STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

November 2, 2016

TO: Chris Liu, Director
Department of Enterprise Services

FROM: David Schumacher
Director

SUBJECT: **REVIEW OF PROGRAMS AND SERVICES AT DEPARTMENT OF ENTERPRISE SERVICES – SURPLUS PROPERTY OPERATIONS**

RCW 43.19.008(5) directs the Office of Financial Management (OFM) to conduct a review of the programs and services performed by the Department of Enterprise Services (DES) to determine whether a program or service may be performed by the private sector in a more cost-efficient and effective manner than being performed by the department. Up to six activities and services may be selected by OFM each biennium for this review. In conducting its review, OFM is authorized to break programs into discrete services or activities or the programs may be reviewed as a whole. However, priority for selection must be given to agency activities or services that are significant, ongoing functions.

On February 1, 2016, OFM selected two activities for the 2015-17 biennium, one of which was surplus property operations. For each selected activity, DES must conduct a procurement process. If OFM determines through the results of the procurement process that the activity or service could be provided by the private sector at a reduced cost and with greater efficiency, DES may proceed with the contract.

Based on our analysis of the DES surplus property operations procurement process, which is attached for your reference, OFM cannot conclude that the surplus property operations can be provided at a reduced cost and with greater efficiency by the private sector. Therefore, DES is not directed to contract out surplus property operations.

If you have any questions, please contact Roselyn Marcus, OFM Assistant Director for Legal and Legislative Affairs, at (360) 902-0434 or Roselyn.marcus@ofm.wa.gov, or Cheri Keller, Senior Budget Assistant, at (360) 902-0563 or cheri.keller@ofm.wa.gov.

Attachment

cc: David Postman, Chief of Staff, Office of the Governor
Jim Crawford, Assistant Director for Budget, OFM
Roselyn Marcus, Assistant Director for Legal and Legislative Affairs, OFM
Cheri Keller, Senior Budget Assistant, OFM

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On February 1, 2016, you sent a memo to Chris Liu, Director of DES, informing him that OFM selected two activities for the 2015-17 biennium review, one of which was surplus property operations. For each selected activity, DES must conduct a procurement process. If OFM determines through the results of the procurement process that the activity or service could be provided by the private sector at a reduced cost and with greater efficiency, DES may proceed with the contract.

DES conducted a competitive procurement for surplus property operations. The agency first issued a request for information to help inform the competitive process. On July 21, 2016, DES then issued a request for proposal (RFP) to 779 vendors. Of those vendors, two contacted DES to get additional information. The RFP provided thirty days to respond. DES did not receive any vendor bids during the 30-day submission period. Therefore, there is no data from which an analysis can be done to determine if the private sector can conduct this activity for less cost and with greater efficiency.

Attached is the report from DES, which provides information on the program, the competitive procurement process, and the financial data about the program. Based on this report and the fact that no vendor responded to the procurement, I do not recommend that DES contract out surplus property operations.

If you have any questions, please contact Cheri Keller or me.

cc: Jim Crawford, Assistant Director for Budget, OFM
Cheri Keller, Senior Budget Assistant, OFM