

State of Illinois
Chief Procurement Office

Sole Source Procurements Report

Fiscal Year 2016
August 1, 2016

www.cpogs.illinois.gov
www.cpohe.illinois.gov

In business, being unique is often
the difference between success and failure.

When a requirement is only available
from a single supplier or when only one supplier is
deemed economically feasible, a sole source
procurement is used.



CHIEF PROCUREMENT OFFICE MISSION & VALUES

To work with agencies and universities to meet their procurement needs while exercising independent authority, oversight, and approval designed to continuously improve the procurement process and ensure: compliance with law, fair treatment, diversity, integrity, transparency and value.

The four Chief Procurement Officers, appointed pursuant to Section 10-20 of the Illinois Procurement Code and confirmed by the Illinois Senate, ensure that approximately \$10 billion in procurements made by the State each year are fair, transparent, accountable, and in the best interest of the State. Procurement using a competitive process is the preferred method, but sometimes that is not possible or practical. The Procurement Code specifically authorizes state agencies and universities to contract directly with vendors that are the sole economically feasible source.

CPO CONTACT INFORMATION

By law, the Chief Procurement Officers (CPOs) have a fiduciary duty to the State of Illinois. Their independent structure allows them to operate free of political influence and pressure. In addition to ensuring that state agencies and universities conduct lawful procurements, they use modern best practices in procurement and management to create efficient and streamlined purchasing policies and procedures.

To learn more about the Chief Procurement Office and procurement reform in Illinois, visit the CPOs' websites below.

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Illinois Procurement Gateway <https://ipg.vendorreg.com>

Pathway to Procurement <http://www.illinois.gov/cpo/PathwayToProcurement>

EXECUTIVE SUMMARY

In Fiscal Year 2016, the Chief Procurement Officer for General Services and the Chief Procurement Officer for Higher Education ensured that 707 sole source awards, valued at \$663,230,723, received the highest level of scrutiny. Overall, the number of awards and their value was comparable to Fiscal Year 2015's 701 awards valued at \$697,860,818.

Prior to the published notice of intent to award a sole source contract, State Purchasing Officers consulted with agency and university procurement staff on the appropriateness of using a sole source procurement method. This consultation included a review of the sole source justification. In some instances, the decision to alternatively use a competitive procurement was made.

In Fiscal Year 2016, only 12 hearings were held at the request of vendors, the Procurement Policy Board, or the Chief Procurement Office compared to 30 hearings in Fiscal Year 2015 and 26 hearings in Fiscal Year 2014. This low number of hearings from previous fiscal years, and when compared to the overall number of sole source procurements, is due to the Chief Procurement Office's heightened scrutiny and sensitivity to sole source procurements.

CONTRACT SUMMARY

Total Value of Sole Source Contracts	=	\$663,230,723
Total Number of Sole Source Contracts	=	707
Average Value of Sole Source Contracts	=	\$938,092
Total Number of Agencies and Universities Awarding Sole Source Contracts	=	44

Number and Value of Awards by CPO Jurisdiction:

• General Services	242 awards	=	\$290,854,729
• Higher Education	465 awards	=	\$372,375,994

Justifications for Using a Sole Source Procurement

No Substitutions Available

Lack of Competition

Specific Characteristics Limit to One Supplier

Supplier's Unique Capability

Proprietary Technology

Copyrighted

Patented

Radio or TV Broadcast Rights

Time is of the Essence and only One Supplier can Meet Needs within Timeframe

Grant Requires Contract with Designated Supplier

Items are Required by Franchise Agreement

Non-competitive Public Utility Services

SOLE SOURCE PROCUREMENT OVERVIEW

Section 20-25 of the Illinois Procurement Code (30 ILCS 500/20-25) allows contracts to be awarded without using a competitive method of source selection when there is only one economically feasible source for an item. For example, sole source is appropriate when procuring public utilities or where the item is proprietary and available only from the manufacturer. However, because these are exceptions to the normal practice of competitive bidding, sole source contracts require heightened scrutiny and may include a public hearing before they are executed. In the past, the award of a sole source contract was subject to some suspicion that the awarded vendor was improperly selected to exclude competitors. Now, the Chief Procurement Office follows practices ensuring that the sole source process is an open and transparent process.

Agencies must justify a sole source request using a standardized justification form. If the request appears to meet the criteria for sole source, a notice of intent to enter into a sole source contract is published in the publicly available on-line Illinois Procurement Bulletin. This notice also goes to the Procurement Policy Board. The notice is published for at least 14 days and includes a description of the item to be procured, the intended sole source contractor, and the date, time, and location of a public hearing that would be held if requested by any interested party.

The 14 day notice allows time for interested parties to provide comments and request a hearing. Hearing participants may include the person who requested the hearing, the state purchasing officer, an agency representative, a representative of the Procurement Policy Board, the vendor identified as the sole source, and a hearing officer. Each party is given the opportunity to speak and raise any issues pertinent to the sole source intent.

After the hearing, the hearing officer makes a recommendation based on the hearing and relevant documentation. The Chief Procurement Officer takes the recommendation under advisement and issues a decision to permit or disallow the award. This decision and related documentation is posted to the Procurement Bulletin. This current process provides transparency through notice and opportunity to potential competitors to respond in a manner similar to an Invitation for Bid or Request for Proposal.

A State contract may not be awarded as sole source unless approved by the Chief Procurement Officer.

HOW ILLINOIS MEASURES UP

Illinois' procurement statutes, combined with the Chief Procurement Officers' (CPO) process for awarding sole source procurements, is among the best in the nation. On November 9, 2015, The Center for Public Integrity issued a report ranking Illinois 1st among 50 states in procurement integrity. One of the criteria in the ranking was the extent that the state's law clearly limits use of sole sourcing to specific, defined conditions. The Illinois Procurement Code's restrictions on the use of sole sourcing received the highest rating.

In the summer of 2014, the Sole Source Procurement Work Group formed under the National Assoc-

iation of State Procurement Officials' (NASPO) Emerging Issues Committee gathered data on 41 states' statutes, regulations, and practices regarding sole source procurement. Following analysis and discussion of the data, NASPO prepared a briefing paper to assist states and guide the decision-making process when assessing sole source practices. While Illinois's practices were not included in the NASPO survey, a comparison to the data shows Illinois has some of the best safeguards in the country for use of sole source contracts.

Illinois would be included with the:

- 27 of 41 states that prohibit sole source procurements unless justification is established that open competition is not applicable;
- 22 of 41 states that have laws establishing criteria to allow sole source procurements;
- 14 of 41 states that have standardized sole source justifications;
- 21 of 41 states that require publishing some form of public notification;
- 15 of 41 states that limit the length of a sole source contract;
- 26 of 41 states that maintain records of sole source contracts;
- 5 of 41 states that submit a sole source report to the state legislature.

SOLE SOURCE HEARINGS

On August 3, 2012, Public Act 097-0895 amended Section 20-25 of the Illinois Procurement Code (30 ILCS 500/) by permitting the award of a State contract as a sole source procurement unless an interested party submits a written request for a public hearing at which the Chief Procurement Officer and purchasing agency present written justification for the procurement method. Any interested party may present testimony. When a hearing is requested, a sole source contract may be awarded after the hearing is conducted with the approval of the Chief Procurement Officer.

This change to the Procurement Code has greatly improved the efficiency and use of limited State resources over the past four years while maintaining the public's access to question, challenge, or simply learn about a potential sole source contract. Prior to the amendment, the Chief Procurement Office had to conduct a hearing for every sole source award even if no party expressed interest in attending.

A sole source contract hearing takes an average of 30 minutes. 695 sole source contracts were awarded without a hearing being requested saving the State approximately 347 hours. Since each hearing involves preparation and participation by a state hearing officer, agency procurement staff, and a state purchasing officer, the number of actual labor hours saved is at least three times that of the actual hearing.

SOLE SOURCE HEARING ANALYSIS

	FY16	FY15	FY14
Sole Source Contract Notices Published	707	701	519
Sole Source Contracts with No Hearing Requested	695	671	493
Hearing Requested	12	30	26
Number of Sole Source Contracts Withdrawn for Budgetary or Other Reasons	2	2	2
Number of Sole Source Contracts Approved after Hearing (as originally published in the Notice)	11	27	23
Sole Source Contract Denied after Hearing	1	1	3

SOLE SOURCE PROCUREMENTS—INSTITUTIONS OF HIGHER EDUCATION

Due to the nature of universities' research and medical requirements, the need for sole source procurements is higher than that of state agencies. Unique research, medical, and technical items account for the majority of sole source transactions and dollar value.

In January 2015, a technical error allowed Section 1-13 of the Procurement Code to expire. This section granted certain exemptions to the universities to allow them to better meet their needs for specific items that were not conducive to another procurement method, such as research and medical needs. The expiration of these exemptions has forced those purchases back into sole source procurements. The impact is an increase in the number of sole source procurements being conducted. Until legislation is passed to reinstate those exemptions, the number and value of sole source procurements will remain higher as evidenced in FY15 and FY16.

Starting in FY15, the CPO-HE began tracking the number and value of sole source renewals.

	FY16	FY15	FY14	FY13
Number of Universities Awarding Sole Source Contracts	13	13	12	13
Dollar Value of Sole Source Contracts	\$372,375,994	\$370,122,359	\$174,713,593	\$248,322,183
Number of Sole Source Contracts Published	465	466	307	368
Average Dollar Value of Sole Source Contracts	\$800,809	\$794,254	\$569,099	\$674,789

Sole Source by University

UNIVERSITY	Dollar Value Contracts FY16	# Contracts FY16	Dollar Value Contracts FY15	# Contracts FY15	Dollar Value Contracts FY14	# Contracts FY14
Chicago State University	4,038,514	4	\$1,202,168	5	\$450,000	1
Eastern Illinois University	501,434	4	\$1,493,788	8	\$3,301,715	11
Governors State University	425,000	3	\$2,321,000	9	\$150,000	1
Illinois State University	8,797,173	24	\$6,589,054	26	\$5,648,688	24
Northeastern Illinois University	5,958,654	2	\$690,000	1	\$0	0
Northern Illinois University	3,684,776	11	\$13,002,499	13	\$2,180,697	15
Southern Illinois University Carbondale	9,994,114	16	\$7,447,713	28	\$10,497,713	25
Southern Illinois University Edwardsville	2,670,283	19	\$7,029,728	21	\$5,459,432	20
Southern Illinois University Medical School	5,022,774	25	\$3,981,493	17	\$4,212,137	20
University of Illinois Chicago	96,336,700	135	\$60,587,716	92	\$89,154,997	72
University of Illinois Springfield	2,613,108	12	\$2,565,495	14	\$434,310	5
University of Illinois Urbana Champaign	62,937,894	154	\$78,210,727	167	\$49,304,874	102
Western Illinois University	2,755,570	12	\$10,620,148	9	\$3,919,029	11
Illinois Public Higher Education Consortium	\$166,640,000	44	\$173,374,500	55	\$0	0

SOLE SOURCE PROCUREMENTS—INSTITUTIONS OF HIGHER EDUCATION

cont.

<u>Sole Source Transaction Type</u>	<u>#</u>	<u>Dollar Value</u>	<u>% of total \$</u>
Art, entertainment services, or athletic events	6	\$682,896	.18%
Compatibility of equipment, accessories, replacement parts, or service is a paramount consideration	61	\$24,114,202	6.48%
Copyrighted or patented and is not available except from the holder of the copyright or patent	128	\$235,705,925	63.30%
Critical changes to an existing contract are necessary and best accomplished by the contract holder	0	\$0	0%
Federal or State grant requires a contract with the vendor	0	\$0	0%
Item is to be procured for commercial resale	15	\$7,090,000	1.90%
Items are required by an existing franchise agreement	5	\$1,130,200	.30%
Required for research and no other source is able to meet the researcher's documented need	55	\$15,810,823	4.25%
Items are needed for trial use or testing	2	\$620,000	.17%
Media is for advertising	6	\$1,121,293	.30%
Organization Memberships (dues, fees, conference charges including mandated travel and related expenses)	22	\$7,388,937.94	1.98%
Public utility service is regulated	6	\$4,158,512	1.12%
Radio and television broadcast rights	14	\$7,159,000	1.92%
Software license, upgrade, or maintenance	47	\$24,074,871.45	6.47%
Other (primarily to meet research and medical needs or library needs)	98	\$43,319,333.19	11.63%
TOTAL	- 465	\$372,375,994	

Sole Source Renewals by University

<u>University</u>	<u># Renewals FY16</u>	<u>Dollar Value Renewals FY16</u>
Chicago State University	0	\$0
Eastern Illinois University	1	\$51,000
Governors State University	0	\$0
Illinois State University	1	\$75,000
Northeastern Illinois University	0	\$0
Northern Illinois University	1	\$150,000
Southern Illinois University Carbondale	0	\$0
Southern Illinois University Edwardsville	2	\$985,000
Southern Illinois University Medical School	2	\$987,304
University of Illinois Chicago	29	\$18,642,756
University of Illinois Springfield	0	\$0
University of Illinois Urbana-Champaign	27	\$16,038,456
Western Illinois University	1	\$130,000
Illinois Public Higher Education Consortium	0	\$0
Totals	64	\$37,059,516

SOLE SOURCE PROCUREMENTS—GENERAL SERVICES

The number of Sole Source contracts in General Services increased by 7 or 3.0%, but the dollar value of Sole Source contracts decreased by \$36,833,730 or -11.3%. The Department of Healthcare and Family Services (HFS) made the largest award which totaled \$40,300,000 to Deloitte Consulting . This reflects an amendment made to a 2012 contract with Deloitte Consulting to implement an Integrated Eligibility System to enable HFS to meet the requirements of the Federal Affordable Care Act of 2010.

The top 10% of sole source awards accounted for 75.0% of the dollars awarded via sole source.

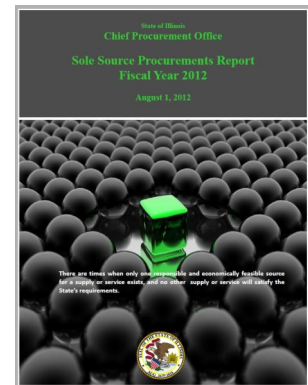
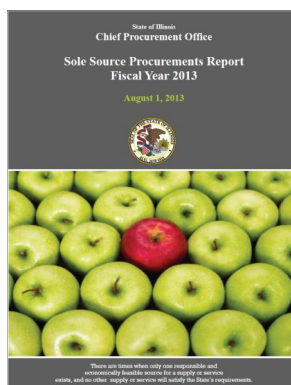
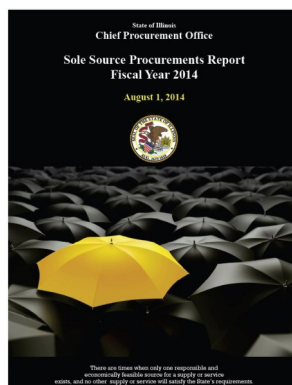
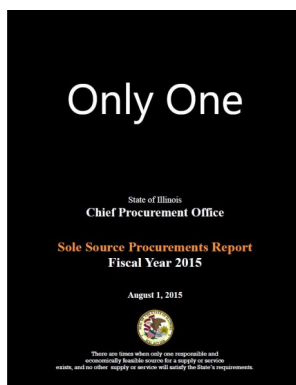
Of the 242 sole source awards, interested parties requested 7 hearings (2.9%). The Chief Procurement Officer for General Services (CPO) approved all sole source awards except one where the CPO's questioning of agency's justification of the sole source procurement resulted in the agency cancelling the procurement.

To apply a higher level of scrutiny over proposed sole source procurements, the CPO requires greater justification for sole source contracts lasting longer than one year. This policy forces agencies to re-view their own needs and the marketplace frequently whenever sole source vendors are used. The premise is that the marketplace is dynamic, and ever-changing technologies and vendors present an opportunity for the State to conduct a competitive procurement.

	FY16	FY15	FY14	FY13
Number of Agencies Awarding Sole Source Contracts	31	28	32	34
Dollar Value of Sole Source Contracts	\$290,854,729	\$327,738,459	\$273,026,910	\$169,281,897
Number of Sole Source Contracts Approved	242	235	210	277
Average Dollar Value of Sole Source Contracts	\$1,201,879	\$1,394,632	\$1,300,128	\$611,126
Number of Sole Source Contracts Denied	0	0	0	2

PAST SOLE SOURCE REPORTS

Click on the image below to view Sole Source reports from previous fiscal years.



SOLE SOURCE AWARDS BY AGENCY — GENERAL SERVICES

Agency	Dollar Value Contracts FY16	# Contracts FY16	Dollar Value Contracts FY15	# Contracts FY15	Dollar Value Contracts FY14	# Contracts FY14
AGING	\$645,105	2	\$386,695	2	\$375,572	2
AGRICULTURE	\$509,556	6	\$1,246,871	15	\$370,255	5
BOARD OF HIGHER EDUCATION	\$0	0	\$0	0	\$36,000	1
CENTRAL MANAGEMENT SERVICES	\$45,380,904	51	\$130,267,606	52	\$34,763,900	42
CHILDREN AND FAMILY SREVICES	\$4,619,137	5	\$677,308	4	\$576,841	3
COMMERCE AND ECON OPPORTUNITY	\$1,847,239	9	\$1,103,595	7	\$1,087,802	7
CORRECTIONS	\$25,783,644	5	\$1,518,520	4	\$3,320,477	5
COURT OF CLAIMS	\$0	0	\$0	0	\$175,000	1
CPO GENERAL SERVICES	\$395,570	1	\$0	0	\$539,440	1
CRIMINAL JUSTICE INFO AUTHORITY	\$127,400	2	\$127,400	2	\$127,400	2
EMERGENCY MANAGEMENT AGENCY	\$648,600	5	\$790,000	5	\$2,005,000	6
EMPLOYMENT SECURITY	\$12,059,587	7	\$1,016,891	8	\$1,336,995	6
ENVIRONMENTAL PROT AGENCY	\$187,500	1	\$0	0	\$0	0
FINANCE AUTHORITY	\$300,000	1	\$233,000	1	\$233,000	1
FINANCIAL AND PROF REGULATION	\$1,463,336	5	\$1,382,680	5	\$1,507,555	3
HEALTHCARE & FAMILY SERVICES	\$69,339,998	8	\$70,906,307	13	\$153,296,019	13
HISTORIC PRESERVATION AGENCY	\$0	0	\$0	0	\$66,488	2
HOUSING DEVELOPMENT AUTHORITY	\$2,032,335	8	\$1,741,867	8	\$656,720	4
HUMAN SERVICES	\$8,051,146	14	\$6,055,180	12	\$2,433,607	7
INSURANCE	\$11,479,184	21	\$2,227,560	7	\$250,000	1
JUVENILE JUSTICE	\$137,145	2	\$84,500	1	\$142,800	1
LABOR	\$0	0	\$0	0	\$0	0
LOTTERY	\$380,000	2	\$400,000	2	\$1,145,000	3
MATH AND SCIENCE ACADEMY	\$76,725	1				
MILITARY AFFAIRS	\$100,000	1	\$100,000	1	\$0	0
NATURAL RESOURCES	\$6,274,110	8	\$4,777,050	4	\$4,185,069	6
OFFICE OF EXEC INSPECTOR GENERAL	\$0	0	\$0	0	\$105,040	1
PUBLIC HEALTH	\$6,801,633	23	\$24,222,887	22	\$8,853,441	15
REVENUE	\$1,264,132	4	\$315,214	3	\$2,655,702	7
STATE BOARD OF EDUCATION	\$9,972,194	13	\$3,354,587	10	\$3,543,707	15
STATE FIRE MARSHALL	\$750,000	2	\$919,290	4	\$418,326	2
STATE POLICE	\$6,396,303	12	\$16,376,276	19	\$16,641,182	16
STUDENT ASSISTANCE COMMISSION	\$5,171,000	7	2,405,000	3		
TOLL HIGHWAY AUTHORITY	\$62,850,680	11	\$53,068,956	12	\$28,125,706	13
TRANSPORT (NON-CONSTRUCTION)	\$5,310,291	3	\$1,745,610	6	\$2,993,804	8
VETERAN'S AFFAIRS	\$500,274	3	\$287,609	3	\$946,563	8
WORKER'S COMPENSATION COMM	\$0	0	\$0	0	\$112,500	1