

Chairman: David Vaught

Members: Michael Bass, Ed Bedore, Diego Ferrer, Ricardo Morales

Minutes – July 8, 2010 Meeting

Present in Springfield: David Vaught
Ed Bedore

Present in Chicago: Mike Bass
Diego Ferrer

Present via telephone: Rick Morales

The Board started the meeting by confirming attendance at 10:10 a.m.

A motion was made to accept Member Morales participating via teleconference by Member Bedore and was seconded by Member Bass. The motion was unanimously approved.

Member Bedore made a motion to approve the minutes of May 13, 2010. The motion was seconded by Member Bass. The motion was unanimously approved.

First item on the agenda was the introduction of the new Chief Procurement Officers for the State. Procurement Policy Board's Acting Director Will Blount stated that the new CPO for IDOT is Bill Grunloh and Matt Brown for Commodities and Services other than Construction. Mr. Grunloh wanted to thank the Board for the opportunity to be introduced. Mr. Grunloh has been at IDOT for the past five years and has been the former Chief of Staff of Operations and has done procurement for over three years. He also is looking forward to the opportunity to fill this job and meeting the requirements of Senate Bill 51 and to also make procurement transparent in Illinois and IDOT.

Next was Mr. Brown, CPO for Supplies and Commodities. Mr. Brown thanked the Board for the opportunity to introduce himself. Mr. Brown stated that he is the former Executive Director of the Procurement Policy Board and he appreciates the opportunity to bring forward a new perspective as CPO to the State's process for acquiring goods and services. He stated that he is confident in his fellow CPO's that they are all like minded and up to the tasks in this new position.

Next was Ben Bagby CPO for Higher Education. Mr. Bagby has been involved in State procurement and contracting since 1977 and was the State Purchasing Officer for CMS for four years. He does believe that this will be a challenge because Universities are very large and complex organizations. He believes for world class universities they need world class purchasing and that is his goal.

Last was Fred Hahn CPO for Capitol Development Board. Mr. Hahn has been at CDB for the past 22 years and the last 16 years as general counsel. Mr. Hahn stated that they have a good start

on some of the administrative hurdles. All the CPO's had a good discussion with Acting Director Will Blount at the PPB about some of those issues and look forward to collaborating with the PPB in the future.

Chairman Vaught asked if the Board members had any questions. Member Bedore wanted to know if the CPO's met on a regular basis. Mr. Hahn replied that they are meeting on a regular basis at least 2-3 times a week. Member Bedore wanted to know how they were going to handle the two very similar areas of construction with CDB and IDOT. Mr. Grunloh replied that there are some similarities between CDB and IDOT and IDOT will work with CDB and come to some type of commonality between the two, but the process should not be much different. Member Bass wanted to know if Higher Education is integrating between IDOT and CDB on construction activity moving forward. Mr. Bagby replied that he has not had the opportunity to have those discussions yet.

Chairman Vaught wanted Mr. Brown to elaborate more with the departments and activities he is going to be working with and how the procurement process is going to relate to the managerial process on-going, to budget to procure and how this interface will work. Mr. Brown stated that at this point a plan has been developed. The CPO's have been identifying SPO's to fulfill the independent procurement function and transition away from the agency management side. They have also been meeting with agency key personnel as well as the directors. The CPO's have had three meetings to establish how procurement best serves and provides the needs of the agency as well as establishing what expectations of each other in performance matters. It is very clear that the SB51 effort created an independent process within a process that facilitates accountability to agency need as each SPO located in the agencies. It seems to be working very well and receiving a high level of cooperation from the agencies and they are pleased that the CPO's are giving them some attention at a time where this transition is unknown to them. Over the next month Mr. Brown stated that he should be able to complete that across all the agencies in the executive branch under the Governor. As an idea moving forward all four CPO's are working and collaborating very well together so that each of them approaches issues whether they are common to them or independent to their roles and seem to be good resources for each other.

Chairman Vaught asked Mr. Brown how the transition for the SPO is going to relate to the functions in SB51 for the PPB to provide training certification. Mr. Brown stated that to represent the agencies that are under the CPO's jurisdiction, he has been in discussion with the PPB to start discussing the nature of what their needs might be. PPB has already volunteered to expand the membership rolls within National Institute of Governmental Purchasing (NIGP) so that SPO and procurement compliance monitors as well as the CPO have the opportunity to become professionally certified as the law requires and continue that accreditation for contact hours and appropriate re-certification requirements. Mr. Brown has also suggested to people in the agencies that this level of knowledge is not something that is not kept solely on the procurement side. There are agencies that need to have this understanding internally so their bureaus and fiscal operations have an understanding of what happens to business after it leaves their area and transitions to the CPO's. It has been suggested as curriculum is being developed as the SPO's, CPO's and other key procurement officers receive their education that hopefully it will expand so agencies can benefit as well.

Member Ferrer asked if one of the CPO's would explain diversity procurement. Mr. Brown stated that each CPO has the same goal in mind and they clearly have diversity goals established in procurement. Each agency as of today is charged with the responsibility of obtaining levels of diversity to meet those goals. Each agency has some guidance from the Business Center of

Rights Counsel to help them meet those goals. There is a disparity study underway to help understand what our history was to meet those goals. As the procurement office has a focus on this they can help those agencies better define the existing relationships they have and move new procurements into a position to meet goals better. It is widely recognized that in some areas it is difficult to meet goals. With the disparity study as a basis for the CPO's to refine their tools and better accomplish their goal.

Member Bass wanted to know if it was fair to assume that a part the future goal as you go through and assess the impact of SB51 it may have detrimental or negative impact of the ability to make good deals or that part of your goal is to be forceful and policy recommendations will change or not. Mr. Bagby replied that it is incumbent on all of the CPOs to review the laws and see if they actually work and work effectively. If it is found that something causes a problem, whether it is with a university, an agency or vender, the problem needs to be identified and they will work with the Board to fashion a solution cooperatively. If a united front is not found then the results might not be good. The Procurement Code along with SB51 needs to be looked at and other laws that are related that might cause the State of Illinois not to get the best deal and causes the vender community a problem.

Member Bedore commented that he hopes there will be open communication between the CPO's and this Board and feel free to come forward or send letters to keep communication open with this Board.

Next on the agenda was CMS Facilities. In attendance was Mr. Nick Kanellopoulos, Acting Director of Property Management. Mr. Kanellopoulos wanted to give the Board an update. Currently, as of today, none of the leases in CMS's portfolio are in holdover. CMS has also continued to consolidate agencies. Since Governor Quinn took office CMS has consolidated 70 leases and eliminated 778,646 sq. ft. of leased space and total direct cost of those leases is \$12.95 million dollars.

Member Bedore wanted to congratulate CMS on their press release. Except there were a few words missing - Procurement Policy Board. It is said that this was done all under CMS under consolidation, re-bidding and re-negotiating 197 leases and saved 20 million dollars. Member Bedore recalls most of those leases that were re-bid and re-negotiated were because of this Board and not CMS. Member Bedore stated that he doesn't mind CMS taking credit for it if as long as they mention the Board in your press release.

Member Bedore asked what progress has been made on the Administrative Rules. Mr. Kanellopoulos replied that unfortunately no progress has been made. There were some fiscal year end issues, leases to complete and several completed moves to complete before year's end and the person who had been working on this retired from CMS and nothing got done. Chairman Vaught stated that CMS had some pre-filed rules at JCAR. Mr. Kanellopoulos replied yes that CMS had sent over a very clear draft, but it is not the draft they want to submit. Chairman Vaught wanted to know who was going to do the final review before being submitted. Mr. Kanellopoulos replied that he and attorney Rupel Meta in Chicago will be doing the final review. Member Morales wanted this on record that he agrees on what Member Bedore said about the press release. He congratulates CMS on getting the holdover leases down to zero, but wasn't happy that the Board didn't get any credit in the press release. Member Bedore stated that in future meetings the Board really needs to address the issue of square footage and get some standards in place. Chairman Vaught agreed. No further questions were asked.

Next on the agenda was the University of Illinois Audit and the Purchasing Card. In attendance was Bob Baker representing the Chief Procurement Officer for Higher Education, Walter Knorr Vice President and Chief Procurement Officer for University of Illinois, Doug Beckman Senior Associate for Business and Finance at University of Illinois, and Steve Wiggs Director of the University of Illinois. Mr. Knorr stated that he believes strongly that this is a cost saving operation. There are risks associated with any program like this and hopefully there will be controls in place to minimize those risks. Regarding the findings in the FY09 audit, it breaks down into about four categories. One is that as a part of their p-card operation, U of I asked for reconciliation of transactions before being posted to the accounting ledgers. U of I will keep reviewing the Visa that will be effective in FY11 where they are allowing auto reconciling to be done. Everything will have human intervention. Another transaction in regards to \$14 there was basically the lack of documentation not attached to the table. Any time humans are involved there is a situation for error. Another transaction was a \$1 sales tax on a \$41 purchase and that should not have happened and they will stay on top of things like this. Mr. Knorr stated that he strongly believes there is a significant cost savings when using the P-card in their transaction and processing their payments. Mr. Knorr stated that there is a severe penalty involved in the abuse of the P-card. First time is a warning, second time is a suspension and mandatory training and the third you are gone. There are 5,700 P-cards at the University of Illinois and they are coming down for several reasons. One is because of the economy and decline in the budget. Also, most have moved to on-line purchasing.

Member Bedore stated that the Auditor General talked about over 5,700 active P-cards costing over \$118 million dollars and are happy you talked about reducing that. Also, the AG found in their testing that 25% had some kind of problem and the university was unable to locate them. Member Bedore further stated that Mr. Knorr also talked about strong training. Member Bedore quoted a few lines from the AG report "in discussing these conditions with your university personnel they stated that errors were the result of over sight and employees and their supervisors and their supervisors being unfamiliar with the universities policy". There must not be a very strong training program when the supervisors and personnel are unfamiliar with the policies. Member Bedore strongly urged the university to take a look at the training program because if strong training is being done then university personnel should not be making those types of statements. One of the AG findings is the university has not established adequate internal control over federal expenditures made with the P-cards. How do you answer the strong training or the lack of? Mr. Knorr replied that he believes there is strong training with the P-card and is not sure who made those statements, but there is strong training in place. In regards to the documentation that was not on file, the documentation for 8 of the 37 tested went back to the original issue back in 2005 with the original cards and believes that the documentation did not get put into place from the beginning.

Chairman Vaught wanted to know how many independent reviewers there are. Mr. Beckman replied that he did not have a specific answer but would guess it would be in excess of 1,000. There would not be a one to one relationship. There are certain reviewers that would review multiple cards. Chairman Vaught wanted to know if the reviewers are supervisors of the people who have the cards or are these people part of the fiscal office or in some particular job descriptions that do this. Mr. Beckman replied that it is generally the business office that does not have that procurement authority that is an independent reconciler. In smaller departments, it could be the supervisor, it depends on the situation and they are working on a more efficient way. Chairman Vaught asked if the P-card has been around a while or just started. Mr. Beckman replied that it has been in place for several years and was established in the 90's, but it took a number of years to ramp up and they were trying to find an electronic reconciliation tool in the

early days of this. Member Bedore wanted to know what the largest area of use is for the P-card. Mr. Beckman replied that they tend to be miscellaneous office supplies. No further questions were made.

Next on the agenda was Legislation. Acting Director Will Blount stated that with the General Assembly out of town there is nothing being tracked. Mr. Blount would like to note that the SB51 implementation is going very smoothly. The CPO's noted that they are in contact with the PPB and are working together as issues arise. The Governor did sign the budget and was allotted funds for the training and will immediately start working with the CPO on their training.

With no other business to discuss Member Bedore made a motion to adjourn and go into executive session on the discussion of personnel and was seconded by Member Ferrer at 11:15 a.m. The motion was unanimously approved.