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June 4, 2004

TO: Each Supervisor

FROM: Thomas L. Garthwaite, MD  
Director and Chief Medical Officer

**SUBJECT: REVIEW OF LANDSCAPE SOLICITATION PROCESS**

Earlier this week the Department of Health Services (DHS) provided your offices with the results of an Audit and Compliance Division review of allegations of favoritism regarding a recently completed solicitation for landscape maintenance services at a number of DHS facilities. The review found no substantiation of the allegations of favoritism, however, DHS decided to examine the entire solicitation to ensure the integrity of the process. Attached are the Audit and Compliance Division reports on these reviews.

Allegations of Favoritism in the Contract Bidding Process

The first review, which was transmitted to your offices on June 1, 2004, investigated improprieties alleged by Timothy Watkins and Janine Watkins of Environmental Maintenance Company regarding a DHS employee involved in the management of the solicitation process for a landscape maintenance agreement.

In December 2003, Ms. Watkins made allegations to the Auditor-Controller's Fraud Hotline of impropriety in the solicitation process for a landscape maintenance contract, which the Auditor-Controller referred to DHS' Audit and Compliance Division for investigation. Specifically, it was alleged that DHS accepted a late proposal in the 2002 Request for Proposal (RFP) process. In addition, a February 2004 letter from Environmental Maintenance Company alleged favoritism by the Department for accepting a proposal from

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a bidder who did not attend the July 16, 2003 walk-through at Rancho Los Amigos National Rehabilitation Center.

Attached is a copy of the Audit and Compliance Division's report, which indicates that the Department did allow Premier SS Lim Building Maintenance Services (Premier) to submit its proposals approximately five minutes late in 2002. Contracts and Grants initially returned the proposals to Premier because they arrived after the submission deadline. Premier subsequently requested reconsideration and, upon review, County Counsel confirmed that missing the deadline was an inconsequential disparity that the Department could waive to ensure a competitive process. In addition, this did not affect the award of a contract because the solicitation for Rancho was withdrawn, based on the planned closure of the facility. Similarly, while Premier did miss part of the mandatory walk-through at Rancho in July 2003, based on the circumstances, County Counsel again indicated this did not have a material impact on the process and could be waived by DHS.

At the May 18, 2004, Board meeting, Ms. Watkins raised a number of issues relative to the Department's solicitation process. Her major concerns regarding the solicitation process have been addressed in the attached report. The Auditor-Controller's Audit Division has reviewed and concurs with the report's findings.

The Department found no facts through its investigation that would substantiate Ms. Watkins' allegations of favoritism by DHS staff toward another vendor. Environmental has held contracts with DHS for the past 14 years at various DHS facilities, including winning two consecutive solicitations for landscaping services at King/Drew Medical Center spanning from 1990 to the present.

#### Landscape Solicitation Process Review

In association with the Auditor-Controller, the Audit and Compliance Division conducted a second review of the landscape solicitation to verify the integrity of the process. The Audit and Compliance Division reviewed the evaluation instruments and related documents and interviewed staff of the Contracts and Grants Division, as well as members of the evaluation committee involved in the Request for Proposals (RFP).

The Audit and Compliance Division noted weaknesses in the evaluation and scoring of the proposals for landscape services. An evaluation committee was formed to evaluate and determine the score for three sections of the proposals, including the Business Proposal Evaluation and Criteria, the Proposer's Approach to Providing Services, and the Quality Control Plan. The Financial Capability section was evaluated by the Audit and Compliance

Division, the Proposer's Cost by Contracts & Grants, and the Performance History Analysis was conducted by an assigned individual who participated on the committee.

The evaluation committee met in September 2003 to discuss the scoring of the proposals. Subsequently, the Contracts and Grants staff facilitating the evaluation process input the committee's scores in an electronic database, as the scores were determined. The final scores were not documented by all of the committee members on the individual evaluation instruments; therefore, the final scores could not be traced to the evaluation instruments. The Audit and Compliance Division noted that, while these inconsistencies would not have significantly changed the overall scores, it has recommended that Contracts and Grants ensure a standardized process is implemented for evaluating bids and that staff are appropriately trained in these practices.

The Audit and Compliance Division did find that an error was made in the calculation of the final scores, which distorted the weights of the ratings categories that were identified in the RFP. The review found that a correction of this calculation error would result in a different recommendation for two of the five contracts to be awarded. DHS has consulted with both the Auditor-Controller and County Counsel on the appropriate manner in which to address this. County Counsel identified three alternatives to equitably resolve the noted issues, which are: 1) rescind the original recommendations and award based on the recalculated scores; 2) reevaluate the proposals with a new evaluation committee; and/or 3) cancel the solicitation and issue a new RFP. County Counsel concluded that because no apparent problems were identified with the solicitation documents or the proposals received, establishing a new evaluation panel and rescoring the existing proposals would appropriately address the findings noted by the Audit and Compliance review.

The Department will immediately assign a new Contract Administrator to oversee the evaluation process and will convene a new evaluation panel, with individuals who did not previously participate in this process, to reevaluate and rescore the proposals and make recommendations for contract awards. The Department estimates that the rescoring of the proposals and identification of selected vendors will be completed within 30 days. If the rescoring results in the selection of different contractors, the Department will need to negotiate and write agreements with the new vendors, which would take several weeks, and process the attendant Board letter for consideration. Additionally, in the event protests are filed, the process could be lengthened by several weeks. As such, the Department is requesting that the Board delegate authority to extend the existing agreements for up to 90 days, on a month-to-month basis, to allow for the completion of the rescoring process and issuance of contracts.

The Audit and Compliance Division also made a number of administrative recommendations for the general management of contract solicitations, which the

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Department will implement. As you know, DHS appointed a new Director of Contract Administration in April 2004. The primary charge given to this individual was the review of Contract and Grant processes and the development and implementation of policies and procedures to standardize the contracting process and increase the effectiveness and efficiency of DHS contracting efforts. The Director of Contract Administration has already begun implementing a number of corrective actions, such as development of new processes, realigning staff assignments, and identification and procurement of necessary information technologies to facilitate the monitoring of contracting processes.

Please let me know if you have any questions.

TLG:ak

Attachments

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Auditor Controller