

**Arkansas Bureau of  
Legislative Research  
Procurement Review  
Project**



April 19, 2018



ikaso

- I. Procurement Review Project Objectives and Methodology**
- II. Executive Summary**
- III. Overview of Report and How it Relates to the Next Five Meetings**
- IV. Preview of Select Recommendations**
  - Session 1: Purchasing Together and Separately
  - Session 2: Direct Interaction with the Private Sector
  - Session 3: Contract Review, Including Subcommittee Review
  - Session 4: Procurement Development and Evaluation
  - Session 5: Meaningful Measurement
- IV. Questions and Next Steps**

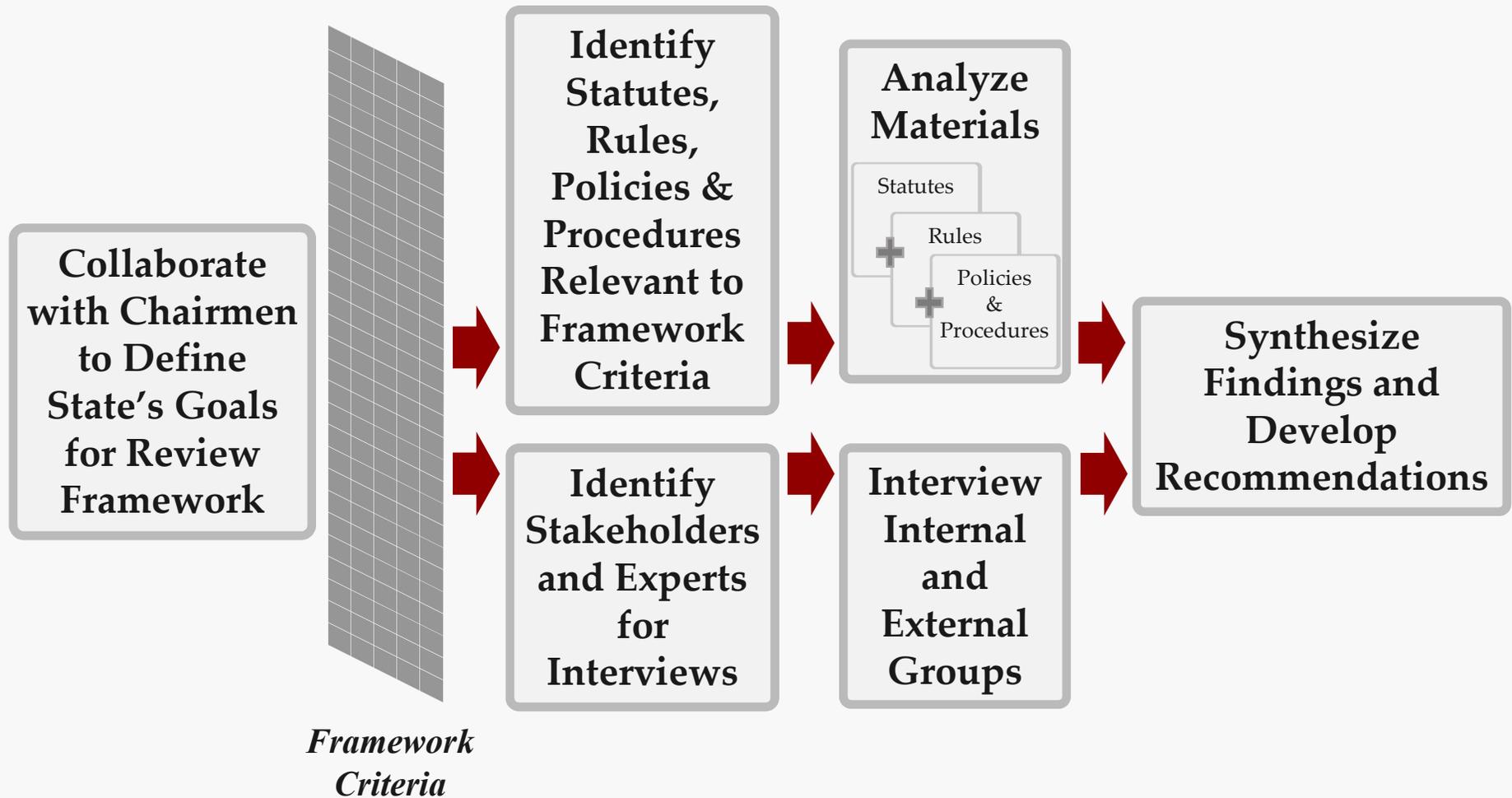
- The Subcommittee selected Ikaso to prepare a procurement study in support of the Subcommittee's charge to prepare its own report later this year.
- Ikaso submitted its report on April 16, 2018. The report contains 62 recommendations across 15 sections.
- Today's presentation maps how the Subcommittee will consider the items in the report across the next 5 working sessions (beginning May 14<sup>th</sup>) and culminating in the Subcommittee issuing its own report in November.
- Today Ikaso will also preview some of the findings and recommendations to be covered in the next 5 sessions.

- The Subcommittee has been tasked to:
  - Study current procurement processes and requirements, including without limitation the process and requirements for requests for qualifications and the process and requirements for evaluating responses to requests for proposals and requests for qualifications;
  - Study the impact of procurement processes on the legal, architectural, engineering, construction management, and land surveying professions; and
  - Recommend changes to the procurement laws, regulations, and processes in a report to the full Legislative Council at its December<sup>1</sup> meeting in each even-numbered year.
- The Subcommittee issued RFP BLR-170003 and awarded a contract to Ikaso to:
  - Conduct this study and provide the Subcommittee with an objective analysis of the procurement laws, regulations, and procedures in the State; and
  - Provide recommendations for revisions and improvements.

<sup>1</sup> This meeting is currently scheduled for November.

# Review Process

Ikaso's recommendations for changes were developed by applying review framework criteria to in-depth reviews of Arkansas statutes, rules, and policies & procedures, combined with interviews of state entities and industry groups.



# Project Framework

The below project framework, developed in conjunction with and approved by the Subcommittee chairmen, articulated the project's goals and informed all review and analysis.

| Framework Criteria                          | Key Components  |  |
|---|---|--|
| <b>Process Transparency &amp; Integrity</b> |    | <ul style="list-style-type: none"> <li>• Appropriate information is readily available to citizens and stakeholders</li> <li>• Procurement and contracting decisions adhere to established procedures</li> </ul>  |
| <b>Optimized Oversight &amp; Control</b>    |    | <ul style="list-style-type: none"> <li>• Accountability to internal and external stakeholders</li> <li>• Appropriate information flows, including but not limited to information provided to the legislature in the execution of its duties</li> </ul>   |
| <b>Thoughtful Vendor Selection Process</b>  |    | <ul style="list-style-type: none"> <li>• Proposals and bids evaluated by capable, objective individuals</li> <li>• Evaluation of cost and quality appropriately balanced</li> <li>• Contracts that meet end-user needs, in terms of both quality and cost</li> </ul>   |
| <b>Application of Best Practices</b>        |  | <ul style="list-style-type: none"> <li>• Minimizing barriers and encouraging an enterprise mindset</li> <li>• Strategic, value-added procurement functions</li> <li>• Practices align with business needs</li> <li>• Contracts are optimized to include meaningful performance management tools</li> <li>• Process and tool optimization to mitigate protest risk</li> </ul> |
| <b>Consistent &amp; Efficient Processes</b> |  | <ul style="list-style-type: none"> <li>• Consistent, efficient, and predictable practices utilized</li> <li>• Appropriate array of procurement methods and contract structures</li> <li>• Clear criteria for selecting appropriate procurement method and contract structure</li> <li>• Procurements launched and completed on schedule</li> </ul>                           |

Ikaso conducted a comprehensive review and analysis of approximately 1,200 pages of procurement laws, regulations, and policies. This list was updated as the project progressed.

## Materials Reviewed

### Principal Laws and Regulations

- Arkansas Code
  - Title 19, Chapter 11
  - Title 12, Chapter 30, Subchapter
- Administrative Rules
  - Office of Purchasing
  - Office of Procurement

### Legislative Reports

- Joint Performance Review Reports
- Legislative Audit Reports

### OSP Procurement Policies

- Anticipation to Award
- Cooperative Procurement
- Cooperative Buying
- Cooperative Contracts
- Sole Source Procurement
- Evaluation of Proposals
- Contracts for Legal Services
- Printing Guidelines
- Request for Qualifications (RFQ)
- Special Procurement Policy
- Memoranda and Announcements

Ikaso conducted a comprehensive review and analysis of approximately 1,200 pages of procurement laws, regulations, and policies. This list was updated as the project progressed.

### Materials Reviewed

#### Historical Procurement Materials

- Appendix 8 (Procurement Codes)
- Executive Order 09-07, 09-04
- Markup Rule 2015-3
- Act 542
- Act 557
- Act 1004
- Amendment 54
- Memoranda and Announcements

#### Arkansas Building Authority Policies

- 2012 Minimum Standards and Criteria Manual
- Construction Forms and Resources
- Design Review Forms and Resources

#### Forms and Supplementary Materials

- Technical and General Services Forms, Processes and Procedures
- Professional Consultant Services Forms, Processes and Procedures
- Service Bureau Forms
- Delegation Orders
- Forums
- Recent Sole Source Contracts

Ikaso conducted a comprehensive review and analysis of approximately 1,200 pages of procurement laws, regulations, and policies. This list was updated as the project progressed.

### Materials Reviewed

#### 2017 Procurement Bills

- 10 Enacted 2017 Procurement Bills
  - Act 893 (HB1849)
  - Act 609 (SB380)
  - Act 1080 (HB2218)
  - Act 442 (HB1533)
  - Act 696 (SB448)
  - Act 617 (HB1839)
  - Act 1004 (HB2096)
  - Act 710 (SB513)
  - Act 813 (SB651)
  - Act 882 (SB449)
- 5 Proposed 2017 Procurement Bills
  - HB1536
  - HB1832
  - HB1893
  - HB2200
  - SB521

Ikaso conducted a comprehensive review and analysis of approximately 1,200 pages of procurement laws, regulations, and policies. This list was updated as the project progressed.

### Materials Reviewed

#### Internal Procurement Materials

- Representative Sampling of Procurement Documents
  - Sole Source Procurement
  - Emergency Procurement
  - Special Procurement
- Purchasing Directories
  - Purchasing Agents Directory
  - Purchasing Officials Directory
- Contract Summary on Successful UA Systems Negotiation
- OSP Negotiated Savings Records

#### Contract Data

- Data from 3,199 PCS and TGS contracts submitted for ALC review from December 2015 through January 2018
- AASIS pull for contracts with spend during FY 2017

# Stakeholder Interviews

Ikaso identified the following parties, with which to schedule and conduct interviews. Over 80 individuals were interviewed.

## Interviews Conducted

### Office of State Procurement

- Office of State Procurement – Director
- Office of State Procurement – Data and Reporting Personnel

### Other State Procurement Actors

- Department of Finance and Administration Representatives
- Office of Intergovernmental Services Representatives
- Division of Building Authority Representatives
- Arkansas Department of Information Systems Representatives
- Office of the Governor Representative
- Office of the Attorney General Representative

### State Agencies

- Department of Human Services Representatives
- Department of Health Representative
- Department of Arkansas Heritage Representatives
- Department of Correction Representatives
- Department of Education Representatives
- Department of Workforce Services Representatives

### Procurement Officers from States with Private Evaluators

- Wisconsin
- North Dakota
- Mississippi

Ikaso identified the following parties, with which to schedule and conduct interviews. Over 80 individuals were interviewed.

### Interviews Conducted

#### Industry Groups

- Arkansas Board of Licensure for Professional Engineers and Professional Surveyors Representatives
- Arkansas State Board of Architects, Landscape Architects, and Interior Designers Representatives
- American Institute of Architects – Arkansas Chapter Representatives
- American Council of Engineering Companies of Arkansas Representatives
- NIGP - The Institute for Public Procurement Representatives

#### Institutions of Higher Education

- University of Arkansas System Representatives
  - UA Pine Bluff
  - UA Medical Sciences
  - UA Legal Representatives
  - UA Fayetteville
  - UA Little Rock
- Arkansas State University System Representatives
  - ASU Beebe
  - ASU Jonesboro
- National Park College

#### City of Little Rock

- Representatives from the City of Little Rock

# Report Overview

Ikaso's final report contains 62 recommendations and is broken into 15 sections. The sections broadly follow the life cycle of a procurement.

## Report Sections

|      |  |
|------|--|
| I    | State Contracts and Strategic Purchasing                   |
| II   | Cooperative Purchasing                                     |
| III  | Vendor Education and Access                                |
| IV   | Delegation   |
| V    | PCS/TGS/Commodities Distinction                            |
| VI   | Procurement Instrument Selection, Preparation, and Control |
| VII  | Proposal/Bid Disqualification                              |
| VIII | Proposal Evaluation  |
| IX   | Negotiations   |
| X    | Protests   |
| XI   | Post Procurement Contract Process                          |
| XII  | Subcommittee Review  |
| XIII | Vendor Performance Reporting                               |
| XIV  | Reporting  |
| XV   | Design Professional and General Contractor Procurement     |

**Ikaso's report  
will help inform  
the report  
prepared by the  
Subcommittee  
in November.**

# Future Subcommittee Sessions by Report Section

To facilitate meaningful Subcommittee discussion in the preparation of its own report, related report sections have been grouped together for five monthly sessions from May to September.

| Report Sections |  |
|-----------------|--|
| I               | State Contracts and Strategic Purchasing                   |
| II              | Cooperative Purchasing                                     |
| III             | Vendor Education and Access                                |
| IV              | Delegation   |
| V               | PCS/TGS/Commodities Distinction                            |
| VI              | Procurement Instrument Selection, Preparation, and Control |
| VII             | Proposal/Bid Disqualification                              |
| VIII            | Proposal Evaluation  |
| IX              | Negotiations   |
| X               | Protests   |
| XI              | Post Procurement Contract Process                          |
| XII             | Subcommittee Review  |
| XIII            | Vendor Performance Reporting                               |
| XIV             | Reporting  |
| XV              | Design Professional and General Contractor Procurement     |

| Subcommittee Sessions |   |
|-----------------------|---|
| ①                     | May 14, 2018<br>"Purchasing Together/Separately"<br>Report Sections: I, II, IV                    |
| ②                     | June 11, 2018<br>"Direct Interaction with the Private Sector"<br>Report Sections: III, IX, X      |
| ③                     | July 16, 2018<br>"Contract Review"<br>Report Sections: V, XI, XII                                 |
| ④                     | August 13, 2018<br>"Procurement Development and Evaluation"<br>Report Sections: VI, VII, VIII, XV |
| ⑤                     | September 17, 2018<br>"Meaningful Measurement"<br>Report Sections: XIII, XIV                      |

## Session Topics

- This session will focus on when State agencies should work together to make their purchases, when State agencies should work with third-parties (e.g. other states) to make their purchases, and when State agencies should work independently to make their purchases.

## Report Sections Covered

- Section I – State Contracts and Strategic Purchasing (*previewed today*)
- Section II – Cooperative Purchasing (*previewed today*)
- Section IV - Delegation

| May   | June  | July  | Aug   | Sept  | Oct | Nov   |
|---|---|---|---|---|-----|---|
|  |  |  |  |  |     |  |

 - Date of Session 1 – May 14

 - Date of Final Subcommittee Report Meeting – November 16

More should be done to encourage Statewide purchasing. This should involve correcting statutory disincentives and empowering OSP to bring agencies together for joint purchasing.

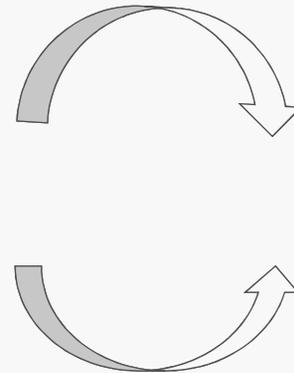
### Current Situation

- **The Arkansas Code makes it more difficult for agencies to buy things together than it is for agencies to buy things alone or through another state.**
- **Mandatory Statewide contracts (known as State Contracts) are a good way to save money by bringing agencies together to purchase things jointly. There are not enough of them in Arkansas.**
- **State Contracts are only useful if they cover the things agencies need and save the State money. In the future OSP can align to proactively reach out to agencies to identify new items and services for State Contracts.**

Presently, the laws make it easier to purchase collaboratively with third parties such as other states than it does to purchase collaboratively across agencies.

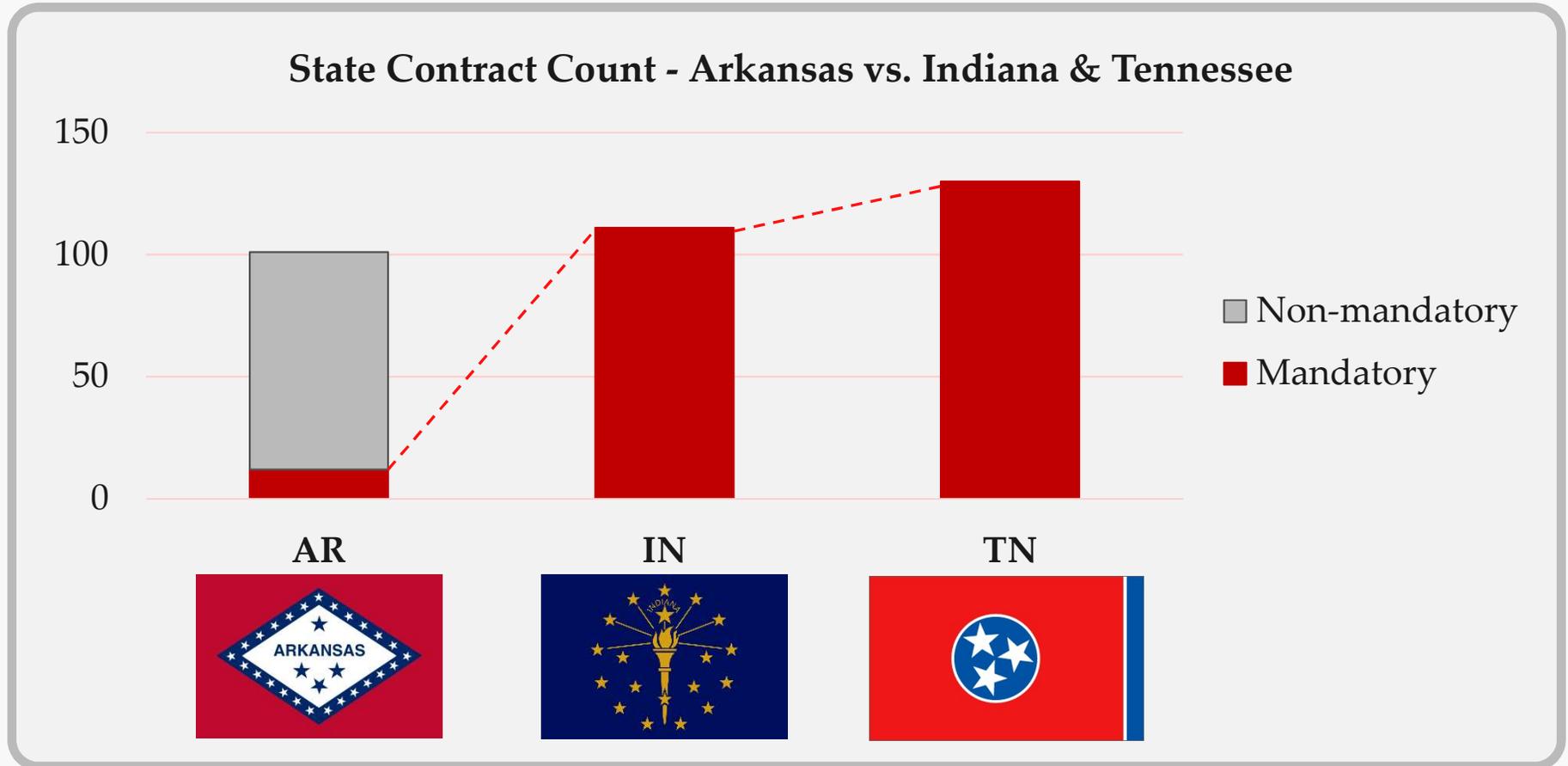
### Flipped Incentives

- In order to enter into a State Contract (*i.e.* have different agencies band together to purchase the same thing) the agencies must demonstrate that “substantial savings” are to be found by working together. *See* Ark. Code § 19-11-233.
- In order to enter into a Cooperative Purchasing Agreement (*i.e.* a contract entered into by a different state or public entity) the agency does not have to demonstrate any savings, just that a similar procurement process is followed. *See* OSP Regulation R:1:19-11-249.



- ***Agencies should not have to prove the value of working together.***
- ***Agencies should have to prove the value of using a third party's contract.***

A key to driving collaboration among agencies is requiring the use of statewide contracts for common items. The State has statewide contracts, but does not widely require their use.



**Compared to peer states, Arkansas has a comparable number of State contracts, but their impact is muted by the fact that the vast majority are not mandatory.**

The State’s procurement posture should shift from reactive to proactive, including taking steps to leverage its purchasing power through the strategic application of mandatory State Contracts, and tracking the savings results it achieves.

## RECOMMENDATIONS



|    |  |   |   |   |   |   |
|----|--|---|---|---|---|---|
| I  | <p>Amend applicable statutes to enable and encourage OSP to pursue savings through the targeted development and roll-out of more mandatory State Contracts.</p> <ul style="list-style-type: none"> <li>• Identify &amp; prioritize opportunities for mandatory State Contracts.</li> <li>• Conduct mandatory State Contract procurements, including recruiting stakeholders from impacted agencies to maximize buy-in of the contract.</li> <li>• Promote the use of State Contracts among local and county governments to better lever the State’s purchasing power (and help local and county governments get better discounts and relief from procurement administration).</li> </ul> | ✓ | ✓ | ✓ | ✓ | ✓ |
| I  | <p>Task OSP with measuring the savings from mandatory State Contracts by comparing new pricing and new leveraged-volume quantities against historical pricing under prior contracts. Periodic reporting of savings provide tangible evidence of the results achieved through procurement reform.</p>   | ✓ | ✓ |   | ✓ |   |
| II | <p>Require an economic justification to enter into a cooperative purchasing agreement.</p>   | ✓ | ✓ | ✓ | ✓ | ✓ |

## Session Topics

- Most procurement activities are conducted at arm's length, but in this session, we will cover topics related to direct vendor interaction:
  - Vendor Education and Outreach (how to do business with the State and how to learn about opportunities)
  - Negotiations
  - Protests

## Report Sections Covered

- Section III – Vendor Education and Access
- Section IX – Negotiations (*previewed today*)
- Section X – Protests (*previewed today*)

| May | June | July | Aug | Sept | Oct | Nov |
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★ - Date of Session 1 – June 11

📅 - Date of Final Subcommittee Report Meeting – November 16

The laws, regulations and practices governing direct vendor interaction could be improved.

### Current Situation

- **The statutes governing the vendor protest process are open-ended, leaving the State susceptible to frivolous protests for a seemingly indefinite period of time after award.**
- **The State does not negotiate with vendors frequently enough. This includes negotiating with apparent winners but also extracting cost concessions from vendors during the procurement process when the State has the most leverage.**

While OSP has recently begun prioritizing negotiations, agencies demonstrated a lack of awareness for such training and inconsistent interpretation of negotiations.

### Findings

- OSP has rolled out generalized negotiations training for procurement professionals but many interviewed agencies were unaware of said training.
- Interpretation and application of the negotiations statutes and rules varied across agencies, from not knowing training was required, to taking a very broad view of what constitutes a negotiation.

“Clarification questions constitute negotiations and can only be issued to the winner”

Most interviewees were not aware of the requirement for negotiations training.

### Protest Background

- Protests are intended to serve the laudable purpose of ensuring State accountability to a transparent and fair procurement process.
  - Vendors have the ability to lodge formal “protests” when they have grievances related to the terms of a State solicitation or to the results of a contract award.

### Current Protest Requirements

- Under Ark. Code § 19-11-244(a)(2)-(3), protests about an award are due 14 calendar days “after the aggrieved person knows or should have known of the facts giving rise to the grievance.”
- Under the current statute, there is no specified or limited grounds for protests, no disincentive for submitting a frivolous protest, and a required halt to all negotiations or solicitation progress at the receipt of a protest.

*If protests are not sufficiently regulated they are potentially abused.*

*Example Risk: Incumbent vendors losing re-procurements may lodge protests for the bad-faith purpose of slowing contracting to keep making revenue on the contract being replaced.*

The State should build upon its recent negotiation momentum and negotiate more. This includes expanding training and tracking success. Protests from aggrieved vendors should be more strictly regulated to prevent potential vendor abuses.

| RECOMMENDATIONS |  |  |  |  |  |  |
|-----------------|--|---|---|---|---|---|
| IX              | Negotiate more, including statutory amendments to allow Best and Final Offers on bids and RFPs. Enhance training and encourage negotiation as a standard practice, not an exception. |   |   | ✓   | ✓   | ✓   |
| X               | Amend the protest statutes to fix a firm deadline, limit the grounds available for protest, require a protest bond, and clarify the path for protests on non-OSP procurements.       | ✓   | ✓   | ✓   | ✓   | ✓   |

## Session Topics

- This session will focus on the review of State contracts and the contracting process.
- The session will cover what the Subcommittee is reviewing and whether the status quo is accomplishing the goals.
- The session will also cover all the entities which review contracts prior to their finalization, including proposed changes to that process.

## Report Sections Covered

- Section V – PCS/TGS/Commodities Distinction
- Section XII – Subcommittee Review (*previewed today*)
- Section XI – Post Procurement Contracting

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★ - Date of Session 1 – July 16

📄 - Date of Final Subcommittee Report Meeting – November 16

Subcommittee review of contracts laudably contributes to a transparent and accountable government, but the current review parameters are not optimized to this goal.

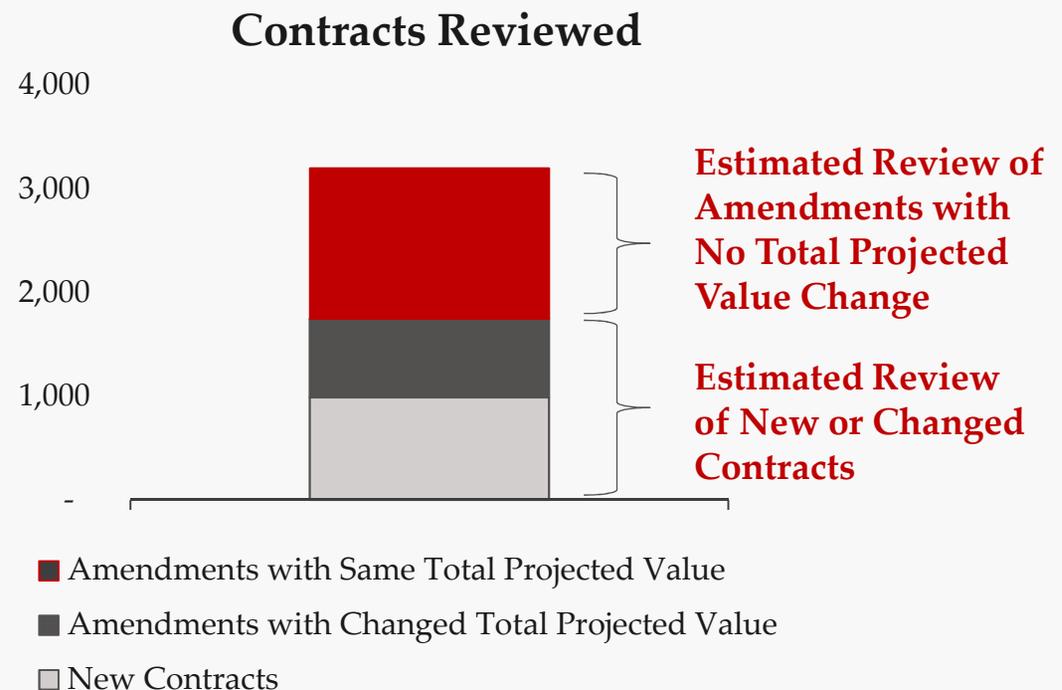
### Current Situation

- **Given that the Subcommittee reviews contract renewals, and given that contract terms are linked to the biennium, an unreasonably large percentage of what the Subcommittee reviews are renewals that are functionally identical to previously reviewed contracts.**
- **The current review requirements rely on ambiguous definitions and are both overly broad and under-inclusive.**
- **The volume of what is reviewed is contributing to wasted resources and a dilution of the Subcommittee's ability to focus its attention on the most important things.**

Ikaso analyzed review portal information from December 2015 through January 2018, a total of 3,199 contracts. Most of the contracts were renewals or amendments to existing contracts.

### Redundant Review

- 69% of the contracts reviewed were amendments to existing contracts the Subcommittee had already reviewed.
- Most of these amendments were extensions of contracts (which are currently restricted to terms no longer than the biennium) without a change in the total projected value.



## Preview Session 3: Contract Review (Cont.)

The contracts the Subcommittee reviews are often the same contracts with extended dates and no adjusted terms.

### Redundant Review

By way of example, below is a contract the Subcommittee reviewed three times between December 2015 and April 2017:

**Profiled Example:** Contract 4600035911

**Agency:** Arkansas Geographic Information Systems Office

**Purpose:** Land Surveying Services

**First Submission Date:** 12/4/2015

**First Submission Total Projected Value:** \$70,000

**Second Submission Date:** 5/27/2015

**Second Submission Purpose:** To extend the contract (initially expired 6/30/2016)

**Second Submission Total Projected Value:** \$70,000

**Third Submission Date:** 4/7/2017

**Third Submission Purpose:** To extend the contract (set to expire on 6/30/2017)

**Third Submission Total Projected Value:** \$70,000

*In this example, the Subcommittee looked at functionally the same contract three times*

Interviews revealed that Subcommittee review is not without its associated expense.

### Findings

- Agencies and Institutions of Higher Education have taken to attending every Subcommittee meeting where there is a contract for review – taking the day off from their normal duties and often with associated travel expenses.
- Members of the Subcommittee report that so many contracts are presented that a full review of everything is impossible.

“The back of that room is full of people who spent a day away from their jobs and most are never called to speak.”

“So many contracts come through at once it’s hard to find the ones that need to be looked at.”

The Subcommittee reviews so many contracts that meaningful review of important contracts is difficult. The criteria for what is reviewed is both overly complicated and does not necessarily align with where the State is spending its money.

| RECOMMENDATIONS |   |  |  |  |  |  |
|-----------------|---|---|---|---|---|---|
| XII             | <p>Change what contracts are reviewed by the Subcommittee to materially reduce the amount automatically sent for review.</p> <ul style="list-style-type: none"> <li>Change the trigger for subcommittee review to purely be the contract's total projected value, regardless of what is being purchased.</li> <li>Additionally, consider different, possibly automatic, review criteria for non-competitively sourced contracts (<i>e.g.</i> special procurements).</li> <li>Enhanced clarity should reduce the risk of ratification requests.</li> <li>Stop requiring review of contract amendments that merely extend the time, and not the term or finances, of a contract.</li> </ul> |   | ✓   |   | ✓   | ✓   |
| XII             | <p>Expand what contracts are reported to the Subcommittee.</p> <ul style="list-style-type: none"> <li>Empower Subcommittee members to require a "report" contract to be called for review.</li> <li>Create a meaningful cover page which display contracts which may automatically warrant review based on pre-established criteria (<i>e.g.</i> changes in the total projected value, a bad VPR)</li> </ul>  | ✓   | ✓   |   | ✓   | ✓   |

## Session Topics

- This session will cover the different procurement instruments the State uses (e.g. RFPs, RFQs) and how we might enhance controls.
- This session will also cover how vendor submissions are evaluated, including disqualification analyses and RFP evaluation committee composition and instructions.

## Report Sections Covered

- Section VI – Procurement Instrument Selection, Preparation and Control
- Section VII – Proposal/Bid Disqualification
- Section VIII – Proposal Evaluation (*previewed today*)
- Section XV – Design Professional and General Contractor Procurement

| May | June | July | Aug | Sept | Oct | Nov |
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★ - Date of Session 1 – August 13

📅 - Date of Final Subcommittee Report Meeting – November 16

The process and tools for evaluating vendor submissions could be improved.

### Current Situation

- **The State's own internal experts are not consistently tapped to evaluate vendor proposals. This appears to be due to a mistaken belief about what constitutes a conflict of interest.**
- **Evaluation teams frequently have too many items to score which reduces or eliminates their ability to fully discuss all proposals. Discussion is the most valuable feature of an evaluation team.**
- **Cost as a percentage of an RFP's score is informally regulated but there is a desire among some to more formally set minimum cost considerations.**

Various misconceptions about conflicts of interest have led State subject matter experts to be barred from serving on RFP evaluation teams.

### Findings

- There is a misperception that involvement in the drafting of the RFP represents a conflict of interest for any future scoring the associated proposals.
  - Because subject matter expertise is needed to draft specifications, this has led many agencies to “disqualify” their in-house experts from serving on RFP evaluation teams.
  - This practice exists in multiple agencies, although it has no basis in statute, rule, or policy.
  - Current OSP leadership does not promote or require this practice and has released training that supports the use of the same experts in drafting and evaluation.
- There is a belief that engagement with an incumbent vendor creates a conflict for potential evaluators, even though these individuals are often the State’s main experts on the specific program/area where incumbents work.
  - Familiarity with an incumbent should not *de facto* disqualify an otherwise qualified evaluator.
  - Everyone should be subject to the same rigorous screens to protect against bias due to financial, personal, familiar or other affiliations/relationships with vendors.

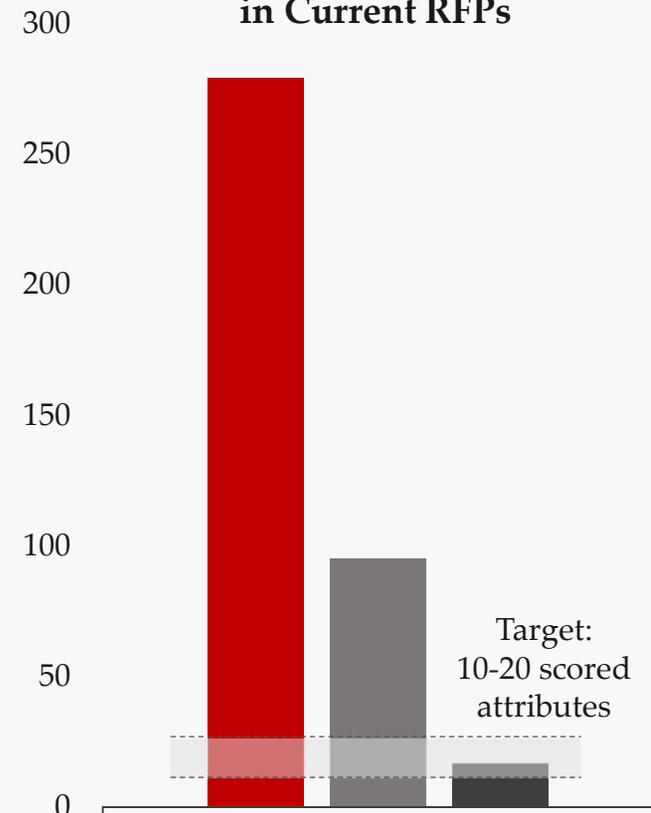
The claim of incumbent bias has been characterized by different people as both “*too pro-incumbent*” and “*too anti-incumbent*”

The current scoring practices can be improved by increasing the amount and quality of discussions while reducing the total number of items scored.

### Current Proposal Scoring Practices - Observations

- Presently, a discussion of a scored attribute is only required by those facilitating the meeting when there is a sufficiently wide range among evaluators on the same scored attributes.
  - No discussion is automatically triggered without the range necessitating conversation. Thus, many scored attributes are not discussed.
  - Not all evaluation members are required to participate in triggered discussions.
- More discussion should be encouraged in these meetings. Even when the evaluation team agrees on a score, discussion allows people with diverse expertise to share their perspectives and provides an opportunity to identify and correct any misperceptions which individual evaluators may have.
- The current “discuss some” strategy is part necessity because typical RFPs have too many individual items to score. In Ikaso’s experience the optimal RFP has 10-20 weighted and representative scoring attributes. To the right is an example of the current practice.

Number of Scored Attributes in Current RFPs



- **279 scored attributes** in SP 18-0059
- **95 scored attributes** in SP 18-0099
- **17 scored attributes** in SP 18-0087\*

\* This is an ideal number.

Presently, the State is not consistently leveraging its subject matter expertise on evaluation teams because of long-held misperceptions about conflicts and non-optimized evaluation practices. There is also interest in formalizing the role of cost in RFP scoring.

| RECOMMENDATIONS |   |  |  |  |  |  |
|-----------------|---|---|---|---|---|---|
| VIII            | Correct agency-held misperceptions regarding evaluation team composition that are restricting the use of State expertise: <ul style="list-style-type: none"> <li>• Encouraging the same individuals who draft RFP specifications to serve on the evaluation committee.</li> <li>• Correcting the misconception that involvement with an incumbent necessarily disqualifies an evaluator.</li> </ul> | ✓   |   | ✓   | ✓   |   |
| VIII            | Given the interest of the Subcommittee, formalize a minimum cost weighting for RFP scores by adding a requirement to § 19-11-230.   |   |   | ✓   | ✓   | ✓   |
| VIII            | Revise RFP training and templates to simplify the scoring process.  | ✓   |   | ✓   | ✓   |   |
| VIII            | Encourage more and better discussion at evaluation meetings.  | ✓   | ✓   | ✓   | ✓   | ✓   |

## Session Topics

- This session will focus on areas where the State can improve how it measures (and thus manages) its procurement process.
- The session will focus heavily on proposed improvements to the Vendor Performance Review process
- The session will also discuss reports the State should continue, change, or discontinue.

## Report Sections Covered

- Section XIII – Vendor Performance Reporting (*previewed today*)
- Section XIV – Reporting (*previewed today*)

| May | June | July | Aug | Sept | Oct | Nov |
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★ - Date of Session 1 – September 17

📅 - Date of Final Subcommittee Report Meeting – November 16

There is ample opportunity to measure procurement and vendors with more precision. More precise measurement begets better outcomes.

### Current Situation

- **The State is ahead of national practices by requiring Vendor Performance Reports. However, the current system is onerous, uniform at the expense of precision, and generally fails to capture poor vendor performance.**
- **Many interviewees are critical of time lost to contract review before Subcommittee review, but this process is not measured so criticisms are based on anecdotal evidence.**
- **Co-op and recycled paper reporting is unusually labor intensive and, in the case of recycled paper reporting, seemingly obsolete.**

## Preview Session 5: Meaningful Measurement (Cont.)

VPRs have been very imprecisely implemented as they uniformly measure the subjective satisfaction of State stakeholders rather than objectively measuring vendor's performance.

### A Wide Range of Contracts vs. A Single Tool

- VPRs are required on every three months for contracts worth over \$25,000.
- The VPR platform presents a uniform tool which requires subjective assessments of non-specific (and sometimes inapplicable) performance criteria regardless of the contract's subject.
- Below is a screen shot of the tool uniformly deployed. (The portion which lists the vendor's name and contract information is omitted, as are the signature lines).

| Rating Categories | Below Standard           | Standard                            | Above Standard           |
|-------------------|--------------------------|-------------------------------------|--------------------------|
| Customer Service  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Delivery          | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Quality           | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Pricing           | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Overall Rating: Standard

A below standard rating requires explanation and documentation.

Comments:

The vendor met expectations for this rating period.

All agree that there is value in measuring vendor performance, but few believe the current system does so effectively.

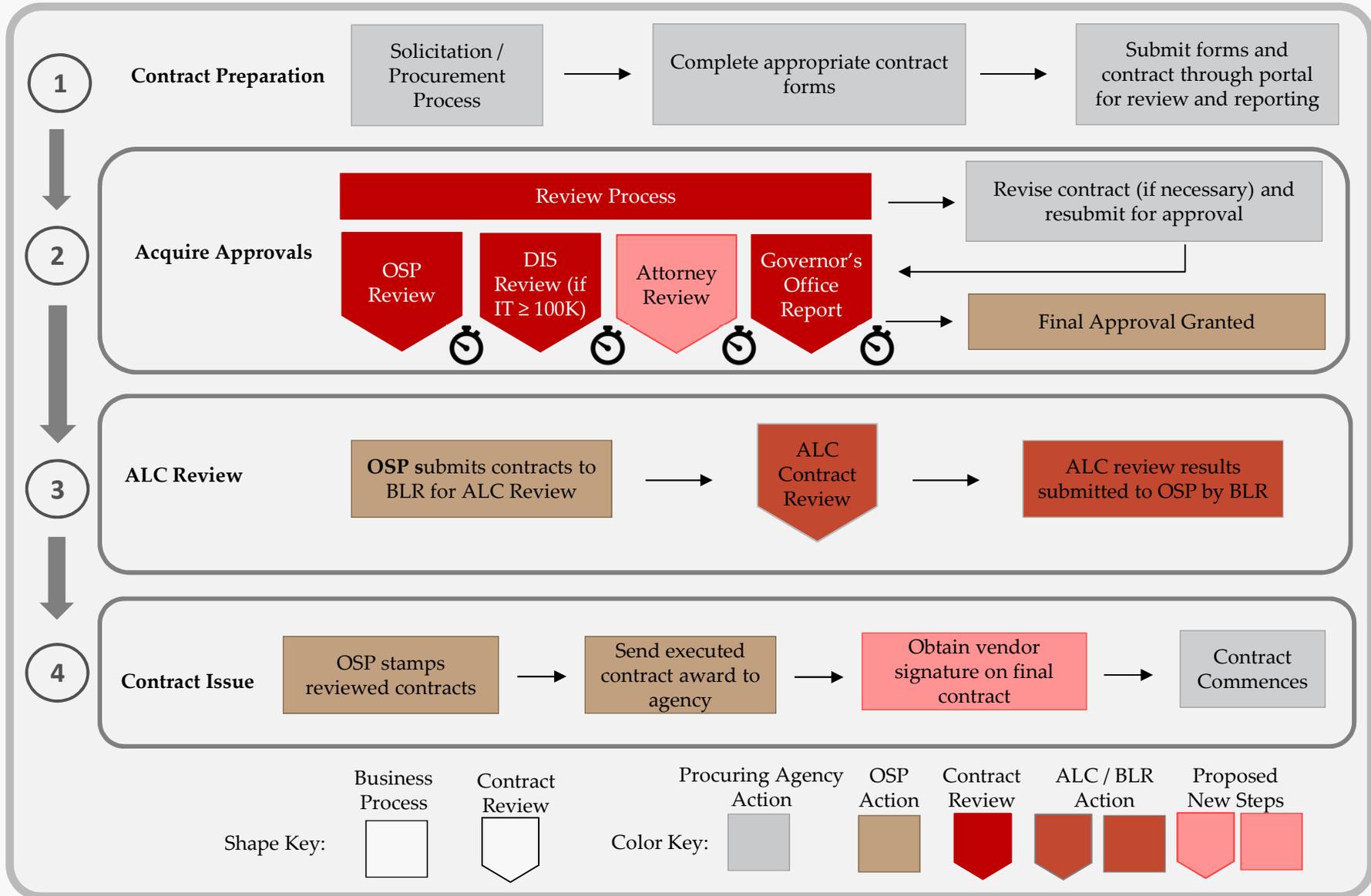
### Findings

- VPRs are onerous and take up a lot of State employee time, especially at non-AASIS entities like Institutions of Higher Education.
- Their required frequency often forces people to formally assess performance when it is premature to do so (*i.e.* before something is delivered or completed).
- There were no clear consequences for a poor VPR, and almost no one could recall one.

“There is someone at my institution whose full time job is filling out VPRs.”

Poor VPRs are very rare, some could not recall one.

## Measure Time (🕒) in AASIS in the Proposed Contracting Process



Certain existing reports are labor intensive (especially for Institutions of Higher Education) but appear to bring little value.

### Co-op Reporting

- Ark. Code § 19-11-249(b) requires the State Procurement Director to prepare quarterly reports of co-op use.
  - This requirement has been implemented by requesting agencies and Institutions of Higher Education gather this data, including line-item detail.
  - For non-AASIS users this is a manual process. People at the State's colleges and universities spend material time each month tracking down and counting the pens and papers they've used to satisfy this report requirement.
  - It is unclear if these reports are used for anything.

### Recycled Paper Reporting

- Ark. Code § 19-11-260 tasks agencies and Institutions of Higher Education with collecting information about their use of recycled paper to support meeting a State usage goal **“by calendar year 2000.”**
  - This information is collected by someone, but it is not clear how it is used in light of the stated goal.
  - For non-AASIS users, this too is a manual process.

## Preview Session 5: Meaningful Measurement (Cont.)

The State is advanced for requiring any vendor performance reporting, but the current reporting requirements can be enhanced to be more meaningful and less onerous. Other reporting areas require adjustment.

### RECOMMENDATIONS



|          |   |   |   |   |   |   |
|----------|---|---|---|---|---|---|
| XIII     | <p>Amend the statutory requirements regarding contract performance metrics to require that, for contracts over a certain size or type, such metrics must be customized to the contract and objective.</p> <ul style="list-style-type: none"> <li>• These metrics should be objective and not subjective.</li> <li>• Agencies must have the ability to monitor these metrics.</li> <li>• These metrics could be tied to contractual consequences (<i>e.g.</i> pay-for-performance).</li> </ul> | ✓ | ✓ |   | ✓ | ✓ |
| XIII     | <p>Amend the VPR requirements to only require VPRs when a vendor fails the objective metrics.</p> <ul style="list-style-type: none"> <li>• This will ensure that all VPRs are necessary and meaningful.</li> <li>• This will materially reduce the burden associated with current practices.</li> </ul>   | ✓ | ✓ |   | ✓ | ✓ |
| XIII     | <p>Make VPRs internally viewable.</p> <ul style="list-style-type: none"> <li>• This would allow the State to use VPRs in future evaluations</li> </ul>  | ✓ | ✓ | ✓ | ✓ | ✓ |
| IV & XIV | <p>Consider new reports, change existing reports, and discontinue others. Leverage AASIS for contract routing and procurement prediction.</p>   | ✓ | ✓ |   | ✓ | ✓ |

# Questions & Next Steps