



Media Advisory

Results of Receiver-Requested Audit by BSA into IT Purchases to be Released
Kelso Adopts New Contracting Policy to Protect Against Recurrences

For Thursday, January 29, 2009

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The Receiver will be available via phone at 11:30am 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 the investigation were released last week. The results of the Audit will be released at 9am today, Thursday, January 29, 2009.

"I want to thank the bureau of state audits for report of the Audit of the IT contracting concerns that I brought to their attention. I am also thankful for their recommendations for helping to guard a recurrence of incidents like the ones that occurred during my predecessor's tenure. I am happy to report that new policies and procedures that are very much in keeping with those recommendations are now in place," says Kelso.

In early 2008, Kelso replaced the Receivership's former CIO – who had no prior state government IT procurement experience – with the current CIO, Jamie Mangrum, who had fifteen years 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.

Kelso ordered his staff to prepare new policies and procedures for awarding contracts for goods or services in accordance with the June 4, 2007 Federal Court Order Waiving State Contracting Statutes, Regulations and Procedures ("Federal Court Waiver"), and the Substitute Contracting Process required therein. The Receivership has established a new IT procurement policy which will be detailed 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.