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The University of California Office of the President

*It Has Not Adequately Ensured Compliance
With Its Employee Displacement and Services
Contract Policies*

Background

With over 200,000 employees supporting operations that include 10 campuses and five medical centers, the University of California (university) is administered by the Board of Regents and led by the president. As the systemwide headquarters to the university, the Office of the President manages the university's fiscal and business operations and a chancellor at each campus is responsible for managing campus operations. Although the campuses and medical centers must follow the university's systemwide procurement policies, they have significant autonomy over their contracting decisions.

Key Recommendations

The Legislature should revise state law to specify conditions under which contracts can be amended without competition and define professional and personal services the university may exempt from competitive bidders.

The Office of the President should do the following:

- Ensure all university locations adequately justify contracts that will displace university employees by revising policies, ensuring staff are trained on the systemwide policies, and monitoring compliance with policies.
- Revise contracting policies to limit the use of amendments to repeatedly extend existing contracts and direct all university locations to implement proper controls to ensure compliance with systemwide policies to ensure the university obtains services for the lowest cost or best value.

Key Findings

- In our review of 31 services contracts at six university locations, we found that the Office of the President has not ensured that university locations are aware of and adhere to the university's guidelines when displacing university employees with services contract workers.
 - » Two of the services contracts we reviewed displaced university employees, yet one of the university locations did not fully justify the displacement and both locations did not submit required information to the Office of the President.
 - » Nine of the services contracts we reviewed may have resulted in the university locations avoiding hiring university employees—the displacement guidelines do not provide policies on when to hire employees versus when to contract for services.
 - » In four of these nine services contracts, university locations solicited vendors to perform services despite having employees that already performed similar services.
- Some of the university locations avoided competitive bidding by repeatedly amending contracts—one campus originally entered into an agreement with a food services vendor for a maximum term of 7 years and a cost of \$74 million, amended the contract 24 times, and ultimately increased the term to 19 years at a cost of \$237 million.
- The Office of the President's contracting policies and guidelines need to be improved.
 - » The vice president of human resources reviews the services contract requests for displacements, but acknowledged that they contain analyses of business and financial necessity for which human resources staff lack the expertise to evaluate.
 - » The university's overly broad definition of professional services limits the use of competitive bidding and some locations awarded contracts to vendors through a non-competitive process without proper justification.
- Although the Office of the President claimed benefits of \$269 million in fiscal year 2015–16 from procurement improvements, we were unable to substantiate \$109 million of this amount.