



## REVIEW OF THE COUNTY OF SAN MATEO'S PROCUREMENT OF GOODS

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### ISSUE

Review the County of San Mateo's Procurement Division's procedures for the purchase of goods to determine whether:

- The 2003-2004 San Mateo County Grand Jury Report "Review of San Mateo County Purchasing Division"<sup>1</sup> recommendations have been implemented.
- The Controller's Office 2009 Operational Review of the Procurement Division<sup>2</sup> recommendations have been implemented.

### SUMMARY

Procurement Division (Procurement) buyers and other County of San Mateo (County) department buyers are responsible for the County's procurement of goods and services. The County's FY 2013-2014 expenditures for goods and services was \$299.8 million, of which \$45.9 million was for goods.<sup>3</sup>

Regarding the County's processes related to its procurement of goods, the Grand Jury found that problems identified over 10 years ago by the 2003-2004 San Mateo Civil Grand Jury and other problems identified six years ago by the County's Controller still exist. It also found that, due to the turnover of key staff members, the Procurement Division currently lacks staff with procurement management experience.

According to officials in the County Manager's office, the County is currently "taking steps to update and improve the business processes related to the procurement of goods."<sup>4</sup> In January 2015, the County Manager's Office formed a "Purchasing Compliance Committee" to begin to address the issues related to the procurement of goods. This effort coincides with a new review of the Procurement Division's purchases by the Controller's Office that has not yet been completed.

Whether either of these efforts will result in substantive changes is questionable. This is because prior recommendations by both the Grand Jury (in 2004) and the Controller's office (in 2009) that the Procurement Department agreed to implement were either not done or only partially done.

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<sup>1</sup> "Review of San Mateo County Purchasing Division," 2003-2004 San Mateo County Grand Jury Report. [http://www.sanmateocourt.org/documents/grand\\_jury/2003/smc\\_purchasing.pdf](http://www.sanmateocourt.org/documents/grand_jury/2003/smc_purchasing.pdf).

<sup>2</sup> "San Mateo County Purchasing Operational Review," San Mateo County Controller's Office, June 2009.

<sup>3</sup> Controller's Office, Email received by the Grand Jury, June 5, 2015.

<sup>4</sup> "Summary of Incremental Purchasing Improvements," County of San Mateo Controller's Office, January 9, 2015.

The Grand Jury therefore strongly recommends that the Procurement Division immediately develop a plan to implement all agreed-upon recommendations from all reviews. Such a plan should include an implementation schedule and close monitoring by the County Manager.

The Grand Jury further recommends that the Board of Supervisors direct the County Manager's Office to strengthen the Procurement Division with full-time and procurement experienced leadership. The Procurement Division should identify, follow, and document best practices, provide County department purchasing agents with continued training in these practices, and ensure that department heads are made aware of any new procurement practices.

## BACKGROUND

The Grand Jury decided to review the County Procurement Division's purchase of goods<sup>5</sup> to determine whether the recommendations of the 2003-2004 San Mateo County Civil Grand Jury Report (in its report *Review of San Mateo County Purchasing Division*) and the County Controller recommendations (in his *2009 Operational Review of the Procurement Division*) have been implemented. In general, these recommendations were made to address problems found with purchasing processes, training, and documentation.

In the course of its investigation, the Grand Jury found that the County Manager has designated the Procurement Manager and deputy purchasing agents—the buyers in the Procurement Division and buyers in other County departments—with the authority to purchase goods and contract for services for the County.<sup>6</sup>

The Procurement Division provides procurement services to all County departments. Procurement's role is to obtain maximum value for each dollar spent while maintaining compliance with all relevant County ordinances and policies as well as state and federal laws.<sup>7</sup>

In July 2013, Procurement was transferred to the Human Resources Department (HR). Since the transfer occurred, the Procurement Manager of 27 years and Lead Buyer of 43 years retired in 2013 and 2014, respectively. A new manager was hired in April 2013 but left in September 2013.<sup>8</sup> With the retirement of key staff members, the Risk Manager<sup>9</sup> assumed management of the Procurement Division on a part-time basis, in addition to his duties as Risk Manager.<sup>10</sup>

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<sup>5</sup> The term "goods" refers generally to items that can be seen and touched, such as chairs, computer hardware, hard hats, and automobile parts.

<sup>6</sup> "San Mateo County California Ordinance Code Section 2.83.010. MuniCode San Mateo County. [https://www.municode.com/library/ca/san\\_mateo\\_county/codes/code\\_of\\_ordinances?nodeId=TIT2AD\\_ART2.8INFIPRCOCO\\_CH2.83PUPR\\_2.83.010PUAG](https://www.municode.com/library/ca/san_mateo_county/codes/code_of_ordinances?nodeId=TIT2AD_ART2.8INFIPRCOCO_CH2.83PUPR_2.83.010PUAG).

<sup>7</sup> "Welcome to Procurement," County of San Mateo Human Resources Department, accessed March 16, 2015. <http://hr.smcgov.org/procurement>.

<sup>8</sup> "Procurement Information Request (2010 Follow-up to 2009 Operational Overview)," San Mateo County Controller's Office, January 29, 2015.

<sup>9</sup> A Risk Manager is an individual responsible for managing an organization's risks and minimizing the adverse impact of losses on the achievement of the organization's objectives. <http://www.irmi.com/online/insurance-glossary/terms/r/risk-manager.aspx>.

<sup>10</sup> Official of the County Manager's Office, interview by the Grand Jury, February 13, 2015.

## METHODOLOGY

The Grand Jury interviewed officials in the County Manager's Office and Controller's Office, as well as buyers in the Procurement Division. The Jury also reviewed documents listed in the Bibliography.

## DISCUSSION

After investigating the County's procurement practices, the 2003-2004 Grand Jury Report made nine recommendations: two have been implemented; four have been partially implemented; and three have not yet been implemented (see Appendix A: 2003-2004 San Mateo County Civil Grand Jury Report *Review of San Mateo County Purchasing Division*, which lists the recommendations and the current status of each).

Thereafter, the June 2009 San Mateo County Purchasing Operational Review (Operational Review),<sup>11</sup> conducted by the Controller's Office, listed the following as best practices:

1. All purchases must have legitimate business need or purpose and be properly authorized in accordance with applicable authority limitations.
2. All goods/supplies must be obtained in the most cost-effective manner. This policy is facilitated by the use of the most appropriate procurement strategy (e.g., bidding, negotiating, vendor agreements, strategic alliance, cooperative agreements, etc.). Cost should look beyond just price and focus on the total procurement and life cycle costs.
3. County as well as vendor employees must conduct business in conformity with ethical standards and all other applicable laws and regulations.
4. As appropriate, agreements (e.g., purchase orders, vendor agreements, etc.) must be properly executed to adequately protect the County's interests. All agreements must have appropriate indemnification language to protect against any potential litigation. All agreements must have description of materials, scope of contracted work, pricing and other pertinent terms in sufficient detail to facilitate compliance checking/monitoring during receiving, payment, audit, etc.
5. Regular evaluation of vendor performance must be done to ensure conformity with agreement provisions, ethical standards, and all other applicable policies and regulations.
6. Adequate segregation of duties must exist among individuals with purchasing responsibilities and also those with receiving and accounting responsibilities.
7. Appropriate capabilities and controls must be incorporated into information system(s), including monitoring, validated fields, threshold and security level controls, etc., that facilitate achieving the control and policy objectives.

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<sup>11</sup> "San Mateo County Purchasing Operational Review," Controller's Office, June 2009.

8. A strategic plan should be developed by and/or for Purchasing Agent through an analysis of County's spending profile and needs that focuses on managing key spending categories and the associated vendors and agreements.

9. There must be a governance model that clearly articulates roles and responsibilities and the underlying regulations to ensure true accountability of all individual participants and units.

10. There must be a professional development plan that provides ongoing training in entity's policies and procedures, applicable laws and regulations and best practices. The plan should include annual updates that cover changes and issues noted from monitoring of purchase transactions.

11. A periodic independent evaluation of the purchasing function should be performed to determine its efficiency and effectiveness.

In addition to listing the above-referenced best practices, the 2009 Operational Review made 12 recommendations. These recommendations were based, in part, on the fact that the Controller found "varying degrees of familiarity with policies, procedures, and best practices among affected personnel. Some basic procedural deficiencies were also noted, such as those relating to vendor selection and retention of the related documentation and price checks on invoices by departments. Such lack of understanding of basic procedures by staff leads to errors and omissions that result in non-compliance with policy and lost savings."

In 2010, the Controller's Office conducted a follow-up to the review and, at that time, only one of the recommendations had been implemented. Eight recommendations still had not been implemented, while others were in progress. Another follow-up, conducted in 2015, shows that only two of its 2009 recommendations have been implemented, six still have not yet been implemented, and the others continue to be in various stages of completion (see Appendix B: *2015 Update to 2009 Operational Overview of the Procurement Division*, which lists the recommendations and the current status of each).

In August 2014, the Controller's Office began a new review designed to analyze all FY 2013-2014 County disbursement transactions. In part, it includes analyzing transactions to determine whether departments are complying with County purchasing policies and procedures. The Controller's Office expects the final results of these new review procedures to be available by the end of FY 2014-2015.

In January 2015, the County Manager's Office formed a Purchasing Compliance Committee (PCC), which includes representatives from various County departments (e.g., Health System, Controller's Office, HR, Public Works, IT, etc.) who have begun to address issues related to the procurement of goods. The Grand Jury's interviews with these committee members indicate that they have identified many of the same areas of concern previously identified by the 2003-2004 Grand Jury and the Controller.

While the Grand Jury was unable to quantify the impact of the County's failure to develop and adhere to best practices, such impact is likely in the millions of dollars. First it should be noted

that the actual amount spent by the County on the purchase of goods each year is not easily determined because the County does not have a system to clearly segregate amounts paid for services from amounts paid for goods. For example, for FY 2013-2014, one official informed the Grand Jury that the amount spent on goods was \$56 million while another informed the Grand Jury that the County could have spent as much as \$87 million to \$100 million on goods, because County departments could circumvent system limitations on such purchases.<sup>12</sup>

The inability of the Procurement Division to definitively answer the question: “How much was spent on goods for FY 2013-2014?” is not only an indication of poor reporting systems; it also demonstrates an inability to utilize existing systems as procurement management tools. Ultimately, the Grand Jury was informed by the Controller’s Office that the expenditure for goods in FY 2013-2014 was \$45.9 million, a figure that surprised the Grand Jury since it was \$10 million less than was reported by the Controller six years earlier in its 2009 Operational Review of the County’s procurement practices. It was also unclear to the Grand Jury how the Controller’s determination of how much the County spent on goods during FY 2013-2014 could be so vastly different from the Procurement Division’s figures.

Whether the County’s current focus on its procurement of goods will address the problems outlined in the 2003-2004 San Mateo County Grand Jury Report *Review of San Mateo County Purchasing Division* and those outlined in the June 2009 *San Mateo County Purchasing Operational Review* remains to be seen. Many of the recommendations made in those reports have been only partially implemented or not implemented at all. No matter how good the Controller’s Office’s recommendations or PCC’s recommendations are, there must be a process in place to ensure that they will actually be implemented. Such a process should include an implementation schedule and close monitoring by the County Manager.

Besides reviewing the implementation status of prior recommendations, the Grand Jury found that it is unclear who is responsible for the purchasing process. There are no established best procurement practices procedures—each department follows its own purchasing policy. There are purchasing limits, but department heads throughout the county are responsible for ensuring that their own purchases stay within specified limits. Only random manual checks can determine whether or not limits are adhered to and if they are not, there are no consequences.

Since the retirement, after 27 years, of the Procurement Manager and the hiring of another manager who only stayed for six months, the Procurement Division has not had a full-time manager. The current Procurement Manager, while having years of management experience and an extensive background in Risk Management, manages both the Risk Management and the Procurement Divisions, and Procurement therefore does not get the full-time management that it needs.

There is no training for new buyers, who cannot rely on the County’s procurement procedures manual because it is incomplete and outdated. There is no system in place to know when purchases are out of compliance with federal or state laws, or County ordinances. One buyer, for example, was surprised to learn that the County has a “green” policy.

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<sup>12</sup> Official from County Manager’s Office, interview by the Grand Jury, January 12, 2015.

Representatives from many County departments, who are “customers” of the Procurement Division, informed the Grand Jury that they consider the Procurement Division to be a roadblock to the prompt delivery of required goods. This causes some departments to “go around” the system in order to get what they require to get their work done. Interviewees indicated that communication is poor between departments and the Procurement Division and that Procurement staff does not demonstrate positive customer-service skills. They further noted that the working relationships within the Procurement Division itself appeared to be negative and unfriendly.

This Grand Jury’s investigation revealed a lack of full-time procurement management expertise in the Procurement Division and a lack of follow-through by the division on the implementation of agreed-upon recommendations. The Grand Jury also found a lack of managerial oversight, buyer training, a lack of communication, and a lack of tools required to manage countywide procurement properly.

## FINDINGS

- F1. Of the 21 recommendations made by the 2003-2004 San Mateo Civil Grand Jury and the 2009 Operational Review by the Controller’s Office, which the Procurement Division agreed were valid, only four have been fully implemented.
- F2. San Mateo County’s Procurement Division does not have full-time experienced procurement leadership.
- F3. County departments have expressed dissatisfaction with the service provided by the Procurement Division.
- F4. County departments use inconsistent purchasing procedures that may not follow procurement best practices.
- F5. The Procurement Division does not have the necessary systems in place to manage or monitor the purchasing process properly.

## RECOMMENDATIONS

- R1. The Procurement Division should develop a timeline for the implementation of recommendations from the 2003-2004 Grand Jury and the Controller’s 2009 Operational Review, as well as any recommendations resulting from the Controller’s Office’s and PCC’s current reviews. This timeline should include regular updates from the Procurement Division directly to the County Manager.
- R2. The County Manager’s Office should strengthen the Procurement Division with full-time procurement-experienced leadership.
- R3. The Procurement Division should provide training and involve procurement staff (both in the Procurement Division and in County departments) in developing, understanding, and implementing professional performance standards.
- R4. The Procurement Division should develop best-practice procedures for purchasing that all County departments must follow.

R5. The Procurement Division should work closely with the Controller's Office to develop reports necessary to manage and monitor procurement.

#### REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the Grand Jury requests responses as follows:

From the following governing bodies:

- San Mateo County Board of Supervisors

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

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## APPENDIX A RECOMMENDATIONS FROM THE 2003-2004 SAN MATEO COUNTY CIVIL GRAND JURY REPORT *REVIEW OF SAN MATEO COUNTY PURCHASING DIVISION*

The recommendations (Rx) shown below are the recommendations made by the 2003-2004 Grand Jury, the responses are those made by the County Manager's Office, and the bold italic is an update by the current Grand Jury.

R1. The Board of Supervisors should ensure that funding for the upgrade to the IFAS<sup>13</sup> system includes a new purchasing module that is installed concurrent with the new accounting system modules.

Response: Concur. The Controller plans to complete an upgrade to the IFAS system during FY 2004-05. This upgrade includes an upgrade of the purchasing module.

***Implemented: Since 1995, the County has utilized the IFAS purchasing module. In 2005, the purchasing module was upgraded to include online workflow functions to facilitate the online review and approval of purchase orders.***

R2. The Controller should evaluate the IFAS purchasing module and ensure electronic order entry is installed, including purchase order submission edits prior to downstream processing.

Response: Concur. After implementation of the IFAS upgrade during FY 2004-05, Employee and Public Services and the Controller will seek funding from the Board of Supervisors to evaluate the ability of the purchasing module to meet the requirements of this recommendation.

***Not Implemented: Data entry problems related to entering VA numbers in the Accounts Payable module were still an issue in the 2009 Operational Review. Custom countywide reports were created to help Procurement manage its VAs. According to the Controller's Office, in addition to continuing to provide training to system users, potential improvements will be identified and pursued after the AVAS (Vendor Agreement database) system is replaced by the County.***

R3.1 Provide the Controller with input to the order entry edits that would be appropriate on purchase orders, and with types of reports the system should generate for Purchasing Division analysis, and evidence of non-compliance with County policy.

Response: Concur. The Purchasing Manager will work closely with the Controller's staff to evaluate the impact of the IFAS upgrade to be implemented in FY 2004-05, and to identify any additional information requirements. The Purchasing Division and the Controller work together regularly on the functionality of the IFAS purchasing module. For example, Controller's staff has attended Purchasing staff meetings twice in the last eighteen months. Likewise, the Purchasing Manager is an active member of the Controller's IFAS Steering Committee.

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<sup>13</sup> IFAS (Integrated Financial Accounting Solutions) is financial accounting software that, among other things, routes purchase requests through the approval process and to the appropriate individuals/managers for approval and processing. This system is managed by the Controller which means that all software updates to this system and development of all new custom report requests are handled by the Controller's Office.

***Not implemented: Data entry problems related to entering VA numbers in the Accounts Payable module were still an issue in the 2009 Operational Review. Custom countywide reports were created to help Procurement manage its VAs.***

R3.2 Survey all departments for suggestions to expand the types of goods that may be purchased using vendor agreements, and document a plan to aggressively negotiate these agreements.

Response: Concur. Purchasing will incorporate this recommendation into its annual survey of departmental purchasing representatives. Additionally, departmental purchasing representatives will be reminded that they can request a vendor agreement any time the department believes it would be beneficial. The current *Purchasing Customer Guide* provided to all department purchasing representatives encourages departments to request a new vendor agreement anytime a department's annual spending on a commodity exceeds \$5,000 and/or requires a minimum of 12 purchases per year. The Purchasing Manager emphasizes this at all training sessions and the Buyers routinely receive and process these requests.

In the last fiscal year the Purchasing Manager has met with the following departments to analyze their overall vendor agreement strategy: Sheriff's Office (bio-terrorism commodities, general commodities), San Mateo Medical Center (food commodities, general commodities), Public Health (food commodities), Information Services (computers, servers, cell phones, general commodities), Court (files, general commodities), and the Human Services Agency (printing needs not provided by the Copy Center).

***Implemented: The Purchasing Customer Guide does encourage departments to use VAs. Reports are currently available to monitor, across department lines, purchases made without VAs to same vendors so that the use of a VA agreement might be considered.<sup>14</sup>***

R3.3 Update the purchasing guidelines to require electronic forms of purchase order submission and e-mail for communications regarding order clarifications or problems.

Response: Concur. We agree that e-mail and/or electronic notification/communication of submissions and approvals will benefit the system and speed up the purchasing process. The Controller expects that the new IFAS purchasing upgrade will include this technology. Once the FY 2004-05 IFAS upgrade is implemented, Purchasing will update its guidelines accordingly.

***Partially Implemented: Although the Purchasing Customer Guide has not been updated this information is provided in the County's IFAS Purchase Order training class. With the 2005 IFAS implementation of purchasing workflow functions, purchase orders are reviewed and approved online and related notifications are automatically sent via email. In addition, IFAS users also have the ability to attach digital documents to purchase orders in IFAS.***

R3.4 Conduct formal training sessions for all new Customer purchasing representatives at least two times per year.

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<sup>14</sup> Individual from Controller's Office, interview by the Grand Jury, April 15, 2015.

Response: Concur. [Listed classes held in 2003, to be held in 2004 and 2005] In addition, Purchasing personnel work with departmental staff on a daily basis, offering guidance on County purchasing policy and procedure.

***Not Implemented: This recommendation has not been implemented in the sense that Procurement itself does not provide staff “formal training” at least twice a year.***

R3.5 Conduct a focus group at least once per year for discussion of process improvements and feedback between the Purchasing Division and customer departments.

Response: Concur. Purchasing includes time for discussion of improvements and feedback at all its Departmental training sessions.

***Partially Implemented: Focus groups have not met at least once per year, however, in January 2015, a focus group started discussion of process improvements and feedback between Procurement and Customer departments.***

R3.6 Provide buyers formal education or training in their respective specialty areas.

Response: Concur. Purchasing staff identify training/education opportunities that would be beneficial to them, and based on need and resources, are sent to these programs. Training will continue to be encouraged. [Listed 2003 and 2004 training sessions.]

***Partially Implemented: This recommendation has not been implemented in the sense that Procurement itself does not provide staff “formal training” at least twice a year. However, several members of the purchasing staff have attended the Annual Conference held by the California Association of Public Procurement Officers and others have attended local meetings and webinars.***

R4. The Controller should, not less frequently than annually, through its Internal Auditing Department, comply with Section 2.92.020(c) of the County Codes, which states “The Controller shall periodically conduct an audit of each Department to which purchasing authority has been delegated and shall submit a copy of any audit findings to the County Manager.

Response: Concur in part. The Controller complies with the requirements of the Section 2.92.020(c) of the County Codes using an approach designed to cost effectively reduce risks associated with the purchasing function. The Controller conducts countywide surveys to identify potential risks related to the purchasing and payment cycle. The results provide the Controller a basis for planning its purchasing related audit work. As part of the Controller’s scheduled audits of departments, the Controller reviews internal controls over the purchasing function. The Controller coordinates with the Accounts Payable section of the Controller’s Office to identify and follow up exceptions in accounts payable transactions that indicate significant internal control risks. All findings and recommendations are reported to the County Manager.

The Internal Audit Division complies with the professional standards for the practice in Internal Audits. Section 2000 of the Institute of Internal Auditors (IIA) standards states that a risk-based assessment should be used to determine the priorities of the internal audit activity. Accordingly,

all audit work performed by the Internal Audit Division, with the exception of mandated audits, are based on risk analysis.

The Controller agrees that purchasing functions performed by County Departments should be audited; however, the frequency and the scope of such audits should be based on the results of risk analysis rather than a pre-determined schedule.

***Partially Implemented: Risk analysis is the primary means to determine whether or not an operational audit will be conducted. The Controller's office will conduct a follow-up audit in FY 15-16 and started a new review of disbursement transactions in August 2014, which includes analyzing transactions to determine if Departments are complying with County purchasing procedures, which has not yet been completed.***

## APPENDIX B 2015 UPDATE TO 2009 OPERATIONAL OVERVIEW OF THE PROCUREMENT DIVISION: RECOMMENDATIONS<sup>15</sup>

In 2009, the Controller's Office conducted an operational overview of the Procurement Division. In 2010, the Controller's Office conducted a follow up to the 2009 Operational Overview. In 2015, there was another update on the status of the 2009 Operational Review recommendations. **A follow-up audit will be conducted in FY 2015-2016:**

The recommendations (Rx) shown below are the recommendations made by the 2009-Operational Overview of the Procurement Division, status updates are listed by year and the bold italic is an update by the current Grand Jury.

R1: Management to instruct department heads regarding compliance with policy and IFAS data entry requirements.

2010: The Deputy County Manager presented a memo in an Executive council meeting on January 25<sup>th</sup>, 2010.

Management Response: 1) All department Purchasing and Fiscal representatives have been notified and have been given a sample illustration of the AP screen; 2) Correct entry of VA numbers in IFAS now a part of IFAS AP training. Subject will be a part of all future Purchasing training; and 3) Purchasing updates vendor agreements as quickly as time allows. The process is ongoing.

2015: Procurement met with several departments to train staff on correct coding of items purchased through vendor agreements. All IFAS users were instructed to enter VA number in the Contract field (via POUPPR or APOHBTUB screens). This is also included in training materials and courses.

Custom countywide reports were created to help Procurement manage its VAs.

***Implemented: The Purchasing Customer Guide has no reference to POUPPR screen. (The Guide does refer to the Open Hold Batch Update screen (aka, APOHBTUB) in section 2, page 3.) As of year-end 2014 20% of VAs were expired.***

R2. Create professional development plan for department buyers.

2010: Not implemented.

Management Response: 1) A process for renewal of expired vendor agreements and to identify possible new vendor agreements has been established; 2) Monthly buyer review has been established; standard purchasing process will be followed.

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<sup>15</sup> "Procurement Information Request (2010 Follow-up to 2009 Operational Overview)."

2015: Not fully implemented. The Procurement User Group (PUG) and the Procurement Compliance Committee (PCC) will make recommendations about training to the DDHR (Deputy Director of Human Resources). Also see status of recommendation #10.

***Not fully implemented although the PCC has started work in January 2015 to improve procurement activities.***

R3. Responsibilities for an overall Procurement strategy need to be clearly defined.

2010: In progress. Internal Audit provided reports that shows that 45 major commodity vendors did not have a VA number in IFAS.

Management Response: 1) Of the 45 vendors/commodities on the list or 11 are appropriate for vendor agreements (the report notes that Purchasing was unable to provide support for the process or basis used for their determination). Of the 11, 5 of the vendors or commodities are current active vendor agreements; 2) The balance will be addressed.

2015: Although there is no documented process for an overall strategy, Procurement uses multiple avenues for procuring goods such as bids, RFPs, co-optable/piggyback contracts, and VAs.

The DDHR believes that PUG and PCC will address best practices such as quarterly vendor analysis of spend, price verifications, co-optable contract compliance, etc. The DDHR acknowledges that ultimately, the responsibility for strategy lies with the Procurement Manager/DDHR.

***No documented process for an overall strategy or responsibilities.***

R4. Buying through VA vendors who have websites that support e-Procurement.

2010: Not implemented.

Management Response: Purchasing solicits vendor agreements using competitive pricing or through the use of state and local government competitively bid contracts. If vendors have web purchasing available with required restrictions and approvals then it will be used. Web buying is not a requirement.

2015: Per DDHR, the majority of the County's vendors do not offer e-Procurement. Office Depot has been done. Grainger is under discussion at the PCC as the next one.

***Partially Implemented: The County uses the Caduceus procurement and materials management system to electronically place purchase orders for goods used by the Medical Center. For calendar year 2014, \$6,806,082 was purchased and paid to 282 different vendors via use of the County's Caduceus system. Furthermore, the County is planning to evaluate and implement an e-Procurement system to be used countywide.***



R5. Procurement to proactively monitor and manage countywide Procurement. Examples of monitoring include: purchases exceeding VA thresholds made from non-VA vendors and regular competitive analysis on VA prices.

2010: In progress.

Managements Response: See recommendation 3.

2015: While no formal documented procedures exist, on a monthly basis, the buyer reviews VAs due to expire within the next 30 days, runs a spend analysis, verifies with user department if it is still needed, and renews.

Countywide reports have been created by SunGard, the vendor for the County's financial system. These reports provide information to support Procurement to better manage vendor agreements, and also areas where competitive bidding, co-opt able contracts may be used to achieve cost savings for the County. This will be a project for the PUG/PCC.

***Not Implemented: Procurement activities for purchases under \$5,000 are monitored and managed by individual Departments. According to a County Official, for Procurement to proactively manage such purchases would be inefficient given the expertise of department heads and unworkable under current staffing constraints. Purchases over \$5,000 are the responsibility of the Procurement Division.***

R6. Procurement should review expired Vendor Agreements for cost savings opportunities.

2010: Not implemented.

Management Response: 1) All expired vendor agreements, current vendor agreements, and possible new vendor agreements are reviewed with each buyer monthly. Purchasing updates expired vendor agreements as buy time allows; 2) Purchasing has responded to the list provided by IA (internal audit); 3) Buyers notes, communication, and vendor price offerings are maintained in the vendor agreement file.

2015: Although there is no formal documented process for the review of expired VAs, please see above for the informal process. This will be a project for the PUG/PCC.

***Not Implemented: Formal documented process does not exist for review of expired VAs. As of yearend 2014, 20% of VAs were expired.***

R7. Procurement should implement a formal documented process for vendor evaluation.

2010: Not implemented.

Management Response: A formal process has not been addressed. Purchasing does not agree that failure of having a formal evaluation process of all vendors undermines our ability to comply with laws and to have fair and open competition.

2015: There is no formal documented process for vendor evaluation. This will be a project for the PUG/PCC.

***Not Implemented: Formal documented process does not exist for vendor evaluation.***

R8. Procurement should establish clear guidelines for vendor selection and retention of bid/selection documentation.

2010: Not implemented.

Management Response: A formal process has not been addressed. Purchasing does not agree that failure of having a formal evaluation of all vendors undermines our ability to comply with laws and to have fair and open competition.

2015: There is no formal documented process for vendor selection and retention of bid/selection documentation. This will be a project for the PUG/PCC.

***Not Implemented: County departments set their own guidelines/criteria for selecting vendors on their projects.***

R9. Ensure pricing information is available to facilitate checking to invoiced prices.

2010: In Process. Purchasing Manager has communicated to his staff that invoices should have sufficient detail to facilitate price checking.

Management Response: Purchasing includes prices for vendor agreements depending on what makes sense: order release forms in AVAS such as [vendor name], web site contract prices such as [vendor name], formula pricing such as [vendor name], and retail prices such as [vendor name].

2015: Specific pricing information to facilitate checking to invoiced prices is not included in all VAs. This will be a project for the PUG/PCC.

***This recommendation has been partially implemented.***

R10. Evaluate buyer performance on quantitative measures that contribute towards Procurement's overall goals and objectives.

2010: Not implemented.

Management Response: Development is pending.

2015: Per DDHR, self-evaluations were completed by staff in October 2014. Annual evaluations are being delivered now. Goals are being set in the Collaborative Performance Management System (CPMS) system for 2015 and will include quantitative measures like days to complete Purchase Orders (POs), customer satisfaction, total POs processed, etc.

Additionally, Procurement staff participates regularly with California Association of Procurement Officers (CAPPO)<sup>16</sup> meetings/trainings/list servers. Staff has attended the last two annual conferences where 35-40 hours of training / continuing education were provided by CAPPO.

Two Procurement members will sit for the Certified Public Procurement Officer (CPPO).

***Implemented however no Procurement members are yet certified as Certified Public Procurement Officers.***

R11. Procurement should post guides and manual on the Intranet.

2010: Not Implemented.

Management Response: Intranet not currently available.

2015: Not implemented. Per DDHR, PCC will update and post the manuals on the Intranet.

***Has been implemented.***

R12. Automate and streamline Procurement processes where possible so that the necessary monitoring and control capabilities are available to Procurement and other units to proactively manage countywide Procurement and maximize cost saving opportunities.

2010: Not implemented.

Management Response 3<sup>rd</sup> party software has not be explored. Purchasing advocates the development of the IFAS Purchasing module to streamline the process. 3<sup>rd</sup> party software is costly and lacks the interface with IFAS for encumbrances and reporting. If IFAS is not a logical choice for future use the RFP process should be used to find a solution. Purchasing will include the Controller and ISD in the development and evaluation of any RFP.

2015: Not implemented. The DDHR agrees that this will be the function of the PCC and PUG. There has been a great deal of work done around the evaluation and selection of a bid-quote system with vendor management. A system for Procurement will be selected shortly after the contracting system has been selected.

***Not Implemented: The planned selection and implementation of a countywide e-Procurement system will include tools and reports to help monitor and manage procurement activities. In addition, the September 2015 update to IFAS will include 102 new reports and plans for the future include installing an ad hoc report writer all of which should further help Procurement to manage the purchase of goods across the County.***

Issued: July 13, 2015

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<sup>16</sup> CAPPO was formed in 1915 as a nonprofit organization dedicated to maintaining the highest standards of professional behavior and ethical conduct in public procurement. As the oldest public procurement association in the United States, CAPPO works to provide tools to buyers in the public sector that will help them develop their professional skills for their benefit and the benefit of their agencies. <http://www.cappo.org/overview>.



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
County Manager



**Date:** August 31, 2015  
**Board Meeting Date:** October 6, 2015  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** John L. Maltbie, County Manager  
**Subject:** 2014-15 Grand Jury Response – Review of the County of San Mateo's Procurement of Goods

**RECOMMENDATION:**

Approve the Board of Supervisors' response to the 2014-15 Grand Jury Report, "Review of the County of San Mateo's Procurement of Goods."

**BACKGROUND:**

On July 13, 2015, the Grand Jury issued a report on the Procurement of Goods in San Mateo County. The Board of Supervisors is required to submit comments on the recommendations pertaining to the matters under control of the County of San Mateo within 90 days. The County's response to the report is due to the Honorable Carole Groom no later than October 4, 2015.

Acceptance of this report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury recommendations are thoroughly reviewed by the appropriate County departments and that, when appropriate, process improvements are made to improve the quality and efficiency of services provided to the public and other agencies.

**DISCUSSION:**

The Grand Jury made five recommendations in its report. The Board's responses follow each recommendation.

**FINDINGS**

- F1.** Of the 21 recommendations made by the 2003-2004 San Mateo Civil Grand Jury and the 2009 Operational Review by the Controller's Office, which the Procurement Division agreed were valid, only four have been fully implemented.

**Response:** Agree. Of the nine recommendations of the Grand Jury in 2003, four have been implemented, three have been partially implemented, and two are no longer relevant. Of the twelve recommendations from the Controller's Office 2009 report, six have been implemented, one has not been implemented, and four have been partially implemented, and one is no longer relevant. Efforts are currently underway to implement remaining recommendations.

**F2.** San Mateo County's Procurement Division does not have full-time experienced procurement leadership.

**Response:** Partially agree. The Deputy Director of Human Resources currently splits time between two divisions. A dedicated full-time manager will be assigned to the Procurement Division in mid-September.

**F3.** County departments have expressed dissatisfaction with the service provided by the Procurement Division.

**Response:** Partially agree. Customer satisfaction has improved during the last two years. Efforts to enhance customer service are underway, including creation of a Procurement Compliance Committee.

**F4.** County departments use inconsistent purchasing procedures that may not follow procurement best practices.

**Response:** Partially agree. Departments can make purchases up to \$5,000 on a direct basis. The Procurement Division will establish procurement best practices as part of the Procurement Compliance Committee.

**F5.** The Procurement Division does not have the necessary systems in place to manage or monitor the purchasing process properly.

**Response:** Partially agree. The IFAS system is used as a transactional system. Staff are working with the Controller's Office to enhance purchasing system capabilities.

### **Recommendations**

**R1.** The Procurement Division should develop a timeline for the implementation of recommendations from the 2003-04 Grand Jury and the Controller's Office 2009 Operational Review, as well as any recommendations resulting from the Controller's Office's and PCC's current reviews. The timeline should include regular updates from the Procurement Division directly to the County Manager.

**Response:** Agree. Of the nine recommendations of the Grand Jury in 2003, four have been implemented, three have been partially implemented, and two are no longer relevant. Of the twelve recommendations from the Controller's Office 2009 report, six

have been implemented, one has not been implemented, and four have been partially implemented, and one is no longer relevant. A workplan with a timeline will be developed by October 15, 2015 to implement the remainder of the recommendations from the 2003 Grand Jury Report, the 2009 Controller's Office report, and the recommendations from the Purchasing Compliance Committee. The County Manager will receive quarterly updates.

**R2.** The County Manager's Office should strengthen the Procurement Division with full-time procurement-experienced leadership.

**Response:** Partially agree. The County is dedicating an experienced leader/manager on a full time basis to the Procurement Division beginning on September 21, 2015. This manager will drive the implementation of recommendations from the Grand Jury, the Controller and the Purchasing Compliance Committee reports. An experienced procurement professional was leading the department in 2003 and 2009 when all the previous recommendation were made. The failure to fully implement these recommendations should demonstrate this one factor did not impact the success or failure of process improvement.

**R3.** The Procurement Division should provide training and involve procurement staff (both in the Procurement Division and in County Departments) in developing, understanding, and implementing professional performance standards.

**Response:** Agree and partially implemented. The County appropriated funds in the FY 2015-16 Budget for the professional development of staff. Two of the newer staff have prepared for and met the requirements to sit for the California Public Procurement Officer Exam in October 2015. Evaluations, standards, and expectations are provided to the staff. Training for departmental purchasing staff will be outlined in the Purchasing Compliance Committee's upcoming workplan.

**R4.** The Procurement Division should develop best-practice procedures for purchasing that all County departments must follow.

**Response:** Agree. This is the main goal of the Purchasing Compliance Committee Report and workplan. The timeline will be completed and provided to the County Manager by October 15, 2015.

**R5.** The Procurement Division should work closely with the Controller's Office to develop reports necessary to manage and monitor procurement.

**Response:** Agree and partially implemented. The lead buyer for the County has been working with the Controller's Office team on the technical upgrade of IFAS to OneSolution, the new financial accounting system. The discussions of data elements needed for metrics and management of the department are a part of that project.

**FISCAL IMPACT:**

There is no net county cost associated with accepting this report.