



Oklahoma State Senate

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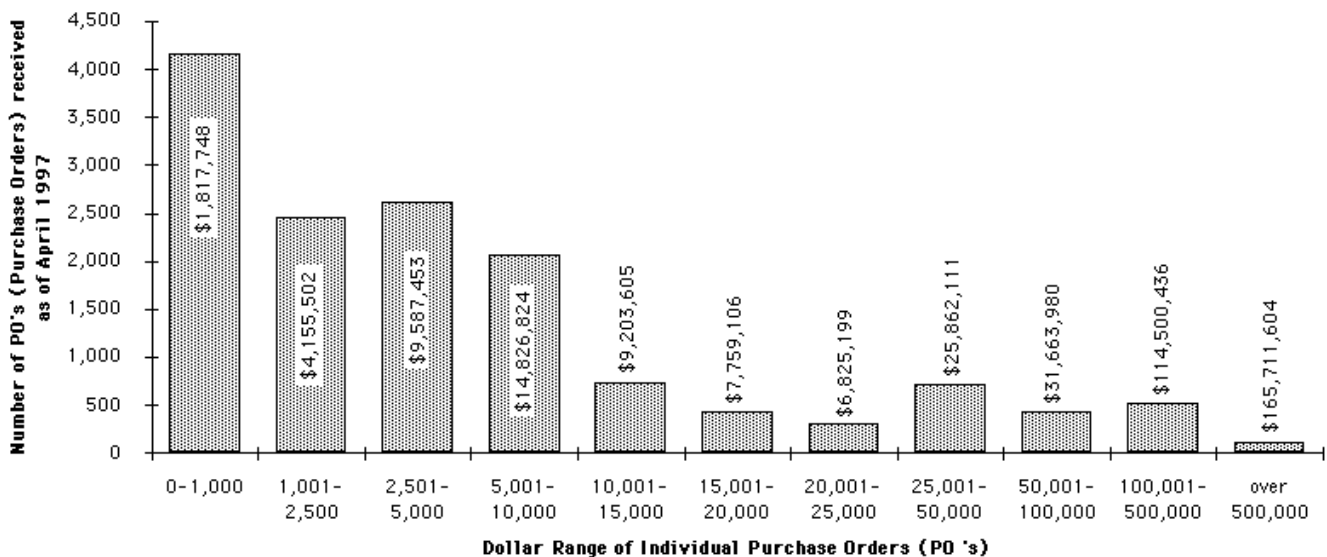
Central Purchasing Reform

Issue Background

Oklahoma has had one of the nation's lowest limits (\$2,500) above which purchases must be bid competitively. That fact, together with inadequate computerization, has caused Central Purchasing to churn, by hand, enormous quantities of low-dollar requisitions and has thereby made it difficult for Central Purchasing to give deserved attention to high-cost purchases. (See graph below.) Also, the Central Purchasing Act has been confusing because of inconsistent and inaccurate use of terms. For example, purchasers have been confused over statutory requirements that contracts be awarded to "lowest and best" bidders. Agencies have tended to interpret "lowest and best" as fraught with risk unless the "lowest" is chosen.

HB 1822 was the measure finally used for the reform effort. It was developed with substantial involvement of personnel of the Department of Central Services and with the benefit of a 1997 Performance Audit Report of the State Auditor & Inspector.

FY'97 Purchases thru Central Services



Summary of Actions

HB 1822, effective November 1, 1998, raises the threshold for which a purchase must be competitively bid to \$25,000, clarifies the definition of "lowest and best" and the definition of "sole source," authorizes piloting of a new approach called "best value," and provides for a number of safeguards to ensure that the agencies properly handle their increased responsibilities:

- for purchases under \$25,000, agencies must follow internal purchasing procedures that have the approval of Central Purchasing, which also, from time to time, is to review the actual purchases for compliance with the procedures;
- agencies must have certified procurement officers trained by Central Purchasing;
- an agency found out of compliance can have its threshold for which a purchase must be competitively bid dropped back to as low as \$2,500;
- agencies wanting to use sole source contracts must provide more documentation than previously required and are subject to penalties for noncompliance; and
- proposals for the purchase of multi-user high technology hardware and software are to be given greater scrutiny as to prospects of obsolescence and vendor commitments to support and upgrade.

The Department of Central Services estimates yearly savings upon full implementation of these reforms will be in the range of \$7 million to \$21 million.

Related Legislation

HB 3066 includes funding of \$2 million for the purchase of computer hardware and software for the Central Purchasing Division. The Office of State Finance is also funded \$1 million for capital expense of financial management information systems. Acquisitions will be coordinated by the two agencies so that the Purchasing Division can utilize electronic data transfer among state agencies and, eventually, with vendors and prospective vendors.

Central Purchasing is expected, also, to be involved in one or more pilot projects authorized by HB 3287 to enable and encourage the use of electronic commerce, including digital signatures.

HB 3070 was vetoed by the Governor. It would have applied to all state agencies and would have required that outside persons -- vendors, for example -- not be involved in the actual preparation of invitations to bid (ITB's) or requests for proposals (RFP's), making such involvement punishable as a Schedule G felony. It would also have barred outside parties involved in evaluation of responses to ITB's and RFP's from receiving an award. The bill, furthermore, had Schedule G penalties for state employees giving or receiving advance information that would give a bidder an unfair advantage. The Governor's veto message, referencing the safeguards established in HB 1822, included a statement that "requirements such as those imposed in H.B. 3070 serve only to impair the ability of agencies of the state to maintain a . . . consultative relationship with vendors to obtain appropriate products and services."

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