

King County Election Management System Contract Process

Special Study

Harriet Richardson, Principal Management Auditor

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[Finding 1. The process used to select the proposed vendor was appropriate.](#)

King County issued an RFP for the election management system that provided general evaluation criteria and weights to be used for evaluating proposals and selecting finalists to participate in the oral interview and system demonstration phases of the selection process. Three proposals were received in response to the RFP. To ensure consistency in the ratings, specific evaluation criteria were identified for each of the general evaluation criteria and a point system for scoring the criteria was defined prior to the evaluators beginning the evaluation process. Evaluators were divided into teams, based on their technical expertise, to evaluate specific portions of each proposal. The evaluators assigned points to each criterion for each proposer, wrote comments supporting their scores, and collaborated to establish a team score for each proposal. Based on the total scores, Global Election Systems, Inc. (hereinafter referred to as "Global"), and American Information Systems, Inc., were selected as finalists. A similar process was used to conduct evaluations of the oral interview and demonstration phases.

Audit staff reviewed samples of the evaluators' scores and notes and did not find any significant inconsistencies in the scoring process. When comparing scores assigned by different evaluators, audit staff found that in some instances the scores for specific criteria varied among individual evaluators; however, this had no impact on the final results because all evaluators within a team ranked the proposals in the same order.

Audit staff found that the evaluation process was both well defined and very thorough. Thus, we concluded that the process used to select the proposed vendor was appropriate.

Finding 2. The selected system meets the state and federal certification requirements.

The RFP required that the proposed system be "officially certified for use and sale in the State of Washington by the Secretary of State's Office," and that it also "must have been tested by an approved testing lab to meet approval by the Federal Election Commission (FEC)." The RFP also required that a copy of the state certification and documentation indicating approval by the FEC and the name of the testing lab be included in the proposal. Audit staff found that the proposed vendor, Global, submitted the required copies of the Washington Secretary of State's certification as well as the Wyle Laboratories certification that the balloting system meets the FEC standards.

Finding 3. The county received timely financial reports for the proposed vendor and its primary subcontractor.

The proposals received in response to the RFP were opened on October 17, 1997. Global, the proposed vendor, submitted with its proposal a copy of its audited consolidated financial statements for the periods ending December 31, 1996, and June 30, 1997. (The second set of financial statements was for a six-month period due to a change in Global's fiscal year-end that would be more appropriate to the election cycle.)

Within a few days of opening the proposals, King County Elections staff requested and received copies of the Dun and Bradstreet Supplier Evaluation reports for each company that submitted a proposal, as well as for Prism Systems, Inc. (hereinafter referred to as "Prism"), which was the primary subcontractor for Global. Dun and Bradstreet gave Prism a supplier risk score of 9, which is the highest possible risk rating on a scale of 1 to 9. The Dun and Bradstreet report also showed that Prism averaged almost 90 days to pay its suppliers and that it had several legal judgments against them as well as several pending lawsuits. Based on this information, Elections staff obtained the more detailed "Critical Supplier Analysis Report" from Dun and Bradstreet and current (but unaudited) financial statements for Prism, which provided additional information regarding Prism's financial condition. Elections staff also began following up on the legal actions pending against Prism to determine their current status.

The Critical Supplier Analysis Report further indicated that Prism is a company with major financial difficulties. Based on the information obtained, King County staff negotiated language to be included in the contract with Global to ensure that Global accepted full responsibility for contract performance. Additionally, Global submitted a letter to the county in which it acknowledges its ultimate responsibility for performance of the contract and for any and all subcontractors which it may use, and in which it accepts "responsibility for all the obligations to be performed by Prism in any contract with King County."

Audit staff performed additional work to determine the ability of Prism to meet the financial

obligations of the contract with King County. Prism submitted copies of its balance sheets for 1996 and January through October 1997. These balance sheets revealed that Prism's total liabilities increased 35%, while its total assets increased 138% between December 1996 and October 1997. However, a significant increase of current liabilities (294%) over current assets (138%) resulted in a decrease of Prism's current and quick ratios, from 8.08 to 4.94 and 6.75 to 4.74, respectively. (These ratios provide an assessment of a company's liquidity and measure the degree to which current liabilities can be paid out of current assets (i.e., short-term liquidity). A higher amount of current assets in relation to current liabilities results in a higher ratio and provides greater assurance that the liabilities can be paid out of such assets.) It is also significant, however, that between October 1997 and April 1998, Dun and Bradstreet decreased Prism's supplier risk rating from 9 to 8, and its financial stress rating from 5 to 4 (on a scale of 1 to 5), which indicates that Prism's financial condition is improving. The April 1998 Dun and Bradstreet report also showed that two of the judgments against Prism had been satisfied, one additional judgment had been entered against Prism, and two of the pending lawsuits had been dismissed.

Audit staff also performed work to determine Global's ability to meet the financial obligations of Prism should Prism fail to continue as a going concern. Global's balance sheet for June 30, 1997, showed that Global is in a position to satisfy Prism's financial obligations. Using a conservative approach, audit staff subtracted Global's total liabilities from its current assets and found that the balance of current assets was more than adequate to meet Prism's total liabilities. Considering Global's total assets in the equation puts Global in a more than adequate position to meet these obligations. Additionally, Global's current and quick ratios for June 1997 were 3.53 and 2.7, respectively. According to the Dun and Bradstreet report for Global in October 1997, these ratios had decreased to 3.0 and 1.8, which exceeded the industry averages of 1.9 and 1.1, respectively. Although audit staff cannot provide absolute assurance regarding Global's ability to meet the financial obligations of the contract, we believe that Global's ratios provide a reasonable assurance that these obligations can be met. (It should be noted that the ratios of Prism and Global should not be compared to each other because the companies' primary businesses are not the same - Prism's focus is computer systems analysis and design, and Global's focus is electronic voting equipment and software. It should also be noted that Prism's current and quick ratios are significantly higher than Global's primarily because Prism's short-term liabilities are approximately 15% of its total liabilities, whereas Global's short-term liabilities are approximately 85% of its total liabilities. This means that Global's total assets to total liabilities is more parallel to its current ratios, and that Global has a better long-term financial position.)

Finding 4. The partnership between the proposed vendor and its primary subcontractor is too new to determine whether it has a proven track record.

The RFP required vendors submitting proposals to provide a minimum of five references. The proposed vendor, Global, submitted 13 references for itself, as well as an extensive list of current users of its balloting system, and submitted five references for its primary subcontractor, Prism. None of the references provided indicated that Global and Prism had a system in operation anywhere that was similar to that requested by King County, i.e., an integrated ballot tallying and voter registration system. According to the president of Global, there are one or two locations in the United States where both Global and Prism systems are jointly resident; however, the companies have not yet implemented an integrated system anywhere. This is primarily due to the partnership between Global and Prism not being established until late 1996.

Although the partnership has not yet been tested, audit staff do not believe that this, in and of itself, is sufficient reason not to award the election management system contract to Global and Prism.

Global has taken steps to ensure that its partnership with Prism will be successful when implementing a system for King County. These steps include hiring a voter registration project manager and transferring one of Prism's employees to Global. Language has been included in the proposed contract with King County to ensure that, as a Global employee, the former Prism employee will retain access to Prism's software and programming support staff. Additionally, because the software will be placed in escrow, Global would have access to it should Prism not continue as a going concern, and the county would have access to it should Global not continue as a going concern. Audit staff believe that these actions provide a measure of security for the county should problems arise with the Global/Prism partnership.

CONCLUSION

Based on our review, audit staff do not see the proposed contract as high risk. Although there is always some risk that a contractor/vendor will fail to perform, the factors reviewed by audit staff indicate that the process used to select the proposed vendor was appropriate and that the proposed vendor has the financial ability to meet the terms of the contract. It should be emphasized again, however, that we did not review the technical capabilities of the proposed systems and, consequently, cannot provide any assurance regarding the ability of the election management system to meet the county's technical needs.

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