

HOUSE COMMITTEE ON AUDITS

April 19, 2005 Hearing Room D

8:30 A.M. Tapes 61 - 63

MEMBERS PRESENT: **Rep. Jerry Krummel, Chair**

Rep. Tom Butler, Vice-Chair

Rep. Diane Rosenbaum, Vice-Chair

Rep. Alan Brown

Rep. Jackie Dingfelder

STAFF PRESENT: **Jim Keller, Committee Administrator**

Kellie Whiting, Committee Assistant

MEASURES/ISSUES HEARD:

**Department of Administrative Services' Smart Buy Program,
Strategic Plan and Customer Service – Informational Meeting**

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
---------------	----------------	-----------------

TAPE 61, A

002 Chair Krummel Calls the meeting to order at 8:40 a.m. and opens the informational meeting on the Department of Administrative Services' (DAS) Smart Buy Program, strategic plan and customer service. Refers to the responses from the DAS survey, conducted by Rep. Krummel (**EXHIBIT A**).

DEPARTMENT OF ADMINISTRATIVE SERVICES' SMART BUY PROGRAM, STRATEGIC PLAN AND CUSTOMER SERVICE – INFORMATIONAL MEETING

025 Dugan Petty Deputy Administrator, DAS. Submits and refers to the Oregon Smart Buy Project Update (**EXHIBIT B**). Provides an overview of the Smart Buy Project and the overall objectives on page two.

062 Chair Krummel Inquires about the goal of fostering buying cooperation. Asks how the goal is different from what was already being done.

070 Petty Responds it improved outcomes for participants.

085 Chair Krummel Clarifies the idea behind the program is to increase buying power and lower cost.

087 Petty Concurs. Comments about strategic purchasing. Notes on contract outcomes and pricing opportunities.

116 Chair Krummel Inquires about Oregon's Contracting Alliance.

120 Petty Responds about interstate level purchasing and contracts in regards to Oregon. Comments Oregon continues to participate in the Western Contracting Alliance.

133 Petty Describes the key steps, outcomes and timing for contract selection on page three. Explains the process for strategic sourcing.

214 Chair Krummel Inquires what the decided fixed fee was.

217 Petty Responds about the first phase of the project.

224 Chair Krummel

Refers to the Report on the Review of Spend and Savings Summary **(EXHIBIT C)** and asks if DAS selects the consultants.

- 234 Petty Responds DAS selects independent reviewers.
- 240 Chair Krummel Inquires about the amount paid to the contractor.
- 252 Petty Responds about the reporting mechanism and the states there is additional information, which will be included in a report due in May 2005.
- 264 Chair Krummel Inquires about the vendor generated report.
- 271 Petty Responds the projections are made based on savings before and after spending.
- 289 Rep. Butler Refers to **(EXHIBIT C, Page 2 and 3)** and inquires about the vendor collected administrative fees (VCAF).
- 338 Petty Responds about the requested amount of funding for the projects. Explains the difficulties for paying project costs. Comments on VCAFs. Explains the mechanisms to recover costs. Refers to page four and explains the evaluation criteria for determining the best-value contractor. Comments Silver Oaks was awarded the contract.

TAPE 62, A

- 009 Petty Explains the accounting sources and specialties. Comments on the criteria they looked at, including organizational structure.
- 021 Chair Krummel Inquires if the department looked at previous work done and the results of the work conducted by Silver Oaks.
- 032 Petty Concurr. Explains the approach.
- 052 Chair Krummel Comments about a report from New Mexico in regards to Silver Oaks.
- 069 Petty

		Responds his understanding of contingent contracts and fees. Comments on the potential conflicts of interests. Comments on the sourcing mechanisms used in other states.
117	Chair Krummel	Reiterates the differences between states.
126	Petty	Comments on the implementation and structure of the Procurement Office. Explains the sourcing teams within the Procurement Offices.
141	Rep. Rosenbaum	Inquires what the consultants know that the Procurement Offices do not.
152	Petty	Responds they do not have the capabilities to review the data thoroughly and the consultants can do it in a very short time. Responds the benchmarks were not available in regards to best pricing and expertise in the various markets.
238	Rep. Rosenbaum	Inquires if a non-profit method has been reviewed to pull the expertise together.
248	Petty	Responds about California's method and the Western Contracting Alliance. Refers to (EXHIBIT B, Page 5) and describes the phased development contract approach.
323	Rep. Butler	Inquires about the knowledge compared in terms of options.
343	Petty	Responds the knowledge transfer is structured and is conducted through training. Comments on their experience with performance measures.
384	Rep. Butler	Inquires about the procurement knowledge being transferred to the community colleges in which offer such courses.
401	Petty	Responds about the training curriculum in regards to strategic sources.
420	Rep. Butler	Clarifies the courses and knowledge can be taught, enhanced and passed down within the state.

002	Petty	Concurs. Refers to pages six and seven to explain the contractor background. Points out the ongoing projects and completed but launch. Refers to page eight and describes the opportunity assessment process. Refers to page nine and explains the categories of opportunity savings. Describes the primary selection criteria.
078	Rep. Butler	Inquires about the internal controls in regards to janitorial supplies.
084	Petty	Responds they received a stack of reports from Silver Oaks in which purchases were reviewed and broken down. Comments about the janitorial supplies in regards to the Department of Transportation.
131	Rep. Butler	Requests that the procedures users have to oblige to in regards to fuel purchasing, be reviewed and an approach be created for small businesses.
191	Petty	Responds he will follow up on the issue. Refers to page ten and explains the completed spending categories. Refers to page eleven and provides an update on results to date. Explains the completed categories, hard dollar amount impact, pre-smart buy annual spending, and the date of the most recent supplier report.
283	Petty	Presents the reported hard dollar impact based on the supplier reports received to date. Describes the estimated monthly average for future months, all future months, best estimates of reported hard dollar impacts, and best estimates of reported hard dollar impact over contract length.
341	Rep. Butler	Inquires about the hard dollar impact versus the VACF.
358	Petty	Refers to page thirteen and explains the hard dollar impact components. Comments about the VACF, rebates and price reduction.

TAPE 62, B

007	Rep. Butler	Comments on third party buyers and contracts.
020	Petty	Refers to page twelve and explains the hard dollar amounts.
049	Chair Krummel	Inquires if buying off the contract required of agencies through DAS rule.

054	Petty	Concurs. Comments on the exceptions.
072	Rep. Butler	Asks for clarification on the mechanics of how the Oregon Public Purchasing can be spread to other cooperative participants.
074	Petty	Responds the VCAFs are collected from authorized purchasing agencies on the smart buy project.
077	Rep. Butler	Clarifies it is to share the cost, and notes it does not seem like they will recover the costs.
088	Petty	Responds about the three ways to recover costs.
093	Rep Butler	Inquires how they charge the fees against the different agencies.
104	Petty	Responds the assessment model breaks down to the agencies that are currently subject to a DAS assessment. Notes it is based on the spending categories in 2003.
117	Rep. Butler	Comments about a Smart Buy service charge.
144	Petty	Concurs about the difficulty of recovering project costs.
151	Chair Krummel	Inquires if the assessment will continue to be charged.
154	Petty	Responds it is a one-time agency assessment.
160	Chair Krummel	Comments on the assessment and the budget process.
162	Petty	Concurs.
170	Chair Krummel	Comments about the assessments charged.
172	Petty	Concurs.
180	Chair Krummel	Inquires if the savings on the contract to buy will cover the assessment fees and the other costs incurred.

219	Petty	Responds the expectation is a savings. Comments on the results of best pricing. Comments on competition and associated costs. Explains the method used to build the steering committee and the input used.
300	Rep. Butler	Comments on the difficulties of rebates and indirect savings.
331	Petty	Responds about the sourcing categories and the incumbent negotiations.
355	Rep. Butler	Comments on the constituents in his district.
376	Petty	Responds there is always the chance someone will find a better price.

TAPE 63, A

002	Petty	Refers to page 22 and describes the success stories.
020	Chair Krummel	Inquires about the companies contracting for notebooks.
037	Petty	Responds about the configuration standards and the requirements. Comments on the proposal from IBM. Comments on the manufactures' approach.
	Chair Krummel	Closes the informational meeting on the Department of Administrative Services' Smart Buy Program, strategic plan and customer service and adjourns the meeting at 10:42 a.m.

-
-
-

EXHIBIT SUMMARY

A. Department of Administrative Services, DAS Survey Responses, Staff, 28 pp

- B. Department of Administrative Services, Oregon Smart Buy Project Update, Dugan Petty, 24 pp**
- C. Department of Administrative Services, Report, Dugan Petty, 4 pp**