

TESTIMONY BEFORE CA BOARD ON 6/26/08

Good evening, for the record, my name is Joel Yesley, representing the Alliance for a Better Columbia. I am here to talk about issues involving contracting procedures by the Information Technology Dept. as well as the justification for non-salary benefits received by some CA employees. On May 12, ABC sent a letter to CA Board Members requesting information pertaining to a contract for an internet-based Timekeeping System that was awarded without any competitive bidding process in June 2004. In addition, a letter was sent to the President of CA requesting information pertaining to fringe benefits, including any expenses associated with commutes by staff between work and home, such as mileage and temporary lodging allowances as well as the use of take-home cars, valets, and limousine drivers. We received responses in early June and appreciate the efforts made to address our concerns. Nevertheless, we feel that some of the responses raise additional questions concerning the possible abuse of contracting procedures as well as the adequacy of controls on the granting of certain fringe benefits to favored employees that could reflect a lax attitude toward financial management on the part of CA staff that should be of deep concern to its overseers, the CA Board of Directors.

A key issue regarding the Timekeeping System contract involves whether IT staff followed proper procedures in awarding a contract to an outside contractor without prior Board approval. CA Purchasing Policies and Procedures require that all professional services must be sought through a competitive bidding process and that any requests for exceptions must be approved by the Board if their estimated value is over \$25,000. The total amount spent on this contract was about \$65,000. Exemptions from this requirement include an undefined category referred to as "contract labor" as well as a situation where the proposed vendor is the only source for the specified services within the metro region.

Both the President and Board Chair indicated to us that the individual hired to perform the work was regarded as contract labor. The standard definition of contract labor is a temporary employee who is hired for a specified period of time, as opposed to permanent employees who are hired for indefinite periods of time. During their terms of employment, the compensation of these employees is handled much like that of regular employees, whereby the employee submits times sheets and the employer makes appropriate deductions from paychecks to comply with federal regulations. ABC was informed by CA, however, that no time sheets or pay stubs were prepared for this employee. The only logical implication of this finding is that the employee of interest was actually an independent contractor who should have been subject to sole source procurement regulations, since there was no bidding process. ABC also has knowledge that this individual was a personal friend of the CA staffer responsible for overseeing the contract who at the time was a full-time employee of an IT firm. We can only conclude, based on the evidence we've received, that CA staff intentionally violated established procedures for ensuring the integrity of the contracting process, justifying its actions by distorting the definition of contract labor to suit its purposes. The Board should not overlook such behavior as perhaps an honest misunderstanding if it is to fulfill its obligations to those who pay the annual assessment charge.

This particular case could be indicative of a generally cavalier approach to following established procedures in the awarding of contracts by the IT Department. ABC has also questioned the restricted manner in which the Resident Services System contract was awarded to an Indian company. The frequent delays and cost overruns that have plagued this contract invite questions regarding the qualifications of the chosen firm or the ability of CA staff to administer a contract of this broad scope. In a previous response to an ABC letter requesting information on the RSS contract, the President noted that CA is not able to determine how IT labor costs have been divided between its own staff and consultants. She also noted that CA does not maintain procurement records in a manner that enables it to determine instances where costs incurred by CA on contracts with external vendors exceeded the original estimates by more than 10 %. In the absence of such basic information, how is CA able to compare the productivity of its in-house staff with that of external contractors? ABC has received indications that CA has at times used consultants to perform work that could have been performed by its internal staff. We are recommending that the Board initiate an investigation of these issues to satisfy our concerns and, at a minimum, require more complete management reporting in the future.

On the issue of fringe benefits, we were informed that no employees are reimbursed for the commute between their homes and offices or for temporary lodging or meals, with a few minor exceptions. Regarding the use of cars, we were informed that 32 employees receiving a monthly business mileage allowance which is reported as compensation for tax purposes. If these employees are using their own cars or motor pool cars for business purposes, we have to wonder why they are reporting their mileage allowance as income. This reporting should be required only if employees are being reimbursed by CA for nonbusiness-related or personal use of their own cars or staff cars. Normally, an employee of a company would be reimbursed only for business-related travel by his or her employer and not be taxed on that amount. There is no justification for CA reimbursing employees for using cars for personal reasons, if that practice is in fact occurring.

In addition, we were informed that 12 CA employees have been furnished with take-home vehicles. These are employees whose responsibilities require regular facility or open space inspections or those who may be on call outside of business hours. We have to wonder why so many employees are afforded take-home vehicles when CA maintains a motor pool for employee use. Inspections related to facilities and open space should not be occurring at night, when overtime pay might be claimed. The fact that some employees are on call at all hours is not justification in itself for receiving a vehicle when CA could easily reimburse them for using their own vehicles in performing their official duties. Such a liberal policy invites employees to game the system by using CA-owned cars for personal use, although we have no indications that this is happening. CA could better control the use of its cars by expanding its motor pool, if necessary.

In this era of high gasoline prices, CA should be all the more attentive to making the most efficient use of its own vehicles and certainly should not be reimbursing staff for using their cars for personal reasons in the form of a fringe benefit, if that practice is in

fact occurring. It is incumbent on the Board to investigate these issues further. Obvious questions to ask are the breakdown between office-related and personal use of CA-owned cars, the mileage per car (as well as miles per gallon) of the take-home vehicles as well as the ones in the motor pool, and the composition of the total fleet between SUV, passenger cars, and pick-ups. How seriously is CA attempting to limit fuel expenses by discouraging unnecessary travel and replacing less efficient models with more efficient ones?