

2004 JUN 17 PM 4:23

1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Auditor  
Roland E. Smith, CPA  
City Auditor

(510) 238-3378  
FAX (510) 238-7640  
TDD (510) 839-6451  
www.oaklandauditor.com

JUNE 22, 2004

IGNACIO DE LA FUENTE, PRESIDENT  
CITY COUNCIL  
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

**SUBJECT: RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH GOLDSTONE TECHNOLOGIES LTD TO MOVE SIX OF THE CITY OF OAKLAND'S APPLICATION PROGRAMS AND HISTORICAL DATA FILES FROM THE IBM AS/400 COMPUTER TO A SUN SERVER SYSTEM FOR AN AMOUNT NOT TO EXCEED TWO HUNDRED NINETY FOUR THOUSAND DOLLARS (\$294,000.00), WITH A CONTINGENCY AMOUNT OF SIX THOUSAND DOLLARS (\$6,000.00); FOR A TOTAL AMOUNT NOT TO EXCEED THREE HUNDRED THOUSAND DOLLARS (\$300,000.00).**

---

**PURPOSE AND SCOPE**

In accordance with the Measure H Charter Amendment, which was passed by the voters at the General election of November 5, 1996, we have made an impartial financial analysis of the accompanying Proposed Resolution and Agenda Report. In making our analysis, we also asked for and obtained additional information and clarification from City staff.

The City Auditor is elected by the citizens of Oakland to serve as an officer in charge of an independent department auditing City government activities. The independence of the City Auditor is established by the City Charter.

Since the Measure H Charter Amendment specifies that our impartial financial analysis is for informational purposes only, we did not apply Generally Accepted Government Auditing Standards as issued by the Comptroller General of the United States. Moreover, the scope of our analysis was impaired by Administrative Instruction Number 137, effective May 21, 1997, which provides only one (1) week for us to plan, perform and report on our analysis.

**SUMMARY**

Staff issued a Request for Quotation (RFQ) to transfer ten computer applications and two historical data file sets from the IBM AS/400 to the City’s existing Sun Server. Under the Proposed Resolution, the City would contract with Goldstone Technologies LTD to transfer six of these computer applications to the Sun Server.

**CONTRACTOR SELECTION PROCESS**

In November 2003, staff issued a Request for Information to over sixty vendors to ascertain best practices in moving the computer applications and historical data file sets from the IBM AS/400 to the Sun Server. After reviewing the submissions, staff selected a process called automated conversion method as the desired method of performing the transfer to the Sun Server.

In December 2003, a Request for Quotation was issued to vendors that recommended the automated conversion method. This RFQ originally requested ten computer applications and two historical data file sets from the IBM AS/400 be transferred to the Sun Server. The ten computer applications and historical data file sets are as follows:

- |  |  |
|--|--|
| <p><u>Computer Applications</u></p> <ol style="list-style-type: none"> <li>1. Automated Collections</li> <li>2. Business Tax</li> <li>3. Campaign Statements</li> <li>4. Conflict of Interest</li> <li>5. County Assessor’s Parcel Data</li> <li>6. Legislative Information System</li> <li>7. Contract Compliance/Referral Services</li> <li>8. Fleet Management System</li> <li>9. Permit Tracking</li> <li>10. Universal Loans</li> </ol> | <p><u>Historical Data File Sets</u></p> <ol style="list-style-type: none"> <li>1. Finance</li> <li>2. Payroll</li> </ol> |
|--|--|

According to staff, four vendors responded with the following bid amounts:

Vendor Name:	TATA Consultancy	Rapidigm	NOLA Computer	Goldstone Technologies
Bid Amount:	\$995,000.00	\$547,228.00	\$3,514,925.00	\$2,470,444.00

The RFQ was then subsequently revised to reduce the scope of the work. The revised request was for the transfer of only computer applications 1 through 6 from the previous list (Automated Collections through Legislative Information System). Staff told us this was done because their budget was much less than they anticipated. The transfers of the omitted computer applications and historical data file sets from the RFQ have been or would be undertaken by other technology update projects within the City.

According to staff, the four vendors resubmitted bid proposals based on the transfer of six computer applications from the IBM AS/400 to the Sun Server. The bid amount from NOLA Computer was beyond budget constraints and its bid proposal eliminated. The three remaining vendors were selected to provide presentations before a joint committee consisting of Finance and Management Agency personnel. The bid amounts presented were as follows:

Vendor Name:	TATA Consultancy	Rapidigm	Goldstone Technologies
Bid Amount:	\$215,000.00	\$268,097.10	\$249,900.00

TATA Consultancy and Rapidigm did not have any LBE or SLBE participation at the time of their presentations. Goldstone Technologies had 5% SLBE participation.

According to staff, the joint committee selected Goldstone Technologies on the basis of its understanding of the IBM AS/400 computer and technical ability rather than bid amount. The bid amount of Goldstone Technologies increased during negotiations following its selection. The bid amount of \$249,900 increased by \$44,100 to \$294,000. This included an SLBE participation increase from 5% to 20%.

**FISCAL IMPACT**

The contract amount, not to exceed \$300,000, includes a contingency amount of \$6,000. The project involves the transfer of the six computer applications only. Goldstone Technologies would not transfer the two historical data file sets from the IBM AS/400 to the Sun server. City staff will perform the transfer of these historical data files to the Sun Server in a separate project.

The vendor who submitted the lowest bid amount after the revision of the RFQ was not selected. As long as the bid proposals were within budget constraints, the level of understanding of the IBM AS/400 computer and technical ability were the important considerations rather than the amounts bid according to staff.


Upon approval of the Proposed Resolution, the Universal Loans application remains without a resolution from the Council to migrate away from the IBM AS/400. The City will continue to incur service and maintenance costs for the IBM AS/400 because of the Universal Loans application while the six computer applications and two historical data file sets would be on the Sun Server.

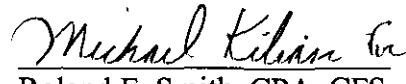
**CONCLUSION**

Although the joint committee recommended the contract be awarded to a vendor that did not submit the lowest bid amount, the selection process appears to have been reasonable.

Prepared by:

Issued by:

  
\_\_\_\_\_  
Philip Lim  
Deputy City Auditor

  
\_\_\_\_\_  
Roland E. Smith, CPA, CFS  
City Auditor

Report completion date:  
June 16, 2004