



SAN MATEO COUNTY PROCUREMENT DIVISION RECOMMENDATIONS FOLLOW-UP

[Issue](#) | [Summary](#) | [Glossary](#) | [Background](#) | [Discussion](#) | [Findings](#) | [Recommendations](#)
[Requests for Responses](#) | [Methodology](#) | [Bibliography](#) | [Appendixes](#) | [Responses](#)

ISSUE

In its 2014-2015 report, *Review of the County of San Mateo's Procurement of Goods*,¹ the San Mateo County Civil Grand Jury noted that the County's Procurement Division has a history of not following through on recommendations they have agreed to implement. The 2014-2015 report focused on recommendations made by the 2003-2004 Grand Jury and those made in 2009 by the County's Controller to improve service, increase efficiency, and develop better reporting capabilities. The 2016-2017 Grand Jury felt it prudent to follow up on the recommendations set forth in the 2014-2015 report to determine if the Procurement Division has made any progress in implementing those recommendations.

SUMMARY

The 2016-2017 Grand Jury (Grand Jury) was gratified to find that, in January 2015, Procurement Division (Division) management established a Purchasing Compliance Committee (PCC) that reviewed the County's procurement procedures and issued a report to address the Division's problems. The PCC's report ("*Purchasing Redesign Report, Procurement of Goods*") revealed a degree of dysfunction that was startling, identifying 84 recommendations for improving the County's procurement process.

While Division management has made great strides in identifying problems in the County's procurement processes, the Grand Jury has little confidence that the Division will be able to implement any meaningful changes absent significant modifications in the County's organizational structure. The Grand Jury's skepticism stems from its review of the Division's inability to implement changes for more than a decade. For example, the 2003-2004 Grand Jury, the 2014-2015 Grand Jury, and the 2009 Controller's Report made 23 recommendations to improve service, increase efficiency, and develop better reporting capabilities that the Division agreed should be addressed. As of the publication of this report, however:

- Only six recommendations have been implemented
- Thirteen have been partially implemented
- Three have not been implemented
- One is no longer relevant

For FY 2015-16, the County spent more than \$300 million for goods and services.² To taxpayers, this amount is not trivial. Taxpayers deserve tighter control over how the County spends their money.

¹ "Purchasing Redesign Report, Procurement of Goods." San Mateo County Human Resources. June 12, 2015.

² San Mateo County Human Resources and Controller emails to Grand Jury.

Certainly, one cannot hold the new Procurement Manager, hired on January 2, 2017, accountable for past mismanagement and must acknowledge that the new manager has inherited a monumental task to improve the Division's performance.

Based on its investigation, the Grand Jury believes that San Mateo County's reporting structure has led to many of the problems identified with the Procurement Division. The Grand Jury believes that the County's existing organizational structure will hamper the new Procurement Manager's success. More specifically, it is the Grand Jury's opinion that the Procurement Division manager requires sufficient independent authority to implement the changes required. To this end, the County should adhere to recommendations from professional procurement organizations that procurement departments should report to a governing body or chief executive and should be operationally distinct from other departments and divisions.

GLOSSARY

IFAS/OFAS: (Integrated Financial Accounting Solutions or, after update, OneSolution Financial Accounting Solutions) is financial accounting software that routes purchase requests through the approval process and then to the appropriate individuals/managers for approval. The San Mateo County Controllers Office (Controller) manages this system. All software updates to this system and development of all new custom report requests are handled by the Controller's Office.

Procurement Division: A division of the San Mateo County Human Resources Department reporting to the Deputy Director of Human Resources. The Division includes Procurement, Surplus Property and Mail Services. In general, the Division is responsible for procurement of goods and services costing more than \$5,000. Purchasing agents in other County departments may purchase goods and/or services less than \$5,000.³

Purchasing Unit: The *Purchasing Redesign Report, Procurement of Goods*, refers to the Procurement Division as the "Purchasing Unit." However, both the Controller's Office and the Procurement website⁴ refer to the entity as the Procurement Division. Unless otherwise noted, or quoting from the *Purchasing Redesign Report, Procurement of Goods*, this report will use the term Procurement Division or Division.

³ Customer departments may purchase goods up to a \$5,000 limit on a single order or up to \$5,000 per year per vendor, but the departments are not required to use a Purchase Order in the OFAS system. Employees who have been delegated with the proper authority by their department head can make payment from an approved invoice. Services of any amount generally require a contract. Goods and services over \$5,000 generally go through the Procurement Division. However, if a contract for services was awarded between \$5,000 and \$100,000, a department head could execute the contract without using the Procurement Division. Board of Supervisors' approval is required for all contracts – whether for services or goods – which exceed \$100,000, although the Board may approve resolutions delegating such authority to a Department Head in certain situations on a case by case basis. Each Customer department has one or more purchasing representatives who processes purchase requests and obtains approvals within the departments.

⁴ "Welcome to Procurement." County of San Mateo Human Resources Department. Accessed December 15, 2016. <http://hr.smcgov.org/procurement>.

BACKGROUND

When the 2003-04 Grand Jury report was written, Procurement reported directly to the County Manager.⁵ When the 2009 Controller's report was written, Procurement reported to a Deputy County Manager, who reported to the County Manager.⁶ In July 2013, Procurement was transferred to the Human Resources Department (HR). Since the transfer occurred, the Procurement Manager of 27 years, and the Lead Buyer of 43 years, retired in 2013 and 2014, respectively. In April 2013, a new manager was hired but left in September 2013. With the retirement of key staff members, the Risk Manager (Deputy Director of Human Resources) assumed management of the Procurement Division on a part-time basis, in addition to his duties as Risk Manager. An interim full-time manager oversaw the PCC effort from September 2015-December 2016.

The County hired a new Procurement Manager on January 2, 2017, who reports to the Risk Manager. The new Procurement Manager has over 10 years of experience in government and has managed procurement activities for New York City's Department of Health and Department of Education, as well as the San Diego Association of Governments.

Regardless of the management structure, the Procurement Division, has for years, had a history of not following through on recommendations it agreed to implement to improve service, increase efficiency and develop better reporting.⁷

The 2003-2004 Grand Jury made six recommendations that the Procurement Division agreed to implement. Of the six:

- One recommendation has been implemented
- Five recommendations have been partially implemented

In 2009, the Controller's Office issued a *San Mateo County Purchasing Operational Review 2009* (2009 Audit)⁸ which made twelve recommendations, all of which the Procurement Division agreed to implement. On November 18, 2016, the Controller's office published the *Procurement Division Follow-Up Audit Report* (2016 Audit),⁹ to determine the status of the recommendations made in the 2009 Audit. The November 2016 Audit noted that two follow-up reviews performed in 2010 found that only one of the recommendations had been implemented. Further, as of June 2017:

- Four recommendations have been implemented
- Five recommendations have been partially implemented
- Two recommendations have not been implemented
- One recommendation is no longer applicable

⁵ County of San Mateo Controller's Office. "2003 CAFR."

http://controller.smcgov.org/sites/controller.smcgov.org/files/documents/files/1129603652003_CAFR.pdf. Pdf page 22.

⁶ County of San Mateo Controller's Office. "2009 CAFR."

<http://controller.smcgov.org/sites/controller.smcgov.org/files/documents/files/2009CAFR.pdf>. Pdf page 18.

⁷ Appendix A

⁸ "San Mateo County Purchasing Operational Review." County of San Mateo Office of the Controller. June 2009.

⁹ "Procurement Division Follow-Up Audit Report." County of San Mateo Office of the Controller. November 18, 2016.

The 2014-2015 Grand Jury made five recommendations that the Procurement Division agreed to implement. Of those recommendations:

- One recommendation has been implemented
- Three recommendations have been partially implemented
- One recommendation has not been implemented

In January 2015, the Human Resources Department's management created a Procurement Compliance Committee (PCC) to address the problems within the Procurement Division. In June 2015, the PCC published the *Purchasing Redesign Report, Procurement of Goods*.¹⁰ Appendix B shows the findings of that report, which indicate a startling degree of dysfunction. The PCC made 84 recommendations that dealt with issues such as how to:

- Enhance customer service
- Establish procurement best practices
- Develop departmental purchasing staff training
- Work with the Controller's Office to develop reports necessary for the management of the department

While the PCC was able to articulate the problems within the Procurement Division, the committee's lack of procurement expertise resulted in the making of recommendations that interviewees described as impractical. For example, 47 of the 84 recommendations were duplicative, not applicable, or not under the control of the Procurement Division. Although the Procurement Division ultimately implemented eleven of the PCC's recommendations and started work on another thirteen, an additional thirteen of the PCC's recommendations have not yet been implemented.

DISCUSSION

The Grand Jury commends Human Resources management for identifying more problems with the Procurement Division. However, identifying problems has not been as much of an issue as the lack of progress in *fixing* the problems that have been identified.

Nonetheless, the newly identified problems are not trivial and must be addressed immediately. For example, while the Procurement Division's website states: "The Procurement Division provides procurement services to all County departments and acts as a regulatory mechanism to help county departments obtain maximum value for each dollar spent while maintaining compliance with all relevant County, State and Federal laws, ordinances and policies,"¹¹ the PCC's *Purchasing Redesign Report, Procurement of Goods* found, in part, that:

¹⁰ "Purchasing Redesign Report, Procurement of Goods." San Mateo County Human Resources. June 12, 2015.

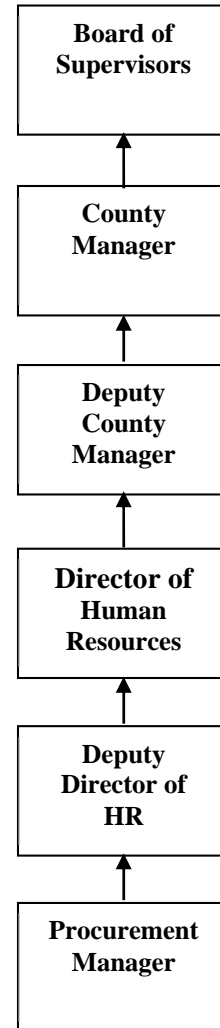
¹¹ "Welcome to Procurement." County of San Mateo Human Resources Department. Accessed December 15, 2016. <http://hr.smcgov.org/procurement>.

- There are no methods to monitor if the County is receiving the best value or if purchases are consistent from one department to another (maybe one department is paying more than another for the same item)
- There is no system in place to determine if/when current processes either save the County money or lose money
- There are no regular reviews of federal or state laws and County ordinances
- There are no systems in place to report when the Purchasing Unit or County departments are out of compliance.

These are serious problems. Procurement’s management has not ensured that the Procurement Division lives up to its own stated function. The County’s unusual reporting structure does not adhere to best practices and may have contributed to the problems with the Division.

The Grand Jury conducted a website search of every county in California to determine to whom the purchasing function reports in the organizational structure and found:

- Eight have no separate purchasing departments
- Two do not have a clear reporting structure
- Eighteen report directly to the Board of Supervisors
- Twenty report to an Administrator/Executive then to the Board of Supervisors
- Seven report to another level then to Administrator/Executive then to the Board of Supervisors
- One reports to two other levels then to Administrator/Executive then to the Board of Supervisors
- Two, including San Mateo County’s Procurement Division, report to three other levels, then to the County Manager, then to the Board of Supervisors.



In San Mateo County, as the chart on the right illustrates, the Procurement Manager reports to the Deputy Director of HR (the Risk Manager) who reports to the Director of Human Resources who reports to a Deputy County Manager who reports to the County Manager who reports to the Board of Supervisors. In the Grand Jury’s opinion, these bureaucratic layers reduce the authority and effectiveness of the procurement function. The table below shows that the County spent an average of \$312,762,621 on goods and services over the last 3 fiscal years—this is not a paltry sum.

FY	Goods \$	Services \$	Total \$
15/16	51,287,286	261,891,060	313,178,346
14/15	48,912,870	276,381,776	325,294,646
13/14	45,966,037	253,848,834	299,814,871

The Procurement Manager is not a department head, and while the job comes with responsibility, in the Grand Jury’s opinion, it does not come with sufficient independent authority to implement the changes required. The County should adhere to the recommendations issued by:

- The Institute for Public Procurement¹²
 - “The optimal organizational model is one in which the professional procurement department holds procurement authority and guides and monitors the procurement processes that take place throughout the public entity. When skilled, professional procurement is buried within an organization and disconnected from the decision making process, key business opportunities, efficiencies and full value for money may be lost.”¹³
 - “Every public entity is encouraged to delegate procurement authority to a Chief Procurement Officer who is accountable to a governing body or chief executive.”¹⁴
- The California Association of Public Procurement Officials, Inc.¹⁵
 - “The placement of Procurement should be operationally distinct from other departments and divisions. The 'Place of Procurement' refers to positioning Procurement within the entity to optimize the influence and impact of Procurement on internal and external stakeholders.”¹⁶

The Procurement Division should not only implement recommendations previously made and agreed to, but also aim for professional excellence by striving to win awards such as the Achievement of Excellence in Procurement (AEP), given by the National Procurement Institute.^{17,18}

¹² The Institute of Public Procurement develops, supports and promotes the public procurement profession through educational and research programs, professional support, technical services and advocacy initiatives that benefit members and constituents since 1944.

¹³ The Institute of Public Procurement. “The Strategic Value of Procurement in Public Entities.” Issued 2015. <https://www.nigp.org/docs/default-source/New-Site/position-papers/strategicvalueofprocurement2015cap.pdf?sfvrsn=2>.

¹⁴ The Institute of Public Procurement. “A position paper from NIGP: Institute for Public Procurement on the Meaning of Procurement Authority and the Importance of its Effective Delegation and Use.” 2014. https://www.nigp.org/docs/default-source/New-Site/position-papers/procurementauthorityinpublicagencies_final.pdf?sfvrsn=2. Page 1.

¹⁵ California Association of Public Procurement Officials, Inc. (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.

¹⁶ California Association of Public Procurement Officials, Inc. “Global Procurement Best Practices.” <http://www.cappo.org/page/BestPractices>. Accessed May 2017.

¹⁷ “About NPI.” “NPI, Leading Excellence in Public Procurement. Accessed December 20, 2016. <https://npiconnection.org/about/index.asp>.

¹⁸ NPI is recognized as the public sector affiliate of the Institute for Supply Management (ISM). ISM is one of the most respected educational associations in the United States. ISM is a communication link with more than 48,000 purchasing and supply management professionals. ISM is a progressive association with a mission to provide national and international leadership in purchasing and materials management, particularly in the areas of education, research and standards of excellence.

In 1995, the National Procurement Institute, Inc. (NPI) established a program designed to recognize organizational excellence in public procurement. The Achievement of Excellence in Procurement® (AEP) is awarded annually. This prestigious award is earned by those organizations that demonstrate excellence by obtaining a high score based on standardized criteria. The criteria are designed to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization.

The criteria for winning the award are explained in the application that is downloadable from the NPI website.¹⁹ In 2016, Alameda, Kern, Los Angeles, Monterey, Orange, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Luis Obispo, Sonoma, and Ventura counties were all AEP Award Recipients. San Mateo County's taxpayers deserve and expect more than mediocrity.

FINDINGS

- F1. With respect to the 2003-2004 Grand Jury recommendations, as of the date of this report:
- One recommendation has been implemented
 - Five recommendations have been partially implemented
- F2. With respect to the 2009 Controller's recommendations, as of the date of this report:
- Four recommendations have been implemented
 - Five recommendations have been partially implemented
 - Two recommendations have not been implemented
 - One recommendation is no longer applicable
- F3. With respect to the 2014-2015 Grand Jury's recommendations, as of the date of this report:
- One recommendation has been implemented
 - Three recommendations have been partially implemented
 - One recommendation has not been implemented
- F4. On January 2, 2017, the County hired a full-time Procurement Manager who has over 10 years of experience in government and has managed procurement activities for New York City's Department of Health and Department of Education, as well as for San Diego's Regional Planning Agency.
- F5. The County's current placement of the Procurement Division within its organizational structure does not follow best practices as recommended by the Institute for Public Procurement and the California Association of Public Procurement Officials, Inc.

Through various resources and a network of 180 affiliated organizations, ISM provides opportunities for expansion of professional skills and knowledge. A not-for-profit association, ISM offers a wide range of educational products and programs.

¹⁹ NPI. "2017 Achievement of Excellence in Procurement Application®."

<https://npiconnection.org/aep/documents/2017AEPApplicationFinal.pdf>.

RECOMMENDATIONS

- R1. The Procurement Division shall report directly to either the County Manager or a Deputy County Manager.
- R2. The Procurement Division shall work toward professional excellence by striving to win the Achievement of Excellence in Procurement (AEP) award, given by the National Procurement Institute.
- R3. The Controller's office shall conduct an audit of the County's procurement practices and procedures no later than December 31, 2018 and publicly publish the results in a BOS meeting.

REQUEST FOR RESPONSES

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

- Recommendations 1 and 2 from the San Mateo County Board of Supervisors
- Recommendation 3 from the San Mateo County Controller

The governing body 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.

METHODOLOGY

Documents

- 2014-2015 Grand Jury Report *Review of the County of San Mateo's Procurement of Goods*
- Controller's *Procurement Division Follow-Up Audit Report*
- Purchasing Compliance Committee's *Purchasing Redesign Report, Procurement of Goods*
- Purchasing Compliance Committee *Implementation Plan*

Interviews

Interviews were conducted with several county officials.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.

BIBLIOGRAPHY

2014-2015 Grand Jury. "Review of the County of San Mateo's Procurement of Goods." July 13, 2015. http://www.sanmateocourt.org/documents/grand_jury/2014/procurement.pdf.

California Association of Public Procurement Officials, Inc. "Global Procurement Best Practices." <http://www.cappo.org/page/BestPractices>. Accessed May 2017.

County of San Mateo Human Resources Department. Email response to Grand Jury inquiry. December 13, 2016.

County of San Mateo Human Resources Department. "PCC Implementation Plan." October 24, 2016.

County of San Mateo Human Resources Department. "Purchasing Redesign Report, Procurement of Goods." June 12, 2015.

County of San Mateo Human Resources Department. "Welcome to Procurement." Accessed December 15, 2016. <http://hr.smcgov.org/procurement>.

County of San Mateo Office of the Controller. "Procurement Division Follow-Up Audit Report." November 18, 2015.

County of San Mateo Office of the Controller. "San Mateo County Purchasing Operational Review." June 2009.

The Institute of Public Procurement. "The Strategic Value of Procurement in Public Entities." Issued 2015. <https://www.nigp.org/docs/default-source/New-Site/position-papers/strategicvalueofprocurement2015cap.pdf?sfvrsn=2>.

The Institute for Public Procurement. "A position paper from NIGP: Institute for Public Procurement on the Meaning of Procurement Authority and the Importance of its Effective Delegation and Use." 2014. https://www.nigp.org/docs/default-source/New-Site/position-papers/procurementauthorityinpublicagencies_final.pdf?sfvrsn=2.

NPI, Leading Excellence in Public Procurement. "About NPI." Accessed December 20, 2016.

NPI. "2017 Achievement of Excellence in Procurement Application®." <https://npiconnection.org/aep/documents/2017AEPApplicationFinal.pdf>.

APPENDIX A STATUS OF IMPLEMENTATION OF PREVIOUSLY MADE RECOMMENDATIONS

2003-2004 GRAND JURY REPORT: SAN MATEO COUNTY PURCHASING DIVISION RECOMMENDATIONS

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.

2003-2004 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.

2014-2015 Grand Jury: Not implemented. Data entry problems related to entering VA²⁰ 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.

2017 Implementation Status: Partially Implemented. We are working with the Controller to do this.

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.

2003-2004 Response: Concur. Purchasing will incorporate this recommendation into its annual survey of departmental purchasing representatives. Additionally, - 2 - 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).

2014-2015 Grand Jury: Implemented. The Purchasing Customer Guide does encourage departments to use VAs. Reports are currently available to monitor, across department

²⁰ VA: Vendor Agreement

lines, purchases made without VAs to same vendors so that the use of a VA agreement might be considered.

2017 Implementation Status: Partially Implemented. We have a committee that meets regularly and we have discussed this issue with that committee and with the Controller. With their help, we have identified some types of goods and services suitable for County-wide agreements and we will be making some of these purchases in the coming year.

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

2003-2004 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.

2014-2015 Grand Jury: 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.

2017 Implementation Status: Partially Implemented. Purchasing Customer Guide still not updated but we have reminded all agencies that OFAS is to be used for requisitions and we no longer accept requisitions in other formats. As mentioned above, this information is provided in the County's Purchase Order training materials.

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

2003-2004 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.

2014-2015 Grand Jury: 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.

2017 Implementation Status: Partially Implemented. This is underway. Training will be made available to all County personnel involved in purchasing by the end of the calendar 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.

2003-2004 Response: Concur. Purchasing includes time for discussion of improvements and feedback at all its Departmental training sessions.

2014-2015 Grand Jury: 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.

2017 Implementation Status: Implemented. We have established the Purchasing Compliance Committee which meets monthly to review and discuss purchasing processes and progress.

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

2003-2004 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.]

2014-2015 Grand Jury: 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.

2017 Implementation Status: Partially Implemented. We are identifying general and specialty courses as appropriate as well as providing in-house training. We also want buyers to be cross-trained to handle a broad range of items.

CONTROLLER'S OFFICE: 2015 UPDATE TO 2009 OPERATIONAL OVERVIEW OF THE PROCUREMENT DIVISION RECOMMENDATIONS

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

Implemented. The Deputy County Manager instructed Department Heads and Fiscal Officers to comply with procurement policy and IFAS/OFAS data entry requirements.

Custom countywide reports were created to help Procurement manage its vendor agreements. All IFAS/OFAS users were instructed to enter vendor agreement number in the contract field (via POUPPR or APOHBTUB screens). This was included in relevant IFAS/OFAS training materials.

R2: Create professional development plan for department buyers.

Partially Implemented. Professional development plans for department buyers are being developed based on the recommendations and findings of the Grand Jury. Audit Division, and the Procurement Compliance Committee (PCC). Procurement is working with other counties to obtain their buyer training materials and to identify best practices.

2017 Implementation Status: Partially Implemented. We agree with this suggestion and plan to do training for the various departments and to use and build on training materials from other organizations. This is slightly complicated by the fact that departments have different personnel assignments and organizational structures, and staff is constantly changing.

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

Partially Implemented. While Procurement does not have a clearly defined strategy, they have taken preliminary actions to define one, including performing workload analysis to better allocate workload amongst the Buyers. Additional research is underway to determine best practices to expedite the current purchasing processes.

2017 Implementation Status: Partially Implemented. The Procurement division should be a value-added resource for the County. To ensure this, we have taken steps to review our processes and to establish, or perhaps more properly, re-establish, County-wide procurement standards and expectations. In addition, we are cross-training buyers, re-distributing workload, and training buyer liaisons at the various agencies.

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

Partially Implemented. Procurement is utilizing web buying options from Office Depot, Grainger and Amazon and will explore feasibility of using more web buying options.

2017 Implementation Status: Implemented. The County's goal should be to obtain products and services that represent the best values for the taxpayers. This

recommendation seems to be based on a limited set of circumstances, as it is not appropriate in all cases. If it refers to developing contracts with suppliers who provide websites through which users can order commodity type goods or services, that is increasingly standard practice, and to the extent that such an option offers value to the County, it may be considered when evaluating competing offers.

R5. Procurement to proactively monitor and manage countywide Procurement. Examples of monitoring include: Purchases exceeding vendor agreement thresholds made from non-vendor agreement vendors Regular competitive analysis on vendor agreement prices.

Not Implemented. Vendor agreement thresholds are not being monitored and competitive analysis on vendor agreement prices is not performed.

2017 Implementation Status: Not Implemented. We agree with this suggestion but currently have no tool to block a purchase that exceeds a vendor agreement. We will address this through informing and training the various departments, as well as turning vendor agreements into formal contracts that result from competitive solicitations. We will also be cooperating with the Controller to monitor the agreements.

R6. Procurement should review expired vendor agreements for cost savings opportunities.

Implemented. All necessary vendor agreements were brought up to date by fiscal year-end 2014/15 and remain so.

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

Not Implemented. There is no formal documented process for vendor evaluation.

2017 Implementation Status: Not Implemented. We raised this issue recently and plan to work with the PCC to develop some metrics that are generally applicable.

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

Partially Implemented. Procurement has developed general guidelines for selecting vendors for a Vendor Agreement and has communicated this to their Buyers.

2017 Implementation Status: Partially Implemented. This is fundamental procurement. State and federal guidelines generally require that bids be awarded to the responsible, responsive bidder offering the lowest price. For RFPs, the award would be to the responsible, responsive proposer offering the best value, which may include, but would not be exclusively the price. We are continuing to develop guidelines for procurement staff as well as county-wide staff, and will conduct training for all those involved in procurement, with the aim of creating a consistent approach. Moreover, we intend to modify our solicitation language to reflect the selection criteria.

R9. Ensure pricing information is available to facilitate verifying prices on invoices match to vendor agreements.

Not Applicable. Specific pricing information to facilitate checking to invoiced prices is included in some but not all vendor agreements. Some vendor agreements are written for physical or local convenience and do not relate to pricing

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

Implemented. As of January 2016, all Buyers have received performance evaluations based on quantitative measures. These measures include purchase order count, purchase order dollars, number of commodities, clients handled by each buyer and other service related measures (customer service level, timeliness of follow-up, etc.).

R11: Procurement should post Purchasing Customer Guide's on the County intranet to provide quick and easy access for departments.

Partially Implemented. The website now includes specific procedures for purchases, supplier registration, Buyer contact information, surplus property sale information and Frequently Asked Questions. The website also now includes listings of current open bids and Requests for Proposals. Procurement plans to include reference guides on purchasing matters such as rules, authority, legal requirements, and guidance for subscriptions.

2017 Implementation Status: Partially Implemented. We agree with this suggestion and plan to produce material for posting and regular updates on the web site. We plan to revise all of our purchasing and contracting materials as soon as practicable.

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.

Not Implemented. An automated system for Procurement has not been selected. Procurement will investigate utilizing the contract management system as a replacement to their current vendor agreement system.

2017 Implementation Status: Partially Implemented. To the degree that we can post bid solicitations electronically, we are doing so with a free product called Public Purchase. We plan to investigate other products as well. The County is deploying a contract management system that will provide some monitoring and control capabilities and that is currently being deployed.

2014-2015 GRAND JURY REPORT: REVIEW OF THE COUNTY OF SAN MATEO'S PROCUREMENT OF GOODS 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.

2017 Implementation Status: Not Implemented. This is partly resource dependent. However, we are currently making multiple process changes that when implemented, should address the remaining concerns.

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.

2017 Implementation Status: Implemented. Someone was hired as of January 2, 2017. He has over 20 years of experience in government and has managed procurement activities for New York City's Department of Health and Department of Education, as well as for SANDAG in San Diego.

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.

2017 Implementation Status: Partially Implemented. We agree and have commenced procurement staff training and will provide agency-wide staff training as soon as possible. We are also exploring the idea of mentioning public purchasing and procurement during the on-board process for new hires.

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.

2017 Implementation Status: Partially Implemented. We agree with this and have commenced doing so. Again, this will require extensive training.

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.

2017 Implementation Status: Partially Implemented. These are ongoing discussions with the Controller's office regarding procurement issues. We recognize the Controller as a key partner in our activities.

APPENDIX B: *PURCHASING REDESIGN REPORT, PROCUREMENT OF GOODS FINDINGS*

Roles and Responsibilities

- The role of the Human Resources Shared Services Purchasing Unit is unclear
- The mission, vision, and purpose of the Purchasing Unit is unclear
- The Purchasing Unit should be a process facilitator not a roadblock to department operations
- The current structure may not be the most efficient or effective
- The role of department purchasing units is sometimes unclear
- Goals and expectations for departmental purchasing units are not always aligned with the goals and expectations of the Purchasing Unit

Approval Authority and Dollar Thresholds

- Dollar thresholds have not been reviewed or updated in years
- The range and diversity of purchases and approval processes for those purchases have not been reviewed in years

Accountability

- It is unclear who is ultimately responsible for a purchase or the purchasing process
- It is unclear who is supposed to monitor the purchasing process
- Departments and Purchasing Unit staff sometimes go around purchasing procedures but there is no way to know when this happens; when it is discovered there is no follow up or action taken and it is not clear who should take that action or when
- When staff have gone around the process and rules there are no consequences.
- No one is looking at why there is a need for people to go around the process
- Staff often do not know that processes, rules, and regulations exist
- Department staff may have learned improper procedures from the person who did the work before them and that may be a way that improper procedures sometimes become institutionalized

Tracking and Monitoring

- There are no countywide tracking and monitoring systems available
- The process is not open and transparent
- Communication is very poor
- There are no status reports for purchase transactions
- There is no method in place for the Purchasing Unit to know what is being purchased in departments (under \$5,000) and there is no method in place for the Purchasing Unit to monitor what is being purchased within the Purchasing Unit
- There are no methods to monitor if the County is receiving the best value or if purchases are consistent from one department to another (maybe one department is paying more than another for the same item)

Finance, Budget and Cost

- There is no system in place to know if/when current processes either save the County money or lose money
- There is no method in place to track how much is being saved through the buying expertise of the Redwood City Purchasing Unit or by departments
- We have no way of knowing if we are being fiscally responsible

Legal Issues

- There are no regular reviews of federal, state and County ordinances
- There are no Administrative Memos related to purchasing policies
- There are no systems in place to know when the Purchasing Unit or County departments are out of compliance

Technology

- With the exception of IFAS,²¹ the County's day-to-day general accounting management system, there is little or no use of technology to manage purchasing processes

²¹ 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.

Data Collection and Performance Management

- No data is collected and used to monitor performance of the overall purchasing process
- No process is in place to discuss performance with vendors or share performance reviews for vendors

Communication

- There are no structured methods of communication in place within the Purchasing Unit or from/to the Purchasing Unit to departments
- There is no structured process in place to communicate policies and procedures
- There are no regular meetings with key partners in the purchasing process such as the Controller's Office or County Counsel

Reference Guides, Education, Training

- Written documents such as handbooks, reference tools and other materials have not been updated, sometimes for more than 10 years
- There are no established best practices
- There are no resource lists
- There is misinformation and confusion about basic terms and purchasing jargon; no common and consistent language
- The policies and procedures are not easily accessible in a central location (most people do not know that any exist)
- There are no training programs in place for new Buyers within the Purchasing Unit or for purchasing staff in the departments
- The Purchasing Unit does not set and manage expectations (prior to the purchase requestors making a request) such as providing process descriptions and milestones at the department level so that departments know what to expect
- There is a lack of trust and confidence in the overall purchasing process.

Issued: June 21, 2017



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 16-516

Board Meeting Date: 9/12/2017

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Board of Supervisors' Response to the 2016-2017 Civil Grand Jury Report, "San Mateo County Procurement Division Recommendations Follow-Up"

RECOMMENDATION:

Approve the Board of Supervisors' Response to the 2016-2017 Civil Grand Jury Report, "San Mateo County Procurement Division Recommendations Follow-Up."

BACKGROUND:

On June 21, 2017, the 2016-2017 San Mateo County Civil Grand Jury issued a report titled "San Mateo County Procurement Division Recommendations Follow-Up." The Board of Supervisors is required to submit comments on the findings and recommendations pertaining to the matters over which it has some decision making authority within 90 days. The Board's response to the report is due to the Honorable Leland Davis, III no later than September 19, 2017.

DISCUSSION:

The Grand Jury made five findings and three recommendations in its report. Each finding and recommendation, along with County staff's recommended response, is set forth below:

FINDINGS

Finding 1:

With respect to the 2003-2004 Grand Jury recommendations, as of the date of this report:

- One recommendation has been implemented
- Five recommendations have been partially implemented

Response:

Partially Agree. All the 2003-2004 Grand Jury recommendations have been implemented. The recommendations were as follows:

Recommendation	Status
R 2 The Controller should evaluate the IFAS purchasing module and ensure electronic order entry is installed, including purchase order submission edits prior to downstream processing.	Implemented
R 3.1 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.	Implemented
R 3.3 Update the purchasing guidelines to require electronic forms of purchase order submission and e-mail for communications regarding order clarifications or problems.	Implemented
R 3.4 Conduct formal training sessions for all new Customer purchasing representatives at least two times per year.	Implemented. We have started monthly training sessions for anyone at the department level who is involved in procurement.
R 3.5 Conduct a focus group at least once per year for discussion of process improvements and feedback between the Purchasing Division and customer departments.	Implemented. We have monthly meetings for this purpose.
R 3.6 Provide buyers formal education or training in their respective specialty areas.	Implemented

We would note that these recommendations were based on a system and practices that have been substantially modified over time. When these recommendations were made, much of the work and communication with departments was paper-based. That is no longer the case. In addition, the roles of the buyers have changed and they are no longer performing isolated purchases of individual commodities; instead they now all share more general procurement responsibilities.

Finding 2:

With respect to the 2009 Controller’s recommendation, as of the date of this report:

- Four recommendations have been implemented
- Five recommendations have been partially implemented
- Two recommendations have not been partially implemented
- One recommendation is no longer applicable

Response:

Partially Agree. Of the eight remaining recommendations to implement (as noted above), five have been implemented, one has been partially implemented and three are in progress. The recommendations were as follows:

Recommendation	Status
R 2 Create professional development plans for department buyers	Implemented. In addition, because the roles and responsibilities of the buyers have changed and will change further, any associated professional paths will reflect the changes.
R 3 Responsibilities for an overall Procurement strategy need to be clearly defined.	Implemented. Procurement was formerly separated into two sections, one responsible for purchasing goods, the other responsible for developing policies related to purchase of services. The bifurcation is no longer in place. The role of the Procurement Division is to assist departments in acquiring quality goods and services at competitive prices, using the most efficient and appropriate procurement vehicles.
R 4 Buying from vendors who have websites that support e-Procurement.	Implemented. All purchases are made electronically today, and all current vendors have websites.
R 5 Procurement to proactively monitor and manage countywide Procurement. Examples of monitoring include: • Purchases exceeding vendor agreement thresholds made from non-vendor agreement vendors • Regular competitive analysis on vendor agreement prices.	Partly implemented, partly not applicable. The first bullet is not viable in that vendor agreements cannot cover every possible need of the County, hence there will always be purchases made from other vendors, the subjects and prices unrelated to any vendor agreement. Regarding the second, in the past, vendor agreements were tracked by a proprietary system that can no longer be used, they were often created without competitive procurement, and there were no enforcement mechanisms regarding prices. In that context, the recommendation for regular price analysis was reasonable because there was little analysis at the inception. Going forward, vendor agreements will be based on competitively-awarded contracts, whether by the County or another government organization that requires price competition. In a more general sense, the Procurement division is taking a more active role in general procurement, with the goal of better managing the processes County-wide, so we consider this recommendation implemented.
R 7 Procurement should implement a formal documented process for vendor evaluation	In progress. This is being done and will be a requirement for all contracts with the County.
R 8 Procurement should establish clear guidelines for vendor selection and retention of bid/selection documentation	Implemented. All bids over \$100,000 are released and received on the County's web application. Selection criteria are clearly stated.

R 11 Procurement should post Purchasing Customer Guides on the County intranet to provide quick and easy access for departments.	In progress. This will be implemented within a year. We are combining and streamlining all documents related to contracts and procurement. As it is a large task, it will take some time to complete, after which documents will be updated as necessary to reflect changes in laws, regulations, or policies.
R 12 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.	In progress. We are currently deploying a new contract management system that should go a long way towards implementing this recommendation.

Finding 3:

With respect to the 2014-2015 Grand Jury’s recommendations, as of the date of this report:

- One recommendation has been implemented
- Three recommendations have been partially implemented
- One recommendation has not been implemented

Response:

Partially Agree. Four of the 2014-2015 Grand Jury recommendations have been implemented and one recommendation is in progress. The recommendations were as follows:

Recommendation	Status
R 1 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.	Implemented
R 2 The County Manager's Office should strengthen the Procurement Division with fulltime procurement-experienced leadership.	Implemented
R 3 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.	Implemented. As stated above, we are providing regular monthly training on different procurement issues to all interested County staff.
R 4 The Procurement Division should develop best-practice procedures for purchasing that all County departments must follow.	In progress. We are developing best practices for all types of procurement activities and those will become part of the procurement policy manuals.

<p>R 5 The Procurement Division should work closely with the Controller's Office to develop reports necessary to manage and monitor procurement.</p>	<p>Implemented. Procurement staff is able to run several reports and the Controller also provides reports as needed or requested. Also, the new contracting system will provide additional procurement management capability.</p>
--	---

Finding 4:

On January 2, 2017, the County hired a full-time Procurement Manager who has over 10 years of experience in government and has managed procurement activities for New York City's Department of Health and Department of Education, as well as for San Diego's Regional Planning Agency.

Response:

Agree. The County has a full-time Procurement Manager with extensive procurement/management experience.

Finding 5:

The County's current placement of the Procurement Division within its organizational structure does not follow best practices as recommended by the Institute for Public Procurement and the California Association of Public Procurement Officials, Inc.

Response:

Agree. The County does not follow the best practice identified by the California Association of Public Procurement Officials, a trade association. The County previously reviewed the organizational structure and determined having Procurement under the Human Resources Department meets organizational needs.

RECOMMENDATIONS

Recommendation 1:

The Procurement Division shall report directly to either the County Manager or a Deputy County Manager.

Response:

Disagree. As noted above, the County previously reviewed the organizational structure and determined having Procurement under the Human Resources Department meets organizational needs. Several years ago, the Procurement Division was under the County Manager's Office, however it was moved to the Human Resources Department as this is an operational department that supports all County departments.

Recommendation 2:

The Procurement Division shall work toward professional excellence by striving to win the Achievement of Excellence in Procurement (AEP) award, given by the National Procurement Institute.

Response:

Partially Agree. We agree that the Procurement Division should work towards professional excellence. Staff is eager to learn and is motivated to excel. It is not necessarily clear that an award is required - our first priority is to ensure we are providing first class procurement

services.

Recommendation 3:

The Controller's Office shall conduct an audit of the County's procurement practices and procedures no later than December 31, 2018 and publicly publish the results in a Board of Supervisors meeting.

Response:

Agree. The Grand Jury recommends that the Controller's Office conduct an audit of the County's procurement practices and procedures. Upon the Board's request, the Controller's Office agrees to conduct the audit and provide the audit report to the Board and Grand Jury by December 31, 2018.

The report has been reviewed and approved by County Counsel as to form.

Acceptance of this report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury findings and 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.

FISCAL IMPACT:

There is no Net County Cost associated with accepting this report.



COUNTY OF SAN MATEO
OFFICE OF THE CONTROLLER

Juan Raigoza
Controller

Shirley Tourel
Assistant Controller

County Government Center
555 County Center, 4th Floor
Redwood City, CA 94063-1665
650-363-4777
<http://controller.smcgov.org>

August 14, 2017

The Honorable Leland Davis, III
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Grand Jury Report - "San Mateo County Procurement Division Recommendations Follow-Up"

Dear Judge Davis:

On June 21, 2017, the Grand Jury issued the "San Mateo County Procurement Division Recommendations Follow-Up" report that included a recommendation to the County Controller. This letter provides the Controller's Office response to the Grand Jury's recommendation.

Recommendation

The Controller's office shall conduct an audit of the County's procurement practices and procedures no later than December 31, 2018 and publicly publish the results in a BOS meeting.

Controller's Office Response

Agreed. The recommendation to conduct an audit of the County's procurement practices and procedures is in line with the Controller's Office plans to periodically perform such an audit. Upon the Board's request, the Controller's Office agrees to conduct the audit and provide the audit report to the Board and Grand Jury by December 31, 2018.

Please let me know if you have any questions. Thank you.

Sincerely,

Juan Raigoza
Controller

cc: San Mateo County Board of Supervisors
John Maltbie, County Manager
Donna Vaillancourt, Director of Human Resources
Rodina M. Catalano, Court Executive Officer
Charlene Kresevich, Court Administrative Assistant