



**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
STAFF REPORT**

Agenda Item No. 5D
November 10, 2022

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Michael Gomez, Acting Finance Director/Treasurer
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SUBJECT: RECOMMENDED CHANGES TO PURCHASING POLICIES

SUMMARY:

The purpose of Council Policy F-14 is to establish the requirements for contract procurement and delegate authority to enter into and execute contracts. "Entering into a contract" or "executing a contract" is the formal approval of the contract and contracts include all agreements, purchase requisitions, purchase orders, and applies regardless of whether the City is expending or receiving funds. The Finance Department recently conducted a review of Council Policy F-14 as part of recommendations from a Procurement Operational review completed by an internal auditor. This report provides a summary of the proposed revisions to Council Policy F-14.

RECOMMENDATION:

Review the draft revisions to Council Policy F-14, and recommend further changes as needed for submission to the City Council for consideration.

DISCUSSION:

Background

In 2020, the City initiated an internal audit with Moss Adams, LLP (Moss Adams) for an inventory of all City fiscal policies and procedures. Findings from the internal audit included defining and updating requirements, approvals, and processes.

Thereafter, the City engaged with Macias Gini & O'Connell LLP (MGO) to provide a Procurement Operational Review, an in-depth review of the City's procurement and contracting functions. The key findings were provided to staff.

On January 13, 2022, the Finance committee was presented findings from MGO which identified areas of improvement as it relates to policies and procedures associated with the City's procurement and contracts. These areas include creating consistency between policies, provide clarification, update the policy and procedures to be in line with current practices, and increase procurement process limits to create efficiency. After soliciting input from Departments, and the City Attorney's Office, staff is proposing changes to Council Policy F-14.

Proposed Changes to Council Policy F-14

Proposed changes to Council Policy F-14 fall into the following categories: updating or improving the language, elaborate or define statement, and ensure consistency between policies.

Under the guidance of City Attorney's Office, language throughout Council Policy F-14 was updated, clarified, and improved. These changes include updating section headers, rewording areas of the policy for further clarity, and adding language.

Listed below are a summary of some changes proposed to Council Policy F-14.

1. Under the guidance of the City Attorney, the first three sections of Council Policy F-14 were simplified.
2. The definition of contracts is expanded to include expensing and receiving funds and specific services previously mentioned are grouped under the general classification of service.
3. In *Background*, language was added from Charter 421 for consistency.
4. In *Authority to Amend Contracts*, language is added to include the maximum contract terms according to the policy. This relates specifically to Instruction and Recreation and on-call contracts which shall not exceed five (5) years in duration.
5. Definitions and examples throughout Council Policy F-14 were moved to Administrative Procedures.
6. In *Special Requirements*, language is added to provide clarity between On-Call and fixed/defined maintenance and repair service contracts; include the use of co-operative agreements; and describe procedures for special services and non-standard products.

Staff has also proposed other minor changes to Council Policy F-14 to update policy language.

Prepared and Submitted by:

/s/ Sander Huang

Sander Huang
Purchasing and Contracts Administrator

Attachment:

A. Redline to City Council Policy F-14