Procurement: The City Should Review Its Risk Strategy, Performance Measurement, and Guidance to Improve the Procurement Process

A Report from the City Auditor
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Public Safety, Finance and Strategic Support Committee Agenda
Item D-2

Background

- Procurement is a critical City function for obtaining goods and services
- The Finance Department's Purchasing Division oversees most non-public works procurements, while departments handle consulting services
- Recent changes raised thresholds and aimed to simplify processes, but timeliness remains a concern Citywide

Audit Objective:

Assess the efficiency of the City's procurement process for goods and services, excluding public works projects.

Finding I: Re-Assessing Risk Strategies in Key Areas Could Improve Procurement Timeliness

- RFPs are expected to take about 6-9 months. Three-quarters took longer and nearly half took over a year.
- The City should review five key areas to re-assess whether the current policies align with its desired risk strategy:
  - Competitive procurement threshold
  - Minimum insurance requirements
  - Software subscription approvals
  - Delegations of authority
  - Standard contract terms and conditions

Recommendation: To effectively balance risks and timeliness of procurements, the City should:

→ Re-assess policies for key procurement areas to align its risk strategy with the need for timely procurements.

→ Define and document processes for pilot programs and escalation of problems with contract terms or insurance.

Finding 2: Better Tracking of Strategic Procurements Would Help Measure Progress and Performance

- Purchasing's internal project tracking log does not capture all milestones, making performance measurement difficult.
- There are no formal performance measures for strategic procurements (RFPs, any purchase requiring a contract).
- Other jurisdictions use dashboards, cycle time metrics, and workload tracking to manage procurements.

Recommendation: To strengthen procurement operations and improve oversight, Finance should:

→ Implement a workflow system to track procurement progress and develop performance measures for strategic procurement cycle times.

Finding 3: Purchasing Should Consolidate and Update Procurement Guidance for Departments

- Procurement-related resources for City staff are spread out across over 100 separate links and documents.
- Scope development has been a persistent challenge for departments.
- The City Policy manual is outdated in some procurement sections and may not reflect current processes.

Recommendation: To improve support to City departments, Finance should:

→ Develop a consolidated procurement handbook, and guidance and templates for scope development.

→ Review and update the City Policy Manual to align with current procurement practices.

Conclusion

The report has eight recommendations to improve the efficiency of the City's procurement process.

We would like to thank the Finance Department, the City Attorney's Office, the Information Technology Department, and the City Manager's Office for their time and insight during the audit process.

The audit report is available at www.sanjoseca.gov/auditor

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