

APO MEETING



July 12, 2012

PLEASE REMEMBER TO SIGN IN

Agenda Overview

Welcome

Gretchen Adkins, Chief Procurement Officer
Department of Administrative Services
Office of Proc. Svcs. – General Services Division

Procurement Processes

Jean Stephenson, State Purchasing Contracts Manager
Office of Proc. Svcs. – General Services Division

Contract Compliance

Kellie Johnson, State Purchasing Specialist
Office of Proc. Svcs. – General Services Division

Spend Analysis

Julie Trackler, Executive Assistant to the Director
Department of Administrative Services

Roundtable Discussion

- **Declaration Regarding Material Assistance/Non-Assistance to a Terrorist Organization (DMA)**
- **Agency Procurement Officers-Roles and Responsibilities**
- **Event Planning and Conference Services**

Procurement Processes

Jean Stephenson, CPPO

State Purchasing Contracts Manager

Office of Procurement Services

Today's presentation:

1. The Request to Purchase (RTP) Process
 - DAS Review and Determination
 - Agency's Direct Purchase Requirements
2. Request for Waivers from Mandatory Contracts

The Request to Purchase (RTP) Process

The Request to Purchase (RTP) Process

Agency has Direct Purchase Authority if....

- ✓ It is exempt from DAS; or
- ✓ The specific purchase is exempt from DAS (blanket release and permit); or
- ✓ Cost is less than \$50,000; and
- ✓ Purchase will not result in cumulative total spend exceeding \$50,000 with vendor in the fiscal year

The Request to Purchase (RTP) Process

When?

If the Agency-needed purchase estimate exceeds Direct Purchasing Authority (\$50,000) and:

- Need cannot be met through State resources
- Need is not met through an existing DAS contract

The Request to Purchase (RTP) Process

How ?

- Agency initiates request using on-line RTP form
Note: Vendors are not to submit forms or letters
- Office of Procurement Services receives RTP and determines best procurement method
- Office of Procurement Services advises Agency through email of the determination

The Request to Purchase (RTP) Process

What?

DAS reviews the purchase request to determine the best procurement method:

Step 1. State Agency Resources?

- Ohio Penal Industries
- Community Rehabilitation Program
- Dept of Mental Health, Office of Support Services
- Rehabilitation Services Commission

If not available from a State resource ...

The Request to Purchase (RTP) Process

Step 2. Existing DAS Contracts?

- Supplies and Services
- Printing Services
- Technology Supplies and Services
- Some contracts are required (mandatory) and some are for optional use

If not available from existing DAS contract ...

The Request to Purchase (RTP) Process

Step 3. Establish a new DAS Contract?

- Competitive Bid/RFP
 - Invitation to Bid (ITB) ... lowest responsive and responsible bidder
 - Reverse Auction ... prices decrease as bidding continues
 - Request For Proposal (RFP) ... best value

The Request to Purchase (RTP) Process

- Negotiated contracts:
 - State Term Schedule (STS)
 - Master Maintenance Agreements (MMA)

These price schedules are negotiated and may be based upon:

- Similarly situated, most favored customer pricing
- Other competitively bid contracts from state or local consortiums, etc.

Evaluation and Awards

Some considerations required by law related to contract awards:

- Buy America and Buy Ohio preferences
- Recycled content
- Minority Business Enterprise (MBE)
- Encouraging Diversity Growth and Equity (EDGE)
- Bio-based content

The Request to Purchase (RTP) Process

Step 4. Grant a Waiver of Competitive Bidding to the Agency (Release and Permit)?

- DAS may determine the request is not conducive to a competitive bid or negotiated contract through DAS.
- Agency must seek approval from the Controlling Board

The Request to Purchase (RTP) Process

Factors DAS considers in granting a R & P:

- Agency demonstrated ability and specialized knowledge in procurement
- Availability of resources in DAS
- Economy and efficiency
- Timeline constraints

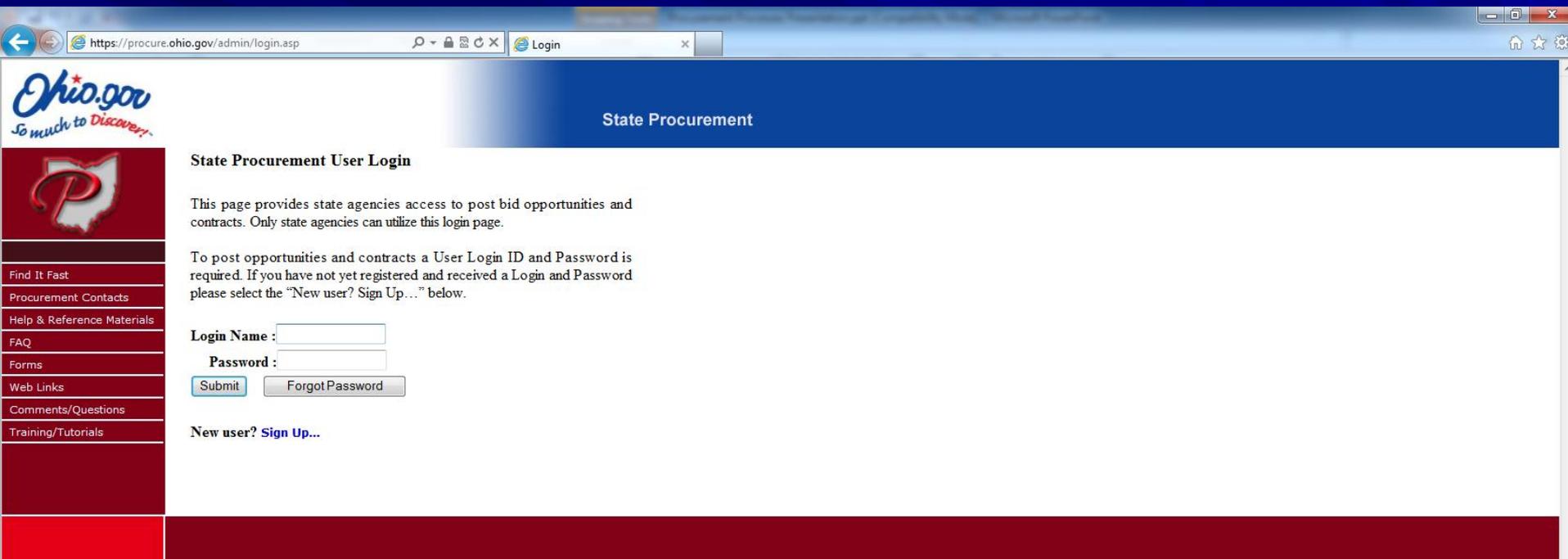
Agency Direct Purchases

Executive Order 2008-12S and O.R.C. 125.112 requires Agencies to post opportunities and contracts on the web:

- All contract opportunities over \$25,000
- All current contracts over \$25,000
- Posting of low-dollar procurement opportunities are encouraged

Agency Direct Purchases

- Posting Opportunities and Contracts on the web:
- <http://procure.ohio.gov/admin/login.asp>



The screenshot shows a web browser window with the URL <https://procure.ohio.gov/admin/login.asp>. The page features the Ohio.gov logo with the tagline "So much to Discover!" and a large red "P" icon. The main heading is "State Procurement" and the sub-heading is "State Procurement User Login".

This page provides state agencies access to post bid opportunities and contracts. Only state agencies can utilize this login page.

To post opportunities and contracts a User Login ID and Password is required. If you have not yet registered and received a Login and Password please select the "New user? Sign Up..." below.

Login Name :
Password :

New user? [Sign Up...](#)

The left sidebar contains a list of navigation links: Find It Fast, Procurement Contacts, Help & Reference Materials, FAQ, Forms, Web Links, Comments/Questions, and Training/Tutorials.

Agency Direct Purchases

- Advantages of posting your procurement opportunities and contracts on the web...
 - Increase sources
 - Vendor outreach / project exposure
 - Control you own Q & A
 - Flag MBE and EDGE procurement opportunities

Request for Waivers from Mandatory Use Contracts

Request for Waivers from Mandatory Use Contracts

- Mandatory contracts...All state agencies shall use
- Failure to do so?...May place the State in breach of contract

The Request to Purchase (RTP) Process

DAS mandatory contract types:

- Agency Specific Contracts
- General Distribution Contracts (GDC)
- Limited Distribution Contracts (LDC)
- Multiple Award Contracts (MAC)

Request for Waivers from Mandatory Use Contracts

Agency may determine that a Contractor is unable to meet their needs:

- Specifications
- Terms

Agency may request a waiver from DAS to purchase their goods or services from another provider

Request for Waivers from Mandatory Use Contracts

What is the process?

Agency submits request in writing (email is acceptable) to the contract analyst with the following information:

1. Reason for waiver
2. Time frame the waiver will be needed
3. Index number
4. Contract number
5. Description of all goods/services for which the request is being made

Request for Waivers from Mandatory Use Contracts

The Process continued....

6. An explanation of the circumstances that is generating the request
7. The alternate company that is being proposed
8. Cost associated for all required goods/services

Request for Waivers from Mandatory Use Contracts

OPS will review the request and provide a letter of determination to the Agency

If Approved, the letter will contain:

- The duration of time for which the waiver is granted
 - Description of approved goods/services authorized by the waiver
- ✓ If Denied, the letter will indicate this determination

Questions



Complaint to Vendor (CTV) Process and Vendor Performance Surveys

Kellie Johnson
State Purchasing Specialist

Office of Procurement Services

Complaint to Vendor

- Used to formally notify OPS of non-performance by a contractor
- The CTV process is used only for DAS issued contracts
- Direct purchases remain the responsibility of the Agency

Complaint to Vendor

- Should only be used by the Agency after all attempts to resolve have failed
- DAS uses all legal remedies to resolve the compliance issues on behalf of the Agency.
- The vendor is always given a chance to cure or remedy before other more severe measures are taken.

Examples of Non-Compliance

Goods

- Unauthorized product substitutions
- Alteration of the contract pricing
- Late or damaged shipments

Service Contracts

- Late arrivals, no-shows or unqualified workers
- Inadequate staffing levels
- Unauthorized use of sub-contractors

Procedure

- OPS contacts Agency and vendor
- Works with vendor to cure issues
- Monitor the resolution until Agency is satisfied
- Close CTV

Resolution

If a vendor is unable to cure and found in non compliance OPS will:

- Notify the vendor in writing of default.
- The contract will be cancelled.
- OPS will determine if damages are applicable.

Procurement Website

All CTV's are submitted via the procurement website:

www.procure.ohio.gov

Questions



Vendor Performance Survey

Provides agencies a tool to submit updates to OPS on the vendor's performance.

Reasons to Submit Survey

- Positive performance by the vendor
- OPS Request
- Resolved non-performance issues (on state contracts and direct purchases)

How are they used?

- To Determine vendor responsibility on future contract awards
- Compliance/Ongoing performance
- Contract renewals

Procurement Website

All Performance surveys are downloaded from procurement website:

www.procure.ohio.gov

Questions



BREAK



15 MINUTES

QUESTIONS?



Roundtable Discussion

- Declaration Regarding Material Assistance/Non-Assistance to a Terrorist Organization (DMA)
- Agency Procurement Officers-Roles and Responsibilities
- Event Planning and Conference Services

***WHAT QUESTIONS OR
CONCERNS
DO YOU HAVE?***



**Declaration Regarding Material Assistance/Non-Assistance
to a Terrorist Organization (DMA)**

House Bill 487

**Eliminates Declaration of Material Assistance
Forms**

Effective 9/10/12

Declaration Regarding Material Assistance/Non-Assistance to a Terrorist Organization (DMA)

- Continuing Obtaining DMA Forms
- Additional Communication Coming Later This Month.

Executive Order 2008-12S

Executive Order which established
Agency Procurement Officers (APO) and
their responsibilities.

Highlights of the APO Responsibilities

- Serve as the entity's procurement contact
- Communicate needs for supplies and services to the State Chief Procurement Officer
- Ensure that procurement personnel are properly certified and trained
- Maximize competition and minimizing waivers of competitive selection (R&P)
- Ensure that vendors are paid promptly and that prompt payment discounts are being taken advantage of
- Disseminate best practice information to individuals involved in procurement

QUESTIONS?



Next APO Meeting

February 2013

GSD-Willow/Walnut Conference Room



Thank You for Attending!!



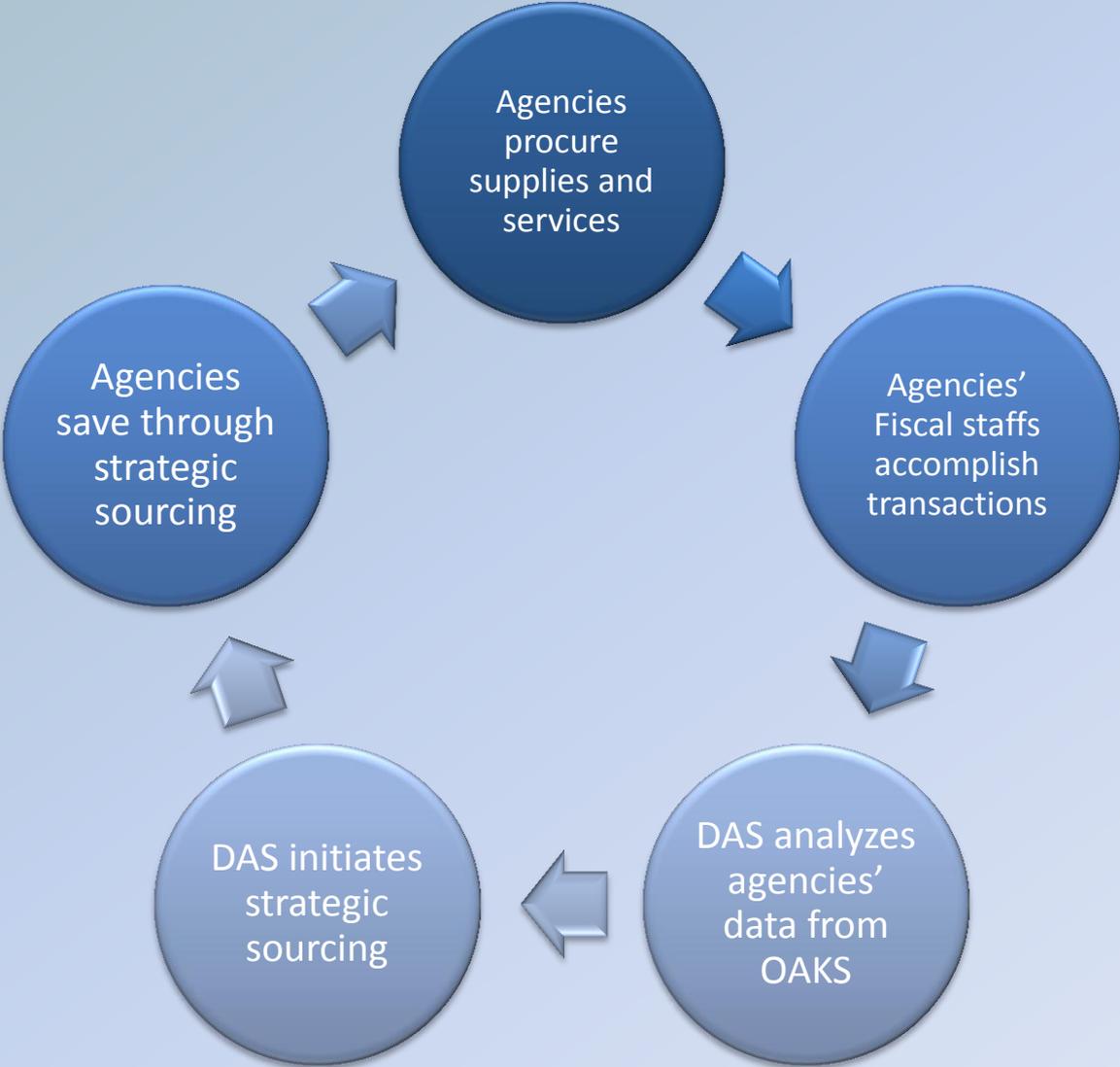
Standardization of Spend Analysis Data

July 12, 2012

Problem Statement

- OAKS FIN procure-to-pay data contains defects
- Defective data impacts validity of the data sets
- Data sets are not reliable for spend analyses
 - Defective data cannot be omitted from the data sets
 - Incomplete data sets result in adverse and unreliable spend analysis findings
- Inaccurate data sets may result in costly strategic sourcing decisions.

Customer Interdependencies



Six Sigma Project

Practical Problem



Statistical Problem



Statistical Solution



Practical Solution

Our analyses

Studying a year's worth of data across a spend category



Category (UNSPSC) Codes

Requisitions

Purchase Orders

Vouchers

Contract usage



Account Codes

PO Vouchers

Debit Vouchers

P-card Vouchers

Contract usage



Survey to gain users' perspectives

UNSPSC Codes

Account Codes

Resources

Training

High-level observations

- Defects exist in the data and must be mitigated
- The current UNSPSC coding system is extensive
- Users want more descriptive Account codes
- There is no obvious consequence for entering an incorrect UNSPSC code
- Users are unknowingly contributing to the volume of defective data:
 - By entering incorrect codes (UNSPSC and Account codes)
 - By not populating the contract field
 - By not populating the UNSPSC field
- Direct and p-card purchases made from a non-state contract results in non-descriptive data that is unusable for spend analyses

Candidates for strategic sourcing

Prior studies have determined that there are many categories that are candidates for strategic sourcing. They are:

IT Software

IT Hardware

IT Services

Telecom Services

Temporary Labor

Office Equipment

Office Supplies

Furniture

Cleaning Supplies

Pharmaceuticals

Fleet

Utilities/Natural Gas

Food

Small Parcels

Clothing

Facilities – Security Services

Facilities – Waste Removal

Cafeteria Services/Supplies

\$81.5 million saved, to date

What is a defect (error)?

- Our project definition:
 - For purposes of strategic sourcing, a “defect” is defined as data that weakens the accuracy of our statewide data
- Six Sigma project definitions:
 - A “defect” is defined as anything outside of customer specifications
 - An “opportunity” is the total quantity of chances for a defect
 - DPMO = Defects Per Million Opportunities

What is a Contract coding defect?

- A state contract is used – but the contract number isn't entered in the requisition, purchase order or voucher
- A state contract is used – and an incorrect contract number is entered

What is a UNSPSC (Category) Code defect?

- A non-clothing UNSPSC code is entered when a clothing purchase is made
- A clothing UNSPSC code is entered when a non-clothing purchase is made
- No UNSPSC code is entered

What is an Account Code defect?

- A non-clothing account code is used when a clothing purchase is made
- A clothing account code is used when a non-clothing purchase is made

Account Codes - Clothing

OAKS	DESCRIPTION
CATEGORY 520	SUPPLIES AND MAINTENANCE
CLASS 5210	SUPPLIES, MATERIALS & MINOR EXPENDITURES
1. 521701	WEARING APPAREL EMPLOYEES
2. 521702	WEARING APPAREL-PATIENT&INMATE
3. 521703	WEARING APPAREL/VOLUNTEERS
4. 521704	WEARING APPAREL/EMPL ID-DNR&DHS
CATEGORY 520	SUPPLIES AND MAINTENANCE
CLASS 5260	MAINTENANCE & REPAIRS
5. 526115	CLOTHING MAINTENANCE-ST EMPLOY
6. 526117	CLOTHING MAINTENANCE PINW
CATEGORY 520	SUPPLIES AND MAINTENANCE
CLASS 5270	RENTALS
7. 527600	WEARING APPAREL-RENTAL
CATEGORY 550	SUBSIDIES & SHARED REVENUE
CLASS 5500	SUBSIDIES & SHARED REVENUE
8. 550101	ST ASSIST-NON-TAX-CLOTHING-JFS
CATEGORY 560	GOODS & SERVICES FOR RESALE
CLASS 5600	GOODS FOR RESALE (PASS-THROUGH CHARGES)
9. 560505	WEARING APPAREL(RPTC)

UNSPSC Codes - Clothing

168 available
UNSPSC Codes for
Clothing

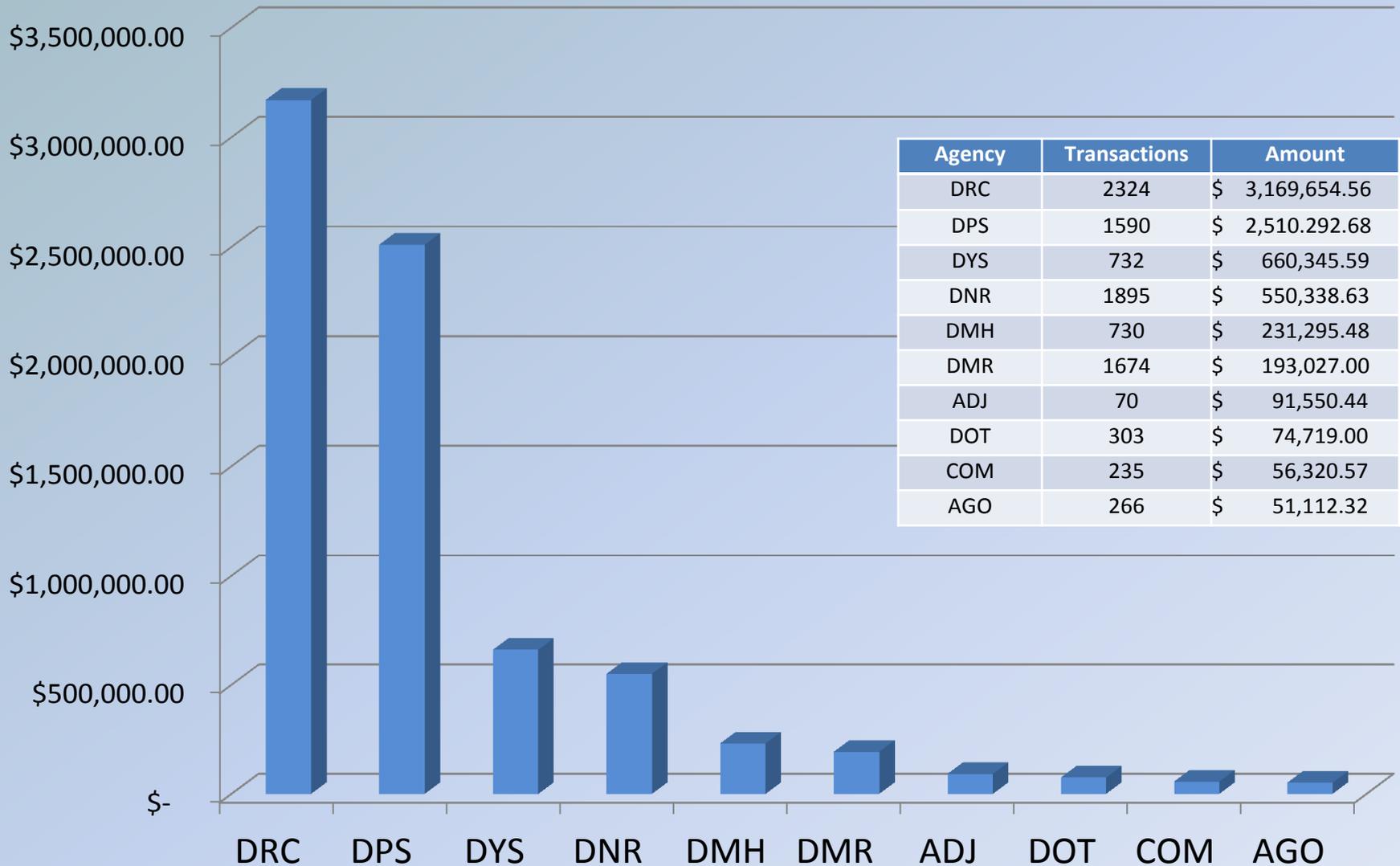
<u>UNSPSC Code</u>	<u>UNSPSC Code Description Name (used by State of Ohio)</u>
53000000	Apparel, Luggage Personal Care
53102900	Athletic wear
53102900	Athletic wear
53111500	Boots
53100000	Clothing
53102500	Clothing accessories
91101800	Clothing rental
60105800	Clothing, textile design instr
53101800	Coats and jackets
53103200	Disposable Clothes
53102000	Dresses, skirts, saris, kimono
53110000	Footwear
53102400	Hosiery
42130000	Medical apparel, textiles
42132200	Medical gloves, accessories

42131600	Medical staff clothing, relate
53102100	Overalls and coveralls
53102100	Overalls and coveralls
42131500	Patient clothing
46181500	Safety apparel
46181600	Safety footwear
53111800	Sandals
53101600	Shirts and blouses
53111600	Shoes
53101500	Slacks and trousers and shorts
53111700	Slippers
53101700	Sweaters
53103000	Tshirts
53102300	Undergarments
53102700	Uniforms
53103100	Waistcoats

Annual Clothing Spend

- State government spend: \$7,802,541.36
- Purchases that:
 - Reference a DAS contract \$4,662,241.00
 - Do not reference a DAS contract \$3,140,300.36
- # of vouchers: 11,933

Top 10 Agencies - Clothing Spend



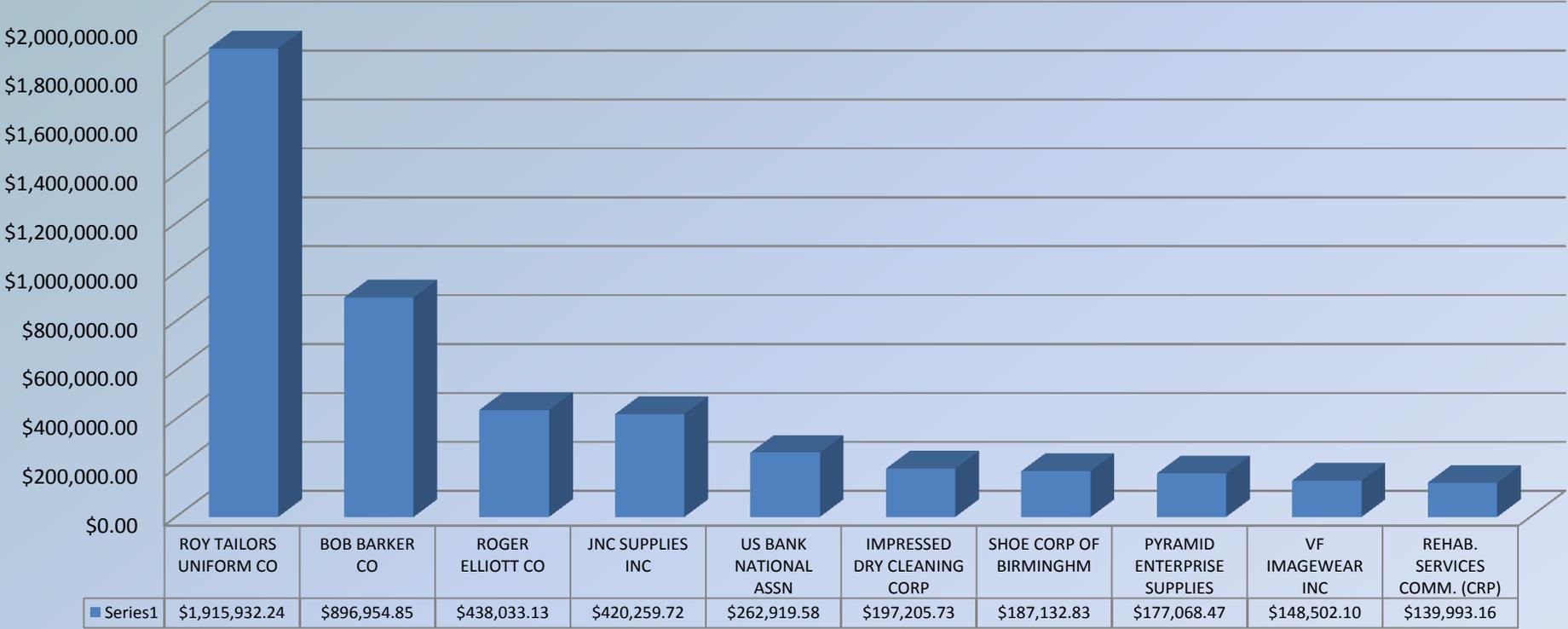
Vendors – clothing category

38 - state contract

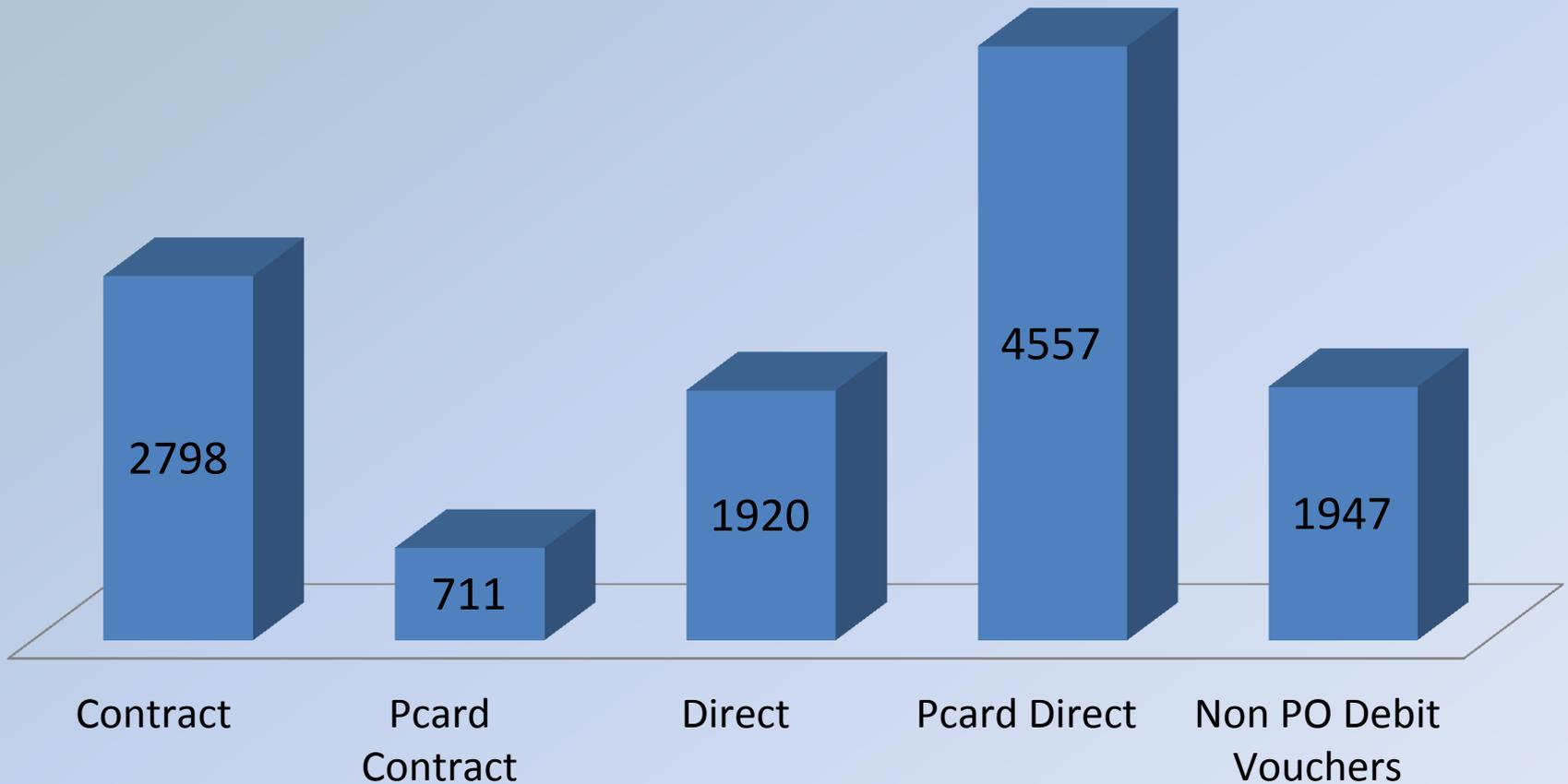
+ 596 - non-state contract

634 – total vendors

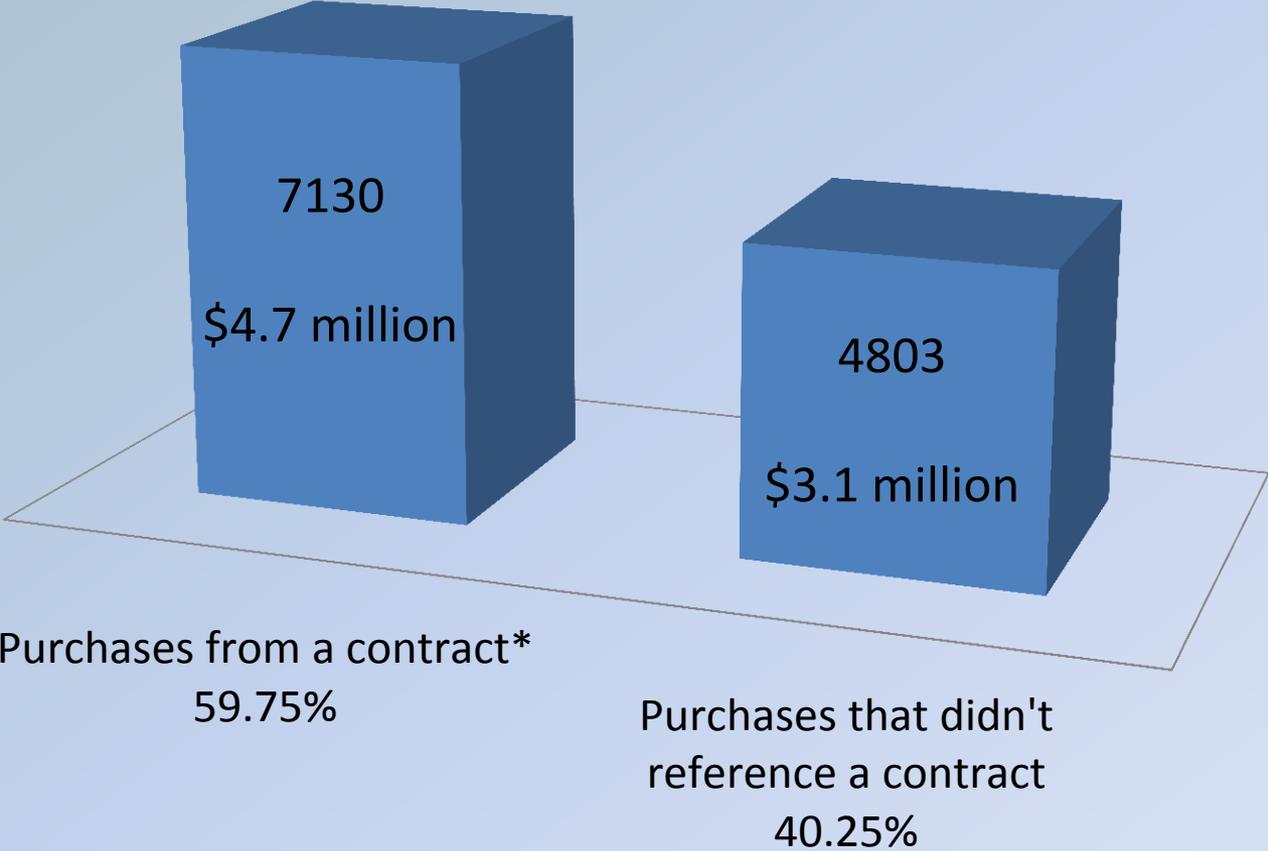
Top clothing vendors – by state spend



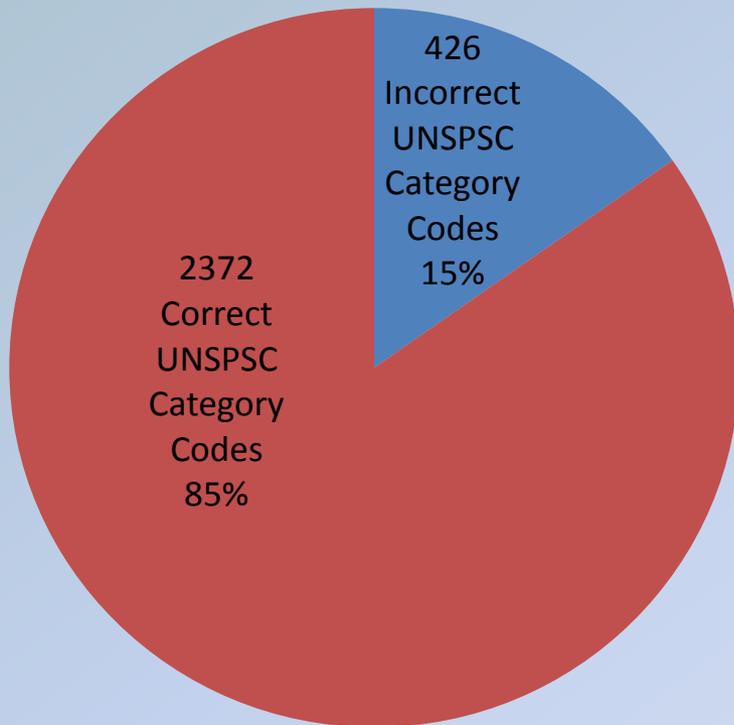
Clothing Transactions by Procurement Method



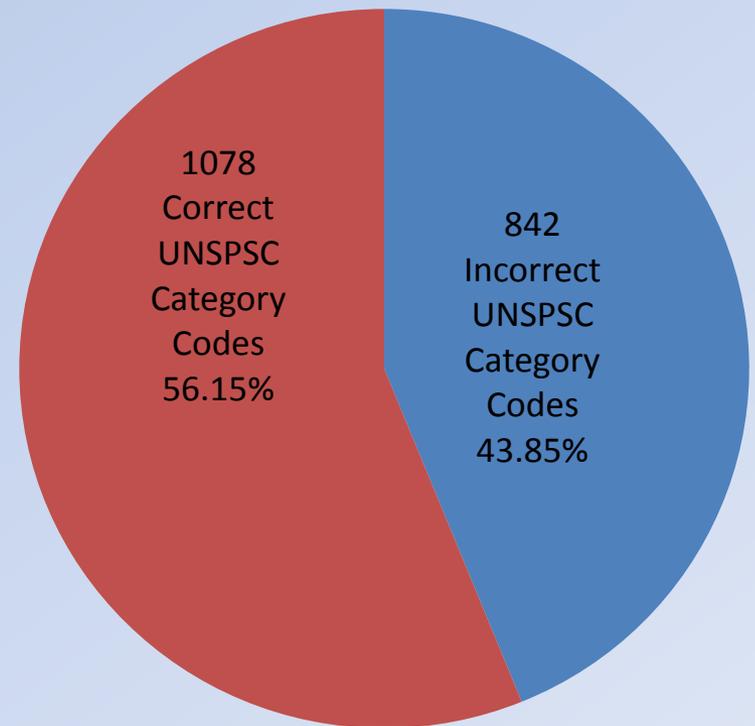
Use of DAS Contracts - Clothing



Effect of Procurement Method on UNSPSC (Category Codes)



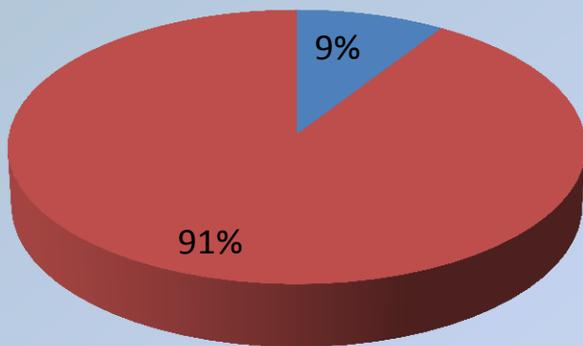
Contract Spend



Direct Spend

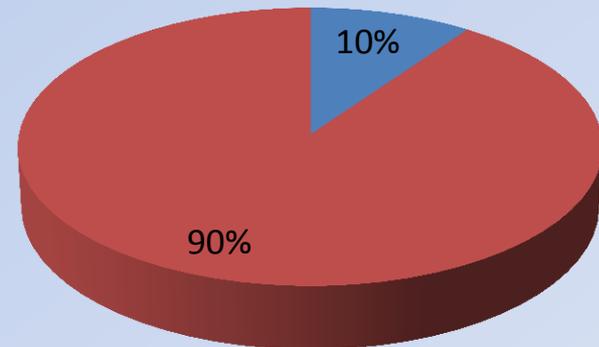
Effect of Procurement Method on Account Code

On Contract



- Incorrect Account Code (\$382,341.16)
- Correct Account Code (\$3,816,387.82)

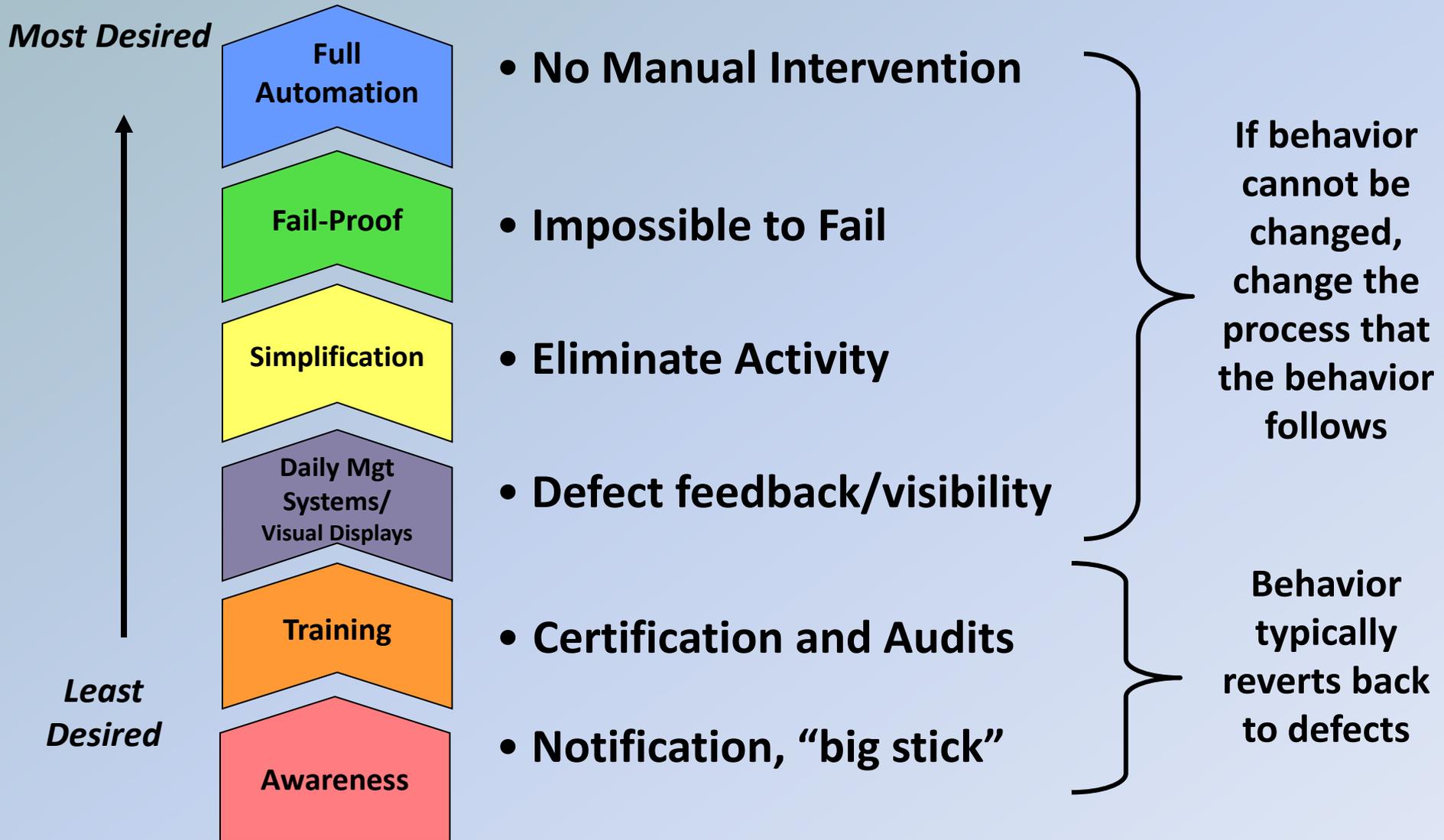
Direct Spend



- Incorrect Account Code (\$185,897.74)
- Correct Account Code (\$1,703,481.40)

Fix It

So that we don't have to "fix" the problem again...



What is “clothing?”

Top UNSPSC Codes used in clothing data

Category Code	Category Descr	# of transactions
91101800	Clothing rental	873
53102700	Uniforms	683
53100000	Clothing	562
47111700	Dry cleaning equipment	455
53101500	Slacks and trousers and shorts	407
91100000	Personal appearance	211
53101600	Shirts and blouses	187
53111600	Shoes	135
53102300	Undergarments	135
91111500	Laundrying services	124
53103000	T shirts	111
10000000	Live Plant and Animal Material	94
76000000	Industrial Cleaning Services	89
53102500	Clothing accessories	74
53101800	Coats and jackets	66
53102400	Hosiery	61
53111500	Boots	45
53102900	Athletic wear	31
81141800	Facilities management	26

Examples of incorrect UNSPSC Codes found in clothing data

- Art design services
- Assembly services
- Bandages & dressings
- Beds
- Communication devices
- Collectibles
- Fabric & leather protection
- Freight container
- Hardware
- Identification documents
- Jewelry
- Lamps & light bulbs
- Live plant & animal material
- Mailing services
- Misc. Agriculture
- Personal care products
- Signage
- Tape
- Target games & equipment
- Transport. Svcs. equipment

UNSPSC = OAKS Category Codes

Level	Count	Digits	Example
• Segment	56	2	xx000000
• Family	420	4	xxxx0000
• Class	3,819	6	xxxxxx00
• Commodity	49,022	8	xxxxxxxx

Extensive User Population with the Freedom to Choose

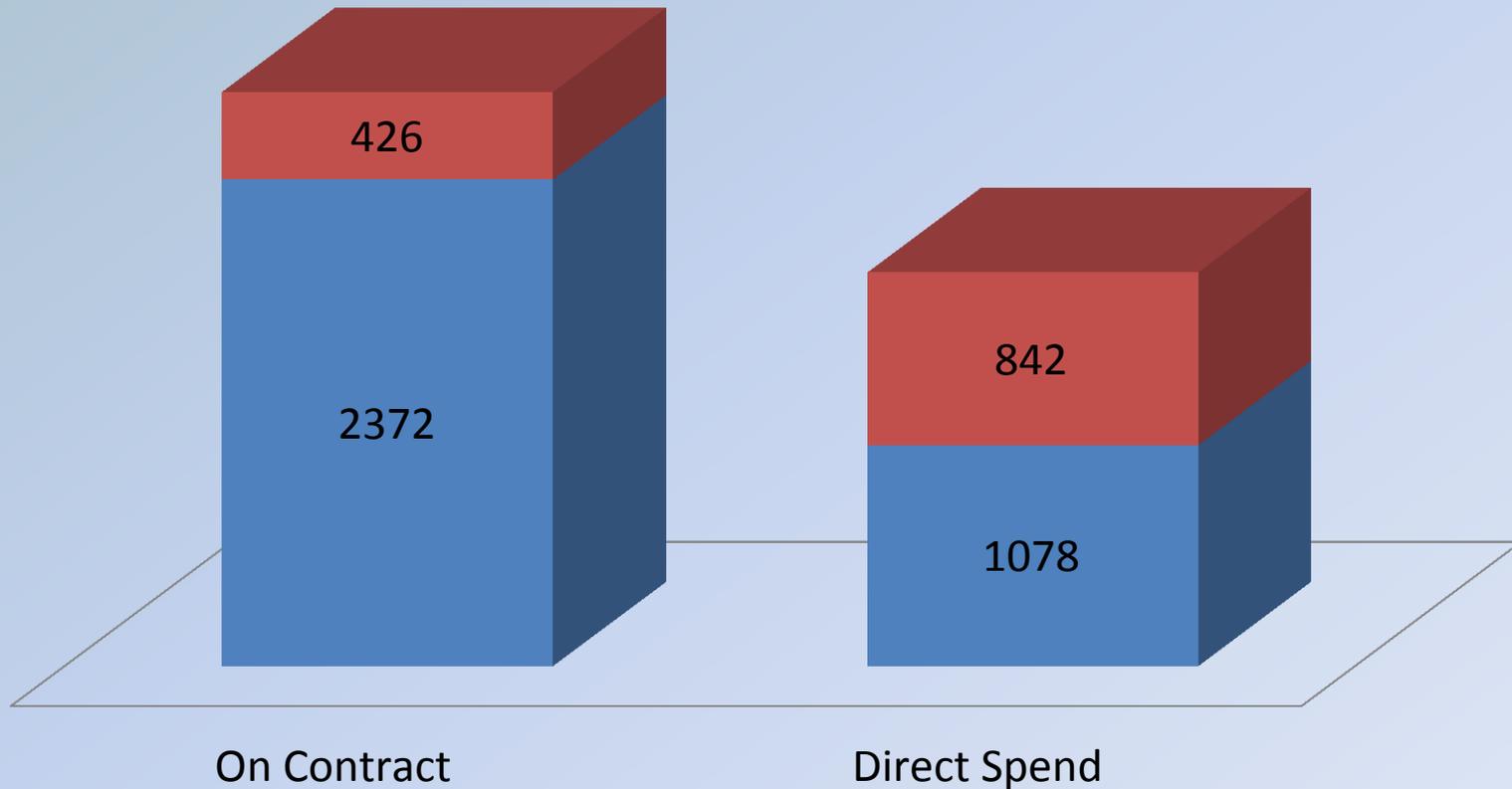
1,515 - Procure-to-pay users

x 3,819 - UNSPSC code choices

5,785,785 - Opportunities for errors

UNSPSC Defects by Procurement Method

■ Correct UNSPSC Code ■ Incorrect UNSPSC Code



UNSPSC (Category) Codes

Question:

Should we broaden our interpretations of what we define as “clothing?”

Examples of incorrect UNSPSC Codes found in clothing data

- Art design services
- Assembly services
- Bandages & dressings
- Beds
- Communication devices
- Collectibles
- Fabric & leather protection
- Freight container
- Hardware
- Identification documents
- Jewelry
- Lamps & light bulbs
- Live plant & animal material
- Mailing services
- Misc. Agriculture
- Personal care products
- Signage
- Tape
- Target games & equipment
- Transport. Svcs. equipment

Beds



Lamps & Light Bulbs



Target Games and Equipment



Bandages & Dressings





Yes!

Yes!
Bandages are clothing!



Freight Container



Live Plant and
Animal Material
UNSPSC: 1000000000



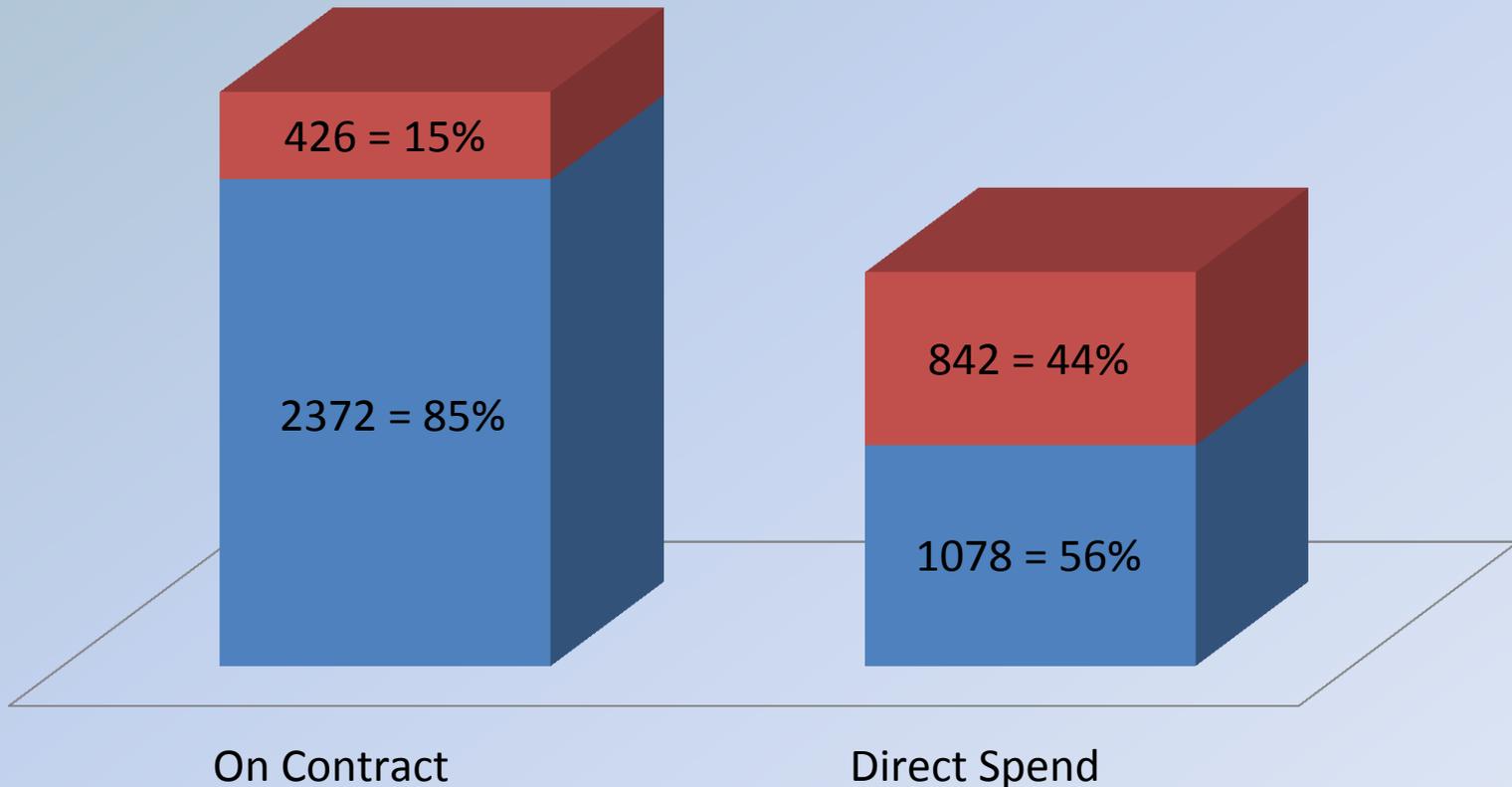
Jewelry



I pity the fool
who tries to use this
clothing data!

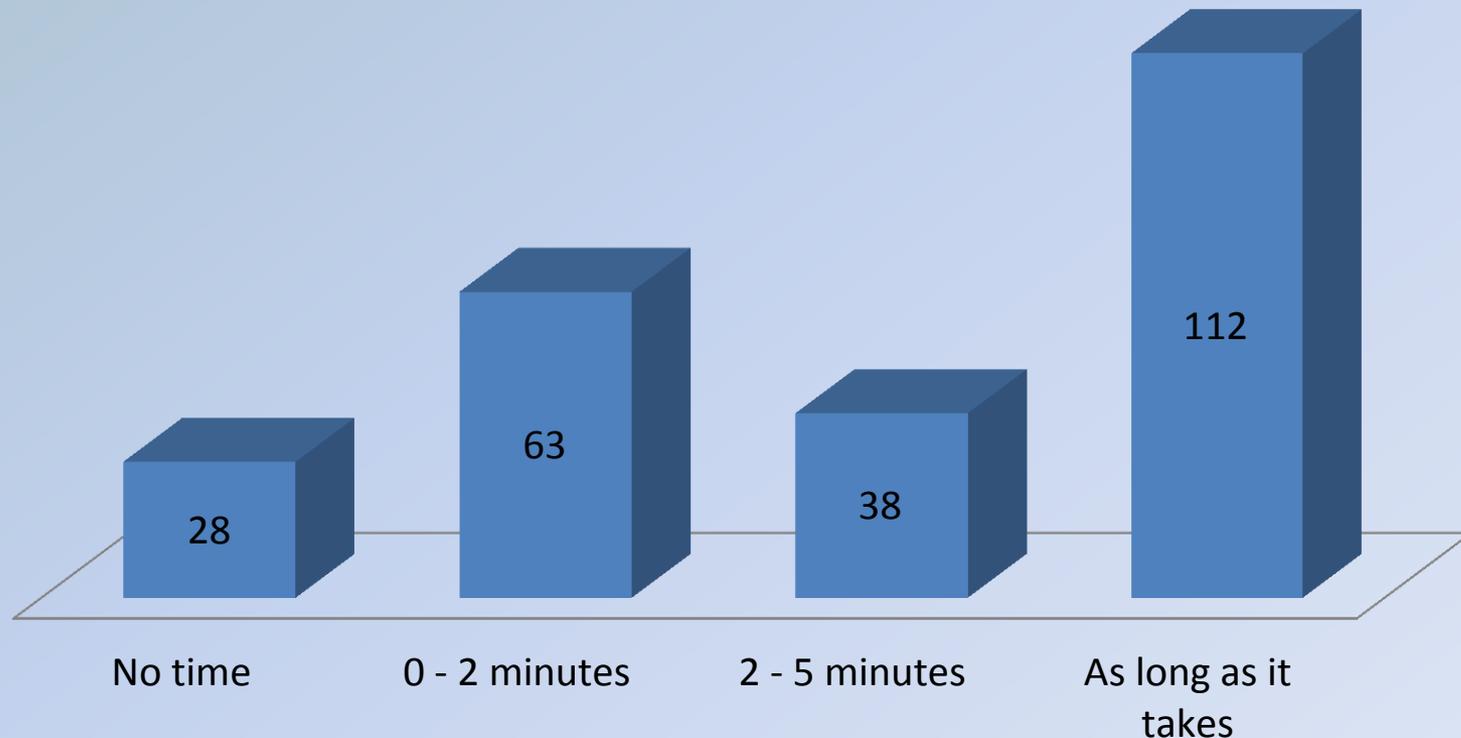
UNSPSC Defects for Clothing by Procurement Method

■ Correct UNSPSC Code ■ Incorrect UNSPSC Code



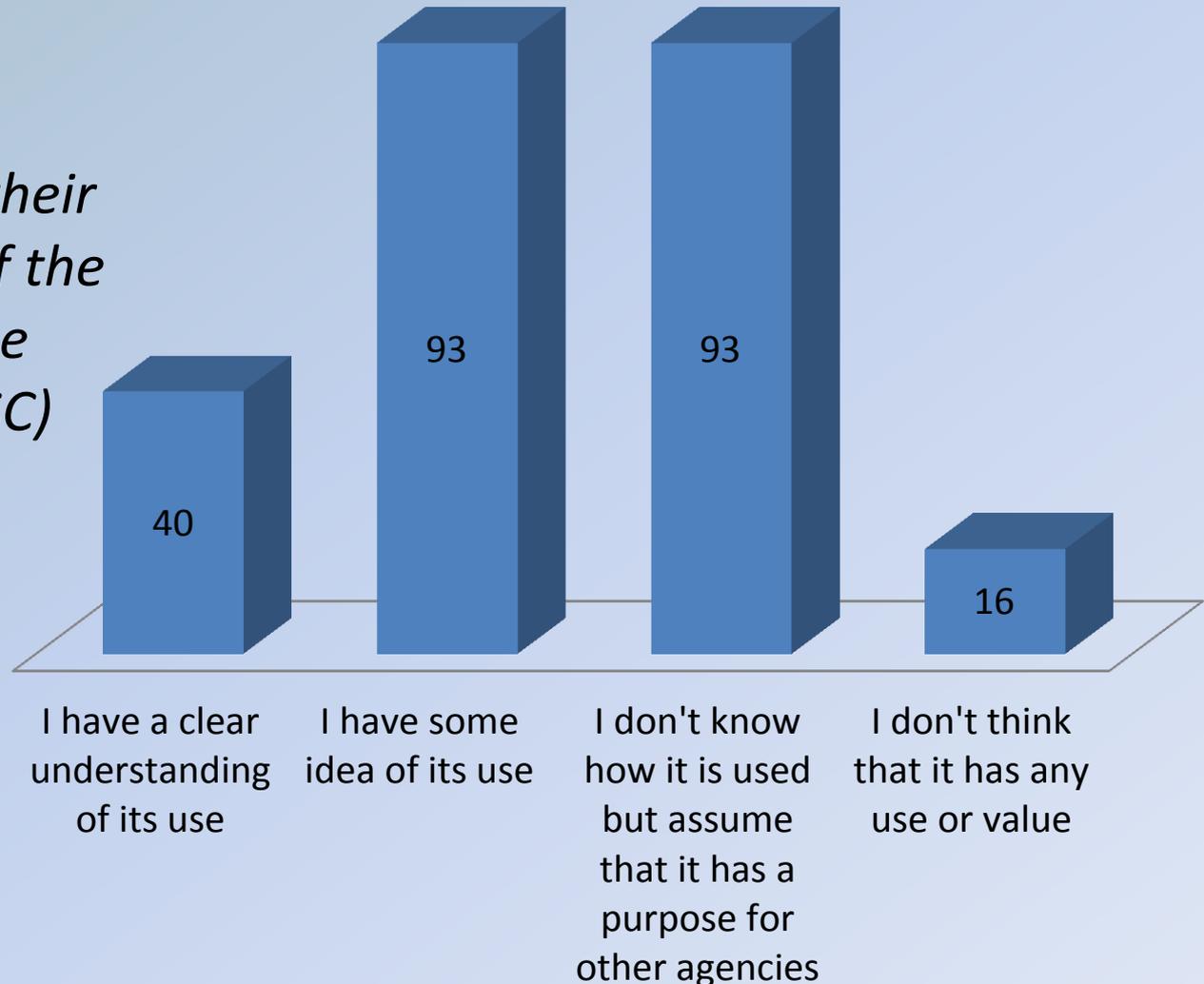
Tolerance for searching for the correct UNSPSC Code

On average, requisitioners search for the category (UNSPSC) code before entering it into OAKS for:



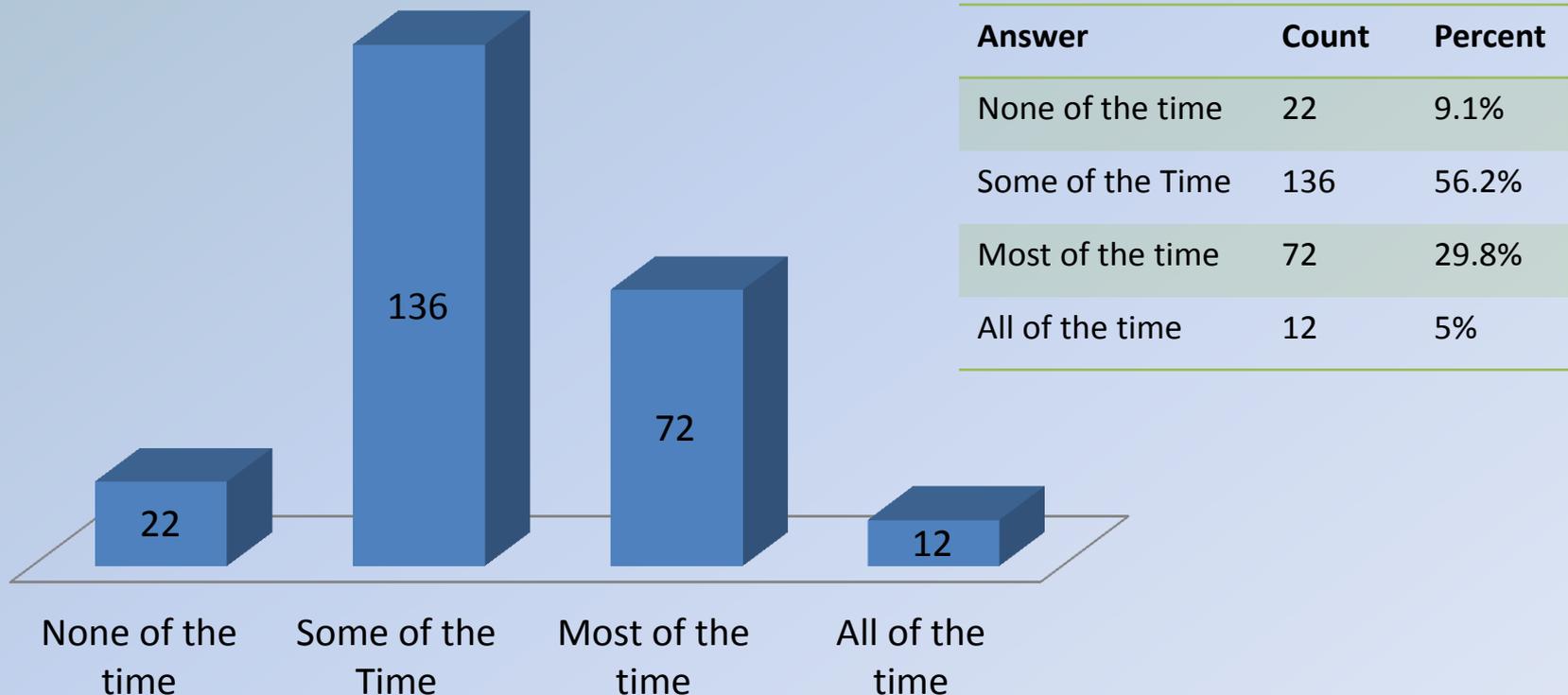
Purpose of UNSPSC Code in OAKS

Requisitioners responded that their understanding of the use/benefit of the category (UNSPSC) code can be best described as:



Finding the correct UNSPSC code

Requisitioners indicate that they experience difficulty in finding a category (UNSPSC) code that accurately describes the item that they're procuring:



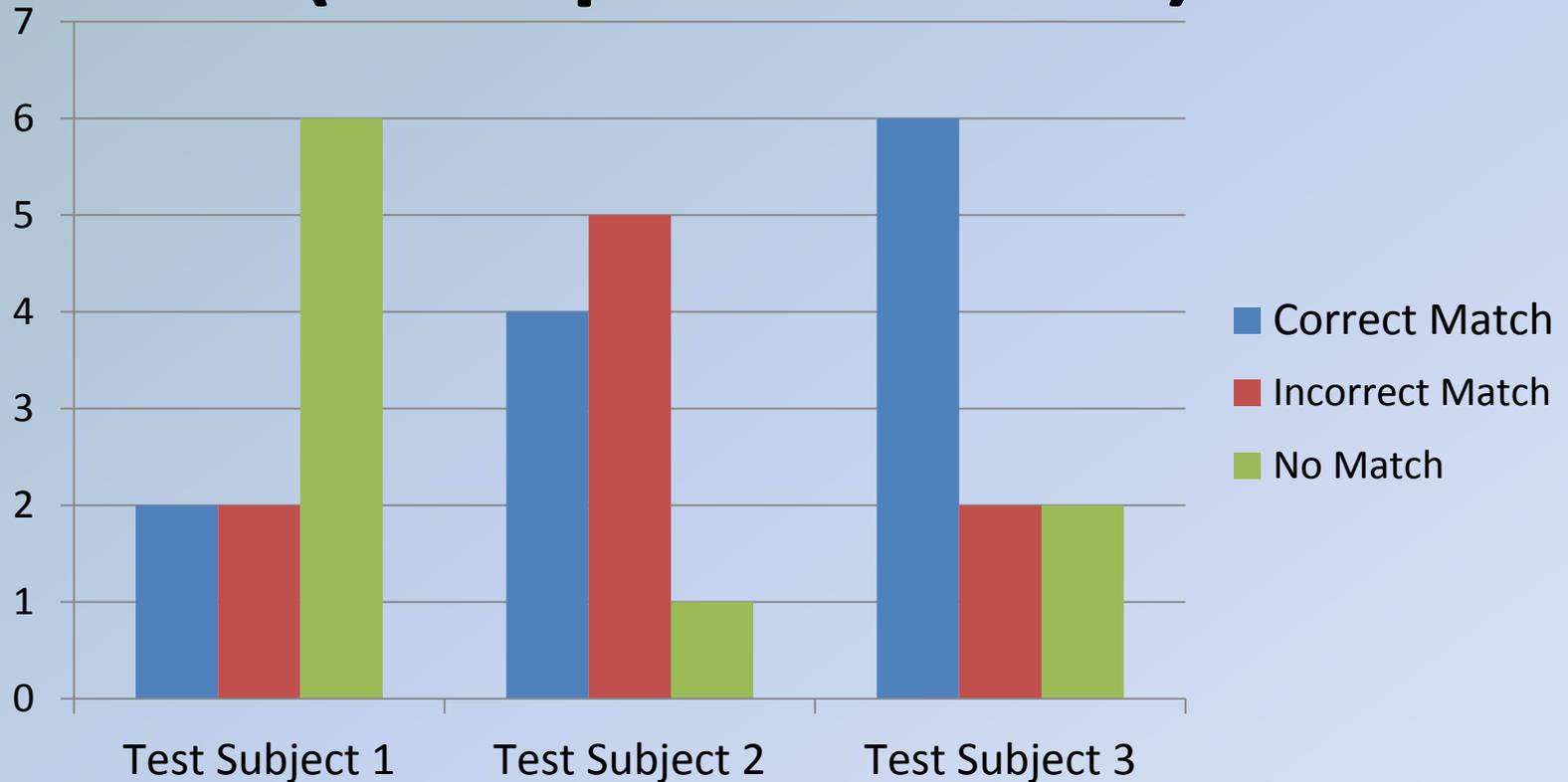
MSA Attribute Study

- Question: Can agency users enter incorrect category (UNSPSC) codes without realizing it?
- Study:
 - Two blind tests given several days apart
 - Three test participants
 - Ten scenarios
- Test:
 - Can we achieve repeatability in the codes entered?
 - Individuals are able to provide the same “repeat” responses
 - Can we achieve reproducibility in the codes entered?
 - The group of individuals respond similarly across both tests

MSA Attribute Study

- Sample Scenarios:
 - You are purchasing a **fire extinguisher** for a new office. What category code would you enter for this item?
 - You are purchasing a **21 cubic foot refrigerator**. What category code would you enter for this item?
 - You are purchasing a **single user license of Visio Professional 2010**. What category code would you enter for this item.
 - You are buying **carpet** for your office's waiting area. What category code would you enter for this item?

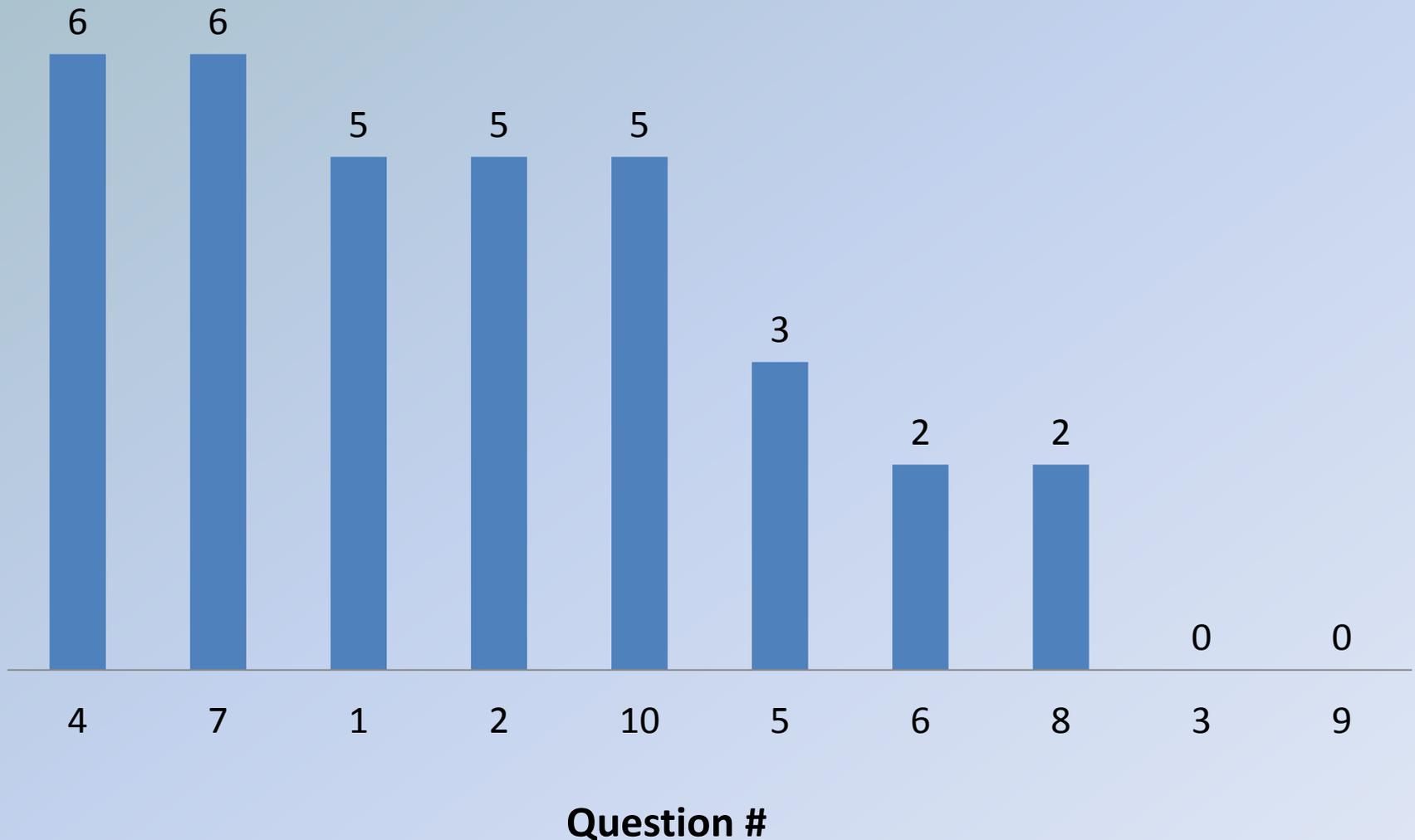
Repeatability at 6 digit level (Example: xxxxxx00)



	Test Subject 1	Test Subject 2	Test Subject 3	Total
Correct Match	2	4	6	12
Incorrect Match	2	5	2	9
No Match	6	1	2	9

Reproducibility at the 6 digit level = 57%

(Example: xxxxxx00)



Reproducibility

- Scenario 4: You are purchasing a **set of tires** for a state-owned car. What category (UNSPSC) code would you enter for these items?
 - Correct: 25172504 Automobile or light truck tires
- Scenario 3: You are purchasing a **case of Deep Woods Off** to protect employees from mosquitos. What category (UNSPSC) code would you enter for these items?
 - Correct: 10191500 Pesticides or pest repellents
 - Incorrect: 85111704 Mosquito management or control services
 - Incorrect: 49121500 Camping and outdoor equipment
 - Incorrect: 49120000 Camping and outdoor equip & accessories

What we're observing...

- Employees want to be accurate.
- Employees want to support efficiency efforts.
- However, employees deserve to understand:
 - Why correct coding is essential
 - How coding errors are entered
 - What they can do to improve correctness
 - What benefits we can yield with correct data

What's next...

- Study the UNSPSC coding levels
- Study the account codes
- Study configuration changes in OAKS
- Develop educational/awareness
- Amend training modules to educate on benefits of correct entries
- Study procure-to-pay user behaviors

What APOs can do right now...

- Advocate that every entry matters
 - Enter accurate UNSPSC codes
 - Enter correct Account codes
 - Enter contract numbers
- Examine internal processes for practices that could inhibit correct coding
- Encourage employees to attend OAKS training sessions
- Offer recommendations

Ohio **DAS**