



OFFICE OF THE GOVERNOR

KENNY C. GUINN
Governor

June 14, 2004

To All State Agencies:

The Office of the Governor has charged the Purchasing Division with establishing master service contracts when it is determined to be in the State's best interests. These master service contracts have several benefits to the State; they allow for the leverage of agencies' combined spending to negotiate more favorable pricing, reduce individual agency procurement time, and limit potential liability exposure.

A recent review of several current master service contracts established by the Purchasing Division reveals significant business leakage. Leakage is defined as the sales or business that is lost by the awarded vendor when State agencies either willfully, or negligently, fail to utilize established contracts. This adversely affects the State in terms of diluted buying power, making future negotiations difficult at best, and defeats the purpose for entering into these agreements.

Certainly, from time to time goods or services may be advertised at prices below that of the State contract; however, because of the aforementioned benefits, centralized, leveraged contracts are in the best interests of the State and must be utilized. Therefore, the Purchasing Division must authorize in writing variances from mandatory contracts. Random audits will also be conducted on a regular basis to ensure contract compliance; violators will be identified and contacted to ensure future compliance.

State agencies are reminded to check the Purchasing Division's website at <http://purchasing.state.nv.us> for information on current or upcoming contracts. Your assistance with this policy is appreciated. Further, agencies should feel free to contact the Purchasing Division Administrator, Greg Smith, at (775) 684-0170 to discuss their needs and/or offer suggestions. The Division exists to help you meet your obligations to the public and safeguard the taxpayers' dollars. Your input is critical to this mission, as is your understanding of the larger role Purchasing plays in state government operations.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Keith G. Munro".

KEITH G. MUNRO
Deputy Chief of Staff/General Counsel

GS/KM/rc