

Georgia Department of Administrative Services
Enterprise Supporting Agencies
State Purchasing Measures



Georgia Department of Administrative Services
ESA Measures
State Purchasing Division

Enterprise Procurement

Tell the story of the enterprise in high level terms

Size the Enterprise

Compare the Enterprise

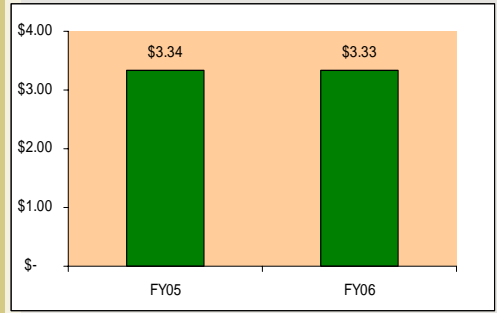
Baseline Spend Data (FY05):

\$3.34B in Addressable Spend
 \$135M in Savings Attainable
 \$286M in Purchasing Card (P-card) Spend

Current Enterprise Sizing:

550+ Agency/University Buying Staff Across State
 71 State Purchasing Division (SPD) Positions
 2100+ Statewide Purchasing System Users
 9600 Vendors Nationwide

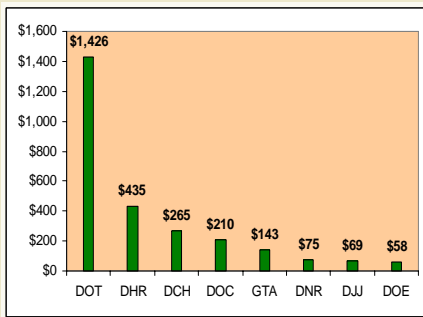
Total Addressable Spend, FY05 & FY06 (in Billions)



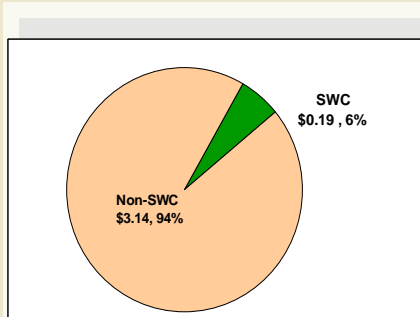
Source: AT Kearney Spend Cube

Characterize the Enterprise (highlight issues, problems...)

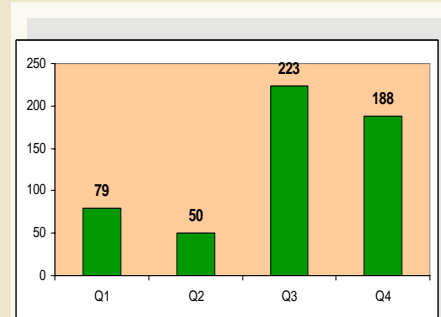
FY06 Spend by Top Agencies (Millions)



FY06 SWC Spend vs. Total (in Billions)



FY07 Attendance in SPD Led Training Classes



- Eight (8) agencies represent approximately 80% of the total addressable spend for FY06. *Source: AT Kearney Spend Cube. Note: Data may include non-addressable spend due to incomplete database.*
- Lack of structured, clean, complete, synthesized spend data makes it very difficult to quantify spend and potential savings statewide on an ongoing basis. *Note: See e-Procurement Proposal.*

- There is no central repository of agency contracts and there is known duplication of contracts among multiple agencies for like goods and services. *Note: See e-Procurement Proposal.*
- There are missed opportunities for leveraging the state's buying power and implementing statewide contracts (SWCs). *Source: SWC - PeopleSoft, Total - AT Kearney Spend Cube*

- There are currently gaps in skills, training and incentives among state procurement team members to develop creative and tailored sourcing strategies.
- Purchasing staff statewide (SPD, agencies and universities) are just beginning to be trained on the new strategic sourcing methodology and lack basic procurement skills.

Prioritize the Enterprise Improvement Agenda

GOAL

Georgia can achieve significant improvements in this goal:

- Increase savings in state spend

PROJECTS & PROPOSALS

The following projects/proposals are critical to the success of improvement efforts:

- Implementation of the Commission for a New Georgia (CNG) Procurement Transformation Initiative
- Implementation of a training and certification program for procurement professionals statewide
- Implementation of a best practice e-procurement solution
- Ability to extend non-disclosure period through Notice of Intent to Award
- Negotiation of Requests for Quotes

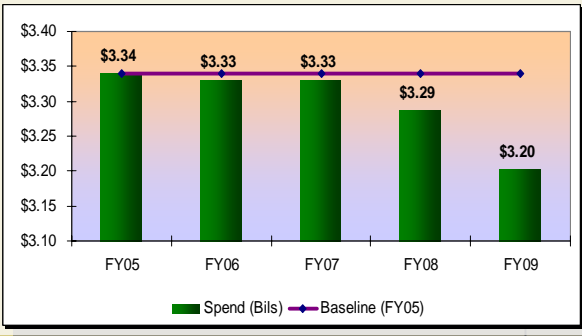
SCOPE OF AGENCY INVOLVEMENT

All agencies/universities are included in the critical projects and the attainment of goals.

Particular focus will be given to the top eight (8) agencies with 80% of the total spend for FY06 and BOR.

GOAL: Attain \$135M savings in state spend by September 30, 2009

Lag Measure State Spend Vs. Savings (in Billions)



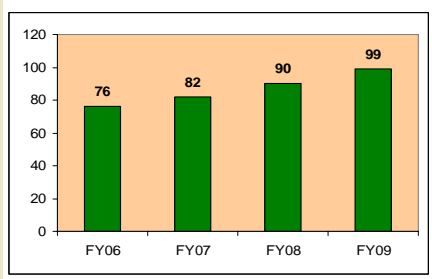
Through the CNG Procurement Transformation Initiative, the state is in process of attaining the \$135M savings, but will need to continue to focus on the following to actively retain it or the savings will erode over time.

- Training and certifying statewide purchasing staff in strategic sourcing methodology
- Increasing the number of strategic sourcing events
- Moving low-value transactions from purchase orders to P-cards
- Process improvements
- Performance measurement
- Technology and data deficiencies

Lead Measures (Note: FY08 & FY09 numbers are goals)

1

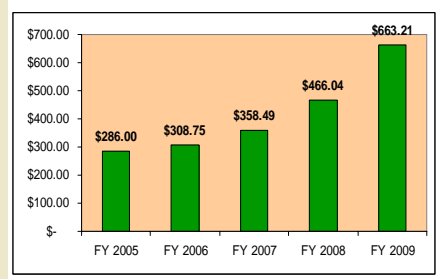
Increase Total Number of Statewide Contracts (SWCs) by 10% per Year*



* In addition to 10% growth, all existing SWCs will be reviewed for their value proposition in FY08 and measures will be adjusted accordingly

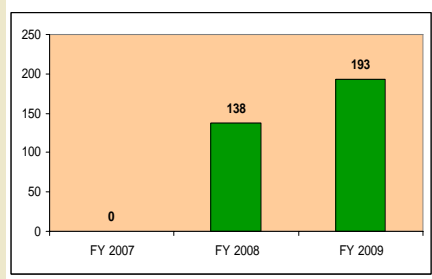
2

Increase Purchasing Card Transaction Volume by 85% (in millions)



3

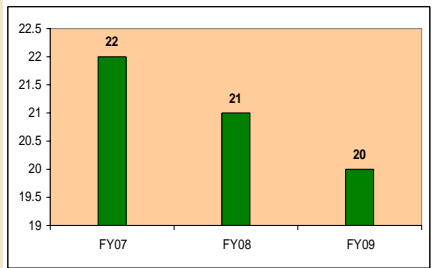
Increase CEU Eligible Certificates Issued to Procurement Staff Statewide to 35 %**



** Increase is based on 550+ agency/university buying staff statewide

4

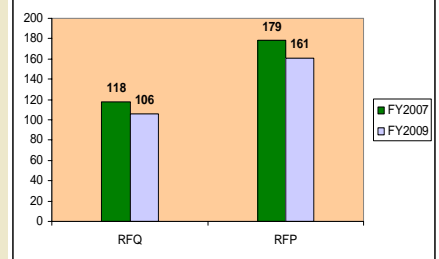
Reduce Cycle Time for Protests (# of days) by 10%



5

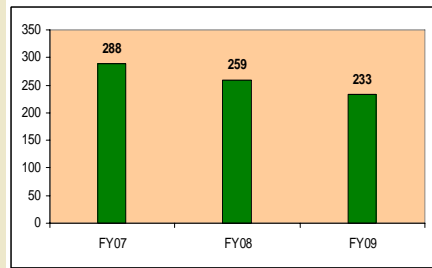
Reduce Average Cycle Time For RFXs (# of days) by 10%

Note: Baseline data obtained by random manual sample of PeopleSoft requisitions for top agencies.



6

Reduce # of Agency Requisitions Managed by SPD by 10%



Total Spend by Top Eight (8) Agencies and BOR – FY06

- DOT: \$1,426,102,528.39, 43%
- DOC: \$209,855,832.16, 6%
- DJJ: \$ 69,396,925.19, 2%
- DHR: \$434,914,102.65, 13%
- GTA: \$142,935,070.28, 4%
- DOE: \$ 57,556,262.43, 2%
- DCH: \$265,422,425.85, 8%
- DNR: \$ 74,902,128.82, 2%
- BOR: \$ 33,626,824.26, 1% (28 of the 36 colleges & universities submitted data)

GOAL: Attain \$135M savings in state spend by September 30, 2009

Strategies for Reduction in State Spend:

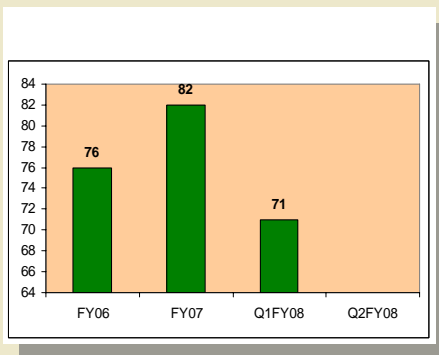
- Continue statewide procurement transformation focusing on cost reduction/avoidance and improved service delivery
- Continue recruiting highly skilled, motivated procurement professionals to fill new DOAS State Purchasing Division (SPD) positions. SPD staff will obtain 100% certification by December 31, 2010.
- Train, upgrade skill level, and certify procurement staff statewide in procurement best-practices
- Increase collaboration with agencies, resulting in successful strategic sourcing events and improved customer service
- Conduct process improvement events to educate agencies on non-compliant procurements as part of a comprehensive performance improvement/risk mitigation program
- Channel more low-value purchases through purchasing cards, lowering the administrative costs of processing these transactions. Market data shows that using a P-card as opposed to a PO for low value transactions nets a savings of approximately \$65 per transaction.
- Implement an e-procurement system that puts best-practice tools in the hands of procurement professionals statewide and provides a platform for improved data and increased efficiencies statewide
- Reduce number of protests to reduce overall cycle time on RFXs
- Reduce low dollar requisitions managed by SPD by raising agency/university delegated purchasing authority, allowing SPD to focus on more strategic, higher dollar value, and complex procurements.

Quarterly Updates

Lead Measures

1

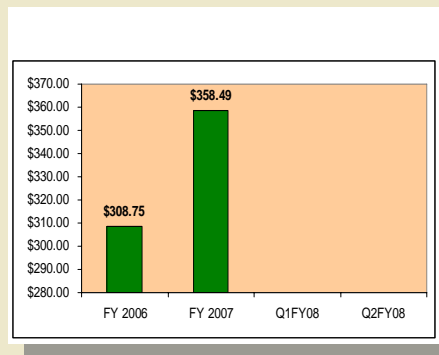
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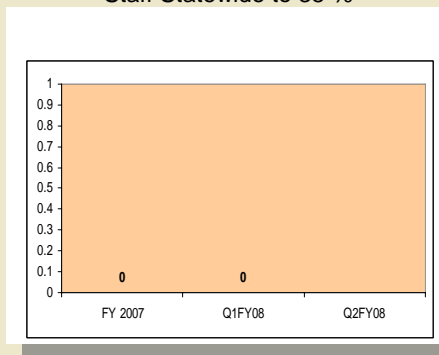
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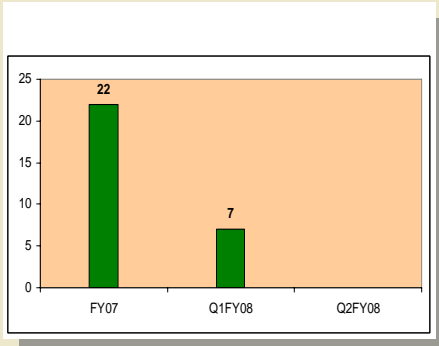
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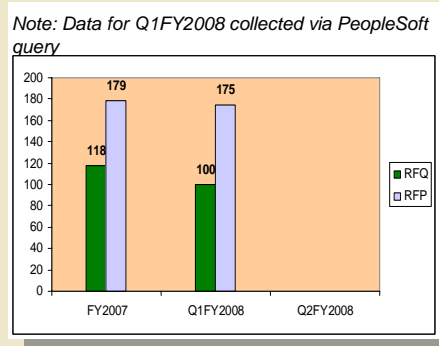
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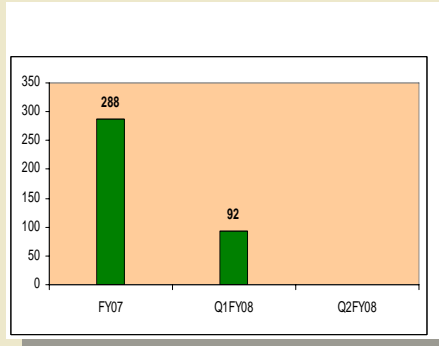
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CNG PROJECT SUMMARY

PROCUREMENT TRANSFORMATION INITIATIVE

(7/31/07)

- ✓ Lack of a compelling mission and strategy for its procurement function, as well as a clear sense of value it should deliver through on-going cost reduction and improved service delivery
- ✓ Definition of procurement roles, how the organization is structured, and insufficient staffing levels significantly hamper the State's procurement performance; gaps in skills, training and incentives among state procurement team members limits their ability to achieve their mission
- ✓ Rigid procurement processes often disadvantage the State during negotiations
- ✓ Significantly underdeveloped performance management practices at the vendor, category, agency, and individual employee level
- ✓ Lack of good procurement data that is well structured, clean, complete, synthesized, and accessible; transactional procurement systems are fragmented and cumbersome; best-practice procurement tools are missing

The problem?

- ✓ Launch a procurement transformation program
- ✓ Establish a center-led procurement organization
- ✓ Upgrade core procurement processes
- ✓ Strengthen procurement skills and use of procurement tools
- ✓ Increase staff capacity and competencies
- ✓ Implement comprehensive performance improvement/risk mitigation program
- ✓ Address technology deficiencies
- ✓ Undertake necessary legislative changes

Our response?

| | AFY05 | FY06 | FY07 | FY08 | Total Investment: |
|--------------------|--------|---------|---------|---------|-------------------|
| New Appropriations | \$3.5M | \$13.1M | \$ 2.0M | \$ 1.0M | \$41.3M |
| Other Sources | \$ | \$ 2.5M | \$ | \$ | |
| Existing Resources | \$3.3M | \$ 3.4M | \$ 5.9M | \$ 6.6M | |
| Total Investment | \$6.8M | \$25.8M | \$33.7M | \$41.3M | |

Note: As of year end FY07, a cumulative P-card rebate of \$5.9M has been reserved for this initiative

Our investment?

- ✓ Contract with A.T. Kearney
- ✓ Supplier Relationship Management (SRM) solution (six PeopleSoft 9.0 modules)
- ✓ Enterprise Performance Management (EPM) data warehouse solution and business intelligence software
- ✓ PeopleSoft 8.8 to 9.0 upgrade
- ✓ Contract with (SRM) implementation vendor
- ✓ Contract with Independent Verification & Validation (IV&V) services vendor
- ✓ Staffing – development of commodity teams and Knowledge Center team to support best practices

What we bought?

- ✓ Completed spend analyses
- ✓ Conducted strategic sourcing efforts with agency/university participation
- ✓ Changed statutory policy for awarding purchasing contracts (HB312)
- ✓ Redesigned DOAS State Purchasing Division (SPD) and filled key staff positions
- ✓ Awarded contracts for SRM implementation and IV&V
- ✓ Implemented Phase I enhancements to electronic quoting tool (eQuote) thereby alleviating manual processing by SPD and agency/university staff
- ✓ Hired Chief Learning Officer and began new training efforts
- ✓ Began to implement procurement best practices process changes
- ✓ Implemented performance metrics and executive dashboard

What we did?

- ✓ Completed 12 strategically sourced statewide contracts resulting in over \$31M in validated annual savings with ROI at breakeven
- ✓ Trained 130+ statewide procurement staff in use of eQuote tool
- ✓ Increased utilization of e-Quote tool by 146% over four months (March –June 2007)
- ✓ Conducted 74 educational webinars on various procurement topics in FY07

What we accomplished?

- ✓ Began to realize savings
- ✓ Risk mitigation
- ✓ Customer satisfaction
- ✓ Vendor relations

What we impacted?