

2016-104 AUDIT SCOPE AND OBJECTIVES
California Public Utilities Commission –
Contracting Practices and Procedures

The audit by the California State Auditor will provide independently developed and verified information related to the California Public Utilities Commission's (CPUC) contracting practices and procedures, and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Determine the extent to which state contracting requirements, including those in state statute and the State Contracting Manual, apply to the CPUC. Note any areas in which the CPUC is exempt from state requirements, the reasons, and any time limits for the exemptions.
3. Review CPUC's contracting policies, procedures and practices to determine whether and how they ensure best value, address competitive bidding, avoid conflicts of interest, and ensure deliverables and costs meet requirements. Note any ways these policies differ from state contracting requirements.
4. For a selection of contracts for services, including but not limited to, legal and other consulting services that the CPUC entered into or amended between 2010 and 2014, determine the following:
 - a. Whether the CPUC solicited and awarded the contracts in accordance with applicable laws, rules, policies and best practices, including those relating to contract approval, bidding, competition, justification for noncompetition, cost/price reasonableness, and whether they contained appropriate requirements, such as detailed performance criteria, and adequate controls for monitoring and ensuring contractor performance.
 - b. Whether the CPUC complied with applicable contracting laws, rules, and policies intended to avoid conflicts of interest, such as the participation of outside contractors or other individuals with financial interests in the contract.
 - c. Whether the CPUC awarded the contract for an amount beneath the competitive bidding threshold or within its delegated purchasing authority, but then amended the contract to exceed the initially authorized amount.
5. Determine the number of sole source contracts for services the CPUC entered into or amended between 2010 and 2014. For a selection of those sole source contracts, determine the following:
 - a. Assess whether sole source contracts were sufficiently justified and complied with state law and contracting policies. Determine whether any of those sole source contracts were subsequently amended to increase their amount without any changes in scope, and whether such actions comply with state law and contracting policies.

- b. Determine whether the practice of including contractors as advocates in CPUC proceedings complies with state law and contracting policies, and whether it creates a conflict of interest or is in the best interest of ratepayers.
 - c. To the extent possible, determine the number of times contractors have participated as advocates in CPUC proceedings and whether they had any influence on contract award decisions.
 6. Determine the extent, if any, to which private utility entities regulated by the CPUC are required to follow state requirements related to competitive bidding, avoiding conflicts of interest, and ensuring contract deliverables and costs meet requirements.
 7. Identify any CPUC policies or procedures for overseeing the contracting processes of regulated utility entities.
 8. To the extent possible, determine how many contracts the CPUC directed regulated utility entities to enter into with other companies between 2010 and 2014. For a selection of those contracts, to the extent possible, determine the following:
 - a. Whether the contracts were paid from ratepayer funds.
 - b. Whether the CPUC ensured the contracts complied with applicable requirements related to competitive bidding, avoiding conflicts of interest, and ensuring the contract deliverables and costs meet requirements.
 9. Determine how many sole source contracts proposed by regulated entities the CPUC approved between 2010 and 2014. For a selection of those contracts, determine the following:
 - a. Whether the contract complied with applicable requirements for sole source contracts.
 - b. Whether the contracts complied with applicable requirements or best practices related to achieving best value, avoiding conflicts of interest, and ensuring the contract deliverables and costs meet requirements.
 10. Identify any CPUC policies and procedures for responding to requests for public records regarding its contracts and contracts between regulated entities and other parties and determine the following:
 - a. Whether the CPUC's policies and procedures for responding to these requests are consistent with state law.
 - b. To the extent possible, determine whether the CPUC complies with its policies and state law when receiving requests for public documents related to contracts and contract deliverables.
 11. Review and assess any other issues that are significant to the audit.