Office of Accounting Services
Procurement

Pilot Procurement

Presenters:
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Grad Act Autonomies Overview

In accordance with Act 418 of the 2011 Regular Legislative Session, LSU was given approval to develop and utilize high level autonomies as defined in R.S. 17:3139(F)(5)(c).

- **R.S. 17:3139(F)(5)(c)(i)**
  - Development of the pilot procurement code
- **R.S. 17:3139(F)(5)(c)(ii)**
  - Risk management program autonomy
- **R.S. 17:3139(F)(5)(c)(iii)**
  - Facilities Project Autonomy
- **R.S. 17:3139(F)(5)(c)(iv)**
  - Development of a revised investment plan

Campuses Subject to Code

- LSU A & M
- LSU System
- LSU Agriculture Center
- Hebert Law Center
- LSU Alexandria
- LSU Eunice
- Pennington Biomedical Center

Major Differences in Code

Current Procurement Laws

Procurement

- Sealed bid for goods and operating services over $ 25,000
- Consulting Service Contracts over $ 50,000 awarded by RFP
- Maximum 5 year contract award
- Lowest Price

LSU Procurement Code

Procurement

- Sealed bid over $ 50,000 for all goods and services
- Ability to determine small purchases threshold
- 10 Year Contract options
- Best Value

Major Differences in Code (cont.)

Current Procurement Laws

Protest Hearings

- Not required for State Agencies but required for State Colleges and Universities

Solicitation Methods

- Approval required for RFPs
- No ability to use Best and Final Offers

LSU Procurement Code

Protest Hearings

- Not Required but may be authorized by CPO (Chief Procurement Officer)

Solicitation Methods

- Consortiums, reverse auctions, competitive negotiation, Best & Final
- Best Value
- Request for Proposals

What is Strategic Sourcing?

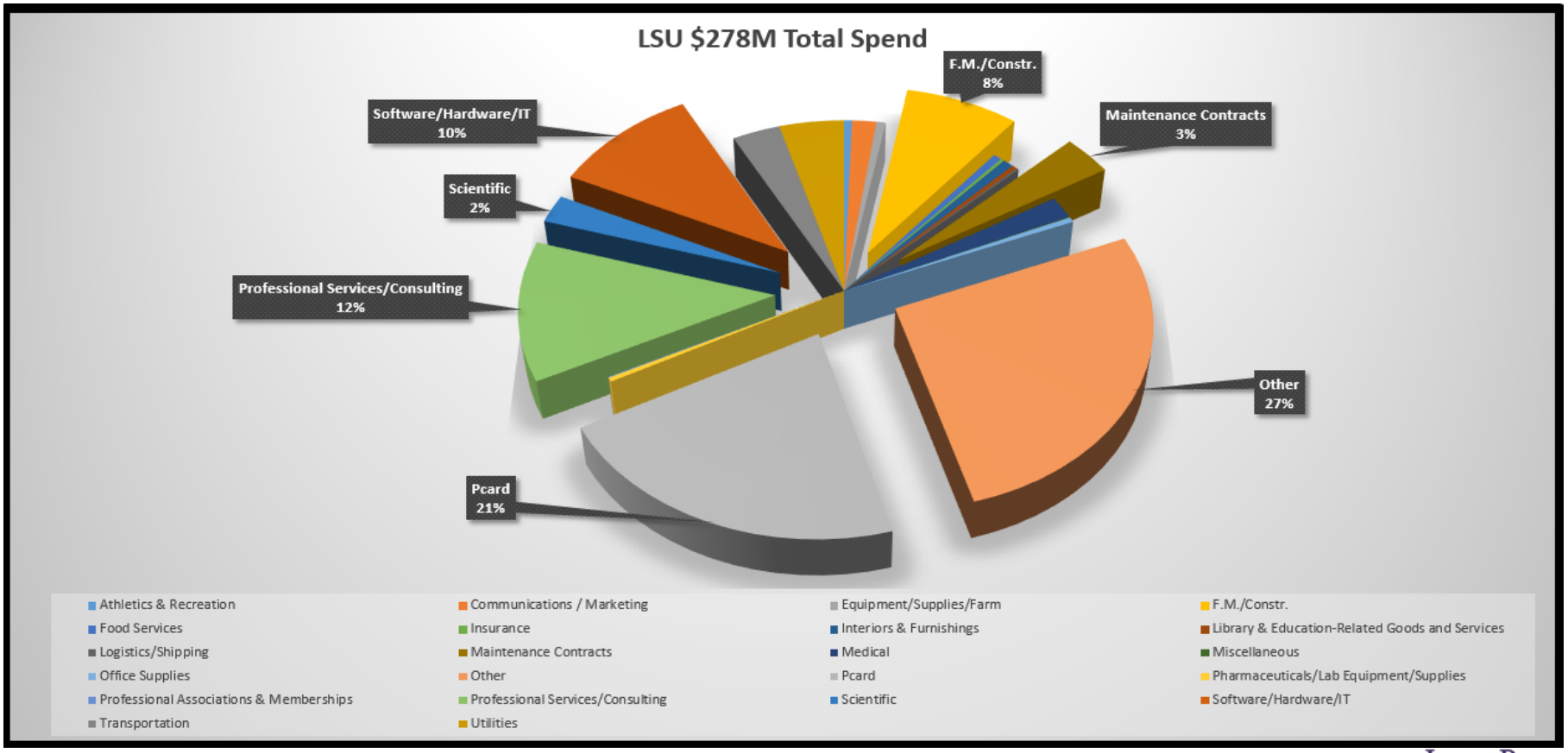
Procurement process that continuously improves and re-evaluates the purchasing activities.

What it is	What it is NOT
Getting the best product/service at the best value	Getting the cheapest product/service
Addressing all areas for savings	Focused on “beating up suppliers”
Decisions based on fact analysis and market intelligence	Decisions based on opinion, unjustified preference, or complacency
A continuous process	A one-time project or purchase

Objective of Strategic Sourcing

To reduce overall cost while maintaining or improving quality.

Consolidated Spend



Measure of Savings

Savings Opportunities	Yr 1	Yr 2	Yr 3	Total Savings (3 yr)
Hard Savings Opportunities				
Utilize Strategic Sourcing Levers				
Cooperative Contract Purchasing	136,403	545,610	1,091,220	1,773,233
Reverse Auctions	52,463	209,850	419,700	682,013
Soft Savings Opportunit				
Reduce PO processing cost	3,640	5,096	6,552	15,288
Reduce LaCarte transaction cost	6,459	9,043	11,626	27,128
Total Savings Opportunities	198,964	769,599	1,529,098	2,497,661
Hard Savings	*188,865*	*755,460*	*1,510,920*	*2,455,245*
Soft Savings	*10,099*	*14,139*	*18,178*	*42,416*

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Measure of Savings - Soft

TRANSACTION PROCESSING COST SAVINGS

Reduce PO Processing Cost (Soft)

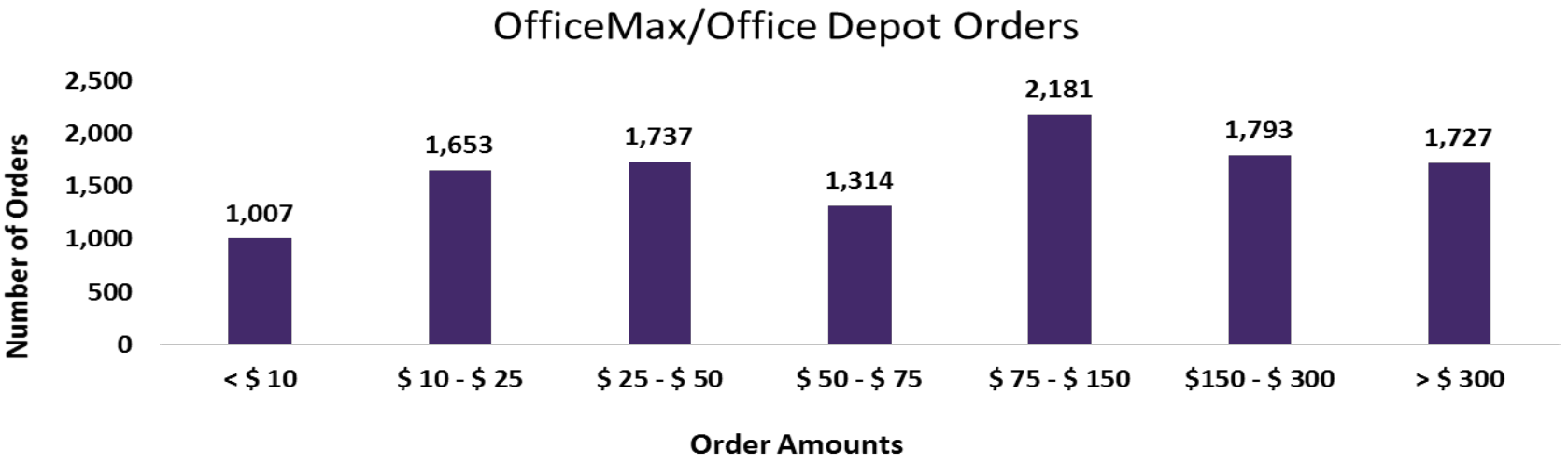
# PO transactions		14,000	
ePro shift		10%	of transactions in yr 1
Per Txn Savings	$	52.00	

		Annual Savings	Transaction Shift
Yr 1	$	3,640	5%
Yr 2	$	5,096	7%
Yr 3	$	6,552	9%
Total 3-yr savings	$	15,288	

Source: *LSU analysis; internal process cost analysis*

Note: 'Transaction Shift' reflects the percentage of transactions that are shifted from one method to another. The annual savings is the difference of the shifted transaction costs multiplied by the number of transactions shifted.

Efficiency - Soft Savings



Order Size	LSU Process Cost Savings	OfficeMax/Office Depot Process Cost	Combined Savings
< $ 10	$ 23,161	$ 49,081	$ 72,242
$ 10 - $ 25	$ 38,019	$ 80,567	$ 118,586
Total Savings with $ 25 min. order	$ 61,180	$ 129,648	$ 190,828

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Measure of Savings - Hard

STRATEGIC SOURCING SAVINGS LEVERS

Strategic Sourcing Lever #1 (Cooperative Contract Purchasing)

% of spend for Coop		10%	Cooperative Avg Savings	12.0%
Sourceable Coop spend	$	20,985,000	Cooperative Annual Rebates	1.00%

Annual Cooperative Agreement Savings $ 2,728,050

		Annual Savings	Discount Factor
Yr 1	$	136,403	95%
Yr 2	$	545,610	80%
Yr 3	$	1,091,220	60%
Total 3-yr savings	$	1,773,233	

Source: *E&I Cooperative, ProVista GPO, literature review*

Efficiency - Hard Savings

Bathroom Tissue

Savings Opportunity:

$ 48,000

11,000 Cases Purchased in 2014

Plan Implementation Yield **22%** Reduction of Cost

Air Filters

Savings Opportunity:

$ 38,700

23,000 Air Filters Purchased in 2014

Plan Implementation Yield **45%** Reduction of Cost

Implementation Timeline

- Delegations (Purchasing Authority)
- Training for Purchasing Delegations
- Develop procurement policies and procedures
- Develop reporting/audit requirements to show progress of pilot
- Review compliance

Delegation

- **Delegation**

  The CPO may delegate, in writing with the approval of the CFO or designee, to university deans, directors, or department heads, or their formally designated agents, authority to procure on behalf of their administrative units.

- **Compliance**

  The CPO will ensure that the University Pilot Procurement Code (UPPC), procurement procedures, and ethical practices are followed to effectively mitigate potential risks to the University.

- **Revocation**

  The CPO may change, limit, expand, or reverse delegations at any time.

Types of Delegation

- **Spend Authority**
  - Ability to procure goods and services on La Carte
- **Purchasing Authority/Delegation**
  - Increased authority to procure goods and services on LaCarte and ability to solicit quotes
- **Contracting Authority**
  - Ability to sign procurement contracts or agreements on behalf of the University. Any procurement contract that includes terms and conditions requiring a signature on behalf of the University must be routed to Procurement for approval PRIOR to the purchase being made, regardless of the dollar amount and method of payment.

Evaluation of Purchasing Delegations

- A letter and form will be sent to the Deans, Directors and Department Heads to identify individuals and limits for purchasing delegations due back by March 23, 2015.
- Requested delegations will be evaluated to determine if the delegations serve the current needs of the University.
- Purchasing delegations will be approved by the CPO and CFO.
- Approved delegations will be effective upon completion of mandatory training.

Competitive Thresholds

	Total Cost	Bidding Required	Purchasing Delegation	Minimum Number of Bidders	Minimum Response Time
LACARTE	≤ $5,000	No	N/A	N/A	N/A
	>$5,000 to ≤ $10,000	No	Yes	N/A	N/A
PRO ONLY	>$10,000 to ≤$25,000	Yes	Yes	3	24 Hours
	> $25,000 to ≤$50,000	Yes	No	5	72 Hours
	> $50,000	Yes	No	5	Typically 21 Days

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Spend Authority - LaCarte

Purchases less than $5,000:

- No competition/solicitation required
- Purchase of good and services can be made on LaCarte unless items are deemed restricted such as but not limited to:
  - Equipment
  - Repair Services rendered on LSU premises
  - Compressed gases
  - Improvements to facilities (Construction)
  - Decorative/personal items
  - Professional Services

Delegated Purchasing Authority

Purchases exceeding $5,000, but less than $10,000:

- No competition/solicitation required
- Purchase of good and services can be made on LaCarte unless items are deemed restricted (see previous slide).

Purchases exceeding $10,000, but less than $25,000:

- Require solicitations (request for fax quotation – RFQ) from a minimum of 3 bidders.
- Minimum of 24 hour response time.
- Persons delegated Purchasing Authority can solicit quotes on behalf of the University on the designated LSU RFQ form

Mandatory Purchasing Authority Training Classes

March 30th – 9:00 AM to 11:00 AM

April 1st – 1:00 PM to 3:00 PM

Business Education Complex Room 1620

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Purchasing Authority Training

AGENDA

- ✓ Pilot Procurement Overview
- ✓ Basics of Procurement
- ✓ Purchasing Authority
- ✓ Department Solicitations
- ✓ Ethics

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Contract Approvals/Reporting

- Procurements/Contracts are no longer submitted to OCR (Office of Contractual Review) PST (Purchasing Support Team) or OSP (Office of State Procurement).

- All Contracts/Agreements must be submitted directly to Procurement Services to be properly routed for review, negotiation, approval, and signature by the appropriate parties.

Term Contracts

- A list of term contracts and instructions that are up for Renewal or Rebid will be sent to Departments by March 13, 2015.

Renewal Options: Release a Requisition to Purchasing No Later Than

April 15, 2015

Rebid: Procurement would like to Request a six month extension - to allow for evaluation and consolidation of commodities.

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Questions???

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