



Georgia®

Department of
Administrative Services
Customer Focused, Performance Driven

GOVERNMENT PERFORMANCE: Opportunities to Improve the Efficiency & Effectiveness of Federal Programs

STATEMENT PREPARED BY BRAD DOUGLAS

Commissioner, Department of Administrative Services
State of Georgia

Testimony before the Senate Budget Committee

Task Force on Government Performance

December 10, 2009

Mr. Chairman and Members of the Committee:

I sincerely appreciate the opportunity to appear before you. I am honored to represent the great State of Georgia and its efforts to transform its government into a customer focused, performance driven operation that delivers tangible results. I come before you with hopes that lessons learned in Georgia can be applied on a national level, and thus I applaud the creation of this committee and the opportunity to relate to you the successes experienced within Georgia.

Early on in Governor Sonny Perdue's administration, the idea of tapping into the private sector for innovative and proven ways to transform government took hold. Governor Perdue created a Commission for a New Georgia (CNG), and asked numerous private industry executives and consulting firms to provide their expertise to the state, on a pro bono basis, to help transform the inner workings of our state government. To ensure the resulting studies did not "gather dust" sitting somewhere on a shelf as happens to most such studies, the Governor created the Office of Implementation to ensure the recommendations of the various task forces under the Commission for a New Georgia were actually implemented.

Results from the Commission for a New Georgia have been many. While waiting in line to renew or obtain a driver license, 2+ hour waits were not uncommon for citizens of our state. Today wait times average less than 10 minutes and are constantly monitored. The state had few, if any, tracking systems of its key assets, and as a result we had no idea how many state buildings, vehicles or aircraft were in operation. Today, we have full accountability of these state assets and actively manage them on a daily basis. Agencies operated in a very decentralized environment, and little or no collaboration occurred among agencies or universities to realize the synergies and efficiencies across the entire state.

To address these issues and many more, various task forces were created by the Commission for a New Georgia to analyze various areas of state operations. One of the initial task forces created was asked to review the state's Procurement function. In a state where the addressable spend handled by Procurement staff is approximately \$4 Billion annually, this area offered a significant opportunity for the state.

At that time, the State Purchasing Division was comprised of personnel who were transaction-focused. They were administrative paper-pushers, adding little if any value to the procurement process. Knowledge of market dynamics, pricing structures, new product introductions and negotiating skills were not among the skill sets embedded into the state's central purchasing team.

The State Purchasing Division is a central procurement unit charged with establishing statewide contracts for the entire state to leverage its spend. Collaboration between the State Purchasing Division and other state agencies and universities was virtually non-existent. Thus, tremendous opportunity was not being realized.

Purchasing processes and procedures were misaligned and inconsistency was rampant in the various ways the procurement process was being conducted throughout the state. The state found itself in court numerous times when several high profile procurement efforts were mismanaged and aggrieved suppliers sued the state for malfeasance in the procurement process for failing to provide a fair and competitive purchasing process. In fact, supplier challenges to the state's procurement solicitations were untracked, with no knowledge of how many procurements were being challenged, the time taken to resolve them, or the reason for the challenge.

Procurement technology was virtually non-existent. A home-grown system was in place to post the state's procurement solicitations on the web, but the state had no idea how much it was spending on various products and services, and thus was unable to leverage the collective spend of various state entities. This obvious lack of control also presented an area of opportunity for the state with regards to its procurement process.

The CNG Task Force appointed to review the state's Procurement function recommended numerous changes, nearly all of which have now been implemented with tremendous results.

Legislation was passed which revamped the state's Procurement code, introducing such key changes as the ability to negotiate on Request for Proposal's (RFP's). Greater authority was granted the State Purchasing Division to define the requisite skill sets and compensation of each state agency's purchasing staff to ensure the needed purchasing transformation could happen statewide. Nearly all purchasing was centralized under the Department of Administrative Services and its State Purchasing Division, and the unit was afforded the ability to fully utilize technology to augment the state's procurement process.

The next step was to recruit a classically trained and highly knowledgeable Purchasing professional to oversee the state's Procurement Transformation and manage the function for the state. A.T. Kearney was selected to assist the state with the transformation, serving to provide direction with regards to organization capacity, fit-gap analysis for procurement technology and process review.

To begin the process of revamping the state's Procurement function, the state decided the proper course of action was to focus on People, Processes and Technology, in that specific order. The Purchasing staff within the State Purchasing Division was woefully inadequate with regards to having the necessary skills to operate in a modern procurement shop. Processes

were misaligned and needed revamping and technology, as previously mentioned, was virtually non-existent.

A new organizational structure was defined to create Commodity Teams within a Strategic Sourcing unit where resident expertise could be housed with knowledge of specific product and service categories, thus affording the state an opportunity to focus on those key product and service categories where its combined spend could be best leveraged in the marketplace. Every position within the division was redefined with a new job description, and compensation levels were redefined and benchmarked against both public and private sector purchasing salaries. These moves then allowed the unit to attract some of the best and brightest purchasing professionals to the state. For example, the Assistant Commissioner of Purchasing was recruited from the University of Notre Dame, while the Director of Strategic Sourcing was recruited from Microsoft. A focus was placed on new hires with relevant procurement experience, advanced degrees and purchasing certifications. As a result of these moves, coupled with Strategic Sourcing principles instilled by the A.T. Kearney team, the State Purchasing Division was able to transform from a *transaction-based* organization to a *knowledge-based* unit.

The Purchasing processes and procedures of the state were then reviewed and changed drastically to streamline the procurement effort. Policy manuals were re-written and the procurement solicitation process was re-engineered from top to bottom, to eliminate inefficiencies and delays. Cycle times were reduced drastically with nearly 6 weeks shaved off the time to conduct Requests for Proposals (RFP's) and a month eliminated in the cycle time for Requests for Quotes (RFQ's). Vendor challenges were measured for the first time. Vendors challenging the state's procurement awards typically endured a near 60-day wait for their challenges to be adjudicated. These now take only an average of 14-days to resolve, and we now know that only 1.5% of all procurements are ever challenged. In fact, it has been over 3 years since the state has been challenged in court on a major procurement award, when legal action by suppliers against the state was formerly a common practice.

Only when the new organization was formed, the right staff was recruited and put into place, and the existing processes and procedures were revamped and re-engineered did it make sense to try and automate the process. The old adage, that if you simply automate a flawed process, you will have an *automated* flawed process, certainly holds true. Thus, the state performed a fit-gap analysis to define its specific technology needs. Knowing specifically what issues we were looking to solve and having those well documented, we employed a combination of software products to form our technology solution.

The result was the state's new eProcurement platform known as Team Georgia Marketplace. As one of the most important technology implementations in our state's history, this project

was delivered on time and within budget this past January. Since that time, nearly \$800 Million in purchases have been processed through the system providing valuable insight into what is being purchased by state agencies. While a phased roll-out of the system continues agency by agency, there are currently over 2,400 users of the system utilizing dozens of on-line supplier catalogs. As a result of the system, cycle time for requisitions to be approved and purchase orders issued have dropped dramatically, and the entire purchasing process is a paperless process for agencies that have fully implemented and embraced the system.

Through a formal project governance process, the Team Georgia Marketplace project was one of the first technology projects in the state to be overseen by the Critical Projects Review Council. This Council, composed of the state's COO, CFO, and CIO among other key state executives, regularly monitored, reviewed and checked the project's status to ensure it was tracking to completion as planned. I have included a Project Scoreboard (Exhibit "A") used to manage this project as one example of a tool which was utilized. It serves as an "at-a-glance" view of the project's status as to whether the project is on track, delayed or in a trouble status using a red-yellow-green indicator system. An Executive Steering Committee provided more granular day-to-day insight and management of the project.

As a result of this technology implementation, as well as others, the state now has a much clearer understanding of what it is purchasing, and thus can now begin to exert its collective leverage in the marketplace. Subsequent to the implementation of Team Georgia Marketplace, in a joint effort with The Pew Center for the States and A.T. Kearney, the state has developed a Spend Analysis Tool, dubbed the *Spend Cube*. The Spend Cube aggregates spend information from the many disparate systems throughout the state (realizing that not every state agency has yet to implement Team Georgia Marketplace) to help analyze the state's collective spending habits.

Data feeds come from Purchase Cards (P-Cards), supplier sales data, PeopleSoft transactions, and various other systems used by the de-centralized state agencies and universities across the state. The data is then normalized and analyzed to help determine where dollars are being spent in order to identify where statewide contracts might best leverage the state's collective purchasing power.

Employing key principles of Strategic Sourcing with the data analytics offered by the state's new systems, significant reductions in pricing for products and services used by the state have been realized. Some examples are cited below:

- Document Imaging – A new contract lowers pricing for black & white copying/printing from 9%-42% over the previous contract, while color copying/printing is now priced 67%-87% less as compared to the previous state contract.

- Vehicle Rentals – the outsourcing of the Capitol Hill Motor Pool resulted in the elimination of 160 state-owned vehicles with resulting rental rates 13.8% lower than rates previously offered to state agencies.
- Administrative Vehicles – a new contract covering 4 classes of sedans, 1 hybrid sedan, 4 classes of pick-up trucks, 3 classes of SUV's and 7 classes of vans was recently awarded. The average contracted price is 22.4% below dealer invoice with ranges from 6.8% to 36.1% below dealer invoice.
- Police Pursuit Vehicles – a new contract covering 3 sedan classes and 1 SUV class offers pursuit vehicles priced at an average 16.6% below dealer invoice.
- Background Checks – a new agreement provides agencies, universities and municipalities a consistent approach and methodology to requesting and receiving background investigative reports on existing staff and new hires through a consolidated source. Services include past employment and education confirmation, state and federal criminal history, motor vehicle records, credit history, professional licensure, certification verification and numerous other reports needed for employment and validation purposes. Under this contract, agencies will now pay only \$16, instead of \$45, for a criminal background check for a savings of 65%. Depending on the specific reports requested, prices were decreased by a range of 20%-65%.
- Temporary IT Staffing – the new contract implements an automatic background check for any Information Technology (IT) professionals hired as temporary staff on behalf of the state. This was previously lacking and posed a real risk to the state. The latest contract features a 15% reduction in the state's labor rates over the previous state contract.
- Tires & Tubes – in a collaborative effort with the largest North American Buying Cooperative for Higher Education, the state revamped its former statewide contract for tires into a national contract, thus achieving some of the most competitive tire prices in the country. With savings ranging up to 49% below the previous statewide contract, average savings of 22% are being experienced on a wide variety of car, light truck and heavy duty truck tires.

The national contract described above for vehicle tires was the first national contract established by the State of Georgia, creating significant purchasing leverage beyond the borders of the state. Recognized as a leading procurement shop practicing the principles of strategic sourcing, the finishing touches are being put upon a nationwide contract for buses which is

expected to leverage more than \$500 Million in annual spend. In our state alone, more than 14 different transit agencies are working in conjunction with the State Purchasing team to form a Sourcing Team which will implement the contract. The Federal Transit Authority (FTA) has reviewed and approved the procurement solicitation parameters and will be actively involved in the development and execution of the contract when deployed in early 2010.

Thus, as you can see, the Procurement Transformation in the State of Georgia has certainly created monumental change in the way business is conducted. Tremendous streamlining and reengineering of processes, coupled with smart technology implementations, have created a platform whereupon tremendous and measurable achievements are possible.

To ensure the transformation effort is sustainable, a movement is now underway to train and certify the various purchasing staffs across all state agencies and universities. Already, literally dozens of training classes have been developed while nearly 7,000 students from across the state have been trained in purchasing basics, systems, policies and procedures. Nearly 3,400 certifications have been achieved as certifications and requisite tests have now been developed to ensure that training is retained and properly understood in order to transform agency and university purchasing staffs, so they too can achieve similar results within their own entity, and assist Georgia in uncovering synergies and efficiencies in the way we conduct business.

In the State of Georgia, there are 3 key elements which have made a transformation of this magnitude possible. Those keys are:

- Top-down Leadership
- New Legislation authorizing the changes
- Budget needed to make the necessary changes

With these elements in place, and with regular reporting back to the Governor's Office of Implementation and the Commission for a New Georgia, the Procurement Transformation in the State of Georgia will have a profound effect on our state for years to come. We certainly hope the lessons learned in our state and the type of success we have experienced can be transferred on a national level to federal government.

In closing, we sincerely appreciate the opportunity to present our story to each of you here today, and we look forward to assisting you any way possible to transform the inner workings of federal government. Thank you for your time and consideration this morning.

Exhibit A

| GENERAL INFORMATION: | |
|------------------------------|--------------------------|
| Agency Name: | DOAS |
| Panel Review Meeting Date: | |
| Project Name: | Team Georgia Marketplace |
| Project Status "As Of" Date: | 30-Jun-09 |
| Original Project Budget: | \$10,951,200 |
| Total Project Budget: | \$10,951,200 |
| Project Start Date: | 27-Aug-07 |
| Project End Date: | 7-Jul-09 |

| PROJECT HEALTH RATING | | | |
|-------------------------------|---------|----------|---------|
| Overall Project Health Rating | GTA | LEO EN D | |
| Previous | Current | Previous | Current |
| Green | Green | Green | Green |

Pilot Wave 3, currently underway, is on schedule and the Rollout Master Plan is completed and approved. The TGM Pilot Project is now in the closure phase.

| Project Status Indicators : | | Trend Indicators: |
|-----------------------------|---|-------------------|
| Green | On-track, only minor issues | + = Improving |
| Yellow | One or more areas of concern | - = Declining |
| Red | Significant issues that limit the effectiveness and/or success of the project | N/C = No Change |
| N/A | Not applicable | |

| PROJECT PHASES ("X" indicates current phase of project) | | | |
|---|----------|-----------|---------|
| Initiation | Planning | Execution | Closing |
| | | | X |

| PROJECT STATUS INDICATORS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------|-------|--|---------|-------|---------------------|--------------|----------------------------|-------------|---------------------------|-------------|---|-----------|-------------------------------------|----------------|-------------------|-------------|---|--|--|---|--|--|---|--|--|---|--|--|
| SCHEDULE | | | BUDGET | | | BUSINESS OBJECTIVES | | | RISK | | | ISSUES | | | ORG. READINESS | | | | | | | | | | | | | | |
| Previous | Current | Trend | Previous | Current | Trend | Previous | Current | Trend | Previous | Current | Trend | Previous | Current | Trend | Previous | Current | Trend | | | | | | | | | | | | |
| Green | Green | N/C | Green | Green | N/C | Green | Green | + | Green | Green | N/C | Green | Green | N/C | Green | Green | N/C | | | | | | | | | | | | |
| > Project 98% complete > TGM Pilot Wave 3 Rollout is on schedule for July 27th Roll out (DIJ and remainder of DHR) > 81% of entire eCatalog Supplier Enablements (July) complete (99 of 121) | | | <table border="1"> <tr> <td>Total Budget</td> <td>\$10,951,200</td> </tr> <tr> <td>Total Planned Expenditures</td> <td>\$8,947,883</td> </tr> <tr> <td>Total Actual Expenditures</td> <td>\$8,903,153</td> </tr> <tr> <td>Estimate Funds Needed to Complete Project</td> <td>\$392,521</td> </tr> <tr> <td>Available Funds to Complete Project</td> <td>\$2,048,047</td> </tr> <tr> <td>Contingency Funds</td> <td>\$1,655,526</td> </tr> </table> | | | Total Budget | \$10,951,200 | Total Planned Expenditures | \$8,947,883 | Total Actual Expenditures | \$8,903,153 | Estimate Funds Needed to Complete Project | \$392,521 | Available Funds to Complete Project | \$2,048,047 | Contingency Funds | \$1,655,526 | > Registered Supplier/Bidder - 11,550 > TGM re-configuration for the DHR reorganized entities: completed > Rollout Master Plan approved. Wave 1 Starts July 7th > Only One deliverable (Post Production Support) left to complete > DIJ is training the month of July (on schedule) > New SciQuest Training Database implemented and in use. > SQ 9.2 Loaded to the test environment 6/26 | | | > New PeopleSoft project in the State PeopleSoft environment may affect the current and future TGM Rollouts > Failure to install PeopleSoft bundles may require TGM to customize SRM software > Further State Budget Cuts > Cost Allocation needed to continue to support TGM, waiting OPB approval. > Data Base Server at maximum capacity | | | > Database refresh process not working (consistently) > State Budget Constrains > Sustainability of Team Georgia Marketplace at risk if Cost Allocation plan is not approved by OPB for FY 2011.. | | | <p style="text-align: center;">ORG READINESS</p> | | |
| Total Budget | \$10,951,200 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Planned Expenditures | \$8,947,883 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Actual Expenditures | \$8,903,153 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimate Funds Needed to Complete Project | \$392,521 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Available Funds to Complete Project | \$2,048,047 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contingency Funds | \$1,655,526 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| FINANCIALS: Previous Actuals to Date | | | | FINANCIALS: Previous Projected | | | | | | | | | | | |
|--------------------------------------|-----|--------------------------------|----------------|--|------------|---|-----------|--|--|---|--|---|--|---------------------|--|
| Total Budget (State) (a) | | Total Budget (Other Funds) (b) | | Total Planned Expenditures (Project to Date) (d) | | Total Actual Expenditures (Project to Date) (e) | | Expenditure Variance ("+" = Overbudget, "-" = Underbudget) (f) | | Available Funds to Complete Project (g) | | Estimate Funds Needed to Complete Project (h) | | Budget Variance (i) | |
| (a) | (b) | (a + b) | (d) | (e) | (f) | (g) | (h) | (i) | | | | | | | |
| \$10,951,200 | \$0 | \$10,951,200 | \$8,606,868 | \$8,595,084 | (\$11,784) | \$2,356,116 | \$700,590 | \$1,655,526 | | | | | | | |
| FINANCIALS: Current Actuals to Date | | | | FINANCIALS: Projected | | | | | | | | | | | |
| \$10,951,200 | \$0 | \$10,951,200 | \$9,030,028.60 | \$8,982,353 | (\$47,676) | \$1,968,847 | \$313,321 | \$1,655,526 | | | | | | | |