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Summary and Recommendations: e-Procurement for Local Governments Should Remain Discretionary

The process of purchasing the goods and services for a government is an important but often overlooked function. As government purchases are made using taxpayer dollars, public procurement is subject to tighter regulations, more intensive scrutiny, and a greater degree of accountability than private sector procurement.¹ State and local laws provide the procedural framework for how Tennessee’s local governments go through the procurement process. One of those laws—Tennessee Code Annotated, Section 12-4-116—provides Tennessee’s local governments the option to receive bids and other offers electronically, i.e. through the internet. In general, this use of the internet and computer software, instead of paper-based practices, for procurement is often referred to as e-procurement. More specifically, the current law provides that “local governments may satisfy any requirement for mailing by distributing invitations to bid, requests for proposals and other solicitations electronically. In addition, local governments may receive bids, proposals, and other offers electronically.”²

In 2019, lobbyists for Central Bidding—a Louisiana company that provides e-procurement services to local governments—advocated for passage of a bill (House Bill 635 by Representative Travis and Senate Bill 600 by Senator Jackson) that would have amended the aforementioned law to be mandatory instead of permissive by requiring Tennessee’s local governments to provide a “secure electronic interactive system” and would have required local governments to accept bids, proposals, and other offers electronically through that online system. See appendix A for a copy of the bill. The bill also included exemptions for local governments with specified smaller populations and those without “high-speed internet or a computer.” House Bill 635 was referred to the Tennessee Advisory Commission on Intergovernmental Relations for study; the senate version was never placed on a committee calendar.

While still requiring local governments to provide an e-procurement system, the bill also provided that local governments do not have to expend funds to meet the requirements of the bill: “Local governments shall be exempt from any expenditure for high-speed internet access, a computer, software, personnel costs, training, or other office equipment directly related to the receipt of bids electronically.” Central Bidding, the company lobbying for the bill, provides e-procurement systems that would satisfy the bill’s requirements at no cost to local governments,

House Bill 635 would have required local governments to accept bids, proposals, and other offers using a “secure electronic interactive system.”

¹ CTAS-894 of the CTAS Purchasing Guide (Page 8 of 52)

² Tennessee Code Annotated, Section 12-4-116.

While a few of Tennessee's local governments already have online systems in place to receive electronic bids and other offers, most local governments do not.

while charging fees to vendors that use the online system to do business with the local government. However, procurement officials have noted that the fees charged to vendors would most likely be passed along to the governments making the purchases. Additionally, there are other e-procurement companies already established in the state that do charge local governments to receive online bids and other offers.

Tennessee's local government stakeholders have voiced their opposition to the bill. During the house subcommittee hearing for House Bill 635, representatives from the Tennessee County Services Association and the Tennessee Municipal League opposed the bill and testified that it would create an unfunded mandate and that most local governments in Tennessee do not have the ability to receive bids online through a secure electronic interactive system, as the bill would require. The Tennessee Association of Public Purchasing (TAPP), which is an organization of local government procurement officials, also opposed the bill. TAPP sent a letter to house members listing several reasons why they opposed the bill, such as the cost to use an e-procurement service and that it creates an "unfunded mandate that is driven by a vendor with a stake in electronic bidding software and services." See appendix B for a copy of TAPP's letter opposing the bill. TACIR staff also interviewed several local government procurement officials in the state; they unanimously opposed the bill.

While a few of Tennessee's local governments already have online systems in place to receive electronic bids and other offers, most local governments do not. To meet the requirements of the bill, those governments would be forced to develop their own e-procurement systems or contract with an e-procurement service provider. Under the terms of the bill, even those local governments that already accept online bids for certain purchases would be required to accept online bids for all their bids and offers, losing their ability to choose when online bidding is the most effective route for them. Although all Tennessee government purchasing officials interviewed for this study were opposed to requiring local governments to receive electronic bids and provide an e-procurement system, many did say that some aspects of e-procurement, if done in the right way, are beneficial to local governments. Proponents of e-procurement argue that its use leads to greater operational and cost efficiency than the traditional paper-based practices. But it is difficult to show direct cost savings for governments switching to e-procurement processes.

Only Louisiana and Mississippi currently have state laws requiring their local governments to provide a "secure electronic interactive system" and to receive electronic bids. Central Bidding successfully lobbied for passage of both states' laws, which are worded very similarly to House Bill 635/Senate Bill 600. The remaining states simply allow their local governments to do e-procurement and to receive electronic bids and offers. **While recognizing the potential benefits of receiving online bids and other**

offers, the Commission does not recommend making e-procurement mandatory for Tennessee’s local governments.

Another approach, which could encourage local governments to use e-procurement, is to allow them to access a centralized, statewide system. For example, Maryland and Virginia have fully functional state-level e-procurement systems that they allow their local governments to use free of charge to receive online bids and other offers. See appendix C for additional information about Virginia’s e-procurement system. Tennessee’s state-level e-procurement software system, operated through the state’s Edison system, would need to be upgraded to provide local governments the ability to use it to receive electronic bids and other offers. The state officials responsible for Edison estimate that it would cost approximately \$100,000 to update the system to allow local governments to receive online bids and other offers. **If lawmakers want the state to have an e-procurement system that local governments could use to receive online bids and other offers, like Maryland and Virginia, they should consider upgrading the state’s current Edison system.**

Another approach, which could encourage local governments to use e-procurement, is to allow them to access a centralized, statewide system. Tennessee’s state-level e-procurement software system, operated through the state’s Edison system, would need to be upgraded for this option to work in the state.

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Local Governments and Public Procurement

According to Tennessee statute, procurement is the buying, purchasing, renting, leasing, or otherwise acquiring of any goods or services. It also includes all functions that pertain to the obtaining of any goods or services, including the description of requirements, selection and solicitation of sources, preparation and award of a contract, and all phases of contract administration.³ As government purchases are made using taxpayer dollars, public procurement is subject to tighter regulations, more intensive scrutiny, and a greater degree of accountability than private sector procurement. State and local laws provide the procedural framework for how Tennessee’s local governments procure goods and services from the private sector. As technology has advanced, local governments are increasingly using technology to improve their effectiveness and efficiency.⁴ Tennessee Code Annotated, Section 12-4-116 provides that Tennessee’s local governments may receive bids, proposals and other offers electronically. This means that local governments have the option to do procurement through the internet, which is generally referred to as e-procurement. Currently only a handful of Tennessee’s largest cities use online procurement systems and choose to “receive bids, proposal and other offers electronically.”

In 2019, lobbyists for Central Bidding—a Louisiana company that provides e-procurement services to local governments—advocated for passage of a bill (Senate Bill 600 by Jackson and House Bill 635 by Travis) that would have amended the aforementioned law to be mandatory instead of permissive by requiring Tennessee’s local governments to provide an e-procurement system capable of receiving online bids and other offers. See appendix A for a copy of the bill. The bill would have required local governments to provide a “secure electronic interactive system” and would have required local governments to accept bids, proposals, and other offers electronically through that online system. The bill does not define what it means by a “secure electronic interactive system.” The bill also included exemptions for local governments with specified smaller populations and those without “high-speed internet or a computer.”

At the March 5, 2019, Cities and Counties House Subcommittee hearing, representatives from the Tennessee County Services Association and the Tennessee Municipal League voiced their opposition to the bill. They testified that passage of the bill would create an unfunded mandate and that most local governments in Tennessee don’t have the ability to receive bids online through a secure electronic interactive system, as the bill would require. At the March 20, 2019, House Local Government Committee,

As technology has advanced, local governments are increasingly using technology to improve their effectiveness and efficiency.

³ See Tennessee Code Annotated, Section 4-56-101(6).

⁴ National Institute of Government Procurement 2010.

The laws governing public procurement exist to ensure the integrity of the process so that taxpayers' dollars are spent wisely and fairly.

Representative Travis made a motion, which passed, to send the bill to TACIR for a study. The bill was never calendared in the senate.

Overview of the Public Sector Procurement Process

Procurement in the public sector is the process through which a government obtains the goods and services needed for its various tasks. This process must be conducted in a specific way as defined by state law and private acts. These laws exist to ensure the integrity of the process so that taxpayers' dollars are spent wisely and fairly. According to the County Technical Advisory Services (CTAS) procurement guide, there are three main stages of procurement: (1) planning and scheduling, (2) the source selection or purchasing stage, and (3) contract administration.

The source selection or purchasing stage is the most relevant stage for this study and involves the process through which solicitations are issued, advertisements run, offers are made, contracts awarded, and goods and services received. As described in "An Elected Official's Guide to Procurement," the source selection or purchasing stage of the process includes the following methods:

- **Competitive Sealed Bids**—In this method the government issues an invitation to or for bids (ITB, IFB). These documents usually include a standard form on which vendors respond by filling out their bid which is the offer to provide the requested goods or services for a flat price or fixed unit cost. Bids are submitted sealed and are opened in public at a predetermined time. The award is made to the vendor submitting the lowest bid assuming the vendor is responsive to the solicitation and is made by a responsive bidder. Competitive sealed bids are the preferred method for purchases that exceed the statutory small purchase limit thresholds. Competitive sealed bids are generally used when the following conditions are met:
 - » Clear specifications are available
 - » The item or service is available from more than one source
 - » There are reproducible test methods
 - » An award can be made to the bidder who meets the requirements of the solicitation and has submitted the lowest price.
- **Competitive Sealed Proposals**—The competitive sealed proposal method is used for goods and services above the small purchase threshold where the specifications cannot be developed so that they are sufficiently able to select solely based on price. In the competitive sealed proposal process, the county government issues a request for proposal (RFP) describing, as best it can, the needs of the county regarding the goods or services to be purchased and

invites interested vendors to make proposals. A “proposal” is an offer by a vendor to provide the requested goods or services as he/she understands and recommends it at a suggested price or unit cost. Proposals are evaluated according to the criteria described in the RFP. The award is made to the proposal that is most favorable to the government considering price and the other evaluation criteria.

- Request for Quotation—Requests for Quotations (RFQ) are issued to a minimum number of vendors who then submit quotes (prices). A “quote” is less formal than a bid and may be verbal. RFQ’s are usually done by non-advertised mail, or telephone, faxes, or by e-mail for small dollar purchases as set by the county’s policy and procedures. The award is given to the vendor who provides the lowest quote for the specified item. Request for Quotations should be fully documented.⁵

E-Procurement and Tennessee’s Local Governments

E-procurement is a broad term used to describe the use of the internet and computer software to conduct the procurement process in place of the traditional paper-based methods. E-procurement covers several stages including the preliminary identification of a need, sending solicitations to vendors, receiving offers from vendors, legal tender, and contract management.⁶ Local governments often use e-procurement for certain aspects of the procurement process while still using traditional paper-based practices for other aspects. Most of Tennessee’s local governments use e-procurement software services to notify vendors of their purchasing needs, while still only accepting paper bids and offers from those vendors they solicited.⁷ A handful of Tennessee’s local governments also accept online bids and offers for some purchases but not for others.⁸ Johnson City, for example, uses an e-procurement company called Vendor Registry for soliciting offers from vendors online, and, for a select number of purchases, they accept online bids. Johnson City’s Purchasing Director emphasized that they only accept bids for a small number of purchases and only “when it makes sense for them.”⁹ House Bill 635, in contrast, would have required local governments to receive online bids for all purchases that local governments request bids for, without any discretion of the local purchasing agent.¹⁰

E-procurement is a broad term used to describe the use of the internet and computer software to conduct the procurement process in place of the traditional paper-based methods.

⁵ Watt 1995.

⁶ Bromberg and Manoharan 2015.

⁷ Debbie Dillion, Purchasing Director, Johnson City, Tennessee, Phone interview, November 11, 2019.

⁸ Ibid.

⁹ Ibid.

¹⁰ See Appendix A for a copy of House Bill 635 by Travis.

All the Tennessee local government procurement officials interviewed for this study were opposed to having a new state law **requiring** local governments to provide a “secure electronic interactive system” and to accept electronic bids and other offers.

Similar to the general benefits of using the internet for other government functions, proponents say that the benefits of e-procurement include greater transparency and greater efficiency than traditional paper-based practices.¹¹ Proponents say that e-procurement has the potential to save money by expanding the bidding pool which, in turn, would eventually enhance the quality of goods or services offered to the government, and most importantly at a lower cost.¹² But, as some procurement officials have noted, it’s difficult to provide direct evidence that an e-procurement system will inevitably lead to cost savings for a government.¹³ Despite the commonly touted benefits of public e-procurement, some research suggests that it has not yet led to the transformative changes promised by its promoters. From a survey of 400 American and Canadian public procurement professionals, the authors “found that e-procurement implementation does not automatically result in higher levels of efficiency, lower costs, or other marketed benefits.”¹⁴ Other studies say that a main drawback of e-procurement systems is their technical complexity, which can lead to issues with privacy, security, standardization, functionality, and ultimately financial and legal risks.¹⁵ See appendix D for additional information about e-procurement systems and their use by governments.

Stakeholders Oppose Requiring Local Governments to Receive Online Bids

All the Tennessee local government procurement officials interviewed for this study were opposed to having a new state law requiring local governments to provide a “secure electronic interactive system” and to accept electronic bids and other offers. Several local government officials interviewed for this report noted that state law already provides them the option to do this. While a few of Tennessee’s local governments accept online bids and offers at their discretion, most local governments choose not to and do not have systems in place to meet the requirements of the bill. Those local governments would be required to develop their own e-procurement systems or contract with an e-procurement service provider.

While many Tennessee local governments post their invitations for bids online for vendors to see, they still require that the bid responses be mailed to their office. One procurement official noted they have never had a vendor request that they accept a bid or proposal electronically.¹⁶ Some officials also cautioned that requiring locals to accept online bids for all bid

¹¹ Bromberg and Manoharan 2015

¹² McCue and Roman 2012.

¹³ Heaton 2012

¹⁴ McCue and Roman, 2012.

¹⁵ Ibid.

¹⁶ Phone Interview of Leslie Mitchell, Purchasing Agent, Williamson County, Tennessee on August 2, 2019.

purchases could lead to many more lower quality bid submissions that they would have to review.

When House Bill 635 was proposed, Tennessee’s local government purchasing officials came out against its adoption. The Tennessee Association of Public Purchasing (TAPP), voiced their opposition to having to provide a “secure electronic system” to receive bids and other offers from vendors. TAPP provided a letter to house members stating that “while many of TAPP’s member agencies strongly support governments moving towards automation of the procurement process, we do not believe this is the proper vehicle to accomplish it.”¹⁷ TAPP’s letter also provided several bulleted reasons why they opposed the bill:

- “In our opinion, it’s an unfunded mandate that is driven by a vendor with a stake in electronic bidding software and services, enforcing use of their product.
- One of the biggest concerns is the cost to subscribe to such a program. Although there are online bidding systems that pass along the fee to the vendors, most of our agencies believe that doing business with government is already intimidating to small businesses and charging vendors would limit our ability to provide fair and open competition, which is integral to our process. Our understanding of this product means the government agency would not pay for the software, but our vendor community would be required to pay to register to do business with us. (Many of us already use a vendor registration system that is free to the vendor registering.) Implementation of this system would negate all efforts we make to ensure a fair, competitive playing field for all vendors and would severely damage the efforts of us who strive to work with diverse businesses.
- This requirement will also increase the agencies’ responsibility of printing out large quantities of items in lieu of vendor mailings, thereby increasing paper costs and meter clicks on the copy machines that would have an impact on the budget.
- Also let’s not forget the staff function to input and operate a system – that could impact offices short on manpower and resources. For many of our agencies that currently accept some electronic solicitations they also still accept paper submittals, resulting in the running of two systems for the solicitation. This would add to the workload.
- Given that our members are procurement professionals, we vehemently take exception to a mandated system. We are all very

The Tennessee Association of Public Purchasing voiced several concerns with requiring local governments to use e-procurement systems.

¹⁷ See Appendix B for a full copy of TAPP’s opposition letter.

Only Louisiana and Mississippi currently have state laws requiring local government e-purchasing.

capable of procuring online bidding systems through fair and open competition that would work for each of our agencies.

- The written bill seems to indicate we would be required to implement this immediately, which is unrealistic given our past experience in implementing other electronic systems.”¹⁸

Only Two States Require Local Governments to Accept Online Bids

Only Louisiana and Mississippi currently have state laws requiring their local governments to provide a “secure electronic interactive system” for the submittal of bids. The remaining states, including Tennessee, simply allow their local governments to do the internet to accept bids and other offers. Central Bidding, a Louisiana company, successfully lobbied for passage of both states’ laws, which are worded very similarly to House Bill 635. Louisiana’s requirement became law in 2014, and Mississippi’s requirement became law in 2017.¹⁹ Representatives for Central Bidding explained to TACIR staff that it now has a significant number of local government clients in Louisiana (approximately 400) and Mississippi (approximately 300).²⁰ They explained that they currently do not have any local government clients in Tennessee but plan to use House Bill 635 to similarly help expand their business into the state.²¹

Other States Allow Local Governments to Use their State-Level E-Procurement Systems

Some states, such as Virginia, have fully functional state-level e-procurement systems that they allow their local governments to use free of charge. See appendix C for additional information about Maryland and Virginia’s e-procurement systems.

Virginia Encourages Locals to Use the State-Level E-Procurement System.

Virginia’s state-level e-procurement system, called eVA, is an example of a system that locals are encouraged but not required to use for e-procurement functions, such as receiving online bids. Virginia also provides training to localities to assist with their use of eVA.²² Only state agencies are required to use it per the Virginia Procurement Act. It is used by more than 245

¹⁸ See the TAPP Opposition Letter at Appendix B.

¹⁹ See Louisiana Revised Statutes, Section 38:2212(E) and Mississippi Code Annotated, Section 31-7-13(c)(v).

²⁰ Interview of Trey Rogillio, Central Bidding CEO, and Ted Fleming, Central Bidding COO, and Lou Alsobrooks, Government Relations on August 9, 2019.

²¹ Ibid.

²² Interview of Barbara Layman, Virginia Director of Policy, Consulting and Review, Virginia Department of General Services on October 3, 2019.

state agencies and institutes of higher education, and over 900 local governments and public bodies, to

- announce bidding opportunities,
- receive bids and quotes,
- order placement and approvals, and
- contract management and more.

The use of eVA is free to all local governments, cities, towns, counties, community service boards, authorities, and public schools. Appendix C provides additional information about eVA and its use by local governments in Virginia.

Maryland has adopted the eMaryland Marketplace Advantage.

Maryland conducts the majority of its procurements through the new eMaryland Marketplace Advantage, known as eMMA, which is an online procurement system that is a business tool to provide vendors with easy access to state procurement information. It is a fully function e-procurement system that local governments also have the option to use to receive bids electronically, among other things.²³ According to Maryland state officials this system is a direct result of their governor's 2016 Commission to Modernize State Procurement. Led by Lt. Governor Rutherford, the commission recommended modernizing state procurement through new technology as part of its comprehensive review. This resulted in a year-long procurement to acquire advanced technology for a modernized statewide e-procurement system, designed for use of all Maryland stakeholders, including local governments. According to the contract description, this new system is "a state-of-the-art, commercially-available Software as a Service (SaaS) enterprise-wide, multi-jurisdictional, self-supporting eMaryland Marketplace e-procurement solution for use by all executive branch State agencies; and will also be available for use by any state, local, or Maryland public body." Maryland's new system is provided by a third-party e-procurement company at a cost of \$38.2 million for a 10-year base term with options for two additional 5-year renewal terms. If both 5-year options are taken, it would total \$70.5 million over a 20-year term.²⁴

Tennessee's State-Level E-Procurement System is Not Configured for Use by Local Governments

Tennessee's state-level e-procurement system operates through a system called Edison, which is the state's enterprise resource planning system.

²³ See State of Maryland's Procurement Reform-Frequently Asked Questions at <https://procurement.maryland.gov/wp-content/uploads/sites/12/2019/05/ProcurementReform-FAQs.pdf>.

²⁴ See contract information found at March 6, 2019 Maryland Board of Public Works Agenda, pages 121-123, at <https://bpw.maryland.gov/MeetingDocs/2019-Mar-6-Agenda.pdf>.

Virginia and Maryland give local governments free access to state-level e-procurement systems.

Edison is described as an “integrated software package that is used to perform administrative business functions such as financials and accounting, procurement, payroll, benefits, and personnel administration.”²⁵ While Tennessee’s e-procurement system is capable of receiving bids and other offers online for state government, it is currently not configured for use by local governments. According to state officials, Edison’s software would have to be upgraded for it to be used by local governments to receive online bids and other offers.²⁶ The state employees overseeing Edison estimate that it would cost approximately \$100,000 to update the Edison system to allow local governments to use it to receive online bids and other offers.²⁷

Edison’s budget is funded through billing state agencies based on their transactions processed through Edison’s system. If the state were to upgrade Edison to allow local governments to use it for receiving online bids and other offers, it would have to fund those transactions by either billing local governments or through state appropriations. According to Clyde Phillips, the state’s director of enterprise resource planning who manages Edison,

“the state would have to work out a funding source for the transactions processed by the local governments, failure to do so could put at risk the Edison billings to federally funded agencies. The federal agencies would view failure to either bill the local governments or have state appropriations for the funding of these transactions as the federal government subsidizing non-federal work and would therefore disallow these costs to the federally funded state agencies such as the Department of Human Services.”²⁸

²⁵ See Edison Portal Fundamentals at https://upk.edison.tn.gov/HCM/PortalFund_new/Training%20Guide/Edison_Portal_Fundamentals_Course_Manual.pdf

²⁶ Phone call with Clyde Phillips, Enterprise Resource Planning Director, Department of Finance and Administration

²⁷ Email from Clyde Phillips, Enterprise Resource Planning Director, Department of Finance and Administration on November 27, 2019.

²⁸ Ibid.

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Persons Interviewed

Lou Alsobrooks, Government Relations
Harris Frazier

Debbie Cairncross, Purchasing Agent
Bartlett, Tennessee

David Connor, Executive Director
Tennessee County Services Association

Stephanie Dedmon, Chief Information Officer
Tennessee Department of Finance and
Administration

Debbie Dillon, Director of Purchasing and TAPP
President
Johnson City, Tennessee

Lynn Farnham, Purchasing Agent
Roane County, Tennessee

Ted Fleming, Chief Operating Officer, Central
Bidding
Baton Rouge, Louisiana

Lance Fulcher, Director of Purchasing
Rankin County School District
Mississippi

Sandra Gill, Deputy Director
Virginia Department of General Services

Shannon Howell, Deputy Chief Procurement
Officer
State of Tennessee

Susan Huskey, Purchasing Director
Loudon County, Tennessee

Ed Jackson, Senator
District 27, Tennessee

Chad Jenkins, Deputy Executive Director
Tennessee Municipal League

Barbara Layman, Director of Policy, Consulting
and Review
Virginia Department of General Services

Keith McDonald, Mayor
Bartlett, Tennessee

Terry McKee, Procurement Director
Knoxville, Tennessee

Elena Moreland, Senior Research Project Manager
National Association of State Procurement Officials

Penny Owens, Purchasing Agent
Knoxville, Tennessee

Mike Perry, Chief Procurement Officer
State of Tennessee

Kristi Powers, Purchasing Coordinator
Cleveland, Tennessee

Clyde Phillips, Enterprise Resource Planning
Director
Tennessee Department of Finance and
Administration

Trey Rogillio, Chief Operating Officer, Central
Bidding
Baton Rouge, Louisiana

Chris Van Beke, Chief Operating Officer
Vendor Registry

Tonga Vinson, Purchasing Agent
Warren County, Mississippi

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Appendix A: House Bill 635 by Travis and Senate Bill 600 by Jackson

HOUSE BILL 635

By Travis

AN ACT to amend Tennessee Code Annotated, Title 12,
Chapter 4, Part 1, relative to electronic bidding.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 12-4-116, is amended by deleting the section and substituting the following:

Notwithstanding any law, rule, or regulation to the contrary, local governments shall provide a secure electronic interactive system as an additional option to satisfy any requirement for mailing for invitations to bid, requests for proposals, and other offers electronically. Local governments shall provide the option for vendors to submit bids, proposals, and other offers electronically. Local governments shall be exempt from any expenditure for high-speed internet access, a computer, software, personnel costs, training, or other office equipment directly related to the receipt of bids electronically. Local governments that are currently without access to high-speed internet or a computer shall be exempt from the requirements of this section until such time that access to high-speed internet or a computer becomes available. Additionally, any county with a population of less than eighteen thousand (18,000) or any municipality with a population of less than nine thousand (9,000), according to the 2010 federal census or any subsequent federal census, is exempt from the requirements of this section.

SECTION 2. This act shall take effect July 1, 2019, the public welfare requiring it.

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Appendix B: TAPP Opposition Letter



Tennessee Association of Public Purchasing
209 Water Street
Johnson City, TN 37601

State of Tennessee
General Assembly

Re: HB0635/SB0600 - Requiring electronic interactive bidding

Local Government, General - As introduced, requires local governments to provide a secure electronic interactive system for invitations to bid, requests for proposals and other offers; exempts certain local governments. - Amends TCA Title 12, Chapter 4, Part 1.

HOUSE SUBCOMMITTEE CITIES & COUNTIES

Representative Jerome Moon, Chair
Representative John Crawford
Representative Ron Travis

Representative Kent Calfee
Representative London Lamar
Representative Dave Wright

HOUSE STANDING COMMITTEE LOCAL

Representative John Crawford, Chair
Representative Kent Calfee
Representative Mike Carter
Representative Bob Freeman
Representative Esther Helton
Representative London Lamar
Representative Bob Ramsey
Representative Rick Tillis

Representative Dave Wright, Vice-Chair
Representative Dale Carr
Representative Jeremy Faison
Representative Yusuf Hakeem
Representative Gloria Johnson
Representative Jerome Moom
Representative Tim Rudd
Representative Ron Travis

HOUSE LEADERSHIP

Representative Glen Casada, Speaker
Representative Matthew Hill
Representative Ron Grant
Representative Karen Camper
Representative John J.DeBerry, Jr.

Representative Bill Dunn
Representative William Lamberth
Representative Cameron Sexton
Representative Mike Stewart
Representative Rick Staples

March 18, 2019

The Tennessee Association of Public Purchasing (TAPP) is a statewide association that represents those involved in public procurement in Tennessee. Our membership includes procurement professionals from various governments in Tennessee such as cities, counties, airports, public building authorities, colleges, universities, public school systems, public housing authorities and other local governmental units.

While many of TAPP's member agencies strongly support governments moving toward automation of the procurement process, we do not believe this is the proper vehicle to accomplish automation.

TAPP respectfully requests that as part of the review process, the committee carefully consider the following aspects of requiring electronic interactive bidding and the impact to public procurement:

- In our opinion, it's an unfunded mandate that is driven by a vendor with a stake in electronic bidding software and services, enforcing use of their product.
- One of the biggest concerns is the cost to subscribe to such a program. Although there are on-line bidding systems that pass along the fee to the vendors, most of our agencies believe that doing business with government is already intimidating to small businesses, and charging vendors would limit our ability to provide fair and OPEN competition, which is integral to our process. Our understanding of this product means the government agency would not pay for the software but our vendor community would be required to pay to register to do business with us. (Many of us already use a vendor registration system that is free to the vendor registering.) Implementation of this system would negate all efforts we make to ensure a fair, competitive playing field for all vendors and would severely damage the efforts of those of us who strive to work with diverse businesses.
- Although there is exemption language based on entity size, that doesn't help those that may have the resources but are not centralized.
- This requirement will also increase the agencies' responsibility for printing out large quantities of items in lieu of vendor mailings, thereby increasing paper costs and meter clicks on the copy machines that would have an impact on the budget.
- Also let's not forget the staff function to input and operate a system – that could impact offices short on manpower and resources. For many of our agencies that currently accept some electronic solicitations they also still accept paper submittals resulting in the running of two systems for the solicitation. This would add to the workload.
- Given that our members are procurement professionals, we vehemently take exception to a mandated system. We are all very capable of procuring online bidding systems through fair and open competition that work for each of our agencies.
- The written bill seems to indicate we would be required to implement this immediately, which is unrealistic given our past experiences in implementing other electronic systems.

TAPP is always suspicious of vendor-sponsored legislation, so on February 7th the TAPP President accepted a meeting to discuss our opposition with the bill's originator, Ted Fleming of Central Bidding Co (based out of Mississippi), and shared these same sentiments with him.

There are 68 cities and 71 counties and their associated subsidiaries (school districts, utilities, housing authorities, etc.) that would be affected by this law. The majority of these do not have a purchasing staff. Those agencies would have significant difficulty coordinating this change and the ongoing implementation with a decentralized purchasing structure.

TAPP is ready to assist this committee in any manner desired as you undertake this important task.

Respectfully submitted,



Debbie Dillon, CPPO, CPPB
TAPP President

Appendix C: Virginia's e-Procurement System "eVA"

By Sandra Gill

Procurements made easier: Working with DGS can save time and money

THE VIRGINIA DEPARTMENT of General Services (DGS) is a resource for local governments. As the Commonwealth's centralized agency responsible for the procurement of goods and services, we are available to support your staff as they develop solicitations, explore ways to attract better responses to your business opportunities, and help make your purchases and solicitations more transparent for your citizens.

In Virginia, procurement is governed by a hodgepodge of laws, regulations, ordinances and rules that vary by locality, school board, state agency, institution and authority. The one constant across all those public bodies is the goal of the procurement professional: To obtain high quality goods and services that meet the needs of the body and its citizens at a reasonable cost.

Meet eVA

All state agencies are required by Code to use eVA, the state's electronic procurement system managed by DGS. However, this powerful, convenient tool also is used by nearly 1,000 local government entities. We know that local governments value transparency. eVA provides free, public access to past, current and future procurements while also giving access to detailed information on the rules, regulations, processes and standards behind these procurements so your citizens can feel confident in how their tax dollars are being spent.

We have account executives dedicated to localities and are located throughout the state. They are your procurement office's primary resource. They will provide consulting, assist with the utilization of eVA, help identify vendors registered in your county, city, or town, assist with putting them in touch with the right people related to contracts, fleet, construction, and any other area where they need assistance.

Local procurement officials also can take advantage of eVA's numerous web-based tools such as Quick Quote, a paperless alternative to faxed and telephone quotes that allows them to get electronic bids from suppliers for small-dollar purchases. Other tools include the eM-all online shopping feature, sealed eSourcing, contract management and a variety of analytical reports that allow you to evaluate spending, manage workloads and monitor buying. We also have an award-winning mobile application that puts procurement at users' fingertips.

Overall, more than 13,000 state and local government buyers use eVA to publicize business opportunities, receive quotes for goods and services, and place orders. Currently, there are over 95,000 vendors registered with eVA.

eVa in action

Bedford, VA: Anthony Browning, the Bedford Regional Water Authority's logistics coordinator, needed to purchase a new turbine pump, but every quote he received was nearly twice as expensive as the pump it was replacing.

Browning asked his department head for a few more days and called the Department of General Services' Division of Purchases and Supply (DPS). The next day a DPS account executive helped

Browning place a Quick Quote in eVA, the state's electronic procurement system. The move paid off when a few days later, Browning made the award to a vendor that previously had not served the authority at a price that was nearly \$10,000 less than the paper quotes he had received.

That was in July of 2017. Since that time, Browning and the authority have used eVA more than 110 times to purchase everything from carpeted floor mats for their cubicles to a tri-axle dump truck. Through the end of 2018, the authority had spent more than \$469,000 using eVA and saved tens of thousands of dollars in the process.

"It's probably one of the best systems I've ever worked with," Browning recently told DGS. "It's so easy to use. It only takes a couple times playing with it to feel like old hat. It used to take me a couple-three hours to put out a small bid request; the other day I did two in less than an hour!"

Hanover County: Steven Rusch, the Purchasing Division Director for Hanover County, was looking for a less expensive way to manage the county's contracts. He also wanted to make the contracts and solicitations available to the public. DGS provided Hanover County with a custom link to their solicitations posted in eVA that the county linked from its website. Rusch said the move not only saved the county money and improved transparency, it has helped with contract management.

Contracts

One of the key areas in which we render assistance to localities is in establishing contracts. DGS establishes long-term, statewide contracts that leverage the buying power of state agencies, institutions and local governments to reduce the cost of goods and services. This leveraged buying power results in approximately \$30 million in annual savings. Types of contracts we've assisted with include school buses, office supplies, and fuel. The 2018 General Assembly expanded the use of our fuel contracts to include volunteer fire companies and emergency medical services that are recognized by an ordinance to be a part of the safety program of a county, city, or town.

These contracts provide the highest quality goods and services with minimal cost and risk, as they are compliant with the Virginia Public Procurement Act (VPPA) and legislative requirements, and are usable by all public bodies (which have easy access for ordering through eVA). Many of our contracts are for multiple awards, which offer a variety of vendors from which to choose.

On the other hand, we know there are goods and services you need that we don't have readily available; in these cases, our account executives are ready to help you draft solicitations that follow your local rules.

Training

Our mission to ensure quality, ethical government purchasing extends beyond our more than 100 employees in our procurement division. Through our Virginia Institute of Procurement (VIP), we educate



Procurements made easier

Virginia Distribution Center

DGS' procurement division also manages the Virginia Distribution Center (VDC), a cooperative procurement and distribution facility that provides goods and materials to state and local government entities across the Commonwealth.

VDC leverages the collective buying power of state agencies, local governments, mental health and correctional institutions, universities and colleges, and political subdivisions, along with efficient freight methods to stock over 1,000 high quality, low-cost items such as food, janitorial supplies, paper and plastic products, and safety supplies.

Approximately 185 localities and local school districts use VDC. Schools benefit from our statewide milk and dairy contract, which saves money and administrative staff time. This is one of our more than 70 contracts for products that local governments and school systems use.

VDC houses an onsite Quality Assurance Laboratory that randomly tests every product – from toilet paper and flags, to chicken tenders and flashlights – to ensure the products it sells meet specifications.

Other DGS local government resources

The Department of General Services' commitment to local governments does not end with our procurement division. We also serve localities through fleet management, our state and federal surplus programs, and our graphic communications services.

Local governments can take advantage of the DGS Office of Fleet Management Services' contracts for short-term vehicle rentals, as well as our contracts for motor fuels and alternative fuels. Localities also can enroll their vehicles in the Vehicle Management Control Center program, which provides roadside assistance, routine vehicle maintenance, and help with vehicle crashes.

The DGS Office of Surplus Property Management is another great resource for local governments to purchase everything from educational supplies, to office equipment, vehicles, heavy equipment and more for pennies on the dollar. You can visit either our Richmond or Wytheville location.

If you are looking for something special, our Surplus team can go out and find it.

The City of Virginia Beach needed a wrecker and two cargo trucks. The items were originally procured for more than \$378,000 new. The city was able to procure the surplus items from DGS at a cost of \$13,000.

In Middlesex County they were able to procure a boat and 7 pieces of office furniture that originally cost over \$47,000, for a little over \$1,025 from DGS Surplus.

DGS also provides creative services for local governments through its Office of Graphic Communications. OGC can help by designing a new logo, web graphics for social media, brochures, posters, tradeshow materials and more.

Collaboration

We at DGS are grateful to our local government partners and look forward to continuing to work together on procurement opportunities and challenges.

About the author: Sandra Gill is the Deputy Director at Virginia Department of General Services

other state and local public procurement professionals on the essential principles and best practices of contract development and management, supplier relationship management, and advanced knowledge of the Virginia Public Procurement Act and other regulations.

VIP offers professional certification at three levels: Virginia Contracting Associate Officer (VCA); Virginia Contracting Officer (VCO); and the Virginia Contracting Master Program (VCM). More than 1,400 public procurement officials in Virginia have obtained a VCA, with more than 760 VCOs and nearly 50 VCMs, our newest and most advanced certification. We also offer continuing education opportunities to satisfy the recertification requirements.

Our most popular educational opportunity is the annual Public Procurement Forum, which will be held Nov. 17-20, 2019, in Virginia Beach. DGS recently sponsored the 30th Public Procurement Forum, which provided 73 workshops on 48 different topics and was attended by nearly 800 public procurement professionals and over 160 suppliers.

Our goal with our training programs is to enhance the quality of procurements statewide by arming our public procurement professionals with the most up-to-date knowledge, skills and best practices in the field.

Virginia's industry leading e-procurement solution, free to all local government and other public bodies

For Government | For Business | For Citizens

eVA.virginia.gov | cgi.com

Appendix D: The Value of e-Procurement/ERP Solutions and Case Studies by the National Association of State Procurement Officials

RESEARCH BRIEF

The Value of eProcurement/ERP Solutions. Case Studies

Introduction

The impact of the 2008-09 recession on state revenues continues to linger through the ongoing economic recovery. While states have been showing moderate improvement in fiscal conditions, progress remains sluggish. These fiscal challenges are likely a result of projected increased spending in healthcare, education and limited gains in revenue collections¹. State procurement offices may continue to face budget constraints. They will be hard-pressed to find effective strategies to manage spend and better understand and control the cost of government activities. Implementing robust eProcurement solutions that have proven returns on investment by reducing costs and improving processes, has been a key element of state procurement reform initiatives implemented over the past decade.

This National Association of State Procurement Officials (NASPO) paper recognizes the prevalence of eProcurement systems and the clear return on investment from automating state procurement. According to the 2015 NASPO Survey of State Procurement Practices², there has been an 11 percent increase in the number of states with active eProcurement systems compared to 2014 which speaks to the continuing growth in the use of eProcurement systems nationwide.

¹ National Association of State Budget Officers. (2016). *State and Local Fiscal Facts: 2016*. <http://www.nasbo.org/sites/default/files/pdf/State%20and%20Local%20Fiscal%20Facts.pdf>

² NASPO Survey of State Procurement Practices. (2015). Survey Summary Report available at: http://survey.naspo.org/surveytool/Documents/Final_2015_SurveySummaryReport_updates_6-8-16.pdf



This paper highlights best practices and key elements of existing eProcurement solutions, as well as benefits and challenges, in order to guide the decision-making process for choosing an appropriate solution for your state central procurement office. These eProcurement solutions generate substantial savings and create efficiencies for the state central procurement office and user agencies as well; they facilitate the collection of comprehensive spend data and increase transparency. Additionally, they increase competition, provide easily-accessible and efficient ways to participate in contracting opportunities to all suppliers.

The audience for this paper is NASPO membership, public procurement managers and decision makers, chief information officers, any procurement professionals directly affected by Enterprise Resource Planning (ERP) software and eProcurement implementations, and other interested parties.

Definitions

Many state procurement offices are already using or looking into implementing integrated electronic procurement solutions to procure goods and services efficiently. Some organizations, including state and local governments, use traditional ERP systems to integrate their activities across their organizational structure.

*The Business Dictionary*³ defines ERP systems as “accounting oriented, relational database based, multi-module but integrated, software systems for identifying and planning the resource needs of an enterprise.”

The National Institute of Government Purchasing (NIGP) *Dictionary of Terms*, referenced in NASPO’s *State and Local Government Procurement: A Practical Guide*⁴, notes that an ERP system “may include finance, accounting, human resources, purchasing, inventory control and other activities” and deploying it is “generally an enterprise-wide process, involving analysis, replacement of legacy systems and the development of new work processes and procedures.”

³ Business Dictionary. <http://www.businessdictionary.com/definition/enterprise-resource-planning-ERP.html>

⁴ NASPO State and Local Government Procurement: A Practical Guide. (2015). Lexington, KY: NASPO

One reason why state and local governments are implementing ERP and eProcurement systems more widely is due to the systems' inherent support of common principles of public procurement.

The term *Electronic Procurement (eProcurement)*, according to the definition from the *NIGP Dictionary of Terms*⁵, means “conducting all or some of the procurement function over the Internet; it implies that point, click, buy, and ship Internet technology is replacing paper-based procurement and supply management business processes.”

How do ERP and eProcurement Systems Address Procurement Principles?

One reason why state and local governments are implementing ERP and eProcurement systems more widely is due to the systems' inherent support of common principles of public procurement. Some of these principles are noted below.

- *Increasing Transparency*
Technology-based information systems maximize transparency. ERP and eProcurement systems can significantly increase transparency by providing all interested parties, including bidders and the general public easy access to information in electronic format about the procurement process including current, future, and past procurement information. These systems can also provide real-time visibility into spending patterns.
- *Achieving Value and Promoting Competition*
The use of ERP and eProcurement systems can enhance competition by making the process more open and accessible to any interested party with an Internet connection versus public advertisement through local newspapers. Public contracting opportunities are more cost-effective and are disseminated widely which results in increased competition and competitively-priced contracts. ERP and eProcurement systems can be used to consolidate the procurement process into one portal, rather than having disparate procedures possibly spread across multiple teams or multiple policy manuals.
- *Expanding the Supplier Base*
The public procurement principles of open, fair, and equal access to business opportunities are greatly enhanced by ERP and eProcurement systems. Vendors are finding it easy to participate in the bidding process, as these systems generally perform much like other commonly-used online website systems. More businesses have the potential to do business with the state, including small or historically disadvantaged businesses.

⁵ National Institute of Governmental Purchasing (NIGP) Online Dictionary of Procurement Terms. (2015) <http://www.nigp.org/general-content-list/nigp-online-dictionary-of-procurement-terms>

- *Maintaining Financial Controls and Measuring Performance*
The use of ERP and eProcurement systems creates an electronic repository for all procurement related data - financial or otherwise (for example, data on procurement processing time). Gathering data in a standardized method and generating reports (available in many ERP and eProcurement systems) are powerful tools for any state or local central procurement office. These tools allow the office to review its procurement expenditures and make strategic decisions based on the spend analysis data. Additionally, they facilitate the review of internal practices and outcomes, and identify how to improve service delivery.
- *Promoting Efficiency in Workflow and Approval Authority*
Many ERP and eProcurement systems include workflow processes that move procurement documents and actions from one person to another, as configured by the system user. This electronic flow is more efficient than the paper-based process that requires those involved to be physically-present in the office. Electronic procedures allow for instantaneous movement of information and one can complete his or her role from any connected terminal. Additionally, governments are increasingly able to customize which steps are included in their systems, from requirements generation, to sourcing, to purchase, to payment, and beyond.

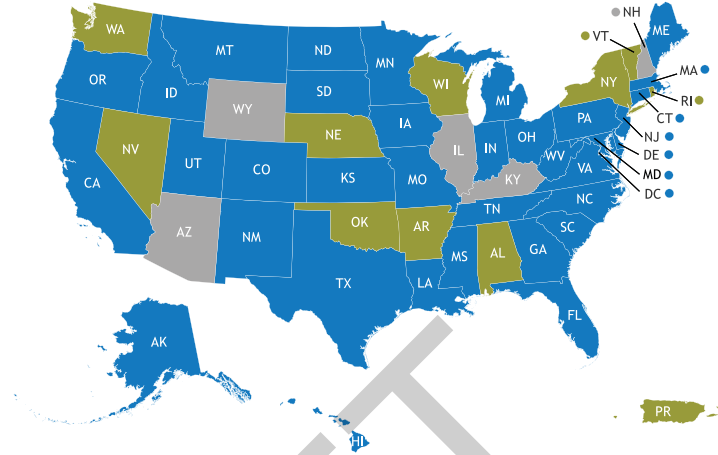
Statistics - NASPO 2015 Survey of State Procurement Practices

According to NASPO's most recent data collection of best practices, the Survey of State Procurement Practices⁶ of the 47 responding states, 36 states use an eProcurement system. See Figure 1 below. Of those jurisdictions that have an eProcurement system, 22 are integrated into the state financial system.

The vast majority of states use state appropriated funding for their eProcurement systems. The fee-based funding approach has been used successfully by many states. User/agency fees are used to fund eProcurement systems in eight states and vendor fees are used in nine. Other states fund their system through a combination of state appropriation and either vendor fees or fees to user agencies, contract rebates, or both agency and vendor administrative fees.

⁶ NASPO Survey of State Procurement Practices. (2015). Survey Summary Report available at: http://survey.naspo.org/surveytool/Documents/Final_2015_SurveySummaryReport_updates_6-8-16.pdf

Figure 1.



eProcurement systems’ functionality varies among the states and are dependent on the solution used. Most of them have the ability to receive bids and proposals, provide requisitions/purchase orders, solicitation development, and contract award. Of the responding jurisdictions with eProcurement systems, all but three provide vendor registration and 32 can distribute solicitations through the eProcurement system.

Seventeen eProcurement systems utilize digital signatures. Electronic procurement solutions in 17 states provide for using agencies to share documents during solicitation development. In 13 states the electronic system allows using agencies to pool or aggregate their bid quantities together.

State eProcurement Solutions - Seven Case Studies

In this paper, we examine eProcurement solutions currently in use in seven state central procurement offices and discuss some key issues such as efficiencies, functionality, increased transparency of spend and procurement processes. We are also showcasing implementation successes and opportunities for each state.

CALIFORNIA

The Financial Information System for California (FI\$Cal) is a multi-faceted technology project for the state of California in the areas of budgeting, accounting, procurement, and cash management through a partnership between the Department of Finance, the State Controller's Office, the State Treasurer's Office and the Department of General Services.

The procurement module of the system - known as Cal eProcure is the new online portal designed to improve the experience of businesses selling products and services to the state of California. This new system replaces BidSync, giving businesses access to bidding and contracting resources in one location.⁷

California has successfully migrated to using the new statewide ERP system for posting solicitations and to register statewide Procurement and contract purchases.

Funding

This is a statewide modernization effort and has been paid for by bond and special statewide funding.

Functionality

The ERP system for California has the ability to process transactions from requisition to vendor payment, including electronic invoicing and accepting electronic bid responses. Additionally, the eProcurement module is part of the statewide ERP financial system.

With the new ERP system, California now has electronic workflow approvals which also allows for the electronic submission of requests/approvals within the system across all Departments within the State of California Government. The new system also eliminated a large number of manual forms that were required to be filled out, printed, and saved in file cabinets.

Efficiencies gained, increased transparency, value generated

California has only been using the new eProcurement system for six months and system has not been fully implemented, but there is significant achievement in terms of efficiencies and transparency. The eProcurement system has increased procurement process and spend transparency by allowing the State of California to view data in real time. Previously, California gathered self-reported data from departments. The Procurement Division can view purchase orders as soon as they are ready to be sent to vendors. Additionally, the quality of the data shared with the public has improved significantly by eliminating manual re-keying of purchases and contracts.

Implementation is in progress for all state agencies and departments included in this project. It is estimated that by implementing this system California would save \$400 million dollars from reduced sourcing costs and reduced procurement cycle times.

⁷ Department of General Services. *Financial Information System for California*. <https://www.dgs.ca.gov/dgs/dgsfiscal.aspx>

Obstacles to implementation and lessons learned

Training - California purchased a Commercial off-the-shelf (COTS) application which comes with standard training modules. Despite an attempt to reengineer many of California's current procurement business processes, gaps in California's need vs. system functionality remained. Consequently, California had to customize the application to meet the state's complex legislative requirements for bidding and contracting. Making changes to the application functionality has made using the prepackaged training modules a challenge.

California's implementation is currently in progress. The Change Management Group that was put in place oversees the statewide phased rollout and implementation. When taking a phased approach to rolling out functionality it is important to start with oversight functionality. The tendency is to want to get end-users using the system and functionality right away to show progress and adoption. A better approach may be to ensure oversight activities with unique requirements and customizations are properly accounted for and addressed as early as possible. Implementing in a piecemeal fashion to allow for early adoption of functionality that does not require customizations will increase the likelihood of schedule slippage and increase in cost due to rework. It is best to lay out a strong foundation by getting all customized oversight functionality in place first.

DELAWARE

The State of Delaware's central procurement office, Government Support Services (GSS) entered into a contract for the provision of an eProcurement Software-as-a-Service (SaaS) solution for frequently used goods and materiel. The motivating factors which led to a solicitation included seeking to improve operational efficiencies, (i.e., better shopping and contract audit) as well as further enhancements to transparency and competition.

Funding

The Delaware eProcurement solution is paid for by budget appropriation and looks to replace part or all of the state's current public-facing portal.

Functionality

The solution envisioned streamlined procurement shopping, comparison and order processing, better vendor registration/outreach, a contract repository and sourcing functionality.

After signing a contract in August 2014, the State of Delaware eMarketplace went live for on-line shopping and procurement as of September 2015. The next phases of the project include vendor registration, contract repository and sourcing functionality. System users, depending on the vendor, can use P-cards or be invoiced later. While ERP integration is still a consideration, it is not part of the current rollout.

Since the project's inception, requisition cycle time decreased by 40 percent and invoice cycle time decreased by 45 percent, while spend through the system increased to almost \$2 billion/year in purchase orders.

Efficiencies gained, increased transparency, value generated

As the central contract administrator and the executive sponsor, GSS could focus efforts on contracts which are mandatory use by all executive agencies and high use, low dollar product contracts were the first implemented, such as MRO, cleaning and laboratory supplies.

Pre-implementation decisions were streamlined, contracts selected for implementation were grouped for consistency, and agencies retain autonomy to create workflow specific to their needs.

To date, despite generally positive reviews, user adoption continues to be low and sales put through the portal are less than five percent of the implemented central contracts. It has not yet generated the efficiencies hoped, and this has led to secondary efforts to identify divisions that have not used or been using the system, and requires GSS to further promote system use.

Obstacles to implementation and lessons learned

SaaS fees are front loaded, which impacts achievable financial efficiencies. The state bought more licenses than the vendor would normally implement through an initial phase, which demonstrated a need for additional SOW vetting prior to future contract execution(s).

Initial implementation of the Delaware solution has taken longer than expected, which now has the state considering a longer contractual horizon for other SaaS projects; this project has a three-year initial term and has two optional one-year extensions.

FLORIDA

The MyFloridaMarketPlace (MFMP) system was deployed statewide in 2003, as a centralized procurement solution, streamlining interactions between vendors and state government entities. Since the project's inception, requisition cycle time decreased by 40 percent and invoice cycle time decreased by 45 percent, while spend through the system increased to almost \$2 billion/year in purchase orders.

In 2012, analysis showed not all agencies were fully utilizing MyFloridaMarketPlace and realizing the benefits and efficiency gains that it provides. As a result, an enterprise initiative was launched to increase overall MFMP utilization. The MFMP team established five metrics recorded on a monthly scorecard to analyze MFMP utilization: (1) Purchase Orders/Contracts (2) Invoicing (3) Catalogs (4) Receiving (5) eQuote. Each metric identified specific utilization targets using a red/yellow/green scale to summarize usage for each agency. The scorecard was distributed monthly to key stakeholders and discussed monthly by the Governor and agency heads. The MFMP team recognized some agencies would need additional focused support to achieve full utilization. In January 2013, the MFMP team created a one-year support plan outlining a phased approach focused

on the 15 agencies with the largest gaps in utilization. The remaining MFMP agencies continued to receive support through operational training and communication activities. As a result, the average utilization significantly increased for all five metrics, meeting the target utilization percentages for all five metrics by November 2014.

Funding

The acquisition, development, implementation and operations of the MyFloridaMarketPlace system is funded through a simple transaction fee. The transaction fee is paid by vendors on payment received from State of Florida agencies and entities leveraging state term contracts and alternative contract sources prices (e.g. local government, educational institutions, etc. In November 2015, the fee was reduced from 1% to .7% on all applicable payments.

The MFMP team reports quarterly to DMS leadership and Florida legislators on the programs utilization and annually for return on investment. As of this fiscal year 2015-16 quarter 3, average agencies utilization for purchase orders and contracts was at 97% and invoicing utilization was at 89% resulting in \$20,952,745 total savings for the state.

Functionality

MFMP provides a completely paperless source-to-pay solution for both vendors and agency customers. Four applications were deployed to support MFMP, the Vendor Information Portal, MFMP Buyer, MFMP Sourcing and MFMP Analysis, offering key system features include online certification of minority business enterprise, online catalog shopping, online quoting, commodity receiving, and enterprise reporting.

- **The Vendor Information Portal** is an application that provides vendors with the ability to self-register and connect active vendors to state agencies. Florida's vendor registrations increased by more than 400%, since the project inception. There is no fee for vendors to register with MFMP. During the registration process, vendors map their account to United Nation Standard Products and Services Codes (UNSPSC), select desired Certified Minority Business Enterprise codes and establish multiple locations to define their business. After registering, vendors have access to online solicitation opportunities, and the ability to receive electronic purchase orders and provide paperless invoices.
- **MFMP Sourcing** is the electronic solicitation application which allows for the creation of informal and competitive solicitations, and distributes notifications to registered vendors by UNSPSC commodity code match. Florida uses standardized templates for electronic solicitations, which incorporate a sense of governance and standardization. Agencies have the ability to copy previously created solicitations to reducing manual data entry and vendors are required to respond online.

- **MFMP Buyer** is the procure-to-pay application which provides agencies with access to over 60 catalog purchasing options and prevents rouge spending, through the use of interagency approval flows. MFMP Buyer also provides a complete audit trail, from procurement to payment, which improves management controls and uses an automated 2 and 3-way matching, that ties invoices to purchase orders and receipts, allowing for fewer mistakes and faster payment processing. This captures 94 percent of spend under management.
- **MFMP Analysis** provides agencies with access to over 35 standard reports and allows for agencies to create fully customizable reports, from an easy to use dashboard. This provides complete visibility into Florida's purchasing power.

Another great feature is the real-time interface with Florida's financial system, which improves budgetary controls. One key differentiator that set Florida apart is the Vendor Performance Tracking (VPT) component which allows agency customers to communicate vendor performance on a transaction level. Vendor scores are calculated using a five-year average. VPT provides useful vendor performance history to facilitate informed decision making when negotiating agreements and selecting vendors, while providing constructive feedback to vendors to use for future improvement of services/goods.

Efficiencies gained, increased transparency, value generated

Before MFMP, purchasing and paying meant multiple phone calls and faxes between vendors and customers. Buyers combed through 840 separate product catalogs that featured more than 70,000 items, which were not easily searchable. Approval of purchases within state agencies was done manually via paper being passed around an agency. Vendors were mailed purchase orders and vendors mailed back invoices. Invoices were manually checked and approved before payments were made. The process was time-consuming, expensive and prohibited productivity.

MFMP provides a centralized source of procurement information for the Florida business community, and the ability for vendors to communicate to a broader buying audience. Additionally, MFMP is a one-stop shop for agency customers to access online catalogs and information about vendors that provide goods and services to the state. This enables quicker, more thorough responses to inquiries, provide data for analytical purposes and future negotiations and information for generating Agency-wide reporting. Today, 32 agencies, over 23,000 state users, and over 70,000 vendors utilize MFMP.

In fiscal year 2012-13, agencies processed 179,247 purchase orders and 372,904 invoices in MFMP but increased to 208,477 purchase orders and 403,611 invoices in fiscal year 2014-15. Savings calculation for purchase orders = $(208,477 - 179,247) * \$25 = \$730,750$. Savings calculation for invoices = $(403,611 - 372,904) * \$39 = \$1,197,573$. As a result of increased MFMP utilization, the state recognized a total of \$1,928,323 not including administrative efficiencies gained by utilizing MFMP business functions related to catalogs, receiving or electronic quoting (eQuote).

MFMP business benefits and key metrics:

- Web-based system allowing access from any location 24-7.
- Enables interagency approval flows, preventing rogue spending.
- Real-time interface with FLAIR, the State's financial system.
- Online vendor registration and electronic Purchase Order & Invoice delivery.
- Invoices tied to Purchase Orders and Receipts utilizes automated matching, reducing errors.
- Spend managed in MFMP increases visibility, allowing the state better opportunities to leverage its purchasing power.
- Maintain 51,876 line items across 40 catalogs
- Implemented and maintain 25 punch-out catalogs
- Issued over 208,000 purchase orders to about 17,000 unique vendors totaling about \$1.96 billion in spend in fiscal year 2015
- Reduced average requisition to purchase order cycle time by 40% and average invoice to check cycle time by over 45% since project inception
- Processed 9,959 electronic quick quotes
- Maintained a 93% return on investment.

Notable Successes

The top three successes to MFMP implementation and continuous improvement are detailed below.

United Nations Standard Products and Services Classification (UNSPSC) Implementation: In 2013, the MFMP team identified the need to implement a nationally-accepted and standardized commodity code system. The team selected UNSPSC to allow for improve commodity workflow approvers, enhanced spend analytics and an improved method of managing future code changes. After a year of design, development, testing, training, and implementation tasks the team converted the historic Florida specific Commodity Codes to the new UNSPSC. The standardization also provides the ability to better target vendors to receive solicitation notifications and reduce the effort for vendors to provide catalogs to the State of Florida. Shortly after the July 2014 implementation, the MFMP team developed a governance program to track requests to add new codes to the system from the existing version of UNSPSC, voting to add new codes to future versions of UNSPSC, and leading the process of upgrading the version of UNSPSC codes based on the annual update made by the UNSPSC group.

A key obstacle that other states may face when implementing this type of program will be agency customer resistance to change and education on the new commodity code set.

The MFMP commodity code implementation and governance program can be adapted by other states regardless of the implemented eProcurement software. A key obstacle that other states may face when implementing this type of program will be agency customer resistance to change and education on the new commodity code set. Other states or entities may wish to utilize the training and communications offered by the MFMP team if attempting to implement a similar program. Other states should also be aware that coordination and integration with all affected systems (examples, agency unique systems and financial systems) is key to the success of similar programs.

Agency Customer Involvement: One of the fundamental areas of success on initial deployment was early and frequent involvement with MFMP stakeholders. The MFMP team established a series of quarterly customer meetings that continue to receive high participation today. These meetings facilitate in-depth discussions on various topics, allow for decision making on important issues and provide stakeholders with status updates on key initiatives.

- Change Review Board (CRB) meetings are held quarterly and provide designated agency representatives with an opportunity to review and prioritize (by voting) submitted system enhancements to determine necessity, feasibility and suggested timelines for implementation. Meeting minutes are documented to identify enhancements requested for estimate and approved for implementation.
- Customer Round Table (CRT) meetings are held quarterly and facilitate discussions with agency customers for current issues, upcoming initiatives and ongoing operations. Meeting minutes are recorded and posted on the website, identifying key decision points and open items.
- State Purchasing Round Table (SPRT) meetings are scheduled quarterly to discuss topics affecting State Purchasing including catalogs, solicitations (in Sourcing and VBS) and other vendor related topics (such as eInvoicing). Meeting minutes are recorded and posted on the website, identifying key decision points and open items.

In addition to the regular scheduled meetings, MFMP University promotes continuous learning through comprehensive training opportunities catering to various adult learning styles for both agency and vendor customers. On average, the MFMP team provides 118 training sessions reaching over 1,900 customers each fiscal year.

Industry Standardization: Since the initial deployment in 2003, MFMP has gone through two major upgrades, several integration points with statewide systems and many customizations with the support of Accenture as a teaming partner. Additionally, Accenture continues to support the State of Florida through strategic sourcing and procurement transformation initiatives.

The deployment of MFMP enabled a centralized source for procurement activities, automating the state's order, approval, invoicing and payment approval process, making the procurement cycle more cost effective and time efficient than a traditional paper based system. Additional benefits include:

- **More Choice:** MyFloridaMarketPlace provides online access to the system's registered vendors and their products/ services. Additionally, agencies have online access to procurement vehicles such as State Term Contracts, quoting, and sourcing.
- **Reduction in paperwork:** Online requisitions, purchase orders, and quoting/sourcing capability are just a few of the state of the art tools that buyers have access to in order to complete procurement activities. Additionally, MyFloridaMarketPlace provides automated workflow and online approvals for streamlined processing.
- **Faster order processing time:** MyFloridaMarketPlace implemented automated workflow and approvals / escalations for requisition processing and invoice reconciliation (on average across the State, agency purchasing workflows include 4 approvers and invoicing workflows include 3 approvers). By automating the transactions, contracts, approvals, etc., the time from requisition to payment is drastically reduced.
- **Reduction in the cost of goods and services:** MyFloridaMarketPlace provides the State the opportunity to leverage its significant buying power by enabling Florida to act as a single entity during contract and purchasing negotiations through utilization of the globally accepted United Nations Standard Products and Services Code (UNSPSC) codes.
- **Reduced overhead and processing costs:** In addition to more accurate orders, automated workflow, and speed to fulfillment, the system helps to eliminate overhead costs on such items as on paper, printing, supplies, postage, mail and delivery services.

Obstacles to implementation and lessons learned

As with any large enterprise system, the team encountered some challenges during the deployment of MyFloridaMarketPlace. In 2003, agencies were not required to use MFMP. Many agencies continued operating shadow procurement systems resulting in duplicate data entry, limited adoption and higher operating cost. Once MFMP was mandated statewide, utilization, customer satisfaction, standardization and governance drastically improved.

MICHIGAN

From 2008-2013 the State of Michigan utilized the IPT by BidNet's solicitation system for solicitation management; and transitioned in 2013 to Periscope's BuySpeed. Michigan is currently using Periscope's BuySpeed product statewide www.buy4michigan.com. The license includes local units of government, with over 261 organizations actively publishing solicitations through the system in addition to State agencies. In 2017 the eProcurement functions will be transitioned to the CGI Advantage solution as part of the implementation of the CGI ERP system for financial management, called SIGMA.

Funding

The system is funded through administrative fees collected from the state master contracts and from purchases made off of contracts available to participants in the MiDEAL cooperative purchasing program.

Functionality

The system does not have complete functionality from self-service requisition to vendor payment, including electronic invoicing and electronic solicitations/offers. The state implemented only the solicitation and vendor management components of the solution; once SIGMA is implemented these functions will be transitioned and interfaced with the financial system (targeted for 2017).

The solution provides for automation of question and answer and clarification request processes; maintaining the records surrounding these activities with the solicitation in a single repository, saving time managing emails outside of the system.

Efficiencies gained, increased transparency, value generated

All documentation surrounding solicitations are posted on the Buy4Michigan site and are available immediately to the public unless flagged as proprietary. This has dramatically reduced the number of FOIA requests and increased the level of transparency.

With a mechanism built right into the system as part of the solicitation functionality (revision requests) for clarification and revision; requests for pricing clarification/reduction prior to award recommendation is much simpler and has become a fairly regular activity, resulting in frequent reductions in bid pricing.

Vendors have responded positively to receiving notification of solicitations via email from the system and having the ability to respond electronically at no cost. The system has increased competition through providing notification to vendors of relevant solicitations. There are no fees for use of the system by vendors.

While some eProcurement systems include the financials they must complement the purchasing functions, and the right people need to be engaged for the development and implementation of each.

Notable Successes

Fully testing functionality before go-live by users with prior system experience is critical. Developing training and quick guide materials including screen shots for typical functions and process flows which can be accessed directly from the system login screen and accessible prior to login, allows new users to get immediate help without having to wait for help desk staff which will be overwhelmed in the first wave of implementation.

Obstacles to implementation and lessons learned

Conflict in purpose between users focused on financial system transactions, rather than procurement functionality. The system's primary function is procurement and the system priorities must be appropriately focused on the purchasing functions, leaving the financial functions to the financial system. While some eProcurement systems include the financials they must complement the purchasing functions, and the right people need to be engaged for the development and implementation of each.

MONTANA

The State of Montana, State Procurement Bureau (SPB) is responsible for the procurement of all goods and services by state agencies and for all phases of contract administration. In July 2014 SPB began researching the costs and benefits of implementing a statewide eProcurement system. The primary goal of the eProcurement system was to modernize the state's procurement process and provide for greater efficiency in state purchasing, by streamlining, automating, and standardizing existing purchasing processes.

At that time SPB utilized three separate components to process procurements and manage contracts. The three components were outdated and in need of replacement, as they inhibited SPB's ability to provide efficient and effective procurement and contract management services to state agencies and interested vendors. SPB looked to procure and implement a Software as a Service (SaaS) eProcurement system that contained numerous configurable modules to address the specific requirements of the procurement cycle.

Phase 1 of the project, which is complete, was to replace the current system with an end-to-end sourcing solution to expedite procurements by automating the entire bid process, from solicitation creation to vendor distribution. In addition, the system provides a self-service vendor portal for registration, solicitation alerts, online document submittal, and performance tracking. The vendor registration component allows contracted vendors to directly input W-9s and banking information to SABHRS, the state's PeopleSoft accounting and budgeting system.

Phase 2, to be completed by June 2016, is implementation of a contract management solution. The solution will provide full contract lifecycle management functionality, including collaborative

contract authoring, a centralized contract repository for all state contracts, renewal processing, and expiration notifications. By utilizing a web-based application to manage state contracts, state agencies will have immediate access to contract authoring and monitoring tools, resulting in fast, effective deployment of state contracts.

Phase 3-1 of the project will require the expansion of the Montana eMarketCenter, an online marketplace for State Term Contracts, and integration with SABHRS. The eMarketCenter currently provides agencies with an efficient method of procuring office supplies and janitorial products no longer available through the warehouse. By expanding the eMarketCenter into a robust, comprehensive online ordering system, the State will achieve additional efficiencies. This will also provide the State with access to accurate data information instantaneously and will provide for more-effective contract performance monitoring.

Phase 3-2 is the integration with SABHRS. By integrating SABHRS with the entire eProcurement solution, state agencies will be able to track contract spend across the life of the contract, reconciliation issues will be alleviated, and data will be more widely available to state agencies. The integration with a pre-existing system proved to be very complex, and has been put on hold until 2018.

Funding

Montana's solution is funded by internal service rates to our agencies. Our Market Center will be able to report the percentage of sales through the system in June 2016.

Efficiencies gained, increased transparency, value generated

Montana has gained efficiencies in the development, evaluation and approvals of solicitations, as well as providing solicitation results and award information through our eProcurement system.

Staff time to complete the procurement processes has been greatly reduced. Efficiencies in contract management are expected when that module is implemented. Immediate access to the system for these categories results in time savings to complete these processes for all parties. Another benefit is the increased collaboration with the agencies to review and approve the solicitations.

This system has increased transparency by making solicitations, bid tabs, award information and a history of solicitations immediately available to the general public.

The vast majority of vendors have accepted the new system because of the cost savings of responding to solicitations. One major benefit is that vendors do not have to make multiple hard copies of their proposals and required documentation, such as insurance certifications, 1099 forms, and banking information. Initial access to the system was challenging for some, but after repeated opportunities to submit responses, acceptance of the system continues to grow.

There has been increased competition for contracts due to the increased number of registered vendors, as Montana combined its network of vendors with the existing network of vendors already in the system.

Notable Successes

The following greatly enabled Montana to have a successful implementation: Executive-level project sponsors; a Project Manager; a Project Charter; a core team that included dedicated internal staff and agency subject matter experts; and involvement of multiple agency stakeholders. Also critical to the success was a detailed Statement of Work, with detailed requirements that the system provider confirmed they can meet. Finally, we suggest that other states participate in an organizational “readiness assessment” to be fully aware of any cultural and operational strengths and barriers.

The State of Montana believes that this solution has provided for greater efficiency and effectiveness of the State’s procurement process, and will continue to do so with the implementation of additional modules in the near future.

Obstacles to implementation and lessons learned

A major challenge was that the system does not allow duplicate registrations from vendors. This affects employees in the same company trying to register separately. Another was that the project timeline, which we agreed to, was underestimated. Integration with our state financial system was a major challenge, and that is delayed until June 2018. Again, an organizational readiness assessment is suggested to help avoid the obstacles mentioned above along with having subject matter experts on your team to help with implementation.

NORTH CAROLINA

The State of North Carolina entered into a contract for the provision of an eProcurement system solution that also included, as part of the scope, the collection of transaction fees. This public/private partnership contract was successful from the standpoint of the provisioning of the eProcurement system and revenue generation. North Carolina also faced the dilemma of identifying when the partnership reaches the point at which the contractor recovers its initial investment, at which point transition to a more traditional fee for service contract is appropriate. North Carolina’s procurement technology is unchanged since 2012.

Funding

The system is self-funded through a 1.75% transaction fee charged to vendors for each purchase order processed by the system. Approximately 15% of the State’s spending is processed through the system. The North Carolina central procurement office is funded from State General Appropriations. Because the transaction fee

is used to fund the eProcurement system only, the fee is only assessed against vendors who receive purchase orders through the eProcurement system itself. Further, fees are assessed only for commodities purchased through the system; services are exempt. This approach results in lower overall revenue but is a much simpler approach to transaction fee assessment than those of some other states.

Functionality

North Carolina has multiple systems that work together to provide an integrated procurement solution. Solicitations are advertised through the Integrated Purchasing System. Offers are received in physical form, delivered to the purchasing agency. Requisitions and purchase orders are processed through the NC eProcurement System that is integrated with the state's multiple financial systems; NCAS (State Agencies), and Colleague (Community Colleges).

Efficiencies gained, increased transparency, value generated

North Carolina reorganized the Division of Purchase and Contract which is the central procurement authority; the new organization groups contract managers in teams that support specific commodity categories. Additional support roles were added to the organization including business systems analysts, data analysts and marketing specialists. The new roles support new processes that have been formalized and institutionalized in a comprehensive operating handbook. The state has implemented strategic sourcing strategies that have realized over \$18 million in savings when compared to previous contract methodologies. The system streamlines approval processes and enables highly detailed spend analysis.

The system provides for public access to solicitation documents and bid tabulations. It also enables the state to respond more quickly to public information requests related to procurement.

Vendors have responded positively to the system but react negatively to the 1.75% transaction fee assessed to vendors for each PO (services are exempt) issued through the system.

VIRGINIA

Virginia's eVA eProcurement program has experienced tremendous growth and continual evolution since the launch in March of 2001. There are 245 state agencies, college and universities and 770 local government entities who are now using eVA. These combined entities have produced over 650,000 purchase orders last fiscal year, for \$6.2 Billion in spend. eVA was used to issue over 16,000 solicitations with \$60 million supplier email notices going out to almost 100,000 vendors for new contracting opportunities with Virginia's supplier community.

Funding

The Virginia eVA eProcurement enterprise-wide program has been self-funded for over 15 years through both vendor and nominal agency fees. Vendor fees are one percent (1%) and capped at \$500 per transaction for a Virginia-certified small business, with a \$1,500 cap per transaction for all other (large) businesses. Agency fees are one-tenth of one percent (0.1%) and capped at \$500 for a Virginia-certified small business purchase with a \$1,500 cap for all other (large) businesses. Roughly 90 percent of discretionary spend within the Commonwealth of Virginia is captured in eVA.

Functionality

eVA includes functionality from self-service requisition up to vendor payment. eVA also facilitates electronic invoicing; however, this has not been used by any entities yet. Continuous efforts have been made over a decade to integrate the state-wide strategic eProcurement system with various financial system/s of the state, and there has been some success. The ability to integrate electronic solicitations has been a key part of the eVA service offering since program inception in 2001.

eVA has evolved over time from a project, to a system, and is now an enterprise-wide program. Virginia's aggressive program roadmap, evolutionary technology and implementation schedule, and a best-of-breed philosophy to meet and adapt to all business needs has allowed eVA to continually evolve over time meeting the needs of vendors, as well as buyers and others. eVA is still adding an average of 150 new vendors each week, or roughly, 7,800 new vendors per year. Vendors are required to pay fees.

Efficiencies gained, increased transparency, value generated

Virginia's eProcurement system has directly assessed efficiency through the more efficient administrative processing of purchase orders since the launch in 2001. From a system functionality perspective, Virginia has continually evolved by introducing several new modules to eVA. The additional functionalities noted below introduced new efficiencies to the business process:

- **Business-to-business (B2B) Connect** - eVA's free, online and publicly-accessible B2B message board that is used by large businesses to find subcontractors and small businesses to look for subcontracting and partnering opportunities in Virginia.
- **Contract Management** - eVA's new contract management module links procurement results to provide complete electronic versions of contracts, storage of all contract documents, spend tracking, web posting, and other typical CM capabilities.

- **Business eForms** - This provides public bodies with standardized templates to replace any paper forms and records for data-entry needs, while utilizing electronic approval process workflows unique to their own individual business unit needs.
- **Ad-hoc Data Reports** - This is eVA's updated reporting tool that leverages eVA's best-of-breed Logi Analytics' Business Intelligence (BI) application to allow all eVA Buyer and Supplier users with the ability to develop and customize business-specific BI reports.

Virginia measures the return on investment of eVA across eight areas (listed below) that are deemed as generating value for user agencies and for the Commonwealth overall.

- **Efficiency** - Electronic processing of bids, evaluations, catalog marketplace, orders, bid postings, approvals, contract management. As a single source for vendor registrations, business opportunities, and manuals/training/support. Overall reduction in the cost of doing business, paper vs. electronic processing, and the web-based/cloud/Software-as-a-Service approach. Estimated savings of \$11 million dollars in savings per fiscal year in the cost of processing electronic requisitions as a standalone measure.
- **Reduced Costs-Savings** - Organizational savings include document storage, software licensing and maintenance, data storage, vendor management, centralized support team and customer care. Virginia's informal sourcing tool, Quick Quote, drives on average nine percent lower costs when utilized. The overall savings on items and services purchased using eVA is around \$30 million per year.
- **Increased Competition** - eVA is the largest e-commerce marketplace for state government with 650,000 average purchase orders per fiscal year and over \$6 Billion in spend. There are 5 million catalog line items that eVA users can shop from. eVA has close to 100,000 registered vendors competing for 16,000 annually issued solicitations. eVA sends out 60 million email notices of business opportunities per year.
- **Support of Socio-Economic Programs** - eVA includes a real-time connection to Virginia's Department of Small Business and Supplier Diversity to obtain and update eVA Vendor Records with all Virginia certified small and disadvantaged businesses. This certification data is available in eVA at key decision points for our statewide procurement community end users, including requisitioning, sourcing, and via our data warehouse for spend reporting and analysis.

- **Transparency** - eVA not only provides public access to current, future and past procurements but also gives open access to detailed information on the rules, regulations, processes and standards behind these procurements. Participate, monitor, analyze or study, all of this information is available to every vendor, buyer, citizen and the public through eVA. Through the Public Report and Resource Center - reports can be generated that provide access to update order data that shows the buyer, the vendor, what was bought, and the price paid. Also, Procurement Metrics provides summarized views of the same data across the state.
- **Economic Impact** - eVA brings a positive economic impact to the Commonwealth by leveling the playing field through fair, open, and transparent competition, with easy access to all Virginia public body buyers. eVA's centralized eProcurement program reduces overall software licensing costs for all public bodies, promotes the mining and spend management analysis of data to identify areas of need, it promotes competition, and it aggregates the overall value that can be achieved through strategic procurement in the truest sense of a "Commonwealth."
- **Innovation** - eVA has continuously evolved since 2001. The program maintains an aggressive bi-monthly release schedule and a robust project roadmap that promotes and incorporates continuous user feedback to drive development and adoption of new features, functions and capabilities and adapt to the changes that are required due to law changes from the legislatures, executive directions from the Governor, and the technological advances of the marketplace.
- **Flexible & Customizable** - Although an enterprise solution, eVA provides its entities a flexible and customizable approach via:
 - o Custom Approval flow - enterprise-wide, entity-wide, division, department, and/or user level
 - o Real-time updates (accounting, vendor status, address/user data)
 - o Federated Identity Management/Single Sign-On
 - o Catalog Filtering
 - o Ad-hoc Reporting
 - o Modules assigned at user level
 - o Data-driven Notices
 - o Data Sharing - optional integration & interface depending on need

Being able to meet the strategic supply needs of all Virginia government agencies as well as provide greater public transparency, responsiveness to Freedom of Information (FOIA) requests, and legislative, local government, higher education requests has been a tremendous achievement for Virginia.

Obstacles to implementation and lessons learned

Executive leadership understanding, resolve, sponsorship, and constancy of purpose must be achieved, at the highest level, and as early as possible, and Virginia accomplished this. Noted below are some lessons learned from the challenges confronted during the system implementation.

- **Leadership** Support from the state’s highest leadership level was obtained in 2000 and from across the state – higher education, local government representation, the IT establishment, etc. This is essential and the business case, value proposition, and mission orders were simple, clear, and unambiguous. The need for leadership understanding, buy-in, support, and advocacy on behalf of a strategic enterprise eProcurement solution is a constant requirement and the best and most reliable assurance of obtaining success.
- **Change** Legislative changes, executive leadership initiatives, organizational requirements due to technology changes, as well as unique tactical and operational business priorities are a given. Leadership support is a critical success factor in any long-term enterprise process.
- **Resistance** Parochial interests always exist and they are vested within the narrowed siloes of individual areas of responsibility. Together with shortsighted planning, these obstacles must always be continually addressed and overcome, in favor of a strategic enterprise approach that can harness the purchasing power of all public bodies within the scope of responsibility established within the respective public body, but at the highest and broadest possible level.
- **ERPs** There is a constant market and organizational struggle with business units seeking to use an internal and optional purchasing module, residing within an ERP system. Our extensive experience has indicated that these ERP purchasing modules are tailored to the accounting system of a particular ERP and hostage to the global release schedules of a distant “provider of everything,” rather than an evolutionary strategic sourcing and contracting tool, tailored to the needs of strategic, enterprise-wide procurement. Supporting and running a multi-sided platform (vendors and buyers) and growing and maturing both sides of that equation, while meeting basic needs and striving to stay on the ‘leading edge’ of technology. Since the beginning, Virginia has envisaged an innovative solution that meets a true “enterprise-wide” need - state, local, and higher

education, together with a service provider that is capable of integrating all of the very best component tools that the market can offer with an enterprise-wide eProcurement solution, with all ERPs available.

Return on Investment: What is the Value of an eProcurement System?

Organizations that deploy eProcurement systems can see benefits in many ways, including the reduction of costs for purchased goods, eliminating unnecessary purchases, enhancing supplier participation and performance, streamlining processes, reducing cycle times, increasing staff efficiency, reducing re-work, enhancing accuracy and availability of reporting, increasing public transparency, and reducing environmental impacts. Realization of these benefits depends as much on the processes the organization follows as on the system itself.

Some process steps to follow in order to maximize the value of eProcurement systems include:

- **Spend management:** Drive high levels of adoption through policy, training, and outreach. Visibility into the organization spend enables it to consolidate purchases, eliminate unnecessary spending, and work with suppliers to innovate. Focus on leveraging the metrics readily available in these systems to monitor compliance, monitor usage/participation, evaluate success of procurement practices, assess supplier participation including disadvantaged supplier analysis, and category spend analysis.
- **Enhancing supplier participation and performance:** Drive to increase supplier participation through policy, training and outreach. A growing supplier base translates into increased competition, may lower prices and ultimately contributes to economic development initiatives. Regularly review supplier performance information to glean opportunities to improve compliance, validate pricing, and improve the ordering and invoicing processes.
- **Streamlining processes:** Take care not to overuse workflow or business rules, potentially making the electronic process cumbersome and slow. When configured in moderation, customers can gain efficiencies through use of workflow, online bidding and evaluation, and built-in audit and policy compliance features.
- **Reduced process costs and impact to the environment:** Adopt policies and procedures encouraging use of electronic bidding, evaluation, award, and reporting. An eProcurement system can reduce the use of paper and fossil fuels required to move paper bids between bidders and buyers, therefore

...the success of one implementation over another will depend on whether the solution chosen is the best match for the needs of the organization.

having the potential to reduce costs. This can also be a great aid to public procurement officials in promoting transparency and reducing costs when responding to requests for public information.

A final source of benefit to be considered is the retirement of existing or legacy systems that the eProcurement system intends to replace. While every situation is different, the licensing model common for most eProcurement systems today is under a software-as-a-service model which can, one-time only, make funds available as buyers switch from a model with a single, large payout, in favor of a smaller monthly rental or service fee. Additionally, personnel dedicated to supporting existing systems may be able to be repurposed to mission critical projects as the ongoing support burden for software-as-a-service is typically borne by supplier personnel.

Conclusion

More and more states conduct their formal procurement process through electronic means. A number of states are now considering (or will soon be faced with) a decision of whether to transform their procurement systems, retire their legacy systems, integrate eProcurement functionalities into their state's ERP systems, or deploy a separate eProcurement system.

Every state's situation is different and there are benefits and limits to functionality for each solution; however, the success of one implementation over another will depend on whether the solution chosen is the best match for the needs of the organization.

As highlighted in some of the case studies showcased in this paper, implementation can have some classic change management challenges. There must be top-down and bottom-up support for the project. A successful implementation of an eProcurement system depends largely on the project executive leadership. As noted in NASPO's Practical Guide⁸, the team must be led by procurement and technology working together as co-project leaders. It must include representatives from procurement, finance, and technology and work closely with the contract partner to ensure participation from all stakeholders and a quick decision-making process.

NASPO hopes this paper may assist procurement officials in their efforts to choose the best solution that effectively addresses their jurisdiction's needs. The paper has examined the different roles of ERP and eProcurement systems, how they support common principles of public procurement, pros and cons of each alternative, and benefits and examples of implementations from a handful of states that were able to contribute to this paper. We highlighted lessons

⁸ NASPO State and Local Government Procurement: A Practical Guide. (2015). Lexington, KY

learned, practices regarding ERP integration, and functionalities of existing eProcurement systems among the states, in order to guide this decision-making process.

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Disclaimer

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