County of Orange

Procurement Governance Report

April 18, 2025

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Scope and Objective

In October 2024, MGO commenced an engagement with the County of Orange (County) to assess its procurement governance. Specifically, MGO reviewed the County's policies, procedures, and processes to ensure that: 1) operations are streamlined; 2) purchasing functions are efficient, transparent, and cost effective; and 3) its procurement governance is in accordance with applicable County, state, and local laws, regulations, and policies. As part of this assessment, MGO identified improvements to the internal control environment over procurement governance.

Methodology

To gain an understanding of existing procurement practices, areas of primary concern, the regulatory and political environment, and staff resources and constraints, MGO conducted 10 interviews and four process walkthroughs with County staff. We spoke with 24 individuals spanning a variety of roles but primarily those directly involved in the purchasing function (e.g., Deputy Purchasing Agents [DPA], those approving invoices from vendors) or those with an administrative and/or oversight role (e.g., staff overseeing the procurement professional development program, those tasked with developing Countywide cooperative contracts). The staff interviewed were from the following departments, divisions, or offices:

- Auditor-Controller
- County Executive Office
  - County Procurement Office
  - Human Resource Services
- John Wayne Airport
- Sheriff-Coroner
- Walkthrough: Community Resources
- Walkthrough: Health Care Agency
- Walkthrough: Public Works
- Walkthrough: Systems Manager (County Procurement Office).

We also interviewed the following:
- Campaign Finance and Ethics Commissioner
- Board Supervisor.

Additionally, we reviewed guidance documents, reports, and other information, including but not limited to:
- Contract Policy Manual (CPM), last updated in September 2024
- Procurement Policy Manual (PPM), version from October 2024
- Revised County Events Policy and Procedures, as of November 2024
- Other policy documents: the Orange County's Environmentally Preferable Purchasing Policy Best Practices Guide, The Levine Act, sections of the Government Code, Charter of the County of Orange, etc.
- Compliance audits conducted over the previous three years (2021 to current), as well as department responses and improvement plans (where available)
- Organization charts
- The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control Framework (COSO Framework), which provides a model for evaluating internal controls within an organization
   - Note: We evaluated the County's internal controls over procurement processes against the COSO Internal Control Framework
- Other documents.

Next, we developed a matrix tabulating the major themes reported by staff in the interviews and walkthroughs. In our observations, we detail our analysis.

DISCLAIMERS

The results of the assessment reported do not constitute an examination made in accordance with attestation standards, the objective of which would be to express an opinion or conclusion. Furthermore, we do not express an opinion or make a representation related to the accuracy or completeness of the information provided by management. The sufficiency of the scope is solely the responsibility of the County of Orange. This report is intended solely for the information and use by the County of Orange and its management and is not intended to be, and should not be, used by anyone other than the specified parties.

Observations

Observation 1: Policies and Procedures Are Comprehensive and Everchanging, and Can Be Overwhelming

Category: **Control Finding**

The County's primary procurement policy document is the Contract Policy Manual (CPM), a comprehensive guide outlining policies governing all major areas of County purchasing like invitations for bid (IFB), requests for proposal (RFP), use of purchasing cards, and policies promulgated by the Board of Supervisors (Board). The CPM is supplemented by the extensive Procurement Procedures Manual (PPM) which provides direction on how to implement the policies within the CPM. While these resources provide guidance to employees and decisionmakers related to applicable procurement laws, regulations, and policies and procedures, the presentation of information, as well as the everchanging nature of the guidance, can be challenging and is affecting staff retention of information and compliance, due to the volume of communication. Our observations are summarized in Exhibit 1.

Exhibit 1: Observations Related to Policies and Procedures

Observation	Details
Staff believe that having a dedicated team in the County Procurement Office (CPO) focusing on policy guidance improves efficiency and compliance to regulations	• Improved collaboration, transparency, and openness of the CPO with user departments in comparison to prior years • Improved culture of responsiveness and accessibility of CPO to department staff • The majority of staff are supportive of the CPO's current standardization efforts and receptive to greater standardization in Countywide procurement operations
Navigating policy and procedure manuals can be overwhelming	• Length, volume, and structure of the information is difficult to navigate • Even with trainings of new and enhanced information, staff still find it difficult at times to access pertinent information quickly • Staff shared that it can be difficult to keep track of all the revisions and policy updates

Desire for more tactical guidance when policy changes occur	• When policy changes occur, department purchasing staff do not always know how to apply the changes to their respective operations or procurement types which results in misinterpretation and misapplication of amended policies
	
	• Staff suggested:
	   o Involving the appropriate department County Counsel representatives earlier in the policy development and rollout process
	   o The CPM and PPM should provide more explicit guidance related to human services contracts

Weblinks in intranet and external websites not always active	• Policy manuals contain weblinks to the County's intranet and external websites
	   o We did not test whether intranet links are active as we do not have access as an external contractor
	   o We did observe that some external links were inactive
	   o The inaccessibility of resource links can create a frustrating user experience, defeats the purpose and value of having embedded links in the manuals, and risks information not being up-to-date

Source: MGO-generated based on interviews and walkthroughs.

The COSO Framework (as mentioned above) prescribes that entities should develop and adhere to control activities, which are actions established through policies to help ensure that management's directives to mitigate risk are implemented. Additionally, the COSO Framework states that management should obtain, generate, and use relevant and quality information from internal and external sources to enable staff to receive clear messaging from management and support the functioning of their operations.

Based on our assessment, the CPO is following many best practices in this regard and has developed policies and procedures and other mechanisms to communicate guidance and compliance expectations. For example, the CPO regularly updates policies, procedures, and guidance and disseminates this information consistently. The CPO distributes information through multiple channels and formats, including but not limited to:
- Monday Messages sent weekly to all DPAs
- Bi-monthly DPA all hands meetings
- Bi-monthly Procurement Council meetings
- Quarterly newsletters
- All-hands meetings
- The CPO website
- CPO ticketing system (see **Exhibit 2** for more details)
- Annual surveys

However, there is a disconnect between the breadth of resources and ease of navigating those resources. As the County continues to improve its processes, it should re-evaluate the user-experience based on: 1) how and when information is communicated; 2) the ease, volume, and searchability of the information provided; and 3) the relevance to and retention of the information by the respective departments, particularly related to the Procurement Council. To that end, it was noted that representatives on the Procurement Council are either not sharing or retaining relevant information from meetings, including time-sensitive action items required of department procurement staff related to the OpenGov implementation. The Procurement Council is a critical mechanism for communicating information in a timely manner.

Moreover, an additional consideration is to maximize the OpenGov and ERP system implementations. Wherever possible, these systems should be configured to automatically populate current templates and embed instructions for use without staff having to manually search through communications for the relevant and most updated information.

Recommendations

1. Include additional guidance on complex or unique contract types, specifically human services contracts, in the Contract Policy Manual (CPM) and the Procurement Procedures Manual (PPM), and continuously work with staff to better understand the specific guidance they are seeking.

2. At least annually, verify and update links and references in the following resources to ensure users can access the noted additional internal and external resources:
    - Contract Policy Manual (CPM)
    - Procurement Procedures Manual (PPM)
    - CPO Website
    - Training Documents

- Frequently Asked Questions (FAQs).

3. Continue to engage staff regularly (through surveys, meetings, and other channels for feedback) to understand communication preferences, gaps, and needs.

4. Standardize and automate updates in systems and templates to minimize staff manually updating documents or incorrectly interpreting policy guidance.

Observation 2: Multiple, Disparate Technology Tools and Systems Are Creating Inefficiencies

Category: **Control Finding**

Over the last few years, the County via the CPO has made significant progress in steering departments to use the existing platforms that make up the procurement workflow. As shown in **Exhibit 2**, there are six primary applications in use, though the County utilizes additional applications to manage procurement workflows and requirements (like Eureka for professional development trainings). This results in inefficiencies and staff frustration stemming from having to use disjointed and multiple platforms for different components of their work. These inefficiencies include: 1) duplication of staff effort in data entry; 2) staff designing workarounds to pull information or relevant reports; and 3) inconsistent usage and access by staff to the aforementioned applications.

Exhibit 2: Procurement Systems and Technologies

SYSTEM OR TOOL	USE AND DETAILS
OC Expediter	**Use: Requisitions, Contract Management, and Customer Support Tickets** • Used by procurement staff to create requisitions and manage contracts • Located on County intranet, hosted on SharePoint • Host site for CPO Support Tickets, the customer support ticketing system department procurement staff use to submit questions or concerns to the CPO
Pavilion	**Use: Regional Cooperative Contracts** • Used by procurement staff to search for regional cooperative contracts
CAPS+	**Use: Purchasing and Invoicing** • Serves as the County's purchasing and invoicing system • CAPS+ Data Warehouse takes data from CAPS+ and creates reports, however, OC Expediter and CAPS+ are not fully integrated
OpenGov (OG)[1]	**Use: Contract Development** • Starting July 1, 2024, all department procurement staff transitioned off BidSync and onto OpenGov for contract development • Launched in July 2023 • Procurement staff were instructed to beta test templates from November 2023 – July 1, 2024, and identify issues and send requests for revisions to the CPO

DocuSign	**Use: E-signatures**
	• Used Countywide for e-signatures (however, at least one department cannot utilize this platform due to data privacy constraints)
	• Integrated in OpenGov
Procurated	**Use: Review and Rate Vendors**
	• Used by procurement staff to review and rate vendors online as part of the supplier performance review
	• Integrated in OpenGov

Note: For the purposes of this memo, we will not delve deeply into specific functionality or issues related to the various technologies and platforms mentioned in this section since many of them will be (or already are being) phased out with the OpenGov and County's new Enterprise Resource Planning (ERP) system implementations.

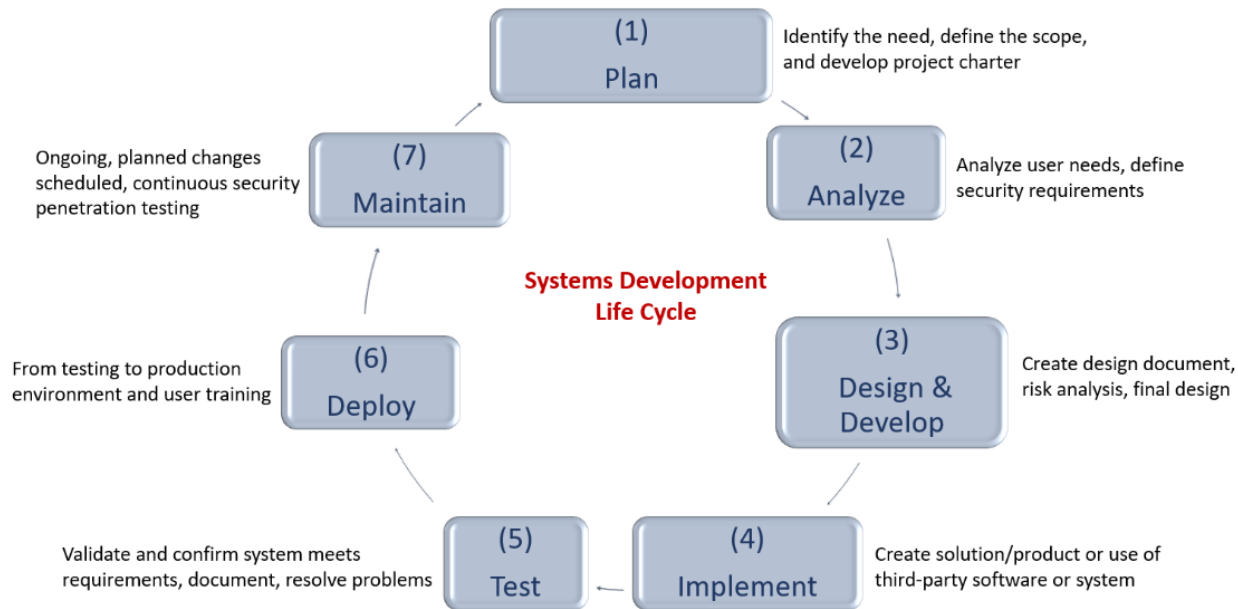*Source: MGO-generated based on interviews and walkthroughs.*

Based on our interviews, we observed that staff had issues with at least one or more of these applications. They expressed a desire for integrating the various platforms to encompass all components of the purchasing process from requisition through invoice payment and project closeout. It should be noted that the County is in the process of designing such a solution. The solution would occur through OpenGov or via the implementation of a new Enterprise Resource Planning (ERP) software that can integrate the systems in use.[1]

As the County configures its ERP software, this is the ideal time to consolidate procurement technology and integrate systems. It will be equally important to prepare clear plans for doing so and communicate these plans (and any changes) to all relevant staff and stakeholders so expectations and roles are clearly defined. As such, we advise the County to consider the Systems Development Life Cycle (SDLC) or a similar framework as part of its systems integration efforts. SDLC is a framework focused on, but not limited to, system planning, development, and testing. Overall, the framework is intended to ensure that systems (and software) meet end user needs, are appropriately resourced, are implemented effectively, and are maintained with consideration of system security. **Exhibit 3** provides an overview of the SDLC framework.

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[1] *OpenGov is a cloud-based software solution designed specifically for governments to manage budgeting and planning, permitting and licensing, procurement, asset management, financial tracking and reporting, and even tax and revenue data. The County currently uses OpenGov for its grant management and procurement modules and is the process of testing the Cartegraph Asset Management module for the management of the County's capital assets.*

Exhibit 3: Systems Development Life Cycle Steps

Source: MGO-generated based on review of the Global Technology Audit Guide (GTAG) International Professional Practices Framework (IPPF) Practice Guide – Auditing IT Projects guidance and the ISACA IS Standards, Guidelines and Procedures for Auditing and Control Professionals and benchmarking.

Recommendations

5. The County Executive Office and County Procurement Office should work with the Auditor-Controller to ensure that best practices are being followed and to consider the elements outlined in the Systems Development Lifecycle Framework (or similar) to continue in planning efforts to elicit input from all relevant user departments to properly test and deploy the new Enterprise Resource Planning (ERP) system.

6. In collaboration with other purchasing staff and stakeholders, the County Procurement Office should:

    a. Continue in its planning efforts to elicit input from stakeholders to inform their decision on which system to utilize for procurement workflows, and

    b. Continue in its planning efforts to identify and align resources, inclusive of creating a transition plan, developing data migration protocols, updating policies and procedures, etc. (in conjunction with Recommendation #7).

Observation 3: Lack of Standardization Is Creating Operational Inefficiencies

Category: **Control Finding**

Established Templates in OpenGov are Creating Inefficiencies and Need Improvement

As discussed above, the OpenGov implementation is underway and all Countywide procurement staff have been mandated to use OpenGov for contract preparation as of July 1, 2024. However, departments reported encountering obstacles with the usability of the templates in the system (e.g., one-time construction template, amendment templates, issues with recitals, formatting errors, etc.). Staff indicated that using the current standard contract template, which took considerable time and effort to launch, has significantly increased the amount of time to prepare a contract.

Based on our interviews, the inefficiencies experienced when preparing contracts in OpenGov may be a result of: 1) department staff not engaging in the development of contract templates when the CPO was seeking input; 2) departments not testing the templates adequately prior to the official switch from BidSync to OpenGov; and 3) department staff's lack of engagement in the existing decentralized procurement operating environment.

For example, according to the CPO, numerous communications were disseminated about the OpenGov implementation. The CPO also conducted outreach to user departments to participate in various workgroups tasked with designing templates, assessing usability, etc. However, both department and CPO staff indicated that it was difficult to convince department staff to participate in these efforts. To that end, several staff explained that the unwillingness to participate in CPO-led initiatives stems from heavy workloads, time constraints, or other factors. Other factors include not receiving information about initiatives or staff being told by department leadership that they do not need to (and should not) participate.

It is imperative that all relevant departments and their staff fully participate in the implementation of OpenGov and/or the new ERP system. On a positive note, department staff are more actively engaged in submitting tickets for improvements to and issues they are encountering in OpenGov. While multiple staff noted that they have yet to see any substantive improvements, the CPO is working to incorporate revisions to templates as well as streamlining certain functions (enhancing searchability, consolidating automated email notifications, etc.).

Inefficiencies in the Invoice Approval Process are Leading to Vendor Invoice Delays

Relatedly, there are inefficiencies in the Auditor-Controller's invoice approval process according to staff. During our interviews and walkthroughs, staff expressed that this process was frustrating, unclear, and inconsistent due to the perceived lack of established and agreed-upon protocols. For example, staff noted that: 1) invoice denials seemed driven by inconsequential factors like grammatical preferences; and 2) invoice approvals can be rejected by one staff while being accepted by others. These inconsistencies have caused delayed payments to vendors. In fact, staff indicated that untimely payments may be contributing to vendors' lack of interest in working with the County, especially those small businesses that cannot afford to wait on late payments.

Recommendations

7. The County Procurement Office should continue to prioritize current efforts to revise OpenGov system templates and resolve major functionality issues within the next six months.

8. The County Executive Office should require full department participation in procurement workflow design and evaluation and for department staff to provide timely feedback to the County Procurement

Office to ensure templates are appropriately designed and functional to effectively conduct procurement activities.

9. While the ERP system implementation is underway, the County Procurement Office should collaborate with the Auditor-Controller Department and with department users to improve the invoicing process, for example, by developing standard invoice approval protocols, and documenting and making them accessible for all relevant staff to follow.

10. The County Procurement Office should collaborate with the Auditor-Controller Department to establish and track performance metrics around timely vendor payments and put in place an accountability system to ensure performance to standards.

Observation 4: Staffing-Related Issues Are Adversely Impacting Operations

Category: **Significant Control Weakness**

While some staff shared the belief that the County is sufficiently staffed overall in terms of total procurement personnel, other interviewees expressed a need for additional staffing resources to meet existing workload demands. For instance, certain departments with routinely complex or high volumes of procurements noted gaps in staffing to meet those demands. To address these concerns, the CPO is currently endeavoring to quantify procurements by complexity and time-intensity to better understand potential workload imbalances and staffing needs by department and functional area. Nonetheless, we heard from nearly all participants that it is very challenging to recruit new procurement staff into the County.

Difficulty Recruiting and Retaining Staff

Nearly all departments we spoke with experienced losing procurement staff to other County departments and expressed dissatisfaction with the overall difficulty in filling positions. Several also mentioned that they are understaffed in the number of allocated positions due to: 1) prior staffing cuts, 2) changes or enhancement in service delivery that have not been met with a commensurate increase in staffing resources, or 3) staff transferring between departments when positions become available. These factors are exacerbated by the challenge of competing with external agencies in the region that offer higher compensation, according to staff.

The County needs to further study staff recruiting and retention issues, which may include: 1) conducting a compensation study to ensure wages offered by the County are competitive in the region, and 2) centralizing the deployment of procurement staff under the County Procurement Officer's purview. Centralization would allow for the most agility and flexibility to allocate staff and other procurement resources based on fluctuating demands, workload imbalances, and economies of scale. Furthermore, the CPM dictates that it is the County Procurement Officer's duty to develop training for procurement professionals in the County. As such, the County Procurement Officer is best positioned to oversee the design and implementation of a cross-training program to ensure strategic deployment of the County's nearly 300 purchasing staff in areas of greatest need or highest priority.

Compliance Audits Are Not Occurring

The CPM also confers to the County Procurement Officer the duty of developing and implementing a compliance monitoring plan including performance measures. To this end, there is a unit within the CPO currently budgeted at two positions to conduct compliance audits of department purchases. However, these positions are vacant, thus compliance audits conducted via the CPO are not currently occurring and will be on hold until the vacancies can be filled. Additionally, there are also "compliance units" located within select departments (e.g., Public Works). However, the role of these department-embedded compliance units differs from team to team. Interviewees raised concerns that audits completed by these department-based teams are not comprehensive and do not necessarily verify compliance to County policies and procedures and best practices. Instead, the audits are more cursory with checks for errors and missing documentation in procurement files.

Previous audits conducted by the CPO's compliance unit routinely found instances of noncompliance with County policies and procedures, from procurement files missing critical information to errors in contracts (like incorrect final award amounts) and missing approvals. Those findings point to a potential gap in staff knowledge about procurement policies and procedures and perhaps a need for more training. The findings also illustrate the importance of conducting regular compliance audits to ensure the County is abiding by all relevant regulations. Conducting regular compliance audits will assist with identifying noncompliance early and proactively. Regular compliance audits may also increase institutional knowledge among procurement staff across the County as noncompliance matters are identified and staff are trained on the proper protocols or procedures for handling the task in question.

Recommendations

11. The County should consider conducting a compensation study to compare salaries for procurement professionals with other similar local external agencies and determine whether it is appropriate to adjust current salaries to be more competitive. In addition, explore other initiatives to recruit and retain top purchasing talent, like recognition or bonus programs, flexible work schedules, robust benefits, etc.

12. The County Procurement Officer should develop and oversee a staffing plan to cross-train and strategically deploy procurement staff resources based on Countywide needs (in conjunction with Recommendation #21).

13. The County Procurement Office should develop a strategy to fully staff up and execute the procurement compliance function.

Observation 5: Steps Can Be Taken to Better Ensure Staff Are in Full Compliance with Required Trainings and Trainings Can Be Designed to Be More Relevant to Core Functions

Category: **Control Finding**

According to the CPM and PPM, Deputy Purchasing Agents (DPAs) must adhere to required training hours and comply with the training schedule. However, department staff are not currently required to attend CPO sponsored trainings, and may therefore be missing critical knowledge, like how to apply policy changes to their specific procurement types.

Staff shared that while they appreciate the recent focus on professional development, there is room for improvement. Suggestions included:

- Increasing interactivity and engagement within the training courses.
- Designing courses to be more user-friendly and inclusive of various learning styles and generations.
- Providing various access options (e.g., on demand, in-person, etc.).
- Connecting training to everyday job functions (e.g., providing general trainings that all staff must attend as well as specific trainings that are tied to areas of specialization).

A review of the current training curriculum corroborates staff accounts that training is mainly geared toward an understanding of policy, including giving an overview of the CPM. However, staff requested more training focused on the specific procurement types they encounter regularly and those which are less common. Currently, newer or less experienced staff are learning on the job by observing others conduct different types of procurement activities, but no formal Countywide program exists that standardizes this training to all procurement staff.

Having standardized Countywide training for procurement types will better support staff to perform cross-functionally on an as-needed basis. Cross-training will be critically important given the constraints on staff resources previously discussed. Cross-training may also help reduce the loss of institutional knowledge when experienced staff retire, leave the County, or transfer between departments.

Finally, if there are sufficient resources to do so, the County should augment their existing system (Eureka) or seek to procure a supplemental system with the ability to automate tracking of staff training hours, send notifications of noncompliance, etc.

Recommendations

14. Seek input from procurement staff to improve the training program with a more interactive format, focus on job-specific tasks, cross-train for broader deployment of staff, and implement better assessment tools (i.e., feedback mechanisms to ensure staff have really acquired the skills and knowledge they are being trained on, like targeted exams, applied exercises that are incorporated into the trainings, or practical refreshers for ongoing retention of practices around key processes or procurement types).

15. Explore additional tools and systems to automate the tracking of training requirements and compliance for all procurement staff to include reminders, compliance reports, and consequences (i.e., automatic revocation of DPA status/certifications, etc.).

Observation 6: Contract Monitoring Is An Area of Weakness and High Risk for the County

Category: **Significant Control Weakness**

Based on our research and discussions with staff, we raise the issue that internal controls related to contract monitoring need to be strengthened. Section 3.3-120 of the CPM states that it is the responsibility of project managers (program staff) or department designees named in the contract documents to monitor and report on

contractor performance. However, it is unclear if and how staff are reporting on or safeguarding against poor contractor performance. Poor contractor performance and lack of contract monitoring can pose reputational, operational, and legal risk for the County.

We did not speak with program managers or end users of procurement services and we limited our interviews and walkthroughs almost exclusively to procurement staff. However, interviewees shared concerns regarding the ability of program managers – who oversee the contracts – to adequately monitor the financial and performance metrics related to their contracts. This is an area of high risk for the County because insufficient contract monitoring can: 1) lead to inefficient use of public resources, and 2) allow improper activity (e.g., fraud, waste, or abuse) to go unnoticed.

An example of this can be found in the County's oversight of a vendor contracted to deliver meals to vulnerable populations during the pandemic. In this case:

- Service provision could not be verified, yet the contract remained in place for approximately two years after which additional funds were allocated to the organization.

- The organization's non-profit status could not be verified, which is a violation of County policy and State requirements for the receipt of charitable funds. The CPM states that it is the DPA's duty to annually ensure the organization's non-profit status is active throughout the contract term, and this appears to not have occurred for this contract.

The issues with this vendor came to light when a local news outlet investigated the matter and reported the story. As such, it is not certain that the County would have caught these issues during the term of the agreement or even have caught them timely. For example, the investigative report shows that County staff requested backup documentation for the invoices submitted by the organization in question in February 2022. However, the County had been contracting with the organization since January 2020, and no performance reporting had been submitted to the County up to that point.

Secondly, despite having clear written policies and procedures in place, certain County staff either were not aware of these or did not adhere to them. Based on another investigative report, the contract administrator who was assigned to prepare the initial contract for this organization raised "serious concerns" after following CPO procedure and conducting due diligence on the organization. The following were noted as areas of concern:

- Dun & Bradstreet gave the organization a risk-rating of eight out of 10, with 10 signifying the highest risk.
- The address supplied by the vendor appeared (and turned out) to be a private residence. Moreover, addresses provided by the vendor to the Secretary of State did not match information provided to the County.
- The organization could not verify its nonprofit status.

The contract administrator's concerns were elevated through the department, but the department director and program staff (tasked with later monitoring the contract and vendor performance) directed procurement staff to proceed with issuing the contract without addressing any of the concerns or questions raised.

Additionally, during our review, interviewees shared that it is unlikely that anything could have been done differently to prevent the incident based on the policies that existed for Supervisor authority. Interviewees citied weaknesses in internal controls where, in prior years, there was undue pressure from department leadership and end users to get procurements approved even if it meant not following established County protocols. The practice seemed to have been more widespread and abetted by the decentralized procurement environment prior to the arrival of the current County Procurement Officer.

Effective and diligent contract monitoring is particularly important to ensure compliance with established procurement policies and procedures and to ensure vendors are meeting the performance expectations of their contracts. Among departments we interviewed, Health Care Agency and John Wayne Airport procurement staff play a large role in contract monitoring in close collaboration with program managers. In both cases, procurement staff affirmed that they elected to be involved in the contract monitoring component because of the stringency of federal and state funding source requirements and because they felt program managers would be unprepared to deliver that level of oversight without the expertise and assistance of procurement staff. While most procurement staff in the County do not assist in the monitoring of contracts they procure due to segregation of duties, there are opportunities for procurement staff to potentially be more involved in the monitoring or oversight of contracts which they did not prepare.

The CPO, in conjunction with department procurement staff, should determine whether to adopt and expand this model to other departments or certain procurement types on a risk basis, especially because the County Procurement Officer noted that it is the expectation that procurement and contracts staff are also responsible for portions of contract oversight.

Similarly, the CPO should work with departments to determine one process and system for tracking and verifying all contract monitoring steps have been completed and sufficiently documented. One recommendation is to make the contract monitoring tasks mandatory within the new procurement workflows, to include supervisory review and approvals where needed.

Recommendations

16. The County Procurement Office should work with departments to determine the role of procurement staff to assist with contract monitoring based on risk, and standardize protocols where possible.

17. Develop one standardized protocol and system for all departments to use to track contract milestones and deliverables, performance metrics, etc., and train staff accordingly.

18. When the ERP system implementation is underway, the County Procurement Office should collaborate with the Auditor-Controller Department to seek ways to automate workflows as much as is feasible for documenting vendor due diligence checks, subrecipient monitoring tasks (especially those that are federally mandated), performance reporting, and any associated approvals.

Observation 7: Greater Centralization of the Procurement Function Will Strengthen Controls and Improve Compliance

Category: **Control Finding**

In addition to allowing the County to conduct enterprise-wide spend analysis, centralization of procurement may result in greater standardization, improved compliance, maximal use of resources, and increased ease for vendors doing business with the County. Centralization may also allow the County to: 1) take advantage of vendor discounts and bulk purchasing through regional cooperative agreements (RCA) and other collaborations (e.g., SoCal Procurement Alliance), and 2) strategically align other procurement functions and resources. Across nearly all the departments, staff shared that the County has seen a noticeable decrease in the pool of vendors opting to bid on County contracts, though this has recently increased slightly resulting from targeted outreach from the CPO. Any efforts to make the process easier for vendors to work with the County can make it more likely for vendors, particularly smaller or otherwise disadvantaged businesses, to want to work with the County.

CPO Oversight

As it stands, the CPO under the purview of the County Procurement Officer oversees:
- Countywide procurement training and staff certification.
- The implementation of procurement-related technology and usage.
- The development and dissemination of policies and procedures.
- The hiring of procurement staff in coordination with Human Resource Services.
- Efforts to standardize procurement tools, systems, and protocols as part of the above initiatives.

Standardization Efforts Show Benefits of Centralization

The transition to the use of OpenGov is an example of how centralization can benefit the County. Although, as detailed earlier that there are numerous reported issues with the standard templates currently in OpenGov, interviewees were very supportive of having a standard set of contract types and templates in OpenGov. Prior to these standardization efforts of the current County Procurement Officer, each department was using its own templates, styles, terms, etc. This not only made it confusing for vendors on multiple contracts with different County departments, but it created significant inefficiencies for both vendors and County staff. However, the difficulties with the implementation of OpenGov associated with the lack of participation from departments suggest that a reorganization of the procurement function is necessary so that procurement staff across the County report directly to the County Procurement Officer.

Concurrently, the CPO should work with Deputy Purchasing Agents in all the user departments to develop standard Countywide performance measures. This would help with tracking workloads to better understand Countywide staffing gaps and needs and position the County to develop a procurement work management system to strategically deploy staff in areas of greatest demand.

With recent standardization efforts; upcoming changes to policies, procedures, and regulations; and previous changes to executive management, the County is undergoing transformational change. The common denominator for achieving success in change initiatives is people. Implementing Countywide change requires

the buy-in of all 22 affected departments, and the nearly 300 procurement professionals working in tandem to consistently use established systems and follow standardized processes. This level of coordination and compliance can be achieved through a strong centralized oversight and administrative function that is undergirded by cooperative, invested staff in the user departments.

A Department Was Not Forthcoming with Information During Interviews

In the course of our data gathering, one department was not forthcoming with information, and we were unable to ascertain whether staff concerns raised by other departments are also present within this department. Moreover, the application of pressure on staff to withhold information is indicative of a cultural issue among this department's leadership. This dynamic exemplifies the importance of separating purchasing staff from a direct line of report to department leadership.

Often, the aims of the department to complete purchases quickly with last-minute requests are at odds with the charge of purchasing staff to exercise sound judgement and comply with established policy and procedures in the exercise of their duties. For this reason, it is recommended that County purchasing staff report directly to the County Procurement Officer located in the CPO, with an indirect line of reporting to department directors. This structure would allow for more direct and strategic oversight by the CPO over Countywide purchasing practices, supported by a greater ability to implement and enforce internal controls.

Recommendations

19. Continue strengthening the central purchasing function and consider developing a 12- to 18-month plan to centralize all departments and procurement professionals under the CPO.

20. Develop a rotation program within the next three to five years, cross-training and cross-certifying purchasing staff to be able to serve a majority of County department(s) (in conjunction with Recommendation #12).

21. Develop Countywide performance measures in collaboration with Deputy Purchasing Agents in all of the user departments to set turnaround times for various types of procurements, and put in place accountability systems to ensure performance to standards.

22. Track procurement workload and continuously refine a work management system to strategically deploy staff and other resources.

Observation 8: Existing Governance Structure and Role of Board Pose Risks to County

Category: **Significant Control Weakness**

Since the start of our engagement, several reforms related to Board authority over procurements have already been implemented, including a process to ensure Board members annually acknowledge and follow conflict of interest requirements related to procurements. Similarly, use of discretionary funds must now be approved by the County Procurement Officer. However, an added control would be to require that all discretionary funds include a disclosure form outlining what the purchase was for, the intended beneficiaries, intended return on investment, who was awarded the contract, and justification for the purchase to ensure full transparency and more efficient oversight by the CPO.

Despite these positive reforms, we heard several additional concerns from County staff that we interviewed, specifically that: 1) Board members are sometimes unaware of procurement policies, and 2) there are instances where Board members were perceived to exercise excessive influence over certain purchasing and contracting decisions. Interviewees noted that under existing policy, the Board has authority to direct staff on vendor selection or alter policy as needed.

Rather than allowing the Board to essentially select vendors in a way that may not align with the County's procurement policy, consideration should be given to clearly delineating the Board's authority to only approve or deny awards to vendors, with required justifications for denials. With regard to policy changes, procurement staff are subject matter experts in public procurement. As such, their input should be considered in future policy changes, aligning with the CPM which states it is the County Procurement Officer's responsibility to "[e]stablish Procurement policies and procedures to be followed by departments."

Recommendations

23. Update all relevant sections and related language in the Contract Policy Manual, Procurement Policy Manual, and relevant policy and procedure documents to clarify the Board's role in approving or denying contract awards. The Board should generally approve contracts exceeding certain thresholds as outlined in County policies, but not select or guide staff to select specific contractors. Formalize in the policies and procedures a detailed process for documenting justifications in the event of a contract award denial, as well as a process for reviewing denials.

24. Implement regular trainings (at least annually) conducted by the County Procurement Office for Board members around policies and procedures, governance roles and responsibilities, undue influence, fraud, and other relevant topics as needed. Incorporate this training into the Board onboarding process.

25. Develop disclosure forms to be used with all discretionary funds outlining what the purchase was for, the intended beneficiaries, intended return on investment, who was awarded the contract, and justification.

26. Implement a streamlined process for considering and implementing Board changes to the procurement process, aimed at improving input from subject matter experts (e.g., CPO) and considering policy alternatives, prior to adoption and implementation.

Conclusion

The County is undertaking transformational changes related to a number of areas closely associated with procurement practices. Specifically, the County is actively addressing identified gaps in its procurement practices and internal control environment and is in the process of improving its operations, culture, and internal controls.

The County is also embarking on a significant technology update in addition to restructuring its procurement function. While some staff reported there was extensive outreach conducted by the CPO throughout the implementation of OpenGov, there were also major impediments due to a lack of department staff's willingness to fully engage in efforts to standardize OpenGov templates due to heavy workloads, time constraints, and specific direction from department leadership not to.

On the other hand, department procurement staff shared their frustration that they are left to navigate challenges on their own in the midst of numerous changes that are occurring simultaneously, too rapidly, and with insufficient planning prior to implementation.

When we look to change management literature, several key components are identified for managing change effectively, without any of which, the likelihood of effectuating organizational change is reduced or diminished.

Several of the primary components most applicable to the County include making a case for change, creating a compelling vision for others to work toward, managing barriers, managing resistance, and showing progress regularly throughout implementation.

If the County proceeds with procurement centralization efforts across the organization, it will be critically important to invest more resources into developing and communicating a compelling case for change. It will also be important to manage resistance, especially during the early stages of implementation, when staff are most likely to feel that the benefits (which have yet to be realized) are outweighed by the costs (which they are experiencing daily). Doing this helps increase the likelihood that stakeholders are more likely to buy into existing and future initiatives, especially those with a substantial, Countywide impact and which require the cooperation and support of numerous staff and leadership.

Moreover, for centralization efforts and other major change initiatives, it will be beneficial for the County to ensure staff at all levels feel heard, that any serious concerns are being addressed in a timely manner, and that staff have clarity as to the direction and ownership of the process.

APPENDIX A: COUNTY EXECUTIVE OFFICE, COUNTY PROCUREMENT OFFICE MANAGEMENT RESPONSE

County of Orange

County Executive Office

April 11, 2025   *Transmitted via email: vsun@mgocpa.com*

MGO
12264 El Camino Real, Suite 402
San Diego, CA 92130-3063

RE: Procurement Governance Report (April 2025) Management Response

The County of Orange is committed to efficient and compliant processes to ensure good stewardship of public funds. Performance Audits are engaged to provide a third-party analysis of a process or department and the information gathered and recommendations made are used to strengthen controls, improve processes, or implement other changes that benefit the County and its residents.

In October 2024, a Performance Audit was initiated to assess the procurement governance of the County. Overall, the County's procurements total almost $6B annually and make up 75% of the agenda items that come before the Board for approval on an annual basis. This is a critical function for the County and the following outlines the observations, recommendations and the Management Response.

<u>Policies and Procedures Are Comprehensive and Everchanging, and Can Be Overwhelming</u>
Recommendations
1. Include additional guidance on complex or unique contract types, specifically human services contracts, in the Contract Policy Manual (CPM) and the Procurement Procedures Manual (PPM), and continuously work with staff to better understand the specific guidance they are seeking.
2. At least annually, verify and update links and references in the following resources to ensure users can access the noted additional internal and external resources: (CPM, PPM, Website, Training Documents, FAQs).
3. Continue to engage staff regularly (through surveys, meetings, and other channels for feedback) to understand communication preferences, gaps, and needs.
4. Standardize and automate updates in systems and templates to minimize staff manually updating documents or incorrectly interpreting policy guidance.

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Management Response:
Concur. Governance over the County's procurement function resides with the County Procurement Officer and over the past year, there has been a focus on the standardization of policies and procedures across department procurement teams and on establishing regular and routine communication with all procurement staff in the County. A major reorganization of the County Procurement Office (CPO) is in progress and will result in a dedicated team to focus on professional development of all procurement staff; associated systems and data analytics; outreach and engagement; as well as policy and compliance with various governing documents, such as the CPM. This unit will also be responsible for ensuring all outward facing information is complete, accurate, and understood. The anticipated date for full implementation is January 2026.

<u>Multiple, Disparate Technology Tools and Systems Are Creating Inefficiencies</u>
Recommendations
5. The CEO and CPO should work with the Auditor-Controller to ensure that best practices are being followed and to consider the elements outlined in the Systems Development Lifecycle Framework (or similar) to continue in planning efforts to elicit input from all relevant user departments to properly test and deploy the new Enterprise Resource Planning (ERP) system.
6. In collaboration with other purchasing staff and stakeholders, the CPO should:
   a. Continue in its planning efforts to elicit input from stakeholders to inform their decision on which system to utilize for procurement workflows, and
   b. Continue in its planning efforts to identify and align resources, inclusive of creating a transition plan, developing data migration protocols, updating policies and procedures, etc. (in conjunction with Recommendation #7).

Management Response:
Concur. The County is in the process of developing a new ERP system that is anticipated to replace several stand-alone systems used in the procurement process. The ERP will be a countywide enterprise system with dedicated staff representing each functionality. Significant input will be provided for the development of the ERP system and associated implementation plans, policies and procedures. It is the intention of the County that no other systems will have to be pursued. Full implementation of the new ERP System is anticipated in 2028.

<u>Lack of Standardization Is Creating Operational Inefficiencies</u>
Recommendations
7. The CPO should continue to prioritize current efforts to revise OpenGov system templates and resolve major functionality issues within the next six months.
8. The CEO should require full department participation in procurement workflow design and evaluation and for department staff to provide timely feedback to the CPO to ensure templates are appropriately designed and functional to effectively conduct procurement activities.

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9. While the ERP system implementation is underway, the CPO should collaborate with the Auditor-Controller Department and with department users to improve the invoicing process, for example, by developing standard invoice approval protocols, and documenting and making them accessible for all relevant staff to follow.
10. The CPO should collaborate with the Auditor-Controller Department to establish and track performance metrics around timely vendor payments and put in place an accountability system to ensure performance to standards.

Management Response:
Concur. The CPO is committed to the standardization of policies and practices across all procurement teams and is in the process of a major reorganization that will centralize the function within the CPO. In addition, the County is implementing a new ERP system for which dedicated procurement professionals have been embedded into the ERP Team to ensure the new system will meet all procurement needs and provide key performance indicators. Efforts will be made to ensure all areas are equally and properly represented. Investments in existing systems anticipated to be replaced by the ERP system will be limited to those deemed critical to current operations.

Staffing-Related Issues Are Adversely Impacting Operations
Recommendations
11. The County should consider conducting a compensation study to compare salaries for procurement professionals with other similar local external agencies and determine whether it is appropriate to adjust current salaries to be more competitive. In addition, explore other initiatives to recruit and retain top purchasing talent, like recognition or bonus programs, flexible work schedules, robust benefits, etc.
12. The County Procurement Officer should develop and oversee a staffing plan to cross-train and strategically deploy procurement staff resources based on Countywide needs (in conjunction with Recommendation #21).
13. The County Procurement Office should develop a strategy to fully staff up and execute the procurement compliance function.

Management Response:
Concur. Classification compensation studies are routinely completed to ensure the County is competitive. Any additional staffing would be based on workload needs and available funding for which the reorganization in progress may result in efficiencies and additional coverage for departments. The reorganization provides for a dedicated team to focus on professional development; systems and data analytics; outreach and engagement; and policy and compliance. This function has been identified as critical and essential for CPO and recruitments will be pursued to fill those positions, anticipated to be completed by the end of 2025.

Steps Can Be Taken to Better Ensure Staff Are in Full Compliance with Required Trainings and Trainings Can Be Designed to Be More Relevant to Core Functions

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Recommendations
14. Seek input from procurement staff to improve the training program with a more interactive format, focus on job-specific tasks, cross-train for broader deployment of staff, and implement better assessment tools (i.e., feedback mechanisms to ensure staff have really acquired the skills and knowledge they are being trained on, like targeted exams, applied exercises that are incorporated into the trainings, or practical refreshers for ongoing retention of practices around key processes or procurement types).
15. Explore additional tools and systems to automate the tracking of training requirements and compliance for all procurement staff to include reminders, compliance reports, and consequences (i.e., automatic revocation of DPA status/certifications, etc.).

Management Response:
Concur. A dedicated team has been established in the CPO that focuses on professional development including a new onboarding program for new procurement staff, a robust training program, established mentorships and internship programs, and events central to further learning, sharing or team building for the CPO. CPO will focus on enhancing the training program to focus in on-the-job trainings and other topics that the DPAs suggest through the various feedback mechanisms. Inherent in this function is tracking each staff's training and experience to ensure requirements and the needs of the County are being met, CPO will work with HR on enhancing the current training tracking program to fulfill these needs.

Contract Monitoring Is an Area of Weakness and High Risk for the County
Recommendations
16. The County Procurement Office should work with departments to determine the role of procurement staff to assist with contract monitoring based on risk, and standardize protocols where possible.
17. Develop one standardized protocol and system for all departments to use to track contract milestones and deliverables, performance metrics, etc., and train staff accordingly.
18. When the ERP system implementation is underway, the County Procurement Office should collaborate with the Auditor-Controller Department to seek ways to automate workflows as much as is feasible for documenting vendor due diligence checks, subrecipient monitoring tasks (especially those that are federally mandated), performance reporting, and any associated approvals.

Management Response:
Concur. The centralization of the procurement function through the reorganization will create an opportunity to implement standardization in various aspects of contracting and contract monitoring. Standard contract monitoring procedures are being developed based on contract type to ensure CPO is meeting the requirements pertaining to their scope of responsibility and applied to the ERP development and implementation.

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Greater Centralization of the Procurement Function Will Strengthen Controls and Improve Compliance

Recommendations

19. Continue strengthening the central purchasing function and consider developing a 12- to 18-month plan to centralize all departments and procurement professionals under the CPO.
20. Develop a rotation program within the next three to five years, cross-training and cross-certifying purchasing staff to be able to serve a majority of County department(s) (in conjunction with Recommendation #12).
21. Develop Countywide performance measures in collaboration with Deputy Purchasing Agents in all of the user departments to set turnaround times for various types of procurements and put in place accountability systems to ensure performance to standards.
22. Track procurement workload and continuously refine a work management system to strategically deploy staff and other resources.

Management Response:

Concur. This is in progress and estimated to be completed by January 2026. The reorganization for centralizing the procurement function was approved by the Board of Supervisors on January 28, 2025 and will be completed in phases over a 6-month period. After each phase, an assessment has been done to determine any changes or improvements to be made going forward. Throughout the process, communications have been shared through their established weekly emails and at their regularly scheduled meetings. Incorporated into this plan is the ability to address vacancies across departments, provide rotational opportunities, and ensure the staffing levels are sufficient for the workloads assigned. To date, the reorganization has been seamless and the benefits of cross assignments and staff temporary assignment have been appreciated by various departments struggling with workload issues.

Existing Governance Structure and Role of Board Pose Risks to County

Recommendations

23. Update all relevant sections and related language in the Contract Policy Manual, Procurement Policy Manual, and relevant policy and procedure documents to clarify the Board's role in approving or denying contract awards. The Board should generally approve contracts exceeding certain thresholds as outlined in County policies, but not select or guide staff to select specific contractors. Formalize in the policies and procedures a detailed process for documenting justifications in the event of a contract award denial, as well as a process for reviewing denials.
24. Implement regular trainings (at least annually) conducted by the County Procurement Office for Board members around policies and procedures, governance roles and responsibilities, undue influence, fraud, and other relevant topics as needed. Incorporate this training into the Board onboarding process.
25. Develop disclosure forms to be used with all discretionary funds outlining what the purchase was for, the intended beneficiaries, intended return on investment, who was awarded the contract, and justification.

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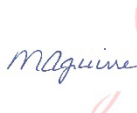
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26. Implement a streamlined process for considering and implementing Board changes to the procurement process, aimed at improving input from subject matter experts (e.g., CPO) and considering policy alternatives, prior to adoption and implementation.

Management Response:
Concur. The CPO will continue to perform an annual review of the CPM to identify any areas where further clarification is required to define applicable roles and responsibilities. The CPO maintains a list of updates that are required whether due to legislation or operations needs and will continue to collect those across all Departments and Board of Supervisors. The PPM is also regularly revised to ensure all processes are consistent with any CPM revisions made. Applicable trainings on any revised policies and/or procedures, will be coordinated by the Professional Development unit in the CPO. A special training track will be developed for non-procurement staff such as program staff and the Board of Supervisors Offices. Anticipated completion is July 2026.

Thank you.
Sincerely,

Digitally signed by Michelle Aguirre
DN: cn=Michelle Aguirre,
o=County of Orange, ou=County
Executive Officer,
email=Michelle.Aguirre@ocgov.com, c=US
Date: 2025.04.11 15:09:35 -07'00'

Michelle Aguirre
Interim County Executive Officer

cc: Maria Agrusa, County Procurement Officer
        Kim Engelby, Chief Financial Officer
        Aggie Alonso, Internal Audit Director

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APPENDIX B: FINDING TYPE CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address **Critical Control Weaknesses** brought to its attention immediately.	These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. **Significant Control Weaknesses** require prompt corrective actions.	These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. **Control Findings** are expected to be addressed within six months, but no later than twelve months.