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JUN - 4 2010

TRINITY COUNTY
SUPERIOR COURT

Trinity County Grand Jury
2009-2010

FILED

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CLERK OF THE SUPERIOR COURT
COUNTY OF TRINITY
BY: STACI WARNER, DEPUTY CLERK

**Finance and Administration Committee
FAR2009/2010-003
Final Report**

**Trinity County Government
Purchasing Procedures Investigation**

Approved May 4, 2010


Ronald D. Ward

*Approved
June 7, 2010*

Trinity County Grand Jury 2009/2010

Finance and Administration Committee

Trinity County Government Purchasing Procedures Investigation

Summary

The Trinity County Grand Jury (Grand Jury) elected to review Trinity County purchasing and procurement policies and procedures. After a review of existing policies for procurement in the County, it was determined through interviews that County policy is ignored or neglected. Procurement occurs through the use of credit cards and contract awards. Credit cards have proliferated within the county, with 153 cards issued. A sample of six contracts was reviewed and several errors in requesting bids, reviewing responses and contract agreements were found.

Background

The 2006-2007 Grand Jury, followed by the 2007-2008 and 2008-2009 Grand Juries, investigated the purchasing policies of Trinity County. Starting with the 2006-2007 Grand Jury report on purchasing, there have been numerous findings and responses for updating the policies and procedures of the County. The purpose of this investigation was to look at current procurement procedures, and to determine: (a) if the procedures incorporate past responses by the County and (b) if those procedures are documented.

Method of Investigation

The Trinity County Grand Jury Finance and Administration Committee interviewed department heads from General Administration, Office of the Controller, Health and Human Services, Behavioral Health, Department of Transportation and the Sheriff's Department. Where policies or procedures existed, copies were obtained. A random sample of County employees who have been given a credit card for County procurement or travel was reviewed for use and approval. Random samples of five contracts by the County were selected and request for bid packages, quotes, negotiation summaries and contracts were reviewed for compliance with County policies and good business practices.

Discussion

General

Trinity County (the County) does not have a central purchasing department nor does it issue purchase orders. Although a County Procurement Procedure (dated 2006 and

updated in 2007) exists, no department in the County is using the procedure. Of five departments questioned, none had the procedure or were familiar with it. Questions regarding purchases are referred to the County Administrative Officer (CAO). All purchasing for goods or materials within the County is made by credit card or contract, while all purchases for services must be made by contract. Contracts can originate from any department but must be approved by the CAO and the Board of Supervisors. Any change to a contract requires a new contract.

This assessment was based on an interview with the CAO and subsequently confirmed in interviews with five departments of the County: Behavioral Health, Health and Human Services, Department of Transportation, the Sheriff, and the Auditor-Controller. Each department is responsible for its own purchases. Only one department interviewed, Health and Human Services, had their own operating procedures. Health and Human Services has also developed a basic purchase order system.

Credit Cards

The State provides a no-cost credit card program to State and local government called Cal-Card. This allows local governments such as Trinity County to purchase on a monthly basis and pay a single bill each month with no interest or transaction fees. Currently there are 153 employees of the County that have a card. Per county policy, authorization to issue a card to County employees requires approval by the department head. Each employee has specific authority for individual purchases and maximum expenditure within a payment cycle. This authority varies between \$250.00 and \$30,000.00. The 153 employees identified held positions that varied by department, from receptionist to department head. It was not always clear why a particular person should have a card. In many cases the card was a convenience for the employee while on business travel outside the County. Some County employees did not use the card at all during the calendar year 2009.

Random samples of ten employees with credit cards were selected to review their charges during 2009. In two of the ten, there had been no charging during 2009. Of the other eight employees, 72 monthly statements were reviewed. Ten of the monthly statements were signed and certified as valid and correct only by the cardholder and department head. Charges to their credit cards were well documented and accurate.

Although credit cards are a convenience that precludes the use of petty cash and employees' financing of trips (until reimbursed by the county), it does leave open the potential for abuse and fraud. While no such case was found, the potential still exists. The proliferation of cardholders without policy limits only increases this potential problem.

While credit cards are a convenience they do not insure negotiation of price or terms and conditions beneficial to the County. Most, if not all, of the cardholders in the County have little or no training or skill in price negotiation. A purchase order system, with standard terms and conditions, would be much more beneficial to the County in

negotiating prices, terms, and conditions, and reduce the use of the credit cards as the method of payment.

The State negotiates purchase agreements with some of the businesses available to local government. This includes automobiles and business supplies. The county does not require departments to use available discounted services. All departments interviewed indicated that they use discounted services occasionally, depending upon convenience and what is being purchased.

Contracts

Contracts are used for purchases of material and all services. They may be for a specific task on a one-time basis or for a continuing period of time. Some contracts may be for multiple years. Contracts in the County can be broken down into two types of procurement: competitive and sole source.

Competitive procurement contracts

Competitive procurements can be sealed bids or open bids depending on (among other factors), whether the basis of award is price only. After being received, competitive open bids can be negotiated further. Competitive price procurements require that a Request For Bid (RFB) be published in local area newspapers and should include: a statement of the work to be done and/or material to be supplied, terms and conditions, and a bid due date. Qualifications of the bidder, price quoted, compliance with the statement of work to be done or material description, and terms and conditions are all considered in the selection of a winner. To be a competitive bid, there must be more than one bidder and all bidders must be asked to do the same thing.

Competitive technical procurements require a bid to be published, as noted above, for competitive price procurements. This type of RFB would typically be to a consultant or engineering firm and is required by Federal Aviation Administration (FAA) regulations for work on airport facilities. A statement of work is supplied or a list of questions is provided. The bidders respond how they would perform the work or answer the questions. The responses are evaluated and scored and a bidder is selected based on highest score. At this point, sole source procurement exists and, per FAA requirements, price is negotiated.

Sole source contracts

Sole source contracts are used when there is a specific reason that a competitive bid is not feasible. This is usually because a particular expertise or service is only available through one bidder. Negotiation should always occur in sole source procurement unless the governing body approves a waiver. Negotiation of the contract is for the cost of labor, material, overhead, profit, and terms and conditions. Reduction in the scope of work in order to reduce cost is not a valid form of negotiation.

Contract Selection

A random sample of contracts was selected for review of completeness, accuracy and best practices in the procurement process, which included:

1. A competitive purchase of two automobiles by Behavioral Health.
2. A competitive procurement of labor and material to install a new air-conditioning system for Information Technology by the CAO.
3. A competitive multi-year procurement to supply medication to the Trinity County Jail by Health and Human Services.
4. A competitive technical procurement of consulting services to extend the taxiway at the Hayfork Airport and build a culvert by the Department of Transportation.
5. A sole source procurement of labor and material to build a fifty-five foot fence across a creek at the Hayfork Airport by the Department of Transportation.

Contract Analysis

1. Behavioral Health required two new vehicles. A total of five automobile dealerships were asked to competitively bid on well-defined requirements. The process was an excellent, competitive procurement which was well documented.
2. The County Administrative Officer solicited a competitive sealed bid for installing a new air-conditioning unit for the Information Technology room that houses the County servers. Three bidders were solicited. One company chose not to bid. There was an upward revision of the quote from the winner five days after the bids were opened. There is no documentation justifying that action. With or without the change, the low bidder would still have won, but the change resulted in additional cost for the County. Under normal circumstances on a sealed bid competitive procurement, this would not be allowed.
3. Health and Human Services published a request for a competitive bid for a multi-year contract to provide medication to the Trinity County Jail inmate population. Approximately seven companies were solicited. Only one company responded. With only one company responding the procurement became a sole source contract. In the bid package supplied to the Grand Jury, the County did not provide the response from the sole bidder, although it was requested.

There is no record of a negotiation of the price.

4. The Department of Transportation, in compliance with FAA requirements, solicited a competitive technical procurement for a consulting contract. Multiple consulting companies responded. The winner was selected on the basis of scoring the technical proposal for relevancy of experience for the task of building a taxiway extension over a new culvert. Three employees of the Department of Transportation scored the responses. Each scored a total of 100 points to each proposal for a potential of 300 points. The result was then summed and the high point proposal was awarded the contract. The FAA requirement does not require the cost proposal to be accepted from the winner based on the technical award. It clearly states that the cost shall be negotiated after the technical award decision.

There is no indication that the contract costs were negotiated.

5. The Department of Transportation solicited sole source procurement from a company to provide 55 feet of fencing across Kingsbury Gulch. Sole source was justified because the company already had resources available from the Hayfork Airport fencing contract to complete the fencing for the Gulch. The Hayfork Airport perimeter fencing was a competitive award that was entered into on June 2, 2009. On July 23, 2009, the contract was amended to add an additional 30 feet of fencing which was required to connect to the Hayfork Airport perimeter fencing. The additionally fencing had been left out of the original quote in error. A review of the original cost per foot and the additional cost per foot of the 30 feet were consistent. A cost comparison of the linear foot cost at the Hayfork Airport versus the 88 feet of fencing over the gulch and connecting to the Hayfork Airport is shown below.

Hayfork Airport Perimeter 6' fencing	\$22.00 per foot
Original 55' gulch 6' fencing	\$94.47 per foot
Additional 30' approach 8' fencing	\$60.13 per foot

It is not apparent that the availability of resources at the airport resulted in a benefit financially to the County. There was no evidence provided that either the contract or amendment was negotiated from the original quoted prices.

Findings/ Recommendations

Finding 1:

153 credit cards have been issued to County employees. The number of cards increases the potential for unauthorized usage and fraud.

Recommendation 1:

The Board of Supervisors, the CAO and County department heads should establish eligibility requirements for credit cards and review the need for the current Cal-Cards in use by County employees.

Finding 2:

Departments are not in compliance with the requirements of the Credit Card Program Policies and Procedures, dated July 18, 2008, paragraph 17.0, subparagraphs 17.1(5) and 17.2(4). 72 statements were reviewed and only 10 had the required signatures.

Recommendation 2:

Department heads and cardholders should be refreshed on the requirements of the Credit Card Program Policies and Procedures. The Office of the Controller should not process for payment without these signatures.

Finding 3:

The Department of Health and Human Services awarded a contract to a pharmacy without competitive bids or negotiation of the contract as required by sole source contracting practices.

Recommendation 3a:

Policy and procedure should be documented to preclude sole source procurement without negotiation. Extenuating circumstances should be documented and approved by the Board of Supervisors.

Recommendation 3b:

The Department of Health and Human Services should contact the companies that did not respond to determine the reason they did not respond. This could improve the request for bid and possibly increase the number of responses when the current contract comes due.

Finding 4:

Although the FAA regulations require that the highest technical bidder be selected, the regulation also states that upon selection, the cost be negotiated. There is no evidence in the bid and contract that any negotiation occurred. The price contracted was “as bid” minus deleted tasks (such as a design review), which does not constitute a negotiation of price.

Recommendation 4:

The Board of Supervisors and the CAO should implement immediate training of personnel responsible for negotiating contracts for the County. A clear understanding of what is or is not negotiable is essential for the employees of the County who negotiate or solicit bids and provide recommendations for approval to the CAO and Board of Supervisors.

Finding 5:

The summary approval request document submitted to the CAO and Board of Supervisors for the taxiway and culvert-consulting contract indicated that the cost was negotiated. There is no documentation to indicate that this contract was negotiated.

Recommendation 5:

A negotiation summary should be provided on all sole source contracts. This document should become a part of the contract file and be provided to the CAO and Board of Supervisors when the contract summary is presented for approval.

Finding 6:

The purchasing practices within the county are fragmented and lack cohesive documented policy and procedure. Procurement by contract is an expensive process when used in place of a purchase order system with standard terms and conditions.

Recommendation 6a:

An updated procurement policy and procedure for Trinity County should be generated and implemented within the County immediately.

Recommendation 6b:

A purchase order system with standard terms and conditions should be instituted immediately to reduce and control costs.

Recommendation 6c:

A professional purchasing agent should be hired by the County to be responsible, in conjunction with the County departments, for bid preparation, bid response review, bid selection and bid negotiation. A professional purchasing agent will pay for him or herself with reduced costs.

Finding 7:

The Department of Behavioral Health should be commended on the excellent competitive procurement of their two new automobiles.

Recommendation 7:

Notify Behavioral Health of a job well done.

Responses Required

In accordance with California Penal Code 933.05 a response is required as indicated below.

<u>Respondent</u>	<u>Finding/Recommendation</u>	<u>Due date</u>
Board of Supervisors	1,2,3,4,5,6,7	90 days
County Administrator	1,2,3,4,5,6,7	60 days
Department of H&HS	3	60 days
Department of Transportation	4, 5	60 days
All County Departments	2	60 days

The governing bodies indicated above should be aware that comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.



TRINITY COUNTY

Office of the County Administrator

DERO B. FORSLUND

County Administrative Officer

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093-1613

PHONE (530) 623-1382 FAX (530) 623-8365


*Reviewed
JBF
12/13/10*

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**TRINITY COUNTY
SUPERIOR COURT**

TO: The Honorable Anthony Edwards,
Presiding Judge of the Superior Court

FROM: Dero B. Forslund, CAO 

SUBJECT: Response to Recommendations of 2009-10
Grand Jury Finance and Administration Committee Final Report
Re Trinity County Government Purchasing Procedures Investigation

DATE: July 19, 2010

The Grand Jury Finance and Administration Committee has requested a written response to their final report on the Trinity County Government Purchasing Procedures Investigation. In my capacity as County Administrative Officer, my response is as follows:

Finding 1:

153 credit cards have been issued to County employees. The number of cards increases the potential for unauthorized usage and fraud.

Response: I agree

Recommendation 1:

The Board of Supervisors, the CAO and County department heads should establish eligibility requirements for credit cards and review the need for the current Cal-Cards in use by County employees.

Response: Credit Cards are issued to employees who have the authority to expend money for County purposes or who have need to travel overnight on County business. The issuance of and use of County issued credit cards reduces the number of claims processed by the various departments creating efficiencies in the processing of the claims. Each charge is backed up by a

receipt for the purchase under county policy. Continued use of the credit card requires the appropriate use by the user of the card.

Finding 2:

Departments are not in compliance with the requirements of the Credit Card Program Policies and Procedures, dated July 18, 2008, paragraph 17.0, subparagraphs 17.1(5) and 17.2(4). 72 statements were reviewed and only 10 had the required signatures.

Response: I do not agree with the conclusion that departments are not in compliance with the requirements of the credit card program policies and procedures with the limited review completed by the Grand Jury. All of the Statements that were actually reviewed had the required signatures.

Recommendation 2:

Department heads and cardholders should be refreshed on the requirements of the Credit Card Program Policies and Procedures. The Office of the Controller should not process for payment without these signatures.

Response: Has been implemented.

Finding 3:

The Department of Health and Human Services awarded a contract to a pharmacy without competitive bids or negotiation of the contract as required by sole source contracting practices.

Response: I disagree. Bids were solicited from local and outside pharmacies There was only one bid that met the bid requirements.

Recommendation 3a:

Policy and procedure should be documented to preclude sole source procurement without negotiation. Extenuating circumstances should be documented and approved by the Board of Supervisors.

Response: I disagree. The contracts were not sole source and the Contract was approved by the Board of Supervisors.

Recommendation 3b:

The Department of Health and Human Services should contact the companies that did not respond to determine the reason they did not respond. This could improve the request for bid and possibly increase the number of responses when the current contract comes due.

Response: The requirements of duties and services limits bidders to only those willing to provide the specified services.

Finding 4:

Although the FAA regulations require that the highest technical bidder be selected, the regulation also states that upon selection, the cost be negotiated. There is no evidence in the bid and contract that any negotiation occurred. The price contracted was “as bid” minus deleted tasks (such as a design review), which does not constitute a negotiation of price.

Response: Further review of the FAA regulations is required. A review will be completed this fiscal year.

Recommendation 4:

The Board of Supervisors and the CAO should implement immediate training of personnel responsible for negotiating contracts for the County. A clear understanding of what is or is not negotiable is essential for the employees of the County who negotiate or solicit bids and provide recommendations for approval to the CAO and Board of Supervisors.

Response: We agree and training is ongoing. A reference is the bidding process implemented by the Behavioral Health described in finding number 7 is an example of a department benefitting from such training.

Finding 5:

The summary approval request document submitted to the CAO and Board of Supervisors for the taxiway and culvert-consulting contract indicated that the cost was negotiated. There is no documentation to indicate that this contract was negotiated.

Response: We agree

Recommendation 5:

A negotiation summary should be provided on all sole source contracts. This document should become a part of the contract file and be provided to the CAO and Board of Supervisors when the contract summary is presented for approval.

Response: We agree

Finding 6:

The purchasing practices within the county are fragmented and lack cohesive documented policy and procedure. Procurement by contract is an expensive process when used in place of a purchase order system with standard terms and conditions.

Response: We agree. A review of purchase order systems is currently taking place.

Recommendation 6a:

An updated procurement policy and procedure for Trinity County should be generated and implemented within the County immediately.

Response: A review of purchase order systems is taking place currently. An updated procurement policy will be implemented once final decisions are made as to the needs of a purchase order system. Review should be complete by the end of fiscal 2010 and 2011.

Recommendation 6b:

A purchase order system with standard terms and conditions should be instituted immediately to reduce and control costs.

Response: A review of purchase order systems is taking place currently.

Recommendation 6c:

A professional purchasing agent should be hired by the County to be responsible, in conjunction with the County departments, for bid preparation, bid response review, bid selection and bid negotiation. A professional purchasing agent will pay for him or herself with reduced costs.

Response: I disagree. The County is able to purchase much of its regular supplies using bids implemented by Los Angeles County which has much greater purchasing power than Trinity County. All other purchases require a formal or informal bid. While there would be efficiencies gained from a professional purchasing agent the cost savings would not be enough to offset the cost of the position.

Finding 7:

The Department of Behavioral Health should be commended on the excellent competitive procurement of their two new automobiles.

Response: We agree

Recommendation 7:

Notify Behavioral Health of a job well done.

Response: We agree

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SEP 13 2010

TRINITY COUNTY
SUPERIOR COURT



TRINITY COUNTY

DEPARTMENT OF TRANSPORTATION

P.O. BOX 2490, WEAVERVILLE, CALIFORNIA 96093

PHONE (530) 623-1365

FAX (530) 623-5312

Email: tcdot@trinitycounty.org

TO: Trinity County Grand Jury
FROM: Richard Tippet, Director of Transportation
DATE: August 26, 2010
RE: Response to Recommendations of 2009-2010 Grand Jury Purchasing Process Investigation.

*Reviewed
JMT
9/14/10*

The purchasing and contract procurement procedures for the Department of Transportation differ from what you would find for other departments within the County. The primary difference comes from what is termed "Road Commissioner Authority" which is a specific authority granted to the Director of Transportation by County Code, State Public Contract Code, and Government Code and Caltrans Local Assistance Procedures. This creates a purchasing processes within the Department of Transportation that are based on whether purchasing a material good, construction contract, or consulting services on the cost of the purchase, the type of work and whether such items were budgeted in the County budget.

The Grand Jury Finance and Administration Committee has requested a written response to the final report on Trinity County Government Purchasing Procedures Investigation. In my capacity as Director of Transportation, my responses are as follows;

Finding 4:

Although the FAA regulations require that the highest technical bidder be selected, the regulation also states that upon selection, the cost be negotiated. There is no evidence in the bid and contract that any negotiation occurred. The price contracted was "as bid" minus deleted tasks (such as a design review), which does not constitute a negotiation of price.

Response, Based on this finding, further clarification is required.

The provisions of the Brooks Act (40 USC 544) require local agencies to award federally funded engineering and design contracts on the basis of fair and open competitive negotiations, demonstrated competence, and professional qualifications (23 CFR, Section 172).

Further, for the Local Assistance Procedures Manual, (LAPM), which is the guide used to administering State and Federally funded Consultant Agreement Contracts;

Finally, Direction for FAA Projects comes from Advisory Circular 150/5100-14D, Architectural, Engineering, and Planning Consultant Services for Airport Grant Projects, which is comparable to the LAPM.

NEGOTIATE CONTRACT WITH TOP-RANKED CONSULTANT, from LAPM

After the top-ranked consultant submits a cost proposal, the local agency reviews the cost proposal and enters into negotiations. The goal of negotiation is to agree on a final contract that delivers to the local agency the services or products required at a fair and reasonable cost. The independent cost estimate developed in advance by the local agency, is an important basis and tool for negotiations. Negotiations should commence with the most qualified consultant. If agreement on a fair and reasonable price cannot be reached, negotiations should then be formally terminated. Negotiations then proceed to the next most qualified consultant, etc. Each consultant's cost proposal must remain sealed until negotiations commence with that particular consultant. A pre-award audit of the consultant's operations may be required (see Section 10.1 "General," in this chapter). If so, cost negotiations may not conclude until after the audit report is received. Discussions on other aspects of the contract may occur concurrently with the preparation of the audit. The items typically negotiated include:

- Work plan*
- Schedule*
- Products to be delivered*
- Classification, wage rates, and experience level of personnel to be assigned*
- Cost items, payments and fee*

Lists of qualified consultants (prequalified lists) established through the RFQ process must be reestablished at least once every 12 months, to give new consultants the opportunity to qualify.

When choosing a Consultant through a Request for Proposals, (RFP), process, the most qualified consultant is selected based on experience the Consultant has with similar projects, project management team that would be overseeing the work, previous projects that are identical or similar to what the work is proposed, and the "project approach" that is planned for getting the work done. This project approach is a critical element in establishing the cost proposal.

The project approach is essentially a “to do list” of tasks that need to be performed and the amount of time that is needed to perform such tasks. Further, within each task, there is a time estimate which is a breakdown of different levels of staffing that would work on a particular phase i.e. there might be a couple hours of project management time, but over 100 hours of staff engineer time. The cumulative result of this project approach is a time estimate which is then taken and multiplied against audited rates to determine a project cost. To provide further clarification, the Caltrans LAPM, Chapter 10, Consultant Selection has been included to provide a clearer understanding.

Typically our Consultant Contracts are cost plus fixed fee, where consultant is reimbursed for actual costs incurred and receives an additional predetermined amount as a fixed fee. The determination of the amount of the fixed fee takes into account the size, complexity, duration, and degree of risk involved in the work.

Consultant rates and fees are audited, they are not subject to adjustment, see below. Therefore any negotiation in the contract is an agreement of the work to be done. Changing the parameters of the contract has to be done with care because what we asked for the consultant to do as part of the RFP process is to make an estimate of what type of work needs to be done to get the contracted job completed. Unless we specifically know that there is a task that will not be required or it can be clearly pointed out in the proposal that the staff distribution is incorrect, there is usually very little changes made to the cost estimate in negotiations.

Again, from the LAPM concerning audits;

The purpose of a pre-award evaluation is to provide the approving authority with professional advice on accounting and financial matters and to assist in the award and administration of proposed consultant contracts. It also alerts both the consultant and the approving authority to potential problems relative to the Consultant's basic agreement, cost/price proposal, procurement procedures, or cost accounting system.

The local agency is responsible for complying with these pre-award audit procedures and determining the eligibility of costs reimbursed to the consultant. The local agency will be subject to the sanctions mentioned in Chapter 20, “Deficiencies and Sanctions,” of the LAPM if Caltrans, FHWA, or Federal Transportation Agency (FTA) determines that any reimbursements to the consultant are the results of lack of proper contract provisions, unallowable charges to unsupported activities, or an inadequate accounting system.

While there is an understanding of the grand jury's desire for negotiations, and our Department strives to get the best price, we must be very cautious when negotiating a contract. As mentioned, refuting the Consultants approach as to the best way to complete a project can potentially leave the County responsible for additional cost being the County has directed the Consultant to that approach against their professional judgment. By removing the Consultant's work approach, it can potentially create future change orders

when it is problematic and get the work done with the resources that were permitted. Further is important to note that these are “not to exceed” contracts. Thus, if the work is not required, the work is not performed, and the Consultant not paid. In this, the savings will be realized at the end of the contract.

Recommendation 4:

The Board of Supervisors and the CAO should implement immediate training of personnel responsible for negotiating contracts for the County. A clear understanding of what is or is not negotiable is essential for the employees of the County who negotiate or solicit bids and provide recommendations for approval to the CAO and Board of Supervisors.

Response. The Department agrees that training is imperative and will continue to encourage that Staff maintain a thorough understanding as to the requirements for purchasing. This fiscal year and beyond, further training and coordination will take place with Local Assistance and FAA ensuring that the proper procedures are followed. This will also include Project Management training offered through the UC Berkeley Technology Transfer Program and Caltrans & FAA webinars whenever possible. The Director will assure that copies of both manuals (LAPM and FAA) are readily available to the appropriate individuals that work on Caltrans, FHWA and FAA projects, and will ensure that they are followed.

Any changes to scope of work during negotiations will be documented and kept as part of the project files. In the past, Staff has used the process of comparing scope of work between different proposals to determine if there are any inconsistencies or over estimates of work. For future projects, either an in house estimate will be created for minor work, or an independent estimate will be created for more complex projects. If necessary, Staff will request the assistance for Consultants that have previous work experience with the County to develop the estimate. It should be noted that this assistance will make the Consultant assisting the County ineligible for work on said project.

Finding 5:

The summary approval request document submitted to the CAO and Board of Supervisors for the taxiway and culvert-consulting contract indicated that the cost was negotiated. There is no documentation to indicate that this contract was negotiated.

Please see department answer for Finding 4.

Recommendation 5:

A negotiation summary should be provided on all sole source contracts. This document should become a part of the contract file and be provided to the CAO and Board of Supervisors when the contract summary is presented for approval.

Response.

Sole source contracting is reserved for unique or particular procurement processes. The department agrees that sole source contracts should be utilized only on a limited basis but there're times in the interest of quality of work, where time is of the essence, limits on the availability of qualified contractors for unique projects, or particular cost issues, a sole source contract has to be considered.

In the grand jury report is a specific reference to placement of the fence around the airport perimeter. Furthermore, there is reference to a change order where 30 feet of fence was added in with questions why the fence over the culver was at a different cost and done by different contractor. Extending the fence the additional 30 feet was work that was similar to the original contract, whereas the work over the culvert greatly differed. This work was done in an elevated position where the fence post had to be welded to a girder. Finally, the fence joining the fence on the girder from the original fence was quite a bit taller and of unusual geometry that required extra handwork to get it in place. This is why there were three different price structures in place in the fence for this project.

Would the proposal have been over \$25,000, it would have been advanced to the Board for approval, but this contract was within the amount allowed for approval by the Road Commissioner. For this particular project and the nature of the sole source contract, this was forwarded to the CAO's office for review and approval.

The reasoning for sole source for this fencing was because the original Contractor was not interested in this change order. The Contractor was concerned about remobilizing to Hayfork to complete incidental work. The other Contractor readily available in Hayfork and could do the work in a timely manner.

OFFICE OF THE
DISTRICT ATTORNEY
COUNTY OF TRINITY

MICHAEL B. HARPER
District Attorney

Eric L. Heryford, Deputy D.A.
Matthew L. Hudson, Deputy D.A.



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Weaverville, CA 96093
(530) 623-1304
Fax # (530) 623-2865

To: Honorable James P. Woodward
Judge of the Superior Court

From: Michael B. Harper
District Attorney

Date: June 28, 2010

Re: 2009 – 2010 Trinity County Grand Jury Report
“Purchasing Procedure Investigation”

The following is my response, pursuant to Penal Code section 933.05, to the requested finding and recommendation that pertains to the District Attorney's Office:

Finding #2:

Respondent disagrees partially with the finding. Respondent can only speak to the compliance of the District Attorney's Office, but as to the District Attorney's Office, we are in full compliance with the County's Policies and Procedures and we take it very seriously that we follow the policies and procedures of this County.

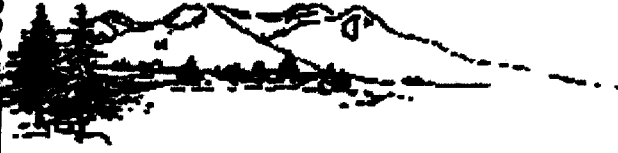
Recommendation #2:

The recommendation is implemented in that all county employees must attend a yearly update of the County's Policies and Procedures. Perhaps more time can be used at the orientation to focus on Credit Cards, but the issue is handled at the yearly orientation. As to the second part of the recommendation, regarding the Office of the Controller, this does not apply to the District Attorney's Office.

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JUL 28 2010

TRINITY COUNTY
SUPERIOR COURT



*Re: Finance -
JW
8/5/10*

Trinity County Health and Human Services Department

Linda Wright, Director
51 Industrial Park Way, #1,
P.O. Box 1470
Weaverville, CA 96093-1470
Phone: (530) 623-8250 or (800) 851-5658
Fax: (530)-623-1425

TO: The Honorable James P. Woodward,
Presiding Judge of the Superior Court

CC: Wendy Tyler, Deputy CAO/Clerk of the Board

FROM: *Linda Wright*
Linda Wright, Director

SUBJECT: Response to Recommendations of 2009-10
Grand Jury Committee Final Report
Re: Trinity County Purchasing Procedures Investigation

DATE: July 27, 2010

The Grand Jury Finance and Administration Committee has requested a written response to their final report on the Trinity County Purchasing Procedures Investigation. In my capacity as Director of Trinity County Health and Human Services, my response is as follows:

Finding #3 The Department of Health and Human Services awarded a contract to a pharmacy without competitive bids or negotiation of the contract as required by sole source contracting practices.

Response: I disagree. Health and Human Services sent Invitations for Bid to all Trinity County pharmacies as well as some outside the County.

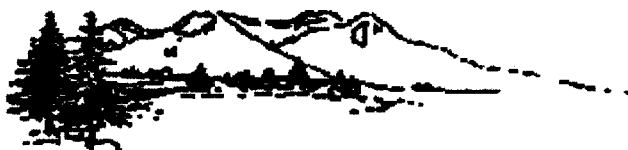
Recommendation #3: The Department of Health and Human Services should contact the companies that did not respond to determine the reason they did not respond. This could improve the request for bid and possibly increase the number of responses when the current contract comes due.

Response: We require specific duties/services as mandated by the State and not all vendors of a service are able to meet these specific criteria. In the case cited above it was part of the competitive bid process but only that pharmacy was able to meet the stringent requirements mandated by the State for this type of contract. Health and Human Services will continue to work with vendors to address any questions or concerns vendors may have with our competitive bid process.

RECEIVED

AUG 24 2010

TRINITY COUNTY
SUPERIOR COURT



Linda Wright, Director
51 Industrial Park Way, #1,
P.O. Box 1470
Weaverville, CA 96093-1470
Phone: (530) 623-8250 or (800) 851-5658
Fax: (530)-623-1425

Trinity County Health and Human Services Department

TO: The Honorable James P. Woodward,
Presiding Judge of the Superior Court

CC: Wendy Tyler, Clerk of the Board

FROM: *Linda Wright*
Linda Wright, Director

SUBJECT: Response to Recommendations of 2009-10
Grand Jury Finance and Administration Committee Final Report
Re: Trinity County Purchasing Procedures Investigation-ADDENDUM

DATE: August 20, 2010

*Reviewed
JW
8/27/10*

The Grand Jury Finance and Administration Committee has requested a written response to their final report on the Trinity County Purchasing Procedures Investigation. In my capacity as Director of Trinity County Health and Human Services, my response is as follows:

Finding #2 Departments are not in compliance with the requirements of the Credit Card Program Policies and Procedures, dated July 18, 2008, paragraph 17.0, subparagraphs 17.1(5) and 17.2(4). 72 statements were reviewed and only 10 had the required signatures.

Response: I agree in part.

Recommendation #2: Department heads and cardholders should be refreshed on the requirements of the Credit Card Program Policies and Procedures. The Office of the Controller should not process for payment without these signatures.

Response: Health and Human Services does comply with these policies and procedures. We do not process the claims without the receipts. If there is no receipt we endeavor to get a copy of the receipt. If we are unable to do that we do a memo stating the amount, why it is a legitimate expense and the Director signs off on the memo as well as the cardholder. No claim is sent to the Auditors without the signature of the Director on each and every cardholders statement along with the cardholders signature.

RECEIVED

JUL 06 2010

TRINITY COUNTY
SUPERIOR COURT



TRINITY COUNTY

DEPARTMENT OF AGRICULTURE

Mark T. Lockhart, Agricultural Commissioner

Sealer of Weights and Measures

Director -Solid Waste & Facilities Maintenance

P.O. Box 2700, Weaverville, California 96093

Phone (530) 623-1356 Fax (530) 623-1391

e-mail: mlockhart@trinitycounty.org

To: The Honorable James P. Woodward,
Judge,
Superior Court of California
County of Trinity

From: Mark T. Lockhart,
Agricultural Commissioner / Sealer of Weights & Measures
Director – Solid Waste & Facilities Maintenance

Date: July 1, 2010

Re: Response to 2009/10 Grand Jury Report

The report, filed June 7, 2010, requires a response from all county department heads within sixty (60) days addressing Finding and Recommendation 2. Finding 2 states

"Departments are not in compliance with the requirements of the Credit Card Program Policies and Procedures, dated July 18, 2008, paragraph 17.0, subparagraphs 17.1(5) and 17.2(4). 72 statements were reviewed and only 10 had the required signatures."

Recommendation 2 states

"Department heads and cardholders should be refreshed on the requirements of the Credit Card Program Policies and Procedures. The Office of the Controller should not process for payment without these signatures."

Between the three divisions there were 13 cardholders in this department in 2009. Per the requirements of the credit card policy, requirements for each cardholder, subordinate to me, and to be issued a card were reviewed and approved by me. Each of the monthly charges made by each of the cardholders on these cards with the appropriate documentation and receipts attached in 2009 were reviewed and signed by me. I sign my own monthly charges as the Cardholder which are then reviewed and signed by the Auditor/Controller as Approving Official. No monthly charges leave this office, other than my own, without signature of the cardholder and the approving official.

I have personally reread the Credit Card Program Policies and Procedures, dated July 18, 2008, and will review the policies and procedures with the cardholders in staff meetings at regular intervals at least annually.

The Office of the Controller is not within my authority; I cannot respond regarding their payment process.

cc: Wendy Tyler,
Deputy County Administrative Officer
Clerk of the Board



TRINITY COUNTY
CHILD SUPPORT SERVICES
ROBIN N. McSTAY, ESQ., INTERIM DIRECTOR
P.O. BOX 489 WEAVERVILLE, CALIFORNIA 96093
PHONE (530) 623-1306 FAX (530) 623-1479
Toll Free 1-866-901-3212

RECEIVED

JUN 22 2010

**TRINITY COUNTY
SUPERIOR COURT**

TO: The Honorable Anthony C. Edwards, Presiding Judge of the Superior Court

FROM: Robin McStay, Interim Director,
Trinity County Department of Child Support Services

SUBJ: Response to Recommendations of the 2009-2010 Trinity County Grand Jury
Finance and Administration Committee Report

DATE: June 17, 2010

The Grand Jury has requested a response to its Finding and Recommendation Number 2 from all county departments. In my capacity as Interim Director of the Trinity County Department of Child Support Services, my response is as follows:

The recommendation has been implemented.

A thorough review of the county credit card rules and procedures has been conducted, with particular attention to paragraphs 17.0, 17.1(5) and 17.2(4). A review of all relevant records has been conducted, and it appears that the department is, and at all times has been compliant with the rules pertaining thereto.

The Trinity County Department of Child Support Services thanks the Grand Jury for its Service, and for its Findings and Recommendations.

Sincerely,

A handwritten signature in black ink that reads "Robin N. McStay".

ROBIN McSTAY
Interim Director,
Trinity County Department of Child Support Services



TRINITY COUNTY

Behavioral Health Services

MENTAL HEALTH · ALCOHOL & OTHER DRUGS · PERINATAL · PREVENTION

RECEIVED
MAY 25 2010
TRINITY COUNTY
SUPERIOR COURT

☐ P.O. BOX 1640
1450 MAIN STREET
WEAVERVILLE, CA 96093
TEL: (530) 623-1362
FAX: (530) 623-1447

☐ P.O. BOX 91
TULE CREEK ROAD
HAYFORK, CA 96041
TEL: (530) 628-4111
FAX: (530) 628-1982

TO: The Honorable James P. Woodward,
Presiding Judge of the Superior Court

FROM: Noel J. O'Neill LMFT, *Noel J. O'Neill*
Director of Trinity County Behavioral Health

SUBJECT: Response to Recommendations of 2009/2010
Grand Jury Report Titled:

"Purchasing Procedure Investigation"

DATE: June 23, 2010

The Grand Jury has requested a written response to the report mentioned above within 60 days of the release that was 6/11/2010. Trinity County Behavioral Health was asked to respond to "Finding #2". In my capacity as Director of Trinity County Behavioral Health Services, (TCBHS) I am forwarding the following Agency Response:

Finding #2: Departments are not in compliance with the Credit Card Program Policies and Procedures; dated July 18, 2008, paragraph 17.0, subparagraphs 17.1 (5) and 17.2 (4). 72 statements were reviewed and only ten had the required signatures.

Response: Agree

Recommendation #2: Department Heads and cardholders should be refreshed on the requirements of the Credit Card Program Policies and procedures. The Office of the Controller should not process for payment without these signatures.

Response: Agree



TRINITY COUNTY

TRINITY COUNTY PROBATION DEPARTMENT

Post Office Box 158
Weaverville, CA 96093
Telephone (530) 623-1204 Fax (530) 623-1237

TERRY LEE, Chief Probation Officer

Memorandum

To: Anthony Edwards, Presiding Judge of the Superior Court

From: Terry D. Lee, Chief Probation Officer

Date: July 14, 2010

RE: 2009-2010 Grand Jury Report of the Finance and Administration Committee

I have reviewed the findings and recommendations of the Trinity County Grand Jury for the fiscal year 2009-2010 from the Finance and Administration Committee and make the following response to their finding #2 and recommendation #2.

Finding #2.

I partially agree with this finding of the Grand Jury concerning required signatures on credit card statements. The probation department is to the best of my knowledge in complete compliance with the requirement that statements be reviewed and signed before being sent to the auditor or CAO's office for processing. To the extent that this occurs in other departments I would have no knowledge of that practice and would concur that some departments are out of compliance.

Recommendation #2.

I agree with this recommendation.

cc. Wendy Tyler Deputy Co. Administrative Officer/Clerk of the Board



OFFICE OF THE SHERIFF
TRINITY COUNTY

101 Memorial Drive, P.O. Box 1228
Weaverville, CA 96093
(530) 623-2611

LORRAC CRAIG, Sheriff/Coroner
ERIC PALMER, Undersheriff

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AUG 11 2010

TRINITY COUNTY
SUPERIOR COURT

Date: August 11, 2010

To: James P. Woodward
Judge of Trinity County Superior Court

From: Lorrac Craig
Sheriff, Trinity County

Re: Trinity County Grand Jury Report FAR2009/2010-003
Purchasing Procedures Investigation

*Reviewed 8/18/10
For File [Signature]*

Finding #2:

Non-compliance with the Credit Card Program Policies and Procedures re: failure to sign statements

Response #2:

It is the protocol of this Department for each individual officer to sign their card statement and then it is countersigned by the Sheriff prior to submitting the statements to the Auditor's Office

RECEIVED

AUG 20 2010

**TRINITY COUNTY
SUPERIOR COURT**



TRINITY COUNTY

MARILYN HORN, AUDITOR-CONTROLLER
ANGELA BICKLE, ASSISTANT AUDITOR/CONTROLLER
P.O. BOX 1230, WEAVERVILLE, CALIFORNIA 96093-1230
PHONE (530) 623-1317 FAX (530) 623-1323

*Reviewed
MHC
8/24/10*

TO: The Honorable James P. Woodward,
Judge of the Trinity Superior Court

FROM: Marilyn Horn, Auditor-Controller *Marilyn Horn*

SUBJECT: Response to Recommendations of the 2009-10 Trinity County
Grand Jury Report "Finance and Administration Committee Review"

DATE: July 26, 2010

The Grand Jury Finance and Administration Committee have requested a written response to their final report on Trinity County Government Purchasing Procedures Investigation. In my capacity as Auditor – Controller my response is as follows:

Finding #2, Response: I do not agree. To explain, initially the Auditor's office was presented with a listing which requested the credit card activity of several staff members' credit card accounts. A decision was reached between a staff member from the Auditor's office and a Grand Jury member that the most efficient way to know which accounts had activity for the period being requested was to pull the information from the Credit Card on-line system. It was further explained that printing the Statements from the on-line system would not show the authorizing signatures but that a sample of those Statements could be pulled to test our process which ensures appropriate signatures authorizing the purchase(s) were obtained. With that understanding, the on-line Statements were printed and the back-up documentation was presented to support the expenditures of all the activity for each credit card holder for the period requested. However, based on the above understanding and at the request of a Grand Jury member, only ten samples of Statements were requested to confirm signatures were obtained. All ten samples that were pulled and presented to the Grand Jury had authorizing signatures.

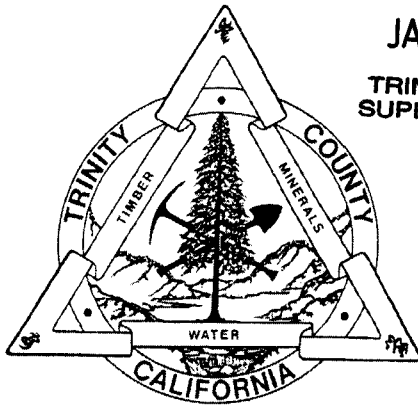
Recommendation #2: It is already implemented.

cc: Wendy Tyler, Deputy CAO/Clerk of the Board

RECEIVED

JAN 13 2011

TRINITY COUNTY
SUPERIOR COURT



TRINITY COUNTY

Board of Supervisors

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093

PHONE (530) 623-1217 FAX (530) 623-8365

*Reviewed.
1/14/11
1. Below
Procedures
1/14/11*

TO: The Honorable James Woodward,
Presiding Judge of the Superior Court

FROM: Trinity County Board of Supervisors

SUBJECT: Response to Recommendations of 2009-10
Grand Jury Finance and Administration Committee Final Report
Re Trinity County Government Purchasing Procedures Investigation

DATE: December 21, 2010

The Grand Jury Finance and Administration Committee has requested a written response to their final report on the Trinity County Government Purchasing Procedures Investigation. The Board of Supervisors' response is as follows:

Finding 1:

153 credit cards have been issued to County employees. The number of cards increases the potential for unauthorized usage and fraud.

Response: We agree

Recommendation 1:

The Board of Supervisors, the CAO and County department heads should establish eligibility requirements for credit cards and review the need for the current Cal-Cards in use by County employees.

Response: Credit Cards are issued to employees who have the authority to expend money for County purposes or who have need to travel overnight on County business. The issuance of and use of County issued credit cards reduces the number of claims processed by the various departments creating efficiencies in the processing of the claims. Each charge is backed up by a receipt for the purchase under county policy. Continued use of the credit card requires the appropriate use by the user of the card.

Finding 2:

JUDY PFLUEGER
DISTRICT 1

JUDY MORRIS
DISTRICT 2

ROGER JAEGLER
DISTRICT 3

HOWARD FREEMAN
DISTRICT 4

WENDY OTTO
DISTRICT 5

Departments are not in compliance with the requirements of the Credit Card Program Policies and Procedures, dated July 18, 2008, paragraph 17.0, subparagraphs 17.1(5) and 17.2(4). 72 statements were reviewed and only 10 had the required signatures.

Response: We do not agree with the conclusion that departments are not in compliance with the requirements of the credit card program policies and procedures with the limited review completed by the Grand Jury. All of the Statements that were actually reviewed had the required signatures.

Recommendation 2:

Department heads and cardholders should be refreshed on the requirements of the Credit Card Program Policies and Procedures. The Office of the Controller should not process for payment without these signatures.

Response: Has been implemented.

Finding 3:

The Department of Health and Human Services awarded a contract to a pharmacy without competitive bids or negotiation of the contract as required by sole source contracting practices.

Response: We disagree. Bids were solicited from local and outside pharmacies. Only one bid met the bid requirements.

Recommendation 3a:

Policy and procedure should be documented to preclude sole source procurement without negotiation. Extenuating circumstances should be documented and approved by the Board of Supervisors.

Response: We disagree. The contracts were not sole source and the Contract was approved by the Board of Supervisors.

Recommendation 3b:

The Department of Health and Human Services should contact the companies that did not respond to determine the reason they did not respond. This could improve the request for bid and possibly increase the number of responses when the current contract comes due.

Response: Will not be implemented. The requirements of duties and services limits bidders to only those willing to provide the specified services.

Finding 4:

Although the FAA regulations require that the highest technical bidder be selected, the regulation also states that upon selection, the cost be negotiated. There is no evidence in the bid and

contract that any negotiation occurred. The price contracted was “as bid” minus deleted tasks (such as a design review), which does not constitute a negotiation of price.

Response: Further review of the FAA regulations is required. A review will be completed this fiscal year.

Recommendation 4:

The Board of Supervisors and the CAO should implement immediate training of personnel responsible for negotiating contracts for the County. A clear understanding of what is or is not negotiable is essential for the employees of the County who negotiate or solicit bids and provide recommendations for approval to the CAO and Board of Supervisors.

Response: We agree and training is ongoing. A reference is the bidding process implemented by the Behavioral Health described in finding number 7 is an example of a department benefitting from such training.

Finding 5:

The summary approval request document submitted to the CAO and Board of Supervisors for the taxiway and culvert-consulting contract indicated that the cost was negotiated. There is no documentation to indicate that this contract was negotiated.

Response: We agree

Recommendation 5:

A negotiation summary should be provided on all sole source contracts. This document should become a part of the contract file and be provided to the CAO and Board of Supervisors when the contract summary is presented for approval.

Response: Will be implemented.

Finding 6:

The purchasing practices within the county are fragmented and lack cohesive documented policy and procedure. Procurement by contract is an expensive process when used in place of a purchase order system with standard terms and conditions.

Response: We agree. A review of purchase order systems is currently taking place.

Recommendation 6a:

An updated procurement policy and procedure for Trinity County should be generated and implemented within the County immediately.

Response: A review of purchase order systems is taking place currently. An updated procurement policy will be implemented once final decisions are made as to the needs of a purchase order system. Review should be complete by the end of fiscal 2010 and 2011.

Recommendation 6b:

A purchase order system with standard terms and conditions should be instituted immediately to reduce and control costs.

Response: A review of purchase order systems is taking place currently.

Recommendation 6c:

A professional purchasing agent should be hired by the County to be responsible, in conjunction with the County departments, for bid preparation, bid response review, bid selection and bid negotiation. A professional purchasing agent will pay for him or herself with reduced costs.

Response: We disagree. The County is able to purchase much of its regular supplies using bids implemented by Los Angeles County which has much greater purchasing power than Trinity County. All other purchases require a formal or informal bid. While there would be efficiencies gained from a professional purchasing agent the cost savings would not be enough to offset the cost of the position.

Finding 7:

The Department of Behavioral Health should be commended on the excellent competitive procurement of their two new automobiles.

Response: We agree.

Recommendation 7:

Notify Behavioral Health of a job well done.

Response: Has been implemented.