

Background

Procurements and contracting practices of Central Procurement Office (CPO) have a direct impact on all Port departments and on the outside contracting community doing business with the Port. It is therefore critical that the CPO processes, procedures, management controls, and established practices be efficient, economical, and effective.

Review Period - Jan 1, 2010 - Mar 11, 2014

	Total Number of Contracts	Number of Contracts Sampled	%	Total Contract Value	Sample Set Contract Value	%
Small Works	136	8	6%	\$32M	\$2M	7%
Major Works	88	16	18%	\$266M	\$98M	37%
Service/Consultant Related	451	36	8%	\$296M	\$89M	30%
Purchasing	48	12	25%	\$72M	\$59M	82%
Total	723	72	10%	\$665M	\$248M	37%

Audit Objectives

The purpose of the audit was to :

- Assess whether the established processes, procedures, management controls, and established practices are efficient, economical, and result in an effective way to provide procurements and contracting services.
- Acknowledge risk and evaluate risk management practices to ensure the Port enters into sound contracts with qualified firms at fair and reasonable contract rates.
- Identify and evaluate best practices in government procurement for delivering procurements and contracting services.
- Benchmark Port procurement practices with other government agencies best practices, including applicable private sector practices and the Federal Acquisition Regulation (FAR).

Port Procurement Environment

The Port's procurement process is heavily influenced by a wide array of stakeholders.

- The Port's divisions, management, RDRs, and CPO all play a vital role.
- At every phase of the Port's procurement process, each of the stakeholders has a direct impact on the results and efficiency of the phase.
- The Port's procurement process is dependent on a highly engaged group of stakeholders and must work in a collaborative and aligned manner in order to meet operational expectations, compliance requirements, and key milestones.

The Review's analysis, comments, and recommendations made in the report are meant for all of the Port's procurement stakeholders.

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Audit Result

- Procurement process is well managed and is meeting internally set expectations.
- Procurement process is flexible but very slow.

Total Procurement Cycle Time (in days)			
	2010 – 2014 POS Sampled Contracts *	Public Agencies surveyed *	Port Authorities Surveyed *
Small Public Works	83	40	49
Major Public Works	132	117	127
Service/Consultant Related	241	125	86
Purchasing	146	58	52

* Significant standard deviations noted (see report).

- The Port does not have a clear procurement strategy that is aligned from the Commission throughout the organization.

Audit Result

- Procurement process is well managed and is meeting internally set expectations.
 - Port's procurement functions are managed in accordance with Port's Contracting and Procurement Policies and Procedures as well as Resolution 3605.
 - The Port's procurement and contracting practices are meeting the needs of the Port's stakeholders and the firms and consultants that respond to POS solicitations.
 - The Port's procurement and contracting practices are effective in attaining sound contracts with qualified firms at fair and reasonable contract rates.
 - With the exception of using Key Performance Indicators and setting goals, the Port's procurements and contracting practices are consistent with best practices of other governmental agencies and port authorities.
 - The use of technology in order to effectively deliver contracting services can be improved in order to improve efficiencies.

Audit Result

- Procurement process is flexible but very slow.

Total Procurement Cycle Time (in days)			
	2010 – 2014 POS Sampled Contracts *	Public Agencies surveyed *	Port Authorities Surveyed *
Small Public Works	83	40	49
Major Public Works	132	117	127
Service/Consultant Related	241	125	86
Purchasing	146	58	52

* Significant standard deviations noted (see report)

- Major works procurements +15 days v. public agencies // + 5 days v. other port authorities.
- Small works procurements +43 days v. public agencies // + 33 days v. other port authorities.
- Service/consultant related procurements +115 days v. public agencies // +155 days v. other port authorities.
- Purchasing related procurements +87 days v. public agencies // +93 days v. other port authorities.
- Significant standard deviations noted (see report) indicates due to self-reporting of metrics, differing process definitions, efficiencies, population, and flexibility.
- The longer procurement process can result in a loss of business opportunity and increase the Port's cost.

Audit Result

- The Port does not have a clear procurement strategy that is aligned from the Commission throughout the organization.
 - There is no formally stated procurement and contracting practices strategy.



Recommendations

- Short-term (within one year)
 - ❑ Seven recommendations addressing delegation of authority, strategy, RDR training, KPI goals, etc.

- Mid-term (two to five years)
 - ❑ Three recommendations addressing process consistency, database, etc.

- Long term (beyond five years)
 - ❑ One recommendation to create an association to share best practices with other Port authorities.

Recommendations

- Short-term (within one year)
 - ❑ Develop a practice to reinforce consistent application of authorizations, approvals, and segregation of duties in all procurement and contracting processes.
 - ❑ Clearly define the Port's contracting and procurement strategy.
 - ❑ Review and adjust practices in order to achieve strategic goals.
 - ❑ Provide mandatory RDR training as a prerequisite to initiating a procurement activity.
 - ❑ Review all required online procurement documents in order to ensure relevance.
 - ❑ Blueprint the departmental needs of the PeopleSoft users in order to align system capabilities with business needs.
 - ❑ Set realistic and stretch KPI goals based upon best practices and review with the departments and commission on a quarterly basis.
 - ❑ Conduct rate negotiation training and require a CPO certification of training for all assigned Port negotiators.

Recommendations

- Mid-term (two to five years)
 - ❑ In order to have consistency of procurement processes and greater efficiencies, assign CPO contract administrators and buyers for CAT I and CAT II procurements and designate CPO contract administrators to departments that infrequently use the Port's procurement process.
 - ❑ Develop a flowchart for both the internal and external POS stakeholders showing how the procurement process works and related procurement expectations.
 - ❑ Develop and implement a single contract's database in order to maintain data and reduce redundancy of data entry.

Recommendations

- Long term (beyond five years)
 - ❑ Create a Port Authority Contracts and Procurement Association whereas port authorities throughout the United States can share best practices, risk management controls, emerging technologies, procurement and contracting trends, and their metrics.

Questions and Answers

