



Consent

Agenda Item 3c

June 11, 2012

ITEM NAME: Board Contract Activity Reporting Policy

PROGRAM: Operations Support Services Division

ITEM TYPE: Consent Action

RECOMMENDATION

Approve the June 2012 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement for Fiscal Year (FY) 2012-13 (Attachment 1).

EXECUTIVE SUMMARY

The recently approved Board Contract Activity Reporting Policy (Attachment 2) includes a semi-annual report of prospective contract activity (Prospective Report) to be presented as an action consent item. Upon approval, the Chief Executive Officer and his or her delegates will have authority to execute the contracts and expenditures set forth in the Prospective Report. A second report will be presented in December and may include additional FY 2012-13 activities as well as information for the upcoming FY 2013-14.

BACKGROUND

To provide transparency and ensure Board awareness of significant contracts the Finance and Administration Committee approved a new Board Contract Activity Reporting Policy for all activity that will meet or exceed a \$1 million threshold. This policy includes a semi-annual Prospective Report to be presented (1) at the time the annual budget is approved, and (2) at the time the mid-year budget adjustments are made. Additionally, the Board receives the following reports on contract and purchasing activity:

- The Financial Office submits a quarterly Budget Expenditure Report, by each program area, of all purchase orders and contracts over \$100,000.
- The Investment Office provides a Quarterly Spring-Fed Pool Letter of Engagement Commitment Report and an Annual Review of all existing Investment advisors and managers during the annual program review.
- The Operations Support Services Division submits an annual report to the Board on the annual contracting and purchasing.

ANALYSIS

The Prospective Report includes the following:

- Requests For Proposals (RFPs) scheduled for development and release when the estimated total value of the contract or budget for the contractor or contractors is \$1 million or greater.
- Contracts exempt from the competitive bidding process and investment manager contracts which are \$1 million or greater in total value.
- Spring-fed pool engagements or work from undefined dollar contracts or purchase orders which are \$1 million or greater in total value.
- Any amendments to the contracts set forth above which cause the contract to exceed \$1 million when the contract has not otherwise been reported to the Committee.
- An expected amount of expenditures of \$1 or greater under a current contract.
- Items previously reported by the Committee, when the amount is increased by \$1 million or more over the amount previously reported to the Committee.

Any contracting activity that is covered by this policy but was not contained in the Prospective Report must be reported to the Committee as an action consent item at the next Committee meeting.

BENEFITS/RISKS

The benefits of this new process include:

- Providing transparency and ensuring Board awareness of significant contracts.
- Enabling the Board, where appropriate, to have an opportunity to participate in significant contract decisions before they are finalized.
- Informing the Board regarding staff's contract decisions thereby satisfying their monitoring responsibilities.

The risks of this new process include:

- Potentially delaying necessary services to support CalPERS.
- Necessitating revisions to all Delegations of Authority issued through the recent Contract Reform and Board Governance Projects.

ATTACHMENTS

Attachment 1: Prospective Report

Attachment 2: Board Contract Activity Reporting Policy

KIMBERLY A. MALM, Chief
Operations Support Services Division

RUSSELL G. FONG
Acting Deputy Executive Officer, Operations