Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

Internal Audit:
Sonoma County Procurement Process

For the Period: July 1, 2019 - June 30, 2020

Engagement No: 4049
Report Date: August 7, 2023

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Executive Summary

The primary objective of this audit was to assist management in identifying opportunities for improvements in the procurement process that would yield the greatest benefit to Sonoma County (County).

The County spent approximately $228 million on products and services in fiscal year 2019/2020. We focused on key processes and strategies designed to maximize savings while meeting user department needs.

For the period under audit, Purchasing was a Division of the General Services Department (an internal services department which handled energy and sustainability, County facility management, small construction projects, capital project management, real estate leases & rent for County property, purchase of goods and services, and County fleet management). The functions of the Purchasing Division are strategic and operational more like Human Resources, Information Services, Legal, and other departments that work within a budget to help achieve entity wide goals. Like those departments, Purchasing maintains relationships with internal and external stakeholders. On August 2, 2022, the Board of Supervisors approved the consolidation of the Transportation and Public Works and General Services Departments. The newly formed department, Sonoma Public Infrastructure (SPI), will be responsible for implementing recommendations outlined in this report.

For the audit period, the Purchasing Division was headed by a Purchasing Agent (PA) appointed by the Director of the General Services Department. The PA was given the powers and duties prescribed by law for county purchasing agents and by ordinances, resolutions, and orders of the Sonoma County Board of Supervisors (Appendix A).

The following is a summary of our observations:

1. The County PA has adequate authority to carry out his/her responsibilities (Appendix A);
2. The County PA's role and responsibilities are clearly defined (Appendix B);
3. The placement of the Purchasing function within an organization should provide the PA the independence and autonomy necessary to adequately execute his/her responsibilities (Appendix A). During the period under audit the PA reported to the General Services Director and therefore lacked independence over General Services purchases. As noted above, in August 2022 the Purchasing Division was consolidated under Sonoma Public Infrastructure (total fiscal year 2019/2020 spend for General Services was $14 million, and the combined total spend for Transportation and Public Works and General Services was $55 million);
4. A lack of resources contributed significantly to all the conditions discussed in the findings of this report;
5. Proactive use of procurement strategies could result in significant savings (see findings 1 & 6);
6. The purchasing function may have some barriers preventing it from fully enforcing the County's purchasing policies and the relevant laws. A significant number and dollar value of contracts were not procured competitively as required by the purchasing policy (see finding 7);
7. Appropriate performance indicators have not been established, monitored or analyzed to gauge efficiency and effectiveness of processes and strategies. Efforts to develop and monitor relevant measures are currently underway (see finding 4); and
8. Surveys or other means are not utilized to engage key stakeholders (see finding 5).

The review was a collaborative effort between the Internal Audit Division (IA) and the Purchasing Division, covering a significant area including, the Purchasing Division and the following departments which were

selected based on a risk assessment: Human Services, Transportation and Public Works (TPW), Health Services, Sonoma Water, and the Sheriff's Office.

Although we believe the changes recommended will result in significant savings and improved compliance with policies, procedures and laws, a significant amount of resources will be required to fully implement them. We recommend that management develop an implementation plan that prioritizes recommendations in this report and establishes timelines for implementation. The Internal Audit Division will provide assistance where needed and perform follow-ups based on the implementation plan on a periodic basis until major issues are resolved.

Introduction & Background

Introduction

The Internal Audit Division of the Auditor-Controller-Treasurer-Tax Collector (ACTTC) completed the audit of the County procurement process for the period July 1, 2019 thru June 30, 2020, and identified opportunities for improvement. We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These Standards require that sufficient information and evidence to achieve audit objectives are identified, evaluated and documented. The evidence obtained provides a reasonable basis for the findings and recommendations contained in our report.

The purpose of this audit report is to furnish management with independent and objective analyses, recommendations and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

Background

The General Services Department's mission is to efficiently plan, provide, and manage facilities, vehicle and equipment procurement, and energy and sustainability services to support County departments and agencies in the accomplishment of their goals. Energy and sustainability has since moved to the County Administrator's Office (CAO).

For the audit period, the County's Purchasing Division was part of the General Services Department. A proposal to consolidate the General Service Department with the Department of Transportation and Public Works was approved by the Board of Supervisors on August 2, 2022. The newly formed department is Sonoma Public Infrastructure (SPI).

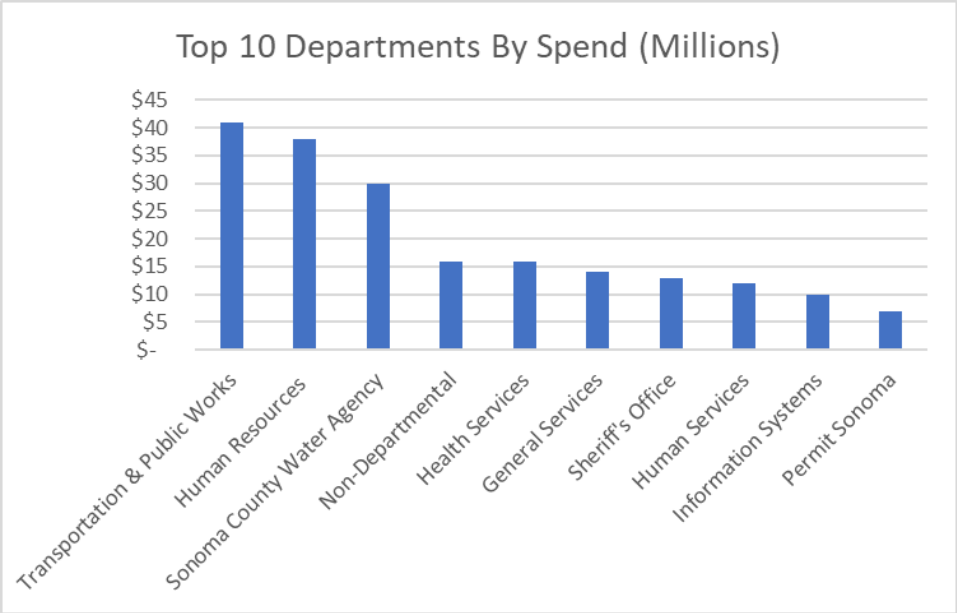
Purchasing has 8 allocated FTE positions; 1 Purchasing Agent, 2 Assistant Purchasing Agents, 1 Department Analyst and 4 Buyers supporting 28 departments.

Purchasing's stated goal is to efficiently procure goods and services required for County operations in an ethical, cost effective and timely manner, in compliance with state and federal purchasing requirements when applicable. A part of its purpose is providing a "checks and balances" system for expenditures of public funds. The Division's primary function is to facilitate acquisition of goods and services essential to the operation of County government, while actively pursuing opportunities for cost savings, economies of scale, and broadening and diversifying its vendor base. The appointment of the PA and his/her responsibilities and powers and placement of the purchasing function within the organization are addressed in Article V of the Sonoma County California Municipal Code (Appendix A).

Spending Profile

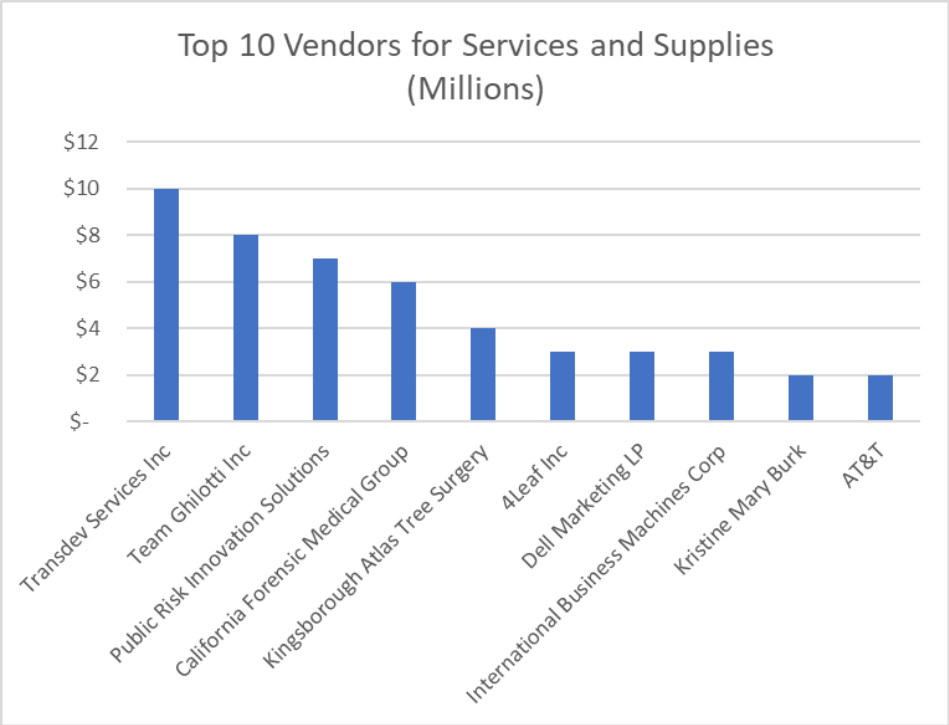
In fiscal year 2019/20, the County spent a total of $228 million on products and services. This amount includes payments to vendors and suppliers that were either selected in a competitive process or another process approved by the Board of Supervisors. Payments to state and local governments were excluded, including payments between departments within the County.

a) Major Purchases – The following 10 Departments in total account for $196 million or approximately 86% of total purchases made by the County.



- Non-departmental consists of expenditures which are not directly associated with a specific department. Expenditures consist of two major categories, Unrestricted General Fund and Other Funds.

b) Major Vendors – These top 10 vendors make up $48 million or 21% of total purchases.



- Transdev Service Inc. - Operates Sonoma County Transit;
- Team Ghilotti Inc. - Construction Company that provides services mainly to TPW;
- Public Risk Innovation Solutions - Disability Management Firm that advises the County's 28 departments on reasonable accommodation issues and the interactive process under Americans with Disabilities Act (ADA)/ California's Fair Employment and Housing Act (FEHA);
- California Forensic Medical Group - Provides inmate medical and dental services;
- Kingsborough Atlas Tree Surgery - Provides tree removal, maintenance and other tree related services at various locations in the County;
- 4Leaf Inc – Engineering Firm provides fire reconstruction permitting and inspection services;
- Dell Marketing LP - Primarily supplies hardware, including desktops, laptops, servers, etc.;
- International Business Machines Corp. - Datahub for safety net departments (Human Services Department (HSD), Department of Health Services (DHS), Community Development Commission (CDC), Probation, Department of Child Support Services (DCSS);
- Kristine Mary Burk - Provides indigent defense; and
- AT&T – Provides wireless communications, mobile devices, voice and data transmission, alarm lines, and switched ethernet.

Purchasing Process

The County's purchasing policies and procedures vary based on the nature and dollar value of purchases as described below:

Goods: (Appendix C: Goods Flowchart)

- Less than $7,000 - The Department Heads have the authorization to make purchases via the Delegated Purchasing Authority. Purchasing encourages informal quotes for these items.
- Between $7,000 and $60,000 - The departments must go through an informal process of obtaining quotes. The process may be conducted by the department or, at the discretion of the department, by Purchasing.
- Over $60,000 - Competitive sealed bidding process must be conducted by Purchasing.

Services: (Appendix D: Service Agreements Flowchart)

- Under $50,000 – Departments have authority to execute the agreement and no bidding is required, but purchasing encourages the Department to go through an informal bidding process.
- Over $50,000 – Requires a formal Request for Proposal (RFP) solicitation process publicly posted on the County's Supplier Portal. The Purchasing Agent has authority to execute the resulting agreement.
- Over $100,000 – Requires a formal RFP solicitation process publicly posted on the County's Supplier Portal. The County Board of Supervisors approves the contract. The department performs this duty on their own, but purchasing is available if needed.

Construction: (Appendix E: Construction Flowchart)

- Under $60,000 - The department must obtain 3 quotes. Purchasing reviews quotes and awards the contract to the lowest responsible and responsive bidder.
- Between $60,000 and $200,000 – Requires an informal bid process that may be advertised on the Supplier Portal, managed by the department. The department selects the lowest responsible and responsive bidder, and Purchasing reviews quotes and awards the contract.
- Over $200,000 – Requires a formal bid process publicly advertised on the Supplier Portal managed by the department. Bids are read in a public meeting, the department selects the lowest responsible and responsive bidder, and the County Board of Supervisors awards or delegates the award of the contract.

Objective, Scope & Methodology

Objective and Scope

The primary objective of the review was to assist management in identifying opportunities for improvements in the procurement process that would yield the greatest benefit to the County.

We gained an understanding of the County's purchasing policies, procedures and guidelines through walkthroughs. We researched best practices and procurement strategies of peer organizations. We reviewed purchasing data for a one year period covering the fiscal year 2019/20 for the purpose of our Audit.

Purchasing assisted us by identifying departments whose purchasing transactions best represent that of the County's. We performed walkthroughs of the following selected departments: Sheriff's Office, Sonoma Water, Health Services, TPW and Human Services.

Based on our risk assessment, we selected the following areas to focus on:

- Blanket Purchase Orders – Competitively bid agreements for commonly purchased items across the County;
- Single or Sole Sourced Agreements - Agreements for which vendors were not selected through a competitive process;
- Request for Proposals - Competitively bid agreements;
- Cooperative Buying - Use of vendors selected by agencies outside the County through a competitive process;
- Vendor Management - Management of vendor performance;
- Transaction Splitting - Monitoring controls to ensure purchase transactions are not split to stay below thresholds established by Purchasing for a higher level of scrutiny; and
- Best Practices - Procurement practices generally considered best practice.

The Audit did not include a review of compliance with state and federal purchasing regulations, including purchasing regulations during declared disasters. The County has experienced multiple declared disasters in the last few years, including fires, floods and the COVID pandemic. Due to the alternative purchasing procedures in place during declared disasters, we excluded disaster purchasing processes and transactions from our Audit.

Methodology

To achieve our objectives, we performed the following:

- Reviewed the Sonoma County Purchasing Guide
- Reviewed relevant County policies and procedures
- Interviewed Purchasing and user department personnel
- Conducted a survey of user departments and vendors
- Researched best practices, and practices of peer organizations
- Understood and documented purchasing processes
- Tested specific documents within Enterprise Financial System (EFS) to confirm that the Purchasing process was being followed

Objective, Scope & Methodology

We selected the following departments, which account for approximately 49% of the $228 million in total purchases between July 1, 2019 and June 30, 2020. In consultation with Purchasing, we determined these departments best represent the County in terms of nature of items purchased:

Department Name	Annual Amount Spent
Transportation & Public Works	$ 41 million
Sonoma Water	$ 30 million
Health Services	$ 16 million
Sheriff's Office	$ 13 million
Human Services	$ 12 million
Total	**$112 million**

Blanket Purchase Orders

A blanket purchase order (BPO) is a contractual arrangement between a buyer and a supplier, for the supplier to deliver goods or services to the requesting department, at a pre-set price, for a period of time. They are used by departments to reduce the number of issued purchase orders, which expedites the acquisition process. A BPO works best when dealing with recurring purchases from the same supplier over an extended period of time. It is not useful when the price, quantity needed, or product quality vary significantly.

BPOs are structured to achieve the most favorable prices, terms and conditions in the procurement of goods or services required to achieve the maximum benefit of the end user and the County (Appendix F). It is a best practice to maximize the use of BPO's because doing so results in significant cost savings by allowing individual department purchasers to benefit from pre-negotiated 'bulk' pricing and creates efficiencies in the administrative purchasing process.

A BPO is considered based on the following:

- Frequency of use;
- Reasonableness of prices obtainable;
- Responsiveness and capabilities of supplier; and
- Average dollar value of items purchased.

Finding # 1 – There are no effective controls in place to ensure that items covered under existing BPOs are identified in purchase requisitions. **(Risk Classification C: Control Finding)**

During our walkthrough for the departments reviewed, we noted that procedures are not in place to ensure items are ordered off of BPOs where one is in place.

There are no policies or procedures in place that require department personnel to ensure items are purchased off of a BPO where one exists.

A list of active BPOs is available on the intranet site, however the list does not contain the specific products or services covered by the BPO. More information on what the BPO covers on the list of BPOs available would be helpful to the departments.

Under procedures as they exist the risk is high that items covered by BPOs will be purchased at higher than negotiated prices.

Recommendation # 1:

a) Purchasing should create a separate list or incorporate into the existing BPO list, a way for departments to search for goods or services that are covered by existing BPOs.
b) Policies should be updated to require department personnel to order off of BPOs where one exists.

Management Response Recommendation # 1:

1a: Management concurs, a list of current BPOs which includes available item descriptions is posted on the Purchasing Intranet and updated monthly. In the near future, Purchasing will add keywords to the posted list of BPOs to improve end users' search results. Departments are encouraged to consult the list before making a purchase or submitting a requisition, and to contact Purchasing if they have questions or desire assistance. Purchasing will research alternative systems to see if a more effective method can be identified.

1b: Management concurs, Purchasing will change policy per the recommendation, with exceptions for purchases where the exact item is available at a lesser cost outside of the BPO.

Finding # 2 – BPO rates are not being verified. **(Risk Classification C: Control Finding)**

The departments we selected to review, have no manual or system controls in place to ensure that invoiced prices agree with the BPO negotiated price.

County Policy places the responsibility with departments for ensuring invoice prices agree with those negotiated per BPOs, responsibility to monitor compliance with this purchasing policy resides with the Purchasing unit.

We selected five BPOs and attempted to confirm that the agreed upon rate matched the invoice submitted by the vendor. This procedure was difficult to perform primarily for the following reasons:

- Invoice submitted did not contain the same level of details as that on the BPO rate sheets.
- Rate sheets were not available during the period under audit.

For the audit period, the County had 271 existing BPOs and purchased approximately $32 million under BPOs. There are no controls in place to prevent vendors from charging the County prices in excess of those on awarded BPOs.

Recommendation # 2

a) Vendors should be required to invoice in a manner that prices charged can be easily matched with those on BPO rate sheets.
b) BPO rate sheets should be posted in EFS and be easily accessible by staff processing payments.
c) Purchasing should establish a process to monitor compliance by both the vendor and ordering department in regards to agreement pricing, payment, discounts, and conformity to the terms and conditions of the BPO as stated in the Policy.

Management Response Recommendation # 2:

2a: Management concurs, Purchasing will add this requirement to future solicitations and contracts; however, it is up to the purchasing departments to validate that the price charged matches BPO pricing.

2b: Management concurs, rate sheets or discount pricing (ex: 10% off list) are attached to BPO documents or included in BPO language. Any staff member with EFS access has view-only access to all contract documents, including pricing. There are instances where older BPOs do not have rate sheets or pricing posted, and Purchasing is working to identify these BPOs and upload pricing.

2c: Management concurs. Purchasing will establish a process to monitor compliance by both the vendor and ordering department in regards to agreement pricing, payment, discounts, and conformity to the terms and conditions of the BPO as stated in the Policy.

Finding # 3 – Underutilization of BPOs **(Risk Classification B: Significant Control Weakness)**

Purchasing does not actively identify and pursue opportunities to consolidate purchases across the County into BPOs using data analysis or other tools. The existing BPOs are not reviewed periodically to assess their continued usefulness as required by the Purchasing Guidelines.

Fiscal year 2019/2020 Product and Services Spend	Amount (millions)		Percent
Total Spend Countywide	$	228	100%
Total BPO Spend	$	32	14%
Total non BPO Spend	$	196	86%
Total non BPO Spend from vendors servicing multiple departments	$	81	36%

Based on our walkthrough of four departments, it appears that departments and Purchasing do not collaborate effectively to identify opportunities for creating BPOs. The Sheriff's Office, for example, identified potential use of a BPO to consolidate inmate clothing purchases but decided not to make a request for one because the process is time consuming and cumbersome.

Strict application of the BPO guidelines could result in cost savings. We noted that a department request for a BPO covering $185,000 in vendor payments from 2018 through 2021, was denied because the requirement for ordering goods monthly was not met. As a result, approximately 19% or $35,000 in potential savings over four years may have been foregone. In this case we reviewed the price attached to the BPO, but because the County did not renew the existing BPO, a higher dollar amount was paid for the item. Even though this is a smaller example of savings, there is potential that there are BPOs that were closed, that could have the County paying a substantially higher amount for goods if extrapolated county-wide.

According to the Guidelines for the establishment and use of BPOs (see Appendix F), BPOs that are in place should be reviewed every year to confirm that the supplier is still meeting the BPO requirements. As of June 30, 2021, there were 271 open BPOs. These BPOs have not been reviewed annually as required by County policy.

We reviewed a sample of 18 BPO contracts to confirm that they were reviewed annually in accordance with the BPO guidelines. We noted that 11 out of the 18 contracts had not been reviewed and although expired, were reported as active in EFS. No documentation was on file showing the contracts were extended.

From a population of 360 vendors, we selected ten to review for BPO eligibility and noted that seven were eligible for a BPO per criteria set by the County but had no BPOs. The County purchased approximately $2.8 million in services and products from these vendors over our review period. Two of these vendors were identified by Purchasing after we completed our review and BPOs were created.

The following are the expenditures in our sample testing that met the criteria for BPOs but were not purchased under a BPO:

Goods or Services Provided	Number of Departments	Amount (millions)
Graphic Design Services	5	$.1
Temporary Staffing (two vendors)	11	$.8
Local News Papers and Media	15	$.4
Modular Systems Furnishings	17	$.8
Counseling Services	3	$.1
Equipment Rental	1	$.6

We analyzed purchase transactions totaling $228 million executed over our review period. Transactions totaling $196 million had no BPOs, out of which $81 million in transactions were from vendors who serviced multiple departments. This represents transactions which potentially could be combined and covered by BPOs.

Recommendation # 3:

a) BPOs should be reviewed annually in accordance with best practices.
b) A schedule and process should be put into place to ensure that BPO reviews are performed timely and decisions relating to each are properly documented and supported.
c) A data driven proactive approach, using information out of EFS, should be utilized to identify and exploit opportunities to consolidate purchases into BPOs.
d) Performance measures should be developed to assess and report the effectiveness of the process.

Management Response Recommendation # 3:

3a: Management concurs in part, Purchasing will review BPOs every two years, as required by a September 2022 revision to Purchasing policy.

3b: Management concurs, Purchasing currently has a schedule and process in place for reviewing BPOs prior to their expiration (see response to finding 3a above). Decisions are driven by this process and properly documented.

3c: Management concurs, and has partnered with the EFS Support Organization to research ways the newly delivered PeopleSoft analytics, once properly configured, can help identify consolidation opportunities. Purchasing would possibly need an additional staff member for ongoing data analysis and opportunity identification.

3d: Management concurs, given adequate staffing for this effort is available.

Performance Metrics

The tracking and reporting of metrics for government procurement practitioners enable them to self-assess and evaluate opportunities for improvement, efficiencies, and savings.

Public Procurement best practices include tracking, measuring, and reporting on procurement metrics. Additionally, tracking the information year over year can help identify trends. Having this data can help management make informed decisions about implementing strategic goals and allocating resources.

Finding # 4 – Key performance measures have not been identified, tracked, and analyzed to gauge the effectiveness of the purchasing process. **(Risk Classification C: Control Finding)**

Currently, Purchasing tracks only workload measures, with the exception of savings from reuse of items. Request for Information (RFI), Request for Qualification (RFQ) and Request for Proposal (RFP), and construction bids are some examples of measures being collected. This information is used to forecast workloads in the Division and plan work appropriately throughout the year.

A new metrics tracking program is in the process of being implemented. It will track the following additional measures: contract vs. non contract spend, top supplier by spend, contract's expiry by month, purchase orders by status (dispatched, pending), purchase orders by period, purchase order volume by department, overall procurement trends by department, and payment spend analysis by type of purchase.

Purchasing is planning to use the new metrics to identify bottlenecks in their processes and improve the Division's performance in cycle times and staffing. Additionally, Purchasing hopes to implement a vendor performance measure with the supplier watchlist; encompassing potential measures such as meeting contract terms, availability, adherence to deadlines, contracts and budgets, and quality of work.

According to the Institute of Public Procurement (NIGP) & California Association of Public Procurement Officials (CAPPO), the decision regarding which metrics to use will vary by organizational goals and objectives. It is recommended that, at a minimum, procurement should track the following metrics related to cost savings:

- Realized/implemented savings as a percent of identified savings;
- Level of savings due to new contract/supplier arrangements or purchasing initiatives;
- Value of negotiated additional benefits;
- Cost reduction due to using alternative goods or services;
- Percent of spend under management; and
- Refunds, credit, and/or rebate payments made by vendors as a result of a savings project (e.g. pCard rebate programs).

Without a robust metric process, Purchasing's ability to identify opportunities for improving efficiencies and effectiveness will be limited. A more robust metric process would help the Division set performance goals, compare themselves to benchmarks and evaluate current strategies.

Recommendation # 4:

a) Set performance goals relating to cycle times for BPO, RFP, and RFQ, cost savings etc.
b) Establish and track supplier performance data. Some examples would be availability, adherence to deadlines, contracts and budgets, and quality of work. Determine how often these performance metrics will be reported to management.
c) Establish and track stakeholder satisfaction data through surveys or other means.

Management Response Recommendation # 4:

4a: Management concurs, and has established several metrics to measure efficiency. Purchasing is currently working with the Enterprise Financial System Support Organization to configure the recently delivered PeopleSoft analytics, and to refine and define additional robust metrics.

4b: Management concurs, Purchasing manages all BPOs, and departments manage their own contracts. Purchasing is developing a Supplier Management Pilot for its own use in establishing and tracking supplier performance data. After internal testing and refinement, the process will be made available to departments. Since departments manage their own contracts, they can opt to utilize their established performance measures, or adopt Purchasing's future process.

4c: Management concurs and will implement; see Management Response to finding 5a.

Transaction Splitting

Transaction splitting refers to a single procurement being split into two or more purchase orders or contracts, each below upper level review or competitive bidding thresholds, to avoid review or competitive selection.

We reviewed vendor's that had a total spend above $50,000 for fiscal year 2019/20, but had different contract numbers within the same department. We sampled 10 vendors to confirm that the contracts were for different services for the same vendor. We confirmed that the contracts were for different services and no transaction splitting was taking place.

Internal and External Surveys

Satisfaction surveys are a simple, yet highly effective tool used to understand how stakeholders view procurement in terms of its performance and value. The feedback from departments will inform Purchasing management the degree to which the division is achieving its goals and objectives and areas needing improvement. Engaging vendors and suppliers will help improve vendor participation and help drive down costs.

Finding # 5 – Department and Vendor Surveys **(Risk Classification C: Control Finding)**

Results from surveys of County Employees and County Vendors conducted by Internal Audit as part of the audit indicate that departments and vendors are generally satisfied with services from Purchasing however, there are some opportunities for improvements. Purchasing itself currently does not perform stakeholder surveys.

Based on the results of IA's survey of vendors and departments, the following appear to be changes that will help Purchasing better achieve its goals and objectives:

- Publish statistics supporting the County provides equal opportunities to women and minority vendors;
- Develop processes to better manage cycle times;
- Identify the need for and provide support for special knowledge that departments need in their procurement process;
- Review the procurement system currently in place for functionality and ease of use; and
- Coordinate with user departments to identify opportunities for use of BPOs.

Internal Audit developed surveys for vendors and departments to determine their satisfaction with the E-procurement process. Two surveys were developed based on the information received during the walkthroughs performed in the early stages of the audit, and best practices research. One survey was developed for bidders and suppliers, and one survey was developed for County employees who interact with the Purchasing Division. The surveys were prepared and shared with the Purchasing Agent prior to being administered through Survey Monkey in December of 2021. The survey for bidders and suppliers was distributed to 132 vendors, with 11 responses received. The suppliers and bidders list was provided to us by Purchasing and included all bidders and suppliers who registered to participate in events posted on the supplier portal between May 2020 and November 2021.

The survey for County employees who interact with the Purchasing Division was distributed to 182 employees, with 56 responses received, based on a listing of employees that use EFS PeopleSoft to create requisitions compiled by the EFS team. The Surveys that were distributed are attached in Appendix G.

The survey sent to bidders and suppliers asked participants to describe the type of goods or services they provide to the County, and to rate their level of satisfaction of their experience with the County for the following categories:

- Registering as a bidder
- Registering as a supplier
- Bid or proposal submittal
- Contract processing
- Customer service
- Overall ease of procurement process

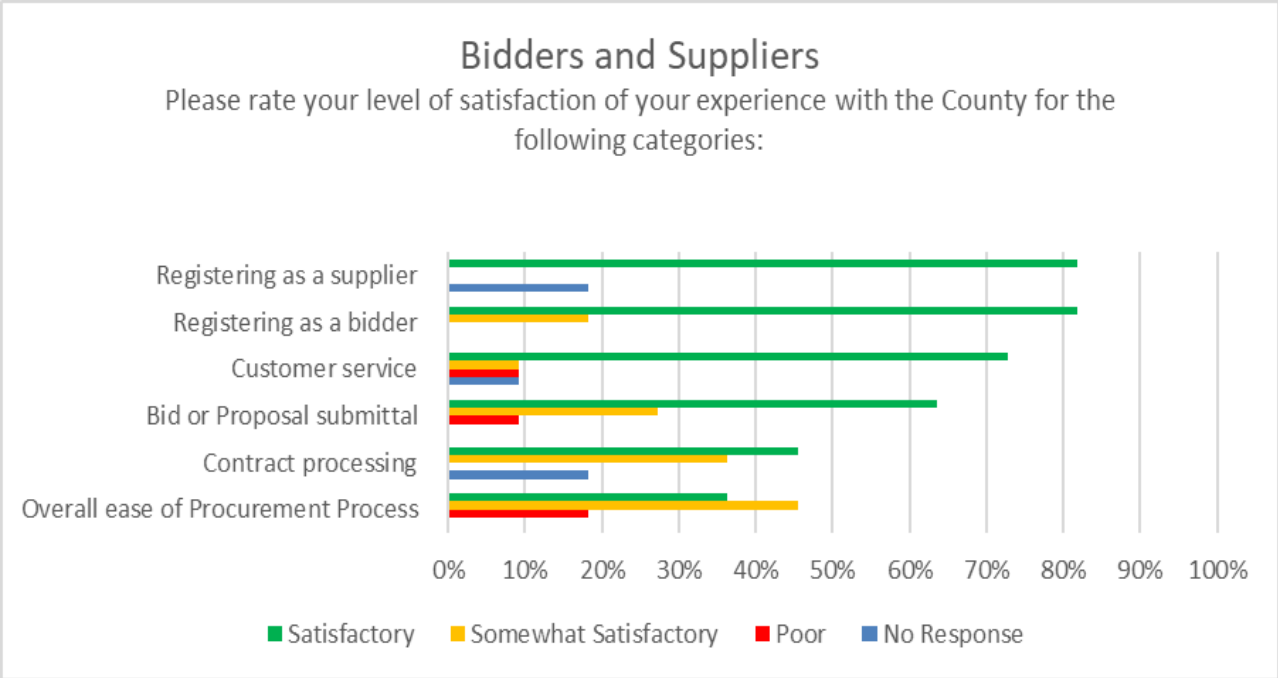
Findings, Recommendations & Management Responses

The survey sent to County employees asked participants to identify the frequency of their interaction with the Purchasing Division, what goods or services they purchase, and to rate their level of satisfaction of their experience with the County for the following categories:

- Knowledge and expertise of Purchasing staff
- PO Support
- BPO Support
- Bid or RFP support
- Contract Processing
- Customer Service
- Overall ease of procurement process

In both surveys, contract processing and overall ease of procurement process were rated the lowest. Based on the results summarized below, a lack of communication and staffing issues seem to be the main contributors to the lower ratings in these categories.

Statistics on the bidders and suppliers survey (11 respondents):



- 36% reported that the overall ease of the procurement process was satisfactory, 46% said it was somewhat satisfactory and 18% of respondents said that the overall ease of the procurement process was poor.

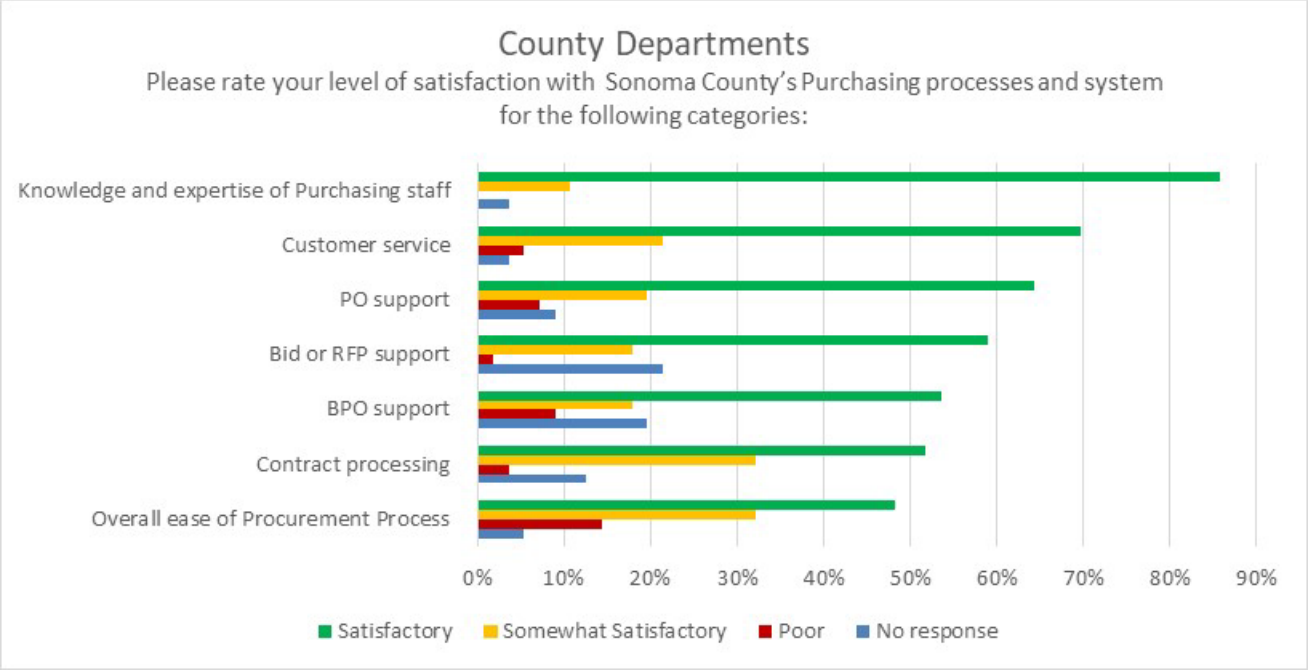
- 46% reported that contract processing was satisfactory, 36% of respondents said contract processing was somewhat satisfactory and 18% of respondents did not assign a rating to contracting processing.

- 64% reported that the bid or proposal submittal process was satisfactory, 27% said that it was somewhat satisfactory and 9% of respondents said it was poor.

Comments from bidders and suppliers included communication themes:

- The comments received with the surveys from the bidders and suppliers suggest that there is a desire for more communication on the purchasing processes.

Statistics on the County departments survey (56 respondents):



- 48% reported that the overall ease of the procurement process was satisfactory, 32% said that it was somewhat satisfactory, 14% of respondents said that the overall ease of procurement was poor and 6% of respondents did not assign a rating to the overall ease of the procurement process.

- 52% reported that contract processing was satisfactory, 32% said that it was somewhat satisfactory, 4% of respondents said that it was poor and 12% of respondents did not assign a rating to contract processing.

- 53% reported that BPO support was satisfactory, 18% said it was somewhat satisfactory, 9% of respondents said that BPO support was poor and 20% of respondents did not assign a rating to BPO support.

Comments from County departments focused on timeliness, staffing, communication, technology and the BPO process:

- The comments received from County departments suggest that there is a desire for increased staffing in Purchasing to address timeliness and communication issues. Comments also supported a need for improvement in the use of technology and BPO support from Purchasing.

Recommendation # 5:

a) Periodic stakeholder surveys should be performed, and areas indicated needing improvement should be followed up on.
b) Explore technology solutions for training department employees involved in the purchasing process. An example would be providing on demand short training videos on the Purchasing site with content on different purchasing processes, such as requesting a single or sole source waiver, or frequently asked questions.

Management Response Recommendation # 5:

5a: Management concurs, stakeholder surveys were discontinued in 2021 due to extremely low completion rates and Purchasing staff shortages. The Purchasing Division is now fully staffed and will resume performing periodic stakeholder surveys.

5b: Management concurs, Purchasing is currently working to develop online courses for the Sonoma Higher Ed platform, aimed at department staff who may be involved in the procurement processes.

Cooperative Contracts

Cooperative contracts refer to agreements that more than one entity can use with a specific supplier to lower the cost of procuring goods or services by having multiple entities use the supplier.

Finding # 6 - Existing cooperative contract administration not being performed on a timely basis. **(Risk Classification B: Significant Control Weakness)**

The County currently has several cooperative agreements however, there is not a methodical approach in place to determine if the existing contracts provide the highest benefit to the County and identify others that will result in cost savings.

Purchasing does not perform timely evaluation of existing contracts. There are no procedures in place to ensure vendors are adhering to the pricing and other terms of the cooperative agreements. We reviewed seven cooperative contracts that the County had been utilizing since 2012 and found no evidence of evaluation performed.

Currently, purchasing agents utilize an informal process, based on the knowledge they acquired over their career to identify candidates for cooperative buying agreements. Purchasing agents assist departments when they identify a cooperative agreement opportunity.

Cooperative purchasing databases, like the National Association of State Procurement Officials (NASPO)- www.naspo.org, OMNIA Partners https://www.omniapartners.com/ and Sourcewell https://www.sourcewell-mn.gov/cooperative-purchasing, can be utilized to determine if opportunities for cooperative purchasing exist.

According to the Institute of Public Procurement (NIGP) & California Association of Public Procurement Officials (CAPPO), the following should be performed and documented as part of cooperative contract administration:

a.) Perform existing contract evaluations on an annual basis or at least every 3-5 years.
b.) Include the following in the cooperative contract file:
- Solicitation
- The bid tabulation or evaluation with the reason for award
- A copy of the winning proposal/ bid
- A copy of all insurance/ bond certificates required by the contract

Without a proactive approach for identifying and exploiting cooperative purchasing opportunities, the County may be foregoing significant savings opportunities. A lack of resources, it appears is the primary cause for the lack of such a methodical approach.

Recommendation # 6:

Purchasing should establish a program to proactively identify and exploit cooperative contract opportunities:

a) Train staff in the administration of a cooperative buying program, including research methodologies.
b) Develop protocols in line with best practices for reviewing existing cooperative agreements.
c) Establish documentation standards for cooperative contracts in line with best practices.

Management Response Recommendation # 6:

6a: Management concurs, Purchasing uses cooperative contracts, but does not administer cooperative buying programs. Purchasing will enhance current Buyer training regarding the use of cooperative contracts, including research methodologies.

6b: Management concurs, Purchasing is currently developing protocols in line with best practices for reviewing and using cooperative contracts.

6c: Management concurs, Purchasing is currently creating updated documentation for cooperative contracts in line with best practice.

Single or Sole Source

Single or sole sourcing refers to procurements made outside the competitive process. It is best practice as well as County policy, that departments obtain approval from the PA prior to using a single or sole source. Single or sole source waiver requests must be submitted when services or goods sought are available from only one supplier, or more than one source but the County selects a particular provider over others for reasons such as;

- Safety
- Training or standardization
- Logistical requirements
- Only one prospective supplier is willing to enter into an agreement with the County
- Item has design and/or performance features that are essential and no other source satisfies the County's requirements.

Finding # 7 – Contracts are being single or sole sourced without Purchasing Agent approval. **(Risk Classification B: Significant Control Weakness)**

At least $31 million in contracts were not procured through a competitive process and did not obtain a single or sole source waiver approval during our audit period in violation of County policy. Based on our limited testing, a number of these contracts were not competitively procured for as long as ten years. Based on the results of a study recently performed by NIGP (The National Institute of Governmental Purchasing) the County may have foregone as much as $6.8 million in annual savings over the period audited, as the study suggests costs savings of 22% on average from competitive bidding in the public sector.

a) Adequate controls are not in place to ensure that all services for $50,000 or more are procured through a competitive process, unless the requirement is waived by the PA, with an approved Single or Sole Source Waiver Request.

   We judgmentally selected $55 million in service agreements to review and noted that $31 million worth, comprising 55 agreements, were not procured through a competitive process and no single or sole source waiver was obtained from the PA. Of these, $30 million were from the Health Services Agency and $825 thousand from Sonoma Water. We note that Health Services is actively working to procure their contracts competitively, and Sonoma Water has completed single or sole source waivers on subsequent service contracts.

   We judgmentally selected a sample of 23 of the 94 service agreements in our testing that were executed by Health Services for further review. We noted that the 23 contracts selected for further review were not competitively bid for at least ten years.

   Per the County's Municipal Code Section 2-58; service contracts over $50,000 per year require a formal competitive solicitation.

   "For service contracts exceeding a total contract amount of fifty thousand dollars ($50,000.00) per year for the life of the contract, the department head shall use a formal competitive solicitation process. If a department head proposes a waiver of competitive solicitation for a particular agreement above this threshold, such waiver documenting a single or sole source

justification must be submitted and approved by the purchasing agent prior to commencement of negotiation of the agreement."

In addition to the Municipal Code cited above, the County of Sonoma Service Agreements Policies and Procedures states:

"Competition is the central focus of public contracting. Service agreements over $50,000 require a formal, competitive process."

The 2016 Board of Supervisors Resolution, in item 8 on page 3 states:

"The Board establishes the requirement of a formal competitive solicitation process for service agreements in which payment is specified at greater than $50,000 per year. If a County Department or entity specified above proposes a waiver of competitive solicitation for a particular agreement above this threshold, such waiver documenting a single or sole source justification must be submitted and approved by the County Purchasing Agent prior to commencement of negotiation of the agreement"

b) The Purchasing Service Agreements Policy states that a "Formal Request for Proposal (RFP) or Request for Qualifications (RFQ)" are required for contracts "(above $50,000)." However the Purchasing Agent's intention is to require an RFP be conducted for all service contracts above $50,000.

   Per the PA, competitive procurement should include an RFP; an RFQ only is not sufficient; except for exceptions under Government Code 4525 (for architects, land survey, etc.). An RFQ is a formal process used generally to establish a list of qualified vendors. It is not sufficient to support that a competitive process was conducted.

   The County may be exposed to significant political, regulatory and legal risks by not following its own policy on competitive procurement.

Recommendation # 7:

a) SPI management should work with the CAO's Office to implement processes/controls that will ensure the PA reviews contracts for competitive procurement/approved single or sole source waiver prior to presentation to the Board.
b) Appropriate changes should be made to the purchasing manual to clarify that service contracts above $50,000 should be procured via the RFP process.
c) Implement controls in the Board agenda review process to ensure that contracts without proper approval from the PA are not presented to the Board for approval.
d) The PA should refer the single or sole sourced contracts identified above to County Counsel to determine if there have been regulatory or legal violations.
e) Purchasing should conduct periodic reviews to determine if departments are complying with the policies relating to single or sole source waivers. The Purchasing Policy should be amended to require the PA to report the non-compliance to the BOS.

Management Response Recommendation # 7:

7a: Management agrees with the recommendation.

7b: Management concurs, changes will be made to the purchasing manual to clarify that service contracts above $50,000 should be procured via the RFP process.

7c: Management concurs, General Services received approval to create a Procurement section in the Legistar template, whereby departments taking contracts of any type to the Board would be required to identify the procurement process, whether a single or sole source agreement was authorized by the Purchasing Agent, or if the BOS is being asked to approve a single/sole source agreement without a competitive process. Purchasing is currently working with County Counsel to draft and implement this section.

7d: Management concurs, the PA will refer the single or sole sourced contracts identified to County Counsel to determine if there have been regulatory or legal violations.

7e: Management concurs, Purchasing will conduct periodic reviews to determine if departments are complying with the policies relating to sole source waivers. The Purchasing Policy will be amended to allow the PA to report the non-compliance to the BOS.

Organization of Purchasing

The Purchasing Division should be a strategic service function to optimize strategic purchasing and procurement best practices.

The NASPO and the U.S. Government Accountability Office (GAO) agree that the central procurement office effectiveness is clearly linked to its location in the government structure and that placing the office at a high level is critical to ensuring effective direction, coordination, and control over a government's procurement spend. When that occurs, procurement is rightly viewed as a strategic service function within the executive branch, with the Chief Procurement Officer being a key policy and management resource for the Chief Executive.

In Sonoma County, Purchasing has been located within the General Services Department (internal services department which handles County facility management, small construction projects, capital project management, real estate leases & rent for County property, purchase of goods and services and County fleet management). The functions of the Purchasing Division are strategic and operational more like Human Resources, ISD, Legal, and other departments that work with the budget to achieve entity goals. Like those departments, Purchasing maintains relationships with internal and external stakeholders. On August 2, 2022, the Board of Supervisors approved the consolidation of the Transportation and Public Works and General Services Departments. The newly formed department is Sonoma Public Infrastructure.

Finding # 8 – The Purchasing function's ability to exercise its authority and organizational placement needs review. **(Risk Classification B: Significant Control Weakness)**

a) The purchasing function may have some barriers preventing it from fully enforcing the County's purchasing policies and the relevant laws. A significant number and dollar value of contracts were not procured competitively as required by the purchasing policy.
b) The placement of the Purchasing function within an organization should provide the PA the independence and autonomy necessary to adequately execute his/her responsibilities. The PA reports to the General Services Director and therefore lacks independence over General Services purchases, and now Sonoma Public Infrastructure (Appendix A).
c) Perform a staffing study to determine if the Purchasing function is adequately resourced.

As discussed in finding 7 above, a material dollar value of services continued to be procured outside of the competitive process for an extended number of years without the approval of the PA. This fact suggests that the PA did not have the ability to enforce purchasing rules, even though Article V of the Sonoma County California Municipal Code (Appendix A) provides ample authority to do so.

The authority of the General Services Department, and now Sonoma Public Infrastructure to impose an agenda on Purchasing creates at least an appearance that the PA will not be sufficiently independent when reviewing purchasing transactions of General Services and Sonoma Public Infrastructure.

Recommendation # 8:

a) We recommend that conditions preventing the PA from enforcing purchasing policies be identified and remedied.
b) We recommend that the PA have greater support from County upper management and executive leadership to enforce purchasing policies, which may include the ability to limit the use of delegated authority for departments that do not comply with County policy.
c) A strategy should be developed to achieve the optimal positioning, responsibility, and authority of Purchasing, including central leadership to provide direction and cohesion. In accordance with best practice to ensure that the Purchasing function remains separate with a higher level of authority, helping ensure that there is no undue influence on the duties of Purchasing, and Purchasing is empowered to serve in the best interest of the County and the public.
d) Purchasing should develop and implement an ongoing monitoring process to ensure departments are complying with the policies relating to procurement. The Purchasing Policy should be amended to grant authority to the PA to rescind department's delegated authority if they are not in compliance and report the non-compliance to the BOS.
e) Management should properly take into consideration the above and perform a staffing study to determine if the Purchasing function is adequately resourced.

Management Response Recommendation # 8:

8a: Management concurs, Purchasing will work with management to identify and remedy these issues.

8b: Management concurs, during the reorganization of the General Services Department, upper management recommended that Purchasing, along with General Services, be consolidated with Transportation and Public Works. The Board of Supervisors approved the merger on August 8, 2022. The proposed organizational chart for the consolidated departments, to be named Sonoma Public Infrastructure, was submitted to the Board of Supervisors and approved on December 13, 2022, with changes taking effect upon approval and/or as outlined by the Board Item plan. The PA will have greater

support from County upper management and executive leadership to enforce purchasing policies, which may include the ability to limit the use of delegated authority for departments that do not comply with county policy.

8c: Management concurs, upper management and the Board of Supervisors reviewed the placement of Purchasing and recommended its consolidation with Transportation and Public Works; the newly consolidated departments will be renamed Public Infrastructure.

8d: Management concurs, Purchasing will develop and implement an ongoing monitoring process to ensure departments are complying with the policies relating to procurement. The Purchasing Policy will be amended to allow the PA to report and recommend rescinding department's delegated authority if they are not in compliance to the BOS.

8e: Management concurs, as part of the 2021-2026 Strategic Plan, Purchasing will undergo a comprehensive assessment of current procurement practices, policies, and procedures. The consultant's assessment will address staffing levels.

Staff Acknowledgement

We would like to thank the General Services Purchasing Division, Human Services, Transportation and Public Works, Health Services, Sonoma Water and the Sheriff's Office and Staff for their time, information and cooperation throughout the review.

Appendix A: Purchasing Agent Authority

Sonoma County Ordinance
Chapter 2-Administration
Article V. – Purchases and Sale of Materials, Equipment and Other Personal Property

Sec. 2-52. Purchasing agent.

The purchasing division of the department of general services is established, headed by the purchasing agent, who shall have the powers and duties prescribed by law for county purchasing agents, this article, and other ordinances, resolutions and orders of the board of supervisors. The director of general services shall have responsibility for appointing and supervising the purchasing agent.

(Ord. No. 4654 § 1, 1993: Ord. No. 2490.)

Sec. 2-53. Procurement policy.

The purchasing agent shall develop and enforce a comprehensive procurement policy consistent with law and with other resolutions and directives of the board of supervisors.

(Ord. No. 4654 § 1, 1993: Ord. No. 2490.)

Appendix B: Purchasing Agent Duties and Responsibilities

Sonoma County Ordinance
Chapter 2-Administration
Article V. – Purchases and Sale of Materials, Equipment and Other Personal Property

Sec. 2-54. Specific duties.

The purchasing agent shall administer the purchasing division, its stores, funds and accounts, and, except as otherwise provided herein, or by law, or by specific order of the board of supervisors, shall:

(a) Purchase, lease or lease/purchase for the county and its departments all personal property;

(b) Engage independent contractors to perform services for the county and its departments, with or without the furnishing of material, when the annual aggregate cost does not exceed one hundred thousand dollars ($100,000.00) subject to statutory procedures and to prior approval of the head of the department seeking approval of the contract;

(c) Sell or exchange any item of personal property declared surplus to county needs;

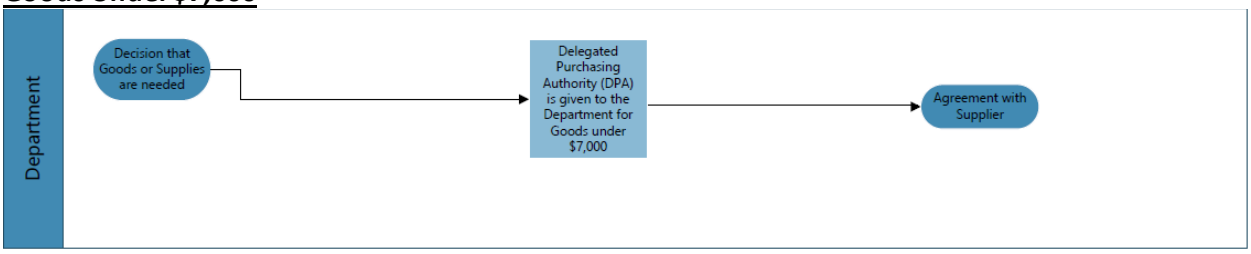
(d) Perform the above services for agencies and special districts organized under general law within the county and governed ex officio by, or under the control of, the board of supervisors;

(e) Make purchases and dispositions of personal property for other public officers or agencies pursuant to authority of law;

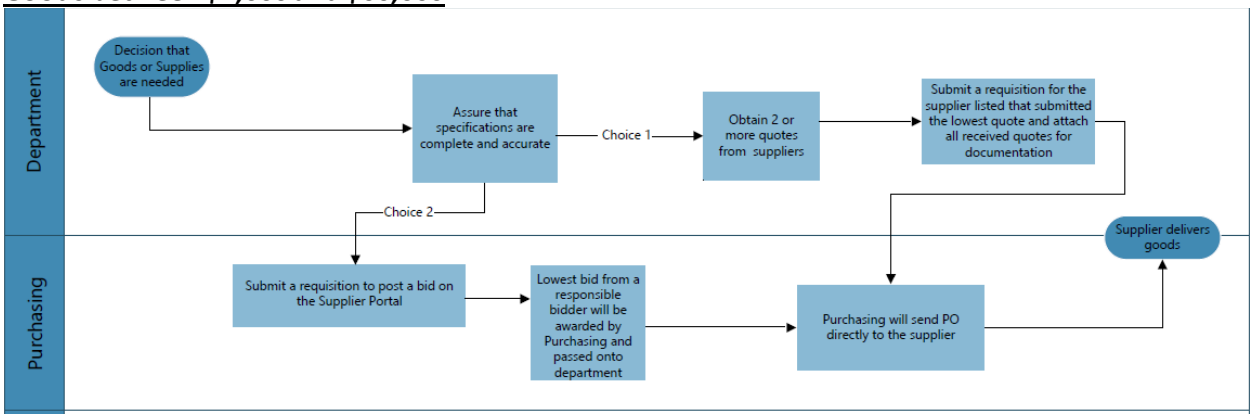
(f) Perform such other services as the board of supervisors requires.

Appendix C: Goods Flowchart

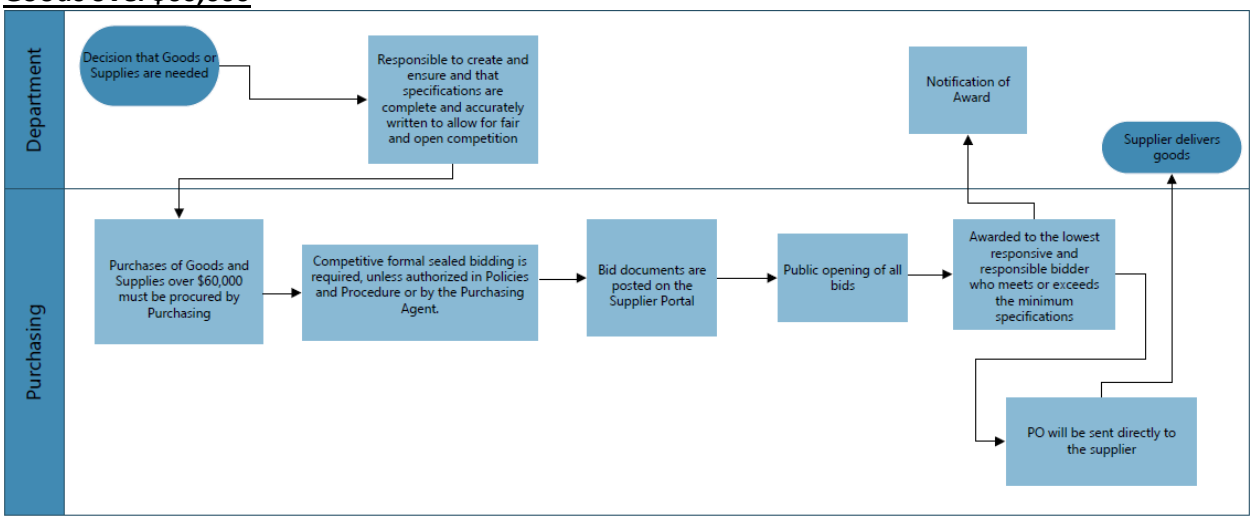
Goods Under $7,000



Goods between $7,000 and $60,000

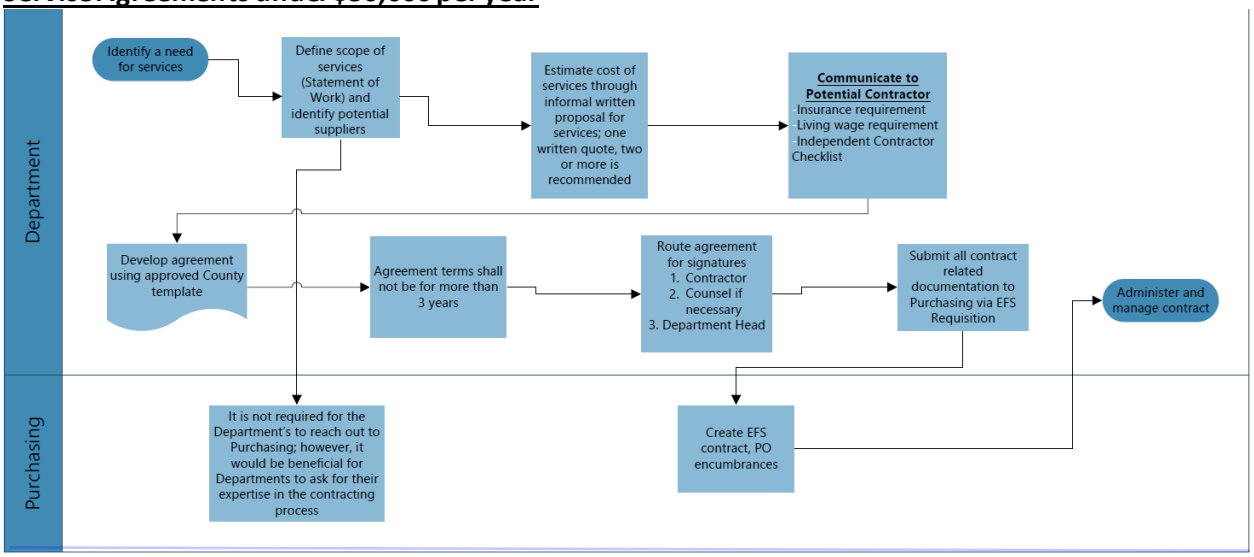


Goods over $60,000

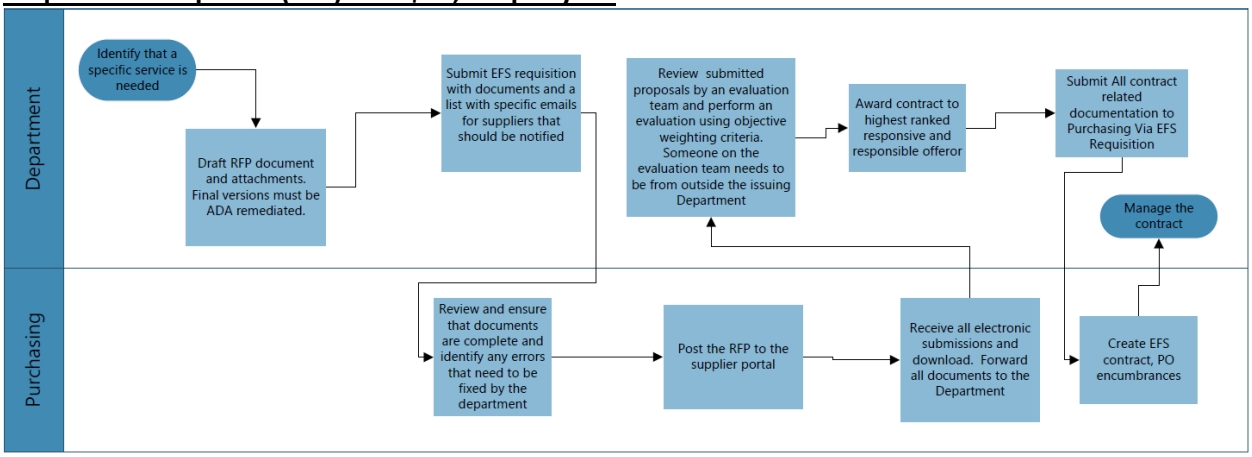


Appendix D: Service Agreements Flowchart

Service Agreements under $50,000 per year



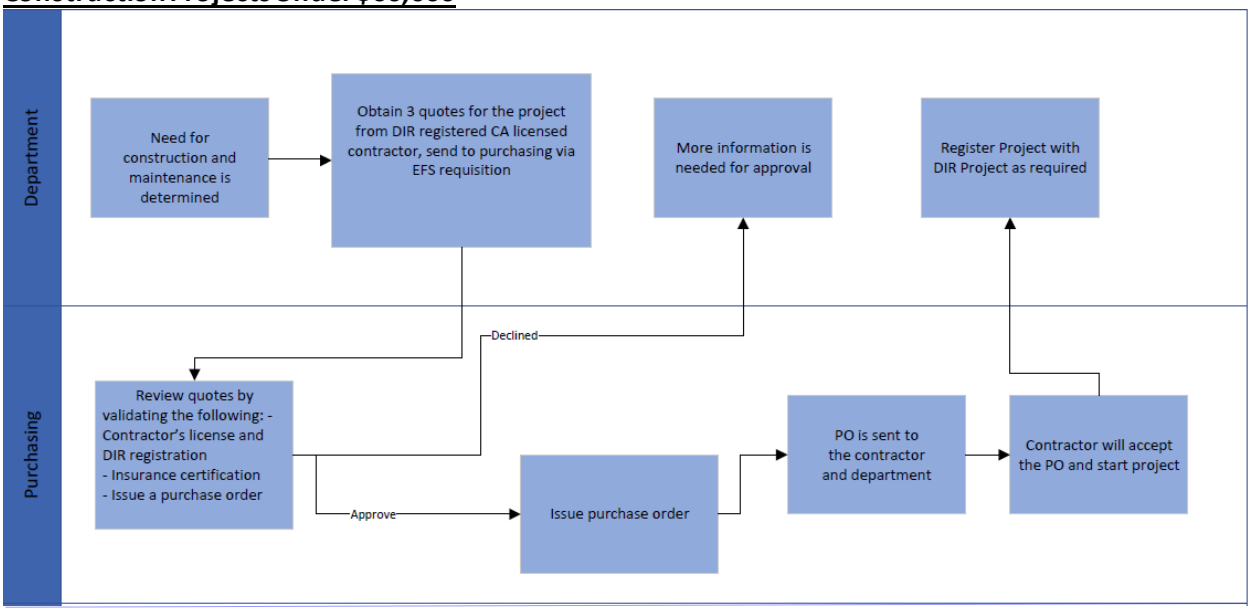
Request for Proposals (RFP) over $50,000 per year



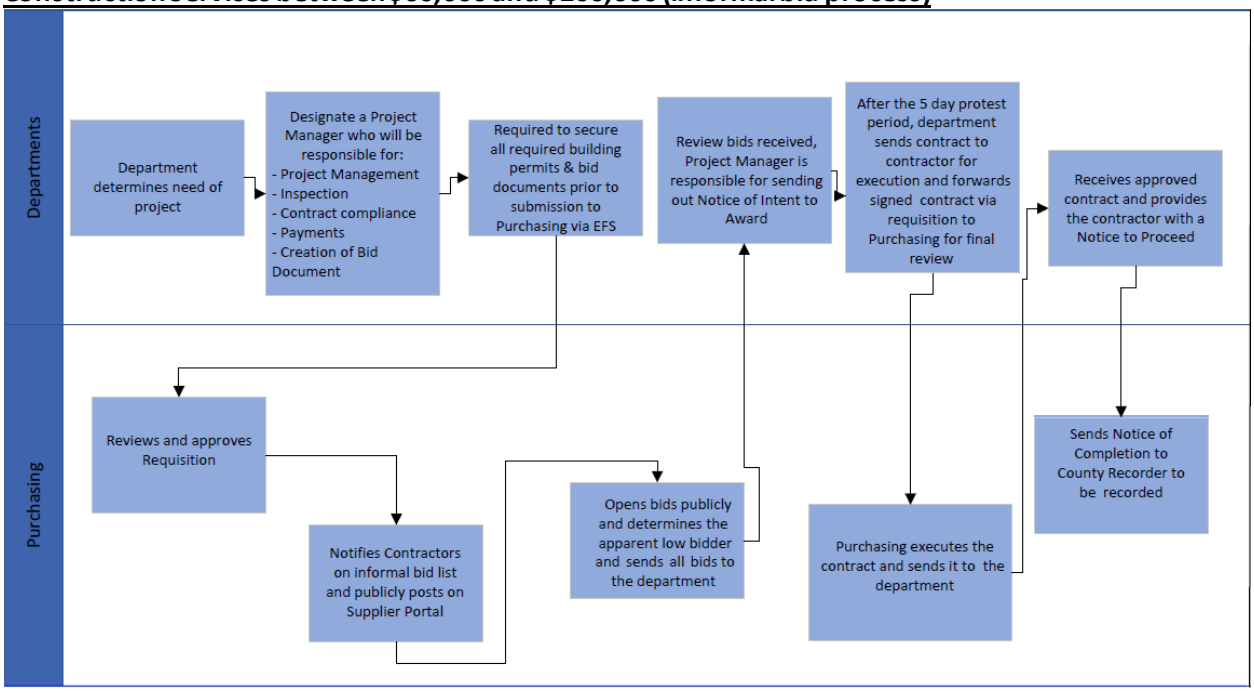
* Request for Proposals (RFP) over $100,000 per year requires the County Board of Supervisors approves the contract. The department performs this duty on their own, but purchasing is available if needed.

Appendix E: Construction Flowchart

Construction Projects Under $60,000

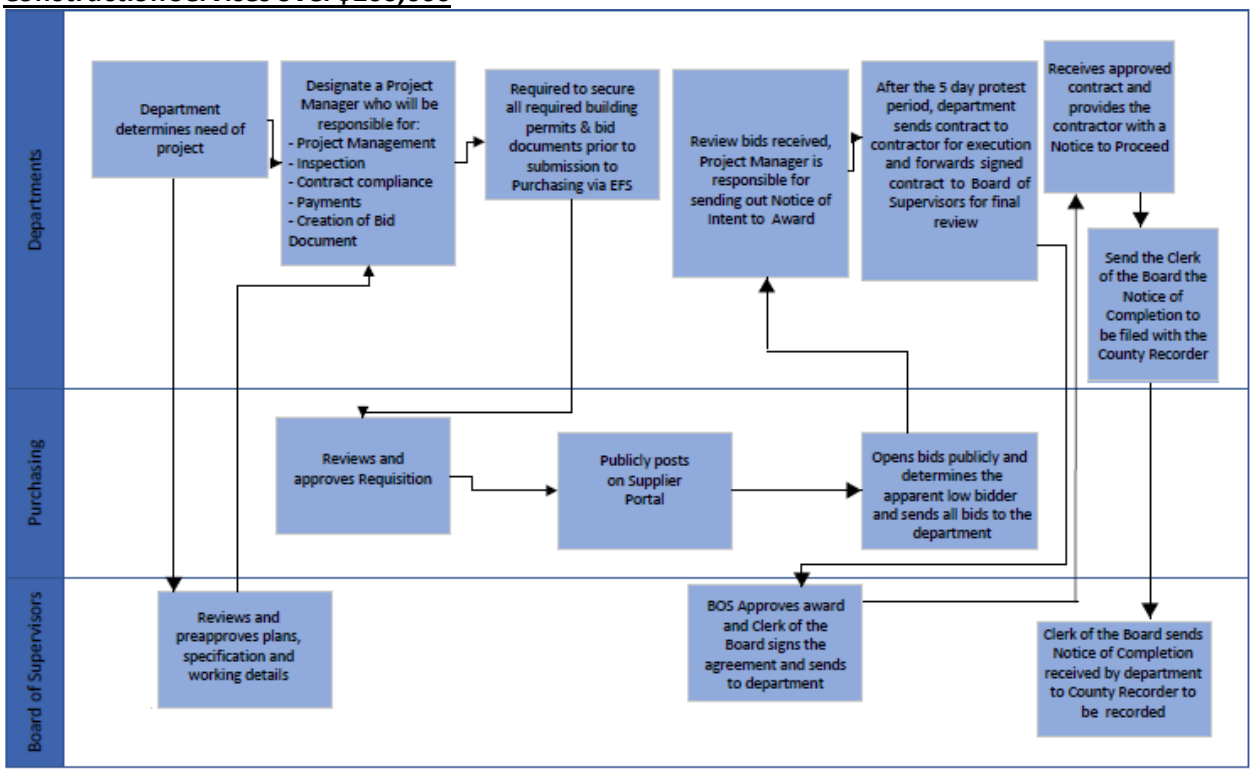


Construction Services between $60,000 and $200,000 (informal bid process)



Appendix E: Construction Flowchart

Construction Services over $200,000



Appendix F: Guidelines for the Establishment and Use of Blanket Purchase Orders (BPOs)

A. DEFINITION

A blanket purchase order is a purchasing agreement structured to achieve the most favorable prices, terms and conditions in the procurement of goods or services required to achieve the maximum benefit of the end user and the County.

Blanket purchase orders can be established for fixed price supply agreements, purchasing agreements based on discounts from published or posted list prices, agreements based upon fair market prices, or for the payment of lease, professional, rental or maintenance agreements established under a master agreement.

There are three (3) types of blanket purchase orders utilized by the County of Sonoma:

- **Supplies.** A purchase agreement established by the Purchasing Agent with a supplier for the purchase of repetitive, high-volume, low-cost maintenance, operational or repair items.

- **Services.** A purchase agreement established by the Purchasing Agent with a vendor for the purchase of repetitive services, labor, and/or labor and materials.

- **Lease, Rental and Maintenance Payments.** A purchase agreement with a vendor for the payment of ongoing lease, rental or maintenance charges established under a master agreement.

B. ESTABLISHMENT OF A BLANKET PURCHASE ORDER

To establish a blanket purchase order, a department shall submit a memorandum with authorized signature to the Purchasing Agent, detailing the specific needs of the department. The memorandum should indicate the suggested vendor, frequency of transactions or need, geographical location(s) of the department to be served, and estimated annual blanket purchase order expenditures.

A memorandum request for establishment of a blanket purchase order will be reviewed by the Purchasing Agent and considered for approval based upon the following criteria:

- Frequency of use
- Reasonableness of prices obtainable
- Geographical location
- Responsiveness and capabilities of supplier
- Average dollar value of items purchased
- Proprietary or sole source:

- **Single Source:** More than one vendor/or supplier exists, however, due to objective reasoning, the County desires to go with a particular vendor or supplier. Note: Most County procurements are single source, and are available from a pool of vendors/suppliers.

- **Proprietary or Sole Source:** Only one vendor or supplier exists, period. This can be due to a patented or licensed technology, limited supply of a rare commodity, etc. Sole source environments are extremely rare.

At a minimum, a documented history of at least one monthly transaction (12 transactions annually) shall be required to warrant establishment of a blanket purchase order.

"Regarding requirements for a new BPO where no prior usage history is available, the requesting department must first demonstrate three (3) months of consistent monthly usage prior to establishing a new blanket purchase order. Blanket Purchase Orders will not be automatically set up without such validation."

Blanket purchase orders may be established with two or more vendors for the procurement of the same goods or services at the discretion of the Purchasing Agent

Blanket purchase orders shall be established as a result of competitive bid, negotiation, sole source or proprietary product justification.

Unless otherwise specified, no minimum dollar expenditure shall be required. However, a maximum expenditure authorization shall be set by the Purchasing Agent for each blanket purchase order approved. No single transaction may exceed the dollar limit established on the blanket purchase order.

Blanket purchase orders are not to be used for the purchase of fixed assets.

Blanket purchase orders are not to be used in place of professional service agreements.

C. INSTRUCTIONS FOR USE OF THE BLANKET PURCHASE ORDER

Only authorized County Departments may make purchases against a particular Blanket Purchase Order. Within a Department, only authorized employees may make purchases under the Department's blanket purchase order authority.

All department personnel picking up goods or ordering by telephone shall be instructed to give the supplier the BPO number or a BPO release number (assigned by the department) and the name of the ordering department. Vendor will need the number for authorization and billing. Employees may be required by the vendor to furnish a valid County employment identification card prior to picking up materials, supplies, or receiving services. For additional security, a valid California Driver's License may be required.

Processing Blanket Purchase Order Release Payments. Blanket Purchase Orders are part of the On-Line Purchasing System. Although it is rarely necessary, BPO payments can still be processed manually.

- **On-line Method.** Department will "KEY" BPO payment into the On-Line Purchasing System. When the BPO Release payment is electronically passed to the Auditor-Controller, the Department will print the Department Head Sign-Off page. The Sign-Off page, signed with an authorized signature on file with the Auditor-Controller, with all appropriate attachments will be sent to the Auditor-Controller. There is no additional distribution, as the information is captured in the On-Line Purchasing System.

- **Manual Method.** Departments will prepare a White Claim for orders placed against the BPO, signed with authorized signature on file with the Auditor-Controller, with all appropriate attachments will be sent to the Auditor-Controller.

Immediately after a purchase is made against the blanket order, the delivery receipt shall be forwarded to the authorizing department supervisor at which time the transaction is verified. Delivery tags are then sent to the department's accounting staff for processing.

Departments can purchase only those items or services specified or allowed on the blanket purchase order. Do not exceed the BPO expenditure limits cannot be exceeded unless previously authorized by the Purchasing Division. If you have a purchasing need beyond the BPO limitations, call the Purchasing Division for assistance. Under no circumstances shall purchases be split in order to circumvent BPO expenditure restrictions.

D. BLANKET PURCHASE ORDER CHANGES

It may become necessary to revise a blanket purchase order after it has been issued. The Purchasing Division is responsible for issuing BPO revisions, copies of which will be distributed to correspond with the original blanket purchase order. Upon extension or expiration of term of the blanket purchase order, a blanket purchase order revision will be issued by the Purchasing Agent, or designee, effecting such action.

E. EARLY TERMINATION OF A BLANKET PURCHASE ORDER

If, in the opinion of the Purchasing Agent, it becomes necessary to terminate a blanket purchase order before its term of expiration, written justification for early cancellation will be documented and the vendor notified of the action proposed. Departments shall be required to closely monitor vendor activity and report to the Purchasing Agent of any poor, unsatisfactory or non performance by a BPO vendor which may result in early termination. The blanket purchase order cancellation shall be effective 30 days from the date of vendor notification during which time the vendor shall be afforded an opportunity to appeal a blanket purchase order cancellation to the Purchasing Agent for final determination.

F. TERMINATION OF BLANKET PURCHASE ORDER DUE TO LACK OF USE

Blanket purchase orders are reviewed annually. When the annual review reveals usage of less than six times per year the blanket purchase order will be cancelled. Reestablishing a cancelled blanket purchase order will be subject to the criteria and process noted above (see paragraph B).

G. BLANKET PURCHASE ORDER AUDITS

To insure the integrity and cost-effectiveness of the blanket purchase order process, it is the policy of the Purchasing Division to review release activity to assure compliance by both the vendor and ordering department in regards to agreement pricing, payment, discounts, and conformity to the terms and conditions of the blanket purchase order. It remains, however, a primary responsibility of the using department to closely monitor blanket purchase order release activity and to approve accurate and appropriate invoice charges.

Purchasing Survey - Departments

The Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office's Internal Audit Division is conducting an audit of the County's procurement and purchasing processes. The primary objective of this audit is to assist management in identifying areas for improvement in procurement and purchasing.

As part of our audit, we would like to gather feedback from Department's on their customer experience with the County's Purchasing Division. You have been identified as an employee who has interacted with the Purchasing Division either recently or frequently. We estimate the survey will take between 5-10 minutes to complete. Your participation will provide valuable feedback regarding the various Department's experience with the procurement and purchasing processes.

Please complete your survey by Monday, December 13, 2021.

Thank you for your assistance.

1. In the past 2 years, which option most accurately represents the frequency of interaction your department has had with Sonoma County's Purchasing Division?

- Weekly
- Monthly
- Annually
- Less than Annually

2. What type of goods or services do you purchase?

3. Please rate your level of satisfaction with Sonoma County's Purchasing processes and system for the following categories:

	Satisfactory	Somewhat Satisfactory	Poor
Knowledge and expertise of Purchasing staff			
PO support			
BPO support			
Bid or RFP support			
Contract processing			
Customer service			
Overall ease of Procurement Process			

Please share your reasons for any 'somewhat satisfactory' or 'poor' ratings above:

Appendix H: Report Item Risk Classification

For purposes of reporting audit findings and recommendations, audit report items are classified into three distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**

Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

- **Risk Classification B: Significant Control Weakness:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

- **Risk Classification C: Control Findings:**

Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.