

New York State Procurement Transformation



High performance. Delivered.

Optional Services – Procurement Transformation Assessment Deliverable 2 Procurement Assessment Final Recommendations Report

February 11, 2011

Agenda

- **Executive Summary**

- Our Approach
- Current State View
- Recommended Future State
- Road Map
- Appendices

Executive Summary

Organization, Process and Technology (OPT) Scope

- Accenture was asked by New York State (NYS) to examine the current statewide procurement environment across State agencies and provide recommendations for a new state model based on industry leading (public and private) procurement practices
- This document represents the final recommendations, which build upon Deliverable #1, and summarizes:
 - Key findings regarding current state
 - Gaps to leading practice
 - Recommended future state statewide procurement model
 - Recommended changes to achieve future state
 - Recommended statutory changes
 - Conceptual organization design options
 - Recommended procurement performance metrics
 - Recommended implementation roadmap

Executive Summary

New York State aspires to become a high performing procurement organization.

New York State Today

- Reactive, contract transaction focused staff and organization
- Highly complex policy framework and guidelines to conduct sourcing and procurement
- Limited emphasis on managing supplier performance
- Little visibility into enterprise procurement spending (agency and municipal)
- Limited technology tools to support the business of procurement across the enterprise
- Heavy reliance on statewide “back-drop” multi-award contracts with continuous recruitment
- Decentralized authority for procurement and contracting decisions
- Single agency specific focused requirements and procurement culture



Recommended New York State Vision

- Proactive, knowledge based staff and organization focused on managing spend and delivering savings
- Simplified policy framework and guidelines, empowering a central sourcing group
- Tracks supplier performance against metrics to determine value
- Spend analytics creating intelligence to drive sourcing decisions
- Full suite of integrated Source-to-Pay tools to support procurement business needs efficiently
- Statewide focus on “best value” award contracts with focus on leveraging NYS spend
- Central authority for procurement with the ability to delegate
- Standardization of requirements through collaborative, cross-functional teams

Executive Summary

NYS is significantly behind other private and public organizations as it relates to the procurement function and strategic value it delivers.

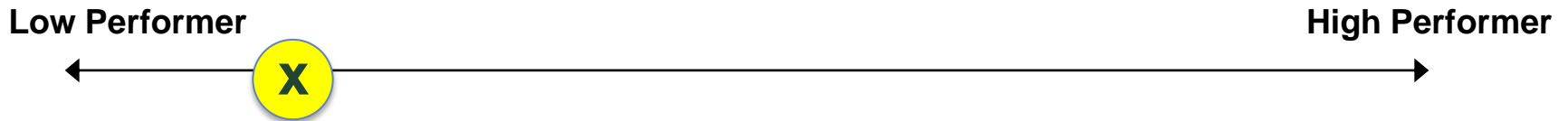
In New York State today...

- Third-party spend is over \$8 billion* on goods and services making it the size of a Fortune 500 company
- There is no overarching vision guiding a holistic, strategic approach to procurement (organization, process and technology)
- The primary entity tasked with statewide procurement, Office of General Services (OGS)/Procurement Services Group (PSG), has minimal visibility and limited control over enterprise (including municipal) spending making it difficult to drive down cost
- [REDACTED]
- Procurement operates under a complex set of obsolete purchasing laws and policies that have been layered upon one another over years. They are restrictive in providing ability to negotiate with suppliers, employees say they “don’t understand it all,” and “it takes up to a 9-12 months to establish a new statewide contract”
- Procurement techniques that address how funds are spent remain a tactical, manual paper pushing exercise. OGS develops contracts for goods and services with “not-to-exceed” pricing and limited focus on Total Cost of Ownership (TCO) and leaves it up agencies to negotiate further reductions
- [REDACTED]
- The State Finance System (SFS) will provide a Requisition-to-Pay foundation, however strategy is not clear for leveraging the other important technology enablers that drive efficiency and compliance
- The environment is challenging for municipalities and other local governments to collaborate with the State and balance specific needs - some laws are actually a barrier to this
- [REDACTED]

* Statewide spend data has been analyzed by the Accenture project team as part of Phase I: Spend Analysis and Opportunities Assessment.

Executive Summary

Currently, significant capability gaps exist in New York State's procurement organization, processes, and technology infrastructure.



- Current procurement capability gaps are, collectively, a direct driver of inefficiency and higher costs
- The gaps must be closed in all of the following process areas – any remaining gaps will act as a weak link in the chain and block the capture of procurement value
 - Highly complex policy framework and guidelines/statutes to conduct strategic sourcing and procurement activities: limits to use of modern procurement techniques like auctions, electronic signatures and negotiation techniques result in higher prices for goods and services
 - Limited insight into where dollars are being spent (Executive Agencies and municipalities): no spend analytics or reporting capability to provide insight into category spend
 - No consistent sourcing process rigor: limited skills, bandwidth, category specific sourcing expertise, and adoption of process rigor that is required to drive procurement value
 - Limited ability to manage contract compliance and savings over time: systems, skills, and processes required for effective supplier management, contract management, transactional efficiency and savings compliance are not available
 - Low transactional efficiency levels: manual, paper based processes result in inflated labor costs and inefficiencies across various dimensions
 - OGS's heavy reliance on statewide "back-drop" multi-award contracts with continuous recruitment
 - Decentralized authority for procurement and contracting decisions
 - Single agency focused requirements and procurement culture

Executive Summary

NYS should modernize its procurement function to add value delivered through use of public funds.

- To move toward leading class, NYS must invest in a procurement transformation program of approximately 18-24 months, focused on maximizing buying power and developing new, sustainable capabilities
 - NYS's spending power is being diluted and the ability to measure impact of political initiatives (MWBE spend for example) is poor at best. It has been difficult to find employees who are focused on delivering the best price
 - Lack of alignment exists between agency requirements and the support provided by the current central procurement function (OGS). Though not intentional, each operates with lack of regard for one another. For example, significant procurement activity is being pushed to the agency level, away from OGS, further fragmenting potential coordination of buys
 - Other states (PA, GA, VA, NC, FL) have already experienced lasting spend reduction of 8-20% combined with other process efficiency gains starting from exactly where NYS is today
- Future capability building efforts should focus on (in priority order) strategy and governance; organization and workforce; process; and tools/technology including:
 - A Chief Procurement Officer (CPO) position empowered with statewide delegation authority
 - New center-led organization design with category knowledge and negotiation experience supported by a shared service operations team delivering efficient enterprise processes
- The State would also benefit by immediate use of modern strategic sourcing practices and negotiation techniques by spend category to begin achieving savings opportunities

Executive Summary

A procurement transformation program will advance procurement capabilities and make NYS's procurement vision attainable.



Capability	Summary Recommendations
Sourcing and Category Management	Implement strategic sourcing methodologies with a focus on “best value”, enable knowledge transfer to procurement staff; leverage capabilities to sustain benefits long-term; use spend analytics to drive sourcing decisions
Organization and Operating Model	Create and recruit a Chief Procurement Officer (CPO) position with required authority for procurement and the ability to delegate; move to a more centrally-led procurement environment focused on strategic capabilities, enhance collaboration between agencies and define a new operating model
Workforce (People)	Define new roles and responsibilities to be more strategically focused, increase ownership and focus on results, train resources and retain high performers (nimble, knowledge based organization)
Processes	Simplify policy framework and guidelines; standardize requirements (contract terms and conditions [T&Cs] for example); standardize and simplify processes
Performance Measurement	Design and implement performance measurements for procurement organization (procurement staff, senior management, procurement organization) and suppliers
Technology	Full suite of Source-to-Pay tools to efficiently support procurement business needs (for example spend analytics, reverse auctions, contracting, sourcing, Requisition-to-Pay)

Agenda

- Executive Summary
- **Our Approach**
- Current State View
- Recommended Future State
- Road Map
- Appendices

Assessment Framework

We based the recommendation on Accenture's High Performance Procurement framework and state government research which takes a holistic approach to procurement.

1. Procurement Strategy

"Masters recognize Procurement as a strategic state function and align it to state needs"

- Clear mandate from top management
- Collaboration with internal stakeholders
- Strategic planning every 3-5 years
- Defined measurement of Procurement value
- Measurable/realistic Key Performance Indicators (KPI's) in place

4. Supplier Relationship Management

"Masters formally manage three times more suppliers than low performers"

- Supplier segmentation based on strategic impact
- Long-term partnering agreements with key suppliers
- Automated KPI-based performance measurement
- Procurement responsible for contract management
- Central contracts available for all relevant stakeholders

5. Process and Technology

"Masters Source-to-Pay fully integrated and have 'one golden source' of master data"

- Enterprise Resource Planning (ERP) systems fully leveraged on state and local level
- Integrated tool covering eSourcing, contract management, etc.
- Uniform spend classification structure enterprise-wide
- "Self help" reporting tool
- Appropriate user support foreseen

2. Sourcing and Category Management

"Masters use centralized strategic sourcing teams to leverage enterprise spend and proactively maximize spend under management"

- Centrally guided category management structure
- Category Boards and cross functional teams
- Continuous monitoring and improvement of sourcing leverage
- Dedicated pool of analysts ensure fact-based approach
- Documented, applied and measured methodology

3. Requisition-to-Pay

"Masters boast efficient and automated approval chains, using assisted buying"

- Portals for efficient purchasing and requisition
- Fully leveraged catalog buying
- Electronic purchase orders and supplier self-invoicing
- Requisition-to-Pay fully aligned with accounts payable

6. Workforce and Organization

"Masters develop expert buyers who are maximally 'protected' from operational work"

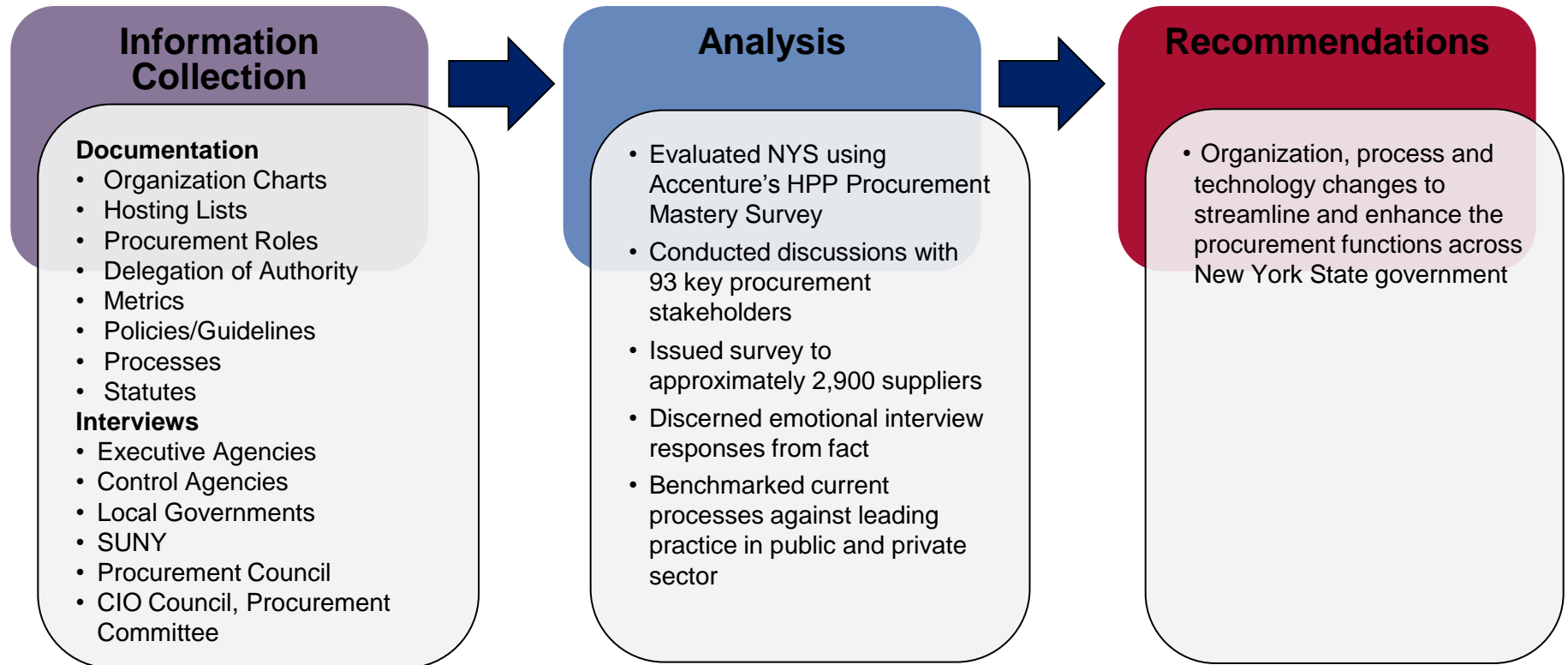
- Clear career path and job descriptions
- In-house and missing competencies known
- Formal training curriculum enterprise-wide aligned
- Measurable targets cascade down to individuals/teams



Source: Accenture High Performance Procurement Study; Accenture State Government Leading Practice Research

Assessment Approach – Documentation

The team used a number of inputs to create this final deliverable including stakeholder discussions, data provided by stakeholders, publically available information and Accenture experience.

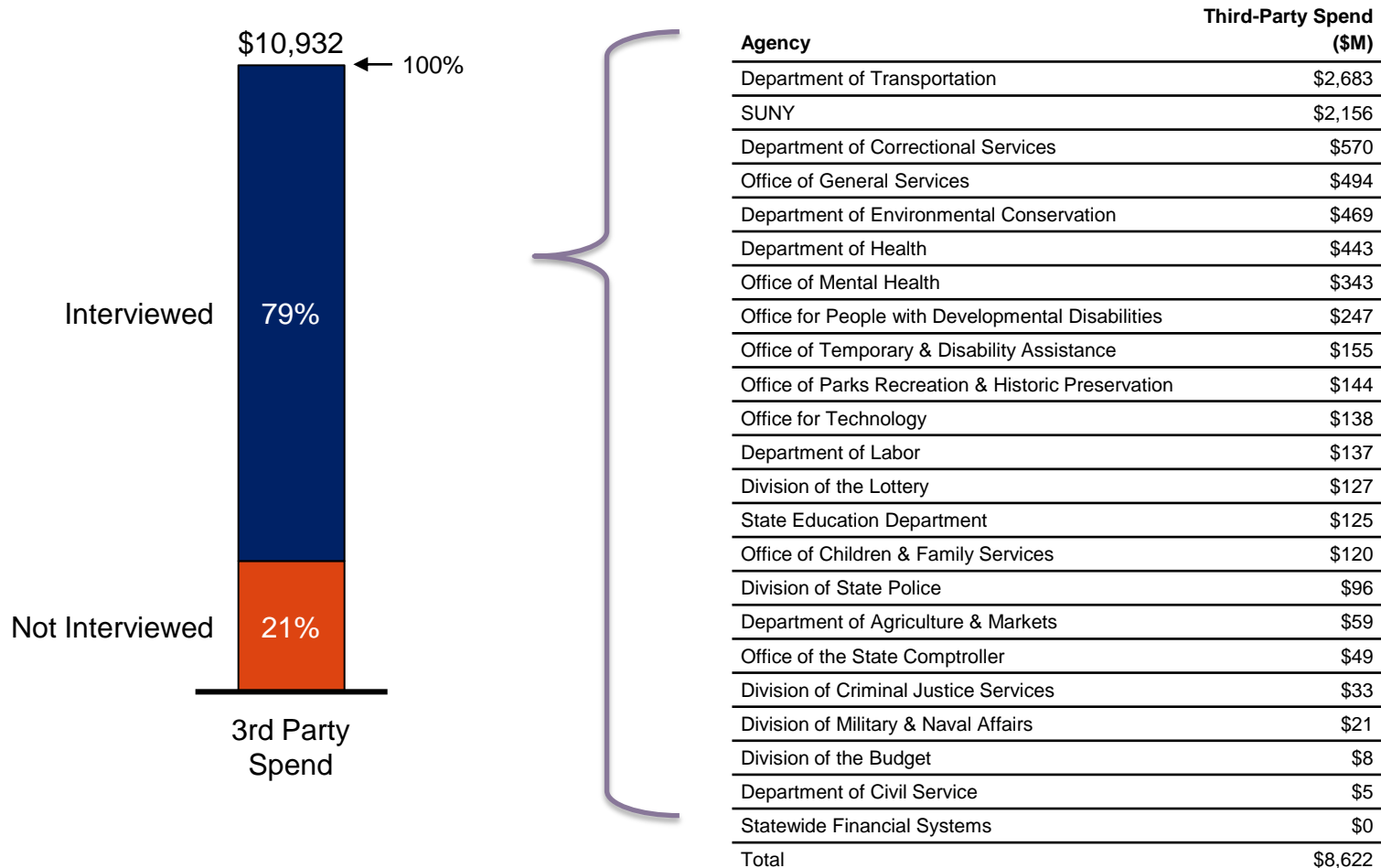


Ninety-three (93) individuals across 27 entities have been interviewed from New York State as part of this work stream. Specific names and agencies can be found in the *Discussion Participants* Appendix.

Assessment Approach – Discussions

The agencies and entities interviewed control 79% of NYS's third-party spend.*

Third Party Spend (\$M)



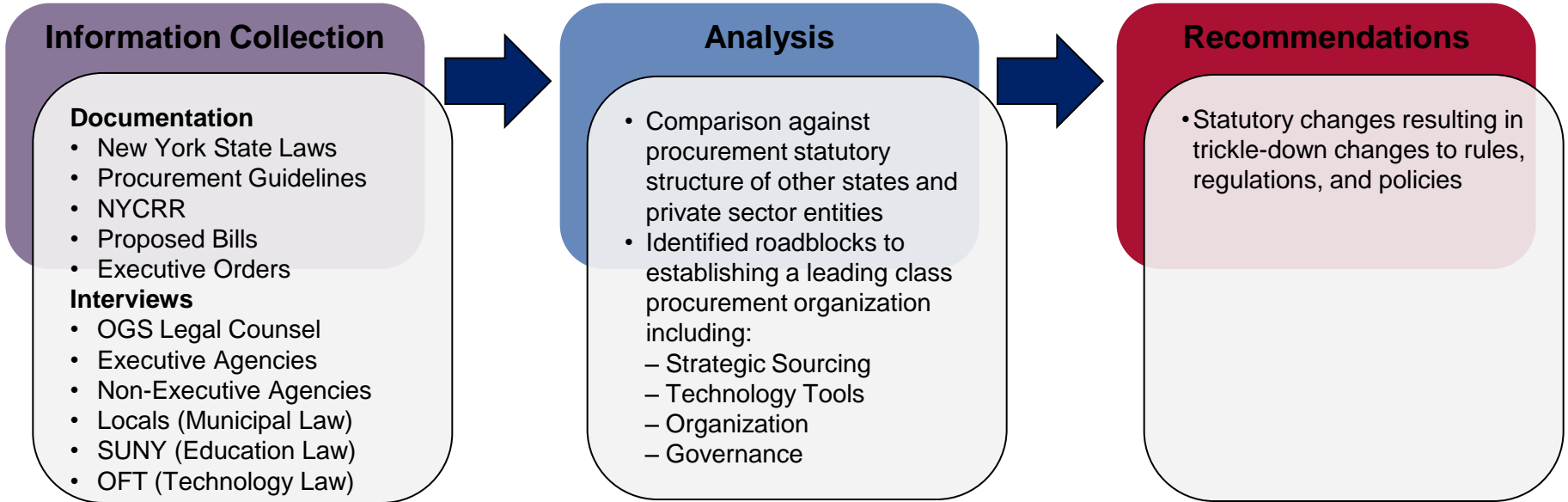
Source: OSC Accounts Payable (Supplier) Spend Data Dec. 2009 – Nov. 2010

* Third-part spend is spend with suppliers

Assessment Approach – Legislative Statutes and Policies

To understand the current statutory and policy environment, the team used a combination of publically available information, targeted interviews, and documentation provided by State personnel.

- Information collected was analyzed based on Accenture’s knowledge of the NYS legislative landscape, procurement transformation in other state governments, as well as private sector clients
- The key driver in assessing procurement statutes was to position NYS to be able to legally maneuver through the challenges surrounding a procurement transformation



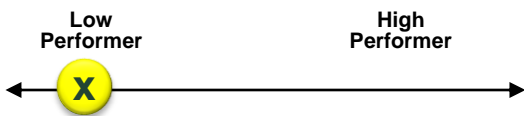
EXAMPLE	State Finance Law (SFL), Article XI, Section163 defines that Lowest Price is to be used as the method of determination for commodities	Leading practice suggest that a Total Cost of Ownership approach should be taken; SFL therefore is restrictive in this case

Agenda

- Executive Summary
- Our Approach
- **Current State View**
- Recommended Future State
- Road Map
- Appendices

The highly complex procurement environment, driven by laws and policies, stress satisfying process vis-à-vis providing best value procurement.

Current State – Procurement Strategy



[Redacted text block]

Areas for Development		What is Going Well
Vision and Governance	<ul style="list-style-type: none">Extremely limited procurement vision and strategyNo single entity/group/individual providing visionary leadership at a statewide levelMore reactive to legislation than proactive	<ul style="list-style-type: none">There are small pockets of vision for procurement within individual agencies. OCFS for example improved contracting efficiencies via a home-grown collaborative (agency staff and suppliers) contracting workflow system
Target Setting and Performance Management	<ul style="list-style-type: none">No overall procurement objectives or performance monitoringNo process to align socio-economic goals with procurement need (MWBE for example)No standard benefit tracking approach	<ul style="list-style-type: none">There are pockets of vision for procurement within individual State entities. For example, Rockland County created a cost savings database and tracks savings; tracks other data including cost avoidance, audit savings, process improvement savings for example
Strategic Planning	<ul style="list-style-type: none">No long-term roadmap for procurementPSG is focused on controlling rate of shrinking contract capacity, not expanding services to agenciesNo statewide view of spend exists, making statewide strategic planning impossible	<ul style="list-style-type: none">Agencies have learned to plan ahead as much as possible, given the long lead times for procurements driven by current legislation governing procurement, OSC contract review and approval, and Office of Attorney General (OAG) review and approval cycles

Selected Quotes from Stakeholders

[Redacted text block]

Vision and Governance

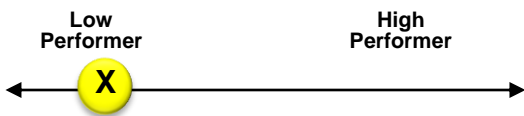
- No overarching vision guiding a holistic, strategic approach to procurement (organization, process, technology)
- Through interviews conducted, there has been limited perspective across NYS to define future state procurement beyond DOB
- The procurement process in New York State is hybrid decentralized with many players, special interests and competing needs
- Based on discussions, “Form, Fit and Function” is used as a way to get around the system
- PSG does not have a seamless culture; differences still exist between the “commodities” and “service and technology” teams
- Based on feedback received during discussions with PSG staff, PSG is focused on putting contracts in place for the sake of contract coverage, rather than focusing on quality and value of agreements
- Preliminary analysis of contract database indicates “P Contracts” total of 9,122 of which only 50%, are active contracts

Response	Percentage
Yes	55%
No	45%

Performance Management

- Currently, there are limited procurement performance measurements in place; procurement savings are not formally tracked
- OGS currently tracks requisition-to-pay cycle time only for OGS contracts, and for agencies for which they host procurement
- PSG staff track six metrics and report these on a quarterly basis to the Governor's Office (customer satisfaction, aggregate IT savings, number of centralized contract awards, percentage of centralized contracts with small businesses, percentage of OGS payments to MWBE firms, and MWBE centralized contracts as a percentage of total centralized contracts)
- Contract approval time was mentioned frequently as an important metric by interviewees, but no evidence was found that approval time is formally tracked
- Supplier "Sales Reports" are used, however, they are not consistent (for example, formats and information collected vary) and are inconsistently utilized, (for example, PC Aggregate Buy, IT Services have mature reporting, while other categories do not have an understanding of their spend)

Current State – Organization



The procurement organization is decentralized throughout the State and agency procurement organizations vary from fully centralized to decentralized.

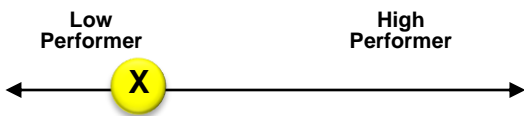
Areas for Development		What is Going Well
Procurement Structure	<ul style="list-style-type: none">• Procurement varies greatly from fully centralized (OCFS, DOL) to fully decentralized (DOH) within agencies• In some agencies (DOCS), contracting activities are executed across the organization by non-procurement personnel, with some support from a centralized staff• Decentralized structure does not support realization of aggregating spend to achieve savings	<ul style="list-style-type: none">• Agencies that have a higher degree of centralization are usually more sophisticated in the procurement function and have greater success in contracting and transactional buying
Procurement Culture	<ul style="list-style-type: none">• Procurement staff throughout the State are overwhelmingly frustrated with processes, interactions with control agencies, lack of resources, and complex, layered legislation• Customers of PSG centralized contracts are grateful to have a contract vehicle from which to buy, but do not recognize not-to-exceed pricing as an effective contract mechanism• Conflicting goals do not always make best value	<ul style="list-style-type: none">• Many procurement personnel within the agencies are committed to delivering quality procurements, even with the complex and difficult process environment in which they operate

Selected Quotes from Stakeholders

The procurement organization is not currently structured or focused in a manner that would support leading class strategic sourcing activities.

Key Findings	
Procurement Structure and Culture	<ul style="list-style-type: none"> Contracting done by PSG and agencies. PSG's focus is ensuring that contracts are in place rather than on the quality or value of the agreements No evidence that there is effort around spend analytics, external market analysis, category strategy development or value tracking [REDACTED] Civil Service titles (contracting and purchasing) differ between PSG and agencies which impacts career path options [REDACTED] Current structure is divided into commodities, services and technology and contracting is approached differently; additionally, [REDACTED]
MWBE	<ul style="list-style-type: none"> New position of Chief Diversity Officer (CDO) established through recent economic development legislation NYS recently completed a disparity study and released new targets to the State via MWBE legislation <ul style="list-style-type: none"> [REDACTED] Current MWBE program management is decentralized across multiple entities <ul style="list-style-type: none"> Several agencies stated that they have MWBE offices as part of their agency No evidence of statewide tools and technology to capture certifications and track spend <ul style="list-style-type: none"> DOT currently has a tool to track and report MWBE spend to federal level DOH does not have a mechanism in place to track MWBE spend OFT currently hosts supplier meet-and-greet forums for the MWBE community

Current State – Workforce



The procurement workforce is generally experienced in contracting but have limited strategic procurement skills.

Areas for Development		What is Going Well
Qualification and Professional Development	<ul style="list-style-type: none">• Little centralized category expertise in key spend areas (IT is one example)• National Institute of Governmental Purchasing (NIGP) training formerly offered to PSG has been phased out due to lack of funding• Procurement knowledge is usually based on informal on-the-job training, and is often reflective of the knowledge level of the trainer	<ul style="list-style-type: none">• Purchasers generally experienced in the NYS procurement process, but that is constantly evolving• Bi-annual OGS and OSC training sessions serve to inform agency personnel on process and policy issues
Competency and Performance Management	<ul style="list-style-type: none">• Limited procurement specific training curriculum• No individual KPIs related to procurement performance	
Behaviors	<ul style="list-style-type: none">• Procurement is not perceived as proactive, looking for new opportunities or ways of working; there are a few agency/local exceptions	<ul style="list-style-type: none">• Low attrition, procurement personnel are usually employed for a long time• Committed to serve agency customers
Promotion and Reward	<ul style="list-style-type: none">• [REDACTED]• [REDACTED]• [REDACTED]	

Selected Quotes from Stakeholders

[REDACTED]

[REDACTED]

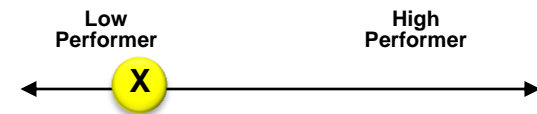
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Current State – Sourcing and Category Management



Sourcing is reactive rather than proactive and does not follow a strategic, fact-based approach.

Areas for Development		What is Going Well
Sourcing Strategy	<ul style="list-style-type: none"> No formal strategic sourcing process Limited use of Total Cost of Ownership (TCO) concept Centralized contracts are focused on giving agencies many/multiple choices rather than savings Discretionary thresholds vary and are not coordinated. For example the threshold for posting on the Contract Reporter is \$15k; the discretionary threshold for Printing is \$5k; General Purchases \$50k for agencies, \$85k for OGS and \$125k for SUNY 	<ul style="list-style-type: none"> There are a few examples where NYS is heading in the right direction. For example, the aggregate PC buy program has proven that aggregation can be done and can provide NYS with savings
Supplier Identification and Qualification	<ul style="list-style-type: none"> Vendor Responsibility process is inconsistent across agencies because VendRep system use is not mandated Contract Reporter posting requirements for items under discretionary thresholds (and over \$15k) increases process complexity and adds no value 	<ul style="list-style-type: none"> When ordering from an OGS backdrop contract, the prequalification/mini-bid process saves agencies time by eliminating need to go market themselves with a full scale RFP
Contracting and Compliance	<ul style="list-style-type: none"> PSG unable to handle contracting workload resulting in contract lapses and contracting being pushed out to agencies Form, Function, Utility provides a readily-available bypass of preferred source contracts 	<ul style="list-style-type: none"> Apart from a lack of resources, PSG resources are generally regarded as being effective and responsive contract managers by other agencies (anecdotal)

Selected Quotes from Stakeholders

[REDACTED]

[REDACTED]

[REDACTED]

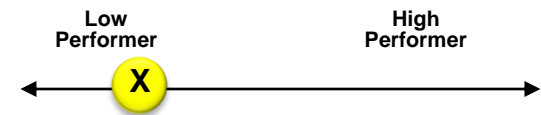
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Current State – Sourcing and Category Management



Key Findings

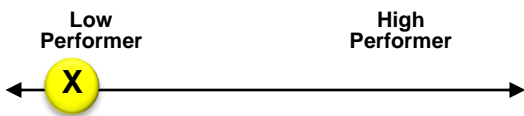
Sourcing Strategy

- PSG has further decentralized ability to aggregate common demand
 - Significant increase in volume of procurements pushed back to agencies
 - PSG is exercising option years on existing contracts at the expense of new procurements
- Over 4,500 active contracts administered by PSG (Note: many exist under current multi-award “back-drop” and continuous recruitment structure)
 - Emphasis on support for NYS local governments
 - Significant volume of unused contracts based on available sales reports, inconsistent/limited ability to monitor spend by supplier or category
 - Reactive environment with emphasis on contracting process and renewals (for example, IT services contract is 10 years old)
 - Contract cycle time is 9-12 months (anecdotally)
 - Many statewide contracts are not used by agencies as exhibited by the large volume of agency specific contracts with the same supplier (one example, based on OpenBook, KPMG has 17 agency specific contracts and 2 PSG contracts)
- Based on discussions to date, NYS has limited examples of enterprise requirements gathering (for example, Aggregate PC buy, Staff Augmentation, IBM, Fuel, Salt)
- SFL, Article 11, §162 & 163 provide for up to 15% price premium for Preferred Source

Contracting and Compliance

- Commodities are contracted via IFB’s through lowest price format (SFL, Article 11, §162 and 163)
- SFL, Article XI, Section 163-7 (as amended June 2010) provides ability for eAuctions in specific categories. NYS has not used eAuctions to conduct dynamic negotiations to establish market price for IFBs or RFPs to date (being considered for Aggregated PC buy)
- PSG staff describes their role as focused on contracting, not on price negotiation or cost savings
 - Backdrop contracts typically use “not-to-exceed” pricing strategy with mini-bids conducted by agency
 - Expectation is agencies negotiate – agency capacity to engage in additional negotiations to further reduce pricing or improve service level varies across agencies
- No evidence of savings tracking as a measurement of procurement value
- Mixed use of formal negotiating tactics across agencies; eAuctions are allowed but not used to date

Current State – Supplier Management

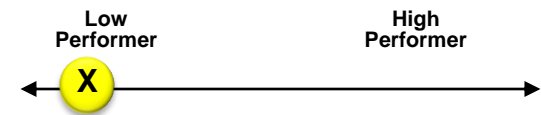


There is no standardized, consistent process for managing supplier performance; if supplier management is done, it is done on an individual basis.

Areas for Development		What is Going Well
Supplier Performance Management	<ul style="list-style-type: none">No formal process for managing supplier performanceThe agency-specific performance tracking tools that exist are inconsistently appliedNo automated supplier evaluation	<ul style="list-style-type: none">Specific service level agreements (SLA) are captured in some contracts
Supplier Relationship Management (SRM)	<ul style="list-style-type: none">No supplier segmentation frameworkSRM often reactive and event-driven, usually based around unsatisfactory or non-performance	<ul style="list-style-type: none">Targeted collaborative relationships in some categories, for example Advertising agencies with Lottery
Contract Management	<ul style="list-style-type: none">No statewide contract repositoryContract Management module for PeopleSoft not integrated with rest of ERP system – stand-aloneInconsistent application across agencies	<ul style="list-style-type: none">Some agencies do have homegrown central contract repositories availableContract Management module of PeopleSoft is planned for Phase I rollout of SFS

Selected Quotes from Stakeholders

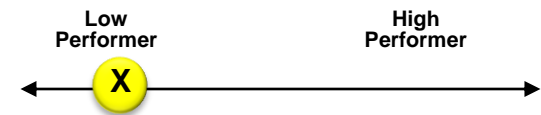
Current State – Supplier Management



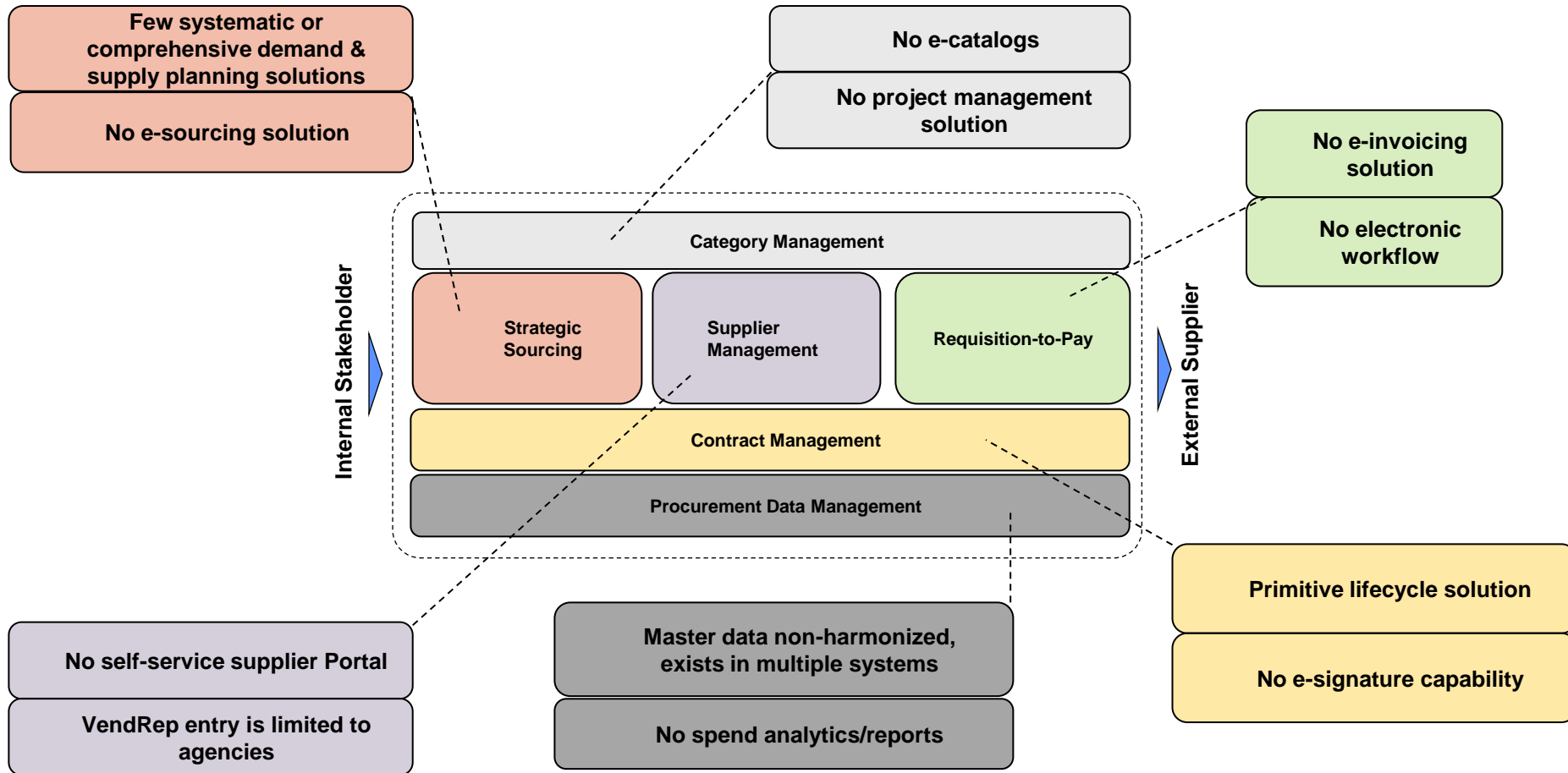
Formal interaction by procurement with suppliers takes place primarily during the bid and contracting process, unless there is an issue during the execution of the contract.

Key Findings	
Supplier Performance Management	<ul style="list-style-type: none">• PSG has inconsistent processes and approach for analyzing supplier spend by NYS agencies and other NYS spend entities<ul style="list-style-type: none">– Reports vary by category team– Significant reliance upon supplier self-reporting– Significant volume of unused contracts based on available sales reports, inconsistent/limited ability to monitor spend• Supplier “Sales Reports” are used, however, they are not consistent (for example, formats and information collected vary) and are inconsistently utilized, (for example, PC Aggregate Buy, IT Services have mature reporting, while other categories do not have an understanding of their spend)
Supplier Relationship Management (SRM)	<ul style="list-style-type: none">• Currently, the VendRep system is not being fully utilized<ul style="list-style-type: none">– Suppliers have the option to submit vendor responsibility information electronically or via paper based forms; typically VendRep is not populated if supplier submits paper-based Vendor Responsibility form– Inconsistent use and knowledge of VendRep accessibility by agencies – some agencies have access to it, some agencies are aware that they can access it but have not been trained (Lottery for example) and other agencies are not aware of it (CorCraft for example)• There is no business/technology program to track supplier performance• Supplier data is located in multiple systems• Inconsistent vendor responsibility process – some agencies, including PSG, require suppliers to file a new vendor responsibility form with each and every procurement, some only require a supplier to acknowledge that there are no material changes to a previously filed vendor responsibility form

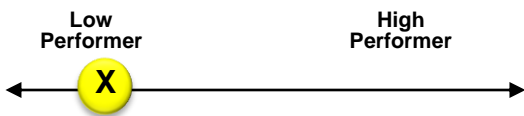
Current State – Technology



Currently, the procurement processes are only partially supported by technology.



Current State – Technology

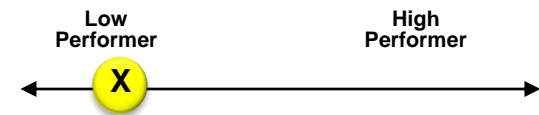


The system landscape impacts operational efficiency and limits ability to guide approach to strategic procurement.

Areas for Development		What is Going Well
Category Management	<ul style="list-style-type: none">No catalogs (including punch-outs) are set up to allow users to quickly search and buy productsNo project management tool in place to guide the sourcing team through new, complex procurements using category-specific, standardized processes	<ul style="list-style-type: none">In some sites, users are appropriately trained in specific categoriesState Financial Systems (SFS) will go live with preferred source catalogs; however, additional catalogs will be difficult to activate due to most contracts being set up with 'not to exceed' pricing.
Demand Management	<ul style="list-style-type: none">No consistent approach to include estimated demand as part of the contracting process	<ul style="list-style-type: none">Aggregate buys do occur in specific categories: PCs, Printers (and their toner)
Strategic Sourcing	<ul style="list-style-type: none">No technology support for end-to-end sourcing process	<ul style="list-style-type: none">Solicitations are publically advertised on contract reporter
Supplier Management	<ul style="list-style-type: none">No self-service supplier portalRead-only agency interaction with VendRep	<ul style="list-style-type: none">VendRep has been established to capture vendor information

Selected Quotes from Stakeholders

Current State – Technology



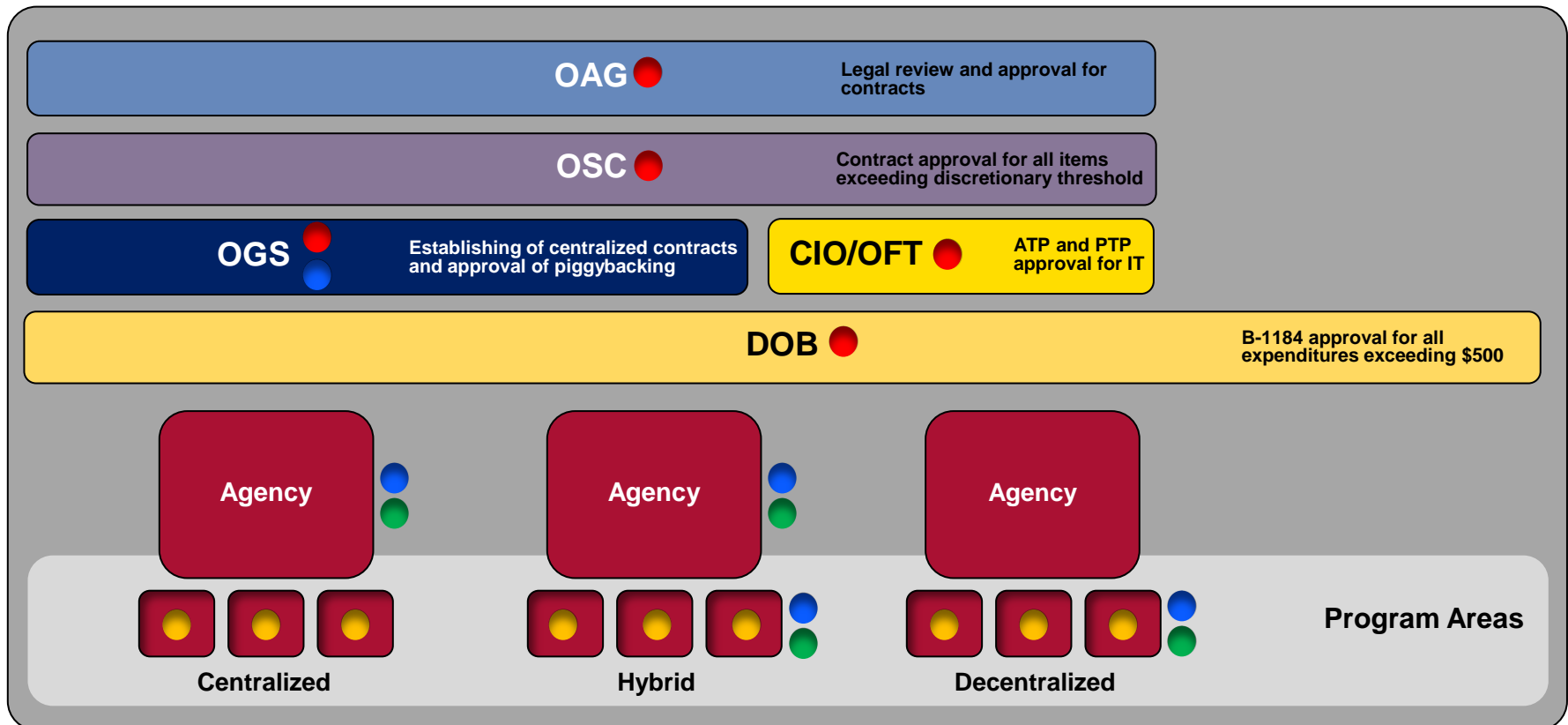
Scattered system landscape challenges operational efficiency and there is no technology support for strategic procurement.

Areas for Development		What is Going Well
Contracting	<ul style="list-style-type: none">• No easy way to determine when contracts are going to expire and when to start the renewal/solicitation process• E-Signature is not supported in practice	<ul style="list-style-type: none">• OCFS has a custom-developed Contract Management System that supports: online contract development, E-signatures, online financial claim submission, online information on payment status
Requisition-to-Pay	<ul style="list-style-type: none">• Very limited automated processes in place• No e-invoicing capabilities	<ul style="list-style-type: none">• Super users appointed• In some sites, users are appropriately trained
Procurement Data Management	<ul style="list-style-type: none">• Master data is not harmonized and exists in multiple systems• No spend analytics in place for real time reporting or statistics	

Current State – Operating Model

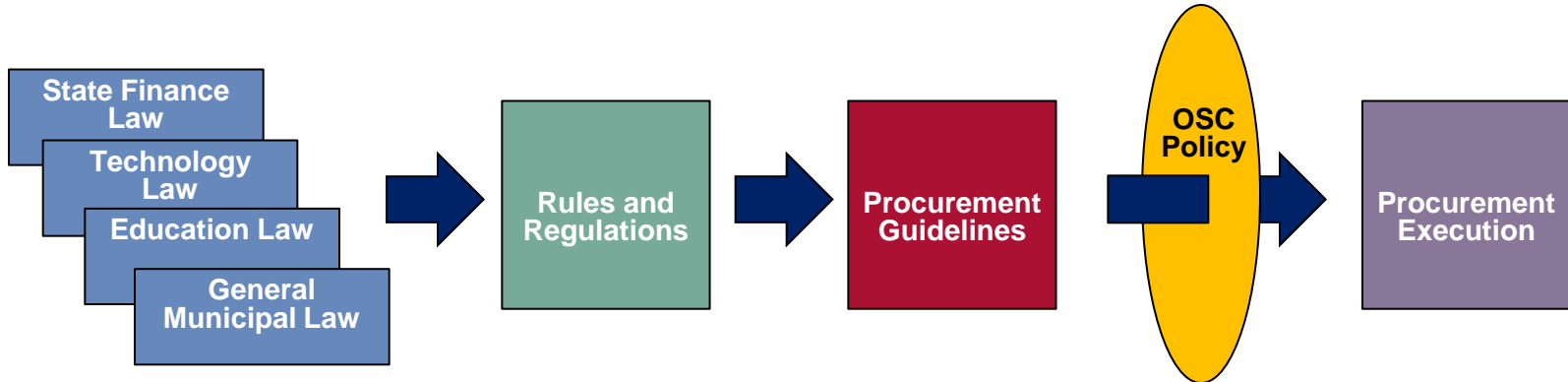
NYS currently operates with procurement functions dispersed throughout agencies with varying levels of centralization, all subject to oversight from several agencies.

- There exist varying levels of external approvals needed for execution of an agency contract
- The time required for each approval has trended upwards in the past several years, increasing the total procurement cycle time (this is based on anecdotal evidence)



Current State – Procurement Statutes, Rules and Guidelines

State procurement is governed by complex legislative statutes; these statutes restrict the State's ability to pursue aspects of procurement transformation, including establishing a robust strategic sourcing methodology.



- The majority of legislative statutes involving procurement are contained within State Finance Law, including the Procurement Stewardship Act. Other substantial legislation is contained in General Municipal Law, Education Law, and Technology Law
- Statutes impacting procurement are layered one upon one another, sometimes with conflicting goals
- Beyond legislative statutes, procurement rules and regulations are promulgated by the OGS commissioner and are interpreted through the State Procurement Council's Procurement Guidelines. This document is used by many procurement professionals as a guidepost in the procurement process
- An additional layer of complexity is added by the legal interpretation by each agency, particularly OSC and OGS. A broad interpretation of oversight powers increases procurement complexity as it has shown to be accompanied by additional layering of new policies.

Current State – Non-Agency Organizations

Local governments and SUNY represent unique members of the statewide procurement community, and can represent distinct needs as well as advanced procurement thought.

Rockland County

- Director of Purchasing represents the most advanced procurement leadership encountered by Accenture interviews
- Established fully-centralized procurement organization in Rockland County
- Full PeopleSoft implementation
 - 27 Catalogs, 5 Punch-Outs (approximately 6,000 items)
 - Strategic Sourcing module interfaces with online bid response site (BidNet)
 - Tracks savings at low level against seven dimensions
- Serves in executive leadership capacity for multiple public procurement organizations (NIGP, New York State Association of Municipal Purchasing Officials, Hudson Valley Municipal Purchasing Group)

Albany County

- Display advanced procurement techniques such as savings tracking and specification rationalization
- Active in co-operatives and initiating widespread communication among locals

Themes

- Locals need a centralized database for all contracts
- PSG abandonment of centralized contracts increases workloads for locals because they cannot order from agency contracts (prohibited by statute)

SUNY System

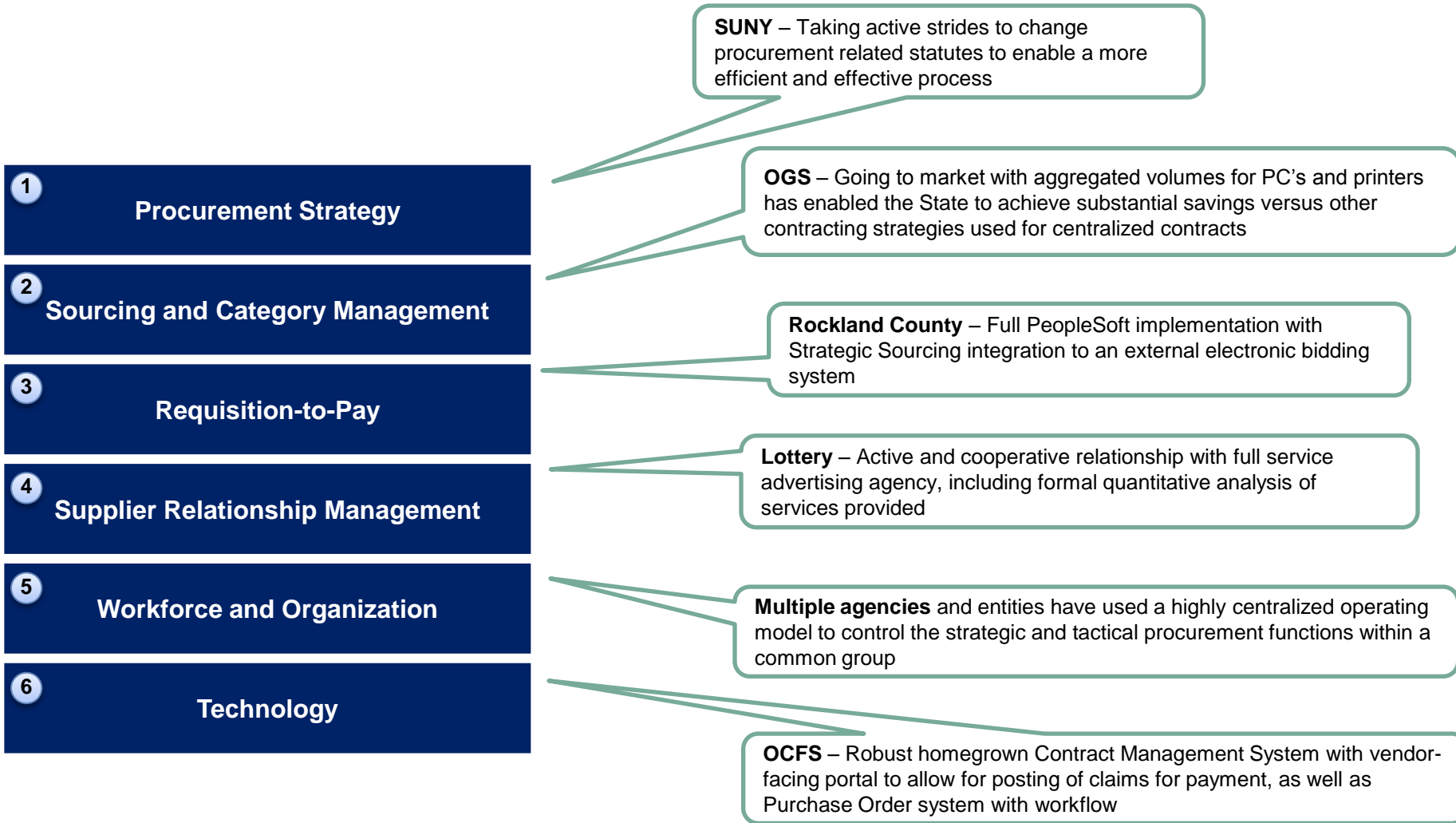
- Decentralized organization; apart from university-wide contracts, all procurement is handled by individual campuses/hospitals
- Legislation was introduced to eliminate OSC pre-approval from the contracting process
- Governed primarily by Education Law which does not require SUNY to use OGS centralized contracts
- Negotiated discretionary threshold: \$250,000 for formal competitive procurements (Educational Law permits SUNY negotiations with OSC)
- Able to achieve large IT savings by negotiating volume-based, time-sensitive discounts with suppliers

Themes

- Procurement statutes that govern SUNY are substantially different than those that govern Executive Agencies; SUNY's interaction with control agencies (OAG, OSC, OGS) is also different than Executive Agencies
 - Education Law is not as prescriptively restrictive as State Finance Law
- Level of complexity added through Community College system, which are subject to Municipal Law
- Hospitals actively attempting to aggregate spend because of common requirements

Current State Leading Practices

Throughout the State there were pockets of leading practice behaviors in each of the main High Performance Procurement practice areas.



Agenda

- Executive Summary
- Our Approach
- Current State View
- **Recommended Future State**
- Road Map
- Appendices

Recommendation Summary

New York State aspires to become a high performing procurement organization.

New York State Today

- Reactive, contract transaction focused staff and organization
- Highly complex policy framework and guidelines to conduct sourcing and procurement
- Limited emphasis on managing supplier performance
- Little visibility into enterprise procurement spending (agency and municipal)
- Limited technology tools to support the business of procurement across the enterprise
- Heavy reliance on statewide “back-drop” multi-award contracts with continuous recruitment
- Decentralized authority for procurement and contracting decisions
- Single agency specific focused requirements and procurement culture



Recommended New York State Vision

- Proactive, knowledge based staff and organization focused on managing spend and delivering savings
- Simplified policy framework and guidelines, empowering a central sourcing group
- Tracks supplier performance against metrics to determine value
- Spend analytics creating intelligence to drive sourcing decisions
- Full suite of integrated Source-to-Pay tools to support procurement business needs efficiently
- Statewide focus on “best value” award contracts with focus on leveraging NYS spend
- Central authority for procurement with the ability to delegate
- Standardization of requirements through collaborative, cross-functional teams

There are four components included in the procurement strategy recommendation, foremost is establishing a Chief Procurement Officer position.

1. Establish a central procurement authority with a Chief Procurement Officer (CPO)
2. Define and implement a new centrally-led procurement organization structure
3. Define and implement a procurement governance structure
4. Develop and implement procurement performance measurements

Sourcing and Category Management



There are five recommendations that wrap up into using strategic sourcing to leverage the State's buying power.

1. **Implement a standard process and methodology for Strategic Sourcing to leverage the State's purchasing power**
2. **Implement spend analysis techniques and tools**
3. **Increase use of proactive negotiation techniques throughout the procurement lifecycle**
4. **Establish statewide standard terms and conditions (T&Cs)**
5. **Repeal current NYS Printing and Public Documents Law which restricts modern procurement practices**

Supplier Relationship Management



Use formal Supplier Relationship Management techniques to actively engage and manage the supplier base.

1. Ensure that contractors are meeting their legal obligations
2. Develop a structured performance evaluation process for suppliers
3. Create and execute a strategy that entices suppliers to pursue contracting opportunities
4. Establish supplier councils to advise the State on industry specific developments

Supplemental information regarding this topic can be found in the *Supplier Relationship Management* section of the Appendices.

Agenda

- Executive Summary
- Our Approach
- Current State View
- Recommended Future State
- **Road Map**
- Appendices

Agenda

- Executive Summary
- Our Approach
- Current State View
- Recommended Future State
- Road Map
- **Appendices**

Appendices

- **Discussion Participants**
- **HPP Survey Results**
- **Procurement Metrics**
- **Governance**
- **Supplier Relationship Management**
- **Organization and Talent Management**
- **Change Management**

Discussion Participants



Assessment Approach – Discussions

Ninety-three (93) individuals across 27 entities have been interviewed from New York State as part of this work stream.

Agriculture & Markets

Lucy Roberson
Emma Graham

Albany County

Karen Storm

Civil Service

David Pettit

Corcraft

Nancy Abraham
Bob Haskin
Michael Elmerndorf
Michael Hurt
Frederick Steup
Peter Berezny

DCJS

Sandy Fader

DEC

Leslie Brennan

DOB

John Traylor
Elizabeth Lee
Mahesh Nattanmai
Jesse Olczak
Gerard Minot-Scheuermann

DOCS

Darlene Horner
Sandra Downey
Erin Fish
Denise Patton
Anna (Nannette) Ferri
Michele Phalen
Christine Perkinson

DOH

Fred Genier
Mary Beth Hefner
Sharon Featherstone
George Macko
Jon Mahar
Lynn Lockwood
Melissal Mulrain

DOL

Paul Danaher
Joanne Peal

DOT

Bill Howe
Karen Fowler
Nancy Lynch

Lottery

Gardner Gurney
William Murray
Gayle Thorp
Debbie Martino

Military and Naval Affairs

Maria Gallerie

NYSP

Peggy Naughton
Steve Vagianelis
Michelle Ashmore
Deborah Kane

OCFS

Jim Spoor
Ian Carlson
Richard Dimezza

OFT

Catherine Durand
Mary McGinty

OGS

Carla Chiaro
Franklin Hecht
Howard Zwickel
Lisa Fox

OPWDD

John Smith
Bob Coyner

OSC

Larry Appel
Angela Dixon
Brian Matthews
Margaret Becker
Charlotte Breeyear

OTDA

Cindy Hopka
Connie Blais

Parks and Recreation

Sharon Apholtz
Barbara Remling

PSG (OGS)

Don Greene
Anne Phillips
Kim Miller
Bruce Hallenbeck
Kathy McAuley
Anne Samson
Jill McCabe
Mark Joly
Wendy Reitzel
Pat Weidman
Christine Brady
Dawn Curley
Mark Milstein

Rockland County

Paul Brennan

SED

Don Juron
David Walsh

SFS

Colin Brady
Ann Foster
Paul Kalinowski
Moss Cail

SUNY

Thomas Hippchen
Peter Rufer
Christopher Wade
Dave DeMarco
Joe Gardiner
Brian Legg
Pat Bates

Workers' Compensation

Mary Grace Petralito

HPP Survey Results



HPP Survey Results

- **Background and Objectives**

- Research Approach
- Key Findings
- High Performance Through Procurement