



CHIEF PROCUREMENT OFFICE

Ellen Daley, General Services

September 1, 2015

Honorable Michael J. Madigan
Speaker of the House
300 Capitol Building
Springfield, IL 62706

Honorable Members of the General Assembly

Greetings,

Pursuant to Public Act 98-1076 (30 ILCS 500/25-65), I submit to you and the General Assembly this report on the impact of outsourcing services by state agencies subject to my jurisdiction as the Chief Procurement Officer for General Services.

A total of 47 state agencies under the jurisdiction of the Chief Procurement Officer for General Services complied with the Chief Procurement Office's request to identify all contracts for services in Fiscal Year 2014, including those contracts that cover multiple years. They specifically identified contracts where services were outsourced. "Services" is defined in the Procurement Code to mean "the furnishing of labor, time, or effort by a contract, not involving the delivery of a specific end product other than reports or supplies that are incidental to the required performance." Outsourced services occur when a prime contractor or a subcontractor furnishes services outside of the United States. This report does not address contracts for supplies, such as equipment and commodities.

Section 25-65 of the Procurement Code requires potential contractors to disclose where services are to be performed under a State contract, including any subcontracts, and whether any services under the contract are anticipated to be performed outside of the United States (U.S). Bidders, offerors, and contractors agree to perform all services in the United States unless disclosed in the "Where Services Are to Be Performed" section of the State's standard solicitation and contract templates. If a vendor identifies work is to be performed in the United States and the vendor or subcontractor shifts the work outside of the United States, the vendor is deemed to be in breach of contract. In this case of breach, the Chief Procurement Officer (CPO) may determine that termination of the contract is not in the State's best interest. Additionally, the CPO may consider such disclosure and the economic impact to the State of Illinois and its residents in awarding the contract or in evaluating the bid or offer.

The decision to accept a vendor's proposal that includes outsourcing is based on the value of the proposition. The State recognizes the potential issues caused by contracting with a non-U.S. vendor or a U.S. vendor that outsources any part of its operation to other countries. The State's specifications and requirements in solicitations and contracts address concerns related to variations in language and culture, differing time zones, distance-related response and turnaround times, and the security of sensitive or confidential data, as applicable.

The CPO may consider during evaluation of the award the economic impact caused when bidders propose outsourcing services. For example, the impact on jobs when using a call center in India versus



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retaining previously contracted services within a depressed Illinois town. Or, the impact that contracting with a start-up laboratory in the agriculture sciences field has versus purchasing comparable reports from a European company. In Fiscal Year 2014, the CPO made no determination that proposed outsourcing of services should be modified or denied.

The State allows contracts for outsourced services in some instances. One example is the non-U.S. vendor meets all of the responsibility and responsiveness requirements of the solicitation and is either the lowest bidder or offers the greatest value. Another is when the non-U.S. vendor is the sole or sole economically feasible source.

A total of 9 of the 47 reporting agencies provided information on 22 contracts that contained outsourced services. The total value of the 16 contracts that reported a dollar value was \$2,182,558.93. Agencies reported six of the contracts as a percentage of the contract's total value. Four contracts were 100% of the contract value and the other two were 17% and 10%.

Sincerely,

A handwritten signature in blue ink that reads "E. H. Daley".

Ellen H. Daley
Chief Procurement Officer for General Services

Table 1. Contracts Containing Outsourced Services in Fiscal Year 2014

Agency	Contract Identifier	Prime Contractor or Subcontractor Name	Country Outsourced	Description	Value or % of Services Performed Outside the US		
AGRICULTURE	UNION INVESTMENT REAL EST GMBH	UNION INVESTMENT REAL EST GMBH	MEXICO CITY, MX	AGRICULTURE'S PORTION OF MEXICO MARKETING OFFICE SPACE RENT PER 3 YEAR LEASE BETWEEN DCEO & UNION INVESTMENT; INTERGOVERNMENTAL AGREEMENT BETWEEN DCEO & IDOA.	\$29872.70 FOR FY14 RENT %		
	COMMERCE AND ECONOMIC OPPORTUNITY	ATID EDI Ltd.	Belgium Imprest Account	Belgium	All costs associated with Trade & Investment	\$ 398,905.79	
		ATID EDI Ltd.	Hong Kong Imprest Account	Hong Kong	All costs associated with Trade & Investment	\$ 375,653.42	
		ATID EDI Ltd.	China Imprest Account	China	All costs associated with Trade & Investment	\$ 332,267.68	
		ATID EDI Ltd.	Canada Imprest Account	Canada	All costs associated with Trade & Investment	\$ 266,263.13	
		ATID EDI Ltd.	Poland Imprest Account	Poland	All costs associated with Trade & Investment	\$ 85,089.43	
		ATID EDI Ltd.	Tokyo Imprest Account	Tokyo	All costs associated with Trade & Investment	\$ 205,704.93	
		ATID EDI Ltd.	South Africa Imprest Account	South Africa	All costs associated with Trade & Investment	\$ 59,333.00	
		ATID EDI Ltd.	Mexico Imprest Account	Mexico	All costs associated with Trade & Investment	\$ 404,330.19	
		ATID EDI Ltd.	India Imprest Account	India	All costs associated with Trade & Investment	\$ 62,372.34	
		ATID EDI Ltd.	Brazil Imprest Account	Brazil	All costs associated with Trade & Investment	\$ 75,833.32	
		ATID EDI Ltd.	Singapore/Malaysia Imprest Account	Singapore/Malaysia	All costs associated with Trade & Investment	\$ -	
		ATID EDI Ltd.	Brussels Imprest Account	Jerusalem	Middle East Trade Representation	\$ 36,000.00	
		HEALTHCARE & FAMILY SERVICES				Emdeon, the parent company to Good Health Services, HFS' PBMS vendor, utilizes IBM for various monitoring of software, servers and operations in strategic areas related to security. IBM has a Security Operations Center in Poland which monitors system "offenses".	Emdeon utilizes the IBM SOC as its overall corporate security compliance and auditing and HFS benefits from this service at no additional cost to the program.
		NATURAL RESOURCES		IBM	Poland		
STATE POLICE	Lease of Sporting Clay Machines	Promatic, Inc.	United Kingdom	Manufacture, maintain, service leased sporting clay machines	100%		
STUDENT ASSISTANCE COMMISSION	STACS Enhancements	STACS DNA, Inc	Ottawa, Canada	Web-based and electronic mail of software	100%		
	STACS Preventative Maintenance	STACS DNA, Inc	Ottawa, Canada	Web-based and electronic mail of software	100%		
	Investment Custody Services	The Northern Trust Company	Australia, Austria, Belgium, Bermuda, Brazil, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Indonesia, Ireland, Israel, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Panama, Peru, Portugal, Puerto Rico, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom	Auxiliary services, such as tax reclaim and subcustodian services, are performed in the jurisdictions where ISAC invests	17%		
TRANSPORTATION	College Access and Career Planning Internet Portal/Transcripts Gathering	XAP Corporation	Kelowna, British Columbia, Canada	Create a college access and career planning internet portal	10%		
VETERANS' AFFAIRS	Pratt & Whitney and Allison Maintenance, Overhaul and Parts	Standard Aero	Winnipeg Manitoba, Canada	Repair aircraft engines	\$ 36,000.00		
INSURANCE	IDVA EMR Software and Support	Wescam Solutions	Ontario, Canada	Year 2 of a multi year implementation to roll out electronic medical records software.	100%		
		ACL	Vancouver, Canada	software license maintenance agreement	\$ 20,153.00		

Table 2. Agencies Reporting No Outsourced Services in Fiscal Year 2014

Agency Name
AGING
ARTS COUNCIL
BOARD OF HIGHER EDUCATION
CAPITAL DEVELOPMENT BOARD
CENTRAL MANAGEMENT SERVICES
CHILDREN AND FAMILY SERVICES
COMMERCE COMMISSION
COMMUNITY COLLEGE BOARD
CORRECTIONS
COUNCIL ON DEVELOPMENTAL DISABILITY
CRIMINAL JUSTICE INFORMATION AUTHORITY
DEAF & HARD OF HEARING COMMISSION
EMERGENCY MANAGEMENT AGENCY
EMPLOYMENT SECURITY
ENVIRONMENTAL PROTECT AGENCY
EXECUTIVE ETHICS COMMISSION
GAMING BOARD
GUARDIAN & ADVOCACY COMMISSION
HISTORIC PRESERVATION AGENCY
HUMAN RIGHTS
HUMAN SERVICES
JUVENILE JUSTICE
LABOR
LABOR RELATIONS BOARD
LAW ENFORCEMENT TRAINING STANDARDS BOARD
MILITARY AFFAIRS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
OFFICE OF THE STATE FIRE MARSHAL
POLLUTION CONTROL BOARD
POWER AUTHORITY
PROPERTY TAX APPEAL BOARD
PUBLIC HEALTH
RACING BOARD
REVENUE
STATE BOARD OF ELECTIONS
STATE POLICE MERIT BOARD
STATE UNIVERSITIES CIVIL SERVICE
WORKERS' COMPENSATION COMMISSION