Oracle deal's details emerge: Sen. Polanco's son was at a key meeting before contract's OK.

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A prominent politician's son represented Oracle Corp. at a state advisory committee meeting that dealt with California's software licensing needs just weeks before state officials signed an ill-fated agreement with the computer software company.

Meeting minutes for the Computer Information Technology Commission show Richard Polanco Jr., son of Sen. Richard Polanco, D-Los Angeles, attended a meeting of the panel on Oracle's behalf a year ago.

Oracle has maintained the younger Polanco had nothing to do with the database software agreement. An Oracle spokesman said Tuesday that the company has no idea why Polanco attended the meeting, and both father and son declined to comment.

A state audit found the $95 million, six-year software licensing agreement approved by top state officials on May 31 could cost the state $41 million more than it would have spent without the deal. Despite a survey that showed limited demand in state offices, the agreement called for 270,000 database software licenses -- more than the number of state workers. The company disputes the audit's findings and is expected to unveil a detailed rebuttal of them later this week.

The audit's release prompted the resignation Friday of Barry Keene, director of the Department of General Services, who signed off on the deal. More legislative hearings on the matter are planned, and Attorney General Bill Lockyer also is investigating.

Sen. Polanco emerged as a key figure in the examination of how the Oracle contract was developed, advocated and approved when state Finance Director Tim Gage testified that the senator asked him to listen to a pitch for the deal. The pitch was presented by Logicon, a reseller of Oracle software that stands to make $28 million from the agreement.

Gage eventually became one of several top state officials to sign off on the deal, despite a warning from a high-ranking subordinate that no one with the state had verified the supposed savings.

Debbie Leibrock of the department's Technology Investment Review Unit said in a memo to Gage that a summary of the agreement sent
to the Governor's Office for approval had not addressed questions she raised.

"No new information is presented in the (summary), and neither (the Department of Information Technology) nor (the Department of General Services) seem to have conducted any analysis of the proposal," she wrote in the memo, which The Bee obtained Tuesday.

On the top of Leibrock's list of concerns was that the state was making a commitment of almost $100 million "with no assurances the benefits will materialize or can be captured."

Further, Leibrock pointed out, "These numbers come from Oracle and have not been validated or analyzed by the state."

Nonetheless, the next day, the request was signed by Gage and also by Susan Kennedy, Gov. Gray Davis' top policy adviser. It was submitted by Keene, Department of Information Technology Director Elias Cortez and Aileen Adams, secretary of the State and Consumer Services Agency.

Gage could not be reached for comment Tuesday. But he has said he signed off on the agreement because he was assured by Keene on May 31 that the numbers checked out, and that the Department of General Services had done its own analysis.

Gage has also said he believed the contract contained an escape clause that would allow the state to back out, only to find out later that the clause was nullified by other contract provisions.

Following disclosure of Sen. Polanco's contact with Gage, Oracle last week insisted that Polanco's son had nothing to do with the enterprise licensing agreement with the state.

But commission minutes from the March 29, 2001, meeting reflected that Polanco attended the meeting as a member on behalf of Oracle, along with Cortez, 21 others listed as members and 11 Department of Information Technology staff members.

The minutes reflect a detailed discussion of the state's software management policy and enterprise licensing agreements.

State law authorized the department to form the commission, made up almost entirely of industry representatives, and gave it broad license to provide state officials with advice in all aspects of information technology. Cortez appoints the members.

Oracle spokesman Jim Finn said the company had "no knowledge of (Polanco Jr.'s) participation in this. That would not be the person who would normally be representing us on that. That was not his role. ... I have no explanation."
The company refused to make Polanco Jr., who is listed as a "solutions specialist" -- or sales representative -- available for interviews.

DOIT Communications Director Kevin Terpstra said Polanco Jr. was not an official member of the panel, but apparently attended at least the March 29 meeting on Oracle's behalf. Terpstra said he had no knowledge that the commission ever issued a recommendation on the licensing agreement.

According to the department's Web site, current membership of the panel includes three representatives from Oracle and Ravi Mehta, a lobbyist who lists Oracle as a client. Other members represent technology companies such as Apple, Intel, IBM and Hewlett-Packard, among others, but Oracle has by far the most representation.

Terpstra said the DOIT Web site is in error, and that each company has only one official appointee to the panel. Oracle's Finn said the company believes it has three members, but Polanco Jr. is not one of them.

The request for Governor's Office approval of the agreement, also obtained Tuesday by The Bee, sheds new light on why administration officials believed approval was needed so quickly.

It said the contract had to be signed by May 31 -- that day -- because it was the end of Oracle's fiscal year and the company "must report fiscal year profits to shareholders." The request said that motivated the company to give the state a good deal that would save "an estimated $111,000,000, conservatively, over the next 10 years."

It also said the state spent $7.8 million in the 1999-2000 fiscal year for new Oracle licenses. But it said that this figure is "based on information provided by Oracle."

The memo contained a table of projected savings that the state auditor found to be based on documents compiled by Logicon.

After describing other aspects of the agreement, the memo stated that administration officials were looking to the state Department of Finance to assess the fiscal benefits of the Oracle deal, "although significant benefits seem obvious on the face of the proposal." It recommended approval.

It is unclear how the Department of Finance was supposed to assess the deal's fiscal benefits within hours of the contract's signing.