

SPEND ANALYSIS OF UNION COUNTY NJ GOVERNMENT BASED UPON REVIEW OF 2005-2006 CHECK REGISTERS

In an effort to better understand how the Union County Board of Chosen Freeholders and Union County Government is spending the taxpayers' money the Union County Watchdog Association submitted OPRA requests and obtained copies of the 2005-2006 check registers. A review of these check registers by commodity category/description disclosed that the county could achieve significant cost savings simply by:

- 1) rationalizing and consolidating the supplier base
- 2) standardizing on equipment, products and services purchased and
- 3) managing the supplier base on a commodity basis going forward

Based upon implementation of standards and aggregation of purchases accordingly this would reduce the supplier base and leverage purchases with fewer suppliers to afford economies of scale.

Following are findings and recommendations in the these areas:

- 1) Rationalizing and Consolidating the Supplier Base and
- 2) Standardizing on Products and Services Purchased

A key objective of Union County Government should be to reduce the supplier base and consolidate purchases with fewer suppliers to obtain greater purchasing economies and negotiating leverage through volume discounts and standardization. Based upon description information on the check registers the following commodity categories were identified to illustrate areas where standardization of products and services, competitive bidding and negotiation of purchasing contracts **could conservatively save up to 15% annually:**

- **Office Supplies.** At least 14 suppliers listed on the check registers provide products readily identifiable as office supplies. **Recommendation-**Through standardization of products purchased initiate competitive bidding and reduce to 1 or 2 suppliers.
- **Copiers.** 7 suppliers appear in this category. **Recommendation-**Through standardization and competitive bidding reduce to 1 or 2 suppliers.
- **Printing companies.** 7 suppliers were noted in this category. **Recommendation-**Through analysis of all printing purchased on an annual basis standardize on specifications of paper stock, sizes, number colors, length of run, etc to enable running jobs in

combination. Competitively bid annual requirements and reduce to 2 or 3 suppliers.

- **Coffee and Water Service providers.** 4 suppliers were identified. **Recommendation-** Standardize products & services, competitively bid and reduce to 1 or 2 suppliers.
- **Auto Parts.** 15 suppliers were found in this category. **Recommendation-** Significant cost savings can be achieved through competitive bidding and standardization of fleet cars and trucks to reduce the number of OEM vehicle suppliers. Likewise, through competitive bidding of auto parts reduce to 3 or 4 parts suppliers to achieve additional cost savings.
- **Telephone Service.** 12 service providers identified in this category. **Recommendation-** This is a technology issue that needs to be standards driven by a cross functional team of technology, purchasing and end user representatives. Through standardization reduce to 2 or 3 service providers.
- **Janitorial supplies.** 4 suppliers noted. **Recommendation-** Standardize on supplies and competitively bid to reduce to 1 or 2 suppliers.
- **Building materials & supplies.** At least 15 suppliers in this category. **Recommendation-** Analyze annual purchases and competitively bid commonly purchased items to reduce to 3 or 4 suppliers.
- **Uniforms.** 4 suppliers identified in this category. **Recommendation-** Standardize, competitively bid and reduce to 1 or 2 suppliers.
- **HVAC Parts & Service.** Identified 6 suppliers. **Recommendation-** Standardize and competitively bid, reduce to 2 or 3 suppliers.
- **Computers and peripherals.** 9 suppliers in this category. **Recommendation-** This is a technology platform/standards issue that should be addressed by a cross functional team of technology, purchasing and end user representatives. Through a needs analysis and issuance of RFPs can standardize on OEMs and software platforms and reduce the number of providers for significant cost savings.
- **Building Contractors.** 20 suppliers in this category based upon descriptions on check registers. **Recommendation-** Competitively bid and reduce the number of suppliers to 10 or less.
- **Tools & Hardware.** 6 suppliers identified. **Recommendation-** Analyze annual usage, standardize and competitively bid requirements to reduce to 2 or 3 suppliers.
- **Auto Leasing.** 4 suppliers in this category. **Recommendation-** Conduct needs analysis and manage demand to limit usage, standardize and competitively bid. Reduce to 2 suppliers.
- **Office Furniture.** 5 suppliers. **Recommendation-** Conduct needs analysis, compile inventory of furniture by type & condition, re-deploy surplus inventory. For new purchases, standardize, competitively bid and reduce to 1 or 2 OEMs and installing dealers.

- **Insurance Providers.** 6 suppliers identified. **Recommendation-** If no qualified risk management expert is on county staff, engage a competent risk management expert to review entire portfolio of insurance policies, premiums and coverages and identify gaps or overlaps. Initiate RFPs and RFQs for full range of insurance policy coverage on an annual basis.
- **Overnight/express delivery services.** 3 suppliers identified. **Recommendation-** Analyze annual usage reports provided by current carriers and initiate RFP and RFQ for annual or multi year requirements. Reduce to 1 supplier, or 2 at most.

Professional Services. The 2005 and 2006 automated and manual hand check registers also contained hundreds of payees that are **providers of professional services, such as legal, medical, engineering, surveying, advisory, consulting, etc.** The majority of these contracts appear to be awarded without competitive bidding based upon past practice. **Recommendation-** Identify opportunities to significantly increase the number of contracts that lend themselves to competitive bidding and implement this practice. The performance of suppliers against contract terms, statements of work and other metrics should be evaluated to ensure and document performance results. Poor or non-performance should be documented in a contracts database to ensure that the deficient suppliers are not fully compensated or are terminated as well as disqualified from future Union County contract bidding. By eliminating suppliers with sub-standard performance the county can reduce the supplier base and leverage greater volume with fewer, better performing and more cost effective suppliers. The annual cost savings that could be achieved through leveraged negotiations is estimated conservatively at 10% to 15% annually.

3) Managing the Supplier Base on a Commodity Basis Going Forward.

This preliminary review of the Union County Government check registers suggests that a Commodity Team approach to competitive bidding, negotiating and supplier management would be extremely important to achieving standardization, cost savings and supplier performance improvement. Subject matter experts on staff should be identified and designated to lead or serve on Commodity Negotiating Teams under the overall leadership of the chief procurement officer. Each Commodity Negotiating Team should be comprised of a subject matter expert, a procurement officer and cross functional team members as appropriate for the particular commodity category ie, representatives with expertise in engineering, technology, end user, finance, human resources, legal, etc.

Additional Observations and Comments

Nearly **200** of the payees on the Union County check registers were paid **\$100,000 or more** in 2005, and more than **50** of these were paid a total of **\$1 million or more**. The check registers for 2006 to date reflect the same situation. Union County finance and procurement officials should focus on analyzing the largest dollar expenditures and commodity categories and respective contracts to identify specific opportunities to reduce suppliers, implement standards, consolidate purchases and leverage spending through competitive bidding. Union County could effectively improve supplier performance, reduce total cost of ownership and improve service quality—with the added benefit of passing along the cost savings to the Union County taxpayers. As a purchasing “rule of thumb”, 20% of suppliers constitute 80% of total spend, so it makes sense to begin the rationalization of the supply base by focusing on the largest expenditures by commodity category. The largest expenditures, over \$1 million, to specific suppliers other than payments to state and local government entities on the check registers included the following:

- Allied Office Products
- All Steel Inc
- Amaker & Porterfield Inc
- Aramark Correctional Services
- ATC/Vancom
- Binsky & Snyder Service
- Blue Cross Blue Shield of NJ
- Choice Rehab Inc
- Consultedge Inc
- Correctional Health svc Inc
- Dell Computer Corp
- Delta Dental Plan of NJ
- Education & Health Centers
- FAI GON Electric Inc
- HC Equities
- Hale Insurance Brokerage
- Hall Building Corporation
- Ikon Office Solutions
- International Council for Homeless
- ISS Institutional System Services
- JCP&L
- Jewish Family Services

- M&M Construction
- Marbro Inc
- McKesson HBOC
- Meals on Wheels Inc
- Morristown & Erie Railway
- Motorola Inc
- National Fuel Oil
- Neighbor Care
- Office of Community Development
- Paley Construction Corp
- Penn Jersey Paper Co
- Persistent Construction Inc
- PHS Health Plans
- PMK Group
- Proceed Inc
- PSE&G
- Rahway Community Action
- Schiafano Construction Corp
- Supply Saver Corp
- Trinatas Hospital
- U C College
- Union County Educational Services
- UC VoTech Center
- Unicon Investments
- Union County College
- United Way of Greater Union
- Urban League of Union Co
- US Food Service
- Verizon
- Verizon Wireless
- Watertrol Inc
- Woodruff Energy
- Workforce Advantage
- Xerox Capital Services

This spend analysis was limited to a cursory review of Union County's 2005 and 2006 check registers, therefore, the available information provided by these documents was extremely limited. In undertaking this exercise the analyst did not pass judgement on the validity of the data or the appropriateness of the expenditures—although that may be a subject for further study. A more robust and comprehensive evaluation of total spending would necessitate review of purchasing records (actual contracts, purchase orders, RFPs & RFQs), as well as disbursements by credit cards, wire transfers, employee travel & entertainment expense vouchers, procurement cards (if used), state and local inter-government transfers, etc. If Union County

Government has not already recently done so it is recommended that financial approval and purchasing policies be reviewed to ensure that the policies comply with state and federal laws and regulations. Moreover, actual transactions should be spot checked at random and reviewed to ensure that county employees and procurement authorities as well as suppliers are in compliance to these policies and regulations. The number of multiple suppliers in virtually every commodity spend category confirms that the supplier base is not rationalized or effectively leveraged, and as a result optimum potential cost savings are not being realized. Indeed, it appears that a culture of “spread the business around” exists when spending taxpayers money as opposed to maintaining a professional, business like discipline that is cost conscious and prudent.

Additionally, it is recommended that supplier performance against contract, statement of work or other measurement tools should be monitored by Union County government procurement officers to ensure that actual performance meets terms and contractual requirements. In cases where the supplier has not complied with contractual terms corrective action should be taken get suppliers into compliance with cost, quality and performance criteria.

Additional Concerns- All too often the public has learned through the media that NJ State, County or Local government officials and employees have been involved in illegal, unethical or egregious practices such as creating no-show/low-show jobs, no-bid contracts, pay to play, padding of expense accounts, double dipping jobs to inflate pensions, creating excessive perks, outright theft and other abuses that are odious and waste taxpayers money. This has been “business as usual” in New Jersey for far too long, and it is evident that the past State Attorneys General and County Prosecutors have done little to effectively investigate and prosecute abuses at all levels of New Jersey government. Fortunately, due to the efforts of state wide and county wide organizations (such as the Union County Watchdog Association), concerned citizens, a few media investigative reporters and Federal Prosecutors (such as Christopher Christie), the public is seeing more of an effort to root out corruption in New Jersey and hold officials accountable for abuses of public trust.

Whenever there is one-party rule, as is the case with the Union County Board of Chosen freeholders, there exists the potential for abuse of power—or at the very least this may foster a culture of closed meetings, absence of dissent and indifference to the growing financial burden that is placed on the property owners and taxpayers.

This analysis of Union County spending can only scratch the surface, but it points to a lapse in oversight, a perceived culture of indifference and obvious wasteful spending. Consider this document as a red flag to raise awareness of spending problems and a sincere effort to provide recommendations that will help to reverse the trend of ever spiraling spending and taxes in Union County.

It is hoped that this brief and limited review of Union County Check Registers will point to some areas where Union County can do a better job in reducing and controlling expenditures and leveraging purchasing power more effectively. Ultimately, if the recommendations contained in this analysis are implemented Union County will be able to reduce annual expenditures by tens of millions of dollars—and thereby eliminate annual expenditure growth and reduce real estate taxes accordingly.

Shared services—a concept that the corporate world implemented very successfully over 20 years ago-- is another area of opportunity for the County to explore. Although Union County press releases are aggressively stating that shared services initiatives should be undertaken with municipalities in the county and with other counties I suggest that **Union County first become a role model for cost savings.** Unless and until Union County can embrace change management and stop “business as usual” practices that waste taxpayers` money the County will not be successful in marketing shared services to our 21 municipalities that have been accustomed to running leaner for years.

Respectfully submitted by a concerned taxpayer, and retired procurement officer.

Sincerely,

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November 2, 2006

