

DEPARTMENT OF GENERAL SERVICES



DRAFT RECOMMENDATIONS TO THE GOVERNOR'S TASK FORCE ON CONTRACTING AND PROCUREMENT REVIEW

AUGUST 19, 2002



Executive Summary

The Department of General Services' (DGS) recommendations to the Task Force are designed to strengthen the contracting and procurement processes of the State of California by improving the quality and openness of the process and implementing a set of checks and balances to ensure its integrity.

For each of these guiding principles – higher quality, an open process, and carefully constructed checks and balances – DGS recommends a series of initiatives be undertaken. These are some recommendations that may be implemented in less than a year. There are other recommendations that require more than a year to fully implement.

These recommendations are:

HIGH QUALITY

- ❖ DGS should broaden the scope of the Quality Assurance (QA) Program so that state agencies¹ conducting any state procurement are required to do so under authority granted by DGS, including orders placed with contractors holding leveraged procurement instruments established by DGS, such as California Multiple Award Schedules (CMAS) and Master Agreements.
- ❖ DGS should enhance its current process for auditing and compliance review of state agency contracting and procurement transactions. DGS should establish minimum standards that must be met by state agencies to use leveraged procurement instruments on an interim basis, and more stringent standards to achieve higher levels of authority.

¹ As used in these recommendations, “state agency” includes all state agencies, departments, officers, offices, commissions, boards, bureaus, institutions, hospitals, training facilities, data centers, or other state entity.

- ❖ DGS should develop a uniform set of policies, procedures and processes to apply to all state contracts and procurements to ensure the outcomes are consistent and fair, and foster competition.
- ❖ DGS should develop and deliver training classes for state agency personnel with any contracting and procurement responsibilities, including DGS officials. This training should cover the basic rules governing the use of the various contracting and procurement methods and instruments.
- ❖ DGS should develop and deliver a comprehensive training and certification program for state contracting and procurement officials. Signature authority of individuals at state agencies should be linked to the level of training, experience and proficiency achieved, as should the procurement authority of each state agency.
- ❖ DGS should adopt clear standards of conduct for both contracting and procurement officials and vendors, including suspending vendors from doing business with the state in specified circumstances.
- ❖ DGS should continue to meet with industry representatives to help develop model contract terms and conditions that will protect the state's interests, and mitigate risks for all parties.
- ❖ DGS should convene periodic meetings with industry representatives to foster open communication and dialog regarding contracting and procurement policies and procedures.
- ❖ DGS should establish a Customer Advisory Group, composed of representatives from both large and small state agencies, to foster open communication and dialog regarding contracting and procurement policies, procedures and practices.

OPEN PROCESS

- ❖ DGS should establish a single point of entry for the processing of contracts and procurements for review and approval, regardless of their category (goods, services or information technology (IT²)), and implement an integrated document management system.
- ❖ DGS should implement a comprehensive electronic procurement (eProcurement) system for all state contracts, which will include:
 - Public access to contracting and procurement opportunities, as well as historical information;
 - Links to online policies and procedures and decision support system and online training;
 - Product and pricing comparisons;
 - Rules-based approval routing so that no transaction can be issued without appropriate approvals;
 - Reverse auctions for commercial off-the-shelf items; and
 - Data capture for all transactions, and generation of required reports, eliminating redundant reporting wherever possible.

CHECKS AND BALANCES

- ❖ DGS should begin providing further legal review in all high-risk contracting or procurement transactions.
- ❖ State agencies shall conduct an initial review; apply specified high-risk criteria, and forward to DGS for review and approval those contracts that meet any of the high-risk criteria.
- ❖ DGS should develop and deliver the necessary training of state agency officials on contract law, regulations, and review requirements, and how to apply the high-risk criteria.

² "Information technology," as used in this report, refers to hardware, software and services, including telecommunications.

- ❖ DGS should develop electronically based model contract templates with standard terms and conditions for use by state agencies in order to expedite review processes for low risk contracts and procurements.
- ❖ Each state agency should designate a single official responsible for all contracting and procurement within the state agency.
- ❖ DGS should authorize individual signature authority for contracting and procurement officials, based on position held, experience, training and certification.

CONCLUSION

- ❖ On August 20, 2002, DGS should issue a new Management Memo to follow the expiration of Executive Order D-55-02.
- ❖ DGS should continue the provisions of the Interim Guidelines (Management Memo 02-12, as amended), for up to an additional 90 days to allow time to begin implementing approved reforms.

RECOMMENDATIONS

HIGH QUALITY

California statutes designate DGS as the control agency responsible for reviewing and approving contracts for services that are executed by state agencies under authority granted in the organic laws that establish the state agency. The statutes also designate DGS as the department authorized to acquire goods and IT. All transactions exceeding \$100 for the acquisition of goods must either be conducted by DGS, or conducted by a state agency under procurement authorization from DGS. All transactions for IT regardless of dollar amount, must either be conducted by DGS, or conducted by a state agency under procurement authorization from DGS.

With few exceptions, under its QA program, DGS has authorized many state agencies to conduct procurement transactions valued at up to \$25,000 for goods and up to \$500,000 for IT, using an informal process that requires competition, but does not require sealed bidding. State agencies apply annually for one or both of these procurement authorizations, and when granted, they are governed by a comprehensive set of guidelines issued by DGS. Statutes require DGS to audit once every three years the procurement programs of state agencies that have been granted procurement authorization.

Transactions exceeding a state agency's authorized limits are either forwarded to DGS for processing, or in many instances are acquired directly by state agencies from a vendor that holds a CMAS or Master Agreement established by DGS. In addition, state agencies that do not have procurement authority in excess of \$5,000 are currently allowed to make purchases using a variety of leveraged procurement instruments issued by DGS, including CMAS schedules and Master Agreements³.

³ The Master Agreement program includes Master Rental Agreements (MRA), Master Purchase Agreements (MPA), Master Service Agreements (MSA), Statewide Commodity Contracts, State Price Schedules, Western States Contracting Alliance contracts, and others.

In fiscal year 2000/01, transactions conducted under procurement authorization from DGS (\$267 million) accounted for about five percent of the over \$7 billion spent on goods, services, and IT contracting and procurement in California. During the same fiscal year, state agencies spent over \$1.5 billion under the CMAS and Master Agreement programs (about 22 percent of the total spent on goods and services that year) with minimal oversight. While the process for obtaining a procurement authorization is very robust and results in high quality procurement transactions, the narrow focus of this program limits its effectiveness in state procurement overall.

RECOMMENDATION #1 – SHORT-TERM IMPLEMENTATION. DGS should broaden the scope of the QA program so that any state agency that conducts any state procurement process must do so under authority granted by DGS, including orders placed with contractors holding leveraged procurement instruments established by DGS, such as CMAS schedules and Master Agreements. Absent this authority, DGS must conduct a procurement on behalf of the state agency. State agencies shall not be permitted to place orders through CMAS schedules or Master Agreements for large-scale IT system integration projects.

With respect to the CMAS program, state agencies should be required to continue to follow the Management Memo 02-12 Interim Guidelines requirement to solicit and obtain three price quotations, including at least one certified small business CMAS contractor before placing their orders.

In addition, DGS should develop written standards and criteria that will apply to any CMAS agreements established for vendors that do not hold federal General Services Administration supply schedules. Additional recommendations related to the CMAS program are included in the Open Process section of this report.

RECOMMENDATION #2 -- LONG-TERM IMPLEMENTATION.
DGS should perform random audits or compliance reviews of state agencies' contracting and procurement transactions executed under authority granted by DGS, including non-IT services contracts.

DGS should establish consistent standards tied to dollar thresholds that must be met in order for a state agency to be granted higher levels of procurement authority. These standards should take into consideration training, certification, demonstration of competency, demonstrated capability to conduct internal legal review, and capability to conduct self-audit or assessment through various means.

In order to be granted procurement authority to contract under the CMAS and Master Agreement programs, state agencies will be required to provide staff proficiency plans to DGS within 30 days after notification from DGS. State agencies will be given a three-month grace period to apply for CMAS or Master Agreement purchasing authority, during which time they may enter into contracts with CMAS and Master Agreement contractors under the Management Memo 02-12 Interim Guidelines.

During that time, contracting and procurement officials within each state agency shall attend training classes developed and delivered by DGS, on the use of leveraged procurement instruments (including CMAS and Master Agreements), as well as acquisition ethics. Only staff that attend these required training classes would be authorized to execute contracts or purchase orders under procurement authority from DGS.

Prior to the expiration of DGS procurement authorization for goods or IT, state agencies will be required to send staff through a more comprehensive training regimen designed and delivered by DGS, leading to certification as a California Contracting Official.

The DGS will establish robust criteria for determining the level of authority to be granted to each agency. Standards and the criteria will be used to increase authority to those agencies that demonstrate excellence in their contracting and procurement processes. Those that fail to meet the standards will have their authority reduced or revoked.

At the public hearings of the task force, as well as the DGS meetings held with state agencies, a commonly expressed theme was the need for enhanced training and professional development for the contracting and procurement workforce. Other audits and studies have supported this need. For example:

- ❖ The California Public Contract Project, July 1978, recommended developing training and education programs in law and contracting for personnel with minimum standards of skills maintenance.
- ❖ The Senate Commission on Cost Control report on State Procurement Practices, April 1996, recommended establishment of a training and certification program for procurement officials.
- ❖ The Procurement 2000 Study, February 1996, noted that the statutes do not address education, training and certification for procurement personnel and recommended development of core competencies and specific training and development programs.

Perhaps Eva Macial from Robbins Gioia LLC said it best in testimony to the Task Force on July 12, 2002:

“Without strong acquisition management capabilities the State runs the risk of investing in technology projects that take longer to implement, cost more than anticipated, and deliver less capability than originally promised.”

While Ms. Macial’s statement was directed toward IT projects, the same concepts apply to other types of contracting and procurement projects managed by state agencies.

DGS already offers a number of contracting courses, including:

- ❖ Ethics Orientation for the State of California
- ❖ Conducting a Service Contract Bid
- ❖ Service Contract Management
- ❖ Acquisition Ethics
- ❖ CMAS Agency Training
- ❖ CAL-Card Program Training
- ❖ Introduction to the California Acquisition Process
- ❖ Implementing State Contracting Participation Programs
- ❖ Procurement Information Network Training
- ❖ Price Analysis Workshop
- ❖ Attorney General Anti-Trust Lessons

These classes can form the basis for development of a comprehensive program that, over the longer term, focuses on developing contracting and procurement professionals that are equipped with the knowledge, skills and abilities to engage in complex acquisition activities, such as:

- ❖ Effective project management, including well-defined performance measures and metrics;
- ❖ Advance requirements planning;
- ❖ Market research;
- ❖ Feasibility studies;
- ❖ Developing comprehensive statements of work;
- ❖ Developing well-defined and meaningful evaluation and selection criteria, including evaluation of the life-cycle of projects;
- ❖ Cost/benefit analysis and return on investment;
- ❖ Effective contract negotiations techniques
- ❖ Change management, problem escalation and resolution; and
- ❖ Contract closeout with lessons learned.

There are pockets of excellence the DGS can emulate as we work towards implementation of this important initiative.

- ❖ The Center for Management and Organization Development (MOD), a non-profit Center at the College of Business and Economics at California State University (CSU), Northridge, in particular, has recently developed several comprehensive and successful training academies in Southern California. Collaboration between the CSU and the state might provide the best opportunity to quickly leverage the existing infrastructure of both systems to provide training to contracting and procurement officials in all areas of the state.

A program the MOD has developed, "Leadership Through Contract Management and Administration," may already have many of the components that would be essential for state agency training. It includes classes such as:

- Overview of Contracting
- Project and Contract Management
- Basic Principles of Contract Law
- Legal Contracting Authority
- Acquisition Strategy and Planning
- Source Selection Strategy

- Elements of the Solicitation Process
- Solicitation Design, Development and Proposal Evaluation Process
- Contract Negotiation and Approval
- Contract Development
- Source Selection Criteria/Plans/Model Request for Proposal
- Negotiations
- Introduction to Cost Price Analysis
- Administering and Monitoring the Contract (including non-compliance)
- Innovative Contracting

This model was developed after an extensive needs assessment and analysis, and it includes class assignments (homework), as well as exams to test the knowledge learned and retained and, finally, the award of a certificate to attendees that pass the exams. Individuals are provided the opportunity for remedial instruction, and then may re-take the exam for certification.

- ❖ The federal Department of Defense has an Acquisition Career Development Program, as well as an extremely robust training and education program, including a center of excellence, the Defense Acquisition University (DAU) dedicated to improving the professionalism of the acquisition workforce. There are minimum educational requirements for entry into the contracting and procurement series, including Baccalaureate degrees and a minimum of 24 semester credit hours of additional study in specified disciplines. Courses acceptable to meet the statutory continuing education requirements are equivalent in many cases to college or university graduate-level courses.

The DAU plays a significant part in providing procurement and contracting personnel the opportunity to become certified under the guidelines of the Defense Acquisition Workforce Improvement Act.

- ❖ The State of Virginia – “Virginia Contracting Officer”. This program was developed for contracting and procurement officials within the State of Virginia, and includes a training program leading to a professional certification.

Finally, of particular urgency is the need for DGS to develop and deliver targeted training to contracting and procurement officials on how to deal with some of the complex realities of the contracting process, including programs such as CMAS and Master Agreements, and to ensure they are aware of the regulations and policy requirements regarding ethics violations and conflicts of interest.

RECOMMENDATION #4 -- SHORT-TERM IMPLEMENTATION. DGS should be directed to develop and deliver to state agency contracting and procurement officials – including DGS, training classes on the rules governing the use of the various contracting methods and instruments.

The objective of the training in the near-term will be to train current and prospective delegation holders with procedures implemented as a result of this Task Force effort and reinforce their role as an agent of the State of California. Seminars that focus on use of leveraged procurement instruments (such as CMAS and Master Agreements) and acquisition ethics will be provided.

RECOMMENDATION #5 -- LONG-TERM IMPLEMENTATION. DGS should develop and deliver to state agency contracting and procurement officials – including DGS -- a comprehensive training and certification program. Initial courses should be made available to state agencies within 90 days. More specialized training required for certification should commence within one year.

The first element of the program should be a comprehensive needs assessment to determine exactly what types of training are needed. And the last element that should be included is the assurance that individuals attending classes offered under the program be awarded Continuing Education Units (CEUs), or equivalent upon the completion of each training segment.

Within the scope of the QA, state agencies with individuals that have a California Contracting Officer certificate may be authorized to sign up to specified dollar levels, based on the certification and proficiency achieved, as well as their experience and job classification. The procurement authority of each state agency will be based on the collective education, experience and expertise of its contracting and procurement workforce, coupled with the existence of in-house legal counsel and in-house audit staff.

Many of the rules and requirements regarding this important topic are located in different statutes and regulations. Additionally, there may be gaps where sufficient guidance has not been developed or existing guidance is incomplete. This leads to either intentional abuses or abuses caused by a lack of familiarity with the standards and the inability to go to a single point to get the information that is needed.

Currently, there are statutes – primarily in the various preference programs – that permit the state to impose monetary penalties for specified violations and prohibit a vendor from doing business with the state for up to three years. The state also has statutory authority to remove a vendor’s name from the list of qualified bidders for goods when there has been a demonstrated lack of reliability in complying with and completing previously awarded contracts; however, that does not prevent them from bidding. The statutes governing the acquisition of IT permit the state to exclude vendors from bid processes if their performance with respect to a previously awarded contract has been unsatisfactory. There are currently no provisions in the statutes governing the acquisition of services that would permit the state to prohibit a vendor from bidding.

Other public jurisdictions have adopted laws or rules that permit them to suspend vendors that violate specified standards of conduct such as:

- ❖ A history of failure to perform on a contract;
- ❖ Stating an unwillingness to honor a binding bid or contract;
- ❖ Falsifying or misrepresenting specifications, solicitation requirements, or status in order to appear responsive to a solicitation or to obtain a contract;
- ❖ Intentionally conferring or offering to confer any gift, gratuity, favor, or advantage, upon any employee of a state agency that exercises any official responsibility for an acquisition;
- ❖ Failing to disclose a known conflict of interest; and
- ❖ Indictment for any felony charge of fraud, bribery, collusion, conspiracy, federal or state antitrust laws, or other criminal offense in connection with the bidding upon, award of, or performance of any contract.

Further exacerbating the problem, the myriad of reports state agencies must file each year contain figures that do not match up from one report to the next. For example, for the Small Business Annual Report for fiscal year 2000/2001 – the same fiscal year we identified \$7.4 billion spent – state agencies reported spending a total of \$3.95 billion. During the same time period, for the Disabled Veteran Business Enterprise report, state agencies reported spending just slightly over \$4 billion.

DGS captures basic information on the transactions it executes as well as those sent to it for review and approval. The information, however, is captured in numerous databases, and is incomplete. This is particularly problematic whenever DGS responds to requests from the legislature or public records requests that call for “all” information in certain areas. Sometimes it literally takes weeks to compile the data, and even then its reliability is suspect. And, finally there is no single system that tracks and captures the data for individual contracting and procurement transactions that could be used to better leverage the state’s buying power, streamline processing or just provide ready responses to inquiries on a particular issue or individual action.

RECOMMENDATION #9 -- SHORT-TERM IMPLEMENTATION. DGS should implement an integrated document management system to track transactions executed by state agencies and to capture important data related to those transactions on a near real-time basis. DGS should determine the feasibility of generating mandated reports from the system as well.

As a minimum, the system should capture basic information from each transaction processed, including the following:

- ❖ Dates received from and transmitted to various entities.
- ❖ Effective date(s) of the contract or purchase order
- ❖ Dollar amount, including any amendment amounts, along with a running total of the contract or purchase order.
- ❖ State agency from which the transaction has been received, along with contact person information (e.g. address, telephone, etc.).
- ❖ Contract or procurement method (e.g. CMAS, Master Agreement, etc.)
- ❖ Contractor name, address, telephone and identification number
- ❖ Small business and disabled veteran business enterprise indicator

The development of a contract tracking system will greatly enhance the ability of DGS to gather and provide information to decision-makers and the general public in an open effective manner. More importantly, it will minimize the relative anonymity of current contracting processes, thus enhancing compliance with statutory requirements, including competitive bidding.

Truly open contracting processes and procedures should enhance the ability of the taxpayers to “see” the transactions occurring, or view the advertisements for bids, as state agency officials are soliciting competition to meet their specified needs. This would promote the acquisition and delivery of quality goods and services to meet the needs of the state agencies serving the public, at prices that provide the state the best value for the taxpayers by providing another “oversight” by the public at large of the procurement process.

Current statutes promote this concept. State agencies are currently required to advertise their solicitations for goods, services and IT exceeding \$5,000 in the CSCR, which can be viewed on DGS’ website. In addition, statutes require that state agencies post public notices of intent to award contracts if requested to do so. The CSCR also includes these notices. There is no statutory requirement for state agencies to post a recap of all bids and prices received, so unless a vendor contacts the contracting or procurement official for that information, it remains unseen, albeit still a public record.

Currently, state agencies are not required to advertise any requirements they hope to fulfill by contracting with a vendor that has a CMAS schedule, or one that holds a Master Agreement, and yet DGS’ data shows that over \$1.5 billion was spent during the last fiscal year under these programs. While some of the Master Agreements are awarded to the lowest responsible bidder meeting specifications (in which case there is no need to seek additional competition before placing an order), public testimony clearly points to these transactions as some that should be more openly competed. Reverting to a formal bid process for all requirements would negate the efficiencies and effectiveness of these approaches; therefore a new solution is needed, a system that is **open and effective**.

CAL-Buy, DGS' pilot electronic procurement (eProcurement) initiative, is an example of a system that could facilitate online product and pricing comparisons and electronic bidding. Other functions that can be automated (and some already are) include advertising opportunities, postings of notices of intent to award and recaps of bids received. eProcurement systems also typically use workflow technology to automate the approval process so no orders are issued without complying with established, built-in business rules. This functionality is currently available in the CAL-Buy system.

An eProcurement system can easily be designed to include the capability for reverse auctions. This would be especially effective in the CMAS arena. With reverse auctions, the requirement is advertised, and bids are placed online. Everyone can see the prices, but the names of the vendors bidding remain confidential until the bidding (auction) is closed. This technique is one that many states and the federal government have found to be particularly effective for commercial, off-the-shelf items with tremendous savings being realized.

One other function eProcurement systems enable is the capability for enhanced oversight and monitoring of the transactions being processed through the system. This is not only an open process necessity, but it helps to ensure and preserve the integrity of the entire contracting and procurement system. This approach fosters effective, open competition with enhanced visibility and oversight.

RECOMMENDATION #10 -- LONG-TERM IMPLEMENTATION.
DGS should implement a comprehensive electronic procurement (eProcurement) system for all state contracts, to include:

- ❖ Public access to contracting and procurement opportunities, as well as historical information;
- ❖ Links to online policies and procedures and decision support system and online training;
- ❖ Product and pricing comparisons;
- ❖ Rules-based approval routing so that no transaction can be issued without appropriate approvals;
- ❖ Reverse auctions for commercial off-the-shelf items; and
- ❖ Data capture for all transactions, and generation of required reports, eliminating redundant reporting wherever possible.

CHECKS AND BALANCES

Increase Legal Review of Contracts

DGS conducts a legal review of about 5000 services contracts each year, valued at nearly \$5 billion. Statute requires that all contracts must be reviewed unless exempted by DGS. The legislature has currently capped this exemption authority at \$50,000, and DGS currently operates with a \$35,000 exemption level.

To-date, IT contracts have received minimal legal review. Because of the potential risks inherent in these transactions, it is essential that the state integrate its legal resources in the IT contracting and procurement process. This becomes a balancing of available legal resources versus risk. On complex acquisitions, it may be prudent to include legal participation in the entire process, including planning, document preparation, negotiations and final review. Other transactions might involve contract review only.

Decisions regarding the allocation of legal resources should be based on criteria that include contract value and risk-based criteria, such as complexity, use of non-standard terms or processes, or other criteria established by DGS. These increased responsibilities will require additional legal resources with the requisite training/expertise for more complex IT transactions.

RECOMMENDATION #11 – SHORT-TERM IMPLEMENTATION. DGS should begin providing further legal participation in all high-risk contracting or procurement transactions. Following are the high-risk criteria recommended by DGS:

- ❖ Goods and IT goods contracts over \$500,000, IT services contracts over \$200,000, and non-IT services contracts over \$50,000;
- ❖ All IT large scale system integration projects;
- ❖ History of protest or litigation for this or like contracts;
- ❖ Public safety;
- ❖ Acquisition of unique or specially manufactured goods or services;
- ❖ Complex projects;
- ❖ Proposed deviation from standard processes or terms and conditions (e.g. advance payments, modification to warranty, indemnity, or liability language, etc.);
- ❖ High profile transactions;
- ❖ Potential conflicts of interest;
- ❖ Hazardous activity;
- ❖ Federal matching funds.

sample all contracting and procurement transactions, including CMAS and Master Agreement transactions.

RECOMMENDATION #15 – SHORT-TERM
IMPLEMENTATION. Each state agency should be required to designate a single official responsible for all contracting and procurement within the state agency.

RECOMMENDATION #16 – SHORT-TERM
IMPLEMENTATION. DGS should authorize individual signature authority for contracting and procurement officials, based on position held, experience, training and certification.

CONCLUSION

There are certain areas that require attention to establish appropriate checks and balances, ensure open contracting and procurement processes, and reinforce the integrity of those processes.

The interim guidelines established in DGS' May 28, 2002 Management Memo 02-12, as amended, provide an excellent framework to review and assess the integrity of the competitive and non-competitive contracting and procurement processes used throughout the state. Many of the interim guidelines, as amended, reflect best practice approaches and should remain in place for a period of up to 90 days as we manage the transition process for the reforms recommended by the Task Force.

RECOMMENDATION #17 – SHORT-TERM
IMPLEMENTATION: DGS should, on August 20, 2002, issue a new Management Memo to follow the expiration of Executive Order D-55-02.

RECOMMENDATION #18 – SHORT-TERM
IMPLEMENTATION: Continue the provisions of Interim Guidelines (Management Memo 02-12, as amended) for up to an additional 90 days, to allow time to begin implementing approved reforms.

Approach to the Problem

“Ensure that open and competitive bidding is utilized to the greatest extent possible.”

Governor Gray Davis
Executive Order D-55-02
May 20, 2002

On May 20, 2002, Governor Davis signed Executive Order D-55-02, directing a three-member task force to review the state’s contracting and procurement procedures and recommend any statutory, regulatory or administrative changes necessary to “ensure that open and competitive bidding is utilized to the greatest extent possible” by state agencies. The Executive Order also directed the task force to include recommendations regarding any statutory or regulatory changes necessary to ensure adequate oversight of the contracting and procurement authority utilized by state agencies.

Members of the Governor’s Task Force on Contracting and Procurement Review (task force) include:

Cliff Allenby, Director
Department of Developmental Services

David Janssen
Chief Administrative Officer
County of Los Angeles

Annette Porini, Chief Deputy Director
Department of Finance
Chairperson

DGS presented to the task force an overview of state contracting and procurement, including information regarding the interim guidelines for non-competitive bid transactions executed by state agencies.

Representatives from DGS attended all five public meetings held by the task force. Additionally, DGS convened two meetings with state agencies to discuss the issues the task force was asked to address, and to obtain feedback from state agencies regarding these issues.

DGS wishes to thank the many individuals that took the time to share their comments in writing. Those comments, along with oral testimony were all considered as these recommendations were drafted. The public comments submitted are furnished to the Task Force separate from these recommendations.

Many of DGS' recent experiences, including the Joint Legislative Audit Committee hearings, the State Auditor's report⁷ regarding the Oracle enterprise licensing agreement and the subsequent rescission of that agreement, plus our day-to-day contracting and procurement experience, also helped shape the recommendations.

Ultimately, DGS' recommendations to the Task Force were focused on aspects of public contracting and procurement that will improve the quality and openness of the process, and establish a set of checks and balances to ensure integrity and confidence in the process.

⁷ Report 2001-128, Enterprise Licensing Agreement: The State Failed to Exercise Due Diligence When Contracting With Oracle, Potentially Costing Taxpayers Millions of Dollars, April 16, 2002