

**PROCUREMENT
BIG BUDGET, LOW PRIORITY**



GRAND JURY 2015-2016

Procurement –Big Budget, Low Priority

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EXECUTIVE SUMMARY

Orange County spends \$3 billion each year on contracting for, and purchasing of, goods, services, and capital projects, referred to as “procurement.” Since 1998, County officials have been advised that the procurement structure and function has not been working well. Recommendations for improvement have gone largely unheeded while County Procurement has fallen behind industry best practices.

The 2015-2016 Grand Jury reviewed previous Grand Jury report, a consultant report (Neill II) and audit reports about Orange County Procurement and considered their recommendations. After its own inquiry the Grand Jury concludes that Orange County officials do not view procurement functions as flawed or in need of attention and correction. Many employees assigned to procurement tasks - at any level – lack job-related training, education or experience. Procurement functions are spread across all 26 County agencies when management by a single agency could achieve cost savings and improve performance, consistency and accountability. The Grand Jury has identified the following areas of concern about the operation and management of procurement in the County of Orange.

- Failure to implement numerous prior recommendations by three Grand Juries, Internal and Performance audits, and an external procurement study.
- Failure to require revision of the *Contract Policy Manual – 2012 (CPM)*.
- Failure to actively recruit a procurement professional as County Purchasing Agent, and instead transferring an existing manager into the position without recruitment or testing.
- Failure to place all County procurement functions under one agency to promote improved performance and cost savings.
- Failure to recognize the value of national professional procurement organizations for their research, advanced training and certification programs.
- Failure to offer competitive compensation to employees in the Purchasing/Procurement Job Classification Series.

Addressing the procurement function and its deficiencies appears to be a low priority to County officials which compromises its efficiency and effectiveness. Elevating the Orange County Procurement Office (CPO) to a modern, high-performing operation that provides appropriate support and oversight cannot happen until it is a priority to County officials.

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BACKGROUND

The Importance of Procurement

The County of Orange (the County) spends \$3 billion each year on “procurement”, an interchangeable term for purchasing and contracting. The title is descriptive - “Procurement” means to buy or obtain goods and services. Taxpayers expect procurement to be performed honestly, fairly, effectively and professionally.

Although the title makes the function sound simple, procurement is actually quite complex in large organizations such as Orange County - a complicated system that exceeds mere “buying” and requires knowledge and skills in critical elements such as:

- Finance and accounting,
- Contract law and negotiation,
- Contract planning, management and oversight,
- Marketing, and
- A working knowledge of all County functions and their inter-relatedness.

In the larger sphere, procurement is a central function in both the public and private sector. Procurement Management is a recognized profession with academic degrees in procurement-related majors such as Purchasing, Finance, Accounting, and Acquisitions Management. According to professional literature, well run procurement can save the government millions each year (Warn). Orange County, however, has entrusted procurement to “generalist” managers rather than to procurement professionals.

Expenditures of \$3 billion require strong professional leadership and effective management. A successful procurement operation incorporates clear and comprehensive policies and procedures, executed by qualified and trained staff who are carefully managed by a capable administrative team. The Grand Jury review indicates that Orange County is struggling to meet this standard for County wide procurement, as outlined in previous Grand Jury and audit reports. This report goes beyond the County Procurement Office (CPO) to review issues throughout the procurement process.

In the County bankruptcy of 1994, the Orange County General Services Agency (GSA) was disbanded and procurement and contracting responsibilities were delegated to each agency as part of the recovery plan. This decentralization of procurement was never corrected and has led

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to today's structure wherein 240 certified Deputy Procurement Agents (DPAs), with 40 different job titles, are spread across 26 different agencies.

Historical Concerns

Recent reports by 1997-1998, 2002-2003 and 2013-2014 Grand Juries, a 2009 Procurement Policy Study (O'Neill II), 2014 County Internal Audits, and 2014 County Performance Audits each voiced similar concerns about OC Procurement structure and performance.

- A de-centralized structure that contributes to inconsistency, non-compliance with County Policy, waste, and fragmented performance.
- An out-of-date and incomplete *Contract Policy Manual(CPM)*.
- A lack of procedure manuals that are procurement-specific and approved by the County Procurement Office (CPO).
- Management expectations that the dispersed procurement staff will comply with the *Contract Policy Manual*, but does not monitor and measure performance.
- Training that does not adequately prepare employees for the responsibility for high value expenditures.
- Management that does not always meet goals and objectives.

The findings of those prior reports dealt generally with quality of leadership, inconsistency, and poor execution. Prior recommendations for change from multiple sources have not prompted County action. The 2015-2016 Grand Jury followed up on those prior reports to assess the current status of the Orange County procurement system, and to evaluate the role of an outdated organizational structure and a curious staffing practice. The risk is high. A procurement error rate as low as 1% could amount to a \$30 million loss each year.

METHODOLOGY

This investigation included:

- Interviews with all levels of County Procurement employees, vendors and contractors.
- Interviews with County Managers and Executives.
- Interviews with high-ranking procurement executives from four like-sized California counties.
- Review of Job Specifications for Procurement staff positions in Orange County and other counties.
- Literature searches about procurement, best practices, and organizational structure.
- Review of numerous Board of Supervisor Agenda Staff Reports (ASRs).

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- Observation of Board of Supervisor meetings and review of minutes.
- Review of the County *Contract Policy Manual – 2012*.
- A survey of Deputy Purchasing Agents (DPAs) (Appendix C).

SCOPE OF INVESTIGATION

The County’s procurement function is too large and complex for the Grand Jury to investigate and analyze in total. Therefore, this investigation is focused on:

- The history of Orange County procurement’s issues, and County officials’ action or inaction in response,
- The County-wide *Contract Policy Manual*,
- Procurement’s organizational structure,
- The status of the procurement process,
- Annual contract reviews, and
- Staffing and training issues.

INVESTIGATION AND ANALYSIS

County Procurement’s Organizational Structure

The procurement function in Orange County is divided into several parts, each with certain duties and authorizations. The **County Procurement Office (CPO)** is headed by the **County Purchasing Agent (CPA)** who reports to the Chief Financial Officer (CFO) who is part of the County Executive Office (CEO) (Table 1). The County Procurement Office is a *work unit* of the CEO, and the County Purchasing Agent is a *person* who manages the Procurement Office. The Procurement Office is responsible for about 45% of the total county purchasing (Performance Audit p.5). Contracting for Real Property, Human Services and Public Works has been delegated to some or all of other agencies (Table 6) who are expected to comply with the *Contract Policy Manual (CPM)* and/or the *Design & Construction Procurement Policy Manual (DCP)*. The CPO has some specific administrative functions for all procurement, such as standardized policy, standardized training, and Regional Contract Agreements (Table 1). There are a variety of contract types depending on purpose and value (Appendix B).

NOTE: Throughout this report the reader will find variations in the titles of the County Procurement Office (CPO) and the County Purchasing Agent (CPA). This reflects changes over time in formal titles, the use of titles interchangeably, informal titles, and abbreviated titles.

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Table 1: Orange County Procurement Organizational Structure

<u>Board of Supervisors</u>			
County Executive Officer	County Executive Officer		
Chief Financial Officer			
County Procurement Office County Purchasing Agent 20 procurement staff	25 County Agencies 25 Agency Heads 220 Deputy Procurement Agents		
Material ~ Supplies ~ Contracts ~ Administration: <ul style="list-style-type: none"> • Policy Manual • Procedures • Training • Technology programs • Compliance Reviews • Regional Contract Agreements • Surplus Sales 	Real Property Contracts	Human Services Contracts	Public Works Contracts
	Each agency head manages its own contract functions and procurement staff. Contract requests are submitted directly from the agency to the CEO/Board of Supervisors.		

This organizational structure in which the individual agencies conduct their own procurement operations can develop into what is commonly referred to as “silos”, with identifiable characteristics:

- Work units that develop an isolated mentality,
- Resistance to change,
- The work units seldom interact, coordinate or communicate with other units, and
- Are viewed in business circles as negative to successful organization management (Bianca, p.1).

The Orange County de-centralized procurement structure is not consistent with like-sized California counties (Table 13), and does not reflect the industry and professional standards which recommend centralized procurement (deCourcy, p. 3).

This investigation was prompted by a natural curiosity about how taxpayers’ dollars are spent for goods and services, and how adequately the problems identified by previous Grand Juries and auditors have been addressed. Periodic media reports about County contracting irregularities keep the appearance of procurement practices and expenditures in the forefront.

- “OC Watchdog Report validates doubts on county contracting”, *Orange County Register* June 16, 2014.

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- “Competitive contracting helps taxpayers”, *Orange County Register*, January 23, 2015.
- “OC feels danger of IT contracting”, *Orange County Register*, April 9, 2015.
- “Medical contract approved amid protest”, *Web*, September 9, 2014.

Recent History of Reviews and Audits of Procurement

OC Grand Jury 1997-1998

The 1997-1998 OC Grand Jury examined the County’s post-bankruptcy procurement functions in its report, *Study of the County of Orange Procurement System*, and rated them as, “. . . ineffective and counter-productive (p. 84).” The key Recommendations in that Grand Jury report (pp. 86-88) and the Board of Supervisors (BOS) responses are:

Table 2: 1997-1998 Orange County Grand Jury Recommendations with Responses

1997-1998 GRAND JURY RECOMMENDATIONS	BOS RESPONSES
That the contracting process be corrected to eliminate personal or professional favoritism.	Implemented
That the fragmented County procurement system be replaced with a cohesive and integrated system [centralization] based on the <i>Model Procurement Code</i> [a state model popular at the time] and that the <i>County Contract Policy Manual</i> (since renamed the <i>Contract Policy Manual</i>) be expanded to include a number of new guidelines.	Not Warranted
That procurement functions be electronically tracked and documented thoroughly.	Not Warranted
Create a Chief Procurement Officer with expanded authority and specified duties including review of all procurement submissions to the Board of Supervisors.	Not Warranted
Conduct annual contracting compliance reviews.	Implemented
Require that all personnel in contracting positions have related experience, education and training.	Implemented but not in current practice in 2015.
Establish a Contracts Council and Purchasing Council of County procurement staff to advise the Chief Purchasing Agent.	Implemented

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The findings of this almost twenty-year-old OC Grand Jury report highlights the fact that many of the key issues identified then still exist, as borne out in subsequent audits studies, and Grand Jury investigations.

OC Grand Jury 2002-2003

The 2002-2003 OC Grand Jury investigated specific contracting practices that allowed a one year, \$285,000 consulting contract to become a \$1.46 million, two year obligation. In its report, *Questionable Contract Management*, the 2002-2003 OC Grand Jury attributed this unauthorized contract expansion to three actions by the contracting agency (p.3):

1. A significant change in the scope of the project.
2. An increase in the billing rates of the consultant firm.
3. The addition of a new project to the contract.

None of the three actions were authorized during the contract period and appeared to violate terms of the *Contract Policy Manual*. The Grand Jury found that the contracting agency had changed the terms of the contract without authorization and without competitive bidding, and that the Board of Supervisors had approved the unauthorized expenditures retroactively.

The Grand Jury recommended (p. 4) that:

- The County Executive Officer investigate the contract irregularities and take appropriate action. ***The BOS agreed to implement the recommendation.***
- The BOS appoint a committee of experts to examine contracts for the past three years to determine if other contracts had exceeded authorized spending. ***The BOS responded that this recommendation was too costly to pursue, but they will develop procedure to prohibit future contracts exceeding authorized expenditure.***
- The BOS implement procedures to prevent future occurrences. ***The BOS agree to implement and directed the County Purchasing Agent to develop a policy for Board approval and include in Contract Policy Manual.***

The 2002-2003 OC Grand Jury investigation revealed a lack of proper review and attention to detail in the contract approval and monitoring process. The Grand Jury was not able to determine whether effective action was taken to correct the problems.

Procurement Management Review – Final Report (2009)

In 2008 Orange County engaged the National Institute of Governmental Purchasing (NIGP) to conduct a review of business process and current practices of the County's overall procurement

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program. Many of the areas reviewed in the 2009 report repeat elements found in the Grand Jury and audit reports both before and after this report. Relevant findings included:

- The need for a Chief Procurement Officer with relevant, recent experience in public procurement and in large-scale procurement, with demonstrated executive and organizational ability,
- Centralized oversight of Decentralized Procurement,
- The County Purchasing Agent should set the qualifications and training for DPAs.
- DPA professional development should include experience, formal education, professional certification, and advanced training,
- The County lacks procedures manual that can standardize and consistently apply purchasing practices,
- The *Contract Policy Manual* mixes procedures and regulations and does not cover such things as Scope of Work Preparation, Pre-qualification in request for proposal, and using best value bid (Appendix E),
- Orange County's agenda process is time and resource intensive and extends the process by up to 20 weeks,
- Outside influence on procurement decisions must be eliminated,
- The financial tracking system is limited and needs upgrading,
- Procurement data is non-existent handicapping assessment of the function, and
- The Procurement Process was complicated and inconsistent.

The report included 27 recommendations (Appendix E) and a twelve-month plan to phase in all the recommended changes and responsibilities (Appendix F). The County Executive Office submitted ASR 10-000734 to the Board of Supervisors on May 18, 2010 with recommendations for implementation of some, and further analysis of other report recommendations (Appendix G).

Of the 16 recommendations approved for implementation there are three which the Grand Jury was not able to confirm were actually achieved, and continued to be cited as issues in subsequent Grand Jury and audit reports.

- Develop detailed job descriptions for DPA positions including professional certification.
- Develop a mechanism to make changes and revisions to the purchasing manual.
- Establish County wide contracts, bid, and request for proposal standard document templates, approved as to form and locked.

Internal Audit – 2014

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In February 2014 the County Internal Audit Department examined the contracts and procurement practices of the Public Works Department - one of the larger procurement operations (see Table 3).

Table 3: Number and Value of Public Works Contracts - 2014

# Contracts	Type of Expenditure	\$ Amount
15	Public Works Contracts	144, 220,123
16	Architect-Engineer Service Contracts	39,844,363
635	Change Orders and Contract Amendments	38,865,078
	TOTAL	222,929,564

(Source: Internal Audit 1225B, p. 3-4).

The audit focused on process effectiveness with specific attention to sole source contracts, architect-engineering contracts, change orders, and policy/procedure compliance. The primary findings were:

- The delegated authority for approving change orders was not formally documented.
- The required qualifications of employees authorized to approve change orders or contract amendments need to be formalized.
- The policies, procedures and forms were not standardized.
- There was insufficient monitoring and oversight by Public Works Administrative Services (Audit 1225B, p.10-11).
- Memos of Recommendations were not properly signed off.
- There was confusion about who was assigned to a procurement project, and their qualifications.
- Sole Source justifications were unclear 44% of the time (Audit 1225-C, 1).

The auditor's findings reflect an environment in which many small mistakes occur, and a lack of adequate monitoring and oversight. Public Works agreed to make the necessary corrections and in December 2014 a re-audit determined the changes were achieved or correction was believed to be in-process. Final correction was not confirmed by the Auditor.

OC Grand Jury 2013-2014

Because the 1997-1998 OC Grand Jury's Recommendations were never fully implemented, the 2013-2014 OC Grand Jury re-visited County Procurement practices and outcomes. In the Grand Jury 2013-2014 report, *Improving the County of Orange Government's Multi-Billion Dollar Contracting Operations*, the general conclusion was that many of the issues cited by the 1997-

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1998 Grand Jury had not been corrected, and the whole procurement function remained in need of reorganization and upgrading. The major Grand Jury concerns were:

- Fragmented and inconsistent practices because of de-centralization,
- An outdated *Contract Policy Manual* in need of updating and expansion,
- Improper involvement of potential bidders in preparing Request for Proposals (RFPs) and Invitation for Bids (IFBs),
- Bid proposal evaluations that were mishandled or implemented improperly.
- Contracting irregularities,
- Poorly run bid procedures,
- Allegations of cronyism and undue influence, and
- Inadequate training requirements for procurement employees.

Table 4: 2013-2014 Orange County Grand Jury Recommendations with Responses

2013-2014 GRAND JURY RECOMMENDATIONS	BOS RESPONSES
Re-centralize the contracting effort to reduce the current fragmentation, inconsistency and inequity. Substantially reorganize intra-agency contracting/procurement and personnel assignments.	Requires further analysis – to be considered when <i>Contract Policy Manual</i> is revised in 2015
The <i>Contract Policy Manual</i> revision of 2012 partially satisfied a recommendation of the 1997-1998 Grand Jury but is still not the comprehensive document that is needed, and should be revised and expanded, and reviewed regularly	Requires further analysis as part of CPM revision
Expand training for Deputy Procurement Agents (DPAs) and others in Procurement/Contracting (P/C); increase training schedule and hours; and offer peer level collaborations quarterly. Add sample documents to training materials	Implemented. Training requirement increased from four to ten hours per year
The County Executive Office (CEO) & Department Heads should ensure that their staff members with procurement responsibility focus primarily, or exclusively, on P/C as their principal work assignment	Not warranted. Each agency will decide on duties of its own personnel

While the 2013-2014 Grand Jury made a strong case for re-centralization of County Procurement, no action has been taken. Even Board responses of “Requires further analysis” are linked to the revision of the *Contract Policy Manual*, which was scheduled for 2015 but never happened. The lack of a revised *Contract Policy Manual* leaves two of the four 2013-2014 Grand Jury Recommendations on hold.

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Performance Audit -2014

On something of a parallel track to the Grand Jury investigation, the County’s Office of Performance Audit submitted to the Board of Supervisors its *Performance Audit of Countywide Purchasing* on June 17, 2014. The stated objectives of this comprehensive analysis were two-fold:

1. To assess the CPO’s (County Procurement Office) role in developing and implementing countywide procurement policies and procedures and ensuring that County agencies/departments are in compliance with these guidelines (p. 2).
2. To determine if management and staff are effective and efficient in accomplishing their procurement business objectives (p. 2).

The Performance Auditor’s report did not list clear findings about the two audit objectives. Instead, the report re-directs the reader to comments about what the County Procurement Office *could* do [emphasis added], such as champion efforts to standardize, enhance, and coordinate the County’s collective procurement activities. Overall, the audit finding was that the County Procurement Office was, “making progress” (p. 2). The Performance Audit Conclusions (p. 33) did not focus on new or expanded goals and objectives, but on continued effort to meet past recommendations, and that, “. . . progress can only continue by ensuring that,

- Standardized policies and procedures are communicated, interpreted and implemented in a consistent fashion;
- Deputy Purchasing Agents have the knowledge and resources necessary to effectively fulfill their purchasing duties;
- Countywide contracts are negotiated and managed effectively;
- Purchasing data is collected, analyzed and shared with relevant Stakeholders; and
- Opportunities to increase the County’s purchasing power through strategic sourcing and other approaches are identified and utilized.”

In an effort to move the agency forward, the Performance Audit report listed 30 recommendations (Performance and Appendix A) across a wide array of functions for the County Purchasing Agent to complete. Key recommendations were to:

- Update the *Contract Policy Manual* (CPM) every two years,
- Develop a comprehensive *Procurement Procedures Manual*,
- Improve enforcement of certification requirements for Deputy Purchasing Agents (DPAs),

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- Develop and track Key Performance Indicators (KPIs) to measure Procurement performance,
- Actively monitor use of Regional Cooperative Agreements (Appendix B),
- Identify strategic sourcing opportunities, and
- Coordinate implementation of procurement-related IT systems.

A Board of Supervisors’ sub-committee reviewed the 30 audit recommendations, concurred with all of them, and added 10 recommendations of their own (Performance) (see Appendix C for entire list and current status). The CPO agreed to implement the recommendations within six to twelve months (by June 2015). Table 5, below, summarizes the implementation of the recommendations. Most significant is that two of the recommendations that the BOS identified as their top priorities remain uncompleted:

Priority #1: Revising the *Contract Policy Manual* by June 2015.

Priority #3: Creating procurement procedure manual by October 2014 .

Table 5: Status of 2014 Performance Audit and BOS Recommendations as of March 2016

Of 40 Recommendations, Number Completed	Number of Recommendations	Percent of Total
Within time frame – June 2015	20	50%
Completed After June 2015	11	27.5%
Pending/On Hold	9	22.5%

Source: Performance Audit of Countywide Purchasing – 2014

(see Appendix A for complete list and status.)

Policy and Procedure

Comprehensive policies and procedures are foundational to an effective, efficient procurement operation (What). To clarify,

- **Policy** establishes the philosophical principles and goals that guide operations or functions and are relatively stable over time.
 - *Example: It is our policy to be responsive to requests for information*
- **Procedures** are the step-by-step instructions to complete a function or task and may need regular modification and updating to accommodate such things as policy change, law, regulation, demand, resources, technology etc.
 - *Example: Respond to a request for information within six calendar days, using form 97-000*

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Contract Policy Manual

The stated purpose of the Orange County *Contract Policy Manual* (CPM) is to govern all County procurement, purchasing and contracts (p.5). Last revised in 2012, the CPM was scheduled for major revision in 2015 but that never happened. The CPO reported to the Grand Jury that the CPM would be revised by an unspecified date in 2016, but one procurement manager estimated that a more realistic completion date was sometime in mid-2017. Because the CPM is so central to the County's \$3 billion procurement expenditures, this repeated delay is of concern and, again, reflects low priority status.

Meanwhile, during the repeated delays in revising the overarching *Contract Policy Manual*, an additional *Policy Manual* was under development to ensure consistency in Public Works projects. While the Internal Audit – February 2014 included comments about a need to standardize policy, procedure and forms, there was no definitive recommendation to create a separate policy manual. In early 2014 a multi-agency task force, including the County Purchasing Agent, began meeting regularly to develop components of this Public Works-specific policy manual. In January 2015, OC Public Works submitted to the BOS its *Design & Construction Procurement Policy Manual* (DCP) which was approved January 27, 2015 (Agenda Staff Report 14-001799). That ASR states the Public Works DCP is,

”...to ensure countywide standardization and oversight of the design and construction contracting process for public works projects.” Public Works, the County Procurement Office and other agencies worked together to revise public works policies, “. . . **to supersede those sections of the CPM** [emphasis added] (ASR 14-001799 p.2)”

The Board's approval of the DCP appears to diminish the authority of the *Contract Policy Manual*. At the same time, it is noted that the County Procurement Office prioritized its time and resources to work on this policy manual for Public Works, instead of devoting that time and effort to revising the outdated *Contract Policy Manual*.

Responses to Grand Jury inquiries about the delay in the CPM revision paint a very clear picture that everyone is waiting for someone else to get the revision project moving again.

- A senior CPO executive explained that the CPO is waiting for direction from the Board of Supervisors as to changes needed, and due date.
- Some members of the Board of Supervisors, and a senior member of the County Executive Office say they are waiting for the Chief Purchasing Agent to make recommendations, and schedule a review date.

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The CPO asserts that in preparation for the CPM revision, the Purchasing Council and agency heads have submitted revision suggestions, but no follow-up discussion sessions followed and the CPM revision project continues to be “on hold.”

Even though the CPM has not been revised, policy still needs updating regularly and the changes communicated to staff. As a stop gap measure, the CPO issues single-focus update memos to staff (electronic and hard copy) but has no tracking mechanism to ensure that the updates are actually received or universally understood and followed. Access to these updates is also available through the Procurement website but the Grand Jury found that the menu is confusing and it took some effort to find the updates which are listed under, “Memos & Directives”, not under “Policy Changes.” For instance, the Grand Jury located, a document titled, *Consolidated Board Policies on Agreements/Contracts Approved by the Board*, dated May 14, 2015 (Consolidated). The item is not attributed to an agency or person, states that it was presented to the Board of Supervisors for approval, but no approval date is noted. This document cannot be located anywhere on the County Website so the authenticity of this item is in question. Some DPAs said that the updates are at times difficult to decipher because changes are not highlighted for quick and easy reference - underlines, bold-face type, color, margin marks, or italics.

With an out-of-date CPM, no regular revision, and a poorly tracked system of individual policy updates, procurement deficiencies continue. The 2014 *Performance Audit* described, and many procurement staff confirmed, a CPM that is vague, confusing and incomplete, and this lack of clarity leads to financial and operational mistakes (*Performance Audit* #131404 p.7). If staff have questions that cannot be resolved by consulting the outdated CPM and updates, they were expected to contact the CPO by phone or email for answers/interpretation. According to the CPO, it is too early to evaluate the performance of this “help desk” approach.

The uncertainty remains - how can procurement functions work well without an up-to-date *Contract Policy Manual*? Revising the CPM is repeatedly claimed as a priority, but has yet to be done.

A final word about policy. In reviewing Agenda Staff Reports (ASRs) and observing Board meetings the Grand Jury noted occasions when a Board member appeared to disregard contracting policy, ignored staff contract recommendations, approved contracts retroactively, awarded contracts to a higher cost bidder, or sent RFP evaluations back to staff for re-scoring, etc. While the Board member taking such action may have felt justified, the public may not understand. The Board of Supervisors, in its leadership role, is expected by the public to demonstrate the highest standards. When Board members appear to disregard policy they risk making policy appear meaningless to the public and the workforce.

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Procurement Procedure

Procedures are the step by step instructions on how to complete specific tasks or functions – anything from how to complete a purchase order, to how to confirm contract compliance. Over several years, recommendations have gone to the Board of Supervisors to create a county-wide *Procurement Procedure Manual* (PPM) (Audit 1225 C). In researching procedures, the Grand Jury is concerned that a single *Procurement Procedure Manual* may not be realistic because of the variety of purchasing, services, and contracting. Instead, several task-specific *Procurement Procedure Manuals* may better serve the need. What the Grand Jury views as essential is that any procedure manual should be reviewed and approved by the CPO, ensuring compliance with the *Contract Policy Manual* and that each is in consistent format. Based on interviews with procurement staff at all levels, including discussion of policy and procedure, the Grand Jury's impression was that no procedure manual existed. Then, an agency mid-level manager produced a procedure manual titled, *Navigating the Request for Proposal (RFP) Process 2012*, published by CEO Procurement Office, County of Orange. Through hours of interviews with executives and managers only this one individual revealed the existence of this manual.

A *Procurement Procedure Manual*, standardized in format and specific to each major function, would benefit performance and process. The lack of readily available job-specific procedures to guide DPAs risks inconsistency, mistakes and errors.

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Table 6: Orange County Procurement Overview – 2015

Agency	Master Agreements Value	Master Agreements	# Procurement Staff
Health Care	\$ 1,057,370,267	225	29
CEO - Procurement			17
Info Technology			8
Admin			2
Real Estate	\$ 821,017,509	414	1
OC Community Resources	\$ 354,271,717	505	18
JW Airport	\$ 329,894,600	222	5
OC Public Works	\$ 166,017,509	575	33
Waste/Recycling	\$ 154,502,050	146	19
Sheriff/Coroner	\$ 93,952,132	599	13
Social Services	\$ 44,992,284	258	22
Auditor-Controller	\$ 14,504,720	15	7
District Attorney			
Public Administrator			7
Public Guardian	\$ 11,693,801	109	4
Probation	\$ 6,997,506	142	14
Clerk/Recorder	\$ 4,707,699	25	0
Register of Voters	\$ 3,685,900	37	4
Dana Point Harbor	\$ 3,224,666	13	0
Assessor	\$ 2,745,679	29	4
Child Support	\$ 2,607,678	63	4
Treasurer/Tax Collector	\$ 2,004,310	65	3
Public Defender	\$ 265,208	6	4
Human Resources	\$ 120,540	13	9
County Counsel	\$ 19,734	2	3
TOTALS	\$ 3,074,615,619	3463	240

Source: OC Procurement Office, Nov. 2015. Does not include 10 vacancies.

The Grand Jury is concerned that having this many high-value contracts spread out across the County system likely handicaps effective oversight and coordinated management. Although each agency's procurement submissions are expected to comply with the County's *Contract Policy Manual*, (CPM) the *Manual* does not require CPO review, approval or enforcement, so compliance with policy cannot be verified.

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Procurement Management

According to professional literature, a critical factor for a successful procurement department is that “The chief procurement officer must be highly skilled and a team player” (Anklesarie p.1). The literature further describes the winning combination of a highly skilled procurement leader operating with authority, and the support of senior management. He/she must have the authority to execute the business strategy, and hire/fire staff, or the division will fail (Warn).

The OC Grand Jury agrees that management of the County’s \$3 billion procurement operation requires a “highly skilled” leader – one of solid credentials and experience. In a review of like-sized California counties (Riverside, San Diego, Santa Clara, San Bernardino) (Table 13) the procurement functions have a single manager responsible for all the county’s contracting and purchasing. Those counties have specific Minimum Qualifications (MQs) for the Procurement Manager position that include significant job-related education (accounting, purchasing, contracting), direct work experience, and progressive management responsibility (Job Specifications of the counties named).

Orange County has not set the same high standard for the County Purchasing Agent position. In fact, the Grand Jury could not even find a County position titled **County Purchasing Agent** in the County’s Human Resources (HR) Job Classification system (ocgov.com). There *was* an 11 year old recruitment flyer (posted in 2005) for “PURCHASING MANAGER – Administrative Manager III.” but apparently the title has since been abandoned as it is no longer in the HR system.

OC Grand Jury interviews and research reveal that Orange County fills some agency executive and management vacancies by simply transferring an Administrative Manager into the position as a “direct appointment” – often without recruitment or testing. In Orange County, most mid and upper management job positions are classified under one generic title, “Administrative Managers”, levels I, II, III. The job description makes no reference to specific skills or experience such as Human Resources, Parks Management or Accounting. The Job Class specifications for Administrative Manager are vague and non-specific enough that they can be liberally interpreted to qualify almost any candidate. Even the list of functional abilities (e.g. able to ..., knowledge of ...) are meaningless without some verification process and without some testing process – written and oral – to assess desired skill sets. The lack of exclusionary minimum qualifications, such as education, work experience, or professional certification, allows less qualified candidates to be pushed forward without adequate scrutiny. An example of a better process was used by the County in selecting the Director of John Wayne Airport, the Director of Public Works and the very recent Director of Human Resources. Those appointments were made

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after a nationwide recruitment and a significant testing process – written and verbal (Candidate applications).

For the County Purchasing Agent position, however, the non-competitive, direct appointment reflects an outdated “Manager-is-a-Manager” philosophy which considers “management” as a stand-alone skill. Once learned or developed, the management skill is considered transferrable to any assignment so does not require assignment-related technical background, education, or experience. The “generalist” management skill is assumed to carry the manager through while acclimating to the new assignment and responsibility.

Even if this “generalist” management philosophy continues, some form of testing or assessment seems warranted to measure each candidate’s technical expertise, interpersonal skills and comparative strengths against other candidates. This would significantly increase the confidence level that the candidate selected is the most qualified for the assignment.

When the OC County Purchasing Agent position came vacant several years ago, the County transferred an manager into the vacancy. Although well-liked and trusted, the appointee was at a distinct disadvantage for lack of procurement-related education or experience. This lack of job-related background or qualifications necessitated a substantial period of self-education, and dependence on subordinate staff, which may explain why during the past several years, a number of goals and objectives have not been achieved.

- Revise the *Contract Policy Manual* by the 2015 target date.
- Complete Audit and Board of Supervisors recommendations of 2014 by June 2015.
- Lead the County towards implementing procurement best practices.
- Modernize, update and improve the procurement operation.

Staffing of Procurement Functions

A result of Orange County’s de-centralized procurement structure is that most of the 240 Deputy Procurement Agents (DPAs) do not work for County Procurement. Instead, they work for, and report directly to, the “parent” agency – the agency that hires them. The 2013-2014 OC Grand Jury expressed concern that the employee’s allegiance may be divided between the hiring agency and Procurement, with possible negative effect on performance (p.18) and the work demands of the parent-agency may interfere with attention to procurement efficiency. The Grand Jury recommendation to reassign all procurement-related staff to County Procurement was rejected by the Board of Supervisors with the stated intent to leave these employees under each agency’s management. This split duty has not changed.

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The 2015-2016 Grand Jury completed a survey of randomly selected DPAs, from a variety of job levels and agencies, to assess such factors as education, duties and job satisfaction (Appendix C). Reflective of previous Grand Jury reports about split duty, the survey revealed that only half of DPAs work exclusively on procurement tasks and 41% of DPAs work less than half of their work time on procurement, some as little as 5%.

Through interviews with procurement staff, the Grand Jury learned that County Procurement does not control who an agency assigns to procurement duty, nor does it supervise or manage their work – their parent agency does. The CPO is charged with training staff newly assigned to procurement tasks, regardless of job title. The four day training and orientation must be completed in the first year and requires passing the DPA certification test which earns them the co-title of Deputy Procurement Agent (DPA). If working in a smaller agency it is possible that a DPA may be supervised by a person without any DPA training.

As described earlier, most procurement staff are not hired into the Purchasing/Procurement Job series even though that Job Classification Series (career path) exists (see Table 7). Only a third of DPAs have job titles in the Purchasing/Procurement Job Classification Series. Instead, their parent agency hires an employee into a vacant position of some other job series, or reassigns an existing employee of another payroll title and then assigns them procurement duties.

Table 7: Job Classification Series – Purchasing/Procurement

Job title	Duties	Top Annual Salary
Buying Tech Trainee	Recruitment and training position	\$36,492
Buying Technician	Buying assignments subject to frequent review	\$46,524
Buyer I	Recruitment/training position	\$53,144
Buyer II	Fully Qualified, can purchase at limited value	\$64,344
Procurement Contract Specialist	Lead role to assigned agency – large contracts and purchases	\$72,675
Supervising Contract Specialist	Supervises contract specialists	\$79,632
Admin Manager I	Manages small program or unit	\$105,456
Admin Manager II – Assistant Procurement Officer	Manages programs/units, makes recommendations	\$131,124
Admin Manager III – County Purchasing Agent (CPA)	Manage major function, advises exec team, directs subordinates	\$161,964

Source: Orange County Human Resources Job Descriptions, on line April 2016

It is unfortunate for the procurement employee who is hired into a different job series because it limits their career advancement opportunities. Some also may work in a small procurement unit where advanced procurement positions do not exist so they may not qualify for transfer into a better DPA position outside their job series.

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Another impact of the decentralized system is the lack of consistent or comparable qualifications for DPAs. For instance, in the Grand Jury survey of a random sample of County-wide DPAs (Appendix C) the education level of the incumbents varies dramatically:

- No college 30%
- Associates Degree 19%
- Bachelor Degree 30%
- Advanced degree 21%

The Grand Jury survey also revealed that among the 240 DPAs, there are at least 40 distinct primary job titles, spread across 26 agencies - from Warehouse Worker, to Executive Manager (Table 8).

Table 8: Number of DPAs by Primary Job Title

Accounting Assistant II	1	Project Manager II	1
Accounting Specialist	1	Public Works Maint. Supervisor	2
Accounting Auditor	2	Secretary II	2
Accounting Office Supervisor II	1	Senior Architect/Engineering	1
Administrative Manager I	60	Senior Accounting Assistant	2
Administrative Manager II	32	Senior Contract Administrator	1
Administrative Manager III	4	Senior Accountant	2
Board Services Specialist	1	Senior Legal Secretary	1
Buyer I*	15	Senior Storekeeper	1
Buyer II*	21	Senior Buyer *	6
Buying Technician *	4	Staff Assistant	3
County Purchasing Agent*	1	Staff Specialist	16
Deputy Director	1	Storekeeper	1
Deputy Procurement Agent*	1	Storekeeper II	2
Executive Management	1	Supervising Buyer *	1
Executive Secretary	1	Supervising Legal Secretary	1
Information Technician	1	Supervising PCS *	8
Office Specialist	4	Warehouse Worker III	4
Office Supervisor	1		
Office Technician	1		
Procurement Contract Specialist*	29		
Procurement Manager	1		
Project Manager I	1		

* A job title that is within the Procurement series
(Source: County Procurement Office DPA list –
11/19/2015 – 12/17/2015)

Only about 84 DPAs (35%) work full time on procurement tasks. About 7% are not assigned to procurement tasks at all. The remaining 58% work some combination of procurement and other assignments.

What this list shows is that instead of nine procurement-related job titles as in Table 7, there are more than 40 job titles (Table 8). There are no common qualifications among the 40 job titles. It

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also demonstrates that procurement employees are not hired into the Purchasing/Procurement Job Classification Series.

When an agency has a procurement vacancy they assign, or hire, an employee to fill the vacancy and there is no requirement to consult with the CPO. The Grand Jury asked Procurement management about the lack of standardized qualification requirements for County-wide DPAs and was advised by at least one interviewee that common qualifications would be nice to have, but it is a Human Resources' issue, not Procurement's.

Some certified DPAs who leave procurement assignments maintain their DPA certification, perhaps to enhance their options for transfer or promotion. This does cause confusion about how many County employees are involved in procurement functions.

Training

County Procurement managers provided the Grand Jury with written and verbal information about training requirements and offerings. New employees hired into, or assigned to, a procurement assignment are required to complete Deputy Procurement Agent (DPA) training during their first year in that job. The DPA training curriculum is set by the County Procurement Office and offered three times a year at the Procurement Office. After three days of procurement training and a one-day review of the *Contract Policy Manual*, the employee must pass the DPA certification test (80% score to pass).

To maintain DPA certification, the Grand Jury received veteran DPAs must complete 10 training hours per calendar year and re-take the DPA exam every two years. These training hours can be selected from monthly, one hour review sessions held by the CPO. Training hours not completed are carried forward to be completed in the following year.

Compliance with DPA training and certification requirements is an issue. The CPO'S *Procurement Quarterly Reports 2015*, indicate that as many as 76% of DPAs are out of compliance with certification or training requirements at some point during the year. This means that many employees are performing procurement tasks when not fully trained and/or not currently certified (Table 9). That is a practice that raises concerns and needs correction.

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Table 9: DPA Certification Compliance - 2015

Quarter	% in Compliance
First	96
Second	24
Third	52
Fourth	89

Source: CPO Procurement Quarterly Reports, 2015

The quality of training was rated “Sufficient” by only 27% in the DPA Staff Survey (Appendix C), and only 50% of staff rated their training as “Beneficial”. Seventy-five percent (75%) of staff responded that DPA Training, “needs improvement” as the training is often redundant and not specifically job-related enough to meet their needs.

The Grand Jury notes that more than half of the monthly and special training hours (57%) are offered during the peak vacation months of June, July, August and September, which may make it difficult for staff to attend classes of interest. (CPO Training Report 2015). During those months, either the employee is on vacation time or must cover for other employees who are out. DPA training requirements are recent (since 2014) and are still under development. Some veteran staff reported that training that is poorly structured and delivered misses an opportunity to build a cadre of effective and productive procurement staff. Many DPAs interviewed stated that the one hour training format is not an effective way to increase knowledge and build skills.

CPO management shared a training goal to improve training through a Purchasing Academy, but plans are still in development. Because the annual training requirement was only expanded from four to ten hours, 2 years ago, the CPO acknowledged that development of in-house instructors is still a goal.

Advanced Training

There is no advanced procurement training offered through the CPO. For the motivated procurement employee, additional training and professional development are available through at least four national professional organizations.

1. Association of Procurement Professionals.
2. National Association of Procurement Professionals.
3. Certified Procurement Professionals.
4. Procurement Association of America.

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Each organization offers training opportunities to expand knowledge and improve performance and promotability through:

- Skills development,
- Overview of emerging issues,
- Review of Legislative changes,
- Technology developments, and
- Best practices.

The County does not require professional organization membership or certification in its Minimum Requirements for hiring. Some surveyed DPAs believe, and some Procurement managers confirm, that advanced professional training and/or certifications are not credited in hiring and promotional decisions. It is not surprising, therefore, that only 17 of 240 DPAs (7%) have achieved additional professional certification (*Procurement Quarterly Reports 2015*).

Staffing Issues

In contrast to Orange County’s decentralized procurement staffing practice, in a “centralized” procurement structure all employees are selected, trained and supervised by the Procurement Agency. Procurement employees may be out-stationed to high-use agencies for convenience, but they remain in the Procurement chain-of-command and their performance and product is reviewed and approved by the centralized Procurement Agency.

Many of OC Procurement Office senior managers cited recruitment of quality candidates as one of their operational challenges. Because the job classification/career ladder is, if used, reasonably attractive, with few minimum requirements or pre-employment testing, one must look for other impediments to attracting qualified candidates:

- There is job series and job title confusion because most County agencies do not hire into the Purchasing/Procurement Job Classification Series (Table 7) but into whatever job title is available. Therefore, a candidate interested in working in procurement may not find vacancies or recruitment in that Job Classification Series.
- Even though employees assigned to procurement functions are certified as “Deputy Procurement Agents”, there is not an actual “Deputy Procurement Agent”(DPA) job classification or title. “DPA” is a co-title that reflects the certification required to perform procurement tasks.
- Orange County’s salary scale for the Purchasing/Procurement Job Classification Series is substantially lower than like-sized California counties (Table 10). Not all positions could

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be compared because of chain-of-command and job title differences, but those listed are comparable by job duties.

Table 10: Salary Survey – Top-Step, County Procurement - 2016

POSITION	RIVERSIDE	SAN DIEGO	SANTA CLARA	3 County Average	ORANGE	Difference OC v AVG	% under average
DIRECTOR	\$212,583	\$218,795	\$205,454	\$212,277	\$161,964	\$ (50,313)	31.0
ASSISTANT DIRECTOR	\$152,146	\$153,795	\$138,188	\$148,043	\$131,124	\$ (16,919)	12.9
PROCUREMENT CONTRACT SPECIALIST	\$93,616	\$84,385	***	\$89,000	\$72,675	\$ (16,325)	22.5
BUYER II	\$69,291	***	\$73,168	\$71,229	\$64,344	\$ (6,885)	10.7
BUYER I	\$62,339	***	\$64,611	\$63,475	\$53,144	\$ (10,331)	19.4

Source: Referenced County Job flyers – April 2016.

Procurement Best Practice

Based on Grand Jury research, best practice models and strategies are readily accessible for consideration through professional organizations, academia, and other sources. Most of these models are based on procurement goals of cost savings, effective management, supplier relationships and accelerating the procurement cycles. Cost containment and resource optimization are recognized as the top concerns of a procurement executive (Warn p.1). An example of one list of five best practices steps include:

1. Transform The Purchasing Culture And Be Willing To Change.
2. Analyze Your Spend – know your current cost structure.
3. Be Transparent and be open to industry input and innovation.
4. Make a Firm Supplier Commitment by improving contracting terms.
5. Move Beyond the Technology and focus on the people, process and skills behind technology (Warn p.1).

Another currently cited contracting model, known as Performance Based Contracting, changes the contracting focus from Task to Outcome. According to *Principles and Practices of Public*

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Procurement, adopting Performance Based Contracting is viewed as one of the current best practices which allows an organization,

“ . . . to improve performance and lower costs through the use of performance-based contracts that:

1. Describe the requirements in terms of results required rather than specifying how the work is to be accomplished;
2. Set measurable performance standards;
3. Describe how the contractor’s performance will be evaluated in a quality assurance plan; and
4. Identify and use positive and negative incentives, when appropriate.”

One of the basic elements of Performance Based Contracting, is to transfer to the contractor the responsibility for devising the most innovative, efficient and effective way to perform the work (Duft). A simple performance-based example is:

- Instead of a specific task - “Empty rubbish bins every 4 hours.”,
Use a measureable standard - “No rubbish bin will ever be more than half full.”
- Instead of a specific task – “Teach sixteen Spanish I classes”,
Use a measureable standard – “Teach Spanish to students until they pass the Spanish I Final Exam. ”

Adopting this and other modern approaches could achieve improved performance by contractors, lower costs, and simplify contract management.

The Procurement Process

The Grand Jury found multiple reports depicting the County’s procurement process as cumbersome, complex, and suffering the shortcomings of de-centralization (Performance Audit). The Grand Jury’s DPA survey, interviews with vendors, and interviews with DPAs confirm this characterization. Both sides of the process - procurement staff and vendors/contractors alike - recommend the process be revised and made user-friendly. Vendors would also like to be included in discussion of CPM revisions and have their viewpoint considered.

Contracts valued at \$3 billion flow through Regional Cooperative Agreements (RCAs) or Master Agreements (MAs) as listed in Table 6. There are some issues encountered that made this investigation difficult, and warrant review and revision. For instance, the Grand Jury could not obtain an explanation as to why some (RCA) pricing cannot be located on the County website. Without the price lists, research and comparison for contract evaluation is impossible. Likewise,

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in FY 2014-2015 there were 1,971 Master Agreements across 26 agencies (Table 6 and Appendix B) but research and tracking is nearly impossible because the CAPS + IT system automatically re-numbers MAs each time one is opened for modification or change. The CPO identified the need for improving the automated procurement tracking system, but there is no current plan or timeline for correction.

Agenda Staff Reports (ASRs) are prepared by Board or agency staff and attached to each Board Agenda item. They contain information that will assist the Board Members to understand the action under consideration and any legal, historic, regulatory, budgetary, or other information that may influence the Board Member's vote. ASRs also include signatures/initials of reviewers indicating the item has been reviewed and approved at their level.

The Grand Jury reviewed a series of CY 2015 procurement-related Agenda Staff Reports (ASRs) and a variety of issues emerged.

- Purchasing/Contract submissions that originate from multiple agencies and lack consistency, and common format.
- The “Contact” person listed at the top of the ASR, the Grand Jury learned, often knows nothing about the ASR, or its specifics, and therefore cannot answer questions when contacted.
- Regional Cooperative and Master Agreements listed in ASRs (and their pricing schedules) are not always available online, making tracking and assessment difficult- to-impossible.
- Key tracking information is missing – such as how many, what kind, replacement schedule, service schedule - making it difficult to evaluate the cost basis of contract items.
- The Grand Jury read procurement-related ASRs that reached the Board of Supervisors with errors, possible improprieties, and some that appeared to be out-of-compliance with County Policy. These issues had not been caught in the review and approval process, and it was the Board of Supervisors that caught the error.
- The practice of awarding one year contracts (with four one-year renewals available) appears to the Grand Jury to create an unnecessary workload and expense. Some procurement staff interviewed estimate that renewal ASRs take many hours to research, prepare and submit through the review process, at an estimated cost of \$8,000 to \$20,000, depending on the contract complexity. The Grand Jury could not obtain an explanation as to how this practice developed but most individuals interviewed agreed that annual contract renewals have a manpower cost that could be avoided or reduced.

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- One agency requested approval to contract with a private vendor for a dollar equivalent of one full time position to perform a very specific function. The expressed justification was that current workload exceeded staff time available. The Grand Jury analysis, however, indicates that the proposed Scope of Work was so limited that the contract would save only 400 man-hours, or 20% of a position per year.
- Another contract request sought temporary funding to outsource a specialized criminal justice function but the ASR did not reveal that another county agency had qualified staff that could do the work, or that the requesting agency could bring back experienced, retired staff as Extra Help to do the work.

While none of these issues is fatal to the organization, it is the accumulation of many small mistakes that reduces effectiveness and increases costs.

Request for Proposal (RFP) Solicitation Process

When the County needs to contract for high dollar services, supplies or Architecture & Engineering contracts, bids are solicited through a Request for Proposal (RFP). The RFP describes the project, the scope of work or quantities, response requirements, and timelines. The RFP is posted on the County's BidSync website which is used by both vendors and the County to initiate and track the RFP process.

The Grand Jury reviewed the RFP process and found issues indicating a need for overall review for possible revision. Although the CPO booklet, *Navigating the Request for Proposal (RFP) Process – 2012 (RFP Manual)* is well written and nicely laid out, it is four years old and out of date. Eighty-six percent (86%) of DPA staff surveyed acknowledged awareness of the *RFP Manual* (Appendix C) but the survey did not inquire as to its adequacy. In interviews, some DPA staff expressed areas of the *RFP Manual* that are problematic and, based on those remarks, the Grand Jury reviewed the *RFP Manual* and found that:

- BidSync— the County's internet posting and tracking system for RFPs and contracts, is not mentioned by name, only as "the online bidding system."
- Newspapers and mailed announcements are listed as the primary posting mechanisms, but procurement managers told the Grand Jury that the online bidding system is the primary posting mechanism,
- Interviews/presentations by bidders are only an option – not required. RFP responses, called bid proposals, may be misleading to an Evaluation Committee if the written proposal is the only basis for assessment. Some bid proposals are commercially produced and may not accurately reflect the bidder's skills, abilities and compatibility with County operations, and

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- Membership of the Evaluation Committees has been generally drawn from County employees, with little opportunity for including subject-experts from another county, or from the private sector. A recent change in County travel policy may correct this problem and permit reimbursement for travel and per diem for outside evaluators.

The issues identified in the RFP process by the Grand Jury appear to be an outgrowth of the issues previously identified – outdated policy, lack of standardization, technology problems, and inadequate training. Some procurement staff interviewed acknowledge that flaws in the application of the RFP process can result in errors, delays, questionable outcomes, and appeals, all of which take additional time and staff resources to resolve.

Vendor complaints

The Grand Jury interviewed randomly selected vendors who raised complaints and suggestions about the RFP process such as:

- RFP filing deadlines are sometimes too short to provide an adequate response,
- Some deadlines are extended on short notice and without explanation. Some DPAs and managers agreed that this does happen on occasion and acknowledge the inconvenience to bidders,
- RFPs can be imprecise and confusing,
- RFP packets are often unnecessarily long – up to 100 pages. To meet requirements, proposals can reach 1200 pages. Some DPAs agree that when the RFP is for multiple sites the proposal can be hundreds of pages in order to meet requirements for each site,
- RFP requirements can be duplicative or contradictory. Some DPAs attribute this to the delegation of RFP sections to different employees for preparation and each does not necessarily review the entire packet before it is released,
- Bid evaluation is usually based entirely on the written Bid Proposal but should more often include interview and presentation as a regular practice. *The Contract Policy Manual* lists an oral presentation as an option in the process– not a requirement. Some staff agree that personal interaction between the Evaluation Committee and a bidder in the presentation environment can be beneficial to the outcome,
- Where there is no interview or oral presentation, the evaluators cannot evaluate some of the vendor’s abilities, or their compatibility with County operations,
- A vendor complained to the Grand Jury that a member of the Evaluation Panel, responsible for scoring his proposal, had a conflict of interest that was not identified by the RFP coordinator. While the Evaluation Panel members are given a list of the bidders so they can identify a possible conflict, the same courtesy is not provided the bidders. Based on interviews, some California counties offer bidders the names of the evaluators

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- just before interview, and the opportunity to voice an objection to a panel member and the identified evaluator sits out that presentation and scoring adjusted appropriately,
- Mathematical and statistical irregularities that are not caught and corrected by the RFP coordinators. For example, raters' scoring tends to fall into a pattern – usually high or usually low – and are relatively consistent. If a rater's scoring on one bidder falls outside their usual scoring pattern, the RFP coordinator should follow up to determine the reason to avoid a complaint of bias. Similarly, if four raters have been scoring similarly and each has similar rank orders (which presentation is #1, #2, etc.) and suddenly one rater scores substantially differently, the coordinator should investigate further and document explanation or correction,
 - The Grand Jury noted that some RFP evaluation outcomes are mathematically incorrect, appear biased, favor a higher bid price, or are protested by the bidder. There have been occasions when the scoring had to be repeated, reviewed, or revised, based on scoring anomalies, and
 - Some bidders complained that, on occasion, RFP coordinators do not consistently verify bidder's qualifications, experience or technical skills, thereby permitting under-qualified bidders to process through.

Some vendors stated that, when the *Contract Policy Manual* goes under revision, they would like their viewpoint to be solicited and considered.

Contract Management

In Orange County's decentralized model, each agency manages its own contracts. In discussions with DPA staff, it appears that actual vendor/contractor performance evaluation is inconsistent between agencies. Some agencies evaluated contract compliance based only on complaints and their resolution. Other staff seemed unsure what compliance review was done, just that they personally did not do it. The County Procurement Office does not track contract appeals or protests but a manager stated the hope that individual agencies do so. The agencies report that there is no consistent documentation of contract problems, vendor non-compliance, or resolutions, making evaluation of Contract Management impossible and weakening evaluation of vendor/contractor past performance.

Some vendors complained that contract management in some agencies is excessive, specifically:

- Excessive documentation demands,
- County contract "fees" - a dollar amount per unit of service, demanded of the vendor by the County that appear to the vendor to be revenue generating and not related to offsetting County workload, and

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- Excessive dollar penalties for “late” compliance with due dates, delivery schedules or document submission. Vendors felt the violations were usually minor and oversight easily corrected, or otherwise explainable.

Annual Contract Compliance Reviews

The *Contract Policy Manual*, requires the County Procurement Office (CPO) to annually review the procurement records and processes of each agency (CPM 1.5-101). The CPO refers to this as, “contract compliance review.”

Table 11: Contract Compliance Review – 2015
5 Agencies with most Master Agreements

AGENCY	Number of Master Agreements	Number Contracts Reviewed	% of Contracts Reviewed
OC Sheriff	401	15	3.7
OC Public Works	259	15	5.8
Health Care	256	15	5.8
OC Community Resources	199	15	7.5
CEO	159	15	9.4
Totals	1274	75	5.8

Source: OC List of Master Agreements and Dollar Values FY 14/15

According to the CPO, a CPO representative visits each agency and randomly selects 15 contract files for review, regardless of how many contracts are active, and regardless of their dollar value. The Grand Jury could not find a requirement in the CPM as to a specific number of contracts to be reviewed each year per agency. Considering that some County agencies have several hundred contracts each (Table 11), reviewing only 15 contracts per agency seems inadequate for dependable evaluation (CPO KPI 4th quarter report 2015). The *Performance Audit of Purchasing 2014* made a similar observation and recommended that at least 24 contracts be reviewed per agency, and that the findings be reported out in 4-6 weeks, rather than the current practice of 4-6 months. (Performance #131404 p.8)

In 2015, however, County Procurement reported completing only 17 of 26 contract compliance reviews (65%). As of March 25, 2016 (three months later) the violation findings were yet to be released in half the reviews (see Table 12).

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Table 12: Outcomes of Procurement Contract Compliance Reviews – 2015

Quarter	Number of Agencies Reviewed	Average # of Violation Findings per Agency
1	3	8.3
2	3	11.3
3	5	16 4 review findings not finalized
4	6	Review findings not finalized. 4 Review findings still pending from Q3

Source: OC Procurement Key Performance Indicators Quarterly Reports

Centralized vs. Hybrid Organizational Structure

There have been repeated recommendations to return Orange County to a centralized procurement structure, most recently in a strong case made by the 2013-2014 Grand Jury. Their recommendation was to re-allocate all procurement staff to County Procurement as part of a realignment process to centralize Procurement. A second recommendation was to increase Procurement’s oversight role by funneling all procurement submissions through County Procurement for consistent review and approval prior to submission to the Board of Supervisors (small dollar value purchases and contracts could be exempted). The anticipated result of centralization was better customer service, increased efficiency and cost savings.

While there has been little overt opposition to re-centralizing County procurement, neither has there been any action to effectuate it. Among the executives and managers that the Grand Jury interviewed, there are expressions of resigned acceptance of the current decentralized structure, and aversion to the effort it would take to transition to central procurement.

The Centralized Procurement Model

Historically, Orange County procurement services was a centralized function as part of the General Services Agency (GSA). In response to the 1994 County bankruptcy, GSA was closed down and procurement authority delegated to each agency. Based on interviews by the Grand Jury, few elected or appointed County leaders even remember the GSA or centralized purchasing. That makes it unlikely that a current County employee has the expertise to implement procurement centralization.

As cited in this report, there have been repeated recommendations for centralizing Procurement. Looking again at “Best Practices”, the national professional organizations recommend

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centralized procurement. The National Institute of Governmental Purchasing, in a 1989 resolution (re-ratified in 1995), recommends that units of government have centralized purchasing as the standard. Business publications favor centralization, but do acknowledge that the level of centralization must be tailored to the agency's strengths (Anklesaria, Centralize or).

Centralized Purchasing is the predominant procurement organizational model in at least four like-sized California Counties (Table 13) and those counties report that this gives a single agency a level of control and management that benefits the county. The Centralized Purchasing model may include out-stationed staff for convenience, but the primary advantages are (Centralized):

- Cost savings from volume purchasing and deliveries,
- Centralized records,
- Better inventory control,
- Standardization and consistency,
- Clear and centralized procurement policy and procedures,
- A cohesive career path and employees with similar qualifications,
- A clear chain of command, and
- Centralized final review and approval before procurement submissions go to the Board of Supervisors.

In interviews with agency heads and procurement staff, some argue against centralization out of an expectation of delay, and unresponsiveness to the needs of agencies or specialized work groups. End-users think they are best equipped to identify their specialized purchasing needs. At the same time, centralized procurement offers the economy of scale that reduces cost.

Transitioning to centralized procurement would require an investment of manpower which proponents believe are offset by savings realized (Anklesaria, Centralize vs.). What cannot be avoided, seemingly, is the reality that one side must learn the operations of the other. Either Procurement staff must learn the agency functions and needs, or the agency staff must learn about procurement functions and requirements.

The Hybrid Structure

There is a halfway measure that some counties use –informally referred to as the Hybrid Structure. In a hybrid structure, the Procurement agency has the administrative responsibility, and all procurement submissions go through Procurement for review and approval, before they go to the CEO then the Board of Supervisors for consideration. Only the largest agencies operate their own procurement functions. Most of the senior procurement executives interviewed from comparable counties stated that the crucial element needed for success is the centralized review and approval of procurement submissions to the Board of Supervisors.

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According to a high ranking procurement executive of Santa Clara County they have been a hybrid county for years but their Board of Supervisors have grown increasingly dissatisfied with performance and outcome and is actively recruiting for a Procurement consultant to assess the current system and design and plan migrating to a centralized structure.

What Are Other Counties Doing?

In order to compare Orange County’s procurement structure, standards and functions, the Grand Jury conducted a data review and telephone interviews with high ranking procurement executives of California’s four like-sized counties (Los Angeles County was not included because its population is too large to be considered comparable.)

Table 13: Procurement Agency Survey – 4 Counties Compared to Orange County

Item	Riverside	San Diego	Santa Clara	San Bernardino	Orange
Procurement Annual Budget	\$800 million	\$1 billion	\$3 billion	\$5.26 billion	\$3 billion
County Population	2.3 million	3.3 million	1.3 million	2.1 million	3.2 million
County Employees	20,000 w/hospital	17,000	16,000	21,775 w/ hospital	18,000
Centralized Procurement*	Hybrid	Yes	Centralization In process	Yes	No
Procurement Director Qualifications Requirements	BA – Related field Professional certification Related Admin experience	Advanced degree 20 years procurement experience	BA Bus. Admin Professional certificate	BA Bus Adm or related Professional certification 5 yrs purchasing experience 3 years mgmt. of \$15+ million budget	Experience as Admin Manager
Number Procurement Staff	26 Direct Reports 140 report to own agency	56(+)	456	24	20 Direct Reports 220 report to own agency
Is Procurement Director selected after competitive exam process?	Yes	Yes written and oral	Yes	Yes	No
Staff Training	New hires trained	N/A	New hires: 2-	New hires: 2-4	New hires: 4 days

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requirement	by Procurement Vets: 4 days/year + 1 hour/month		3 weeks Vets: as needed	weeks Vets: not specified	Vets: 10 hours a year
Policy Manual Exists	County Policy Manual Updated annually	Yes Procedure Manuals	Yes – updated 2X year	Yes	Yes No Procedures

*Centralized Procurement includes all staff doing procurement duties who are hired and supervised by the Procurement Agency, and all procurement proposals are reviewed and approved by Procurement before submission to Board of Supervisors.

(+) Procurement staff who work with agency Buyer 1 & 2 as team.

Orange County Information Technology (OCIT) - Possibly a Model?

There is another function that struggles with a similar centralization debate –Orange County Information Services (OCIT). According to statements by several veteran IT staff, building an Information Technology (IT) system for a county the size of Orange County is expensive and difficult from the start. According to reports from some present and former Orange County IT staff, the obstacles to establishing a dependable, efficient IT system in a large county include:

- Technology that is often untested,
- Costly initial investment,
- Customizing existing software is expensive, and
- Hardware needs replacing regularly.

Orange County’s automation efforts and expenditures began in 1974 and there have been some costly and time consuming mistakes. Automating each County agency mirrors the difficulties of the larger system. The Grand Jury was told by some experienced staff that there are common problems often experienced in IT systems:

- Cost overruns,
- Late deliveries,
- Project cancellations,
- Software failure,
- Poor-quality deliverables, and
- Unfair and/or no-bid contracts.

During the past 15 years there have been six Chief Information Officers (CIOs), all hired to improve the OCIT. The 2015-16 Grand Jury investigated OCIT’s historical contracting practices and its new direction, and studied a recent major IT *Voice and Data Network Services* contract dispute, resolution, and the County’s remedies. Additionally, the Grand Jury reviewed how

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County's IT centralization, based on shared-service model, is expected to benefit OCIT's general contracting practices and eliminate some of the pitfalls.

For more than 30 years Orange County contracted with the original outside IT vendor/contractor whose company ownership and company name have changed four times. Through this time period, most staff told the Grand Jury, operations remained reasonably stable but outcomes did not meet expectations. After numerous attempts to improve OCIT performance, the Board of Supervisors approved a number of steps leading to centralized IT procurement, and to consolidation and standardization of countywide IT. Some managers interviewed told the Grand Jury that OCIT is beginning the transitioning of OCIT procurement gradually to a centralized structure and transferring IT related positions, salaries/benefits budgets to OCIT.

In June 2014, at the direction of the Board of Supervisors, the CEO formed a cross-functional and cross-agency IT Working Group to work toward standardization and consolidation of countywide IT. Through the efforts of this Working Group, OCIT centralization is in the infancy of implementing a “service-shared centralization” model, authorized by the Board of Supervisors in March 2015. According to a statement by the County Executive Office it is too early to assess its effectiveness, but if the work group and pilot phased-progressive approach is successful and based on multi-agency input, it could be a model for centralizing Countywide procurement. The anticipated benefits of consistency, economy and cohesiveness could well serve Procurement's enormous responsibility (SAIC Contract Amendment #1 - 2015).

FINDINGS

In accordance with California Penal Code §933 and §933.05, the 2015-2016 Grand Jury requires (or, as noted, requests) responses from each agency affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled “Procurement, Big Budget, Low Priority”, the 2015-2016 Orange County Grand Jury has arrived at the following 18 findings, as follows:

- F.1.** For several years the Orange County Procurement Office and the County's procurement functions have not been prioritized to bring about necessary changes to achieve an efficient and cost effective operation despite numerous recommendations from Grand Juries and auditors.
- F.2.** Training requirements for new and experienced Deputy Procurement Agents is inadequate. Further, the inconsistent enforcement of training compliance, and confusing training and

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certification timelines is a high risk practice because it allows untrained and/or uncertified employees to perform procurement tasks.

- F.3.** The current de-centralized Procurement organizational structure is outdated and not consistent with other large California counties or current procurement Best Practices and deprives the County of the ability to leverage its collective buying power to reduce costs.
- F.4.** The County does not appear to have an in-house expert on centralization who could design and implement the transition to centralized procurement.
- F.5.** The automated procurement tracking system is outdated and thereby difficult to use and appears to contribute to errors and additional costs.
- F.6.** Current practices regarding multi-year contract awards that require annual renewal are costly, inefficient, and unnecessary.
- F.7.** Advanced training and professional certification are not encouraged and are not credited in hiring or promotion of employees with procurement duties.
- F.8.** The Request for Proposal (RFP) process has a number of correctable technical operational issues such as inconsistencies in solicitation packets, conflict of interest, uncorrected errors and bidder qualifications
- F.9.** In pursuit of centralizing OCIT services, a cross-agency Working Group developed a program for the pilot phase recently launched which, if successful, may be a model for centralization of Procurement.
- F.10.** There are Procurement best practices readily available for consideration that could be adopted to improve Orange County Procurement performance.
- F.11.** The number of contracts annually reviewed for compliance with the *Contract Policy Manual* is insufficient for a dependable assessment.
- F.12.** There are no current specific minimum qualifications for County Purchasing Agent or a selection /testing procedure to identify and appoint the most qualified candidate.
- F.13.** Orange County does not offer competitive compensation for the Purchasing/Procurement Job Classification Series (and related positions) and pays up to 30% below the average of three like-sized California counties.

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- F.14.** There has been no action taken on many of the recommendations made by 1997-1998, 2002-2003 and 2013-2014 OC Grand Juries, the 2009 Procurement Policy Study, and the 2014 Performance Auditor and the Internal Auditor.
- F.15.** The *Contract Policy Manual – 2012* is outdated.
- F.16.** There are no consistent hiring standards and qualifications for employees working in Procurement assignments, and most procurement staff are hired by agencies other than County Procurement into job titles outside the Purchasing/Procurement Job Classification Series.
- F.17.** The County lacks approved procedure manuals for procurement functions.
- F.18.** Some executive and upper management selections are made without an active recruitment and a testing process to identify the most qualified candidate, but by transferring an existing manager into the position, some without related education or experience.

RECOMMENDATIONS

In accordance with California Penal Code §933 and §933.05, the 2015-2016 Grand Jury requires (or, as noted, requests) responses from each agency affected by the recommendations presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled “*Procurement – Big Budget, Low Priority*”, the 2015-2016 Orange County Grand Jury makes the following 14 recommendations:

- R.1.** The CEO in cooperation with Human Resources should establish by December 31, 2016 a specific Job Classification and description for County Purchasing Agent which includes professional, minimum qualifications in education, procurement certification, job-related experience, and progressive management duties. (F12, F18)
- R.2.** The CEO, in cooperation with Human Resources, should define a process to base the next County Purchasing Agent appointment on a nationwide recruitment, job related testing, and thorough vetting by January 1, 2017. (F1, F12, F18)
- R.3.** The CEO, in cooperation with Human Resources, should reclassify and transfer all employees in procurement functions to the County Procurement Office, and all future procurement staff be recruited and hired directly into the County Procurement Office and

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into a job classification within the Purchasing/Procurement Job Classification Series, managed and supervised by the CPO, by March 1, 2017. (F1, F3, F13, F16)

- R.4.** Beginning November 30, 2016, the County Procurement Office should train all employees who have procurement duties immediately upon hire or assignment, and before they are permitted to work independently on procurement tasks. (F1, F2)
- R.5.** The County Purchasing Agent should enforce standard DPA training requirements and not allow any DPA to work on procurement tasks if their DPA certification has lapsed beginning December 1, 2016. (F2, F7)
- R.6.** The County Executive Officer should hire a procurement Training Consultant to assess the training needs of procurement staff and submit a plan for training of new and veteran procurement employees by January 15, 2017. (F2, F7)
- R.7.** By October 1, 2016, the CEO should direct agencies to revise the practice of recommending the awarding of multi-year contracts, one year at a time, with possible four - 1 year extensions, by directing agency staff to submit contracts of three to five years; and direct contract managers to exercise the 30 day cancellation clause when warranted by poor vendor performance. (F6)
- R.8.** That the CEO should authorize OCIT to assist the County Procurement Office in conducting an IT needs assessment, and submit a plan and timeline for improvement, updating or replacement by March 1, 2017. (F5)
- R.9.** The CEO, in cooperation with Human Resources, should hire a procurement consultant by December 1, 2016 to review prior Grand Jury, audit and study recommendations, assess the current County procurement system, and design a plan and strategy to transition procurement from a de-centralized organizational structure to a centralized or hybrid structure by July 2017. (F1, F3, F4, F9, F10, F14)
- R.10.** The County Purchasing Agent should complete annual contract compliance reviews on at least 15% of each County agencies' active contracts , and release/publish the violation findings within 60 days of review, beginning October 1, 2016. (F11)
- R.11.** The Chief Purchasing Agent should research procurement best practices, especially Performance Based Contracting, and submit a plan to adopt appropriate practices that would contribute to improved performance by Procurement, by January 1, 2017. (F1, F3, F6)

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R.12. The CEO, in cooperation with Human Resources, should conduct a salary survey and make recommendations for compensation modifications to make Orange County competitive in the Purchasing/Procurement Job Classification Series by February 1, 2017. (F1, F13)

R.13. The County Purchasing Agent should complete a report on recommended revisions to the *Contract Policy Manual* by October 15, 2016 and complete the revisions by March 1, 2017. (F1, F8, F15,)

R.14. The County Procurement Office should, by January 15, 2017, lead each County agency through a process to develop function-specific *Procurement Procedure Manuals*, and all Manuals be reviewed and updated annually. (F1, F2, F8, F17)

REQUIRED RESPONSES

The California Penal Code §933 requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court). Additionally, in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such elected official shall comment on the findings and recommendations pertaining to matters under that elected official's control within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code Section §933.05 (a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

(a) As to each Grand Jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

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(2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.

(c) If a finding or recommendation of the Grand Jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary /or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code section §933.05 are required from:

Responses Required:

90 Day Required Responses:	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18
Orange County Board of Supervisors	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

90 Day Required Responses:	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14
Orange County Board of Supervisors	X	X	X	X	X	X	X	X	X	X	X	X	X	X

Responses Requested:

Requested Responses:	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18
CPO		X	X		X	X	X	X	X	X		X			X	X	X	

Requested Responses:	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14
CPO			X	X	X		X	X		X	X		X	X

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Requested Responses:	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18
CPA										X	X	X	X					

Requested Responses:	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14
CPA						X					X	X		X

Requested Responses:	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18
HR							X					X	X			X		

Requested Responses:	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14
HR	X	X	X									X		

Requested Responses:	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18
County Executive Office									X									

Requested Responses:	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14
County Executive Office		X		X		X	X	X	X					

Requested Responses:	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18
CFO										X					X			

Requested Responses:	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14
CFO		X	X					X		X	X		X	

Requested Responses:	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18
CEO/Information Technology					X													

Requested Responses:	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14
CEO/Information Technology								X						

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APPENDIX

Appendix A: Status of 2014 Performance Audit Recommendations

(By priority, plus Board of Supervisors sub-committee recommendations)

No.	RECOMMENDATION	TARGET DATE	COMPLETED
1	CPA revise Policy Manual every 2 years for Board of Supervisors approval.	June 2015	On hold
2	CPA post Contract Policy changes on intranet	None stated	Complete unk date
3	CPA create comprehensive Procedures Manual and process for regular updates.	October 2014	On hold
4	CPA review/update intranet website	August 2014	August 2014
5	CPA create slides of “Best Practices” training material and post on intranet website	August 2014	Complete
6	CPA track P/P and knowledge share metrics	June 2015	February 2016 - late
7	CPA maintain database of compliance reviews and include them in CPO annual report	None given	pending
8	CPA include compliance monitoring changes in CPM revision	June 2015	On hold
9	CPA routinely monitor “buyers” list in CAPs+ and ensure compliance with <i>Delegation of Authority</i> in CPM	None given	Complete
10	CPA Enforce DPA training requirements including 6 mo extension or revoke DPA status.	August 2014	Complete & on-going
11	CPA update Master DPA list and status by agency – update annually	October 2014	Complete & on-going
12	CPA set up and track Key Performance Indicator system to include Mission and objectives.	October 2014	December 2015 - late
13	CPA increase Cal-Card monthly limit from \$15,000 to \$30,000	December 2014	September 2014
14	CPA set policy that agencies use Cal-Card when possible	August 2014	October 2014
15	CPA prepare annual report to Board of Supervisors re Cal-Card usage	January 2015	February 2016 - late
16	CPA coordinate an RFP for Countywide office supply need	November 2014	September 2015 - late
17	CPA consider separate RFPs for high-volume commodities	November 2014	September 2015 - late
18	CPA direct the RCA unit to evaluate opportunities for strategic sourcing	None given	April 2015
19	CPA revise CPM to require that RCAs >\$100K require Board of Supervisors approval	June 2015	On hold Pending CPM revision
20	CPA produce annual report on RCA unit activities and distribute to all agencies	September 2014	October 2014

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No.	RECOMMENDATION	TARGET DATE	COMPLETED
21	CPA establish policy to identify under-used RCAs that should not be renewed	None given	On hold – CPM revision
22	RCA unit tailor future contracts to County’s benefit	None given	December 2014
23	CPA to assign skilled CPO staff to support achievement of #16-22	July 2014	December 2015 - late
24	CPA consider CPM change to increase Board of Supervisors oversight of commodities contracts	June 2015	On hold – CPM revision
25	CPA advise Fleet to use pricing discount available under MA-017-1101276	June 2014	June 2014
26	CPA take lead on coordinating all new procurement IT system – eProcurement	None given	November 2014 & on-going
27	CPA to set policy that requires the CPO be consulted prior to an procurement IT system action	None given	November 2014
28	CPA publish annual Surplus Program report	December 2015	February 2016 - late
29	CPA review auctioneer contract & recover any revenue owed	None given	September 2014
30	CPA evaluate options to surplus sales program	September 2014	October 2015 - late
Board of Supervisors 1	Review contracts <\$25K, twice a year	None given	December 2014
Board of Supervisors 2	Explore Centralized Requisition System	November 2014	June 2016 - late
Board of Supervisors 3	Look at putting more info in RFP descriptions	August 2014	Pending CAPS upgrade Oct 2016
Board of Supervisors 4	Consider purchase policy of discretionary promotional items	None given	December 2015 - late
Board of Supervisors 5	Review need to modify threshold levels	None given	On hold – CPM revision
Board of Supervisors 6	Review public agency small dollar contracts for “best practice”.	None given	Complete
Board of Supervisors 7	Improve contract language and reduce delays in contract payments	None given	January 2015 & on-going - late
Board of Supervisors 8	Create more RCAs to consolidate purchases at more value	May 2015	May 2015
Board of Supervisors 9	An individual Board of Supervisors member request for service contract must go before the full Board of Supervisors for approval.	June 2014	Complete
Board of Supervisors 10	Report status of Board of Supervisors rec’s by December 2014	December 2014	December 2014 & monthly thereafter

Source: 2014 Performance Audit report

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Appendix B: Definition of Contract Types – Orange County 2016

Contract (CT)	Legal agreement between the County and registered vendors for specific goods and services. A contract encumbers County funds, is non-renewable, project specific and allows multiple payments.
Delivery Order (DO)	Document used to purchase goods/services as/if needed from an existing Master Agreement which sets terms, conditions and pricing, but does not commit the client to make a purchase.
Hybrid	A procurement document that consists of both commodities and services
Master Agreement (MA)	A renewable contract with prices, terms and conditions which enables departments to make recurring purchases of goods and services at a negotiated price.
Purchase Order (PO)	A written contractual agreement with registered vendors for specific goods and services, usually for one order.
Regional Cooperative Agreement (RCA)	Created, and managed by RCA Unit, when six or more user agencies/departments require common goods or services and total contract exceeds \$500,000. A way to negotiate lower costs.

Source: Performance Audit of Countywide Purchasing-2014, p. 39

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Appendix C: Grand Jury Survey of Deputy Procurement Agents¹ – March 2016

Number	Question	Response Summary	
1	What is your education background?	No College	30%
		Associates	19%
		Bachelor	30%
		Graduate Degree	21%
2	Percent of workday spend on procurement tasks? ²	100% of workday	67.6%
		80-99% of workday	16.2%
		50-79% of workday	5.4%
		No response	10.8%
3	Is training sufficient or needs improvement?	Sufficient	27%
		Needs improvement	73%
	(Comments on Training Needs)	Not enough for new hires	
		Advanced on specific topics	
		Bid Process	
		Case Studies	
4	Are professional certificates beneficial and valued by the County when making hiring or promotional decisions?	Beneficial	51%
		Neutral	27%
		No benefit	22%
5	When you work on a Request for Proposal,		
	Are there policies to guide you?	Yes	97%
		No	3%
	Are there Procedures for you to follow?	Yes	68%
		No	32%
6	During the RFP process, do you interview the bidder?	Often	37%
		Occasionally	24%
		Never	39%
7	Are you ever pressured to get information from a specific vendor to be included in the Bid process?	Yes	14%
		No	86%
8	Is the BidSync system useful?	Yes	86%
		No	14%
9	Are standardized policy/procedures used?	Yes	83%
		No	17%
10	Is the bidding procedure good, improvement needed or bad?	Good	89%
		Needs improvement	5%
		Bad	3%
		N/A	3%
11	Have you done sole source or no-bid contracts in the past 12 months?	Yes	25%
		No	75%
12	Are there policies and procedures available to guide you through the bidding process?	Yes	84%
		No	13%
		N/A	3%
13	Is the CAPS+ system useful?	Yes	51%
		No	41%
		N/A	8%
14	How do you rate the scoring system in the bid process?	Fair	27%
		Not Fair	3%
		No opinion	70%
15	Was the winning bid the best candidate?	Yes	51%
		No	43%
		Don't Know	6%
16	Are subject-matter-experts used in the evaluating bid proposals?	Always	62%
		Sometimes	27%
		Never	3%
		Don't Know	8%
17	Are out of county subject-experts reimbursed for their travel expenses?	Yes	16%
		No	73%
		Don't Know	11%
18	What organization structure do you think would serve Orange County the best?	Centralized	13.5%
		Hybrid	24.3%
		Standardized	29.7%
		De-centralized	32.4%

Random Sample n= 37 Response rate – 94.9%

¹ Survey sent to DPAs listed by County Procurement Office as working 100% on procurement duties.

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Appendix D: Acronyms

ASR	Agenda Staff Report
AVG	Average
BA	Bachelor of Arts (Degree)
BOS	Board of Supervisors
CEO	County Executive Office/Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CPA	County Purchasing Agent
CPM	<i>Contract Policy Manual</i>
CPO	County Procurement Office
CT	Contract
CY	Calendar Year
DCP	<i>Design and Construction Procurement Policy Manual</i>
DO	Delivery Order
DPA	Deputy Procurement Agent
ERMI	Electronic Report Management Imaging
FTE	Full Time Equivalent
FY	Fiscal Year
GJ	Grand Jury
GSA	General Services Agency
IFB	Invitation for Bids
IT	Information Technology
K	Thousands, as in \$25K
KPI	Key Performance Indicator
MA	Master Agreement
MQs	Minimum Qualifications
n	Total Number as in number surveyed
NIGP	National Institute of Government Purchasing
OC	Orange County
OCIT	Orange County Information Technology
P/C	Procurement/Contracting
PO	Purchase Order
P&P	Policy and Procedure
PCS	Procurement Contract Specialist
Q1-Q4	Quarter 1 – Quarter 4
RCA	Regional Cooperative Agreement
RFP	Request for Proposal

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Appendix E: Recommendations of Procurement Management Review by National Institute of Governmental Purchasing (NIGP) (FINAL REPORT , October 8, 2009)

All recommendations are listed. Number gaps reflect that not all report sections had recommendations attached.

- 2.1 Adopt a County Ordinance, Policy Manual and County Procurement Procedures Manual which includes the role of the Chief Procurement Officer. (Short Term – Internal)
- 3.1 The County consider for future implementation a centralized share-service organization model. (Medium Term – Internal/External)
- 3.2 Continue providing and enhancing the current DPA training provided by the CEO/Procurement Office and incorporate additional training seminars offered by outside professional procurement organizations. (Short Term – External)
- 3.3 Perform a staffing study to assess the level of resources needed to provide for Corporate and County procurement functions. (Long Term – External)
- 3.4 Develop detailed job descriptions for DPA positions, including encouraging certification as Certified Public Professional Buyers and Certified Professional Purchasing Officers.
- 3.5 Review the functions of the Purchasing teams and Contracts teams and consolidate into one procurement team responsible for commodity, services, human services and fixed asset procurement.
- 3.6 Establish County wide contracts, bid and request for proposal standard document templates, approved as to form and locked.
- 3.7 Assess the sufficiency of training and compliance staff in the County Procurement Office.
- 4.1 Adopt a new purchasing ordinance based on the Model Procurement Code.
 - Provisions to increase delegation of approval of bids and contracts to the Chief Procurement Office and County Executive Officer.
 - Include provisions for a common dollar amount requiring Board of approval of Contracts and sole sources over a certain dollar amount (recommended \$1,000,000.
 - Oversight of all procurements over a certain dollar amount (recommended \$500,000) to the Chief Procurement Officer.
 - Competitive process required over \$100,000.
- 4.2 Adopt a new Purchasing Procedures Manual based on the policies set forth in the Contract Policy Manual, which incorporates the procedural sections of the Contracts

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- Manual, the Procurement Nuts and Bolts and Procurement Best Practices. New Sections to be added include: Environmentally Preferable Purchasing and Fire Arm Disposal.
- 4.3 Adopt a procedural manual for vendors: “How to do Business with the County of Orange.”
- 4.4 Simplify the agenda process for items requiring Board approval.
- 4.5 Develop a mechanism to make changes and revisions to the purchasing manual.
- 5.1 The recommended ordinance should contain provisions for the Chief Procurement Officer to be delegated authority under a certain dollar amount to approve sole source procurements in compliance with sound procedures. There should also be provisions for semi-annual or annual reports of sole source activity to the Board.
- 6.1 Mutual agreement of Chief Procurement Officer and Auditor-Controller on:
- Who will ensure purchasing policies are met.
 - How and what is entered into CAPS+ to ensure proper payment.
- 6.2 Explore use of modules which support the procurement functionality to include third party software.
- 7.1 Increase the Payment Terms from 30 days to 45 days to coincide with the California Prompt Payment of Claims statute.
- 7.2 Hold agencies and departments responsible for any consequences of not processing involving and receiving data in a timely manner.
- Establish stringent processing timelines for agencies and departments to provide invoicing and receiving data to accounts payable.
 - Charge any penalties for late payments to departments
 - Advertise the consequences, late payment, penalties, etc.
 - Establish and collect a County internal late payment penalty against any agency or department that does not process invoicing and receiving data within established timelines.
- 8.1 Increase the usage of the Cal-Card for small, repetitive supplies and services to take advantage of the potential transaction savings.
- 8.2 Develop a Cal-Card strategy and plan for County of Orange to increase the usage of the Cal-Card.
- 8.3 Expand the use of the Cal-Card to Blanket Contracts, Electronic Catalog Ordering and Individual Contract Payments.

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- 9.1 Recommend that a dollar threshold be established whereby the CEO/Procurement Office would have oversight of all procurements.
- 9.2 All contracts should be entered into the CAPS system.
- 10.1 Develop a suite of metrics for all County procurement operations.
- 11.1 Define the requirements and implement a document assembly capability. This would be an application which would keep standard clauses needed for various procurement activities and contracts. A user could create a document by selecting the applicable clauses terms and conditions needed for the particular procurement, bid or request for proposal.
- 11.2 Implement a County wide electronic document system, which would include all procurement files on contracts, bids and request for proposals.
- 11.3 Establish County wide contracts, bid and request for proposal standard document templates, approved as to form and locked.

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Appendix F: Procurement Management Review; Implementation Plan & Timetable

Implementation Plan and Timetable

This report has presented a number of recommendations. The transformation process should be divided into three phases due to the complexity of the changes proposed. The recommendations build incrementally to minimize operational disruptions, and so that successful completion of one phase establishes the foundation for the next. Based on that three phase approach, recommendations in the report are presented as Short Term (0 – 6 months), Medium Term (7 – 12 months) and Long Term (over 12 months).

Phase 1	Phase 2	Phase 3
October 2009 – April 2010	October 2009 – October 2010	October 2010 -

Phase 1. Short Term: October - April 2010

- *2.1 Adopt a County Ordinance Policy Manual and County Procurement Procedures Manual, which includes the role of a Chief Procurement Officer. (Internal)
- *3.2 Continue providing and enhancing the current DPA training provided by the Procurement Office and incorporate additional training seminars offered by outside professional procurement organizations. (External)
- * 3.7 Assess the sufficiency of training and compliance staff in the County Procurement Office. (Internal)
- *4.2 Adopt a new Purchasing Procedures Manual based on the policies set forth in the Contract Policy Manual, which incorporates the procedural sections of the Contracts Manual, the Procurement Nuts and Bolts and Procurement Best Practices. New Sections to be added include: Environmentally Preferable Purchasing and Fire Arm Disposal. (Internal/External)
- *4.3 Adopt a procedures manual for vendors: “How to do Business with the County of Orange” (Internal/External)
- *6.1 Mutual agreement of Chief Procurement Officer and Audit-Controller on:
 - Who will ensure purchasing polices are met.
 - How and what is entered into CAPS+ to ensure proper payment.(Internal)
- *7.1 Increase the Payment Terms from 30 to 45 days to coincide with the California Prompt Payment of Claims statute. (Internal)
- *7.2 Hold agencies and departments responsible for any consequences of not processing invoicing and receiving data in a timely manner. (Internal)

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Possible actions which can be taken to control untimely receiving and invoicing include:

- *Establish stringent processing timelines for agencies and departments to provide Invoicing and receiving data to accounts payable.
- *Charge any penalties for late payments to departments.
- *Advertise the consequences, late payments, penalties, etc.
- *Establish and collect an County internal late payment penalty against any agency or department that does not process invoicing and receiving within established timelines.

*9.2: All contracts should be entered into the CAPS system. Internal

Phase 2. Medium Term: October 2009 – October 2010

*3.1 Consider for future implementation a centralized share-service organization model.
(Internal/External)

*3.6 Establish County wide contracts, bid and request for proposal standard document template, approved as to form and locked. (Internal)

*4.1 Adopt a new purchasing ordinance based on the Model Procurement Code.
(Internal/External)

- Provisions to increase delegation of approval of bids and contracts to the Chief Procurement Officer and County Executive Officer.
- Include provisions for a common dollar amount requiring Board of approval of Contracts and sole sources over a certain dollar amount (recommended \$1,000,000).
- Oversight of all procurement over a certain dollar amount (recommended \$500,000) to the Chief Procurement Officer.
- Competitive process required for procurements over \$100,000.

*4.4 Simplify the agenda process for items requiring Board approval. (Internal)

*4.5 Develop a mechanism to make changes and revisions to the purchasing manual. (Internal)

*5.1 The recommended ordinance should contain provisions for the Chief Procurement Officer to be delegated authority under a certain dollar amount to approve sole source procurements in compliance with sound procedures. There should also be provisions for semi-annual or annual reports of sole source activity to the Board. (Internal)

*6.2 Explore the use of modules which support the procurement functionality to include third party software. (Internal/External)

*8.1 Increase the usage of the Cal-Card for small, repetitive supplies and services to take advantage of the potential transaction savings. These purchases account for 6.3% of the County's procurement, are allowed by County policy and adequate procedures are available to alleviate fraud and abuse. (Internal/External)

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*8.2 Develop a Cal-Card strategy and plan for County of Orange to increase the usage of the Cal-Card. (Internal)

*8.3 Expand the use of the Cal-Card to Blanket Contracts, Electronic Catalog Ordering and Individual Contract Payments. (Internal/External)

Phase 3. Long Term: October 2010 -

*3.3: Perform a staffing study to assess the level of resources needed to provide for Corporate and County procurement functions. (Long Term - External) (External)

*3.4 Develop detailed job descriptions for DPA positions including encouraging certification as Certified Public Professional Buyers and Certified Professional Purchasing Officers. (Internal/External)

*3.5 Review functions of Purchasing team and Contracts team and consolidate into one procurement team responsible for commodity, services, human services and fixed asset procurement. (Internal)

*9.1 Recommend that a dollar threshold be established whereby the CEO Procurement Office would have oversight of all procurements. (Internal/External)

* 10.1 Develop a suite of metrics for all County procurement operations. (Internal/External)

*11.1 Define the requirements and implement a document assembly capability. This would be an application which would keep standard clauses needed for various procurement activities and contracts. A user could create a document by selecting the applicable clauses, terms and conditions needed for the particular procurement, bid or request for proposal. (Internal/External)

*11.2 Implement a County wide electronic document system, which would include all procurement files on contracts, bids and request for proposals. (Internal/External)

*11.3 Establish County wide contracts, bid and request for proposal standard document templates, approved as to form and locked. (Internal)