

**Procurement Business Case**

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Contents

[Summary 3](#_Toc468129752)

[Purpose and Background 3](#_Toc468129753)

[Purpose 3](#_Toc468129754)

[Background 3](#_Toc468129755)

[Secretary of State Legacy Procurement System 4](#_Toc468129756)

[Problem or Opportunity Definition 6](#_Toc468129757)

[Alternative Analysis 6](#_Toc468129758)

[Overview 6](#_Toc468129759)

[Alternatives 7](#_Toc468129760)

[Alternative: Business as usual 7](#_Toc468129761)

[Assumptions 7](#_Toc468129762)

[Risks 7](#_Toc468129763)

[Cost 8](#_Toc468129764)

[Alternative: Software as a Service new Solution 8](#_Toc468129765)

[Assumptions 8](#_Toc468129766)

[Risks 9](#_Toc468129767)

[Cost 9](#_Toc468129768)

[Benefits Analysis 9](#_Toc468129769)

[Conclusions and Recommendations 10](#_Toc468129770)

[Conclusions 10](#_Toc468129771)

[Recommendations 10](#_Toc468129772)

[Appendix - Procurement Project Cost Worksheet 11](#_Toc468129773)

[Project cost to be paid to vendor from acquisition of new solution, configuration and go live 11](#_Toc468129774)

[Assumptions 11](#_Toc468129775)

[Hours allocated by Secretary of State Staff for this Project and Cost 11](#_Toc468129776)

[Assumptions 11](#_Toc468129777)

# Summary

This document contains the business case for obtaining and implementing an end-to-end e-procurement solution. This effort has become known as the OregonBuys Project. The other agencies involved in this shared collaborative service solution include the Department of Forestry, Department of Human Services/Oregon Health Authority, Department of Education, Department of Administrative Services, Consumer and Business Services, Judicial Department, Department of Revenue, and Department of Fish and Wildlife. In November 2015, these agencies set out to define common requirements with the understanding that business processes would change to align better with best practices in procurement, rather than automating current inefficient manual and paper processes.

A complete end-to-end e-procurement system used by all Oregon state agencies could avoid duplicative efforts; save time and money; pool and share resources to help ensure agencies big and small have access to the resources they need to find the right solution; provide for a solution that incorporates the most current technology and industry best practices not otherwise achievable by agencies individually; increase agencies’ buying power, reducing up-front and ongoing costs per agency; create uniformity and standardization across agencies, not just within agencies, for users, vendors and data entry, which can be used for making strategic decisions about procurement; provide standardized and ad-hoc reporting capability; and lay the foundation for an enterprise-wide system that could lead to even greater efficiencies by ensuring a flexible solution that meets a wide range of agency requirements and integration needs.

# Purpose and Background

## Purpose

This business case is to propose the procurement and implementation of an integrated end-to-end e-procurement system that will interface with common systems used by the Secretary of State’s office. This effort has become known as the SoSBuys Project.

SoS uses detached IT tools and manual paper-driven processes for tracking purchasing and contract activity in the agency. The current process is antiquated, inefficient and labor intensive.

Due to decentralized approach, Oregon agencies including SoS have been left with trying to improve their procurement processes/systems in silos. The lack of enterprise-wide coordination among agencies limits solution options; leads to duplication of effort and resources; and creates inconsistent procurement processes that are confusing to vendors and contractors wanting to do business with state agencies.

This system will allow SoS to incorporate and embrace industry best practices into daily procurement functions, as well as have the proper controls in place to help manage the risks associated with a true end-to-end procurement system. An integration with the existing statewide accounts payable system would also streamline the payment process and ensure an error-free transaction, resulting in faster payment to the vendor.

## Background

In the 2009-11 biennium, the Secretary of State’s office prepared a Policy Option Package (POP #176) for $200,000 that would move procurement processes to an automated procurement system by contracting for enhancements to DAS’s Oregon Procurement Information Network (ORPIN) to add functionality to meet the needs of the Secretary of State. This POP was withdrawn to meet a reduction target for the agency.

During the 2013-15 biennium, DAS stated it would be rolling out a new system, ORPIN 2.0, to replace the current system, which would offer enhanced procurement features along with integrated settlement processes. This project was canceled due to functionality “show-stoppers” that could not be overcome.

Over the past 10 years, three studies have been conducted by independent contractors (Public Knowledge, Hackett Group and Ikaso) identifying the need for an e-procurement solution for Oregon state agency procurement. Along with this, many agencies have had audit findings detailing deficiencies in their current systems. As a result of these studies and the costly workarounds in current processes, the Secretary of State made the decision to start researching automated end-to-end e-procurement solutions, and work toward submitting a package in a future budget request for funding and approval of an e-procurement solution. SoS learned the Department of Forestry and the Department of Education were also in the process of pursuing an e-procurement solution. The Secretary of State, Department of Forestry and Department of Education began collaborating to form a vision of a joint effort to develop the requirements and a request for proposal (RFP) that could meet public contracting requirements. A project management advisory team was formed between the three agencies, which included a project manager, a consultant, and a representative from DAS. Other agencies learned about this and wanted to join the effort. The result was nine agencies coming together to pool resources, knowledge and expertise, with the expected outcome of a solution that would work for any state agency in Oregon. An interagency agreement was executed and signed by the nine participants. The IAA established roles, responsibilities and payment obligations. A project charter was established, creating the following committees: Executive Sponsor Committee; Steering Committee; and various subcommittees as needed as the project moved forward. Each participating agency contributed funds from existing budgets to fund this project. The Secretary of State’s office share of the project costs for OregonBuys was $14,998.50. Since the Department of Forestry is the first agency to receive approval and funding from the Legislature, the funds for OregonBuys are managed by the Department of Forestry.

The Department of Forestry submitted a package, requesting approval and funding of an end-to-end e-procurement solution, to the 2015 Legislature. Forestry was directed to do additional groundwork – including assignment of a project manager and development of a detailed business case and foundational project management documents – and return to the 2016 legislative session to request approval and funding of the package. Forestry was also directed to acquire the services of a quality management services contractor to conduct an initial risk assessment and quality control review of the business case and foundational project management documents. Forestry’s package was approved and funded by the 2016 Legislature. The Department of Forestry plans to implement Phase 1 of the selected end-to-end e-procurement solution in the 2017-19 biennium.

The Secretary of State’s office submitted a policy option package in its 2017-19 agency request budget for funding to implement the selected e-procurement solution. The Legislature approved funding of $90,000. With guidance from the Department of Forestry, using their “lessons learned” from their implementation the Secretary of State’s office will craft a plan, aka SoSBuys, to commence implementing the OregonBuys solution.

## Secretary of State Legacy Procurement System

This system description lists the partially manual and partially automated IT tools used by the Secretary of State’s office.

* Intranet
	+ Purchase Request document template in Microsoft Word format is stored on the agency intranet.
		- This document is downloaded by the end-user to enter purchase request information.
* Email
	+ Email is used to submit the completed Purchase Request.
	+ Email is used to communicate to requestor approval/rejection of Purchase Request.
	+ Email is used to submit approved request for processing.
	+ Email is used to communicate Purchase Request information, RFQ, RFI, RFP, ITB and solicitation evaluation documents.
	+ Email is used to send work-in-progress purchase documents.
* Novell network folders
	+ Novell network folders are used to store templates.
	+ Novell network folders are used to store all work in progress documents pertaining to the purchase of goods or services.
	+ If protest is received, it is stored in a Novell network folder with work-in-progress documents.
	+ ProPay log
		- ProPay log includes:
			* Date purchase request is received
			* Buyer assigned to transaction
			* Division request originated from
			* Type of request (that is, RFP, RFQ, contract, invoice, VISA, purchase order miscellaneous, travel, etc.)
			* Number assigned to good/service (that is, invoice number, PO number, order number, etc.)
			* Processed/completed date
			* Processing duration in days
			* Description of good/service
			* Vendor name
			* Date purchased item received and name of receiver
			* Accuracy
			* Savings
			* Any comments about transaction
* ORPIN
	+ Used to advertise procurement opportunities.
	+ Also used to post addenda and question and answers for solicitations and amendments for contracts.
	+ Utilized for publishing time and closing time of a solicitation. There is no reminder from ORPIN for solicitation closing.
	+ Used to post completed procurement documents such as contract award.
	+ Based on expiration date manually entered into ORPIN, notifications are sent via email that the expiration date of contract and insurance certifications is pending; could be 60, 90, 120 days out.
* TRIM

TRIM is a storage and records retention repository used to house electronic documents for their lifespan. After a contract is awarded, all pertinent documents, correspondence and payment information is stored in TRIM.

* + - The workflows that are processed through TRIM are:
			* Contract invoice process
			* PO invoice process – one-time only
			* Encumbrance request process
* RSTARS
	+ Encumbrance is set up for contracts or PO.
		- Payments can be made through RSTARS to reduce encumbrance amount.
* ADPICS
	+ Used to process purchase orders and change orders.
	+ Could be used to receive goods or services made on a purchase order.
	+ PO receiving information is entered into ADPICS.
* MANUAL PURCHASE ORDERS
* There are occasions where a manual purchase order is created based on a specific circumstance.
* Paper document storage
	+ Accounting filing cabinets are used to store SPOTS card packets.
	+ Active contracts are stored in binders and moved into TRIM.

The Secretary of State’s office legacy procurement system is built using the above fragmented IT tools and manual processes. Because of this, challenges include:

* The procurement process from requisition to contract award to receipt of goods/services to payment is accomplished manually.
* Large amounts of data needs to be entered multiple times.
* Unable to accommodate the internal controls necessary to achieve a safe level of risk in procurements.
* Procurement-related workload and the complexity of that work has increased.
* Changes and additions to the Oregon Revised Statutes related to procurement are usually addressed through manual workarounds.
* Unable to strategically plan procurements on an agency level, which generates audit and cost containment concerns.

# Problem or Opportunity Definition

Secretary of State business processes related to procurement are steeped in manual and traditional methods that are inefficient and redundant when considering current operational requirements and priorities. Some of the risks associated with workarounds and manual processes include possible contract overpayments and expiration of the various insurance certificates and performance bonds which mitigate the agency’s exposure to risk.

Currently, there is no single enterprise solution that meets the business needs of Oregon state agencies for providing end-to-end procurement services. As a result, SoS, along with other Oregon agencies, continue to rely on antiquated manual processes, which require costly workarounds that are an inefficient use of staff time, are difficult to measure and report on, use a mix of technologies to track the status of purchase requests from low value to highly complex and high-value contracts, is confusing and inconsistent for users and vendors, and impossible to integrate with other systems. These manual processes make data collection time consuming, inaccurate at times, and difficult to create useful reports for spend analysis. Multiple data entry points into the fragmented IT tools and traditional processes noted above is both a duplication of effort, which is time consuming and inefficient, and creates the increased risk of data entry error due to having to enter the same information multiple times or overlooking a data point entirely.

The need for transparency and reporting to legislative and other rule-making bodies has increased over the past few years. SoS has not been able to completely meet these requirements in a cost-effective, efficient manner due to the archaic processes.

Vendors have the ability to email electronic invoices to SoS procurement staff. However, the process from invoice submittal to actual payment is fragmented due to the lack of an automated purchasing system.

# Alternative Analysis

## Overview

This investment will overhaul how the Secretary of State processes and manages contracts and procurements and makes payments to vendors who have supplied goods and services via Periscope’s eProcurement solution that was selected and awarded the contract. It will allow personnel to enter and view procurements from requisition to payment. It will interface with the current statewide systems: ORPIN, COBID and SFMA. It will allow reporting throughout the entire procurement process. It will have the proper controls in place to ensure effective and efficient procurement activities, as well as reliability for financial reporting and compliance with applicable laws and regulations.

## Alternatives

There are two alternatives lined out in this business case:

1. Business as usual – continuing with legacy procurement processes.
2. A new “software as a service” solution.

# Alternative: Business as usual

In this case, the Secretary of State’s office would continue operating at a business-as-usual capacity. No procurement processes would be changed.

## Assumptions

The following assumptions have been made in conjunction with this alternative. Each assumption has been assigned a high, medium or low sensitivity factor, which indicates the probability to which the assumption would cause procurement processes to fail or incur delays if the assumption turned out not to be true.

|  |  |
| --- | --- |
| **Assumption** | **Sensitivity Factor** |
|  **High** **Medium Low** |
| From request to procurement, controls are in place to ensure proper reviews, and approvals are obtained. | ✓ |  |  |
| SoS will be able to operate at the same capacity used for estimating the “business as usual” case model if subject to budget reductions. | ✓ |  |  |
| Purchasing staff turnover resulting in a loss of “institutional knowledge” that could cause potential gaps in the manual processes.  | ✓ |  |  |
| SoS will need to respond to information requests quicker and with greater level of detail in the future without the ability to add additional capacity. |  | ✓ |  |
| It is not an efficient use of staff time entering data in multiple data entry points.  | ✓ |  |  |

## Risks

The following is a list of the risks that may be encountered, as well as their relative probability, and perceived impact on a high-medium-low rating schema.

|  |  |  |
| --- | --- | --- |
| **Risk Description** | **Probability** | **Impact** |
| Ongoing manual workarounds that have the potential to increase the risk of error. | High | High |
| Continuation of inefficient business processes and data duplication. | High | High |
| Business analysis and reporting capabilities remain difficult and time consuming. | High | High |
| Reduced staff productivity. | High | High |

## Cost

The costs of maintaining the “business as usual” model is the continued cost of the workarounds and controls that have been put in place that increase the workload and decrease the effectiveness and efficiency of the purchasing staff.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2017-19 biennium** | **Project and Implementation** | **Operations, Maintenance and Ongoing Support** | **Total** | **Percent of Total Costs** |
| Secretary of State staff salaries and benefits | $0 | $1,030,477.00 | $1,030,477.00 | 99.08% |
| DAS Procurement Services (includes ORPIN) | $0 | $9520.00 | $9520.00 | 0.92% |
| **Total** | $0 | $1,039,997.00 | $1,039,997.00 |  |

# Alternative: New software as a service solution

In this case, Secretary of State will purchase a software license subscription that will be centrally hosted by the selected vendor (Periscope). This will be the same end-to-end e-procurement system used by the eight other state agencies.

## Assumptions

The following assumptions have been made in conjunction with this software as a service alternative. Each has been assigned a high, medium, or low sensitivity factor which indicates the probability to which the assumption would cause the project to fail, or incur delays, if the assumption turned out not to be true.

|  |  |
| --- | --- |
| **Assumption** | **Sensitivity Factor** |
|  **High** **Medium Low** |
| SoS will need to respond to information requests quicker, and with greater level of detail, in the future. |  |  | ✓ |
| SoS does not have the in-house expertise and time to develop a new system with existing staff. |  |  | ✓ |
| Changes to current business process will be evident from the requirements of the solution chosen. | ✓ |  |  |
| Some systems and data may not be able to interface seamlessly or automatically without human intervention. |  | ✓ |  |
| Administrative overhead for maintaining a new system will be reduced for program staff. | ✓ |  |  |
| Vendor may not be able to meet all project needs. |  | ✓ |  |
| Vendor resources may change. |  | ✓ |  |
| Executive sponsorship is needed for successful completion. | ✓ |  |  |

## Risks

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| --- | --- | --- |
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| Ongoing manual workarounds that have the potential to increase the risk of error. | High | High |
| Continuation of inefficient business processes and data duplication. | High | High |
| Business analysis and reporting capabilities remain difficult and time consuming. | High | High |
| Reduced staff productivity. | High | High |

## Cost

The cost of the project, purchase, implementation and ongoing operations, maintenance and support of the new solution from October 2016 to June 2019:

|  |  |  |
| --- | --- | --- |
| **Cost Description** | **Cost** | **Percent** |
| Project cost to be paid to vendor from acquisition of new solution, configuration and go live | $35,000 | 9.8% |
| License cost for 20 users in 2017-19 bienniumSupport cost for new solution after go live for 2017-2019 biennium. (This depends on service level agreement and selection of a support like Gold, Silver and Bronze support levels from Vendor) | $10,000 | 2.8% |
| Project cost for Secretary of State staff time during this project | $289,000 | 80.9% |
| Quality assurance (7% of project cost. When this table is near complete, calculate this and add it.) | $23,380 | 6.5% |
| DAS Procurement Services  | N/A |  |
| SFMA – RSTARS/ADPICS | N/A |  |
| Trim | N/A |  |
| ORPIN | N/A |  |
| Total | $357,380 | 100% |

# Benefits Analysis

The following table depicts the overall business benefits of the business as usual alternative and proposed investment. The following business benefits are rated on a “high, medium or low” value scale.

|  |
| --- |
| **Business Benefits** |
| **Benefit Description** | **Business as usual** | **SAAS Solution** |
| Supports critical information requirements | Low | High |
| Improves access to information | Low | High |
| Reduces risk and exposure to the Secretary of State | Low | High |
| Supports internal controls | Low | High |
| Achieves policy objectives | Medium | High |
| Supports Legislative or regulatory compliance | Low | High |
| Accommodates customer needs | Low | High |
| Procurements processed faster | Low | High |
| Has significant public relations value | Low | High |
| Supplies information effectively | Low | High |
| Information requests processed fast. Enhanced customer satisfaction and improved public perception | Low | High |
| Improves efficiency | Low | High |
| Eliminates duplication and redundant data entry | N/A | High |
| Utilizes staff effectively | Low | High |
| Streamlines processes | N/A | High |
| Supports multiple function areas | Low | High |
| Provides standardized, well defined & accessible information | Medium | High |
| Guarantees accountability | Low | High |
| Considers future information needs & reporting requirements | Low | High |
| Technology allows for expandability and adaptability | Low | High |
| Supports shared services environment | Low | High |
| Provides new or improved service | N/A | High |
| Security compliance with DAS requirements and best practices | Low | High |

# Conclusions and Recommendations

## Conclusions

The true value associated with this project comes in the form of business benefits that are not easily quantifiable. Overall the OregonBuys Project is rooted in providing a modern, integrated information system that will provide a better customer experience and improve customer service and access to information. It will provide the Secretary of State’s office with an integrated procurement and payment system which will allow all data and processes to be housed in one system, making the process more streamlined and accurate. It will also benefit SoS by providing the agency with a system that minimizes data redundancy, has better reporting capabilities, reduces the risk of data entry errors, and provides for an enhanced vendor experience.

## Recommendations

The Secretary of State’s office recommends implementing the proposed investment, which documents, optimizes and re-engineers current business practices, and ultimately implements a technical solution for capturing, storing, tracking and reporting information related to the procurement of and payment for agency goods and services.

# Appendix - Procurement Project Cost Worksheet

## Project cost to be paid to vendor from acquisition of new solution, configuration and go live

|  |  |
| --- | --- |
| **Software** | **Biennium 2017-2019** |
| Software Acquisition (is there a onetime upfront acquisition cost other than the ones listed below? Like cost to be paid to DOJ for their hours in legal review? Or Cost for Vendor to do an estimation for items below? If not, mark this as zero or delete this row.) | $35,000 |
| Cost of Staging Environment configuration for Secretary of State by Vendor at Vendor SaaS Solution | Included  |
| Change Management Cost: Vendor | N/A |
| Cost of Data Conversion / migration in Staging Environment by Vendor | N/A |
| Training by Vendor | Included |
| Cost of Production Environment configuration for Secretary of State by Vendor at Vendor SaaS Solution | Included |
| Cost of Data Migration in Production Environment by Vendor | N/A |
| API dev for DAS systems: Vendor (This cost is zero for Secretary of State. It is expected to be developed by Vendor as part of OregonBuys project) | $0.00 |
| Licensing cost for two years (Per year, per user cost \* 20 users \* 2 years)Support cost for new solution after go live for 2017-2019 biennium. (This depends on service level agreement and selection of a support like Gold, Silver and Bronze support levels from Vendor) | $10,000 |
|  |  |
| **Total** | $45,000 |

## Assumptions

|  |
| --- |
| * This is software as a solution. There is no hardware cost.
* Licensing is for 20 users.
* There will be ongoing costs for licensing in the SAAS model. Future costs are not calculated here. This is the cost of implementation plus the first two years of licensing costs.
 |

## Hours allocated by Secretary of State Staff for this Project and Cost

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Staffing** | **Hours FY 2016****Oct16-Dec16** | **Hours FY 2017****Jan17-Dec17** | **Hours FY 2018****Jan18-Jun18** | **Hours** **Total** | **Cost $****Hours\*$100** |
| Application Administrator, BSD. Jennifer Friesen. (10 hours per week).  | 120 | 520 | 260 | 900 | $90,000 |
| Procurement Subject Matter Expert, BSD. Linda Lichty. (5 hours per week). | 60 | 260 | 130 | 450 | $45,000 |
| Procurement Subject Matter Expert, BSD. Sarah Roth. (5 hours per week). | 60 | 260 | 130 | 450 | $45,000 |
| Project Sponsor (2 hours per week). | 24 | 104 | 52 | 180 | $18,000 |
| Accountant, BSD. (2 hours per week). | 24 | 104 | 52 | 180 | $18,000 |
| Project Manager. (5 hours per week). | 60 | 260 | 130 | 450 | $45,000 |
| User Representative from Secretary of State. (2 hours per week). | 24 | 104 | 52 | 180 | $18,000 |
| Knowledge Transfer and Training for 20 users including directors (5 hours per user as an average) | 0 | 0 | 100 | 100 | $10,000 |
| **Total** | 372 | 1612 | 906 | 2890 | $289,000 |

## Assumptions

|  |
| --- |
| * Assumption is staff time will be available to this project as planned. But project time allocation may vary if agency priorities change and other emergencies cause staff time to be reassigned.
 |