

City of Miami

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DATE: March 31, 2016

TO: HONORABLE MAYOR AND COMMISSIONERS

FROM: THEODORE GUBA, CPA, CIA, CFE *Theodore P. Guba*

RE: REQUEST TO PERFORM A REVIEW OF INVITATION FOR BID (IFB) 522382
FROM ENTERPRISE LEASING COMPANY FOR THE RENTAL OF VEHICLES,
ON A CITYWIDE, AS NEEDED BASIS.
REPORT NO. 16-01

On November 23, 2015, a Commissioner requested that we perform a review of the reasonableness of the support surrounding the City of Miami's (City) recommendation of award IFB 522382 for the rental of vehicles, since substantial differences were noted for price comparisons performed between the City IFB, and a similar Miami Dade County (County) procurement.

As a part of the review, we analyzed and compared key supporting information for the City's IFB 522382 and the County's Contract #8809-01/19, interviewed key Procurement and Risk Management department personnel and performed other procedures we deemed necessary.

Overview – our analysis, observations and recommendation are below:

According to the City's Department of Procurement (Procurement) staff, IFB 522382 pertains to the rental of vehicles, primarily for use by the City's Police Department (Police), for a 2-year term (with two 1-year renewal option periods) with Enterprise Leasing of Florida (Enterprise), for an approximate value of \$4.3 million. Our research noted that the previous contract with Enterprise, which was the sole bidder on the current IFB, was for a 5-year period (December 2010 through November 2015). The City's vehicle usage generated rental expenditures of approximately \$6 million as indicated in the table below. It should be noted that \$5.8 million of this amount (or 96.7%) was attributed to Police usage. Also, of the \$5.8 million, \$2.17 million (or 36%) was attributed to SUV usage. Rental expenditures for SUVs across all departments totaled \$2.24 million, or 37.2%. Monthly rental prices for SUVs during this contract period ranged from \$875 to \$920.

Department	Total Rental Car Expenditures	Percentage	SUV Rental Expenditures	SUV Percentage of Total Rental Car Expenditures (\$6 million)
Miami Fire Rescue	\$86,561	1.44%	\$70,134	1.16%
Miami Police Department	5,822,101	96.66%	2,167,592	35.99%
Parks Department	114,501	1.90%	0	0.00%
USAR Office	319	0.01%	319	0.01%
Totals	\$6,023,481	100.00%	\$2,238,045	37.16%

Differences between the Miami-Dade County Contract and the City's IFB

We analyzed components of the City's IFB and compared them with certain terms of Miami-Dade County's (County) Contract #8809-0/19 with Royal Rent-A-Car (Royal) for the rental of vehicles. This similar contract was for 5 years with an approximate value of \$24 million. Specifically, we compared the monthly rental pricing for the same vehicles from the City's bid with the County's contract. As indicated in the schedule below, the estimated price difference (based on a 2-year term) between the County's contract and the City's proposed contract with Enterprise, is \$707,808, or an average difference of 14%. It should be noted that the estimated difference between City and County SUV prices is \$497,640, which is a difference of 39% and represents 67% of the total estimated price difference. The remaining difference is mainly attributable to Compact Sedans (20%), Pick-up Trucks (21%), and Luxury vehicles (22%). In addition, the City's total SUV usage is estimated at 65 vehicles, or 30.7% of the estimated 212 vehicles estimated to be used. Therefore, the City's SUV usage, as a percentage of all vehicle types used, far exceeds the County's usage of only 30 SUVs out of a total of 417 vehicles, or 7%.

**Estimated Price Comparison between City and County Contracts
Based on a Two Year Term**

City of Miami IFB 522382					Miami-Dade County (County) Contract 8809-0/19			Estimated Difference between City and County	
Enterprise Leasing					Royal Rent-A-Car				
Vehicle Type	Term (months)	Est. Qty	Unit Price	Total Estimated Price (2 years)	Qty	Unit Price	Total Estimated Price (2 years)	Estimated Price Difference	% Price Difference
Compact Sedan (2 Door)	24	30	\$650	\$468,000	5	\$540 *	\$388,800	\$79,200	20%
Compact Sedan (4 Door)	24	30	\$650	\$468,000	5	\$648	\$466,560	\$1,440	0%
Mid-size Sedan (2 & 4 Door)	24	40	\$694	\$666,240	220	\$668	\$641,280	\$24,960	4%
Full-size Sedan (2 & 4 Door)	24	10	\$746	\$179,040	16	\$712	\$170,880	\$8,160	5%
Pick-up Truck	24	15	\$863	\$310,680	75	\$712 *	\$256,320	\$54,360	21%
Sports Utility Vehicle (SUV)	24	65	\$1,144	\$1,784,640	30	\$825 *	\$1,287,000	\$497,640	39%
Sports/Sporty Car	24	1	\$795	\$19,080	5	\$720	\$17,280	\$1,800	10%
Vans	24	15	\$787	\$283,320	23	\$742	\$267,120	\$16,200	6%
Large Van (14-16 Passengers)	24	1	\$844	\$20,256	22	\$742	\$17,808	\$2,448	14%
Luxury	24	5	\$1,005	\$120,600	16	\$825 *	\$99,000	\$21,600	22%
Totals		212		\$4,319,856	417		\$3,612,048	\$707,808	14.1% (average)

*It should be noted that according to the County contract award sheet, losing bidder Enterprise submitted the following unit monthly prices: Compact Sedan \$638; Pick-up Trucks \$782, SUV \$1,013, and Luxury vehicles \$922.

Factors Attributing to Estimated Price Differences

According to Procurement and the City's Department of Risk Management (Risk) staff, the differences described above may be attributed to the following factors:

Time-period covering the County Contract – Prices listed above pertain to a contract that was in effect approximately one year ago. As such, rental car prices could have been affected by market forces such as fuel prices, as well as the demand for certain types of vehicles.

County's Economy of Scale Compared to the City's – The County is larger than the City in geographic area and purchasing power. It uses more vehicles than the City as evidenced by the size of its contract amount – around \$24 million (five year period) compared to the City's estimated \$4.3 million (two year period).

Insurance Requirements Imposed by the City – The City’s insurance requirements are more demanding than the County’s which offers vendors indemnification of third parties, which is less financially burdensome to vendors. We were also informed that large companies, like Enterprise, might carry over \$1 million in coverage in the normal course of doing business. Also, even if such companies were “self-insured”, the State of Florida’s stringent vetting procedures for self-insured companies would provide the assurance that coverage is adequate.

Other factors – The government competitive selection process is laborious for some companies. Also, companies might be adverse to their pricing structures being subject to public scrutiny (i.e., scrutiny by their competitors).

Lack of Competitive Bids

Due to various factors, three separate invitations to bid were issued on this procurement on November 25, 2014, August 4, 2015, and September 21, 2015, to eight, ten, and ten vendors, respectively. For all three solicitations, Enterprise was the sole bidder. It should be noted that the County received and accepted bids from two vendors; a third vendor’s bid was deemed incomplete and non-responsive.

RECOMMENDATION:

- Based on the fact that the City uses over 100% more SUV vehicles (65 vehicles) compared to the County (30 vehicles), we recommend that City management consider re-negotiating with Enterprise for an SUV price and other prices that are more favorable to the City. As an example, it should be noted that based on the City’s 2-year term, a \$100 dollar reduction in monthly SUV pricing would yield a savings of approximately \$156,000. Similar \$100 reductions in monthly rates would translate to additional savings totaling \$120,000 for Sedans (\$72,000), Pick-up Trucks (\$36,000), and Luxury vehicles (\$12,000).
- The City should reach out to rental car companies in order to determine the reasons why potential vendors did not bid on this City procurement. If they determine that a qualified pool of vendors will submit bids, consideration should be given to issue a new IFB.

MANAGEMENT RESPONSE:

Procurement, pursuant to the City’s Procurement Code and prior to the award recommendation, issued a Best and Final Offer (BAFO) to the sole responsive and responsible bidder, Enterprise Leasing. The BAFO yielded no additional savings to the City. The City would in fact benefit from further negotiating with Enterprise Leasing to attain better pricing.

Upon receipt of the sole bid, and in accordance with Procurement internal policies, a survey (see attached) was sent via email to all firms that were notified through the Oracle system and did not bid, to determine if there were barriers that deterred them from bidding. Only one firm (Royal Rent-A-Car) replied by stating that they did not receive the solicitation. It is important to note that the Director of Procurement emailed several firms, including Royal Rent-A-Car, prior to the advertisement of the solicitation, to encourage the firms to participate in the bidding process. A solicitation for rental of vehicles was advertised three (3) times and yielded the same results each time; a sole responsive and responsible bidder, Enterprise Leasing. Based on

Procurement's efforts to elicit competition, to get the best pricing for the City, it is Procurement's recommendation to further negotiate with Enterprise Leasing. Procuring a fourth time, with a likelihood of getting the same results is not productive, costly due to re-procurement costs, nor is in the City's best interest.

We wish to express our appreciation for the cooperation and courtesies extended to us by the Procurement and Risk Department staff while conducting the review.

cc: Daniel J. Alfonso, City Manager
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