

December 28, 2018

Mr. Randall J. Meyer  
Ohio Inspector General  
Office of the Inspector General  
James A. Rhodes State Office Tower  
30 East Broad Street, Suite 2940  
Columbus, OH 43215-3414

OFFICE OF  
INSPECTOR GENERAL  
2018 DEC 28 PM 3:19

Dear Inspector General Meyer:

This letter is in response to the recommendations made by your office to the Ohio Department of Administrative Services (ODAS) in File ID Number: 2017-CA00014C. ODAS appreciates the input received from the Ohio Inspector General's Office in this and past reports.

Several years ago, ODAS began the process of updating our procurement policy for state agencies, last issued in 2008. This extensive effort included the guidance and feedback of state agency purchasing officers, chief financial officers and legal counsels. During this time, we also received input from the Inspector General, the Ohio Controlling Board and the Auditor of State. As a result of our efforts, complemented by the additional input, the following improvements have been made to our enterprise procurement policies and oversight structure:

- An enhanced procurement policy (State of Ohio Administrative Policy, Procurement PM-01) was issued on December 28, 2018, and effective February 1, 2019, to guide state agencies as they navigate the procurement process. The new policy incorporates prior guidance memos as well as a first-ever definitions section, including definitions of "sole source" and "single source."
- ODAS will offer in-person and webinar training on the new procurement policy in January and ongoing through an online course being developed. All Agency Procurement Officers (APOs) and Chief Fiscal Officers (CFOs) will be responsible for ensuring that current employees with any role in procurement processes participate in training and that future staff review the policy and view the online course.
- To implement the state term schedule agreement reached with the Controlling Board for state fiscal years 2018-2019, ODAS issued six procurement guidance memos in 2017 regarding the use of State Term Schedule (STS) contracts. Among other things, this guidance clarified that state agencies must obtain (not just solicit) a minimum of three quotes or proposals from STS vendors and clarified that a "no response" or "no bid" does not constitute receipt of a valid quote or proposal. The guidance was consolidated into the newly issued procurement policy and Procurement Manual.
- The agreement with the Controlling Board also provides that ODAS must provide quarterly transparency reports to the members of the Controlling Board showing details of state agency purchases against STS contracts. These reports are also posted on the state procurement website at [procure.ohio.gov](http://procure.ohio.gov).

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- ODAS is completing the transition of enterprise IT procurement from the Office of Information Technology (OIT) under the direction of the state Chief Information Officer (CIO) to the General Services Division (GSD), Office of Procurement Services (OPS) under the direction of the state Chief Procurement Officer (CPO).
- We are in the process of completing the consolidation of the previously decentralized ODAS business offices into one physical location and reporting structure within the agency's Office of Finance. The consolidation of the agency's OIT business office concludes this effort and ensures alignment of procedures as well as strengthens checks and balances on agency purchasing decisions.
- Our IT "release and permit" process was modified to ensure that separation of duties exists for initiating a procurement, governance review and authority to approve procurement actions.
- ODAS has just completed the first phase release of an enterprise eProcurement solution to integrate with the existing state accounting system (OAKS). When fully deployed, this cloud-based solution will enhance open, fair and good-faith competition. The first phase involves 12 early-adopter agencies and provides an eMarketplace catalog environment for certain commonly purchased supplies for use with state payment cards in accordance with policies. The multi-year deployment will occur through 2021 in phased releases for order-to-pay functionality and then solicitation, contract management and data analytics functionality.

Many of these improvements predate your report of November 15, 2018 but are nevertheless relevant to the issues it raises. The following responses detail how ODAS is implementing your recommendations:

**Recommendation No. 1:**

Review the conduct of the ODAS employees named in this report and consider whether administrative action is warranted.

**Response:**

We have met with the employees involved and verified their thorough understanding of the existing policy as well as performance expectations. We have also confirmed that these employees were following instructions from management at that time. Newly implemented statewide and internal agency policies and organizational structures will prevent this same action and result from occurring in the future. We have determined that administrative action is not warranted.

**Recommendation No. 2:**

Review ODAS internal controls to address identified weaknesses and consider adopting policy and/or procedural changes to ensure payments for goods and services are made when ODAS has both received the goods and services, free of defect, and has been supplied a proper invoice as defined in Ohio Administrative Code § 126-3-01.

**Response:**

The purchasing process that took place in this circumstance cannot occur again due to the clarity of the new policy and the consolidation of business functions within the Office of Finance. The same decision, made today, would be processed through a different structure of reviews in the Office of Finance. In addition, with clarity given to the definition of “sole source vendor,” this purchase would now be clearly identified as not qualifying for a “sole source” purchase.

Furthermore, although the physical consolidation is not yet complete, the Office of Finance has already begun internal training, establishing separation of duties and implementing other processes that will validate that payments for goods and services are made by ODAS only when received, free of defect, and upon receipt of a proper invoice as defined in administrative code.

**Recommendation No. 3:**

Define “sole source vendor” in ODAS’ purchasing policies and procedures, specifying the appropriate use of the term’s designation and recognizing the mere preference for a vendor, product or service is not sufficient basis for “sole source.”

**Response:**

The new State of Ohio Administrative Policy, Procurement PM-01, issued on December 28, 2018, includes a first-ever section of definitions. The definitions are included in Appendix A of the policy and provides a definition of “sole-source procurement,” among others.

**“Sole-source procurement.** A procurement from one selected supplier that can be substantiated because a requirement involves a supply or service provided by only one supplier or contractor having exclusive rights (e.g., rights to data, patent or copyrights, proprietary interests, intellectual property or secret processes) to provide the supply or service. A sole-source procurement differs from a single-source procurement because the supply or service is unique.”

**“Single-source procurement.** A procurement from one selected supplier, even though there are other suppliers that may provide similar supplies or services. A single-source procurement decision must be justified based on strategic factors, such as continuity of services, standardization, specialized capabilities, warranty, etc., even though other competitive sources may be available. The mere preference for a supplier, product or service is not a sufficient basis for a single-source procurement. Also see sole-source procurement.”

**Recommendation No. 4:**

Consider providing ODAS employees with additional procurement and fiscal training.

**Response:**

Statewide Agency Procurement Officers (APOs) and Chief Fiscal Officers (CFOs), including procurement and fiscal staff at ODAS, will be invited to attend an in-person training session that will provide an overview of the new policy with a focus on new requirements. This training will also

be offered via webinar for those who cannot attend in person to ensure that as many employees as possible can participate.

The live session will be recorded and posted on the statewide procurement website, [procure.ohio.gov](http://procure.ohio.gov), to be used as a reference guide after training.

Finally, ODAS is developing an online education course that will be available on an ongoing basis to all levels of employees involved in the procurement process. APOs and CFOs will be directed to ensure all current and future staff review the procurement policy and watch the online course.

ODAS appreciates the importance of establishing policies and overseeing the implementation of procurement activities in compliance with Ohio laws, rules, policies and procedures. We understand our role in modeling compliance among all state agencies. While the episode detailed in your report may have fallen short of our own and others' expectations, we have improved in many ways to prevent such shortcomings in the future.

We appreciate the opportunity to convey the improvements we have implemented as well as those still in progress while also detailing the actions undertaken specifically in response to your recommendations. Should you have any questions regarding our response, or need any additional information, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink, appearing to read "Robert Blair", written in a cursive style.

Robert Blair  
Director