

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: <ul style="list-style-type: none"> • 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

	<p>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.</p> <p>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.</p>
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.
R 5 The Procurement Division should work closely with the Controller's Office to develop reports necessary to manage and monitor procurement.	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.
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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.

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.