

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

May 8, 2020

Assemblymember Rudy Salas, Chair
Joint Legislative Audit Committee
Legislative Office Building, Room 104
Sacramento, CA 95814

Dear Chairman Salas:

This letter is to formally request that the Joint Legislative Audit Committee authorize an audit of the Governor's Office of Emergency Services' contract with BYD Motors, LLC/Global Healthcare Product Solutions, LLC for the procurement of personal protective equipment (PPE), as well as any other efforts in 2020 to procure PPE on the state's behalf.

The BYD purchase order agreement was made available to the Legislature just days ago after nearly a month of requests. A half-billion dollar halted PPE procurement with a new company, Blue Flame, was made public this past week as well (see the attached news article: "Newsom welcomes 'new partners' in coronavirus supply deals: federal investigators," CalMatters, May 6, 2020). Unfortunately, the timing of this information has meant that the Legislature has been unable to exercise its oversight role before allocating billions of dollars.

The COVID-19 pandemic required timely action to curtail the spread of the disease, and front-line workers and first responders have a clear need for PPE to continue their duties safely. As the state's response to the pandemic continues, this procurement may be one of several undertaken within the next fiscal year.

California is facing limited fiscal resources for the near future and hard decisions will need to be made about how those resources are allocated to necessary state programs. It is important to have an independent audit of whether the Governor's actions on this procurement were taken with reasonable precautions under extraordinary circumstances.

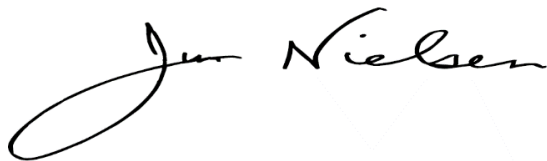
The Legislature must understand how the PPE procurement process was operated to ensure that taxpayers dollars were well-spent and that the standards that have been established by statute, regulation, and practice were adhered to. We therefore respectfully request that the State Auditor be authorized to conduct an audit to determine the following:

- 1) Does the state procurement process:
 - a. Allow the state to pay a cost premium for goods or services?
 - b. Require the issuance of a public Request For Proposal (RFP)?
 - c. Require bids be cost-competitive?

- d. Require the state to provide a public copy of the contract?
 - e. Require any supplies be procured by a domestic supplier before using a foreign supplier?
 - f. Require the supplier to provide assurance, and the state to verify that assurance, that it can provide the goods or service contained within the contract?
 - g. Require, in the case of material goods, that there is a minimum standard of quality? Is there a verification process for that quality?
 - h. Require safeguards to protect state expenditures in the event a contract's terms cannot be adhered to?
- 2) How does the California Emergency Services Act interact with the state's procurement authority in regards to the previous question?
- 3) What state resources, including capital outlays, personnel hours, and finance costs, were used to seek the two known procurement efforts with BYD and Blue Flame for PPE?
- 4) What departments, personnel, and third-party contractors or consultants were engaged in the procurement process for the contract with BYD and Blue Flame?
- 5) What contract or control language did the state enter into for the Blue Flame procurement?

We ask that the Joint Legislative Audit Committee approve this audit of the state's procurement process as soon as possible.

Sincerely,



Senator Jim Nielsen, SD 4



Senator John M. W. Moorlach, SD 37



Assemblymember Devon Mathis, AD 26



Assemblymember Vince Fong, AD 34



Assemblymember Bill Brough, AD 73



Senator Andreas Borgeas, SD 8



Assemblymember Melissa A. Melendez, AD 67



Assemblymember Jim Patterson, AD 23



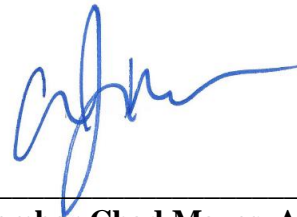
Senator Mike Morrell, SD 23



Assemblymember James Gallagher, AD 3



Senator Patricia Bates, SD 36



Assemblymember Chad Mayes, AD 42



Assemblymember Jordan Cunningham, AD 35



Assemblymember Megan Dahle, AD 1



Assemblymember Steven Choi, AD 68



Assemblymember Kevin Kiley, AD 6



Assemblymember Tom Lackey, AD 36



Senator Scott Wilk, SD 21