

Procurement Overview – Department of Administration (S.22)

February 19, 2013

Phony Argument: The executive branch can't be trusted to run procurement.

- Procurement is part of the Department of Administration in at least 45 states. That's more than any other back-office function.
- The Budget and Control Board already delegates significant procurement authority to various state agencies – we've already shown we can handle this responsibility.

Phony Argument: Procurement has to stay with the Budget and Control Board's successor because we need "more sets of eyes" in order to avoid corruption.

- More sets of eyes than we already have through the substantive committees, the new legislative oversight process, the Legislative Audit Council, the Inspector General, the contract protest process (including the Procurement Review Panel and the Circuit Court appeals), the review of federal granting agencies, the federal Single Audit Act reviews and audits, the new reporting and transparency language that the Governor's Office submitted for inclusion in this bill, the involvement of state and federal prosecutorial authorities, the blogosphere, the press, the FOIA process, and other existing protections through the Procurement Code and other continuing statutes, regulations, and practices?
- "More sets of eyes" come with more sets of hands too, for good or for ill. Bid materials are sensitive and confidential during an ongoing procurement. For each additional person who has access to these materials, there is a growing risk that the process will be compromised.
- The way to protect the integrity of our procurement process is to hire the right people and put the right controls in place. This can be accomplished regardless of which agency oversees procurement.

Phony Argument: The Governor's Office earlier accepted the Finance Committee's approach to procurement.

- FALSE. Governor Haley's office has never endorsed a Department of Administration bill that left all of procurement outside of the Department.
- In the last session, the Senate Judiciary Committee's amendment and the final Senate-passed bill placed IT procurement in the Department of Administration. So did the conference report. The House twice passed bills that placed all of procurement in the Department. Leaving all of procurement in the SFAA instead would be a big step backwards from any of these drafts.

Phony Argument: We should leave things as they are because there have been no major, systemic incidents of procurement-related corruption in recent memory (MMO's argument in subcommittee).

- This is an embarrassingly low standard for what we're willing to accept. If nothing else makes the point, this assertion by itself shows why change is so desperately needed.

Valid Argument: This isn't just about integrity. It's about value and prospective savings, too.

- Strategic Sourcing is the systematic, data-driven process of analyzing an organization's spending patterns and then changing them in order to fully leverage the entity's aggregate buying power. Businesses do it...leading states do it...and we don't. The bill now has language that requires a Strategic Sourcing initiative, but if it is to be successful, then we should have the kind of leadership and vision for procurement that we're not getting today with a five-member board.
- Examples of savings through Strategic Sourcing: Georgia \$135M, Florida \$233M, Virginia \$280M, Minnesota \$210M, Pennsylvania \$260M, Texas...*potential* savings of \$252M-\$539M identified.

Valid Argument: The status quo isn't good enough.

- The National Association of State Procurement Officials (NASPO) has been giving out up to 6 awards per year for procurement excellence, going back to 1985. South Carolina has never won.
- How many states have seen what we've done with procurement and have decided to create a Budget and Control Board so that they can experience similar results?