



**Testimony for the  
Senate Communications and Technology Committee  
Hearing on Information Technology  
October 25, 2017**

Good morning Chairman Aument, Chairman Haywood, and members of the Senate Communications and Technology Committee. I'm Ken Hess, Deputy Secretary for Procurement for the Department of General Services. Thank you for the opportunity to talk today about Information Technology (IT) procurement and service delivery. The Department of General Services and the Office of Administration/Office for Information Technology work in tandem to provide world-class information technology services and support (which includes the purchasing component) to meet the Commonwealth's varying business needs. DGS is viewed as the expert in procurement of the Commonwealth's goods and services, and OA/OIT is similarly viewed as the expert in technology requirements and service delivery. Given the recent discussion about potential changes to our respective responsibilities, we wanted to inform you of our experience with other operating approaches, such as set forth in Senate Bill 914. Simply put, the Commonwealth is better positioned through the current business model. I am pleased that OA has placed confidence in DGS' procurement abilities, as evidenced by our voluntary reunion of duties on July 5, 2017. Since then, OA has been able to focus on its truly important core mission of information technology visioning and provision and DGS has been able to leverage its experience in bringing the market to bear for IT services, saving the Commonwealth and ultimately, the taxpayers of Pennsylvania, millions of dollars.

Apart from other operating approaches, I would also like to discuss potential procurement changes being proposed by Senate Bill 914. DGS has concerns with the intent of Senate Bill 914 – namely that the bill establishes duplicative procurement processes and that these new procedures would conflict with the existing Procurement Code. Codified in 1998 by Act 57, the Procurement Code sets forth the boundaries under which Commonwealth agencies purchase goods and services – promoting the greatest return on taxpayer dollars, transparency, and fairness for all who do business with the Commonwealth. Since the enactment of the Procurement Code by the General Assembly 19 years ago, many changes have been made that allow us to not only continue contracting in a transparent fashion, but also to incorporate a variety of industry best practices from the private sector.

Most of the Commonwealth's purchasing power has been consolidated within DGS. By acting as the Commonwealth's purchasing agent, we leverage and rationalize the cumulative demand of many state agencies, as well as the members of the Commonwealth's COSTARS program, to achieve some of the most competitive prices for goods and services that can be found anywhere, period. As noted above, this contributed to OA's and DGS's mutual decision to consolidate IT purchasing within the DGS Bureau of Procurement.

When establishing contracts of all types, not just IT contracts, we have been able to achieve record savings by using a wide variety of procurement methods. These methods are laid out in the Procurement Code and any move towards the procurement of goods and services without using proven strategies such as, Invitations for Bid (IFB),

multiple awards, sole sourcing, or cooperative purchasing, to name a few, would put a halt to those savings and would certainly increase our costs.

I would additionally like to draw attention to iterative price determination, a term which covers a series of procurement methods, including, but not limited to: multi-step bidding, best-and-final-offer, also known as BAFO, selection for negotiation and reverse auctions, which the Bureau of Procurement uses to maximize return on the Commonwealth's spend. This is a more robust set of options than SB 914 envisions.

Bid scoring is another issue that I would be remiss not to mention. The needs of each contract are different – reflecting a balance of price, technical expertise of the vendor and small and small-diverse business participation. Both Governor Wolf and the General Assembly have established clear goals for the Commonwealth to include small and small diverse business vendors in our contracts. Our ability to include small and small diverse businesses will be significantly harmed if the scoring criteria used in our procurements are changed.

On another note, and while it may not be the first thing anyone thinks of when discussing procurement, equity is important. The procedures established for contracting in the Procurement Code allow the Commonwealth to contract for goods and services in a way that all vendors can be assured that they had a fair shot at earning each contract that the Commonwealth solicits.

Establishing rules for public notices, withdrawal of bids, cancellation rules, provisions against anti-competitive practices, audit provisions, and prelitigation resolution of controversies among other guidelines, are how vendors remain confident in our procurement process. Any purchasing that does not follow the procedures established in the Procurement Code would generate significant concern within our vendor community, making it very likely for questions to arise regarding whether or not the deck was stacked against them. Or perhaps, in the worst-case scenario, vendors might not bid on Commonwealth contracts at all – dealing a significant and expensive blow to the Commonwealth.

Finally, minimizing wasteful bureaucracy is an important procedural aspect of contracting. By establishing minimum thresholds regarding records of expenditures and streamlining approval processes, we can keep vendors from wasteful bureaucratic processes that make being a government vendor that much more difficult than being a vendor to the private sector.

Over the last 19 years, DGS, OA, and the General Assembly have worked together to create a procurement process that maximizes the value of taxpayer dollars, promotes transparency and fairness, and eliminates wasteful bureaucracy. I am here today to highlight the importance of continuing that trend, rather than trying to create a new procurement system that meets none of those goals. I am immensely proud of the team we have at the DGS Bureau of Procurement and their ability to meet the goals that the

department, the Office of Administration, and the General Assembly have developed together.

Thank you. I would be happy to take your questions.