State of Alaska

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Alaska Administrative Productivity and Excellence Project

Procurement Service Delivery Plan
and Statewide Spend Assessment

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Purpose: AAPEX Plan Development

Plan Development Scope

A&M developed service delivery plans and business use case to improve and consolidate six State of Alaska Back-Office Shared Services functions:

- Debt Collection Recovery[1]
- Travel & Expense Reimbursement[1]
- Accounts Payable[1]

- Print Services[1]
- Lease Management[1]
- Procurement

Objectives

- Understand as-is state of Back-Office Shared Service functions

- Identify root causes for service delivery and customer service challenges

- Define target state for each Back-Office Shared Service functions

- Create business case that provides detailed recommendations, tasks and actions to improve service delivery

- Determine the set of actions and implementation strategy to address the challenges

- Document required change management strategy and accountability roadmap

Report Components

- The accompanying Phase 2 AAPEX Procurement and Spend Assessment Report includes recommended improvements to the State of Alaska Procurement operational, organizational and financial model

- Key components[2] of the Phase 2 Report include (1) **Governance Model,** (2) **Finance Model,** (3) **Service Delivery Plan,** and (5) **Statewide Spend Assessment**

[1] Service delivery plans can be found in the Shared Services Phase 2 Report
[2] Governance model details can be found in the Shared Services Phase 2 Report

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Benefits of Alaska Administrative Productivity and Excellence

The AAPEX project is focused on consolidating and improving Back-Office Shared Service functions to increase customer satisfaction and drive Statewide efficiencies

Increase Customer Satisfaction

Achieve Process Efficiencies

Generate Cost Savings

Address Staffing Challenges
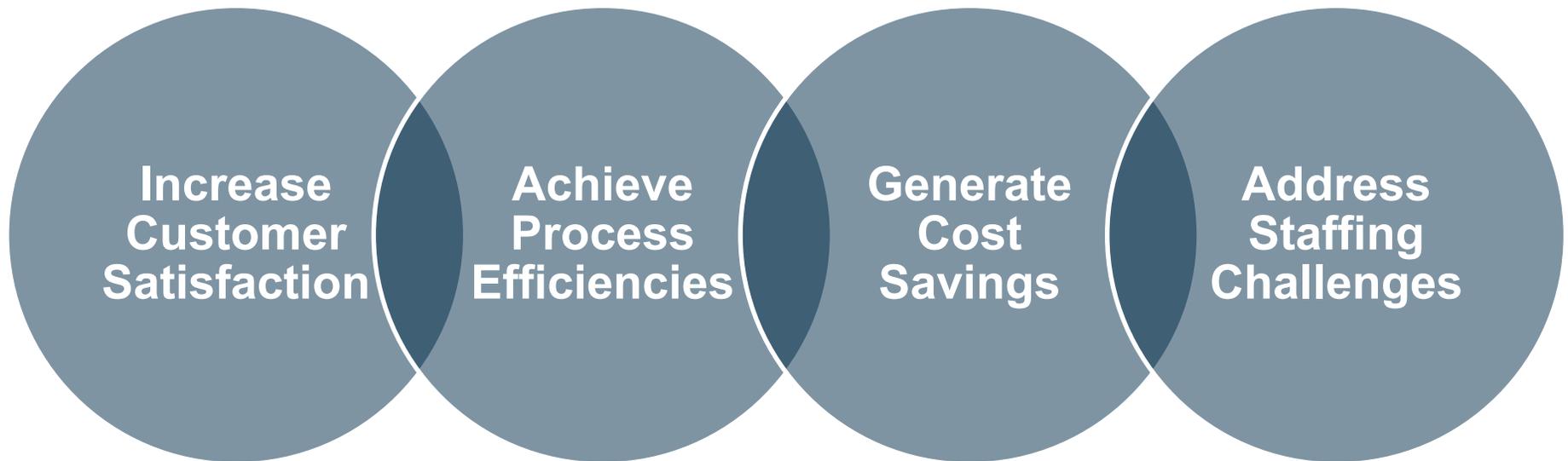
AAPEX
Alaska Administrative Productivity and Excellence

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Governance Model

Key components of the Phase 2 AAPEX Governance Model

- Overview of leading practices in state and local government "governance" structures

- High level assessment of current operating model

- Recommended new governance structures for shared services organizations that has defined roles and responsibilities of new governance structures

- Defined roles and responsibilities and decision authority of recommended policy oversight functions

Note: See the Shared Services Phase 2 Report for Governance Model Recommendations

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Finance Model

Key components of the Phase 2 AAPEX Finance Model

- High level assessment of current operating model

- Overview of leading practices in state and local government cost recovery models

- Recommendations for a future state financial funding model and financial framework for back-end funding models, billing structure and cost allocation model

- Revised approach for cost allocation and billing structure

- Policy changes needed to support the recommended financial funding model

Note: See the Shared Services Phase 2 Report for Finance Model Recommendations

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Service Delivery Model

The three key components of the Phase 2 AAPEX Service Delivery Model include:

Organizational Structure and Resource Assessment

- Assessment of current organizational and operational structures, delivery models and reporting structures

- Identify key stakeholders, funding and sourcing issues, services and technologies to deliver services

- Review span of control and internal reporting hierarchies

- Defined future state functions, services, delivery systems and roles and responsibilities of new organizational units

- Recommended policy changes to organizational and resource staffing plans

- Human capital needs to support consolidated model including assessment of skills, duties, and talent needs to support the defined model service levels

- Service catalog of major program functions, tasks and activities for procurement

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Service Delivery Model - Continued

The three key components of the Phase 2 AAPEX Service Delivery Model include:

Business Case and Consolidation Improvement Plan Recommendations

- Future state conceptual design based on information obtained from Stakeholder interviews and data workflow analysis

- Leading Practices on operational and organizational service delivery models and key performance indicators

- Implementation roadmap timeline with consolidation phases, key critical path actions/activities, milestones, and dependencies with other major initiatives

- Defined key roles and business owners to carry out activities/tasks

- Identify constraints, issues, and risks, and incorporate resolutions into the plan

- Financial Impact and cost saving assumptions

Organizational Change Management

- Change management communications and training plan for internal and external (state agency and any third parties) stakeholders

- Stakeholder and change impact assessments

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EXECUTIVE SUMMARY

Procurement Executive Summary

The current procurement organizational structure and processes result in inefficiencies and operational issues
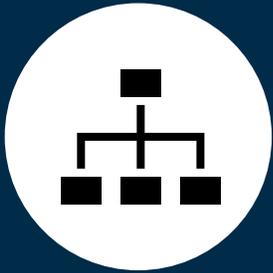
Organizational

- Lack of leveraged spending
- Duplication of effort
- Limited training and certification

Technical

- Poor data quality and reporting
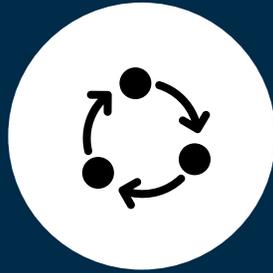
Process

- Duplication of effort
- Lack of policy enforcement
- Inconsistent use of IRIS processes

Resource

- Misalignment of skills with tasks
- Lack of ongoing training and specialized training
- Duplication of effort

Governance

- Lack of policy and financial management procedure compliance
- Inconsistent use of Statewide Contracts

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Procurement Executive Summary

AAPEX recommends organizational consolidation and standardization of procurement into a category-based organization through a phased implementation approach

Phase I. Consolidate (July to September)	Phase II. Streamline (October to February)	Phase III. Restructure (March to September)

- Realign all Procurement reporting structures to Department of Administration Office of Procurement and Property Management (OPPM) effective October 1st
- Develop IRIS training to standardize business processes and system utilization

- Create and deliver training to Department and stakeholders
- Standardize key processes (e.g., Purchase Order usage, P-Card purchasing, use of standard object codes, storage of contracts, etc.)
- Create KPIs and monitor for performance

- Determine best physical location for procurement staff[1] to maximize standardization, communication, and policy enforcement efforts
- Create Procurement category-based sourcing and purchasing

Including an initial three month communication and socialization period, this implementation plan is designed to execute all phases over 18 months. Due to difficult current telework challenges, targeted implementation is planned through early FY2022 (July 2020 to Sept. 2021)

[1] As defined in accordance with Administrative Order 304

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Service Delivery Implementation Roadmap

The recommended implementation plan is a phased approach over 18 months

#	Task / Implementation Action	FY 2020			FY 2021												FY 2022		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Recommendation 1. Communicate & Socialize AAPEX Recommendations (Implementation Start-up)																			
1.	Socialize recommendations with State HR	■	■	■															
2.	Communicate reasons for consolidation	■	■	■															
3.	Discuss changes with impacted employees	■	■	■															
4.	Establish two-way communication	■	■	■															
5.	Department training on standard use of IRIS	■	■	■	■	■													
Recommendation 2. Consolidate and reorganize DOA Procurement (Phase I)																			
1.	Realign reporting structure				■	■	■												
2.	Reorganize for Department-based procurement				■	■													
Recommendation 3. Revise and standardize procurement processes (Phase II)																			
1.	Develop and deliver new process training							■	■	■	■	■							
2.	Configure solution & enhance business process							■	■	■	■	■							
3.	Mandate use of prompt pay discounts							■											
4.	Require use of standard object codes, etc.							■	■										
5.	Require usage of Statewide Contracts								■										
6.	Require a Requisition or Purchase Order							■	■										
7.	Require electronic storage of State contracts							■	■										
8.	Reevaluate P-card, capital, urgent procurement							■	■	■	■	■							
9.	Create reporting and KPI system									■	■	■							
Recommendation 4. Restructure organization for improved service and efficiency (Phase III)																			
1.	Reorganize for category-based procurement												■	■	■	■	■	■	■
2.	Optimize procurement intake process													■	■	■	■	■	■
3.	Determine work location															■	■	■	■

Procurement Resource Requirements by Period

The Procurement Service Delivery Plan includes four key recommendations with 19 tasks, 34 sub-tasks and 163 action tasks in the implementation roadmap

Implementation Resource Plan

AAPEX transformation plan recommended to commence during the fourth quarter of FY 2020 with dedicated State of Alaska personnel and external partner resources

Project Resource Type	FY20			FY21												FY22		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
State SSoA	2.7	1.3	1.3	3.5	3.5	0.8	6.8	6.9	4.0	3.0	3.0	3.5	1.2	1.2	1.2	1.2	1.2	1.2
State OIT	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5	1.5	1.5	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
State Change Management	0.6	0.3	0.3	0.7	0.7	0.2	1.2	1.2	0.6	0.4	0.4	0.5	0.2	0.2	0.2	0.2	0.2	0.2
Consultant	2.3	1.2	1.2	2.4	2.4	0.8	3.1	2.9	0.9	0.7	0.7	1.0	0.6	0.6	0.6	0.6	0.6	0.6
IT Implementation Consultant	0.0	0.0	0.0	0.0	0.0	0.0	4.5	4.5	4.5	4.5	4.5	4.5	0.0	0.0	0.0	0.0	0.0	0.0
Total State FTEs	3.3	1.6	1.6	4.3	4.3	1.0	9.5	9.6	6.1	4.9	4.9	5.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Consultant FTEs	2.3	1.2	1.2	2.4	2.4	0.8	7.6	7.4	5.4	5.2	5.2	5.5	0.6	0.6	0.6	0.6	0.6	0.6
Total FTEs	5.6	2.8	2.8	6.7	6.7	1.7	17.1	17.0	11.4	10.1	10.1	11.0	2.1	2.1	2.1	2.1	2.1	2.1

Bar chart (FTEs by month: Apr–Sep), legend: ■ Total State FTEs ■ Total Consultant FTEs

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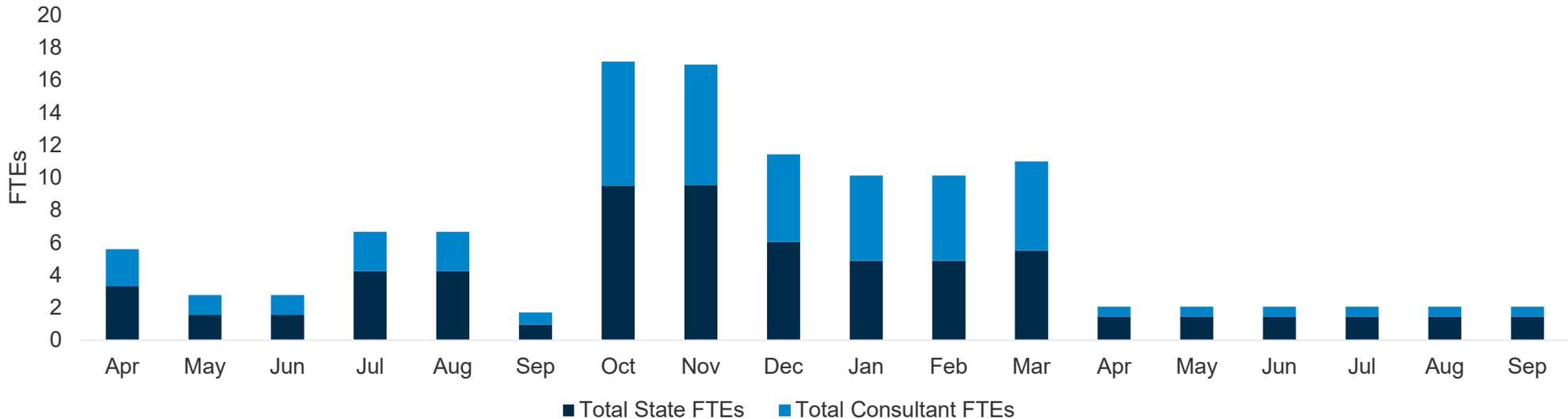
Procurement Transformation Benefits

Long term benefits include improved cycle time and error rates, reduced spending and increased customer service from consolidated sourcing and procurement activities

- Leveraged State-wide spend
- Defined policies and procedures
- Improved ability to conduct strategic sourcing
- Spend savings via category-based strategic sourcing
- Minimal disruption of Department activities
- Attrition based staffing reductions
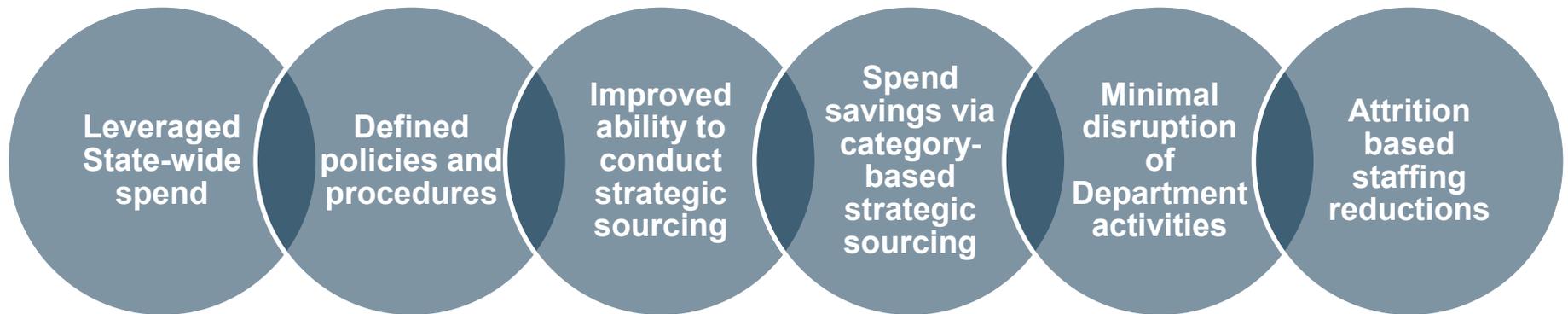
A&M identified a potential return of approximately $2.5 million over five years if all recommendations are implemented (*excluding strategic sourcing efforts and Shared Services initiatives*)

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Approach to Change Management

AAPEX's Change Management approach consists of four areas that align with the State's Change Strategy

COMPONENTS	KEY QUESTIONS	AAPEX APPROACH
Stakeholder Engagement	▪ Who is impacted by this change and what do they need to be successful?	▪ Incorporate AAPEX changes into the organization's strategic goals so that stakeholders are aligned top-down ▪ Use Change Readiness checklists and toolkits for Sponsors, Managers, and the Change Network
Communications	▪ How do we provide the right information to the right people at the right time?	▪ Develop Communication Plans that provide transparent information through multiple touchpoints and communications channels
Measurement	▪ Are key stakeholders supportive or resistive of the changes?	▪ Establish two-way communication between employees and AAPEX ▪ Develop pulse surveys that measure change commitment ▪ Define KPIs that measure adoption
Training	▪ What training, job aids, or tools are needed to be successful?	▪ Develop training framework and toolkit to help ensure employees have what they need to be successful

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Change Management Recommendations

To ensure adoption and sustain the implementation, AAPEX will need to focus on change and communications

Recommendation	Observation
1. Align employees around a clear vision	▪ Employee interviews demonstrated a lack of common understanding regarding AAPEX objectives or why the State is changing
2. Purposefully engage in direct communications	▪ Project change and organizational readiness assessments revealed significant gaps in communications
3. Fortify program leadership capabilities	▪ The State lacks experience in running large, enterprise-wide changes similar to AAPEX
4. Apply a structured change approach	▪ There is no formal large program methodology and the State is in the early stages of adopting a Statewide change strategy
5. Allocate full time State resources to each AAPEX initiative area to manage the changes	▪ AAPEX is recommending complex Statewide changes that impact employees and stakeholders in different ways

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PROCUREMENT SERVICE DELIVERY PLAN

Current State Assessment

Current State: Factors that Impact Statewide Procurement Performance

People, process and technology factors are all currently contributing to substandard Procurement performance

Organizational Realities

- Across the State, 185 Full Time Equivalents (FTEs) are involved in procurement functions
  - 16 (9%) DOA FTEs
  - 169 (91%) Other Department FTEs
- Employees performing procurement functions with 16 distinct job titles, including titles seemingly unrelated to procurement (i.e. "Stock & Parts Services")
- Statewide contracts (approx. 250 contracts) generate less than 20 percent of non-labor spending

Technical Complexities

- Poor IRIS user experience increases system "workaround" processes such as Requests for Alternate Procurement
- Lack of data entry, data validation, and reporting automation increases workload and creates data quality issues
- Notification that a purchase has been approved is not happening
- Concerns over data quality, completeness, and accuracy driven by lack of consistency when using IRIS

Resource and Skill Gaps

- Misalignment of skills with tasks
- Limited reoccurring training for Departments and DOA personnel
- Inconsistency in coding of procurements to correct object codes; almost no correct coding to commodity codes
- Perceived lack of DOA knowledge of Department needs and purchases

Governance and Controls

- Difficulties enforcing use of Statewide contracts
- No Statewide standard processes, policies or procedure documents
- Mandate for a consolidated procurement function is not enforced
- Limited key metrics
- Inconsistent SLA reporting and management

Process Deficiencies

- Lack of consistent processes
- Duplication of data entry between Departments and DOA
- Isolated Department contracting efforts leads to duplicate contracts and prohibits spend leveraging
- Inconsistency in coding of procurements to correct object codes; almost no correct coding to commodity codes

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Current State: Organizational Structure

The lack of a single multi-Department procurement function results in a wide variety of organizational structures based on individual Department needs

DOA

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                        Chief Procurement
                             Officer
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Key:
- Statewide Contracting
- DOA Procurement
- Surplus Memo Property

Example Department Procurement Organization[1]
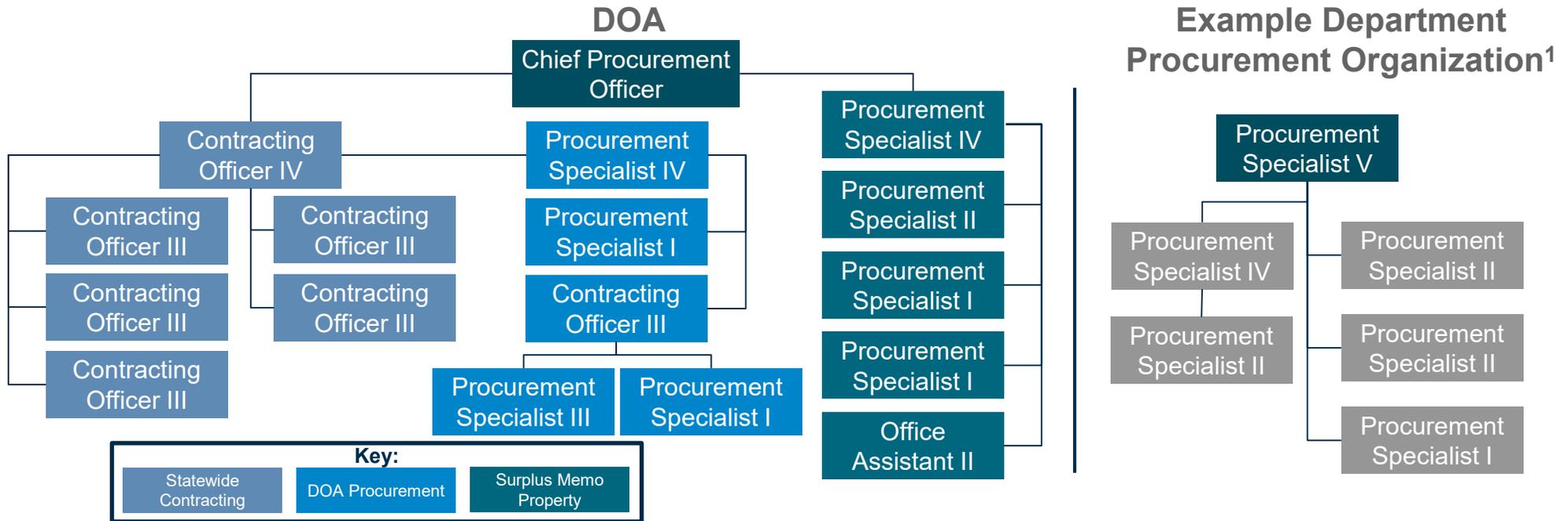
Current State Organizational Structure	Observations
▪ Statewide Contracting: 6 FTEs ▪ DOA Procurement: 5 FTEs ▪ Surplus Property: 5 FTEs ▪ Department Procurement: varies by Department	▪ Lack of standardized procurement organizations across State Departments ▪ Overlap in responsibilities across current Shared Services organization and Departments ▪ Lack of coordination between Statewide Contracting and Departments results in multiple contracts with same vendor

[1] Department of Environmental Conservation

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Current State: Procurement Service Management

Lack of consolidated Statewide Procurement does not allow for consolidated and strategically sourced goods and services

	Services	Description	Observations
Department of Administration	Establish & Manage Statewide Contracts	▪ Identify multi-Department needs ▪ Negotiate and sign contracts for use by any Department ▪ Ensure deliverables are delivered on time ▪ Monitor contract budgets, including calculation and verification of Vendor fee	▪ Most contracts are not handled in a consolidated manner ▪ Lack of training exists for Contract Managers
	Approve Requests for Alternate Procurements (RAPs) and Waivers	▪ Receive RAPs from Departments and approve ▪ Review for data requirements ▪ Return to Departments or clarify accordingly	▪ Processes are highly manual and inconsistently applied by Departments ▪ RAP requests are consistently submitted without required data
	Provide Procurement Training and Certification	▪ Develop training for procurement personnel throughout the State ▪ Administer training regularly	▪ Training and process development exists, but is not updated regularly ▪ Processes are occasionally not followed ▪ Training does not have completion testing
	Surplus Property Resolution	▪ Accept surplus State-owned property ▪ Tag and track assets ▪ Store and / or dispose of surplus property	▪ Asset management and tracking processes are not standardized ▪ Only 60 to 65 percent of assets are tagged, according to DOA Property Surplus
	Provide Help Deck Functionality	▪ Answer Agency questions on procurement ▪ Assist in filling Agency procurement needs	▪ No formal intake process to prioritize questions ▪ No formal way to track Statewide needs

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Current State: Department Service Management

Duplication of Department and DOA purchasing tasks leads to process inefficiency

	Services	Description	Observations
Departments	Identity Department needs	▪ Provide guidance to division to maximize value during planning stages ▪ Process Freedom of Information Act (FOIA) and public document requests related to vendor contracts ▪ Manage records retention	▪ Department needs are not shared, no ability to leverage spend volume ▪ Departments manage needs solicitation differently
	Negotiate and sign contracts for use by the Department	▪ Manage contract development ▪ Negotiate pricing with vendors ▪ Route for approval by Department staff	▪ Significant overlap of duties and responsibilities between DOA and Department staff ▪ No consolidated database of contracts
	Manage Contacts	▪ Ensure deliverables are delivered on time ▪ Monitor contract budgets	▪ Lack of communication between Departments and Statewide Contracting leads to duplicated work
	Manage State Property Program	▪ Create inventory for any assets above $5,000 ▪ Conduct annual inventory process	▪ Challenges with ALDER reporting may lead to mis-reporting of assets ▪ Some Departments may not adhere to the $5,000 threshold
	Manage warehouses	▪ Set minimum and maximum quantities for the warehouse ▪ Manage inventory and generate ALDER reports	▪ Warehouse inventory is not tracked consistently ▪ Some Departments "eyeball" stock to manage inventory

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Current State: Service Management

Currently procurement is "Semi-Consolidated": Each Department has a consolidated procurement function, but Statewide there is only a small contracting service efforts

Statewide Contracting Responsibilities	Department Procurement Responsibilities
▪ Identify **_multi-Department_** needs	▪ Identify **_specific Department_** needs
▪ Negotiate and execute contracts for use _by **any** Department_	▪ Negotiate and execute contracts for use _by **the** Department_
▪ Manage contracts	▪ Manage contracts
▪ Develop and conduct procurement training	▪ Procure goods and services

Overlap of Responsibilities

Purchasing and buying is consolidated in Departments, limiting State purchasing power

Key Statistics	
Statewide contracts (FY19) spending	$176M
Spend[1] (FY19)	~$840M
Alaska "Procurement" FTEs[2] (FY20 budgeted)	184
Number of Statewide contracts	~250

[1] Total FY19 Spend provided by the State, less Grants & Transfers, Construction-related Spend, Medicaid related spend, and other non-addressable
[2] Total FY20 PCNs provided by the State are involved in the procurement process, including positions outside procurement specialist job class

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Leading Practices

Leading Practices: Organizational Structure

State of Ohio organizes its procurement unit by _Type of Items or Services_ compared to State of Louisiana organizes by _Type of Purchase_ with a comprehensive Analytics Team

Area	State of Ohio	State of Louisiana
Statewide Spend	▪ ~$2.1 billion annually (2019)[1]	▪ ~$3.3 billion annually (2018 - 2019)[2]
Reporting Structure	▪ Department of Administrative Service	▪ Department of Administration
Staffing	▪ 46 FTE	▪ 87 FTE

Organizational Structure	▪ Chief Procurement Officer, 2 Deputy Chief Procurement Officers, 4 Purchasing Contracts Managers
	
	▪ 6 Purchasing Teams (4 Managers)
	  − Community and cooperative purchasing programs (3 FTE)
	  − Fleet and misc. services (6 FTE)
	  − Maintenance, repair & operations (6 FTE)
	  − Medical and related services (4 FTE)
	  − Office / food services (4 FTE)
	  − Procurement support / preference programs (5 FTE)
	  − Website maintenance (1 FTE)
	
	▪ Administrative Assistants (7 FTE)
		▪ State Procurement Director, 1 Executive Staff Officer, 1 Deputy Director
		
		▪ 5 Assistant Directors
		
		▪ 5 Purchasing Teams (5 Managers, 8 Supervisors)
		  − Professional contracts by Agency (8 FTE)
		  − Complex services by Agency (11 FTE)
		  − Category purchasers (19 FTE)
		  − Blanket purchase orders (9 FTE)
		  − One time purchases (6 FTE)
		
		▪ 1 Analytics Team (1 Manager, 1 Supervisor, 4 Business Analytics Specialists)
		
		▪ Administrative Assistants (7 FTE)

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Leading Practices: Organizational Structure

Ohio appoints Agency Procurement Officers to be a single point of contact for Departments when purchasing whereas Louisiana is completely centralized

Area	State of Ohio	State of Louisiana
Customer Served	▪ 12 "Early Adopter" Agencies ▪ 12 Cabinet Agencies by 2022 ▪ Boards, Commissions, Non-superintendent agencies, higher education, and local governments starting in 2020	▪ All executive branch Departments (including higher education, political subdivisions, boards, and commissions)
Services Provided	▪ Procurement via competitive selection and negotiated contracts ▪ Maintains cooperative purchasing agreements for participating political subdivisions ▪ Trainings Departments, vendors, and political subdivisions	▪ Procurement of personal, consulting, and social services contracts utilized by State Agencies ▪ Review Agencies' procurement processes against competitive solicitations requirements ▪ Comprehensive vendor and Agency training ▪ Assemble Statewide procurement reporting
Degree of Consolidation	▪ DAS OPS as the central procurement authority ▪ Agency Procurement Officers (APOs) appointed by Department to facilitate efficient State purchasing functions	▪ OSP serves as the centralized purchasing and contracting agency of the State

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Leading Practices: Organizational Structure

Ohio and Louisiana require written approval for Departments to conduct their own purchasing activities unless in special circumstances

Area	State of Ohio	State of Louisiana
State Agency Responsibility	▪ Establish clear lines of authority ▪ Contact DAS to establish State Contracts for frequently purchased routines	▪ Submit contracts to Contracts section ▪ Provide signature authorities and evidence of funding ▪ Provide records of sole source and urgent procurement for Statewide Reporting
Exceptions to Central Purchasing	▪ No exceptions exist unless in a state of emergency ▪ If Department of Administrative Services determines that it is not possible or advantageous to utilize central purchasing, Departments can make purchases with written consent from DAS	▪ State of emergency triggers specialized procurement protocols ▪ DOT – materials, services, and supplies for road, highway, or bridge construction ▪ DOE – Textbooks, scientific and laboratory equipment, teaching materials
Governance Structure	▪ Controlling Board must approve certain leases or purchases that exceed approval thresholds	▪ Regular reporting to State Agencies, approval authority

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Leading Practices: Service Management (Louisiana)

Louisiana's Procurement Division focuses on Department customer service and its obligation to minimize costs Statewide through all services provided

Service Provided	Description
Establish & Manage Statewide Contracts	• Oversee and establish contracts for all goods and services • Create joint or multi-party contracts which are made available to local public procurement units • Maintain mandatory Statewide contracts
Provide Procurement Services for the entire State	• Identify and execute strategic procurement opportunities for the State • Utilize various procurement methods as needed to obtain the best value for the State • Support State Agencies who have Direct Purchase Authority (DPA) • Collaborate with other State Agencies to plan, procure, and manage requirements exceeding their DPA • Conduct review and approval of IT supplies and services • Regulation of RFPs and contracts for professional & complex services • Process bids and other requisitions for commodities, goods, and services which fall out of the scope of regular annual contracts
Provide Procurement Training	• Provide guidance and training to Agencies / Departments on policy and procedures related to procurement of supplies and services • Provide information and act as an education source through sponsorship & participation in educational seminars for Agencies / Departments
Reporting	• Provide regular reporting of Statewide spend and trends • Create goals for Statewide cost maintenance and execute

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Leading Practices: Service Management (Georgia)

Georgia tracks several metrics to ensure appropriate levels of customer service are met for the 66 Agencies that use Statewide Procurement

KPI	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual
Amount of State entity spend through P-Card program	$184,131,136	$184,909,582	$186,264,250	$163,200,000
Proportion of State entity Chief Procurement Officers that are certified purchaser	63.98%	76.25%	82.90%	94.86%
Estimated cost savings / avoidance from recently completed new or renewal Statewide contracts	$10,263,808	$6,134,077	$7,987,365	$7,851,761
Number of agencies using the Team Georgia Marketplace application for procurement	55	66	66	66
Number of Statewide contracts	72	71	72	73
Number of training participants for the State purchasing	4,645	4,584	4,123	12,142
Percentage of Agency contracts completed within six months	22.0%	12.6%	33.0%	74.0%

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Leading Practices: Procurement Process (Georgia)

Georgia conducts a seven step procurement process to ensure Department needs are being met and State interests are prioritized

1. Need Identification

- Identify internally / externally the need for purchase or establishment of a new contract
- Identify exceptions to the State Purchasing Act
- Analyze existing contract sourcing by applying Order of Precedence
- Determine whether a sourcing event is required
- Review special approvals or restrictions applying to purchases

2. Pre-Solicitation

- Identify scope, stakeholders, and critical business requirements
- Conduct market analysis to identify available goods, services, and suppliers
- Estimate expected contract award value or purchases for the fiscal year
- Address market and budget constraints
- Identify leading practice solicitation method
- Address delegated purchase authority
- Plan the solicitation

3. Solicitation Preparation

- Review use of consultants
- Understand sourcing tools
- Select solicitation templates
- Construct solicitation and evaluation documents
- Select contract templates

4. Solicitation Process

- Publicly advertise solicitations
- Manage communications
- Revise or cancel solicitations as needed
- Receive supplier responses as closing the solicitation

5. Evaluation Process

- Manage the evaluation process
- Verify suppliers' eligibility for contract award
- Solicit additional information from suppliers as needed
- Conduct negotiations as appropriate
- Finalize contract discussions

6. Award Process

- Provide public notice of solicitation results
- Make all solicitation records available for review by suppliers
- Issue contract award
- Participate in protest process as applicable

7. Contract Process

- Administer and manage the contract
- Work with suppliers to resolve contract disputes
- Complete contract close out

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Recommendations & Business Case

Procurement Executive Summary

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- Create and deliver training to Department and stakeholders

- Standardize key processes (e.g., Purchase Order usage, P-Card purchasing, use of standard object codes, storage of contracts, etc.)

- Create KPIs and monitor for performance

- Determine best physical location for procurement staff[1] to maximize standardization, communication, and policy enforcement efforts

- Create Procurement category-based sourcing and purchasing

Including an initial three month communication and socialization period, this implementation plan is designed to execute all phases over 18 months. Due to difficult current telework challenges, targeted implementation is planned through early FY2022 (July 2020 to Sept. 2021)

[1] As defined in accordance with Administrative Order 304

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Procurement Detailed Summary

Implementation Startup:

Communication and socialization of upcoming changes - April to July 2020

- Socialize Procurement recommendations with State HR managers
- Communicate business reasons for consolidation
- Develop 'roadshow' presentation and meet with impacted employees to discuss upcoming changes
- Establish two-way communication with impacted employees
- Department training on standard use of IRIS

Implementation Phases:

Phase I: Consolidate and reorganize DOA Procurement - July to September 2020

- Realign reporting structure to have all Procurement personnel reporting through DOA effective October 1st
- Reorganize for Department-based procurement

Implementation Phases: (Continued)

Phase II. Revise and standardize procurement processes - October 2020 to February 2021

- Develop and deliver training inclusive of both Department and DOA responsibilities
- Configure solution and enhance business process based on business requirements
- Mandate use of prompt pay discounts in contract negotiations
- Require use of standard object codes, commodity codes, funding source
- Require usage of Statewide Contracts
- Require a Purchase Order for all regular purchases
- Require electronic storage of contracts
- Revise P-card, capital, urgent procurement methods
- Create reporting and KPI tracking and review system

Phase III. Restructure organization for improved service and efficiency - March to September 2021

- Reorganize for Category-based procurement
- Optimize procurement intake process to match new organization structure
- Determine work location of consolidated Procurement organization

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Future State: Standard Purchases

The streamlined Procure-to-Payment process has Departments approve for need and budget, while DOA Procurement approves for items such as coding and contracting

Departments

Employee fills out a requisition

- Employee fills out requisition including project need, coding, business purpose
- Employee routes for approval to delegated Department authority

DOA Procurement

DOA Procurement issues purchase order

- Once requisition is approved by Department, DOA Procurement approves for correct Object Code, Commodity Code, contact to purchase off of, etc.
- DOA issues purchase order

Departments

Employee receives goods and enters "RC"

- Employee receives goods and enters "RC" into IRIS as confirmation of receipt

SSOA AP

AP receives invoice directly from Vendor

- Invoice refers to a Requisition # or PO# that was created in IRIS as part of the procurement process
- IRIS should be invoice official system of record

Manager assigns AP transaction to Reconciler

- SSOA supervisors triage AP transactions based on invoice information available

Reconciler reviews AP transaction, creates "IN" document in IRIS

- Reviews and attaches Invoice to IRIS AP case
- Reviews financial coding
- Verifies payment approval
- References procurement documents
- Calculates and applies prompt pay discount
- Submits AP Document to "Certifier"

Certifier reviews and certifies AP document

- Reviews AP document for accuracy
- "Certifies" "IN" document in IRIS

IRIS overnight batch process

Payment triggered

Verify Payment

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Future State: New Roles

New Procurement organization focuses on customer service and consolidated purchasing

	Deputy CPO	Policy / Oversight / Training Analysts	Department Procurement Manager
Description	▪ Directs and administers procurement activities and oversees implementation of policies and programs as mandated	• Monitor procurement laws that impact SOA, perform quality reviews, and provide training to DOA and Department staff	▪ Work with assigned or "home" Department to define spend plan and business requirements ▪ Lead collaboration between Department and Procurement to align on strategy and process
Roles and Responsibilities	▪ Develops goals and objectives and implements tactics to achieve goals and objectives ▪ Assists in preparation of divisional budget, performance reports, and studies on spending levels and purchasing practices ▪ Develops, implements, and monitors plans for integrating technology into the procurement process ▪ Approves / disapproves purchase orders, invoices, contracts, and other documents related to the operation of State Procurement	▪ Perform evaluations of procurement sources and controls (including contracts) ▪ Track and provide quality metrics to leadership team ▪ Understand and enforce procurement policy guidance for the State of Alaska ▪ Provide corrective and preventative actions to improve the organization ▪ Create and facilitate training for DOA and Departments ▪ Manage the certification and delegation programs	▪ Develop strategic partnerships with a portfolio of "home" Department ▪ Understand Department priorities and strategic goals, budget, and projected spending needs ▪ Promote and educate Department on benefits of leveraging enterprise services ▪ Gather feedback and work to improve customer satisfaction ▪ Work to resolve any procurement related complaints that may arise ▪ Clearly communicate cost and service options for procurements ▪ Identify opportunities to create new business value from Procurement

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Future State: New Roles

Procurement Specialists and Category Managers coordinate Departments to ensure spending needs are met and statewide efficiencies are achieved

	Category Managers	Procurement Specialists
Description	▪ Lead the procurement function across multiple categories Statewide ▪ Responsible for working with key stakeholders to achieve long-term State procurement objectives.	▪ Conduct and maintain their own portfolio of procurements and contracts ▪ Manage the requisition to purchase process
Roles and Responsibilities	▪ Work with Department Procurement Managers to understand Departments spending and buying needs ▪ Analyze spend patterns and market trends to develop long term procurement strategies ▪ Develop a strong understanding of the vendor environment for owned categories ▪ Aid in strategic decision making to optimize costs and quality ▪ Manage and lead major procurement projects, including negotiation and signing of contracts ▪ Develop and execute a regular robust sourcing strategy ▪ Vendor performance and compliance management ▪ Participate in vendor fairs to identify potential new suppliers	▪ Assist with preparation of requisitions ▪ Screen for proper commodity descriptions and quantities requested in relation to previous usage ▪ Determine appropriate substitutions and methods of obtaining required items ▪ Identify and prepare specifications and descriptions of purchases ▪ Follow through with Accounting functions of purchased items when required

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Future State: Procurement New Roles

Procurement will have three general roles going forward: Client Procurement Managers, Procurement Specialists, and Category Managers
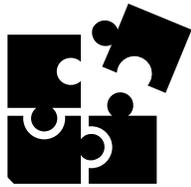
Procurement Roles

Department Procurement Managers

- Proactively work as primary point of contact with Departments on current and future procurements to improve the process and provide better service
- Provide oversight, quality assurance, training and Help Desk functions

Category Managers

- Work with Department Procurement Managers to identify areas of upcoming spend
- Conduct strategic sourcing events
- Negotiate and manage contracts for use by the State

Procurement Specialists

- Procure goods & services for Departments
- Manage vendor relationships to increase performance and ensure they meet key performance indicators (KPIs)

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Future State: P-Card Process Summary

Shared Services should revamp the P-Card process to eliminate unnecessary back and forth with Departments and SSOA Staff; Procurement is not involved in the new process

Departments

Employee makes purchase on P-Card

- Transaction clears and State pays credit card balance
- Employee obtains purchase approval prior to purchase

Staff logs into IRIS to reconcile transaction

- A list of all transactions associated with P-Card will display
- Employee attaches a receipt and assigns a business purpose for each transaction

Staff distributes charges to different projects

- Employee identifies project ID that each transaction corresponds to
- Employee verifies amount, object code, and financial coding information are correct
- Employee validates budget

SSOA

Reconciler reviews credit card charges

- Reviews business purpose of charge against AAM
- Ensures receipt amounts match credit card charge
- Reviews chartfield distribution
- Verifies transaction

Reconciler audits for misuse

- Reconciler notifies certifier of any potential misuse (e.g., not submitting in a timely manner, purchasing without blanket contracts, purchasing items not through proper process)
- Notify Agency of misuse or fraudulent change

Certifier certifies transaction clearance

- Certifier reviews transactions for AAM misuse
- Approves work from reconciler
- Certifies payment

Overnight IRIS batch process and transaction clearance

Accounts Payable verifies transaction clearance

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Future State: Immediate Need Purchase

This process should be used for State employees working off-site with an immediate need for a commodity or service that must be procured in order to complete their daily task and the employee has not been assigned a State issued p-card

Departments

```
┌─────────────────┐        ┌─────────────────┐        ┌─────────────────┐
│   Employee      │        │    Employee     │        │   Department    │
│   makes         │ ─────> │  submits receipt│ ─────> │   processes     │
│ immediate need  │        │    to their     │        │  reimbursement  │
│   purchase      │        │   Department    │        │                 │
│ without PO / P- │        │                 │        │                 │
│     Card        │        │                 │        │                 │
└─────────────────┘        └─────────────────┘        └─────────────────┘
```

- Employee pays for an immediate need purchase out of pocket
- Purchase must allowable under Department policies

- Employee notifies supervisor regarding purchase and extenuating circumstances
- Employee submits receipts to Department finance team for reimbursement

- Department processes reimbursement in IRIS
- Employee receives payment

Requirement	Per the Department's Delegation of Procurement Authority, employees are required to have delegation of purchasing authority in writing from their agency head prior to making any purchases. For procurements above $5,000 to $10,000 the employee is required to hold a current procurement certification level I. For any INP's above $10,000 the employee must contact their department procurement manager to make the purchase for them.

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Future State: Vendor Self Service

DOA should create a self-service catalog to enable employees to make purchases directly

DOA Procurement

Vendor approved to offer self-service options

- DOA Procurement creates blanket contract with vendor to offer self-service options

Vendor

Vendor uploads catalog

- (Procurement Process) Vendor creates catalog to IRIS

Departments

Employee makes purchase from online catalog

- (Procurement Process) Employee purchases item directly from catalog

Vendor

Vendor sends invoice to SSOA Accounts Payable

- Vendor sends invoice to SSOA and includes PO information on invoice
- IRIS should be invoice official system of record

Departments

Employee confirms receipt of goods

- Employee confirms receipt of goods by uploading receipt to IRIS
- Employee codes expenditure to project
- Employee includes business purpose for purchase

Reconciler conducts three way match

- Reconciler verifies payment
- Reconciler reviews project budget assignment
- Reconciler reviews business purpose
- Reconciler reviews with alignment to AAM

SSOA

Certifier certifies payment

- Certifier reviews transactions for AAM misuse
- Approves work from reconciler
- Certifies payment

Overnight IRIS batch process and payment

Departments

Verify payment

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Future State: Procurement Organization Realignment

A Consolidated Procurement service delivery model could result in fewer FTEs once key processes are standardized and category alignment is deployed

Current FTE Staffing	
DOA Procurement Leadership	2
DOA Procurement FTE	10
Total DOA Procurement FTE	**12**
Department Procurement FTE	**69**
Statewide Procurement FTE	**81**

Phase I FTE Requirements[1]	
DOA Procurement Leadership, Management & Training	5
DOA Administrative Support	TBD
DOA Procurement FTE	79
Total DOA Procurement FTE	**84**
Department Procurement FTE	**0**
Statewide Procurement FTE	**84**

Phase III FTE Requirements	
DOA Procurement Leadership, Management & Training	5
DOA Administrative Support	TBD
DOA Procurement FTE[2]	
▪ Department Procurement Managers	15
▪ Category Managers	9
▪ Procurement Specialists	30 to 40
Total DOA Procurement FTE	**59 to 69**
Department Procurement FTE	**0**
Statewide Procurement FTE	**59 to 69**

Final DOA Procurement FTE will be determined during Phase II using volume and workload based on productivity enhancements

Reduction in headcount should be achieved by not filling vacant positions and through attrition

[1] Reassign current Department Procurement focused FTE to new consolidated Procurement roles/positions. Functions like, inventory and warehouse management, will remain in Departments and not become part of the consolidated Procurement. Model also excludes DOT Construction Procurement function and DEC Village Safe Water (VSW) procurement-related positions that would remain in respective Departments.
[2] Estimated Phase III DOA Procurement FTE based on benchmarks from peer governments.

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Future State: Phase III Delivery Model

Future state Procurement model is consolidated and standardized, providing sourcing, contracting, procurement, training, and supplier management services to all Departments

Departments
- **Provides accurate spend plans & forecasts**
- **Provide vendor performance & compliance review**

↓↑

15 Department Procurement Manager(s)
- Procurement Training
- Help Desk Functionality

↓↑

Example "Centers of Excellence" Procurement Spending Category Areas

Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager
Benefits & Insurance	Facilities & MRO	Professional Services	Misc. Services	Information Technology	Consumables	Travel & Lodging	Office, Supplies, Food, Advertising	Other Supplies & Materials
Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists

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Recommendation 1. Overview

#	Key Tasks	Timeline	Owner	Complexity
1.	Socialize Procurement recommendations with State HR Managers	1 month	Chief Procurement Officer (CPO)	Medium
2.	Communicate business reasons for consolidation	1 month	CPO	Medium
3.	Develop 'roadshow' presentation and meet with impacted employees to discuss upcoming changes	3 months	CPO	Medium
4.	Establish two-way communication with impacted employees	3 months	CPO	Medium
5.	Department training on standard use of IRIS	4 months	CPO	Medium

Summary and Benefits

Communicating and socializing AAPEX Procurement recommendations will:

- Support employees through the change by promoting awareness and building trust
- Establish direct, timely, and accurate dissemination of information
- Provide an opportunity for Department Directors, the Chief Procurement Officer, and Department Procurement Officers to be active and visible Sponsors of the changes
- Enable successful implementation of Procurement recommendations

Dependencies

- Procurement recommendations are finalized and approved by DOA Leadership
- All impacted employees are identified and specific changes are documented for each employee

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Communicate & Socialize AAPEX Recommendations *(Implementation Start-up Phase)*

Task 1.	State FTE: 2 (80 Hours)

Socialize Procurement recommendations with State HR Managers

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Review AAPEX Procurement recommendations with DOA HR Manager															
	A. Define labor relations approach and communication protocols with bargaining unions															
	B. Align recommendations with AAM and HR policies															
2.	Socialize AAPEX Procurement recommendations with State HR Managers															
	A. Develop presentation that describes the changes, identifies groups of impacted employees, implementation timeline and roadmap, labor relations approach, and where to find more information															
	B. Deliver presentation to all State HR Managers, request feedback, and address feedback as required															

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Recommendation 1. Continued

Communicate & Socialize AAPEX Recommendations *(Implementation Start-up Phase)*

Task 2.	State FTE: 4 (160 Hours)

Communicate business reasons for consolidation

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Develop communications material that describes the business reasons for Procurement consolidation, streamlining, and restructuring															
2.	Have Department Commissioners send the communications material to all of their employees															
3.	Have Lead Procurement Officers meet with their procurement staff to discuss the communications materials															
4.	Engage in direct communications with impacted employees about the business reasons for consolidation															
	A. Establish expectations with Department Leadership and Lead Procurement Officers that the Chief Procurement Officer will directly email their staff with AAPEX updates															
	B. Create email distribution list for employees															
	C. Have Chief Procurement Officer send email with communications material to all impacted employees that describes the business reason for change															

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Communicate & Socialize AAPEX Recommendations *(Implementation Start-up Phase)*

Task 3.	State FTE: 4 (320 Hours)
Develop 'roadshow' presentation and meet with impacted employees to discuss upcoming changes	

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Develop presentation that describes the impact to employees, to include:		■	■												
	A. Description of new organization and how it will work, roles/responsibilities, reporting structure changes		■	■												
	B. Overall AAPEX timeline and specific timing when employees will move to the new organization		■	■												
2.	Meet with all Department procurement personnel to discuss the change		■	■												
	A. Schedule meetings with each Department and ensure attendance of all impacted employees		■	■												
	B. Have Chief Procurement Officer lead meetings		■	■												
	C. Include feedback activity during meeting to understand employee questions		■	■												
3.	Facilitate listening sessions		■	■												
	A. Hold Statewide WebEx/Skype townhall listening sessions where employees can submit questions and the Chief Procurement Officer can answer		■	■												
	B. Post questions and answers to the AAPEX website		■	■												

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Recommendation 1. Continued

Communicate & Socialize AAPEX Recommendations *(Implementation Start-up Phase)*

Task 4.																State FTE: 4 (320 Hours)

Establish two-way communication with impacted employees

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Set expectations with impacted employees about how they will receive information and provide feedback		■	■												
	A. Email impacted employees directly and regularly with AAPEX project updates		■	■												
	B. Meet regularly with Lead Procurement Officers to provide them with AAPEX project updates, a forum for problem-solving project issues, and information for their staff		■	■												
	C. Promote use of feedback channels via AAPEX email address, Supervisors and Managers, and townhall listening sessions		■	■												
2.	Update AAPEX website regularly		■	■												
	A. Upload AAPEX project status emails and other communications		■	■												
	B. Review and update Frequently Asked Questions		■	■												

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Recommendation 1. Continued

Communicate & Socialize new Procurement Model *(Implementation Start-up Phase)*

Task 5.	State FTE: 1 (250 Hours)

Department training on standard use of IRIS

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Develop training materials and curriculum		■	■	■											
	A. Develop job aides, workflow process documentation and solution demonstrations for Department Procurement staff		■	■	■											
2.	Develop a mechanism to distribute training materials on a recurring basis based on the defined training strategy		■	■	■	■										
	A. Develop mechanism to distribute training material based on the training strategy (options to consider include web conference, in person classroom setting, self paced training using published material, etc.)		■	■	■	■										
	B. Develop process to perform ongoing training to include train the trainer as new capabilities are made available		■	■	■	■										
	C. Operationalize the process to perform ongoing training to include building and executing a training plan		■	■	■	■										

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Recommendation 2: Overview

	Create a Consolidated Statewide Procurement Operation *(Phase I)*			
#	**Key Tasks**	**Timeline**	**Owner**	**Complexity**
1.	Realign reporting structure to have all Procurement personnel reporting through DOA	3 Months	CPO	Medium
2.	Reorganize DOA personnel and roles for Department-based sourcing and purchasing	3 Months	CPO	High

Summary and Benefits

Realigning and relocating procurement staff that perform procurement activities will:

- Improve oversight and enforcement of policy, procedure, and best practice, reducing rogue spend and improving overall procurement efficiency
- Increase effectiveness of procurement standardization efforts, training, and communication
- Reduce errors in upfront processes resulting in less time spent on tasks
- Increase Department customer satisfaction and adoption by reducing impact of future changes
- Reduce duplication of effort and manual processing errors

Dependencies

- Human Resources and Budget approval of new organization and staffing plan
- Hiring of new Deputy Chief Procurement Officer and Analysts to facilitate Statewide efforts
- High risk of confusion and lack of adoption requires detailed Change Management efforts
- Staff that currently process Department procurements will continue to process these transactions until respective capabilities exist within DOA (Recommendation 4)

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Phase I: Procurement Alignment & Consolidation

Phase I transfers Department Procurement FTE into DOA Procurement with Department Staff still being functionally aligned to "home" Department during the six to nine month transition period

Key

↓↑ Communication pathway

Departments

- Provides accurate and timely spend plans and forecasts
- Provide vendor performance and compliance feedback

↓↑

- *Executive Branch Departments and Office of the Governor will have their own "procurement" team*
- *Department Procurement Officer continues to be the primary point person for Department spending needs along with current procurement personnel*

Department Procurement Officer	Department Procurement Officer	Department Procurement Officer	Department Procurement Officer	Department Procurement Officer	Department Procurement Officer	Department Procurement Officer	Department Procurement Officer	Department Procurement Officer	Department Procurement Officer
Department A	Department B	Department C	Department D	Department E	Department F	Department G	Department H	Department I	Department J
Department Purchasers	Department Purchasers	Department Purchasers	Department Purchasers	Department Purchasers	Department Purchasers	Department Purchasers	Department Purchasers	Department Purchasers	Department Purchasers

↓↑

Contract Manager Category 1	Contract Manager Category 2	Contract Manager Category 3	Contract Manager Category 4	Contract Manager Category 5

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Phase I: Procurement Alignment & Consolidation

Phase I transfers Department Procurement FTE into DOA with Department Staff still being functionally aligned to "home" Department during a six month transition period
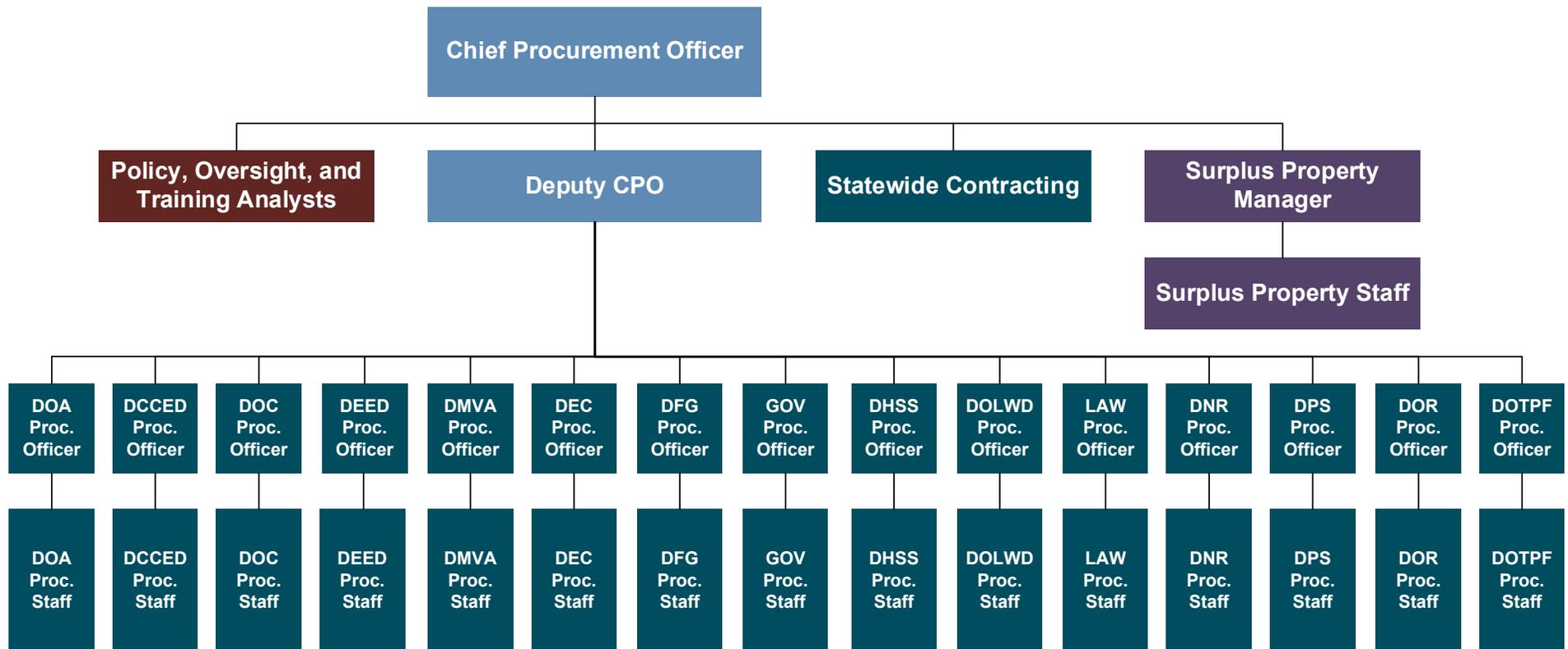
Recommendation 2: Implementation Tasks and Actions

Create a Consolidated Statewide Procurement Operation *(Phase I)*

Task 1.		State FTE: 4 (680 Hours)

Realign reporting structure to have all Procurement personnel reporting through DOA

Implementation Actions

#	Action Items	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Validate job descriptions and responsibilities for new procurement roles (Department Procurement Managers, Category Managers and Procurement Specialist)				■											
2.	Validate skills requirements for new procurement roles				■											
3.	Validate optimal team size				■											
4.	Finalize and approve new Statewide Procurement organization structure				■											
5.	Create onboarding and basic training for all stakeholders and staff, including new roles				■	■										
6.	Transfer all procurement personnel to DOA					■	■									

Recommendation 2: Continued

Create a Consolidated Statewide Procurement Operation *(Phase I)*

Task 1. - Continued	State FTE: 4 (680 Hours)

Realign reporting structure to have all Procurement personnel reporting through DOA

Implementation Actions

#	Action Items	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
7.	Onboard department demand (phased approach not anticipated)					■	■									
	A. Develop material to conduct Department onboarding workshops					■	■									
	B. Conduct onboarding workshops					■	■									
	C. Migrate transaction processing to DOA					■	■									
	D. Conduct recurring reviews with stakeholders from key Department staff to monitor onboarding effectiveness					■	■									
	E. Shift all sourcing, contracting, and procurement activities to DOA					■	■									

Create a Consolidated Statewide Procurement Operation *(Phase I)*

Task 2.	State FTE: 3 (390 Hours)

Reorganize Procurement personnel and roles for Department-based sourcing and purchasing

Implementation Actions

#	Action Items	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Validate job descriptions and responsibilities for new procurement roles: DCPO and Policy, Oversight & Training analysts				■											
2.	Validate skills requirements for new procurement roles				■											
3.	Validate optimal team size				■											
4.	Finalize and approve new Statewide Procurement organization structure				■	■										
5.	Fill the new procurement roles (DCPO and Policy, Oversight & Training analysts)					■	■									
	A. Gather skills and experience of current staff performing procurement activities					■	■									
	B. Match skills and experience of current staff to new roles					■	■									
	C. Transition new staff to new roles as appropriate					■	■									
	D. Establish cadence of hiring of additional resources and obtain HR / budget approvals					■	■									
	E. Conduct hiring activities to fill remaining vacant positions					■	■									
	F. Complete hiring process						■									

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Recommendation 3: Overview

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

#	Key Tasks	Estimated Timing	Owner	Complexity
1.	Develop and deliver new process training inclusive of both Department and DOA responsibilities (ongoing)	6 months	CPO	Low
2.	Configure solution and enhance business process based on business requirements	6 months	CPO	High
3.	Mandate use of prompt pay discounts in contract negotiations	1 month	CPO	Low
4.	Require use of standard object codes, commodity codes, and funding source in all procurements	2 months	CPO	Low
5.	Require usage of Statewide Contracts	1 month	CPO	Low
6.	Require a Requisition or Purchase Order for all regular purchases ($0 threshold)	2 months	CPO	Medium
7.	Require electronic storage of State contracts	2 month	CPO	Low
8.	Reevaluate P-card, capital, urgent (aka "short-form") procurement methods	5 months	CPO	Medium
9.	Create reporting and KPI tracking and review system	5 months	CPO	High

Depending on the number of resources dedicated to the tasks, many of these recommendations can be started immediately and/or pursued in parallel, speeding benefit realization

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Recommendation 3: Overview - Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Summary and Benefits

Standardization of DOA contracting and procurement processes will:

- Streamline the end to end process by utilizing one system and process for all procurements
- Reduce duplication of effort and manual processing errors
- Increase accuracy, timeliness, and quality of data input into the system, enabling downstream processes and providing useful insights and reporting for continuous improvement
- Shorten learning curve for new employees and reduce on the job training time by experienced staff
- Increased accountability to ensure enhanced process is working as designed
- Solution configuration expectation is to configure the current functionality within IRIS such as updating required fields (i.e., no anticipated IRIS core code changes)
- Departments should experience minimal process disruption during this phase, as the majority of changes are internal to DOA Procurement

Dependencies

- Availability of resources to project manage the various initiatives (more resources would accelerate the timelines and realization of benefits)
- Solution design and configuration will drive training material development and training execution
- Training on recommended enhancements will be dependent on capability development timeline

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Recommendation 3: Implementation Tasks & Actions

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 1.	State FTE: 1 (80 Hours)

Develop and deliver new process training inclusive of both Department and DOA responsibilities

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Develop training materials and curriculum							■	■	■	■	■	■			
	A. Develop job aides, workflow process documentation and solution demonstrations for internal DOA staff							■	■	■	■	■	■			
	B. Develop training materials for stakeholders directly or indirectly involved in the purchase of goods / services based on defined training needs to provide step by step instructions to navigate the AP process							■	■	■	■	■	■			
2.	Develop a mechanism to distribute training materials on a recurring basis based on the defined training strategy							■	■	■	■	■	■			
	A. Develop mechanism to distribute training material based on the training strategy (options to consider include web conference, in person classroom setting, self paced training using published material, etc.)							■	■	■	■	■	■			
	B. Develop process to perform ongoing training to include train the trainer as new capabilities are made available							■	■	■	■	■	■			

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 1. - Continued	State FTE: 1 (80 Hours)

Develop and deliver new process training inclusive of both Department and DOA responsibilities

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
3.	Establish and operationalize a process to update training to align with latest process and communicate updates to stakeholders							■	■	■	■	■	■			
	A. Develop process to update training materials to align with latest Procurement process							■	■	■	■	■	■			
	B. Define roles and responsibilities to update training materials							■	■	■	■	■	■			
	C. Communicate to stakeholders where to find training material and operationalize process to provide recurring stakeholder updates							■	■	■	■	■	■			

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 2.	State FTE: 2 (160 Hours)

Configure solution[1] and enhance business process based on business requirements

Implementation Actions

#	Action Detail	FY 2020 Apr	May	Jun	FY 2021 Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Identify / confirm configuration team owners and SMEs							■								
2.	Conduct design reviews and define new workflow processes							■	■	■	■	■				
3.	Conduct configuration and process development								■	■	■	■	■			
4.	Finalize design / configuration								■	■	■	■				
5.	Conduct solution testing								■	■	■	■				
6.	Conduct User Acceptance Testing								■	■	■	■				

[1] Solution configuration expectation is to configure the current functionality within the IRIS system such as updating approval routing (i.e., no anticipated IRIS core code changes)

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 3.	State FTE: 1 (80 Hours)

Mandate use of prompt pay discounts in contract negotiations

Implementation Actions

#	Action Detail	FY 2020			FY 2021										
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Write new contracting requirements							■								
2.	Conduct review and comment cycle of requirements inclusive of Departments, DOA, and other stakeholders							■								
3.	Finalize and approve requirements							■								
4.	Design / configure systems (i.e. IRIS) as needed to meet new requirements							■								
5.	Develop and deliver new process training inclusive of both Department and DOA responsibilities							■								
6.	Implement new requirements							■								

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 4.	State FTE: 2 (340 Hours)

Require use of standard object codes, commodity codes, and funding source in all procurement documents

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Compile representative data set of fields currently in use							■								
2.	Work with Departments and Shared Services (i.e. AP) to identify list of codes to use / create going forward							■								
3.	Create any new codes / sources required							■								
4.	Rationalize codes / sources for review and comment							■								
5.	Create policy of use and regulation of codes / sources							■								
6.	Conduct review and comment cycle of requirements inclusive of Departments, DOA, and other stakeholders							■								
7.	Finalize and approve code / source requirements							■								
8.	Design / configure systems (i.e. IRIS) as needed to meet new requirements								■							
9.	Develop and deliver new process training inclusive of both Department and DOA responsibilities								■							
10.	Implement new requirements								■							

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 5.	State FTE: 1 (170 Hours)

Require usage of Statewide Contracts

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Write new contract usage requirements							■								
2.	Conduct review and comment cycle of requirements inclusive of Departments, DOA, and other stakeholders							■								
3.	Finalize and approve requirements							■								
4.	Design / configure systems (i.e. IRIS) as needed to meet new requirements							■								
5.	Develop and deliver new process training inclusive of both Department and DOA responsibilities							■								
6.	Implement new requirements							■								

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 6.		State FTE: 17 (640 Hours)

Require a Requisition or Purchase Order for all regular purchases ($0 threshold)

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Write new PO usage requirements							■								
	A. Identify feasibility of moving to a $0 PO requirement							■								
	B. Go / No-Go on new PO threshold							■								
	C. Define process for annual / long-lasting POs							■								
	D. Define process for closing a PO							■								
2.	Document requirements and process for code changes							■								
3.	Conduct review and comment cycle of requirements inclusive of Departments, DOA, and other stakeholders							■								
4.	Finalize and approve requirements							■								
5.	Design / configure systems (i.e. IRIS) as needed to meet new requirements								■							
6.	Develop and deliver new process training inclusive of both Department and DOA responsibilities								■							
7.	Implement new requirements								■							

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 7.		State FTE: 1 (170 Hours)

Require electronic storage of State contracts

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Write new contract storage requirements							■								
2.	Conduct review and comment cycle of requirements inclusive of Departments, DOA, and other stakeholders							■								
3.	Finalize and approve requirements							■								
4.	Design / configure systems (i.e. IRIS) as needed to meet new requirements								■							
5.	Develop and deliver new process training inclusive of both Department and DOA responsibilities								■							
6.	Implement new requirements								■							

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Recommendation 3: Continued

Task 8.	State FTE: 3 (2,250 Hours)

Reevaluate P-card, Capital, and Urgent procurement methods

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Gather P-card purchase requirements							■								
	A. Review and redefine P-card limits							■								
	B. Review and redefine requirements for what can be purchased on P-card							■								
	C. Write new contract requirements if necessary							■								
2.	Gather Capitalized purchase requirements							■								
	A. Review and redefine what a Capital procurement is							■								
	B. Review and redefine requirements for what can be purchased through Capital process							■								
	C. Write new contract requirements if necessary							■								
3.	Gather "Urgent" purchase requirements								■							
	A. Define what an "urgent" procurement is								■							
	B. Define requirements for what can be purchased via urgent process								■							
	C. Write new contract requirements if necessary								■							

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 8. - Continued	State FTE: 3 (2,250 Hours)
Reevaluate P-card, capital, and Urgent procurement methods	

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
4.	Conduct review and comment cycle of requirements inclusive of Departments, DOA, and other stakeholders								■							
5.	Finalize and approve requirements								■							
6.	Design / configure systems (i.e. IRIS) as needed to meet new requirements									■	■	■				
7.	Develop and deliver new process training inclusive of both Department and DOA responsibilities									■	■	■				

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Recommendation 3: Continued

Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*

Task 9.	State FTE: 2 (500 Hours)

Create reporting and KPI tracking and review system

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.	Define key metrics, Service Level Agreements (SLAs) and underlying source data for each process							■								
	A. Define what the relevant transaction is and identify criteria for reporting historical transactions							■								
	B. Identify and document the key metrics and Service Level Agreements (SLAs) to be tracked and managed							■								
	C. Identify and document the underlying data used to capture metrics and SLAs							■								
	D. Identify and document the calculation method used for each metric and SLA							■								

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Recommendation 3: Continued

Task 9. - Continued	State FTE: 2 (500 Hours)

Create reporting and KPI tracking and review system

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2.	Establish and operationalize a performance dashboard to track and report key metrics / SLAs								■							
	A. Identify owner and approver of the performance dashboard								■							
	B. Develop draft performance dashboard for review								■							
	C. Finalize performance dashboard								■							
	D. Establish recurring cadence to produce and review performance dashboard								■							
	E. Establish process (including roles and responsibilities) to produce and review performance dashboard								■							

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Recommendation 3: Continued

Task 9. - Continued	State FTE: 2 (500 Hours)

Create reporting and KPI tracking and review system

Implementation Actions

#	Action Detail	FY 2020			FY 2021											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
3.	Conduct review and comment cycle of requirements inclusive of Departments, DOA, and other stakeholders									■						
4.	Finalize and approve requirements									■						
5.	Design / configure systems (i.e. IRIS) as needed to meet new requirements										■					
6.	Develop and deliver new process training inclusive of both Department and DOA responsibilities											■				
7.	Implement new requirements											■				

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Recommendation 4: Overview

Create Category-based Procurement Operation and Organization (Phase III)

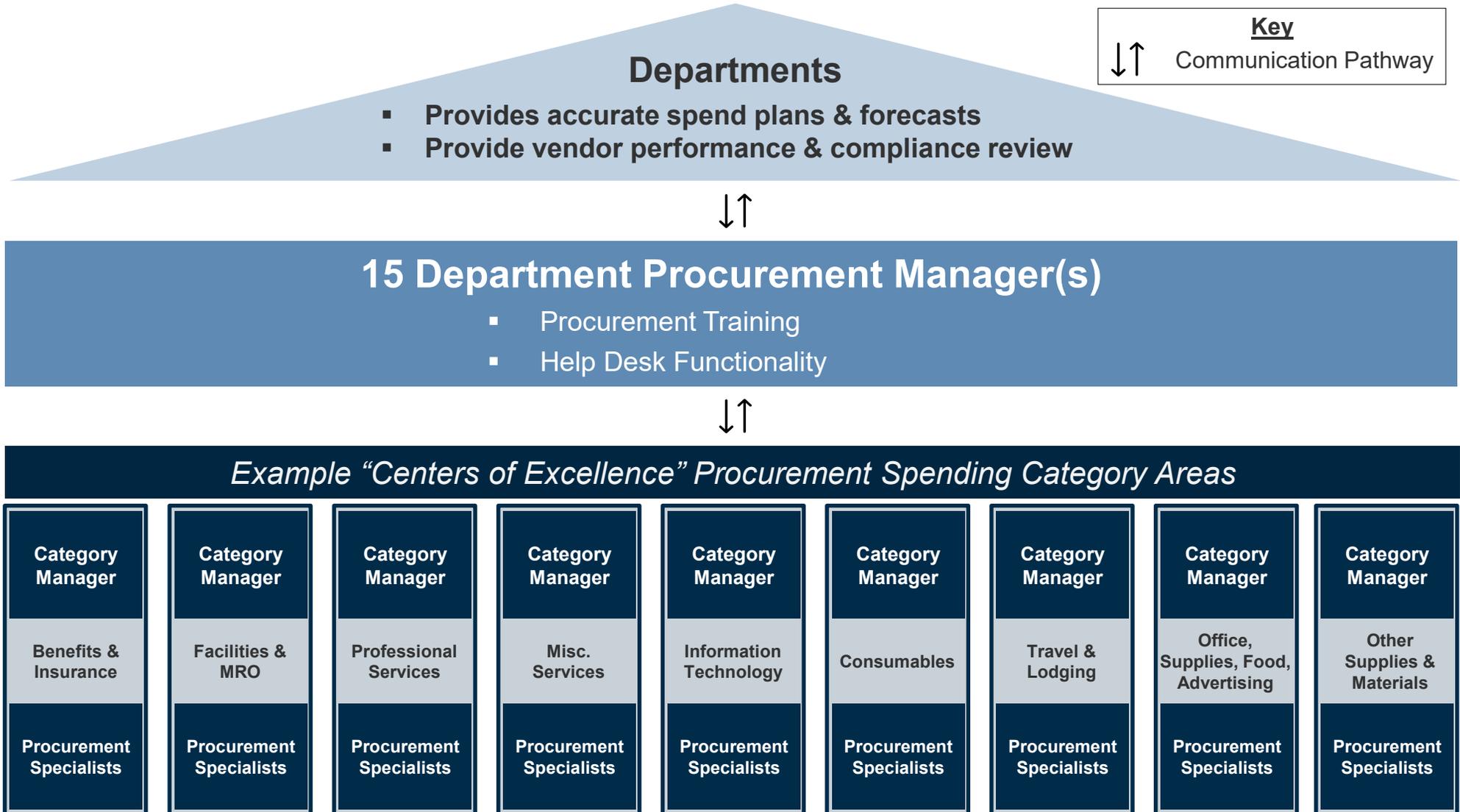| #	Key Tasks	Timeline	Owner	Complexity
1.	Reorganize DOA personnel and roles for Category-based sourcing and purchasing	6 months	CPO	High
2.	Optimize procurement intake process to match new organization structure	6 months	CPO	Low
3.	Determine work location of consolidated Procurement organization	3 months	CPO	Medium

Summary and Benefits

- Reduce cost of procurements by leveraging Statewide spend as much as possible
- Optimize resources required to meet State procurement needs
- Increase customer satisfaction
- Reduce duplication of effort

Dependencies

- HR and Budget approval of new organization and staffing plan
- Confirmation of historical statewide procurement transaction volume to validate team size based on projected volume and processing standards
- High risk of confusion and lack of adoption requires detailed Change Management efforts
- Active participation in needs solicitation process by all Departments
- Hiring of qualified Category Managers
- Availability of resources (personnel and office space) in Juneau and Anchorage markets

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Future State: Phase III Delivery Model

Future state Procurement model is consolidated and standardized, providing sourcing, contracting, procurement, training, and supplier management services to all Departments

Key
↓↑ Communication Pathway

Departments
- **Provides accurate spend plans & forecasts**
- **Provide vendor performance & compliance review**

↓↑

15 Department Procurement Manager(s)
- Procurement Training
- Help Desk Functionality

↓↑

Example "Centers of Excellence" Procurement Spending Category Areas

Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager	Category Manager
Benefits & Insurance	Facilities & MRO	Professional Services	Misc. Services	Information Technology	Consumables	Travel & Lodging	Office, Supplies, Food, Advertising	Other Supplies & Materials
Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists	Procurement Specialists

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Example of Category & Sub-Categories Spend Purposes

"Category" is a high level description of the goods and services procured; the "sub-category" provides more detail.

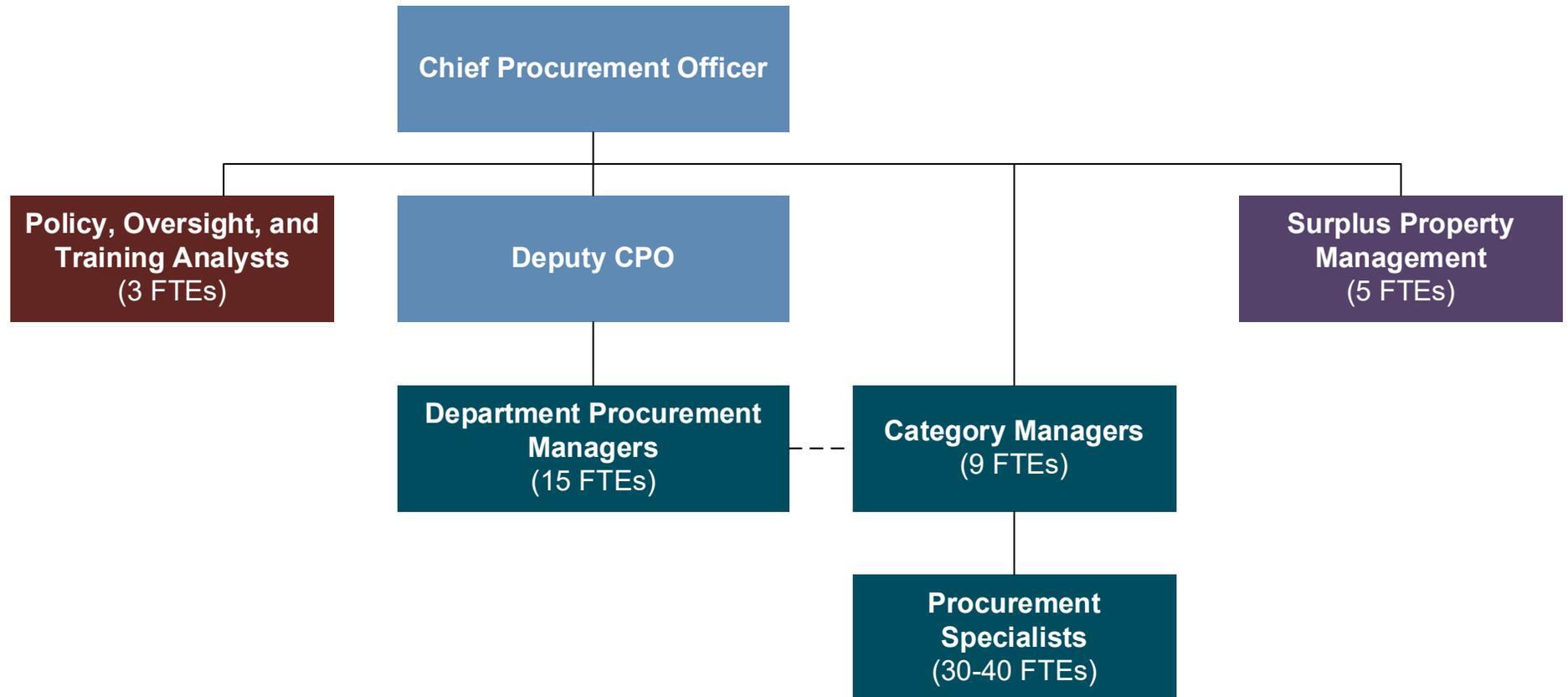| Category	Sub-Category
Insurance	HR Benefits, Insurance, Risk Management
Information Technology	Software, Hardware, Telecom, Services, Peripherals, related services and equipment
Facilities	Maintenance, HSE, Leases, Office Supplies, Janitorial, Real Estate Services
Maintenance, Repair, and Ops (MRO)	Services, Supplies, Tools, Chemicals / Lubricants, Inspections/Testing , Safety Protection
Travel	Airfare, Lodging, Meals
Transportation	Freight (3PL, Ocean, Small Parcel, etc), Maintenance & Repair, Passenger Transportation
Fleet	Vehicles, Fuel
Fuels & Lubricants	Gaseous Fuels and Additives, Lubricants, Oil / Grease
Food & Beverage	Food & Beverage
Marketing and Communications	Printed materials, Services, Advertising, TV, Direct Mail, Public Relations
Professional Services	Legal, Consulting, Subscription Services
Utilities	Electricity, Gas, Water / Sewer
Human Resources & Talent	Education / Training, Translation, Relocation, Conferences
Oil & Gas	Consumables (Fuel, Proppant), Oil & Gas Transportation
Building & Construction	Concrete, Cement, Roads, Structural Materials, Trades
Defense & Safety	Fire Protection, Law Enforcement, Weapons & Ammunition
Finance	Accounting / Audit Services, Banking
Healthcare Services	Medical Practice (Doctors, Dentists, etc)

Other minor categories include:

Industrial Process Machinery, Equipment & Supplies
Packaging
Warehousing and Storage

Medical Equipment and Supplies
Printing, Photo, Audio and Visual

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Future State: Final Organizational Structure

Upon completion of Phase III, Procurement will be fully restructured to create a consolidated Procurement Division that encompasses all State spending

Recommendation 4: Implementation Tasks & Actions

Create Category-based Procurement Operation and Organization (Phase III)

Task 1.		State FTE: 3 (870 Hours)

Reorganize DOA personnel and roles for Category-based sourcing and purchasing

Implementation Actions

#	Action Detail	FY 2020			FY 2021												FY 2022		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1.	Validate job descriptions and responsibilities for new procurement role: Category Manager												■						
2.	Validate skills requirements for new procurement role												■						
3.	Validate optimal team size												■						
4.	Validate realignment of Procurement Specialists under Category Managers												■						
5.	Finalize and approve new organization structure												■						
6.	Create onboarding and basic training for new roles													■					

Recommendation 4: Implementation Tasks & Actions

Create Category-based Procurement Operation and Organization (Phase III)

Task 1. - Continued	State FTE: 3 (870 Hours)

Reorganize DOA personnel and roles for Category-based sourcing and purchasing

Implementation Actions

#	Action Detail	FY 2020			FY 2021												FY 2022		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
7.	Staff the new procurement roles														■	■	■	■	
	A. Gather skills and experience of current staff performing procurement activities														■				
	B. Match skills and experience of current staff to new roles														■				
	C. Transition new staff to new roles as appropriate															■			
	D. Establish cadence of hiring of additional resources and obtain HR / budget approvals															■			
	E. Conduct hiring activities to fill remaining vacant positions																■		
	F. Complete hiring process																	■	
	G. Realign procurement roles to match approved organization structure																		■

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Recommendation 4: Continued

Create Category-based Procurement Operation and Organization (Phase III)

Task 2.	State FTE: 2 (500 Hours)

Optimize procurement intake process to match new organization structure

Implementation Actions

#	Action Detail	FY 2020			FY 2021												FY 2022		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1.	Establish and operationalize procurement request intake channel													■	■				
	A. Establish intake mechanism for all procurement requests													■					
	B. Establish process to triage incoming requests from established intake channel													■					
	C. Identify areas where procurement is happening outside DOA procurement														■				
	D. Establish and execute process to change procurement requests to DOA intake channel														■				

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Recommendation 4: Continued

Create Category-based Procurement Operation and Organization (Phase III)

Task 2. - Continued	State FTE: 2 (500 Hours)

Optimize procurement intake process to match new organization structure

Implementation Actions

#	Action Detail	FY 2020			FY 2021												FY 2022		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2.	Develop approval and reconciliation checklist for DOA when requesting procurements															■	■		
	A. Identify and document the checklist of items requiring data input, calculations and verifications informed by common processing issues															■			
	B. Identify roles and responsibilities for documentation and approval															■			
	C. Create draft checklist															■			
	D. Review and finalize checklist																■		
3.	Establish an ongoing process to update the checklist and mechanism to make it available to all impacted stakeholders																■	■	
	A. Identify roles and responsibilities for checklist update and communication																■		
	B. Develop draft process for recurring checklist updates																■		
	C. Review and finalize process to update checklist and provide communications to key stakeholders																	■	
4.	Operationalize the process to update checklist and provide communications to key stakeholders																		■

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Create Category-based Procurement Operation and Organization (Phase III)

Task 3.	State FTE: 3 (240 Hours)

Determine work location of Procurement organization

Implementation Actions

#	Action Detail	FY 2020			FY 2021												FY 2022		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1.	Evaluate physical relocation needs based on future state organization size																██	██	
	A. Evaluate current office space footprint against future state organizational need																██	██	
	B. Quantify net new space requirement (if needed)																██	██	
	C. Identify optimal space need (if needed)																██		
	D. Identify cost of net new office space, if applicable																		
2.	Evaluate criteria necessary for staff to remain in current locations																	██	██
	A. Development of a single IRIS "entry form", training on IRIS use (PO, 3-way match, workflows, etc)																	██	██
	B. Standardization of contract tracking, new process approval																	██	██
	C. Verification of availability, stability and effectiveness of communication methods (phone, email, online meetings, etc)																	██	██

Recommendation 4: Continued

Create Category-based Procurement Operation and Organization (Phase III)

Task 3. - Continued	State FTE: 3 (240 Hours)

Determine work location of Procurement organization

Implementation Actions

#	Action Detail	FY 2020			FY 2021											FY 2022		
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
3.	Determine if physical move necessary or stay-in-place is acceptable																		
	A. If physical move determined to be appropriate, physically move all procurement personnel to new Procurement offices																		
	1) Revise budget appropriation for positions and respective office space																		
	2) Secure office space for net new positions, if applicable																		
	3) Hire new headcount, if applicable																		
	4) Physically relocate personnel																		
	B. If stay-in-place determined to be appropriate, deliver required training and implement required processes																		

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Future State: Consolidated Locations

Physical consolidation of Procurement staff compared to a stay-in-place approach has both varying considerations; the recommended approach is whichever is most effective at implementing standardization, communication, and policy enforcement efforts

Physical Consolidation Considerations

- Increased ease of communication and visibility into staff activities

- Increased ability to standardize, adopt, and enforce processes

- Enhanced change management capabilities

- Less than 10 percent of current Department procurement staff work outside of Juneau and Anchorage[1]

- Potential increased office space and relocation costs

- Increased ramp up time after initial relocation

Stay-in-Place Considerations

- Less disruption to staff

- Potentially less office space and relocation expense

- IRIS usage requirement, including development / delivery of a single entry form and training

- Need for standardized contract tracking, including new process approval, training, and implementation

- Verification of availability, stability and effectiveness of communication methods (phone, email, online meetings, etc.)

[1] Source: 2020 Procurement Budget. 103 Procurement staff to be relocated. Does not include Lease Administration staff, Stock and Parts Specialists, and Supply Technicians. Joint Base Elmendorf-Richardson was considered part of the Anchorage.

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Financial Impact Summary

Procurement Statewide should be consolidated, processes standardized, and undergo a change in approach to realize significant benefits

Total Investment: $5.4M	Total Five-Year Return: ($1.1M) - $2.5M

FY20 – FY25 Estimated Net Financial Impact ('000s)

#	Recommendation	Cost to Implement	Recurring Annual Costs	Cost Savings	New Revenues	Total
1.	Communicate and socialize AAPEX recommendations	$ 479	$ 0	$ 0	$ 0	$ 479
2.	Create a Consolidated Statewide Procurement Operation	$ 488	$ 2,450	$ 0	$ 0	$ 2,938
3.	Standardize Procurement and related Procure to Pay Business Processes	$ 1,567	$ 0	$ 0	$ 0	$ 1,567
4.	Create Category-based Procurement Operation and Organization	$ 370	$ 0	$ (4,270) to $ (7,828)	$ 0	$ (3,900) to $ (7,458)

Note: ($) indicates cost savings or revenue enhancements

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Risks of Not Addressing Key Gaps

Without addressing key procurement organizational and operational challenges, the State of Alaska will not be able to capture benefits from standardization and leveraged spend

- Increased price paid for goods and services

- Duplication of work

- Suboptimal user experience

- Lack of scalability

- Lack of compliance

- Persistent talent gaps (e.g., procurement skills in strategic sourcing, spend plan analysis, contract negotiations, IRIS financial policies and procedures)

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Governance and Finance Models

Governance Model Summary

Create three tiers of governance with discrete membership and purposes to align expectations and improve service delivery

Governance Tier	Purpose	Membership	
Executive Oversight Board	▪ Ensure Procurement is aligned with State priorities and provides high-quality services to all customers ▪ Approve funding for large projects or investments ▪ Monitor high-level performance	*Chair*	DOA Commissioner
		Membership	Five Commissioners that represent needs of both large and small Departments
		Frequency	Semi-Annually
Procurement Advisory Council	▪ Ensure Procurement is providing the right services in the right way to its customers ▪ Prioritize and propose continuous improvement process changes ▪ Monitor voice of customer and service performance ▪ Review rate assumptions and annual cost of service rate approach	*Chair*	Chief Procurement Officer
		Membership	Voting: Four Department Representatives (rotating terms) Advisory: State Finance Director, SSOA Director, and OMB Representative for rate recovery discussions
		Frequency	Monthly
Working Groups	▪ Promote efficiency, effectiveness, and continuous improvement for procure-to-pay processes ▪ Establish task forces for specific issues, projects, and opportunities for process improvement	*Facilitator*	Deputy Chief Procurement Officer
		Membership	DOA, Department employees involved in day-to-day of procure-to-pay, Finance Officers, Procurement Officers
		Frequency	Every Two Weeks

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Finance Model Summary

Alaska can improve customer service and increase transparency in the optimization of an improved Shared Services and Procurement revenue recovery model

Recommendation	Benefits
1. **Improve annual rate development and approval process**	▪ Improve Department planning and budgeting for Shared Service costs ▪ Statewide alignment on Shared Service rates and allocation methodology
2. **Create a transparent cost of service revenue recovery model**	▪ Increase visibility into Department spend on shared services ▪ Equitable distribution of Shared Service costs across Departments consistent with service consumption
3. **Streamline rates billing process**	▪ DOA and Departments no longer need to approve RSAs for OMB-approved rates (inter/intra-agency billing)

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Rate Recovery Methodology: Procurement

Procurement provides services for creation of contracts, purchase orders, and purchasing of goods and services for Departments

Cost Category	FY 2020 Current		FY 2022 Recommended	
	Unit of Measure	Recovery Method	Unit of Measure	Recovery Method
Procurement _Services_: ▪ _Establish and manage Statewide contracts_ ▪ _Procure goods and services for Statewide contracts_ ▪ _Manage vendor relationships_ ▪ _Provide help desk functionality_ ▪ _Provide procurement training_	***Internal DOA Allocation Only***: 75% prior year contract complexity / 25% PCN count	Allocation	Three Year Average of Department Non-Labor Actual Expenses* *_**Excludes** Travel & Employee Reimbursement, Transfers, Local Government Payments, Debt Service and Grants)_	Allocation

Note:
A portion of DOA Procurement is currently funded though a 1.5% Vendor Administrative Fee assessed on Statewide Contracts.

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Change Management Plan

Stakeholder Change Impact Assessment

Who is impacted by these changes?

	Phase I Create a Consolidated Statewide Procurement Operation	**Phase II** Standardize Procurement and related Procure to Pay Business Processes	**Phase III** Create Category-based Procurement Operation and Organization
DOA Statewide Contracting Officers	▪ No change in job duties ▪ Change in reporting structure ▪ Increased training support	▪ Contracts entered into IRIS (storage, PO's and Self-Service) ▪ Inclusion of Prompt pay discounts in all contracts ▪ Enhanced system configurations	▪ New job duties and position ▪ Change in reporting structure
Department Procurement Specialists	▪ No change in job duties ▪ Change in reporting structure ▪ Increased training support	▪ Contracts entered into IRIS (storage, PO's and Self-Service) ▪ Use of requisition/purchase orders for all purchases over $1 ▪ Standardized IRIS financial coding ▪ Use Statewide contracts ▪ Inclusion of prompt pay discounts in all contracts ▪ Enhanced IRIS workflow	▪ New job duties and position ▪ Change in reporting structure
Department Stock and Parts Specialists & Supply Technicians	▪ No change in role ▪ Remain in Department ▪ Change in reporting structure	▪ No changes	▪ No changes

Impact of Change

🟥 High Impact
🟧 Medium Impact
🟩 Low Impact

Impact of Change includes assessment of changes to processes, systems, tools, job roles, critical behaviors, mindsets, reporting structure, performance, and location

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Stakeholder Change Impact Assessment

Who is impacted by these consolidated Procurement organization changes?

	Phase I Create a Consolidated Statewide Procurement Operation	Phase II Standardize Procurement and related Procure to Pay Business Processes	Phase III Create Category-based Procurement Operation and Organization
State Employees Needing to Buy Supplies / Services	▪ No changes ▪ Procurement staff will continue to help their original Department	▪ New way to search for existing contracts ▪ New processes for purchasing and purchase cards ▪ Use of requisitions in IRIS to begin purchase processes ▪ Consistent application of IRIS Chartfields and object codes	▪ Single point of contact in Procurement
SSOA Accounts Payable	▪ No changes	▪ New process to pay invoices from purchase orders ▪ New process to apply prompt pay discounts	▪ No changes
Vendors	▪ No changes	▪ Applied prompt pay discounts ▪ New process to submit invoices ▪ New process for online invoices (Expanded Statewide Contract opportunities	▪ Fewer points of contact

Impact of Change

■ High Impact
■ Medium Impact
■ Low Impact

Impact of Change includes assessment of changes to processes, systems, tools, job roles, critical behaviors, mindsets, reporting structure, performance, and location

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Change Management Roadmap

Recommendation	Communications Plan	Training Plan
Recommendation 1. Communicate and Socialize AAPEX Procurement Recommendations		
1. **Socialize Procurement Recommendations with State HR Managers**	▪ Facilitate review session with DOA HR Manager to align recommendations with AAM and HR policies ▪ Develop presentation materials for State HR Managers, that describes the changes, identifies groups of impacted employees, implementation timeline and roadmap, labor relations approach, and where to find more information ▪ Deliver presentation to all State HR Managers, request feedback, and address feedback as required ▪ Include State HR Managers as a stakeholder group for future project communications	▪ None required
2. **Communicate business reasons for consolidation**	▪ Develop communications material that describes the business reasons for Procurement consolidation, Streamlining, and Restructuring and post them on the AAPEX website ▪ Have Department Directors email their employees describing the business reasons for the change ▪ Coach Department Procurement Officer in their role as a sponsor of this change ▪ Have Coach Department Procurement Officers meet with their Department Procurement staff to discuss the business reasons for the change ▪ Directly email impacted employees about the business reasons for consolidation	▪ None required

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Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 1. Communicate and Socialize AAPEX Procurement Recommendations		
3. **Develop 'roadshow' presentation and meet with impacted employees to discuss upcoming changes**	▪ Develop presentation that describes how Procurement consolidation will impact employees, to include: organization description and org charts, reporting structure, roles and responsibilities, physical location, timelines ▪ Meet with all Department procurement personnel to discuss Procurement Recommendations and specific impacts to employees	▪ None required
4. **Establish two-way communication with impacted employees**	▪ Hold Statewide WebEx/Skype townhall-style sessions that employees can submit questions and the Chief Procurement Officer can answer ▪ Distribute posters that promote awareness of the changes and how employees can provide feedback ▪ Coach Department Procurement Officers and related procurement managers/supervisors on how to talk about the changes and how to pass along feedback to the AAPEX project ▪ Establish regular meetings with Department Procurement Officers and Statewide Contracting Officers to provide them with project updates, listen to feedback, respond to questions, and cascade messaging to staff ▪ Send regular emails to all impacted employees to provide them with project status updates and where to find additional information	▪ Coaching Sessions with Department Procurement Officers and related procurement staff

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Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 2: Create a Consolidated Statewide Procurement Operation *(Phase I)*		
1. **Realign reporting structure to have all Procurement personnel reporting through DOA**	▪ Post organization charts to AAPEX website as soon as possible	▪ Send pulse surveys to impacted employees to measure their change commitment and adapt change management activities to meet needs ▪ Post onboarding and basic training on website, and email Procurement staff that this information is available
2. **Reorganize DOA personnel and roles for Department-based sourcing and purchasing**	▪ Post updated organization charts to AAPEX website as soon as possible ▪ Socialize roles and responsibilities of new procurement jobs (DCPO and Policy, Oversight & Training analysts) with Department stakeholders and DOA Procurement staff	▪ Hold training sessions with impacted employees to help them understand new job duties, new processes, and performance expectations

Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 3: Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*		
1. **Develop and deliver new process training inclusive of both Department and DOA responsibilities (ongoing)**	▪ Develop roadshow presentation that describes major process changes and present information to impacted stakeholders (e.g., stakeholders directly or indirectly involved in the purchase of goods and services) ▪ Post job aids and training materials online, and tell stakeholders how to find this information via email ▪ Socialize plan to update training to align with latest process with ASDs, DOA Procurement staff, and other impacted stakeholders	▪ Work with DOA Training Team to develop web-based trainings for Procurement Processes ▪ Facilitate training sessions with DOA Procurement staff for all standardized procurement processes ▪ Measure adoption of standardized processes via training attendance and number of purchase orders issued using new process
2. **Configure solution and enhance business process based on business requirements**	▪ Facilitate review sessions with Procurement Working Group on new workflow processes	▪ None required
3. **Mandate use of prompt pay discounts in contract negotiations**	▪ Facilitate Procurement Advisory Council review of prompt pay discount contract requirements and roll-out approach	▪ None required

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Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 3: Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*		
4. **Require use of standard object codes, commodity codes, and funding source in all procurements**	▪ At existing stakeholder meetings (ASDs and Finance Officers), present business need for required use of standard object and commodity codes and funding source for all procurement documents ▪ Review draft policies for required coding in focus groups (ASDs, Finance Officers, Department Accountants and Accounting Techs, and Procurement Officers) ▪ Post policies and job aids to DOA website and email stakeholders telling them where to find this information	▪ Develop job aids to assist Departments and DOA with coding requirements for procurement documents
5. **Require usage of Statewide Contracts**	▪ Facilitate listening session with Department stakeholders to identify ways to make it easier to use Statewide Contracts (including, improvements to contract search tools, etc.) ▪ Publish new contract usage requirements to DOA website and email stakeholders telling them where to find this information	▪ Measure adoption of contract usage via percentage of purchase orders issued against Statewide Contracts

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Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 3: Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*		
6. **Require a Purchase Order for all regular purchases ($0 threshold)**	▪ Send email to impacted stakeholders and DOA procurement staff regarding the business reason for issuing purchase orders for all regular purchases	▪ Develop job aids on how to create and modify a purchase order in IRIS ▪ Work with DOA Training team to develop web-based training for purchase order processes ▪ Train DOA Procurement staff on purchase order processes in classroom setting ▪ Identify and coach IRIS super users in DOA Procurement to help train their peers on new IRIS processes ▪ Measure adoption of purchase orders via number of invoices paid without a purchase order
7. **Require electronic storage of State contracts**	▪ Review draft policies for required contract storage with key stakeholders (ASDs, Finance Officers, Department Accountants and Accounting Techs, and Procurement Officers) ▪ Facilitate review sessions with Procurement Working Group on new contract storage processes	▪ Develop job aids on how to store contracts electronically and post them on the DOA website

Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 3: Standardize Procurement and related Procure to Pay Business Processes *(Phase II)*		
8. **Reevaluate P-card, capital, urgent (aka "short-form") procurement methods**	▪ Communicate business reason for process changes to key stakeholders (DOA Procurement staff, ASDs, Finance Officers, etc.) ▪ Post process documentation and job aids to DOA website and email key stakeholders about where they can find this information	▪ Develop job aids that describes new processes for other ("short-form") procurement methods ▪ Work with DOA Training team to develop web-based training for other ("short-form") procurement methods ▪ Facilitate Train-the-Trainer sessions with several DOA Procurement staff and have them coach their peers through the new processes
9. **Create reporting and KPI tracking and review system**	▪ Facilitate working session with Procurement Working Group to brainstorm KPIs to measure ▪ Inform Procurement Advisory Committee of KPIs and scorecard reporting system ▪ Post KPI dashboard to DOA website and email key stakeholders about where to find this information	▪ None required

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Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 4: Create Category-based Procurement Operation and Organization *(Phase III)*		
1. **Reorganize DOA personnel and roles for Category-based sourcing and purchasing**	▪ Have Department Commissioner communicate business reason why Procurement is restructuring to Category-based sourcing and purchasing ▪ Regularly communicate status of Procurement restructuring to impacted employees and Procurement Advisory Council ▪ Email impacted employees new organization charts and roles/responsibilities of new positions	▪ None required
2. **Optimize procurement intake process to match new organization structure**	▪ Post intake process documentation to DOA website and email key stakeholders about where they can find this information	▪ Facilitate WebEx learning sessions with Department stakeholders to review new intake processes

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Change Management Roadmap - Continued

Recommendation	Communications Plan	Training Plan
Recommendation 4: Create Category-based Procurement Operation and Organization *(Phase III)*		
3. **Determine work location of Procurement personnel**	**For Move:** ▪ Generate buy-in by sending a workplace survey to capture current issues and future desired outcomes, such as workplace needs, storage, technology, and work style ▪ Identify "Move" champions for both Juneau and Anchorage and have them plan community-building events ▪ Hold regular meetings with Department Procurement Managers to represent their staff's space needs, move goals, and success measures ▪ Conduct site tours prior to move-in	**For Move:** ▪ Develop a new office welcome package, to include a welcome letter from the Chief Procurement Officer, relevant workspace instructions, and a small gathering to celebrate the move **For Stay-in-Place:** ▪ Develop step-by-step job aids for IRIS entries (POs, 3-way match, workflows) ▪ Develop process documentation for contract tracking and send to DOA Procurement staff ▪ Create remote workforce toolkit that provides DOA Procurement staff with easy access to tools like WebEx, MS Teams and file sharing, tips for effective meetings, etc.

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STATEWIDE SPEND ASSESSMENT

Executive Summary

Executive Summary: Statewide Spend Plan Assessment

Purpose

- The State's decentralized procurement process appears to ineffectively leverage Statewide spending. A spend assessment was conducted to identify areas where consolidation of spend across Departments or suppliers may result in cost savings.

Methodology

- A&M completed a high level assessment of recent State non-labor spending (FY18, FY19 and the first six months of FY20) to identify opportunities to generate financial efficiencies through strategic sourcing.

- A&M collected and analyzed category data across all Executive Branch Departments, focusing on spend that could feasibly be addressed through comprehensive sourcing events.

Results

- The State has an opportunity to leverage its buying power through consolidated purchasing and performing strategic sourcing of a wide variety of spend categories (e.g., commodity, material or service types).

- Deployment of a category management approach could result in improved contract terms and pricing that will generate significant financial and operational savings.

- A&M identified and prioritized savings opportunities to reduce complexity and time to contract execution and implementation; projected annual savings estimates are approximately $21 - $50 million.

- A&M created an implementation plan for the realization of savings, with completion target for the end of FY21.

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Methodology

Methodology: Key Steps & Milestones

A&M took a systematic approach to identifying savings opportunities for the State

Collect Data	Classify & Consolidate Data	Benchmark and Identify Opportunities	Develop Recommendations and Implementation Plan
▪ **Collected Statewide spend data** from 17 Departments for FY18, FY19, and the first half of FY20 ▪ **Collected benefits spend** from relevant stakeholders ▪ Aggregated approximately **2.9 million records** across all spend files ▪ Included spend across all functions and Departments	▪ **Applied categorizations** based on object code, commodity code, supplier name, and other details ▪ **Reviewed and analyzed** spend in aggregate as categories ▪ **Flagged spend to be excluded** from analysis: grants, transfers, Medicaid spending, Capital investments, etc. ▪ **Consolidated** supplier names when relevant	▪ **Identified categories** where spend is **not consolidated across Departments** ▪ Identified categories where spending is **widely distributed** among **many vendors** ▪ Estimated spend that could not be addressed through strategic sourcing events ▪ Identified areas of **potential significant savings**	▪ **Developed recommendations by category** for savings realization ▪ Defined benefit analysis and business case ▪ Prioritized improvements and **created an implementation plan**

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Methodology: Taxonomy

Using a systematic approach to identifying savings, A&M grouped key identifiers from the spend data into a category tree that could be analyzed for opportunities

90%

Identifier: Object Code

- Approximately 90 percent of spend had object codes with descriptions that could be used to analyze data. The analysis by mapping disparate object codes into an A&M-developed category tree.

- Object codes included some redundancies, so grouping spend into consolidated category allows for increased visibility in certain spend areas.

- Some object codes did not provide an accurate description of the spend, so some data was recategorized using supplier name (e.g. Alaska Airlines was generally recategorized as "Airfare").

Example Crosswalk from Object Code to Category *(See Appendix for detailed Crosswalk)*

AK OBJ Code	AK OBJ Code Description	A&M Category
4019	SM Tools/Minor Equip	MRO Supplies : Tools
4038	SM Tools/Minor Equip	

9%

Identifiers: Commodity Code & Supplier

- For the ~9% of spend that did not have object codes, we used alternative identifiers to categorize data, including commodity code and supplier name

- Many commodity code identifiers did not have matches to the provided description chart

1%

Uncategorized

- Approximately 1 percent of spend data remains uncategorized due to lack of reliable identifiers

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Methodology: Scope

A&M segregated out-of-scope spend and spend not easily addressed through strategic sourcing events due to complexity, infrequency, or other factors

Total Spend

Departments & Divisions

The following areas were removed from spend assessment consideration:

- University of Alaska
- Divisions that are primarily Medicaid spend

Grants & Transfers

Transfers of funds to a municipality or other entity were removed from analysis, including Object codes 1000, 7000, and 8000

Capital Spend

The analysis removed capital spend (new construction, acquisition costs, and building improvements) in this assessment

Non-Addressable

The amount of spend that could be sourced by examining the category and its **Spend Complexity**

In-Scope

The remaining spend categories determined savings estimates based on certain factors, including:

- Distribution of spend across Departments
- Complexity
- Spend by vendor

Spend Complexity

Categories with low complexity are generally highly commoditized, have significant potential suppliers, and are easily accessible. High complexity spend is more specialized, has fewer suppliers and requires a more in-depth sourcing process

Example: "Travel – Meals" is difficult to source through a formal bid or RFP process and was designated as zero percent addressable.

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Methodology: In-Scope Spend

Spend excluded from the assessment includes Capital, Medicaid, Grants & Transfers, and the University of Alaska; Benefit spend is almost exclusively one provider (Aetna)

In-Scope Spend (Average of FY18-19)
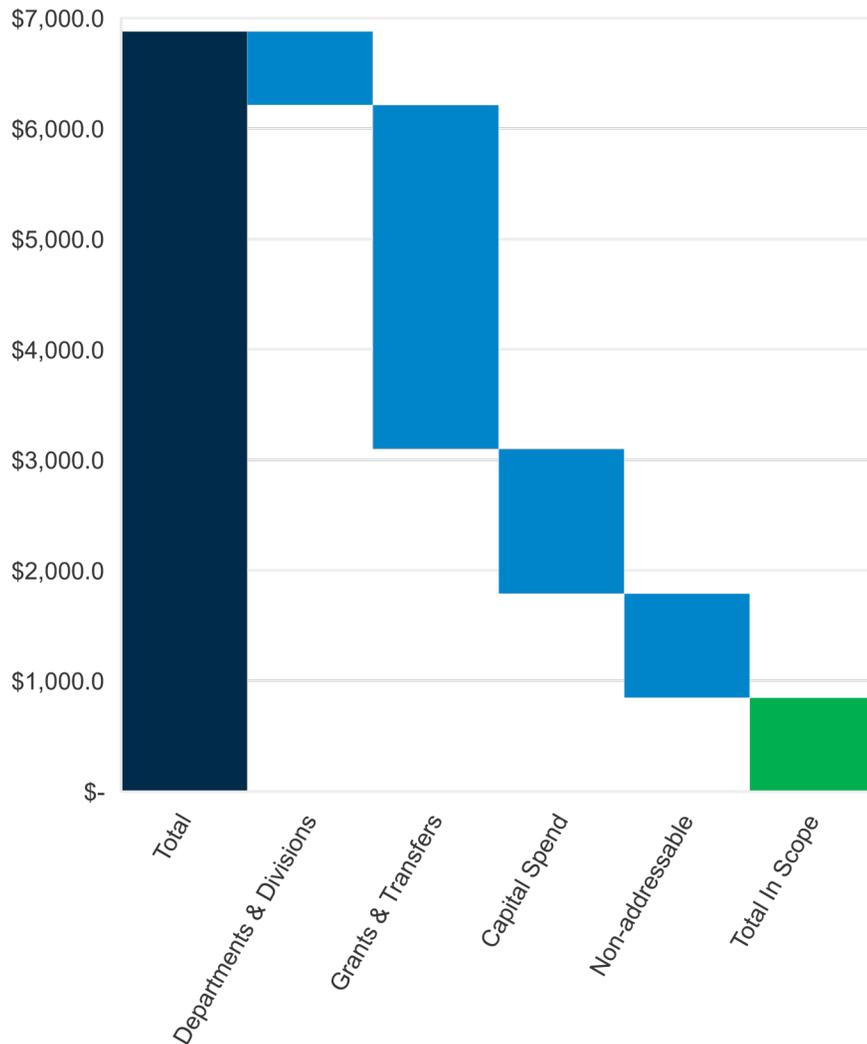
Spend Scope	FY18 ($M)	FY19 ($M)	Avg. FY18-19 ($M)	FY20 ($M)
Total	$6641.0	$7116.4	**$6,879.7**	$4178.0
Out of Scope Departments & Divisions	$652.4	$677.2	**$664.8**	$415.4
Grants & Transfers	$2980.4	$3249.6	**$3,115.0**	$1809.7
Capital Spend	$1210.4	$1408.1	**$1,309.3**	$1041.1
Other Non-addressable	$946.9	$941.3	**$944.1**	$470.2
Benefits & Insurance	$436.6	$397.8	**$417.2**	$180.7
In-Scope (Non-Benefits)	$414.3	$442.5	**$428.4**	$260.9

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Spend Profile

Spend Profile: Spend by Department

Spend by Department has remained relatively steady by Department year over year. (overall < eight percent change)

Spend by Department
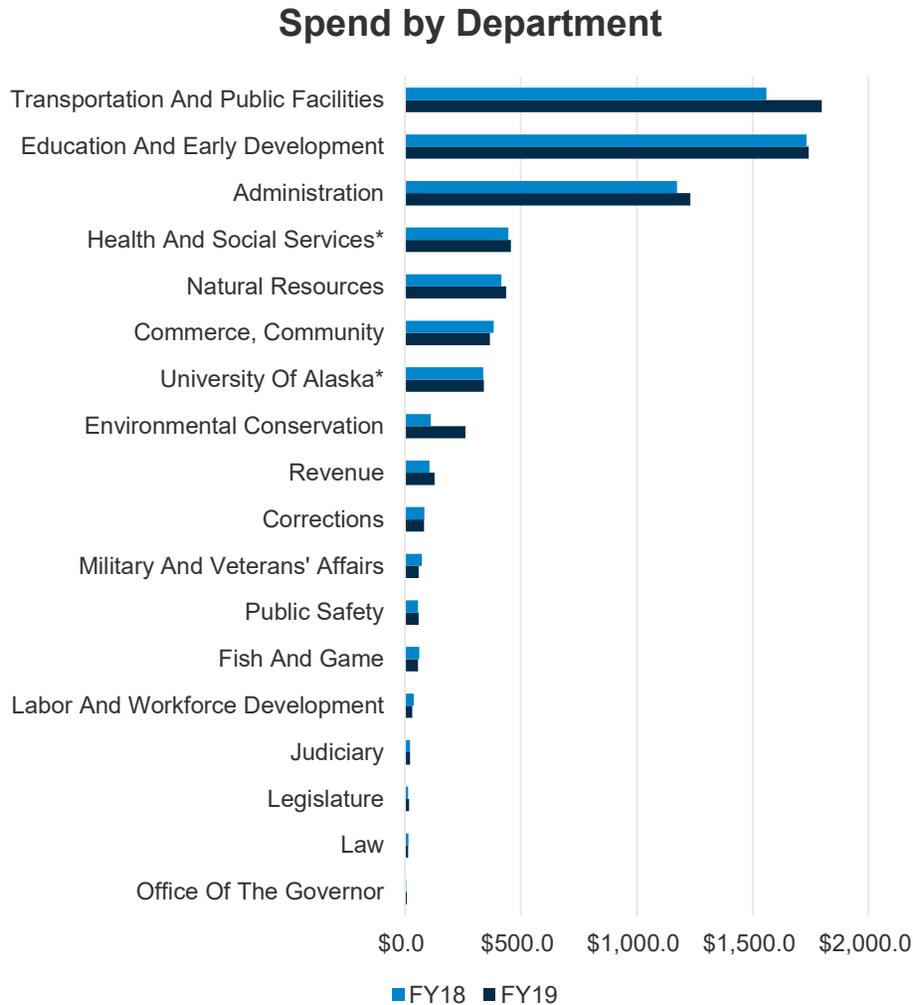
Department	FY18 ($M)	FY19 ($M)
Transportation And Public Facilities	$1,559.0	$1,798.0
Education And Early Development	$1,732.0	$1,742.1
Administration	$1,174.1	$1,231.1
Health And Social Services*	$446.2	$457.5
Natural Resources	$416.4	$437.3
Commerce, Community	$383.0	$367.4
University Of Alaska*	$338.3	$340.3
Environmental Conservation	$112.0	$261.3
Revenue	$106.2	$128.7
Corrections	$83.5	$82.8
Military And Veterans' Affairs	$73.4	$59.9
Public Safety	$57.3	$59.2
Fish And Game	$62.8	$56.3
Labor And Workforce Development	$38.8	$31.9
Judiciary	$22.8	$22.6
Legislature	$14.1	$17.9
Law	$15.1	$13.5
Office Of The Governor	$6.2	$8.5
Total	**$6,641.0**	**$7,116.4**

*Note that these totals include all spend provided. These figures include out-of-scope spend categories and departments as denoted in this presentation: construction and capital projects, Medicaid spending, University of Alaska, etc.

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Spend Profile: In-Scope Spend by Category

Major spending occurs in areas of Facilities, IT and Professional Services, Utilities and Travel

Top Ten In-Scope Spend Categories

Legend: FY18, FY19, FY20
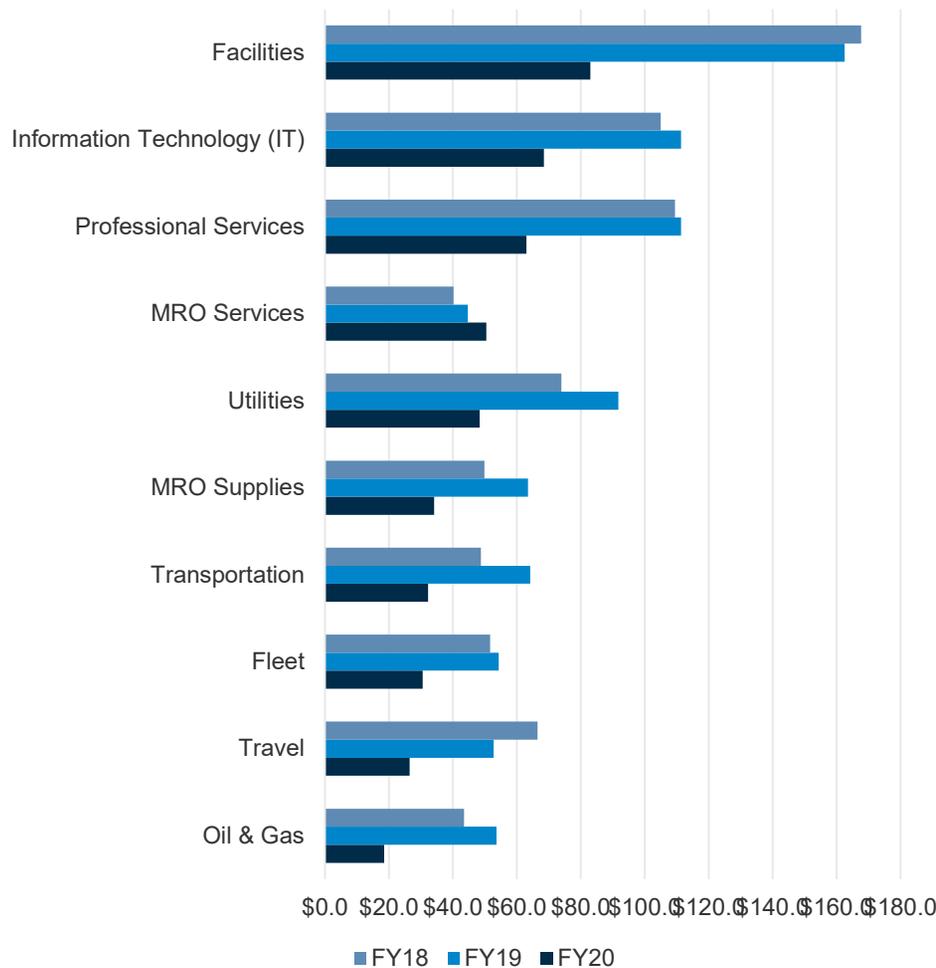
Category	FY18 (M)	FY19 (M)	FY20 (M)
Facilities	$162.5	$167.7	$83.0
Information Technology (IT)	$111.4	$105.0	$68.4
Professional Services	$111.4	$109.5	$63.0
Utilities	$91.7	$73.9	$48.3
MRO Supplies	$63.5	$49.8	$34.1
Travel	$52.7	$66.5	$26.4
Transportation	$64.2	$48.7	$32.2
Fleet	$54.3	$51.6	$30.5
MRO Services	$44.7	$40.2	$50.4
Oil & Gas	$53.6	$43.5	$18.5
Not pictured: transfers to municipalities, insurance, capital spend			
Government	$3,473.8	$3,805.2	$2,166.3
Engineering Services	$916.5	$1,137.9	$759.2
Insurance / Risk Management	$872.6	$795.3	$360.9
Building and Construction	$293.9	$270.3	$281.8

[1]Partial Data for FY20

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Spend Profile: Cross-Departmental Categories

Departments are spending on the same categories, strongly indicating an opportunity to consolidate and leverage purchasing power with increased coordination

MRO Supplies

Department	Spend $	Spend %
Transportation and Public Facilities	$34.6M	61.1%
Fish and Game	$6.8M	12.0%
Corrections	$3.1M	5.5%
Health and Social Services	$2.8M	5.0%
All Others	$9.2M	16.4%

Information Technology

Department	Spend $	Spend %
Administration	$37.4M	34.6%
Transportation and Public Facilities	$15.4M	14.2%
Health and Social Services	$10.9M	10.1%
Revenue	$8.8M	8.2%
All Others	$35.6M	32.9%

Facilities

Department	Spend $	Spend %
Administration	$55.5M	33.6%
Transportation and Public Facilities	$38.1M	23.1%
Fish and Game	$12.3M	7.5%
Environmental Conservation	$12.1M	7.4%
All Others	$47.0M	28.5%

Professional Services

Department	Spend $	Spend %
Health and Social Services	$51.5M	22.9%
Revenue	$46.9M	14.5%
Administration	$16.1M	14.2%
Transportation and Public Facilities	$3.9M	14.0%
All Others	$18.0M	34.4%

Travel

Department	Spend $	Spend %
Transportation and Public Facilities	$51.5M	21.2%
Health and Social Services	$46.9M	16.0%
Fish and Game	$16.1M	9.0%
Natural Resources	$3.9M	8.2%
All Others	$27.1M	45.5%

MRO Services

Department	Spend $	Spend %
Natural Resources	$18.0M	41.9%
Transportation and Public Facilities	$10.9M	25.6%
Administration	$5.9M	13.8%
Health and Social Services	$1.4M	3.4%
All Others	$6.5M	15.3%

Spend % is reflected as a % of spend over the entire FY18-FY20 (first half) time frame

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Spend Profile: Cross-Departmental Suppliers

Departments are making significant purchases from the same vendors, supporting consolidation of the supply base and cross-Departmental supplier leverage

Total Spend by Vendor

FY18-20 Spend in Millions
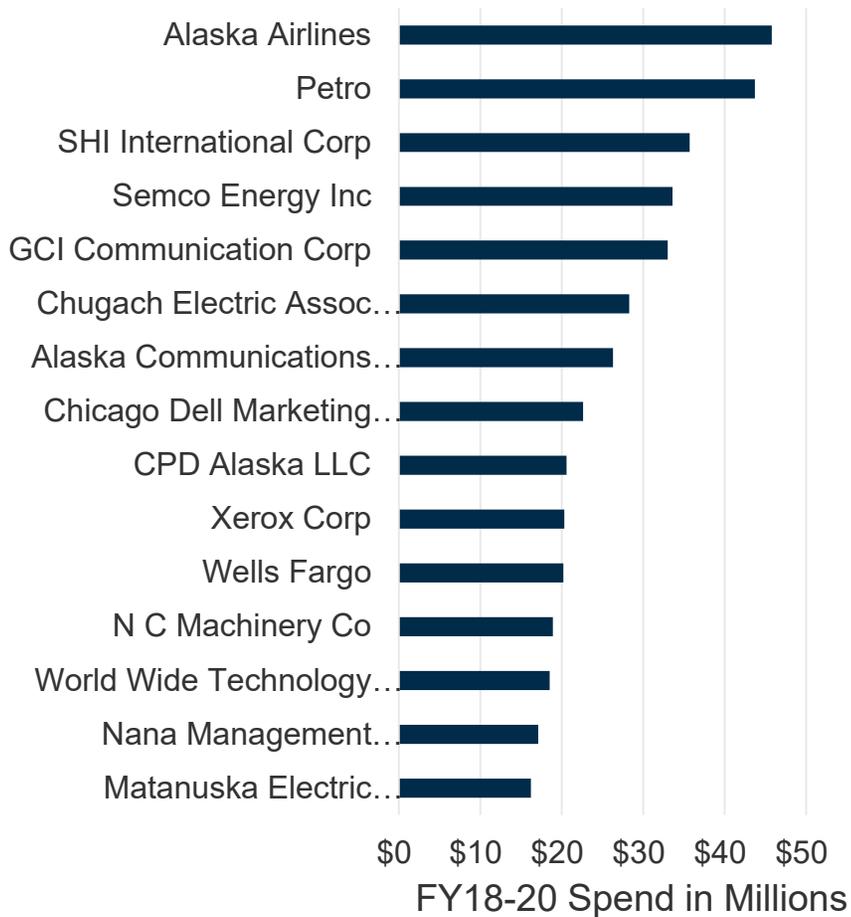
Vendor	In-scope Spend (M)[1]	# of Depts/
Alaska Airlines	$45.8	17
Petro	$43.7	16
SHI International Corp	$35.7	17
Semco Energy Inc	$33.6	12
GCI Communication Corp	$33.0	17
Chugach Electric Assoc Inc	$28.3	9
Alaska Communications Holdings Inc	$26.3	17
Chicago Dell Marketing L P	$22.6	17
CPD Alaska LLC	$20.6	16
Xerox Corp	$20.3	17
Wells Fargo	$20.2	12
N C Machinery Co	$18.9	11
World Wide Technology Holding Co	$18.5	17
Nana Management Services	$17.1	17
Matanuska Electric Association	$16.2	10

[1]Excluding transfers to municipalities, insurance, engineering
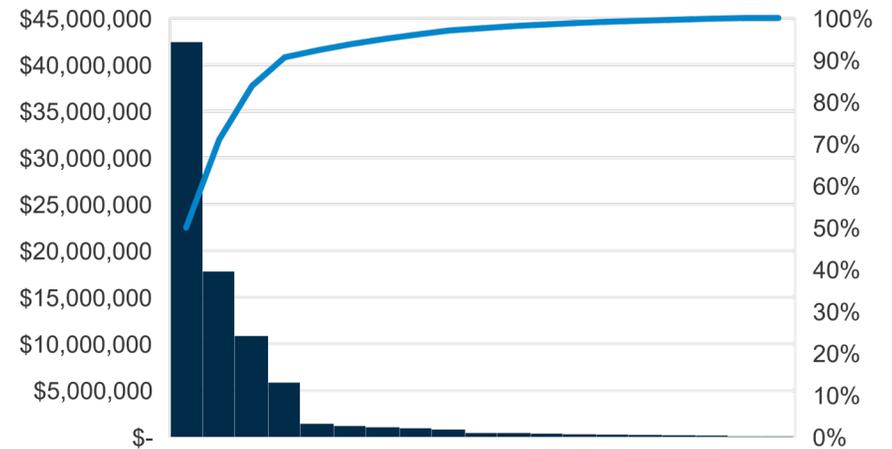
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Spend Profile: Spend by Supplier

Less than 1% of suppliers make up over 80 percent of State spend in FY18-20[1], with the majority of suppliers <$50k, leaving opportunities for supplier rationalization

Supplier Count by Spend Threshold

Legend:
- $5,000 - $50,000
- $50,000 - $500,000
- $500,000 - $1,000,000
- $1,000,000 +
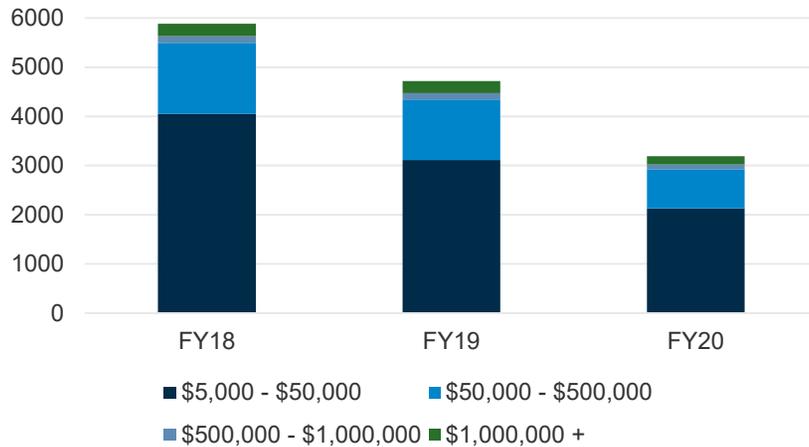
Top Suppliers Make Up the Majority of Spend

Threshold	FY18	FY19	FY20
$5,000 - $50,000	4,054	3,113	2,128
$50,000 - $500,000	1,441	1,227	795
$500,000 - $1,000,000	134	134	99
$1,000,000 +	252	247	167
Total	**5,881**	**4,721**	**3,189**

Category	Avg FY18-19 (M)	Avg. Supplier Count (FY18-19)
Facilities	$165.1	4410
Information Technology (IT)	$110.5	1726
Professional Services	$108.2	2193
Utilities	$82.8	452
Travel	$59.6	12272
Fleet	$53.0	525
MRO Supplies	$56.7	3703
Transportation	$56.5	1174
Oil & Gas	$48.6	404
MRO Services	$42.5	1666

[1]Partial Data for FY20

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Recommendations & Business Case

Recommendations

- The State of Alaska should deploy a three phased **category-based strategic sourcing events** for select categories
- Conducting strategic sourcing events for key category opportunities will result in reduced costs and increased value for the State
- The three Strategic Sourcing events should commence as soon as possible to achieve the highest savings

Target Categories

Categories were selected for strategic sourcing effort based on the following criteria:

- Distribution across Departments
- Vendor count
- Distribution of spend across many vendors
- Complexity of category
- Total spend amount
- Savings estimates

Prioritization

Categories were prioritized based on potential return, complexity, and risk.

Categories were grouped into multiple phases to be executed together in sourcing events.

Task List

A&M recommends the following tasks to execute the sourcing events for these phases.

1. Develop sourcing strategy
2. Identify suppliers
3. Solicit/receive proposals
4. Evaluate proposals and short-list
5. Conduct negotiations and sign contracts
6. Implement supplier management program

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Potential Savings: Target Categories

Savings opportunities exist in a wide variety of categories; detailed spend data and analysis should narrow the estimated savings range of ~$26 - $84 million

Category	Areas	In-Scope Spend ($M) (Average FY18-19)	Est. Savings $
Insurance	HR Benefits, Insurance, Risk Management	$416.8	$4.5 - $33.6
Information Technology	Software, Hardware, Telecom, Services, Peripherals	$80.2	$6.4 - $15.1
Facilities	Maintenance, HSE, Leases, Supplies	$100.2	$7.8 - $13.8
MRO	Services, Supplies, Tools, Chemicals / Lubricants, Office Related, Safety Protection	$73.0	$1.0 - $8.4
Travel	Airfare, Lodging	$23.0	$1.0 - $3.3
Transportation	Oil & Gas, Transportation, Maintenance & Repair	$31.4	$2.6 - $3.2
Fleet	Vehicles, Fuel	$26.5	$1.7 - $2.2
Fuels & Lubricants	Gaseous Fuels and Additives	$11.8	$0.24 - $1.2
Food & Beverage	Food & Beverage	$8.5	$0.26 - $1.0
Marketing and Communications	Printed materials, Services, Advertising	$5.9	$0.3 - $0.9
Consumables	Gravel, Sand, Proppant	$6.1	$0.1 - $0.7
Professional Services	Legal	$2.6	$0.25 - $0.5
Totals		**$786.0**	**$26.2 – $83.9**

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Opportunity Complexity-Benefit Matrix

After estimating savings, each category was evaluated on sourcing complexity and plotted relative to each other to prioritize the opportunities

Phase 1	Higher return with lower complexity – the "low hanging fruit" to go after as soon as possible
Phase 2	More complexity, but still solid return – recommend pursuing after Phase I
Phase 3	Lower return and higher complexity increases risk of diminished benefit
Phase "TBD"	HR Benefit Insurance: very high savings potential, but highly complex
Future Phases	Future phase(s) as sourcing processes mature and resources come up to speed

Phase 1	Phase 2	Phase 3	Future Phases	
Facilities	MRO	Transportation	Structural Materials	Accounting Services
Information Technology	Fuels (Fleet and other)	Food & Beverage	Medical Practice	Marine Transport
Printed Materials	Gravel, Sand	Travel	Health & Safety Supplies	Consulting Services
	Legal Services	Marketing & Advertising	Janitorial	Subscription Services

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Task List for Sourcing Events

To achieve annual savings, the State should initiate a detailed strategic sourcing initiatives

Timeline

#	Task	Timeline
1	Develop category sourcing strategy and desired results	6 weeks
2	Identify and qualify suppliers to participate in the sourcing event	2 weeks
3	Solicit and receive initial supplier proposals	4 weeks
4	Evaluate proposals, conduct diligence, short-list suppliers	2 weeks
5	Conduct negotiations, agree to terms, and sign contracts	2 weeks
6	Design and implement supplier management program	2 weeks

Dependencies

Consolidated procurement practices will require detailed spend data for the selected categories, including specific items purchased, quantity, price paid, and service and quality requirements. Key assumptions include:

- Product spend data is available and complete, either from the State or incumbent suppliers
- Although specific product demand varies over time, demand is directionally consistent;
- Proper communications and change management execution is followed to maximize adoption

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Recommendation 1: Implementation Tasks & Actions

Conduct Phased Strategic Sourcing Events for Selected Spending Categories

Task 1.

Develop category sourcing strategy and determine desired results (what goods/services are needed from this supplier event, what will determine the RFP award, etc.)

Implementation Actions

- Gather data and establish category baseline: units, pricing, volumes, and forecasts
- Gather category service level and performance requirements from users / customers
- Identify alternative acceptable product specifications where feasible
- Develop category sourcing strategies and tactics
- Hold key internal stakeholder interviews and assess impact of potential changes (positive and negative)
- Align internally on RFP award decision framework (price, payment terms, product and delivery specifications, penalties, efficiency improvement, etc)

Task 2.

Identify and qualify suppliers to participate in the sourcing event (the RFP process).

Implementation Actions

- Research and understand supplier market and align internally on minimum supplier qualifications (historical performance, quality, lead time, technical support, etc)
- Identify potential suppliers to participate in sourcing event
- Conduct incumbent supplier business reviews, inform of intent to go out to RFP
- Qualify suppliers for suitability for RFP participation

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Recommendation 1: Continued

Conduct Phased Strategic Sourcing Events for Selected Spending Categories

Task 3.

Solicit and receive initial supplier responses to RFPs/IFBs

Implementation Actions

- Develop RFP/IFB documents with related business requirements, specifications, volumes, etc.
- Create proposal/bid "scorecard" to rate supplier proposals/bids based on award decision framework
- Distribute RFPs/IFBs to invited suppliers
- Conduct Q&A and clarification with suppliers as needed
- Receive initial proposals/bids

Task 1.4

Evaluate proposals/bids and conduct diligence; short-list suppliers to move forward in the process

Implementation Actions

- Evaluate and rank initial proposals/bids
- Develop short-list of qualified suppliers to move forward with
- Conduct Supplier Due Diligence (financial verification, site visits, reference checks, etc)
- Conduct preliminary product and service testing as needed

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Recommendation 1: Continued

Conduct Phased Strategic Sourcing Events for Selected Spending Categories

Task 5.

Conduct new spend contract negotiations, agree to terms, and execute contracts

Implementation Actions

- Prepare negotiation packages
- Conduct additional product and service testing (as required)
- Negotiate with suppliers and select winning bidder(s)
- Execute Term Sheets with new pricing, terms, and conditions
- Quantify financial impact, develop savings tracker to verify benefits received
- Finalize contract with supplier(s); archive and store contract

Task 6.

Design and implement supplier management program that will provide for regular interactions with suppliers and management of the relationship to maximize value creation

Implementation Actions

- Design high-level supplier management program
- Develop and execute supplier implementation and transition plans (as needed)
- Train procurement staff on supplier management best practices
- Design and roll-out supplier performance, compliance, and tracking metrics
- Initiate, track, and monitor supplier performance, with root-cause and corrective actions as necessary

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Implementation Actions & Tasks: Phase 1 Sourcing Events

Conduct Phased Strategic Sourcing Events for Selected Spending Categories

A comprehensive strategic sourcing event is projected to span 16 to 20 weeks to reach agreement on terms / pricing

	Action Item	Implementation Month														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Phase 1																
1.	Develop Category Strategy	■	■													
2.	Identify and Quality Suppliers		■													
3.	Conduct Competitive Bidding with Supply Market			■												
4.	Scorecard Suppliers, Conduct Diligence				■											
5.	Negotiate and Execute Supplier Term Sheets				■											
6.	Vendor Management Program Design and Deployment					■										

Considerations:

- **Staffing**: A dedicated team of four to six full-time sourcing specialists plus a project manager should be assigned to manage the first phase of sourcing events. Team should consist of experienced procurement and project management resources, ideally with experience sourcing relevant categories (i.e. Facilities, IT, Printed Materials during Phase 1)

- **Knowledge Building / Transfer**: The first phase of sourcing events provides an excellent opportunity to identify and train resources for future strategic sourcing events, as well as Category Management leadership

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Implementation Actions & Tasks: Phase 2 & 3 Sourcing Events

Conduct Phased Strategic Sourcing Events for Selected Spending Categories

	Action Item	Implementation Month														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Phase 2																
	Phase 2 Category Sourcing Events						■	■	■	■	■					
1.	Develop Category Strategy						■	■								
2.	Identify and Quality Suppliers							■								
3.	Conduct Competitive Bidding with Supply Market								■							
4.	Scorecard Suppliers, Conduct Diligence									■						
5.	Negotiate and Execute Supplier Term Sheets									■						
6.	Vendor Management Program Design and Deployment										■					
Phase 3																
	Phase 3 Category Sourcing Events											■	■	■	■	■
1.	Develop Category Strategy											■	■			
2.	Identify and Quality Suppliers												■			
3.	Conduct Competitive Bidding with Supply Market													■		
4.	Scorecard Suppliers, Conduct Diligence														■	
5.	Negotiate and Execute Supplier Term Sheets														■	
6.	Vendor Management Program Design and Deployment															■

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Financial Impact Summary: Spend Plan Opportunities

Requiring Departments to use the new supplier contracts will enable savings

Total Investment: TBD	Total Five-Year Return($M): $98 - $230.3

#	Recommendation	Estimated Net Financial Impact ($M)						
		FY20	FY21	FY22	FY23	FY24	FY25	Total
1	Phase 1 Category Sourcing Events	$0.0	$12.0 - $24.5	$14.4 - $29.5	$14.4 - $29.5	$14.4 - $29.5	$14.4 - $29.5	**$69.6 - $142.5**
2	Phase 2 Category Sourcing Events	$0.0	$1.2 - $5.0	$2.8 - $12.1	$2.8 - $12.1	$2.8 - $12.1	$2.8 - $12.1	**$12.4 - $53.4**
3	Phase 3 Category Sourcing Events	$0.0	$0.0	$4.0 - $8.6	$4.0 - $8.6	$4.0 - $8.6	$4.0 - $8.6	**$16.0 - $34.4**

Note: ($) indicates cost saving or revenue enhancement, see Appendix for detailed cost build up

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Financial Impact Summary: Risk-Probability Matrix

Project Risks
(Probability and Impact)
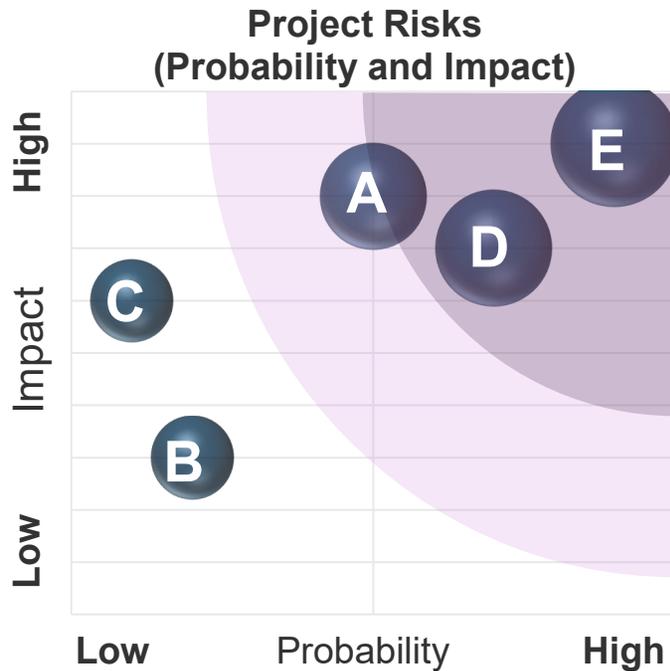
Overview

- Engaging in strategic sourcing exercises is not without risk

- Effective mitigation of risk can help the State of Alaska realize more fully the benefits of strategic sourcing

- The accompanying matrix and corresponding graph, identifies key risks of a strategic sourcing exercises for the State and how we plan to mitigate those risks

- Risks with larger impacts will receive extra emphasis

Key	Issue	Probability	Impact	Mitigation Plan
A	Poor data quality around actual products or services purchased	Medium	High	Work with incumbent suppliers for accurate data
B	Lack of supplier participation	Low	Medium	Identify and contact qualified suppliers with invitations to bid and encourage responses to proposals
C	Lack of realized savings	Low	Medium	Aggressive negotiation plan in place for key categories
D	Lack of stakeholder adoption of new contract or suppliers	Medium	Medium	Create a clear change management plan; leadership buy-in
E	Procurement resources may not be sufficient to lead RFP and implementation activities	High	High	Dedicate trained, skilled resources to manage RFPs and new supplier onboarding; consider third party assistance with initial RFP events

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APPENDIX

APPENDIX A
Procurement Financial Impact & Model Assumptions

Financial Impact & Model Assumptions:
Procurement Recommendation 1

'000s	FY20	FY21	FY22	FY23	FY24	FY25	Total
Cost to Implement							
Personnel	$66	$0	$0	$0	$0	$0	$66
Services	$413	$0	$0	$0	$0	$0	$413
Supplies	$0	$0	$0	$0	$0	$0	$0
Technology	$0	$0	$0	$0	$0	$0	$0
Total	**$479**	**$0**	**$0**	**$0**	**$0**	**$0**	**$479**
Recurring Costs							
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Cost Savings							
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Net Financial Impact	**$479**	**$0**	**$0**	**$0**	**$0**	**$0**	**$479**

Cost to Implement Assumptions

Resources	Hourly Rate	Total Hours	Cost to Implement	Suggested Resources
Existing State Employees	$47.58	1130	$53,764	4
Change Management	$47.58	247	$11,761	1
Consultant	$445[1]	930	$413,478	2

Note: ($) indicates cost savings or revenue enhancements

[1] Rate includes travel and expense

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Financial Impact:
Procurement Recommendation 2

Create a Consolidated Statewide Procurement Operation (Phase I)

'000s	FY20	FY21	FY22	FY23	FY24	FY25	Total
Cost to Implement							
Personnel	$75	$0	$0	$0	$0	$0	$75
Services	$413	$0	$0	$0	$0	$0	$413
Supplies	$0	$0	$0	$0	$0	$0	$0
Technology	$0	$0	$0	$0	$0	$0	$0
Total	**$488**	**$0**	**$0**	**$0**	**$0**	**$0**	**$488**
Recurring Costs							
Personnel	$0	$490	$490	$490	$490	$490	$2,450
Services	$0	$0	$0	$0	$0	$0	$0
Supplies	$0	$0	$0	$0	$0	$0	$0
Technology	$0	$0	$0	$0	$0	$0	$0
Total	**$0**	**$490**	**$490**	**$490**	**$490**	**$490**	**$2,450**
Cost Savings							
Personnel	$0	$0	$0	$0	$0	$0	$0
Services	$0	$0	$0	$0	$0	$0	$0
Supplies	$0	$0	$0	$0	$0	$0	$0
Technology	$0	$0	$0	$0	$0	$0	$0
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Net Financial Impact	**$488**	**$490**	**$490**	**$490**	**$490**	**$490**	**$2,938**

Note: ($) indicates cost savings or revenue enhancements

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Model Assumptions:
Procurement Recommendation 2

Create a Consolidated Statewide Procurement Operation (Phase I)

Cost to Implement Assumptions

Resources	Hourly Rate	Total Hours	Cost to Implement	Suggested Resources
Existing State Employees	$47.58	1310	$62,328	3
Change Management	$47.58	269	$12,799	1
Consultant	$445[1]	930	$413,478	2

Recurring Cost Assumption

New State Employees	Fully Burdened Annual Cost
Deputy Chief Procurement Officer	$157,880[2]
Policy / Oversight / Training Manager	$124,765[3]
Policy / Oversight / Training Analyst	$103,533[4]
Policy / Oversight / Training Analyst	$103,533[4]

[1] Rate includes travel and expense
[2] Based on Contracting Officer IV fully loaded costs
[3] Based on Division Operations Manager fully loaded costs
[4] Based on Business Analyst fully loaded costs

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Financial Impact & Model Assumptions:
Procurement Recommendation 3

Standardize Procurement and related Procure to Pay Business Processes (Phase II)

'000s	FY20	FY21	FY22	FY23	FY24	FY25	Total
Cost to Implement							
Personnel	$338	$0	$0	$0	$0	$0	$338
Services	$1,229	$0	$0	$0	$0	$0	$1,229
Supplies	$0	$0	$0	$0	$0	$0	$0
Technology	$0	$0	$0	$0	$0	$0	$0
Total	**$1,567**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,567**
Recurring Costs							
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Cost Savings							
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Net Financial Impact	**$1,567**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,567**

Cost to Implement Assumptions

Resources	Hourly Rate	Total Hours	Cost to Implement	Suggested Resources
Existing State Employees	$47.58	4390	$208,871	2
Existing OIT Employees	$63.56	1500	$95,340	2
Change Management	$47.58	707	$33,629	1
Consultant	$445[1]	1500	$666,900	2
IT Implementation Consultants	$125	4500	$562,500	2

Note: ($) indicates cost savings or revenue enhancements
[1] Rate includes travel and expense

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Financial Impact:
Procurement Recommendation 4

Create Category-based Procurement Operation and Organization (Phase III)

'000s	FY20	FY21	FY22	FY23	FY24	FY25	Total
Cost to Implement							
Personnel	$77	$0	$0	$0	$0	$0	$77
Services	$293	$0	$0	$0	$0	$0	$293
Supplies	$0	$0	$0	$0	$0	$0	$0
Technology	$0	$0	$0	$0	$0	$0	$0
Total	$370	$0	$0	$0	$0	$0	$370
Recurring Costs							
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Cost Savings							
Personnel	$0	($207) - ($379)	($551) - ($1,010)	($895) - ($1,641)	($1,240) - ($2,273)	($1,377) - ($2,525)	($4,270) - ($7,828)
Services	$0	$0	$0	$0	$0	$0	$0
Supplies	$0	$0	$0	$0	$0	$0	$0
Technology	$0	$0	$0	$0	$0	$0	$0
Total	**$0**	**($207) - ($379)**	**($551) - ($1,010)**	**($895) - ($1,641)**	**($1,240) - ($2,273)**	**($1,377) - ($2,525)**	**($4,270) - ($7,828)**
Net Financial Impact	**$370**	**($207) - ($379)**	**($551) - ($1,010)**	**($895) - ($1,641)**	**($1,240) - ($2,273)**	**($1,377) - ($2,525)**	**($3,900) - ($7,458)**

Note: ($) indicates cost savings or revenue enhancements

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Model Assumptions:
Procurement Recommendation 4

Cost to Implement Assumptions

Resources	Hourly Rate	Total Hours	Cost to Implement	Suggested Resources
Existing State Employees	$47.58	1370	$65,183	3
Change Management	$47.58	244	$11,590	1
Consultant	$445[1]	660	$293,436	2

Cost Saving Assumptions

Scenario	Current FTE	Proposed FTE	FTE Reduction	Estimated Fully Burdened Cost per FTE	Annual Savings (Dollars)
Low	81	73[2]	8	$114,785[4]	$918,280[5,6]
High	81	63[3]	18	$114,785	$2,066,130[5,6]

Note: ($) indicates cost savings or revenue enhancements

[1] Rate includes travel and expense

[2] Based on Louisiana centralized Procurement organization

[3] Based on Ohio centralized Procurement organization

[4] Weighted average fully burdened annual cost based on current State Procurement positions

[5] Headcount savings recognized over 5 year period through attrition (15% in FY21; 25% in FY22, FY23 & FY24; 10% in FY25)

[6] Annualized savings fully realized in FY25

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APPENDIX B
Spend Plan Object Category Crosswalk Detail

Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
2000	0000-1000s	Government	Government - Other
2001	Airfare	Travel	Airfare
2002	Surface Transportation	Travel	Travel - Other
2003	Lodging	Travel	Lodging
2004	Meals & Incidentals	Travel	Meals
2005	Reim costs (Business Phone Calls)	Information Technology (IT)	Telecom - Wireless
2006	Airfare	Travel	Airfare
2007	Surface Transportation	Travel	Travel - Other
2008	Lodging	Travel	Lodging
2009	Meals & Incidentals	Travel	Meals
2010	NonTax Reimbursement	Government	Government - Other
2011	Juror Surface Transportation	Government	Government - Other
2012	Airfare	Travel	Airfare
2013	Surface Transportation	Travel	Travel - Other
2014	Lodging	Travel	Lodging
2015	Meals & Incidentals	Travel	Meals
2016	Reim costs (Business Phone Calls)	Information Technology (IT)	Telecom - Wireless
2017	Airfare	Travel	Airfare
2018	Surface Transportation	Travel	Travel - Other
2019	Lodging	Travel	Lodging
2020	Meals & Incidentals	Travel	Meals
2021	Taxable Per Diem	Travel	Travel - Other
2022	NonTax Reimbursement	Government	Government - Other
2023	Legislator Transportation	Travel	Travel - Other
2024	Legislator Session Per Diem	Travel	Travel - Other
2025	Legislator Relocation	Human Resources and Talent	Relocation
2027	Legislator Travel Per Diem	Travel	Travel - Other

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Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
2028	Move Household Goods	Human Resources and Talent	Relocation
2029	Move Travel/Lodging	Human Resources and Talent	Relocation
2030	Move Meals	Human Resources and Talent	Relocation
2031	Premove Travel	Human Resources and Talent	Relocation
2032	Premove Meals	Human Resources and Talent	Relocation
2033	Moving - Temp Quarters Lodging	Human Resources and Talent	Relocation
2034	Moving - Temp Quarters Meals	Human Resources and Talent	Relocation
2035	Moving - Other Moving Exps	Human Resources and Talent	Relocation
2036	Cash Advance Fee	Travel	Travel - Other
2970	Travel Cost Transfer	Travel	Travel - Other
2979	Travel Management Allocation	Travel	Travel - Other
3000	Training/Conferences	Professional Services	Subscription Services
3001	Test Monitoring/Proctor	Civic Affairs Services	Community and social services
3002	Memberships	Finance	Business Licenses
3003	Employee Tuition	Human Resources and Talent	Education & Training - Other
3004	Accounting/Auditing	Finance	Accounting/Audit Services
3005	Mgmt/Consulting	Professional Services	Consulting Services
3006	Grantee Monitoring	Civic Affairs Services	Public administration and finance services
3007	Loan Service Fees	Finance	Banking
3008	Loan Forgiveness Exp	Finance	Finance - Other
3009	Bad Debt Expense	Claims and Settlements	Claims and Settlements
3010	Insurance/Bonds	Insurance / Risk Management	Insurance / Risk Management – Other
3011	Insurance Claims	Insurance / Risk Management	Insurance / Risk Management – Other
3013	Penalties and Fines	Fines and Penalties	Fines and Penalties
3014	Interest Expense	Finance	Finance – Other
3015	Redeemed FWS W/O Fin	Intercompany Transfers	Intercompany Transfers

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Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
3016	Claim/Judgement N/Tax	Claims and Settlements	
3017	Claim/Judgement Taxable	Claims and Settlements	
3018	Judgement/Settlement Interest	Government	Government - Other
3019	Uncleared OneCard Trans	Intercompany Transfers	Intercompany Transfers
3020	Custody Care	Civic Affairs Services	Community and social services
3021	Jury	Government	Government - Other
3022	Attorney	Professional Services	Legal
3023	Expert Witness	Professional Services	Legal
3024	Non-Expert Witness	Professional Services	Legal
3025	Hearing/Mediation	Professional Services	Legal
3026	Transcription/Record	Professional Services	Legal
3027	Case Costs	Professional Services	Legal
3028	Settlement Legal Fees	Professional Services	Legal
3029	IT Training	Information Technology (IT)	IT Services
3030	IT Consulting	Information Technology (IT)	Consulting
3031	IT Equipment Leases	Information Technology (IT)	Other IT Hardware
3032	Software Licensing	Information Technology (IT)	Computer Software
3033	Software Maintenance	Information Technology (IT)	IT Support and Maintenance
3034	Television	Information Technology (IT)	Telecom - Wireline
3035	Long Distance	Information Technology (IT)	Telecom - Wireline
3036	Local/EQ Charges	Information Technology (IT)	Telecom - Wireline
3037	Data/Network	Information Technology (IT)	Data Services
3038	Cellular Phones	Information Technology (IT)	Telecom Hardware
3039	Other Wireless Charges	Information Technology (IT)	Telecom - Wireless
3040	Psychiatric	Healthcare Services	Medical practice
3041	Medical	Healthcare Services	Medical practice
3042	Dental	Healthcare Services	Medical practice

Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
3043	Freight	Transportation	
3044	Courier	Transportation	Freight - Small Parcel
3045	Postage	Facilities	Postage
3046	Advertising	Marketing and Communications	Marketing & Advertising
3047	Promotions	Marketing and Communications	Promotionals
3048	Electricity	Utilities	Electricity
3049	Water & Sewage	Utilities	Water/sewer
3050	Disposal	Facilities	Waste Disposal Services
3051	Natural Gas/Propane	Utilities	Utilities - Oil & Gas
3052	Heating Oil	Fuels and Lubricants	Lubricants, oils, greases, anticorrosives
3053	Architect/Engineer	Engineering Services 1	Architecting Services
3054	Surveys/Appraisals	Facilities	Property Assessment Fees
3055	Inspections/Testing	MRO Services	Inspections/Testing
3056	Repairs/Maintenance	Facilities	Facility Maintenance
3057	Rentals/Leases	Facilities	Occupancy/Facility Leases
3058	Repairs/Maintenance	MRO Services	Equipment Maintenance & Repair
3059	Rentals/Leases	MRO Services	Equipment Rental
3060	Equipment Operator Charges	Government	Government - Other
3061	Conservation/Environ	Facilities	Health, Safety, Environmental & Operations Services
3062	Economic/Development	Civic Affairs Services	Public administration & finance services
3063	Program Mgmt/Consult	Professional Services	Consulting Services
3064	Interpreter	Human Resources and Talent	Translation Services
3065	Safety Services	Facilities	Health, Safety, Environmental & Operations Services
3066	Print/Copy/Graphics	Marketing and Communications	Printed Materials & Services
3067	Honorariums/Stipend	Non-Sourceable - Other	
3068	Laundry	Contract Services	Laundry Services
3069	Commission Sales	Government	Government - Other
3070	Commission Retainage	Government	Government - Other

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Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
3071	Elections	Civic Affairs Services	Political systems and institutions
3072	Longshoring/Stevedor	Vehicles	Marine transport
3073	Transport Services	Transportation	Passenger Transportation
3074	K-9 Unit	Government	Government - Other
3075	Legislative Allowance	Travel	Travel - Other
3076-3103	Various	Intercompany Transfers	Intercompany Transfers
3104	IT Equip Repair/Maintenance	Information Technology (IT)	IT Support and Maintenance
3111	Outgoing Grants (Taxable)	Government	
3112	Sub-Recipient Pass-Through Grants (Non-Taxable)	Government	Government - Other
3113	I/A Sub-Recipient Pass-Through Grants	Government	Government - Other
3970	Contractual Transfer	Claims and Settlements	
3979	I/A Management/Consulting	Intercompany Transfers	
4000	Books and Educational	Educational Equipment, Musical Instruments, and Toys	
4001	Equipment & Furniture	MRO Supplies	Office Related
4002	Business Supplies	Facilities	Office Supplies 1
4003	Info Technology Equip (PC's, monitors, power cables, TV value less than $5K)	Information Technology (IT)	Computer Hardware
4005	Subscriptions	Professional Services	Subscription Services
4006	I/A Commodity Purchases	Intercompany Transfers	
4007	Growth Control	Facilities	Vegetation Management
4008	Growth Promotion	Facilities	Vegetation Management
4009	Food Supplies	Food Beverage and Tobacco Products	
4010	Clothing & Uniforms	MRO Supplies	Safety Protection & Supplies
4011	Cleaning	Facilities	Janitorial
4012	Non-Food Supplies	Facilities	Health & Safety Supplies
4013	Lube Oils/Grease/Solvents	Fuels and Lubricants	Gaseous fuels and additives
4014	Bottled Gas	Fuels and Lubricants	Gaseous fuels and additives

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Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
4015	Parts and Supplies	MRO Supplies	MRO Supplies
4016	Paint & Preservatives	MRO Supplies	Chemicals & Lubricants
4017	Sand	Oil & Gas	Consumables (Sand/Proppant)
4018	Surface Chemicals - Winter	MRO Supplies	Chemicals & Lubricants
4019	SM Tools/Minor Equip	MRO Supplies	Tools
4020	Firearms & Ammunition	Defense and Safety Equipment	Fire protection
4021	Fire Suppression	Building and Construction Trades	Building and Construction Trades - Life/Fire/Safety
4022	Other Safety	MRO Supplies	Safety Protection & Supplies
4023	Law Enforcement	Defense and Safety Equipment	Law enforcement
4024	Building Materials	Building and Construction	Structural materials
4025	Signs & Markers	Building and Construction	Roads and landscape
4026	Asphalt	Building and Construction	Concrete and cement and plaster
4027	Aggregate	Building and Construction	Concrete and cement and plaster
4028	Guardrails	Building and Construction	Roads and landscape
4029	Culverts	Building and Construction	Roads and landscape
4030	Electrical	Building and Construction Trades	Building and Construction Trades - Electrical
4031	Plumbing	MRO Services	HVAC & Plumbing Repair
4032	Lube Oils/Grease/Solvents	Fuels and Lubricants	Lubricants and oils and greases and anti corrosives
4033	Bottled Gas	Fuels and Lubricants	Gaseous fuels and additives
4034	Parts and Supplies	MRO Supplies	MRO Supplies
4035	Paint & Preservatives	MRO Supplies	Chemicals & Lubricants
4036	Sand	Oil & Gas	Consumables (Sand/Proppant)
4037	Surface Chemicals - Winter	MRO Supplies	Chemicals & Lubricants
4038	SM Tools/Minor Equip	MRO Supplies	Tools
4039	Equipment Fuel - Aviation	Fleet	Fuel
4040	Equipment Fuel - Marine	Fleet	Fuel

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Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
4041	Equipment Fuel - Vehicle	Fleet	Fuel
4042	Other Equipment Fuel	Fleet	Fuel
4045	Inventory Adjustment	Government	Government - Other
4046	Damaged Inventory Adjustment	Government	Government - Other
4047	State Inventory Adjustment	Non-Sourceable - Other	
4049	Cost of Goods Sold	Government	Government - Other
4970	Commodity Transfer	Intercompany Transfers	Intercompany Transfers
5001	Land Purchases	Acquisition	Acquisition
5002	Easements	Acquisition	Acquisition
5003	Land Acquisition Costs	Acquisition	Acquisition
5005	Structure Purchases	Building and Construction	Building and Construction
5006	Materials and Supplies	MRO Supplies	
5007	Architect/Engineer	Engineering Services 1	Architecting Services
5008	Structures and Infrastructure Acquisition Costs	Acquisition	
5010	Inspection Testing	MRO Services	Inspections/Testing
5011	Utility Relocation	Utilities	Utilities - Other
5012	Construction	Building and Construction	Building and Construction
5013	Right of Way Condemnation Relocation Costs	Government	Government - Other
5014	Capital Lease Principal	Facilities	Occupancy/Facility Leases
5015	Capital Lease Interest	Facilities	Occupancy/Facility Leases
5016	Capital Lease Fees	Facilities	Occupancy/Facility Leases
5017	Aircraft	Vehicles	Aircraft
5018	Ambulance/Fire/Buses	Fleet	Fleet - Vehicles
5019	Automobiles/Trucks	Fleet	Fleet - Vehicles
5020	Boats and Marine	Vehicles	Marine transport
5021	Off Highway Vehicles	Fleet	Fleet - Vehicles
5022	I/A Capital Outlay Purchases	Intercompany Transfers	

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Object-Category Crosswalk - Continued

OBJ Code	OBJ-Description	A&M Category	A&M Subcategory
5023	Communications	Information Technology (IT)	Communications Equipment
5024	Electronic	MRO Supplies	Electrical
5025	Info Technology	Information Technology (IT)	Other IT Hardware
5026	Medical & Scientific	Medical Equipment and Supplies	
5027	Shop/Plant/Industrial	Industrial Manufacturing	Industrial process machinery and equipment and supplies
5028	Safety	Facilities	Safety Supplies and Equipment - Other
5030	Other Equipment	Facilities	Safety Supplies and Equipment - Other
5032	Oil/Gas Production Tax Credit Certificates	Government	Government - Other
5033	Depreciation Expense	Government	Government - Other
5034	Loss/Sale Fixed Assets	Non-Sourceable - Other	
5999	DOT/PF Personal Services	Government	Government - Other
7000-8000	Various	Government	Government - Other

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A&M