

County of Santa Clara

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(ENDORSED)
FILED
MAR 10 2023
Clerk of the Court
Superior Court of CA County of Santa Clara
BY Erin Huebner DEPUTY



Tiffany Lennear
Clerk of the Board

March 7, 2023

Santa Clara County Superior Court
c/o: Honorable Beth McGowen, Presiding Judge
191 North First Street
San Jose, CA 95113

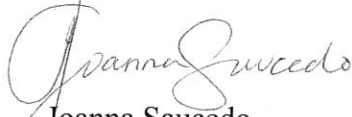
RE: Grand Jury Report - County Public Contract Data

Dear Honorable Judge McGowen,

At its regularly scheduled meeting held February 28, 2023 (Item No. 68), the County of Santa Clara Board of Supervisors adopted a response from Administration to Final Grand Jury Report relating to Garbage In, Garbage Out: Santa Clara County Public Contract Data.

Enclosed is a copy of the response from the Board for your records.

Sincerely,


Joanna Saucedo
Deputy Clerk

Enclosures

County of Santa Clara


Office of the County Executive

County Government Center, East Wing
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San Jose, California 95110
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Date: February 17, 2023

To: Greta S. Hansen, Chief Operating Officer

From: Gene Clark, CPPO, C.P.M., Chief Procurement Officer 

Subject: Responses to the Santa Clara County Civil Grand Jury's Final Report, "Garbage In, Garbage Out: Santa Clara County Public Contract Data"

Adopted: 02/28/2023

The Santa Clara County Civil Grand Jury's Final Report, "Garbage In, Garbage Out: Santa Clara County Public Contract Data" contained multiple findings and recommendations that require a response from the County of Santa Clara (County), consistent with the provisions of California Penal Code §933.05. This memorandum contains the joint response for the Procurement Department (Procurement) and the Office of Countywide Contracting Management (OCCM) under the combined leadership of the County's Chief Procurement Officer (CPO).

Finding 1:

The County has not addressed the known inaccuracies of public contract data; neither the public nor the Board of Supervisors can determine, with accuracy, the total value or expiration dates of contracts.

The County disagrees with this Finding. Public contract data reports are not inaccurate. Public access to Active Contract reports, which are made available via the Procurement public website, involves contract data that is updated monthly. As active contracts are dynamic (i.e., revised via amendments, corrections, etc.), contract data does change from month-to-month.

The Active Contracts list, which is made available monthly to the public, is a report of active contracts only and the data is accurate as of the report date posted. The County does not utilize the "Term Contracts list;" the Grand Jury Report references such a list, which should be correctly titled "Purchasing Agent Actions Relating to New FY##### Term Contracts" (Purchasing Actions Report). This annual report to the Finance and Government Operations Committee (FGOC) lists purchasing actions executed by the County's purchasing agents on new contracts established within the previous fiscal year. This report is not intended to provide the total contract value, only the portion of which that was executed by the County's purchasing agents in the reported time frame. Both the Active Contracts list and the Purchasing Actions Report serve separate and distinct purposes. Data between the two reports is not intended to match.

Separate and individual contracts can be accessed via a California Public Records Act (CPRA) request and would reflect contract data for the requested time frame.

Recommendation 1a

The County should mandate (1) contract data accuracy protocols, (2) employee contract management training, and (3) implementation and use of contract management modules in SAP. This recommendation should be implemented by March 15, 2023.

- (1) This Recommendation has been implemented. Additionally, the County has hired a Compliance Manager to assist and facilitate contract data accuracy protocols.
- (2) This Recommendation will be implemented by September 1, 2023, providing time to prepare the implementation plan, develop the curriculum, assign the trainers, and roll the training out countywide.
- (3) This Recommendation has not yet been implemented but is expected to be implemented at a future date. The County is currently assessing new Enterprise Resource Planning (ERP) tools to replace existing technologies, the business requirements for which would include a new contracts management module. As with any enterprise software implementation, this would be a multi-year endeavor requiring considerable County staff and financial resources. Such complex efforts will require extensive fit-gap and interface analysis, data conversation, change management and implementation timelines.

Recommendation 1b

The County should designate and hold one person (akin to San Francisco's Chief Data Officer) responsible for contract data accuracy. This recommendation should be implemented by March 15, 2023.

The Recommendation will not be implemented because it is not warranted or is not reasonable. Given the County's position that the data is not inaccurate, there is no need to designate a singular person responsible for data accuracy. Contract accuracy and data integrity are the responsibility of all contract administrators throughout the County, both in centralized and de-centralized contracting activities. Additionally, the County disagrees with the Grand Jury's assessment and example of San Francisco's Chief Data Officer roles and responsibilities for contract data accuracy.

Recommendation 1c

The County should fully audit (as opposed to a "spot plan audit") and correct the contract database to provide accurate data in the current Active Contracts list. This recommendation should be implemented by March 15, 2023.

This Recommendation will not be implemented because it is not warranted or is not reasonable. Given the County's position that the data is not inaccurate, there is no need to conduct a full audit. Consistent with the County Administration's response to the 2021 Harvey Rose Management Audit Recommendations for Procurement, the County will develop a *quarterly* spot audit plan to ensure data accuracy following the onboarding of the new Compliance Manager. Accordingly, the County anticipates completing this audit plan by September 1, 2023.

Recommendation 1d

The County should continue quarterly accuracy audits on the contract database, documenting statistical evidence or error reduction, until all decentralized department employees are trained on contract management. This should be implemented following the March 15, 2023, date of Recommendation 1c.

This Recommendation will be implemented by September 1, 2023. Refer to the response to Recommendation 1c. Additionally, mandatory contract management trainings will be deployed by September 1, 2023, providing time to prepare the implementation plan, develop the curriculum, assign the trainers, and roll the training out countywide.

Finding 2

The Civil Grand Jury (consistent with the findings from the Harvey M. Rose Associates, LLC 2021 Management Audit of the County of Santa Clara Procurement Department report) finds that there is a lack of standardized processes to effectively input and validate contract data; the SAP and Ariba databases contain many errors and omissions, thereby rendering the Active Contracts list unreliable.

The County partially disagrees with this Finding. The County's eProcurement team deployed numerous enhancements to SAP ERP Central Component (SAP ECC) to improve contract compliance with County policy and administrative guidelines. These include:

- System-generated reminder of expiring contracts;
- System-generated restrictions for inappropriate signature authority;
- Sourcing method to capture and report on procurement methods used to award contracts; and,
- Maximum financial obligation field to report contract values rather than aggregated purchase order values.

While the County intends to purchase and implement a new ERP system to succeed the current SAP and Ariba systems, this will be a multi-year endeavor requiring considerable resources. The intent is to fully utilize Ariba in the near term while the County develops specifications and sources toward implementing a new ERP solution. In the interim, the continued use and enhancement of the Ariba system will provide benefits to the County, including but not limited to additional controls and compliance in professional services contracting, increased accuracy of County spend data, and more comprehensive reporting on Countywide contracts and spend.

Recommendation 2a

The County should reconcile the Term Contracts list with the Active Contracts list to ensure accuracy and consistency in contract purpose descriptions, before it is distributed and made public. This recommendation should be implemented by March 15, 2023.

This Recommendation will not be implemented because it is not warranted or is not reasonable. The County does not have or generate a Term Contracts list. Refer to the County's response to Finding 1.

Recommendation 2b

The County should centralize the initial input of contract data as much as possible in each department or in one centralized department to mitigate input errors and inconsistencies. Once the contract terms are in the database, the decentralized departments should continue to manage their own contracts. There

should be one quality assurance function in the Procurement Department that is responsible for the accuracy of all contract data. This recommendation should be implemented by March 15, 2023.

This Recommendation will not be implemented because it is not warranted or is not reasonable. The County has no current plans to centralize the input of contract data with its current procurement technologies and staffing resources. Instead, the County will consider assessing the idea of centralizing initial contracts data entry and contract administration processes as part of the future ERP implementation.

Recommendation 2c

The County should establish protocols that ensure that data related to amended contracts, including the value, expiration date, or terms of the contract, are accurately inputted into the ERP system with the addition of a data field to be used for version control. This recommendation should be implemented by March 15, 2023.

The Recommendation has not yet been implemented but will be implemented in the future. It should be noted that the County does not have a complete ERP system. Relevant controls and data fields have already been configured in the Ariba system for use in professional services contracting. As departments are integrated into Ariba, these controls will be used in more of the County's contracts portfolio. The County anticipates integrating a large portion of its contracts portfolio into Ariba by June 30, 2025. Further, such controls and data fields will be included as business requirements in any future ERP system implemented by the County.

Recommendation 2d

The County should add new fields to the contract databases, including a field showing an identifier for the person tasked with verifying the accuracy of public contract data. This recommendation should be implemented by March 15, 2023.

The Recommendation has been implemented. Current SAP and Ariba system configurations already capture the name of the contract administrator.

Recommendation 2e

The County should require that all active contracts are contained on the Active Contracts list and none are hidden from public view. This recommendation should be implemented by March 15, 2023.

This Recommendation has been implemented. The Active Contracts report provides a listing of all active contracts, except those that are removed or redacted to comply with County ordinance, policy, or other legal requirements.

Recommendation 2f

The County should post an electronic copy of the actual contracts for public view, ensuring transparency and mitigating human input error. This recommendation should be implemented by June 15, 2023.

This Recommendation will not be implemented because it is not warranted or is not reasonable. Due to the size and scope of Countywide contracting, a sizable percentage of the contracting portfolio includes proprietary content or information that requires redaction; to proactively review each contract for redactable information and conduct such redaction would consume an exorbitant amount of legal resources. If the public is interested in viewing a specific contract, they may submit a CPRA request.

Recommendation 2g

To facilitate Public Records Act inquiries, the County should include both the computer-generated number as well as the County's original contract number on the Active Contracts list. This recommendation should be implemented by June 15, 2023.

This Recommendation has been implemented. The Purchase Order or Contract Number is already included in the Active Contracts report posted on the Procurement public website.

Recommendation 2h

The County should include new data fields (BOS Approval Data and ID, Authorizing Agency, Revised Expiration Data, Version, Total Contract Value after Change Orders or Amendments, and Detailed Contract Descriptions), as indicated in this report, so that vendors and members of the public may trace the contracting authority and date of action. This recommendation should be implemented by June 15, 2023.

This recommendation will not be implemented because it is unwarranted or is not reasonable. While most of this data is already available on the Active Contracts report, the continued creation of new data fields to capture additional contract information is not practical. Additional contract information may be provided as requested through a CPRA request.

Finding 3

The Civil Grand Jury finds that, although the Procurement Department produced training materials, the County does not mandate that employees participate in the training before entering contract data into ERP systems.

The County agrees with this Finding. The County currently requires employees complete a formal training curriculum to attain access to procurement systems. Further, the County will mandate contract management and data entry training for all users starting no later than September 1, 2023.

Recommendation 3

The County should require mandatory contract management training for County employees and ensure that satisfactory completion of the training is documented before the employee is allowed to enter contract data into the ERP systems. This recommendation should be implemented by February 28, 2023.

The Recommendation will be implemented no later than September 1, 2023.

Finding 4

The County failed to fully implement the contract management module of the SAP system purchased a decade ago for millions of dollars. This lapse has prevented the timely integration of contract data from the Ariba and SAP systems, creating incompatibility issues.

The County partially disagrees with this Finding. The County did not acquire and implement the SAP contracts management module with its initial SAP deployment in 2002. The County acquired Ariba as a full procure-to-pay suite of tools in 2014, including the contracts management module. This module is currently in use by the Procurement Department for centralized contracts and a phased implementation plan for use by other departments across the County is in progress. Further, the County anticipates acquiring a new ERP system at an undetermined future date, whose business requirements will include a new contracts management module for use by all County departments.

Recommendation 4a

The County should insist that the current pilot program regarding contract data at the Social Services Agency (SSA) contain all the necessary elements to ensure a quality evaluation of the material management module before the process is rolled out to other departments. This recommendation should be implemented by June 15, 2023.

The Recommendation has been implemented. SSA does not require materials management functionality. Relevant fields have been configured in the professional services contracting templates and workflows of Ariba for use by SSA and other departments. Enhancements to the relevant templates and workflows will continue as the contracts management module is further deployed across the County.

It is important to note that the Pathways Material Management (PMM) system is separate from both SAP and Ariba and is the only materials management system for use in the County. It is used exclusively by the County of Santa Clara Health System. SAP and Ariba materials management functionality have not been implemented.

Recommendation 4b

To fully implement and integrate the contract management ERPs, the County should implement the contract management module within SAP for all departments and agencies. This recommendation should be implemented by June 15, 2023.

The Recommendation will not be implemented because it is not warranted or is not reasonable. As stated previously, the County does not have multiple procurement ERP systems, nor does it have an SAP-specific contracts management module in place. Aside from the phased deployment of the Ariba contracts management module, the implementation of any other specific contracts management will be assessed during a future ERP implementation.