

CALIFORNIA PUBLIC UTILITIES COMMISSION

Weaknesses in Its Contracting Process Have Resulted in Questionable Payments

REPORT NUMBER 99117.2, MARCH 2000

Audit Highlights . . .

Our review of the California Public Utilities Commission's (commission) contracting practices disclosed that:

- The commission does not always adequately develop and manage its contracts, and as a result made more than \$662,000 in questionable payments to its consultants.*
 - Despite the Bureau of State Audits' previous scrutiny of a problematic contract, the commission overpaid the consultant \$12,500 and paid another \$330,000 without adequately reviewing the contractor's invoices.*
 - The commission did not subject one of its contracts to the State's standard contracting process.*
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The Joint Legislative Audit Committee requested that we review the California Public Utilities Commission's (commission) contracting practices. We determined that the commission does not adequately develop or manage some of its contracts and as a result has made more than \$662,000 in questionable payments. We found the following:

Finding #1: The commission did not adequately develop some contracts.

For example, reasonably detailed budgets were not always included in the contract and some contracts were not subjected to competitive bidding. As a result, the commission did not ensure that the contracts clearly established what was expected from the contractors and provided the best value.

We recommended that the commission take these actions:

- Include reasonably detailed budgets and progress schedules in its contracts.
- Solicit competitive bids whenever possible.
- Establish minimum requirements for the level of detail that its consultants must include in their invoices.
- Require contract managers to review consultant invoices to ensure that only proper payments are made.

Commission Action: Corrective action taken.

The commission has developed a contracting manual to guide its staff in developing and managing contracts. The manual includes guidelines for establishing contracts and standard forms and procedures for monitoring and reviewing the work of consultants.

Finding #2: Because it did not require supporting documentation for consultants' invoices, the commission made at least \$662,000 in questionable payments for fiscal year 1998–99, and the commission paid another \$330,000 without adequately reviewing the consultants' invoices.

We recommended that the commission review its contracts and determine whether it had overpaid its consultants. The commission should attempt to recover any overpayments discovered.

Commission Action: Corrective action taken.

The commission reported that it reviewed each of its contracts, and where overpayments were identified, the commission requested repayment from the consultants. The commission reported that it recovered over \$12,000 from one of the contractors we identified.

Finding #3: The commission did not subject one of its contracts to the State's standard contracting process.

The commission required several of its regulated utilities to enter into a contract on its behalf. As a result, the commission created an environment in which abuses could easily go undetected.

We recommended that the commission use the State's standard contract process for all contracts that it develops and manages.

Commission Action: Corrective action taken.

The commission told us that it will use the State's contracting process for all contracts it develops and manages.