

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-46 Procurement Bidding Process

Finding Type: Other Matters – Compliance with Laws and Regulations

Fiscal Year: July 1, 2006 to June 30, 2007

Requirement

MCL 380.1267 requires that before construction begins on a new school building, or addition to or repair or renovation of an existing school building, except repair in emergency situations, the school district abides by the following bidding requirements: 1) obtain competitive bids; 2). Advertisement for bids; 3). Explicitly state in advertisements (a). Date and time, which all bid must be received; (b). Bids received after the date and time specified for bid submission will not be honored; (c). Date and time of the public meeting where the bid is opened and read aloud; (d). Bid shall be accompanied by a sworn and notarized statement disclosing and any relationship existing between the owner or any employee of the bidder and the board; 4). Each bidder must file a security in the amount of 1/20 of the amount of the bid conditioned to secure the school district from loss or damage by reason of the withdrawal of the bid or failure of the bidder to enter a contract for performance; 5). No bid should be opened, considered, or accepted after the date specified in the advertisement noted above; 6). At a public meeting identified in the advertisement for bids described in subsection (3), the board or it's designee shall open and read aloud each bid that the board received before the time and date for bid submission specified in the advertisement for bids; 7). This section does not apply to buildings or repairs costing less than \$19,653.

Condition

During our testwork over procurement and inquiry of District personnel, we noted that certain individuals in the purchasing department did not appear aware of the state requirements for purchasing and the procurement of vendors for new construction and remodeling projects. The Purchasing Department of the District established a pool of vendors by bidding a hypothetical project using a RS Means pricing system. However, this process does not allow for security bonds, as no actual projects exist at the time of solicitation. Once the vendors have been selected, then individual projects are awarded to the vendors who price the project according to the RS Means Indexing system. In addition, we also noted that the purchasing department could not provide a copy of the advertisement for any bids or support to confirm any public hearings.

Possible Asserted Cause and Effect

All individuals responsible for purchasing should be trained and currently aware of state purchasing requirements and regulations.

Recommendation

We recommend that management improve the control procedures to result in a more consistent and thorough following of the bidding procedures required by state law. The District should also maintain copies of the actual ads from the newspapers. Monitoring procedures should be designed and implemented to ensure that policies are being followed. Individuals should be trained on a regular basis.

Views of Responsible Officials

We understand and agree with the noted observation and are working toward corrective actions.

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Corrective Action Plan

Signature

Date