



Audit Report No. 2004-02  
**DEPARTMENT OF PROCUREMENT SERVICES –  
VENDOR FILES**

Eighteen Months ended December 31, 2002

**Prepared by**  
CITY AUDITOR  
Richmond, Virginia

Submitted to  
The Honorable Members of City Council  
August 29, 2003

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CITY AUDITOR'S OFFICE \_\_\_\_\_

The Honorable Members of City Council  
Richmond City Audit Committee  
City of Richmond, Virginia 23219

## City Auditor's Report

### SCOPE

We audited processes surrounding the vendor files within the Department of Procurement Services for the eighteenth-month period ended December 31, 2002. Records for the Finance Department-Accounts Payable Division were also reviewed during this audit because the two departments share the file maintenance responsibility. We have reviewed and evaluated the system of internal controls in place for the same period to the extent considered necessary.

### OBJECTIVES

Our audit objectives were:

- To determine if vendors who were delinquent in their payments to the City were allowed to remain on the vendor file.
- To determine if the City contracted with vendors who have been barred from governmental and non-governmental contracts.
- To determine if the City had an effective process to prevent contracts from being awarded to vendors who have defaulted on previous contracts.
- To determine that, when contracts were awarded to firms/vendors who claimed to meet the minority employment requirements, the approved documentation was maintained on the vendor file.
- To determine if adequate controls were in place to prevent unnecessary vendor file duplications.
- To determine if vendor files were purged, on a timely basis, of the names of long-unused vendors.
- To determine if adequate controls were in place to prevent fraudulent vendors from being included in the Advantage System.
- To determine how the screening process for vendors, as used by Procurement Services, compared with that of other localities/jurisdictions.

## METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the course of our work, we reviewed supporting documents, evaluated the internal control structure related to the targeted data, and conducted other appropriate tests. We believe that our audit provides a reasonable basis for our conclusions and recommendations.

The management of the City of Richmond, Virginia, is responsible for maintaining the financial records of the City. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

## CONCLUSIONS

Based on the results of our audit, we concluded that:

- Vendors/bidders were not screened to determine if they were delinquent in their debts to the City.
- The City has not established the practice of screening for debarred vendors.
- There were no controls in place to prevent contracts from being awarded to vendors who have defaulted on previous contract terms.
- The Department maintained adequate approval documentation in the contract folders for firms that claimed to meet the minority employment requirement.
- Controls were in place to prevent unnecessary vendor file duplications; however, since there was no standardized method for formatting vendor names, file duplications occurred anyway.
- During our audit period, the Procurement staff purged the names of vendors who were inactive during the last five years.
- There were no controls in place to prevent fraudulent vendors from being added to the vendor file. However, we noted no fraudulent payments during our testing.
- The Department of Procurement Services' vendor screening procedures were comparable to those of the majority of the other jurisdiction/localities' processes. However, several jurisdictions perform a more in depth screening of vendors for those having either delinquent debts to the City or debarments.

We discussed the attached comments and recommendations with management throughout the audit and formally on June 23, 2003. Subsequently, we expanded our testing of payments to delinquent vendors. We have included management responses from the responsible officials. Our testing did not indicate any internal control weaknesses that would allow material misstatements in the records processed and maintained by the City to go undetected.

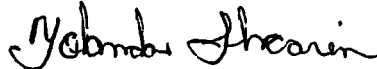
We would like to thank the departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the City Audit Committee and City and departmental management; it is a matter of public record.

Respectfully submitted,



Lance J. Kronzer, CPA  
City Auditor



Yolanda Shearin, CGAP  
Auditor II

August 8, 2003

## Executive Summary

### BACKGROUND

Setting up new vendor files and maintaining those files is a joint effort between Procurement Services and Finance-Accounts Payable. Procurement is responsible for inputting vendor information for all vendors who have activity on purchasing documents, such as Price Agreements (PG's), Departmental Purchase Requests (PD's) etc.

The Accounts Payable Unit is responsible for inputting vendor information for miscellaneous vendors (i.e. jury payments, sheriff mileage, tax and other refunds, and payroll invoices).

### BENCHMARKING

We surveyed eighteen localities/jurisdictions to determine if Procurement's vendor screening process was comparable to that of other localities. Eight localities responded to the survey.

Procurement's *vendor screening process* was similar to the other localities' processes. Three of the localities also screen vendors for *outstanding debts* prior to issuing them payments. The payments are either offset by the debt amount or withheld until payment arrangements are finalized. See **Attachment A** for complete survey results.

### SUMMARY OF RECOMMENDATIONS

In order to improve the vendor screening process and the vendor file maintenance process, we made the following recommendations for management's consideration:

1. Implement a workable vendor offset program to collect outstanding amounts due to the City prior to issuing vendor payments (**MAJOR**).
2. Perform a more in-depth search for debarred vendors (**MAJOR**).
3. Adopt a policy to provide guidance regarding vendors who have defaulted.
4. Improve controls for the vendor input process.
5. Remove and prevent unnecessary duplications of vendor files.
6. Extend reference checks to other localities/jurisdictions.

\* \* \* \*

## FINDINGS AND RECOMMENDATIONS

### 1. Implement a Vendor Offset Program (MAJOR)

The City allowed vendors and citizens, who were delinquent in paying the City, to:

- receive payments for goods and services;
- bid and win additional contracts or have contracts renewed; and
- receive refunds for over- payments of taxes.

At December 31, 2002, based upon information provided by the Finance Department, there were 66,215 delinquent accounts for personal property taxes alone, amounting to approximately \$6,286,000. Our sample of 161 accounts indicated that 44% (71 of 161) of those with delinquent accounts received some type of payment or refund from the City after May 2, 2002 (personal property tax due date).

Our sample indicated that it might have been possible to offset approximately \$101,500 of the City's refunds and/or payments of \$2,957,000. Since this was not a statistical sample, our conclusion does **not** imply that the City could offset 44% of the total delinquent amount (\$6.2 million).

Payments and refunds should not be issued to vendors and taxpayers who are delinquent in what they owe the City. The City's payments should be offset by the amounts owed or withheld until payment arrangements have been finalized.

According to Section 8.03<sup>1</sup> of the City Charter, withholding or offsetting those payments is well within the rights of the Director of Finance. In fact, the Director is expected to do this.

The Office of Procurement Services and the Department of Finance are aware of this issue. However, according to the Deputy Director of Finance, the Department will address this issue only after the new revenue system is in place (at least a year into the future). In the meantime, these two departments have been working with The Department of Information Technology (DIT) and Auditing staff to determine alternative solutions to this problem.

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<sup>1</sup> The Director of Finance has the authority to: *"Protect the interests of the City by withholding the payment of any claim or demand by any person, firm or corporation against the City until any indebtedness or other liability due from such person, firm or corporation shall first have been settled and adjusted."*



**PROCUREMENT RECOMMENDATION:** We recommend that the Director of Procurement Services add a clause to the bid applications for contracts of \$50,000 or above to notify prospective vendors that payments are subject to offset for outstanding, delinquent debts. The same language should be included in contracts and on purchase orders.

**FINANCE RECOMMENDATION:** We recommend that if the new revenue system does not properly address the offset issue, the Finance Department perform a cost-benefit analysis for implementing a vendor-offset program or some other type of mechanism to recoup outstanding debts owed to the City (**Attachment B**).

**PROCUREMENT MANAGEMENT RESPONSE:** Procurement Services Department agrees with the recommendation and will develop a clause, in cooperation with the Legal Department, to add to the Formal Bid/Proposal solicitations of \$50,000 and above. The same clause will also be incorporated into the purchase order documents. It should be noted that most Purchase Order documents are only confirmation of a Bid/Proposal or Formal Contract, which will already include the clause. Target date for incorporation of the clause into Formal Bid/Proposal documents \$50,000 and above and purchase order documents is by September 30, 2003.

**FINANCE MANAGEMENT RESPONSE:** Management concurs with the audit findings regarding the implementation of a vendor-offset program. Our focus is to acquire a revenue system that has capabilities that include off setting vendor payments, which will then accomplish this goal. This administration has always considered the offset to be important; however the implementation of such must be appropriately prioritized within other important Department activities. If we determine that the implementation of the revenue system will unduly delay the implementation of an offset program, we will review other alternatives. The Chief of Revenue- Administration is responsible for the revenue system implementation. We expect to have a system in place by June 30, 2004.

\* \* \* \*

## **2. Perform a More In-Depth Search for Debarred Vendors (MAJOR)**

Federal and State Procurement Offices sometimes debar vendors from contracting with them. Traditionally, vendors are debarred for conviction or civil judgment for fraud, violation of antitrust laws, embezzlement, theft, false claims, lack of business integrity or honesty, etc.

According to the Director of Procurement Services, the City has not established the practice of screening for debarred vendors. However, it is important to check for debarred vendors, because if Federal funds were involved, the City would stand to repay the Federal grant monies.

During our test of fifty-nine vendors, we discovered one current vendor had been debarred by the Federal government from October 1, 1998 until September 30, 2006. During the debarment period, the City continued to make payments to the vendor. These payments were made as part of the Community Development Block Grant program.

Procurement's screening method for debarred vendors (simply asking them if they have been debarred) is comparable to the majority of localities we surveyed. However, we believe the process could be improved, especially for large dollar projects. Websites with lists of debarred vendors are available.

**RECOMMENDATION:** In order to help the City avoid contracting with debarred vendors, we recommend that:

1. the Procurement Director ensure a more in-depth review of the bidders, especially when Federal funds are involved. This might include reviewing websites for federally or state debarred vendors. The Director may also want to consider subscribing to Dunn & Bradstreet, which is a valuable resource used to research a firm's background, history, financial position, any legal issues, etc.
2. the Procurement Office consider performing this review prior to renewals of contract as well.
3. Procurement maintain a listing of debarred vendors on Starnet.

**MANAGEMENT RESPONSE:** (1) Procurement Services agrees to implement procedures within its contracting process to check for debarred vendors. It should be noted that the Procurement Services Department relies upon the user departments at the time of their formal solicitation request to identify if funding is from a federal source, since there is no central depository to research for federal grant documentation and/or information within the City. Research will be conducted for a citywide subscription to Dunn & Bradstreet that can be accessed via Starnet. Target date for implementation will be by September 30, 2003.

(2) Procurement Services Department will incorporate review for debarred vendors as part of its renewal checklist process. Target date for implementation will be by September 30, 2003.

(3) Procurement Services Department has not debarred any vendors during my tenure with the City since January 2001. In speaking with staff that has been in the department for 15 or more years, they were not able to recall the City having debarred a vendor. Therefore, Procurement Services Department agrees to establish a link on Starnet to websites identifying State and Federal debarred vendors. Target date for implementation will be September 30, 2003.

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### **3. Adopt a Policy to Provide Guidance Regarding Vendors Who Have Defaulted**

There were no provisions in place to prevent vendors, who have defaulted on previous contracts, from obtaining additional contracts. According to the Procurement Director, unless the vendor has been legally debarred, contracts can still be awarded to the vendor. However, in our opinion, it is not wise to award contracts to vendors who have intentionally defaulted on one or more previous contracts. The City should not award additional contracts to those vendors for a specified period of time. If such vendors are awarded additional contracts, the City not only risks having to cancel and re-bid the contracts but also risks obtaining inferior goods and/or services.

Even if the Procurement Office had a policy of not contracting with vendors who have defaulted, the Office did not have a mechanism/procedure in place to identify such vendors. Procurement Services did not maintain a listing of default vendors to prevent their use.

**RECOMMENDATION:** We recommend that Procurement Services consider adopting a policy to provide guidance regarding how to deal with vendors who have defaulted. We also suggest that the office assign a specific individual to be responsible for alerting Procurement Officers of those vendors who have defaulted on previous City contracts.

**MANAGEMENT RESPONSE:** In speaking with staff that have been with the department 15 years or more and the Legal Department, no vendors have been identified as having been officially documented as in default against a City contract. No vendors have been officially documented as having defaulted on a City contract since my tenure with the City of 2-1/2 years. Any vendors held in default against a City contract in the future will be identified and will be listed on Starnet. Links will be made available via Starnet to State and Federal websites of defaulted vendors, as available. Target date for implementation of a list, as applicable, and links on Starnet will be September 30, 2003.

Note: Because Procurement Services Department has lost 2 vital positions as part of the vacancy review process; staff does not exist currently to assign someone specifically to monitor these tasks. Each buyer will be responsible for monitoring his or her specific contract assignments. It should also be noted that Procurement Services has implemented a Contracts Administration section that will be able to possibly assist in some of the follow up efforts concerning this recommendation and others.

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### **4. Develop Controls for the Vendor Input Process**

Entering vendor information into the Advantage System (the City's automated financial system) is a task shared by both Procurement Services and Accounts Payable (A/P). Our review indicated that neither Procurement nor A/P had controls in place to prevent

fraudulent vendors from being included among the list of valid vendors on the system. Absent proper segregation of duties over inputting vendor information, fraudulent vendors could be added to system. Adequate controls are especially important in A/P where clerks directly input vendor information and process invoices for payments.

New vendor information arrives at Procurement from several sources, for example, from City departments, potential vendors, etc. Without some analysis, it is not always evident whether the new vendors are legitimate.

**RECOMMENDATION:** We recommend that the supervisors for both Procurement Services and A/P approve additions to the vendor file, based on a process for ensuring the vendors' validity. This review may include reviewing Dunn & Bradstreet reports or EVA, the State's electronic procurement database. They should also request quarterly reports listing the vendor files that have been created or updated and review for legitimacy.

**FINANCE RECOMMENDATION:** We recommend that the Accounts Payable Supervisor review and approve all Vendor Input Forms prior to Data Entry inputting them into the system.

**PROCUREMENT MANAGEMENT RESPONSE:** Procurement Services Department concurs with the audit findings; however, personnel are not available at this time to dedicate to this effort. Staff that was assigned to input vendors was not approved for immediate rehire by the vacancy review committee. Therefore, the task of adding vendors will have to be shared between more than one position. Vendors have to officially register on eVA, at a cost; therefore it would not be a listing to check to verify the legitimacy of a vendor. The name of person of input and date is recorded on the Vendor Request Form and is available for random audit checks as necessary.

**FINANCE MANAGEMENT RESPONSE:** Finance management concurs with the audit findings regarding the development of controls for the vendor input process: 1) ensure new vendors are valid and 2) review and approval by the Accounts Payable Supervisor of all vendor input forms prior to the Data Entry Unit's input of the information. Although Finance agrees with the first audit finding, it should be noted that Finance does not have a pre-audit function to monitor the validity of all new vendors as recommended by the Internal Auditors. In light of this, Finance will be committed to reviewing new vendor information on a random basis.

Currently, the Accounts Payable Supervisor does review the vendor input form prior to the vendor being added to the system. Effective immediately, the Accounts Payable Supervisor will sign off on the vendor input form and maintain the form along with supporting documentation. This process has been added to the Accounts Payable and Procedures Manual. The Finance Controller is the responsible party for this item.

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## 5. Remove and Prevent Unnecessary Duplications of Vendor Files

We noted many duplicate entries in the vendor files within the Advantage Financial System. This was done by adding a suffix to a vendor's base identification number.

When there is more than one usable address, such as a sales and remittance address, it is appropriate to add a suffix to an existing vendor number. When modifications need to be made to the vendor information, the existing file should simply be updated; no additional file should be created.

However, during our review of the vendor files within Advantage, we noted that vendors with the same name and address had more than one vendor file. These duplications occurred for one or more of the following reasons:

- There was no standardization in place for inputting vendor names. For example, XYZ Electric Company was keyed into the system as [1] XYZ Electric Company, [2] XYZ Electric Inc. and [3] XYZ Electric, Inc.
- Errors were made when keying the vendor numbers. For example, the above vendor has the following vendor codes: [1] XXX8262 and [2] XXX862 (the second code is missing a digit).
- When it was necessary to modify vendor information, a new file was created rather than editing the existing file.

Also, during our review of the vendor files, we noticed that the alternative address field was not being utilized. Contrary to the belief of some Procurement staff members, this alternative field may possibly be used. If possible, this field should be activated and utilized, which would decrease the need to create a new file in order to add an additional address.

It should be noted that Procurement and Accounts Payable are aware of these problems and are currently working together to devise a solution. Together they have created standards for entering vendor names. Additionally, they will purge inactive vendor files on an annual basis.

### **RECOMMENDATION:** We recommend that:

1. Procurement Services and Accounts Payable management work together with DIT to clean up the old vendor files to remove all unnecessary duplications.
2. Finance Department management approve and implement the new standards for entering vendor names as soon as possible. Once the standards are in place, new vendor files should be keyed using them. This should reduce some of the unnecessary duplications.
3. Procurement and Finance management review additions to the vendor file and ensure that the vendor files are reviewed on a quarterly basis to determine if any unnecessary duplication can be deleted at that time.

4. Procurement and Finance management should continue to work with DIT to determine if the alternative address field is usable. If the field is usable, the field should be used to include an additional address.

**PROCUREMENT MANAGEMENT RESPONSE:** Procurement Services Department concurs with the audit findings. However, a report was pulled indicating that clean up of the old vendor database would be too cumbersome of a task for which personnel is not presently available to perform. Recommend that the purging process handle the deletions of duplication. A procedure for input of vendors has been standardized and is presently being finalized for implementation.

**FINANCE MANAGEMENT RESPONSE:** Finance management concurs with the audit findings regarding the removal and prevention of unnecessary duplications of vendor files.

Although Finance agrees with the recommendations to clean up the old vendor file to remove all unnecessary duplications and to review additions on a quarterly basis, it should be noted that Finance does not have the necessary resources to implement these recommendations. Furthermore, over the last eighteen months Finance worked to cleanse these files as much as could be done reasonably with our limited resources.

Both Procurement Services and Finance have developed and implemented the new standards for entering vendor names. Effective May 2003, Finance has been using the new standards for new vendors.

In addition, Procurement Services and Finance worked with the System Administrator and determined that the alternative address field is usable. The alternative address field facilitates a vendor being paid at a different address than the address on the purchase order. This information is printed on the vendor's purchase orders but does not appear on checks, therefore rendering it useless for the purpose addressed in this audit comment. The Finance Controller is the responsible party for this item.

**AUDITOR'S COMMENT:** We understand that staff resources are limited and that solving this problem is time-consuming. However, we encourage Procurement and Finance to work to avoid unnecessary returned check charges that result from incorrect addresses in the vendor file.

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## 6. Extend Reference Checks to Other Localities/Jurisdictions

Procurement checked only the references provided by the bidder to inquire about the quality of their services/goods. Typically, when asked for references, firms provide only the names of contacts that give them positive appraisals. As such, simply relying on the opinions of the references that the bidder provided, Procurement risks not getting a true picture of the vendor.

In addition to checking the bidder's references, Procurement should also inquiry with other localities such as Chesterfield, Henrico, Hanover, etc. regarding the quality of goods/services the bidder provided. The Better Business Bureau also records the volume of comments submitted to them about many vendors.

**RECOMMENDATION:** We recommend that Procurement extend reference checks to other localities in addition to the references supplied by the bidder.

**MANAGEMENT RESPONSE:** Procurement Services agrees to submit its reference survey to localities as well as the supplied references as part of its Bid/Proposal review process. Implementation for this process will be by September 30, 2003.

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## Benchmarking – Attachment A

The Audit staff surveyed eighteen localities/jurisdictions to gain an understanding of the methodology that they use to screen prospective contractors for city/county contracts.

The survey was used to determine:

- If prospective contractors for the city/county were pre-qualified;
- If contractors were screened to determine if they:
  - Owed monies to the City;
  - Owed child support;
  - Had the financial ability to perform the contract;
  - Had the necessary experience to perform the contract;
  - Had judgments against him and/or the firm within the last ten years;
  - Have been in substantial non-compliance with the terms of previous contracts;
  - Have been convicted within the last ten years; and
  - Have been debarred from bidding on government/non-government contracts.
- If a vendor offset program was in place.

Of the eighteen jurisdictions surveyed, the following eight localities responded:

- Boston, Massachusetts
- Charlottesville, Virginia
- Chesterfield County, Virginia
- Denver, Colorado
- Hanover County, Virginia
- Philadelphia, Pennsylvania
- San Jose, California
- Williamsburg, Virginia

For the majority, Procurement's vendor screening procedures were in line with the other localities' procedures. However,

- **Outstanding Debts:** Boston, Charlottesville, and Philadelphia screen their vendor payments for outstanding debts prior to issuance.
- **Process to Learn of Debarment:** Boston, Charlottesville, and Chesterfield have a more in depth review process to determine if the bidders have been debarred.

A summary of the responses received follows.



## Summary of Responses

Locality	Pre-Qualifications	Investigations	Off-Set Program
Boston, MA	<p>We do not use a pre-qualification process. The contract documentation along with the advertisements dictates what is required from each bidder.</p>	<ol style="list-style-type: none"> <li>1. Owe money to the City – Yes</li> <li>2. Owe child support – No</li> <li>3. Financial ability - Yes</li> <li>4. Experience – Yes</li> <li>5. Judgments – Yes</li> <li>6. Non-compliance - Yes</li> <li>7. Convictions – <i>No response</i></li> <li>8. Debarred Vendors – Yes</li> </ol> <p>The contractor must sign an affidavit that he/she does not owe the City money. The affidavit is verified.</p> <p>Vendors are required to submit specific experience qualifications. The amount and type of experience depends on the type of project. On most contracts, we require the vendor to file a banking institution reference.</p> <p>Contractors are required to sign forms certifying that they have not had judgments against them and that they have not been in breach of contract terms in the past ten years.</p> <p>We are routinely provided with a listing of debarred contractors from both federal and state agencies. Any contractors on these listings are automatically rejected at point of bid. <b><i>If a debarred vendor is allowed to perform work, we could lose our Federal funding. This area is closely monitored.</i></b></p>	<p>All payments are checked against the Treasurer's Delinquency Listing. If outstanding taxes or permit fees are owed, payment is reduced by the amount owed.</p>

Locality	Pre-Qualifications	Investigations	Off-Set Program
Charlottesville, VA	Very rarely are vendors pre-qualified, we simply determine if the vendors are responsible. We look at their financial capabilities, past experiences, business integrity, and etc.	<ol style="list-style-type: none"> <li>1. Owe money to the City – Yes</li> <li>2. Owe child support – No</li> <li>3. Financial ability - Yes</li> <li>4. Experience – Yes</li> <li>5. Judgments – Sometimes, not always</li> <li>6. Non-compliance - Yes</li> <li>7. Convictions – Not always</li> <li>8. Debarred Vendors – Yes</li> </ol> <p>Dun &amp; Bradstreet (D &amp; B) Reports, which include law suits, history and judgments, are obtained and reviewed. References are checked out and websites for barred vendors are reviewed.</p>	Currently, we are checking to see if the contractors owe monies to the city through the use of our Treasurer's Office and Utility Billing System. We are in the process of negotiating for an ERP software system (SAP) that should allow us to check for outstanding debts.
Denver, CO	Seldom performed (Responses do not relate to construction contracts)	Bidders are not investigated unless there are reasons to believe he/she is not in conformance with city regulations.	Monies may be withheld from vendors for various reasons ( <i>garnishments, etc</i> ). However, I can only recall one instance where payment was withheld for tax purposes.

Locality	Pre-Qualifications	Investigations	Off-Set Program
Chesterfield, VA	No	<p>1. Owe money to county – No</p> <p>2. Owe child support - No</p> <p>3. Sufficient finances - Yes</p> <p>4. Appropriate experience - Yes</p> <p>5. Judgments – Yes (5 years)</p> <p>6. Substantial non-compliance - Yes</p> <p>7. Conviction – Yes</p> <p>8. Debarment - No</p> <p>For building and park projects, the County uses AIA documents. Bidders are requested to submit A305 "Contractor Qualification Statements". Background checks are conducted for large construction projects (i.e. transportation, water, sewer, etc).</p> <p>Dunn &amp; Bradstreet reports are used to evaluate the contractor's qualifications and financial standing for the above projects.</p> <p>Chesterfield's Purchasing Dept. has developed a "Regional Reference Check," which is submitted to selected regional partners (i.e. cities, counties, and consultants) for comments on vendor experience.</p> <p>For small projects (\$200,000 and under) bidders are required to provide a minimum of three references.</p>	No

Locality	Pre-Qualifications	Investigations	Off-Set Program
Hanover, VA	No	1. Owed money to county– No 2. Owed child support – No 3. Sufficient finances – No 4. Appropriate experience – No 5. Judgments – No 6. Substantial non-compliance – Yes 7. Conviction – No 8. Debarment – No  Contract managers for the respective departments complete a form regarding the vendor's operation during previous contract period. Vendor Complaint Forms are also completed by the departments and submitted to Purchasing.	No
Philadelphia, PA	Yes, a questionnaire is used for construction related projects	The questionnaire covers all of the investigation areas. However, it is unknown if the submitted information is investigated.	Our City Controller checks all vendor payments. If taxes are owed, the payment is stopped until re-payment is made or another formal agreement is reached as to payment.
San Jose, CA	No response	Screening efforts are based upon dollar amount of the project and potential liability exposure.	No response
Williamsburg, VA	No	No response	No response

## Vendor Offset Program - Attachment B

**Purpose:** The Vendor Offset Program is a mechanism that enables the City to recoup delinquent amounts by withholding City payments for goods and services and/or refunds (off set). The Program includes identifying individuals and businesses that owe delinquent taxes and other liabilities to the City allowing subsequent payments by the City to be offset by the obligation amounts or withheld until payment arrangements are finalized.

**Benefit of Program:** powerful collection tool; increased revenues.

### How the System Works

- ❑ **DIT and Finance staff:** establish a database to house the delinquent vendor information (name, vendor number, address, etc.). The database would be accessible to designated personnel.
  
- ❑ **A designated Finance Department staff:** would be responsible for
  - [a] inputting delinquent vendor information
  
  - [b] removing the vendor information once the debt is collected.
  
- ❑ **DIT:** provide an extract of the delinquency report to all appropriate personnel.
  
- ❑ **City Agency personnel:** compare the delinquent vendor list to the invoices presented for payment. If the vendor is listed on the report, a "Hold Payment" flag will be noted in the upper right hand corner of the invoice. The invoices will be inputted in the system and submitted to Accounts Payable as they normally are.
  
- ❑ **Accounts Payable:** key in the invoices and activate the hold payment key within Advantage for the invoices that indicate "Hold Payment."

- **Agency:** Once the payments have been placed on hold, submit a "Notice of Intent to Offset" letter to the vendor explaining [a] the reason and the dollar amount of the potential offset. [b] specified amount of time to contest the offset or make payment arrangements.
  
- **Agency:** If the vendor does not respond or successfully contest the offset, send a "Notification of Offset Letter" to the vendor along with the voided copy of the check stub and the payment will be offset by the debt amount.
  
- **Agency:** The payment offsets will continue until the total dollar amount of the debt is recouped.
  
- **Finance:** Once the debt amount is paid in full, remove the vendor information from the delinquency database.
  
- **Finance:** transfer offset amount to the appropriate agency account with a journal voucher.

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