

Internal Audit Department
NeighborWorks® America

Audit Review of
The Procurement Function
(Governance Structure, Policies and
Procedures)

Project Number: 2015-FIN-PROCPUR

Audit Review of Procurement (Governance)

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October 2, 2015

To: NeighborWorks America Audit Committee
Subject: Audit Review of Procurement (Governance)

Please find enclosed our draft audit report for the Procurement (Governance) review. Please contact me with any questions you might have. Thank you.

Frederick Udochi
Chief Audit Executive

Attachment

cc: P. Weech
C. Wehrwein
J. Bryson
L. Williams
S. Slepian
I. Williams

Function Responsibility and Internal Control Assessment

Audit Review of Procurement (Governance)

Business Function Responsibility	Report Date	Period Covered
Finance	October 2, 2015	February 2, 2015 Through July 31, 2015
Assessment of Internal Control Structure		
Effectiveness and Efficiency of Operations		Generally Effective¹
Reliability of Financial Reporting		Not Applicable
Compliance with Applicable Laws and Regulations		Not Applicable

This report was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

¹ **Legend for Assessment of Internal Control Structure:** **1. Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. **2. Inadequate:** Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. **3. Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

Executive Summary of Observations, Recommendations and Management Responses

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>Observation No. 1 – Issuance of Procurement and Purchase Card Policies</p> <p>NWA Management has not issued the officially approved policies governing the Procurement and Purchase Card processes. Procurement management anticipates that draft polices will be forwarded by October 31, 2015 for review and eventual approval by NWA Management. Without governing policies, the risk is increasing that the activity of individuals will be based on discretionary interpretations of management's intent for execution of this process.</p> <p>Risk Rating: (b) (5)</p>	<p align="center">Yes</p>	<p>Recommendation No. 1 – Operate with approved Procurement and P-Card Policies.</p> <p>Internal Audit recommends that Procurement Management strives to meet the planned date for the draft policies to be delivered to NWA Management.</p>	<p align="center">Yes</p>	<p>The Procurement Policies are being drafted and will be presented to the operating committee for approval. Upon approval, The Policies will be published on the internal website's procurement page.</p> <p>A PCard Manual has been developed and will be presented to the Operating Committee for approval. Upon approval, The PCARD Manual will be published on the internal website's procurement page.</p>	<p>December 2015</p>	<p>Internal Audit accepts Mgt.'s response.</p>

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>Observation No. 2 – Capacity Limitations to effectively and efficiently execute a Comprehensive Procurement Process</p> <p>Internal Audit noted Procurement Management's scope of responsibilities for both current and anticipated future procurement requirements of the corporation which should cover procurement for all programs. Based on these observations, these requirements cannot be met in an effective and efficient manner with current staffing levels and the limited use of a procurement technology platform. This can result in the needs of many programs being 'bottle-necked' by the procurement process and can lead to ineffectiveness for NWA's core programs.</p> <p>Risk Rating: (b) (5)</p>	Yes	<p>Recommendation No. 2 – Re-Assess Staffing Levels and Implement Technology Platform</p> <p>Internal Audit recommends Management re-assess the staffing levels needed along with the acquisition of a technology platform in order to increase the productivity, for both effectiveness and efficiency of the procurement process.</p>	Yes	<p>In response to management's recognition of the staffing shortfall as it has developed a centralized procurement function, the Procurement division staffing level has been increased by one (1) full time equivalent (at the Director level) from 3 to 4 positions. In addition, the Procurement division will augment staffing with two (2) additional contractor support positions (Contract Specialist and Procurement technician).</p> <p>The procurement Division, Finance and Administration, and IT&S are conducting market research to determine available technology platforms. The procurement division will also take advantage to the maximum extent possible of "in house" platforms such as SharePoint to automate as many functions (to include workflow management) as possible for efficiency.</p>	April, 2016	Internal Audit accepts Mgt.'s response.

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>Observation No. 3 – Lack of Internal Performance Metrics</p> <p>Internal Audit did not identify internally developed procurement metrics [Scorecard / Benchmarks] which identifies how effectively and efficiently the procurement process is expediting all program requests. Internal Audit prepared a timeline analysis of six (6) recently processed procurement requests to evaluate the approximate time taken for these items to be processed – from RFP Posting Date to Contract Start Date. Similar evaluations and metrics can be used to develop insights and goals for the procurement function which can lead to better governance.</p> <p>Risk Rating: (b) (5)</p>	Yes	<p>Recommendation No. 3 - Develop Internal Performance Metrics</p> <p>Internal Audit recommends the development of internal procurement metrics [Scorecard / Dashboard] that allows management to evaluate the efficiency and effectiveness of the procurement process. Though the Procurement Process has not been an independent self-administered process for an extended period, it is important for the process to be evaluated on a periodic basis. This can help to exhibit its value to the organization and help to reduce potential service issues.</p>	Yes	<p>Internal performance metrics will be developed and Procurement hopes to leverage SharePoint to capture and provide such metrics to senior management throughout the corporation. The performance metrics will be incorporated into the performance standards of Procurement Division staff.</p>	March, 2016	Internal Audit accepts Mgt.'s response.

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>Observation No. 4 – Periodic Review of Individual Purchase Card Activity</p> <p>Though not implemented as of this audit review, Internal Audit was advised by Procurement Management that there is a plan to implement periodic reviews of Purchase Card transactions by performing random quality assurance reviews to ensure participants are following the Purchase Card Policy [P-Card Handbook]. Internal Audit agrees that such a review is appropriate and will provide Management with reasonable assurance that NWA employees are following the policies and procedures of the P-Card Program.</p> <p>Risk Rating: (b) (5)</p>	Yes	<p>Recommendation No. 4 - Implement Periodic QA Review of Purchase Card Transactions</p> <p>Internal Audit recommends that Procurement Management implement the planned quality assurance periodic review of Purchase Card transactions as soon as staffing is available. This review acts as an important monitoring control procedure that provides Management with reasonable assurance that the Corporation's funds are utilized appropriately.</p>	Yes	<p>The first quarterly quality assurance review of the NW Purchase Card (PCard) program will be completed at the end of the first quarter after the PCard handbook has been approved and published. The results shall be discussed with the appropriate cardholders and their senior management within 30 days after the Quarterly review.</p>	March, 2016	Internal Audit accepts Mgt.'s response.

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>Observation No. 5 – All NWSG Procurement Functions are not Managed by the Centralized Procurement Process</p> <p>Currently, NeighborWorks Services Group manages their procurement process and is authorized to issue contracts, and purchase, or task orders to their vendors. They obtain the contract, purchase or task order number from Procurement before issuance along with a review of any contracts by OGC. However, NWSG authorizes for themselves goods and services up to their Delegation of Authority limit. Actions \$20K or greater require Procurement approval.</p>	<p>Yes</p>	<p>Recommendation No. 5 - Provide a 'Date Certain' to include all programs under the Centralized Procurement ambit</p> <p>Internal Audit recommends that management provide a 'date certain' when it plans to have all programs, including NWSG, under the Corporation's Centralized Procurement in order to have a scheduled transition plan in place.</p>	<p>Yes</p>	<p>All Program Office Requirements including NWSG Group will be executed by the Centralized Procurement Function. NWSG and Finance Senior Management have developed and refined the process for execution of the NWSG requirements that takes advantage of the NWSG unique event planning subject matter expertise and procurement involvement and oversight at the requirements identification stage through contract award and administration.</p>	<p>February 2016</p>	<p>Internal Audit accepts Mgt.'s response.</p>

RISK Rating Legend

Risk Rating: HIGH

A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation's reputation.

Risk Rating: Moderate

A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

Risk Rating: Low

A weakness identified which does not seriously detract from the system of internal controls and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

Management Responses to The Audit Review of: Procurement (Governance)		
# Of Responses	Response	Recommendation #
5	Agreement with the recommendation(s)	1, 2, 3, 4, 5
	Disagreement with the recommendation(s)	

Background

The newly created, centralized Procurement Division became effective as of February 2, 2015. It is directed with the task of centralizing the procurement / purchasing activities of both goods / supplies and services for the corporation which was previously decentralized within each program office. This new process includes planning, managing, and advising the Officers, senior management and staff on integrated acquisition strategies and processes that support NeighborWorks America (NWA) programs. The division is currently led by a Vice-President (who reports to the CFO), two (2) full time staff one (1) part-time consultant, and a full time temp administrative assistant.

The establishment of the centralized Procurement Function has created a distinct area of control with regard to the issuance of a Request for Proposals [RFP], the bidding process and, approval / awarding of a contract, along with delegated purchasing authority based on the type of purchase with related dollar limits. This has necessitated the development of a governing structure that would include the relevant policies and procedures for accountability.

Briefly, this function is initiated with an email request to the Procurement Division's private mailbox at [REDACTED] (b) (4). The requesting office will provide all required documentation via this mailbox. At initiation of a Request for Proposal (RFP), a unique number is assigned by Procurement using an excel data file for all such requests and publicly posted to <http://neighborworks.org/About-Us/Business-Opportunities/RFPs>. Upon issuance of the award, procurement provides the vendor a unique contract / PO / TO number using an excel data file. All completed activity, including 'cancelled' RFPs are posted to a SharePoint web-site that can be accessed by employees.

In conjunction with the procurement process above, as of April 1, 2015 the Purchase Card (P-card) Program is also managed by the Procurement Division. [**Note:** This function was originally part of the Finance Division prior to this date].

Objective

- To obtain assurance that both the procurement and purchase card processes are governed by an appropriate governing structure policies and procedures.
- To obtain assurance that current procurement and purchase card practices are executed in conformance with relevant existing corporate policies and procedures.
- To obtain assurance that adequate controls are in place to support the procurement process

Scope

- The review encompasses the creation of the Procurement Department and the initial six (6) months development: February 2, 2015 to July 31, 2015.

Methodology

Internal Audit began this review with an Introductory Meeting, which was held on August 12, 2015 with follow-up meetings with procurement staff to gain an understanding of the process and documentation used in the process (a process walk-through). Other steps included the development and distribution of a process questionnaire for the Vice-President of Procurement in order to identify specific steps used to govern this process. Additionally, Internal Audit attended training classes / webinars hosted by Procurement for both corporate and regional staff and reviewed the documents posted on the SharePoint web-site that support the process such as Request for Proposals (RFPs), Determination Memos, Contracts, etc. Another item utilized in the review was the development of a process narrative (**APPENDIX: A**) that utilized certain documents created by Procurement for training and found on the Procurement SharePoint web-site. Within this document Internal Audit was able to assemble a number of items that included a divisional organization chart, a process flow chart and the identification of management's internal controls for this process. Collectively, these documents help to exhibit management's design and governance of the procurement process.

Below are the observations and recommendations that resulted from the testing performed.

Observations and Recommendations

Observation No. 1 – Issuance of Procurement and Purchase Card Policies

We noted that NWA Management has not issued the officially approved policies governing the centralized Procurement and Purchase Card processes. Procurement management anticipates that draft policies will be forwarded by October 31, 2015 for review and eventual approval by NWA Management. By the time the review period begins the program would have functioned without a set of officially approved governing policies for approximately nine (9) months. In the interim, management has expended significant resources to provide company-wide training classes and templates to all employees on the newly implemented procurement procedures. However, in the absence of formally approved policies, from a Corporate and external standpoint there is potentially a significant risk exposure in the event of a severe non-compliance issue with external parties. In addition there is the increased risk that the procurement activity of some individuals will be based on discretionary interpretations of management's intent for execution of this process.

Recommendation No. 1 – Operate with approved Procurement and P-Card Policies.

Internal Audit strongly recommends that Procurement and NWA Management put in place officially approved policies and procedures to support the governance structure of the procurement process. Some policies can be approved in phases and subject to amendments. Meeting the planned date for approving the current draft policies to be delivered to NWA Management is strongly recommended.

Observation No. 2 – Capacity Limitations to effectively and efficiently execute a comprehensive Procurement Process

Internal Audit noted procurement management’s scope of responsibilities for both current and anticipated future procurement requirements of the Corporation which should cover procurement for all programs. Based on this knowledge, we are of the opinion that these requirements cannot be met in an effective and efficient manner given the current staffing levels. This is further compounded by the limited use of a procurement technology platform that would automate a lot of manual processes. The deficiency in staffing levels and technology platform could potentially result in program procurement needs being ‘bottlenecked’ by the current procurement process. Bottlenecks created as a result of process design flaws can also result in the creation of “work arounds” that may circumvent Management’s control environment.

Recommendation No. 2 – Re-Assess Staffing Levels and Implement Technology Platform

Internal Audit recommends Management re-assess the staffing levels needed currently and in the future along with the evaluation of the need for a technology platform that would automate identified manual processes in order to increase productivity, for both the effectiveness and efficiency, of the procurement process

Observation No. 3 – Lack of Internal Performance Metrics

Internal Audit did not identify internally developed procurement metrics [Scorecard / Benchmarks] which identifies how effectively and efficiently the procurement process expedites all program requests. Internal Audit prepared a Procurement Administrative Lead-Time Analysis of six (6) recently processed procurement requests to evaluate the approximate time taken for these items to be processed – from RFP Posting Date to Contract Start Date (**APPENDIX: B**). This analysis² did not use a representative sample and no generalizations can be drawn to the overall population of procurement requests. Though the Procurement Process has not been an independent self-administered process for an extended period, it is important for the process to be evaluated on a periodic basis. This can help to exhibit its value to the organization and help to reduce potential service complaints.

Recommendation No. 3 – Develop Internal Performance Metrics

Internal Audit recommends the development of internal procurement metrics [Scorecard / Dashboard] that allows management to evaluate the efficiency and effectiveness of the procurement process. This would also enable the process to identify areas for improvement and also improve on extended lead time.

² Similar evaluations and metrics can be used to develop insights and goals for the procurement function. Another metric may include the time expended by procurement staff on requests that are cancelled after inception. This metric, if significant, may require a root-cause analysis to be undertaken to reduce the volume of such requests

Observation No. 4 – Periodic Review of Individual Purchase Card Activity

Though not implemented as of this audit review, Internal Audit was advised by Procurement Management that there is a plan to implement periodic reviews of Purchase Card transactions by performing random quality assurance reviews to ensure participants are following the Purchase Card Policy [P-Card Handbook]. Internal Audit recognizes that the P-Card program's responsibilities were passed recently to Procurement from Finance [as of April 1, 2015]. Also, the centralized procurement process is a relatively new process that is still attempting to reach an ideal staffing level. Internal Audit agrees that such a review is appropriate and will provide Management with reasonable assurance that NWA employees are following the policies and procedures of the P-Card Program.

Recommendation No. 4 – Implement Periodic QA Review of Purchase Card Transactions

Internal Audit recommends that the Procurement Management implement the planned quality assurance periodic review of Purchase Card transactions as soon as staffing is available. This review acts as an important monitoring control procedure that provides Management with reasonable assurance that the Corporation's funds are utilized appropriately.

Observation No. 5 – All NWSG Procurement Functions are not managed by the Centralized Procurement Process

Currently, NeighborWorks Services Group (NWSG) manages their procurement process and is authorized to issue contracts, and purchase, or task orders to their vendors. They obtain the contract, purchase or task order number from Procurement before issuance along with a review of any contracts by OGC. However, NWSG authorizes for themselves goods and services up to their Delegation of Authority limit. NWSG is currently the only program not under the Centralized Procurement process.

Recommendation No. 5 – Provide a 'date certain' to include all programs under the Centralized Procurement ambit.

Internal Audit recommends that management provide a 'date certain' when it plans to have all programs, including NWSG, under the Corporation's Centralized Procurement in order to have a scheduled transition plan in place.

Conclusion

Internal Audit notes that the processing of procurement requests, contracts, task orders, and purchase orders is heavily paper driven and time consuming. The results of the review indicate that Management has worked diligently to design and implement an independent process in order to provide reasonable assurance that inappropriate costs are minimized by the organization using a competitive bidding process. Many important internal governance controls are associated with this procurement process. Going forward, the procurement function will be challenged to stay effective and efficient as it adjusts to an ever increasing

volume of requests. Internal Audit notes that the implementation of the recommendations as noted above will further enhance the effectiveness of the process. Thanks again to the Vice-President of Procurement and the procurement team for their cooperation during this review.

APPENDIX: A – Procurement Process Narrative

Process Objective: The Procurement Division became effective as of February 2, 2015 and is responsible for the Corporation’s centralized procurement function to acquire supplies/services greater than \$15K for all program office(s) with the exception of the NeighborWorks Services Group (NWSG). This process includes planning, managing, and advising the Officers, senior management and staff on integrated acquisition strategies and processes that support NeighborWorks programs. Originally, the procurement function was decentralized and performed by the individual Program Offices. In conjunction with the procurement process, as of April 1, 2015 the Purchase Card (P-card) Program is also managed by the Procurement Division. [Note: The P-Card program was originally managed by the Finance Division prior to this date]

Information Technology Platform: This process starts with an email request to the Procurement Division’s private mailbox at (b) (4). The program office will provide all required documentation via this mailbox. At initiation of a requirement for a Request for Proposal (RFP) number, a unique number is assigned by Procurement using an excel data file for all such requests and publicly posted (for requirements \$20K or more) to <http://neighborworks.org/About-Us/Business-Opportunities/RFPs>. Upon issuance of the award, procurement provides the vendor a unique contract / PO / TO number using an excel data file. All completed activity, including ‘cancelled’ RFPs are posted to the SharePoint web-site that can be accessed by NW employees.

Process Description: NeighborWorks America’s (NWA) management using OMB A-110 guidelines has delineated the purchasing process through the Procurement Division. This created a distinct area of control with regard to the issuance of a Request for Proposals [RFP], the bidding process and, approval / awarding of a contract, along with delegated purchasing authority based on the type of purchase with related dollar limits. If a program office is of the opinion that there is a need to abstain from the required competitive procurement process, an Exception to Competition is required to be submitted for procurement’s prior approval [**Manual Transactional Control**] before submission for secondary approval by a Corporation Officer. Also, the Exception Memo can only be issued by the Procurement Office. Additionally, as per policy, at the end of every quarter the Program Offices must provide a report of all Exception to Competition listing the vendors and their amounts to directors and officers [**Manual Monitoring Control**].

For standard procurement requests, the program office must provide documented budgetary approval prior to proceeding with a request for an acquisition of goods or services [**Manual Transactional Control**]. The following table separates the procurement

process into four distinct areas of acquisition based on the planned expenditure dollars. This shared responsibility utilizes both the requesting Program Offices and the Procurement Division to utilize current resources to stay efficient and effective while addressing required procurement procedures within OMB guidelines.

Guidance and information on Competition Requirements.

What	Party Responsible	Contract Vehicle	Competition Requirement
<\$3K	Program Office	Purchase Card	N/A
\$3K - \$15K	Program Office	PO/Contract/TO	3 Bids Solicited (RFQ)
Greater than \$15K to \$19,999	Procurement	Contract/TO	3 Bids Solicited (RFQ)
\$20K and Greater	Procurement	Contract/TO	RFP Posting or 3 Bids Solicited *

**RFP must be posted if all (3) contractors are in the LoA database*

Letters of Agreements (LoAs) will not be executed after April 1, 2015

Effective 4/1/2015 LoAs will be replaced with actual contracts as requirements are identified. A database for vendors that express an interest in doing business with NWA has been created and shall be available for vendor submissions during the 1st quarter of FY 2016. This new vendor database is not a pre-approved vendor list but does replace the Request for Qualifications Process.



















Prior to any contract being awarded, each program office (\$15K or less) and the procurement office (>Greater than 15K) must check the intended awardee through the Excluded Parties Lists System (EPLS) for all non P-Card awards. To do so, the program office must follow the steps below:

1. Visit the following website: www.sam.gov
2. Select: Search Records (see highlighted screen shot below)
3. Under **“QUICK SEARCH”** and search the intended awardee. Search must be done by both: Company name and CEO/Principal name; or DUNS Number (if available).
4. Favorable results will indicate the following:
 - No Active Exclusions
 - No Record Found

NeighborWorks’ Staff MUST print the results prior to contract award by a NW Authorized Official. **[Manual Transactional Control]**

For Procurement actions up to \$15K:

Using sample documents (from the chart below) the program office is required to create and maintain complete contract file documentation of the program office's procurement process for acquisitions \$15K or less [**Manual Transactional Control**]. The program office must tailor each template to reflect their specific requirement. Only the person designated in the Contract / PO / TO as the Contracting Officer (typically the program's SVP) is designated to make changes to the document. As per policy, multiple Contracts or Purchase Orders cannot be issued to the same vendor by the same program office whereby, in the aggregate, the total award will exceed the defined limit for the issuance of a Request for Proposal (RFP). The program office is required to obtain a unique Contract / PO / TO number from Procurement [**Manual Transactional Control**] before making an award. This unique procurement number must be provided on the vendor document(s) when the vendor invoices for payment [**Finance Transactional Control**]. In the future, Procurement is planning to execute random reviews of program issued awards to confirm that the program office is following all procurement procedures for this level of awards.

*Purchases up to \$15K Program Office Responsibilities Required File Documentation:	Purchases Greater than \$15K Program Office Responsibilities Required Documentation:	***Purchases Greater than \$15K Procurement Office Responsibilities Required Documentation:
 Award Determination up to \$15K.docx	**  Procurement Action Plan - PAP.docx	 RFP Template Sample ONLY.pdf
 Request for Quotation (RFQ) under \$15K .docx	 Market Research.doc	 Competitive Range Determination.docx
 Contract File Check Sheet up to \$15k.docx	 Competitive Range Determination.docx	 Award Determination Memo.docx
 Exception to Competitive RFQ Process .docx	 Independent Price Estimate.docx	 Contract File Check Sheet \$15K and Greater.docx
(as required)	 Milestones Chart .docx	 Award Letter to Contractor.docx
 Award Letter to Contractor.docx	 Exception to Competitive RFP Process.docx	 Unsuccessful Offeror Letter.docx
 Unsuccessful Offeror Letter.docx	(as required)	

For Procurement actions greater than \$15K - \$19,999:

The program office must provide to the Procurement office using (b) (4) all required information to complete a Request for Quotation (RFQ) [Manual Transactional Control]. Next, the Procurement Office is responsible for creating and completing the document list described above and maintaining the contract file [Manual Transactional Control].

For Procurement actions greater than \$20K:

All process steps defined above for purchases greater than \$15K, at both the program and procurement levels, with the exception of NWSG, are now the responsibility of the Procurement Office [Transactional Control]. Based on the information provided by the Program Office, Procurement will develop the Request for Proposal (RFP) document in order to initiate the proposal process. Upon completion of the RFP document and following concurrence with the requesting Program Office on its accuracy and completeness, the RFP is publicly posted to the NWA web-site at <http://neighborworks.org/About-Us/Business-Opportunities/RFPs>.

At the end of the procurement evaluation and vendor selection process, but prior to issuing an award, the contract is reviewed for approval by The Office of General Counsel (OGC) *if the contractor takes exception to the standard RFP template terms and conditions*. [Manual Transactional Control]. After OGC's approval, Procurement will issue a commitment on behalf of NeighborWorks America via a contract, task order, or purchase order to the specific vendor via a unique Procurement TO/PO number [Manual Transactional Control]. The completed documents are posted to the NWA SharePoint intranet which can be used by Finance and AP for confirmation prior to payment to ensure validity. Vendors submitting invoices/bills for payment to Accounts Payable are required to use this number on their documentation. Finance is only authorized to pay the specific vendor's invoices/bills based on the number issued by Procurement [Finance Transactional Control].

Excluded from the centralized Procurement process is the **NeighborWorks Services Group – Training Division** (NWSG). NeighborWorks Management has determined, for the time being, that NWSG's experience and expertise is appropriate for this division to follow NWA's procurement policies and procedures and collaborate with Procurement to execute their procurement needs. However, NWSG is only allowed to independently process their divisional contracts or task orders up to their SVP's Delegation of Authority limit. For contracts / TOs / POs greater than the SVP's Delegation of authority limit a Corporation Officer is required to authorize the commitment. Also, whenever an RFP is required, NWSG must contact Procurement to post their RFPs with all other programs' centralized postings of Procurement's RFPs. All purchase and task order numbers issued by NWSG must be first obtained from Procurement before issuance. Additionally, all NWSG contracts are reviewed by The Office of General Counsel before NWSG's signed commitment. At the end of the procurement process, NWSG is required to provide Procurement with a copy of all final contracts along with the contract's evaluation and determination documentation for Procurement's records.

For the Purchase Card Program the following steps are followed:

A monthly P-Card Electronic Reconciliation Process has been implemented using the P-Card Issuing Bank, US Bank, statement. A series of training sessions were made available to cardholders through May, 2015. Training has been scheduled for Approving Officials. Approval by the user's supervisor must be completed within 30 days after the statement's issuance in order to maintain the card's active status.

[Manual Transactional Control]

The single purchase limit for each cardholder is issued up to the Purchase Card holder's individual Delegation of Authority limit **[Manual Transactional Control]**. Purchase Card controls are maintained by the issuing bank to prevent excessive or abusive use. Standard bank user **IT System Controls** are:

1. No single purchase greater than the cardholder's Delegation of Authority limit.
2. Multiple purchases made on the same day from the same vendor to circumvent cardholder single transaction limits.
3. Total purchases for any month cannot exceed the monthly purchase limit for the cardholder.
4. Specific vendors are excluded such as gas stations, airlines, hotels, restaurants, high-end retailers, etc.
5. Standard bank credit card controls to prevent potential fraud due to lost or stolen cards.

No Purchase Card holder can approve their own purchase card receipts for payment. All monthly approvals for payment requires the next level above as indicated in the departmental organizational chart and the corporate overall organizational chart.

The Procurement Office anticipates quarterly quality assurance reviews of the P-Card program upon Management's approval of the P-Card policies / procedures (i.e. the P-Card Handbook). The QA review by the Procurement Office will randomly select approved monthly purchase card remittances for review and evaluation for adherence to the Purchase Card Policy **[Manual Monitoring Control]**.

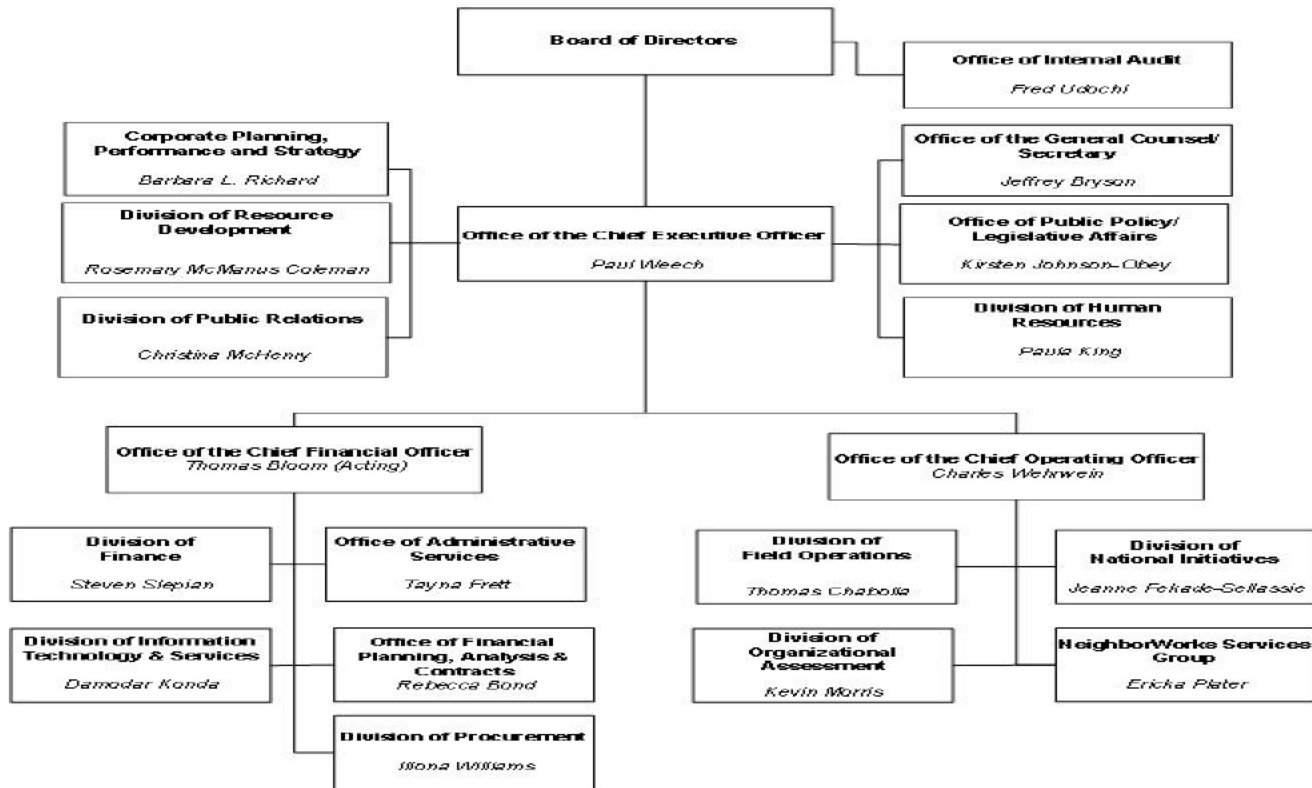
Segregation of Duties via Approval Access:

Within the Procurement Division requests for acquisition of goods or services are assigned to one of the two Senior Specialists or the VP Procurement based on their pre-assigned Program matrix. The VP – Procurement, upon completing a document review and award determination with the Senior Specialist verbally authorizes the issuance of a contract / TO / PO number for the award. The unique number is assigned using an Excel spreadsheet tracking file maintained by the Administrative Assistant which lists all requirements [includes completed awards and cancelled requests].

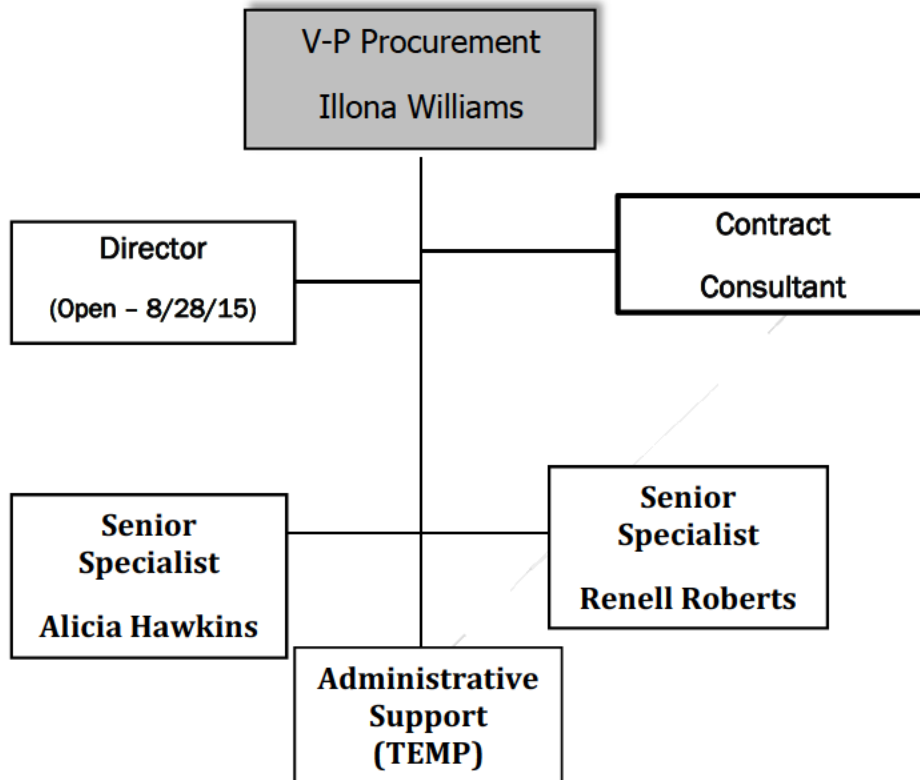
Corporate Organizational Chart for the Procurement process:

NeighborWorks® America Organization Chart

07/13/2015



Procurement Division Organizational Chart:



Workflow of Typical NeighborWorks America RFP Process

(For All Procurements \$15K and Above)



APPENDIX: B – Procurement Admin. Lead-Time Analysis

RFP #	Vendor Name	Contract Value or 1st YR Value	RFP Open Posting Date	RFP Close Date	RFP Extension Date	RFP Days Available	Determination Memo Date	BID Evaluation Period	Selection Date to OGC Portal	OGC Contract Received Date	OGC Completion Date	Contract Review Period	Contract Approval to Effective Date	Planned Event / Contract Start Date	Total Time RFP to Contract Start
15-NW-0004	Clifton Larson Allen (1) (2)	\$ 373,800	2/6/2015	3/6/2015		28	3/23/2015	17			5/19/2015	57	3	5/22/2015	105
15-NW-0014	Aramark (3)	\$ 54,585	3/11/2015	3/23/2015		12	4/2/2015	10	0	4/2/2015	4/2/2015	0	32	5/4/2015	54
15-NW-0024	Widmeyer Communications Charleston Harbor Resort	\$ 25,000	4/15/2015	4/28/2015	5/8/2015	23	7/22/2015	75	19	8/10/2015	8/13/2015	3	8	8/21/2015	128
15-NW-0028	Marina (3)	\$ 34,000	4/3/2015	4/17/2015		14	6/19/2015	63	4	6/23/2015	6/23/2015	0	20	7/13/2015	101
15-NW-0035	Sagesse, Inc. (1)	\$ 64,000	5/26/2015	6/17/2015		22	8/11/2015	55				0	10	8/21/2015	87
15-NW-0041	SoftChoice / Symantec	\$ 48,849	6/12/2015	7/16/2015	7/28/2015	46	9/9/2015	43	19	9/28/2015	9/28/2015	0	3	10/1/2015	111
Aver. Days:						24		44	11			10	13		98
Percentage:						24.7%		44.9%	10.8%			10.2%	13.0%		100.0%

Note(s):

- (1) OGC Contract Template Used No OGC Review Performed.
- (2) Audit Comm / BOD Approval
- (3) Executed by NWSG - Training

Chart Data:

Aver. Days: RFP - Days Available Period	24
Aver. Days: BID Evaluation Period	44
Aver. Days: Selection to OGC Review	11
Aver. Days: OGC Contract Review Period	10
Aver. Days: Approval Date to Eff. Date	13

