

CITY OF LAGUNA NIGUEL

AGENDA ITEM CITY COUNCIL

SEPTEMBER 5, 2017

TO: Honorable Mayor and Council Members

FROM: Jarod Nozawa, Purchasing Manager
Stephen Erlandson, Interim City Manager/Director of Finance

SUBJECT: Status on Purchasing

SUMMARY: Based on an ongoing evaluation of the City's purchasing procedures to enhance the City's current processes, actions are currently being implemented to improve the City's purchase order and contract processes. These actions will further enhance transparency, strengthen internal controls, and improve financial accountability to residents. It is recommended that the City Council receive and file the status report.

BACKGROUND

Based on an ongoing evaluation of the City's purchasing procedures to enhance the City's current processes, the following actions are currently being implemented to improve the City's purchase order and contract processes:

- 1. Conduct Employee Training:** In June and July 2017, the City held two purchasing training sessions to educate staff on the City's Municipal Code and Purchasing Policy. Staff was guided through the purchasing process and educated regarding their roles and responsibilities. In the future, training sessions will be scheduled, as appropriate, to further communicate any changes to the purchasing or contract processes.
- 2. Develop a Financial Vendor Report and Contract Tracking Form:** In August 2017, the Purchasing Manager distributed a vendor balance report and a contract tracking management form to the departments. The vendor balance report assists departments in their review of current expenditures for their respective vendors and will be sent to the Department Directors after each warrant run. The tracking form assists in managing contract spending levels on a real-time basis at the department level. This ensures compliance with the Purchasing Policy's \$25,000 cumulative vendor threshold.
- 3. Perform an Operational Audit:** At the August 15, 2017 City Council meeting, Council directed staff to begin preparing a scope of work for an engagement by an independent firm to review or audit the operational aspects of citywide purchasing and contract processes. The purpose of this engagement will be to evaluate the level in which the

City's operating procedures are effectively and efficiently functioning with respect to purchasing and contract administration. A RFP will be released once the City Council approves the draft scope of work, which will be presented at the September 5, 2017 City Council meeting. After a qualified firm is recommended, a professional services agreement and a corresponding budget appropriation will be placed on a future Council meeting agenda for approval.

4. **Compile a Contracts Report:** Staff is reviewing all vendors to identify existing contracts that require additional compensation or scope modifications, along with potential new contracts currently in process. This list is intended to be presented to the City Council at the September 19 Council meeting.
5. **Implement New Contract Terms:** The contract terms for new and amended contracts will coincide with the City's fiscal year (July 1 – June 30) to assist the departments with budgeting. The City intends to enter into multi-year agreements to allow for more accurate planning for programs and services.
6. **Upgrade to an Integrated Municipal Enterprise Resource Planning Software Solution:** The new finance software system is one of the largest investments to help better monitor contracts and purchases. Among one of the many key features of the new electronic system is the stoppage of payments to vendors if invoices exceed the contract amounts. This will alert project managers to review their contracts to ensure there are sufficient funds before making payments. The project implementation period takes approximately 9 to 12 months, with the system expected to be fully operational by late Summer or early Fall 2018.

The City is taking great strides to work together to identify solutions to better enhance transparency, strengthen internal controls, and improve financial accountability to residents.

FISCAL IMPACT

There is no fiscal impact associated with the recommended action.

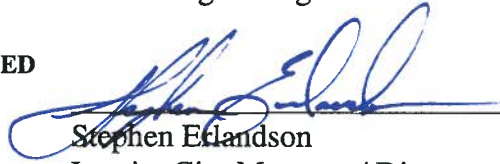
RECOMMENDATION

That the City Council receive and file the status report on purchasing.


**PREPARED
BY:**


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**SUBMITTED
BY:**


Stephen Eklundson
Interim City Manager / Director of Finance

**REVIEWED
BY:**


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