

**REPORT OF THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

COMPETITIVE PROCUREMENT OF STATE PRINTING CONTRACTS

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY**



HOUSE DOCUMENT NO. 8

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2000**

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Preface

House Joint Resolution 810 (1999) directed the Joint Legislative Audit and Review Commission (JLARC) to examine the competitive sealed bidding procedures used by the Department of General Services' Division of Purchases and Supply (DPS) in procuring printing goods for State agencies. A primary concern was whether Virginia firms receive an adequate share of State printing contracts.

In calendar year 1998, State agencies spent in excess of \$36.1 million for printing-related work by the private sector. Review of DPS procurement files and agency payments to printing vendors revealed that most State agency printing is being performed by printers located in Virginia. JLARC staff found that 64 percent of all printing contracts procured through competitive sealed bidding were awarded to firms located in Virginia. Correspondingly, 66 percent of the dollar value of all competitive sealed bidding contracts was awarded to Virginia printers.

Overall, JLARC staff found that the procurement process for printing works well, and DPS' practices appear sound. However, some procedural improvements could be made to better reflect the intent of the Virginia Public Procurement Act. For example, DPS needs to work with the printing trade association to improve printers' access to State work, including encouraging more firms to register with DPS. Additional improvements are discussed in detail in the body of the report.

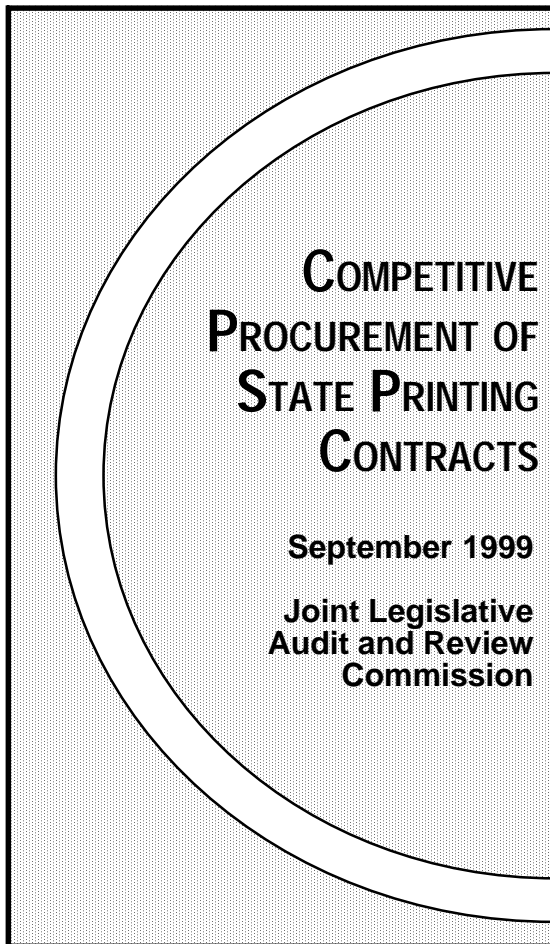
On behalf of JLARC staff, I would like to express our appreciation for the cooperation and assistance provided by the Department of General Services staff in the preparation of this report.



Philip A. Leone
Director

September 28, 1999

JLARC Report Summary



House Joint Resolution 810 (1999) directed the Joint Legislative Audit and Review Commission to examine the competitive sealed bidding procedures used by the Department of General Services' Division of Purchases and Supply (DPS) in procuring printing goods for State agencies (Appendix A). The review was to include an examination of the restrictions placed on the geographic location of bidders, changes in job specifications, reciprocity laws, the use of recycled paper, and the use of correctional enterprises for printing. A primary concern was whether Virginia firms received an adequate share of State printing contracts.

The Virginia Public Procurement Act was enacted in 1982 to regulate the acquisition of goods and services by State and local government agencies. DPS is responsible for most aspects of procurement, for printing as well as other goods and services. It establishes the State's procurement procedures within the framework of the procurement act. Further, it is generally responsible for all purchases requiring the use of competitive sealed bidding, one of five methods available for procuring goods and services.

JLARC staff found that the procurement process for printing generally works well, and DPS' practices appear sound. Most printing work procured by State agencies is purchased from firms located in Virginia. DPS could improve the process, however, by increasing access to all printers and adjusting other procurement practices.

Printing Is a Major Industry in Virginia

The printing industry contributes significant economic benefits to the Commonwealth. Printing and publishing is the fifth largest manufacturing industry in Virginia in terms of gross state product. There were more than \$3.2 billion in shipments from this industry in 1997 (the most recent data available). In addition, the printing industry employed more than 37,500 Virginians in 1997.

Most State Agency Printing Is Purchased from Virginia Printers

In calendar year 1998, State agencies spent in excess of \$36.1 million for printing-related work by the private sector. Agencies that spent the most on printing tended to be universities and agencies with extensive contact with the general public, such as the Department of Motor Vehicles. There

were 18 agencies that spent at least \$500,000 during 1998. These agencies accounted for approximately two-thirds of all State expenditures for printing during that year.

One of the primary concerns prompting the General Assembly to request this JLARC review was the perception that much of the print work for State agencies is performed by non-Virginia printers. To examine this issue, the files for all DPS printing procurements that required competitive sealed bidding during FY 1998 and FY 1999 were reviewed by JLARC staff. In addition, staff examined agency payments to printing vendors from the State's central accounting system for CY 1998. Based on these analyses, JLARC staff found that, in fact, most State agency printing is being performed by printers located in Virginia.

JLARC staff found that 64 percent of all printing contracts were awarded to firms located in Virginia. Correspondingly, 66 percent of the dollar value of all contracts was awarded to Virginia printers. Other states that received substantial numbers of State printing jobs included Maryland (nine percent), Pennsylvania (six percent), and Arkansas (three percent).

JLARC staff also examined the percentages of in-state and out-of-state printing expenditures separately for spot purchases and term contracts. The figure on the next page displays the results of this comparison. Virginia printers were awarded at least two-thirds of both spot purchases and term contracts that DPS procured using competitive sealed bidding. With both types of contracts, Virginia's printers have been awarded the majority of State work, both in terms of number of contracts and dollar value, procured through competitive sealed bidding.

The JLARC analysis also demonstrated that State printing work is widely dispersed across many printers rather than being performed by only a few select printers. Of the

88 sealed bidding print jobs awarded to Virginia firms in the past two years, there were a total of 38 different Virginia printers that were awarded the jobs. The number of jobs awarded to any one printer ranged from one to ten, with an average of 2.3.

Based on the assessment of printing procurement data, it appears that the current competitive sealed bidding process appropriately includes printers located in Virginia. Virginia printers are being awarded the majority of State government printing that is procured through competitive sealed bidding. Further, the sealed bidding print work is being distributed across a range of printers, suggesting an inherent fairness with the process. It does not appear that any changes are needed to the Virginia Public Procurement Act at this time.

The Printing Procurement Process Appears Generally Sound But Could Be Improved

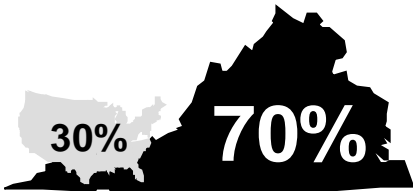
The Virginia Public Procurement Act was intended to ensure that the State "obtain high quality goods and services at reasonable cost," and that the process is fair and promotes competition. The competitive sealed bidding process, as outlined in the *DPS Agency Procurement and Surplus Property Manual*, meets the intent of this Act.

The quality and cost of the printing obtained through competitive sealed bidding is generally satisfactory. Likewise, the process is generally viewed as fair and appears to meet the goal of promoting competition. Further, JLARC staff found no evidence that DPS inappropriately changes jobs specifications or accepts bids that do not conform to the specifications.

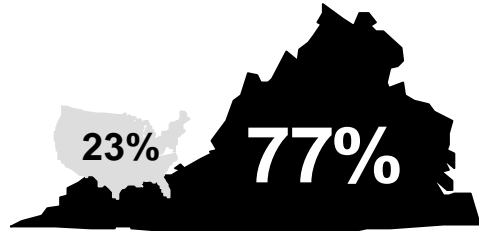
While DPS practices are sound, some areas could be improved to better reflect the intent of the VPPA. For example, DPS needs to work with the printing trade association to improve printers' access to State work, including encouraging more firms to register with DPS. DPS could also do a

**Virginia vs. Non-Virginia Print Jobs:
Proportion of DPS Spot Purchases and Long-Term Contracts, by Total Number and Value**

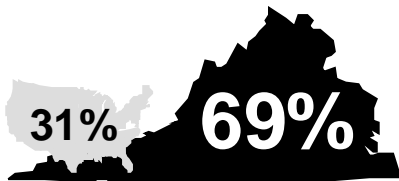
Total Spot Purchases



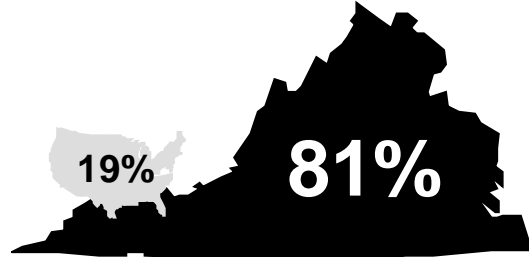
**Total Spot Purchases
When Bidders Included a Virginia Printer**



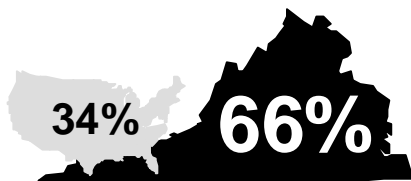
Total Value of Spot Purchases



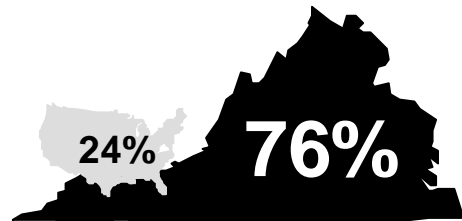
**Total Value of Spot Purchases
When Bidders Included a Virginia Printer**



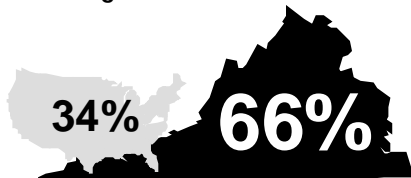
Total Long-Term Contracts



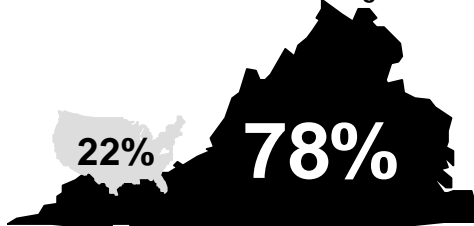
**Total Long-Term Contracts
When Bidders Included a Virginia Printer**



**Total Value of
Long-Term Contracts**



**Total Value of Long-Term Contracts
When Bidders Included a Virginia Printer**



Notes: Based on 48 term contracts valued at \$14.96 million and 67 spot purchases valued at \$6.33 million.
Source: JLARC staff analysis of DPS procurement files for jobs requiring competitive sealed bidding.

better job of notifying firms of pending contracts. In addition, DPS needs to modify its Invitations for Bids to more clearly reflect the print work being requested, solicit costs for recycled paper on all appropriate jobs, and ensure that State agencies apply the Commonwealth's reciprocity law more consistently. Finally, while most State agencies were satisfied with the level of assistance and training provided by DPS, the procedures for reviewing agency procurements need to be better documented to ensure that reviews are completed consistently. A more detailed discussion of improvements needed to the DPS procurement process is presented in Chapter III of this report.

Virginia Correctional Enterprises Needs to Streamline Its Process for Releases and Improve Timeliness

By law, Virginia Correctional Enterprises (VCE) is a mandatory source of printing for State agencies. Before soliciting work from a private vendor, agencies are required to first contact VCE to determine if its print shop can perform the work. In recent years, agencies have increasingly used VCE for their print work. JLARC staff found, however, that many agencies do not obtain written releases for all the print work they procure from the private sector. In fact, there were no written releases issued by VCE for

any of the print jobs procured by DPS using competitive sealed bidding in 1998 and 1999.

VCE and DPS need to take steps to streamline the process of obtaining written releases and ensuring that releases are obtained in accordance with the *Code of Virginia*. For example, the process could be streamlined by having VCE issue a blanket release for all jobs with the types of specifications that VCE cannot perform, such as newsprint, multi-color printing, and perfect binding. Alternatively, VCE could identify all the jobs it is capable of performing and state that agencies do not need to get a release for jobs other than those specified. This blanket release could then be incorporated into the *DPS Agency Procurement and Surplus Property Manual* for reference by agencies. For remaining printing jobs, DPS should verify that proper releases have been obtained.

In addition, VCE needs to take steps to improve the timeliness of job completion. One-third of the State agencies surveyed complained that VCE is late in completing print jobs. VCE should assess whether it accepts more work than it can reasonably perform given the deadlines specified by customer agencies, and grant releases for work it cannot complete on time.

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I. Introduction

House Joint Resolution 810, passed by the 1999 General Assembly, directed the Joint Legislative Audit and Review Commission to examine the competitive sealed bidding procedures used by the Department of General Services' Division of Purchases and Supply (DPS) in procuring printing for State agencies (Appendix A). As part of this review, JLARC was requested to examine procurement practices involving: (1) the use of restrictions on the geographic location of bidders; (2) inappropriate changes in job specifications and acceptance of bids that are not responsive; (3) the use of the reciprocity law concerning in-state preferences imposed by other states; (4) the use of Virginia's preference law regarding recycled paper and paper products; and (5) the use of Virginia Correctional Enterprises for printing. The mandate directs JLARC to report its findings to the 2000 Session of the General Assembly.

THE PRINTING PROCUREMENT PROCESS

The Virginia Public Procurement Act (§11-35 *et seq.* of the *Code of Virginia*) was enacted in 1982 to regulate the process by which State and local government agencies purchase goods and services from non-governmental sources. Section 11-35G of the *Code of Virginia* identifies the intent of the Virginia Public Procurement Act (VPPA). It states:

To the end that public bodies in the Commonwealth obtain high quality goods and services at reasonable cost, that all procurement procedures be conducted in a fair and impartial manner with avoidance of any impropriety or appearance of impropriety, that all qualified vendors have access to public business and that no offeror be arbitrarily or capriciously excluded, it is the intent of the General Assembly that competition be sought to the maximum feasible degree, that individual public bodies enjoy broad flexibility in fashioning details of such competition, that the rules governing contract awards be made clear in advance of the competition, that specifications reflect the procurement needs of the purchasing body rather than being drawn to favor a particular vendor, and that the purchaser and vendor freely exchange information concerning what is sought to be procured and what is offered.

The Department of General Services, through its Division of Purchases and Supply, is responsible for most aspects of procurement. It establishes the State's procurement procedures within the framework of the VPPA. Further, it is generally responsible for all purchases requiring the use of competitive sealed bidding, one of five methods available for procuring goods and services.

Types of Purchases

There are two types of purchases that procurement policy encompasses. The first, statewide or term contracts, are contracts with a vendor for a good or service over a specified time period (usually one year). DPS procures and administers all term contracts. Buying in large volume reduces both the cost of the items and the time required to obtain the items. Agencies may place orders against the term contract rather than having to go through the full procurement process each time. For example, the Division of Legislative Automated Systems has a term contract that covers all House and Senate documents.

The second type of procurement, a “spot purchase,” is a one-time purchase of goods or services. DPS or individual agencies may make this type of purchase, depending on the dollar value of the item. For example, the College of William and Mary ordered the printing of its course catalog through a spot purchase.

Methods of Procurement

There are five methods of procurement described by Section 11-41 of the *Code of Virginia* and in the *Agency Procurement and Surplus Property Manual* issued by DPS. These methods offer procurement officials flexibility in awards, beyond acceptance of the lowest bid. The VPPA and the *Manual* describe the circumstances for using competitive sealed bidding, competitive negotiation, small purchase procedures, sole source, and emergency procedures. Figure 1 shows the process used to determine which procurement procedures should be used and the steps of the competitive sealed bidding process.

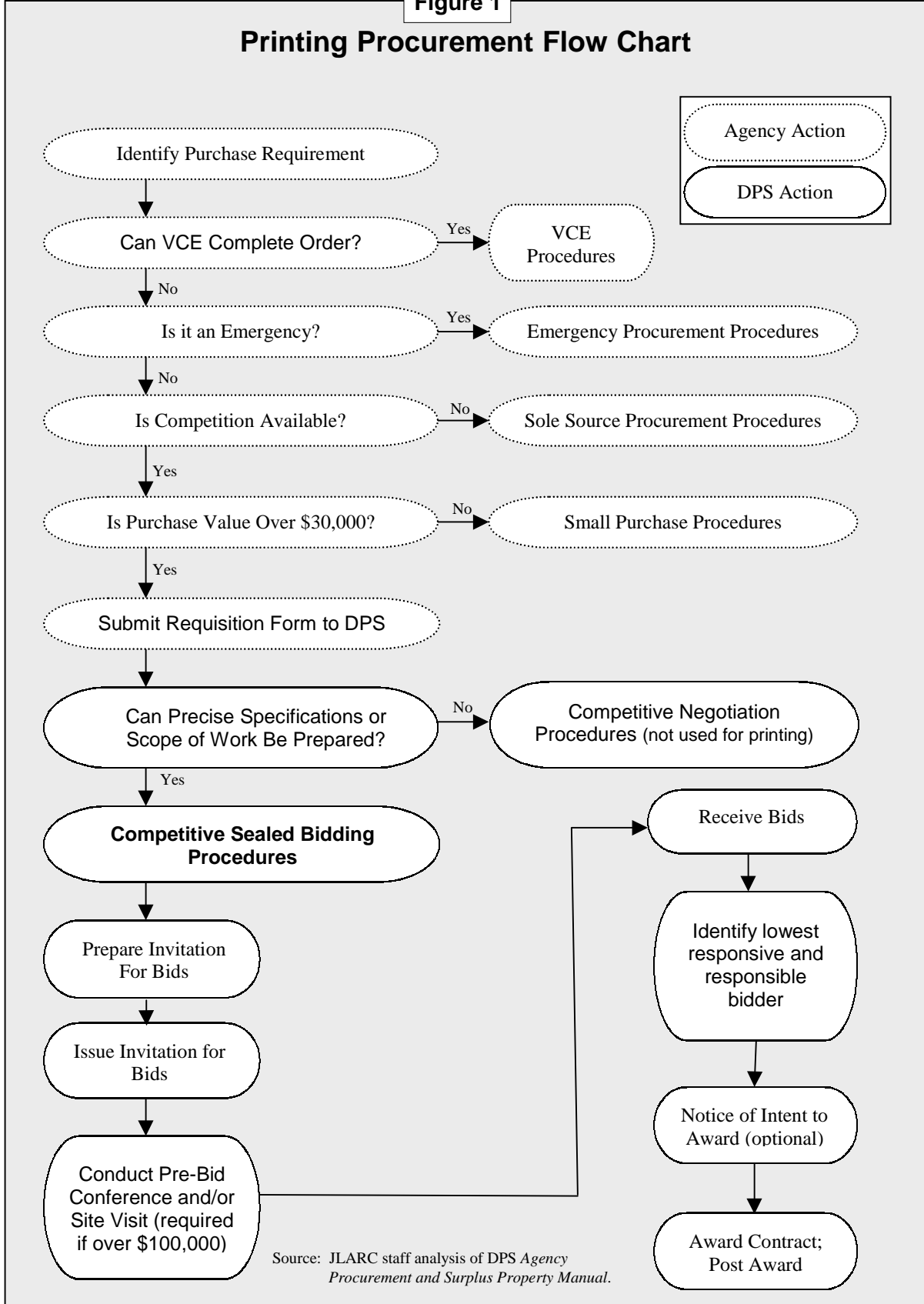
Competitive Sealed Bidding. Competitive sealed bidding is generally required for the procurement of goods worth more than \$30,000. This method requires the State to solicit bids on a specified item from vendors, who respond with fixed prices in a sealed envelope. The award is made to the lowest bidder who meets all criteria of the solicitation. This type of procurement is the focus of this review and is discussed in more detail in the next section.

Competitive Negotiation. Competitive negotiation may be used in the procurement of professional services, or in cases where competitive sealed bidding is not appropriate or advantageous. This method is used when a variety of goods or services would be acceptable. The State sends a Request for Proposal to potential vendors, whose offers are evaluated on the basis of the quality of the product or the service itself, not its cost. According to DPS staff, printing is never procured through this method.

Small Purchase Procedures. Small purchases are those estimated to cost less than \$30,000. Agencies may procure these purchases without the aid of DPS, provided they have written procurement procedures on record. Purchases of goods or services through small purchase procedures do not require sealed bids or competitive negotiation, but should promote competition as much as practicable. For example,

Figure 1

Printing Procurement Flow Chart



purchases estimated between \$5,000 and \$15,000 may be contracted by telephoning a minimum of three potential vendors and requesting a verbal price quote.

Sole Source Procurement. Sole source procedures may be used when it is determined that no competitors exist for particular goods or services. This may occur when an agency must order an item that is trademarked by a vendor or when an item requires specialized equipment to manufacture. Using these procedures, the State solicits a price from the vendor, evaluates its reasonableness, and may negotiate with the vendor for a lower price.

Emergency Procedures. In an event that threatens danger to property or personal safety, an agency may make an emergency procurement without using the procedures described above. This method does not require the solicitation of multiple vendors or negotiation with a single vendor, but the State should promote competition “as is practicable under the circumstances” (*Code of Virginia*, §11-41(E)).

Competitive Sealed Bidding Process

The *Code of Virginia* identifies competitive sealed bidding as the preferred process for procuring goods and services. In this process, DPS requests goods or services from private firms, and vendors respond with sealed bids. After a specified deadline, bids are opened and evaluated, and the lowest qualified bidder is awarded the contract.

The process begins when an agency determines that the good or service needed will cost more than \$30,000. (Agencies may also use competitive sealed bidding for jobs that will cost less than \$30,000 if they so choose.) The agency must send a requisition form to DPS, where an Invitation for Bids (IFB) is developed. The IFB describes the agency’s requirements, deadlines, and any special instructions regarding the request.

DPS uses three methods to notify vendors about State print jobs. First, the IFB is posted publicly in the DPS office in Richmond. Second, the IFB must also be advertised in *Virginia Business Opportunities (VBO)*, a weekly publication that lists the goods and services to be purchased by State agencies. Third, the IFB is sent directly to a number of printers. Based on DPS policy, the IFB for a spot purchase is sent directly to at least six vendors listed on the Bidders List (randomly selected using a computer program). For term contracts, all printing vendors who are on the Bidders List for the commodity needed are notified of the IFB.

Printers must be registered on DPS’ Bidders List to be awarded a State print job through competitive sealed bidding. To become an approved bidder, printers must fill out an application and submit a list of their equipment, which is examined to determine the types of jobs a printer has the capacity to print. Printers are included on the Bidders List according to the type of commodity they can provide (for example, enve-

lopes, forms, or newspapers). There are 18 commodity categories related to printing, and 292 approved printers currently on the Bidders List.

The deadline for receiving bids must be at least ten days after the IFB is made public. Until this deadline, bids remain sealed. When the deadline passes, bids are opened and read publicly by the bid tabulation unit at DPS. The DPS buyer then examines the lowest bid for acceptability. Vendors must be found both responsive and responsible to be awarded a contract. According to the *Code of Virginia*, a responsive bidder is “a person or firm who has submitted a bid which conforms in all material respects to the Invitation for Bids” (§11-37). Bids must be complete and meet all specifications of the IFB to be considered responsive. A responsible bidder is “a person or firm who has the capability, in all respects, to perform fully the contract requirements and the moral and business integrity and reliability which will assure good faith performance” (§11-37). The vendor must regularly supply the product and must have the ability to meet all specifications of the contract, including deadlines.

If the lowest bidder is found to be not responsive or not responsible, the buyer will examine the second lowest bid. The contract is awarded to the lowest bidder who is responsive and responsible. According to DPS staff, printers are very rarely found to be non-responsive, but non-responsive bids are found frequently.

A vendor’s mistake in a bid may be corrected after the bid is opened as long as it does not affect price, quantity, quality, or delivery. Examples include typographical errors, calculation errors, missing information, use of correctional fluid, or crossing out. If the mistake is documented during bid tabulation, DPS may waive it as an “informality” rather than declaring the vendor non-responsive.

When an award is made, notice of the award or of DPS’ intent to award the contract to a vendor must be posted publicly for ten days. During the posting of the award or intent to award notice, any bidder may inspect the procurement file for that purchase and submit a formal protest. DPS has ten days to respond, and the vendor has ten days to appeal to the Appeals Board, an independent panel appointed by the Governor. According to DPS staff, there are very few protests on printing procurements, and appeals very rarely occur. DPS staff reported never having lost a printing protest on appeal. To lose an appeal, DPS must be found to have been arbitrary and capricious in its denial of the protest.

Division of Procurement Responsibilities

There are three main entities involved in procuring State printing – the agency requesting the print work, the Department of Corrections’ Virginia Correctional Enterprises, and DPS. Individual agencies are responsible for identifying their printing needs and developing basic specifications for spot purchases. In addition, DPS has given agencies authority to directly procure goods and services costing less than \$30,000. As a general rule, any purchases over \$30,000 must be made by DPS. However, some

public entities, such as certain State colleges and universities, have been delegated unlimited purchasing authority.

The Department of Corrections' Virginia Correctional Enterprises (VCE) is a mandatory source for printing and many other goods and services. For example, agencies are required to purchase their letterhead stationery from VCE. The VCE print shop is also capable of printing a limited range of specialized printing such as forms, envelopes, booklets, and brochures. Agencies are required to contact VCE to determine if it has the capability to perform the work and if the order can be filled in a sufficient amount of time. If VCE cannot meet the job requirements, it provides a written release which allows the agency to procure the printing from the private sector.

DPS is the centralized purchasing arm of the State. It is responsible for spot purchases costing more than \$30,000 and the procurement of all term contracts. In addition, at an agency's request, DPS will make purchases between \$5,000 and \$30,000. DPS oversees all procurement by State agencies, maintains a manual of policies relating to procurement, and establishes the delegated purchasing power of the agencies. It also provides training and assistance to State agency buyers, and handles complaints from both agencies and vendors. The procurement review unit periodically examines agency procurement activities for compliance with law, policy, and procedures. They review agencies for operational efficiency, make recommendations, and provide training as needed.

JLARC REVIEW

This JLARC review provides an assessment of DPS' administration of the competitive sealed bidding process for the procurement of printing jobs. The review examines each step of the competitive sealed bidding process as it is outlined in the VPPA and the *DPS Manual*. Specifically, JLARC staff focused on five issues listed in the study mandate: restrictions on the geographic location of bidders, inappropriate changes in job specifications, preferences for in-state vendors, the use of recycled paper and paper products, and the use of Virginia Correctional Enterprises' print shop.

Exploration of these issues enabled the team to assess:

- the appropriateness of the Commonwealth's competitive sealed bidding process for the procurement of printing goods,
- the extent to which the process is followed by DPS, and
- the extent to which the Department of Corrections' print shop is used in accordance with law.

A variety of research activities were undertaken to address these issues. Major research activities included: file reviews, document reviews, a survey of print shops, a

survey of State agencies that use DPS for competitive sealed bidding of print jobs, and structured interviews.

File Reviews. One of JLARC's primary research tools in this study was a review of DPS' printing procurement files. DPS maintains a file for each procurement conducted. Since competitive sealed bidding is only required for jobs costing \$30,000 or more, JLARC staff focused primarily on those jobs. The files reviewed included all spot purchases worth \$30,000 or more made during fiscal years 1998 and 1999 (through May) and all term contracts worth over \$30,000 that were in effect during the same time period. This resulted in a file review of 76 spot purchases and 51 term contracts. A sample of 15 spot purchases worth less than \$30,000 was also reviewed.

In the file review, information was collected on several aspects of the procurement, including the type of purchase, amount of lowest and highest bids, number of solicitations sent and bids received. Other information included the state in which the lowest-bidding vendor is located, the number of changes made to the IFB, whether recycled paper was solicited, and whether geographic restrictions or reciprocal preferences were used in making the award.

In addition, the files for all written complaints about printers submitted to DPS by State agencies were reviewed. There were 18 written complaints filed with DPS during the past two years. JLARC staff examined the complaints to determine the types of problems encountered with printers and whether there are printers with which State agencies routinely have problems. DPS' responses to these complaints were also assessed.

Document Reviews. Several document reviews contributed to the data collection for this project. The formal competitive sealed bidding process is well documented in the VPPA and *Agency Procurement and Surplus Property Manual*. JLARC staff reviewed these documents in detail to identify the required procedures. Other documents reviewed include the Bidders List application package used to qualify printers for State work, the DPS *Vendor's Manual*, the procurement review unit manual, DPS reviews of agency procurement practices, the "debarred vendors list," and written releases granted to agencies by VCE.

Web sites for several national and federal entities, such as the National Association of State Procurement Officials, National Institute of Governmental Purchasing, and U.S. General Services Administration, were reviewed in order to identify professional procurement standards, federal procurement policies and procedures, and best practices. Information about procurement processes obtained through these sources was used in assessing the adequacy of Virginia's competitive sealed bidding process.

Survey of State Agencies. Selected State agencies were surveyed as part of this review in order to gain agencies' perspectives concerning the competitive sealed bidding process, DPS' administration of the process, and VCE print shop performance. A copy of the survey is included in Appendix B.

Thirty State agencies used DPS to procure at least one spot purchase print job costing \$30,000 or more (thus, requiring competitive sealed bidding) during fiscal years 1998 and/or 1999. In addition, the General Assembly, through the Division of Legislative Automated Systems, used DPS to develop several large term contracts for various legislative documents during this time period. The survey was sent to these 31 agencies, and all 31 responded.

Survey of Private Sector Print Shops. A survey was sent to a random sample of 366 printers chosen from the DPS Bidders List and a list of printers provided by Printing Industries of Virginia, a printing trade association. The purpose of the survey was to solicit printers' views concerning how well the Virginia procurement process works and whether they think the process is fair. Further, it was used to identify any problems with the process that printers have encountered and any changes that printers believe would improve the process. A copy of this survey is included in Appendix C. A total of 76 printers responded to the survey – 69 from Virginia and seven from other states.

Structured Interviews. To better understand the process and the magnitude of the printing-related workload, interviews were conducted with DPS and VCE staff as well as procurement officials at selected State agencies. The president of Printing Industries of Virginia was interviewed to gain the perspective of in-state printing vendors. In addition, follow-up calls were made to several State agencies concerning their responses to the State agency survey. To further gain an understanding of the printing procurement process, JLARC staff attended two bid openings of sealed bid procurements at DPS and toured the print shop at VCE.

REPORT ORGANIZATION

The remainder of this report consists of three chapters. Chapter II provides a description of the printing industry in Virginia, including the magnitude of printing bought by State agencies. Chapter III presents a review of the competitive sealed bidding process as it is used for printing procurement. This chapter contains an evaluation of State policy and procurement processes, and some recommended changes to improve the competitive sealed bidding process. Finally, Chapter IV discusses the use of Virginia Correctional Enterprises' printing services by State agencies.

II. Printing in Virginia

The printing industry contributes significant economic benefits to the Commonwealth. It is one of the largest manufacturing industries in the State, consisting primarily of numerous small businesses. A portion of these businesses competes for the State's substantial print work. In calendar year 1998, State agencies spent approximately \$36.1 million for printing-related work.

A question has been raised as to whether an excessive amount of this printing work is being performed by printers located in other states. This chapter examines that question. Analysis of bid and expenditure data for print jobs procured through competitive sealed bidding revealed that most agency print work is bought from firms located in Virginia. In fact, when Virginia printers submit sealed bids for State print work, they are awarded the work in three-fourths of the cases. While this finding suggests that the process works well for Virginia's printers, some changes could be implemented that would be beneficial to the printing industry as well as the State. These changes will be discussed in Chapter III.

Printing Is a Major Industry in Virginia

Printing is a major manufacturing industry in Virginia, ranging from newspaper and book printing to printing of envelopes and letterhead. According to data from the U.S. Department of Commerce, printing and publishing is the fifth largest manufacturing industry in Virginia in terms of gross state product. There were more than \$3.2 billion in shipments from this industry in 1997 (the most recent data available).

Likewise, printing is one of the largest industries in Virginia in terms of manufacturing employment. Virginia Employment Commission data from 1997 show that the printing industry has the third largest number of employees, following food processing and transportation equipment. There were an estimated 37,500 Virginia employees in the printing and publishing industry in 1997.

Data on the State printing industry indicates that it is primarily made up of numerous small firms. According to data provided by the Printing Industries of Virginia, a printing trade association, there are currently 869 printers located in Virginia. Over 75 percent of Virginia printing establishments have fewer than 20 employees, accounting for about 15 percent of total printing shipments per year. In contrast, two percent of printing companies in the State employ more than 250 workers each. These large firms produce over one-third of all printing shipments in the State.

The northern Virginia and Richmond metropolitan areas account for a large proportion of printing employees and revenues in Virginia. Table 1 identifies the level of printing activity for the major metropolitan areas in the State. Because of the large number of print shops and employees dispersed throughout the State, there is a wide base of potential vendors with which the State can contract for print work.

Table 1

Printing Industry Data by Virginia Metropolitan Area

Metropolitan Area	Printing Establishments	Shipments (in Millions)	Printing Employees
Northern Virginia	306	\$959.2	6,838
Richmond	154	700.9	4,878
Norfolk	133	266.3	1,982
Roanoke	45	268.6	1,749
Lynchburg	30	279.5	1,714
Charlottesville	23	133.6	862
Danville	13	39.8	290

Source: Printing Industries of Virginia 1998 Virginia State Print Market Fact Sheet.

State Agency Printing Expenditures Are Substantial

All State agencies require printing work during their normal course of business. Some agencies perform almost all of their printing using in-house resources. Others obtain a significant amount of printing from the Virginia Correctional Enterprises print shop. However, at some point most agencies obtain some printing from private sector print shops.

As a whole, State agencies spent approximately \$36.1 million for private sector print work during calendar year (CY) 1998. Agencies that spent the most on printing tended to be universities and agencies with extensive contact with the general public, such as the Department of Motor Vehicles. There were 18 agencies that spent at least \$500,000 during that time period (Table 2). These agencies accounted for approximately two-thirds of all State expenditures for printing during CY 1998.

Agencies typically use private sector print shops to print publications such as annual reports, manuals, catalogs, and brochures. Agency print jobs also include such items as decals, temporary tags for motor vehicles, and forms. In CY 1998, agency print jobs ranged in cost from less than \$1 for photocopying to almost \$900,000 for printing the individual and corporate income tax booklets. The average cost of State agency print jobs in CY 1998 was approximately \$1,400.

As described in Chapter I, print jobs estimated to cost at least \$30,000 must be procured using competitive sealed bidding. Since most agencies' delegated procurement authority is limited to \$30,000, DPS is responsible for procuring almost all printing that requires competitive sealed bidding. (Five State universities and two agencies have procurement authority for printing exceeding \$30,000.) In addition to spot purchases over \$30,000, DPS uses competitive sealed bidding to procure all term printing contracts for State agencies. Table 3 identifies the number of print jobs requiring competitive sealed bidding during fiscal years (FYs) 1998 and 1999, the total cost of those

Table 2

State Agencies with Highest Expenditures for Printing, CY 1998

	Printing Expenditures
Department of Motor Vehicles	\$3,065,149
Virginia Commonwealth University	2,219,152
Department of Taxation	2,189,793
Department of Education	2,022,079
Department of Transportation	1,728,489
University of Virginia	1,613,767
James Madison University	1,498,566
George Mason University	1,276,882
College of William and Mary	1,214,047
Department of Health	1,096,064
Division of Legislative Automated Systems	1,083,042
Department of Game and Inland Fisheries	849,427
Virginia Employment Commission	708,427
Department of State Police	708,010
Old Dominion University	690,963
Mary Washington College	619,286
Northern Virginia Community College	589,720
University of Virginia Medical Center	566,228

Source: Department of Accounts CARS data.

print jobs, and the agency responsible for procuring those jobs. As directed in the study mandate, the JLARC review focused primarily on print jobs requiring competitive sealed bidding.

DPS also procured for State agencies an additional 263 smaller print jobs costing \$3.2 million during FYs 1998 and 1999. (Most of these jobs were procured prior to July 1, 1998, during which time agencies' delegated authority was only \$5,000.) These jobs were typically procured using small purchase procedures. In total, DPS' procurements for printing accounted for approximately 57 percent of all State printing expenditures during CY 1998.

Most State Agency Printing Is Purchased from Virginia Printers

One question raised during the course of the JLARC review was the extent to which State government print jobs were being performed by out-of-state printers. There is a perception that much of the print work for State agencies is performed by non-Virginia printers. To address this issue, the files for all DPS printing procurements that required competitive sealed bidding during FYs 1998 and 1999 were reviewed. In addition, JLARC staff examined agency payments to printing vendors as identified in

Table 3

**Print Jobs Costing More than \$30,000
Procured Using Competitive Sealed Bidding,
FYs 1998 and 1999**

Agency Responsible for Procurement	Number of Print Jobs Procured	Cost of Print Jobs
DPS		
Spot purchases	67	\$6,333,103
Term contracts*	48*	14,962,447*
University of Virginia	8	558,100
James Madison University	7	601,101
George Mason University	5	212,258
Department of Social Services	3	205,267
Radford University	2	120,371
State Lottery	1	50,838
Virginia Tech	1	30,000

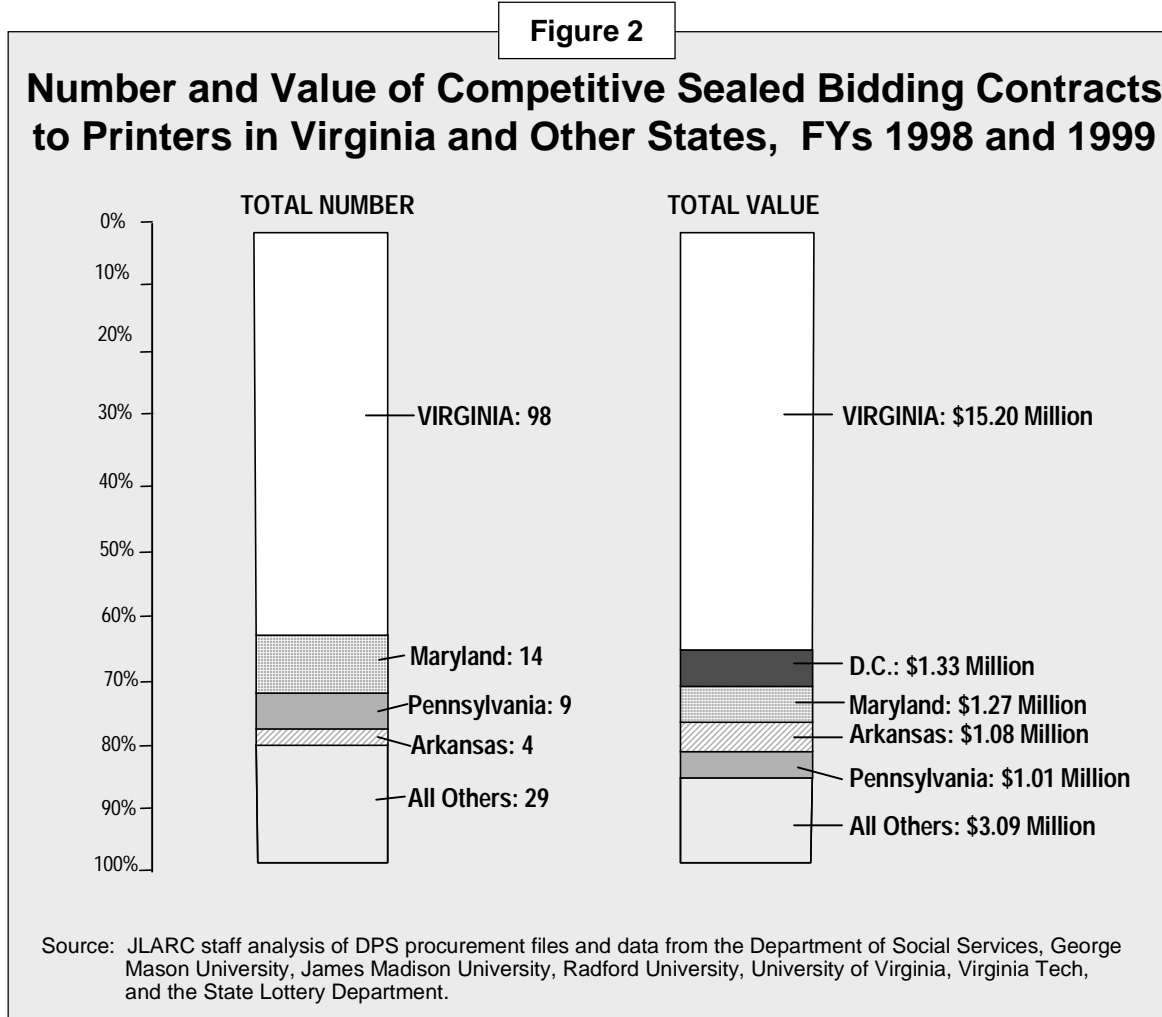
*Term contracts listed are those which were in effect during FYs 1998 and 1999. The dollar value listed represents a one-year estimated value for those contracts.

Source: Data reported by DPS, Department of Social Services, George Mason University, James Madison University, Radford University, University of Virginia, Virginia Tech, and the State Lottery Department.

the Department of Accounts' Commonwealth Accounting and Reporting System (CARS) database for CY 1998. Based on analyses of the data obtained from these sources, JLARC staff found that, in fact, most State agency printing is being performed by printers located in Virginia.

JLARC staff reviewed the files and otherwise collected information on all State print jobs requiring competitive sealed bidding that were procured during FYs 1998 and 1999. Information collected included the name and home state of the vendor awarded each print job, the amount of the low bid, whether any Virginia printers bid on the job, and if so, the amount of the lowest bid from a Virginia printer. The number of contracts and dollar value of contracts awarded to firms in each state were then calculated. Based on this analysis, JLARC staff found that 64 percent of all printing contracts were awarded to firms located in Virginia. Correspondingly, 66 percent of the dollar value of all contracts was awarded to Virginia printers (Figure 2). Other states that received a substantial number of State printing contracts included Maryland, Pennsylvania, and Arkansas.

To further explore this issue, JLARC staff examined the percentages of in-state to out-of-state printing expenditures separately for spot purchases and term contracts of \$30,000 or more. Figure 3 displays the results of this comparison. Virginia printers were awarded about two-thirds of both spot purchases and term contracts. With both types of contracts, Virginia's printers have been awarded the majority of



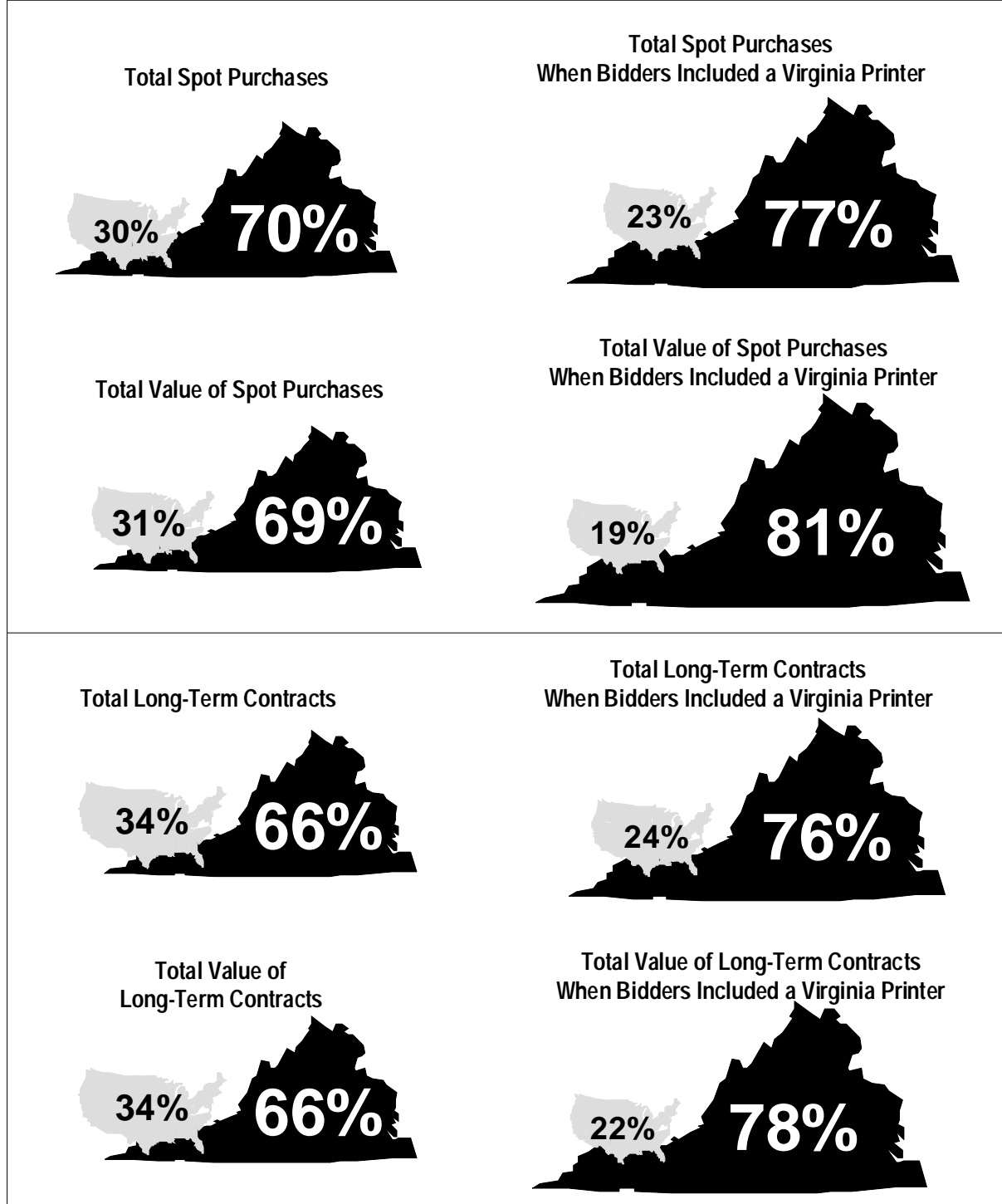
State work, both in terms of number of contracts and dollar value, procured through competitive sealed bidding.

Further analysis of the procurement data showed that in 33 percent of the spot purchases in which an out-of-state bidder was awarded the contract, there were no Virginia bidders. For term contracts in which an out-of-state printer won the contract, there was no competition from Virginia printers in 40 percent of the cases. To better assess the extent to which Virginia printers are successful in obtaining State print work when they attempt to bid on the work, JLARC staff compared the data for spot purchases and term contracts for only those cases in which the bidders included a Virginia printer. The results in Figure 3 show that Virginia printers are competitive when bidding on State printing jobs, winning the contracts in more than three-fourths of the cases.

In addition to the data on all jobs procured through competitive sealed bidding, JLARC staff obtained vendor payment data for approximately \$30.8 million of the \$36.1 million in State agency printing expenditures in CY 1998. This amount

Figure 3

Virginia vs. Non-Virginia Print Jobs: Proportion of DPS Spot Purchases and Long-Term Contracts, by Total Number and Value



Notes: Based on 48 term contracts valued at \$14.96 million and 67 spot purchases valued at \$6.33 million.

Source: JLARC staff analysis of DPS procurement files for jobs requiring competitive sealed bidding.

includes print jobs of all sizes. (The remaining \$5.3 million of vendor data from some agencies were not available. In particular, some purchases of printing could not be traced back to individual print shops, including printing bought using agency small purchase procurement credit cards and petty cash fund reimbursements made to individuals for printing purchases.) Approximately 56 percent of the printing expenditures for which vendor payment data were available were paid to printing firms in Virginia.

State Agency Print Work Procured Through Competitive Sealed Bidding Is Dispersed Across Many Virginia Printers

Based on the review of all printing procured by DPS through competitive sealed bidding during the past two fiscal years, it appears that State printing work is widely dispersed across many printers rather than being performed by only a few select printers. Of the 88 sealed bidding print jobs awarded to Virginia firms in the past two years, a total of 38 different Virginia printers were awarded the jobs. The number of jobs awarded to any one printer ranged from one to ten, with an average of 2.3.

Likewise, this review found that individual printers are not consistently being awarded sealed bid jobs from the same agencies. The maximum number of jobs any one printer was awarded from one agency was four out of a total of 11 agency print jobs, and these four jobs required specialized printing and shipping which few printers are equipped to perform. Most printers were awarded only one or two jobs from any one agency. The data suggest, therefore, that the specifications of agency print jobs are not developed in such a way to favor particular printers.

Conclusion

Based on the assessment of printing procurement data, it appears that the current competitive sealed bidding process appropriately includes the printers located in Virginia. Virginia printers are being awarded the majority of State government printing that is procured through competitive sealed bidding. Further, the sealed bidding printing work is being distributed across a range of printers, suggesting an inherent fairness with the process.

There are, however, some procedural improvements that could be made which would benefit the printing industry and result in a more efficient procurement system. These issues will be addressed in the next chapter.

III. Competitive Sealed Bidding Policies and Practices

This review examined the broad policies concerning competitive sealed bidding as well as the detailed procurement practices followed by the Department of General Services' Division of Purchases and Supply (DPS). Review of the policies revealed a generally fair process resulting in the State obtaining quality print work at a reasonable price. In addition, DPS procurement practices were found to be consistent with the policies and process requirements. However, there were some areas warranting attention by DPS and other State agencies. In particular, changes are needed to help facilitate the sharing of information about available State printing jobs.

COMPETTITIVE SEALED BIDDING PROCESS APPEARS SOUND

The Virginia Public Procurement Act was intended to ensure that the State "obtain high quality goods and services at reasonable cost," and that the process is fair and promotes competition. The competitive sealed bidding process, as outlined in the *DPS Agency Procurement and Surplus Property Manual*, generally meets the intent of this Act.

The quality and cost of the printing obtained through competitive sealed bidding appears to be satisfactory. Of the 31 State agencies surveyed for this review, 94 percent reported that the process results in good quality print jobs. When asked if the competitive sealed bidding process results in a reasonable cost for the agency's print jobs, 97 percent of the agencies reported that it does. A review of DPS' files found that very few formal complaints were submitted in the past two years regarding print jobs.

The competitive sealed bidding process is also generally viewed as fair. JLARC staff asked printers whether they felt that they were treated fairly by DPS during the process. Although a few printers reported unfair treatment, 84 percent of the 37 printers who responded to the question reported that they were treated fairly. Further, as discussed in Chapter II, the competitive sealed bidding print work is awarded across a range of printers rather than to a select few. This finding suggests that the process does not tend to favor certain printers over others.

The final requirement of the VPPA is that it should promote competition to the fullest extent possible. The competitive sealed bidding process also appears to meet this goal of the Act. All of the State agencies surveyed reported that they felt the process results in adequate competition for their print jobs.

A review of DPS procurement files indicated how much the State benefits from competition when procuring print jobs. On spot purchases using competitive sealed bidding, the State paid an average of \$8,480 less than the State agency had allocated for the job. Competition can also be seen on individual purchases by compar-

ing the highest and lowest bids. For all print jobs solicited using competitive sealed bidding (118 cases), the difference between the highest and lowest bids ranged from \$2,700 to \$1.4 million. Across all jobs, the low bid was an average of \$87,731 lower than the highest bid. Clearly, the process provides competition that is beneficial to the State.

DPS policies have been found to be consistent with exemplary programs throughout the United States. JLARC staff found that Virginia's competitive sealed bidding process incorporates much of the model procurement provisions supported by national procurement organizations. A majority of the State agencies surveyed reported that no changes were needed to the VPPA or to DPS' administration of the procurement process for printing. Table 4 illustrates responses to some of the questions on the survey of State agencies that used competitive sealed bidding.

While State agencies reported general satisfaction with the competitive sealed bidding process, private print shops raised some concerns. Table 5 illustrates responses to some of the questions on the JLARC survey of private print shops. When asked in the survey whether changes should be made to the process, 72 percent of the 29 printers who had an opinion believed that the State procurement process for printing should be changed. The particular issues with which these respondents were concerned included better notification of available State print work and simplification of the IFB specifications. These concerns will be addressed in the next section of this chapter.

Table 4

Responses to Selected Questions on the JLARC Survey of State Agencies that Use Competitive Sealed Bidding

Survey Question (<i>N=31 unless otherwise noted</i>)	Yes	No
Do you think the competitive sealed bidding process results in good quality print jobs?	94%	6%
Do you think the competitive sealed bidding process results in a reasonable cost for print jobs? (<i>N=30</i>)	97%	3%
Do you think the competitive sealed bidding process results in adequate competition for your agency's print jobs?	100%	0%
Do you think that any changes are needed to DPS' administration of the procurement process for printing?	10%	90%
Do you think that any changes are needed to the Virginia Public Procurement Act as it relates to printing procurement? (<i>N=30</i>)	20%	80%

Source: JLARC staff survey of State agencies using DPS for competitive sealed bidding of print jobs.

Table 5

Responses to Selected Questions on the JLARC Survey of Private Print Shops

Survey Question (N=31 unless otherwise noted)	Yes	No
Do you think your company was treated fairly by DPS in the awarding of State print jobs on which you bid during the past two years? (N=37)	84%	16%
Do you think that any changes are needed to the State procurement process for printing jobs? (N=29*)	72%	28%

*An additional 42 printers responded "do not know" to this question.

Source: JLARC staff survey of private-sector print shops.

SOME PROCEDURAL ISSUES NEED TO BE ADDRESSED

DPS procurement practices are generally consistent with the *Code of Virginia* and the DGS procurement manual, ensuring that all procurement activity meets the criteria established by the General Assembly in the VPPA. While DPS practices are sound, some areas could be improved to better reflect the intent of the law. DPS policy can be divided into several main areas, each having to do with one aspect of the competitive sealed bidding process: access to State print jobs, development of print job specifications, identification of the lowest responsive and responsible bidder, changes in print job specifications, the timeliness of State procurement practices, and DPS oversight of the process. This section of the report explores each facet of the process in detail, identifying improvements that are needed to ensure the soundness of the competitive sealed bidding process.

Access to State Printing Jobs

There are three methods by which DPS staff notify printers about jobs being procured through competitive sealed bidding. First, they post a notice in the *Virginia Business Opportunities* (VBO) weekly newsletter. Second, they send the Invitation for Bids (IFB) directly to a sample of printers from the DPS Bidders List. A printer must be registered with DPS to receive IFBs directly. Third, they post a job notice at the DPS office in Richmond.

While State agencies reported satisfaction with the level of competition for their print jobs, Virginia's printers reported a desire to have greater access to State jobs. Based on the analyses conducted, it appears that greater access to information about State print jobs could lead to increased competition, and subsequently to the State obtaining more advantageous prices for its print jobs. There are a number of steps that DPS has begun to implement to increase vendors' access to State jobs.

Competition for Competitive Sealed Bidding Jobs Is Generally Adequate but Could Be Improved. JLARC staff collected data on the number of solicitations sent out for every job procured through competitive sealed bidding during the past two fiscal years, the number of bids received from the direct solicitations, and the number of bids received based on VBO notices. Analysis of the data showed that the State usually received adequate competition for its print jobs procured through competitive sealed bidding. However, it appears that increasing printers' access to information on State print jobs could benefit the State.

On average, DPS sent out IFBs directly to about 13 printers for spot purchase solicitations and to about 58 printers for term contracts. (For term contracts, DPS routinely solicits all printers registered for the commodity requested.) For both types of jobs, DPS received an average of 4.8 bids, with most responses resulting from the direct solicitations. DPS received an average of only 1.7 bids based on VBO notices. While sending out more bids directly for term contracts did not elicit any more responses on average than for spot purchases, it appears that the response rate for term contracts is largely the result of the nature of term contracts. They tend to be larger contracts, which many printers may not be capable of performing.

However, there is evidence to indicate that for spot purchases, the more bids sent out the greater the response rate. For jobs in which DPS directly solicited less than the average number (13.3) of printers, it received an average of 4.1 bids. For jobs in which 14 or more printers were solicited, an average of 5.6 bids were received.

This increased level of competition may have resulted in lower costs paid by the State. For jobs in which less than 14 printers were directly solicited, the average job cost \$89,333, and the low bid was on average \$1,739 more than the expected cost of the job. However, for jobs in which 14 or more printers were solicited, the low bids were \$19,564 less on average than their expected costs (with an average job cost of \$95,824). This finding suggests that there may be a benefit to increasing printers' direct access to spot purchase IFBs.

Registration Process Could Be Streamlined. To be directly notified about a State print job and potentially be awarded a print job that has been procured by DPS through competitive sealed bidding, a bidder must first be registered on DPS' Bidders List. Upon request, DPS sends vendors a three-page Bidders List application and vendor's manual, which details the State procurement process and requirements. Printers register for any of 18 print commodities (for example, newsprint or four-color process) which they have the capability to produce. When submitting their applications, printers must also submit a list of their printing equipment. DPS reviews this list to ensure that the printers have the type of equipment necessary to print the type of work for which they wish to register. A vendor is typically registered within a day of DPS receiving the application.

There are 292 printers registered on the DPS Bidders List. Of these printers, 156 are Virginia-based printers and 136 are from other states. Based on a reported number of 869 printers in Virginia, approximately 18 percent of Virginia's printers are

registered with DPS. There is a concern among the printing community in Virginia that not enough Virginia printers are registered to bid on State jobs. With only 18 percent of printers registered, there is clearly room for improvement in this area.

Approximately 50 percent of the printers that responded to the JLARC survey reported that they are not registered with DPS. The reason most provided for not being registered is that they did not know there was a registration process or lacked information about how to register. Printers also raised concerns that the application process is cumbersome and, therefore, an impediment to registration. Many printers reported a desire to be able to register on-line through the internet.

Complicating the registration process is the fact that some agencies maintain their own bidders lists separate from the DPS list. Printers must contact agencies individually to be placed on those bidders lists, and they usually have to fill out a separate application for each agency. There is no list available which identifies the agencies that have their own lists; therefore, printers must contact every agency just to find out which has its own list. Five of the 31 State agencies surveyed for this review have their own registration process and application.

There are a number of steps that could be taken to streamline the State's registration process, some of which are already in the process of being implemented. First, DPS has recognized the need to streamline its Bidders List application and has recently revised it. The revised application has been shortened from three pages down to one page. Also, the corresponding commodity list is being simplified. In addition, DPS is making provisions for on-line registration. With a planned operational date of August of this year, DPS will begin accepting registration applications on-line, by e-mail, on diskette, and by traditional mail. They will also have a computer available on-site to allow vendors to walk in and register.

Another step that should be taken is the consolidation of individual State agencies' bidders lists into one comprehensive State list. With a consolidated list, printers would register just one time and automatically be eligible for all agencies' print jobs. DPS staff reported that an inter-agency committee was formed about three years ago, coordinated by the Council on Information Management, to develop a single vendor database that could be accessed by all agencies. However, no action was subsequently taken to effect this change. Since DPS is the State's central procurement office, it needs to take the lead to accomplish this task, with the cooperation of agencies with delegated procurement authority.

Finally, steps should be taken to better publicize the State's registration and overall procurement process. As the association for printers in Virginia, Printing Industries of Virginia is well positioned to assist in informing private sector printers about the process. For example, the association may wish to consider adding to its web site a link to the DPS web site or providing information about who to contact at DPS concerning State printing work. In addition, DPS could attend printer trade association meetings periodically to explain the process.

Recommendation (1). The Division of Purchases and Supply, in coordination with other State agencies, should take steps necessary to develop a single statewide database for all vendors that would be accessible to all State agencies.

Recommendation (2). The Division of Purchases and Supply should work with the Printing Industries of Virginia association to identify and implement methods of informing Virginia's printers about the State's vendor registration process and to encourage registration by Virginia printers. In particular, Printing Industries of Virginia may wish to consider providing information on its internet web site concerning appropriate contacts for information on State printing work.

Improvements Needed to the Notification Process for State Print Jobs

As previously described, DPS sends the IFB for each spot purchase to a relatively small number of printers on a rotational basis. Given that there are not a large number of State print jobs that must be procured through competitive sealed bidding, printers receive very few direct solicitations from DPS in any one year. Almost one-half of the printers responding to the JLARC survey reported dissatisfaction with the State's process of notifying printers of available State agency print jobs.

In addition to direct solicitation, for a fee printers may subscribe to *Virginia Business Opportunities* to find out about competitive sealed bidding print jobs. However, the VBO provides only a very brief description of the job. Printers are then required to contact DPS to receive a copy of the IFB. Only 76 printers currently subscribe to the VBO — 38 Virginia printers and 38 printers from other states.

When asked on the survey what changes to the process are needed, several printers responded that they would like on-line access to print job solicitations. DPS is currently in the process of testing on-line access of the VBO and complete IFBs through its internet web site. As with the paper copy of the VBO, DPS plans to charge a fee for access to the solicitations on-line, however at a substantially reduced rate to that charged for the paper copy of the VBO. DPS also reported that they plan to begin e-mailing copies of the IFBs to the printers randomly selected to receive each IFB.

The use of e-mail for direct solicitations raises the question of whether DPS should continue to select a relatively small number of printers to directly send solicitations or whether the ease of e-mail should allow for solicitations to be sent to all printers registered on DPS' Bidders List who have e-mail. There would be no added cost to e-mail solicitations to all printers compared to just a few because, unlike with the paper copies, there would be no copying and postage charges. It appears that such a process would serve to increase competition for State jobs without added cost. However, this approach has implications for the VBO and the staff resources that are currently funded through VBO subscription charges, which would have to be addressed.

Recommendation (3). The Division of Purchases and Supply should modify its current approach of sending out each solicitation to only a small

percentage of printers on its Bidders List. The Division should solicit, via e-mail, all printers on the Bidders List for a particular commodity for every competitive sealed bidding print job.

Access to State Business Will Be Expanded Through Broader Electronic Commerce Initiatives. Beyond notification of State printing jobs through on-line postings and e-mail, efforts are underway to explore methods to create all-inclusive electronic contracting and procurement systems. Such a system would include not only on-line vendor registration and solicitations, but also electronic submission of bids and electronic fund transfers to vendors, for example.

An inter-agency task force was formed in 1998 to examine the status of electronic commerce in Virginia and to provide recommendations for future direction. This task force issued a report to the 1999 General Assembly (Senate Document 13). In this report, the task force identified benefits to State government in the use of electronic procurement, including: increased buyer productivity, expanded supplier base, increased small and minority-owned business opportunities, and improved payment processes. Benefits to vendors were also identified, including: increased business opportunities, leveling of the competitive playing field, invoice elimination, and quicker and more dependable payments. The task force recommended promoting expanded use of electronic commerce in Virginia through statewide demonstration projects. DPS is currently involved in efforts to develop such demonstration projects.

Development of Print Job Specifications

When an agency requests that DPS procure a print job on its behalf, specifications must be written so that potential vendors have a clear understanding of the print job and can offer an accurate bid. There are a number of decisions that must be made in the development of the IFB. In addition to the type of publication requested, DPS and the agency must specify the size and type of paper that must be used, the delivery method and date, quantity desired, binding method, and other specifications.

JLARC staff examined three other characteristics that must be considered when writing specifications for an IFB: the inclusion of geographic restrictions, the use of travel costs, and the solicitation of recycled paper costs. Some adjustments in DPS' use of these three types of specifications appear warranted. In particular, DPS should consider using travel cost provisions in IFBs more often than geographic restrictions when agencies wish to visit the site of a print job. DPS should encourage agencies to use recycled paper more often and solicit recycled paper costs when feasible. In addition, changes should be made to the IFB format to create specifications that are easier to read.

Use of Geographic Restrictions and Travel Costs Should Be Modified.

In general, State agencies should minimize the number of print jobs that must be viewed on the press. While "press checks" can be useful when printing a document that is very important to the agency or uses complex printing processes (such as four-color print-

ing), their use should be restricted to only these kinds of documents. In these circumstances, there are two ways to address in the IFB the agency's need for a press check. Agencies have the option of restricting bidders to only those within a certain mileage radius or including the cost of traveling to the print shop when determining the low bidder. Currently, DPS uses geographic restrictions more often than adding travel costs when a press check is required. It appears, however, that travel costs should be the preferred approach because they do not restrict competition while still considering the cost of the press check in the low bid determination.

In determining whether to accept an agency's request to restrict mileage or add travel costs, DPS considers the cost of an individual being away from the agency to inspect the work. The farther the person has to travel to the printer, the longer the person would be away from the office. Mileage would be restricted if the cost to the agency in terms of work lost would be high (for example, a small agency where only one person is assigned to the publications work). Another reason to restrict the geographic location of bidders is the need to work closely with the printer on a continual basis, as with a college student newspaper, where students work with the printer as part of their educational experience.

Eighteen percent of print jobs (21 jobs) procured by competitive sealed bidding restricted mileage during the past two fiscal years. These print jobs were mostly high-profile publications, such as the Museum of Fine Arts' Ancient Art Handbook and the College of William and Mary's admissions viewbook. Other printing was restricted to a certain location because of the necessity of a quick turnaround from the printer, such as printing the General Assembly's bills and resolutions and duplicating for Christopher Newport University. These print jobs had to be completed in a short time period, and it would have been nearly impossible to ship them on time if coming from a great distance.

Concerns have been raised that geographic restrictions are unfair and inappropriately limit competition. JLARC staff found that while the restriction of bidders to a certain area does not have a great effect on the amount of competition for print jobs, competition is limited to some extent. When mileage restrictions are used, the IFB must still be sent to a minimum of six vendors, but the total number of eligible vendors is significantly reduced. DPS received an average of 3.8 responses to each solicitation when mileage was restricted, compared to 4.8 overall. The proportion of cases in which only one bid was received when geographic restrictions were used was comparable to the rate for all competitive sealed bidding solicitations for printing (9.5 percent compared to 9.3 percent overall). Table 6 compares the number of bids received for all print jobs and for jobs in which geographic restrictions were used.

While the agency may wish to save money by reducing the cost of travel to a print shop, it may actually be increasing its costs through the use of geographic restrictions. The following case example demonstrates the importance of using geographic restrictions only when there is a clear, compelling interest to do so.

Table 6

Bids Received When Geographic Restrictions Used Compared to All Print Jobs

	Geographic Restriction	All Print Jobs
Range of bids received	1 to 10	1 to 19
Average number of bids received	3.8	4.8
Percent of jobs where one bid received	9.5%	9.3%

Source: JLARC staff analysis of DPS procurement files.

When procuring a contract to print its Virginia Explorer Magazine, the Museum of Natural History requested that DPS restrict printers to a 60-mile radius, and offered a list of six eligible vendors. Nine printers were solicited, but only two bids were received. The lowest bidder was considered non-responsive because it was located 172 miles from the Museum. Because of this mileage restriction, the Museum accepted the only responsive and responsible bid at a price of \$21,210, approximately \$2,500 higher than the rejected bid.

Most likely, it would not have cost the agency more than \$2,500 to travel to the print shop that was outside of the 60-mile radius. Therefore, the use of the restriction in this case essentially cost the agency, and ultimately the State, more money.

An alternative to geographic restrictions is to include travel costs when determining the lowest bid. This method is most often used when an agency is printing a monthly publication and has a large procurement staff. When travel costs are used, the criteria for estimating costs must be included in the IFB. DPS uses State travel regulations in determining estimated travel costs. For example, the cost includes the State's standard lodging rate and a per diem for each employee, as well as driving costs or airfare. DPS uses the predetermined criteria to calculate the cost of travel to each print shop, and this amount is added to the bids to determine the low bidder.

In contrast to the 21 cases in which geographic restrictions are used, DPS rarely added travel costs to bids – only 3.4 percent (four jobs) of its competitive sealed bidding procurements included provisions for travel costs. In these cases, only one decision was changed after travel costs were added.

In the Library of Virginia's printing of Virginia Cavalcade Magazine, a vendor from Pennsylvania offered the lowest bid at \$54,869. After \$6,000 of travel was added to the bid, that printer no longer was the low bidder. The new low bidder, located in Virginia, offered a price of \$59,052, just below the Pennsylvania printer's adjusted price.

The remaining three cases, in which travel costs did not affect the low bid, indicate that it was still less expensive to purchase printing from the vendor that was farther away. The State saved approximately \$23,000, even after including travel costs, by not restricting competition to a certain mileage radius.

While geographic restrictions are useful for agencies with a small procurement staff or when quick turnaround is needed, in other cases when press checks will be performed, the use of travel costs tends to more accurately reflect the cost of a print job. The bids, when adjusted for travel, reflect a truer measure of the cost to the agency to print the job. The inclusion of travel costs in more IFBs could save money for agencies when travel costs affect the low bidder, and may have the added effect of increasing the number of print jobs that are awarded to in-state vendors.

***Recommendation (4).* While press checks should generally be kept to a minimum, the Division of Purchases and Supply should consider increasing the number of solicitations that add travel costs to bids when the legitimate need for a press check is identified. In contrast, the use of geographic restrictions should be minimized.**

Recycled Costs Not Often Solicited. According to the *Code of Virginia*, contracts should be awarded to the lowest bidder offering recycled paper as long as the price is no more than ten percent higher than the lowest bid that does not offer recycled paper. In the case of a tie bid in which Virginia residence has already been taken into account, the *Code of Virginia* requires that the contract be awarded to the bidder whose paper contains the highest percentage of recycled content. Additionally, Section 3.19 of the Manual encourages agencies to use recycled goods. When the price for recycled paper is within ten percent of the lowest bid, non-recycled (“virgin”) paper may be accepted only if the agency has a compelling reason to do so. Such reasons may include when quality would be compromised or if the type of paper needed is not available in recycled form (for example, carbon paper).

DPS staff reported that the IFB may include a request for prices for recycled and virgin paper, or specify that only recycled paper must be used. DPS will limit bids to only recycled paper at an agency’s request, or if prices on both kinds of paper have been close in past bids. The difference in price depends on the type of job. The more paper used in a print job, the greater the cost difference will be between recycled and virgin paper. According to DPS staff, recycled paper is rarely within ten percent of the lowest bid.

The review of procurement files revealed that DPS does not routinely request recycled paper prices. In the past two fiscal years, only 30 percent of competitive sealed bidding solicitations for print jobs asked for recycled paper costs – either requiring that recycled paper be used or soliciting prices for both recycled and virgin paper. In 91 percent of these cases the agency specifically requested recycled paper.

Only three IFBs solicited prices of both recycled and virgin paper so that costs could be compared. In these cases, the recycled paper cost \$2,100 to \$9,300 more than

virgin paper, but all were within ten percent of the virgin price. Recycled paper should have been chosen in all of these cases, but was only purchased in one case. One of the files contains no reasoning why recycled paper was not purchased. In the other case, the agency had agreed to accept recycled paper but when this was not available, they accepted virgin paper from the vendor instead.

In two other cases, recycled paper was not solicited but was offered by the lowest bidder. The recycled paper was chosen because its cost was lowest in comparison to all other paper offered. This indicates that recycled paper can be within ten percent of the lowest-priced virgin paper and at times may cost less than paper that is not recycled.

The issue of recycled paper surfaced during a DMV procurement of temporary license plates in 1998.

The award was protested by a Virginia firm, in part, on grounds that the IFB did not request bidders to disclose the percentage of recycled content of the paper that would be used. This protest point was upheld, and the solicitation was subsequently cancelled. DPS staff said that they knew that the paper specified in the IFB was recycled paper, but that they erred in not explicitly requiring the name of the manufacturer to verify the recycled paper content.

Because the *Code of Virginia* requires that recycled paper should be used whenever possible, DPS should request prices for recycled paper unless a compelling reason, such as quality considerations, necessitates that only virgin paper would be appropriate. DPS should assist agencies in identifying recycled paper that meets the quality needs of the agency.

Recommendation (5). When recycled paper will meet an agency's need, the Division of Purchases and Supply should request prices for recycled paper on printing solicitations. DPS should compare prices for recycled and non-recycled paper and encourage the purchase of recycled goods, as required by the Code of Virginia and the Agency Procurement and Surplus Property Manual.

Printers Report Dissatisfaction With Clarity of Specifications. Of the printers who responded to the JLARC survey, almost one-third felt that specifications for print jobs were not clearly written. Several reported that the IFBs were too long, complicated or confusing. One printer wrote, "Shops that [do not have a] full-time estimator are not in a position to read through the many pages of requirements to assess whether the final job would be worth the hassle. In many cases, the paperwork is more time-consuming than the [actual] work." Another printer suggested that the IFB contain a summary of the specifications on the first page, because "most print shops operate at a frantic pace and most government bids necessitate wading through numerous pages."

While the specifications in DPS' solicitations are often necessary to ensure that accurate bids are received, the IFB could be simplified so that printers could more easily discern what product is being requested. The first page of the IFB, which contains the name of the document, could be changed slightly to include a more detailed description that includes the type of document, paper size, number of pages, type of binding, or other unique characteristics (similar to the advertisements in *Virginia Business Opportunities*). This way, a printer who receives the solicitation could easily tell by reading the description whether that print shop has the equipment necessary to produce the product, and only those printers who intend to bid need to read the more detailed specifications.

Recommendation (6). In order to simplify the IFB format, the Division of Purchases and Supply should include a short summary of the item to be printed on the first page of the solicitation, similar to the item descriptions listed in *Virginia Business Opportunities*.

Identification of Lowest Responsive and Responsible Bidder

In order to be awarded a printing contract by the State, vendors must meet certain conditions. The absolute lowest bid does not automatically win the contract. Travel costs, as discussed above, may be added before selecting the lowest bidder. If a vendor is from outside of Virginia, State preference and reciprocity laws may also increase the bid price during the selection process.

In addition to offering the lowest bid, a vendor must be found to be responsive and responsible. A bid is responsive when it conforms to all aspects of the IFB, such as the delivery date and paper specified. A vendor's firm is responsible if it has the equipment needed to perform the job as required.

In general, DPS determinations of the lowest responsive and responsible bidder have been appropriate. There are some areas, however, in which DPS can improve its practices. While DPS has applied preference laws appropriately, it should ensure that other State agencies are doing the same. In addition, all State procurement staff should closely examine the paper specifications of print jobs when determining a bid's responsiveness.

Other States' Preference Laws Have Little Impact on Print Vendor Selection in Virginia. There are two types of laws that impact the amount of work procured from out-of-state vendors: preference and reciprocity laws. A preference law requires that a state purchase goods from vendors within that state if the lowest in-state price is within a certain percentage of the lowest price overall. Current state preferences range from five percent, used by West Virginia, to restricting awards to only in-state vendors, used by Ohio. Virginia does not have its own preference law for printers, except in the case of tie bids. If DPS receives two responsive bids that offer goods at the same price, preference is given to firms located in Virginia.

Reciprocity laws give in-state vendors a preference when bidding against vendors whose home states have preference laws. For example, West Virginia has a five-percent preference for in-state printers. When a West Virginia printer is the lowest bidder in a state that has a reciprocity law, such as Virginia, the lowest Virginia bid would be chosen if it was within five percent of the West Virginia bid.

The majority of states, including Virginia, have enacted reciprocity laws. Figure 4 shows the distribution of preference and reciprocity laws throughout the United States. A list of each state's preference and reciprocity laws is maintained by the National Institute of Governmental Purchasing and is available on its web site. In Virginia, the DPS Manual directs that if the lowest bid comes from an out-of-state firm, and the difference between it and the lowest bid from a Virginia firm is not very large, procurement officials should check that state's preference policy in order to give a like preference to the Virginia vendor.

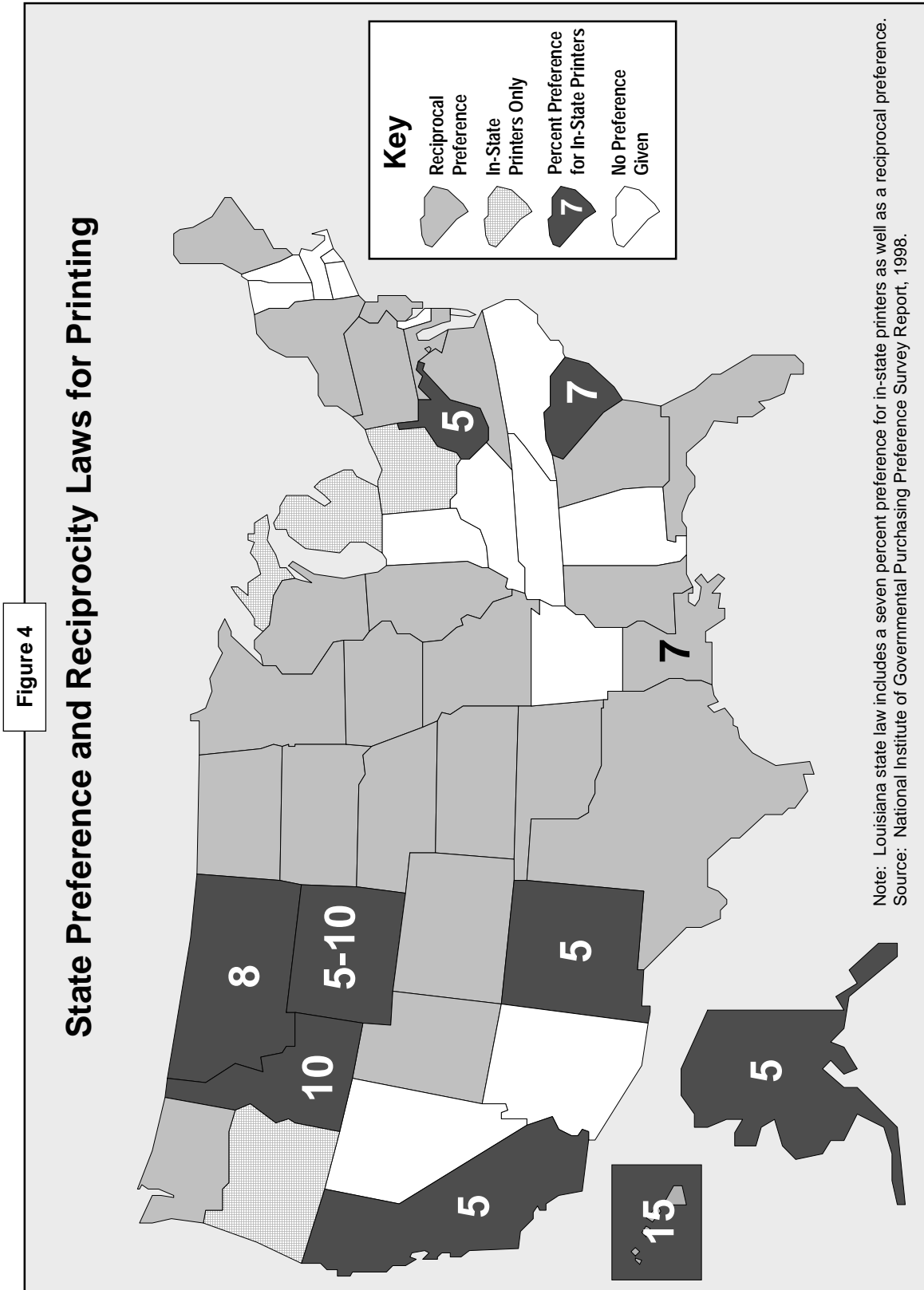
Given that the majority of State print work is currently awarded to Virginia printers, it does not appear necessary or appropriate at this time for Virginia to enact a preference law for in-state printing. While preference laws benefit in-state vendors on jobs in that state, they also can be used against vendors when bidding on jobs in other states with reciprocity laws.

If Virginia were to implement a preference for in-state vendors, the same preference that would help in-state printers bidding on State printing work would be used against Virginia printers bidding on government work in other states. Of the 64 Virginia printers who responded to the question, 36 percent reported that they perform work for government entities in other states. A Virginia preference law for printing could therefore negatively affect these printers.

Further, if the State had implemented a preference law for only in-state printers, the costs paid for printing during the past two years would have been greater. The file reviews for competitive sealed bid print jobs during fiscal years 1998 and 1999 revealed savings of \$373,718 from having awarded jobs to the lowest bidder overall rather than the lowest Virginia bidder. Of the 41 print jobs that were awarded to out-of-state printers, fewer than half (20 jobs) were bid on by Virginia vendors. An in-state firm offered the second-lowest bid in ten of these cases.

These 20 cases, 14 spot purchases and six term contracts, yielded a difference between the lowest Virginia bid and the lowest overall bid that ranged from \$135 (0.4 percent of the job) to over \$90,000 (45 percent of the job). For spot purchases, the lowest in-state bid was on average \$11,771 (24 percent) higher than the lowest bid. For term contracts, the lowest in-state bid was \$36,782 (40 percent) higher on average.

DPS applied the preference or reciprocity laws in only two printing cases in the past two years. In one case, a tie bid required that the Virginia firm should be awarded the purchase. The other was a low bid from South Carolina, which had a two-percent preference at the time of the procurement. The use of the reciprocal preference



did not affect the outcome of the award. The remaining awards were granted without use of preferences and there were no cases in which reciprocal preferences should have been used. Therefore, it appears that DPS is applying the reciprocity law to specific jobs appropriately.

However, JLARC staff identified one inconsistency in the use of reciprocal preferences. The states of Ohio, Oregon, and Michigan have preference laws that exclude any bidders from other states. As a result of reciprocity, printers from these states should not be permitted to bid on State purchases. Although JLARC staff found no awards made by DPS to printers in these states, four Ohio printers were found on the Bidders List furnished by DPS. In addition, the data from the Commonwealth Accounting and Reporting System (CARS) showed that other State agencies have awarded jobs to printers in all three states. The CY 1998 data showed expenditures of \$310,913 to printers in Michigan, \$682,857 to firms in Ohio, and \$3,084 to printers in Oregon. (The Ohio preference was enacted in March, 1999.) Therefore, it appears that not all agencies are aware of other states' preference laws and that they are not following the requirements of the *Manual*.

DPS is currently updating its Bidders List as part of the implementation of a new computer system. In the course of updating its lists, DPS should eliminate the Ohio printers from the Bidders List and notify them of the reason why. DPS should also notify State agencies with their own bidders lists to do the same. Further, DPS needs to inform State agencies of the preference laws and how reciprocity should be used. One way to accomplish this would be to add a listing of other states' preference laws on its web page for easy access by agencies. In addition, the DPS procurement review unit should examine agencies' use of reciprocal preferences when conducting agency reviews.

***Recommendation (7).* The Division of Purchases and Supply should require that the bidders lists of all State agencies are periodically updated and that vendors are purged from the database if their home state excludes bidders from other states.**

***Recommendation (8).* The Division of Purchases and Supply should consider posting other states' preference laws on their web site to provide a resource for State agencies when implementing Virginia's reciprocity law.**

Determination of Responsiveness and Responsibility. Once DPS has adjusted bids for travel costs and reciprocal preferences, the lowest bid must be examined for responsiveness and responsibility. The bid should offer the product within the specifications, and it should be offered by a firm that is capable of producing it.

According to DPS staff, determinations of non-responsibility occur very rarely. The file review found no such decisions on competitive sealed bidding printing procurements during the last two fiscal years.

One factor that is considered in determining responsibility is the number of complaints by agencies about a particular vendor. Of the approximately 16,000 expenditure transactions for printing in 1998, only 18 complaints were filed. The review of complaint files resulted in no evidence of consistently poor performance from any particular printer that may have been used in a determination of non-responsibility. Only two of these complaints pertained to the same printer.

DPS generally did not accept bids that were not responsive, or did not conform to the specifications of the IFB. JLARC staff found no evidence of acceptance of late bids or alternate bids, those that offer an alternative to the product specified in the IFB. Of the 142 procurement files reviewed, there was one case in which DPS accepted a bid that appeared to have been non-responsive.

The IFB requested paper that was 50 percent recycled. DPS received two bids, both offering 20 percent recycled paper. Although neither bid conformed to the IFB specifications, the lowest bid was accepted.

In a case where there are no responsive bids, it is appropriate for DPS to cancel the solicitation and re-bid the job. If time does not allow for the competitive sealed bidding process to be used again, emergency procedures should be followed. DPS should examine low bids carefully when determining responsiveness and responsibility.

Changes in Print Job Specifications

There are two types of changes that may be made to a print job during the procurement process: changes to the IFB before the job is awarded, and changes to the contract after the award is made. Generally, the print jobs procured through competitive sealed bidding revealed no problems with either type of change, although the second type (post-award modifications) raised concerns about potential problems that may occur.

According to the Manual and VPPA, acceptance of bids that do not conform to specifications in the Invitation for Bids (IFB) is prohibited, but changes to or cancellations of the IFB are permitted. If changes must be made to the IFB after posting, an addendum must be posted publicly and sent to all firms that received the initial solicitation. An IFB may be canceled after it has been posted. Notice of cancellation also must be posted publicly and sent to all firms that received solicitations. A solicitation may not be cancelled in order to avoid awarding the contract to a particular vendor.

When a change is made to the IFB before the deadline for bids to be returned, DPS must issue an addendum. Of 118 competitive sealed bidding files, addenda were sent in 31 cases. There was no evidence found in the file review that specifications were changed before the bid opening without an addendum being issued.

One concern raised during this study was whether printers, after being awarded a contract, substituted the paper specified in the contract for another paper stock. This practice could potentially circumvent the procurement process since the other bidders in the process would not have supplied a bid on the alternate paper stock. There is the potential that another printer may have bid a lower price than the awardee if the State had solicited bids on the alternate paper stock.

Further, the kind of paper used in a print job can have a substantial effect on the job's quality and cost. Each solicitation specifies a brand or type of paper that must be used in the print job. A change in paper can significantly change the price of the job. For this reason, if a printer requests that the agency accept a different paper than specified in the IFB, this has the potential to increase the cost to the agency or decrease the cost to the printer, inflating the vendor's profit on the job. Therefore, it is important that procurement officials are aware of the many types and brands of paper in order to evaluate requests for changes.

When a vendor contacts DPS with a request to substitute paper, DPS staff contact paper suppliers in order to verify that the originally specified paper is not available. If there is a lack of available paper, they will try to substitute another type, of equal quality or better. Prices for the original and substitute paper will be obtained from paper distributors and, if necessary, DPS will reduce the cost of the job.

To identify potential cases in which paper stock was inappropriately substituted, printers were asked on the survey whether they were aware of any improper changes to specifications after award. Only four of the 40 printers who responded to the question said that they were. However, based on follow-up calls to these printers, they were not aware of changes concerning paper specifications. (The concerns voiced by these printers dealt more with the development of specifications and determinations of responsiveness and are addressed elsewhere in the report.)

In addition, the surveyed State agencies were asked the extent to which printers request changes to job specifications after contracts have been awarded. More than 83 percent of the agencies surveyed said that printers "never" or "rarely" asked that changes be made to the print job. The remaining responses indicated that changes were "occasionally" requested. Of the five agencies that responded that changes occasionally occur, all but one said that paper specifications are not changed for their jobs. In contrast, one agency reported that it is not unusual for paper specifications to be changed on its print jobs, but the time-sensitive nature of its print jobs necessitates the agency accepting the substitute paper stock.

While a change in the kind of paper used in a job may not require a change order, it is important for procurement officials to verify that the substitute paper is of comparable quality to the original specification. Because of their continuing contact with paper mills and print vendors, the DPS staff for printing purchases are knowledgeable about whether paper is comparable in quality and price, and would be a good source of advice to agencies when considering a proposal to change paper. In addition,

agencies should notify DPS when a printer makes paper changes. This information should be tracked by DPS for future determinations of responsibility. DPS should consider barring printers who routinely request paper changes from bidding on future print jobs.

It is also possible that a printer could change the paper used on a print job without notifying the agency that a change was made. Whenever an agency suspects that the paper stock used was not the required stock, they should notify DPS for further investigation.

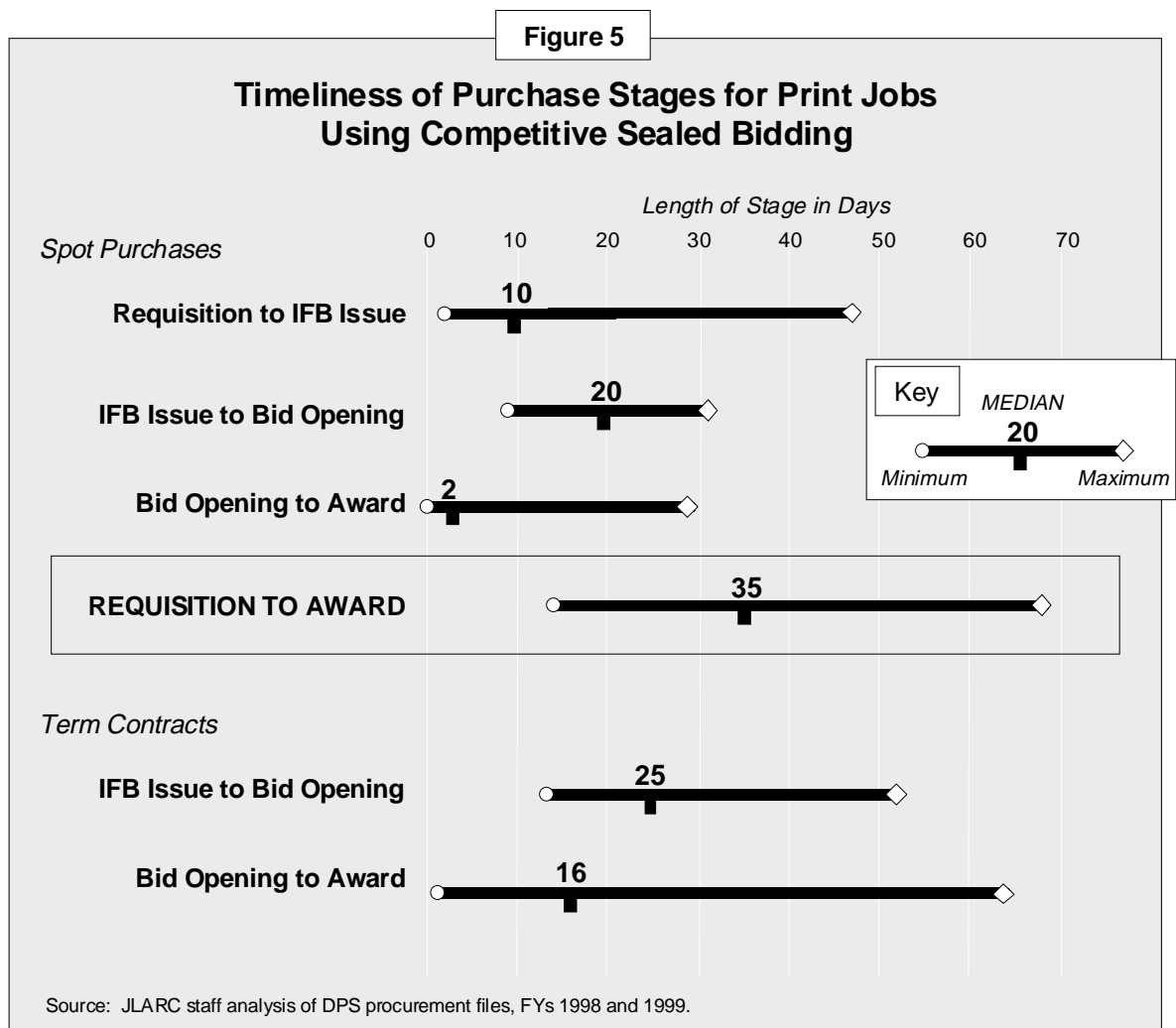
***Recommendation (9).* The Division of Purchases and Supply should modify the *Agency Procurement and Surplus Property Manual* to require agencies to notify the Division when a vendor requests a change in paper for a print job or when the agency suspects that paper has been changed without prior approval. Division staff should advise the agency on comparability in quality and price of the original and substitute paper stock. The Division of Purchases and Supply should track the number of times a vendor requests paper changes and repeated, unreasonable paper substitutions should be grounds for debarment from State procurement.**

Timeliness of Print Job Awards

The *Code of Virginia* establishes a time limit for only one portion of the competitive sealed bidding process. According to the *Code of Virginia*, sealed bids may not be opened less than ten days after the IFB is publicly posted and sent to vendors. Although there is no limit on the number of days between bid opening and the award date, the *DPS Manual* estimates that the administrative lead time for competitive sealed bidding (the time from preparation of an IFB to award date) may be longer than 30 days. Generally the process appears to be timely. However, it appears that the length could be reduced in some circumstances through the decreased use of addenda.

From the time an agency submits a requisition for an item until DPS issues the IFB, a median of ten days has passed. This includes the time for agency staff to communicate their specifications and for DPS to write the IFB. This time may be longer than usual when DPS is developing specifications for a new item to be procured, if an agency is preparing the text or graphics for the print job, or if problems are found with the specifications in the IFB. Figure 5 illustrates the amount of time elapsed during the procurement of print jobs.

The length of time that a print job solicitation was publicly posted was almost always within the ten-day time period required by the *Code of Virginia*. Of the 118 competitive sealed bidding files reviewed from FYs 1998 and 1999, only one purchase was given a deadline for bid opening that was less than ten days from the IFB issue date. For all spot purchases, the time from IFB issue until bid opening ranged from nine days (in the case described above) to 31 days, with a median of 20 days.



Bids on term contracts were opened between 13 and 52 days after the IFB was issued, with a median of 25 days. More than three-fourths of the printers who responded to the survey question were satisfied with the amount of time available to respond to an IFB.

Once the bids have been opened, bid tabulation staff record each of the bids and DPS staff examine them for responsiveness and responsibility before the award can be made. For spot purchases, this takes a median of two days. Term contracts, which may have up to hundreds of items individually priced and awarded, take a median 16 days for DPS to process before an award can be made.

State agencies that responded to the JLARC survey reported that the amount of processing time to procure print jobs is reasonable. Specifically, 97 percent of respondents reported satisfaction with the timeliness of DPS printing procurements.

One factor that impacts the length of the process is the issuance of IFB addenda. When a change is made to the solicitation before bids are opened, DPS must send an addendum to all vendors who received the initial IFB. When an addendum is sent, the deadline for receipt of bids is often extended. On average, when an addendum was sent, the time until bid opening was seven days longer than when no changes were made to the IFB.

Twenty-six percent of all sealed bids reviewed had at least one addendum. Although some addenda were required because of agency changes in specifications, in some cases the changes that precipitated these addenda were the correction of mistakes in the IFB (for example, the wrong deadline date was printed on the bid return envelopes). These kinds of mistakes were also noted during DPS' most recent review by its own procurement review unit. The review report suggested that closer attention to detail when writing the IFB would prevent such mistakes and streamline the process.

***Recommendation (10).* To help shorten the time involved to procure printing for State agencies, the Division of Purchases and Supply should minimize the number of addenda that are issued. In particular, Division staff should ensure that the specifications and all aspects of the IFB are correct prior to issuance.**

DPS Oversight and Assistance to State Agencies

Providing training and conducting periodic agency reviews are important functions of DPS because of the State's relatively high delegated authority of \$30,000 (raised from \$5,000 as of July 1, 1998). In a 1997 review of procurement policies by the Auditor of Public Accounts, all 13 states surveyed were found to have thresholds lower than \$30,000, except Florida, which grants agencies unlimited authority. It is important that agencies responsible for procurement under this high threshold be given adequate training and closely reviewed for their ability to handle such responsibility.

The procurement review unit within DPS is responsible for reviewing agency procurement practices for compliance with law, policy, and procedures. Its role is to examine agencies for operational efficiencies and to make recommendations for process improvement and compliance with the VPPA and the Manual. The unit provides training to agency procurement staff in order to increase compliance and efficiency. The administrative section of DPS also provides training for all aspects of procurement. Training courses include a program for procurement professionals that culminates in the Virginia Contracting Officer certification.

According to the survey of selected State agencies, procurement officials had positive responses concerning the oversight and assistance provided by DPS. For example, State agencies reported that they received adequate procurement training from DPS; all agencies surveyed said that they were either "satisfied" or "very satisfied." Table 7 illustrates the range of responses to selected questions asked on the survey.

Table 7

Responses to Survey of State Agencies Using Competitive Sealed Bidding

Survey Question	Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied	Not Applicable
DPS' assistance in developing specifications for print jobs (N=30)	0%	0%	57%	33%	10%
DPS' handling of complaints about print shop vendors (N=31)	0%	0%	58%	23%	19%
DPS' training and assistance to agency procurement staff (N=31)	0%	0%	68%	26%	6%

Source: JLARC staff survey of State agencies using DPS for competitive sealed bidding of print jobs.

Currently, the DPS procurement review unit reviews each agency in a three-and-one-half year cycle. Each agency receives a score based on its initial review and its corrective measures. The final score indicates to the review unit whether further action is needed, such as decreasing the agency's delegated authority. The delegated authority of an agency may be raised or lowered by the director of DPS, but this is the division's only enforcement mechanism. DPS supervisory staff reported that the focus of the procurement reviews is on suggesting improvement rather than punishing an agency for its mistakes. If the unit uncovers a serious problem that it cannot address itself, DPS can request that the Auditor of Public Accounts or the Attorney General further investigate the matter.

Scores of the most recent agency reviews revealed that most agencies follow procurement policies adequately. Further, those agencies with increased delegated authority for printing were generally rated better than other agencies. No serious operational deficiencies related to printing procurement were found in the reviews of the agencies with higher delegated authority.

One concern identified with DPS oversight is the need for a revised manual for the procurement review unit. Its current manual appears to be a collection of memoranda, sample documents, and staff notes. While the information contained in them is useful, the format needs revision. The document should include explanatory text that details the process of agency reviews and the methodology each analyst is expected to follow for each review. This information could be supplemented with the example documents currently in the manual. The manual could then be used to train new staff and to explain to agencies the criteria that would be used during their reviews.

***Recommendation (11).* The procurement review unit of the Division of Purchases and Supply should revise its manual to detail the methodology to be followed in conducting an agency procurement review.**

IV. Use of Correctional Enterprises for State Printing

The Department of Corrections' Virginia Correctional Enterprises (VCE) is a mandatory source of printing for State agencies. Before procuring printing from a private vendor, agencies are required to first contact VCE to determine if its print shop can perform the work. Agencies have increasingly used VCE for their print work in recent years, but many agencies still do not obtain written releases for all the print work they procure from the private sector. VCE and the Department of General Services' Division of Purchases and Supply (DPS) need to take steps to streamline the process of obtaining written releases and to ensure that releases are obtained in accordance with the *Code of Virginia*.

Magnitude of VCE Print Work for State Agencies Has Increased

Section 53.1-47 of the *Code of Virginia* requires State agencies to buy printing goods from VCE. VCE issues a catalog that identifies its basic printing goods. Standard items include letterhead stationery, envelopes, forms, and nameplates. In addition, VCE is capable of some special order work, such as one-color booklets and brochures.

VCE has increased its printing capacity in recent years with the addition of equipment surplused from other State agencies' in-house print shops. This additional equipment has enabled the print shop to accomplish more work for State agencies. However, the types of print work VCE is capable of producing has not changed. Its equipment is generally limited to basic types of print jobs. For example, the VCE print shop has only single-color presses.

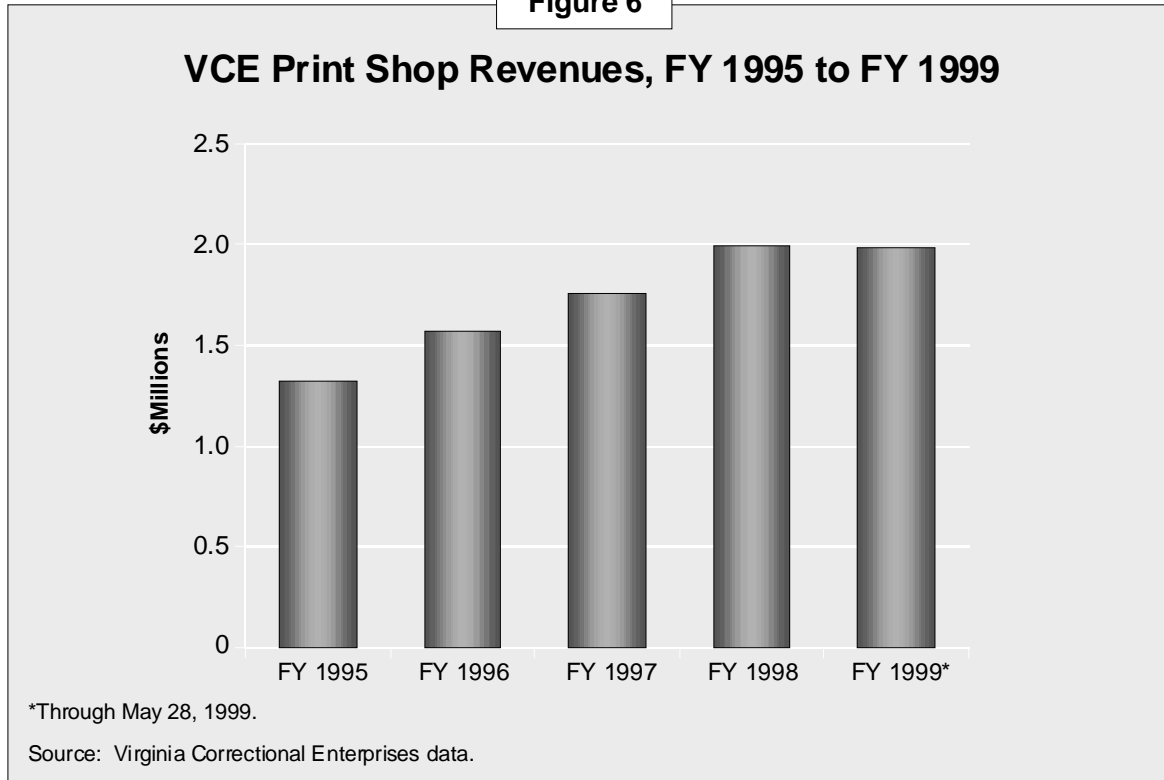
Figure 6 shows VCE print shop revenues for each of the past five fiscal years. According to VCE staff, the print shop expects revenues of more than \$2 million on approximately 5,500 printing jobs for State agencies during FY 1999. According to VCE staff, the print shop currently employs 55 to 60 inmates and is operating at full capacity.

Most of the State agencies surveyed reported that VCE performs between ten and 40 percent of their outsourced print work. Reflective of the fact that VCE typically performs the more basic types of printing, VCE performs only between one and 15 percent of the dollar value of most agencies' total outsourced print work. The average cost of a VCE print job for FY 1998 was \$333.

Written Releases Are Not Always Obtained by State Agencies

State agencies are required by law to get a written release from VCE for all print work not to be completed by VCE. VCE provides a release if it is unable to meet

Figure 6



the delivery timetable or if it does not have the capabilities to perform the required print work. For example, VCE does not have the equipment to produce documents on glossy paper or with multiple colors.

JLARC staff reviewed all the written releases for print work that VCE issued to State agencies from January 1, 1998 through May 12, 1999. A total of 576 written releases were requested during this time period, and all but 11 were granted by VCE. Based on a comparison of agency printing expenditures with the written releases, it is clear that most agencies do not obtain written releases from VCE for all of the print work they procure from the private sector. In fact, there were no written releases issued by VCE for any of the print jobs procured by DPS using competitive sealed bidding during 1998 and 1999.

There are many types of print specifications that the VCE print shop is not capable of performing. Based on a review of the written releases and discussion with the former VCE print shop manager, JLARC staff developed a list of some of the more common specifications that VCE is not equipped to handle (Exhibit 1). Given that VCE cannot meet these types of job requirements under any circumstances, it appears that requiring agencies to obtain a written release every time they have a job with any of these specifications is inefficient.

The process could be streamlined by having VCE issue a blanket release for all jobs with the types of specifications that VCE cannot perform, such as those listed in Exhibit 1. Alternatively, VCE could identify all the jobs it is capable of performing and state that agencies do not need to get a release for jobs other than those specified. This blanket release could then be incorporated into the DPS Manual for reference by agencies.

Exhibit 1

Examples of Print Specifications That Cannot Be Performed By VCE

- Printing on glossy or coated paper
- Newsprint
- Embossing
- Laminate
- Spiral binding
- Multi-color printing
- Printing requiring tight registration
- Printing on poster board
- Die cuts
- Duotones
- Perfect binding

Source: JLARC staff review of VCE written releases and interview with former VCE print shop manager.

Currently, the DPS Manual states that agencies must obtain a written release for print jobs; however, DPS staff do not verify that a written release has been obtained prior to procuring a job from the private sector. As previously stated, during the time period examined, none of the jobs procured by DPS using competitive sealed bidding had first received a release from VCE. To help ensure that agencies use the VCE print shop as appropriate, DPS should verify that all print jobs they procure for agencies have first been released by VCE. Verification could be implemented by having agencies certify on the requisition form that is sent to DPS that they have obtained the required written release or that the job falls under the VCE blanket release.

***Recommendation (12).* Virginia Correctional Enterprises should develop and issue a blanket release to State agencies for jobs requiring the types of specifications that its print shop is not capable of performing.**

***Recommendation (13).* The Division of Purchases and Supply should incorporate the Virginia Correctional Enterprises blanket release into its *Agency Procurement and Surplus Property Manual*. Further, it should modify the *Manual* to require agencies to certify that they have obtained the appropriate release from VCE when submitting the printing requisition to the Division.**

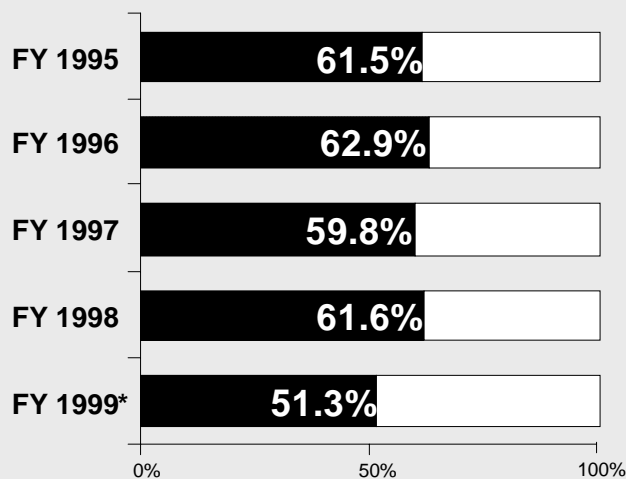
VCE Has Problems Meeting Print Job Deadlines

JLARC staff asked State agencies on the survey the extent to which they were satisfied with the quality and timeliness of VCE's print work. All of the respondents reported that they were either "satisfied" or "very satisfied" with the quality of VCE's print work. However, more than one-third of the State agencies responding to the question of timeliness reported that they were "dissatisfied" or "very dissatisfied" with the timeliness of VCE's print work.

Agency dissatisfaction with VCE's completion schedule appears justified based on data provided by VCE concerning the extent to which the print shop has met its deadlines. Figure 7 shows the percentage of completed print jobs that were shipped to customers on or before their due dates. For the current fiscal year only slightly more than one-half of jobs have been completed on time. (These figures do not reflect that in some cases partial orders may have been shipped by the deadline.) Mitigating this measure somewhat is the fact that the average length of time for completing all print jobs is only three days past their due dates. For FY 1999, the length of time required to complete agency jobs ranged from 26 days before the due date to 84 days after the due date, with the median days early being six and the median days late being five. The median number of days from the order date to delivery was 18 days.

Figure 7

Percent of VCE Print Jobs Shipped On or Before Due Date, FY 1995 to FY 1999



*Through May 28, 1999.

Source: Virginia Correctional Enterprises data.

According to VCE staff, the major reason for the decline in performance regarding deadlines this year compared to last year is the departure of the print shop manager in the early spring of this year. VCE has not yet filled this position.

VCE needs to conduct a detailed assessment of the reasons it frequently does not meet job deadlines. In particular, VCE should frankly assess whether it accepts more work than it can reasonably perform within the required timeframes. VCE should grant written releases when it cannot reasonably meet a deadline.

Recommendation (14). Virginia Correctional Enterprises should conduct a detailed assessment of the reasons for missing print job deadlines. VCE should work to minimize impediments to completing jobs on time and/or reduce its workload to better reflect the amount of work it can accomplish within reasonable timeframes.

Appendixes

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Appendix A

Study Mandate

**House Joint Resolution No. 810
1999 Session**

Directing the Joint Legislative Audit and Review Commission to study competitive sealed bidding procedures for the procurement of printing goods and services for the Commonwealth as administered by the Department of General Services through its Division of Purchases and Supply.

WHEREAS, the Virginia Public Procurement Act (§11-35 et seq.) was enacted to regulate the procurement of certain goods and services by public bodies; and

WHEREAS, the Department of General Services, through its Division of Purchases and Supply, administers the Act for the procurement by competitive sealed bidding of certain printing goods and services for the Commonwealth; and

WHEREAS, concerns have been expressed regarding how the Division of Purchases and Supply administers this procedure; and

WHEREAS, these concerns range from specific instances to broad policy, from acceptance of individual bids which do not conform to the original Request for Proposal to statutorily imposed preferences for recycled paper and paper products; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission be directed to study competitive sealed bidding procedures for the procurement of printing goods and services for the Commonwealth as administered by the Department of General Services through its Division of Purchases and Supply.

In conducting the study, the Commission shall examine (i) restrictions on the geographic location of bidders; (ii) changes in specifications from the original Request for Proposal; (iii) acceptance of bids which do not conform to the original Request for Proposal; (iv) bidding procedures involving printing by the Department of Corrections; (v) reciprocity with other states which impose restrictions upon nonresident printers; (vi) preferences regarding recycled paper and paper products used by agencies of the Commonwealth; (vii) other matters affecting the competitive sealed bidding process; and (viii) the need for any amendments to the Virginia Public Procurement Act.

All agencies of the Commonwealth shall provide assistance to the Commission, upon request.

The Joint Legislative Audit and Review Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 2000 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Appendix B



COMMONWEALTH OF VIRGINIA Joint Legislative Audit and Review Commission The Virginia General Assembly

A Survey of State Agency Printing Procurement Practices

House Joint Resolution 810 from the 1999 General Assembly Session directed the Joint Legislative Audit and Review Commission (JLARC) to study competitive sealed bidding procedures, as administered by the Department of General Services' Division of Purchases and Supply (DPS), for the procurement of printing goods and services (see attachment). Competitive sealed bidding practices are governed by the Virginia Public Procurement Act and DPS' *State Procurement and Surplus Property Manual*. The purpose of this survey is to solicit agencies' views concerning the efficiency and effectiveness of the Commonwealth's competitive sealed bidding process and DPS' administration thereof. In addition, information concerning the performance of the Virginia Correctional Enterprises printing operation is requested.

If you have any questions about the survey, please direct them to Linda Ford at (804) 786-1258. Please mail or fax the completed survey by **May 13, 1999** to:

Linda Ford
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219
FAX: 804-371-0101

Please complete the information below before returning the survey.

Agency/Institution: _____

Contact Name (*please print*): _____ Title: _____

Phone Number: _____ Date: _____

Please use the following definitions when completing this survey:

Spot purchase: A one-time purchase of goods or services. For example, an agency enters into a contract with a vendor or Virginia Correctional Enterprises to print 1,000 copies of a brochure. It does not include purchases of printing goods bought using a term, or statewide, contract.

Print job: Any purchase that requires printing onto paper or other material. Examples of print jobs include reports, magazines, brochures, decals, tags, and forms. Only include print jobs performed externally to your agency either by Virginia Correctional Enterprises or by private printers. Do not include print jobs that were completed by in-house resources.

FY 1998: Covers the period from July 1, 1997 through June 30, 1998.

FY 1999: Covers the period from July 1, 1998 through May 1, 1999.

Spring 1999 State Agency Survey: n = 31 unless otherwise noted

1. Approximately what proportion of your agency's spot purchase print jobs was procured through DPS for each of the two fiscal years specified below? *(Please respond as a percentage of both the number of jobs and dollar value of jobs.)*

FY 1998: _____ % of print jobs _____ % of dollar value of print jobs
average = 17.7 percent **average = 45.1 percent**

FY 1999: _____ % of print jobs _____ % of dollar value of print jobs
average = 9.8 percent **average = 28.1 percent**

2. Approximately what proportion of your agency's print jobs was completed by the Department of Corrections' Virginia Correctional Enterprises print shop in FY 1998? *(Please respond as a percentage of both the number of jobs and dollar value of jobs.)*

_____ % of print jobs _____ % of dollar value of print jobs
average = 18.1 percent **average = 11.0 percent**
n = 30

3. Approximately what proportion of your agency's print jobs costing less than \$30,000 did you procure using competitive sealed bidding in FY 1998? *(Please specify a percentage amount.)*

_____ % of print jobs less than \$30,000
average = 16.6 percent

4. For what proportion of print jobs procured in FY 1998 did agency staff conduct on-site press checks? *(Please specify a percentage amount based on the total number of jobs.)*

_____ % of print jobs
average = 7.5 percent

5. Which of the following best describes your general level of satisfaction with the items listed?
(Please check one box in each row.)

	<u>Very Satisfied</u>	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>Very Dissatisfied</u>	<u>Not Applicable</u>
A. DPS' assistance in developing specifications for your agency's print jobs (n = 30)	10 <input type="checkbox"/>	17 <input type="checkbox"/>	0 <input type="checkbox"/>	0 <input type="checkbox"/>	3 <input type="checkbox"/>
B. The timeliness of DPS in procuring printing goods for your agency	6 <input type="checkbox"/>	22 <input type="checkbox"/>	1 <input type="checkbox"/>	0 <input type="checkbox"/>	2 <input type="checkbox"/>
C. DPS' handling of complaints by your agency about a print shop vendor	7 <input type="checkbox"/>	18 <input type="checkbox"/>	0 <input type="checkbox"/>	0 <input type="checkbox"/>	6 <input type="checkbox"/>
D. Your agency's level of delegated procurement authority for printing	5 <input type="checkbox"/>	23 <input type="checkbox"/>	3 <input type="checkbox"/>	0 <input type="checkbox"/>	0 <input type="checkbox"/>
E. DPS' training and assistance provided to agency procurement staff	8 <input type="checkbox"/>	21 <input type="checkbox"/>	0 <input type="checkbox"/>	0 <input type="checkbox"/>	2 <input type="checkbox"/>
F. The quality of the print jobs performed by Virginia Correctional Enterprises for your agency	1 <input type="checkbox"/>	24 <input type="checkbox"/>	0 <input type="checkbox"/>	0 <input type="checkbox"/>	6 <input type="checkbox"/>
G. The timeliness of the print jobs performed by Virginia Correctional Enterprises for your agency	1 <input type="checkbox"/>	15 <input type="checkbox"/>	7 <input type="checkbox"/>	2 <input type="checkbox"/>	6 <input type="checkbox"/>

Please describe the reason(s) for any "dissatisfied" or "very dissatisfied" responses. *(If additional space is needed, please use the last page of the survey or attach additional sheets.)*

6. Does your agency have its own vendor/bidder registration application (separate from the DPS Bidders Mailing List application)? **n = 30**

5 Yes *If yes, please submit a copy of the application with this survey.*

25 No

7. How frequently do print shops request changes to the specifications of your agency's print jobs after having been awarded the contracts for the print work?

8 Never *If never, please skip to Question 9.*

18 Rarely

5 Occasionally

0 Often

0 Other (*please specify*):

8. How frequently does your agency agree to printers' requests to change specifications for print jobs for which the contracts have been awarded?
n = 23

1 Never

14 Rarely

5 Occasionally

2 Often

1 Other (*please specify*):

9. Are there any printing-related services which your agency would like to obtain from DPS but which are not currently provided?

0 Yes *If yes: Please list the service(s) you would like to see provided.*

31 No

10. Do you think that any changes are needed to DPS' administration of the procurement process for printing?

3 Yes *If yes: What changes are needed? Why are these changes needed?*

28 No

11. Do you think the competitive sealed bidding process results in adequate competition for your agency's print jobs?

31 Yes

0 No *If no: Please explain.*

12. Do you think the competitive sealed bidding process results in good quality print jobs?

29 Yes

2 No *If no: Please explain.*

13. Do you think the competitive sealed bidding process results in a reasonable cost for print jobs? **n = 30**

29 Yes

1 No *If no: Please explain.*

14. Do you think that any changes are needed to the Virginia Public Procurement Act as it relates to printing procurement? **n = 30**

6 Yes *If yes: What changes are needed? Why are these changes needed?*

24 No

Please use the space below for any additional comments you would like to make concerning the Commonwealth's competitive sealed bidding process, DPS' administration of State procurement, or the Virginia Correctional Enterprises' printing operation.

THANK YOU FOR YOUR ASSISTANCE WITH THIS SURVEY.

PLEASE MAIL OR FAX THE COMPLETED SURVEY BY MAY 13, 1999 TO:

Linda Ford
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

FAX: 804-371-0101

Appendix B (continued)

STATE AGENCIES SURVEYED

Agriculture and Consumer Services, Department of
Criminal Justice Services, Department of
Education, Department of
Game and Inland Fisheries, Department of
Health, Department of
Housing and Community Development, Department of
J.S. Reynolds Community College
Legislative Automated Systems, Division of
Mary Washington College
Medical Assistance Services, Department of
Motor Vehicles, Department of
Mountain Empire Community College
Northern Virginia Community College
Old Dominion University
Social Services, Department of
State Board of Elections
State Corporation Commission
State Police
Supreme Court of Virginia
Taxation, Department of
Tidewater Community College
Transportation, Department of
Virginia Commonwealth University
Virginia Employment Commission
Virginia Marine Resources Commission
Virginia Military Institute
Virginia Museum of Fine Arts
Virginia Museum of Natural History
Virginia State University
Virginia Western Community College
William and Mary, College of

Appendix C



COMMONWEALTH OF VIRGINIA Joint Legislative Audit and Review Commission The Virginia General Assembly

A Survey of Private Sector Print Shops

The Joint Legislative Audit and Review Commission (JLARC) has been directed by the Virginia General Assembly to examine Virginia's competitive sealed bidding procedures for the procurement of printing goods and services by State agencies (see attachment). The Commonwealth's competitive sealed bidding process is governed by the Virginia Public Procurement Act. The Virginia Department of General Services' Division of Purchases and Supply is responsible for administration of the State's procurement policies and procedures. The purpose of this survey is to solicit your views concerning the efficiency and effectiveness of the Commonwealth's competitive sealed bidding process and the division's administration of the process.

This survey requests information about your perceptions of the procedures governing State agency printing procurement and oversight of the process by the Division of Purchases and Supply. We are interested in what aspects are working well and what aspects could be improved. All of the questions refer to your work with State agencies in Virginia. Your answers to the questions will help us provide the requested information to the General Assembly.

We hope you will be frank in your responses. **No identifying information or data will be given or shared with any other State agencies or print shops.** If you have any questions about the survey, please direct them to Linda Ford at (804) 786-1258.

Please mail (using the enclosed stamped envelope) or fax the completed survey by **May 20, 1999** to:

Linda Ford
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219
FAX: 804-371-0101

Please complete the information below before returning the survey.

Name of Print Shop: _____

Contact Name (*please print*): _____ Title: _____

Phone Number: _____ Date: _____

Spring 1999 Private Sector Print Shop Survey: n = 76 unless otherwise noted

1. Is your print shop registered on the Virginia Division of Purchases and Supply's Bidders List for print work?

39 Yes

37 No *If no: Why not?*

2. On average, how frequently do you submit sealed bids for State agency print jobs? (*Please check only one box.*)

3 More than twice a month

3 Once or twice a month

14 Once every few months

21 Less than three times a year

35 Never ***If never, please skip to Question 9.***

3. How do you typically find out about the availability of State agency print jobs? (*Please check all that apply.*) **n = 41**

11 Virginia Business Opportunities weekly newsletter

6 Public postings at the Virginia Division of Purchases and Supply office

23 Direct solicitations from the Virginia Division of Purchases and Supply

7 Other (*please specify*):

4. Have you been awarded a State contract for print work at least once in the past two years? **n = 41**

18 Yes

23 No

5. Which of the following best describes your general level of satisfaction with the items listed?
(Please check one box in each row.)

	<u>Very Satisfied</u>	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>Very Dissatisfied</u>	<u>Not Applicable</u>
A. The process of notifying printers of available State agency print jobs (n = 41)	2 <input type="checkbox"/>	18 <input type="checkbox"/>	12 <input type="checkbox"/>	7 <input type="checkbox"/>	2 <input type="checkbox"/>
B. The amount of time allowed to submit sealed bids on State agency print jobs (n = 41)	4 <input type="checkbox"/>	27 <input type="checkbox"/>	6 <input type="checkbox"/>	3 <input type="checkbox"/>	1 <input type="checkbox"/>
C. The clarity of specifications for State agency print jobs (n = 41)	3 <input type="checkbox"/>	26 <input type="checkbox"/>	10 <input type="checkbox"/>	2 <input type="checkbox"/>	0 <input type="checkbox"/>
D. The timeliness of the Virginia Division of Purchases and Supply in awarding print jobs (n = 41)	2 <input type="checkbox"/>	27 <input type="checkbox"/>	7 <input type="checkbox"/>	0 <input type="checkbox"/>	5 <input type="checkbox"/>
E. Virginia Division of Purchases and Supply's handling of any protests by your company concerning a print job award (n = 40)	1 <input type="checkbox"/>	13 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	21 <input type="checkbox"/>
F. Virginia Division of Purchases and Supply's handling of complaints by your company about a State agency (n = 40)	1 <input type="checkbox"/>	13 <input type="checkbox"/>	1 <input type="checkbox"/>	2 <input type="checkbox"/>	23 <input type="checkbox"/>

Please describe the reason(s) for any "dissatisfied" or "very dissatisfied" responses. *(If additional space is needed, please use the last page of the survey or attach additional sheets.)*

6. Have you bid on but not been awarded a State contract for print work in the past two years?

n = 40

16 No

24 Yes *If yes: What were the reasons for not being awarded a State contract?
(Please check all that apply.)*

21 Print shop was not the low bidder

1 Print shop was found to be non-responsive

0 Print shop was found to be non-responsible

3 Other *(please explain):*

7. Are you aware of any State agency print jobs in which you believe the job specifications were improperly changed?

n = 40

4 Yes *If yes: Please identify the print job(s) and explain the circumstances.*

36 No

8. Do you think your company was treated fairly by the Virginia Division of Purchases and Supply in the awarding of all State agency print jobs on which you bid during the past two years?

n = 37

31 Yes

6 No *If no: Please explain.*

9. Do you think that any changes are needed to the process for registration on the Virginia Division of Purchases and Supply Bidders List for State agency print jobs? **n = 73**

- 16 Yes *If yes: What changes are needed? Why are these changes needed?*
- 12 No
- 45 Do not know

10. Do you think that any changes are needed to the State procurement process for printing jobs? **n = 71**

- 21 Yes *If yes: What changes are needed? Why are these changes needed?*
- 8 No
- 42 Do not know

For printers located in Virginia:

11. Does your company perform printing work for public entities (such as state agencies and universities) outside of Virginia? **n = 64**

- 23 Yes
- 41 No

Please use the space below for any additional comments you would like to make concerning Virginia's competitive sealed bidding process and/or the Division of Purchases and Supply's administration of State procurement.

THANK YOU FOR YOUR ASSISTANCE WITH THIS SURVEY.
PLEASE MAIL OR FAX THE COMPLETED SURVEY BY **MAY 20, 1999** TO:

Linda Ford
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219
FAX: 804-371-0101

Appendix D

Agency Responses

As part of an extensive data validation process, State agencies involved in a JLARC assessment effort are given the opportunity to comment on an exposure draft of this report. Appropriate technical corrections resulting from the comments have been made in this version of the report. This appendix contains the responses from the Department of General Services and Department of Corrections.



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