



STATE OF UTAH

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PURCHASING UPDATE

SPECIAL ISSUE

Legislative Audit Report

State Purchasing's WSCA-NASPO Contracts

Save Public Entities Money

On December 19, 2014 the Office of the Legislative Auditor General (OLAG) released the findings of a year-long audit of the Utah Division of State Purchasing and the WSCA-NASPO Cooperative Purchasing Organization. The audit was 100% positive with no negative findings.

The audit documented the following:

Every State (50 states) and thousands of public entities (cities, counties, school districts, colleges and universities, and service districts) save money by purchasing goods and services from WSCA-NASPO contracts.

The Utah Division of Purchasing saves money by using WSCA-NASPO contracts.

*WSCA-NASPO contracts nearly always offer procurement items at lower prices than comparable purchasing cooperatives.

*WSCA-NASPO administrative fees do not affect the price paid by public entities.

*WSCA-NASPO administrative fees are significantly lower (3 to 12 time lower) than fees charged by other purchasing cooperatives.

*WSCA-NASPO is a legally formed 501(c)(3) nonprofit organization.

*The WSCA-NASPO fund balance is being appropriately managed.

*The Division of Purchasing gives Utah vendors equal opportunity to bid on WSCA-NASPO contracts.

Excerpts from OLAG Audit Report #2014-11:

"Utah state agencies, higher education and local entities all benefit from Utah's participation with the WSCA-NASPO Cooperative Purchasing Organization. The prices available through WSCA-NASPO contracts are generally lower and include lower administrative fees than contracts used by other purchasing cooperatives." (OLAG Audit #2014-11, p.5)



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email them to
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"WSCA-NASPO contracts typically offer goods at lower prices than comparable purchasing cooperatives." (OLAG Audit #2014-11, p.5)

"The administrative fees on WSCA-NASPO contracts are lower than those on contracts used by other cooperatives." (OLAG Audit #2014-11, p.5)

". . . competing cooperatives have administrative fees that are between three and twelve times the size of fees on WSCA-NASPO contracts." (OLAG Audit #2014-11, p.6)

"Studies completed by KPMG compared the price of WSCA-NASPO goods to prices of other states' and cooperatives' contracts. KPMG's methodology for these pricing studies appeared thorough and included many factors, such as contract exclusivity and quantity discounts that affect price comparability. WSCA-NASPO generally had superior pricing, selection, and terms for goods in five of the six studies." (OLAG Audit #2014-11, p.7)

"This data indicates that public entities find the combination of prices and other benefits of WSCA-NASPO contracts to be more favorable than alternatives." (OLAG Audit #2014-11, p.8)

"State and WSCA-NASPO Administrative Fees Have Little Effect on the Price of WSCA-NASPO Contracted Goods. . . . Four vendors (both large and small in terms of sale volume) reported that prices would be unchanged if the fee were eliminated." (OLAG Audit #2014-11, p.9)

"Some Vendors Absorb Much of the Cost Associated with Administrative Fees. Although this decision seems contrary to common business practices, several factors may explain why vendors choose to do this. Vendors with the largest WSCA-NASPO contracts reported that participating on cooperative contracts creates efficiencies for their companies. Participating reduces the number of responses to RFPs that need to be produced and the number of contract renewals that need to be processed. For the most part, companies deal with one entity (the lead state) instead of many. In addition, the large volume purchased on WSCA-NASPO contracts may compensate for lower per-unit profits resulting from the WSCA-NASPO fee." (OLAG Audit #2014-11, p.9)

"The Utah Division of Purchasing charges a state administrative fee ranging from .25 percent to 1 percent on 119 WSCA-NASPO contracts. Seventy-six percent [76%] of WSCA-NASPO contracts with the added state administrative fee do not have an adjusted price as a result of the state administrative fee. These vendors decided to absorb the state administrative fee. . . ."

(OLAG Report #2014-11, p.10)

"Utah's participation in WSCA-NASPO contracts leads directly to procurement savings for the Utah Division of Purchasing. Using existing WSCA-NASPO contracts allows Utah to

avoid duplicating work already done by WSCA-NASPO and other states.” (OLAG Report #2014-11, p.10)

“The Utah Division of Purchasing is able to avoid some procurement costs for many goods by participating in WSCA-NASPO contracts developed and executed by other states. Utah participation results in fewer RFPs and fewer contract renewals by state procurement staff. In the absence of WSCA-NASPO, the Utah Division of Purchasing would have to solicit bids for these goods.” (OLAG Report #2014-11, p.10-11)

From Utah Division of Purchasing

The Division of Purchasing expresses its appreciation for the thorough and accurate audit of the WSCA-NASPO Cooperative Purchasing Organization and the Utah Division of Purchasing conducted by the Legislative Auditor General’s Office. The auditors were very courteous and professional as they conducted dozens of interviews and meticulously dug through volumes of documents and data. WSCA-NASPO is the premier public purchasing cooperative in the United States saving public entities millions of dollars annually on the goods and services purchased.

Kent D. Beers

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