

# Ventura County Grand Jury 2008 - 2009



## Final Report

### Oversight of Oxnard's Purchasing System

*(Are They Doing It Right?)*

Date Issued

May 12, 2009

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# Oversight of Oxnard's Purchasing System

*(Are They Doing It Right?)*

## Summary

The 2008-2009 Ventura County Grand Jury (Grand Jury) opened an investigation into certain areas of the City of Oxnard's (City) Purchasing System in response to a public complaint. Specifically, the Grand Jury attempted to determine if there was sufficient contract oversight in the administration of construction contracts.

The Grand Jury investigation determined there were no significant procurement problems in the City's Purchasing System or in the administration of construction contracts.

The Grand Jury recommends that the City continue to provide sufficient management oversight to ensure efficient purchases and proper expenditure of public funds.

The City should establish written policies and procedures for the Contract Compliance Review Committee (CCRC), including a requirement to document its meetings.

The Purchasing Procedures Manual (Manual) should be revised to incorporate the latest changes to the process.

## Background

The Grand Jury initiated an investigation as a result of a public complaint alleging possible improprieties in the City's administration of certain Public Works Construction Projects.

## Methodology

The Grand Jury conducted a review of the Oxnard purchasing processes and procedures as follows:

- reviewed the information and materials provided by the Complainant
- reviewed the City's Purchasing Procedures Manual
- interviewed a number of Oxnard City employees
- reviewed the contract files for several significant construction projects, including the specific project identified by the Complainant

## Findings

**F-01.** The City has a written Manual, authorized by the City's Purchasing Ordinance, as of April 2006:

- it was prepared to assist City staff in the purchase of goods, services, facilities, and capital improvements

- its stated purpose is to provide for the efficient purchase of goods and services in a timely and professional manner that meets City policy

**F-02.** The Manual provides:

- guidance for implementation of City and State purchasing requirements as set forth in Laws, Regulations, and Codes
- clearly defined Prohibited Practices
- a “full range” of procurement methods based on the complexity and dollar amount of the procurement
- specific guidance regarding signature and approval authority at various dollar thresholds for the purchase of:
  - Supplies, Equipment, and Trade Services
  - Public Works Construction Projects

**F-03.** Amendments to contracts for Supplies, Equipment and Trade Services which increase the contract amount over \$100,000 must be approved by the City Manager, and those over \$250,000 by the City Council.

**F-04.** Change Orders<sup>1</sup> (CO) to Public Works Construction Projects must be approved by the City Manager as follows:

- any CO exceeding \$50,000 on a contract of \$75,000 or less
- any CO exceeding \$100,000 on a contract of more than \$100,000

**F-05.** COs to construction contracts are processed as follows:

- the Contract Project Manager defines the change requirement, which is then provided to the contractor
- the contractor prepares and submits a cost proposal
- the City evaluates the cost proposal
- the City and contractor negotiate, agreeing to a price
- the City Manager approves, when required
- the CO is signed by both parties

**F-06.** The format for COs is shown in the Manual, as Exhibit No. 17. (Att-01)

**F-07.** The latest revision to the Manual is dated September 2006.

**F-08.** The Manual designates and delineates the responsibilities of the following as Purchasing Agents:

- Finance Director
- Public Works Director
- Development Services Director

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<sup>1</sup> A Change Order is a document that allows the City to direct the contractor to make changes to the scope of the basic contract, on a unilateral basis.

- F-09.** In practice, the current Purchasing Agents for the City are:
- Finance Director - responsible for the purchase of goods and services, including professional and consulting services and for maintenance of the Manual
  - Public Works Director - responsible for the placement and management of contracts for most public works construction projects
  - General Services Division Director - responsible for the placement and management of contracts for parks and recreation construction projects, including street landscaping
- F-10.** The City maintains Authorized Signature Forms from each department which identify those personnel authorized to sign contractual documents and their dollar limits.
- F-11.** Public Works and General Services designate a City employee as a Project Manager to oversee the progress and completion of each construction project.
- F-12.** In early 2008, at the direction of the City Manager, the CCRC was established with membership as follows:
- Development Services Director - the CCRC Chairperson
  - General Services Division Director
  - Public Works Director
  - Accounting Manager
  - Representative of the General Services Division
- F-13.** The CCRC was established to:
- ensure that City employees are in full compliance with City purchasing policies and procedures
  - provide training for purchasing personnel and project managers
- F-14.** The CCRC is an ad hoc group with no written policy or procedure to govern and describe its workings.
- F-15.** A member of the CCRC is currently drafting written procedures for the operation of the committee.
- F-16.** The CCRC meets once a week and typically reviews 8-20 separate purchasing actions.
- F-17.** The CCRC currently approves approximately 80% of the submitted purchasing actions without requiring any revision. This approval rate was much lower at the time the CCRC first started meeting.
- F-18.** There are no formal minutes of the CCRC meetings; however, the Accounting Manager prepares and maintains a spreadsheet of the reviewed actions.
- F-19.** There is no formal written report of CCRC activities provided to either the City Manager or the City Council.

- F-20.** Formal procedures were followed in conducting the transactions described in the public complaint. None of the COs was of a dollar amount to warrant City Manager approval.

## **Conclusions**

- C-01.** The City's purchasing personnel are compliant with the City's established Purchasing Procedures. (F-01 through F-10)
- C-02.** The City has limited the designation of Purchasing Agent to only three Department Directors in order to control the acquisition process. (F-08, F-09)
- C-03.** The CCRC was established to oversee the various purchasing activities in order to improve the purchasing processes of the City. (F-12 through F-16)
- C-04.** Establishment of the CCRC has resulted in improved practices and procurements. (F-17, F-18)
- C-05.** The Manual is out of date in the following areas:
- it fails to provide direction as to the approval of COs for Public Works Construction Projects which are greater than \$75,000 and less than \$100,000 (F-04)
  - it fails to recognize the latest reorganization within the City, which revised the designation of purchasing agents (F-09)
  - it fails to mention the CCRC (F-07, F-12)
- C-06.** The Grand Jury found no significant procurement problems, either in the purchasing system or in the transactions described in the public complaint.

## **Recommendations**

- R-01.** The City should establish written policies and procedures for the CCRC, including a requirement to document its meetings. (C-03 through C-05)
- R-02.** The CCRC should make a formal written report to the City Manager regarding the actions reviewed. (C-03 through C-05)
- R-03.** The Purchasing Procedures Manual should be revised to:
- provide guidance for Public Works Construction Project COs which are greater than \$75,000 and less than \$100,000
  - designate the current Purchasing Agents, consistent with the current revised organization
  - recognize the role of the CCRC (C-05)
- R-04.** The Grand Jury recommends that the City continue to provide sufficient management oversight to ensure efficient purchases and proper expenditure of public funds. (C-06)

## **Responses**

### Responses Required From:

City Council, City of Oxnard (R-01 through R-04)

### Responses Requested From:

City Manager, City of Oxnard (R-01 through R-04)

## **Attachments**

**Att-01** Sample Change Order, City of Oxnard Purchasing Procedures Manual, Exhibit No. 17

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**Attachment-01**

**Sample Change Order, City of Oxnard Purchasing Procedures Manual,  
Exhibit No. 17**

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SAMPLE CHANGE ORDER



- IU CONTR ADMIN
- ACCOUNTING
- CONTRACTOR
- PROCUREMENT SERV
- CONTRACT INSPECTION

CHANGE ORDER NO.

Project Title: 0  
 Specification No:  
 TO 0  
 0

Contract No:  
 Account No:  
 PO No:

You are hereby directed to make the following changes in this contract:

This is the Final Quantity Adjustment Change Order. Refer to the attached sheet for an itemized breakdown

Reasons for Changes:

These actual quantities are based on field measurements taken by the City of Oxnard Inspector and the Contractor.

1. Amount of original contract .....	\$	-
2. Sum of prior change orders .....		-
3. Sum of contract prior to this change order .....	\$	-
4. Amount of this change order .....		-
5. Sum of contract including this change order .....	\$	-

Contract time will be changed by \_\_\_\_\_ days  
 Completion date of this change order is \_\_\_\_\_

Project Manager \_\_\_\_\_

Contract Procurement \_\_\_\_\_ Date \_\_\_\_\_

Procurement Services \_\_\_\_\_ Date \_\_\_\_\_

N/A  
City Manager \_\_\_\_\_ Date \_\_\_\_\_

N/A  
City Council Agenda Item \_\_\_\_\_ Date \_\_\_\_\_

Contractor:  
 \_\_\_\_\_  
 By \_\_\_\_\_  
 \_\_\_\_\_  
 Date \_\_\_\_\_

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