

Enhance State IT Contract Expertise



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March 2015

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1. Legislative Request

INFORMATION TECHNOLOGY CONTRACTS

"SECTION 7.7.(g) Enhance State IT Contract Expertise. – The State Chief Information Officer (State CIO), the Office of State Human Resources, the Department of Computer Science at North Carolina State University, the Schools of Government and Law at the University of North Carolina at Chapel Hill, and in the discretion of the State CIO, schools and departments at other public and private institutions of higher learning in the State, shall work jointly to create a career path for State government information technology contracting professionals that includes defined qualifications, career progression, training opportunities, and appropriate compensation. By December 1, 2014, the State CIO shall submit a detailed, fully implementable plan to create the career path for State government information technology contracting professionals to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

2. Introduction

The General Assembly has emphasized the importance of the procurement function to make procurement and implementation of technology more responsive, efficient, and cost-effective. The Office of Information Technology Services (OITS) recognizes the importance of effective procurement practices, including training and development of IT procurement professionals. This report will discuss skills, training and other considerations across three areas of the procurement practice:

- 1) OITS IT procurement professionals
- 2) Government agency procurement professionals, and
- 3) Moving from a transactional model to a strategic model for IT sourcing

3. OITS IT Procurement Professionals

In 2014, OITS assessed the skills and functions of the Statewide IT Procurement Office. Based on the findings from this assessment OITS took actions to address identified gaps in skills, functions and structure.

The Statewide IT Procurement Office, through collaboration with and support from the Department of Administration (DOA), implemented a training curriculum through the National Institute for Government Purchasing (NIGP). NIGP provides a certification pathway for procurement professionals and is recognized as the premier organization supporting career development in public procurement. The curriculum was established and offered over the last six months of 2014, with a focus on establishing a baseline competency and body of knowledge. The courses focused on training, process improvement and enforcement of processes through monitoring and review. Statewide IT Procurement employees attended 14 days of training, which included the following courses:

- Developing and Managing RFPs in the Public Sector
- Legal Aspects of Public Procurement
- Sourcing in the Public Sector
- Contract Administration
- Negotiation Strategies

The next phase of activities will identify the gaps between the NIGP training and current North Carolina IT procurement practices. OITS will work with the University of North Carolina system and other third party vendors to augment the NIGP training and enhance existing training offered through the Statewide IT Procurement Office based on the gaps identified. The State will develop a customized curriculum to be delivered through multiple training modalities leveraging the enterprise learning management system.

OITS identified the skills necessary to support a modern IT procurement office and leveraged the Reorganization Through Reduction (RTR) program to pursue skills currently unavailable in the department. The use of this program allowed for repurposing of existing positions to focus on skills required to make procurement and implementation of technology more responsive, efficient, and cost-effective. How these positions will be used is discussed further in Section 5. To sustain a procurement practice that employs professionals with the skills and training required for effective operations, OITS is working with the Office of State Human Resources (OSHR) to ensure that skills and training for modern procurement professionals are included in the updated job classification system that will be deployed in 2015. Once this occurs, the SCIO will be able to ensure that accurate staff competencies and career development plans are developed reflecting the progression of procurement professionals and matched to the IT procurement needs of the state.

4. Government Agency Procurement Professionals

OITS maintains a centralized function for IT procurement oversight across the state, however; each agency independently manages its own IT procurements. Agencies do not often have sufficient IT procurement volume to warrant full-time IT procurement staff. As a result, staff are typically not well versed in the nuances of IT procurement.

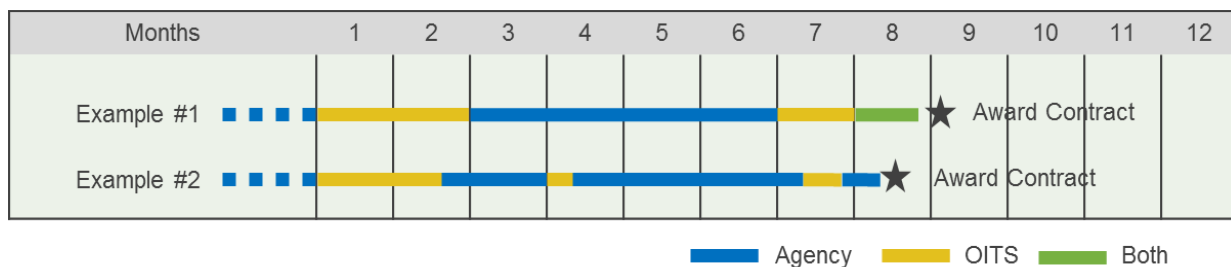
OITS provides training to the agencies on developing IT solicitations and contracts, but it is not a prerequisite to manage IT procurements or contracts. In many cases, IT procurements account for a small portion of the procurements handled by agency staff, and providing IT-specific training for numerous agency staff with limited opportunity to hone these skills would not provide the best return on investment for the State. Larger agencies often have staff who handle the bulk of IT procurements. Statewide IT Procurement staff correspond regularly with these agency employees, but there is no way to formally enforce training for IT procurements that begin in the agencies outside of the current oversight function.

OITS will address these issues in two ways. First, through IT Restructuring, the professionals who handle IT Procurements regularly will be identified and moved to the State's new IT department. Second, Statewide IT Procurement will transition from transactional oversight to unified and strategic involvement, the details of which are outlined in section 5.

5. Moving from Transactional Procurement to Strategic Sourcing

The current operating model creates challenges in implementing a strategic sourcing function built to derive the best value for the State.

Under the current model, procurement staff within the agencies gather requirements and necessary documents to support an IT procurement. Once complete, the documents that represent a procurement request are transferred to the Statewide IT Procurement Office for review, audit, correction, and approval of the procurement package. Any questions or clarifications are then passed back to the agency to resolve. This process of transferring the request back and forth between the agency and OITS can take months, not including the time spent at the agencies prior to submission to OITS. The following illustration shows two recent procurement activities between the agencies and the Statewide IT Procurement Office.



In addition to the timing implications, the fact that OITS review is the last step in the procurement chain (revisions and clarifications with the agency notwithstanding) causes a number of issues:

- OITS staff are positioned to handle individual procurements as transactions because the sourcing process is not aligned with strategic planning across the agencies and statewide
- When the Statewide IT Procurement Office identifies an opportunity to reduce duplication, the agency procurement is typically too far along to combine with other initiatives without significant difficulty
- Contracts reside with individual agencies when they could potentially be managed more effectively statewide to gain efficiencies and economies of scale
- Procurement documents are often produced by business staff and non-IT-procurement staff and require multiple instances of rework once they are sent to OITS
- Agencies are not incented to work together on IT solutions and procurements
- Agencies can effectively make procurements that exceed the \$25,000 threshold that requires oversight by making multiple purchases in smaller increments that are processed under the transaction limit.

In addition to the emphasis on staff training, OITS will be focusing on other improvement areas including:

Process Improvement. OITS is currently assessing funding availability to conduct a comprehensive assessment to clearly define opportunities to improve the IT procurement process, policies, paperwork, and templates. This will include tight and visible tracking of procurements through the process, updated

templates and policies, ensuring relevant material is available online and by request, reducing duplication and errors, and identifying areas of inconsistency.

Update Procurement Model. Along with the IT Restructuring initiative, OITS is reviewing the feasibility of implementing a procurement model similar to the federal government model. In the federal model, there is a training and job classification process to ensure varied levels of competency with regard to government procurements. In the federal process business owners and stakeholders provide the vision, business and technical requirements, and deliverables to the procurement professionals, who then work with the business to find the right procurement vehicle and produce the appropriate documents for business review. This is the reverse of the State model, where agency procurement staff are provided a template and expected to complete documents such as Requests for Proposals, for which they have had no training. This represents a significant change from the current procurement model that would improve consistency, reduce time associated with passing documents between organizations, and allow procurement professionals to have a clear career path.

Strategic Sourcing Initiative. OITS has teamed with DOA as part of DOA's Procurement Transformation initiative, specifically in the area of strategic sourcing. For example, OITS has been working with the procurement transformation vendor to strategically source IT supplemental staffing. This effort will be complete by the end of the current fiscal year and will result in cost savings through a streamlined and simplified process to manage these activities. In addition to the supplemental staffing work, the vendor is providing knowledge transfer to train the OITS staff on strategic sourcing processes and best practices so this methodology can be applied to other sourcing areas.

Improve vendor management capabilities. OITS has begun establishing vendor management capabilities focused on vendor interaction and relationship management, along with enterprise account management. OITS will align vendor efforts with current services, ongoing initiatives, and future plans. Part of the vendor management discipline will include the management of vendor portfolios to create synergies among the vendor communities and to recommend portfolio and process improvements.

Statewide IT Procurement Staff additions and training. The Statewide IT Procurement Office does not currently have the staffing capacity to perform all standard functions as well as the change management functions required to improve processes, agency audits, strategic sourcing, identify areas of duplication, manage contracts, and create procurement documents. As part of the restructuring effort, OITS will evaluate current capacity and capabilities and develop a plan to fill identified gaps.

Contract Consolidation. OITS has conducted a contract assessment to determine possible areas of consolidation. Duplicative contracts are being renegotiated and consolidated into a single enterprise contract where possible. In addition to the consolidation of individual contracts, OITS is working to adjust the contract renewal schedule for those contracts that are not consolidated, to better enable long-term contract management and planning. With this change in governance, the SCIO is working to establish enterprise contracts that meet the needs of the business and leverage the State's buying power.

Performance-Based Contracting. The State currently operates a traditional procurement process for IT projects, with RFPs and contracts focused on milestone completion and project deliverables, rather than long-term operational performance of the application, system, or service. To address this, OITS will establish a new set of contract standards based on performance indicators. Performance indicators

included in contracts will be specific, measurable, achievable, realistic, and time-bound. With performance-based contracting, contractual payments may no longer be tied to the completion of milestones or project deliverables, but instead to performance against the metrics laid out in the contract. Concurrent with the implementation of performance-based contracts, OITS will work to make traditional methods of IT procurement more agile, in order to facilitate initiatives like external hosting services.

Procurement Tools. There is no common contract repository statewide. IT contracts are currently managed in a desktop-grade, internally-developed database. This tool does not provide any capability around tracking, identifying overlaps, identifying vendor solutions, managing renewal of contracts, etc. The Statewide IT Procurement Office is currently working with DOA to procure an electronic bidding solution as well as contract management software.

6. Summary

Adoption of the recommended unified model for IT will provide a significant step toward transitioning the State's procurement function from a transaction-focused model to a Strategic Sourcing Office; however, many initiatives are already underway to improve education, training, processes, and career opportunities for IT procurement. These improvements will increase agency and stakeholder satisfaction. A tightly coupled procurement, project management and requirements team will assist North Carolina in delivering an effective and efficient procurement and sourcing function. OITS will continue to seek opportunities to train procurement professionals in the Statewide IT Procurement Office and in the agencies. Additionally, OITS will seek opportunities to make the procurement and implementation of technology more responsive, efficient, and cost-effective.