Minimum scoring would ensure the Agency contracts with a vendor who has the best quality, price, design and workmanship. Based on our interviews and reviews of the project’s documentation, it appears Agency personnel managing this procurement were more concerned with timeliness of the procurement than what was in the best interest of the Agency.

Recommendation: To ensure contracts are awarded in the best interest of the state, the Agency should identify required minimum total scores. Minimum scores can be separated into different categories; for example, financial and technical. If multiple categories are defined, the proposals must meet each category’s minimum score. Proposals that fail to attain minimum scores in any category should not be considered.

Management Response: The Agency will consider using minimum scores in making vendor selections if it is feasible to do so depending on the specifications and requirements of the particular procurement.

Weighted Options

Finding: For this project, there were two questions under “Staffing” that referred to subcontractors. According to the vendor’s proposal, SES did not intend to “utilize Subcontractors.” However, one of the Evaluators still scored the questions. Procurement staff subsequently marked through the questions on each Evaluator’s score sheets and reduced the “Staffing” total score by ten points.

Recommendation: Evaluation score sheets should not contain questions for nonrequired options, without a weighted score for those vendors that did not choose that option. This could appear to unfairly reward vendors. The Agency should not delete criteria on any vendor’s evaluation when the criteria do not apply to that specific vendor.

Management Response: The Procurement Office will ensure all score sheets are accurate and contain the appropriate information.

Training

Evaluations

Finding: In interviews, one of the Evaluators could not explain how he/she scored some of the questions. On the score sheets, one of the Evaluators scored two questions that did not apply to the vendor. In addition, two of the Evaluators did not take a copy of the RFP to refer to during the evaluations even though the RFP contained more details than the Evaluator Score Sheets. We also noted, while two Evaluators’ total scores were comparable, one Evaluator’s total score was 98 points higher than the lowest total score.

Recommendation: To ensure consistency in how Agency competitive procurements are evaluated, the Agency should develop and implement Evaluator training. Each Evaluator should be required to attend the training before participating in any procurement process.

Management Response: The Procurement Office will ensure evaluators receive sufficient training and are in the process of developing a more robust training.

Recommendation: In Evaluator training, the Procurement Office should stress the importance of reviewing and bringing a copy of the RFP to the evaluation. This would ensure consistency in what the Evaluators use in their assessment.

Management Response: The Procurement Office will ensure evaluators receive sufficient training and are in the process of developing a more robust training.

Procedures

Finding: In our research to determine how the Agency performed procurements, we reviewed the Agency's *Procurement of Goods and Services* (Policy 4006) and the Contract Manager Desk Reference. These documents did not always address what occurred during this RFP. Examples include documenting decision points, establishing minimum scoring and assessing weights/scores.

Recommendation: The Procurement Office should update their procedures to address any gaps in the procurement process.

Management Response: The Procurement Office is in the process of updating Procurement Policies and Procedures.

Final Comments

The Office of the Inspector General, Bureau of Internal Audit would like to thank the management and staff of the Divisions of Operations and Medicaid for their assistance and cooperation extended to us during this engagement.

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The Agency for Health Care Administration’s mission is Better Health Care for All Floridians. The Inspector General’s Office conducts audits and reviews of agency programs to assist the Secretary and other Agency management and staff in fulfilling this mission.

This review was conducted pursuant to Section 20.055, F.S., in accordance with *International Standards for the Professional Practice of Internal Auditing* as established by the Institute of Internal Auditors. The engagement was conducted by Karen Calhoun, CISA and Cathe Ferguson under the supervision of Mary Beth Sheffield, CPA, CIA, CFE, Audit Director. Please address inquiries regarding this report to the AHCA Audit Director by telephone at (850) 412-3978.

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