

Scope Statement

Sole-Source Contracts: Determining Whether Sole Sourcing Is Being Used When Other Vendors Could Supply the Goods or Services

The Division of Purchases provides a centralized procurement service for all State agencies. State law provides that all contracts for construction and repairs, and all purchases of and contracts for supplies, materials, equipment and contractual services acquired for State agencies be based on competitive bids. The law goes on to specify seven instances in which competitive bids aren't required—such as when an emergency requires immediate delivery of services or supplies. State law also requires that the Director of Purchases prepare a detailed report at least once each calendar quarter of all contracts over \$5,000 entered into without competitive bids. That report is to be submitted to the Legislative Coordinating Council, Senate Ways and Means Committee, and House Appropriations Committee.

Legislative concerns have been raised that State agencies are sole-sourcing contracts that should be competitively bid, and that the State is likely paying more than necessary as a result.

A performance audit of this topic would answer the following question.

1. **Has the Division of Purchases authorized sole-source contracts in instances where competitive bids should have been sought?** To answer this question, we would determine the number and dollar value of sole-source contracts the Division of Purchases has awarded in the past few years. We would review the Division's criteria and processes for allowing State agencies to use sole-source contracts and we would identify any weaknesses in those areas. We would review a sample of sole-source contracts awarded by the State in the past few years and determine whether it appears that the use of a sole source contract was justified in each instance. We would conduct other testwork as necessary.

Estimated time to complete: 4-6 weeks