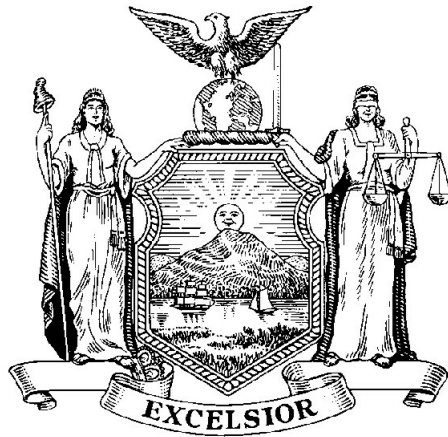


NEW YORK STATE PROCUREMENT COUNCIL

STRATEGIC PLAN



GEORGE E. PATAKI
GOVERNOR

June 2002

NEW YORK STATE PROCUREMENT COUNCIL

(Membership as of June 2002)

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KENNETH J. RINGLER, JR.
COMMISSIONER

Dear Colleagues:

As Chair of the New York State Procurement Council, I am pleased to present the Council's Strategic Plan for the improvement of State procurement. Consistent with its responsibilities set forth in New York State Finance Law Section 161.2, the Council selected as its primary focus for calendar year 2002, the "identification of issues and improvement opportunities in the State's procurement process." I would like to congratulate the Council members on their vision and diligence in preparing this Strategic Plan.

During the plan's development, the Council sought input from Senate and Assembly committees, State and local government agencies, and the business community. I believe that implementation of this plan will create a more responsive, streamlined, and innovative procurement process that will better serve all New Yorkers.

I invite everyone involved in public procurement activities to join with the Procurement Council and my office in committing to help accomplish the objectives and strategies set forth in this document.

Sincerely,

A handwritten signature in black ink, reading "Kenneth J. Ringler, Jr." with a stylized flourish at the end.

Kenneth J. Ringler, Jr.

Strategic Plan Executive Summary

In December 2001, the New York State Procurement Council undertook an assessment of Council responsibilities under Section 161 of the State Finance Law in order to identify the most significant opportunities to contribute to the enhancement of State procurement over the next several years. As a result of that review, the Council determined that the primary focus of its activities in 2002 would be "the development of a strategic plan for the improvement of State procurement" (§161.2). Recognizing staffing and time constraints, the Council subsequently adopted an accelerated process and schedule for plan development. Key steps in this process included:

Identification of Issues and Opportunities for Change

Council members developed a list of issues and problems in the State's procurement processes. Additional input was provided by the NYS Forum for Information Resource Management (NYSFIRM) which was conducting a concurrent study on issues relating specifically to the procurement of technology.

Development of Objectives for Improvement

Through facilitated discussion, the Council developed a series of specific objectives to address one or more of the issues or problems previously identified. Throughout this process, Council members emphasized the need to obtain input on issues and problems from all stakeholders in the State procurement process. The initial list of objectives for improvement was subsequently provided to a broad range of organizations for comment, such as Senate and Assembly committees, the New York State Business Council,

Association of Towns, and other associations representing local government and educational entities.

Development of Recommendations

For selected procurement areas, the Council designated committees to research issues, identify best practices, and develop strategies and recommendations to meet defined objectives for Council review. The Council also used the results of NYSFIRM's ongoing review process in developing recommendations specific to the procurement of technology and related services.

Together, these objectives and strategies form the Procurement Council's Strategic Plan, as adopted at the Council's meeting in June 2002 and reflected within this document. In general, this strategic plan reflects the Council's view that significant improvements in procurement statutes, processes, technology and innovation can result in a more responsive and streamlined procurement system which will benefit taxpayers, State agencies, the business community, and contract users at all levels of government.

The core of the Strategic Plan are five priority objectives aimed at improving the State's procurement system. The balance of the plan includes several short- and long-term strategies aimed at implementing each of these objectives. This plan is not intended to be a static document; rather, it is intended to form the locus of the Procurement Council's activities over the next few years as the Council works to improve procurement within the public sector in New York State.

OBJECTIVES FOR IMPROVING STATE PROCUREMENT

- I.* Shorten the time from need identification to contract and delivery of actual product.
- II.* Progress the State's procurement process overall from a traditional paper-based system to a technology-driven system.
- III.* Improve the procurement system's responsiveness with respect to service contracting, especially technology contracting.
- IV.* Further enable the use of alternative procurement methods such as consortia, strategic partnerships and piggybacking.
- V.* Improve training and communication.
 - A. Better match procurement staff structures with complexities of procurement functions and tasks.
 - B. Increase the knowledge base of staff involved in procurement activities.
 - C. Facilitate interagency communication surrounding procurements and procurement methodologies.

OBJECTIVE I

Shorten the time from need identification to contract and delivery of actual product.

STRATEGY (1)

Raise monetary thresholds for discretionary purchasing.

Rationale: Discretionary purchasing requires less time and staff resources to complete. There are dual benefits -- expediting lower value procurements and freeing staff to concentrate on higher value requirements.

Implementation: Identify the lowest risk areas of purchasing and remove or lessen the controls that add time unnecessarily. Legislation is needed to implement this strategy.

STRATEGY (2)

Promote procurement card use.

Rationale: Use of the procurement card reduces paperwork and total processing time because the total number of individual invoices to be separately processed is fewer.

Implementation: Determine why agencies are making only limited use of the procurement card and work to eliminate those barriers.

STRATEGY (3)

Establish thresholds to apply uniformly across all agencies.

Rationale: Currently, different thresholds apply to certain agencies. Also, thresholds differ for type of purchase, which is confusing and complicates the use of guidelines. Lack of consistency leads to mistakes and excessive time spent researching appropriate rules that must be followed, delaying procurements.

Implementation: Legislation is needed to implement this strategy.

STRATEGY (4)

Review opportunities to reduce, eliminate or modify the pre-audit requirement in selected circumstances.

Rationale: Pre-audits add time to the procurement process. If fewer pre-audits are undertaken, the resources supporting pre-audit will be able to move work faster.

Implementation: Identify the lowest risk areas of purchasing and remove or lessen the controls that add time unnecessarily. Legislation is needed to implement this strategy.

STRATEGY (5)

Modify the Contract Reporter notice requirement.

Rationale: This is one of the control points seen as adding time to the process. There is value to be gained by aligning Contract Reporter thresholds with other purchasing thresholds.

Implementation: Legislation is needed to implement this strategy.

STRATEGY (6)

Explore ways for purchasers to better understand purchasing options, especially when utilizing catalog contracts.

Rationale: Failure to address this issue penalizes preferred sources, as well as small, minority and women-owned businesses.

Implementation: Legislation is needed to implement this strategy. An electronic solution may be considered.

STRATEGY (7)

Examine steps in RFP methodology for streamlining opportunities

Rationale: The RFP process is extremely long. Procurements made using the RFP methodology may take one year or more to complete.

Implementation: Diagram the RFP process. Create multiple models to reflect differences among agencies use of RFPs.

STRATEGY (8)

Explore ways to better clarify criteria used by the Office of the State Comptroller in its evaluations.

Rationale: Clarification of OSC evaluation criteria would better equip agency procurement staff. Such clarification will allow for preparation and submission of more complete contract documentation to OSC. Clarification of OSC evaluation criteria would also benefit the business community.

Implementation: A procurement guideline section may be needed to clarify OSC evaluation criteria.

OBJECTIVE II

Progress the State's procurement process overall from a traditional paper-based system to a technology-driven system.

STRATEGY (1)

Pursue a New York State enterprise approach (i.e., coordinated across the government) in the development of e-procurement solutions.

Rationale: The enterprise approach makes development more efficient and will ultimately produce a common look for those entities interacting with New York for more than one purpose. Customers of New York State government should be able to view the State as a single procurer of goods and services. This includes not-for-profit agency services participating through grant programs.

Implementation: Apply lessons learned from the e-grants model to development of e-procurement elements, and then continue the development of e-grants and e-procurement on parallel tracks, if not the same track. Develop e-procurement and e-grants to be complementary.

STRATEGY (2)

Approach e-procurement as an incremental effort wherein portions of an automated system are realized separately but are ultimately linkable as a total process. Elements or "chunks" of a total system which may be enhanced by technology may include, but are not limited to:

- **Procurement Opportunities Notification (see Project A below)**
 - o Establishment of bidder lists
 - o Bidder notification
 - o Contract Reporter advertising
- **Response to Solicitations**
 - o e-bidding
 - o Reverse auctions (see Project B below)
 - o Receipt of proposals

- **Evaluation/Negotiation**
- **Facilitation of Internal Approvals, Pre-audit and Other Contract Reviews**
- **Award Notification**
 - o Purchaser notification
 - o Contract award announcement
- **Procurement Transactions / e-Ordering / Receipt Verification**
- **Payments**
 - o Procurement card system
 - o Payments
 - o EVT

Rationale: This approach recognizes fiscal realities as well as the experiences of others who have attempted a total e-procurement solution. This approach also reflects the need and willingness to coordinate the independent efforts that are currently ongoing.

Implementation: The requirements for these elements were documented by OFT a year ago. That documentation will require updating. An important early action step would be to develop a long-term picture of how a total e-procurement solution could look and map the early and subsequent initiatives against the complete picture.

In order to make substantial progress toward e-procurement, significant and sustained funding is required. It will be necessary to determine funding requirements for e-procurement projects, develop justifications for funding and perhaps utilize advocates from the business and not-for-profit community to lobby for the financial investment in e-procurement. As any of the elements are realized, a systematic training component will also be necessary in order to ensure success.

PROJECT (A)

Work to integrate existing systems of bidder notification (ESD's Contract Reporter, OGS' Bidder Notification System and individual agency homegrown systems) through creation of a new single electronic approach, with linkage to e-grants notifications, as feasible.

Rationale: This is a front-end piece of the process that will benefit from coordination and is perceived as doable.

Implementation: There are legislative implications for implementation of this strategy. A demonstration project should be pursued to accompany the legislative proposal. Consider a possible demonstration project within the next six months to accommodate legislative concepts. Developing and maintaining such a system will require staff resources. Additional funding must be identified in order to implement.

PROJECT (B)

Explore and experiment in the use of technology to conduct reverse auctions as a means for securing lowest prices on commodities and technology.

Rationale: There is high state and local government interest and some experimentation has already occurred. Further advancement of this project in a coordinated manner would help to identify the benefits and ensure that an effective program emerges.

Implementation: A funding model would need to be identified. The Procurement Council should develop guidelines for use when conducting reverse auctions. Agencies could report back to a clearinghouse to capture information about successes and to identify technical failures.

There are legislative implications for implementing this strategy.

STRATEGY (3)

Study the experiences of other procurers (state and local government and private sector procurers) during the development of technology based procurement systems and their financing and use the knowledge gained to guide the development decisions for New York State.

Rationale: This approach will provide a starting point and input for business case development and will enable New York to take advantage of lessons learned.

Implementation: Explore the possibility of assistance through some type of academic research project.

STRATEGY (4)

Engage targeted private sector entities as champions and helpers in the design and testing of e-procurement mechanisms prior to broad deployment. Private sector entities include: bidders; e-procurement solution providers; and vendors/contractors who have already instituted e-commerce solutions (e-ordering).

Rationale: As a practical consideration, users will be needed to test systems as they are implemented.

Implementation: Private sector involvement and advocacy will be essential for legislative support. Engaging these interest groups in New York's e-procurement solutions will garner support of the business community and optimize compatibility with existing major systems.

OBJECTIVE III

Improve the procurement system's responsiveness with respect to service contracting, especially technology contracting.

The following strategies were developed by the NYS Forum for Information Resource Management's Committee to Streamline Information Technology Procurement in New York State. They are derived from numerous suggestions made by the Forum's Executive Committee membership and are offered for inclusion in the Procurement Council's Strategic Plan in accordance with the Committee's role as a Procurement Council work group.

STRATEGY (1)

Streamline/consolidate IT non-service contract guidelines to build consistency across the variety of existing contracts.

Implementation: This is a current effort. Recently, OGS and OSC successfully developed greater consistency and uniformity in the guidelines for purchasing from OGS IT contracts, whereby 12 different guidelines have been reduced to six. The guidelines for PC, printer, systems and peripherals, networking hardware and software, IVR and video conferencing systems contracts have now been consolidated and are modeled after the OGS PC contract guidelines. The new guidelines for state agencies require a procurement record documenting the agency's choice for purchases over \$50,000 and involve a post-audit, rather than pre-audit, of purchases by the Office of the State Comptroller. The other six IT contract areas remain unchanged at this time, but will continued to be reviewed for improvement opportunities. It is anticipated that this strategy will be complete in June 2002.

STRATEGY (2)

Expand the features and simplify the use of backdrop (standby) contracts.

Another ongoing effort is to create a unique subset of the backdrop contracts which reduces the number of contractors that must be solicited for specific tasks. We will seek to streamline the backdrop process overall, create the ability to tailor contracts to specific customer needs, and extend the effective timeframe to three years. Also under discussion are: scope of applicable services; evaluation guidelines or criteria; appropriate assignment of work tasks; process of adding new contractors; and the role of OSC regarding pre-audit and AC 340 issues.

STRATEGY (3)

Develop alternative models to the current "design/build" approach for large systems acquisition.

Rationale: As "stovepipe" IT applications converge to reflect overall agency business management and service delivery, the acquisition of large IT systems design, implementation and maintenance services has become more common. A more comprehensive approach to these large systems is warranted. This approach should "vision" the entire process and feasible options and should include provision for ongoing quality assurance.

Implementation: There are legislative implications for implementation of this strategy. (Section 163A of the State Finance Law prohibits downstream involvement by design contractors.)

STRATEGY (4)

Create a directory of existing agency-specific IT contracts.

Rationale: Shared IT contract information would facilitate the procurement process for all agencies. This strategy has broader implications than just IT and could facilitate procurement activities in other areas.

Implementation: Directory of IT contracts could be taken on as a pilot for a larger project. Emerging electronic capabilities should be explored as a means of implementation.

STRATEGY (5)

Explore more creative ways to include additional items and services on state contract.

Rationale: More comprehensive IT items and services on state contract would contribute to efficiency and ease of procurement, and would make it easier to achieve the benefits of aggregated purchasing.

Implementation: The Forum may facilitate survey work to determine unmet needs.

STRATEGY (6)

Establish comprehensive solution-type contract strategies and models with guidelines that help agencies proceed through a procurement decision.

Rationale: Business problems often require a solution that is now governed by multiple contracts and procedures. IT procurements can be made more efficient and brought into better alignment with business goals if full "solutions" can be more easily procured.

Implementation: Develop guidelines.

OBJECTIVE IV

Further enable use of alternative procurement methods such as consortia, strategic partnerships and piggybacking.

STRATEGY (1)

Pursue a new approach for utilization of hospital group purchasing programs (GPO's/consortia) that provides an administratively efficient procurement process.

Rationale: SUNY proposes that each hospital would be required to review/approve the selection process (contract award) used by the consortium of their choice. The agency would document the process for OSC. The agency would issue purchase orders (which include New York State standard contract clauses) referencing the consortium and contract number. At time of payment, OSC could review and audit the contract and associated price list via website access. On a regular basis OSC would request a selected number of consortium contracts to review the award process: analysis of vendors solicited; bids received; pricing; and review of award matrix to confirm awards have been made in the best interests/best value of the member hospitals.

In addition to significant administrative savings, this strategy will reduce inventories held for product preference and encourage standardization of product lines, resulting in more savings.

Implementation: SUNY will justify to OSC Counsel the legal basis for the above proposal and gain concurrence from OSC Bureau of Contracts and OSC Bureau of Expenditures with the proposed review/audit of the consortia contract award process as providing an equivalent substitution for the open competitive NYS contract award process. The University will prepare a business case to document that GPOs administer an objective and open competitive bid

process that results in the selection of high quality/low cost products. Such GPO bid processes would be deemed an acceptable substitution for NYS procurement requirements/regulations.

It is recognized that Objective IV included other alternative procurement methods beyond hospital consortia. The committee concentrated on consortia due to SUNY's critical need to advance this strategy.

OBJECTIVE V

Improve training and communication.

A. Better match procurement staff structures with complexities of procurement functions and tasks.

STRATEGY (1)

Work with the NYS Personnel Council and Department of Civil Service, Staffing Services to ensure continuity in titles and appropriate compensation to demonstrate the professionalism of the function.

B. Increase the knowledge base of staff involved in procurement activities.

STRATEGY (1)

Offer classroom training on a regular schedule and use existing training alliances between agencies within regions to increase timeliness and coverage.

STRATEGY (2)

Develop interactive e-learning modules through which to disseminate straightforward information that can be accessed by agency purchasing staff to train or re-train on demand.

Rationale: The quality and timeliness of agency level procurement training represents a wide spectrum and redundant expenditures. A more centralized approach to the development of basic procurement materials in multiple formats would reduce development costs, increase client access, and still allow for modification to reflect unique agency procedures.

C. Facilitate increased interagency communication surrounding procurements and procurement methodologies.

STRATEGY (1)

Increase the scope of discussion within and between agency contracting offices.

Rationale: Increased communication can facilitate sharing of both best practice procurements and problems encountered and how they were dealt with. It would reduce "reinventing the wheel," contributing to the efficiency and success of the procurement process.

Implementation: Use the classroom training proposed above to advance this strategy.

STRATEGY (2)

Create opportunities for informal information sharing on broad fiscal matters.

Implementation: Use the classroom training proposed above to advance this strategy.

Topics for development of classroom training modules include:

- Contract Timeliness
- Pitfalls of Contracting and Purchasing
- Using RFPs and the Evaluation & Selection Process
- Sole and Single Source Procurements
- OGS Contracts - Mini-Bids
- Using Piggybacking
- Using Purchase Authorization
- Legal Issues

Topics for the development of e-learning modules include:

- Basic Purchasing
- State Finance Law
- Procurement Instruments
- OSC Contract Approval Process
- ESDC Requirements
- OGS Contracts - Computer Consulting
- OGS Contracts - Non-technology Services
- Using IFBs
- Consortia Purchases
- Discretionary Purchases
- Preferred Sources
- Central Accounting System

Next Steps

As the Procurement Council moves forward to implement its plan, further development of specific strategies is required. Several workgroups have been established to address these issues. Council members and agency representatives are providing their time and talents to participate in the workgroups.

- A legislative workgroup will explore recommendations including: raising purchasing thresholds; establishing consistency among purchasing thresholds for all types of purchases; modifying the Contract Reporter notice requirement; and enabling the use of reverse auctions.
- Another workgroup is exploring improvements to the bidder registration and notification system.
- The NYS Forum for Information Resource Management is leading a workgroup to streamline methods of IT procurement.
- The workgroup formed to work on Objective IV began with a focus on advancing the utilization of hospital group purchasing programs (GPOs). This group will also explore recommendations for other alternative procurement methods including strategic partnerships and piggybacking.
- A workgroup will seek to collaborate with the NYS Personnel Council and Department of Civil Service to ensure continuity in purchasing titles and appropriate compensation to reflect the professionalism of the function.
- A workgroup has been established to explore procurement training opportunities.

In addition to those listed, other workgroups will be established as priority needs are identified. Procurement Council meetings and the Council's support and promotion of special events will facilitate multi-agency efforts to accomplish the objectives of the strategic plan.



NYS OFFICE OF GENERAL SERVICES

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KENNETH J. RINGLER, JR.

COMMISSIONER

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