

Minutes of the Joint Legislative Oversight Committee
January 21, 2013
Capitol Auditorium
Boise, Idaho

Cochair Representative Shirley Ringo called the meeting to order at 4:30 p.m. Attending the meeting were Senators Dean Mortimer (cochair), Cliff Bayer, Elliot Werk, and Les Bock, and Representatives Maxine Bell, Gayle Batt, and Elaine Smith. Also present were Rakesh Mohan, director, Margaret Campbell, administrative coordinator, and other OPE staff. Audience members included the following:

Senators Pro Tem Brent Hill and State Affairs Chair Curt McKenzie
Representatives Minority Leader John Rusche and Doug Hancey
April Renfo, manager, Legislative Audits
Keith Reynolds, Division of Financial Management
Teresa Luna, director, Department of Administration
Bill Burns, administrator, Division of Purchasing
Brent Reinke, director, Department of Correction
Donna Yule, executive director, Public Employees Association

MINUTES FROM JANUARY 8, 2013

Senator Werk moved to approve the JLOC minutes of January 8, 2013. Senator Bock seconded the motion.

Senator Mortimer asked whether the minutes should include the motion to adjourn. The chair asked for the motion to be added. **The motion to approve the minutes as amended was passed unanimously by voice vote.**

REPORT RELEASE: *STRENGTHENING CONTRACT MANAGEMENT IN IDAHO*

Senator Werk moved to receive the report *Strengthening Contract Management in Idaho*. Senator Bayer seconded the motion, and the motion was passed unanimously by voice vote.

Mr. Mohan said the study was requested by Representatives John Rusche, Fred Wood, and Jeff Thompson. He thanked the Division of Purchasing, the Attorney General's office, and the departments of Health and Welfare, Transportation, and Lands for their help in providing information. The Governor and Teresa Luna, director of Administration, provided written responses. Amy Lorenzo presented her findings and recommendations.

Ms. Lorenzo said that contract training among agencies has been inconsistent and that Idaho has not provided a formal framework for contract monitoring. Agencies have a significant amount of autonomy in managing their contracts with very little accountability at the state level. Through additional staff resources at the Division of Purchasing and by requiring agency training and statewide contract monitoring, Idaho can better balance autonomy, efficiency, and accountability

throughout the life of its contracts.

Referencing Health and Welfare's training procedures as a source for statewide procedures, Representative Ringo said the report seem to highlight the department as a poster child for good practices; however, the catalyst behind this study was associated with one of DHW's contracts. Ms. Lorenzo said the department was aware of its shortcomings and had been proactive to strengthen its contracting program. She said the success of DHW contracts in the coming years will determine whether the department's training procedures pay off.

Senator Bock asked whether Ms. Lorenzo had compared Idaho's contract monitoring with other states of comparable budgets and populations. Ms. Lorenzo said she had looked at neighboring states and other states. Some states have a centralized process and others are decentralized, which plays a bigger role than population or budgets in how a state monitors its contracts. Senator Bock asked whether Ms. Lorenzo had conducted a cost-benefit analysis. Ms. Lorenzo indicated that policymakers could first determine the value of good contract management and then ask for a cost-benefit analysis based on the level and type of information needed.

Senator Werk asked Ms. Lorenzo whether she collected data on the savings that could be achieved through good contract management. Ms. Lorenzo said that the state did not maintain data associated with dollars lost on poor contract management. In addition, some costs are not tangible, like the loss of public trust. Ms. Lorenzo provided examples of two OPE reports and the impacts identified on schools districts and Medicaid providers.

Representative Smith asked which agencies have delegated authority and receive training. Ms. Lorenzo said a number of agencies receive delegated authority up to \$100,000. Three agencies have delegated authority of more than \$1 million: Idaho State University, Health and Welfare, and Environmental Quality.

Senator Mortimer referred to the written response of Director Teresa Luna, Department of Administration. In the response, he thought Director Luna had suggested she would need more than one position to implement the recommendations. He asked Ms. Lorenzo to comment. Ms. Lorenzo said she had been cognizant of budget issues when providing recommendations that were practical and feasible. She said the amount of resources needed at the Division of Purchasing would depend on how roles were defined.

Senator Mortimer asked if Director Luna could speak to the number of positions she thought would be needed to implement the recommendations and how to best administer contract management with the greatest efficiency. Ms. Luna said one person in Purchasing divides her time between training and administering contract awards. If Purchasing were to do the recommendations, it would need at least one full-time person, if not two, just for training. Purchasing focuses only up to the award; the agency is responsible for managing the contract with Purchasing available to advise. If statutory changes were made giving Purchasing responsibility for contract management, she said Purchasing would have a whole segment of training to expand upon.

Representative Ringo asked if someone from the Governor's office wanted to respond to the report. At that time, the Governor's office did not have a representative present.

Representative Ringo called on Bill Burns, administrator, Division of Purchasing, to address the committee. Mr. Burns thanked OPE, saying it did a stellar job working with the division and agencies throughout the state. The report contained good information, and the department's written response spoke to the recommendations. Senator Werk asked Mr. Burns whether he had discussed how to move forward with some of the recommendations and statutory changes if additional personnel were provided. Mr. Burns said he had received the report but had not taken any action yet.

Mr. Mohan said he had spoken with the chairs of Senate and House State Affairs committees with an offer to brief them and make presentations to their committees. He had also talked with Representative Rusche, who is working on legislation. He said Representative Rusche had asked for assistance from the office to draft legislation. OPE staff agreed to assist within the limits of the report's contents.

Representative Ringo said the report was comprehensive and needed the committee's consideration. Senator Mortimer complimented staff, saying the report had covered issues significantly important to the state. Through better training, the state could save a considerable amount of money. He said he would like to see a follow-up review. Senator Bock said that although the committee usually directs a follow up in one year, the issues and money involved begged for prompt action. He said a follow-up in six months would make more sense.

Senator Bock moved to conduct a follow-up review in six months. Senator Mortimer seconded the motion.

In discussion, the committee agreed that the office should begin the follow up in six months with a target release of October. **The motion to conduct a follow-up review in six months passed unanimously by voice vote.**

Representative Ringo said the committee would meet next on Wednesday, January 30 at 4:30 to release a report on state employee compensation and turnover.

Representative Bell moved to adjourn, and Senator Werk seconded the motion. The motion passed unanimously by voice vote.

The meeting adjourned at 5:30 p.m.