



State of Rhode Island and Providence Plantations

Department of Administration
BUREAU OF AUDITS
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October 22, 2015

Ms. Nancy McIntyre
Chief Purchasing Agent
Department of Administration
One Capitol Hill
Providence, RI 02908-5855

Dear Ms. McIntyre:

At the request of the Department of Administration Director, the Bureau of Audits completed a review of State agencies' usage of Master Price Agreement 417 (MPA-417), "Media Buying Services." The review was conducted in accordance with Rhode Island General Law (RIGL) §35-7-3 to determine the extent of vendor compliance with the provisions of MPA-417.

We would like to express our sincere appreciation to the Division of Purchases, Department of Health, Department of Transportation and the Rhode Island Lottery staffs for their cooperation and courtesies extended to the members of our team during the course of this audit.

Respectfully yours,

Dorothy Z. Pascale, CPA
Chief

c: Michael DiBiase, Director, Department of Administration
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Raymond Gallison, Chairperson, House Finance Committee
Marc Leonetti, Controller, Department of Administration



AUDIT Executive Summary

Why the Bureau Did This Review

At the request of the Director of Administration, the Bureau conducted an audit of the vendor's compliance with the provisions of Master Price Agreement (MPA) #417 "Media Buying Services." This audit was performed in an effort to determine if the MPA provisions are being properly adhered to and if the MPA provides the State with an efficient and effective method for the procurement of advertising.

Background Information

The current version of MPA-417 became effective on January 1, 2012, and expires on September 30, 2015. The MPA outlines the procedures State departments and agencies should follow to procure services for placement of advertising spots, with media outlets. This MPA allows State departments and agencies, with delegated authority, to bypass the services of the vendor and engage the media outlets directly, avoiding the vendor's commission, if it results in a lower cost.

The Bureau Recommends:

Future Master Price Agreements should require the vendor to provide consistent supporting documentation to all user agencies.

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Background

At the request of the Director of Administration, the Bureau conducted a review of MPA-417. This MPA dictates how State departments and agencies acquire media buying services and establishes the commission rate.

The current version of MPA-417 became effective on January 1, 2012, and will expire on September 30, 2015. The MPA outlines the procedures State departments and agencies should follow to procure advertising space or time, either in print or air time, among various mediums, including, but not limited to television, radio, print, internet and social media, public service announcements, outdoor, posters, brochures/flyers, other promotional materials, multi-cultural avenues and multi-media. There is, however, no guarantee of any level of purchasing activity on behalf of the State according to MPA-417 terms. The Division of Purchases, on behalf of any State agency, reserves the right to contract directly with any media organization and not utilize the MPA. The MPA was awarded for a three- (3-) year duration, with two (2) one- (1-) year extensions at the option of the Division of Purchases. The vendor's responsibilities under this MPA include:

- Media planning and placement for television, radio, print, internet, public service announcements, outdoor, posters, brochures/flyers, other promotional materials, multicultural avenues and multi-media.
- Purchase advertising space and time (or other means) for transmitting the State's advertising, whether created by a contractor, in-house or otherwise.
- Analysis of media buys for television, radio, etc., as well as the preparing of various ad-hoc reports and/or analysis.
- Prepare verification reports that all media placement was run in conformance with the billing submitted.
- Negotiate the best rates for each using Agency, Municipality, etc., and the State as a whole.
- Provide recommendations to the State on potential cost-reduction ideas related to media.
- Provide detailed media placement reports.
- Conduct and report post-buy analyses.
- Provide regular billing and financial reports as required by the State.
- Provide performance analytics in order to manage media buying spend.
- Develop, implement, as well as manage, efficient account and financial management practices that allow each project to be successfully executed within State parameters.

- Secure all legal clearances, consents, permissions and implementing tax withholdings and other procedures as required by law for any creative services provided.
- RDW shall subscribe to SQAD NetCosts and shall submit quarterly reports of the savings achieved in a format which shall be agreed to by the Parties in writing prior to the submission of the first quarterly report. Additionally, for any media buying where SQAD NetCosts is not applicable, the Parties shall agree to an appropriate benchmark to measure performance.

Recommendation for Improved Control

Our audit of MPA-417 found no significant discrepancies between the contractual requirements of MPA-417 and the services provided or charged by the vendor.

We did note inconsistencies with the supporting documentation provided to the agencies from the vendor.

- One State agency received only an invoice from the vendor, which showed the amount due to the media outlet and the vendor's commission.
- The second State agency received the vendor invoice, but also received copies of the underlying media outlets' invoices.
- The third State agency paid the media outlets directly. Their invoices from the vendor were for commissions only.

Recommendation:

- 1.) Division of Purchases should include language in future MPA's that require the vendor to consistently provide details to support the amounts charged to all users of the MPA.

Management's Response:

The Division of Purchases acknowledges the deficiencies in the 2012 solicitation (request for proposals) for MPA-417 services. The purchase order for MPA-417 services was for a three (3) year term, with an option to renew for two (2) one (1) year terms. The initial contract expired on/about September 30, 2015. The Division of Purchases extended the contract with the current MPA-417 vendor for three (3) months, through December 31, 2015 so as to allow an opportunity to issue a new solicitation with revised specifications for MPA-417 services. The new solicitation (RFP# 7549921) was issued on September 29, 2015. RFP# 7549921 addresses the Bureau of Audits recommendation in that it requires the vendor(s) to consistently provide details to support the amount charged to all MPA-417 users. The deadline for submitting proposals in response to RFP# 7549921 is October 26, 2015.

Responsible Party:

Nancy R. McIntyre, State Purchasing Agent

Lisa Hill, Chief Buyer

Anticipated Completion Date:

The deadline for submitting proposals in response to RFP# 7549921 is October 26, 2015. Any proposals received shall be referred to a technical review committee for evaluation. The Division of Purchases anticipates that a contract for MPA-417 services under RFP# 7549921 shall be awarded before December 31, 2015.

Objective and Scope

The Bureau of Audits (Bureau) performed a vendor compliance review of the Division of Purchases Master Price Agreement 417 (MPA-417), "Media Buying Services." Our audit focused upon the contract terms in effect, and activity recorded, during the time period of January 1, 2012, to May 5, 2015. This review had one main objective: determine if the provisions of MPA-417 were followed by RDW Group (vendor).

Based on the recommendation of the State Controller, the Bureau focused its testing to three State agencies:

- Department of Health (DOH)
- Department of Transportation (DOT)
- Rhode Island Lottery (Lottery)

These agencies were high volume users of MPA-417 and offered a diverse range of advertising campaigns. The Department of Health provided documentation for one campaign, with a "not to exceed amount" of \$90,000. The Department of Transportation provided documentation for four invoices totaling \$76,460.96. The Rhode Island Lottery provided twelve invoices totaling \$6,667.80.

Methodology

We performed the following tasks to meet our objectives:

- Met with the State Controller and contacted representatives from the DOH, DOT and Lottery, requesting copies of invoices and supporting documentation, to obtain an understanding of the process.
- Reviewed the requirements of MPA-417
- Examined vendor invoices to verify appropriateness of commissions charged.
- Examined supporting documentation to verify compliance with MPA requirements.