

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM: 3.78
(ID # 22677)

MEETING DATE:
Tuesday, August 01, 2023

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Approval of the Response to the 2022-2023 Grand Jury Report: County of Riverside Risk Associated with the Lack of Vendor Management and Direct the Response to the Grand Jury, Presiding Judge, and County Clerk-Recorder; All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve, with or without modification, the attached response to the 2022-2023 Grand Jury Report: County of Riverside Risk Associated with the Lack of Vendor Management; and
2. Direct the Clerk of the Board to immediately forward the Board's finalized responses to the Grand Jury, the Presiding Judge, and the County Clerk-Recorder.

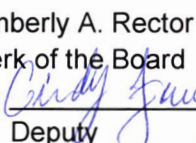
ACTION:Policy


Dave Rogers, Chief Administrative Officer 7/27/2023

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Gutierrez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: August 1, 2023
xc: EO, Grand Jury, Presiding Judge, Recorder

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	N/A	N/A	N/A	N/A
NET COUNTY COST	N/A	N/A	N/A	N/A
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	23/24

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

Penal Code Section 933(c) requires Board of Supervisors comment on the Grand Jury's recommendations pertaining to matters under the Board's control. In addition, responses must be provided to the Presiding Judge of the Superior Court within 90 days of receipt of the report.

ATTACHMENTS:

ATTACHMENT A. 2022-2023 Grand Jury Report: County of Riverside Risk Associated with the Lack of Vendor Management

ATTACHMENT B. Grand Jury Response: County of Riverside Risk Associated with the Lack of Vendor Management


 Sarah Franco, Director of Procurement & Fleet 7/25/2023

**RESPONSE TO
2022-2023 CIVIL GRAND JURY'S REPORT RE:
County of Riverside Risk Associated with
the Lack of Vendor Management**

Following is the response of the Riverside County Board of Supervisors (BOS) and Executive Office (EO) to the findings and recommendations included in the above referenced Civil Grand Jury Report pursuant to California Penal Code §§ 933 and 933.06.

The Riverside County Purchasing & Fleet Services Department, amongst other objectives, establishes procurement policies and procedures to comply with state regulations, provides procurement services, manages countywide contract implementation/compliance, and oversees the procurement card system. The Purchasing Division has recently undergone significant restructuring efforts and increased staffing levels as a result. Though starting FY 22/23 with an adopted 42 positions, the division ended FY 22/23 with an authorized staffing level of 47. The Division's adopted budget for FY 23/24 has this number remaining at 47. This is nine more than the 38 positions authorized in FY 21/22, which also includes additional Purchasing staff requested by customer departments. The total adopted budget for the Purchasing Division in the FY 22/23 adopted budget was \$4,840,850; and the adopted budget for FY 23/24 is \$5,060,908.

As part of the restructuring efforts, the Division reinstated the Procurement Compliance Officer role (it was eliminated in 2020) and the position was filled in February of 2023. Recognizing that the work of the Purchasing Division comes with inherent risks, one of the several strategic initiatives underway is forming a more robust centralized compliance program, which will include a focus contract management and vendor relations. It should be noted that vendor relations is a multi-faceted undertaking that is not wholly centralized within any one department in the County. The Auditor Controller's Office (hereinafter ACO), Purchasing, and customer departments all have varying roles and responsibilities in the deployment of contracts and vendor relationship management. Specifically, the ACO plays an important role in the oversight of vendor registration in the financial system, W9 information, and other areas, including audits, related to their expertise. Vendor service delivery oversight post-award and during the contractual period best fits with the expertise of customer departments who work more closely with the vendor, while compliance and resources such as standard operating procedures are best facilitated utilizing Purchasing's expertise.

FINDINGS

Grand Jury Finding #1:

The Grand Jury finds the County does not have documented Standard Operating Procedures (SOP) for vendor management, on post-award contracts. The Grand Jury was unable to find specific guidance for oversight of vendor management as it relates to post-award contracts for goods and/or services. There are no defined or documented responsibilities for purchasing authorities related to post-award vendor contracts. These SOP would apply uniformly to both centralized and decentralized (embedded) purchasing authorities.

Response to Grand Jury Finding #1:

The respondents disagree wholly with the finding.

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The County does have a Standard Operating Procedure for vendor management on post-award contracts. Board of Supervisors Ordinance 459, Section 5(i) specifies that the County Purchasing Agent shall "Maintain the County Purchasing Policy Manual as the source for Purchasing Staff and Department staff to obtain current information on County purchasing requirements." The Purchasing Policy Manual contains an entire section on Vendor Relations, specifically Section 12. The relevant portions as it relates to vendor management, and the responsibilities of both Purchasing and customer departments, is contained in subsection 3 as follows:

Vendor Contract Compliance - Whenever a department determines a vendor has not satisfactorily delivered the goods or services contracted for by a purchase order and/or contract, the department should address the problem by initiating a Supplier Corrective Action Form located at Purchasing's Intranet Forms website. It should never be assumed that contract performance problems will work themselves out. Departments whenever possible should give vendors the opportunity to cure issues or problems.

Once a Corrective Action Form has been issued, follow up with the contractor until the problem is resolved or contact County Purchasing. A copy of the Corrective Action Form and all related correspondence should be placed in the vendor/contract file. If the vendor does not correct the issues/problems the next step is to work with your procurement liaison to issue a cure notice. The final step in the compliance process is to issue a termination notice to the vendor. The issuance of the termination notice must be coordinated with the procurement liaison or the Procurement Services Officer. If used correctly, these corrective action procedures can influence better vendor performance, improved contracts, and increased customer satisfaction. Departments are encouraged to document and report all poor or deficient performance. End users need to understand the importance of ongoing documentation and reporting and not wait until it is time to award a new contract to decide that the product or service does not meet your needs. It is impossible for County Purchasing to disqualify products or services without previous documentation.

A copy of the Supplier Corrective Action form is located on the Purchasing Intranet site for departmental customer use. Further, the Vendor/Contractor feedback form is also located on the site and is to be used by departmental staff post-award to monitor suppliers in the areas of communication, performance, timeliness, management, professionalism, and outcome(s), as recommended by the Purchasing Manual referenced above. Finally, Purchasing staff provide training on vendor management as part of the Purchasing curriculum for those granted buying authority and having contract oversight responsibilities post-award.

Grand Jury Finding #2:

The Grand Jury finds the County has no compliance administration oversight; periodic reviews of existing contracts to determine adherence to compliance mandates and protocols and to check for nonconformities. The recently added Procurement Compliance Officer has not established the

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administration of a County-wide Contract Compliance/Audit Program.

Response to Grand Jury Finding #2:

The respondents disagree partially with the finding.

Purchasing provides compliance administration oversight when notified by customer departments that a vendor is not performing, that corrective action is warranted, and/or that termination of the contract is necessary. Departmental staff responsible for contract administration post-award are conducting periodic reviews of existing contracts and checking for non-conformities using the tools developed and available from the Purchasing Division.

The Purchasing Division underwent a major restructure in late 2022, which included the re-installation of a Procurement Compliance Officer (PCO) position. The PCO was selected in February of 2023, and Purchasing is currently in the process of developing a more robust compliance program. Components of the program will more fully address the Grand Jury findings related to compliance administration oversight and periodic reviews of existing contracts to determine adherence to compliance mandates, and protocols departmental staff should utilize to check for nonconformities.

Grand Jury Finding #3:

The Grand Jury finds the County has multiple vendor risks such as compliance, financial, information security, operational and reputation associated to regulations and best business practices, without a formal risk assessment or performance-based review (contractually agreed upon expectations) of vendors on a regular scheduled timeframe.

Response to Grand Jury Finding #3:

The respondents disagree partially with the finding.

Risk is inherent in procurement work and vendor relations, but there are several entities involved in mitigating them beyond the Purchasing Division, including the Office of the Auditor Controller, County Counsel, and county departments.

Further, as previously stated, the Purchasing Division underwent a major restructure in late 2022, which included the re-installation of a PCO position. The PCO was selected in February of 2023, and Purchasing is currently in the process of developing a more robust compliance program, which will include components aimed at more fully addressing the Grand Jury findings related to mitigating vendor risks.

Grand Jury Finding #4:

The Grand Jury finds the County has insufficiencies in the lack of required fields in the Purchasing module in PeopleSoft Financials 9.1; most prevalent being "Expire Date."

Response to Grand Jury Finding #4:

The respondents agree with the finding.

In the Peoplesoft Financials 9.1 system, the “Expire Date” field did not require an entry when a contract was entered in the module. However, the County of Riverside began an upgrade of the Peoplesoft Financials system from version 9.1 to 9.2 in April of 2022, which included modules used for procurement. Peoplesoft Financials 9.2 went live on May 30, 2023, and the “Expire Date” field, as well as other critical fields for contract administration and oversight, are required entries in the system.

Grand Jury Finding #5:

The Grand Jury finds the County has no standard procedures for optional data entered into the Purchasing module in PeopleSoft Financials 9.1; this includes contract comments, forms/templates that are uploaded, document naming conventions and linking Purchase Orders to existing established contracts. There is not any guidance or documentation to enforce consistency on vendor file structure.

Response to Grand Jury Finding #5:

The respondents disagree wholly with the finding.

The Purchasing Division ensures that current and new Procurement Contract Specialists' and others with buying authority responsible for entering the “optional” data in the system receive training and job aides on how to properly do so in the Peoplesoft 9.2 system, as was the case for previous systems used. Amongst other entry information, the job aides direct the user on how to enter a contract, how to build a standard contract naming convention, and how to successfully link a contract to a purchase order.

Grand Jury Finding #6:

The Grand Jury finds the County has no documented processes, either queries or standardized reports, to extract active contract data from PeopleSoft Financials 9.1 in order to monitor contract's pivotal milestones, such as expiration date, contract's total expended dollars, specific contract type, specific vendors, etc.

Response to Grand Jury Finding #6:

The respondents disagree wholly with the finding.

The County of Riverside began an upgrade of the Peoplesoft Financials system from version 9.1 to 9.2 in April of 2022, which included the Purchasing modules. Peoplesoft 9.2 went live on May 30, 2023. Both the former Peoplesoft Financials version 9.1 and the current version, 9.2, have query functionality with standardized and customized reporting features which provide the contract data in question.

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Grand Jury Finding #7:

The Grand Jury finds in the review of Internal Audit reports issued from 2017 through 2023, it was determined Internal Audits performed only one audit (issued in 2023) which focused on Purchasing policies and procedures. The audit highlighted several significant findings relating to "Purchasing Processes," "Purchase Orders" and "Contract Monitoring."

Response to Grand Jury Finding #7:

The respondents disagree wholly with the finding.

The ACO regularly conducts audits of county departments, and at the outset considers whether to include purchasing policies and procedures within the scope of the overall audit. If, at the initial outset of the audit, it is determined that there appear to be no significant purchasing-related concerns, they are not included in the scope. If the initial review reveals that there may be concerns or potential findings, the scope is expanded to include a review of whether purchasing policies and procedures have been adhered to by the subject department.

Further, audit reports issued by the ACO in 2022 and 2021 (specific examples listed below) included purchasing policies and procedures within the scope of the audit and contained related findings.

2022-013 – Behavioral Health Department Audit
2022-016 – Transportation (TLMA) Department Audit
2022-018 – Sheriff/Coroner Department Audit
2022-019 – Economic Development – County Service Area Audit
2022-021 – Riverside University Health System – Medical Center Audit
2021-011 – Fire Department Audit
2021-018 – Registrar of Voters Audit
2021-020 – Emergency Management Department Audit

RECOMMENDATIONS

Grand Jury Recommendation #1:

The Grand Jury recommends the Purchasing Division establish formal risk assessments on vendors. Dependent upon whether the vendor is high risk, moderate risk or low risk will dictate the spacing of assessments. High risk, at least annually. Moderate risk can be spaced to bi-annually. Low risk vendors, every three years is sufficient.

Based on Finding 3

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Financial Impact: Minimal
Implementation Date: June 30, 2024

Response to Grand Jury #1:

The recommendation requires further analysis.

Performing vendor assessments is a mechanism to mitigate risks in procurement and the Purchasing Division, along with other stakeholders that manage vendor relations, will work to implement them. The scope and parameters of the recommendation that require further analysis are the tools, resources, and frequency by which the vendor risk assessments will occur.

Implementation Date: June 30, 2024

Grand Jury Recommendation #2:

The Grand Jury recommends the Purchasing Division establish performance-based reviews on vendors. These should also be frequent as it enables the County to recognize emerging issues and remediate them prior to becoming a serious problem. High risk, at least annually. Moderate risk can be spaced to bi-annually. Low risk vendors are transactional, therefore reviews are not always necessary. However, certain events or issues may warrant a more frequent review, in particular a vendor who has experienced a data breach.

Based on Findings 1, 2
Financial Impact: Minimal
Implementation Date: June 30, 2024

Response to Grand Jury Recommendation #2:

The recommendation requires further analysis.

A process is already in place for post-award vendor reviews by county departments, which includes a performance review component. Further, the performance reviews, coupled with corrective actions (i.e., cure notices, termination of contracts, etc.,) aide the County in recognizing emerging issues and remediating them before they become serious issues.

However, to strengthen the County's ability to mitigate risk related to contracts and vendor relations, Purchasing is currently in the process of developing a more robust compliance program and formalizing the specific components, which will include additional tools and training for departments to oversee contracts post-award and conduct vendor performance reviews.

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Implementation Date: June 30, 2024

Grand Jury Recommendation #3:

The Grand Jury recommends the Purchasing Division establish Standard Operating Procedures (SOP) responsibilities for post-award administration of contracts for goods and/or services. This would need to include the oversight of contract and vendor performance and ongoing monitoring of contract administration for compliance with contract requirements.

Based on Finding 1
Financial Impact: Minimal
Implementation Date: June 30, 2024

Response to Grand Jury Recommendation #3:

The recommendation has been implemented.

A Standard Operating Procedure (SOP) for vendor management on post-award administration of contracts already exists, via the Purchasing Policy Manual, at Section 12. That said, and to strengthen the County's ability to mitigate risk related to contracts and vendor relations, Purchasing is currently in the process of developing a more robust compliance program and formalizing the specific components, which will include additional tools and training for departments to oversee contracts post-award to conduct vendor performance reviews thereby ensuring compliance with the contract requirements.

Implementation Date: In effect prior to the Grand Jury report.

Grand Jury Recommendation #4:

The Grand Jury recommends the Purchasing Division establish County-wide standard procedures for optional data fields entered into the Purchasing module in PeopleSoft Financials 9.1 (and all future PeopleSoft upgrades); to include contract comments, uploaded forms/templates, document naming conventions and ensuring Purchase Orders are linked to existing established contracts.

Based on Findings 4, 5
Financial Impact: Minimal
Implementation Date: September 30, 2023

Response to Grand Jury Recommendation #4:

The recommendation has been implemented.

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Job aides and training curriculum already exist to ensure that current and new PCS's responsible for entering "optional" data in the Purchasing module system and other with buying authority do so consistent with the recommendation of the Grand Jury.

Implementation Date: May 30, 2023

Grand Jury Recommendation #5:

The Grand Jury recommends the Purchasing Division develop and incorporate standardized reporting tools to be used for routine monitoring of active contracts.

Based on Finding 6
Financial Impact: Minimal
Implementation Date: December 31, 2023

Response to Grand Jury Recommendation #5:

The recommendation has been implemented.

Peoplesoft 9.2 went live on May 30, 2023, and includes standard and customized reporting tools to aide in the routine monitoring of active contracts.

Implementation Date: May 30, 2023

Grand Jury Recommendation #6:

The Grand Jury recommends the Purchasing Division and Internal Audits, incorporate vendor management audits to review processes and ensure contracts contain adequate provisions for oversight; that vendors are held accountable for compliance with requirements; that the County's contract administrators are fulfilling their required roles. Performing a vendor management audit can help highlight potential risks, inefficiencies, and compliance issues, before they become a problem.

Based on Findings 2, 7
Financial Impact: Minimal
Implementation Date: June 30, 2024

Response to Grand Jury Recommendation #6:

The recommendation has not yet been fully implemented but will be implemented in the future.

Components of the Grand Jury recommendation are already occurring within the audits performed

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by ACO. However, Purchasing and the ACO (Internal Auditing and General Accountings) currently have regular standing meetings to discuss tools to strengthen internal controls over vendor management and through that existing process will work to implement this recommendation more fully by establishing a formal process by which vendor management audits are performed, including identification of the specific tasks to be conducted by each entity.

Implementation Date: June 30, 2024

Grand Jury Recommendation #7:

The Grand Jury recommends Internal Audits adopt the Institute of Internal Auditors six primary elements of vendor management and expand the annual audit plan to include these for all County departments.

Based on Finding 7
Financial Impact: Minimal
Implementation Date: June 30, 2024

Response to Grand Jury Recommendation #7:

The recommendation has been implemented.

The six primary elements of vendor management from the Institute of Internal Auditors represents best practices which the ACO currently follows and will continue to be used to assess if there is potential risk with each department at the beginning of their audit.

Implementation Date: In effect prior to the Grand Jury report.