

County of Santa Clara



Finance Agency Controller-Treasurer Department

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December 3rd, 2012

To: Board of Supervisors
Jeffrey V. Smith, County Executive
Gary Graves, Chief Operating Officer
Lori E. Pegg, Acting County Counsel
Vinod Sharma, Director, Finance Agency
Jenti Vandertuig, Director of Procurement

Subject: Audit of Procurement Card (P-Card) Transactions of Supervisor George Shirakawa (District 2) for the period of January 2009 through September 2012

We have completed the audit of Procurement Card (P-Card) transactions of Supervisor George Shirakawa of District 2 for the 45-month period of January 2009 through September 2012 as attached. We thank the staff of the Board of Supervisors District 2 Office for their cooperation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Irene Lui".

Irene Lui, C.P.A.
Controller-Treasurer

COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT

CONTROLLER-TREASURER REPORT

**Audit of Procurement Card (P-Card) Transactions of
Supervisor George Shirakawa (District 2)
for January 2009 through September 2012**



December 3, 2012

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Executive Summary

The Controller-Treasurer Department was asked to conduct an audit of procurement card (P-Card) transactions for all elected officials and Board appointees. The project is divided in two phases, with Phase-1 covering the review of P-Card transactions of Supervisor George Shirakawa (District 2) for a 45-month period, January 2009 through September 24, 2012. This review included 240 credit card charges totaling \$36,837. The credit card usage is summarized below:

<u>Transaction Type</u>	<u>No. of Transactions</u>	<u>Amount</u>
Travel expenses	33	\$ 14,293
Local (non-travel) business meal expenses	174	10,354
Personal uses subsequently reimbursed	19	7,050
Miscellaneous	14	5,140
Total	<u>240</u>	<u>\$ 36,837</u>

Our audit revealed several instances where the cardholder did not comply with the County's policies for P-Card usage, procurement, travel, or local business meals. We noticed many irregularities in the examined P-Card usage. In numerous instances, the County-issued P-Card was used to pay for the cardholder's personal expenses, pay the registration fee of a political event, donate County funds to non-profit entities without the Board's approval, or to purchase items that are either strictly prohibited or restricted under various County policies. Even though the cardholder subsequently reimbursed the County \$7,049 for various personal charges, most of these reimbursements were made several months after the card was first charged. These personal purchases violated County policies and should never have been charged to the County-issued P-Card in the first place.

During this period, the cardholder incurred \$14,293 in travel expenses on 13 business trips. We found several violations of the County's Travel Policy, including two instances of car rental charges on an upgraded class of vehicle without noted justifications, two lodgings surpassing the federal per diem rates, and some missing receipts.

Another \$10,354 in 174 transactions was incurred for local business meals without the required itemized receipts as initially submitted. Instead the monthly P-Card transaction logs were submitted with missing receipts memos (MRMs) attached. The County's P-Card policy permits these MRMs on an exception basis; however, in this case, the exception became the norm.

P-Card purchases constitute the use of public funds. Cardholders and the approving officials should ensure that each transaction is a prudent use of public funds. While there are confusing or conflicting requirements under various County policies that could have explained some of the findings, particularly the spending on local meals, the other findings – including personal uses (although subsequently reimbursed after several months) and prohibited expenditures on donations and gift cards – were clear violations of County policies. With these irregularities and non-compliance noted from the audit, we recommend taking the following immediate actions:

1. The cardholder should immediately reimburse the County \$12,772 for charitable donations and prohibited purchases improperly charged to the County-issued P-Card, as noted in Recommendations 1A, 2A, and 3A.
2. The Controller-Treasurer Department will perform a detailed review of Object 2 (non-personnel services and supplies) expenditures of District 2, including the P-Card transactions of the District staff members, for the same period. Improper charges, if any, should be reported to the Board at the earliest opportunity.
3. County Counsel, Procurement, Finance and the County Executive, will review and recommend to the Board (if applicable) revisions to the pertinent policies and procedures, regulations, or ordinance in order to avoid confusion and provide uniformity in implementing various County policies.

Project Objective, Scope and Methodology

The objective of this audit of P-Card transactions is to evaluate the appropriateness of P-Card charges and review their compliance with the County's P-Card and other applicable policies and regulations. We also reviewed the current policies governing transactions for elected officials and Board appointees and identify best practices and/or policy changes to avoid conflicting or confusing regulations.

The scope of our work includes: (a) review of pertinent laws, policies and procedures, regulations, and ordinance related specifically to the P-Card program, (b) examination of P-Card transaction logs, supporting documents (receipts, memos, agendas, travel authorizations, and travel expense vouchers, etc.) and credit card statements, and (c) analysis of P-Card data for the period and review of additional documentation as needed.

We divided our work into two phases. Phase-1 covers the review of P-Card transactions of Supervisor Shirakawa (District 2) for the 45 month period, January 2009 through September 24, 2012. Phase-2 will include the review of P-Card charges for all other elected officials and Board-appointed executive managers. Depending upon the outcome of Phase-2, we may also extend the scope of this project to include a performance audit of the Countywide P-Card program.

Due to the limited scope and timeframe to complete the audit, we were not able to review and analyze several related areas. For example, we have not completed the audit of the other P-Card account in District 2, or assessed the timeliness of the P-Card reconciliation processes. In addition, where itemized receipts were not in County's records we were unable to analyze compliance with certain County policies (e.g. alcoholic beverages).

The following County policies and ordinance were used as references for our analysis:

- County of Santa Clara P-Card Policy (Rev. July 1, 2011)
- County of Santa Clara P-Card Policy (Feb 15, 2008 Edition)
- County of Santa Clara Business Meal Policy (Non-Travel) (Effective Date Dec. 5, 2007)

- County of Santa Clara Ordinance Div. A31
- County of Santa Clara Travel Policy (Rev. June 8, 2010)
- County of Santa Clara Travel Policy (January 2006)
- County of Santa Clara Charter Section 710

Background

On October 30, 2012, the Controller-Treasurer's Department was asked to conduct an audit of the P-Card transactions for all elected officials and executive managers directly appointed by the Board. The County has established P-Card policies and guidelines, but the oversight of the program has been decentralized with a limited post-audit function in place. The Board request for an audit is the result of recent newspaper reports that P-Card usage by this cardholder was inconsistent with existing policies and procedures.

Findings and Recommendations

Below are the major findings and recommendations from the audit of the cardholder's transactions for the period of January 2009 through September 2012. We have not completed the review of other expenses that were not charged to this P-Card. As stated earlier in the report, we will conduct a complete audit of Object 2 (non-personnel services and supplies) expenditures of District 2 and will report back to the Board.

Please note that our findings are based solely on our review of expenses charged to the cardholder's P-Card account. Regarding some of the alleged discrepancies reported in the newspapers, such as \$3,583 for a staff retreat in early 2009, and \$2,605 for an upgraded airfare in April 2011, we did not find any evidence that these expenses were charged to the P-Card account we reviewed. As stated above, we will soon perform a thorough review of Object 2 (non-personnel services and supplies) expenditures of the district.

1. Excluded Purchases

The P-Card was frequently used for excluded purchases that are strictly prohibited under the County's P-Card and other policies. These included:

a. Personal Purchases

As noted in Exhibit 1, there are 19 instances of personal transactions charged to the P-Card, although all of these were subsequently reimbursed. For example, in one instance the P-Card was used to pay for the conference fee, hotel, car rental, and food expenses for attending the California Democratic Party Convention in San Diego in February 2012. The reimbursements to the County for these and other personal charges totaling \$7,049 were made ranging from 2 to 11 months after the card was first charged. These personal purchases were in violation to the County policies, and P-Card should not have been used for these purchases in the first place.

b. Charitable Contribution or Political Event Payment

In addition to the personal purchases described above, in the following instances, the P-Card was used to pay for a political event or charitable donations that are strictly prohibited:

May 2011	\$175	Registration Fee for Democratic State Convention
Dec 2011	\$2,500	Donation to the East Side Union School District

Political contributions are not permitted use of public resources and the County should be immediately reimbursed for these charges. The cardholder agreed with the finding on May 2011 transaction and has issued a reimbursement check of \$175 on Dec 3rd, 2012. The donation to East Side Union School District may serve a public purpose, but the transaction needs the Board's approval, as only the Board can make donations or authorize grants to other organizations.

Although we have not finished the audit of the other P-Card account in District 2 (which will be covered in Phase-2), we noted at least four more instances of donations charged to the other P-Card amounting \$4,500 that should also be reimbursed to County as well.

c. Gift Card Purchase

A purchase of \$175 for four gift cards (three at \$50 and one at \$25) was made. This is inconsistent with County policies.

Recommendation 1A: A total of \$7,175 (\$2,500 from finding (a) and \$175 from finding (c) paid from this card and \$4,500 from the staff member's card as noted above) should be reimbursed to County within 30 days.

Recommendation 1B: With the personal uses noted above, Procurement and Finance should perform frequent and regular monitoring of this District's P-Card transactions.

2. Travel Expenses

The following violations were noted for travel expenses made from this P-Card:

While travel expenses, including meals and lodging, are allowable purchases, the P-Card can only be used for official County business that is in compliance with the County Travel Policy. The County Travel Policy requires that a final accounting of all travel expenses be completed on Trip Expense Vouchers (TEVs) submitted to the Controller-Treasurer Department within 21 calendar days of return from travel. As these travel expenses were made through the P-Card, and hence in many cases did not have the amount due to the travelers after the completion of the trips, District 2 has a practice of submitting late TEVs. Aside from the late filings of TEVs, we noted numerous violations of the County Travel Policies among these payments, including:

- a) Itemized receipts were not provided for eight meals totaling \$930.25. Of these, six meals exceeded the per diem rate by a total of \$216.54. This includes \$114.95 from the \$258.95 spent by the cardholder in Washington D.C in April 2012. Moreover, a \$36 per diem amount was claimed for the same meal even though the meal was charged to the P-Card. This amount, along with the \$216.54 mentioned above, equals \$252.54 in overpayments.
- b) Two trips (March 2010 – Sacramento and July 2011 – Sacramento) were not reported on the Board’s agenda. Three travels (May 2009 – Sacramento, May 2012 – San Diego and May 2012 – Sacramento) totaling \$1,724.93 have no TEVs on file.
- c) During the cardholder’s April 2012 Washington D.C. trip, his P-card was charged for two additional nights of hotel stay (April 4th and April 5th) even though his departure from Washington was on April 4th. For the night of April 4th, the cardholder allowed a community member to use the room while the charge was made to the County. The community member on November 30, 2012 hand delivered a reimbursement check of \$559.91 to the County for the cost of the room on that night. District 2 staff indicated that they will contact the hotel to dispute the cost of the second night since it was not occupied by the cardholder.
- d) Noted instances in which the cardholder rented a luxury vehicle for both business and personal use. He later repaid \$1,339.01 for the personal use. There were also two other trips in which he rented an upgraded class vehicle, even with no personal use. The County’s Travel Policy indicates that travellers should rent mid-size or smaller vehicles, unless justified with special circumstances. There was no justification noted except the explanation received during the review that it was due to his physical needs.
- e) Two lodging payments for the cardholder surpassed the per diem rate by a total of \$586.
- f) Two instances, one for gas and another for lodging, in which receipts were not provided, although we can identify the payees from the P-Card statements.

Recommendation 2A: A total of \$ 838.57 (\$252.54 from finding (a), and \$586.03 from finding (e)) should be reimbursed to County within 30 days.

Recommendation 2B: TEVs should be filed with Controller’s Office within 30 days for the identified payments noted on finding (b) above. Otherwise, reimbursements should be made immediately.

Recommendation 2C: Regarding Finding (c), District 2 will report back to Controller’s Office regarding the reversal of hotel charge for April 5th within 30 days. Otherwise, reimbursements should be made immediately.

3. Local (Non-Travel) Business Meals

Local meals incurred during the period included meals taken with official guests and community groups as well as his staff members.

- a) Instead of detailed itemized receipts, 96% of these meals payments have MRMs attached to the transaction logs. Most of these charges had only the credit card signature (sales) receipts attached showing total charges but no itemized details. Nineteen additional itemized receipts were provided during the review. For the meals without the itemized receipts, we were unable to verify if any prohibited items like alcoholic beverages were purchased. However, we noted a transaction, which was initially attached with MRM, at P.F Chang Bistro (February 17th, 2012) that included the purchase of alcohol, for which an itemized receipt was subsequently obtained. It was noted that the MRM submitted in lieu of this itemized receipt and attached to the business meal claim stated that no alcohol was purchased. However, upon inquiry, the cardholder acknowledged that he had mistakenly used the P-Card, not noticing the alcoholic beverages. The cardholder agreed and has issued two reimbursement checks totaling \$23 to the County for the sum for alcoholic beverages (inclusive of the proportional share of sales tax and tips).
- b) The cardholder frequently charged the P-Card to pay for working lunches. Over 50 transactions totaling \$4,758 were noted for staff lunches, staff meetings, holiday luncheons, and staff members' going away parties, all taking place at restaurants. Since the Business Meals Policy provides reimbursement for non-travel business meals that are incurred for bona fide business purposes only, it clearly states that no meal reimbursements be allowed for social functions or regularly scheduled staff meetings during normal working hours other than light refreshments. However, these identified meals were not light refreshments and are not allowable expenditures.
- c) Half of the transactions, totaling \$3,207, exceeded the Federal GSA per diem rates governed by the Business Meals Policy, although Board Members have special provisions under the Executive Salary Ordinance that allow "actual and necessary expenses" for meals and attending functions up to \$3,000 per fiscal year.
- d) During the last few weeks, our office has received four checks totaling \$653 as reimbursement from non-county personnel for the business meals purchased on the cardholder's P-Card, as detailed below.

Check Date	Check #	Amount Reimbursed
Oct 30 th 2012	146	\$400
Oct 30 th 2012	10641	\$70
November 5 th 2012	3281	\$150
November 8 th 2012	854	\$33
Total		\$653*

* \$523 pertains to expenses incurred for FY 2012

- e) P-Card payments made for local meals in fiscal year 2012, as provided under Section A1 of Ordinance No. NS-20.13, were \$958 over the purchase limit of \$3,000 per fiscal year. However, \$523 of the above-listed reimbursements from third parties relate to fiscal year 2012 charges, and an additional \$2,027 for staff meals (if reimbursed) will fully offset the overage.

Recommendation 3A: A total of \$4,758 from finding (b) should be reimbursed to County within 30 days.

Recommendation 3B: All future meal payments should be accompanied with itemized receipts. If no detailed receipt is provided, MRMs should not be used unless they are reviewed and approved by the County Executive's Office.

Recommendation 3C: With some noted conflicting provisions in various rules and regulations, we recommend that County Counsel take the lead in reviewing the related policies with the County Executive, Procurement and Finance to ensure uniform guidelines that will facilitate implementation and compliance.

4. Purchase of Restricted Item

Items that are on contract established by the Procurement Department are restricted for purchase with the P-Card. A refrigerator of \$628 was purchased in December 2011 from a vendor other than the County's contracted vendor. For such purchase, cardholder is required to provide justifications with attached supporting documentation (including written communication from contracted vendor that they cannot match their competitor's price or availability of the product). However, no such justification was documented.

Recommendation 4: Purchase of items from vendors other than the County's contracted vendor should not be made without written justifications.

5. Control Weaknesses

The findings noted above reveal control weakness both at the department level and countywide.

- a) When the P-Card program was rolled out to all County agencies and departments, the P-Card Policy clearly defined the roles of Approving Officer (AO), Billing Officer (BO), and Agency Program Coordinator (APC) in County departments. The AO, BO and APC are responsible for control and monitoring of the P-Card program in their departments. The prolonged violations noted in this card reveal that the AO, BO and APC have not carried out their responsibilities to review the transactions and/or ensure the proper usage of the P-Card.
- b) The County have been too dependent on the controls to be performed by departments. For example, The Controller's Office has not performed any P-Card audit-after-the-fact for any Board office after 2010.

Recommendation 5A: The hierarchy of the existing AO and BO assigned for the cardholder should be reviewed to ensure adequate checks and balances. We recommend that the County Executive's Office or designee act as the BO, including the responsibilities to review the monthly transaction logs reported by the cardholder and approved by the AO.

Recommendation 5B: Refresher training will be provided to the two P-card holders and program administrators (AO, BO and APC) for District 2. The training will include reinforcement of existing rules and provide updates on County policies including procurement, travel and business meals.

Recommendation 5C: Finance and Procurement will expand the oversight and increase the control activities related to P-Cards, including but not limited to (1) timely and regular monitoring of P-Card transactions, (2) more frequent and in-depth P-Card reviews, and (3) development of more automated monitoring systems to allow efficient and effective review without consuming disproportionate resources.

Response from the Auditee

The response from District 2 is being submitted and attached to this report.

P-card personal uses that were subsequently reimbursed by the cardholder

P-card Transaction			Reimbursement From Cardholder			
Transaction Date	Transaction Amount	Merchant Name	Check #	Check Amount	Check Deposit Date	Reimbursement Delayed in Months
9/6/2010	20.46	HARVEYS CASINO STATELINE	3536	20.46	5/12/2011	8
2/17/2011	408.72	NATIONAL CAR RENTAL	3544	408.72	10/27/2011	8
7/16/2011	1,000.58	ENTERPRISE RENT-A-CAR	3567	1,000.58	10/27/2011	3
10/7/2011	479.40	SOUTHWESTAIR5262104615435	3637	479.40	10/8/2012	11
10/8/2011	583.78	THE REVERE GOLF CLUB	3638	583.78	10/8/2012	11
1/1/2012	213.00	HILTON GARDEN INN	3618	213.00	10/8/2012	9
2/8/2012	463.60	SOUTHWESTAIR5262420248921	1019	1,875.84	10/8/2012	7
2/9/2012	688.60	MARRIOTT 337J8 SD MARINA	1019			
2/11/2012	105.11	OLD TOWN MEXICAN CAFE	1019			
2/12/2012	423.53	NATIONAL CAR RENTAL	1019			
2/12/2012	195.00	CALIFORNIA DEMOCRATIC PARTY	1019			
3/14/2012	18.00	NATIONAL CAR RENTAL	3623	18.00	10/8/2012	6
4/9/2012	703.71	NATIONAL CAR RENTAL	3624	703.71	10/8/2012	5
5/21/2012	12.00	13 CITY PARK FOUNTAIN	3642	12.00	10/16/2012	4
5/29/2012	869.01	ENTERPRISE RENT-A-CAR	3644	869.01	10/16/2012	4
6/17/2012	133.28	HILTON GARDEN INN	3643	133.28	10/16/2012	3
6/25/2012	105.44	HILTON GARDEN INN	3641	211.94	10/16/2012	3
7/2/2012	106.50	HILTON GARDEN INN	3641			
8/2/2012	98.00	LOS LAGOS GOLF COURSE	3640	98.00	10/16/2012	2
Other: Two identified travels' personal use						
11/21/2010	338.43	* Car rental on personal use	3539	338.43	6/14/2011	6
4/4/2011	83.36	* Travel meals overage	3562	83.36	10/20/2011	6
	7,049.51	Subtotal of P-Card Charges		7,049.51		6
						Average



Supervisor George Shirakawa

District 2

TO: Vinod Sharma
Director of Finance

FROM: Supervisor George Shirakawa 
District 2

Subject: Response to December 3, 2012, "Audit of procurement card (P-Card)
Transactions of Supervisor George Shirakawa (District-2) for the period
2009-2012

General Statement: In 2009, 2010, and 2011, the Controller-Treasurer Department issued memorandums that that stated in part,

The County of Santa Clara Board of Supervisor's, District Two's P-Card transactions audited for the this period (2009, 2010, and 2011 respectively) followed the policies and procedures set forth in the Procurement Card program. The Department's P-Card records are well organized and maintained. The Department is making an effort to use the P-card whenever possible to maximize the rebate offered by U.S. Bank.

Notwithstanding the audits conducted in 2009, 2010, and 2011, District 2 provides the following responses to the revised findings from 2009-2011, and findings from 2012 described in the December 3, 2012, "Audit of procurement card (P-Card) Transactions of Supervisor George Shirakawa (District-2) for the period 2009-2012."

Recommendation 1A – District 2 Response:

Finding 1(b) – Notwithstanding the audits of 2009, 2010, and 2011, District 2 agrees with finding 1(b) regarding the registration fee for the Democratic State Convention. Supervisor Shirakawa has submitted a reimbursement check for \$175.

Finding 1(b) – Notwithstanding the audits of 2009, 2010, and 2011, District 2 disagrees with the additional \$7,000 described in finding 1(b). The County Contract Manual allows for service agreements with entities to provide goods and services that serve a public purpose. These expenditures were to non-profit corporations that serve the community, so each of

these expenditures qualify for P-card use under the County Contract Manual, which states, "Departments have authorization from the Board through Direct Payment List or the P-Card program to contract for non-recurring services not covered by a contract in an amount not to exceed \$2,500 if the vendor is a corporate entity and \$1,000 for all others." (See exhibit 1)

Finding 1(c) – Notwithstanding the audits of 2009, 2010, and 2011, District 2 disagrees with finding 1(c). The purchase \$175 in gift cards in finding 1(c) was provided to a community group in the Washington neighborhood for the purchase of food to be provided at a community event. This expense would have been allowable under the County Contract Manual.

Recommendation 1B – District 2 Response:

District 2 agrees with Recommendation 1B

Recommendation 2A – District 2 Response

Finding 2(a) – Notwithstanding the audits of 2009, 2010, and 2011, District 2 agrees with finding 2(a). Supervisor Shirakawa will submit a reimbursement for \$254.54 within 30 days.

District 2 agrees with finding 2(c)

District 2 agrees with finding 2(e). Supervisor Shirakawa will submit a reimbursement for \$586.63 within 30 days.

Recommendation 2B – District 2 Response

District 2 agrees with finding 2(b) and will file required TEVs within 30 days.

3A Recommendation– District 2 Response

Finding 3(a) – District 2 agrees with finding 3(a). Supervisor Shirakawa has submitted two reimbursement checks totaling \$23.

Finding 3(b) – Notwithstanding the audits of 2009, 2010, and 2011, District 2 disagrees with finding 3(b) regarding staff lunches. The District 2 staff and Supervisor Shirakawa regularly attend school and community events, meet with constituents and neighborhood groups, and participate in evening events and meetings in the community. On a case-by-case basis, if it is more efficient and productive to meet with individual staff members in

the field, rather than return to the County Government Center, to prepare for upcoming meetings held in the community that same day, the preparation meetings that require staff to work during the lunch or dinner hour should meet the definition of a bona fide business purpose.

Finding 3(b) – Notwithstanding the audits of 2009, 2010, and 2011, District 2 agrees with finding 3(b) regarding social functions. Supervisor Shirakawa will submit a reimbursement check for \$1,230.17 within 30 days.

Finding 3(e) – Notwithstanding the audits of 2009, 2010, and 2011, District 2 agrees with finding 3(e). Supervisor Shirakawa will submit a reimbursement check for \$215 within 30 days.

Recommendation 3B – District 2 Response

District 2 agrees with Recommendation 3B.

Recommendation 4 – District 2 Response

Notwithstanding the audits of 2009, 2010, and 2011, District 2 agrees with Recommendation and will submit a waiver form to the Procurement and Controller's Office within 30 days.

Recommendation 5A

District 2 agrees with Recommendation 5A.

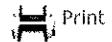
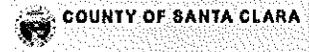
Recommendation 5B

District 2 agrees with Recommendation 5B.

Recommendation 5C

District 2 agrees with Recommendation 5C.

Exhibit 1: County's Contract Manual



Welcome to the Contract Manual

Welcome to the County's Contract Manual

What is a Contract?

About the Manual

Glossary

Board Policies on Contracting and Bidding

Who can Execute a Contract?

Five Elements of a Solicitation

Rules and Approval Process

Contracts from \$10,000 to \$100,000

Contracts over \$100,000

Fiscal Monitoring

Performance Monitoring

Vendor Selection

Competitive Bidding

Local Preference Used in the RFP Process

Welcome to the County's Contract Manual

This Contract Manual was prepared by the Contracting Manual Committee in conjunction with countywide efforts to streamline the service contract process. It is intended to provide guidance to County employees in developing and executing contracts.

What is a Contract?

A Contract is a written document that outlines the "obligations" agreed upon between the County and a non-County entity. "Obligations" include paying money for service, but can be non-monetary, such as committing staff time, committing facility use, in-kind contributions. A contract can also be called a memorandum of understanding (MOU). All types of contracts are subject to the County's contracting process.

Whether you are working on your first County contract, or are a veteran at writing contracts, we hope that you find this manual to be helpful.

Statement of Intent

The Board of Supervisors is committed to an open and competitive process with organizations and individuals who contract with the County.

Their intent is to promote the most cost-effective use of the taxpayer's dollars while contributing to fairness and equal access to business opportunities in the County.

The Board is equally committed to following fair labor practices and supporting labor agreements that might be impacted by any contract entered into by the County.

Basic Contracting Principles

A contract is needed anytime the County of Santa Clara obligates itself to do something with a non-County agency, even if there is no exchange of money.

Only the Board of Supervisors may contract on behalf of the County unless the Board has delegated authority to a County official.

Services cannot begin without a fully executed agreement.

About The Manual

The emphasis of this manual is on contracting for **services**.

Note: Contracting with current County employees or former employees separated from the County within a

two-year period may be prohibited or strictly limited, depending on the circumstances. Please consult with your department's County Counsel for more information. The Assistant County Executive's approval is required to hire a former County retiree. The Worksheet for calculating the maximum hourly rate for agreements with former employees recently separated from the County is posted on the Forms Page of this website.

The Procurement Department handles contracting for goods and equipment up to and including \$2 million. The Procurement Department executes most of the agreements for services up to and including \$100,000 or up to and including \$500,000, if related to a current or past technology acquisition. The Procurement Department may also receive a delegation of authority from the Board to execute agreements for services over the normal limit set by the Board. The County Official (or designee) that receives the Board's delegation of authority – for example the department head or the Procurement Department, executes Board Contracts.

Suggestions for How to Use The Manual

This manual is designed to simplify and bring together the rules and procedures governing County contracts. If you are not familiar with the overall County contracting process, you may wish to review the entire manual. We recommend that you begin with the Glossary and Board Policies on Contracting and Bidding. More importantly, a Contracts Workshop is always held annually. Look for the announcement in the CountyWide Catalogue. You will find it listed under "Other Offerings."

Glossary - The glossary provides definitions of key words, phrases, and an explanation of key provisions for contract documents.

Board Policies on Contracting and Bidding - Policies related to contracting and bidding are approved by the Board of Supervisors and maintained by the Clerk of the Board. An entire section is devoted to contracting – Section 5 - Policies on Contracting and Bidding. It is highly recommended that you review this section to become better informed.

You may choose to go directly to the section or sections that apply to your specific situation and review only those elements that match your circumstances.

Who Can Execute a Contract?

The County exercises its power to contract only through the Board or a public official to whom the Board has delegated authority. The Director of Procurement is the Board's Purchasing Agent and has received a delegation of authority to purchase goods and services within certain dollar amounts, based on what is being purchased.

Five Elements of a Solicitation

There are essentially five (5) main elements that should be included in notifications to the public when contracting for services. These include the invitation, instruction to the respondents, scope of work required, price summary and the contractual obligations.

Rules and Approval Process

Procurement Sourcing Process for Goods and Services Flowchart
 Contracts from \$10,000 - \$100,000
 Contracts over \$100,000

Services with a total contract value of up to \$2,500

Departments have authorization from the Board through the Direct Payment List or the P-Card program to contract for non-recurring services not covered by a contract in an amount not to exceed \$2,500 if the vendor is a corporate entity and \$1,000 for all others. This Direct Pay authorization can also be used for trainer services, with a limit of \$2,500.

Services with a total contract value of \$10,000 or less per fiscal year/budget unit/vendor

Review the Board's policy on Contracting and Bidding before you begin. Contracts under this category are generally processed between the department and the Procurement Department. The Procurement Department executes the contract with the exception of Contract Release contracts and Board Contracts, which are processed and executed by the departments. The agreement may be set up as a Standard Service Agreement or Non-Standard Service Agreement. Non-Standard agreements require the review of the County Counsel as to form and legality. All service contracts are processed through the SAP system. Check the

Forms Page on this website for the appropriate forms required to complete this process.

Fiscal Monitoring

Performance Monitoring

Vendor Selection

Competitive Bidding

Local Preference Used in RFP Process

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