

MEMORANDUM

CITY OF GRAND RAPIDS

DATE: April 2, 2020

TO: Stacy Stout, Asst. to the City Manager - Neighborhoods
Ruth Lueders, Deputy Comptroller

FROM: Erica Bills, Internal Auditor

SUBJECT: Review of purchase processes related to Neighborhood Summit

Audit Objectives: This audit is to analyze and review the purchase process and expenses for the Neighborhood Summit Event held every Spring within the City of Grand Rapids.

Scope & Methodology: Obtained a listing of all expenses affiliated with department 271 (Admin. Services Support) and unit code 2000 (Neighborhood Summit) within the financial system. Reviewed each purchase order request, bid documentation, and subsequent invoices and supporting documentation of each expense. Researched vendors and reviewed the City's purchasing guidelines, city charter, and professional services contracting policy (Policy 73-09, revised 3/9/10).

Background: The Grand Rapids Neighborhood Summit is a one-day event held yearly for residents and businesses to strategize, share resources, and provide opportunities to strengthen neighborhoods and advance equity. This is an all-day event and includes breakfast, opening ceremonies, community resource tables, a keynote speaker, various workshops, lunch & learn activities, and concludes with various drawings for prizes from local businesses & organizations.

The 2020 Summit was held on March 7th and the theme was Growing Justice & Community with a focus on the power of reclaiming and sharing personal & community stories around the environment and environmental justice (from www.grcity.us).

Purchasing process:

- 1) Must be fair and competitive, allowing for everyone maximum feasible opportunity.
- 2) Items greater than \$10,000 require Commission approval.
- 3) All purchases of goods and services over \$500 require competition.
- 4) Purchases for goods and services less than \$10,000 must be solicited by a request for quote or informal solicitation – at a minimum three quotes/bids.
- 5) Bid evaluation & award – various criteria may be used to evaluate quotes including cost, experience, quality, reliability and availability. Cannot show preference in making selection.

Findings:

Inconsistencies in obtaining bids: For many of the goods & services provided, there was a reasonable, sufficient attempt to obtain 3 quotes or bids from different vendors, and in most cases, the bids obtained were of similar quality. However, there were a few expenditures where multiple bids were not obtained:

- 1) Childcare (\$2,162) - Childcare services were provided for residents attending Summit, but there was no initial attempt to obtain 3 quotes. After questions were raised by the purchasing office, phone calls were made to 2 other childcare businesses (KinderCare & Tutor Time), but they did not provide the level of service the City was looking for. The City selected Early Learning Neighborhood Collaborative, which has been used for other City/neighborhood events.
- 2) Bookstore Giveaway (\$750) – For the Kids Summit, a book was given to every child for their participation. There was no attempt to obtain 3 quotes and the City used We are LIT to provide the books. In addition, it appears the purchase was made prior to getting reviewed/approved by purchasing office.
- 3) Reusable tote bags (\$5,100) – For all attendees of the Summit, they received a reusable tote bag. No additional quotes were obtained, and it appears the order with the vendor had already been placed prior to request for additional bids. At the request of the purchasing office, justification was provided as to why there were not additional bids. Excerpt from email (attached to PO 20008483 in A360):

“The Summit as well as the City of Grand Rapids is committed to equitable investment in neighborhood businesses as well as environmental sustainability. Public Thread is the *only* business in the City that manufactures bags locally. The materials they use for the bags are upcycled billboards that would otherwise be thrown away. We have used them for the past 3 Summits for this reason. We searched high and low for a comparable provider, but there are simply not any that meet our standards.”

- 4) Entertainment (\$2,350) – For the opening & closing ceremony, the Summit had a local Native American tribe perform a traditional land recognition dance with drummers. No additional quotes were obtained. Again, at the request of the purchasing office, justification was provided. Excerpt from email (attached to PO 20010374 in A360):

“We are not able to secure 3 bids as Anishiniabe Circle is the only local nonprofit that provides this service. To secure 2 additional bids means we would need to ask a Native community from elsewhere and that would be extremely disrespectful and inappropriate. We need local Natives to do the local land recognition.”

Though there is some justification to not obtaining 3 bids, in some cases it appears as if a decision was already made prior to submitting the purchase order request and/or before review by the purchasing office. This is not in accordance with the City's purchasing policies.

Effect: These discrepancies in obtaining bids could cause concerns among local businesses as they may feel they are being unfairly left out of the opportunity and could also imply the City is choosing who they prefer to use over other qualities.

Inequality among bids: In expenditures where three bids were obtained, it was identified in one instance where the quality/variety of bids seemed to cover a wide spectrum, making one vendor appear more qualified than the other two.

- 1) Graphic design services (\$6,000) – The City obtained 3 quotes for graphic design services to create the logo for Summit as well as put together a brochure of events and provide other design services for the event. One quote was received from a graphic designer in the City of Kentwood (Travis Digital) who was able to provide the services requested. A second quote (Seventh Creative) was received from a local graphic designer who also could provide everything required, however, they were priced slightly higher than Travis Digital. The third and final quote was provided via a short email exchange to an individual whose quote was significantly lower than the other two quotes, giving the impression that he/she was less experienced with what was being asked. The City elected to go with Seventh Creative as they were a local business, a women-owned business, and appeared to provide a better quality of product.

The bids for this service appear very inequitable in level of quality, experience, and service provided; therefore, an ‘obvious’ vendor appears to have a higher chance of earning our business than others.

Effect: This does not reflect the City’s requirement of obtaining 3 bids similar in nature that provide equal opportunity for those involved, which could again cause concern among local businesses. The City’s goal of providing equitable opportunities for business of all backgrounds within the City could, in effect, become very inequitable if businesses are not given a fair chance.

Lack of communication & understanding of purchase process: With the changes in staffing within the department, employees have new responsibilities where they did not receive proper instruction on purchasing processes or the requirements/review needed within the process.

Effect: Lack of communication and understanding leads to purchases being made prior to being approved, which is not in accordance with the City purchasing policy. In addition, miscommunication could lead to financial discrepancies causing budgeting matters for future Summit events.

Recommendations:

1. The department should continue to make an effort to obtain 3 bids of similar quality to ensure equal opportunity for all purchases.
2. The department should ensure the purchase order is entered into the financial system with bids, prior to purchasing/ordering/agreeing to services with vendor. This will ensure the bids and request are properly reviewed and approved; again, allowing equal opportunity for the vendors.
3. Review the purchasing requirements & process with select staff within the department. Provide written documentation for their records to follow and answer any questions they may have regarding the purchasing process.