



CITY OF HOUSTON

Office of the Mayor

Interoffice

Correspondence

To: All Department Directors

From: Mayor Annise D. Parker

A handwritten signature in cursive script that reads "Annise D. Parker".

Date: May 15, 2014

Subject: Executive Order: Procurement Governance Board

A year ago, the City embarked in a journey to transform procurement. A team was appointed to produce a Procurement Manual, which was released at the end of the year 2012. Through a competitive process, the City hired McKinsey to help support the review of the P2P process by not only identifying opportunities for savings, but also by making recommendations to implement best practices that contribute to the level of excellence that I would like to see in the City of Houston. I did a nationwide search for a Chief Procurement Officer ("CPO") to lead the transformation process. We are now taking one more step for a thoughtful approach to this transformation by establishing a Procurement Governance Board ("PGB").

The PGB will be responsible for the procurement function oversight as well as reviewing and recommending procurement policies for my consideration. This Executive Order gives the PGB authority to review current procurement policies, Executive Orders, and Administrative Procedures; and bring forward recommendations for changes and/or to reconcile any inconsistent language in our procedures. The PGB will support the CPO in carrying out her responsibilities and ensure the continued improvement of procurement efficiency and effectiveness.

In developing the framework under which the procurement function will be carried out in the City, we leveraged the assessment performed by McKinsey early in the P2P Project, the Global Procurement Excellence. The PGB members have brought forward a plan that aligns the overall procurement vision and objectives with procurement best practices consistent with the pillars of my administration. The framework outlines areas of focus to achieve our ultimate objective, but also lists factors directly related to the success of such plan.

The changes that are required in procurement are consistent with the assessment and relate to those areas identified in the assessment as having greater impact to achieving high performing organizations. These areas include organizational structure, goal alignment, process improvement, talent management, and training.

Attached is copy of the Executive Order establishing the Procurement Governance Board. Please disseminate to your staff.

Procurement Governance Board Executive Order

Highlights

Purpose and Objectives

1. Recommend and make procurement policy
2. Make strategic decisions on policies and procedures
3. Ensure continual procurement improvement, compliance with laws and regulations, effective communication, and support the CPO in the implementation of procedures that support procurement policies.

Roles and Responsibilities of the PGB

1. Procurement policy: make recommendations to the Mayor on vision and mission, strategic direction and policies.
2. Performance and Focus: Establish performance expectations, define focus, and differentiate responsibilities of administration, City Council, PGB, management, and staff.
3. Decision-Making: Evaluate trade-offs of any overlapping/conflicting goals or strategies and make decisions on issues that may establish procurement precedent.
4. Oversight: Support the CPO in managing the procurement process citywide and see that procurement policies are successfully implemented and that the appropriate tools are in place to meet or exceed performance requirements as it relates to quality, cost, and effectiveness.

Defines Roles & Responsibilities

1. CPO
2. Departmental Purchasing Units
3. Bid Irregularity Committee
4. Bid Protest Panel

Other

1. Identifies members and their duties
2. Identifies what's in scope

Procurement Governance Board (PGB) Executive Order

May 15, 2014

1. Authority

- 1.1. Article VI, Section 7a, of the City Charter of the City of Houston; Chapter 15, Houston Code of Ordinances; Executive Orders 1-2, 1-3,1-7, 1-14, 1-16, and 1-42; Administrative Procedures 2-6, 2-14, 2-15, 5-1, 5-2, 5-4, 5-5, and 7-1.

2. Purpose

- 2.1. The Procurement Governance Board exists to:
 - 2.1.1. Recommend and make procurement policy that increases the effectiveness and efficiency of City procurement, purchasing, and spend.
 - 2.1.2. Make strategic decisions on processes and procedures that relate to the implementation of procurement policy.
 - 2.1.3. Oversee the efficiency and effectiveness of all procure-to-pay processes.
- 2.2. To further the purpose, this Order establishes:
 - 2.2.1. Objectives of the Procurement Governance Board
 - 2.2.2. Scope of the Procurement Governance Board
 - 2.2.2.1. Roles
 - 2.2.2.2. Responsibilities
 - 2.2.2.3. Related Entities
 - 2.2.2.4. Membership
 - 2.2.2.5. Governance Order of Precedence
 - 2.2.2.6. Meetings
 - 2.2.2.7. Timeframes

3. Objectives of the Procurement Governance Board

- 3.1. Ensure continual improvement of procurement efficiency and effectiveness.
- 3.2. Ensure successful implementation of federal, state, and local laws and regulations relating to procurement.
- 3.3. Ensure effective tools (e.g., documentation, manuals, and technologies), processes, structure and teams are in place to efficiently implement procurement laws, regulations, and policies.
- 3.4. Ensure effective internal and external communications of procurement policies and processes.
- 3.5. Support the Chief Procurement Officer and the procurement¹ function citywide in carrying out their responsibilities, aligned with the PGB. The role and responsibilities of the Chief Procurement Officer include but are not limited to the following:

¹ Procurement in this document refers to the procurement function citywide and no particular organization (e.g., Strategic Purchasing Division)

4. Scope of the Procurement Governance Board

4.1. The PGB is responsible for citywide vision, strategic direction, policies, and strategic decision-making regarding all procurement and procure-to-pay processes.

4.2. Roles of the Procurement Governance Board

4.2.1. Procurement policy making

4.2.1.1. The PGB sets the vision and mission for procurement and communicates them to others.

4.2.1.2. The PGB sets expectations for procurement processes performance at the City.

4.2.1.3. The PGB develops strategies and a high-level policy. Those are translated into ordinances, administrative procedures, executive orders, guides, and manuals by procurement management and their staff. The PGB approves these documents before they are implemented by management.

4.2.1.4. Policies define focus and differentiate responsibilities among the administration, City Council, the PGB, management, and staff. Well-written policies lead to more efficient board functioning, and the PGB ensures such policies are in place.

4.2.1.5. The PGB recommends policies to the Mayor, and as appropriate, City Council.

4.2.2. Decision-making

4.2.2.1. Decision-making involves making choices about the vision, mission, strategies and policies and the tradeoffs between them.

4.2.2.2. The PGB makes decisions about issues that are strategic and significant.

4.2.2.3. As strategic decision-makers, the PGB can also delegate non-governance types of decisions to others, as appropriate. Policies the PGB creates should specify decision-making authority in day-to-day procurement and procure-to-pay activities.

4.2.3. Oversight

4.2.3.1. The PGB supports the Chief Procurement Officer in managing the procurement processes citywide.

4.2.3.2. Oversight is an important function, and the role of the PGB is to oversee, not to manage.

4.2.3.3. Nevertheless, in the oversight role, the PGB is responsible for putting policies in place to achieve its objectives and ensuring they are successfully implemented.

4.3. Responsibilities of the Procurement Governance Board

4.3.1. Recommend procurement vision, mission, strategic direction, and policies to the Mayor.

4.3.2. Ensure effective and efficient implementation of Mayor's direction and policies such as ensuring M/WBE inclusion and participation in procurements at certain thresholds.

4.3.3. Approve all high-level changes to the procurement and procure-to-pay processes and technologies

- 4.3.4. Oversee procurement key performance indicators in areas such as process quality, costs, and effectiveness.
- 4.3.5. Resolve procurement issues that may impact policy or set precedent for other procurements.

5. Related Entities

5.1. Chief Procurement Officer

5.1.1. Roles

- 5.1.1.1. Lead day-to-day procurement activities across all City departments for direct and indirect sourcing.
- 5.1.1.2. Accelerate the implementation of procurement best practices and organizational development efforts.
- 5.1.1.3. Transform procurement into a strategic organization focused on optimizing the entire procure-to-pay process to meet the City's strategic and operational objectives.
- 5.1.1.4. Drive cross-functional procurement strategy, common process definition and deployment, and personnel and organizational development.

5.1.2. Responsibilities

- 5.1.2.1. Responsible for cost reductions, indirect savings, supplier development, and performance improvements, including quality, lead time, and receipt reliability improvement.
- 5.1.2.2. Responsible for driving change across the City and in partnership with departmental leadership and strategic suppliers.
- 5.1.2.3. Leads the acquisition and contracting of all goods and services citywide in the most cost-effective manner while helping the City and its departments meet their objectives.
- 5.1.2.4. Provides advice, guidance, and technical assistance to all departmental offices on matters concerning procurement, including but not limited to scope of work, evaluations, negotiations, and contracts.
- 5.1.2.5. Guarantees that all purchases are compliant with federal, state, and local laws, regulations, executive orders, etc. Ensure purchases are cost effective and offer sufficient value to the City.
- 5.1.2.6. Works cross-functionally to improve procurement planning, budgeting, receiving & inventory management, settlement & payment, spend analysis, and supplier management.
- 5.1.2.7. Works with the Office of Business Opportunity in promoting the growth and success of local small businesses, with special emphasis on historically underutilized groups.
- 5.1.2.8. Issues procedures for carrying out written policy established by the Procurement Governance Board and issued from the Mayor in memorandum format or through executive order.

- 5.1.2.9. Develops and implements procurement process and technology improvements including initiatives to reduce administrative costs and other burdens that the procurement function imposes on the City and the private sector while still maintaining appropriate controls.

5.2. Departmental Purchasing Units

5.2.1. Roles

- 5.2.1.1. Implement procurement procedures as established by the CPO consistent with policies approved by the PGB, legal requirements, and procurement best practices.
- 5.2.1.2. Escalate procurement issues to the CPO or seek advice when appropriate.

5.2.2. Responsibilities

- 5.2.2.1. Perform procurement function within a specific department
- 5.2.2.2. Stay informed of the current policies, procedures, and best practices
- 5.2.2.3. Actively participate in CPO's Council
- 5.2.2.4. Provide information associated with procurement activities, plans, and practices, as required.

5.3. Bid Irregularity Committee

5.3.1. Roles

- 5.3.1.1. Composed of attorneys in the Legal Department, the Committee reviews issues associated with irregularities, whether perceived or real, in vendor selection or contract award process
- 5.3.1.2. Review issues associated with challenges to the integrity of the procurement process.

5.3.2. Responsibilities

- 5.3.2.1. Meet as needed to promptly address any irregularity issues.
- 5.3.2.2. Issue legal advice to the affected department head on the subject irregularity
- 5.3.2.3. Make a recommendation to the PGB when the issue may set precedent and/or the CPO, if an isolated incident

5.4. Bid Protest Panel

- 5.4.1. Bid Protests, as defined in Chapter 8 of the City Procurement Manual, shall be heard by a cross-departmental panel composed of three directors or designees. The City Attorney or his designee may select the panel members from the following departments: Public Works and Engineering; Houston Airport System; General Services; Administration and Regulatory Affairs (for procurements that are not handled by SPD); the Controller's Office; and other departments that may possess relevant expertise. The panel shall be impartial; no member of the department whose award is being protested shall serve on the panel. A member of the City Attorney's Office shall be assigned to advise the panel but shall not serve as a voting member.

- 5.4.2. A member of the City Attorney's Office will prepare the written record, which shall generally include the written protest and any opinion of the City Attorney's Bid Irregularity Committee and other relevant information. After giving written notice (including by email to a confirmed address) of the time and place of the hearing, the panel shall hear oral arguments from the protestor and the department conducting the procurement (in some cases, this may require participation by SPD). The time allotted for oral arguments shall generally be 15 minutes, unless a longer period is granted by the Bid Protest Panel. After considering the record, the Panel shall issue a written decision. This decision will be submitted to the protestor and the relevant department as soon as practicable. In the case of a pre-award protest, if the Panel determines that the award may go forward, its decision shall be included in the backup documentation provided to City Council and shall be reflected on the Request for Council Action. In the case of a post-award protest, the Panel shall issue a recommendation to the department director responsible for the procurement as to whether to take no action or to proceed with termination of the contract.
- 5.4.3. City Council may, at the meeting to consider the award that has been the subject of a protest:
 1. Tag the contract agenda item in order to seek more information;
 2. Vote in favor of the contract agenda item; or
 3. Vote against the contract agenda item.
- 5.4.4. The foregoing procedure is taken from Chapter 8, Bid Protest Resolution, of the City Procurement Manual. If the Bid Protest section of the Procurement Manual is amended, this procedure will be deemed modified to conform to the Manual.

6. Members and Duties

- 6.1. The PGB shall be composed of:
 - 6.1.1. Directors, or their representative, of the following Departments, except as provided in Section 6.2.3:
 - 6.1.1.1. Finance
 - 6.1.1.2. Public Works & Engineering
 - 6.1.1.3. Houston Airport System
 - 6.1.1.4. Office of Business Opportunity
 - 6.1.1.5. Legal
 - 6.1.2. Other members so appointed by the Mayor
 - 6.1.3. The Chief Procurement Officer.
- 6.2. Duties
 - 6.2.1. Members fulfill all roles and carry out all responsibilities of the PGB.
 - 6.2.2. If a director delegates service on the board to a representative, that shall be done in writing. That representative must be able to carry out all PGB roles and responsibilities and make decision on their own regarding such roles and responsibilities.

- 6.2.3. In the event the Director has delegated representation on the PGB to someone without giving them decision making authority, the Director will be asked to serve on the PGB or to forfeit their department's seat on the board.

7. Governance Order of Precedence

- 7.1. Federal, State, and Local law shall take precedence over all procurement rules.
- 7.2. Administrative Procedures and Executive Orders in section 1.1 shall remain in effect until repealed, amended or modified by appropriate action.
- 7.3. Except as provided by Section 7.2, this executive order takes precedence on all matters of procurement governance, including but not limited to, the definition of procurement roles, responsibilities, decision making rules, structure, duties, authority, delegation of authority, accountabilities, objectives, principles; and transparency.
- 7.4. Procurement policies will be translated into Executive Orders. In the interest of time, the Mayor may choose to first issue policy memorandums which will then be incorporated into existing or new Executive Orders.
- 7.5. Procedures (such as those found in the Procurement Manual) are issued by the Chief Procurement Officer and define how policy is to be carried out.

8. Meetings

- 8.1. Purpose: To discuss or make decisions on any issue falling under the scope of the PGB.
- 8.2. Chair: The Chair of the PGB is the Director of Finance.
- 8.3. Frequency: The PGB shall meet monthly or as determined by the Board Chair.
- 8.4. Agenda and voting
 - 8.4.1. Agenda and supporting documents will be issued by the Chair no later than two full business days prior to meeting.
 - 8.4.2. Any member can request an item be placed on the agenda for discussion.
 - 8.4.3. The chair places item for a vote on the agenda.
 - 8.4.4. The committee shall adopt voting and appeals rules by a majority vote.

9. Timeframes

- 9.1. The PGB will resolve procurement issues that may impact policy or set precedent for other procurements within two weeks, unless circumstances require an earlier decision.
- 9.2. All other matters will be resolved in the regular monthly meeting.