



Media Advisory

Results of BSA Investigation Requested by Federal Receiver to be Released
Investigation and Audit focus on IT Procurement during First Receiver's Tenure

For Thursday, January 22, 2009

Contact: Luis Patino (916) 956-5879

The Receiver will be available via phone at 10:30am today 1-888-272-7337 ID# 3554858

(Sacramento, CA) Shortly after his appointment in late January, 2008, Federal Receiver, J. Clark Kelso learned that some of the IT contracts executed during his predecessor's tenure may not have followed appropriate state laws and policies. He immediately contacted the Bureau of State Audits and requested that they conduct an investigation and audit. The results of that investigation will be released Thursday, January 22, 2009. The results of the audit will be released next Thursday, January 29, 2009. By law, details of the investigation can not be discussed prior to the release of the report on the investigation.

"I want to thank the bureau of state audits for their evident professionalism in investigating and documenting the IT contracting concerns that I brought to their attention. I am also thankful to Jamie Mangrum, the Chief Information Officer for bringing them to my attention," says Kelso.

In early 2008, Kelso replaced the Receivership's former CIO – who had no prior state government experience – with the current CIO, Jamie Mangrum, who had decades of state IT experience. Kelso then directed Mr. Mangrum to immediately begin reviewing the Receivership's processes to ensure compliance with state law. As previously found by the federal court in *Plata v. Schwarzenegger*, not only was the clinical side of the prison medical system broken prior the Receivership, but the administration of the contracting system was also in shambles.

"For better or for worse, the greater balance of the resources of the Receivership under my predecessor were applied to addressing the abhorrent clinical conditions on the ground in the prisons. This, as found by Mr. Mangrum, may have been at the expense of the need to focus a greater degree of effort on much needed administrative controls. However, progress has been made in this regard," says Kelso.

The Receivership has established a new IT procurement policy which will be discussed during the phone conference. In addition, the Receivership has worked closely with the Department of General Services to ensure that the continuing use of services from the IT vendor at the center of the investigation is appropriate and in the best interest of the state. To that end, we have sought and obtained an appropriately justified approval for a Non-Competitive Bid for the ongoing use of the services. In addition, the Receivership has adopted a formal policy governing use of the federal court's waiver of state contracting laws. Kelso says; "Achieving perfection in processing IT contracts remains a challenge under the state's overly complex IT procurement rules, but I am heartened at our improvements and confident that, with the information provided to us by the audit, we can do even better."

Kelso's experience as State CIO makes him especially well equipped to handle process issues in IT procurement. In 2002, Governor Gray Davis appointed Kelso as the State CIO role in the aftermath of the Oracle contracting problem. Within a few months of that appointment, Kelso discovered that the e-government project, which was responsible for establishing a state "portal" early in the Davis Administration, had been implemented through a series of utterly inappropriate, serial short-term sole source contracts that had been strung together over a period of years with a single vendor at an overall cost to the State in the millions. Working with key executives in the Davis Administration, he shut down those contractual relationships and put IT procurement and project management back on sound footing. Kelso's legacy as the State's CIO has garnered national attention. The Center for Digital Government placed California in the No. 5 position in its most recent ranking of tech-savvy states.