

# OFFICE OF AUDITS & ADVISORY SERVICES



## PURCHASING AND CONTRACTING PERFORMANCE AUDIT

### *FINAL REPORT*

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## INTRODUCTION

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**Audit Objective** The Office of Audits & Advisory Services (OAAS) completed an audit of the Department of Purchasing and Contracting (DPC) - Performance. The objective of the audit was to evaluate the effectiveness and efficiency of departmental operations affected by change management efforts.

**Background** The primary purpose of DPC is to effectively and efficiently procure goods and services for the County of San Diego (County). As an Internal Service Fund, DPC directly bills customer departments for the cost of services. In FY 2015-16, DPC's approved budget of approximately \$10.1 million, of which \$8.1 million (79.7%) is funded by charges for current services.

DPC is also responsible for developing and implementing sound procurement practices, providing guidance on contracts to County departments, disposing of surplus equipment and salvage materials, and managing the Countywide Records Management Program.

The County Administrative Code, Section 407, Contracting Process, states that DPC is responsible for coordinating efforts to improve the County's contracting process. While the County Board of Supervisor's Policy A-81 states that department heads are responsible for the overall performance of their contracts, departments may designate a Contract Officer's Representative (COR) who is responsible for day-to-day oversight of contracts.

**Audit Scope & Limitations** The scope of the audit included a review of management changes related to the delivery of procurement and contract services within DPC from FY 2012-13 to current. OAAS found that key performance measures related to procurement and contract services in place prior to and after FY 2014-15 were not aligned to provide comparable data. As a result, OAAS could not evaluate the impact that change management efforts had on the effectiveness and efficiency of departmental operations.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

**Methodology** OAAS performed the audit using the following methods:

- Reviewed County codes, policies, and procedures related to procurement, and other guidance provided by DPC.
- Interviewed DPC management to identify operational changes and related performance measures.

- Evaluated operational changes to determine whether DPC designed changes in compliance with County and departmental policies.
- Reviewed DPC website and other departmental media to determine whether DPC communicated operational changes and information to customers/stakeholders.
- Identified and evaluated performance indicators that DPC developed to measure improvement in the areas affected by change to determine whether indicators provide DPC with timely, accurate, and valuable information.
- On a limited basis, conducted audit testing to determine whether organizational changes were implemented and results were monitored on an on-going basis.

## AUDIT RESULTS

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### Summary

Within the scope of the audit, OAAS determined that the changes made by DPC management were designed to eliminate bottlenecks within the procurement process and improve operations.

In FY 2012-13, DPC's incoming management completed an assessment of existing operations. According to management, the performance measures in place did not provide valuable and quantifiable data. Therefore, DPC obtained direct feedback from their stakeholders and performed extensive analysis of operations to identify areas that needed improvement. As a result, DPC realigned operations to focus on customer service. Specifically, the following changes were made:

- Restructuring of contracts and procurement divisions.
- Acknowledging requisition requests within three days.
- Lowering contract delegation authority.
- Consolidating DPC policies and procedures.
- Developing Procurement and Contracting Academy.
- Changing the Internal Service Fund billing method.
- Implementing an electronic bid proposal process (in progress).
- Publishing awarded contracts online within 5 days.

Each of these changes and initiatives were focused on key areas designed to enhance operations and customer service. DPC also developed new measurements to continually assess their effectiveness and efficiency, including customer service surveys and a management dash board.

To further strengthen their current processes and improve their effectiveness, OAAS has the following finding and related recommendation:

**Finding I: A Complete List of CORs Would Enhance DPC's Ability to Effectively Provide Procurement and Contract Training**

During the audit, OAAS determined that DPC does not have a complete list of all staff designated as CORs from County departments. This limits DPC's ability to effectively target key staff that would benefit from the standardized procurement and contract training. As a result, the County is at an increased risk of not maintaining sufficient procurement expertise.

While DPC recently established a process to capture and report designated CORs using the Oracle system, due to business constraints, DPC is unable to capture all CORs prior to July 2015.

According to the County Administrative Code, Section 407, Contracting Process, DPC is responsible for coordinating efforts to improve the County's contracting process. To meet these responsibilities, the County Administrative Manual, Policy Number 0090-01 further requires that the DPC Director to issue supplemental guides to ensure sufficient guidance and expertise is maintained by County departments, as well as make available training on the County's purchasing and contracting processes.

**Recommendation:** To ensure the DPC effectively targets all existing CORs for procurement and contract training, DPC should coordinate with County departments to identify all staff designated as CORs prior to July 2015.

Office of Audits & Advisory Services

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## **DEPARTMENT'S RESPONSE**



# County of San Diego

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**ALLEN R. HUNSBERGER**  
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February 2, 2016

RECEIVED

TO: Juan R. Perez  
Chief of Audits

FROM: John M. Pellegrino, Director  
Department of Purchasing and Contracting

FEB 04 2016

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ADVISORY SERVICES

## DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: PURCHASING AND CONTRACTING PERFORMANCE AUDIT – REPORT NO. A-15-017

**Finding I:** A Complete List of CORs Would Enhance DPC’s Ability to Effectively Provide Procurement and Contract Training

**OAAS Recommendation:** To ensure the DPC effectively targets all existing CORs for procurement and contracting training, DPC should coordinate with County departments to identify all staff designated as CORs prior to July 2015.

**Action Plan:** The conditions noted by this Finding were previously recognized by DPC management in the Summer of 2015; and at that time DPC began developing a full DPC Contracts Academy training series to offer training to county department staff in nine different procurement and contract topic areas, including the roles and responsibilities of the departments’ Contracting Officer Representative (COR). Attachment 1 is the DPC Procurement Academy schedule which identifies the series classes and dates offered. DPC began hosting COR training sessions beginning September 9, 2015, and has completed several additional sessions for individual Departments beyond those originally scheduled. As of this date February 2, 2016, DPC has trained over 220 department staff in the COR session material. COR training completion is currently tracked via the Department of Human Resource’s Learning Management System (LMS).

Additionally in the late 2015, DPC initiated a change request to the Oracle system to establish a COR field in the database. (Initiated Oracle Change Request on June 5, 2015, WR 022471 was submitted to Auditor & Controller, Attachment 2) This additional field in Oracle will allow DPC and County Departments to easily identify and track CORs for all contracts.

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Since this field became available in Oracle in July 29, 2015, DPC has ensured that all new awards reflect and record the assigned COR in the system, Attachment 3 – DPC Bulletin Number 9, dated July 2015. For contracts issued prior to July 2015, DPC will implement procedures to populate the COR field when a contract is amended. DPC will also update the COR field when working with individual departments to conduct reviews of all COR assignments.

Also, DPC will develop and implement a process of notifying COR's of their responsibilities at the time they are designated as the COR on a contract.

The combination of the ability to track CORs for all contracts in Oracle; and the ability to identify which CORs have completed COR training, as well as, other DPC academy training sessions, will greatly enhance DPC's ability to provide effective procurement training in accordance with the Administrative Code and CAO manual.

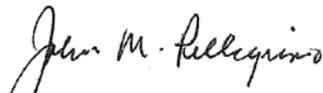
DPC COR training is significantly underway and DPC plans that these procedures for populating the COR assignment for previously issued contracts and for notifying CORs of their responsibilities will be implemented by the end of the current Fiscal Year (June 31, 2016). Should this status change for unforeseen reasons, DPC will notify your office accordingly.

DPC management appreciates your efforts to review our current operations.

**Planned Completion Date:** June 30, 2016

**Contact Information for Implementation:** Jack Pellegrino, Director

If you have any questions, please contact me at (858) 505-6562.



JOHN M. PELLEGRINO, Director  
Department of Purchasing and Contracting

cc: DPC Correspondence File