SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Audit of the Expert Assistance Program

Audit #98-08

Prepared by

Office of Inspector General

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South Florida Water Management District

MGT 08-06F

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Re: Final Report – Audit of the Expert Assistance Program – Audit #98-08

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. The audit focused on determining whether the Expert Assistance Program is being administered economically and efficiently through the use of good procurement practices and in accordance with written procedures. Our audit covered the Expert Assistance Program from its inception in FY93 through FY98. Fieldwork was conducted between November 1998 and June 1999. This report was prepared by Chris Flierl.

Sincerely,

Allen Vann
Inspector General

AV/cf
Enclosure

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Trevor Campbell

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TABLE OF CONTENTS

Background.....1

Objectives, Scope, and Methodology 3

Findings and Recommendations

Summary 4

Expert Selection is Not
Adequately Justified 5

Maximum Dollar Threshold
for RFA's was Exceeded.....7

Evaluation of Deliverables and Expert
Performance Are Not Documented.....8

Approval of RFA's Not
Consistent with SOP 11

Other Matters 12

Background

The Expert Assistance Program (the "Program") began during FY93 as a means of providing technical assistance to District staff. The Program consists of a pre-qualified vendor pool that allows for the immediate identification of qualified experts and an abbreviated contracting process that is faster than the customary contracting process. The combination of these two components results in a rapid response to District technical needs.

Two types of technical assistance are available through the Program; the first being requests for an expert to provide a specific technical service. Examples of specific technical service include:

- solving scientific problems,
- aiding the development of technical tools, and
- providing specialized help in analyzing water resource information.

The other type of assistance provided by the Program is peer review. The goal of peer review is to provide timely advice on the quality and relevance of the District's technical activities. This is accomplished by selecting several experts to review a District document and answer specific questions pertaining to it.

The Program is administered by the Water Resources Evaluation Department (WRE) in accordance with the Program's Standard Operating Procedure (SOP). The SOP requires that Departments seeking the services of an expert do so by making a written request to WRE staff. If WRE approves the request they assist the Department with expert selection, contract negotiations, contract monitoring, and payment processing. Because experts have been pre-qualified, the relatively time consuming process of issuing a Request For Proposal can be avoided. Additionally, experts are paid a firm fixed price through issuance of a Purchase Order which decreases the amount of time required to administer the contract. WRE also maintains a database on all expert assistance program activity and reports on program utilization. Since its inception, the District has spent over $1.5 million on the Program. The following table summarizes activities of the Program from its inception through FY98:

	FY93	FY94	FY95	FY96	FY97	FY98
Number of P.O's	49	48	52	40	41	48
Hours Purchased	2,981	2,889	3,183	3,735	2,660	2,797
Annual Expenditures	$257,227	$276,788	$266,644	$299,815	$228,150	$236,833
Ave. Cost per P.O.	$ 5,250	$ 5,766	$ 5,128	$ 7,495	$ 5,565	$ 4,934
Ave. Cost per Hour	$ 86.29	$ 95.81	$ 83.77	$ 80.27	$ 85.77	$ 84.67
Ave. Hours Per P.O.	61	60	61	93	65	58
Experts in Pool	109	223	288	336	380	413

Sources: Technical Memorandum WRE #357 and Expert Assistance Database

As can be seen, the number of Purchase Orders issued went from a high of 52 during FY95 to a low of 41 during FY97. Additionally, the cost per hour of expert assistance ranged from a high of $95.81 during FY94 to a low of $80.27 during FY96 for an average cost per hour of $86.10. The nature of the assistance, and the expert's billing rate are the primary variables affecting these statistics.

Objectives, Scope, and Methodology

The objectives of our audit of the Expert Assistance Program were to determine if the Program is being administered a) economically and efficiently through the use of good procurement practices and b) in accordance with written procedures.

The scope of the audit was the inception of the Program through FY98.

Thirteen Requests For Assistance (RFA's) were randomly selected for testing from a total of 181, as of September 30, 1998. Seven of the RFA's were for peer reviews while the remaining six were for specific technical service. These RFA's were then reviewed for compliance with the Expert Assistance Program Standard Operating Procedure which is divided into the following major categories:

- scope of expert assistance projects,
- how to request the use of an outside expert,
- how to select an expert for review
- use of experts for peer review,
- purchase order and invoice procedure,
- how to monitor the use of performance of outside experts, and
- record keeping procedures – tracking.

In addition to determining compliance with procedures, we sought counsel from the Procurement Division regarding the propriety of the procurement procedures that were being used by the Program.

Our audit was performed in accordance with generally accepted government auditing standards. The results of our audit follow.

Summary

Overall, the Expert Assistance Program is being administered in accordance with the guidance contained in the Standard Operating Procedure. However, we did note several instances where the procedures were not being adhered to or where they could be improved.

The selection of experts for a specific project is not adequately justified. We recommend that an evaluation matrix be prepared, similar to that used by the Procurement Division, which will aid in the selection of the expert as well as provide adequate documentation justifying the selection.

Requests For Assistance should not exceed $25,000; however we noted that the total cost of several peer reviews exceeded $25,000. One peer review exceeded a total cost of $47,000. Program staff contend that the limit was meant to apply to each expert, not each project. We recommend that the $25,000 limit imposed by the SOP be adhered too, or if justified, the SOP should be amended to reflect the purported original intent of the limit.

We noted an instance where expert deliverables fell short of evaluation criteria stated in the *Purchase Order*. In addition, current procedures do not require that expert performance be evaluated. We recommend that an evaluation be prepared for the adequacy of deliverables and the performance of experts.

We noted that the former Director of WRE had been approving Requests For Assistance since 1995. The SOP requires that the WRE Director only review hourly breakdowns for experts. Reviewing the RFA is a more appropriate use of the Director's time and we recommend that the SOP be amended to reflect this current practice. We also noted one instance where an RFA was both requested and approved by the same individual.

Expert Selection is Not Adequately Justified

In only one RFA examined did the memo justifying the selection of an expert compare the selected expert to at least two others as required. This condition exists primarily because of lack of enforcement of the SOP by EA Program Staff. Also contributing to this may be the requirement that the memo be prepared AFTER an expert has been selected instead of using it as a tool to aid in the selection process. This condition results in inadequate justification for the selection and could also result in not choosing the best consultant for the project.

The Program SOP states the following:

> When selection of the expert has been approved and finalized, the requesting professional will prepare an *Expert Selection Memorandum*. The requesting professional is requested to justify use of the expert over at least two, preferably three, other candidates from the same area of expertise. This memorandum justifies selection of a particular expert and will be put on file for auditing and tracking purposes to document competition between members of the pool.

It is important that the District select the best qualified expert for a particular project. However, we question whether a memo written after the fact, as required by the SOP, is the best way of achieving and documenting this. Instead of writing a memo justifying a decision already made, it would be more useful to prepare a document that evaluates candidates PRIOR to the actual selection. Such documentation should objectively rank experts based on various criteria and then serve as the basis for the selection. An example of such a process can be found in the Procurement Division.

When the Procurement Division evaluates proposals to provide services, the completion of an *Evaluation Matrix* is required. An *Evaluation Matrix* is a form where each proposer is scored on various criteria. The contractor who receives the highest score is awarded the contract. Criteria used to score consultants include such factors as qualifications, experience, and hourly rates. Requiring the completion of an *Evaluation Matrix* will necessitate the thoughtful formulation of criteria for the project, it will ensure that competition is documented, and it will force project managers to perform an objective comparison of candidates, thus ensuring that the best expert is selected.

Recommendation:

1. **The EA Program SOP should be amended to require that an evaluation matrix be prepared in order to objectively score potential experts for a Request For Assistance. Evaluation criteria included in this matrix should include qualifications, experience, and billing rates.**

   Management Response: Management and EA Program staff concur with the recommendation. We will develop an evaluation matrix in cooperation with the Procurement Division and will amend the SOP accordingly. This matrix will include qualifications, experience and billing rate, and in addition, will contain a summary paragraph on the expert selected that will substitute for the current selection memorandum to avoid duplication of effort.

   Selection memoranda record the selection process, but not the process itself. The requesting professional is expected to work cooperatively with Program staff to screen and select the best expert for the District's needs. There are instances in which the requesting professionals feel strongly about one expert or another. In considering such cases, we require that the requestor look at other experts and to document this search in the selection memorandum. If the facts do not support the selection, we will not recommend approval of the purchase order for services. The actual selection only occurs after Program staff review, including the memorandum, and we know of no instance where the selected expert was not justifiable and appropriate for the project.

   Nevertheless, we see no reason why an evaluation matrix would not aid in the process and will implement the recommended change for all FY 2000 projects. As long as the matrix and summary are a substitute for the selection memorandum, there is no increase in overhead burden as a result of this recommendation.

   Responsible Department: Water Resources Support Services
   Estimated Completion Date: October 30, 1999.

Maximum Dollar Threshold for RFA's was Exceeded

We noted several instances where the total cost of a Request For Assistance (RFA) exceeded the $25,000 limit imposed by the SOP. This occurred because EA Program Staff interpret this limit to apply to individual experts not RFA's, for which several experts can be involved.

An RFA for a peer review typically results in contracting with several experts. The SOP states that " [t]he EA program is **not** a substitute for contracting. Requests for assistance [RFA's] should conform to the following guidelines…total costs less than $25,000." Our sample included a peer review for which a total of $27,379 was paid to four experts who participated in the peer review. Outside of our sample we noted three other peer reviews where the total for all experts on the panel was $28,226, $29,486, and $47,635.

Recommendation:

2. **EA Program Management should limit the total cost of RFA's to $25,000 as specified in the SOP or alternatively clarify the Standard Operating Procedure.**

   Management Response: Management and EA Program staff concur with the latter recommendation to clarify the SOP. The SOP will be modified to reflect the fact that peer review or other activities may involve individual purchase orders to multiple experts and that the sum of these individual purchase orders on a particular RFA may exceed $25,000 in such cases.

   The difference in interpretation of the cost limit per Request for Assistance discussed in the audit will be eliminated by changing the SOP, not by imposing a $25,000 limit on group activities. Staff sees no practical means of conducting panel reviews with a $25,000 limit, and must caution that the recommended limitation to $25,000 per RFA would make it extraordinarily difficult for the District to conduct peer review panels, such as those required by Florida State statutes (e.g., minimum flows and levels, and Everglades Consolidated Reports). Also, there may be other cases when having two or more experts involved in a project may be in the District's best interests.

   Responsible Department: Water Resources Support Services
   Estimated Completion Date: October 30, 1999.

Evaluation of Deliverables and Expert Performance Are Not Documented

We noted one instance where the work product of the majority of experts on a peer review panel did not comply with the stated quantitative evaluation criteria. This condition occurred because the quality of the deliverables was determined to have compensated for the lack of volume; however, there was nothing in the files explaining this. Not having a written explanation in the files explaining why the minimum page requirement was waived makes it appear that the District accepted deficient work.

We also noted that the SOP does not require that performance evaluations be prepared for experts contracted through the program as is required for other consultants contracted by the District. A system for evaluating consultant performance protects the District from future use of an unreliable expert.

The EA Program SOP requires that RFA's include evaluation criteria for acceptance of deliverables. The SOP also requires that the Project Manager (requestor), with WRE cooperation, evaluate acceptance of deliverables. Further, these same evaluation criteria are contained in the *Purchase Order*, thereby giving notice to the expert of what is required. The evaluation criteria for one of the peer reviews examined was

> "…whether the review reflects a thoughtful and substantive evaluation of the …technical document, responds to the questions listed…and includes constructive steps to be taken to correct any deficiencies identified by the Expert. It is anticipated that these objectives can be met if reviews **are more than ten, single-spaced pages**."

Of the eight experts on the review panel, only two provided a review that met the ten page minimum. The other six experts on the panel submitted between four and nine pages. We were told that the reason that these six deliverables were accepted was that their content made up for the lack of pages; however, nothing was noted in the files indicating that this was the reason for the acceptance of the deliverables.

The Procurement Division requires that project managers evaluate the performance of contractors before a contract can be "closed-out." This evaluation considers such factors as:

- planning and approach,
- staff capability,
- staff effectiveness,
- flexibility in meeting District goals,
- promptness of deliverables/milestones/reports, and
- report quality of work completed.

Additionally, the project manager is required to provide a written narrative assessing contractor strengths and weaknesses, timeliness of completion of deliverables, and a discussion of specific problems and how they could have been prevented. There is also space for additional comments and recommendations. Requiring a similar evaluation for Expert Assistance projects would aid EA Program staff in future expert selection by eliminating poor performing experts from future consideration.

Recommendations:

3. **A written evaluation of the deliverables as well as an assessment of the overall performance of the expert should be prepared by the Project Manager before authorizing payment to an expert. This evaluation should then be forwarded to WRE for inclusion in the expert's file.**

   Management Response: We will modify the SOP to require a brief evaluation of deliverables and expert performance. We will also prepare forms for the Project Manager to use for these evaluations.

   The need to add additional narrative to evaluate the expert's performance must be weighed against using contracting evaluation procedures designed for contracts far larger, more complex and longer term than EA projects. We suggest that the evaluation should be commensurate with this major difference in the taxpayer's funds per project. We will develop an appropriately brief form for expert evaluation and add this step to the SOP.

   Responsible Department: Water Resources Support Services
   Estimated Completion Date: October 30, 1999.

4. **In instances where it is deemed that deliverables do not meet evaluation criteria appropriate documentation should be prepared prior to payment.**

   Management Response: We accept this recommendation and will endeavor to add notes to the file when deliverables are accepted outside the stated criteria. We will also ensure that the criteria for acceptance are written appropriately to accommodate normal differences in professional opinions. When deficiencies are substantive, corrections will be sought. When deficiencies are not acceptable, we will adjust fees.

   Please note, however, that peer reviews are professional opinions and the District must be very flexible in contracting for reviews. It is very possible that a reviewer could be very critical of a District product and not meet a criterion for a deliverable. Withholding a fee for insufficiency could be easily misinterpreted and difficult to defend. We will endeavor to clarify expectations in such cases to allow for a reasonable range of expected deliverables.

   Responsible Department: Water Resources Support Services
   Estimated Completion Date: Implement immediately.

Approval of RFA's Not Consistent with SOP

We noted the following exceptions to the Standard Operating Procedure with respect to the approval of RFA's:

- in one instance an RFA was prepared and approved by the same person, and
- the Director of the Water Resources Evaluation Department (WRE) is not approving expert hourly breakdowns as required by the SOP.

The RFA that was prepared and approved by the same person was for a peer review that occurred in 1995. This occurred because the requesting professional was an EA Project Manager and because his supervisor was not available to review the RFA. The SOP requires that the requesting professional's Supervising Professional, Division Director, and Department Director approve or deny the RFA. Nowhere does the SOP make any exceptions if the RFA is initiated by EA Program Staff.

We noted no evidence of the WRE Director's approval of the hourly breakdown for experts as required by the SOP; however, we did note that the WRE Director had been reviewing and approving RFA's. The RFA is an all encompassing document which includes the project's background, the scope of work, a description of the requested assistance by task, evaluation criteria, and time lines for tasks and deliverables. Reviewing the RFA in its entirety is more appropriate for the Director of WRE than merely approving the number of hours that an expert should work.

Recommendation:

5. **Amend the SOP to be consistent with the practice of the WRE Director reviewing and providing signatory approval on RFAs as opposed to expert hour breakdowns.**

   Management Response: We will so amend the SOP.

   Responsible Department: Water Resources Support Services
   Estimated Completion Date: October 30, 1999.

OTHER MATTERS

We observed that an hourly fee computation is attached to expert assistance *Purchase Orders*. This condition could give the impression that the contract is a time and materials contract instead of a fixed price contract. This could and did cause some confusion for at least one expert assistance project. Currently, the Procurement Division does not include any reference to hourly rates in their *Purchase Orders* for other professional services.

We could find no documentation evidencing that EA Program staff obtains airfare estimates for experts who need to travel. The SOP states that, "[t]ravel cost for experts will…include airfare estimates by the WRE Department travel coordinator for those experts who need to fly." Instead, the expert is asked to provide an airfare estimate. If the amount appears reasonable it is included in the fee computation. In one instance we noted where two estimates were provided and the higher of the two was used to compute travel cost. As a result, the District may be reimbursing experts for more airfare than was actually incurred. The Procurement Division estimates airfare for similar fixed price contracts by obtaining and averaging several airfare quotes. This will provide some incentive for the expert to seek an economical flight and will result in a lower cost to the District for expert assistance projects.

Recommendations:

6. **EA Program *Purchase Orders* should conform with Procurement Division practices.**

   Management Response: We will implement this recommendation immediately and will clarify exactly what information should be provided in the *Purchase Order* with the Procurement Division.

   Responsible Department: Water Resources Support Services
   Estimated Completion Date: October 30, 1999.

7. **EA Program Staff should amend the SOP to require that the airfare component of the cost of Expert Assistance Projects be computed in the same manner as done in the Procurement Division for similar contracts.**

   Management Response: EA Program Staff will work with Procurement to arrive at exactly how airfares should be derived and will modify our SOP accordingly. We have no difficulty implementing some additional checks in this process to ensure cost-effectiveness immediately. We are concerned, however, that experts must be treated as professionals and not asked to spend excessive time sitting in airports and taking multiple legs in transit to save the District a small amount of money.

   Responsible Department: Water Resources Support Services
   Estimated Completion Date: October 30, 1999.