Montgomery County, Maryland
Office of the County Executive
Office of Internal Audit

Informal Solicitation Performance Audit
Office of Procurement

August 29, 2025

MCIA-25-2

Highlights

Why MCIA Did this Review

The Montgomery County Office of Internal Audit (MCIA) conducted a performance review of the Montgomery County Government's (County) Office of Procurement's (Procurement) informal solicitation process (collectively, review).

The Office of Procurement preserves the public trust and ensures the integrity of the public procurement process through the efficiency and effectiveness of the procurement of goods, services, and construction in accordance with best practices; resulting in the highest value for County government and its residents. Procurement facilitates the use of public funds in an inclusive, transparent, and equitable manner that best serves County residents, businesses, and the public interest.

The County's informal solicitation process is administered through the Office of Procurement in collaboration with County departments. County departments utilize informal solicitations for the purchase of goods, services, and construction valued greater than $10,000 but less than $100,000. The County issues two types of informal solicitations: small purchases and mini-contracts.

The review was conducted by the accounting firm SC&H Group, Inc., under contract with MCIA.

August 2025

Informal Solicitation Performance Review

Montgomery County Office of Procurement

What MCIA Found

Procurement's informal solicitation process includes procedures and internal controls to mitigate risks.

However, opportunities exist to improve control design and operational effectiveness to mitigate those risks more effectively.

MCIA identified five areas of improvement to strengthen processes and controls and mitigate risks in the following areas:

1. Informal solicitation policy and procedure development
2. Solicitation monitoring enhancements
3. Bidder list requirement enforcement
4. Document retention guideline/ requirement development
5. Informal solicitation threshold enforcement

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Objectives

This report summarizes the results of a performance review of Montgomery County Government's (County) informal solicitation process in the Office of Procurement (Procurement) (collectively, review). The review was performed by SC&H Group, Inc. (SC&H), under contract with the Montgomery County Office of Internal Audit (MCIA).

Objectives:

1. Evaluate the informal solicitations survey questionnaire responses to identify potential trends and select County departments for further procedures.
2. Evaluate Procurement's and County departments' processes for the initiation of informal small purchase and mini-contract solicitations.
3. Evaluate Procurement's and County departments' processes for the cancellation of informal solicitations.
4. Evaluate County departments' determination of informal solicitation types.
5. Evaluate County departments' review and execution of responses received for informal small purchase and mini-contract solicitations.
6. Evaluate Procurement's and County departments' processes for contract renewal for informal small purchases and mini-contracts.
7. Evaluate Procurement's and County departments' processes for contract termination for informal small purchases and mini-contracts.

Background

Procurement Overview

The County's informal solicitation process is administered through Procurement in collaboration with County departments utilizing informal solicitations (Using Departments). Procurement's mission is to facilitate the use of public funds to effectively procure goods, services, and construction in an inclusive, transparent, and equitable manner that best serves the County.[1] Procurement is organized into three areas: Operations, Procurement Services, and Business Relations and Compliance.

Operations Division

The Operations Division's core components are to purchase goods, services, and construction required by County departments in the most timely and cost-effective manner possible. The division ensures a competitive, transparent, and fair procurement process, aligned with the County Code and Procurement Regulations. Program staff assist County departments in strategy development, provide training to County departments, and educate vendors on the County's procurement process. They also research vendors, review contracts, and recommend County procurement policy revisions. The Operations Division's Information Technology staff develop and maintain the information systems, databases, and applications for Procurement's business operations.[1]

Procurement Services Division

The Procurement Services Division provides departmental direction, oversight, and support for the Contract Review Committee, including analysis, budget preparation, and monitoring. It handles contract and document scanning, manages archiving standards, coordinates County

[1] Montgomery County Government, Office of Procurement Website (https://www.montgomerycountymd.gov/PRO/about.html)

department trainings, and tracks certifications. The division also provides customer service to County departments, including management of departmental knowledge-based articles, human resource activities, and interpreter services.[1]

Division of Business Relations and Compliance

The Division of Business Relations and Compliance is responsible for ensuring County compliance with the socioeconomic laws, programs, and policies of the County, including the following:[1]

1. Minority, Female, and Disabled-Owned Business (MFD) Program
2. Local Small Business Reserve Program (LSBRP)
3. Local Business Preference Program (LBPP)
4. Local Business Subcontracting Program (LBSP)
5. Wage Requirements Law
6. Prevailing Wage Law

Informal Solicitation Process

The County uses a variety of methods to make purchases that align with County requirements. These methods are based on multiple criteria including spending limits, award process, contract type, etc.

As stated in Procurement's Procurement Guide:

> "The aim of any good procurement function is to obtain goods and services of the proper quality at the best possible prices. Soliciting quotes from qualified suppliers encourages competition and lowers prices. In certain cases, however, it may be impractical to secure bids for specific types of goods or services.
>
> The scope of the purchasing activity may be defined as providing all of the material support efforts that are required by the County and involves multiple stakeholders responsible for different parts of the process."

One procurement method the County uses is informal solicitations. Informal solicitations are used to procure goods, services, or construction valued greater than $10,000 but less than $100,000. This procurement method may not be used when the total expenditure, including all extensions, for the goods, services, or construction is expected to reach or exceed $100,000. Using Departments may not divide contracts for the purpose of avoiding the $100,000 limit.[2]

From fiscal year 2021 (July 1, 2020 – June 30, 2021, FY21) to FY24 (July 1, 2023 – June 30, 2024), the County has increased the usage of informal solicitations, as seen below.[3]

	Small Purchase		Mini-Contract		Total	
	# of Solicitations	Value of Solicitations	# of Solicitations	Value of Solicitations	# of Solicitations	Value of Solicitations
FY20	113	$629,042	183	$1,626,056	296	$2,255,098
FY21	67	$494,150	180	$1,552,609	247	$2,046,759
FY22	78	$557,999	181	$1,704,072	259	$2,262,071
FY23	85	$600,453	186	$2,032,383	271	$2,632,836
FY24	124	$1,169,457	238	$2,205,706	362	$3,375,163
Total	467	$3,451,101	968	$9,120,826	1,435	$12,571,927

[2] Montgomery County Government, COMCOR Chapter 11B, Section 4.1.7.2: Informal Solicitation – Mini-Contract; Use & Section 4.1.8.1: Informal Solicitation – Small Purchases; General

[3] Montgomery County Government, Annual Reports: Record of Procurements

Solicitation Type Determination

The County issues two types of informal solicitations:

1. Small Purchases: Commonly utilized for goods/products. Examples include recreational equipment, safety supplies, bedding and linens, etc.
2. Mini-Contracts: Commonly utilized for services or construction. Examples include graphic design services, information technology services, trainings/workshops, etc.

Solicitation Preparation

Once the Using Department identifies the type of informal solicitation to be utilized, the Using Department accesses SharePoint, the County's intranet site, to obtain and complete the respective Informal Boilerplate (implemented in January 2024) and an Informal Solicitation Initial Advertisement. Procurement offers informal small purchase and mini-contract boilerplates to act as templates for the Using Departments to utilize during the informal solicitation process. The boilerplates outline critical information related to the informal solicitation including general conditions, special terms and conditions, scope of services, method of award/evaluation criteria, etc. The Informal Solicitation Initial Advertisement serves as a notification for the solicitation's issuance under the Local Small Business Reserve Program (LSBRP). This is a County requirement that allows local, small businesses the opportunity to respond to solicitations before they are put out to all possible vendors. The County has a goal of awarding 25% (with specified exceptions) of their procurements for goods, services, and construction to registered and certified local, small businesses. To assist local, small businesses to recover from the COVID-19 recession, the Director of Procurement implemented a requirement for informal solicitations to be reserved under the LSBRP effective April 1, 2021.[4] The requirement was still in effect during the review's scope period.

The Using Department may request a solicitation number from Procurement at any point in the process through Yoda's ProDirect application, an internally developed system used by Procurement for the maintenance and tracking of County contracts and solicitations, including informal solicitations. The completion of the respective boilerplate and the Informal Solicitation Initial Advertisement is not required prior to making this request. ProDirect was implemented County-wide in August 2022.

Once Procurement issues a solicitation number to the Using Department, the Using Department sends the scope of work (criteria identifying what goods, services, or construction the solicitation and resulting contract will include) to Department of Finance, Division of Risk Management (Risk Management) for review. If Risk Management deems that the informal solicitation requires insurance, Risk Management will issue mandatory insurance requirements. If insurance is not required, Risk Management will issue a memo waiving insurance requirements.

If a contract resulting from the informal solicitation will require connecting a device, application, hardware, equipment, or technology to the County Network, the Using Department must receive approval from the Department of Technology and Enterprise Business Solutions (TEBS).[5] The Using Department emails the scope of work to TEBS for review.

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[4] Montgomery County Government, Office of Procurement Website (https://www.montgomerycountymd.gov/pro/dbrc/lsbrp.html)

[5] Montgomery County Government, Office of Procurement, PMMD-104 & PMMD-107

Solicitation Issuance as LSBRP

The Using Department must complete and submit a PMMD-80 (Procurement Materials Management Document), an electronic form used to alert Procurement of the desire to issue an informal solicitation on Procurement's website. A PMMD-80 includes the informal solicitation number, description, commodity code(s), link to the solicitation, contact information, and scope. The Using Department initiates the process in ProDirect and finalizes the request by submitting the PMMD-80 to Procurement. Upon receipt, Procurement posts the informal solicitation to its website and provides the Using Department with five randomly selected potential vendors from the bidder's list, or all potential vendors on the bidder's list, whichever is smaller. The bidder's list is auto-generated based on the commodity code associated with the informal solicitation. One of the potential vendors should be a minority owned business, and one should be the previous supplier of the goods, services, or construction being acquired. The Using Department must attempt to contact each potential vendor and must document the attempted contact, including the name of the vendor, the name of the person and position within the vendor, and the response received, if any.[6]

Procurement posts the LSBRP informal notice on its website for a minimum of five business days, which includes the mandatory insurance requirements from Risk Management, the solicitation, and other applicable requirements.[7] After the solicitation closes and if the Using Department receives a response to the LSBRP informal solicitation posting, the Local Business Program Manager verifies that the vendor qualifies as LSBRP.

LSBRP Response Evaluation: Small Purchase

The Using Department tabulates and evaluates any LSBRP responses received. If any mathematical errors in estimate or pricing are identified, the Using Department sends the response back to the vendor for corrections. If the informal solicitation yields an acceptable LSBRP response and the Using Department selects the vendor to proceed, the Local Business Program Manager certifies the vendor as LSBRP, and the Using Department finalizes the contract and obtains the vendor's insurance. If the informal solicitation does not yield any acceptable LSBRP responses, the Using Department either cancels the solicitation or reissues it as non-LSBRP. If the Using Department decides to cancel the solicitation, it submits a cancellation request to Procurement, who then processes the cancellation within ProDirect.

Solicitation Reissuance as Non-LSBRP: Small Purchase

If the Using Department decides to reissue the solicitation as non-LSBRP, the Using Department initiates the readvertisement process through Yoda's Informal Management application. The Informal Solicitation Readvertisement serves as a notification for the solicitation's reissuance as non-LSBRP. Procurement then reposts the informal solicitation as non-LSBRP on its website for a minimum of five business days. The Using Department tabulates and evaluates any responses received. If any mathematical errors are identified, the Using Department sends the response back to the vendor for corrections. If the informal solicitation yields an acceptable response and the Using Department selects the vendor to proceed, the Using Department finalizes the contract and obtains the vendor's insurance. If the informal solicitation does not yield any acceptable responses, the Using Department cancels the solicitation by submitting a cancellation request to Procurement, who then processes the cancellation within ProDirect.

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[6] Montgomery County Government, COMCOR Chapter 11B, Section 4.1.7.4 Informal Solicitation – Mini-Contract; Procedure & Section 4.1.8.1: Informal Solicitation – Small Purchases; General

[7] Montgomery County Government, Montgomery County Code, Chapter 11B, Article III, Section 11B-17A

LSBRP Response Evaluation: Mini-Contract
The Using Department evaluates any LSBRP responses received based on the scoring criteria posted within the informal solicitation and negotiates with the highest ranked vendor. If the informal solicitation yields an acceptable LSBRP response and the Using Department selects the vendor to proceed, the Local Business Program Manager certifies the vendor as LSBRP, and the Using Department drafts the contract and obtains the vendor's insurance. If the informal solicitation does not yield any acceptable LSBRP responses, the Using Department either cancels the solicitation or reissues it as non-LSBRP. If the Using Department decides to cancel the solicitation, it submits a cancellation request to Procurement, who then processes the cancellation within ProDirect.

Solicitation Reissuance as Non-LSBRP: Mini-Contract
If the Using Department decides to reissue the solicitation as non-LSBRP, the Using Department accesses SharePoint to obtain and complete an Informal Solicitation Re-advertisement. The Informal Solicitation Re-advertisement serves as a notification for the solicitation's reissuance as non-LSBRP. Procurement then reposts the informal solicitation as non-LSBRP on its website for a minimum of five business days. The Using Department evaluates any responses based on the scoring criteria posted within the informal solicitation and negotiates with the highest ranked vendor. If the informal solicitation yields an acceptable response and the Using Department selects the vendor to proceed, the Using Department drafts the contract and obtains the vendor's insurance. If the informal solicitation does not yield any acceptable responses, the Using Department cancels the solicitation by submitting a cancellation request to Procurement, who then processes the cancellation within ProDirect.

Contract Review & Execution
The Using Department initiates the contract review process by sending the vendor's insurance to Risk Management for review and approval based on the mandatory insurance requirements. Risk Management documents its approval on a PMMD-62R, a certificate of insurance review form utilized by Risk Management to document the review and approval of vendors' insurance. Once approved, the Using Department creates a requisition within Oracle, the County's Enterprise Resource Planning system, for the contract and sends the contract draft to the County Attorney's Office for a compliance review. Once approved, the Using Department submits the completed contract package to Procurement for review and execution. A completed contract package includes the following documentation:[8]

- Contract
- Department Memo
- Oracle Requisition
- Risk Management Approved Vendor Insurance
- Any other documentation, if necessary

Once approved, a designated member of Procurement signs and executes the contract. If immediate funding is required, they also approve the Oracle Purchase Order to allocate funds to the small purchase or mini-contract. Procurement then sends the signed and executed contract back to the Using Department, who sends it to the vendor.

Contract Renewal
Six months and three months prior to contract expiration, the Using Department receives an automated expiration notification from Yoda. The Using Department reviews the contract terms to verify they would like to renew the contract and funding remains. If the contracted goods,

[8] Montgomery County Government, Office of Procurement, PMMD-104 & PMMD-107

services, or construction are still needed, the Using Department will verify within Oracle that the $100,000 threshold has not already been reached and that renewing the contract will not cause the threshold to be reached or exceeded. If the $100,000 threshold has not already been reached and renewing the contract will not cause the threshold to be reached or exceeded, the Using Department submits a renewal package to Procurement through ProDirect. A renewal package includes the following documentation:

- Contract Amendment
- Department Memo
- Oracle Requisition
- PMMD-15 (implemented in July 2024)

A PMMD-15 is a contract monitoring report that is included within the renewal package submitted to Procurement by the Using Department. Procurement reviews the renewal package and verifies that the $100,000 threshold has not already been reached and that renewing the contract will not cause the threshold to be reached or exceeded. If the $100,000 threshold has not already been reached and renewing the contract will not cause the threshold to be reached or exceeded, Procurement approves the contract renewal, and the Using Department notifies the vendor of the renewal in writing. If Procurement deems that renewing the contract will cause the $100,000 threshold to be reached or exceeded, it notifies the Using Department, and the contract continues through the original contract term.

Contract Termination/Expiration

A contract can be terminated due to one of the three following reasons[9]:

- Convenience: Action taken by the County if termination is in the best interest of the County
- Mutual: Agreement between the County and the vendor
- Default: Due to a breach of contract by the vendor

For both convenience and mutual terminations, the Using Department notifies the vendor and Procurement of the termination in writing. Procurement then processes the contract termination in ProDirect. For default terminations, the Using Department notifies the vendor and Procurement of the default in writing. The Using Department then drafts a pre-cure letter for the County Attorney's Office to review. Once approved, the Using Department sends the pre-cure letter to the vendor, who is given a specified period to cure the deficiency. The specified period should be determined based on the nature of the deficiency and should be appropriate to the circumstances. If the deficiency is cured within the specified period, the contract continues through the original contract term. If the deficiency is not cured within the specified period, the Using Department notifies Procurement. Procurement then prepares and issues a formal cure notice to the vendor that outlines the final opportunity to cure the deficiency before contract termination and specifies a response deadline. If the vendor fails to meet the cure notice requirements, Procurement issues a termination letter to the vendor and processes the contract termination within ProDirect.

Once the approved term of the contract has been met, the contract will expire, and goods/services should no longer be received from the vendor. Notice of the contract expiration is communicated to the vendor and goods/services should not be received outside of the contract period of performance.

[9] Montgomery County Government, COMCOR Chapter 11B, Section 12.1: Termination Methods

Scope, Methodology, and Approach

Scope

The review was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA).

The review included components of the chapter 8 (Fieldwork Standards for Performance Audits) and chapter 9 (Reporting Standards for Performance Audits) 2018 Revision to the Government Auditing Standards, issued by the Comptroller General of the United States (Yellow Book). However, the review was not conducted as a performance audit under Yellow Book standards, and as result is not subject to peer review.

The scope focused on the following:

1. Informal solicitation process including:
    a. Solicitation Type Determination: Appropriate determination of solicitation type based on the need for goods, services, or construction.
    b. Initiation and Posting of Informal Solicitation: Appropriate submittal of required initiation documents and posting of solicitation.
    c. Solicitation Cancellation: Appropriate cancellation of solicitations.
    d. Evaluation of Responses: Appropriate evaluation of responses received based on type of solicitation.
    e. Contract Review and Execution: Appropriate contract review prior to execution.
    f. Contract Renewal: Appropriate review of active contracts to verify the $100,000 threshold has not been reached and will not be reached or exceeded upon renewal.
    g. Contract Termination: Appropriate termination of contracts via convenience, mutual, or default methods.
2. Transaction period: 1/1/2020 through 3/31/2024
3. County policies:
    a. Procurement's Procurement Guide
    b. Montgomery County Code Chapter 11B
    c. Contract and Procurement Regulations (COMCOR) Chapter 11B

Methodology and Approach

The review was conducted using a three-phased approach:

1. Phase 1: Planning
2. Phase 2: Fieldwork
3. Phase 3: Reporting

Phase 1: Planning

Planning consisted of gaining an understanding of the informal solicitation process, as well as preliminary review of process specific policies, procedures, and documentation and performance of data analysis.

Process Understanding

SC&H performed the following procedures to understand the informal solicitation process, risks, and controls.

1. Conducted interviews/walkthroughs with Procurement to understand and document the current informal solicitation process and Procurement's associated responsibilities.

2. Prepared a risk and control matrix (RCM) to document the risks, controls, and gaps within the informal solicitation process.
3. Prepared informal solicitation process flowcharts to document the process, risks, controls, and gaps and provide summaries of key activities. On 8/23/2024, Procurement reviewed and approved the flowcharts, confirming they accurately represent the informal solicitation process.
4. Performed data analysis procedures of informal solicitation data for the scope period to identify Using Departments' informal solicitation contract counts and amounts spent under the contracts.
5. Administered a survey to Using Departments to gather high-level information regarding how Using Departments initiate, manage, and administer informal solicitations and their subsequent contracts.

Creation of Audit Program
Based on the procedures performed during the planning phase, SC&H developed an audit program with steps to address the objectives, which was reviewed and approved by the MCIA Manager prior to implementation.

Phase 2: Fieldwork
Fieldwork consisted of testing the operational design and effectiveness of internal controls identified during the risk assessment and evaluating process alignment/compliance with related policies and procedures.

Using Department Selection
Based on the data analysis performed and the survey results received during the planning phase, SC&H selected a sample of Using Departments for fieldwork procedures. SC&H conducted interviews/walkthroughs with the Using Departments to understand and document their informal solicitation processes in place and how these processes align with County policies and requirements.

Sample Selection
SC&H judgmentally selected informal solicitation samples based on the solicitation description and amount. For instance, if a Using Department had multiple solicitations that appeared to have similar descriptions, SC&H selected those contracts as samples. SC&H provided Procurement and the Using Departments with a list of samples and requests for documentation needed to satisfy the steps outlined in the audit program.

Internal Controls Testing
SC&H performed sample-based internal control test procedures to evaluate Procurement policies and procedures, and Using Department policies and procedures related to the following:
1. Informal solicitation type determination
2. Initiation and posting of an informal solicitation
3. Cancellation of a solicitation
4. Response review and execution
5. Contract renewal
6. Contract termination

Compliance Testing
SC&H performed sample-based test procedures to evaluate compliance across Procurement policies and procedures, Using Department policies and procedures, and County policies and procedures.

Validation
The preliminary test results were compiled and presented to the Using Departments, Procurement, and the MCIA Manager.

Findings and Recommendations

Results

We appreciate the assistance and cooperation from members of Procurement and the selected Using Departments during this review. County personnel efforts, cooperation, and coordination throughout were crucial to understand the process, obtain documentation, and address questions.

Procurement has been actively working on methods to enhance informal solicitation operations and mitigate associated risks. For instance:

1. Procurement implemented ProDirect in August 2022 to help the County administer and manage procurement processes, including informal solicitations, more effectively.
2. Procurement implemented informal solicitation documents, including checklists and boilerplates, in January 2024 to help streamline and standardize the operations.

The review focused on Procurement and how it administers and manages informal solicitations. However, since the informal solicitation process operates in collaboration with Using Departments, fieldwork procedures included tests to evaluate adherence by both Procurement and the Using Departments.

The review yielded five findings with ten supporting recommendations related to Procurement's informal solicitation responsibilities and are presented below.

Results relating to the Using Departments were presented to the respective Using Departments and are presented below.

Finding 1: Procurement's informal solicitation policies, procedures, and documents lack operational details, while supplemental policies and procedures developed by Using Departments do not always align with the County's and Procurement's policies and procedures.
Background The County and Procurement have the following policies in place to govern procurement methods throughout the County: 1. Procurement's Procurement Guide 2. Montgomery County Code Chapter 11B 3. Contract and Procurement Regulations (COMCOR) Chapter 11B Using Departments are allowed to issue departmental policies and procedures that supplement policies and procedures issued by the County and Procurement. In January 2024, Procurement published the following documents to SharePoint to assist Using Departments throughout the informal solicitation process: 1. Informal Procurement Workflow: This workflow illustrates the informal solicitation process, including a process start, process end, decision points, and action items for both Procurement and the Using Departments.

Finding 1: Procurement's informal solicitation policies, procedures, and documents lack operational details, while supplemental policies and procedures developed by Using Departments do not always align with the County's and Procurement's policies and procedures.

2. PMMD-104 Informal Solicitation (Small Purchase) Checklist: This checklist provides Using Departments with instructions for drafting, issuing, and executing a small purchase informal solicitation.
3. PMMD-107 Informal Solicitation (Mini-Contract) Checklist: This checklist provides Using Departments with instructions for drafting, issuing, and executing a mini-contract informal solicitation.
4. Informal Small Purchase Boilerplate: This boilerplate document outlines information related to a small purchase informal solicitation including general conditions, special terms and conditions, scope of services, method of award/evaluation criteria, etc.
5. Informal Mini-Contract Boilerplate: This boilerplate document outlines information related to a mini-contract informal solicitation including general conditions, special terms and conditions, scope of services, method of award/evaluation criteria, etc.
6. Informal Solicitation Initial Advertisement: This advertisement serves as a notification for the solicitation's issuance under the LSBRP.
7. Informal Solicitation Readvertisement: This readvertisement serves as a notification for the solicitation's reissuance as non-LSBRP.

<u>Findings</u>

SC&H identified that, while policies and procedural documentation has been developed and disseminated, documentation do not contain specificity regarding the detailed steps to be performed to execute processes. Specifically, SC&H identified the following:

1. Procurement's policies, procedures, and documents do not include operational steps/requirements as follows.
    a. The Procurement Guide does not include the following, which were confirmed to be required steps/procedures:
        i. Initial issuance under LSBRP
        ii. Contract draft, review, and execution
        iii. Contract renewal
        iv. Contract termination/expiration
    b. The Informal Procurement Workflow does not include the following, which were confirmed to be required steps/procedures:
        i. Bidder list
        ii. Evaluation of responses
        iii. Contract draft, review, and execution
        iv. Contract renewal
        v. Contract termination/expiration
    c. The informal solicitation checklists (PMMD-104 and PMMD-107) do not include the following, which were confirmed to be required steps/procedures:
        i. Bidder list
        ii. Evaluation of responses
        iii. Contract review and execution
        iv. Contract renewal
        v. Contract termination/expiration
    d. Informal solicitation threshold: There is no requirement for Procurement to perform a formal check to verify Using Departments are not dividing contracts for the purpose of avoiding the $100,000 informal solicitation limit. Refer to **Finding 5** for further information.

Finding 1: Procurement's informal solicitation policies, procedures, and documents lack operational details, while supplemental policies and procedures developed by Using Departments do not always align with the County's and Procurement's policies and procedures.

   e. Cancelled solicitations: There is no required time period for Procurement to remove cancelled solicitations from their website.
   f. Allowable versus unallowable costs: There is no requirement for informal solicitation contracts to explicitly outline allowable versus unallowable costs.
   g. Document retention: There are no guidelines or requirements in place for document retention related to the informal solicitation process. Refer to **Finding 4** for further information.
2. Using Departments' informal solicitation policies and procedures do not align with the County's and Procurement's policies and procedures in the following areas. This finding was presented to the respective Using Departments separately.
   a. Small purchase versus mini-contract informal solicitations
   b. Informal solicitation posting requirements
   c. Bidder list requirements
   d. Response evaluation
   e. Oracle requisition requirements

<u>Risks</u>

1. Failure to maintain consistent policies and procedures could result in inconsistent contracting procedures, operational inefficiencies and adjustments, financial and legal disputes, and non-compliance with County and Procurement requirements.
2. Failure to maintain complete policies and procedures could negatively impact the establishment and performance of necessary activities and the ability to perform critical activities in the absence of primary users.
3. Failure to abide by the informal solicitation threshold could result in unfair solicitation process, non-compliance with County and Procurement regulations, and reputational damages.
4. Failure to remove a cancelled informal solicitation from advertisement in a timely manner could result in unnecessary responses being received, confusion/miscommunication among vendors, and reputational damage.
5. Failure to distinguish allowable versus unallowable costs within contracts could result in financial disputes, non-compliance with County and Procurement regulations, budget overruns, and reputational damage.
6. Failure to retain documents for a sufficient period could result in financial and legal disputes, non-compliance with County requirements, and reputational damage.

<u>Recommendation 1.1</u>

Procurement should review and update their policies, procedures, and trainings to formally document/include the current informal solicitation process and the roles/responsibilities of Procurement and Using Departments. These policies and procedures should be consistent and align with COMCOR Chapter 11B. For instance, Procurement should review and update the following:

1. Procurement Guide: Add the required steps/procedures for the following areas of the informal solicitation process including:
   a. Initial issuance under LSBRP
   b. Contract draft, review, and execution
   c. Contract renewal
   d. Contract termination/expiration

Finding 1: Procurement's informal solicitation policies, procedures, and documents lack operational details, while supplemental policies and procedures developed by Using Departments do not always align with the County's and Procurement's policies and procedures.

2. Informal Solicitation Workflow: Add the required steps/procedures for the following areas of the informal solicitation process including:
    a. Bidder list
    b. Evaluation of responses
    c. Contract draft, review, and execution
    d. Contract renewal
    e. Contract termination
3. Informal solicitation checklists (PMMD-104 and PMMD-107): Add the required steps/procedures for the following areas of the informal solicitation process including:
    a. Bidder list
    b. Evaluation of responses
    c. Contract review and execution
    d. Contract renewal
    e. Contract termination
4. Informal solicitation threshold: Add procedures to review Using Departments' PMMD-80s and compare the proposed scopes of work to the scopes of work of past informal solicitations to verify Using Departments are not dividing contracts for the purpose of avoiding the $100,000 informal solicitation limit.
5. Cancelled solicitations: Develop a time period that Procurement needs to abide by in order to remove cancelled solicitations from their website in a timely manner.
6. Allowable versus unallowable costs: Develop lists of allowable and unallowable costs that contractors are allowed to charge through an informal solicitation contract.
7. Document retention: Update documentation to include retention guidelines and requirements that align with the County retention policy.

Additionally, Procurement should consider consolidating the following informal solicitation policies and procedures into one comprehensive document with chronological steps for Using Departments to reference throughout the process to prevent process inconsistencies.

1. Procurement Guide
2. Informal Solicitation Workflow
3. Informal Solicitation Checklists (PMMD-104 and PMMD-107)

<u>Recommendation 1.2</u>

Procurement should consider incorporating statements within the Procurement Guide to specify the responsibility for certain tasks/actions and offer flexibility for departmental operations. These could include:

1. Statements specifying it is the Using Department's responsibility to adhere to County and Procurement guidelines as presented in their published material.
2. Statements enabling Using Departments to issue departmental policies and procedures that supplement any policies and procedures issued by the County and Procurement, and align with those policies/procedures. In any case where departmental policies conflict with County and Procurement policies, the County's and Procurement's policies would take precedence.

Finding 1: Procurement's informal solicitation policies, procedures, and documents lack operational details, while supplemental policies and procedures developed by Using Departments do not always align with the County's and Procurement's policies and procedures.

Recommendation 1.3

The County enables certain amounts of departmental autonomy when conducting operations and aligning with County policies, procedures, regulations, etc. As a result, Using Departments may operate differently while still following County requirements.

It would be time and resource consuming for Procurement to review all departmental policies, procedures, tools, etc. that are used to conduct informal solicitation operations. As an alternative, Procurement should consider key steps within the informal solicitation process where it wishes to 1) have more transparency, 2) help mitigate against risks and non-compliance, and 3) take ownership or joint ownership. Following, Procurement should establish and implement protocols (e.g., processes, tools, forms, etc.) to oversee these steps. These steps may include:

1. Solicitation development, including review of scope of work and estimated cost. Refer to **Finding 5** for further information.
2. Contract renewals, including verification that the $100,000 threshold has not been reached and will not be reached or exceeded upon renewal. Refer to **Finding 2** for further information.
3. Document retention, including what documentation needs to be retained, where documents need to be retained, how long documents need to be retained, and who is responsible for retention. Refer to **Recommendation 4.1** for further information.

Finding 2: There is a system limitation within Oracle, resulting in the system's inability to provide an audit trail evidencing confirmation that the $100,000 threshold has not been reached and will not be reached or exceeded upon contract renewal.

Background

Contract renewals are utilized by Using Departments if the contracted goods, services, or construction are still needed. During the contract renewal process, Using Departments and Procurement must verify a contract extension is available in the contract terms and verify that the $100,000 threshold has not been reached and will not be reached or exceeded upon renewal.

Finding

Oracle has a system limitation which does not provide evidence to verify either Using Departments and Procurement confirmed the $100,000 threshold has not been reached and will not be reached or exceeded upon contract renewal.

Per inquiry with Procurement, there is also not a paper trail available for this step. However, when establishing the first Purchase Order for a contract within Oracle, Procurement sets up a "not to exceed" limit of the respective contract value. If new requisitions submitted in Oracle under the Purchase Order are set to exceed the "not to exceed" limit, the requisition is flagged and cannot be approved. However, there are opportunities to circumvent this as identified in **Finding 5** below.

Due to this system limitation and the lack of documented evidence, SC&H could not verify either department confirmed that the $100,000 threshold has not been reached and will not be reached or exceeded upon renewal prior to approval and execution of the contract renewal.

Risk
Failure to verify appropriate funding is available for a contract renewal could result in legal and contractual issues, project delays and disruptions, financial overcommitment, non-compliance with County and Procurement regulations, and reputational damages.

Recommendation 2.1
Procurement should implement a system requirement for Using Departments and Procurement to signoff and confirm that both departments have checked Oracle to verify that the $100,000 threshold has not been reached and will not be reached or exceed upon contract renewal.

The Using Departments' signoff should be required to be completed prior to the submission of the contract renewal package to Procurement. Procurement's signoff should be required to be completed prior to the execution of the contract renewal within Oracle.

If this system requirement is not possible to implement, Procurement should add a step within the informal solicitation process for Using Departments to communicate the remaining contract funds and estimated cost of the contract renewal to Procurement in writing. This should be required to be communicated to Procurement prior to the submission of the contract renewal package.

Additionally, Procurement should add this step/requirement within the following documents:
1. Procurement Guide
2. Informal Procurement Workflow
3. Informal Solicitation Checklists (PMMD-104 and PMMD-107)

Finding 3: Procurement did not consistently provide Using Departments with a listing of potential informal solicitation bidders, per County requirements.

Background
Per COMCOR Chapter 11B Sections 4.1.7.4 and 4.1.8.1, Procurement must provide Using Departments with five randomly selected vendors from the bidder's list, or all potential vendors on the bidder's list, whichever is smaller. The bidder's list is computer-generated based on the commodity code associated with the informal solicitation. One of the potential vendors should be a minority owned business, and one should be the previous supplier of the goods, services, or construction being acquired. The Using Department must attempt to contact each potential vendor and must document the attempted contact.

Findings
SC&H reviewed 25 samples of informal solicitations to verify adherence to COMCOR Chapter 11B Sections 4.1.7.4 and 4.1.8.1. SC&H identified the following:
1. 3 of 25 samples: Procurement did not provide the Using Department with five random computer-generated vendors, or all potential vendors on the bidder's list, whichever was smaller.
    a. 2 of 3 exceptions: Procurement did not provide the Using Department with a list of vendors.
    b. 1 of 3 exceptions: Procurement issued the Using Department a list of six vendors. However, upon SC&H's testing of the Using Department, the Using Department received a list of only three vendors. Per inquiry with Procurement, a coding issue caused this discrepancy, and Procurement's internal information technology (IT) team is investigating it to deploy a code change.

Finding 3: Procurement did not consistently provide Using Departments with a listing of potential informal solicitation bidders, per County requirements.

Risk
Failure to alert local small businesses of current and ongoing County solicitations could result in non-compliance with the County's LSBRP goals, reputational damages, and County-wide economic impacts.

Recommendation 3.1
Procurement should verify that Procurement's internal IT team deployed a code change within ProDirect to ensure Using Departments are receiving the full list of vendors that Procurement issues.

Recommendation 3.2
Procurement should consider implementing a requirement within ProDirect that requires Using Departments to sign off that five random computer-generated vendors, or all potential vendors on the bidder's list, whichever was smaller, was received from Procurement. If the Using Departments do not receive an adequate list of vendors, the Using Department should be required to reach out to Procurement directly.

Finding 4: Procurement and/or the Using Departments did not retain evidence related to key informal solicitation process steps.

Background
During the review, SC&H conducted process understanding interviews/walkthroughs with Procurement to understand/document the County's informal solicitation process and related internal controls. Based on these meetings and SC&H's review of the County's and Procurement's policies and procedures, SC&H prepared informal solicitation process workpapers to document the processes and their criteria, including, but not limited to, the following:

1. Solicitation issuance
    a. Per the Procurement Guide, the Using Department must submit a PMMD-80 to Procurement no less than 24-48 hours before the issuance of the informal solicitation on Procurement's website.
    b. Per the approved informal solicitation flowchart developed by SC&H, once Procurement receives a PMMD-80, Procurement issues the Using Department an informal solicitation number.
    c. Per the Procurement Guide and Montgomery County Code Chapter 11B Article III Section 11B-17A, informal solicitations must be posted on Procurement's website for a minimum of five business days.
    d. Per COMCOR Chapter 11B Sections 4.1.7.4 and 4.1.8.1, Using Departments must attempt to contact each potential vendor received from Procurement and must document the attempted contact.
    e. Per COMCOR Chapter 11B Section 4.1.7.4, Using Departments must negotiate with the highest ranked vendor for mini-contract informal solicitations.
2. Contract review and execution
    a. Per the Procurement Guide, PMMD-104, and PMMD-107, Using Departments must prepare an Oracle requisition for the informal solicitation.
    b. Per the Procurement Guide, PMMD-104, and PMMD-107, Using Departments must submit a complete contract package to Procurement for review and execution of the contract.

Finding 4: Procurement and/or the Using Departments did not retain evidence related to key informal solicitation process steps.
c. Per the approved informal solicitation flowchart developed by SC&H, once Procurement signs and executes the contract, the Using Department must send it to the vendor. 3. Cancellation of an informal solicitation a. Per Procurement's Informal Workflow, if a Using Department decides to cancel an informal solicitation, the Using Department must submit a cancellation request to Procurement, who then must process the cancellation request within ProDirect. 4. Contract renewal a. Per the approved informal solicitation flowchart developed by SC&H, ProDirect sends an automatic expiration notification to Using Departments six months and three months prior to a contract expiration. b. Per the approved informal solicitation flowchart developed by SC&H, Using Departments and Procurement must confirm within Oracle that the $100,000 threshold has not been reached and will not be reached or exceeded upon contract renewal. c. Per the approved informal solicitation flowchart developed by SC&H, Using Departments must submit a completed contract renewal package to Procurement for review and execution of the contract renewal. d. Per the approved informal solicitation flowchart developed by SC&H, once Procurement executes the contract renewal, the Using Department must notify the vendor of the contract renewal in writing. 5. Contract termination/expiration a. Per the approved informal solicitation flowchart developed by SC&H, Using Departments must notify Procurement of the termination. b. Per COMCOR Chapter 11B Section 12.1, Using Departments must notify the vendor of the termination in writing. <u>Findings</u> SC&H reviewed samples of informal solicitations to verify adherence to the informal solicitation process outlined in the County's and Procurement's policies, procedures, and documents outlined above, as well as the approved informal solicitation process flowcharts. SC&H identified the following related to Procurement's operations/responsibilities: 1. Solicitation issuance a. 1 of 25 samples: Evidence was not provided to verify Procurement received the PMMD-80 from the Using Department no less than 24-48 hours before the informal solicitation was issued on Procurement's website. b. 14 of 25 samples: Evidence was not provided to verify Procurement issued a solicitation number to the Using Department upon request. c. 1 of 25 samples: Evidence was not provided to verify Procurement issued the informal solicitation under the LSBRP on Procurement's website for at least five business days. d. 1 of 25 samples: Evidence was not provided to verify, if applicable, that Procurement re-issued the informal solicitation to a full population of vendors if no LSBRP vendor was utilized. 2. Cancellation of informal solicitation a. 1 of 6 samples: Evidence was not provided to verify Procurement received the cancellation request from the Using Department.

Finding 4: Procurement and/or the Using Departments did not retain evidence related to key informal solicitation process steps.

b. 1 of 6 samples: Evidence was not provided to verify Procurement processed the cancellation within ProDirect.

3. Contract renewal
    a. 9 of 10 samples: Evidence was not provided to verify Procurement confirmed within Oracle that the $100,000 threshold has not been reached and will not be reached or exceeded upon contract renewal.
    b. 7 of 10 samples: Evidence was not provided to verify the Oracle Requisition was included in the renewal contract package sent to Procurement.
4. Contract termination
    a. 1 of 3 samples: Evidence was not provided to verify Procurement received a termination notification from the Using Department.
    b. 1 of 3 samples: Evidence was not provided to verify Procurement processed the contract termination within ProDirect.

SC&H identified the following related to Using Department operations/responsibilities. These were presented to the respective Using Departments separately.

1. Solicitation issuance
    a. 3 of 25 samples: Evidence was not provided to verify the Using Department submitted the PMMD-80 to Procurement no less than 24-48 hours before the informal solicitation was posted on Procurement's website.
    b. 3 of 25 samples: Evidence was not provided to verify the Using Department emailed the random vendors provided by Procurement to notify them of the informal solicitation.
    c. 4 of 25 samples: Evidence was not provided to verify the Using Department negotiated with the highest ranked vendor, if applicable.
2. Contract review and execution
    a. 3 of 25 samples: Evidence was not provided to verify the Using Department created a requisition for the contract within Oracle.
    b. 9 of 25 samples: Evidence was not provided to verify the Using Department submitted the contract package to Procurement.
    c. 14 of 25 samples: Evidence was not provided to verify the contract package sent to Procurement included all the necessary documentation.
    d. 1 of 25 samples: Evidence was not provided to verify the Using Department emailed the signed contract to the vendor.
3. Contract renewal
    a. 7 of 10 samples: Evidence was not provided to verify the Using Department received an automated contract expiration notification within ProDirect.
    b. 4 of 10 samples: Evidence was not provided to verify the Using Department confirmed within Oracle that the $100,000 threshold has not been reached and will not be reached or exceeded upon contract renewal.
    c. 1 of 10 samples: Evidence was not provided to verify the Using Department submitted the contract renewal package to Procurement.
    d. 5 of 10 samples: Evidence was not provided to verify the contract renewal package sent to Procurement included all the necessary documentation.
    e. 2 of 10 samples: Evidence was not provided to verify the Using Department notified the vendor of the contract renewal in writing.
4. Contract termination
    a. 1 of 3 samples: Evidence was not provided to verify the Using Department notified Procurement of the termination.

Finding 4: Procurement and/or the Using Departments did not retain evidence related to key informal solicitation process steps.

b. 1 of 3 samples: Evidence was not provided to verify the Using Department notified the vendor of the termination in writing.

Risks

1. Failure to adhere to policies and procedures could result in legal consequences, reputational damage, financial losses, and operational disruptions.
2. Failure to retain documents for a sufficient period could result in financial and legal disputes, non-compliance with County requirements, and reputational damage.
3. A lack of supporting documentation could result in the following:
    a. Regulatory non-compliance or audit findings due to a lack of evidence to verify performance or completion.
    b. Inefficiencies in operations, as employees may spend excessive time searching for information that should be readily available.
    c. Prevention of employees from verifying the accuracy, legitimacy, or existence of transactions, resulting in financial misstatement.
    d. Loss of valuable institutional knowledge, making it difficult for new employees to understand past decisions and actions.

Recommendation 4.1

Procurement should establish document retention guidelines and requirements for tracking and maintaining records. These should include defined intervals for all applicable types of documentation and align with the County retention policy. Procurement should require Using Departments to either adopt the established guidelines as they are, or establish their own document retention requirements that augment, but do not conflict with, Procurement's guidelines. Refer to **Recommendation 1.1 (Document Retention)** for further information.

Currently, Using Department personnel save documents within the department's SharePoint folder or on their personal desktops. To prevent such occurrences, Using Departments should be required to save key documentation (Procurement should define what is key) in designated contract folders within SharePoint. These folders should be readily accessible to Procurement. Refer to **Recommendation 1.3** for further information.

Additionally, Procurement should add this requirement within the following documents:

1. Procurement Guide
2. Informal Procurement Workflow
3. Informal Solicitation Checklists (PMMD-104 and PMMD-107)

Recommendation 4.2

Procurement should review internal documentation to identify opportunities to revise or create templates and forms that ensure consistency and completeness throughout the informal solicitation process. This includes development or enhancement to current templates and forms related, but not limited to, the following:

1. Solicitation cancellation: Templates and/or forms to be utilized by Using Departments when requesting an informal solicitation cancellation.
2. Contract monitoring: Templates, forms, and/or checklists to be utilized following the issuance of an informal solicitation and award of a contract. These templates, forms, and/or checklists should be utilized throughout the life of the contract and include steps related to the renewal of contracts and/or the termination of contracts prior to expiration.

Finding 4: Procurement and/or the Using Departments did not retain evidence related to key informal solicitation process steps.

3. Enhancements to current checklists (PMMD-104 and PMMD-107) to include, but not limited to:
    a. Required completion and signature by the Using Department on the checklists, evidencing all required steps and documentation have been completed/aggregated.
    b. Inclusion of completed checklists within ProDirect.

Refer to **Recommendation 1.1** for further information.

Recommendation 4.3
Procurement should consider conducting regular training sessions for Using Departments on proper documentation practices and the importance of maintaining accurate records. Additionally, Procurement should consider implementing periodic reviews to ensure compliance with documentation standards and identify areas for improvement.

Finding 5: A Using Department cancelled and reissued an informal solicitation after the $100,000 threshold in the original contract was met.

Background
Per COMCOR Chapter 11B Sections 4.1.7.2 and 4.1.8.1, informal solicitations may not be used when the total expenditure, including all extensions, for the goods, services, or construction is expected to exceed $100,000. Using Departments may not divide contracts for the purpose of avoiding the $100,000 limit.

Findings
SC&H reviewed 25 samples of informal solicitations to verify adherence to COMCOR Chapter 11B Sections 4.1.7.2 and 4.1.8.1. SC&H identified the following exceptions:

1. 1 of 25 samples: The Using Department executed an initial small purchase informal solicitation contract to acquire a specific good. Due to the unexpected receipt of additional grant funding that needed to be spent before expiration, the Using Department executed a subsequent small purchase informal solicitation contract for the same goods with the same vendor. The original contract was later terminated after reaching its contract limit. In anticipation of potential future funding, the Using Department issued an Invitation for Bids (IFB) prior to the termination to help ensure similar purchases could proceed without being constrained by spending limits.

Per discussion with Procurement and the Using Department on 6/18/2025, this finding has been remediated with the execution of the IFB for the goods procured utilizing the informal solicitation. However, because the Using Department did not notify Procurement of the immediate need for the new contract and Procurement did not approve the use of the informal solicitation on an exception basis, the process was not properly followed at the time of contract execution. Procedures were insufficient to ensure a Using Department was unable to issue multiple informal solicitations for the same goods, services, or construction.

Risk
Failure to abide by the informal solicitation threshold could result in an unfair solicitation process, non-compliance with County and Procurement regulations, and reputational damages.

Finding 5: A Using Department cancelled and reissued an informal solicitation after the $100,000 threshold in the original contract was met.
Recommendation 5.1 Procurement should implement a review step within the informal solicitation process to require Using Departments to provide appropriate justification for the use of a supplemental informal solicitation when the $100,000 limit is reached. This exception process and the situations in which it should be used should be documented and communicated to Using Departments. Refer to **Recommendation 1.1 (Informal Solicitation Threshold)** for further information. Additionally, Procurement should add this step within the following documents: 1. Procurement Guide 2. Informal Procurement Workflow 3. Informal Solicitation Checklists (PMMD-104 and PMMD-107)

Comments and MCIA Evaluation

The draft final report was shared with the Office of Procurement (Procurement) for review and comment. Procurement had no additional comments. MCIA made no changes to the report.