



Report #23-090-01

Exemptions to the Central Purchasing Act

With the original 2023 evaluation, LOFT sought to examine agencies' use of purchasing exemptions, identify potential financial or legal risks to the State, and assess the Central Purchasing (CP) Division's effectiveness in ensuring agency compliance with the Central Purchasing Act. LOFT observed inconsistent use of exemptions by agencies, due in part to limited training on the proper use of exemptions and poor oversight and enforcement by the CP Division. LOFT found that most of the State's purchasing was without external oversight and that exemptions were being used by agencies without proper authorization. In FY22, \$538 million in purchases were overseen by CP, compared to more than \$3 billion in purchases that were made outside of CP's oversight.

Adjusted for inflation, state agency spending on exemptions from FY12 to FY22 grew 194%. At the time of LOFT's original evaluation, the CP Division claimed it did not have the statutory authority to review exempt purchases. However, even among non-exempt transactions, LOFT found the Division did not effectively use its existing authority to enforce agency compliance with the Central Purchasing Act due to the division's limited interpretation of its statutory authority, combined with management's emphasis on the Division serving as a "partner" to agencies rather than an investigative or compliance office.

LOFT's 2023 Report Found:

1. The State's Purchasing Processes are Time Consuming and Vague on Exemption Use
2. Lack of Oversight for Exemptions Pose Financial and Legal Risks to the State
3. The Central Purchasing Division Lacks Effective Enforcement of Compliance with the Central Purchasing Act

Summary of Agency Actions Since LOFT 2023 Report

- In July 2023, OMES implemented the LOFT recommendation to separate the audit team from Central Purchasing (CP) by creating the Risk, Assessment and Compliance Division (RAC).
- As of January 29, 2024, the CP Division changed PeopleSoft processes so that any agency attempting to use an exemption is routed to the CP Division for review, allowing CP to track state agency exemption usage.
- CP changed PeopleSoft to automatically route Purchase Orders to CP for review. Previously, agencies could select to opt out of this review.
- CP is overhauling its Certified Procurement Officer (CPO) Training Program and established regular, statewide in-person and virtual sessions for CPOs to ask CP questions and get guidance.

Agency Cost Savings and Efficiencies

OMES' new Risk, Assessment and Compliance Division implemented software that has allowed it to review \$5.62B in purchases. Discoveries include:

- \$600M in sole source spend, \$72.M of which could have instead been purchased off a competitively bid contract.
- A \$12M contract that was replaced with an available statewide contract, \$1.5M in incorrectly handled P-Card purchases, and \$124,130 in improper usage. (see this Table for more detail)



Enacted Legislation

HB1774 (2023) prohibits the Oklahoma Tourism and Recreation Department from using their exemption "for the use of leasing or contracting for state-owned restaurants in Oklahoma state parks."

The goal of Impact Evaluations is to foster accountability by assessing the status of recommendations issued in the original evaluation report and any related agency actions to address identified challenges.



LOFT Recommendation to Agency	Status			Agency Comments
	No Action	In Progress	Complete	
Create a process by which the Central Purchasing Division reviews all purchase requests exceeding an agency's authorized spending thresholds to confirm whether a purchase is subject to the Central Purchasing Act or exempt from it.				As of January 29, 2024, all attempted uses of an agency's exemption are routed to Central Purchasing for review when the purchase is over the agency's threshold. Our team reviews the requisition to verify that the proposed purchase falls within the scope of the identified exemption.
Update its compliance processes by creating a dedicated entry field within the Statewide accounting system to cite the authority for the exemption, a description of the item that qualifies for the exemption, and a process by which Central Purchasing confirms the agency is properly applying the exemption.				Newly created user-defined fields allow the agency to select the exemption from a drop-down list, which CP manages. It allows agency to identify which statute grants the proposed exemption. Agencies are required to explain how the proposed purchase fits the scope of the identified exemption. After review, CP approves, denies, or requests more information.
Update CPO training to include training on proper use of agency exemptions.				CP is taking this recommendation a step further and is overhauling our entire Certified Procurement Officer Training Program. All CPOs will be required to retrain and retest to maintain their certification. In addition to formal CPO training, CP offers live "CP Listens" sessions every 4-6 weeks virtually and in-person, which operate as a Q&A for our CPOs to ask CP questions and get guidance from more experienced CPOs throughout the state.
Make publicly available a plan to accomplish the auditing mandate issued in Executive Order 2023-04.				In July 2023, OMES created the Risk, Assessment and Compliance Division which implemented a data-mining software called Celonis. Celonis gets almost real-time purchasing data from PeopleSoft and sends "flags" to users who violate the Central Purchasing Act and related standards. RAC assessed over 25,000 individual PO lines and 10,000 p-card transactions prior to January 1, 2024, satisfying the requirements of EO 2023-04.

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