



Memorandum

**TO: MAKING GOVERNMENT WORK
BETTER COMMITTEE**

FROM: Deanna J. Santana
Scott P. Johnson
Jim McBride

**SUBJECT: Status Report on Request for
Proposals Procedures**

DATE: February 9, 2005

Approved

Date

RECOMMENDATION

Accept the status report on the City's Request for Proposals (RFP) process improvements and direct staff to return in June 2005 with another status report.

BACKGROUND

On October 21, 2004, staff provided an extended presentation to the Making Government Work Better (MGWB) Committee on the City's current Request for Proposals (RFP) process and the efforts underway to improve that process. In addition, the presentation included the status of implementing several audit recommendations made by the City Auditor and City Attorney in two separate audits. At that meeting, the MGWB Committee approved staff's report and directed staff to return in January with another update. As this is the first meeting of the year, this report responds to the MGWB Committee direction.

While significant progress has been made in some process improvement areas, efforts have been slowed as a result of: dedicating significant resources to the City Auditor's audit on the City Manager's Management Reforms; a complete change in approach to screening potential conflicts of interests, which although is an improved method, requires time to advance and bring about completion; and, by the resignation of the Procurement Manager who was a significant team member in advancing RFP process improvements. For the above reasons, staff is requesting that this report be regarded as a "check in" and that an additional status report be issued in June 2005.

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ANALYSIS

This report provides discussion on the two highest priority audit recommendations made in “A Review of the CUSP Request for Proposal Process”¹ (dated June 2004), authored by the City Auditor, and “A Review of the Request for Proposal for the New Civic Center Converged Network System”² (dated August 2004), authored by the City Attorney and City Auditor, specifically; Standardization and Conflict of Interest.

The context for approaching our work has rested within the recommendation/priority level framework outlined in the two above referenced audits. Items of highest priority with respect to improving the RFP process have been: Conflict of Interest (Priority 1); Standardization (Priority 2); and, Scoring and Evaluation/Analysis (Priority 3). It is important to note, as reported in October 2004, that staff has implemented interim procedures/processes for addressing both of the top priorities and that what is pending is final documentation of permanent procedures and/or amendments to the municipal code.

For purposes of providing a status report on each of these items, the following information is offered:

Conflict of Interest (Priority 1)—As reported previously, interim questionnaires were developed and implemented immediately following the CUSP audit recommendations. The interim forms have been in use since July 2004, and staff continues to develop a permanent procedure for screening conflicts of interests. In fact, through the converged network RFP efforts, staff from the City Attorney’s Office and City Manager’s Office recently revised the interim Conflict of Interest forms to improve the information captured and simplify processing.

Recent efforts have included development of a draft Administrative Procedures and corresponding forms. One form was developed for prospective consultants who the City wishes to retain to assist the City in the procurement process and another was developed for City staff assigned to the procurement or to participate on an evaluation team. The draft Administrative Procedures would have required City staff to complete a conflict of interest form for each procurement. For staff who are assigned to a number of procurements, such as purchasing staff, this procedure could have become cumbersome and difficult to implement. These drafts were shared with the City Attorney’s Office and reviewed by the City Auditor’s Office as part of its management reform audit.

¹ In the CUSP audit, 14 of the 15 recommendations were related to RFP process improvements. The Priority 1 recommendations (CUSP Recommendation Nos. 1, 2, and 3) revolved around strengthening controls for evaluating and screening conflicts of interest for employees, evaluators, and consultants, and, also, included the implementation of a questionnaire. The City Auditor assigned Priority 3 to all other recommendations in the CUSP audit, which in large part focused on scoring, evaluation and analysis.

² In the New Civic Center Converged Network audit, there were six recommendations which all related, in some form, to RFP process improvements. Of the six recommendations, there was one Priority 2 recommendation and five Priority 3 recommendations. The Priority 2 recommendation related to the need for clarification or amendments to the Municipal Code’s standardization process.

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As an alternative to requiring staff and/or evaluators to complete a conflict of interest form for each procurement, staff has explored using the Form 700, along with a supplemental form, as a method to determine potential conflicts of interest. As the Form 700 is completed on an annual basis, it would simplify the procedures described above. A supplemental form may be necessary, as the Form 700 does not require the respondent to provide all financial interests. For example, the form specifies that only stock interests with a value of \$2500 or above need to be disclosed. For the City's purposes in determining possible conflicts of interest in procurements, the City would want to have more complete information.

On December 6, 2004, the City Manager's Office convened a meeting between the City Attorney's Office, City Auditor's Office, and the departments of General Services and Finance to discuss this above approach and to reach consensus that this was an appropriate method for which to proceed, as the Auditor's Office had previously expressed concerns about the feasibility of using the Form 700. After a lengthy discussion, all parties agreed that the use of Form 700, along with a newly developed supplemental form, would suffice in determining potential conflicts of interest. This new approach simplifies the administrative process for staff members frequently involved in procurements (i.e., buyers, procurement staff, and frequent RFP/RFQ/RFI writers) and allows for disclosure to occur on an annual event (with the ability to update information).

Since the above noted meeting, staff has been in process of researching and developing the supplemental form, including the development of a draft template. To ensure that the RFP process improvements continue to move forward, without further delay, the following timeline is in place to complete the conflict of interest component of this effort:

Timeframe	Action
February –March	Complete Administrative Procedure and Forms for new conflict of interest approach.
April – May	Outreach to the organization, including department trainings, Purchasing Division training, etc.
April –June	Organize completion of Supplemental Forms by staff, begin entering information in developed database, etc.
July	Ensure that the Organization is fully functional with new process and mechanisms in place to identify potential conflicts.

For consultants hired to assist City with procurements, the City would require the prospective consultant's employees to complete the conflict of interest form currently in use, or as may be modified in the future if necessary. The conflict form would be completed as part of the RFQ/RFP process conducted to retain the consultant. Once the consultant is retained, depending on the services to be provided by the consultant, then the consultant may be required to complete the Form 700 in order to comply with State law.

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Standardization (Priority 2)—In October 2004, staff reported that a draft Administrative Procedure was in circulation for final review and edits. The draft document was developed by the standardization team members from the City Attorney's Office, City Manager's Office, and the departments of Finance, Information Technology and General Services, and shared with the City Auditor's Office for input. In addition, the draft Administrative Procedure was shared with the City's Converged Network RFP Validation Committee and its input has also been incorporated.

On February 15, 2005, the City Council is scheduled to consider amendments to the Municipal Code language regarding standardization. A verbal update on the outcome of this effort will be provided at the February 17, 2005 MGWB Committee meeting.

Scoring and Evaluation/Analysis (Priority 3)—Staff met on September 29 to discuss the current scoring process and other scoring models. In October staff developed various models used for scoring and how cost proposals are incorporated into the scoring process. This document was shared with the City Auditor's Office, as part of its Management Reform Audit. Additional discussion is needed to determine options for incorporating into the RFP process improvements. The Converged Network RFP evaluation process will be reviewed and components of that approach will be incorporated into this larger effort.

RFP Procedures Manual—City Manager's Office staff has begun reformatting the RFP Procedures Manual with updates provided by the Purchasing Division, but substantial updates have been pending Council action on standardization and staff finalizing conflict of interest screening.

Chief Purchasing Officer— Staff has been applying resources to expedite the recruitment process for the Chief Purchasing Officer that began last year. With the recent resignation of the Purchasing Manager, the need for a Chief Purchasing Officer has become even more critical to ensuring proper operations and transition of functions from the General Services Department to the Finance Department. The final filling date for applicants was January 7, 2005. Staff received 67 applications, with 42 meeting the basic qualifications. Those meeting the basic qualifications were asked to submit supplemental information, which is currently under review. The first round of interviews will be held on February 18 and the finalist interviews will be held on February 28. An oral report on the status of the interview process will be provided at the MGWB Committee meeting. The Administration plans to fill the position by March 31.

In the interim, the Finance Department has hired a temporary Chief Purchasing Officer, Mr. Jack Bursch. Mr. Bursch is an experienced municipal procurement subject matter expert. He has over 40 years of purchasing experience that includes 38 years at the County of Santa Clara, with 20 of those years serving as the Purchasing Department Director. Mr. Bursch will fill the role of Interim Chief Purchasing Officer and project lead on RFP process improvements.

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In addition, an internal memorandum delegating all purchasing responsibilities and authorities to the Finance Director has been prepared and distributed throughout the organization in preparation for completing the transfer in the short term.

Public Works' Consultant Selection Policy--A revised Consultant Selection Policy was fully developed and adopted by City Council on December 7. The revised Policy reached its original goals of increasing consistency within the CSA, improve the transparency of the process to the public, and also incorporate the newly Council adopted Local and Small Business Preference Policy. Staff also completed several training sessions of the revised policy to ensure full implementation of the policy.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This report has been coordinated with the City Attorney's Office.

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Chief of Staff

SCOTT P. JOHNSON
Finance, Director

JIM McBRIDE
General Services, Interim Director