

**State Contracting Standards Board
Data Analysis Work Group
Review of State Contract Listings for Fiscal 2016
Sub-group Meeting Agenda
11:00 A.M. January 13, 2017**

Call to order

Approve the minutes of the December 9, 2016 meeting

Observations – Focus of Further Study

1. A robust competitive procurement process generally lowers cost to the State – The State may not be optimizing its opportunities here
 - a. Non-bid contracts totaled \$5.667mil out of \$10.317mil total contracts or 55%
 - b. Non-bid PSA contracts totaled 74%
 - c. On POS contracts, some agencies bid all contracts, some have a mix of bid/non-bid and a few have almost all non-bid – application of bid/non-bid practices vary widely among State agencies

2. Shorter duration contracts (say 1 – 3 years) may enhance the competitive procurement process but in addition, will not commit the state to long-term agreements in an environment of rapid economic and technological changes
 - a. Of the top 40 PSA contracts, 38 have average terms of over 10 years and two (1 for banking services and 1 for investment services) have terms of 106 and 94 years respectively
 - b. Overall, disbursements on open PSA contracts in 2016 totaled \$413mil compared to the total value of contracts outstanding of \$3.231mil. Assuming current year payments are representative, open contracts would cover 7.8 years of contract expenditures. This may indicate that funds are obligated in excess of what is needed in the current contract to ease the path to contract extension or that open contract durations do average over seven years

3. Long-term PSA contracts may inhibit knowledge transfer to State Employees which might result in higher avoidable costs to the State over time
 - a. One opportunity for savings should be training since repetitive training over several years should enhance the transfer of knowledge to State employees to assume responsibility for more training
 - b. Consulting and professional services contracts should be analyzed to segregate truly “infrequent and non-routine” parts of the service from the more general, recurring

portions that should be performed by State employees thereby producing savings to the State

Further Data and Analysis

1. Obtain and evaluate information on the current state of the procurement process
 - a. Select 50 contracts (largest or random) from our listings by contractor
 - b. Develop 2 surveys as follows:
 1. Agencies benefiting from the services
 - a. PSA contracts are to be used for infrequent and non-routine consulting, technical assistance and training. Describe how this contract meets the requirements of a PSA contract
 - b. Does the contract have a waiver from bid compliance on file?
 - c. What are the reasons for the waiver? Please attach a copy to this response
 - d. Was a cost/benefit analysis prepared for this contract? Please attach a copy to this response
 - e. Was contractor performance measurement performed?
 - i. What was the rating?
 - ii. What was the criteria used for rating? Please attach a copy to this response
 - iii. How do financial ratios influence performance measurement (POS contracts only)
 - f. What is your agency doing to:
 - i. To reduce contracting costs?
 - ii. To encourage greater competition for the work?
 - iii. To minimize knowledge transfer?
 - iv. To minimize outside contracting costs
 - v. What changes to the procurement process would you suggest to provide adequate control yet reduce contracting costs for services?
 2. Contractor providing the services
 - a. What are you doing to reduce costs to the state?
 - b. If more state work was given to you, how would that influence the costs you are billing the state?
 - c. What are you doing to maximize the knowledge transfer and training to state employees?
 - d. What changes to the procurement process would you suggest to provide adequate control yet reduce your costs for services?
2. Review the information obtained for:
 1. Compliance with regulations
 2. Continuing focus on reducing costs and increasing value

3. Training and knowledge transfer to State employees

Review of Staff Documents

1. Items from last meeting
 - a. Email to State Agencies informing them of forthcoming inquiries
 - b. Draft letter to State Contractors seeking feedback

Summarize Findings and Present to the Board

Adequacy of Procurement procedures
Suggested next steps
Further data analysis opportunities
Pursue cost savings opportunities
Suggested changes to procedures
Suggested changes to training of procurement personnel
Creating value from knowledge transfer

Adjournment