

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MAY 26, 2010

REGULAR MEETING

TO: Ken Humphreys, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #7: **CONSIDER THE ADOPTION OF SECTION 2.9 TO THE
POLICIES & GUIDELINES REGARDING PURCHASING
AUTHORITY**

RECOMMENDATION

Staff recommends that the Commission consider and approve the recommended language regarding the purchasing authority for goods and services.

REASON FOR RECOMMENDED ACTION

This Commission has not adopted a purchasing authority policy. The attached language ensures administrative efficiency without sacrificing either accountability or transparency.

BACKGROUND

Currently, the Policies & Guidelines contain only two sections relating to purchases, and both reserve the only purchase authorization to the Commission:

2.1.8 **Expense Claims:** Claims for expenses, other than usual employee costs (salaries and benefits) fixed intra-county service charges, are reviewed and approved by Commission action.

2.7.2 **Expenditures**

- (c) Claims for expenses, other than usual employee costs (salaries and benefits) are reviewed and approved by the Commission (Policy 2.1.8). The Executive Officer may authorize payment of routine claims prior to the Commission's review in order to avoid late charges, ensure prompt payment and to qualify for early payment discounts.

Because neither one establishes any administrative levels of authority for purchases or contracts for service, there is no structure to draw upon other than all items come before

the Commission for approval. This may mean that the Commission is involved in matters that it would consider purely administrative in nature and, therefore, would prefer to delegate it as such. This is a question to weigh in matters where contracting for services is merely the implementation of a clear policy direction given by the Commission and supported by its policies and budget. Auditing for services is an example of this, where the Commission budgets for those services and the Policies & Guidelines require an annual audit. Would the Commission still want to see a contract with an auditor if the contract is at or below the budgetary allocation?

In addition, from an administrative standpoint, it is sometimes difficult to draw the line when it comes to contracting. For example, if the agency switches to a new telephone or internet plan, should that be a contract that should be reviewed or approved by the Commission? Technically, a switch in service plan is considered a contract, but so far these types of transactions have not been brought for Commission review and approval.

This uncertainty can be cleared if the Commission adopts the policies and procedures in Attachment A. The purchasing authority strives to strike a balance between administrative efficiency without compromising accountability or fiscal prudence. The draft purchasing policy establishes levels for purchasing authority purposes, specifies the circumstances in which Commission review of purchases is necessary and sets two types of accountability procedures: the ongoing review of all expenses and an annual review of all outstanding contracts. Because LAFCOs are one of the few public agencies that have almost no statutory purchasing requirements, the question for the Commission is not what the law allows, but instead what process to develop so that its purchasing policies are both practical and responsible.

The draft policy does the following:

- 1) The proposal amends 2.1.8 and 2.7.2(c) to specify that the Commission will review all claims and that all authorizations must comply with the new policy. This ensures Commission oversight, which is consistent with what the auditors like. However, the amendments remove the requirement that the Commission approve all claims.
- 2) Section 2.9.2 contains the authorization permissions and the minimum required bids/quotes before the purchase of goods and services. All of the several subsections below that contain provisions that minimize potential abuse and maximize oversight:
 - a. All contracts, agreements and amendments costing over \$10,000 within a single fiscal year have to be reviewed by the Commission (2.9.2 & 2.9.4), ensuring fiscal restraint.
 - b. Any contract or agreement whose cost exceeds the allocated budget amount must be reviewed by the Commission, regardless of the amount. Ultimately, this section strengthens the budget by making it more of a policy tool. Presumably, the Commission determines the course of action for the agency when it deliberates the budget, so that direction is given to staff at that time. The implementation of that policy direction becomes an administrative function and any action taken consistent with that direction requires no further Commission action. Using an example given above, the allocation of \$8,000 for an audit means that the Commission places a high value on audits; that it should be

conducted within the fiscal year and that staff needs to find a reputable auditor to audit the agency's books for that amount or less. If an auditor is found below that amount, then no further action by the Commission is needed. On the other hand, if staff determines there is a need to contract for services and this need was not anticipated in the budget, then it must be taken to the Commission to determine the priority vis-à-vis other policy goals and, if the Commission agrees, it must approve the contract regardless of the cost amount.

- c. All purchased goods must conform with its existing capital assets policies in Policy 2.5.
 - d. At the end of the fiscal year the Commission reviews all open ended contracts (for example, IT, audits and accounting services contracts) and unexpired limited term agreements (such as MSR outsourcing) so that it knows all of the commitment this agency has.
- 3) Sections 2.9.4.1 and 2.9.4.2 tie themselves to the review requirements of the amended 2.1.8 so that there is a consistent implementation of the policies across the board.

Attachment

Attachment A: Draft Purchasing Policies