

***Advantage Ohio***

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Report of the  
Procurement Reform Working Group  
April 2008



Ohio**DAS**

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## Executive Summary

Advantage Ohio is a four-part initiative of Governor Ted Strickland to address Ohio's business climate and reform government operations:

- Regulatory Reform
- Adjudicative and Administrative Reform
- Procurement Reform
- Expansion of the Ohio Business Gateway

Over the past year one guiding principle has driven each of the four areas of focus: creating a competitive advantage for Ohio in retaining and attracting business.

Advantage Ohio has analyzed ways to improve each major aspect of Ohio's business regulatory paradigm – from existing regulations, to rulemaking, to rule administration, to administrative rule adjudication. It has also investigated how the state buys its goods and services and the state's attendant relationships with vendors.

An Advantage Ohio Procurement Reform Panel was convened to review and make recommendations on reforming Ohio's procurement of goods and services. The Panel brought together private sector expertise from the chief procurement officers of Battelle, Cardinal Health, and Owens-Illinois, along with the chair of Supply Chain Management in the College of Business at Bowling Green State University. The Panel included a broad cross-section of administrative and legislative representatives and representatives of other state entities.

The Panel concluded there is great potential benefit in transforming state procurement. Reform offers real opportunity in cost savings but requires changes in the state's

procurement laws and practices. To achieve the goals outlined and to maximize the return, the Procurement Reform Panel recommends seven strategic imperatives, which embody a number of detailed actions. The Panel concluded that these procurement reforms – deriving primarily from private sector best practices – should become state government best practices.

The Panel recommends the following:

### *Create a center-led supply organization across state government.*

Today many state agencies operate their purchasing activities independently in an uncoordinated fashion. While all operate under some common rules and practices, there is no single point of management and accountability for agency procurement. The

Panel recommends a single point of accountability (a *Chief Procurement Officer*) at the highest level to bring focus, leadership, structure, and change. "Center-Led" allows current agency organizations to remain in place (decentralized to

continue mission-specific performance) while operating under common goals set by the Chief Procurement Officer (CPO). Over time the CPO will review operations and the efficacy in centralizing or decentralizing activities. The focus will be on productivity, benefits, and the purchasing needs across the state government.

### *Maximize state government's purchasing power through leverage.*

Much more can be done to seek economies of scale and to leverage the State's purchasing power for common goods. The opportunity for cost savings through supplier reduction and greater state agency participation is significant. This also requires strategic sourcing that spans multiple years with major focus on participation. Savings in state

*Procurement Reform by state of Ohio government will save money, create efficiencies, and strengthen the competitive advantage of doing business in Ohio.*  
-Hugh Quill, DAS Director

agencies alone are estimated at \$34 to \$72 million annually, not including potential savings for higher education or for local governments.

***Apply a consistent strategic sourcing process.***

Strategic sourcing is a systematic institutional process that continuously improves and re-evaluates the purchasing activities of the organization. The principles of strategic sourcing commonly used in the private-sector are well understood. The benefits to both private and public sector organizations are also well known. These principles should be broadly applied in how the state does business.

***Attract, develop and retain a talented corps of supply management professionals.***

The quality of staff is more critical than their number to accomplish the transformation goals we endorse. Best practices in industry suggest improvements in adopting position standards, certification, training, and recruiting. These measures among other personnel-management actions focused on the skills and acumen of the state procurement workforce are necessary.

***Set annual targets for key procurement performance metrics across state government. Report results. Apply a strict and consistent process for determining real cost savings.***

A key to achieving the transformation of state procurement is goal setting and measurement. Cost savings should be built into strategic category goals. Every agency should operate under common definitions and metrics. Annual targets, centered on key objectives, should be set. Agencies must be held accountable for the results, which should be periodically reported.

***Maximize use of information technology to facilitate the conduct of commerce across the supply chain.***

Technology has advanced significantly in how suppliers interact with buyers, from how they

hear about bid opportunities to how orders are placed. This has favorably impacted the speed of orders, lowered the cost of goods sold, and driven down the cost of procurement operations. With minimal investment, the state should adopt practices to take advantage of these advancements and create efficiencies.

***Accomplish these objectives without compromising product quality, customer service, or supplier diversity objectives.***

The principles of strategic sourcing have consistently proven to increase value for dollars spent without compromise to the quality of goods and services acquired. It is acknowledged that the state has an on-going obligation and must remain ever mindful of satisfying supplier diversity objectives. In practice, strategic sourcing does take these factors into account and has shown that they are not mutually exclusive.

The recommendations outlined herein require changes that must be adopted by both the legislative and executive branches. While it is possible for either to selectively consider some of the actions suggested within their respective domains, less than comprehensive action will deliver less than the promise of significant savings. Taken together with the other recommendations, the Panel believes these changes can have both an immediate and substantial benefit consistent with the objectives in the “Advantage Ohio” initiative.

## Approach & Process

### *The Panel*

The Working Group was comprised of procurement experts representing both the public and private sector.

#### Private Sector

- Battelle
- Cardinal Health
- Owens-Illinois

#### State Agencies

- Department of Administrative Services
- Office of Budget & Management
- Department of Job & Family Services
- Bureau of Workers Compensation

#### State Colleges & Universities

- Board of Regents
- Bowling Green State University

#### State of Ohio

- Office of the Governor
- Ohio Senate
- Ohio House of Representatives

### *The Process*

The panel met on several occasions over the preceding months under the broad charter to identify opportunities for improvement based upon application of industry “best practices.” Detailed discussions and alternatives were focused on efficiency of operations, program effectiveness, suggestions to maximize opportunities for cost savings and delivery of value for goods and services purchased.

The full panel then created subgroups focusing on four themes, consistent with the Governor’s charter:

- Flexibility
- Accountability
- Transparency
- Efficiency

A list of procurement reform ideas was generated from various sources, including previous recommendations, best practices from the private sector, programs in other states, and ideas from panel members. A list of ideas was created and then divided into themes for assignment to the subgroups.

Smaller subgroups were created and their findings reported and reviewed by the entire panel. Each subgroup was co-chaired by a public and private sector representative, and met independently between full panel meetings.

For each idea under its assigned theme, the subgroup was tasked with examining the following:

- Current state: background, key issues, impact/value
- Desired state: best practices and standards, gaps, anticipated value and benefits
- Transformation plan: short term and long term

At the final meeting the panel reached consensus on its recommendations and on strategic imperatives which encompassed all of the panel's work. Since the final meeting, public sector representatives have assessed the benefits and ease of implementation of the recommendations, and have created a prioritization plan for implementation. This plan is included in the report.

## Findings & Recommendations

### Summary of Recommendations

This table summarizes the relationship between each recommendation, the strategic imperatives, themes, and requirements for implementation.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
1	Redefine competitive selection and allow delegated authority	Center Led	<b>F</b> , A, E	Y	N
2	Authorize emergency purchases in the event of contractor default	Center Led	<b>F</b> , E	Y	N
3	Authorize negotiation with vendors	Center Led	<b>F</b> , E	Y	N
4	Make it easier to procure Homeland Security items	Center Led	<b>F</b> , E	Y	N
5	Clean up inconsistent, ambiguous & inefficient sections of law	Center Led	<b>E</b>	Y	N
6	Evaluate and/or eliminate central warehousing system	Center Led	<b>E</b>	Maybe	N
7	Expand cooperative purchasing agreements	Leverage	<b>F</b> , E	Y	N
8	Reset purchasing thresholds and allow adjustments	Leverage	<b>F</b> , A, E	Y	N
9	Require previously exempted agencies to use competitive selection	Leverage	<b>A</b> , T, E	Y	N
10	Leverage more centralized spending	Leverage	<b>E</b>	N	Y
11	Implement strategic sourcing concepts	Sourcing Process	<b>E</b>	Maybe	Y
12	Standardize, simplify & reduce bidding documents	Sourcing Process	<b>T</b> , E	Maybe	N
13	Protect trade secret information	Sourcing Process	<b>T</b>	Y	N
14	Employ commodity manager model	Sourcing Process	<b>A</b> , E	N	N
15	Modify Controlling Board procedures	Sourcing Process	<b>T</b> , E	Y	N
16	Require professional certification for procurement staff	People	<b>A</b> , T	Maybe	N
17	Establish chief procurement officers in agencies	People	<b>A</b> , T	N	Y
18	Actively manage supplier relationships	Measurement	<b>A</b> , T	N	N
19	Create a purchasing scorecard and metrics	Measurement	A, <b>T</b>	N	Y
20	Consolidate contract advertisements & improve vendor communication	Technology	<b>T</b> , E	N	Y
21	Expand utilization of electronic procurement	Technology	<b>E</b>	N	N
22	Authorize state to conduct business electronically	Technology	<b>F</b> , E	Y	N
23	Streamline vendor certification processes	Supplier Diversity	<b>E</b>	Maybe	Y
24	Maximize the volume of purchases through Ohio-based programs	Supplier Diversity	F, <b>A</b> , E	N	Y
25	Review set aside and preference programs	Supplier Diversity	A, <b>T</b> , E	N	Y

Themes: F = Flexibility; A = Accountability; T= Transparency; E = Efficiency; dominant theme in **bold**

# Recommendations by Strategic Imperative

## Create a Center-Led Supply Organization Across State Government

To establish and maintain focus on the implementation of these strategic initiatives will require leadership and executive support. Given the vast decentralized organizational structure of procurement operations across the state, appointment of a single leader responsible for oversight of all procurement for the state is a critical and important first step. This “center-led” concept under leadership of a “chief procurement officer” offers the benefits of direction, consistency and accountability at all levels without reorganization.

The responsibilities of the role are more important than the title. In our view this “chief procurement officer” should marshal the operational behavior of the various state entities in united purpose under best practices, detailed and explained below.

Center-led is a hybrid organizational model that attempts to capture the benefits of both centralized and decentralized structures. It is now the predominant private sector organizational model, accounting for 59% of procurement organizations, compared to 25% with centralized structures and 16% with decentralized structures.<sup>1</sup>

Recommendations one through six support the creation of an organization with central procurement standards and strategy, while allowing some decentralized purchasing where appropriate. It also recognizes that some types of authority should be exercised exclusively within the center-led organization. The establishment of chief procurement officers in agencies is Recommendation #17 within the “People” strategic imperative.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
1	Redefine competitive selection and allow delegated authority	Center Led	F, A, E	Y	N

**Background:** Formal competitive selection processes include:

- Competitive Sealed Bids – Contract awarded to lowest responsive and responsible bidder.
- Competitive Sealed Proposals – Contract awarded to most advantageous offer or best value; may use factors other than prices to evaluate offers.
- Reverse Auction – Contract awarded to lowest responsive and responsible bidder in a real-time, on-line auction process.

Only DAS is authorized to award contracts under competitive selection. Contracts awarded by other agencies are not considered competitive selection, even if they follow the identical DAS process.

DAS is not authorized to delegate procurement authority to other agencies. State agencies have procurement authority either through legislative exemption or through thresholds. If an agency has a purchase above the threshold and desires not to go through DAS, it may request a pre-

<sup>1</sup> A Model of Effectiveness: Designing a High-Performance Procurement Organization, Procurement Strategy Council, London and Washington, D.C., December 2004.

approval or “release and permit” from DAS or OIT. If DAS or OIT approve this request, the agency must seek Controlling Board approval for purchase authority.

Regardless of the agency’s procurement process, its Controlling Board request is considered a *request for waiver of competitive selection*. Periodically the media have reported such agency contracts as “unbid” – a technically correct but misleading term. The result is a public perception that the state is not using a competitive process and is not accountable for its spending.

Oversight and accountability should increase with the size and complexity of the purchase. Above a certain lower dollar amount, purchases should be routed through a certified professional located in the central procurement office or at a local agency. Above a higher dollar amount, purchases should be routed through the central procurement office.

**Recommendation:** Redefine “competitive selection” and to allow DAS to delegate some procurement authority under certain conditions to agencies that have certified professionals that follow the correct process. The proposed upper limit of this authority is \$50,000. Conditional authority would be directed through chief procurement officers (see Recommendation #17) and would be revocable under certain conditions.

Among the key issues associated with this recommendation are:

- Conditional authority creates another incentive for agencies to adhere fully to the competitive process. Among the conditions for delegated authority could be attaining professional certification and meeting key performance indicators.
- Agencies with conditional authority would still be required exhaust all centralized procurement methods prior to using their conditional authority.
- The delegation threshold should be subject to the same adjustment flexibility as the other thresholds (see Recommendation #8).
- Delegation attaches to the person and then to the agency. If the authorized person leaves the agency, the agency must designate another certified person that meets the delegation criteria.
- For those agencies with highly specialized needs, DAS could delegate authority for specific classes of purchases, similar to the blanket release and permit concept currently in use.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the state would then:

- Create necessary administrative rules, directives, etc. that follow the law change.
- Modify Ohio Administrative Knowledge System (OAKS) for consistency with new workflow.
- Incorporate into Ohio-specific training program.
- Monitor effectiveness of thresholds and adjust as necessary.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
2	Authorize emergency purchases in the event of contractor default	Center Led	F, E	Y	N

**Background:** Occasionally a vendor may fail to meet all requirements of the contract. In some cases continuity and quality of service are critical to the operation of government. A number of legal remedies are available to DAS and other agencies to resolve contract infractions, including:

- Return of non-conforming goods
- Application of fees for late/missed delivery
- Immediate cancellation of the contract
- Debarment of vendor

However, if a contractor defaults on the contract, there is no authority in statute to allow emergency replacement of supplies and services. This process does exist in state construction law under ORC section 153.17.

**Recommendation:** Authorize DAS to cover and make purchases of supplies and services when, due to contractor default, the need cannot be met through normal bidding procedures. The recommendation prohibits DAS from delegating this authority to any other state agency.

**Impact/Benefit:** Quicker turnaround and continuity of service on these types of contract issues.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, standard contract terms and conditions would be rewritten to accommodate the changes.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
3	Authorize negotiation with vendors	Center Led	F, E	Y	N

**Background:** The Code of Federal Regulations empowers the federal General Services Administration to negotiate contracts with manufacturers of various types of commodities (i.e. computers, copiers, telecommunication equipment, off-road equipment, etc.). The manufacturers agree to terms and conditions favorable to the federal government to include their “most favored customer pricing.”

With Controlling Board approval, DAS developed a similar program of State Term Schedules (STS), wherein manufacturers who hold GSA contracts could offer federal prices to the state, provided they would agree to the state’s standard terms and conditions. For manufacturers that do not hold a GSA contract, DAS negotiates the “most favored, similarly situated customer pricing,” which is generally lower than what is traditionally offered to the business community.

STS contracts are made available to other political subdivisions in Ohio under the DAS Cooperative Purchasing Program. These contracts are popular with local governments in that they offer a wide variety of supplies and services at pre-negotiated rates under favorable terms and conditions. These contracts are very flexible by accommodating changes in pricing or line items through structured negotiation rather than through a rigid bidding process.

Although the Controlling Board has granted approval for this program for the past 37 years, the authority has never been codified. Purchases from STS contracts by state agencies and cooperative purchasing members are estimated at \$250 million annually.

Occasionally a state agency has a unique need for which there is truly just one source of supply or service. Contracts under these circumstances must be negotiated. Under the current system, “sole source” contracts are negotiated by the agency, then reviewed by DAS, then released by DAS for routing to the Controlling Board for a waiver of competitive selection. While the Controlling Board

formally decides the fate of these contracts, DAS researches and determines justification of the sole source.

**Recommendation:** Authorize the state, through DAS, to enter into contracts based upon best available commercial pricing or federal GSA schedules, and to negotiate pricing, terms, and conditions for supplies and services for those state term schedules. Authorize DAS to negotiate and approve sole source contracts, with notification rather than approval of the Controlling Board.

**Impact/Benefit:** This would codify long-standing practice and align the state with best practices in the private sector.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted consistent with the current program as approved by the Controlling Board, no programmatic change would be required. Sole source negotiating authority is part of the transformation plan under Recommendation #15.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
4	Make it easier to procure Homeland Security items	Center Led	F, E	Y	N

**Background:** When a disaster occurs in Ohio that results in a Presidential or Governor’s Declaration, DAS assumes a leadership role in locating and procuring emergency supplies and services. DAS has developed a number of contracts for use during emergency events, but these contracts do not cover all potential needs. Local government and non-profit entities in need during a declared emergency cannot buy immediately from state contracts without becoming members of the state’s Cooperative Purchasing Program. Also, surplus property laws hinder quick transfer of property from state to local agencies.

**Recommendation:** The requirement for Cooperative Purchasing membership would be suspended during a declared emergency. DAS could create contracts for emergency supplies and services for any governmental agency. Specified non-profit organizations would be permitted to use DAS contracts to assist Ohio citizens in recovery from the emergency event. New law would allow for expedited property transfers.

**Impact/Benefit:** Streamlined response in the event of a declared emergency, increasing the number of Ohio citizens being helped.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the state would incorporate this new flexibility into its emergency response and training plans.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
5	Clean up inconsistent, ambiguous & inefficient sections of law	Center Led	E	Y	N

**Background:** Laws affecting procurement have been added and revised over the years, often without adequate consideration for the procurement process as a whole. As a result, some sections

of revised code are inconsistent, allow multiple interpretations, or create requirements that add little or no value to the procurement process. Some laws may contradict federal procurement laws and could impact agency purchases made with federal grants funds.

**Recommendation:** Eliminate bureaucracy and clean up language. Among the sections to be rewritten or eliminated include:

- 9.312(A) Notifying disqualified bidders by US postal service
- 125.01 Clarify definitions
- 125.05 Purchase limits and adjustments to the limits
- 125.06 Release and permits
- 125.07 Notice of purchases, competitive selection documents
- 125.08 MBE lists, purchasing districts
- 125.09 Domestic and in-state preferences
- 125.10 Receipt of and opening of bids
- 125.11 Award of contracts
- 127.16 Dollar thresholds, Controlling Board
- 2909.33 Declaration of Material Assistance – terrorism form

**Impact/Benefit:** This would make it easier for vendors to do business with the state by eliminating some requirements and streamlining the process. It reduces confusion for bidders and procurement staff, and decreases potential for legal challenges. It also allows procurement staff to focus more on the activities that truly add value.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the state would adopt streamlined rules, policies, and procedures to take advantage of the changes. This would also require education and training of procurement personnel.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
6	Evaluate and/or eliminate central warehousing system	Center Led	E	Maybe	N

**Background:** Law requires that all institutional agencies purchase certain items through two separate warehouses operated by the Department of Mental Health (DMH). Institutional agencies include the Departments of Rehabilitation & Correction (DRC), Youth Services (DYS), Mental Health (DMH), and Mental Retardation & Developmental Disabilities (DMR). Items maintained in the central warehouse include food, cleaning supplies, paper products and pharmaceuticals. Items are purchased by competitive bid through DAS, shipped to the respective warehouses in bulk, and are then divided into smaller lots required by individual institutions. The warehouses maintain a fleet of trucks and ship to agencies using weekly, bi-monthly or monthly delivery schedules.

In fiscal year 2007, sales volume was \$32 million in food and \$59 million in pharmaceuticals. Most of the warehouse volume is purchased by DRC.<sup>2</sup> The warehouse generally applies a 6-8% fee to cover costs of operation.

Among the key issues for this operation are:

- Law requires DRC to maintain minimum inventory at each prison. Many institutions maintain 30 day inventory on-site to address delivery delays and any emergencies. Carrying costs are high with this “double-warehousing” requirement.
- Institutions do not have on-site staff to receive and process meat.
- DRC requires a pharmacist to dispense medications, and most institutions do not have on-site pharmacists.

Most private sector operations have eliminated their central warehouses and instead moved to just-in-time delivery or vendor-managed inventory. In order to determine whether closing the warehouse is appropriate, the state would likely need to hire an outside expert. It was not possible within the time and resource constraints of this panel to provide a more definitive recommendation on the future of the central warehouse.

**Recommendation:** Evaluate total cost of ownership in the central warehouse compared to other alternatives, with elimination of the warehouse as a possible outcome. It is recommended that the state explore the savings potential of using multi-state pharmaceutical contracts or other contract mechanisms to lower costs and increase efficiency.

**Impact/Benefit:** The evaluation should show savings by either modifying or eliminating the central warehouse operation.

**Transformation Plan:** This recommendation requires the state to hire a material management expert to assess the operation and provide a performance audit report. Should the report recommend eliminating the warehouse, such a step would require legislative action, along with significant personnel and operational changes for the institutional agencies.

**Maximize State Government’s Purchasing Power Through Leverage**

Recommendations seven through ten improve the buying power of state government.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
7	Expand cooperative purchasing agreements	Leverage	F, E	Y	N

**Background:** Cooperative purchasing allows one entity to benefit from the contract of another. Currently, state contracts are available to Ohio’s political subdivisions through the DAS Cooperative Purchasing Program. Local government entities eligible to participate in the DAS program include counties, cities, townships, school districts, and others. It is estimated that more than 1,800 political subdivisions purchase more than \$175 million annually from state contracts.

<sup>2</sup> Management Improvement Commission 2000 Procurement Team Final Report, Management Improvement Commission 2000, October 12, 2000, pp. 30-31.

While local governments can buy from state contracts, current law does not authorize the state to participate in contracts awarded by other governmental jurisdictions, except for purchases of recycled materials.

Recently the state Controlling Board has authorized DAS, through a waiver of competitive bidding, to participate in contracts awarded by other public entities. As a result the state recently participated in a multi-state contract awarded by the state of Iowa.

This authorization expires at the end of the fiscal biennium, and is not codified in law. It often takes 1-2 years to coordinate among states, and the temporary nature of the state’s current authority does not allow for long-term planning. However, permanent legislative authority would allow the state to pursue these opportunities more aggressively.

**Recommendation:** Allow the state, through DAS, to enter into cooperative purchasing agreements with other states, groups of states, political subdivisions, purchasing consortia, or the federal government, in order to take advantage of competitive pricing for all types of supplies and services.

**Impact/Benefit:** Expanded cooperative purchasing authority would allow the state to save money and administrative time by using the contracts of other entities where appropriate. Local governments would also benefit by having access to any contracts accessible through this new authority.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the state would pursue these cooperative contracts on a broader and more proactive basis.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
8	Reset purchasing thresholds and allow adjustments	Leverage	F, A, E	Y	N

**Background:** For most agencies, procurement authority is limited by financial thresholds (see Figure 1). Some thresholds adjust for inflation, while others do not; some are cumulative, others are not; thresholds for supplies are different than those of services; thresholds for institutional agencies are different than those of non-institutional agencies.

In effect, these thresholds determine the level of centralization of procurement authority. Purchases above the threshold are handled centrally; below the threshold, agencies may contract directly using their own authority. In fiscal year 2007, 79% of the state’s purchase orders were in amounts less than \$25,000, accounting for \$437 million in spending.

Thresholds do not apply when a mandatory state contract exists for a particular supply or service. Agencies must purchase from a mandatory contract regardless of the amount.

**Recommendation:** Simplify to just two threshold amounts: \$25,000 and \$50,000. The lower threshold of \$25,000 would be for contracts awarded by non-certified agency personnel (see Recommendation #16). State agencies may purchase supplies and services that cost \$25,000 or less per purchase without formal competitive bidding, if purchases are consistent with DAS procedures. Contracts valued between \$25,000 and \$50,000 could be awarded by certified agency

personnel under delegated authority. Contracts above \$50,000 would be awarded by DAS or with a DAS release and permit and Controlling Board approval.

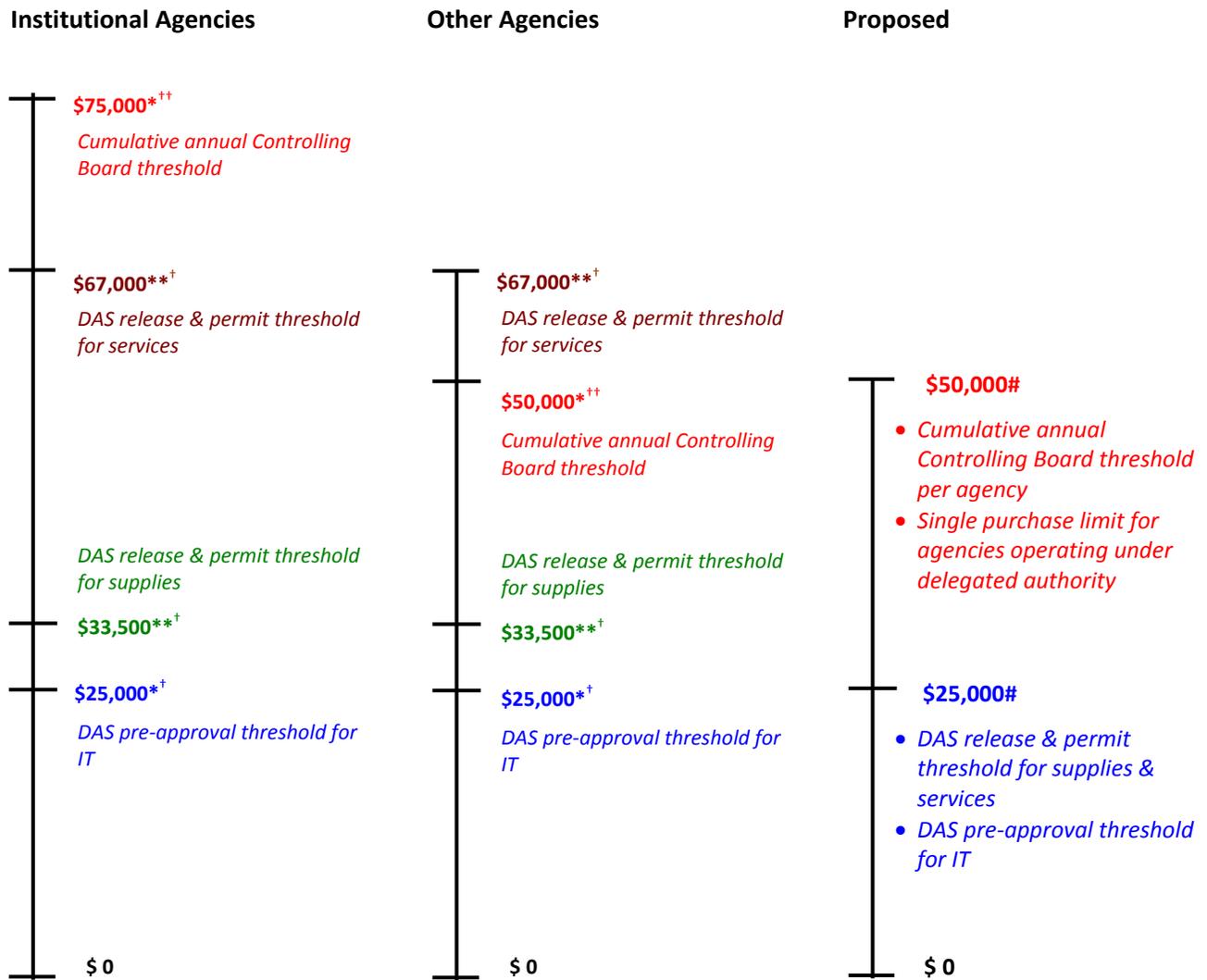
It is also proposed that the directors of Administrative Services and the Office of Budget and Management periodically review purchase authority thresholds and recommend any necessary adjustments. The Controlling Board would make the final decision on whether to approve the recommendations. The thresholds would be reconciled with Controlling Board thresholds to the extent possible. The automatic biennial adjustment for inflation would be eliminated.

***Impact/Benefit:*** Harmonizing the thresholds would simplify the procurement process and its associated workflows. It would increase accountability by directing all contracts above a certain amount to flow through a certified procurement professional. It will also introduce flexibility by allowing threshold changes over time without a law change.

***Transformation Plan:*** This recommendation requires legislative action. If new law is enacted, the next steps are to:

- Create necessary administrative rules, directives, etc. that follow the law change.
- Modify OAKS for consistency with new workflow.
- Incorporate into Ohio-specific training program.
- Monitor effectiveness of thresholds and adjust as necessary.

Figure 1: Current and Proposed Thresholds



\* Fixed  
 \*\* Automatically adjusts every two years  
 † Single purchase per agency per vendor  
 †† Cumulative per agency per vendor per fiscal year  
 # Adjusts by mutual agreement between DAS and OBM, subject to Controlling Board approval

	Recommendation	Strategic Imperative	Theme	Legislation?	Executive Order?
9	Require previously exempted agencies to use competitive selection	Leverage	A, T, E	Y	N

**Background:** Some agencies are exempt from competitive selection and from DAS in awarding contracts. Exemptions create blind spots in the state’s procurement accountability. Each exemption represents unknowns in process, efficiency, and effectiveness. Exemptions also reduce the potential for aggregation – since exempt agencies are not required to use central contracts – thereby hindering the state’s ability to secure the best pricing. From the vendor’s perspective, exemptions add complexity because a vendor must learn the unique procurement processes of each exempt agency. This reduces vendor interest and potentially competition.

In a best practice environment, every purchaser, regardless of location in the organization, follows a standard protocol for awarding contracts. Purchases that require competition follow this standard competitive process. Purchases are aggregated across the enterprise to the extent possible.

**Recommendation:** This recommendation would require exempt agencies, including elected officials, to follow the same competitive selection processes as DAS. This could be accomplished by requiring the exempt agencies to go through DAS, or by requiring them to follow the DAS process using their own agency procurement staff.

Among the entities exempted, it is recommended that procurement exemptions be eliminated for the following agencies:

- Bureau of Worker’s Compensation
- Adjutant General (for non-military purchases)
- Ohio Penal Industries, within the Department of Rehabilitation and Correction

These agencies would be required to route purchases through DAS and through their certified procurement officers, as proposed under Recommendations #17-18.

**Impact/Benefit:** This recommendation lowers costs by combining purchasing power, eliminating duplication of effort, and increasing competition. This allows the state to more closely align with private sector strategic sourcing best practices.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the next steps are to:

- Create necessary administrative rules, directives, etc. that follow the law change.
- Modify OAKS for consistency with new workflow.
- Incorporate into Ohio-specific training program.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
10	Leverage more centralized spending	Leverage	E	N	Y

**Background:** Currently state procurement is a decentralized operation, with the majority of spending occurring outside of the central contracting authority. Of the \$3.5 billion in annual spending by state agencies for supplies and services, less than \$900 million (25%) of purchases are administered through DAS Procurement Services and OIT Acquisition Management. Among the reasons for decentralized spending are agency exemptions, frequent purchases below the required thresholds, and sole source contracts.

There is an undetermined – but likely higher – volume of purchases by colleges and universities for many of the same types of supplies and services that state agencies buy. Purchasing among higher education institutions is even more decentralized than that of state agencies. The Inter-University Council of Ohio Purchasing Group (IUC-PG) reported that in FY06-07, higher education institutions purchased \$51,399,331 from IUC-PG consortium contracts and \$57,950,560 from state contracts.<sup>3</sup> The amount of purchasing from consortium contracts has been decreasing for several years.<sup>4</sup>

Among the barriers commonly cited for low use of centralized contracts is the lack of firm commitment on the part of the participating entities. In a “piggyback” cooperative, a lead entity awards the contract and others may purchase from the contract at their option. Although this arrangement often provides some benefit to the piggybacking entity, it does not allow the lead entity the ability to estimate true volumes and leverage the best deal for all potential users.

More coordinated or centralized spending means:

- More agencies using centralized contracts, including exempt agencies (Recommendation #9);
- Less leakage or “maverick buying” from other sources;
- Better communication about needs that can be incorporated into statewide contracts;
- More standardization of requirements across the enterprise.

In many private sector companies, all purchases are made from central contracts, except those small purchases made through payment cards or petty cash. This is true even for companies with locations throughout the world. Aggregated spending is one of the key elements of strategic sourcing (Recommendation #11).

Aggregation may not provide any benefit for some contracts, such as some services that are location-specific, some products that are highly specialized or customized, or contracts in which aggregation would reduce the available vendor pool to a non-competitive situation. In some cases aggregation by region or bid district may be more appropriate and effective than statewide aggregation.

**Recommendation:** To the maximum extent possible, aggregate spending across the entire state enterprise, including exempt agencies and higher education. Eliminate the duplication of effort that

<sup>3</sup> Inter-University Council – Purchasing Group (IUC-PG), *Annual Price Agreement Usage Reports for Fiscal Year 2006-2007*, September 27, 2007.

<sup>4</sup> IUC-PG, *Consortium Purchasing: A Position Paper by IUC-PG*, March 2007.

occurs when multiple agencies bid the same items. In order to overcome the traditional barriers, it is recommended that the state incorporate a commitment to leveraged spending in an executive order.

**Impact/Benefit:** Aggregation lowers costs by combining purchasing power, eliminating duplication of effort, and increasing competition. This allows the state to more closely align with private sector strategic sourcing best practices.

**Transformation Plan:** Issue an executive order to direct agencies to aggregate spending, with agency chief procurement officers (Recommendation #17) as the point of accountability. Collaborate among procurement officers to source contracts under a strategic sourcing model (Recommendation #11). It may be determined that DAS should be the lead on one contract, IUC-PG on another, and another state or consortium on a different contract. More important than who does the contract is the fact that it is coordinated and leveraged to advance the best interests of the statewide enterprise.

**Apply a Consistent Strategic Sourcing Process**

Recommendations 11 through 15 are intended to streamline the procurement process. These recommendations will enhance the climate for competition by improving consistency, accountability, and efficiency.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
11	Implement strategic sourcing concepts	Sourcing Process	E	Maybe	Y

**Background:** Strategic sourcing is a managed, enterprise-level approach to procuring supplies and services, based upon a detailed analysis of past and current practices, which strives to produce the best values for the organization as a whole. It includes a view of the entire supply chain, encompassing processes before, during, and after the actual procurement. It is an example of an initiative that crosses boundaries and requires coordination among many entities across the enterprise. Among its components are:

- Value:** better services, products, and processes;
- Governance:** the mechanism to negotiate, formalize, and sustain collaboration;
- Standardization:** the establishment of enterprise-wide business rules and functions;
- Technology:** hardware and software to make the connections.<sup>5</sup>

Many of the recommendations in this report fall under the umbrella of strategic sourcing concepts. Among the most important are leveraged spending (#10), commodity manager model (#15), and electronic procurement (#22). This item includes all of the concepts that are not individually mentioned elsewhere.

The state has recently conducted a spend analysis for state agencies, which included a breakdown of contracts by agency and category, a strategic sourcing savings estimate, and a wave plan for

<sup>5</sup> National Electronic Commerce Coordinating Council, *Strategic Sourcing: From buying the concept to buying the goods*, 2005 Symposium paper, p. 3.

implementation. This analysis did not include higher education, although it is likely that many of the spend categories are similar. Using a spend analysis to take a more strategic approach to procurement is considered a best practice.<sup>6</sup>

**Recommendation:** Implement strategic sourcing concepts, starting with the spend analysis wave plan.

**Impact/Benefits:** The spend analysis shows a net potential savings of \$34 million to \$72 million annually if fully implemented.<sup>7</sup> Anticipated implementation costs have been subtracted from savings to provide this range of net savings. These figures do not include potential savings for higher education, or for political subdivisions purchasing from state contracts. Political subdivisions alone should save \$8 to \$15 million annually, based upon the current annual volume of \$175 million in political subdivision purchases from state contracts.

**Transformation Plan:** Strategic sourcing will involve significant changes in procurement process and culture. Implementation requires business process re-engineering and effective change management techniques in order to identify and manage the many changes required. These “people and process” challenges will occur in parallel with the contract activities of rebidding or re-competing contracts.

It is recommended that the state use the spend analysis wave plan as an initial road map. Cooperation and coordination among affected agencies is critical. The center-led organization should convene procurement officers from across the state and begin sourcing in wave plan priority order:

*Wave 1:* Information Technology (hardware & software), telecommunications, professional services, office services, cleaning supplies, and cafeteria supplies/services.

*Wave 2:* Pharmaceuticals, IT services, fleet, utilities, food, clothing, security equipment/services, and waste removal.

The state should implement other strategic sourcing-related recommendations according to their respective transformation plans.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
12	Standardize, simplify & reduce bidding documents	Sourcing Process	T, E	Maybe	N

**Background:** Competitive contracts require solicitation documents that advertise and describe the state’s need for the particular supply or service. These documents include a description of the information that is required from the vendor for the agency to properly evaluate the vendor’s

<sup>6</sup> National Institute of Governmental Purchasing, the U.S. General Services Administration, and Florida Atlantic University Public Procurement Research Center, *Journal of Public Procurement*, Volume 5, Number 2, 2005, pp. 244-273.

<sup>7</sup> *State of Ohio Spend Assessment, Wave Plan and Savings Summary*, Accenture (on behalf of the State of Ohio), January 2008.

offering. Bidding documents also include the terms and conditions that would apply if a contract is executed.

Each agency with procurement authority has its own version of bidding documents. New requirements (i.e. law changes or executive order) are not incorporated uniformly across state government. As a result, interested vendors have to thoroughly read, analyze, and understand the intricacies of each agency’s documents in order to properly respond.

Often, the state’s bidding documents discourage competition. Documents are too long, bureaucratic, and not written in plain English. The state sometimes requires more information than is necessary for evaluation and award, and some bid requirements that are legally required provide little if any value.

DAS Procurement Services currently averages 4.3 responses per contract opportunity; average for other agencies is unknown. Many vendors do not want to invest the time and effort necessary to analyze and understand the many versions of bid documents. Less competition means the state ultimately pays more for its supplies and services.

**Recommendation:** Work to standardize on a set of statewide bidding and contract templates for all state entities with procurement authority. Create documents that are concise, in plain English, and free of unnecessary acronyms and jargon. Eliminate any requirements to provide excess information unnecessary for the evaluation and award of the contract, or legal requirements that do not provide real value.

**Impact/Benefit:** Quicker turnaround time, more competition, lower costs, fewer vendor complaints/protests.

**Transformation Plan:**

- Compile an inventory of state agency contract templates. Harmonize, standardize, simplify, and reduce. Create set of standard contract templates.
- Recommend legislative change for legal requirements that provide little or no value. Review and update templates on a regular basis. Push new standardized changes across the enterprise.
- Use information technology to maintain and provide contract language from a master database.
- Publish the template database to the web.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
13	Protect trade secret information	Sourcing Process	T	Y	N

**Background:** With few exceptions, vendor information submitted in response to a state contract opportunity is public record. This includes financial statements, customer references, business implementation strategies, negotiations, and other information that would be categorized outside the public sector as confidential, proprietary, or trade secret. Competing vendors and the general public can view the complete vendor response and evaluation once an award is made. Administrative rules contain some vendor protection language, but there is some question as to whether this protection is adequate for potential vendors. Vendors are reluctant to participate in

some state contracts and programs because their financial and proprietary information may be publicly disclosed to competitors.

**Recommendation:** A vendor’s trade secret information would be protected if the information is submitted to the state in response to a contract opportunity under competitive selection, including competitive sealed bids, competitive sealed proposals, and reverse auctions.

**Impact/Benefit:** It is not known how many vendors choose not to do business with the state because of this issue. However, the potential release of such information does act as a deterrent to competition.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the state would incorporate the necessary updates into its standard terms and conditions, and incorporate the changes into its education and training programs.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
14	Employ commodity manager model	Sourcing Process	A, E	N	N

**Background:** Classic procurement strategy involves realigning the procurement organization with its strategic sourcing objectives. This involves grouping the various spend categories into discrete blocks that can be managed by a single person across the enterprise. This commodity manager is the subject matter expert who takes ownership for sourcing and spending within that particular category.

In part because procurement authority is fragmented across the enterprise, there is no single point of responsibility in state government for most spending categories. Various agencies employ their own buyers for various supplies and services, and even central contracts are regularly circumvented. This erodes buying power and increases costs.

The private sector partners on this panel all employ the commodity manager model for their organizations. State government procurement is not currently organized this way. DAS Procurement Services assigns contracts according to category and procurement method. Contracts created through bids, requests for proposals, and state term schedules are each managed by different people, regardless of similarity in spend category. The information technology category is administered by a different organization altogether – the Office of Information Technology (OIT)/Acquisition Management. OIT administers some contracts by IT category and others by customer. Local agency procurement staff represents the needs of only that agency for all categories, and do not have insight or access into the needs of other agencies for the same types of supplies and services.

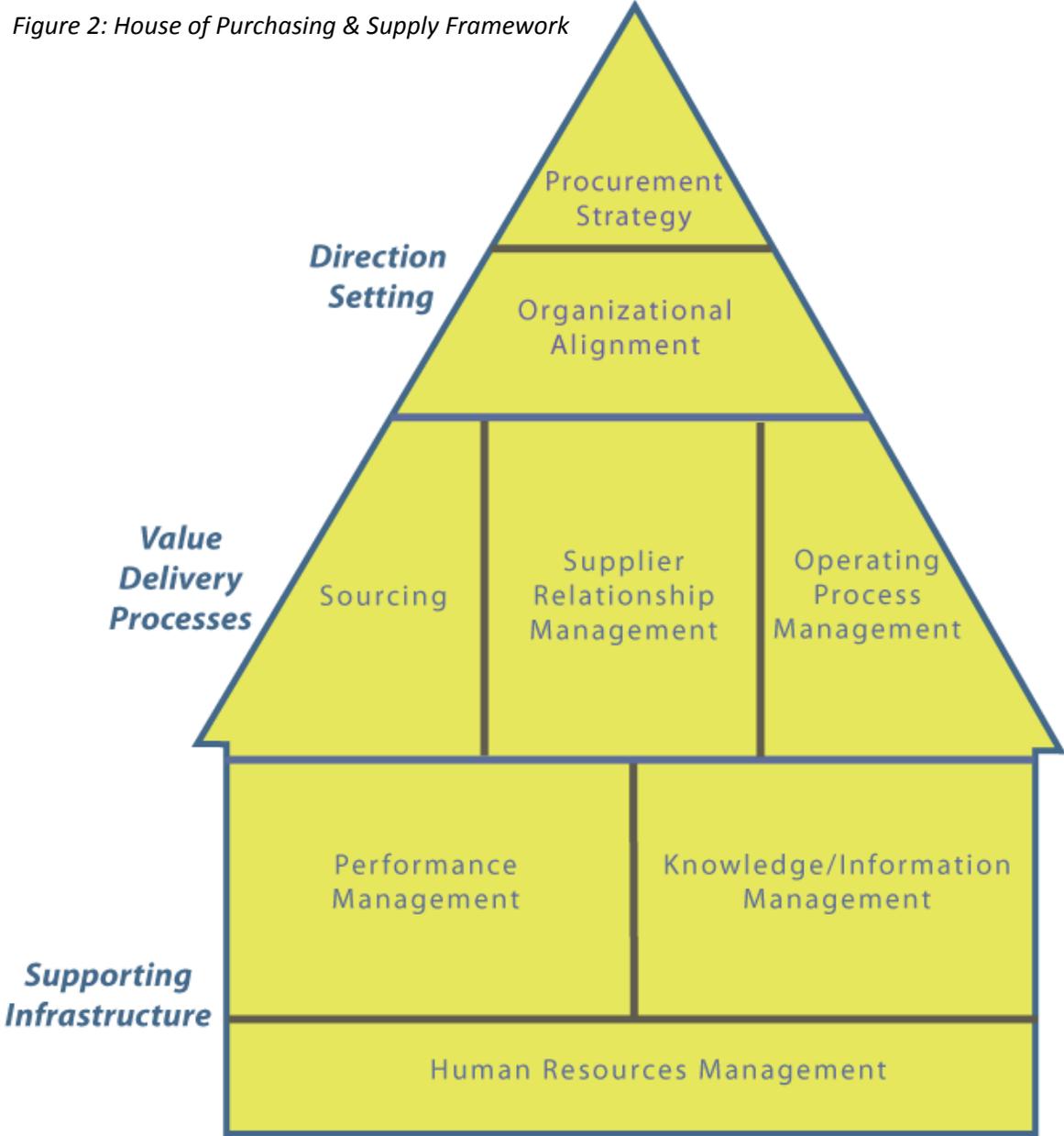
Most states procure information technology as a category within their procurement organization, rather than through the IT organization. As of February 2007, central procurement handled IT purchasing for 11 of 15 states surveyed, with two additional states in the process of moving IT procurement to the central purchasing agency.<sup>8</sup> In the most common state model, the IT

<sup>8</sup> E-mail survey of state chief procurement officers in the National Association of State Procurement Officials, conducted by DAS Office of Procurement Services, February 2007.

organization provides governance for consistency with statewide IT plans, while the procurement organization manages contracts and vendors.

The House of Purchasing and Supply Framework, created by A.T. Kearney and adopted by the National Association of Purchasing Managers and the Institute for Supply Management (see Figure 2), visually demonstrates how the organization must be aligned with the procurement strategy in order to manage suppliers, operations, and sourcing. This model was used by the state of Georgia to redesign their procurement organization to align with strategic sourcing objectives.<sup>9</sup>

Figure 2: House of Purchasing & Supply Framework



A.T. Kearney framework adopted by the National Association of Purchasing Managers and the Institute for Supply Management

<sup>9</sup> Procurement Transformation Initiative slide presentation, State of Georgia Department of Administrative Services, presented at the National Association of State Procurement Officials conference, June 28, 2007.

Category research and analysis are key elements of a successful commodity manager model. The manager must be able to gather and develop requirements across the enterprise, starting with comprehensive reporting from the central data warehouse. Contracts should be grouped into related spending categories that can be understood and mastered by a single commodity management team.

Commodity management also involves more proactive management of the vendor after contract award. This role is more clearly defined in Recommendation #20.

The commodity manager would represent a new type of role in procurement. Major changes in roles and responsibilities may trigger personnel actions such as new class plans, position descriptions, position-specific minimum qualifications, or modified duties within existing classifications. Some of these personnel activities are fairly involved, so adequate lead time should be planned in any implementation.

**Recommendation:** Employ the commodity manager model within the state's procurement organization. This recommendation requires reorganization and realignment within many areas of procurement statewide. Currently IT and non-IT procurement are located in different organizations, and neither organization has true commodity management. The two organizations should be combined under the center-led organization.

**Impact/Benefit:** This recommendation is a key element of strategic sourcing, and in part will determine the state's success in achieving its strategic sourcing savings goals. The current state dilutes responsibility for spending among many people in multiple agencies. Without clear responsibility for a commodity category, it is difficult to assign accountability for the success or failure of a strategic sourcing initiative.

The effectiveness of this recommendation would be enhanced by:

- Fewer exemptions (#9);
- More cooperative and centralized spending (#10);
- Strategic sourcing (#11);
- Cooperative chief procurement officers in agencies (#17).

**Transformation Plan:**

- Use spend assessment report and other sources to develop commodity categories.
- Continue to consolidate OIT Acquisition Management and DAS Procurement Services into a single organization; create IT spend category.
- Begin necessary human resources tasks to align people with new roles.
- Reorganize to fully implement model.
- Implement strategic sourcing with commodity managers in lead role.
- Refine commodity categories as necessary.

	Recommendation	Strategic Imperative	Theme	Legislation?	Executive Order?
15	Modify Controlling Board procedures	Sourcing Process	T, E	Y	N

**Background:** The Controlling Board provides legislative oversight regarding certain capital and operating expenditures by state agencies, and has approval authority over various fiscal activities. These activities include waivers of competitive selection for supplies and services by agencies when an agency’s purchase exceeds the threshold amount specified by law. Although the Controlling Board has additional functions, it is this particular area that is most relevant to procurement activities.

The current Controlling Board process is not an efficient use of time for many of the entities involved. It has been estimated that 80 to 85% of the Controlling Board agenda items are passed via a blanket approval process, resulting in the agency staff having attended the Controlling Board meeting unnecessarily.<sup>10</sup> Generally agencies send multiple staff members to each meeting where they have a request on the agenda. Many hours are involved in preparation, travel and meeting time for agency agenda items regardless of whether the items are held for questions or not.

In other cases the Controlling Board approves items already approved by itself or by DAS. Approximately 10 to 15% of agenda items consist of lease renewals that have been previously reviewed and approved by the Controlling Board. Approximately 5% of the agenda consists of sole source providers which have been reviewed by DAS and have received a release and permit from them. Energy performance contracts must go through the formal DAS competitive selection process and then receive Controlling Board approval.

**Recommendation:** Modify the system to significantly increase the Controlling Board efficiency and drive down the system cost while continuing the statutory intent and essential legislative oversight of the Board. Focus Board activities on areas of spending that matter the most and have the greatest budgetary impact. Examples of proposed changes are:

- Allow for the determination of held items on the Friday before the Controlling Board meeting. Electronically notify agencies that will be on the hold agenda for Monday’s meeting.
- Permit DAS to verify sole source contracts and prepare for approval of the OBM Director. A summary of these requests could be provided to the Controlling Board on a quarterly basis.
- Authorize the OBM Director to approve lease renewals for a biennium after Controlling Board approved contract as long as increases are within the rate of inflation.
- Modify the concept of “waiver of competitive bidding.” The current concept is confusing and is often erroneously construed to mean that no competitive bidding took place on a contract. Create and use an “alternative competitive selection” definition in cases where waiver of competitive selection does not accurately describe the action.

**Impact/Benefit:** It is estimated that the average Controlling Board request costs \$2,000 to \$3,000 to prepare and process. This more efficient process would lower that cost and better utilize agency and Controlling Board member resources.

<sup>10</sup> *Management Improvement Commission 2000: A Report to the Governor of Ohio*, Management Improvement Commission 2000, November 2000, p. 26.

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the next steps are to:

- Create necessary administrative rules, directives, etc. that follow the law change.
- Modify OAKS for consistency with new workflow.
- Incorporate into Ohio-specific training program.

**Attract, Develop & Retain a Talented Corps of Supply Management Professionals**

The quality of staff is more critical than their number to accomplish the transformation goals we endorse. Best practices in industry suggest improvements in adopting position standards, certification, training, and recruiting.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
16	Require professional certification for procurement staff	People	A, T	Maybe	N

**Background:** Currently, the vast majority of state government business (>75%) is awarded without review by a certified procurement professional. Procurement authority is distributed by agency and organization, not by generally accepted procurement expertise. As a result, multi-million dollar contracts may be awarded without the basic fundamentals of procurement accountability.

There are several organizations that offer professional procurement certification. Some of the more popular programs are listed below.

- The Universal Public Purchasing Certification Council (UPPCC) has created two professional designations that are recognized and accepted nationwide as being representative of public procurement excellence: a Certified Professional Public Buyer (CPPB) and Certified Public Purchasing Officer (CPPO).
- The Institute for Supply Management (ISM) offers designations as a Certified Purchasing Manager (CPM), Certified Professional in Supply Management (CPSM) and Accredited Purchasing Practitioner (APP).
- CAUCUS, a private sector information technology organization, offers certification for IT procurement professionals as a Certified Technology Procurement Executive (CTPE) or Certified Technology Procurement Specialist (CTPS).

All of these certifications require relevant procurement experience, classroom study, a written exam, and continuing education.

Currently there are more than 2,300 state government employees that are involved with the requisitioning and purchasing approval process. Fewer than 100 state employees are professionally certified through UPPCC, the most relevant of the national certification programs for public procurement.

UPPCC certification is required for positions within DAS Procurement Services as a condition of employment. Employees must attain professional certification within three years from the date of hire. Professional certification is not required elsewhere in state government. Some employees have become certified voluntarily, or have attained certification from other organizations.

Beyond these national certifications, there is no regularly scheduled training or certification for Ohio-specific procurement issues.

Certification is an investment in both time and money. UPPCC certification requires prerequisite course work and examinations, which may cost up to \$2,000 per person depending upon several factors. Some agencies may not have funds budgeted for this training.

**Recommendation:** All contracts above a certain dollar threshold or level of complexity should be signed, prepared, or reviewed by a certified procurement professional. The professional should be certified nationally and be trained in state-specific laws, rules, and procedures.

**Impact/Value:** It is likely that the state loses millions of dollars annually through unnecessary contract concessions, poorly conducted negotiations, change orders, amendments, and other issues that could be reduced or eliminated by a certified professional. Certification is no guarantee of success, but it does increase the likelihood that the state maximizes its purchasing power. With a network of certified supply management professionals, the state can expect better value, lower costs, more competition, more productive negotiations, and fewer disputes and protests.

**Transformation Plan:**

- Select a national certification program (e.g. UPPCC) and any accepted equivalent certifications.
- Develop and institutionalize an Ohio-specific training program.
- Identify agency personnel who would be required to attain certification.
- Set a procurement threshold of \$25,000 per purchase per fiscal year (see Recommendation #8) above which all contracts must have professional review.
- Delegate more authority to agencies with certified professionals (see Recommendation #1). This item would require legislative change.
- Modify personnel class plans to require professional certification as a condition of employment for relevant procurement positions.

	Recommendation	Strategic Imperative	Theme	Legislation?	Executive Order?
17	Establish chief procurement officers in agencies	People	A, T	N	Y

**Background:** Procurement authority originates in law and is distributed by agency/organization according to criteria established by administrative rule, policy and/or procedure. By default the agency head or director is usually the chief procurement officer of the agency. Typically the agency head may delegate authority, including procurement authority, to subordinates unless disallowed by law. It is customary for the agency head to establish such a delegation or designation of authority formally in writing, with the review and approval of legal counsel.

Procurement authority is often delegated to a chief financial officer, operating officer, legal counsel, or other similar position. For small purchases authority may be delegated further to a facility manager, fiscal officer, or similar position. Current law and practice does not require professional certification as a requirement for preparing or signing contracts, except in the case of central purchasing through DAS Procurement Services.

There is no uniform method of storing or obtaining contract information on a statewide basis. Each agency keeps its own contract records, which may be housed in multiple locations throughout the agency, depending upon who signs the contracts. With the new OAKS system, the state does have more capabilities to store information in the central data warehouse.

Since most agencies do not have a single point of responsibility for procurement, statewide contract records are not easily reviewed or audited. Without a systematic and centralized approach to contract records, it is difficult to determine who buys what, how much they buy, and whether there is an opportunity to consolidate purchases across the enterprise.

The current state financial system recognizes more than 2,300 requisitioners who are involved with issuing more than 121,000 purchase orders annually. Statewide reporting and accountability would be more easily achieved through a small network of chief procurement officers rather than through an attempt to directly monitor thousands of contracts and purchase orders statewide.

A network of certified chief procurement officers also enables the state to delegate procurement authority in a more systematic and accountable manner (see Recommendation #16).

Some agencies may be organized such that they wish to have more than one chief procurement officer. It may be necessary to grant this flexibility, with the intent of consolidating authority to the fewest number of people possible.

**Recommendation:** Each agency should designate a chief procurement officer as the single point of responsibility for that agency's contract spending. The actual contracts may be signed by others, but the chief procurement officer would be responsible for ensuring that all procurement best practices and procedures are followed. This would include review by a certified procurement professional for contracts above a set threshold (see Recommendations #1 & #16). The chief procurement officer would also have centralized access to all of its agency's procurement records for auditing and performance measurement purposes.

A statewide chief procurement officer position should be created to provide leadership over the entire enterprise. This position should reside within the center-led organization. Agency chief procurement officers would rely upon the state chief procurement officer for direction, guidance, focus, and structure.

**Impact/Benefit:** Establishing chief procurement officers in all purchasing entities would facilitate greater statewide buying leverage, greater accountability, easier statewide reporting, and better communication.

**Transformation Plan:** This recommendation would be accomplished most effectively through executive order. Most agencies do not have formally designated chief procurement officers. This recommendation would require a change in organizational responsibilities for most agencies. Among the steps in implementing this recommendation are:

- Creating a written list of responsibilities associated with the agency chief procurement officer position.
- Identifying chief procurement officers within each agency.
- Routing contract approvals using agency chief procurement officer oversight process.
- Incorporating agency chief procurement officer role into Ohio-specific training.
- Monitoring and auditing for performance and effectiveness.

## Set Annual Targets for Key Procurement Performance Metrics Across State Government. Report Results. Apply a Strict and Consistent Process for Determining Real Cost Savings.

Top organizations focus on the important things, measure how they are doing, and report regularly. Recommendations #18 and #19 improve accountability and transparency by requiring the state to develop key metrics that will monitor performance and cost savings across the enterprise.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
18	Actively manage supplier relationships	Measurement	A, T	N	N

**Background:** Information on supplier performance does not exist in a central place in state government. To the extent that such information exists, it is even more fragmented than the procurement authority under which supplier contracts are created.

After contract award, the customer agency maintains the day-to-day relationship with the vendor, including receipt and acceptance of goods and services, invoicing and payment, and resolution of minor disputes. Each customer agency is responsible for its own records, including those related to contracts awarded under that agency’s direct procurement authority.

Most centralized contracts are managed by exception. It is assumed that a vendor’s performance is acceptable unless a formal complaint is submitted to the central procurement agency. If a formal Complaint to Vendor (CTV) is received, central procurement investigates and provides the vendor with a reasonable opportunity to cure the issue, assuming that the issue has resulted from the vendor’s failure to perform under the terms of the contract. Formal CTVs are included in the vendor’s record and used in evaluating vendor responsibility for future centralized contracts.

While vendor performance evaluation forms are available on-line and encouraged for use on DAS contracts, users rarely complete these forms. Similarly, when vendor performance information is requested in determining whether to rebid or renew a contract, response rates are low and the information given is of questionable value. For other contracts not created by DAS, there is no systematic method for agencies to share information on their experience with these vendors.

Among the key issues associated with the current state are:

- Little information exists on supplier performance on state contracts.
- What little information does exist is not shared.
- What little information does exist is not collected uniformly.
- The state is likely awarding contracts to poorly performing vendors unknowingly because of these issues.
- Similarly, the state may be overlooking outstanding performers because of lack of information. As the state moves to a more sophisticated best value approach to procurement, high performance becomes more important in awarding contracts.
- Disqualifying a vendor prior to award requires solid historical information that can withstand a legal challenge. Procurement officials are often reluctant to disqualify a vendor with sketchy information, and as a result are forced into a less desirable contract that requires more effort to manage.
- Maintaining a healthy supplier relationship means that the state must also perform. While timely payment is critical to the vendor community, it is often a lower priority to the state.

As a result, the state often loses prompt payment discounts or is required to pay late fees. The implementation of OAKS now opens more possibilities in gathering statewide data on timeliness.

Top procurement organizations actively manage and measure the performance of their supplier base, either through commodity managers (Recommendation #14) or through a knowledge center manager that measures and assesses progress. Today's e-procurement systems have modules that can help commodity managers monitor enterprise-wide supplier relationships. For the state's PeopleSoft system, available modules include Catalog Management, eSupplier Connection, Supplier Contract Management, and Supplier Rating System. State-of-the-art systems also allow organizations to manage their cash to take advantage of contract terms, including prompt payment discounts or payments that utilize the full float deadline.

**Recommendation:** Actively manager supplier relationships through a combination of accountability and technology. Use commodity managers (Recommendation #14), chief procurement officers (Recommendation #17) and certified procurement professionals (Recommendation #16) to ensure that supplier performance information is collected and disseminated in a much more comprehensive and standardized manner than in practice today. Use technology (Recommendation #22) to collect key performance indicators from vendors, and store information in a central data warehouse for enterprise-wide access.

This recommendation would be further enhanced by reducing the number of suppliers under strategic sourcing concepts (Recommendation #11). It is easier to manage supplier relationships when there are fewer suppliers, particularly on multiple award (multi-vendor) contracts.

**Impact/Benefit:** Procurement decisions are only as good as the information that goes into them. The state spends millions of dollars in contract disputes, change orders, and amendments that may have been avoided by selecting a different vendor. Additionally, a low performance threshold may discourage competition, since high performers may not compete in an environment with a reputation for awarding contracts to "low-ball" vendors. Some vendors may also be reluctant to do business with the state because of the public sector reputation for slow pay.

This recommendation should result in more competition, higher vendor quality, better communication between the state and vendor community, fewer contract disputes and change orders, more discounts and fewer late fees.

**Transformation Plan:**

- Investigate the business case for implementing supplier relationship management modules as part of OAKS. Implement modules that have a justified business case.
- Fully utilize cash management features of OAKS.
- Standardize data collection templates for managing and rating supplier performance.
- Begin agency outreach to encourage feedback on vendor performance. Institutionalize vendor performance feedback by including it in the training of state agency personnel and chief procurement officers.
- Include key performance measurement data as a deliverable in new contracts.

	Recommendation	Strategic Imperative	Theme	Legislation?	Executive Order?
19	Create a purchasing scorecard and metrics	Measurement	A, T	N	Y

**Background:** Given that procurement authority is distributed across many organizations within state government, there is no current system of statewide procurement performance measurements. DAS Procurement Services does have a performance measurement system for its internal processes. These measurements apply to only its fraction of state procurement.

Without statewide metrics it is difficult to assess how the state is doing. There is a lack of transparency and accountability for results. This is true as well for the socioeconomic procurement programs that are intended to benefit Ohioans.

The state recently commissioned a benchmarking survey that measured statewide procurement performance in many areas for the first time. The Hackett benchmarking report shows that the state’s procurement enterprise employs the equivalent of 529 full-time equivalents (FTEs), while a world-class organization of comparable size would employ about 120 FTEs.<sup>11</sup> Even with justifiable differences between government and private sector organizations, clearly the state has some room for improvement in its organizational efficiency.

With the recent July 2007 implementation of OAKS, including a central data warehouse, the state has new capabilities regarding statewide data collection, reporting, and analysis. More capability is available through implementation of additional modules, particularly for strategic sourcing and supplier relationship management.

**Recommendation:** Create a purchasing scorecard and metrics, using a combination of sources including the Hackett benchmarking report, private sector best practices and OAKS data. Once developed, this measurement system should be published to the web and updated regularly.

**Impact/Benefits:** This recommendation will allow the state to use metrics to manage for results on an enterprise level. It will also increase public confidence in the integrity and efficiency of a transparent procurement system.

**Transformation Plan:**

- Use Hackett benchmarking, private sector best practices, and OAKS data warehouse to develop key measurements.
- Gather data and establish baselines.
- Create measurement system and publish to the web.
- Include Ohio-specific scorecard for the socioeconomic programs addressed in Recommendation #24.
- Report and update regularly to the web; adjust and modify measurement categories as necessary.

<sup>11</sup> *Achieving World-Class Performance in Finance, HR/Payroll, Procurement and IT: State of Ohio – Rapid Benchmarking Overview*, The Hackett Group, January 2008.

**Maximize Use of Information Technology to Facilitate the Conduct of Commerce Across the Supply Chain**

Recommendations 20 - 22 encourage the state to take full advantage of its current information technology capabilities, while working to expand the reach of technology into areas that are currently not automated.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
20	Consolidate contract advertisements & improve vendor communication	Technology	T, E	N	Y

**Background:** DAS maintains a web site (www.ohio.gov/procure) that posts advertisements for all DAS and OIT competitive contract opportunities. Agencies with procurement authority may advertise on this web site, but are not required to do so. Most agencies post bid opportunities on their own web sites or solicit interested vendors directly.

DAS also maintains an automated vendor notification system. Vendors can register on-line in their particular business areas, and the system will send them an e-mail when a contract opportunity matches their expressed business interest area. The e-mail contains a link to the bidding documents, so the vendor can read the document and determine its interest in that particular contract opportunity. This system is free to vendors and other agencies, but is not required for use by either group.

The majority of the state’s business is not advertised centrally, and there is no single location for vendors to find out about state contracts. In fact, many contracts are not advertised on the internet at all. A vendor has to contact each procurement authority individually to find out about contract opportunities. Many agencies have multiple contact people because they have no designated chief procurement officer. The State Procurement web site currently contains a list of about 150 state agency procurement contacts.

DAS/OIT manages the Ohio Business Gateway (OBG), a collaborative initiative of state and local government agencies. OBG's electronic filing services offer Ohio's businesses an online filing and payment system that helps simplify business' relationship with government agencies.

Ohio businesses can use OBG to submit selected filings, registrations, and payments with the state's Department of Taxation, Bureau of Workers' Compensation, Department of Job and Family Services, and Department of Commerce. OBG also partners with local governments to enable businesses to file and pay selected Ohio municipal income taxes. OBG is not currently used for procurement applications.

**Recommendation:** Move toward a one-stop shop for contracts. Establish the Ohio Business Gateway as the central web portal for procurement. All business-facing elements of the state procurement process should be centralized onto the Ohio Business Gateway. Agencies should advertise all contract opportunities above \$25,000 on this web site, and post all contract awards. DAS and OIT should coordinate to provide web access and technical assistance necessary for agencies to post these contract opportunities and awards. Agencies should also push notification of these opportunities to interested vendors through the automated vendor notification system.

**Impact/Value:** This recommendation would produce more competition, more transparency, lower pricing and higher vendor satisfaction.

**Transformation Plan:** Incorporate consolidated advertising and the web portal redesign into an executive order. Use the chief procurement officer network (Recommendation #17) to enlist cooperation and compliance with this direction.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
21	Expand utilization of electronic procurement	Technology	E	N	N

**Background:** DAS uses a patchwork of manual and electronic process to create bidding documents, distribute bid notices, receive and open bid responses, and evaluate, award, and distribute contracts. End-to-end electronic procurement is not yet possible with the state’s current technology. State agency capabilities for electronic procurement vary by agency, but in general are even more limited than DAS capabilities.

For example, when DAS initiates a contract:

- Bidding documents are prepared electronically in MS Word but revision approvals are manual;
- Bid drafts are scanned and posted to website;
- Interested vendors are notified electronically through on-line vendor notification system;
- Bids are advertised on website and available for vendors to download;
- Vendors may participate in on-line questions and answers prior to bid opening;
- Bid responses are returned in hard copy and manually time-stamped;
- Bid tabulations are created manually (some have thousands of line items);
- Contracts are posted on website;
- Post-award price adjustments and amendments are done manually;
- Use of electronic catalogs is very limited.

With the July 2007 implementation of a PeopleSoft e-Procurement system (a part of OAKS), the state has new capabilities regarding electronic procurement. State agencies are now becoming more familiar with its capabilities through training and experience. However, the state has not implemented functionality for pre-contract award workflow or for post-award supplier relationship management. Procurement staff still spend a significant amount of time completing manual processes that could be automated. Continued investment in technology and training would make the system more effective.

OAKS cannot be fully utilized by some state contract users such as higher education and political subdivisions, as many of these organizations have their own financial or enterprise resource planning (ERP) systems. In such cases the state’s e-procurement tools must be configured and interfaced properly for user access to state contracts and e-catalogs.

Current state laws are ambiguous on use of electronic media to receive and open bids. This issue is addressed separately under Recommendation #22.

**Recommendation:** Expand utilization of electronic procurement. Maximize the use of current technology, while pursuing additional functionality if justified by a business case. Investigate the following PeopleSoft modules for implementation (capabilities as claimed in Oracle data sheets).

### **1. Strategic Sourcing**

Strategic Sourcing will automate the contract creation process from inception through award, and allow users to break down the sourcing process into three high-level functions:

- Create a buying event: determining the right procurement method (ITB, RFP, etc.), selecting suppliers for participation, setting evaluation criteria.
- Receive supplier responses: supplier-facing application includes registration, event details, and submitting a response.
- Analyze supplier response and make award: bid tabulations, application of weighting factors.

This module includes the ability to accept electronic bids and conduct real-time reverse auctions. Currently the state hires a third party administrator to conduct reverse auctions.

### **2. Supplier Rating System**

- Provides a standard methodology and framework for monitoring, evaluating, and managing suppliers
- 360-degree view of supplier performance through on-line tools.
- System provides supplier rating models that allow the user to group and weigh key measures of supplier performance into categories.
- Provides supplier scorecards that include key performance indicators (KPIs); can send alerts to suppliers when ratings fall below KPIs.

This module would assist with the implementation of Recommendation #18.

### **3. Supplier Contract Management**

This application creates and enforces better supplier contracts by standardizing contract processes, reducing the time to contract, and enforcing contract compliance. Module allows redlining and insertion of standard clauses from master library. This system cuts contract cycle time by reducing manual entry, expediting approval through flexible workflow, and streamlining the amendment process. It provides a complete audit trail and comprehensive version control through a revision history. This module would assist with the implementation of Recommendation #12.

### **4. Catalog Management**

This module integrates and manages catalog content, providing a framework for sharing catalogs between trading partners. It allows the administrator to categorize products and catalogs into a hierarchy that is easy to understand and maintain, using UNSP/SC codes which the state currently uses. Its security features allow the administrator to create and manage users, restrict ability to use catalogs based upon security roles, and manage the content through centralized or decentralized controls. The system can generate reports regarding the accuracy and completeness of catalog content.

**Impact/Benefit:** A recent survey among local governments found that 81% considered the top benefit of e-procurement to be improved overall purchasing efficiency, followed by streamlined

processes (69%) and shorter processing times (61%).<sup>12</sup> Electronic procurement allows staff to spend less time on transactions and more time on strategy and adding value. This recommendation is expected to reduce staff time to create bid tabulations and compute prices, decrease potential for human error and incorrect awards, reduce processing time for purchase orders, reduce transactional costs, and improve supplier leverage.

**Transformation Plan:** Continue OAKS e-Procurement training for existing functionality. With a justified business case, implement the next procurement modules of OAKS. Update processes, procedures, and associated documentation accordingly.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
22	Authorize state to conduct business electronically	Technology	F, E	Y	N

**Background:** Current law does not clearly authorize electronic bidding and forms of electronic notice. An example is a reference to a “sealed copy of each competitive sealed bid” and filing of copies, inferring that a paper bid is required. There are other archaic references in statute that do not accurately reflect the language of electronic procurement. Without clear authorization for electronic procurement, there is some risk of future legal action against the state if it uses electronic procurement.

**Recommendation:** Clarify the statute, allowing DAS to determine acceptable forms of bid responses, including data transmission sent by electronic means. Update the statute to reflect the language currently in use.

**Impact/Benefit:** If used in coordination with Recommendation #21, this will enable more efficient bidding processes, reduce turnaround time, provide more competition, lower costs, and significantly reduce staff time for manual data entry (e.g. bid tabulation sheets).

**Transformation Plan:** This recommendation requires legislative action. If new law is enacted, the next steps are to:

- Create necessary administrative rules, directives, etc. that follow the law change.
- Implement technology to take advantage of new authority (Recommendation #21).

**Accomplish these objectives without compromising product quality, customer service, or supplier diversity objectives.**

Recommendations 23-25 are intended to address the need to maintain and strengthen existing programs which are committed to supplier diversity and supporting Ohio businesses.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
23	Streamline vendor certification processes	Supplier Diversity	E	Maybe	Y

<sup>12</sup> Eric Prior and Clifford P. McCue, “E-Procurement Adoption in Local Governments of the United States,” Penton Media, Inc., *Government Procurement*, Volume 15, No. 1, February 2007, p. 14.

**Background:** Some companies are reluctant to do business with the state due to all of the red tape they must cut through to do business. Procurement processes are complicated and bureaucratic, and they create confusion in the business community. This can limit competition and result in higher prices.

Ohio law provides that any person (e.g. bidder, company, etc.) may compete for supplies and services to be purchased by state agencies. Ohio law also provides that certain groups of competing persons be provided with business opportunities that may not be afforded to all persons wanting to do business with the state. These groups include Minority Business Enterprises (MBEs), specified small businesses and sheltered work centers.

Competing persons within these groups must obtain certification from various governmental entities to qualify to compete for specified purchases. For example, DAS certifies MBEs and certifies small businesses under the Encouraging Diversity, Growth & Equity (EDGE) program. The Ohio Department of Transportation certifies small businesses under federal Disadvantaged Business Enterprise (DBE) program guidelines. Local governments will certify MBEs and small businesses under local preference programs or other applicable guidelines. Such certifications allow competing persons to participate in procurement opportunities administered specifically for these groups.

Many companies have difficulty in determining and locating appropriate governmental entities that provide certification. They become frustrated due to duplication with certifying with multiple entities. Often the competing persons have difficulty reading and understanding bidding documents, terms and conditions and specifications which are not standardized among the different entities.

Complicated, lengthy applications and duplication among the many programs serve as barriers to many companies. Small companies do not have the time to invest in navigating through the bureaucracy. As a result, program participation is reduced and the limited competition leads to increased prices.

Some progress is being made in this area. Recently, the DAS Equal Opportunity Division (EOD) created a unified application for both the EDGE and MBE programs.

**Recommendation:** Make it easier to do business with the state by streamlining these multiple certification processes. Create a “one-stop shop” for certification on the Ohio Business Gateway (OBG).

**Impact/Benefit:** More participation in these programs means lower prices due to increased competition and greater socioeconomic benefit.

**Transformation Plan:**

- Incorporate this recommendation into an executive order, in coordination with Think Ohio First (Recommendation #24).
- Review program application requirements and propose legislation if necessary to eliminate unnecessary information requests.
- Coordinate between DAS/EOD and the OBG to transition the business-facing components of the certification processes to the OBG.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
24	Maximize the volume of purchases through Ohio-based programs	Supplier Diversity	F, A, E	N	Y

**Background:** Ohio law requires competition for most purchases. Exceptions have been created in law for purchases in which the state’s anticipated socioeconomic benefit exceeds the benefit of competition. There are six major set aside and preference programs:

- A. Ohio Penal Industries (OPI): sets aside business to create work hours and teach job skills to Ohioans in correctional institutions.
- B. Office of Procurement from Community Rehabilitation Programs (OPCRP, formerly State Use): set aside business for Ohio companies that employ people with work-limiting disabilities.
- C. Rehabilitation Services Commission, Bureau of Services for the Visually Impaired (BSVI): sets aside business for Ohio companies that employ people with visual impairments.
- D. Minority Business Enterprise (MBE): sets aside business for competition among minority-owned Ohio companies only.
- E. Buy Ohio: requires a price preference for Ohio companies under certain conditions.
- F. Encouraging Diversity, Growth and Equity (EDGE): requires agencies to make a good faith effort to do business with Ohio companies that are socially and economically disadvantaged.

All of these programs foster the employment of Ohioans by creating a demand for supplies and services offered through the programs.

With Buy Ohio or Buy America, as protection increases, so does the likelihood that other states or countries entities will retaliate with similar protection (tariffs, preferences, import restrictions, etc.). Some states already apply a price preference against Ohio companies because of the Buy Ohio law. Despite this risk of retaliatory measures, there is continual legislative pressure to increase the Buy Ohio preference or to create other types of protection for Ohio companies.

Price preferences and set-asides reduce or eliminate competition, which in theory increases prices and reduces value over the long term. Organizations operating in a sheltered environment may become inefficient without the full weight of competitive pressure to adapt and continuously improve.

A portion of the money spent with an Ohio company returns to Ohio in the form of taxes and less reliance on other government programs or public assistance. Although this portion may be difficult to quantify, state government does benefit from purchasing supplies and services from companies and entities that create jobs for Ohioans, as opposed to purchasing from non-Ohio companies.

Ohio has recently launched a “Think Ohio First” initiative that encourages state agencies to maximize their purchasing with Ohio business and industry. As of this report, the initiative is internally targeted for state agencies and has not been created through law or executive order.

**Recommendation:** Maximize the volume of purchases through Ohio-based programs via executive order. To the extent that such contracts are not priced excessively, state government should maximize its contracting with Ohio business and industry. Any statutory pro-Ohio protections should be minimal so as to minimize retaliatory measures from other states. The amount of

business that each agency conducts with Ohio businesses should be tracked and reported regularly on a scorecard, visible to the public.

Any recommendation in this area assumes that the programs listed above are achieving their intended socioeconomic results. It also assumes that performance of these programs is transparent and visible to the public through meaningful, objective performance measures that are regularly updated and visible on the web. Review of these programs is proposed in Recommendation #25.

**Impact/Benefit:** It is intended that this recommendation will create more business for Ohio companies and more return to the state.

**Transformation Plan:** Formally endorse “Think Ohio First” through executive order. Create an Ohio scorecard that measures the Ohio portion of each state agency’s spending. Post scorecard on the web, and update regularly.

	Recommendation	Strategic Imperative	Theme	Legis-lation?	Executive Order?
25	Review set aside and preference programs	Supplier Diversity	A, T, E	N	Y

**Background:** The six programs referenced in this recommendation are described more fully under Recommendation #24.

In some cases the state pays a premium for supplies and services purchased through set aside or preference programs. To the extent that a premium exists, the amount of the premium is intended to be offset by socioeconomic benefits. From the perspective of a state agency wishing to buy a particular item, each program must be considered independently and in series, adding to the complexity of the purchasing process.

It is not readily apparent that the state is deriving the benefits envisioned with the creation of these programs. This is not to say that the anticipated socioeconomic benefits do not exist. Rather, in most cases it is difficult or impossible to tell whether the magnitude of the benefits justifies the set aside.

Despite the scarcity of measurable performance results for the existing programs, there is regular legislative activity to create more preference and set aside programs for new constituencies, or to increase the preference under existing programs.

Ideally, the performance of these programs should be measured and transparent to the public, and the programs should be achieving their intended results.

There are other purchasing preference initiatives that are not addressed in this report. Among those initiatives are environmentally preferable purchasing programs, including topics of recycled-content products, energy efficiency, and sustainability. As with the programs listed above, these initiatives often require awareness and education rather than an investment of additional cost. While worthy of consideration, these programs were not discussed within the limited time available for this panel.

**Recommendation:** Review set aside and preference programs to ensure that they are achieving their intended results. Programs should have meaningful, objective performance measures that are regularly updated and visible on the web. Measurement should include statistics for targeted constituencies, such as jobs, avoided costs for public assistance, etc. Programs which are not able to demonstrate adequate performance should be redesigned or eliminated.

**Impact/Benefit:** This recommendation is intended to demonstrate the value of programs that work, and highlight any issues with programs that do not work. Results posted on the web will provide the public with transparency and accountability.

**Transformation Plan:** This recommendation is most effectively accomplished through executive order. The various programs should be directed to conduct a review that includes, but is not limited to:

- a survey of state agency customers;
- assessment of current status;
- recommendations for improvement; and
- a method of measuring results.

Recommend any necessary changes, including redesign or elimination of programs as necessary. Post relevant performance measures on the web, and update regularly.

# Prioritization & Next Steps

## Prioritization

In order to prioritize its recommendations for implementation, a subgroup of the panel ranked each of its recommendations in two dimensions:

1. **Ease of Implementation**, considering factors such as enterprise-wide complexity, magnitude of change, resistance by affected parties, cost, available resources, necessity of legislation, and likelihood of success.
2. **Benefit**, considering the four themes of flexibility, accountability, transparency, and efficiency, and other factors such as enterprise-wide cost savings, regularity and magnitude of benefit, number of people or entities benefitting, sustainability and permanence of the change, and lack of offsetting negatives.

Recommendations were then ranked in order of highest total score and grouped into priorities:

> 12.5		Priority 1
10 to 12.5		Priority 2
7.5 to 10		Priority 3
5 to 7.5		Priority 4
< 5.0		Priority 5

The results are tabulated in Figure 3 and graphically plotted in Figure 4.

## Next Steps

Some recommendations require legislation, some are best accomplished through executive order, and some require neither. The following approach is recommended:

1. Draft necessary legislation: group all items requiring legislative change into a single procurement reform package for consideration of the legislature.
2. Draft executive order: group all items requiring an executive order into a single procurement reform package for consideration of the Governor.
3. Begin implementation of other items in priority order, at an aggressive pace determined by available resources.

The two highest ranking recommendations, #10 - Leverage More Centralized Spending and #11- Implement Strategic Sourcing Concepts do not require legislation or an executive order. The state’s recently completed spend analysis has created a road map implementing these recommendations by focusing on specific categories of spending, in a prioritized “wave plan.” The study recommends that the state begin rebidding contracts in three waves of eight to ten categories each. Each category represents \$200-250 million in annual spending.<sup>13</sup>

The state should move quickly to establish commodity teams, using the recently completed spend analysis, to source categories of supplies and services according to the wave plan. Many of the other recommendations support and complement the implementation of strategic sourcing.

<sup>13</sup> State of Ohio Spend Assessment.

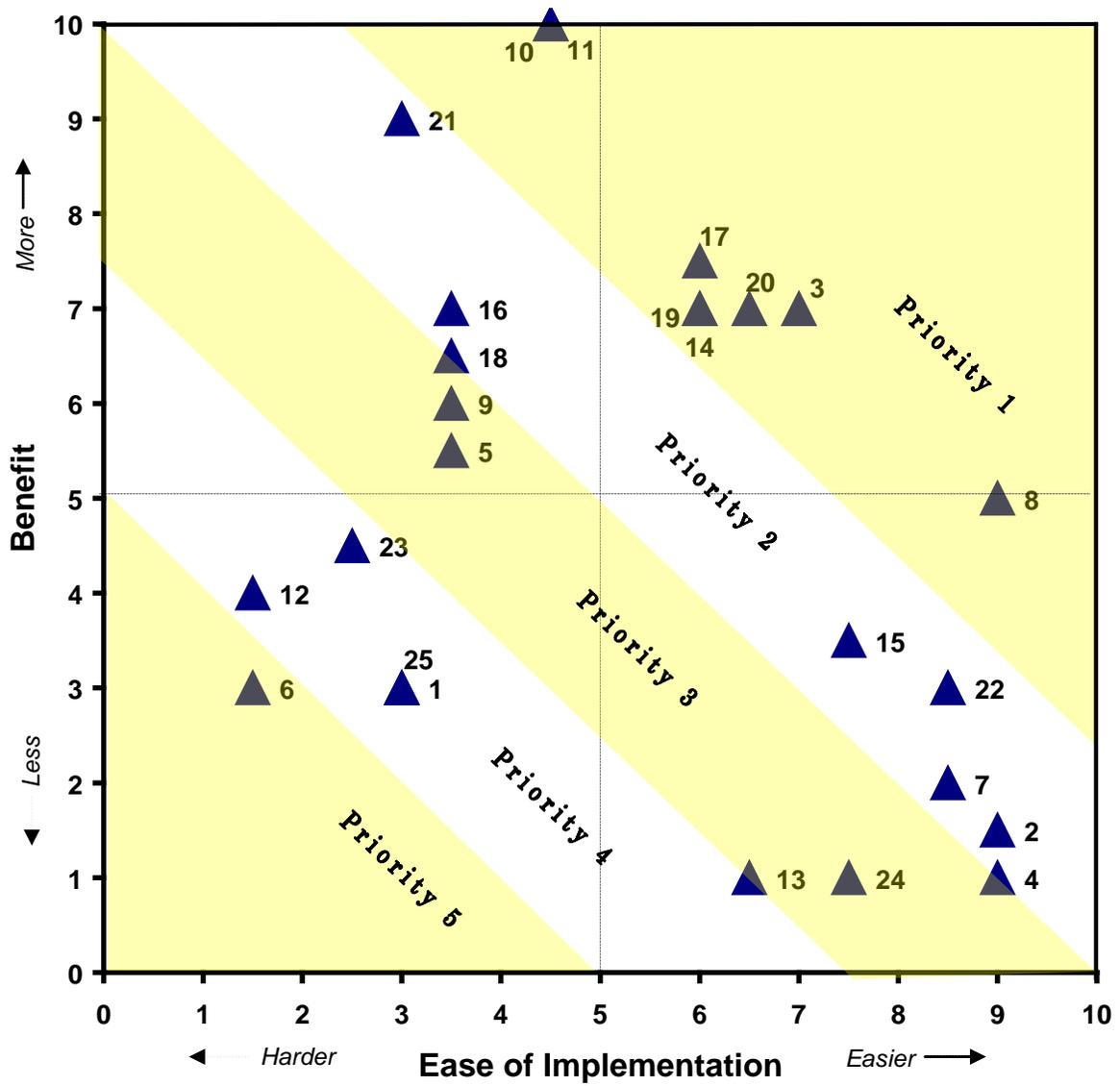
**Other Topics**

During the discussion, the panel tabled some topics as being worthy of further consideration, but outside the scope this effort. Among the most noteworthy topics was procurement of construction. It is recommended that the state undertake a similar panel to study this topic.

*Figure 3: Table of Prioritization according to Ease of Implementation and Benefit*

No.	Recommendation	Ease	Benefit	Score	Priority
10	Leverage more centralized spending	4.5	10	14.5	1
11	Implement strategic sourcing concepts	4.5	10	14.5	
3	Authorize negotiation with vendors	7	7	14	
8	Reset purchasing thresholds and allow adjustments	9	5	14	
17	Establish chief procurement officers in agencies	6	7.5	13.5	
20	Consolidate contract advertisements & improve vendor communication	6.5	7	13.5	
14	Employ commodity manager model	6	7	13	
19	Create a purchasing scorecard and metrics	6	7	13	
21	Expand utilization of electronic procurement	3	9	12	2
22	Authorize state to conduct business electronically	8.5	3	11.5	
15	Modify Controlling Board procedures	7.5	3.5	11	
16	Require professional certification for procurement staff	3.5	7	10.5	
7	Expand cooperative purchasing agreements	8.5	2	10.5	
2	Authorize emergency purchases in the event of contractor default	9	1.5	10.5	
18	Actively manage supplier relationships	3.5	6.5	10	3
4	Make it easier to procure Homeland Security items	9	1	10	
9	Require previously exempted agencies to use competitive selection	3.5	6	9.5	
5	Clean up inconsistent, ambiguous & inefficient sections of law	3.5	5.5	9	
24	Maximize the volume of purchases through Ohio-based programs	7.5	1	8.5	
13	Protect trade secret information	6.5	1	7.5	4
23	Streamline procurement certification processes	2.5	4.5	7	
1	Redefine competitive selection and allow delegated authority	3	3	6	
25	Review set aside and preference programs	3	3	6	
12	Standardize, simplify & reduce bidding documents	1.5	4	5.5	
6	Evaluate and/or eliminate central warehousing system	1.5	3	4.5	5

Figure 4: Chart of Prioritization According to Ease of Implementation & Benefit



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- *Ohio State University*