

LOCAL GOVERNMENT ENTITIES -
COMPLIANCE WITH ELECTRONIC BIDDING LAWS



PERFORMANCE AUDIT
ISSUED APRIL 28, 2010

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

April 28, 2010

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our performance audit on Local Government Entities - Compliance With Electronic Bidding Laws.

The report contains our findings, conclusions, and recommendations. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff at the participating local government entities for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA
Legislative Auditor

DGP/dl

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Office of Legislative Auditor

Daryl G. Purpera, CPA, Legislative Auditor



Local Government Entities - Compliance With Electronic Bidding Laws

April 2010

Audit Control # 40090021

Objectives and Overall Results

During the 2008 Regular Session, the Louisiana Legislature amended the bidding requirements for contracts of public works and materials and supplies under Louisiana Revised Statutes (R.S.) 38:2212(A)(1)(f)(i)-(iv) and 2212.1(B)(4)(a-e) (“the e-bidding laws”). Effective January 1, 2009, the e-bidding laws require certain non-exempt¹ political subdivisions to establish a secure interactive e-bidding system for all purchases requiring competitive bidding. We conducted this performance audit at the request of Representative Mack “Bodi” White. Although these laws apply to numerous political subdivisions, we focused our audit on certain types of local government entities (all non-exempt parish governments and municipalities, along with the sheriff’s offices and school boards in these parishes). Our objectives and overall results are as follows:

Objective 1: Which non-exempt local government entities have implemented e-bidding systems to comply with state law?

Results:

- **The majority of non-exempt local government entities surveyed have an e-bidding system to comply with the e-bidding laws.** The e-bidding laws apply to numerous political subdivisions throughout the state. To gauge compliance with the e-bidding law and to learn more about the laws’ impact, we surveyed 95 local government entities that must comply with the laws.² These 95 local government entities include all parish governments and municipalities that do not meet the laws’ exemptions, along with the sheriff’s offices and school boards in those parishes. Of the 95 local government entities we examined, 55 entities (57.9%) that responded to the survey have an e-bidding system. An additional 17 entities (17.9%) did not respond to the survey but may have an e-bidding system according to the service providers’ Web sites.³ For the purposes of this report, we categorize these 17 entities as having an e-bidding system although we were not able to verify this information. Exhibit 4 on page 8 shows the 72 entities (75.8%) that implemented or appear to have implemented an e-bidding system. It is

¹ Exemptions include public entities that are currently without available high speed internet access, until high speed internet access is available; any parish with a police jury form of government and a population of less than 50,000; any city or municipality with a population of less than 25,000 and any special service district, created by a police jury form of government, which is unable to comply with the e-bidding laws without securing and expending additional funding.

² See Appendix A for a detailed description of the survey scope and methodology.

³ After multiple attempts to contact each non-responding local government entity, legislative auditor’s staff reviewed each service provider’s Web site to determine whether an agency’s name appeared on its customer list. If an entity’s name appeared, we counted the non-responding entity as having an e-bidding system. However, we were not able to verify that these entities have an e-bidding system.

possible that the compliance rate varies for those political subdivisions that are required to comply with the laws but we did not survey.

Objective 2: What impact has the implementation of e-bidding systems had on local government entities?

Results:

- **According to local government officials, the implementation of e-bidding has exposed bids to new vendors.**
- **According to local government officials, the implementation of e-bidding has had minimal effects on local government operations.**
- **According to local government officials, vendors are not using the e-bidding systems to submit bids electronically, thereby limiting the potential benefits of e-bidding.**

Audit Initiation, Scope and Methodology

We conducted this performance audit at the request of Representative Mack “Bodi” White. He requested that we determine which local government entities are in compliance with the e-bidding laws. Because of time constraints, we limited the scope of our audit to non-exempt parish governments and municipalities, along with school boards and sheriff’s offices in these parishes. We did not determine whether all non-exempt local government entities are in compliance with these laws.

Our audit determined which local government entities in a sample have an electronic bidding (“e-bidding”) system to comply with the e-bidding laws. We also identified the impact of the systems and ways to improve e-bidding procedures and requirements. We conducted this audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. To answer our objectives, we performed the following audit steps:⁴

- Researched state law, the Administrative Code of Louisiana, Attorney General Opinions, and Division of Administration - Office of Information Technology (OIT) security guidelines to understand the e-bidding laws’ requirements.
- Identified a list of local government entities that should comply with the e-bidding laws.
- Conducted an online survey of a sample of local government entities that we determined should be compliant with the e-bidding laws. The purpose of this

⁴ Because of the scope and nature of our objectives, it was not necessary for us to review the internal controls or information systems related to the e-bidding systems.

survey was to determine whether those entities are compliant and to learn about these entities' experiences with e-bidding. Since we solicited responses from entities during the survey phase of the audit, we did not request written responses to our final report. See Appendix A for more detailed information on our survey methodology.

- Conducted interviews of 24 compliant survey respondents to learn more about their experiences with their e-bidding systems, as well as to identify any potential methods to improve the procedures and requirements for e-bidding systems. We selected these entities based upon their responses to the survey and their geographical locations to include a variety of entities throughout the state with differing viewpoints toward the e-bidding requirement. The audit team conducted the interviews with a standard set of questions but encouraged the entities to speak freely of their experiences with the e-bidding system.
- Analyzed the survey and interview data to form conclusions about e-bidding systems in the state of Louisiana.
- Met with staff at the Department of Transportation and Development to learn about their experiences with e-bidding.
- Performed online research regarding e-bidding and the impact of implementing e-bidding systems.

Overview of the E-Bidding Laws

During the 2008 Regular Session, the Louisiana Legislature amended the bidding requirements for contracts of public works and materials and supplies under R.S. 38:2212(A)(1)(f)(i)-(iv) and 2212.1(B)(4)(a)-(e) (the “e-bidding laws”). Effective January 1, 2009, the e-bidding laws require political subdivisions⁵ to establish a secure interactive e-bidding system for all purchases requiring competitive bidding.⁶ Act 227 of the 2009 Regular Session amended these laws to include an additional exemption.

According to the Administrative Code of Louisiana, the e-bidding system must be an alternative, but not exclusive, method to paper bids. The laws require e-bidding systems to follow the Division of Administration - OIT's security standards and the Administrative Code details the minimum requirements for online service providers of e-bidding systems.

⁵ R.S. 18:1282 defines political subdivisions as “a state department, agency, board, or commission; a parish; a municipality; a school board and a school district; a levee board and a levee district; a port board and a port commission; a port, harbor, terminal and industrial district; and any special service district, including but not limited to a road, water, sewerage, fire, protection, recreation, gas utility, or garbage district, and any other board, district, or unit of local government authorized by law to conduct elections for the issuance of bonds, the levying or increasing of any tax, or the assumption of indebtedness.”

⁶ R.S. 38:2212 and R.S. 38:2212.1 also identify which purchases require competitive bidding.

State law *exempts* a public entity from the e-bidding requirements if it meets any of the following criteria:

1. Public entities that are currently without available high speed internet access, until high speed internet access is available
2. Any parish with a police jury form of government and a population of less than 50,000
3. Any city or municipality with a population of less than 25,000
4. Any special service district, created by a police jury form of government, which is unable to comply with the e-bidding laws without securing and expending additional funding⁷

Therefore, the following types of entities, among others, are required to have an e-bidding system as of January 2009:⁸

- Home rule parish governments where high speed internet access is available
- Police jury parish governments in parishes with a population greater than 50,000 where high speed internet access is available
- Municipalities with a population greater than 25,000 where high speed internet access is available
- Special service districts in home rule parishes where high speed internet access is available

E-Bidding in Local Government

We obtained information about e-bidding in local government entities from the 54 entities with an e-bidding system that responded to our survey by the deadline of February 5, 2010,⁹ (“compliant entities”) and subsequent interviews with 24 of these entities.¹⁰ All 54 compliant entities that responded to our survey contracted with a service provider for their e-bidding system. Exhibit 1 shows a breakdown of the service providers used by compliant entities.

⁷ Act 227 of the 2009 Regular Session added this exemption and was effective August 2009.

⁸ This list is not comprehensive.

⁹ One compliant entity responded to the survey after this date. We counted this compliant entity in our overall compliance calculations but not in the other e-bidding analyses. Therefore, these analyses are based on a total of 54 compliant entities and not 55.

¹⁰ See the Scope and Methodology section in Appendix A for more information on our survey and interviews.

Exhibit 1 E-Bidding Service Providers		
Service Provider	Number of Entities	Percentage
Central Auction House	28	51.9%
Bidsync	23	42.6%
SicommNet	1	1.9%
Appia	1	1.9%
Bidsync and BidExpress*	1	1.9%
Total	54	100%**
*This entity uses both BidSync and BidExpress, depending on the item/project that is being bid. **Total does not equal 100% due to rounding.		
Source: Developed by legislative auditor's staff using data from agency survey responses.		

Easy Setup of E-bidding System

Officials from all 24 of the local government entities we interviewed said that setting up an e-bidding system through a service provider is an easy process. According to some of these officials, their service providers support them by providing training. At least one service provider offers online tutorials to help local government officials learn how to use the system.

Varying Pricing Structures

According to surveys received from compliant entities, the pricing structures for e-bidding systems vary based on setup fees, per-bid fees, maintenance fees, and vendor usage fees. However, most local government entities do not pay these fees and instead pass them on to vendors who use their system. More detail on each type of fee is found below.

Setup Fees. Service providers have charged between \$1 and \$13,500 to set up e-bidding systems for seven (13%) compliant entities. The remaining 47 (87%) of the compliant entities said that they did not pay a separate setup fee. Exhibit 2 shows a breakdown of the setup charges that local government entities paid.

Exhibit 2 Setup Fees Charged by E-Bidding System Service Providers		
Cost	Number of Entities	Percentage
\$0	47	87.0%
\$1-\$1,000	4	7.4%
\$1,001-\$5,000	1	1.9%
\$5,001-\$10,000	1	1.9%
Over \$10,000	1	1.9%
Total	54	100%*
* Total does not equal 100% due to rounding.		
Source: Developed by legislative auditor's staff using data from agency survey responses.		

Per-Bid Fees. Officials from four compliant entities (7.4%) say that they pay a per-bid fee of \$250 to service providers. The remaining 50 compliant entities said that they do not pay per-bid fees.

Maintenance Fees. Of the 54 compliant entities, 17 entities (31.5%) report they pay maintenance fees to the e-bidding system service providers. These 17 entities pay service providers \$1,800 to \$6,240 annually in maintenance fees. Exhibit 3 shows a breakdown of the annual maintenance costs.

Exhibit 3 Annual Maintenance Fees Charged by E-Bidding System Service Providers		
Cost	Number of Entities	Percentage
\$0	37	68.5%
\$1-\$2,500	6	11.1%
\$2,501-\$5,000	4	7.4%
Over \$5,000	7	13.0%
Total	54	100%
Source: Developed by legislative auditor’s staff using data from agency survey responses.		

Vendor Usage Fees. Over two-thirds of the compliant entities (37) said that they do not pay per-bid or maintenance fees for their e-bidding system. Instead, the service providers charge fees directly to vendors who use the system. According to one compliant entity, its service provider charges the vendor a percentage of the awarded bid.

Objective 1: Which non-exempt local government entities have implemented e-bidding systems to comply with state law?

The majority of non-exempt local government entities surveyed have an e-bidding system to comply with the e-bidding laws

The e-bidding laws [R.S. 38:2212(A)(1)(f)(i)-(iv) and 38:2212.1(B)(4)(a)-(e)] apply to numerous political subdivisions throughout the state. To gauge compliance with the e-bidding laws and to learn more about the laws’ impact, we surveyed 95 local government entities that must comply with the laws.¹¹ These 95 local government entities include all parish governments and municipalities that do not meet the laws’ exemptions, along with the sheriff’s offices and school boards in these parishes. Of the 95 local government entities we examined, 55 entities (57.9%) that responded to the survey have an e-bidding system. An additional 17 entities (17.9%) did not respond to the survey but may have an e-bidding system according to the service providers’ Web sites.¹² For the purposes of this report, we categorize these 17 entities as having

¹¹ See Appendix A for a detailed description of the survey scope and methodology.

¹² After multiple attempts to contact each non-responding local government entity, legislative auditor’s staff reviewed each service provider’s Web site to determine whether an agency’s name appeared on its customer list. If an entity’s name appeared, we counted the non-responding entity as having an e-bidding system. However, we were not able to verify that these entities have an e-bidding system.

an e-bidding system although we were not able to verify this information. Exhibit 4 on the following page shows the 72 entities (75.8%) that implemented or appear to have implemented an e-bidding system. It is possible that the compliance rate varies for those political subdivisions that are required to comply with the laws but we did not survey.

Parish Governments

Of the 64 parishes in Louisiana, 29 parishes are required to set up an e-bidding system to comply with the e-bidding laws and 35 parishes are exempt from the requirement. We surveyed all 29 non-exempt parish governments and found that 23 (79.3%) have e-bidding systems to comply with state law and six (20.7%) are not in compliance with the e-bidding laws.

Municipalities

There are 12 municipalities in Louisiana that have a population of over 25,000 and are, therefore, required to set up an e-bidding system to comply with the e-bidding laws. Four of these entities are part of consolidated governments and are analyzed in the "Parish Governments" section above. The remaining eight municipalities (100%) have an e-bidding system to comply with state law.

School Boards

School boards must implement an e-bidding system, unless they do not have access to high speed internet service. We did not survey all school boards that must have an e-bidding system; we only surveyed the school boards in non-exempt parishes. Of these 29 school boards, 25 (86.2%) have an e-bidding system to comply with state law and four (13.8%) are not in compliance with the e-bidding laws. Other local school boards may or may not be in compliance with the e-bidding laws.

Sheriff's Offices

Similar to school boards, unless they do not have access to high speed internet service, sheriff's offices must implement an e-bidding system to comply with the e-bidding laws. We only surveyed the sheriff's offices in non-exempt parishes. Of these 29 sheriff's offices, 16 (55.2%) have an e-bidding system to comply with state law and 13 (44.8%) are not in compliance with the e-bidding laws. Other local sheriff's offices may or may not be in compliance with the e-bidding laws.

Exhibit 4			
Local Government Entities With an E-Bidding System			
1	Acadia Parish Police Jury	37	Orleans Parish Sheriff's Office*
2	Acadia Parish School Board	38	Ouachita Parish Police Jury
3	Alexandria City Government*	39	Ouachita Parish School Board
4	Ascension Parish Government	40	Plaquemines Parish Government
5	Ascension Parish School Board	41	Rapides Parish Police Jury*
6	Ascension Parish Sheriff's Office	42	Rapides Parish Sheriff's Office
7	Bossier City Government	43	Shreveport City Government*
8	Bossier Parish Police Jury	44	Slidell City Government
9	Bossier Parish School Board	45	St. Bernard Parish School Board
10	Bossier Parish Sheriff's Office	46	St. Charles Parish Government
11	Caddo Parish Government*	47	St. Charles Parish School Board
12	Caddo Parish School Board*	48	St. Charles Parish Sheriff's Office
13	Caddo Parish Sheriff's Office	49	St. James Parish Government
14	Calcasieu Parish Police Jury	50	St. James Parish School Board
15	Calcasieu Parish School Board*	51	St. John the Baptist Parish Government
16	Calcasieu Parish Sheriff's Office	52	St. John the Baptist Parish School Board
17	^c East Baton Rouge Parish Government*	53	St. Landry Parish School Board
18	East Baton Rouge Parish School Board	54	St. Martin Parish School Board
19	East Baton Rouge Parish Sheriff's Office	55	St. Mary Parish Government
20	Iberia Parish Government	56	St. Mary Parish School Board
21	Iberia Parish School Board*	57	St. Mary Parish Sheriff's Office
22	Iberville Parish School Board	58	St. Tammany Parish Government
23	Jefferson Parish Government	59	St. Tammany Parish School Board
24	Jefferson Parish Sheriff's Office*	60	St. Tammany Parish Sheriff's Office
25	Kenner City Government	61	Tangipahoa Parish Government
26	^c Lafayette Parish Government*	62	Tangipahoa Parish School Board
27	Lafayette Parish School Board*	63	Terrebonne Parish Government
28	Lafayette Parish Sheriff's Office*	64	Terrebonne Parish School Board
29	^c Lafourche Parish Government	65	Terrebonne Parish Sheriff's Office
30	Lafourche Parish School Board	66	Vermilion Parish Police Jury
31	Lafourche Parish Sheriff's Office	67	Vermilion Parish School Board
32	Lake Charles City Government*	68	Vermilion Parish Sheriff's Office*
33	Livingston Parish Government*	69	Washington Parish School Board
34	Livingston Parish School Board	70	West Baton Rouge Parish Government
35	Monroe City Government	71	West Baton Rouge Parish School Board
36	New Iberia City Government*	72	West Baton Rouge Parish Sheriff's Office
<p>* These entities did not respond to our survey. After multiple attempts to contact each non-responding local government entity, legislative auditor's staff reviewed each service provider's Web site. If an agency's name appeared on its customer list, we counted the non-responding agency as having an e-bidding system. However, we did not verify that these entities have an e-bidding system.</p> <p>^c This entity is a consolidated government.</p> <p>Source: Developed by legislative auditor's staff using data from survey responses, Central Auction House's Web site, Bidsync's Web site, and Bid Express' Web site.</p>			

Noncompliant Entities

Of the 95 local government entities surveyed, 23 entities (24.2%) have not implemented an e-bidding system and are, therefore, not compliant with the e-bidding laws. Exhibit 5 shows a list of these entities. The surveyed entities listed various reasons for not complying with the e-bidding laws (discussed in detail below). Entities that do not implement an e-bidding system would not experience any of the potential benefits, such as increased bid exposure and lower bid prices, that are experienced by the compliant agencies. We discuss these potential benefits in more detail in Objective 2 of the report.

Exhibit 5 Local Government Entities Without an E-Bidding System			
1	Acadia Parish Sheriff's Office*	13	St. Bernard Parish Government
2	Iberia Parish Sheriff's Office	14	St. Bernard Parish Sheriff's Office*
3	Iberville Parish Government	15	St. James Parish Sheriff's Office*
4	Iberville Parish Sheriff's Office	16	St. John the Baptist Parish Sheriff's Office
5	Jefferson Parish School Board	17	St. Landry Parish Government
6	Livingston Parish Sheriff's Office	18	St. Landry Parish Sheriff's Office
7	^C Orleans Parish Government*	19	St. Martin Parish Government*
8	Orleans Parish School Board	20	St. Martin Parish Sheriff's Office
9	Ouachita Parish Sheriff's Office*	21	Tangipahoa Parish Sheriff's Office
10	Plaquemines Parish School Board*	22	Washington Parish Government
11	Plaquemines Parish Sheriff's Office*	23	Washington Parish Sheriff's Office
12	Rapides Parish School Board		
<p>* These entities did not respond to our survey. After multiple attempts to contact each non-responding local government entity, legislative auditor's staff reviewed each service provider's Web site. If an agency's name did not appear on its customer list, we counted the non-responding agency as not having an e-bidding system. However, since the entity did not respond to the survey, we were not able to confirm that the entities do not have an e-bidding system.</p> <p>^C This entity is a consolidated government.</p> <p>Source: Developed by legislative auditor's staff using data from survey responses, Central Auction House's Web site, Bidsync's Web site, and Bid Express' Web site.</p>			

Misinterpretation of the e-bidding laws' exemptions. Three surveyed entities that were not in compliance stated that they have not implemented an e-bidding system because they assumed that they are not required to by law. However, we determined that these entities do not meet the criteria for an exemption and are therefore required to implement an e-bidding system to comply with the e-bidding laws. Potential misinterpretations include the following situations:

- Home rule parish governments with a population below 50,000 residents could interpret the criteria to conclude they are exempt from the requirement. However, only police jury parish governments with a population below 50,000 are exempt; all home rule parish governments must comply with the e-bidding requirement.

- Political subdivisions within an exempt parish could interpret the criteria to conclude they are exempt based on their population if their parish government is exempt. However, according to Attorney General Opinion 08-0317 issued on January 16, 2009, a political subdivision within an exempt parish is required to comply with the e-bidding laws.

Unaware of the e-bidding laws. One non-compliant entity indicated it does not have an e-bidding system because it was not aware of the requirements in law. To understand how entities learned about the new laws, we asked officials at compliant entities during our follow-up interviews. These officials said that they learned about the e-bidding laws from a variety of sources, including supporting organizations (e.g., Louisiana Association of School Business Officials and National Institute of Governmental Purchasing) and a pamphlet from a service provider explaining the new laws and the company's services.

In process of implementing an e-bidding system. Three entities stated that their reason for noncompliance is that they are still in the process of implementing an e-bidding system into their operations. According to compliant entities, e-bidding systems obtained through third-party providers were not difficult to implement. The third-party providers offer system implementation, training, and support to both the local government entities and their vendors.

Implementation too costly. According to one non-compliant entity, it did not implement an e-bidding system because it determined the e-bidding system would be too expensive. However, 87% of compliant entities indicated that they incurred no setup costs for their e-bidding system, while 68.5% stated they have no annual maintenance costs on their e-bidding system.¹³

Other reasons for noncompliance. Other reasons that entities listed for not implementing an e-bidding system are as follows:

- "Hurricane Katrina"
- "Because we've always handled the process in this manner"
- "All of our major purchases are done according to Louisiana laws, but are done analog"
- Waiting for advisement from the state
- Staffing changes

Recommendation 1: Local government entities should consult with their legal counsel and/or request an opinion from the Attorney General's Office if they are unclear whether they are required to comply with the e-bidding laws.

¹³ See pages 5-6 for more information on the prices that service providers charge for e-bidding systems.

Recommendation 2: Local government entities should request that their support organizations provide (or continue to provide) information and training on e-bidding.

Recommendation 3: Local government entities that have not set up an e-bidding system should consult with other similar agencies to get information about available service providers.

Matter for Legislative Consideration: The legislature should consider clarifying the e-bidding laws' exemptions. Specifically, it should clarify whether home rule parish governments with less than 50,000 people and political subdivisions in exempt parishes are subject to the laws.

Objective 2: What impact has the implementation of e-bidding systems had on local government entities?

E-bidding implementation has increased bid exposure

Officials from compliant entities say that e-bidding has increased the exposure of their bids. Specifically, 12 compliant entities (22.2%) cited increased bid exposure in the survey, and 16 (66.7%) of the 24 interviewed entities said that new vendors have either bid or expressed interest in bidding on goods or services.

According to a compliant entity official, before the e-bidding laws were enacted, local government entities were only required to advertise their bid items in local newspapers. However, the e-bidding laws now require local entities to also advertise those same bids on the internet through their e-bidding system. Because of this change, more vendors have the ability to view bids, increasing the local government entities' vendor base.

Potential Effects of Increased Exposure

As described below, two potential effects of increased bid exposure are lower prices and more bids and services provided by out-of-state vendors.

Lower prices. The increase in bid exposure could result in a decrease in bid prices for local government entities. As more vendors become aware of the bids, competition for those bid items increases. As the competition for bids increases, the price offered by the vendors should decrease over time, offering more low-priced bids and potential cost savings to the local government entities. According to officials from the Louisiana Department of Transportation and Development (DOTD), they have received lower priced bids since they implemented e-bidding. Compliant entities we surveyed have not had enough experience with the e-bidding systems to realize these effects at this time.

More bids and services provided by out-of-state vendors. Another potential effect of a broader bid market is increased bids and services provided by out-of-state vendors. As more out-of-state vendors bid and win bids from local government entities, small businesses in Louisiana who cannot compete could suffer, potentially hurting the state's economy. However, out-of-state vendors must contend with additional delivery costs, which could give an advantage to in-state vendors. Furthermore, some entities have expressed concern over potential difficulties regarding maintenance and repair services by out-of-state vendors.

Local government entities have reported minimal effects on operations

According to the local government officials we interviewed, e-bidding has had a minimal effect on their operations. It has led to minor administrative cost savings and a minor increase in time spent on the bid process. We discuss both of these effects below.

Minor Cost Savings

Of the 24 local government entities we interviewed, five (21%) entities said they experienced cost savings by e-mailing bid packets to prospective vendors rather than spending funds on printing and postage. Use of digital copies allows vendors to receive bid packets more quickly and can save local government entities money on storage costs. According to a publication by the Federal Highway Administration (FHWA), federal agencies have experienced cost savings from e-bidding through reduced costs for paper, filing and handling, postage, and storage.

Minor Time Increase for Bid Process

In effect, local governments are now administering two bid systems--the traditional paper method and the new e-bidding system. Officials from compliant entities said there is an increase in the amount of time spent on each bid because the law has added an extra step to their bid process. Specifically, 33 of 53 entities (62.3%) said that their current bid process is more time consuming than their previous bid process. Almost a third of the responding entities (17 entities out of 53) said that the system is time consuming to maintain.

However, when we asked the compliant entities to elaborate on the additional time requirement, agency officials said it takes them an additional 10 to 90 minutes per bid and that they have experienced a learning curve with e-bidding. Once an entity became more familiar with the electronic process, the entity was able to reduce the amount of time it took to post a bid on its e-bidding system.

When we asked local government entities for recommendations to improve the e-bidding requirement, two of the entities (8% of the interviewed entities) recommended the statute be modified to allow them to choose to accept only one bidding process (either paper or electronic).¹⁴ These entities stated that the requirement of administering two bidding processes is cumbersome. However, accepting only paper bids would contradict the purpose of the e-bidding laws. By granting entities the authority to choose to accept only electronic bids, the bid process could be more efficient as entities would not have to administer two systems.

Matter for Legislative Consideration: The legislature should consider allowing political subdivisions to decide whether to accept electronic bids only.

Vendors are not using the e-bidding systems to submit bids electronically, thereby limiting the potential benefits of e-bidding

Although local government entities reported an increase in the number of potential vendors due to the increased exposure of their bids, many of those entities reported minimal use of the system by vendors to submit bids. Of the 24 compliant entities we interviewed, eight entities (33%) said that they have not received any electronic bids, and 11 (46%) entities said that they have received few electronic bids. According to local government entity officials, vendors do not want to pay the costs associated with submitting electronic bids and vendors are skeptical of trying the new technology. These reasons are summarized in more detail below.

Vendor Fees

One quarter of the local government entities that we interviewed (six out of 24) said that vendors do not want to pay the costs associated with submitting electronic bids. Examples of vendor fees include the following:

- **Service provider fees.** As discussed in the background section, approximately two-thirds of the compliant respondents have an e-bidding system that requires vendors to pay a registration fee to view online bid packets or to place bids online.
- **Electronic bid bond fees.** Construction projects sometimes require vendors to submit a bid bond¹⁵ with their bid. Electronic bid bonds used when a vendor submits a bid through the e-bidding system can be more expensive than paper bid bonds. One local government entity has vendors submit paper copies of bid bonds with electronic bids to help reduce vendor costs.

Since vendors are not currently required to submit their bids electronically, it is more cost effective for them to submit their bids by hand and avoid paying the fees associated with an electronic bid submittal.

¹⁴ The Administrative Code of Louisiana requires political subdivisions to accept both paper and electronic bids.

¹⁵ According to the National Institute for Government Purchasing (NIGP), a bid bond is an insurance agreement in which a third party guarantees that the bidder will not withdraw from a bid if that bid is awarded to the bidder.

Vendor Skepticism

Half of the local government entities we interviewed (12 out of 24) said their vendors are more comfortable using paper bids. The vendors are concerned the system will not properly submit the bids or they do not regularly use computers in the operations of their business. These vendors may be unaware of the benefits of e-bidding. One way to help vendors become more comfortable with e-bidding is to have the service providers coordinate vendor training. Approximately 17% of the entities we interviewed (four out of 24) suggested that training their current vendors may increase the use of their e-bidding systems.

Effects of the Lack of Vendor Participation

According to the FHWA and DOTD, electronic submission of bids increases the accuracy of bids as e-bidding systems check calculations and reject bids with missing information. Local government entities are not experiencing this benefit, however, because vendors are not using the e-bidding system to submit bids. In addition, by not submitting bids electronically, vendors are not able to take advantage of e-bidding systems' ability to reduce bid errors and the convenience of submitting bids online rather than traveling to submit the bid or paying to mail a bid.

Recommendation 4: Local government entities should allow vendors to submit paper copies of bid bonds with electronic bids to reduce vendor costs related to e-bidding.

Recommendation 5: Local government entities should request that their e-bidding service provider offer a training seminar to vendors.

APPENDIX A: Scope and Methodology for Survey

- Working with staff from the Advisory Services Division (ASD) of the Louisiana Legislative Auditor's Office, the audit team decided to judgmentally survey all non-exempt parish governments, municipalities, and their corresponding school boards and sheriff's offices. The ASD regularly works with local government entities and agreed that these groups would be appropriate.
- The audit team used the *Louisiana Police Jury Manual* and population counts from the U.S. Census Bureau to develop a list of entities that met the laws' criteria.
- The audit team used directories from the Louisiana Municipal Association, Louisiana Policy Jury Association, Louisiana School Board Association, and Louisiana Sheriff's Association to develop a list of e-mail addresses for the head of each entity. To confirm this information, the audit team reviewed each entity's Web site and then called each entity to confirm the information and obtain missing information.
- The audit team e-mailed a link to the online survey to the entity heads along with a brief description of the objectives of the audit. After multiple reminder e-mails and extending the deadline to complete the survey, the audit team called each non-responding entity to ask for its participation in the survey so that its response could be included in our analysis. The deadline date for an entity's survey response to be included in our analysis was February 5, 2010. We received two responses (one compliant and one non-compliant) after this deadline and included these entities in the overall compliance calculations. However, we did not include the one late compliant entity's response in the other e-bidding analyses.
- After February 5, 2010, we reviewed the Central Auction House, BidSync, and Bid Express Web sites to see if the non-responding entities had e-bidding systems through these survey providers. We chose these service provider Web sites because they host the e-bidding systems of 96.4% of the compliant entities that responded.

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