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Neither Entity Has Provided the Oversight Necessary to Ensure That State Agencies Consistently Use the Competitive Bidding Process

Background

California state agencies must use a competitive bidding process when possible when contracting for goods and services to ensure fair competition and the best value for the State. The Department of General Services (General Services) oversees contracts for goods and services except for contracts that involve goods and services for large information technology projects—these IT contracts are overseen by the California Department of Technology (Technology). There are some situations in which contracts are exempt from the competitive process either by law or policy if the appropriate oversight agency approves a noncompetitive request from an agency.

Our Key Recommendations

- The Legislature should require General Services and Technology to submit an annual public report of all noncompetitive requests they approve with values over \$1 million.
- General Services should do the following:
 - » Verify accuracy and completeness of contract information in FI\$Cal, modify FI\$Cal to identify contract amendments, and analyze data to identify potential abuse or overuse.
 - » Provide agencies with examples of appropriate and inappropriate circumstances for justifying a noncompetitive procurement request.
 - » Ensure it holds agencies accountable for implementing corrective action plans they submit with noncompetitive requests, and create an escalation process of the enforcement mechanisms it will use when agencies fail to competitively bid when they could have.
- Technology should plan to conduct statewide analyses of contracting data to identify potential abuse or overuse of noncompetitive contracts and should hold agencies accountable for implementing the corrective action plans they submit with their noncompetitive requests.

Key Findings

- General Services does not have complete and accurate contracting data, and it did not implement controls to avoid these shortcomings with its contracting data.
 - » The previous contract and procurement database system used through 2015 had severe limitations—we found many key data entry errors, and more than a third of the contracts and amendments we reviewed were missing from the system, including one with eight amendments worth \$163 million.
 - » It did not provide agencies sufficient instructions or formally examine the accuracy of the information in the database when it performed audits.
 - » The State's new financial information system (FI\$Cal) could improve contracting data, but requires all state agencies to use FI\$Cal for their procurements and less than a third of the agencies currently do.
- While FI\$Cal allows agencies to indicate whether goods and services were noncompetitively procured, it does not allow agencies to clearly indicate that procurements were made using amendments.
- Neither General Services nor Technology developed plans to use FI\$Cal to conduct analyses of statewide noncompetitive procurements and neither have ensured that state agencies avoid or minimize noncompetitive procurements.
 - » Of the 27 approved noncompetitive requests we reviewed, nine lacked justification for bypassing the competitive bid process and 14 did not demonstrate that the vendor's prices were reasonable.
 - » Although both oversight agencies have enforcement mechanisms, they rarely use them to ensure the noncompetitive request process is not used inappropriately—nine of the 27 contracts we reviewed could have been competitively awarded.