

MINUTES

**JOINT PERFORMANCE REVIEW COMMITTEE and
REVIEW SUBCOMMITTEE OF THE ARKANSAS LEGISLATIVE COUNCIL
MEETING JOINTLY****DECEMBER 13, 2017**

The Joint Performance Review Committee met jointly with the Review Subcommittee of the Arkansas Legislative Council Wednesday, December 13, 2017 at 2:00 p.m. in Room A, MAC Building, Little Rock, Arkansas.

Joint Performance Review Committee members present: Senators Missy Irvin, Senate Chair, Jane English, Jimmy Hickey, Jr., and Terry Rice. Representatives Mark Lowery, House Chair, LeAnne Burch, David Fielding, Kenneth Ferguson, Jack Fortner, Michelle Gray, Reginald Murdock, Chris Richey, and Brandt Smith.

Call to Order

Senator Scott Flippo, Review Subcommittee Co-Chair, called the meeting to order.

Procurement Consulting Project Update – Ikaso Consulting

Tom Arnold, Director, Matt Lewis, Project Manager, and Erin Kremer, Manager, Ikaso Consulting, were recognized. Mr. Arnold gave an executive summary of the consulting project:

- The procurement review project is on schedule
- A review of documents, statutes, rules, and forms is being performed
- Documents are being added to the roster for review
- Stakeholder interviews are being conducted
- Meetings with agency representatives are being held

Project updates will focus on preliminary observations in three topic profiles:

- Entities excluded from the procurement code
- Small Purchase Thresholds
- Cooperative Purchase Approval

Mr. Lewis referenced written material reviews being added to the project work plan schedule:

- Joint Performance Review Committee reports
- Arkansas Legislative Audit reports
- Ten Enacted and five proposed procurement legislative actions
- Internal Procurement materials, including samples of procurement documents, sole source procurements, and emergency procurements

Ms. Kremer told legislators that a significant number of meetings and interviews have taken place with state agencies and industry representatives, which has added valuable information to the project. She also discussed entities that are excluded from the procurement code:

- Elected constitutional offices
- The General Assembly
- Legislative Council and Legislative Audit Committees
- Arkansas Legislative Audit and Bureau of Legislative Research

- Arkansas Supreme Court, Court of Appeals, Circuit Courts, Prosecuting Attorneys, and the Administrative Office of the Courts

Ms. Kremer described Arkansas as being fairly consistent with general procurement practices in most states where procurement exemptions exist in constitutional offices, legislative, and judicial branches. The state of Oklahoma is the exception because it does subject its judicial and legislative branches to purchasing requirements.

Mr. Arnold discussed small purchase thresholds in Arkansas and compared them to Tennessee and Louisiana. Arkansas small purchase thresholds:

- State agencies can procure contracts up to \$20,000 without competitive bids
- State agencies can procure contracts over \$20,000 and up to \$75,000 with three competitive bids
- Procurements valued over \$75,000 requires the Office of State Procurement (OSP) to oversee contracts by obtaining three competitive sealed bids

Tennessee small purchase thresholds:

- State agencies can procure contracts up to \$10,000 based on due diligence of the value of the procurement
- State agencies can procure contracts above \$10,000 with three informal quotes, referred to as phone quotes, where the purchaser must obtain three written quotes from qualified vendors
- Procurements valued over \$50,000 require the Tennessee Central Procurement Office to oversee the contracts

Louisiana small purchase thresholds:

- State agencies can procure contracts up to \$5,000 without competitive bids
- State agencies can procure contracts valued between \$5,000 and \$15,000 with three informal quotes
- State agencies can procure contracts valued between \$15,000 and \$25,000 with five formal quotes
- State agencies can procure contracts valued above \$25,000 with a formal competitive bid process

Mr. Lewis gave a PowerPoint presentation that included an overview of cooperative purchasing that involves:

- State or local government entities utilizing or joining another government entity's contract
- Government entities may join an existing contract or collaboratively procure a service or product
- Cooperative purchasing agreements are typically chosen when a cooperative contract already exists that fulfills the state's purchasing objectives and there is no existing state contract
- Money is saved by pooling the purchasing volume of multiple entities

Mr. Lewis discussed the cooperative purchasing approval processes used in Arkansas and gave comparison examples of processes used in other states:

- Arkansas requires agreements to be approved by the State Procurement Administrator. OSP review of potential cooperative purchasing agreements focuses on adherence to

procedural requirements, but does not include a review of the economics of the agreement

- A review of several states approval processes found that a justification of a cooperative purchasing agreement where economics show a costs savings is more common in other states

Arizona's approval process requires extensive due diligence, including cost analysis, to ensure the contract is in the best interest of the state. Cooperative contracts may only address a one-time need and must be approved by the State Procurement Office

Mr. Ed Armstrong, Administrator, Office of State Procurement (OSP), was recognized. He discussed Arkansas's procurement law which is modeled after the American Bar Association (ABA) procurement code of 1979. It is the base for the majority of Arkansas's cooperative agreements. Currently, Arkansas's statutes require agencies to obtain approval by the OSP Administrator to enter into a cooperative agreement. Mr. Armstrong is authorized under statute to only review agreements to determine if they substantially comply with Arkansas's procurement law. He suggested language be added to statutes to introduce and require cost saving language that is in the best interest of the state. Mr. Armstrong responded to questions regarding a contract with Computer Aid, Inc. (CAI):

- The contract can provide consultants who have expertise in specific areas such as Information Technology project management and can help advise state agencies
- Multiple state agencies can utilize highly trained people listed in the contract without creating a new permanent position within their agency
- The contract administrator only receives payment when consultant services are utilized

Mr. Lewis responded to questions regarding final recommendations his company will present to the ALC-Review Subcommittee. He said they are developing a list and it will be provided when the project is finalized.

There being no further questions, the meeting adjourned at 4:00 p.m.