



Improving performance to better serve our county residents

Purchasing Process Review
Confidential

October 2020

kpmg.com

Contents

Executive Summary	1
Scope and Methodology	1
Division Orientation	2
Future-State Organization Model	3
Future Structural Elements Overview	5
Current and Recommended Processes	11
Operational Structure	17
Spend Analysis	25
Detailed Future Structural Elements	33
Appendix A: Survey results	106
Appendix B: Benchmarking results	112
Appendix C: Best practice results	118
Appendix D: Departmental Interviews	121
Appendix E: Current-State Process Maps	124



Executive Summary

Scope and Methodology

The County of Santa Barbara (the County) contracted with KPMG in July 2020 following recommendations made within the General Services department review. The focus of the engagement was to conduct an analysis of the countywide purchasing processes, with a specific view to develop the future organizational and operational structure of the Purchasing Division (the Division or Purchasing). The purpose of this Purchasing review was to (a) provide an in-depth assessment of countywide and Division current-state purchasing processes, (b) identify areas of improvement in the form of countywide and Division future-state processes that are informed by a benchmarking exercise to identify best practices and stakeholder interviews, and (c) conduct an analysis of vendor/purchasing data to identify discrete recommendations.

Over a 10-week period, the KPMG team conducted the following activities:

- **More than 20 interviews** with Purchasing leadership and staff, Auditor-Controller staff, and five separate County departments to understand the overall process and purchasing operations of the County
- **Analysis of data available, reports, and policy documents** to understand the demands upon, and operations of, the Division
- A **benchmarking and leading practice review** of the following regional counties: Kern, Marin, Monterey, Placer, San Luis Obispo, Santa Cruz, Solano, Sonoma, and Tulare
- **Best practice research** based on recommended global procurement best practices per the California Association of Public Procurement Officials, Inc. (CAPPO) website
- A **County department-wide survey** prepared by KPMG and distributed by the County to gather staff opinions on the services/support provided by the Division.

This report (Report) outlines the findings of the countywide purchasing process review and details key structural elements for improvement



Division Orientation

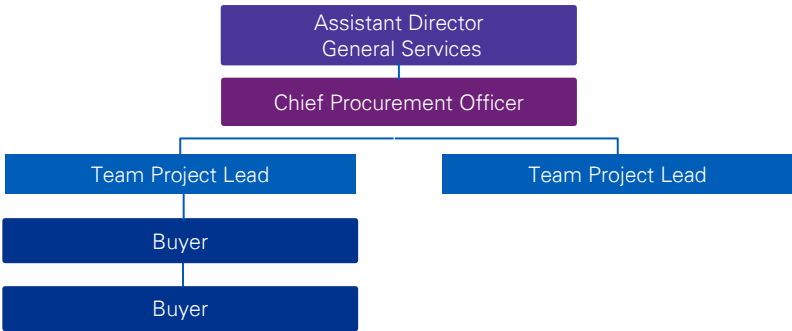
Mission statement: Provide vital, sustainable, and innovative services to ensure that the County accomplishes its goals and objectives for the public good.

Values: The values of the Purchasing Division are as follows:

- Respect for People and Environment
- Highest Ethical Standards with Honesty, Trust, and Integrity
- Commitment to the public and organization through hard work and excellent customer service
- Efficiency is a fundamental principle in daily operations
- Accountability to the public trust.

Responsibilities: The Purchasing Division is responsible for obtaining goods and services used by all County agencies and departments. Services are provided by a staff of professional buyers (buyers), each a specialist within their field of assigned category. Buyers seek to maintain continuity of service and provide procurement support to the various County agencies and departments. In doing so, they strive to obtain items of the highest quality, procured at the lowest cost, while employing good governmental business practices and cost-effective administration.

Organizational Structure: Purchasing is a Division of the General Services Department. General Services was established as the single administrative entity responsible for the County's primary internal support services. The current organizational structure of the Purchasing Division is depicted in the chart below:



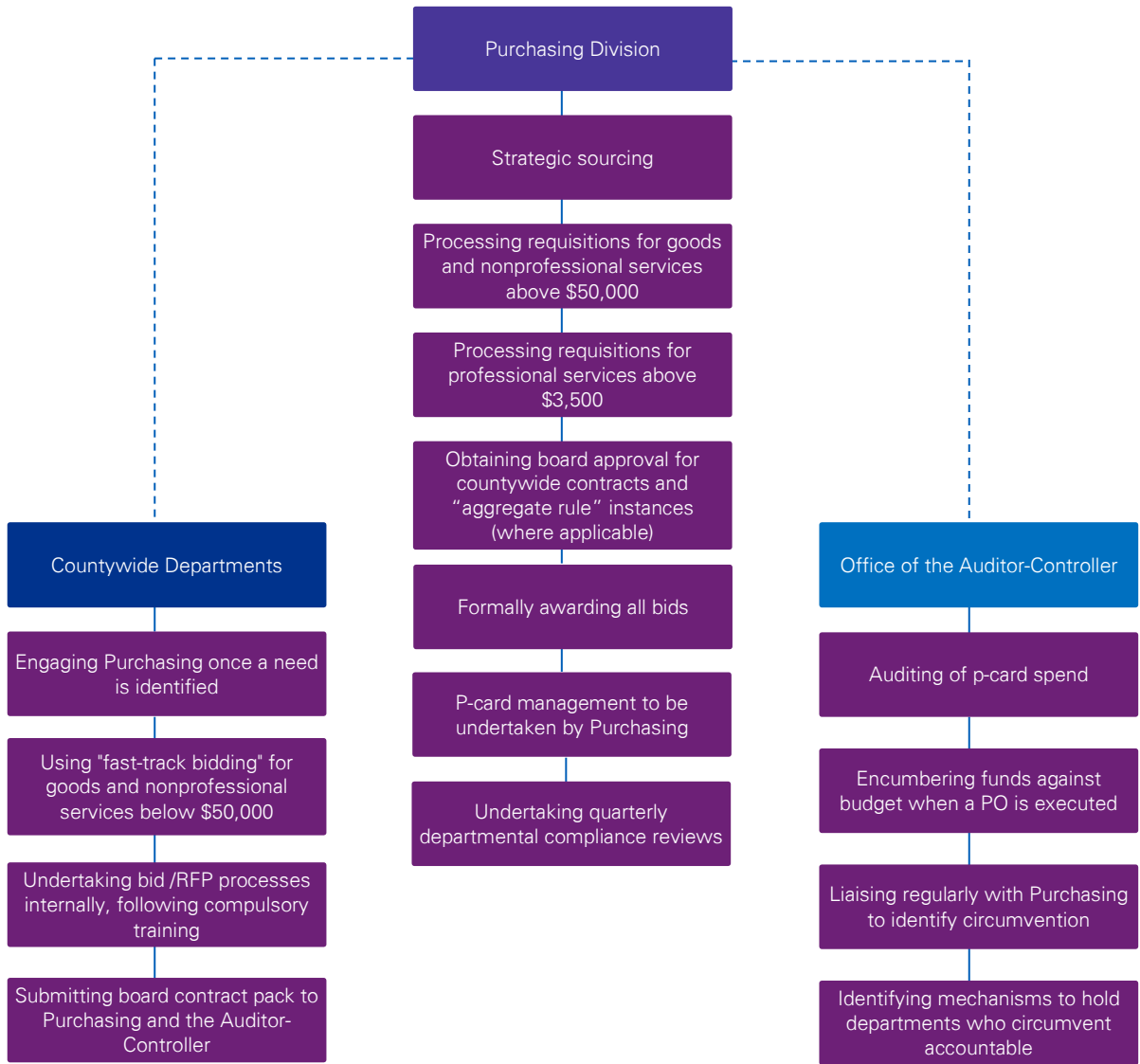
Future-State Organization Model

The future-state organization model of the Purchasing Division is designed to facilitate a transition to a countywide strategic partner that will provide a level of delegated authority to departments while ensuring that countywide Purchasing operations have the adequate level of governance and oversight. The graphic on page 4 outlines the responsibilities of Purchasing, County departments, and the Auditor-Controller as a result of the transition to a countywide strategic partner. Furthermore, graphical representations of the future-state processes envisioned in the form of process maps (in high resolution) accompany this document.

The following are the key activities/responsibilities illustrated in this graphic:

- Purchasing will be responsible for identifying strategic sourcing and demand management opportunities through liaising with departments and conducting monthly spend analysis.
- Departments will engage Purchasing when a need in excess of \$3,500 is identified at the departmental level to ensure that Purchasing has full visibility into future demand and can share knowledge on suitable vendors and bid processes where required.
- Departments will use a “fast-track bidding” approach (with oversight from Purchasing) and complete a competitive process locally for the purchase of one-time goods and nonprofessional services between \$3,500 and \$50,000, where a countywide contract is not in place to reduce time spent by Purchasing on administrative tasks. The implementation of this “fast tracking bidding” process will require a change to the County Code.
- Departments that complete specific training will have the option of conducting the bid/request for proposal (RFP) processes internally, where applicable with oversight from Purchasing to allow Purchasing to spend more time on strategically focused activities. All bidding processes undertaken at the department level will be subject to periodic review by Purchasing or the Auditor Controller who will review the financial process prior to executing payment.
- The Auditor-Controller will establish encumbrances against budget when a purchase order (PO)/service contract (CN) is executed by Purchasing to prevent overspending and improve point-in-time transparency.

Countywide strategic partner future-state organization model



Future Structural Elements Overview

The structural elements detailed in this report address specific challenges and risks identified through interviews, observations, and data analysis of the countywide purchasing process. Some of the structural elements will involve cross-departmental collaboration, and some will require investment, time, and planning to execute. It should be noted that the county is currently undertaking a Business Applications Needs Assessment (BANA) project which should enable a more integrated purchasing and payables system. However, as implementation of this system may take 2-3 years, it is important that the right foundations are put in place in the interim. The structural elements are grouped into four high-level categories:

- **Governance, authority, and controls** structural elements relate to systems and processes required of Purchasing to manage the various processes governing countywide purchasing activities, some of which are department-led, and ensure department compliance therewith. At a high level, these structural elements are organized around the following core activities: (a) reorganize purchasing thresholds and authorities, (b) enhance control procedures, and (c) develop governance processes to identify circumvention in order to ensure appropriate levels of integrity and control.
- **Organization and resource** structural elements relate to the optimum structure and roles required for Purchasing to achieve the desired level of oversight and control in managing purchasing activities and to position Purchasing as a strategic partner to County departments. At a high level, the structural elements outlined in the subsequent pages are organized around the following core activities: (a) restructure Purchasing roles and responsibilities to act as a countywide strategic partner, (b) reorganize category groupings assigned to buyers, and (c) undertake increased collaboration and information sharing with the Auditor-Controller.
- **Purchasing process** structural elements relate to the specific processes governing purchasing activities, focusing largely on key activities to be undertaken by Purchasing. At a high level, these structural elements are organized around the following core activity: prioritize demand management and strategic sourcing to assist in elevating the Division as a countywide strategic partner and provide better value for money for the County.
- **Technology and tools** structural elements relate to systems utilized by Purchasing and the Auditor-Controller to perform various processes and activities during the procurement cycle. At a high level, these structural elements are organized around the following core activity: enhancing the utilization of technology to increase efficiency and effectiveness and achieve cost savings.

The combined outcome of implementing these structural elements will be a consistent, measurable set of processes that helps Purchasing staff to successfully perform a strategic sourcing and purchasing role within the County and provide an appropriate level of control and oversight over departmental purchasing activities to better manage risk.

Governance, Authority, and Controls

#	Governance, Authority, and Controls structural elements
1	Institute a “fast-track bidding” process for the purchase of one-time goods and nonprofessional services between \$3,500 and \$50,000.
2	Update policy to require purchases of goods and nonprofessional services greater than \$50,000 to be processed by Purchasing following submission of a requisition.
3	Develop an RFP training program allowing departments that complete the program with the option of conducting RFP processes internally.
4	Establish Purchasing oversight and visibility into the board contract approval process for purchases of services over \$200,000.
5	Reconfigure the procurement manual to better illustrate the step-by-step process involved in successfully procuring goods and services with the aim of utilizing the procurement manual as a training manual.
6	Develop training programs to train departments on policies and procedures, p-card usage and spend management, RFP process, and countywide contracts.
7	Conduct quarterly reviews of department purchasing activities to ensure compliance; develop justification forms for submission by departments that circumvent.
8	Implement monthly monitoring and analyzing of p-card spend by departments to be undertaken by Purchasing.
9	Implement a process for the Auditor-Controller to encumber funds against department budget.
10	Institute a process to ensure that goods/services cannot be procured in the absence of an executed contract issued to Purchasing; monitor instances of unsigned contracts weekly.
11	Monitor aggregate vendor spend monthly and communicate to departments to determine whether \$200,000 threshold has been met.

12	Implement governance checks to be conducted by the Auditor-Controller and quarterly department reviews to be conducted by the Purchasing Spend Governance Analyst.
----	--

Organization and Resources

#	Organization and Resources structural elements
13	Establish the Purchasing Division as a countywide strategic partner.
14	Enhance communication and information sharing with federally funded departments that purchase specialty goods and services to allow these departments to continue to conduct procurement operations internally with increased oversight from Purchasing.
15	Enhance collaboration and information sharing with the Auditor-Controller.
16	Reorganize category groupings assigned to buyers based on workload/volumes.
17	Establish a Category & Vendor Manager position to manage strategic sourcing and demand management in collaboration with County departments.
18	Establish a Spend Governance Analyst position to implement countywide controls.
19	Establish an additional buyer position to support increased Purchasing responsibility.
20	Conduct an in-depth assessment of departmental roles related to purchasing activities countywide to analyze and monitor workload as a result of Purchasing transitioning to a countywide strategic partner.

Purchasing Process

#	Purchasing Process structural elements
21	Enhance collaboration with departments during the budgeting cycle to identify proposed spend, spend categories, and vendor selection.
22	Establish processes to implement strategic buying and category monitoring countywide.
23	Enhance use of countywide contracts and cooperative contracts with vendors to increase value for money.
24	Conduct a review of contracts currently in place by category.
25	Identify all common goods and services procured across the County and collectively bid.
26	Conduct monthly spend analysis with vendor, department, and category spend tracked and analyzed.
27	Develop and manage a master vendor list to be published to the County intranet.
28	Evaluate vendor performance using set criteria such as timeliness of delivery, quality of good/service provided, and competitive pricing.

Technology and Tools

#	Technology and Tools structural elements
29	Assess SpendMap capabilities to identify capabilities that can automate processes and inform accurate reporting.
30	Transition to electronic requisitions to automate processes and more accurately track status updates.
31	Reconcile SpendMap data with FIN data to ensure better accuracy in reporting.
32	Perform a data clean of SpendMap and FIN data periodically to inform more accurate spend analysis.
33	Fully implement a paperless process for board contract approvals and implement electronic signatures for all contracts.
34	Assess supplier management tools to identify the optimal solution for the County in terms of functionality and cost effectiveness.
35	Transition to electronic bid management and vendor registration to automate the bid process.
36	Conduct an annual cost avoidance benefit assessment to monitor the value added by the Purchasing Division.

Purchases of Tangible Items greater than \$3,500 and above

The future-state process for tangible items in the above dollar range contemplates the following additional process elements:

- a) Implement e-requisitions for all purchases to reduce manual administrative process and release buyer capacity and streamline the overall process (*Rec 1*).
- b) Require departments to engage Purchasing when a need is identified at the departmental level to ensure that Purchasing has visibility into future demand and can share knowledge on suitable vendors and bid processes, when a competitive process is required (*Rec 2*).
- c) Implement “fast-track bidding,” which will allow departments (with Purchasing oversight) to complete a competitive process locally for the purchase of one-time goods and services between \$3,500 and \$50,000 to reduce time spent by Purchasing on administrative tasks, leaving more time to be spent on strategic buying activities. Bidding processes undertaken at department level will be subject to periodic review by Purchasing (*Rec 4*).
- d) Allow departments that complete specific training to have the option of conducting the bid/RFP processes internally with oversight from Purchasing to allow Purchasing to spend less time on administrative tasks, leaving more time for strategically focused activities. All bidding processes undertaken at the department level will be subject to periodic review by Purchasing/Auditor-Controller (*Rec 5*).
- e) Require the bidding process to be conducted electronically to automate, create a database of vendors, and reduce the risk of protest (*Rec 6*).
- f) Justification forms will be completed by departments that fail to submit requisitions (where required) or otherwise circumvent processes to track departmental circumvention and discourage future deviation. Purchasing will provide justification forms to departments (*Rec 7*).
- g) The Auditor-Controller will encumber funds against budget when a PO/CN is executed by Purchasing to prevent overspending and improve point-in-time transparency (*Rec 11*).

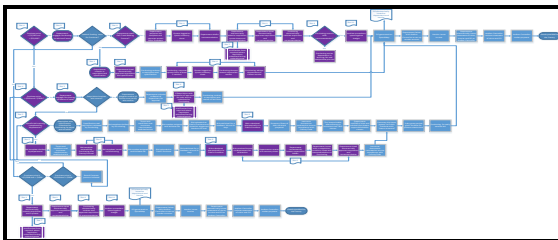


Figure 3 – Source: KPMG LLP

Purchases of Professional Services greater than \$3,500 and less than \$200,000

The future-state process for professional services in the above range contemplates the following additional process elements:

- a) Implement e-requisitions for all purchases to reduce manual administrative process and release buyer capacity and streamline the overall process (*Rec 1*).
- b) Require departments to engage Purchasing when a need is identified at the departmental level to ensure that Purchasing has visibility into future demand and can share knowledge on suitable vendors and bid processes, when a competitive process is required (*Rec 2*).
- c) Allow departments who complete specific training to have the option of conducting the bid/RFP processes internally with oversight from Purchasing to allow Purchasing to spend less time on administrative tasks, leaving more time for strategically focused activities. All bidding processes undertaken at department level will be subject to periodic review by Purchasing/Auditor Controller (*Rec 5*).
- d) Require the bidding process to be conducted electronically to automate the bid process, create a database of vendors, and reduce the risk of protest (*Rec 6*).
- e) Justification forms will be completed by departments who fail to submit requisitions (where required) or otherwise circumvent processes to track departmental circumvention and discourage future deviation Purchasing will provide justification forms to departments (*Rec 7*).
- f) Goods and services will be procured only when signed contracts are returned to Purchasing with the level of unsigned contracts monitored by Purchasing's Spend Governance Analyst weekly to reduce legal risk and ensure that a contractor is bound to County terms and conditions (*Rec 8*).
- g) The Auditor-Controller will encumber funds against budget when a PO/CN is executed by Purchasing to prevent overspending and improve point-in-time transparency (*Rec 11*).

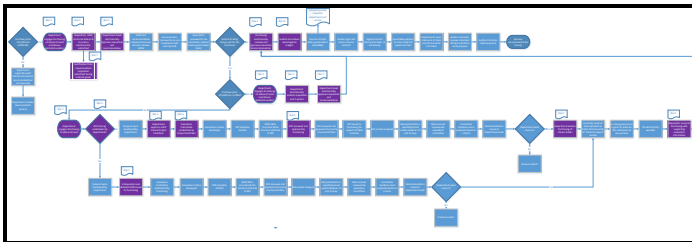


Figure 4 – Source: KPMG LLP

Public Projects

Public Projects have four distinct thresholds as follows: Purchases up to \$3,500, Purchases between \$3,501 and \$60,000, Purchases between \$60,001 and \$200,000 and Purchases greater than \$200,000. Each distinct threshold requires a different purchasing process as follows:

- **Purchases up to \$3,500** require Department Authority only and purchases can be made locally at department level.
- **Purchases between \$3,501 and \$60,000** do not have specific competitive requirements, however, a department recommendation is issued to Purchasing, who make the award.
- **Purchases between \$60,001 to \$200,000** require an informal bid which is conducted by Purchasing and awarded to the lowest responsible bidder.
- **Purchases greater than \$200,000** require a formal bid which is conducted by Capital Projects / Public Works and Board of Supervisor authority is required.

The Public Project process map outlined below and appended to this report detail each of the three thresholds greater than \$3,501 for Public Projects and the distinct processes required for each are outlined at each decision point. The process for purchases under \$3,500 is outlined in the process map entitled “Purchases under \$3,500”.

The future-state process governing public projects contemplates the following additional process elements:

- a) Implement e-requisitions for all purchases to reduce manual administrative process and release buyer capacity and streamline the overall process (*Rec 1*).
- b) Require departments to engage Purchasing when a need is identified at the departmental level to ensure that Purchasing has visibility of future demand and can share knowledge on suitable vendors and bid processes, when a competitive process is required (*Rec 2*).
- c) Allow departments who complete specific training to have the option of conducting the bid/RFP processes internally with oversight from Purchasing to allow Purchasing to spend less time on administrative tasks, leaving more time for strategically focused activities. All bidding processes undertaken at department level will be subject to periodic review by Purchasing. Informal bids should utilize Purchasing or be conducted through Public Purchase, while formal bids should be coordinated by the department in conjunction with Purchasing utilizing the Public Purchase platform or the Board Contract process. (*Rec 5*).

- d) Require the bidding process to be conducted electronically to automate the bid process, create a database of vendors, and reduce the risk of protest (*Rec 6*).
- e) Justification forms to be completed by departments who fail to submit requisitions (where required) or otherwise circumvent processes to track departmental circumvention and discourage future deviation. Purchasing will provide justification forms to departments (*Rec 7*).
- f) Goods and services will be procured only when signed contracts are returned to Purchasing with the level of unsigned contracts monitored by Purchasing's Spend Governance Analyst weekly to reduce legal risk and ensure that a contractor is bound to County terms and conditions (*Rec 8*).
- g) The Auditor-Controller will encumber funds against budget when a PO/CN is executed by Purchasing to prevent overspending and improve point-in-time transparency (*Rec 11*).

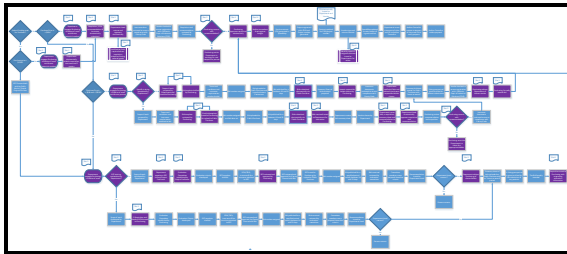


Figure 5 – Source: KPMG LLP

Board Contract Process:

The future-state process governing the board contract process for the purchases of services greater than \$200,000 contemplates the following additional process elements:

- a) Require departments to engage Purchasing when a need is identified at the departmental level to ensure that Purchasing has visibility into future demand and can share knowledge on suitable vendors and bid processes, when a competitive process is required (*Rec 2*).
- b) Allow departments who complete specific training to have the option of conducting the bid/RFP processes internally with oversight from Purchasing to allow Purchasing to spend less time on administrative tasks, leaving more time for strategically focused activities. All bidding processes undertaken at department level will be subject to periodic review by Purchasing (*Rec 5*).
- c) Purchasing will lead the Board contract process for countywide contracts and when Board approval is required as a result of the "aggregate rule", dependent on vendor and type of

service and where applicable based on terms and conditions. Departments will continue to lead the board contract process for all other contracts; however, departments will be required to advise Purchasing when a need is identified and to issue a board contract summary form to Purchasing to allow the board contract to be uploaded to SpendMap. These additional processes will ensure that Purchasing has the appropriate level of oversight and visibility into purchases over \$200,000 and allow the Division to perform more complete and meaningful analysis surrounding strategic sourcing opportunities (*Rec 9*).

- d) The entire board process will become paperless and e-signatures will be implemented for contract signatures at all levels (e.g., Department Head, County Counsel, Risk, Auditor-Controller, vendor, and Board of Supervisors) to automate the process and reduce the time taken to complete the process (*Rec 10*).
- e) The Auditor-Controller will encumber funds against budget when a PO/CN is executed by Purchasing to prevent overspending and improve point-in-time transparency (*Rec 11*).

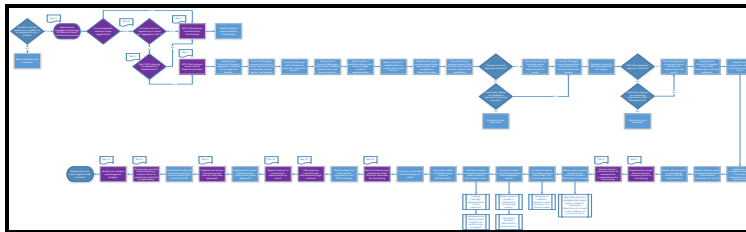
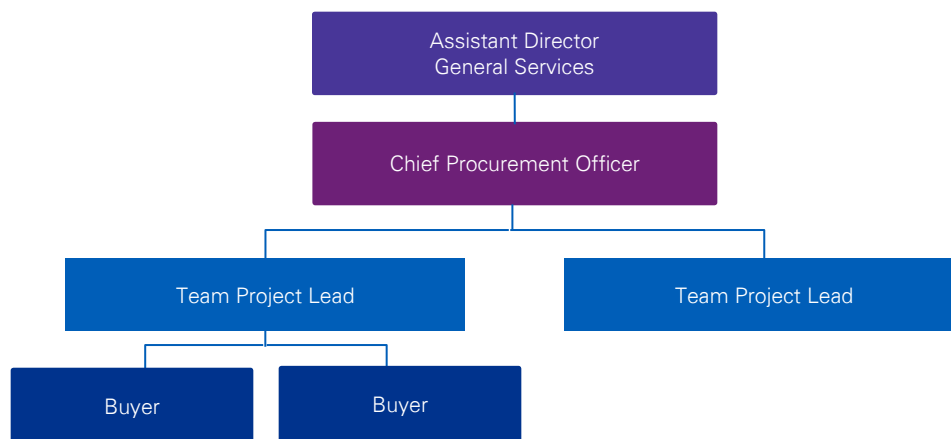


Figure 6 – Source: KPMG LLP

Operational Structure

Currently, the Purchasing Division operates within a decentralized structure. Many departments conduct significant purchasing activities internally and typically contact Purchasing only when they require a purchase order to be processed. The Purchasing Division is rarely involved in vendor selection and is not typically utilized as a resource to share knowledge in terms of purchasing policies and procedures. Consequently, Purchasing is viewed by departments as a clerical, paper processing division rather than as a countywide strategic partner. As a result of the current structure, Purchasing has a lack of oversight over purchasing processes undertaken at the countywide or department level, which results in regular circumvention of processes by departments with little (if any) consequences.

The Purchasing Division presently has three dedicated staff members working under the direction of the Assistant Director of General Services and two vacant positions (Project Team Lead and Buyer). Below is an illustration of the current organizational structure:



The Division's current staff has the following responsibilities:

Chief Procurement Officer: Provides senior-level management direction and oversight of procurement services countywide, promotes transparency and integrity during procurement process, proposes and implements improvements in policy and processes, approves contract awards and oversees the development of major procurement from initiation through to contract expiration.

Team Project Lead: Leads teams and significant departmental projects, supervises staff, implements customer service solutions, develops and manages budgets as well as exercising a high-level independence in terms of team-related decision making.

Buyer: Receives, reviews, and processes requisitions, researches sources of supply, studies quality of products for countywide contracts, determines vendor from whom purchases will be made for countywide contracts, groups purchases to secure price advantages, solicits bids, compares and analyzes price quotations, negotiates and renews countywide contracts, maintains data and prepares reports, and processes and analyzes complicated contracts.

Based on the interviews conducted, it is apparent that the current staff needs additional support in undertaking day-to-day duties. Currently, the Team Project Lead is completing a significant number of duties, which would routinely be undertaken by a buyer, however, is required to complete these tasks due to current demand. Further, Purchasing does not have a staff member responsible for analyzing spend, negotiating with vendors, and interfacing with departments on vendor-related issues nor do they have a staff member responsible for monitoring compliance, which is critical to preventing circumvention of policies and procedures.

The following is a benchmarking analysis of the organizational structures of Purchasing Divisions within the following nine counties: Kern, Marin, Placer, San Luis Obispo, Sonoma, Monterey, Santa Cruz, Solano, and Tulare.

County	Org Structure	No. of Depts.	Head count	Budget 2020	Roles	Buyer assignment
Santa Barbara	Decentralized	27	3	\$1.19b	<ul style="list-style-type: none"> Chief Procurement Officer Team Project Lead Buyer 	Buyers assigned by category
Kern	Hybrid	24	7	\$3.1b	<ul style="list-style-type: none"> Purchasing Manager Supervising Buyer Buyer Contract Administrator Fiscal Support Specialist 	Buyers assigned by category
Marin	Hybrid	23	7	\$619.8 m	<ul style="list-style-type: none"> Supervising Buyer Purchaser 	Buyers assigned by category
Placer	Centralized	18	10	\$1.02b	<ul style="list-style-type: none"> Purchasing Manager Senior Buyer Buyers I/II Administrative Technician Staff Services Analyst I/II 	Buyers assigned by category
San Luis Obispo	Centralized	36	4	\$648m	<ul style="list-style-type: none"> Senior Buyer Buyer 	Buyers assigned by category
Sonoma	Centralized	29	7	\$1.79m	<ul style="list-style-type: none"> Purchasing Agent Contract & Procurement Manager Buyer 	Buyers assigned by category

Monterey	Centralized	25	8	\$1.6b	<ul style="list-style-type: none"> • Contracts & Purchasing Officer • Buyers II • Management Analyst I/II/III 	Buyers assigned by category
Santa Cruz	Centralized	25	4	\$874m	<ul style="list-style-type: none"> • Senior Buyer • Buyer 	Buyers assigned by category
Solano	Centralized	40	11 *	\$1.15b	<ul style="list-style-type: none"> • Central Services Manager • Senior Buyer • Buyers • Administrative Secretary 	Buyers assigned by category
Tulare	Centralized	22	10	\$1.38b	<ul style="list-style-type: none"> • Purchasing Manager • Procurement Specialist Supervisor • Procurement Specialist II/III • Procurement Specialist II • Procurement Technician • Surplus Store Clerk) • Stock Clerk I 	Buyers assigned by Department

* Headcount relates to Central Services Department, a breakdown of headcount specific to Purchasing not available.

As noted above, all surveyed counties operate within a hybrid or centralized structure, which provides greater oversight and control to Purchasing Divisions. Further, five out of the nine counties reviewed employ an administrative role (e.g., Fiscal Support Specialist, Administrative Technician, Management Analyst I/II/III, Administrative Secretary, and Procurement Technician) who is ultimately responsible for ensuring compliance and conducting routine administrative work. In addition, a review of job descriptions across each county surveyed indicates that seven of the nine counties employ a staff member to manage vendors and contracts (e.g., Contract Administrator,

Supervising Buyer, Senior Buyer, Contract & Procurement Manager, Contract & Purchasing Officer, and Procurement Specialist Supervisor).

Based on a review of the County's Purchasing Division organization structure and based on a benchmarking analysis, the following are structural elements related to organizational structure and staffing:

The Purchasing Division should transition to being positioned as a countywide strategic partner, which will provide a certain level of autonomy to departments while ensuring that Purchasing has an adequate level of oversight. Under this structure, the Purchasing Division will have responsibility for identifying strategic sourcing and demand management opportunities through regular communication with departments and conducting monthly spend analysis. Furthermore, departments will be required to engage Purchasing to advise the Division when they need to procure a good or service in excess of \$3,500, which will ensure that Purchasing has full visibility into future demand and can provide advice to departments on suitable vendors and bid processes where a competitive process is required.

This structure will also align with the implementation of "fast-track bidding" and RFP training, which form part of the structural elements discussed under the Governance, Authority, and Controls section of this report. The "fast-track bidding" and RFP training will allow departments to conduct bid processes internally, provided they have obtained the required training (which will be developed and facilitated by Purchasing), and, most importantly, Purchasing will ultimately make all formal awards of bids. Departments who choose not to complete training will be required to submit requisitions to Purchasing when a need is identified and Purchasing will undertake the bid process centrally. Accordingly, Purchasing will have greater time to complete strategic sourcing and demand management by allowing departments to conduct bid processes internally but will maintain oversight and control by ultimately making all formal awards. Furthermore, all bid processes undertaken at department level will be subject to review by Purchasing or the Auditor-Controller.

A Category & Vendor Manager position will be established to act as an interface between vendors and departments. The Category & Vendor Manager will work under the Chief Procurement Officer and will replace the vacant position currently in place for a Team Project Lead. The Category & Vendor Manager will play a key role in elevating the Purchasing Division to that of a countywide strategic partner by reviewing spend analysis performed by the Spend Governance Analyst, communicating with buyers to identify strategic sourcing opportunities, identifying opportunities to negotiate countywide contracts and avail of cooperative contracts, regularly communicating to departments on countywide vendor-related issues and overseeing countywide supplier management.

A Spend Governance Analyst position will be established to monitor overall compliance with policies and procedures. The Spend Governance Analyst will work under the Chief Procurement Officer and play an important role in preventing circumvention by continually monitoring departmental compliance with policies and procedures, conducting quarterly department reviews, and liaising closely with the Auditor-Controller to discuss circumvention. In addition, the Spend Governance Analyst will perform monthly spend analysis and send the analysis to the Category & Vendor Manager and buyers for review.

An additional buyer will be onboarded to bring the total buyer count within Purchasing to three. The buyer will support with the additional responsibilities to be undertaken by the Division and will report to the Project Team Lead.

It is evident from the interviews conducted with Purchasing staff that additional support is required in order to complete day-to-day processes, increase internal controls and oversight, and elevate the Division to a countywide strategic partner. In order to identify the exact number of buyers required by Purchasing, it would be necessary to conduct a reconciliation between SpendMap and FIN to determine the exact number of purchase orders, service contracts, blanket purchase orders, change orders, and board contracts processed in a fiscal year and the time taken to process each. In addition, workload should be monitored following the implementation of e-requisitions and electronic signatures, which will reduce the manual and administrative workload currently conducted by the buyers. Based on that analysis, the Division will have an improved understanding of overall workload and the staffing requirements to operate efficiently. However, due to the data limitations and the fragmentation between SpendMap and FIN, it is not possible to utilize this data to model the optimal solution in terms of the number of buyers required.

The most comparable counties in terms of population, budget, and number of departments served (Tulare, Sonoma, Monterey, and Solano) have between 2 and 6 buyers and between 7 and 10 employees. The department survey results estimated that departments submit on average just under 700 requisitions in a fiscal year and over 300 board contracts are processed. Based on the benchmarking analysis, a review of survey results, and discussions with Purchasing staff surrounding workload, it is recommended that one additional buyer be funded for the transition to the outlined future state.

The following chart illustrates the future organization chart for the Purchasing Division following the creation and funding of additional positions.

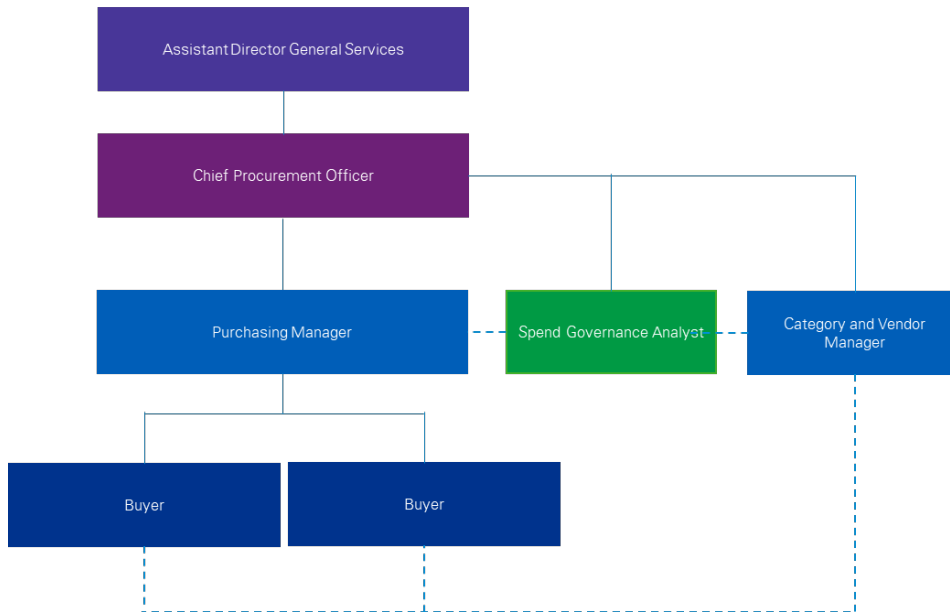


Figure 8 – Source: KPMG LLP

In the future state, buyers will work under the Purchasing Manager; however, the Category & Vendor Manager will liaise regularly with Buyers to identify and discuss strategic sourcing opportunities based on the categories assigned to each buyer. The dotted line connecting the Category & Vendor Manager to the buyers in the future-state organization chart above seeks to illustrate this engagement.

Following the establishment and recruitment of the recommended positions, the workload of Purchasing should be closely monitored to determine resourcing requirements to support procurement operations. The following performance measures, at a minimum, should be monitored at the buyer level in order to ensure whether additional support is required:

- Number of requisitions/change orders processed per month
- Number of board contracts processed per month
- Average time taken to process a requisition/change order
- Average time taken to process a board contract
- Overtime utilization.



Spend Analysis

As outlined within the General Services department review, a comprehensive and accurate spend analysis process is integral to determining the best value for money and to understand who the County purchases from, what they are procuring, and why it is being procured. At present, there is currently no spend analysis completed by the Purchasing Division.

The Auditor-Controller performs an annual spend analysis that monitors disbursements over \$100,000 and presents the vendors and the disbursements that are over the \$200,000 threshold for board contracts. However, this spend analysis does not provide the in-depth analysis required to provide the insights needed for Purchasing to establish itself as a strategic partner, i.e., spend by category, vendor spend, spend fragmentation, etc.

Furthermore, there is currently no formalized strategy, cooperation, or analysis around Purchasing-led strategic sourcing or proactive buying plans, which leads to instances in which departments are procuring the same type of good or service from different vendors. Examples of this are as follows:

- Telecommunications: \$1.3 million of cumulative spend from beginning of FY 2019-20 to June 2020 between six vendors
- Printing: \$843,875 cumulative spend from beginning of FY 2019-20 between 14 vendors
- Satellite Communications: \$129,925 cumulative spend from beginning of FY 2019-20 between seven vendors.

The above examples were determined by conducting a “fuzzy search” of the description field in SpendMap. The current method in which data is inputted does not allow shared spend to be easily identified and analyzed since:

- Neither FIN nor SpendMap is currently capable of analyzing spend by category
- SpendMap allows only 26 characters to be entered in the Description field; buyers often exceed this word count, which results in readers being unable to view the entire description detail.

Additionally, the data between the SpendMap software utilized by Purchasing and the FIN system utilized by the Auditor-Controller is fragmented and inconsistent. The two systems, for example, contain different identifiers for vendors and have differing data in relation to overall spend, contracts

and records, and department naming conventions. Purchasing and Auditor-Controller should undertake a reconciliation of both systems before performing spend analysis to ensure accuracy in reporting as recommended under structural element 31 under the Tools and Technology section.

In the future state, Purchasing should establish a framework for conducting ongoing spend analysis that focuses on improving data accuracy, developing insights into spend fragmentation, and preparing supporting data to facilitate a category deep dive. Spend analysis should provide insights into spend by category and vendors, trends by category, and methods of spend. Ongoing spend analysis also should be performed monthly or quarterly and should help Purchasing understand demand across the County. The Spend Governance Analyst will perform the monthly/quarterly spend analysis and administer the analysis to the Category & Vendor Manager and buyers to allow strategic sourcing opportunities to be identified. The analysis should serve as a mechanism for Purchasing to understand where they can cross-cut departmental spend and create opportunities for procurement partnerships.

In order to improve spend data accuracy and prepare supporting data required for a category deep dive. Purchasing should undertake the following tasks:

- Reconcile SpendMap and FIN data
- Establish a master vendor list
- Conduct full recategorization of spend with a focus on data cleaning
- Detailed spend analysis for categories with highest opportunities. For each category:
 - Supplier offering/pricing
 - Demand profile
 - Contract details
 - Demand owners
- Create category contract summary
- Calculate spend and supplier fragmentation and validate under respective contract
- Validate with category stakeholders.

During the data analysis phase, KPMG found numerous inconsistencies in data among multiple datasets. The analysis in the upcoming pages was developed following a significant data review and data clean. Key activities undertaken during this data review and clean are as follows:

- \$50 million of spend allocated to a department referenced as “Alcohol, Drug & Mental Health Services” was removed, as it was found to be duplicated and had already been allocated to “Behavioral Wellness.”
- \$50 million of spend allocated to a department referenced as “Mental Health” was removed, as it was found to be duplicated and had already been allocated to “Behavioral Wellness.”
- \$12 million of spend allocated to a department referenced as “North County Jail AB900” was removed, as it was found to be duplicated and had already been allocated to a department referred to as “North County Jail.”
- \$12 million of spend allocated to a department referenced as “Sheriff Capital Projects – Jail” was removed, as it was found to be duplicated and had already been allocated to a department referred to as “North County Jail.”
- \$171,000 of spend allocated to a department referenced as “Agriculture & Cooperative Exte” was removed, as it was found to be duplicated and had already been allocated to a department referred to as “Agricultural Commissioner / W&M.”
- A total of 43 vendor duplications were identified as a result of the department duplications noted above and a total amount of \$135 million of spend removed.
- \$59 million and \$12 million of spend was allocated to departments identified as “NULL” and “CWISE” respectively. Based on interviews conducted, these amounts relate to countywide contracts used by various departments, and neither FIN nor SpendMap have the functionality to allocate Countywide contract spend to multiple departments. The lack of this functionality results in inaccurate spend by department analysis and should be rectified in the near term.

The below spend tree and bridge chart illustrate spend by department (based on the FIN amount billed) between FY 2019-20. The analysis is based on the “FIN Board contract and PO Listing” data source provided by Purchasing. The following are the key takeaways:

- Behavioral Wellness is the department with the highest spend at \$51 million.
- The top 10 departments have a total spend of \$228 million or 71 percent of total spend.
- The spend tree and bridge chart below excludes the \$59 million in spend allocated to “NULL” and \$12 million in spend allocated to “CWISE” from the top 10 departments, as these allocations do not refer to specific departments, but rather, to a combination of department spend on Countywide contracts. However, the amount has been included in the total spend of \$324 million.

Top 10 Departments by “FIN total billed” FY 2019-20

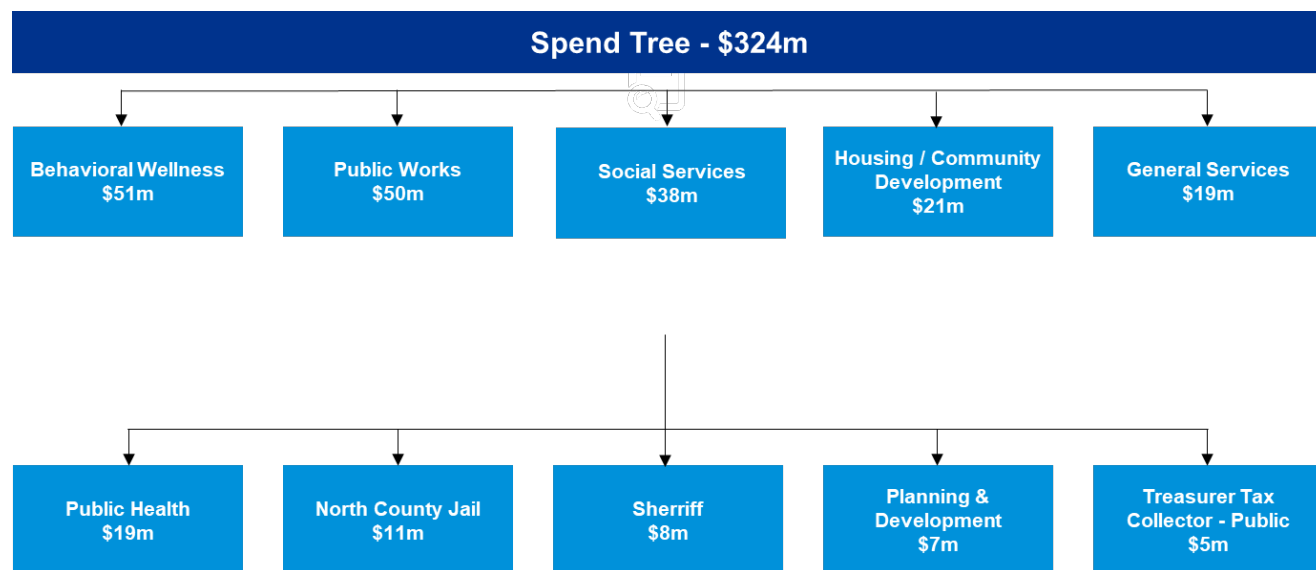
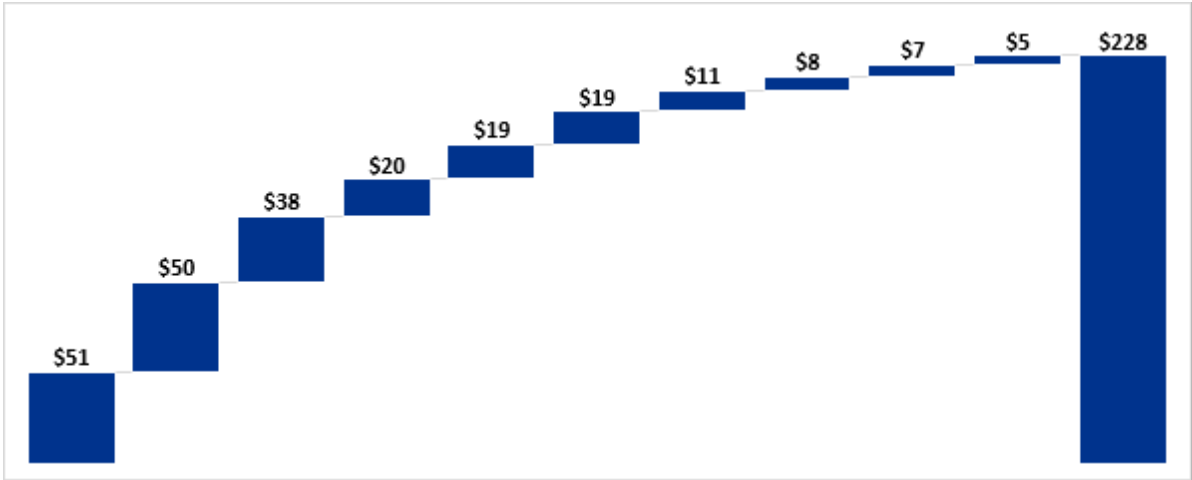


Figure 9 – Source: KPMG LLP

Top 10 departments by FIN amount billed” as a percentage of total FY 2019-20



Behavioral Wellness	Public Works	Social Services	Housing /Development	General Services	Public Health	North County Jail	Sheriff	Planning & Development	Treasurer -Tax Collector- Public	Total
15.8%	15.5%	11.6%	6.3%	6.0%	5.8%	3.6%	2.4%	2.1%	1.5%	70.6 %

Figure 10 – Source: KPMG LLP

Figures 11 and 12 to follow relate to the top 25 vendors per county spend and top 3 vendors per top 10 departments. The analysis was developed following a significant data review and a data clean with:

- A total of 43 vendor duplications identified as a result of the department duplications noted previously.
- A total amount of \$135 million of spend was removed.

It is important to understand the County's top vendors in order to identify opportunities to negotiate countywide contracts and take advantage of economies of scale to negotiate price discounts. The following are the key takeaways as a result of this analysis:

- The top 25 vendors accumulate a total spend of \$154 million, or 51.7 percent, of total spend across 50 contracts.
- California Forensic Medical Group Inc. is the County's top vendor with a total spend of \$36 million between FY 2019-20. The County has one contract in place with this vendor and spend is allocated to a department identified as "NULL". However, based on a review of the countywide contract report provided by Purchasing, a countywide contract does not appear to be in place.
- The top vendor for each of the top 10 departments makes up a total of \$74 million, or 23 percent, of total countywide spend.
- On average, the top vendor for each of the top 10 departments makes up 32 percent of that department's total spend.

Top 25 vendors by “FIN total billed” from beginning of FY 2019-20

Top 25 Vendors per FIN amount billed				
Vendor	\$	# of contracts per Vendor	Average cost per contract	% of total contract amount
California Forensic Medical Group Inc	36,792,638	1	36,792,638	11.4%
Santa Maria Broadway Plaza Ii, Llc	23,630,637	1	23,630,637	7.3%
Aegis Treatment Centers Llc	10,850,000	1	10,850,000	3.4%
Postage One	10,001,891	1	10,001,891	3.1%
Carollo Engineers Inc	8,159,261	1	8,159,261	2.5%
Housing Authority Of The County Of Santa Barbara	7,743,531	8	967,941	2.4%
Mns Engineers	7,206,915	6	1,201,153	2.2%
Mental Health Association In Santa Barbara County	7,003,671	1	7,003,671	2.2%
Barton Associates Inc	6,469,800	1	6,469,800	2.0%
Big Green Cleaning Co	6,026,137	2	3,013,069	1.9%
County Of San Bernardino	5,973,368	2	2,986,684	1.8%
Rosser International Inc	5,712,435	1	5,712,435	1.8%
Nec Corp Of America	5,605,762	3	1,868,587	1.7%
Kitchell Cem	5,458,157	2	2,729,079	1.7%
Ochin	5,360,000	1	5,360,000	1.7%
Lebards Computer Center	4,680,000	1	4,680,000	1.4%
Charter Brokerage & Investment Company	4,588,685	1	4,588,685	1.4%
Good Samaritan Shelter Inc	4,419,756	8	552,470	1.4%
Endelos Energy Inc 574	4,336,751	1	4,336,751	1.3%
Manatron	4,234,863	1	4,234,863	1.3%
Santa Barbara Council On Alcoholism & Drug Abuse	3,786,706	3	1,262,235	1.2%
Amerisourcebergen Drug Company	3,414,289	1	3,414,289	1.1%
Child Abuse Listening Mediation Inc	3,046,311	1	3,046,311	0.9%
Maxim Healthcare Services Holdings Inc	3,031,000	1	3,031,000	0.9%
Compuwave	2,864,000	1	2,864,000	0.9%
Top 25	190,396,564	51	158,757,449	58.8%
Others (1,252)	133,168,635	1699	106,251,808	41.2%
Total	323,565,199	1750	265,009,257	100.0%

Figure 11 – Source: KPMG LLP

Top three vendors for top 10 departments by “FIN total billed” FY 2019-20

Department	Largest Vendors	Spend	% of Department Spend	Total Department Spend
Behavioral Wellness	Aegis Treatment Centers Llc	10.9m	21.2%	\$51m
	Mental Health Association of Santa Barbara County	7m	13.7%	
	Barton Associates Inc.	\$6.5m	12.7%	
Public Works	Carollo Engineers	\$8.2m	16.2%	\$50m
	Mns Engineers	\$7.2m	14.3%	
	Grundoon Llc	\$2.6m	5.3%	
Social Services	Santa Maria Broadway Plaza li,Llc	\$23.7m	63.0%	\$38m
	County of San Bernardino	\$6m	16.0%	
	Bit California Llc Db a Document Fulfillment Serv	\$2.4m	6.4%	
Housing / Community Development	Housing Authority of the County of Santa Barbara	\$7.7m	37.8%	\$20m
	Good Samaritan Shelter Inc	\$4m	19.5%	
	City of Santa Barbara Community Development	\$2m	9.8%	
General Services	Nec Corp Of America	\$5.4m	27.7%	\$19m
	Endelos Energy Inc 574	\$4.3m	22.3%	
	Triumph Protection Group Inc	\$1.1m	5.4%	
Public Health	Ochin	\$5.3m	28.7%	\$19m
	Amerisourcebergen Drug Company	\$3.4m	18.3%	
	Cencal Health	\$2.7m	14.3%	
North County Jail	Rosser International Inc	\$5.7m	49.6%	\$11m
	Kitchell Cem	\$4.9m	42.2%	
	Tyr Inc	\$892k	7.8%	
Sheriff	Telmate Llc	\$2m	25.8%	\$8m
	Dataworks Plus Llc	\$910k	11.7%	
	Satellite Tracking of People Llc	\$900k	11.6%	
Planning & Development	Storrer Environmental Svc Llc	\$1.3m	18.2%	\$7m
	Accela	\$1.1m	16.7%	
	Ecology And Environment Inc	\$1m	15.0%	
Treasurer-Tax Collector-Public	Manatron	\$4.2m	87.0%	\$5m
	Netvantage Inc	\$389k	8.0%	
	Columbia Ultimate	\$56k	1.2%	

Figure 12 – Source: KPMG LLP

Detailed Future Structural Elements

Governance, Authority, and Controls

Governance, authority, and controls structural elements relate to systems and processes required of Purchasing to manage the various processes governing purchasing activities, some of which are department led, and ensure department compliance therewith. At a high level, the structural elements below are organized around the following core activities: (a) reorganize purchasing thresholds and authorities, (b) enhance control procedures, and (c) develop processes to identify circumvention in order to ensure appropriate levels of probity and control.

#	Governance, Authority, and Controls structural elements
1	Institute a “fast-track bidding” process for the purchase of one-time goods and nonprofessional services between \$3,500 and \$50,000.
2	Update policy to require purchases of goods and nonprofessional services greater than \$50,000 to be processed by Purchasing following submission of a requisition.
3	Develop an RFP training program allowing departments that complete the program with the option of conducting RFP processes internally.
4	Establish Purchasing oversight and visibility into the board contract approval process for purchases of goods and services over \$200,000.
5	Reconfigure the procurement manual to better illustrate the step-by-step process involved in successfully procuring goods and services with the aim of utilizing the procurement manual as a training manual.
6	Develop training programs to train departments on policies and procedures, p-card usage and spend management, RFP process, and countywide contracts.

7	Conduct quarterly reviews of department purchasing activities to ensure compliance; develop justification forms for submission by departments that circumvent.
8	Implement monthly monitoring and analyzing of p-card spend by departments to be undertaken by Purchasing.
9	Implement a process for the Auditor-Controller to encumber funds against department budget.
10	Institute a process to ensure that goods/services cannot be procured in the absence of an executed contract issued to Purchasing; monitor instances of unsigned contracts weekly.
11	Monitor aggregate vendor spend monthly and communicate to departments to determine whether \$200,000 threshold has been met.
12	Implement governance checks to be conducted by the Auditor-Controller and quarterly department reviews to be conducted by the Purchasing Spend Governance Analyst.

Observation and analysis

Presently, departments have the authority to purchase goods and services below \$3,500 and must submit a requisition and department recommendation for goods and services between \$3,500 and \$25,000. A formal bid is required for goods and services greater than \$25,000. The current process requires the Purchasing Division to conduct a bidding process for goods and services above \$25,000. A “fast-track bidding” approach would divert the requirement to conduct a competitive process to departments for one-time purchases of goods or services under \$50,000 and not tied to a price agreement. Purchasing would ultimately review the recommendations prepared by departments as a result of the competitive process and award the bid, which ensures they have the appropriate level of oversight.

Additionally, only a handful of departments have the ability to expedite the purchase of goods and services, and those instances largely are confined to emergency and life safety scenarios. Where a department’s needs require more expedited approval and they do not fit into the above category, they must lean on their relationships with Purchasing to ask for a more immediate review and approval. A “fast-track bidding” approach would allow departments to conduct the bid process and gather quotations from vendors for one-time purchases of goods or services under \$50,000 and not tied to a price agreement.

In order to avail of the “fast-track bidding” approach, departments will be required to complete specific training that will be developed and facilitated by the Purchasing Division. The training program will educate staff on the following process, which will need to be undertaken when departments use the “fast-track bidding” approach:

- Preparation of a bid template for submission to at least three vendors
- Receive and open bid responses
- All quotes will be logged on a quote summary sheet.
- Departments will review the quote summary sheet and draft a recommendation for issuance to Purchasing.
- Departments will submit an e-requisition along with a quote summary sheet, quote sheets, and a recommendation to Purchasing.

- Purchasing will review the recommendation.
- If Purchasing concurs with the recommendation, a Purchase Order (PO) will be processed, and if they do not concur, they will advise the department and assist them in securing a fair and competitive process.

In addition to the development and facilitation of “fast-track bidding” training, Purchasing should develop a “fast-track bidding” checklist for distribution to departments, which will act as a step-by-step guide for departments to ensure that each required step within the process is completed. For example, it could provide guidance on the following processes:

- Confirming authority that good/service falls within thresholds to utilize the “fast-track bidding” approach
- Preparing a bid template
- Including standard vendor terms and insurance terms
- Submitting bid template to vendors
- Reviewing and evaluating bids received
- Submitting a requisition and recommendation to Purchasing.

Additionally, “fast-track bidding” processes undertaken at department level should be reviewed periodically by Purchasing or the Auditor-Controller to ensure that the correct procedures are being undertaken by departments.

If a department fails to conduct the required training or does not wish to make use of the “fast-track bidding” approach, the department will be required to submit a requisition to Purchasing and the competitive process will be managed by Purchasing.

The implementation of a “fast track bidding” process will require a change to the County Ordinance.

Anticipated impact

While the approach is confined to a defined dollar range and contracting scenario, it will reduce time spent by Purchasing on conducting competitive processes internally, allowing more time for Purchasing to spend on strategic initiatives. In addition, it will assist departments to more quickly access goods and services and avoid the administrative requirements that are applied to purchases when a price agreement is required. This will help to reduce the administrative

burden, particularly when the type of oversight required in the context of a price agreement is not necessary.

*Services do not include professional services.

2 Update policy to require purchases of goods and nonprofessional services greater than \$50,000 to be processed by Purchasing following submission of a requisition.

Observation and analysis

Currently, Purchasing typically conducts the bidding process for the purchasing of goods and services greater than \$25,000. The implementation of the “fast-track bidding” process discussed in the preceding would allow departments to conduct a competitive process and gather quotations from vendors for one-time purchases of goods or services under \$50,000 and not tied to a price agreement.

However, for the purchase of goods and services greater than \$50,000, departments will be required to engage Purchasing to conduct all competitive processes. Departments will communicate with Purchasing as soon as they identify a need and will issue a requisition to Purchasing, along with specifications. Purchasing will conduct the bidding process internally, select the lowest “responsible” bidder or most qualified bidder, and advise the department of their choice, prior to formally awarding the bid.

Departments may be provided with the delegated authority to conduct the bid/RFP process internally, provided specific bid/RFP training has been undertaken (discussed in structural element 3). However, Purchasing will ultimately review the process undertaken by such departments and formally award all bids.

Anticipated impact

This requirement will ensure that Purchasing conducts the bidding processes for higher-value goods and services, for which departments do not have the necessary expertise, ensuring that the requirements of state and federal laws are met and reducing the risk to the County.

*Services do not include professional services.

Observation and analysis

Currently, there is a lack of consistency in departmental approaches to public procurement. Some departments, particularly those that largely leverage federal dollars to fund purchasing needs and/or have sizable budgets, self-direct the purchase of goods and services that require competitive procurement. Those that do not coordinate with Purchasing, which directs the procurement on their behalf (e.g., dissemination of RFP, response collection, award notification, etc.). Depending on a department's size and staffing, however, they may be well positioned to self-direct procurements with the required oversight from Purchasing.

The implementation of optional annual training specific to the bid/RFP process will ensure that departments who wish to conduct the bid/RFP process internally have the adequate skill and knowledge to do so. The Division will develop and facilitate the training, which will focus on best practices with respect to the following:

- Writing and developing specifications
- Completing bid/RFP templates
- Advertising bids/RFPs
- Responding to bidder queries
- Holding interviews with bidders
- Choosing the "lowest responsible bidder" (bids)
- Establishing a comprehensive evaluation committee (RFPs)
- Developing evaluation criteria for RFPs
- Evaluating and choosing a bidder
- Developing a department recommendation for issuance to Purchasing.

Following the completion of this training, departments will be given the delegated authority to conduct the RFP or bidding process and will elect a Project Facilitator(s) to manage the overall process. However, departments will not have the authority to formally award a bid; instead, they will issue a department recommendation, along with a quote summary sheet and supporting quote sheets to Purchasing. Purchasing will then review the recommendation and supporting documentation, and if they concur with the recommended bidder, Purchasing will formally award

the bid. If Purchasing does not concur with the recommended bidder, the bid will not be awarded, and Purchasing will then assist the department in selecting the most suitable bidder, ensuring a fair, objective, and consistent process.

Additionally, bid/RFP processes undertaken at the department level should be reviewed periodically by Purchasing or the Auditor-Controller to ensure that the correct procedures are being undertaken by departments.

Departments that do not choose to complete the bid-/RFP-specific training will be required to submit a requisition to Purchasing, which will conduct the bid/RFP process centrally.

Anticipated impact

This optional approach to bid/RFP training will allow departments to maintain ownership of the procurement process, with oversight and governance from Purchasing, while allowing Purchasing to spend less time on the administrative aspects of the bidding process, leaving more time to spend on strategically focused tasks such as demand management, strategic sourcing, and spend analysis. Further, departments potentially will have staff with specific expertise in the department's needs managing the procurement, which is particularly important in the context of vendor selection.

Observation and analysis

Currently, departments lead all aspects of seeking board approval for service contracts in excess of \$200,000 (other than countywide contracts), while the Auditor-Controller is tasked with processing all board contracts through the FIN system, following board approval, using a board contract summary form completed and submitted to the Auditor-Controller by departments as part of the board contract pack. This approach distances Purchasing from a key activity characteristic of a strategic partner, as it results in Purchasing having no knowledge, input, or oversight of board contract approval activities. Furthermore, given that board contracts are uploaded to FIN and there is a lack of integration between FIN and the procurement system utilized by Purchasing (i.e., SpendMap), Purchasing has no visibility into board contracts as they are processed.

Additionally, the "aggregate rule," introduced as the result of an interpretation of Government code 25502.5 (Purchasing Agent authority), requires that Board approval be obtained where combined spend for a vendor utilized across multiple departments is \$200,000 or greater. Currently, the department who contracts with the vendor at the point at which the \$200,000 limit is reached is required to undertake the board contract process, regardless of the amount that department is spending with the vendor. Based on interviews conducted, this often results in smaller departments with less knowledge of the process having to conduct the board contract approval process. Furthermore, Purchasing currently has no insight into instances where multiple vendor spend is to exceed \$200,000, given that departments conduct the board contract approval process internally, without engaging or advising Purchasing. If Purchasing were to be advised of instances where vendor spend across multiple departments is to exceed \$200,000, Purchasing could make an informed decision into whether a countywide contract should be negotiated or manage that contract and vendor at the countywide level.

Increasing Purchasing's oversight and visibility into the board contract process will allow Purchasing to have access to more complete and accurate data that can be analyzed to identify strategic sourcing opportunities, a key activity in elevating the department to that of a countywide strategic partner.

In the future state, Purchasing will continue to lead the board contract process for countywide contracts; however, Purchasing will also conduct the process for board contracts required as a result of the “aggregate rule”, where applicable dependent on specific terms and conditions. Departments will continue to lead the board contract process for all other contracts.

The following are the key activities to be undertaken by Purchasing when a board contract is required as a result of a countywide contract or the “aggregate rule”:

- Liaising with departments to obtain the required detail to complete a board contract and letter for board approval required as result of the “aggregate rule”
- Negotiating contract terms and conditions with vendors
- Drafting the board letter and board contract, however, where specialized service contracts are required as a result of the ‘aggregate rule”, departments will draft the board letter and contract with assistance from Purchasing.
- Liaising with Risk Management, County Counsel, and the Auditor-Controller to obtain approval for contract terms and conditions
- Assist with issuing the board contract pack to the Clerk of the Board for docketing
- Assist with obtaining vendor signatures
- Signing board contract pack for completion in concurrence with Risk Management, County Counsel and Auditor-Controller. Purchasing to be added to Concurrence section within the template.
- Advising departments when the board contract has been approved, which we understand is currently completed via email. The feasibility of an automatic notification process within the current systems should be investigated, which would automate the notification process.
- Uploading and processing the board contract in SpendMap, once the Auditor-Controller has encumbered funds.

The following additional processes will be required when departments lead the board contract process (i.e., when a contract is not a countywide contract or when the “aggregate rule” does not come into effect):

- Departments will be required to contact Purchasing as a first step when a need requiring board approval has been identified.

- Departments will be required to submit a completed board contract summary form to Purchasing to allow the board contract to be uploaded and processed by Purchasing through SpendMap.
- Departments will advise Purchasing once the board contract has been approved.
- Purchasing will process the board contract through SpendMap once approval has been confirmed. This will be completed concurrently with the Auditor-Controller's processing of the board contract through FIN.

Anticipated impact

By increasing Purchasing oversight and visibility into the board contract process, the Division will have the knowledge and insight to make more meaningful and informed decisions surrounding strategic sourcing opportunities, which will assist in elevating the position of Purchasing to that of a countywide strategic partner.

Reconfigure the procurement manual to better illustrate the step-by-step process involved in successfully procuring goods and services with the aim of utilizing the procurement manual as a training manual.

Observation and analysis

While the procurement manual is periodically updated, departments indicated that it could be improved by providing more explicit instructions and descriptions of the process for publicly procuring goods and services, including key roles and responsibilities, activities, and relevant technology.

Based on a review of peer county procurement manuals, the County's procurement manual should act as a step-by-step guide of the processes and procedures governing the procurement of goods and services. The guide should identify each process undertaken by a department/Purchasing from the point at which a need is identified through to the good/service being procured. Further, the procurement manual should outline the distinct roles and responsibilities of both departments and Purchasing in conducting purchasing activities, and the consequences of circumventing required procurement guidelines. Additionally, CAPPO best practice suggests that conflicts of interest should be clearly defined in the procurement manual; however, the existing procurement manual does not detail definitions or provide guidance in relation to conflicts of interest.

The division will have primary responsibility for updating the current procurement manual. The manual should be reviewed and updated for changes annually. The following is an example of the key content that may be redrafted or developed in the update:

- Purchasing vision and mission
- Purchasing roles and responsibilities
- Department roles and responsibilities in terms of purchasing activities
- Requisitions and change orders (including a sample completed requisition and change order)
- Process for purchase of goods and services below \$3,500
- Process for purchase of tangible items greater than \$3,500 and less than \$200,000
- Process for purchase of professional services greater than \$3,500 and less than \$200,000

- Process for public projects
- Process for the purchase of goods and services greater than \$200,000 (i.e., board contract process)
- Fast-track bidding process
- RFP process
- Sole source process
- Purchasing/Procurement cards (p-cards)
- Countywide and cooperative contracts
- Local vendor preference
- Emergency purchases
- Process circumvention (i.e., requirement for justification forms)
- Conflicts of interest
- Commodities assigned to buyers.
- Applicable Purchasing laws / ordinances

- In addition to the key areas outlined above, the procurement manual should include an appendix with various sample forms and contracts to serve as a reference for example, justification forms, sample contract with county terms and conditions, insurance provision language, fast-track bidding checklist, etc. The procurement manual will serve as a training manual for County employees, which can be used as a guide for employees as they navigate the purchasing process.

Anticipated impact

Updating the procurement manual annually to provide a step-by-step guide to procuring goods and services will improve transparency and will result in a revised guide that can help to guide departments and assist with troubleshooting. This should also help to minimize instances of department outreach to Purchasing to clarify questions related to the process that otherwise could be addressed in a countywide manual.

Observation and analysis

Currently, training related to purchasing is developed and conducted by departments and largely focused on new hires. As Purchasing does not play a key role, the potential exists for inconsistency in department articulation of purchasing processes and by largely confining trainings to new hires; existing hires are not necessarily retrained nor required to affirm their understanding of processes and procedures.

In the future state, the Purchasing Division will develop and facilitate several training programs for both new hires and annually for existing staff members who conduct purchasing activities. Training programs will be updated annually, or more frequently as required, to account for any updates to purchasing policies and procedures and any updates to federal and state laws. Additionally, staff members who conduct purchasing activities within departments will be required to take refresher training courses annually to ensure that they remain up to date on the policies, procedures, and relevant laws.

The following is a list of key training programs to be considered by Purchasing:

- General purchasing policies and procedures
- Submitting requisitions and change orders to Purchasing
- Developing and writing specifications
- RFP training (discussed in structural element 3)
- Fast-track bidding training
- Training on process circumvention and ramifications
- Training on California Government Code and Public Contract Code as they relate to Purchasing
- Policies and procedures surrounding the p-card program.

Anticipated impact

By developing, managing, and administering trainings, Purchasing will serve as the voice of authority regarding all purchasing processes and ensure that what is communicated to departments is consistent and accurate. Further, by providing opportunities for retraining and updates when there are changes to processes, Purchasing will improve the timeliness of communicating any updates to departments as well as the pace of engagement with departments.

Observation and analysis

Based on the interviews conducted, it is clear that there are instances of departments circumventing aspects of the purchasing process, for example, by engaging contractors prior to having received signed contracts and submitting requisitions for the purchase of tangible items (between \$3,501 and \$25,000) while having already ordered the items. There is currently no mechanism in place to review purchasing processes undertaken at a department level, hold departments accountable, or discourage circumvention.

In the future state, Purchasing's Spend Governance Analyst will conduct quarterly department reviews of purchasing processes undertaken. This quarterly review could be conducted by sampling a number of purchases made by a department in the quarter and reviewing the process undertaken to identify whether the correct procedure was followed. The following are an example of areas which could be reviewed:

- Was a requisition submitted to Purchasing before an order was made?
- Was the requisition signed by the Department Head?
- Was the "fast-track bidding" checklist completed and signed when this process was utilized by a department?
- Was the "lowest responsible bidder" chosen and did Purchasing concur with the recommendation submitted by the department using the "fast-track bidding" process?
- Was the bid/RFP process undertaken at department level in line with purchasing policies and procedures? For example, was a Project Facilitator appointed to manage the process, and was evaluation criteria established and outlined in the RFP template, etc.?
- Was a contract for services signed before the contractor began work?
- Was a countywide contract utilized where available for a routine category of good/service?

Purchasing should develop and implement a justification form to monitor instances of deviation and hold departments accountable for areas of circumvention identified during quarterly reviews. It is recommended that the department determined to have circumvented a process/procedure be required to submit the following data/details to Purchasing:

- Department name and department number
- Date of circumvention
- Description of product/service procured/to be procured
- Price of product/service procured/to be procured
- Vendor name
- Description of circumvention
- Reason for circumvention
- Name, number, and email of subject staff
- Signature of department representative completing form
- Signature of department head
- Date signed.

The Spend Governance Analyst position will develop the justification form. Department circumvention evidenced by the submission of justification forms should be tracked, analyzed, and communicated to the Chief Procurement Officer and Auditor-Controller monthly. Mechanisms to hold departments (who show a regular pattern of circumvention) accountable should also be developed in collaboration with the Auditor-Controller.

Prior to the introduction of a justification form to monitor circumvention, purchasing policy and procedure training should be provided to departments to ensure that they have the correct knowledge and information surrounding how purchasing processes should be undertaken.

Anticipated impact

Developing justification forms for submission by departments who circumvent the outlined processes would allow Purchasing to keep a record of departments who regularly circumvent and allow them to hold such departments accountable and implement the necessary actions to retrain departments on the relevant Purchasing processes. In addition, this added requirement may discourage departments from circumventing in the first instance.

Implement monthly monitoring and analyzing of p-card spend by departments to be undertaken by Purchasing.**Observation and analysis**

Departments are permitted to use p-cards to purchase goods under \$3,500. P-cards have a monthly limit between \$10,000 and \$15,000 and a per transaction limit of \$3,500. Currently, spend analysis does not extend to p-card usage, so there is no spend visibility from which to identify trends that might result in alternative purchasing scenarios or approaches. While the Financial Accounting and Customer Service (FACS) Division of the Auditor-Controller performs departmental credit card reviews of select departments annually, these reviews are rotational in nature and focused on identifying areas of policy circumvention rather than to inform spend analysis.

The introduction of monthly reviews of p-card spend by Purchasing to monitor categories of spend, spend by vendor, and spend by department will allow Purchasing to undertake more insightful spend analysis, based on the information identified as a result of these reviews. Purchasing will include the data obtained as a result of these reviews in the monthly spend analysis which will be completed. This will result in more complete and accurate spend analysis, which in turn will allow for more accurate demand management and strategic sourcing as Purchasing will be able to identify routine categories of purchase and can negotiate countywide contracts for these routine categories.

In addition to informing spend analysis, the monthly p-card reviews undertaken by the Purchasing will monitor a department's compliance with p-card policies and procedures and will allow departments who circumvent the policies and procedures to be held accountable promptly. The following areas are an example of the elements that could be reviewed during monthly reviews to ensure that departments are in compliance with policies and procedures:

- All goods/services purchased by departments using p-cards were below \$3,500. The goods/services purchased during the month were permissible under the p-card policy; for example, departments are prohibited from purchasing alcohol using a p-card.

Anticipated impact

Monthly monitoring of p-card spend by the Purchasing division will help to inform more complete and accurate spend analysis, allowing alternative, more beneficial countywide purchasing contracts and approaches to be identified by Purchasing. Additionally, it will allow for compliance with p-card policies and procedures to be monitored monthly and for departments to be promptly held accountable for circumvention.

Observation and analysis

At present, funds are not encumbered against department budgets when a PO is executed, and payment is made. The absence of a requirement to encumber funds leads to poor budget management, as the County is not in a position to identify what funds/spend has been committed and what payments must be made in the future.

In the future state, to allow for enhanced budget management, the Auditor-Controller should encumber funds when Purchasing executes a PO or CN. This will require increased communication between Purchasing and the Auditor-Controller, as Purchasing will require confirmation from the Auditor-Controller that funds have been encumbered once a PO/CN has been executed and issued to the department and the vendor.

Purchasing should collaborate with the Auditor-Controller to discuss how this procedure can be most effectively introduced. For example, automation of the process should be considered (e.g., the Auditor-Controller electronically confirms that funds have been encumbered, Purchasing receives a notification that funds are encumbered and feasibility should be considered given the lack of integration between FIN and SpendMap. Where the process cannot be automated, Purchasing will need to obtain an encumbrance confirmation from the Auditor-Controller via email when executing a PO/CN. While this capability is planned as part of the BANA process there is an opportunity to establish this process within the current FIN system which will help facilitate the transition to the new system when it is implemented.

Anticipated impact

Encumbering funds when executing a PO/CN will allow for enhanced budget management by allowing the County to establish what funds have been committed and what payments must be discharged in the future, rather than just being able to view payments that have been made to date. In addition, enhanced budget management will in turn lead to cost savings for the County.

10

Institute a process to ensure that goods/services cannot be procured in the absence of an executed contract issued to Purchasing; monitor instances of unsigned contracts weekly.

Observation and analysis

Based on discussions and data analysis, it was determined that there have been instances where goods or services are procured by departments before a signed contract has been returned by the vendor. While a built-in control within the FIN system will not allow payment to be made to a vendor until a signed contract has been returned, the fact that a vendor begins the provision of goods/services prior to signing contracts results in significant risk to the County if a contractor fails to meet the obligations, insurance requirements, etc., under the contract. Further, it was identified that this issue was sufficiently common, the County implemented a policy whereby departments are not allowed to back date contracts where unexecuted versions are submitted. Noncompliance, however, does not appear to be uniformly monitored or addressed, either by Purchasing or the Auditor-Controller.

In the future state, departments/vendors will be required to submit executed contracts to Purchasing prior to goods and services being procured. Departments, as part of the training program, will be educated on this requirement and its importance in terms of risk to the County. Departments who circumvent the process will be required to submit justification forms and will be held accountable. For example, they may be required to obtain ratification from the Chief Procurement Officer or Board of Supervisors.

In a further effort to monitor and support the return of signed contracts, the Purchasing Division will issue a weekly report of unsigned contracts to departments and request that they request the return of signed contracts from respective vendors as a matter of urgency.

Anticipated impact

By updating the process to require evidence of an executed contract, compliance by departments and Purchasing will improve, and better record keeping likely will emerge. It will also ensure that the County has recourse to the contractor in the event the contractor fails to meet the obligations, specifications, and insurance requirements under the contract.

11

Monitor aggregate vendor spend monthly and communicate to departments to determine whether \$200,000 threshold has been met.

Observation and analysis

The “aggregate rule” requires that a board contract be processed when combined spend for a vendor across multiple county departments exceeds \$200,000. Since moving toward the aggregate rule, vendors contracting with multiple departments may reach or exceed \$200,000 in aggregate contract spend, which will push any additional contracts to the Board of Supervisors for approval. To determine whether a given contract is in excess or will push aggregate spend above \$200,000, departments are required to conduct their own individual analysis in FIN and SpendMap, which is largely manual and can become overly burdensome when multiple variations of a vendor’s name have been entered into the system.

In the future state, departments will be required to advise Purchasing of the vendor they intend to use to allow Purchasing to identify whether the \$200,000 limit has been reached and a board contract is required. Additionally, the Category & Vendor Manager will be responsible for monitoring aggregate vendor spend monthly to determine whether spend with vendors who contract with multiple departments has exceeded or is close to exceeding \$200,000. The Category & Vendor Manager will issue a report to departments monthly that details combined spend for vendors who contract with multiple departments, alleviating the requirement for departments to do this internally. In the event that aggregate spend for a vendor used by multiple departments exceeds the limit of \$200,000, Purchasing will undertake the board contract process on behalf of departments.

Furthermore, the Category & Vendor Manager will use the report prepared as a tool to identify opportunities to negotiate countywide contracts with vendors who are being routinely utilized by multiple departments. This will allow Purchasing to leverage buying power to obtain best pricing and will also reduce the administrative burden involved in undertaking competitive bidding as departments will be able to utilize countywide contracts for routine purchases of goods/services.

However, prior to introducing and issuing this monthly report to departments, Purchasing should undertake a data clean to alleviate instances of multiple variations of the same vendor name within FIN and SpendMap, which will ensure complete and accurate reporting.

Anticipated impact

By shifting monitoring to Purchasing and distributing a list of contract spend by vendor each month, departments will have periodic access to key data to assist with their purchasing activities. The Category & Vendor Manager will also be able to utilize the data to inform opportunities to negotiate countywide contracts.

Implement governance checks to be conducted by the Auditor-Controller and quarterly department reviews to be conducted by the Purchasing Spend Governance Analyst.**Observation and analysis**

Currently, the Auditor-Controller does not have a structured process in place to conduct regular governance checks. While the following compensating measures are in place, they are not undertaken regularly and are largely conducted on a rotational basis dependent on staffing availability and capacity:

- A rotational departmental review of sample credit card transactions is undertaken annually to monitor compliance with credit card policies and procedures.
- A selected contract is reviewed by internal audit annually to identify whether policies and procedures in entering the contract have been followed.
- A report of individual vendors over \$100,000 is issued to the Board of Supervisors annually.

The absence of routine governance checks increases the risk of circumvention and risk at the department level. While the measures outlined above may provide some level of comfort in how departments are conducting their purchasing practices, they are not comprehensive given they are largely rotational and completed annually, rather than monthly.

The introduction of annual governance checks will ensure a comprehensive and timely approach to monitoring departmental compliance with purchasing policies and procedures and applying the necessary controls to prevent future deviation. The implementation of quarterly departmental reviews conducted by the Spend Governance Analyst will identify and hold departments accountable for noncompliance throughout the year as well as preparing departments for annual governance checks.

Anticipated impact

Introducing annual governance checks and quarterly departmental reviews will discourage departments from circumvention and hold departments who do circumvent accountable for their actions. In addition, the presence of quarterly departmental reviews will ensure that

circumvention is identified and managed when it occurs and will also ensure that departments are prepared for annual governance checks.

Organization and Resources

Organization and resource structural elements relate to the optimum structure and roles required for Purchasing to achieve the desired level of oversight and control in managing purchasing activities, and to position Purchasing as a strategic partner to County departments. At a high level, the structural elements below are organized around the following core activities: (a) restructure Purchasing to be a countywide strategic partner, (b) reorganize category groupings assigned to buyers, and (c) undertake collaboration and information sharing with the Auditor-Controller.

#	Organization and Resources structural elements
13	Establish the Purchasing Division as a countywide strategic partner.
14	Enhance communication and information sharing with federally funded departments that purchase specialty goods and services to allow these departments to continue to conduct procurement operations internally with increased oversight from Purchasing.
15	Enhance collaboration and information sharing with the Auditor-Controller.
16	Reorganize category groupings assigned to buyers based on workload/volumes.
17	Establish a Category & Vendor Manager position to manage strategic sourcing and demand management in collaboration with County departments.
18	Establish a Spend Governance Analyst position to implement countywide controls.
19	Establish an additional buyer position to support increased Purchasing responsibility.
20	Conduct an in-depth assessment of departmental roles related to purchasing activities countywide to analyze and monitor workload as a result of Purchasing transitioning to a countywide strategic partner.

13 Establish the Purchasing Division as a countywide strategic partner.

Observation and analysis

Purchasing currently operates within a decentralized structure, and departments view Purchasing as a paper-driven, clerical division rather than as a strategic partner. Typically, departments first contact Purchasing when submitting requisitions, sometimes having already identified a vendor, and rarely utilize Purchasing as a resource in terms of interpreting purchasing policies and procedures. Departments often circumvent aspects of Purchasing policies and procedures and at times submit requisitions for tangible items (between \$3,501 and \$25,000) having already engaged a vendor and ordered the goods. The decentralized structure currently in place results in a lack of oversight and increased risk of circumvention of processes.

The transition from a decentralized structure to that of a countywide strategic partner will provide a certain level of authority to departments, while allowing Purchasing to have an increased level of oversight and governance over the way in which various processes are followed/performed by departments. In order to transition to a countywide strategic partner, Purchasing will need to implement the following Purchasing thresholds discussed within the governance, authority, and controls structural elements, which, in short, provide autonomy to departments to (1) conduct a “fast-track bidding process” within the confines of certain thresholds with Purchasing ultimately reviewing the process and awarding the bid; (2) undertake bidding and RFP processes internally, provided specific training is completed with Purchasing ultimately awarding the bid; (3) have increased visibility over the board contract process; and (4) conduct quarterly departmental compliance reviews in coordination with the Auditor-Controller. In addition, departments will require training on the updates to policies and procedures as well as the defined roles and responsibilities of departments and the Purchasing Division within this new structure.

Anticipated impact

The transition to a countywide strategic partner will allow Purchasing to have an increased level of oversight, while departments will have an agreed-upon level of delegated authority in terms of the processes completed. However, ultimately, Purchasing will be the final approver. This approach also has the potential to discourage the circumvention of process elements by departments.

14

Enhance communication and information sharing with federally funded departments that purchase specialty goods and services to allow these departments to continue to conduct procurement operations internally with increased oversight from Purchasing.

Observation and analysis

The County has a number of departments that are largely federally funded (e.g., Behavioral Wellness, Social Services, etc.) and procure a wide range of specialty goods and services within the constraints of federal funding requirements. Therefore, they have dedicated contract managers and conduct a significant amount of procurement activities internally. For example, Behavioral Wellness has an annual budget of \$145 million and procures a wide range of health-related goods and services, often on short notice. Further, they manage an internal vendor list and handle all RFPs, bidding, and board contracts internally due to the specialty nature of the goods/services being procured and engage Purchasing only when they require a PO.

Under the proposed structure, federally funded departments that purchase specialty goods and services may continue to undertake procurement processes (undertaking RFPs and bids, drafting contracts, etc.) internally; however, these departments will be required to increase information sharing and engagement with Purchasing and complete the required training programs. For example:

- Departments that wish to handle RFPs and bidding processes internally will be required to complete specific training.
- Where RFPs are concerned, departments will be required to appoint a Project Facilitator (who has completed required training) to manage the RFP process.
- While bidding/RFP processes may be completed at the department level, all bids must be formally awarded by Purchasing following the submission of a recommendation (with supporting documents).
- Purchasing will have increased visibility over the board contract process.

Anticipated impact

Allowing federally funded departments that purchase specialty goods and services to continue to conduct procurement operations internally with increased oversight from Purchasing will allow Purchasing staff to spend greater time on strategic sourcing opportunities and the Division to have an appropriate level of oversight and control over the processes undertaken at the department level.

Observation and analysis

Currently, there is limited formal collaboration between the Auditor-Controller and Purchasing. The Auditor-Controller is responsible for discharging payment to vendors and processing board contracts and engages with Purchasing only in instances where clarity/approval is required from Purchasing prior to discharging payment, for example, if a PO amount needs to be increased due to the omission of delivery changes from a requisition by a department.

Although there are instances where departments circumvent processes, there is an opportunity to enhance the collaboration and information sharing between the Auditor-Controller and Purchasing to identify and monitor circumvention or discuss methods to hold departments accountable.

Structural element 18 provides that a Spend Governance Analyst position be created to serve as a liaison between Purchasing and the Auditor-Controller. This position will, among other responsibilities, hold and facilitate monthly touchpoint meetings between Purchasing and the Auditor-Controller to discuss (a) sharing of data and identification of departmental issues; (b) circumvention and methods of prevention; (c) updates to policies and procedures; and (d) any challenges encountered during the prior month to encourage improved and impactful collaboration, bring about an overall strengthening of internal controls, and discourage departments from circumvention by creating an enforcement mechanism.

Anticipated impact

Increasing collaboration between the Auditor-Controller and Purchasing will result in stronger internal controls and oversight, assist in ensuring that departments are held accountable for their actions, reduce risk to the County, and discourage overall circumvention activities or impulses.

16 Reorganize category groupings assigned to buyers based on workload/volumes.

Observation and analysis

Currently, Purchasing assigns buyers by category; however, commodities have become disjointed in recent times due to a lack of staffing, and there is currently a lack of clarity surrounding categories and groupings. Based on benchmarking analysis, seven of the eight counties analyzed assigned buyers by category, and, as such, Purchasing should continue to organize buyers by category, but groupings should be reorganized to allow for greater clarity among buyers and departments.

County	Buyers assigned by category	Buyers assigned by department
San Luis Obispo		
Placer		
Tulare		
Marin		
Sonoma		
Monterey		
Solano		
Kern		

Figure 13 – Source: KPMG LLP

An example of how categories could be assigned is outlined below:

- **Grouping 1:** Cell phones, computers, internet service, legal books and publications, library books, software licensing and maintenance, master lease agreements, mail room/elections equipment, and shipping
- **Grouping 2:** Advertising services, fire services, equipment and safety price agreements, janitorial supplies, kitchen supplies, and law enforcement equipment and supplies

- **Grouping 3:** Animal services (supplies and equipment), facilities supplies, laundry supplies and equipment, medical supplies, office supplies, printing services, records storage, vending services, and security services
- **Grouping 4:** Copiers, heavy equipment, public works roads (materials and supplies), scientific supplies, and vehicle and truck purchases
- **Grouping 5:** Furniture, landscape/park services, oil/lubricants, fuel and propane, road traffic and equipment, personal care (linens and supplies, uniforms and clothing)

Following the completion of the category reorganization, a list of category groupings with their assigned buyer will be made available on the County intranet and included in the procurement manual. It will be important to monitor the workload and productivity of buyers based on the category assignments through the use of performance metrics and accurate data management to help ensure efficient operations and identify appropriate resource requirements.

In addition, buyers will liaise regularly with the Category & Vendor Manager to provide information surrounding the purchase of routine commodities across departments to allow the Category & Vendor Manager to identify opportunities to negotiate countywide contracts or avail of cooperative contracts.

Anticipated impact

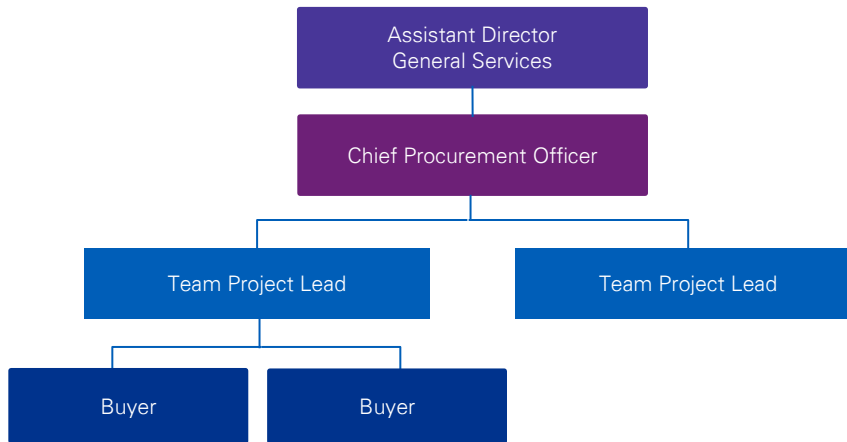
Assigning buyers by category ensures that buyers become experts in the categories assigned to them and will have the required expertise to advise departments on each category. In addition, reorganizing category groupings and communicating these reorganizations to departments will provide clarification and will ensure that departments contact the correct buyer.

17

Establish a Category & Vendor Manager position to manage strategic sourcing and demand management in collaboration with County departments.

Observation and analysis

Purchasing currently has three dedicated staff positions working under the direction of the Assistant Director of General Services however is funded for five positions. The below is an illustration of the current organization structure.



Within the current organization structure, Purchasing does not have a staff member dedicated to managing and fostering vendor relationships as well as department relationships. The creation of a Category & Vendor Manager position to act as an interface between both departments and vendors will alleviate the current deficiency. Specifically, the position will be responsible for developing relationships with vendors and acting as an ally in terms of strategic partnering as discussed under the purchasing process section. The typical tasks of a Category & Vendor Manager position would include:

- Strategic sourcing and leading negotiations on countywide contacts, piggybacking on state agreements, etc.
- Developing and leading a consistent approach to managing suppliers
- Driving value obtained from existing countywide suppliers and contracts, identifying opportunities to expand relationships and business with current suppliers

- Acting as a point of contact for departments on countywide vendor-related queries and issues
- Working with departments to identify supplier performance issues and suggest resolutions (e.g., conducts supplier evaluation as recommended in the procurement process section)
- Reviewing monthly spend analysis performed by the Spend Governance Analyst
- Monitoring spend analysis monthly and identifying strategic sourcing opportunities as a result
- Ensuring departments are aware of category assignments by buyer.

Anticipated impact

The creation of a Category & Vendor Manager position will enhance the strategic sourcing and demand management and will ensure more focused strategic sourcing, bring about cost avoidance and efficiencies, and allow the Division to position itself as a countywide strategic partner.

18 Establish a Spend Governance Analyst position to implement countywide controls.

Observation and analysis

Departments circumvent processes periodically by, for example, (1) submitting requisitions *after* having engaged a vendor and acquired goods/services, (2) engaging the services of a vendor *prior* to contract signature, and/or (3) conducting bid processes internally without engaging Purchasing and without providing any supporting documentation to Purchasing confirming a competitive process was undertaken.

Within the Purchasing division, a number of departments reported that updates to policies and procedures are not communicated to departments in a timely or consistent manner.

The current Purchasing organization structure does not include a position responsible for communicating policy and procedure updates to departments and for monitoring department compliance with purchasing policies as well as federal and state laws. The recruitment of a Spend Governance Analyst responsible for these compliance and communication activities will assist in preventing and managing department circumvention of policies and procedures. The position tasks may include:

- Keeping abreast of changes to state and federal laws as it applies to sources and uses of funds
- Providing guidance to departments on policies, procedures, and state and federal laws
- Communicating policy/procedure updates to departments
- Updating the procurement manual for changes/amendments to policies and procedures
- Performing monthly spend analysis for issuance to the Category & Vendor Manager and the buyers
- Liaising monthly with the Auditor-Controller to analyze and discuss process circumvention, and overall internal controls
- Conducting quarterly reviews of processes undertaken by departments
- Developing and facilitating specific training programs for departments (e.g., RFP training, p-card training)
- Liaising with Risk and County Counsel where required for contracts
- Ensuring general compliance for example, ensuring that contracts are signed before work begins

- Ensuring justification forms are completed when policies and procedures are circumvented.

Anticipated impact

The creation of a Spend Governance Analyst position will discourage department circumvention through training, quarterly process reviews, justification forms, and accountability. In addition, the development of monthly spend analysis reports will provide insight for division leadership to improve value for money and the regular communication between the Auditor-Controller will strengthen overall County controls.

19 Establish an additional buyer position to support increased Purchasing responsibility.

Observation and analysis

It is clear from interviews undertaken that current staff need additional support in order to complete day-to-day processes, increase internal controls and oversight, and elevate the Division to that of a strategic partner. Given the limitations in the data available and the fragmentation between SpendMap and FIN, in order to provide guidance on optimal staffing levels, a review of benchmarking counties was undertaken and a County profile created based on four distinct criteria: population, number of departments served, annual budget, number of buyers, and headcount. The results are detailed in the table below.

Based on the results, Tulare County, Sonoma County, Monterey County, and Solano County are the most comparable counties to Santa Barbara, and these counties have between 2 and 6 buyers with a total headcount of between 7 and 10 employees. Solano County, with a total of three buyers, is the most comparable to Santa Barbara based on population and annual budget.

However, in order to identify the exact number of buyers required to support the future state of Purchasing, it is necessary to conduct a reconciliation between the SpendMap and FIN to determine the exact number of purchase orders, service contracts, blanket purchase orders, change orders, and board contracts processed in a fiscal year and the time taken to process each. Given the constraints of the data currently available, this information is not currently available to model the optimal solution in terms of the exact number of buyers required. In addition, the implementation of e-requisitions, discussed in structural element 30 within the Tools and Technology section, will automate much of the current buyer activities and streamline their process, releasing capacity to perform other tasks and increase the number of requisitions that can be handled.

Despite the lack of data available to model the optimal solution in terms of number of buyers required, based on benchmarking analysis, survey results, and discussions with Purchasing staff and leadership surrounding current workload, it is recommended that an additional buyer be funded to bring the total number of buyers within the Purchasing Division to three.

County	Population (Estimate)	Number of Departments	Annual Budget	Number of Buyers	Headcount
Santa Barbara	451,840	27	Budget 2020 - 2021: \$1.19b	1	7
			Budget 2019 - 2020: \$1.13b		
Marin	260,831	23	Budget 2020 - 2021: \$619.8m	3	7
			Budget 2019 - 2020: \$630.8m		
Placer	385,565	18	Budget 2020 - 2021: \$1.02b	7	10
			Budget 2019 - 2020: \$1.03b		
San Luis Obispo	277,259	36	Budget 2019 - 2020: \$648m	4	4
Sonoma	492,980	29	Budget 2019 - 2020: \$1.79b	4	7
			Budget 2020 - 2021: \$1.6b		
Monterey	441,143	25	Budget 2019 - 2020: \$1.5b	2	8
			Budget 2020 - 2021: \$874m		
Santa Cruz	278,244	25	Budget 2019 - 2020: \$915m	3	4
			Budget 2020 - 2021: \$1.15b		
Solano	452,076	40	Budget 2019 - 2020: \$1.19b	3	11*
			Budget 2020 - 2021: \$1.38b		
Tulare	466,195	22	Budget 2019 - 2020: \$1.38b	6	10
			Budget 2020 - 2021: \$3.1b		
Kern	912,316	24	Budget 2019 - 2020: \$2.9b	4	7
			Budget 2020 - 2021: \$2.9b		

*Relates to entire Central Services Division, a breakdown of staff specific to Purchasing not provided.

However, the workload of the Purchasing staff should be closely monitored in the future, following the recruitment of the additional roles recommended in order to determine whether an additional recruitment is required. The following performance measures should be routinely and closely assessed to monitor workload and performance:

- Number of requisitions/change orders processed per month
- Number of board contracts processed per month
- Average time taken to process a requisition/change order
- Average time taken to process a board contract
- Level of overtime (if any) per staff member.

Anticipated impact

Funding an additional buyer to support current and future staff will ensure that Purchasing has adequate staffing, allowing requisitions to be processed in a timely and efficient manner and ensuring that departments are being provided with the support required in terms of procurement.

Observation and analysis

Each County department has several employees who undertake purchasing activities. For example, based on the survey results, 76.5 percent of departments surveyed have between zero and four employees who undertake purchasing activities, 17.6 percent of departments have between five and eight employees undertaking purchasing activities, and 5.9 percent of departments have greater than eight employees undertaking purchasing activities. Furthermore, the survey results suggest that the number of employees aligned to purchasing activities is largely dependent on the number of requisitions and board contracts processed by a department.

As the Purchasing Division transitions from a decentralized structure to that of a strategic partner, recruits additional staff, and begins to perform increased purchasing processes internally, an in-depth analysis of departmental roles related to Purchasing should be undertaken countywide to analyze, monitor, and understand the updated workload at the department level as a result of Purchasing transitioning to that of a strategic partner.

Once the new purchasing structure has been implemented and established, the assessment will involve conducting interviews with each department representative who undertakes purchasing activities to identify the main (purchasing-related) duties undertaken, the time taken to complete these duties, and the associated volume. The responses obtained from departments should be validated by Purchasing staff to confirm whether the duties outlined by departments are consistent with the role of departments in terms of purchasing activities. The results of the interviews should be combined, summarized, and analyzed.

Additionally, departments should be required to track internal workload in terms of purchasing activities, by tracking, for example:

- Number of requisitions submitted monthly
- Number of board contract requisitions submitted to Purchasing monthly
- Percentage of purchases below \$3,500

- Monthly p-card spend
- Percentage of time spent on purchasing-related activities.

This information should be communicated monthly to the Chief Procurement Officer and Purchasing Manager.

The assessment should be conducted once Purchasing has completed its transition to that of countywide strategic partner, and departments have been provided with the training required to educate them on the updates to purchasing policies and procedures as a result of Purchasing's transition.

Anticipated impact

The completion of an in-depth assessment of department purchasing roles and functions will allow the County to monitor and analyze workload in relation to purchasing activities countywide and ensure that purchasing activities are being performed efficiently, effectively, and in line with the updated purchasing policies and procedures as a result of Purchasing's transition to that of countywide strategic partner.

Purchasing Process

Purchasing structural elements relate to the specific processes governing purchasing activities, focusing largely on key activities to be undertaken by the Purchasing Division. At a high level, these structural elements are organized around the following core activity: prioritize demand management and strategic sourcing to assist in elevating the Division as a strategic partner and provide better value for money for the County.

#	Purchasing Process structural elements
21	Enhance collaboration with departments during the budgeting cycle to identify proposed spend, spend categories, and vendor selection.
22	Establish processes to implement strategic buying and category monitoring countywide.
23	Enhance use of countywide contracts and cooperative contracts with vendors to increase value for money.
24	Conduct a review of contracts currently in place by category.
25	Identify all common goods and services procured across the County and collectively bid.
26	Conduct monthly spend analysis with vendor, department, and category spend tracked and analyzed
27	Develop and manage a master vendor list to be published to the County intranet.
28	Evaluate vendor performance using set criteria such as timeliness of delivery, quality of good/service provided, and competitive pricing.

Observation and analysis

Presently, Purchasing does not engage with departments during the budgeting cycle. As a result, Purchasing is not aware of a department's anticipated spend, category of spend, or vendor selection until a requisition is submitted, making it difficult for any meaningful demand management or strategic sourcing to be completed.

Purchasing should liaise with departments during the budget cycle to identify anticipated annual purchasing spend, category of spend, and vendor spend, which would allow Purchasing to complete analysis surrounding demand management at the beginning of the fiscal year. For example, it would allow routine categories of spend across departments and vendors utilized by multiple departments to be identified and proactively identify opportunities for countywide contracts or cross-departmental contracts to be developed for specific categories of spend. Based on the results of the analysis, Purchasing could identify opportunities to negotiate countywide contracts or avail of cooperative contracts for routine or one-off categories of spend at the beginning of the fiscal year. Countywide and cooperatives contracts offer better value for money for the County and reduce the administrative burden on Purchasing and departments to conduct competitive bidding where a countywide contract is already in place for routine goods/services, e.g., paper shredding or telecommunications.

In addition, it would allow cross-departmental board contracts to be processed in advance, if spend for a vendor is foreseen to be in excess of \$200,000, as opposed to waiting until the vendor spend actually exceeds \$200,000, during the fiscal year, which take a significant amount of time to process and can delay procurement.

The Category & Vendor Manager position will act as the liaison between Purchasing and departments to obtain detail surrounding proposed department spend, category of spend, and vendor selection during the budgeting cycle. The Category & Vendor Manager could, for example, manage this liaison/process by requiring departments to utilize an Excel spreadsheet or an alternative software program to confirm anticipated annual spend, category of spend, and vendor spend based on budget. The spreadsheet would also require detail on department name and number, fund(s), and fund number(s) to be used to satisfy budget and should be signed (electronically) by the department representative and department head and submitted via PDF. A comprehensive set of instructions on how to complete the spreadsheet should be prepared to accompany the spreadsheet. Upon receiving the spreadsheet, departments would be given a

deadline to complete and submit the spreadsheet to the Category & Vendor Manager. The Category & Vendor Manager would monitor responses and analyze results.

Anticipated impact

Understanding County demand for goods and services is critical to identifying opportunities for strategic sourcing. Liaising with departments to understand their needs and requirements during the budget cycle will allow Purchasing to leverage purchasing power and identify opportunities to negotiate countywide contracts, avail of cooperative contracts, and process board contracts at the beginning of the fiscal year.

Observation and analysis

At present, Purchasing engages in some level of strategic buying activities with respect to negotiating countywide contracts; however, Purchasing avails of cooperative contracts only when requested by departments. Based on a report provided by Purchasing, there are currently 17 countywide contracts in place, which is well below that of benchmarked counties. Kern County for example has over 270 countywide contracts. In addition, ongoing monitoring of category spend across departments is not currently capable of being performed, as the procurement systems in place do not record the category of spend and, therefore, do not allow for spend by category to be measured. Finally, any analytics performed by departments related thereto is not consistently provided to Purchasing to assist in identifying opportunities for countywide contracts.

Countywide and cooperative contracts (or “piggybacking”) ensure that the County leverages buying power and receives best value for money in procuring goods and services. Additionally, they reduce administrative burden on both departments and Purchasing. Specifically, when a countywide or cooperative contract is in place for a routine category of good or service, it prevents departments/Purchasing from having to conduct a separate competitive process for that routine category of good/service. Therefore, Purchasing should increase the level of strategic buying activities currently undertaken in order to obtain best value in procurement of goods and services countywide, obtain increased value for money, and reduce administrative burden.

The Category & Vendor Manager will have primary responsibility for managing strategic sourcing activities in the future state. However, in order to identify opportunities to negotiate countywide contracts, avail of cooperative contracts, and negotiate discounts with vendors, for example, a comprehensive data clean and subsequent spend analysis will need to be undertaken. The spend analysis will allow the Category & Vendor Manager to determine routine categories of spend, vendor spend, and department spend, which will inform decisions surrounding the negotiation of countywide contracts, etc. Following this process, countywide contract negotiation should begin and opportunities to engage in cooperative contracts should be identified.

A comprehensive list of countywide and cooperative contracts available/currently utilized, respectively, should be made available on the County intranet and in the procurement manual to ensure that departments are aware of the existence of these contracts.

Anticipated impact

By leveraging data to drive strategic decision-making, Purchasing will strengthen and evolve its role as a strategic partner to departments and identify countywide contracting opportunities that will support department needs while potentially securing improved pricing.

Observation and analysis

Currently, Purchasing does not have a staff member with primary responsibility for establishing contracts with vendors and maintaining vendor relationships. Based on our discussions, departments typically maintain vendor relationships and manage a list of preferred vendors at a local level without engagement with Purchasing. Furthermore, cooperative contracts are utilized only when requested by departments, rather than being identified by Purchasing. For example, Kern County “piggybacks” off the state contract for telecommunications, as they have identified this contract as providing the best value for money.

In the future state, the Category & Vendor Manager will have primary responsibility for supplier management and negotiating contracts with vendors. As noted in structural element 32, a data clean and spend analysis will need to be undertaken in order to identify opportunities to enter into countywide and cooperative contracts, which will include analyzing spend by category and vendor spend (particularly for vendors utilized by multiple departments). Having conducted the data clean and spend analysis, the Category & Vendor Manager will then undertake the following, specifically in relation to countywide contracts: (1) lead outreach to departments in terms of identifying specifications/scope of works; (2) manage the bid/RFP process, which will likely be required; (3) choose the lowest “responsible” bidder where goods are concerned; (4) establish an evaluation committee and criteria where services are concerned; (5) lead the board contract process (given the contract will likely exceed \$200,000); (6) negotiate contract terms and conditions with the vendor; (7) engage Risk Management and County Counsel to review the contract; (8) issue the contract to the vendor for signature; (9) monitor and manage the contract on an ongoing basis, including determining whether contract period or amount is to be extended/increased based on regular spend analysis; (10) evaluate supplier performance throughout the contract and deal with any performance-related issues; and (11) update countywide contract list on the County intranet to ensure that departments are aware of the contract’s existence.

In terms of cooperative contracts, the Category & Vendor Manager will review the Sourcewell website regularly to identify cooperative contracts with beneficial pricing that could be availed of by Purchasing, based on category spend analysis undertaken. CAPPO best practice encourages the use of cooperative contracts to lower prices, lower administrative costs, and obtain more

favorable terms, but advises that attention be given to ensuring legal compliance and open competition before entering such contracts. Therefore, cooperative contracts should be reviewed by County Counsel and Risk Management to ensure compliance with County legal and insurance requirements before utilization.

Anticipated impact

By recruiting a Category & Vendor Manager position with primary responsibility for establishing and managing countywide/cooperative contracts and leveraging data to drive strategic decision-making, Purchasing will strengthen and evolve its role as a strategic partner to departments *and* identify, negotiate, and make use of countywide and cooperative contracts that will provide favorable pricing and terms to the County.

Observation and analysis

Purchasing should establish a process, with consideration of the framework from structural element 26, that establishes a work plan of objectives, tasks, and deliverables that begins with an analysis of all contracts by category and leads to strategic sourcing opportunities.

Furthermore, during this process there will be opportunities to find contract compliance issues and determine opportunities for savings and strategic contract riders, for example, an early payment discount. This structural element describes a contract and contract category management process that provides structure and a timely approach to reviewing and buckets all contracts for the purpose of strategic sourcing.

Category Deep Dive and Plan

— **Category Evaluation** – Focus on categorization and segmentation of the various categories of purchase and prioritize where the category lies as juxtaposed against business impact and complexity of market. Segment examples are critical supplier, strategic supplier, new/phase out supplier, and leverage supplier.

— **Value levers** – Focus on savings opportunities identified through collaborative, structured investigation. End result is to evaluate opportunities against the priorities structure to help ensure an opportunity check (competition, consumption, contracting, and consolidation) and to understand the benefit ranges or potential contract mergers, renegotiations, or cancellations.

— **Category Planning** – This step takes the categories and identifies priority for implementation. Priority is determined based on time to implement versus savings potential and benefit/sustainability versus ease of implementation. Ideally, this plan does not go out further than 60 days, as the market and customer needs can change beyond that, and the action list produced from this step will have assigned roles and responsibilities. To ease the learning curve on buyers during the first implementation of this recommendation, there could be benefit in assigning roles based on current Purchasing category responsibilities.

	Spend Analysis	Category Deep Dive	Category Plan	Execute
Objectives	<ul style="list-style-type: none"> Improve spend data accuracy Prepare supporting data required for category deep dive 	<ul style="list-style-type: none"> Identify opportunities to consolidate Model high level impact of changes 	<ul style="list-style-type: none"> Create short term category plan to be executed over next 60 days 	<ul style="list-style-type: none"> Implement rationalization and process changes Conduct supplier negotiation Track benefits
Tasks	<ul style="list-style-type: none"> Conduct full re-categorization of spend with a focus on data cleaning Detailed spend analysis for categories with highest opportunities For each category, identify medium term: <ul style="list-style-type: none"> Supplier offering / pricing Demand profile Contract details Demand owners Create category contract summary Calculate spend and supplier fragmentation, and validate what is under contract Validate with category stakeholders 	<ul style="list-style-type: none"> Conduct high level supply market analysis Identify hypothesis changes Model impact of each change, based on impact to: <ul style="list-style-type: none"> Demand pattern change or demand constraint Supplier change Order management change Calculate benefit ranges Document assumptions, risks and dependencies, and validate with suppliers and demand owners: <ul style="list-style-type: none"> Supplier capabilities and pricing assumptions Demand change impact assumptions Process owners and activity assumptions 	<ul style="list-style-type: none"> Create category plan to illustrate: <ul style="list-style-type: none"> New supplier parameters Demand plan Interim compliance tracking Benefits tracking Identify and establish cross functional category council teams and conduct handover to them to manage execution Identify execution action plan and key milestones, including supplier negotiation calendar 	<ul style="list-style-type: none"> Conduct supplier validation and negotiation meetings Implement process changes and track compliance Update system changes and data adjustments Create a basic contracts register database with monthly forward visibility reports on a critical path to trigger renegotiations and renewals Create a basic spend analysis database and dashboard to monitor spend pattern changes, demand owners, supplier tracking to budget etc.
Deliverables	<ul style="list-style-type: none"> Updated spend matrix Category contract summary Any existing category analysis or reports 	<ul style="list-style-type: none"> Category change recommendations and business case 	<ul style="list-style-type: none"> Category Plans and action lists (including roles and responsibilities) 	<ul style="list-style-type: none"> Supplier negotiation preparation packs Compliance and benefits tracking report Contracts register and reports Spend analysis and reports

Source: KPMG LLP (2019)

Anticipated impact

Conducting an analysis of contracts currently in place by category will allow Purchasing to identify opportunities to renegotiate contracts, identify cost-saving opportunities, and understand the benefit of contract mergers and cancellations.

Observation and analysis

There is currently no formalized or structured strategy and cooperation around Purchasing-led strategic sourcing and proactive buying plans, creating instances in which departments are procuring the same type of good or service from different vendors. Examples of this are:

- Telecommunications: \$1.3 million of cumulative spend from beginning of FY 2020 to June 2020 between six vendors
- Printing: \$843,875 cumulative spend from beginning of FY 2020 to June 2020 between 14 vendors
- Satellite Communications: \$129,925 cumulative spend from beginning of FY 2020 to June 2020 between seven vendors.

The above outlined examples were identified by a “fuzzy search” of the description field in SpendMap. The current method in which data is input does not allow shared spend to be conveniently identified since:

- Neither FIN nor SpendMap is currently capable of analyzing spend by category
- SpendMap allows only 26 characters to be entered in the Description field and. Buyers often exceed this word count, which results in readers being unable to view the entire description detail.

Additionally, departments are not required to notify purchasing of their needs and purchasing activities prior to executing contracts.

Purchasing, without having a deep understanding of spend and contracts and a competitive strategy, cannot provide the best service to their customer departments. By addressing structural element 23 and 26, the Division will position themselves not only to identify opportunities for consolidating common goods purchases but to have a comprehensive understanding of all contracts across the County and of the best opportunities for renegotiation.

Purchasing should develop a routine continuation of structural elements 5 and 6 that focuses on collecting the spend analyses, category deep dives, and category plans and uses them to conduct supplier negotiations and renegotiations. Priority for renegotiation and common goods

contracts should be a balance struck between opportunity costs, timing, and customer-defined needs.

	Spend Analysis	Category Deep Dive	Category Plan	Execute
Objectives	<ul style="list-style-type: none"> Improve spend data accuracy Prepare supporting data required for category deep dive 	<ul style="list-style-type: none"> Identify opportunities to consolidate Model high level impact of changes 	<ul style="list-style-type: none"> Create short term category plan to be executed over next 60 days 	<ul style="list-style-type: none"> Implement rationalization and process changes Conduct supplier negotiation Track benefits
Tasks	<ul style="list-style-type: none"> Conduct full re-categorization of spend with a focus on data cleaning Detailed spend analysis for categories with highest opportunities For each category, identify medium term: <ul style="list-style-type: none"> Supplier offering / pricing Demand profile Contract details Demand owners Create category contract summary Calculate spend and supplier fragmentation, and validate what is under contract Validate with category stakeholders 	<ul style="list-style-type: none"> Conduct high level supply market analysis Identify hypothesis changes Model impact of each change, based on impact to: <ul style="list-style-type: none"> Demand pattern change or demand constraint Supplier change Order management change Calculate benefit ranges Document assumptions, risks and dependencies, and validate with suppliers and demand owners: <ul style="list-style-type: none"> Supplier capabilities and pricing assumptions Demand change impact assumptions Process owners and activity assumptions 	<ul style="list-style-type: none"> Create category plan to illustrate: <ul style="list-style-type: none"> New supplier parameters Demand plan Interim compliance tracking Benefits tracking Identify and establish cross functional category council teams and conduct handover to them to manage execution Identify execution action plan and key milestones, including supplier negotiation calendar 	<ul style="list-style-type: none"> Conduct supplier validation and negotiation meetings Implement process changes and track compliance Update system changes and data adjustments Create a basic contracts register database with monthly forward visibility reports on a critical path to trigger renegotiations and renewals Create a basic spend analysis database and dashboard to monitor spend pattern changes, demand owners, supplier tracking to budget etc.
Deliverables	<ul style="list-style-type: none"> Updated spend matrix Category contract summary Any existing category analysis or reports 	<ul style="list-style-type: none"> Category change recommendations and business case 	<ul style="list-style-type: none"> Category Plans and action lists (including roles and responsibilities) 	<ul style="list-style-type: none"> Supplier negotiation preparation packs Compliance and benefits tracking report Contracts register and reports Spend analysis and reports

Source: KPMG LLP (2019)

Anticipated impact

Identifying common goods and services procured across the County and utilizing spend analysis, category deep dives, and category plans to support supplier negotiations and renegotiations will allow Purchasing to make more meaningful and accurate strategic sourcing decisions in the future, resulting in cost savings for County departments and helping elevate the position of the Purchasing Division to that of a countywide strategic partner.

Observation and analysis

Spend analysis currently is being performed annually by the Auditor-Controller, but confined to monitoring disbursements over \$100,000, including vendor pool, for the purpose of documenting spend by departments and recipient vendors. This spend analysis is issued to the Board of Supervisors annually. While the Auditor-Controller has responsibility for financial oversight of certain aspects of County purchasing, the analysis does not appear to extend to any type of analytics, which could help to decrease procurement costs, improve efficiencies, and/or improve sourcing/supplier decisions. Further, the results are not shared with nor are periodic recommendations made to Purchasing that could assist with its activities. That disconnect distances Purchasing from key data critical to a variety of activities, including identifying opportunities for countywide contracts.

Spend analysis is fundamental to understanding what is being purchased by departments, who they are purchasing from, and why they are purchasing. In the future state, Purchasing will task the Spend Governance Analyst with performing monthly spend analysis to allow for accurate and effective demand management and strategic sourcing countywide. This analysis should be disseminated to the Category & Vendor Manager and buyers for review monthly. The most important aspect and overarching insight Purchasing should look to glean from this analysis is to fundamentally understand the demand of the County and how to better serve that demand while achieving greater value for money. This analysis should serve as a tool for Purchasing to understand where they can cross-cut the departmental spend and create unique opportunities for procurement partnership.

However, prior to undertaking any spend analysis, the Category & Vendor Manager should establish a master vendor list as recommended under structural element 27 to allow complete and reliable analysis to be conducted. Furthermore, there is currently fragmentation between the SpendMap software used by Purchasing and the FIN system utilized by the Auditor-Controller. The two systems, for example, contain different identifiers for vendors and do not contain a mechanism to be able to reconcile transactions. Therefore, prior to conducting spend analysis, the Category & Vendor Manager should seek to develop insights into the data deficiencies and limitations as a result of the system fragmentation, which are discussed further under structural element 31. A comprehensive data clean will also be required based on the data inconsistencies,

outlined under structural element 32 of the Tools and Technology section, to inform an accurate and complete spend analysis to be used in assisting strategic sourcing decisions.

Purchasing should establish a framework for conducting routine spend analysis that focuses on improving spend data accuracy, developing needed insights into spend data accuracy, developing needed insights into spend fragmentation, and preparing supporting data to facilitate a category and contract deep dive. The spend analysis should seek to provide insights into spend by category, year-over-year changes, and methods of spend. SpendMap, if adopted and fully implemented, has the reporting ability to assist in a basic spend analysis.

	Spend Analysis	Category Deep Dive	Category Plan	Execute
Objectives	<ul style="list-style-type: none"> Improve spend data accuracy Prepare supporting data required for category deep dive 	<ul style="list-style-type: none"> Identify opportunities to consolidate Model high level impact of changes 	<ul style="list-style-type: none"> Create short term category plan to be executed over next 60 days 	<ul style="list-style-type: none"> Implement rationalization and process changes Conduct supplier negotiation Track benefits
Tasks	<ul style="list-style-type: none"> Conduct full re-categorization of spend with a focus on data cleaning Detailed spend analysis for categories with highest opportunities For each category, identify medium term: <ul style="list-style-type: none"> Supplier offering / pricing Demand profile Contract details Demand owners Create category contract summary Calculate spend and supplier fragmentation, and validate what is under contract Validate with category stakeholders 	<ul style="list-style-type: none"> Conduct high level supply market analysis Identify hypothesis changes Model impact of each change, based on impact to: <ul style="list-style-type: none"> Demand pattern change or demand constraint Supplier change Order management change Calculate benefit ranges Document assumptions, risks and dependencies, and validate with suppliers and demand owners: <ul style="list-style-type: none"> Supplier capabilities and pricing assumptions Demand change impact assumptions Process owners and activity assumptions 	<ul style="list-style-type: none"> Create category plan to illustrate: <ul style="list-style-type: none"> New supplier parameters Demand plan Interim compliance tracking Benefits tracking Identify and establish cross functional category council teams and conduct handover to them to manage execution Identify execution action plan and key milestones, including supplier negotiation calendar 	<ul style="list-style-type: none"> Conduct supplier validation and negotiation meetings Implement process changes and track compliance Update system changes and data adjustments Create a basic contracts register database with monthly forward visibility reports on a critical path to trigger renegotiations and renewals Create a basic spend analysis database and dashboard to monitor spend pattern changes, demand owners, supplier tracking to budget etc.
Deliverables	<ul style="list-style-type: none"> Updated spend matrix Category contract summary Any existing category analysis or reports 	<ul style="list-style-type: none"> Category change recommendations and business case 	<ul style="list-style-type: none"> Category Plans and action lists (including roles and responsibilities) 	<ul style="list-style-type: none"> Supplier negotiation preparation packs Compliance and benefits tracking report Contracts register and reports Spend analysis and reports

Source: KPMG LLP (2019)

Anticipated impact

By expanding Purchasing’s purview to include this type of analysis and an expanded version thereof, Purchasing will be better equipped to make strategic purchasing decisions to benefit County departments, including leveraging data to develop a strategic sourcing roadmap. Further,

this data may be leveraged by departments to perform inventory management, budget and plan, and set their own sourcing roadmap.

Observation and analysis

At present, departments maintain their own vendor list and Purchasing maintains a list that is informed by spend and other analysis conducted to document the frequency/volume of department contracts with specific vendors. While departments may provide Purchasing with feedback related to reputable vendors, there is no systematic approach to that feedback, and as such Purchasing may not be aware of reputable vendors.. As a consequence, Purchasing does not have full visibility into the universe of preferred vendors, which may impact recommendations it could make to departments that are exploring specific goods or services as well as evaluating potential opportunities for countywide contracts.

Therefore, it is recommended that a master vendor list be developed and actively managed by Purchasing. The Category & Vendor Manager will lead the development of the master vendor list by:

- Coordinating outreach to departments to obtain information on their preferred vendors
- Reviewing the annual spend analysis performed by the Auditor-Controller that details vendor disbursements greater than \$100,000
- Reviewing the vendors aligned with the countywide contracts currently in place
- Conducting spend analysis on top vendors by contract expenditure and amount billed.

Once developed, the master vendor list will be updated monthly per spend analysis and made available on the County intranet for viewing by departments.

Further, procurement systems such as Public Purchase and RFP 360 may allow for a master vendor list to be developed electronically as a result of electronic vendor registration. When conducting an assessment of procurement management systems for functionality and cost effectiveness (as recommended under structural element 34 in the Tools and Technology section), the system's ability to assist in producing a master vendor list should be taken into account.

Anticipated impact

Centralized inventory of preferred vendors and those with whom the County has conducted business, which will provide departments with easy and current access to assist with their contracting needs. Further, periodic updates will help to ensure that the list is current and reflects any department and/or Purchasing input on vendors with poor performance records.

Observation and analysis

At present, departments informally monitor vendor performance to inform their preferred vendor lists as well as identify underperforming vendors; however, Purchasing does not perform any such analysis for countywide vendors nor is there a regular dialogue between departments and Purchasing about vendor performance. In the absence of a Purchasing-driven, periodic evaluation of vendor performance against defined criteria, the potential exists for departments to contract with vendors that have been determined to be poor performers and/or problematic.

The Category & Vendor Manager will have responsibility for managing countywide vendor performance evaluations in the future state. The evaluation of vendor performance could be undertaken, for example, by developing a countywide questionnaire with a list of questions surrounding performance, for example:

- Were the goods/services delivered on time?
- Was the vendor timely in responding to queries raised by the County?
- Did the vendor provide an early pay discount or other form of discount?
- Were the goods provided of sufficient quality?
- Did the services provided meet the scope of work provided by the County?
- Did the vendor agree with County's standard terms and conditions and insurance requirements or was additional negotiation required?
- Did the vendor meet all obligations under the contract?

In order to allow departments to submit feedback on vendor performance as well as monitor year over year feedback, a collaborative database should be created.

The Category & Vendor Manager will be responsible for evaluating vendor performance in relation to countywide and cooperative contracts. Departments will manage vendor performance internally for vendors who do not have a countywide contract and the Category & Vendor Manager will provide oversight and collaborate with departments to complete performance evaluations for these vendors. Following completion, vendor performance evaluations will be tracked and monitored monthly, and a list of "debarred" vendors created and communicated to

departments over time. A set of criteria should be developed to determine when and if a vendor should be debarred, for example a vendor could be debarred if:

- Goods provided are of poor quality;
- Services performed consistently fail to meet the scope of work provided by the County
- Good / services are consistently delivered / provided late;
- A vendor fails to meet his obligations under a contract with the County

Vendors should be notified promptly once they have been de-barred and the reasons for debarment outlined. By notifying vendors of debarment the County will ensure that debarred vendors do not continue to submit bids and contract with the County.

Additionally, procurement systems such as Public Purchase and RFP 360 allow some level of vendor performance evaluation, for example, Public Purchase allows for a comment to be entered into a vendor record surrounding performance. When conducting an assessment of procurement management systems for functionality and cost effectiveness (as recommended under structural element 34 in the Tools and Technology section), the system's ability to assist in undertaking vendor performance evaluation should be taken into account.

Anticipated impact

Evaluating vendor performance will improve transparency and coordination with departments to gather relevant data for evaluation against defined criteria and improve vendor management to ensure that the County is contracting with good performers.

Tools and Technology

Tools and Technology structural elements relate to systems utilized by Purchasing and the Auditor-Controller to perform various processes and activities. The structural elements below are organized around the following core activity: enhancing the utilization of technology to increase efficiency and effectiveness and achieve cost savings.

#	Technology and Tools structural elements
29	Assess SpendMap capabilities to identify capabilities that can automate processes and inform accurate reporting.
30	Transition to electronic requisitions to automate processes and more accurately track status updates.
31	Reconcile SpendMap data with FIN data to ensure better accuracy in reporting.
32	Perform a data clean of SpendMap and FIN data periodically to inform more accurate spend analysis.
33	Fully implement a paperless process for board contract approvals and implement electronic signatures for all contracts.
34	Assess supplier management tools to identify the optimal solution for the County in terms of functionality and cost effectiveness.
35	Transition to electronic bid management and vendor registration to automate the bid process.
36	Conduct an annual cost avoidance benefit assessment to monitor the value added by the Purchasing Division.

Observation and analysis

Purchasing utilizes a procurement system, SpendMap, which has robust functionality. The system has a mandatory purchase order module used to process Purchase Orders as well as six optional add-on modules, which include the following, however, Purchasing is currently unable to utilize the Cloud version of SpendMap due to lack on integration with FIN reporting:

- 1. Requisition:** Allows for requisition automation
- 2. Receiving:** Allows for orders to be received in SpendMap when vendors submit goods/provide services and automatically updates the status of the PO
- 3. Invoice approval:** Allows automated approval of vendor invoices by conducting a three-way match with POs and receipts
- 4. Supplier Integration:** Provides capability to connect with supplier e-commerce websites in order to share PO data over the internet, including the electronic issuance and return of POs/CNs to suppliers
- 5. RFQ:** Provides capability to manage supplier bids and quotations
- 6. Assets and Inventory:** Provides ability to manage inventory

Currently, Purchasing solely uses the mandatory PO module to manually upload requisition data and process Pos, which are issued to departments and vendors via paper. Vendors are required to manually sign and return service contracts to departments, which are then hand delivered to Purchasing. Purchasing then manually confirms a signed contract has been received in SpendMap. As such, Purchasing uses SpendMap more like a database rather than as a dynamic, strategic purchasing software tool.

An assessment of SpendMap capabilities against current deficiencies will allow Purchasing to identify those modules that, if implemented, would assist in performing Division responsibilities with enhanced efficiency, internal control, and oversight. Based on our analysis, it is recommended that Purchasing consider enabling the following two modules: Requisition (which the division is currently exploring and discussed below) and Supplier Integration.

Further, SpendMap, in all versions of usage, has an extensive data reporting and tracking function, which is not currently utilized by Purchasing. For example, the system can develop customized Excel reports and provide PO reports; financial reports; and reports on item, supplier, and departments. However, Purchasing currently relies on a County employee using the intranet portal to pull data from SpendMap to generate similar reports to those that SpendMap could otherwise automatically generate. As such, expanding use of additional modules and providing relevant training to staff will automate aspects of the Purchasing process and improve efficiency in data collection/entry and report generation.

Anticipated impact

Leveraging SpendMap capabilities will reduce the time spent by Purchasing staff on routine activities, including data collection and entry, which should expand capacity to conduct strategic sourcing, such as identifying opportunities for countywide contracts. Additionally, relying on the built-in reporting functionality will allow for more accurate and pointed data analysis.

Observation and analysis

Currently, departments submit requisitions to Purchasing in paper format via email or hand delivery. The Purchasing buyer then reviews and signs the requisition and manually enters the requisition to SpendMap. This input process takes between 15 and 20 minutes. Purchase orders generated are then issued to departments and vendors via paper copy. This overall process does not allow departments to track the progress of a requisition submitted and departments must contact Purchasing via phone or email to request a status update. Many departments interviewed reported the timeliness in receiving POs to be the greatest challenge they face in procuring goods and services. A module is currently available in SpendMap (Requisition), which allows for electronic functionality. This allows for a paperless, department-generated requisition process. If deployed, this would allow Purchasing staff to act in a less clerical manner, freeing up time for other more value-add activities, and would also allow departments to track the status of requisitions and prevent time spent by Purchasing staff responding to PO queries.

The Division is currently in discussions with SpendMap to purchase this module; however, it is recommended the implementation of this module be prioritized to ensure that buyers can operate in the most efficient manner under the future-state organization.

Anticipated impact

Implementing an e-requisition process will reduce time spent by Purchasing staff on clerical, paper-driven tasks and on answering department queries, leaving more time for staff to act as strategic partners to departments. Additionally, mandating that departments collaborate with the Purchasing Division through software purchase requisitions will encourage more efficient compliance habits by departments and improve oversight by Purchasing.

31 Reconcile SpendMap data with FIN data to ensure better accuracy in reporting.

Observation and analysis

While SpendMap is utilized by Purchasing, the FIN system is utilized by the Auditor-Controller who is ultimately charged with discharging payment to vendors. However, based on sample spend and other data provided by the County, there is currently fragmentation between the two systems. Specifically,

- The two systems contain different identifier numbers for vendors.
- There are transactions that appear in FIN but do not appear in SpendMap and vice versa.
- There is no mechanism for reconciling transactions between both systems.

The Auditor-Controller is currently tasked with processing board contracts (following approval) and utilizes the FIN system to upload these contracts using a board contract summary form prepared by each department. However, all other purchases (POs, service contracts, blanket Pos, etc.) are processed by Purchasing using SpendMap. As FIN and SpendMap are not capable of integration, this process results in board contracts, for example, appearing in FIN but not in SpendMap.

The IT Department is tasked with creating an interface between both systems; however, this process reconciles only contracts that become payable in the current fiscal year from SpendMap to FIN, and based on the data provided, significant discrepancies surrounding spend, total vendors, total contracts, and total department identifiers have been identified. For example, there is a \$63 million difference in contract expenditure between FIN and SpendMap, and a \$24 million difference in the amount billed. SpendMap has 1,535 contracts/records while FIN has 1,750, a difference of 215 contracts/records.

The following table outlines the differences per data source provided based on five distinct categories: contract expenditure, amount billed, vendor count, department count, and contracts/records count.

Differences between Data Sources

Data source	System	Total contract exp	Total amount billed	Total vendors	Total Departments	Total # of contracts / records
Fin Board Contract and PO Listing	FIN	298,519,041	323,565,199	1,277	51	1,750
Vendor BPO List	SpendMap	361,484,965	347,207,558	1,043	40	1,535

The lack of data integration between both systems results in difficulty obtaining accurate data for any meaningful analysis without significant data cleaning and validation in advance of any analysis. In addition, it results in laborious processes being undertaken to obtain required data. For example, as a result of the “aggregate rule,” a board contract is required where vendor spend across multiple county contracts is \$200,000 or above. However, in order to identify whether a vendor has exceeded the \$200,000 threshold, departments reported that they must view data in FIN as well as data in SpendMap and manually calculate whether spend has exceeded the threshold taking into account any discrepancies in vendor naming conventions. The reconciliation of SpendMap data with FIN data would alleviate the need to review two systems when analyzing data and would ensure greater accuracy in reporting data. Purchasing should seek to reconcile the following distinct categories of data between FIN and SpendMap as a priority to allow more accurate and meaningful data analysis to be performed:

- Contract expenditure amount
- FIN amount billed
- Number of vendors (FIN has contract/records allocated to 1,277 vendors while SpendMap has 1,043)
- Department naming conventions (currently FIN has 51 named departments while SpendMap has 40)
- Number of contracts and records (POs, BPOs, CNs, etc.) (FIN details 1,750 contracts/records while SpendMap details 1,535).

It should be noted that the County is currently undertaking a Business Applications Needs Assessment (BANA) project which aims to enhance system integration across the County, which will also include an integrated purchasing and payables module. As part of this project the County will be preparing for implementation and many of the activities described above will help facilitate the implementation and transition to the new system.

Anticipated impact

The reconciliation of SpendMap data and FIN data would alleviate system discrepancies, increase controls, and bring about greater accuracy and consistency in reporting.

32

Perform a data clean of SpendMap and FIN data periodically to inform more accurate spend analysis.

Observation and analysis

In addition to the discrepancies noted in structural element 31, during data analysis, significant deficiencies and inconsistencies were identified within each separate data source provided:

- In general, neither FIN nor SpendMap is currently capable of analyzing spend by category, which makes it difficult to conduct any meaningful data analysis to inform demand management and enhance strategic buying.
- A total of 30 vendors are duplicated in FIN due to inconsistent spelling or structure (e.g. Accela versus Accela Inc.), which may result in vendor spend being inaccurately measured and board contracts not being processed where they would be required based on the “aggregate rule.”
- \$59 million and \$12 million of total amount billed within FIN is allocated to departments identified as “NULL” and “CWIDE,” respectively. Based on interviews conducted, these amounts relate to countywide contracts used by various departments and neither FIN nor SpendMap have the functionality to allocate countywide contract spend to multiple departments.
- The spend of four departments is duplicated in the FIN data provided, resulting in an overstatement of \$135 million in the total FIN amount billed and \$91 million in contract expenditure.
- The following table outlines the four departments duplicated (Behavioral Wellness, North County Jail, Public Health, and Agricultural Commissioner/W&M) as a result of differences in department naming conventions, and the spend/expenditure removed per department to inform this analysis. For example, \$100 million of spend relating to

departments identified as “Alcohol, Drug & Mental Health Services” and “Mental Health” was removed since the spend/expenditure was already included within “Behavioral Wellness” spend/expenditure.

Department removed	FIN billed amount removed	Contract expenditure amount removed	Department which "Department removed" falls into
Alcohol, Drug, & Mental Health Services	\$ 50,224,178.00	\$ 33,154,014.00	Behavioral Wellness
Mental Health	\$ 50,224,178.00	\$ 33,154,014.00	Behavioral Wellness
North County Jail AB900	\$ 11,497,536.00	\$ 8,280,835.00	North County Jail
Sheriff Capital Projects - Jail	\$ 11,497,536.00	\$ 8,280,835.00	North County Jail
Health Services	\$ 11,183,890.00	\$ 7,529,860.00	Public Health
Agriculture & Cooperative Exte	\$ 170,791.00	\$ 143,673.00	Agricultural Commissioner / W&M
Total amount removed	\$ 134,798,109.00	\$ 90,543,231.00	
Total per "pre cleaned" listing	\$ 458,363,308.00	\$ 389,062,272.00	
New total	\$ 323,565,199.00	\$ 298,519,041.00	

- The department duplication and overstatement of spend/contract expenditure outlined above also results in a duplication of vendors. A total of 43 vendor duplications were identified totaling \$135 million in FIN amount billed and \$91 million in contract expenditure. This again may result in inaccurate vendor spend analysis and board contracts being processed when they are not required.
- SpendMap allocates \$19 million across 428 contracts to a buyer identified only as “Buyer” and \$10 million across 8 contracts to a buyer identified as “unknown.” This results in 7.8 percent of total spend being allocated to an unnamed buyer, given the total spend per SpendMap is \$370 million.
- Fund numbers are inconsistently entered into SpendMap, with 43 percent of total spend (\$157 million) remaining unallocated and a combined 7.7 percent of total spend (\$2.8 million) allocated to fund numbers identified as: “CWID,” “ALL,” “VAR,” “MULTI,” “XXX,” and “*.” The lack of consistency in inputting fund numbers results in an inability to monitor fund spend against budget within SpendMap.
- SpendMap allows only 26 characters to be entered in the Description field. Buyers often exceed this word count, which results in readers being unable to view the entire description detail.
- Currently, change orders are processed in SpendMap by canceling the original PO and uploading the change order as a new PO, using the original PO number. This practice

results in detail surrounding the original PO being unavailable for viewing with change order amendments not being reflected as amendments in the data. SpendMap has functionality to allow change orders to be processed by using the “Simple PO modification” utility, which allows original POs to be modified and also allows for modifications to be tracked.

The completion of a thorough data cleaning exercise by Purchasing and the Auditor-Controller will resolve many of the inconsistencies identified above and will inform more accurate spend analysis, which can be utilized to identify demand management and strategic opportunities. The following items should be undertaken as a priority:

- Item categories should be added and recorded to inform more meaningful and actionable spend analysis.
- Department naming conventions should be cleaned to prevent the duplicate recording of spend/expenditure.
- Vendor naming conventions should be cleaned to inform more accurate spend analysis and to ensure that board contract approval is being obtained, where required.

Anticipated impact

Undertaking a data clean to alleviate inconsistencies and discrepancies in data will allow for greater accuracy across reporting, informing accurate spend analysis utilized to understand demand and spend category across County departments and identify opportunities for strategic sourcing such as countywide contracts, cooperative contract, and vendor discounts.

Fully implement a paperless process for board contract approvals and implement electronic signatures for all contracts.**Observation and analysis**

Currently, the board contract process is a paper-heavy, lengthy, and laborious process. Departments prepare a board contract pack (including a board letter and board contract) internally and issue to County Counsel, Risk, and the Auditor-Controller for review and signature prior to issuing to the Clerk-Recorder-Assessor for docketing. Prior to COVID-19, departments were required to hand deliver paper copies of the board contract pack to County Counsel, Risk, and the Auditor-Controller, who each provided wet signatures and returned the contract to the department. Due to the pandemic, electronic signatures now have been permitted for these specific reviews, there is a docu sign policy in process for external contracts. However, departments continue to be required to hand deliver eight copies of the board contract pack to the Clerk-Recorder-Assessor for docketing and the Board of Supervisors (following approval) provides wet signatures. Wet signatures are also required from vendors for contracts above and below \$200,000. Some departments reported during the interview process that board contract packs can have in excess of 700 pages and take a significant amount of time to print and organize as well as unnecessarily utilizing resources such as paper and ink.

The implementation of a paperless process that would allow for electronic vendor and Board of Supervisors signatures while continuing to allow for County Counsel, Risk, and the Auditor-Controller to utilize e-signatures post-COVID-19 will reduce time taken to navigate the board contract process in general as well as reduce time and resources spent in undertaking the process.

In addition, the implementation of electronic vendor signatures for contracts below \$200,000 will reduce time taken by vendors to return contracts and will also provide a paper trail for departments and Purchasing, given that contracts could be returned via email as opposed to via post/hand delivery.

Anticipated impact

Implementing a paperless board contract process will reduce time spent by department staff on clerical tasks and free up more time for staff to spend on value-adding activities that will result in cost savings for the County. Additionally, the implementation of electronic vendor signatures for

contacts below \$200,000 will ensure that signed contracts are returned to departments/Purchasing more expeditiously given that email can be used to return contracts as opposed to hand delivery.

Observation and analysis

Currently, Purchasing utilizes a procurement system called Public Purchase to manage the bid process. The County's current subscription is free of charge and allows for electronic submission of bids and vendor registration, among other features. However, Behavioral Wellness utilizes a system called RFP 360 to issue and respond to its bids and to manage the overall bidding process. Some other departments leverage their own websites to manage the bid/RFP process. Purchasing is actively working on the transition to electronic bid management and investigating the optimal solution for the County.

To avoid system duplication and fragmentation, such procurement systems should be streamlined to ensure that one supplier management system is used countywide. This will ensure that vendors who do business with the County are required to register with one distinct system and a comprehensive database of vendors can be built, maintained, and leveraged. It will also ensure consistency in the County's approach to the bidding process in that bids will be uploaded in one location for viewing by vendors.

An assessment of both RFP 360 and Public Purchase in terms of functionality and cost effectiveness will assist in identifying the optimal solution for the County. Collaborating with Behavioral Wellness and other federally funded departments, who undertake a significant amount of bidding processes internally, to identify countywide functionality will assist in this process.

Anticipated impact

Conducting an assessment of supplier management tools will ensure that the County retains the optimal solution in terms of functionality and cost effectiveness. In addition, it will prevent system fragmentation and will allow for one system to be utilized to build a database of vendors that can be leveraged at any time.

Observation and analysis

Currently, vendors are not required to electronically register in order to do business with the County and bids can be submitted electronically or via paper. A full transition to electronic vendor registration would allow Purchasing to build a comprehensive database of vendors as well as manage and upload vendor forms such as insurance documents and W-9s. Purchasing is actively working on the transition to electronic bid management and vendor registration.

Supplier evaluations are not currently undertaken by Purchasing and a list of debarred vendors is not held. The transition to electronic vendor registration and supplier management will allow this process to be undertaken with greater ease, given that many procurement systems include the functionality to complete vendor evaluation.

For this process to be implemented, vendor registration pack will need to be created, requiring vendors to provide specific details such as category types supplied, insurance documents, and W-9s.

The transition to an electronic bid process will increase controls and reduce the risk of protests given that most procurement systems have the functionality to automatically preclude any bid that is submitted late. Public Purchase and RFP 360 also have built-in functionality to inform evaluation processes and criteria that are required within the RFP process. Prior to this transition the system assessment described under structural element 34 would need to be undertaken in order to identify the optimal system for the County's needs.

Anticipated impact

Transitioning to electronic vendor registration and bid management will allow for enhanced supplier management and strategic sourcing through acting as a master vendor database and providing detail on vendor performance. In addition, it will increase internal controls and reduce the risk of protests.

Observation and analysis

Currently, Purchasing has performance measures in place surrounding County spend with local vendors and the time taken to award formal bids following receipt of requisition. However, there are no performance measures in place surrounding the value added by Purchasing through cost avoidance. Developing, measuring, and communicating performance measures related to cost avoidance will encourage strategic sourcing and will support the elevation of the Division to that of a countywide strategic partner. The following are examples of performance measures that could be implemented:

- The NIGP *AEP* Award has a “term contract expenditure” calculation that essentially measures the percentage of total dollar category and services for which BPOs are processed. NGIP notes 30 percent as the required metric. This performance measure identifies whether Purchasing is effectively using term contracts by leveraging spend through the establishment of BPOs.
- Cost avoidance achieved through competitive processes over time could be tracked. This would involve tracing each bid’s costs avoidance throughout the fiscal year and calculating the statistic annually. It would require each buyer to complete a cost avoidance sheet after each bid requesting confirmation of the cost savings/avoidance achieved during the bid process and the methods used to achieve this cost avoidance/saving. The responses would then be tracked, and statistics reported annually.
- The Purchasing Division’s use of term agreements (price agreements, cooperative agreements/piggybacked agreements) as a percentage of total spend could be tracked. This measure would reflect Purchasing’s ability to utilize term agreements as the basis of award.

Anticipated impact

Monitoring the value added through the development of performance measures and metrics will establish an environment focused on continual improvement, encouraging Purchasing staff to conduct ongoing demand management and strategic sourcing and leverage buying power in negotiating discounts with customers, ultimately resulting in costs savings for the County. In addition, the communication of these performance measures to County departments will assist in positioning Purchasing as a countywide strategic partner as departments become aware of the cost savings that can be generated by engaging the expertise of the Purchasing Division.

Appendix A: Survey results

Survey Results

KPMG was asked by the County to develop a survey to be issued to County departments in relation to the purchasing processes. KPMG developed a list of 12 questions and the County administered the survey to 27 County departments on July 23, 2020. The purpose of the survey was to obtain feedback from all County departments regarding the level of service they receive from the Purchasing Department and their satisfaction and understanding of the services provided.

In total, 17 responses were received and are categorized in the table below.

Department responses	
Probation	Parks
Behavioral Wellness	Community Services
Social Services	Human Resources
Public Health	District Attorney
Public Works	Public Defender
Sheriff	Agricultural Commissioner/W&M
Auditor-Controller	Clerk Recorder Assessor
Planning and Development	County Executive Office
Child Support Services	

1

How many employees within
your Department are dedicated to
purchasing activities?

0 to 4

76.5%

5 to 8

17.6%

> 8

5.9%

2

In relation to those employees identified,
what percentage of their individual role is
dedicated to purchasing activities?

Less than 25%

53%

25%

11.8%

50%

11.8%

100%

11.8%

75%

5.9%

70%

5.9%

3

How many purchase requisitions do you
typically submit?

0 to 24

47%

25 to 100

47%

> 100

6%

4

What is the average cost of a purchase
requisition on average in a fiscal year?

\$25,001 to \$60,000

53%

\$3,501 to \$25k

23.5%

\$60k to \$200k

23.5%

5

How many new board contracts and amendments do you submit to the Board of Supervisors for approval on average in a fiscal year?

0 to 10

47%

10 to 25

23.5%

25 to 50

17.6%

> 50

11.9%

6

At what phase of the requisition purchasing process does your department typically engage with the General Services Purchasing Department

Requisition stage

71%

After bid

17.6%

Depends on contract 11.4%

7

What type of support does your department typically receive from the General Services/Purchasing Division?

Out of **17** respondents, **9** use Purchasing for the purpose of processing purchase orders and **7** consult Purchasing for guidance.

8

What type of purchasing/requisitioning functions are performed internally in your department and do not require the assistance of Purchasing?

Out of **17** respondents, **9** complete significant purchasing activities internally, including conducting RFP process, liaising with vendors, negotiating contracts, and drafting contracts.

What support from the General Services Purchasing Division would you like to receive that you are not receiving currently?

Countywide contract negotiation

"Take a more central role in negotiating on behalf of the entire county for goods and services"

Training

"Department would like to see Purchasing provide training on the process, requirements, and forms periodically"

E-procurement system

"Online purchasing/procurement system whereby departments could submit requisitions, communicate with Purchasing Division staff, and receive POs"

What are the main challenges currently encountered by your department in making purchases/engaging with the General Services Purchasing Division (e.g., procurement, cost, process, approvals, timelines, etc.)?

Timely PO approvals

"During times of urgency, the actual lead times and the procurement cycle can be considerably longer than anticipated"

01**02****03**

Policy updates

"Main challenge has been in regard to inconsistent policies"

E-procurement system

"One main issue is the lack of an effective purchasing system that integrates with the auditor's system."

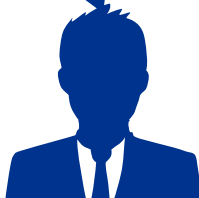
Out of **17** respondents, **8** noted obtaining approvals in a timely manner is a challenge.

11

What are the main challenges encountered by your department in making purchases that require board approval?

Out of **17** respondents, **13** noted that the timeline as main challenge for the board contract process and **4** noted the lack of a paperless process as the major challenge.

"The main challenge encountered is the review process timeline."



"Routing process is not paperless"



12

For recurring requisitions procured annually, what level of support does your department require from the General Services Purchasing Division?

Out of **17** respondents, **6** noted they were satisfied with the support received for recurring requisitions, while **4** respondents noted that the process would become more efficient with the implementation of an e-procurement system.

Appendix B: Benchmarking results

KPMG conducted a benchmarking analysis of operating models and organization structures as well as best practice across nine counties in California. KPMG also conducted an interview with the Purchasing Manager for Kern County. The below information details some of the key information yielded across the benchmarking activities.

County	Org Structure	Headcount	Key takeaways
Kern	Hybrid	A total of 7 positions are allocated to Purchasing: a) 1 Purchasing Manager b) 1 Supervising Buyer c) 3 Buyers d) 1 Contract Administrator e) 1 Fiscal Support Administrator	<ul style="list-style-type: none">– Departments have authority to purchase goods and services up to \$5,000 without engaging Purchasing.– The county has implemented a “fast-track bidding” process that allows departments to gather quotations from vendors for one-time purchases of goods estimated between \$5,000 and \$50,000 that are not tied to a price agreement.– Departments can draft RFPs and manage the RFP process internally for goods and services below \$50,000.– The procurement process at Kern County is electronic and is fully integrated with that of the Auditor-Controller.– The Purchasing Division are engaged in strategic sourcing and buying:<ul style="list-style-type: none">- Kern County has 221 countywide contracts.

			<ul style="list-style-type: none"> - Early pay discounts are negotiated with vendors. - Cooperative contracts are availed of where possible. The county piggybacks off a state negotiated contract for telecommunications. – The county has a certified training program for p-cards and also offers training specific to bid/RFPs, which must be completed by any department who wishes to manage the RFP process internally (for purchases less than \$50,000).
Marin	Hybrid	<p>A total of 7 positions are allocated to Purchasing:</p> <p>a) 1 Supervisor b) 2 Purchasers c) 4 further positions the detail of which is not available</p>	<ul style="list-style-type: none"> – A certifying training program can be established for departments that will enable certified representatives to make purchases within the prescribed policies. – Departments can opt out of the training program; however, all procurement transactions over \$5,000 for those departments must be processed centrally through the Purchasing Division. – Where a contract amendment results in the contract meeting the threshold for board approval, the Purchasing Agent must review the contract before submission to the board.

Placer	Centralized	<p>A total of 10 positions are allocated to Purchasing:</p> <ul style="list-style-type: none"> a) 1 Admin. Technician b) 5 Buyers c) 2 Senior Buyers d) 1 Staff Services Analyst e) 1 Purchasing Manager 	<ul style="list-style-type: none"> – Departments have authority to purchase goods and services below \$4,000. – Informal solicitation for purchases up to \$50,000 can be handled by the department or Purchasing. – Purchasing thresholds: <ul style="list-style-type: none"> - <i>Formal Solicitation</i> required for goods and services in excess of \$50,000 - <i>Public Projects</i>: Follow the Public Contract Code. – Unauthorized purchases can result in ratification of the purchase by the Purchasing Agent or Board of Supervisors, return of the items purchased, and/or disciplinary action.
San Luis Obispo	Centralized	<p>A total of 4 positions are allocated to Purchasing:</p> <ul style="list-style-type: none"> a) 1 Senior Buyer b) 3 Buyers 	<ul style="list-style-type: none"> – The Board of Supervisors delegates the authority to procure goods/services to the Purchasing Agent. This authority is then delegated to specific buyers by category. – The Purchasing Agent is responsible for implementing Board of Supervisors policies pertaining to county procurement. – Vendors register with Public Purchase in order to receive and view bid notifications as well as submit bid documentation.

Sonoma	Centralized	<p>A total of 7 positions are allocated to Purchasing:</p> <ul style="list-style-type: none"> a) 1 Purchasing Agent b) 2 Contract and Procurement Managers c) 4 Buyers d) 1 Staff Services Analyst e) 1 Purchasing Manager 	<ul style="list-style-type: none"> – All county purchases are made via PO or other written authority from the Purchasing Agent with the exception of purchases of goods and services under \$500, which can be authorized by department heads. – The Purchasing Division is organized by category buying groups. – The county uses an online purchasing system for bidding and issuing POs. Suppliers must maintain registration and are responsible for choosing which bid opportunities they want to be notified (emailed) about.
Monterey	Centralized	<p>A total of 8 positions are allocated to Purchasing:</p> <ul style="list-style-type: none"> a) 4 Management Analysts b) 1 Contract and Purchasing Officer c) 2 Buyers d) 1 Warehouse Worker 	<ul style="list-style-type: none"> – Purchasing Thresholds: <ul style="list-style-type: none"> - <i>Micro Purchases:</i> Departments have authority to complete purchases below \$3,000. - <i>Mini Purchases:</i> Two quotes are required for purchases between \$3,001 and \$15,000. - <i>Small Purchases:</i> Informal bids are required for purchases between \$15,001 and \$50,000. - <i>Purchases greater than \$50,000:</i> Formal bids are required. – Vendors are required to self-register and file a registration packet using the county's online Vendor Self-Service (VSS) in order to do business with the county.
Santa Cruz	Centralized	<p>A total of 4 positions are allocated to Purchasing:</p> <ul style="list-style-type: none"> a) 1 Senior Buyer 	<ul style="list-style-type: none"> – Purchasing Thresholds – Commodities: <ul style="list-style-type: none"> - <i>Up to \$5,000:</i> Departments solicit suppliers

		<p>b) 2 Buyers</p> <p>c) 2 further employees (position detail not available)</p>	<ul style="list-style-type: none"> - <i>Between \$5,001 and \$20,000:</i> Departments can solicit suppliers but should seek three quotes. - <i>Between \$20,001 and \$50,000:</i> Purchasing seeks at least three informal quotes. - <i>Greater than \$50,001:</i> Formal bidding required – Purchasing Thresholds – Professional Services <ul style="list-style-type: none"> - <i>Up to \$50,000:</i> Departments review the vendor registration database and internal vendor lists and interview three firms before awarding the contract. Departments negotiate rates and submit requisition to Purchasing. - <i>Between \$50,001 and \$100,000:</i> Department invites three to five firms to submit proposals based on vendor registration database/internal lists. Departments complete the evaluation process and award the contract. - <i>Greater than \$100,001:</i> Formal Request for Proposal (RFP) process required. – Purchasing works with departments during the evaluation of proposals to provide guidance.
Solano	Centralized	Purchases falls under the Admin Support Division, which has 11 employees. A breakdown of	<ul style="list-style-type: none"> – Key Purchasing Thresholds: <ul style="list-style-type: none"> - <i>Up to \$7,500:</i> Departments are given authority to purchase goods/services without engaging Purchasing. - <i>Goods between \$10,001 and \$50,000:</i> Requisition submitted to

		employee positions specifically dedicated to Purchasing is not available.	<p>Purchasing who solicit three competitive quotes.</p> <ul style="list-style-type: none"> - <i>Goods greater than \$50,000:</i> Purchasing solicits formal bids from at least five sources, three being local vendors. - <i>Services between \$50,000 and \$75,000:</i> CAO approval and formal bidding required. - <i>Services greater than \$75,000:</i> Board approval. <p>– The County uses Bonfire Interactive to manage vendors and conduct the RFP process electronically.</p>
Tulare	Centralized	<p>A total of 10 positions are allocated to Purchasing:</p> <ul style="list-style-type: none"> a) 1 Purchasing Manager b) 4 Procurement Specialists c) 3 Procurement Technicians d) 1 Surplus Store Clerk e) 1 Stock Clerk 	<ul style="list-style-type: none"> – Each buyer is assigned specific county departments. The buyer provides assistance to their departments for all procurement activities under the Purchasing Agent's authority. Activities include preparation and facilitation of services agreements (PSAs), public works agreements (PWAs), bids, proposals, and POs. – Purchasing will not issue a PO or contract unless sufficient funds are budgeted for the item requisitioned.

Appendix C: Best practice results

KPMG conducted a review of global best practices for procurement as outlined on the California Association of Public Procurement Officials (CAPPO) website. The below information details some of the key information yielded as a result of this review:

Global Best Practice for Procurement – California Association of Public Procurement Officials	
Place of Procurement	The NASPO and GAO believe that the Purchasing Division should be placed at a high level in the government structure to allow it to be viewed as a strategic service function. This approach allows procurement to be viewed as a strategic service function with the Chief Procurement Officer acting as a key policy and management resource for the chief executive.
Procurement Manual	<p>A procurement manual should clearly define authority and responsibility and establish guidelines for County Departments and the Procurement Division to follow when carrying out their responsibilities.</p> <p>A procurement policy manual should also provide guidance on ethics and code of conduct for everyone involved in the procurement process as well as remedies for violation of the policies.</p>
Performance Management and Measurement	<p>Public procurement organizations should develop a performance management program that allows for a continuous cycle of improvement. The performance management program should be integrated across the procurement organization, individual, and supplier levels.</p> <p>A solid performance management program will help procurement organizations meet internal and external strategic goals and objectives and will further assist the Purchasing Department to demonstrate value to stakeholders, in terms of verified improvements and accomplishments.</p>
Performance Metrics	A standard set of performance metrics that are aligned with strategic goals should be developed and regularly measured by all units within

	the procurement function. Appropriate performance metrics are critical to a performance measurement system.
Procurement Technology	When contemplating procurement technology, integration between solutions should be considered as well as obtaining accurate information to create accurate reports as well as project planning.
Developing Evaluation Criteria	Appropriately developed evaluation criteria should determine whether or not the potential proposer/offeror is suitable, be directly related to the subject matter of the contract, and be clear enough to ensure that the offeror has an accurate understanding of what is most important to the contracting authority. Criteria and their assigned weights will vary by the type of good or service that is being procured.
Evaluation Criteria	<p>Evaluation criteria and their associated weightings must:</p> <ul style="list-style-type: none"> (i) Be agreed to before the solicitation process begins (ii) Be published in the notice for the contract, or within the solicitation documentation, or both (iii) Not be changed once they have been advertised and notification has been sent to the bidders. If changes become necessary, all bidders must be notified of the changes.
Evaluation Process	<p>The receipt, opening, and evaluation of requested documentation from potential suppliers must be carried out by a competent evaluation panel and in accordance with all applicable laws as well as the principles of impartiality and transparency.</p> <p>All submissions received must be kept secure during the evaluation process.</p>
Invitation to Bid	<p>Procurement professionals should ensure that a procurement file is maintained and managed. Management of the Invitation for Bid (IFB) includes:</p> <ul style="list-style-type: none"> (i) Recording the activities related to the IFB for future audits (ii) A repository of the IFB documents may take the form of a paper/electronic files. (iii) The process for record-keeping should be documented and consistent for all IFBs.

	<p>(iv) Designating a procurement professional as the sole point of contact for bidders to protect the vendor and the entity and prevent the potential for a protest</p> <p>(v) The designated procurement professional may consult with the appropriate person to gain information to respond to bidder questions and requests.</p> <p>(vi) Issuing addenda in response to questions, changes in the specifications to adjust project timelines</p> <p>(viii) Provide public notice of all answers to questions, clarifications, and changes to provide equal, transparent, and timely access, e.g., posting to organization website.</p>
Spend Analysis	<p>Procurement organizations should use spend analysis to reduce costs, leverage buying power, provide better management and oversight of suppliers, and develop an informed procurement strategy.</p> <p>Spend analysis should include the identification, automated collection, cleansing, grouping, categorization, and analysis of all spend data for the goods and services purchased by the organization.</p>
Cooperative Contracts	<p>Public procurement should consider the use of cooperative contracts (piggybacking) in order to lower prices, lower administrative costs, increase competition, and obtain more favorable terms.</p> <p>When using cooperative contracts attention should be given to ensuring legal compliance, open competition, and effective/efficient use of time and resources.</p>
Audits	<p>There are three primary audit types: compliance, financial, and performance. Participating in an audit helps procurement staff to maintain a professional approach that promotes effective stewardship of public funds and best value for stakeholders. Preparation for an audit through regularly conducted self-assessments ensures that procurement professionals can provide up-to-date documents and data that may be requested by an auditor.</p>
Risk Management	<p>Procurement should identify risk factors associated with each procurement, analyze the probability of the risk occurring, and consider the potential impacts. Risk management plans should then be developed, based on the decision to avoid, assume, or transfer the identified risks.</p>

Appendix D: Departmental Interviews

KPMG interviewed five departments throughout the purchasing process review and the interviews conducted yielded the following key takeaways:

Department	Date	Attendees	Key takeaways
Behavioral Wellness	July 31, 2020	Deputy Director, CFO Deputy Director of Admin & Operations Contract Manager Contract Supervisor KPMG Staff	<ul style="list-style-type: none">– Purchasing does not effectively communicate policy and procedure updates to the department in a timely manner.– Purchasing does not communicate countywide contracts negotiated and cooperative contracts available.– SpendMap does not integrate effectively with FIN, which results in inefficiencies.– The failure of the Board to accept electronic contracts and electronic signatures results in increased processing timelines and significant inefficiencies.

Public Works	August 11, 2020	Deputy Director of Admin & Operations KPMG Staff	<ul style="list-style-type: none"> – There is a lack of integration between SpendMap and FIN, which poses a significant internal control risk. – A recent department-led audit of countywide contracts found that bid prices are sometimes lacking. – Departments are required to deal directly with vendors on PO matters. – Purchasing does not act as a strategic partner and should negotiate rates and provide training to departments. – Purchasing should improve quality and cadence of outreach to departments.
Sherriff	August 12, 2020	CFO KPMG Staff	<ul style="list-style-type: none"> – There is a lack of consistency from Purchasing in their feedback/assistance related to clarifying questions. – There is a lack of guidance from Purchasing regarding roles and responsibilities. – The department has experienced push back from Purchasing when they have tried to better negotiate rates. – Contract amounts are sometimes exceeded. – The department may go over budget for goods/services from a widely used vendor in order to avoid being the last department to utilize the vendor and be required to obtain a board-approved contract.

Social Services	August 19, 2020	CFO Accountant KPMG Staff	<ul style="list-style-type: none"> – The department is largely federally funded and conducts the RFP process internally with no input from Purchasing. – Departments are required to follow the “aggregate rule” based on the interpretation of the Auditor-Controller. – In order to determine whether a vendor has exceeded \$200,000 in aggregate, the department must internally review SpendMap and FIN and manually determine whether the \$200,000 threshold has been reached to determine whether a board-approved contract is required.
Planning & Development	August 26, 2020	Business Manager KPMG Staff	<ul style="list-style-type: none"> – The department largely completes the procurement of services related to planning, EIR, and building safety inspections, etc. – The department tends to self-direct the RFP process, particularly where the Long-Range Planning Division is involved, as they require a narrow scope of work to be drafted due to funding constraints. – The department would like to see the implementation of e-requisitions to increase efficiency and allow for tracking the status of POs.

Appendix E: Current-State Process Maps

Process Maps

Below are graphical representations of the current-state processes envisioned, and accompanying this document are the high-resolution versions of both the current- and future-state versions thereof.

Purchases below \$3,500

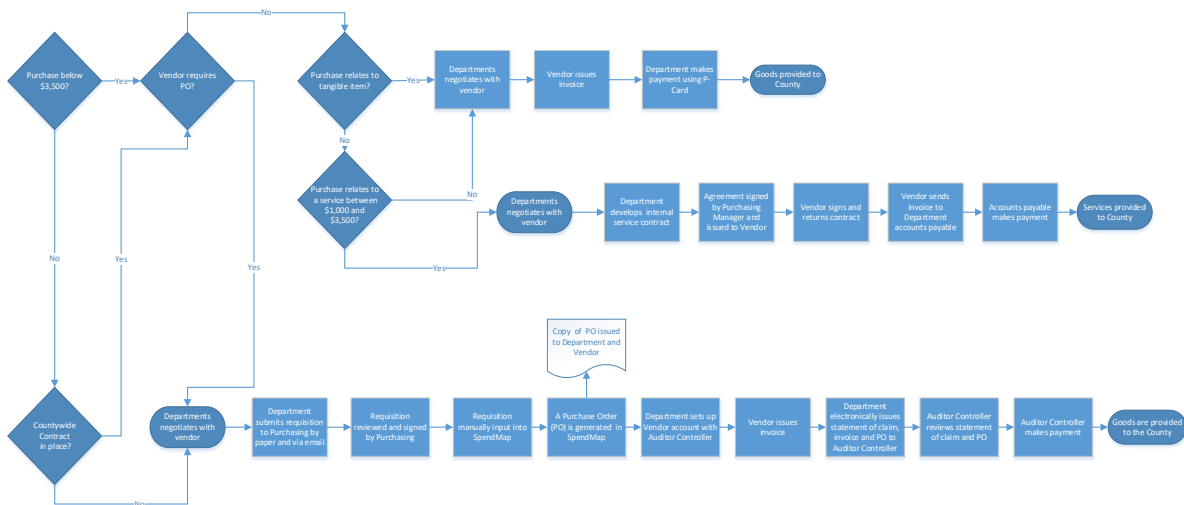


Figure 13 – Source: KPMG LLP

[illegible]

Countywide Purchasing Process Review| 125
CONFIDENTIAL

[illegible]

Figure 15 – Source: KPMG LLP

[illegible]

Figure 16 – Source: KPMG LLP

Board Contract Process

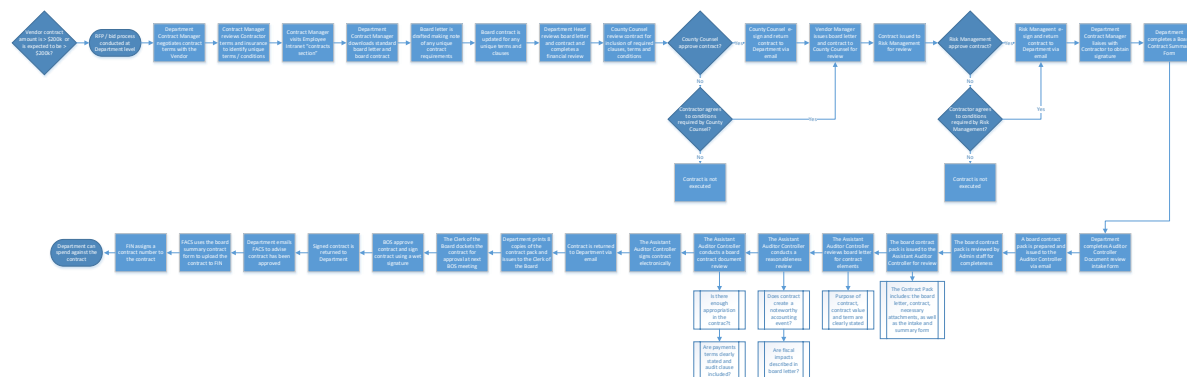


Figure 17 – Source: KPMG LLP

SpendMap Input Process

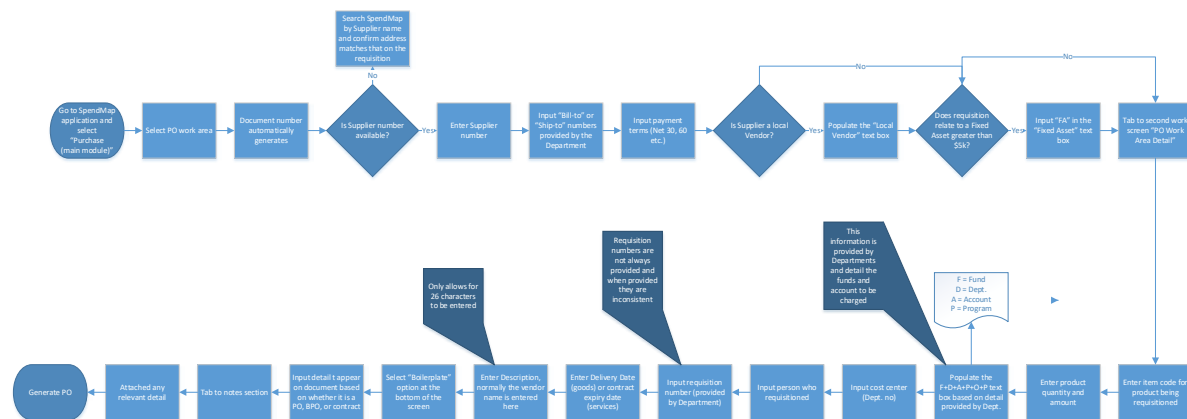


Figure 18 — Source: KPMG LLP