

# PROCUREMENT BULLETIN

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## IG GREETINGS

*Omnibus ad quos praesentes  
litterae pervenerint, salutem*

**The OIG's first round of General Certification Seminars for the Massachusetts Certified Public Purchasing Official program was an overwhelming success. Approximately 100 people successfully completed the General Certification seminar.**

**This seminar was presented as part of an ongoing program authorized by the legislature. If you were unable to attend any of the seminars we offered this winter, you will have the opportunity to attend one of the seminars that will be scheduled later this year. Those on our mailing list will be notified through this publication of upcoming seminar dates.**

Sincerely,

**Robert A .Cerasoli  
Inspector General**

## Market Forecast: Falling Electricity Rates

Under the electric industries restructuring plan recently developed by the Massachusetts Department of Public Utilities, customers in Massachusetts will be able to choose their supplier of electricity generation beginning in 1998. The new competitive marketplace is expected to reduce electricity costs for Massachusetts customers whose electricity rates are among the highest in the country. Your jurisdiction may be able to reap considerable savings on electric utilities *if* you are prepared to take advantage of the new marketplace.

It's not too early to begin planning for your jurisdiction's electricity procurement. The first step is to gather complete and accurate information about your jurisdiction's electricity consumption. The

price you can expect to obtain through competition depends greatly on the quantities you will purchase, so small jurisdictions can realize great benefits by joining together with other jurisdictions in cooperative purchasing arrangements.

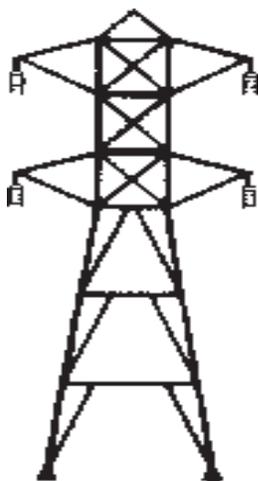
The procurement of electricity will be subject to M.G.L. c.30B once the competitive market is in place. M.G.L. c.30B procedures can be used successfully to structure a competition that will help ensure the best possible deal for your community. The state's Operational Services Division (OSD) has begun to develop specifications for a statewide electricity contract that will include state agencies, higher education institutions, independent authorities, and those local governments that elect

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## Market Forecast: Falling Electricity Rates, cont.

to participate in the purchase. If your jurisdiction chooses to participate in the statewide contract, you will not need to conduct a procurement. However, in order to determine whether participation in the statewide contract is beneficial for your jurisdiction, you will still need to know your jurisdiction's level of electricity consumption. Your jurisdiction will receive information from OSD within the next few months on how to participate in the statewide contract.

Upcoming issues of this *Procurement Bulletin* will feature new developments in electricity deregulation.



## Chapter 30B Applies to the Sale of Scrap Metals

The OIG recently issued a letter detailing our findings that the former superintendent of a water department violated M.G.L. c.30B in the sale of more than \$10,000 worth of scrap metal collected from water meters, water mains, fire hydrants and the like. The OIG found that between 1990 and 1995, the superintendent sold the scrap metal to dealers of his choice, without advertising for bids or conducting a public auction as required by section 15 of M.G.L. c.30B. The former superintendent also failed to keep records documenting the purchaser of the scrap metals and the sale price.

In addition, the former superintendent failed to deposit all of the funds from the sale of the metals into the district account as required by state municipal finance law. The former superintendent told the OIG that he retained the funds in a safe and used them for employee bonuses, Christmas parties, and similar expenses. This practice violated M.G.L. c.44, §53, which requires all funds received by a municipality or district to be deposited with the treasurer, and prohibits the expenditure

of funds without an appropriation.

To safeguard the accountability of all public funds and ensure compliance with state law, the OIG reminds municipal officials to:

- adopt written procedures for the disposition of any surplus supply valued at less than \$500,
- dispose of supplies worth \$500 or more through an advertised bid process or a public auction,
- document all sales of surplus supplies, and
- deposit all proceeds in the municipal treasury.

## State Matching Grants for Education Technology

The state's Department of Education (DOE) is administering state matching grants to school departments and districts for computer technology. The Education Technology Matching Grants are to be used for computer hardware, cabling, and software needed to build or extend school computing networks. To be eligible for this program, your school department or district must submit a

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**State Matching  
Grants for  
Education  
Technology, cont.**

technology plan for approval by DOE.

The OIG would like to remind school officials that the procurement of a consultant to help develop a technology plan is subject to M.G.L. c.30B. If your jurisdiction decides to contract for the services of a technology consultant, the OIG recommends that you choose a consultant that will not bid on your procurement of computer equipment. This will protect you by ensuring that the consultant gives objective advice on the system best suited for your needs, and will avoid the potential for a conflict of interest.

For jurisdictions that have not been approved for funding under Round I or Round II of the application process, the deadline for submitting a technology plan to DOE under Round III is June 30, 1997. For information about the application process, school officials may contact Connie Louie, DOE's technology coordinator, by phone at (617) 388-3300 ext. 275 or by e-mail at [www.doe.mass.edu](http://www.doe.mass.edu).

# QUESTIONS ABOUT CHAPTER 30B

***How do I compare prices for a multi-year contract?***

There are three possible methods for soliciting multi-year contract prices which can be meaningfully compared:

1. You may require offerors to submit prices that will remain constant for the entire contract term. Under this approach, price comparison is simple.
2. You may require offerors to submit prices for the first year of the contract, and specify in the IFB or RFP a set formula by which this first-year price will be adjusted in each succeeding year of the contract. You could specify, for example, that the price will be adjusted annually according to a specific price index.
3. You may allow offerors to submit different prices for each year of the contract. If you use this method for soliciting prices, you will have to use a formula of calculating the discounted present value of payments made in order to realistically compare the costs. The formula must be included in the invitation for bids or the request for proposals.

***Our city is going to solicit bids for a three-year cleaning contract. Can we seek bids before the city appropriates***

***money to fund the contract?***

Yes. you may solicit bids for the contract provided you tell bidders that the contract is contingent upon the appropriation of funds. Also, remember that you may not enter into a multi-year contract unless funds are available for the first fiscal year of the contract.

***My town is selling a parcel of land valued at \$20,000 that is over 2,500 square feet. Must we advertise in the Central Register thirty days before the sale?***

No. Chapter 30B does not require advertising for proposals prior to entering into a contract to sell real property that is valued at less than \$25,000. However, if your jurisdiction decides to dispose of real property at a price less than market value, a notice of that decision must be published in the *Central Register*. The notice must explain the reasons for the decision and disclose the difference between market value and the price to be received. Additionally, whenever your jurisdiction sells real property, the selected buyer's disclosure of beneficial interest form must also be completed and filed with the Commissioner of the state Division of Capital Planning and Operations (DCPO).