



# **Purchasing and Contract Management**

**Purchasing Interim Legislative  
Committee**

**September 30, 2015**



# Agenda

- **Introduction**
- **Structure**
- **Process and Controls**
- **Results**
- **Conclusion**



# INTRODUCTION



# Introduction

**Purchasing activities provide the goods and services critical to operations**

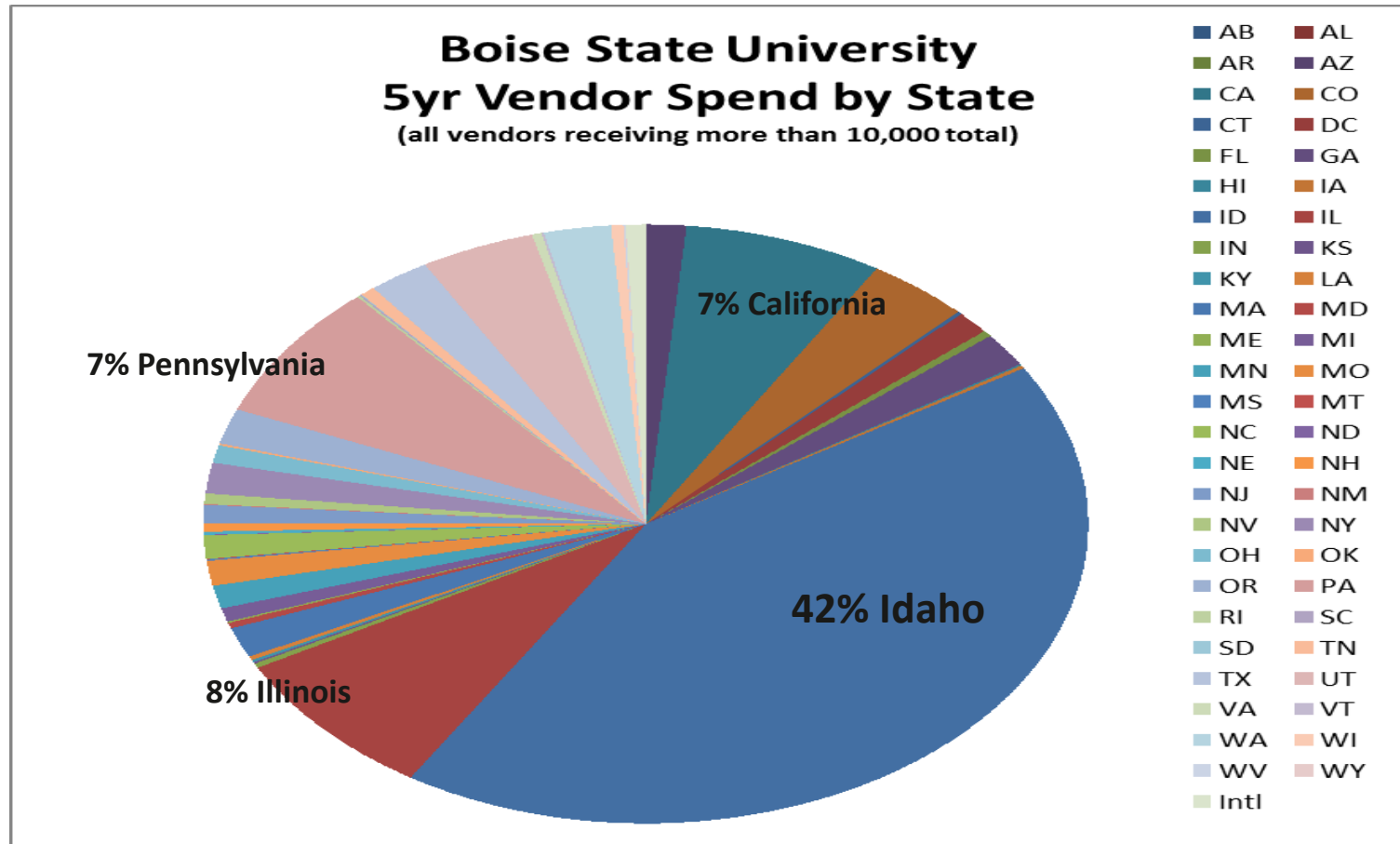
- **Services are widely varied and time sensitive**
  - *Semester start dates*
  - *Auxiliary business cycles*
  - *Grant agreements*
  - *Complex and changing operational requirements*
  - *Vendor sales cycles create opportunities for discounts*
  
- **Complex continually changing environment**
  - *Programs and buildings*
  - *Regulations*
  - *Safety*

# Introduction

- **Tenets of our policy –**
  - Purchasing activities shall be administered in a manner that provides ***maximum practicable open competition*** appropriate to the type of product or service to be provided
  - Purchases shall support the goals of ***cost efficiency and product/service quality*** and these objectives shall be given consideration in the process



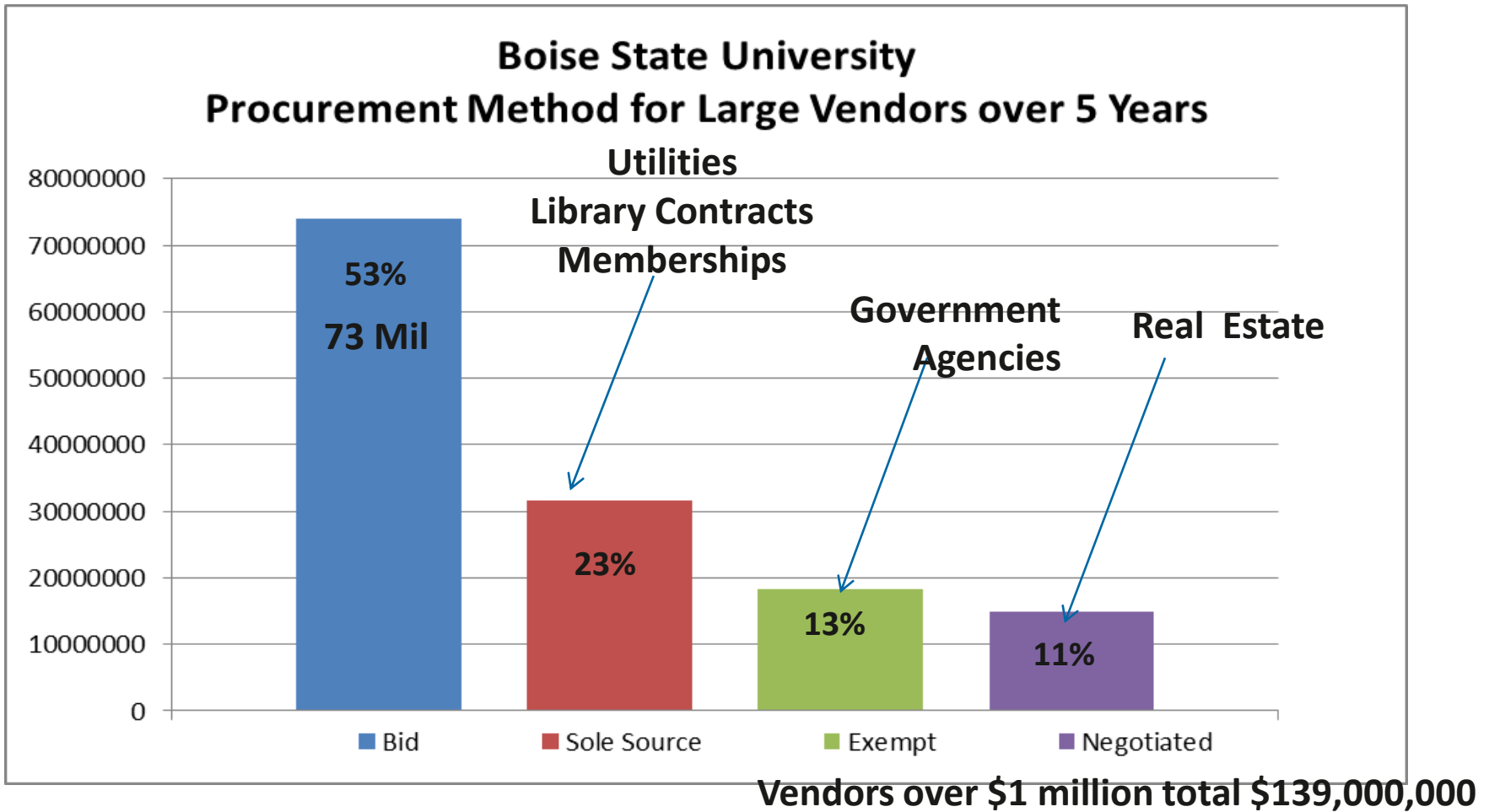
# Introduction



**\$288,000,000 Total**



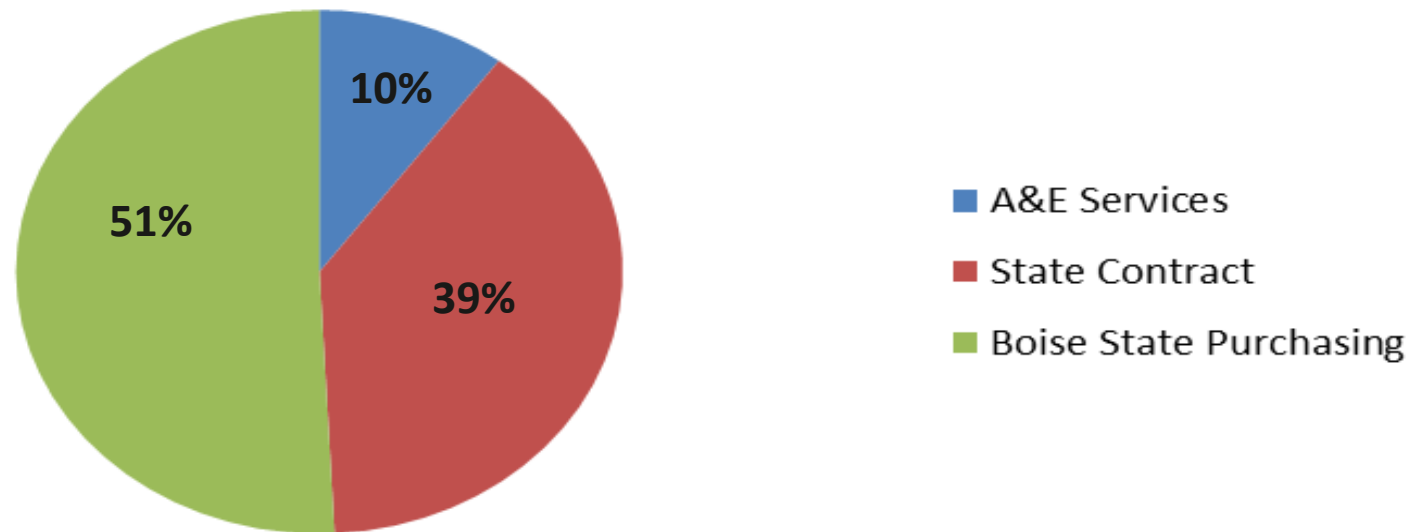
# Introduction





# Introduction

**Boise State University  
\$73 Million of Large Vendor Contracts  
were Competitively Bid**







# Introduction

## *Top 20 Vendors over 5 years*

<u>Name</u>	<u>State</u>	<u>5 yr Vendor Spend</u>	<u>Method</u>	<u>Type</u>	<u>Purpose</u>
Idaho Power Company	ID	16,324,385	Sole Source	Utility	Electricity
Aramark Services Inc	PA	13,753,844	Bid	Boise State Purchasing	Food Service/Housing, Retail, Concessions, Catering
TitleOne Corporation	ID	7,215,632	Negotiated	Real Estate Purchase	Real Estate purchases
Dell Computer Corporation	IL	6,496,537	Bid	State Contract	Computers
CompuNet Inc	UT	6,389,924	Bid	State Contract	IT infrastructure hardware
University Christian Church Inc	ID	5,898,916	Negotiated	Real Estate Purchase	Real Estate purchase
Oracle America Inc	CA	5,491,837	Bid	Boise State Purchasing	Licencing of software systems
Boise City Police Department	ID	5,165,602	Exempt	Government	Campus Security
City of Boise	ID	3,709,386	Exempt	Government	Utilities
IGI Resources Inc	ID	3,616,292	Bid	State Contract	Gas Utility
University of Idaho	ID	3,549,391	Exempt	University collaboration	University collaborations
CIBER Inc	IL	3,060,007	Bid	Boise State Purchasing	Software consulting
Paige Mechanical Group Inc	ID	2,923,220	Bid	A&E Services	HVAC, plumbing
Boise State University Foundation	ID	2,730,395	Bid	Treasury	Loan payoff
Virtual Enterprises Inc	CO	2,704,272	Bid	State Contract	IT storage and consulting
Xerox Corporation	ID	2,660,288	Bid	State Contract	Copier leases
Idaho State University	ID	2,621,922	Exempt	University collaboration	University collaboration
Frontier Airlines	CO	2,445,600	Bid	Boise State Purchasing	Athletics game charters
Perkins Construction Inc	ID	2,281,270	Bid	A&E Services	Construction management
Mountain West Conference	CO	2,154,007	Sole Source	Athletic conference membership	Athletic conference membership

# Introduction

## Higher Education Exemption - 2011

- Pursued to eliminate duplicative effort and oversight and improve accountability/transparency
- Provided Higher Education opportunity to be nimble while following procurement law
  - Take advantage of vendor discounts based on sales cycles
  - Focus internal expertise on specialty needs, a campus has a wide variety of needs
- SBOE approved policy and authorized Boise State to operate under the policy in June of 2011



# STRUCTURE



# Structure

## Staff allocated to Procurement

	<b>FY 16 Salary</b>	<b>FY16 Benefits</b>	<b>FY 16 Total</b>
Director @ 65%	56,635	19,281	75,916
3 Senior Buyer	147,585	64,873	212,458
3 Buyers/Support	113,131	57,913	171,044
	<u>317,351</u>	<u>142,067</u>	<u>459,418</u>

## Staff allocated to Pcard, systems, training and transactional compliance

	<b>FY 16 Salary</b>	<b>FY16 Benefits</b>	<b>FY 16 Total</b>
Director @ 35%	30,496	10,382	40,878
3 Support Staff	108,160	56,300	164,460
Student Support	6,120	-	6,120
	<u>144,776</u>	<u>66,682</u>	<u>211,458</u>

Operating Expenses			<u>14,899</u>
Total			<u>685,775</u>

***This is the same structure that was in place PRIOR to exemption.***



# Structure



# Structure

## University Staff Qualifications to draw upon:

- **6 seasoned purchasing professionals**
  - average of 11 years at Boise State
  - average of 14 years in previous procurement roles
  
- **6 Attorneys, specialized in**
  - Idaho law and government operations
  - Universities and Grants
  - Government agency management
  - Compliance and contract review
  
- **5 Project Managers, 5 Business Analysts**
  - 3 Project Management Professionals (PMP's)
  
- **4 Architects, 1 Professional Engineer**

*Each of these areas also support the contract management process*



# PROCESS AND CONTROLS



# Process and Controls

## Purchasing Process

- End user identifies the need and available funding
- End user, with guidance from Purchasing, develops technical specification/scope of work
- Request for Proposal (RFP) or alternate determined by Purchasing
  - Tools such as a Request for Information (RFI), review of prior RFPs, and consultants may be used to finalize the RFP
- Evaluate and award, using a committee and structured process
- Execute contract
- End user receives product or service, inspects for compliance/monitor performances
- Acceptance tied to deliverables and provided to Purchasing in writing. Requests to pay against contracts may be reviewed by Compliance Specialist and/or Purchasing Director.





# Process and Controls

## Transactional Reviews

- Review for policy compliance (split bids, state contracts, combined purchasing, business purpose, other policy compliance)
- Accounts payable refers policy questions to purchasing compliance prior to payment
- P-card compliance officer reviews activity and provides campus training



# Process and Control

## Consequences of Non-Compliance

- Loss of P-card
- Loss of duties
- Loss of job
- Additional resources
- Required training

*Each of the above have been utilized*



# Process and Controls Oversight

- SBOE
- Internal audit
- OIT oversight structure
- Internal committees to review contract performance



# Process and Controls

## Aramark – an Example

- **\$13 million annual contract**
- **Multi-year, service contract**
- **University wide**
- **High visibility, impacts students, donors, community**
- **High risk, while not technical**



# Process and Controls

## Aramark – an Example

- **Committee Oversight**
  - **2 Committees**
    - **Food Service Advisory Committee**
    - **Food Service Contract Committee**



# Process and Controls

## Aramark – an Example

- **Food Service *Advisory* Committee - Purpose**

The Food Services Advisory Committee exists to provide feedback to the contract administrators and Aramark regarding food service components in the areas of retail food service, catering, resident dining and concessions. The committee will provide input to the program and service directions for food service on campus. The committee will review food service satisfaction surveys, food service evaluations, and other customer satisfaction data.



# Process and Controls

## Aramark – an Example

### • Food Service *Advisory* Committee

- **University representatives**

- Contract Liaisons from Concessions, Board Dining, Retail and Catering
- 2 members representing ASBSU
- Residence Hall Association President or representative
- Student Union Board of Governors representative
- President's Office, Foundation or Alumni representative
- Faculty Senate Association representative
- Classified Staff Association representative



# Process and Controls

## Aramark – an Example

- **Food Service *Advisory* Committee**
  - **Aramark representatives**
    - General Manager
    - Catering Director
    - Concessions Director
    - Retail Director
    - Board Dining Director
    - Marketing Director
    - Executive Chef





# Process and Controls

## Aramark – an Example

### • Food Service *Contract* Committee

- Associate Vice President, Finance and Administration
- Director of Purchasing
- Executive Director, Campus Services
- Executive Director, Taco Bell Arena
- Executive Director, Morrison Center
- Associate Athletic Director/Business Affairs
- Director, Student Union
- Director University Housing/Residential Life
- Business Manager, Campus Services
- Faculty/Sustainability representative

# Process and Controls

## Aramark – an Example

### – Results

- Customer service surveys show that satisfaction is high and continues to improve
- Comparison of Boise State’s contract to other public institutions shows the contract is highly competitive
- Contract issues have been minor and have been quickly remedied
- Solid partnership between the University and the Contractor

# Process and Controls

- **Post award management**
  - While not all contracts warrant this type of oversight, the University is very aware of the importance and value of post award management
  - For smaller contracts, other methods utilized include:
    - Periodic meetings to discuss department operations and contract performance
    - Discussions with end users prior to release of payments
    - Formal project management for technology system projects, which includes contractor oversight



# RESULTS



# Results

- Duplicative oversight was eliminated, creating clarity in accountability and improved customer service
- Process changes have allowed all categories of purchases to be more efficient
- Response times are much improved despite significant increases in both number of requisitions and the total dollar amounts for both formal and informal bids

# Results

- The trained purchasing staff are focused on more complicated and expensive procurements
  - 75% more in the number of formal bids completed in 13% fewer days on average
  - 40% increase in the volume in dollars procured through informal and formal bidding with same number of staff



# Results

**Quote from a previously unhappy Researcher, subsequent to implementation of the higher education exemption:**

- *I have only positive things to say about the new purchasing process. So far, it appears to be very "research-friendly". We have made several research instrumentation purchases within the \$25k to \$310k range, and the process has gone very smoothly.*
- *Previously, it was difficult to make purchases in a timely manner. Now, our focus has been shifted to the lead time that the company needs to build the instrumentation, rather than how long it will take before the order can be placed.*
- *Additionally, I feel that now the researcher is better able to share all of the information that they gather. Previously, it sometimes felt as though the researcher would have to repeat the process of reviewing options, or that someone else would have to repeat this work. This process seems more streamlined and efficient now.*
- *The purchasing staff that we interact with are helpful, efficient, supportive, and pleasant to work with. The purchasing process seems much less stressful than it used to be.*

# Results

- Appeals history –
  - Consistent with experience prior to 2011
  - 3 appeals, all were denied
  
- Contract management has created solid vendor relationships based on trust and performance



# Results

Boise State has a history of bidding even when not required to achieve savings:

- Beverage contract
  - Ticketing
  - Food service
  - Merchant services
  - Bond services
  - Research goods
- Contracts were bid prior to expiration of all optional periods

## Savings generated by purchasing guidance

- Encourage purchase of used furniture, refurbished cubicles
- Projectors/AV equipment, while below bid limits, often save by contacting vendors for quotes in this product category

# Conclusion

- **Higher education is a good blend of centralized and decentralized purchasing**
  - Use of State Contracts where appropriate leverages buying power
  - Ability for Boise State to focus on activity that is directly related to mission and important to stakeholders
- **Flexibility is imperative, required to allow our organization to meet the changing needs of the campus**
- **The University has a very strong staff and has done a good job of managing this area under SBOE oversight**