

FILED

JUN 28 2007

**SUPERIOR COURT OF CALIFORNIA
COUNTY OF TRINITY
BY: DONNA REGNANI, DEPUTY CLERK**

DR

**TRINITY COUNTY GRAND JURY
2006-2007**

**FINANCE AND ADMINISTRATION COMMITTEE
FINAL REPORT**

COUNTY PURCHASING PROCEDURES

**This Report was Approved
On June 5, 2007**

**2006-2007 Trinity County Grand Jury
Finance and Administration Committee
Final Report
County Purchasing Procedures**

Purpose:

The Trinity County Grand Jury is charged each year with reviewing county government operations to assure that residents are being well served. The Finance and Administration Committee chose to review the policy and procedure for county purchases.

Background:

Under the category, "Fixed Assets Inventory and Property Management", we followed the lease/purchase of two large ticket items, Equipment #1147, lease/purchase on 01/02/03 and the "Modular Building" at the industrial park to see if proper purchasing procedures were adhered to by the county. The following reports are shown as exhibits. **Exhibit #1** is the lease/purchase of Equipment #1147 and **Exhibit #2** followed the build-out of the modular building in the Trinity Alps Business and Industrial Park.

EXHIBIT #1:

Method of Investigation:

The Finance and Administration Committee asked for and received a copy of the county purchasing policy, a mere two page document. (See Attachment A). We set up an appointment to interview the County Administrative Officer (CAO), who is also the county purchasing agent. As he was not employed by the county at the time this item was purchased, he suggested we interview the Director, Trinity County Department of Transportation/assistant purchasing agent (APA) for the supporting documentation on acquisition of asset #1147.

Finding #1:

The documentation pertaining to the final purchase of the asset showed only that the Board of Supervisors (BOS) approved the purchase by utilizing a lease option format. The APA was unable to supply written evidence that enough research had been done to conclusively prove that this purchase was in the best interest of Trinity County. In contacting local equipment vendors, results showed no comparable machines were available at that time on the market. The decision, in fact, to purchase the well-known brand was based on personal experience, operator opinion and model/parts/service availability. Further, the vendor selected would offer a lease with a purchase option to decide whether or not to keep the machine. In closing the interview, the APA was asked if he was comfortable with the current procedures for purchasing "large ticket items". He indicated they are working great, if we have suggestions, let's hear them.

Finding #2:

Regarding availability of comparable machines to asset #1147, the Finance and Administration Committee was able to find four additional brands that were available for comparison by the Trinity County Road Department. We compared written specifications for all five makes and models and verified their compatibility to each other. A key point revealed that Trinity County may have paid too much for the brand chosen.

Finding #3:

Two items in Section 3.08.040 of the county code identify that proper adherence and execution could have created substantial savings to the people of Trinity County.

Subsection C. The purchasing agent and his or her assistant are responsible for making all purchases at the most favorable price for the county, consistent with efficient operation of county government.

Subsection D. The purchasing agent, and his or her assistant, whenever practical shall secure competitive bids, proposals or quotations before making purchases as provided in this section.

Finding #4:

We can gauge the breadth of not following the duties outlined in the county code for purchasing. Namely, final purchase information was obtained from only one vendor, no information was received on other research attempted and no definitive answer was forthcoming to our question as to whether the county received the best price.

Recommendation #1:

County policy and procedures, as outlined in the county code, **must** be adhered to. Develop clear and concise bid format procedures for renting/leasing/purchasing. This includes using vendor personnel to obtain information.

Recommendation #2:

Provide complete documentation defining how the final decision was made on purchase/rental/lease. Include complete copies of the vendor bids, completed bid summary, evidence of public notice and signatures of the CAO/Purchasing Agent, APA and County Auditor. The entire process would be available for public review.

Recommendation #3:

Have a complete and detailed bid summary, with backup information, available for Board of Supervisors (BOS) approval, before entering into any lease/contract purchases.

Conclusion:

The Finance and Administration Committee has concluded that the responsibilities set forth in the county purchasing guidelines were not and are not being adhered to. With proper competitive bidding for the asset selected, future asset procurement will prove to be financially beneficial to the people of Trinity County. Do it in writing with backup and supportive documentation. Follow the duties of the purchasing agent as outlined in the county code chapter on purchasing.

Responses Required:

<u>Entity</u>	<u>Finding/Recommendation</u>	<u>Respond in</u>
Board of Supervisors (BOS)	1, 2, 3	90 days
County Administrative Officer (CAO)	1, 2, 3	60 days

EXHIBIT #2:

Background:

Requested an interview with the CAO to discuss the purchasing policies and procedures in place for the modular building housed at the Trinity Alps Business and Industrial Park, which is shared by Child Protective Services and WIC. The prefab building was leased last March 2006 for a seven year term. The total project has greatly exceeded budgeted monies.

Method of Investigation:

Since we had already been provided a copy of the county purchasing policy, we interviewed the CAO about the modular building and the considerable overruns for the purchase and the process for getting the building in place and up to code.

Finding #1:

The building costs have greatly exceeded the budget, in part, because of changes to the building that were informally agreed upon by Health and Human Services and the County Building Department. No one was keeping track of costs and there was no clear authorization from anyone when changes were suggested and made. There was also a definite lack of communication between departments and because of this, there were excessive overruns. There was no competitive bidding in place for any of the work or changes to the building.

Finding #2:

The modular building did not meet the county's 40 lb. snowload that is mandatory for all county buildings.

Finding #3:

No change orders existed for the building. There was no clear line of authority for this project and no checks and balances for dollars spent. Management approval procedures for the project were clearly mismanages. The CAO did, in fact, approve the project and as such, is responsible for the financial mismanagement.

Recommendation #1:

Hire a fulltime county purchasing agent or initiate the services of a private purchasing consultant/inspector in lieu of a fulltime county purchasing agent.

Purchase orders need to be issued only after a minimum of 3 bids are requested and submitted that meet the requirements for the outlined scope of work.

Recommendation #2:

The county building specs need to be adhered to, i.e., mandatory snowload of 40 lbs. be in place when the building is set up, not after installation. Keep the public informed when "issues" such as the snowload is resolved.

Recommendation #3:

All change orders above \$5,000 should require signatures and be considered for competitive bidding by the following: Department head, the auditor, the auditor's risk management team, the CAO and then the BOS.

All change orders below \$5,000 should require a minimum of 2 signatures from the above listed departments.

In the future, a full scope of work needs to be supplied to all vendors prior to bidding.

The use of grant monies needs to be monitored as closely as are the general funds.

Conclusion:

The Finance and Administration Committee has further concluded that the county purchasing guidelines are simply being ignored or taken so lightly that overruns, lack of coordination between department heads, lack of competitive bidding and backup paperwork has become **the norm in the departments investigated**. Over and over it has become apparent that a county purchasing agent is not only needed, but is mandatory, because the various departments in the county have been allowed to work independently from county policy.

It is also our conclusion that the CAO does not have the time to be the county purchasing agent. Combining the Purchasing Agent position with another department has clearly been a financial detriment to the taxpayers of Trinity County.

Responses Required:

<u>Entity</u>	<u>Finding/Recommendation</u>	<u>Respond In</u>
Board of Supervisors	1,2,3	90 days
County Administrative Officer (CAO)	1,2,3	60 days



TRINITY COUNTY

Office of the County Administrator

LARRY A. LAYTON

County Administrative Officer

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093-1613


PHONE (530) 623-1382 FAX (530) 623-8365

RECEIVED

AUG 29 2007

TRINITY COUNTY
SUPERIOR COURT

TO: The Honorable James P. Woodward,
Presiding Judge of the Superior Court

FROM: Larry A. Layton, County Administrative Officer 

CC: Kelly Frost, Deputy Clerk of the Board

SUBJECT: Response to Recommendations of 2007-08
Grand Jury Finance and Administration Committee Final Report
County Purchasing Procedures

DATE: August 27, 2007

The Grand Jury Finance and Administration Committee has requested a written response to their final report on County Purchasing Procedures. In my capacity as County Administrative Officer, my response is as follows:

EXHIBIT #1:

Finding #1: *The documentation pertaining to the final purchase of the asset showed only that the Board of Supervisors (BOS) approved the purchase by utilizing a lease option format. The APA [assistant purchasing agent] was unable to supply written evidence that enough research had been done to conclusively prove that this purchase was in the best interest of Trinity County. In contacting local equipment vendors, results showed no comparable machines were available at that time on the market. The decision, in fact, to purchase the well-known brand was based on personal experience, operator opinion and model/parts/service availability. Further, the vendor selected would offer a lease with a purchase option to decide whether or not to keep the machine. In closing the interview, the APA was asked if he was comfortable with the current procedures for purchasing "large ticket items". He indicated they are working great, if we have suggestions, let's hear them.*

Finding #2: *Regarding availability of comparable machines to asset #1147, the Finance and Administration Committee was able to find four additional brands that were available for comparison by the Trinity County Road Department. We compared written specifications for all five makes and models and verified their compatibility to each other. A key point revealed that Trinity County may have paid too much for the brand chosen.*

Finding #3: *Two items in Section 3.08.040 of the county code identify that proper adherence and execution could have created substantial savings to the people of Trinity County. Subsection C. The purchasing agent and his or her assistant are responsible for making all purchases at the most favorable price for the county, consistent with efficient operation of county government.*

Subsection D. *The purchasing agent, and his or her assistant, whenever practical shall secure competitive bids, proposals or quotations before making purchases as provided in this section.*

Finding #4: *We can gauge the breadth of not following the duties outlines in the county code for purchasing. Namely, final purchase information was obtained from only one vendor, no information was received on other research attempted and no definitive answer was forthcoming to our question as to whether the county received the best price.*

Response to Findings 1-4: I agree in part and disagree in part. The purchase in question was approved using the lease option format. While the APA did extensive research to assure that the purchase was in the best interest of Trinity County, it is possible that some competitive information was missed. At the time of the purchase there was limited availability of all wheel drive equipment in the size desired, and in fact, the APA was unable to find any other model that would meet our dual need for handling heavy-wet accumulating snow conditions in addition to routine grading work. When evaluating best value the APA considered the initial purchase price as well as the guaranteed resale value of the models available. In addition, at the time of purchase the County owned a model similar to the model purchased that performed exceptionally well plowing the heavy wet snow in the Ruth Zenia area and continues to do so. Therefore this purchase provided considerable savings in employee operating and maintenance training, as well as reduced parts inventory. All of these factors were considered by the APA in his effort to get best value. Since this purchase the County has also implemented a new bid procedure requiring better documentation on all County purchases.

Recommendation #1: *County policy and procedures, as outlined in the county code, must be adhered to. Develop clear and concise bid format procedures for renting/leasing/purchasing. This includes using vendor personnel to obtain information.*

Recommendation #2: *Provide complete documentation defining how the final decision was made on purchase/rental/lease. Include complete copies of the vendor bids, completed bid summary, evidence of public notice and signatures of the CAO/Purchasing Agent, APA and County Auditor. The entire process would be available for public review.*

Recommendation #3: *Have a complete and detailed bid summary, with backup information, available for Board of Supervisors (BOS) approval, before entering into any lease/contract purchases.*

Response to Recommendations 1-3: These recommendations have been implemented. The County adheres to purchasing procedures as outlined in the County Code and has implemented a new bid process that includes greater documentation, supporting purchase decisions. This information is available to the Board and the general public.

EXHIBIT 2:

Finding #1: *The building costs have greatly exceeded the budget, in part, because of changes to the building that were informally agreed upon by Health and Human Services and the County Building Department. No one was keeping track of costs and there was no clear authorization from anyone when changes were suggested and made. There was also a definite lack of communication between departments and because of this, there were excessive overruns. There was no competitive bidding in place for any of the work or changes to the building.*

Response: I agree with this finding.

Finding #2: *The modular building did not meet the county's 40lb. snowload that is mandatory for all county buildings.*

Response: I disagree with this finding. The County furnished an engineering report to the Grand Jury which showed that the building did in fact meet the County's current snowload requirements.

Finding #3: *No change orders existed for the building. There was no clear line of authority for this project and no checks and balances for dollars spent. Management approval procedures for the project were clearly mismanages (sic) The CAO did, in fact, approve the project and as such, is responsible for the financial mismanagement.*

Response: I disagree with this finding. This project exceeded the purchase authority of the CAO and he did not give the final authorization. The communication between department heads in this matter was less than ideal and the County has implemented a policy requiring written change order even among department heads in the future.

Recommendation #1: *Hire a fulltime county purchasing agent or initiate the services of a private purchasing consultant/inspector in lieu of a fulltime county purchasing agent.*

Purchase orders need to be issued only after a minimum of 3 bids are requested and submitted that meet the requirements for the outlined scope of work.

Response: Will not be implemented. Currently the County lacks the funds necessary to create a purchasing department. While we recognize that a purchasing department could save the County money it is unlikely that it would save enough to offset the additional costs. The County has implemented a bid policy requiring three bids when available, although in Trinity County it is not always possible to find three contractors willing to bid on local projects.

Recommendation #2: *The county building specs need to be adhered to, i.e., mandatory snowload of 40 lbs., be in place when the building is set up, not after installation. Keep the public informed when "issues" such as the snowload is resolved.*

Response: Will not be implemented. As previously stated, the building did meet the County snowload requirements. These requirements are mandatory prior to occupancy, not during construction.

Recommendation #3: *All change orders above \$5,000 should require signatures and be considered for competitive bidding by the following: Department head, the auditor's risk management team, the CAO and then the BOS.*

All changes orders below \$5,000 should require a minimum of 2 signatures from the above listed departments.

In the future, a full scope of work needs to be supplied to all vendors prior to bidding.

The use of grant monies needs to be monitored as closely as are the general funds.

Response: These recommendations will not be implemented. The recommendation seems to confuse changes orders with subcontractor bidding procedures. The County does obtain bids prior to contracting with subcontractors when appropriate. However, the change order process by definition involves a change in the scope of work under an existing agreement and cannot be competitively bid.

LAL:wt



TRINITY COUNTY

Board of Supervisors

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093
PHONE (530) 623-1217 FAX (530) 623-8365

TO: The Honorable James P. Woodward,
Presiding Judge of the Superior Court

FROM: Trinity County Board of Supervisors

SUBJECT: Response to Recommendations of 2007-08
Grand Jury Finance and Administration Committee Final Report
County Purchasing Procedures

DATE: September 24, 2007

The Grand Jury Finance and Administration Committee has requested a written response to their final report on County Purchasing Procedures. The Trinity County Board of Supervisors response is as follows:

EXHIBIT #1:

Finding #1: *The documentation pertaining to the final purchase of the asset showed only that the Board of Supervisors (BOS) approved the purchase by utilizing a lease option format. The APA [assistant purchasing agent] was unable to supply written evidence that enough research had been done to conclusively prove that this purchase was in the best interest of Trinity County. In contacting local equipment vendors, results showed no comparable machines were available at that time on the market. The decision, in fact, to purchase the well-known brand was based on personal experience, operator opinion and model/parts/service availability. Further, the vendor selected would offer a lease with a purchase option to decide whether or not to keep the machine. In closing the interview, the APA was asked if he was comfortable with the current procedures for purchasing "large ticket items". He indicated they are working great, if we have suggestions, let's hear them.*

Finding #2: *Regarding availability of comparable machines to asset #1147, the Finance and Administration Committee was able to find four additional brands that were available for comparison by the Trinity County Road Department. We compared written specifications for all five makes and models and verified their compatibility to each other. A key point revealed that Trinity County may have paid too much for the brand chosen.*

Finding #3: *Two items in Section 3.08.040 of the county code identify that proper adherence and execution could have created substantial savings to the people of Trinity County. Subsection C. The purchasing agent and his or her assistant are*

-53-

JUDY PFLUEGER
DISTRICT 1

JEFF MORRIS
DISTRICT 2

ROGER JAEGEL
DISTRICT 3

HOWARD FREEMAN
DISTRICT 4

WENDY REISS
DISTRICT 5

responsible for making all purchases at the most favorable price for the county, consistent with efficient operation of county government.

Subsection D. *The purchasing agent, and his or her assistant, whenever practical shall secure competitive bids, proposals or quotations before making purchases as provided in this section.*

Finding #4: *We can gauge the breadth of not following the duties outlines in the county code for purchasing. Namely, final purchase information was obtained from only one vendor, no information was received on other research attempted and no definitive answer was forthcoming to our question as to whether the county received the best price.*

Response to Findings 1-4: I agree in part and disagree in part. The purchase in question was approved using the lease option format. While the APA did extensive research to assure that the purchase was in the best interest of Trinity County, it is possible that some competitive information was missed. At the time of the purchase there was limited availability of all wheel drive equipment in the size desired, and in fact, the APA was unable to find any other model that would meet our dual need for handling heavy-wet accumulating snow conditions in addition to routine grading work. When evaluating best value the APA considered the initial purchase price as well as the guaranteed resale value of the models available. In addition, at the time of purchase the County owned a model similar to the model purchased that performed exceptionally well plowing the heavy wet snow in the Ruth Zenia area and continues to do so. Therefore this purchase provided considerable savings in employee operating and maintenance training, as well as reduced parts inventory. All of these factors were considered by the APA in his effort to get best value. Since this purchase the County has also implemented a new bid procedure requiring better documentation on all County purchases.

Recommendation #1: *County policy and procedures, as outlined in the county code, must be adhered to. Develop clear and concise bid format procedures for renting/leasing/purchasing. This includes using vendor personnel to obtain information.*

Recommendation #2: *Provide complete documentation defining how the final decision was made on purchase/rental/lease. Include complete copies of the vendor bids, completed bid summary, evidence of public notice and signatures of the CAO/Purchasing Agent, APA and County Auditor. The entire process would be available for public review.*

Recommendation #3: *Have a complete and detailed bid summary, with backup information, available for Board of Supervisors (BOS) approval, before entering into any lease/contract purchases.*

Response to Recommendations 1-3: These recommendations have been implemented. The County adheres to purchasing procedures as outlined in the County Code and has implemented a new bid process that includes greater documentation, supporting purchase decisions. This information is available to the Board and the general public.

EXHIBIT 2:

Finding #1: *The building costs have greatly exceeded the budget, in part, because of changes to the building that were informally agreed upon by Health and Human Services and the County Building Department. No one was keeping track of costs and there was no clear authorization from anyone when changes were suggested and made. There was also a definite lack of communication between departments and because of this, there were excessive overruns. There was no competitive bidding in place for any of the work or changes to the building.*

Response: I agree with this finding.

Finding #2: *The modular building did not meet the county's 40lb. snowload that is mandatory for all county buildings.*

Response: I disagree with this finding. The County furnished an engineering report to the Grand Jury which showed that the building did in fact meet the County's current snowload requirements.

Finding #3: *No change orders existed for the building. There was no clear line of authority for this project and no checks and balances for dollars spent. Management approval procedures for the project were clearly mismanages (sic) The CAO did, in fact, approve the project and as such, is responsible for the financial mismanagement.*

Response: I disagree with this finding. This project exceeded the purchase authority of the CAO and he did not give the final authorization. The communication between department heads in this matter was less than ideal and the County has implemented a policy requiring written change order even among department heads in the future.

Recommendation #1: *Hire a fulltime county purchasing agent or initiate the services of a private purchasing consultant/inspector in lieu of a fulltime county purchasing agent.*

Purchase orders need to be issued only after a minimum of 3 bids are requested and submitted that meet the requirements for the outlined scope of work.

Response: Will not be implemented. Currently the County lacks the funds necessary to create a purchasing department. While we recognize that a purchasing department could save the County money it is unlikely that it would save enough to offset the additional costs. The County has implemented a bid policy requiring three bids when available, although in Trinity County it is not always possible to find three contractors willing to bid on local projects. If funding was to become available the County should consider the efficiencies in making this organizational change.

Recommendation #2: *The county building specs need to be adhered to, i.e., mandatory snowload of 40 lbs., be in place when the building is set up, not after installation. Keep the public informed when "issues" such as the snowload is resolved.*

Response: Will not be implemented. As previously stated, the building did meet the County snowload requirements. These requirements are mandatory prior to occupancy, not during construction. It is preferable that the snowload requirements be reviewed and approved during the design phase.

Recommendation #3: *All change orders above \$5,000 should require signatures and be considered for competitive bidding by the following: Department head, the auditor's risk management team, the CAO and then the BOS.*

All changes orders below \$5,000 should require a minimum of 2 signatures from the above listed departments.

In the future, a full scope of work needs to be supplied to all vendors prior to bidding.

The use of grant monies needs to be monitored as closely as are the general funds.

Response: These recommendations will not be implemented. The recommendation seems to confuse changes orders with subcontractor bidding procedures. The County does obtain bids prior to contracting with subcontractors when appropriate. However, the change order process by definition involves a change in the scope of work under an existing agreement and cannot be competitively bid. The County should schedule a program review for procurement policies and procedures.

ARJ:wt