

THE COST OF RESEARCHING PRODUCT PRICING

OUTSIDE CURRENT STATE USE CONTRACT

Q. What is the Procurement Flow?

- A. The procurement flow is comprised of the following steps:
- a. State Use (Mandatory Schedule) – first stop for all purchases
 - b. Oklahoma Correctional Industries – second stop for all purchases
 - c. Statewide Contracts – third stop for all purchases
 - d. Solicitation – used when no other contracts are available to procure your needs

This flow is designed to make purchasing easy for the buyers. When following the flow there is no reason to question the prices that have been established. Hence, saving the state money on researching additional prices that have already been established and approved.

NOTE: *Attorney General Opinion from W.A. DREW EDMONDSON, Attorney General of Oklahoma and RICHARD D. OLDERBAK, Assistant Attorney General dated 10/22/2010:*

Id. § 3008 (emphasis added). The administrative rules of the Department of Central Services Central Purchasing Division also require state agencies to make purchases of products and services on the procurement schedule.

State Use Committee. State agencies *shall* make acquisitions from suppliers on the State Use Committee procurement schedule *regardless of the acquisition purchase price* if the supplier's delivery date meets state agency requirements. State Use Committee contracts are mandatory contracts. State agencies shall utilize the State Use Committee procurement schedule to ensure all acquisitions are made pursuant to 74 O.S., Section 3001 et seq. If an acquisition is available from both the State Use Committee procurement schedule and the Oklahoma Correctional Industries, the state agency shall make the acquisition from the State Use Committee procurement schedule.

OAC 580:15-6-5(2) (2010).

Q. I know Walmart has the item at a lower price. Why can I not go there to get it?

A. If you were to send someone to Walmart to get an item the cost increases tremendously. It would take an average of 15 minutes to drive to the store, 30 minutes to find the item and check out, and 15 minutes to return back to the office. This costs the state a minimum of \$40.00 plus the fuel and the wear and tear of the vehicle. Did you really save \$40.00 or more? What if the employee was involved in a car accident...now what was your savings?

Q. I know that there is a SW contract for an item that is offered from SU. The SW contracted price is less. Why should I make the purchase from SU?

A. There are very few State Use items that may cross over to the SW contracts. When this conflict occurs we review and address them on an individual basis. The law proclaims the State Use Program as

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a first source for purchases by state agencies. We do take into account the current economic advantage of using the State Use Program.

Q. I have found the item online at a lower price. Why should I not purchase it there?

A. You have to take into account several aspects with online purchases.

1) Who is the seller?

2) Do I have to set-up an account? Generally – yes. On average this takes about 10 minutes which costs an estimated \$7 in addition to the product price.

3) Is shipping/handling included?

4) Can I get it tax free? Generally takes jumping through hoops to get this accomplished. On average this takes an additional 5 minutes which costs an estimated \$3.50 in addition to the product price.

5) What is the lead time/Where is it coming from?

6) How long did it take to find the “lowest” price? On average this is about 15 minutes (minimum) which costs an estimated \$10 in addition to the product price.

NOTE: The estimated additional costs associated with finding a lower price online adds an estimated minimum of \$20.50 to the price of the product. Don't forget that not all online sellers are trustworthy and this could create additional time needed to track or request a refund of the item. Also, the state is not allowed to pay for something prior to receiving it. Online orders are often billed at the time of placing the order.

When reviewing these situations you must take into account the time it takes to not only search the lower price, but how much time it takes to answer all of the above questions and how long it takes to place the order. The state is still paying the employee for this time, and time is money. To get an account set-up and to get it tax free takes anywhere from 15 minutes to 1 hour, and may require multiple phone calls. Also consider, if the product is made in Oklahoma it is benefiting the state (yet another win/gain for the state).

Q. So, I need to fill out an Exception form to purchase a lesser priced product.

A. Yes, you need to complete an Exception form prior to making your purchase. When completing an Exception form, keep in mind that the State Use office does not automatically approve or deny the exception request. We have to research the requested pricing and check with the vendor to assure the items are exactly the same. By the time the Exception request is approved or denied it has cost the state an estimated \$20 plus.

Q. What is a Fair Market Value?

A. The contracting officer shall recommend a fair market price for products and services in accordance with the State Use Committee's approved Fair Market Price Policy and in the manner described in this section.

(1) The contracting officer shall prepare a current market analysis to determine the fair

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price for the products or services requisitioned or used by state agencies utilizing internal as well as external sources and established pertinent criteria. When appropriate, the criteria may include, but not be limited to:

- (A) A survey of comparable private contracts for like products and services;
 - (B) Research of other governmental entities within and outside the State of Oklahoma;
 - (C) Comparison, when appropriate, of wholesale and retail pricing of like commodities.
- (2) Based on the data described in OAC 304:10-1-4 (1), the contracting officer or designee shall recommend a fair market price with supporting documentation to the Committee for consideration.
 - (3) The Committee shall, by majority vote, approve, modify, amend or disapprove the recommended fair market price.
 - (4) Whenever the Committee establishes a price, the price shall become the fair market price.
 - (5) If the product or service is one for which the pricing does not vary by state agency or location, the fair market price as approved, modified, or amended, shall remain in effect until the Committee establishes a new fair market price.
 - (6) If the product or service is one for which the price does vary depending on the state agency, location, or specifications, the Committee shall approve, each contract for the product or service.
 - (7) If the product or service is one for which fair market has not been established, either because the fair market for the type of product or service has been determined to vary depending on the state agency, location or specifications, the Contracting Officer, with the approval of the State Purchasing Director, is authorized to award a contract in accordance with the State use Fair Market Price Policy to a qualified individual or organizations, thereby establishing fair market price, which establishment shall be subject to ratification by the Committee at the next regular Committee meeting.

Q. What does the State Use Program really cost the state?

A. Nothing! The State Use Program is a self-supporting program that manages the contracts of vendors who provide employment opportunities for persons with disabilities. These employment opportunities help reduce the need for state and federal funding, for the individuals with disabilities. This saves an estimated \$5.5 million each year and increases the tax revenues for the state. This amounts to a 25% economic advantage, for the state, each time the program is utilized for a purchase.

The prices of the products/services the State Use vendors, provide are often well below the open fair market pricing, thus saving the state that much more.