

State of Alaska

May 2020

ALVAREZ & MARSAL

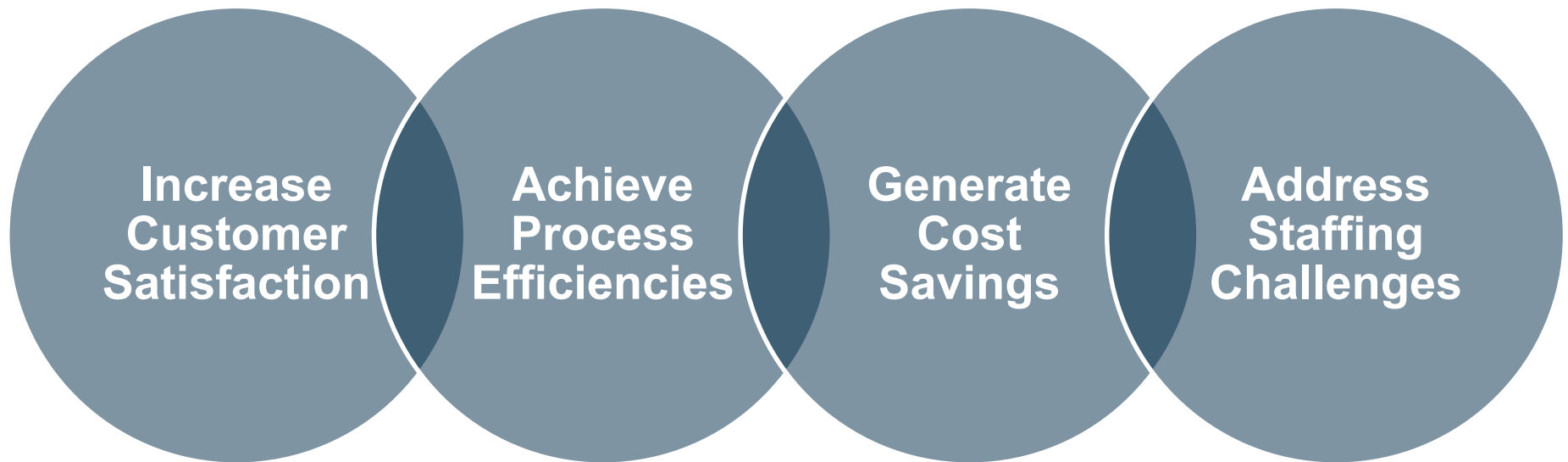
Alaska Administrative Productivity and Excellence Project

AAPEX Procurement Recommendations Executive Summary



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



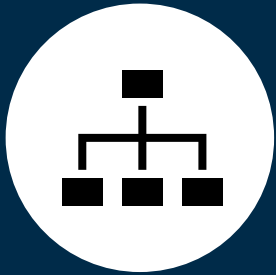
AAPEX

Alaska Administrative Productivity and Excellence

Procurement Assessment – Current State

Current State: Executive Summary

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



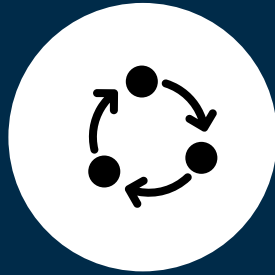
Organizational

- 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

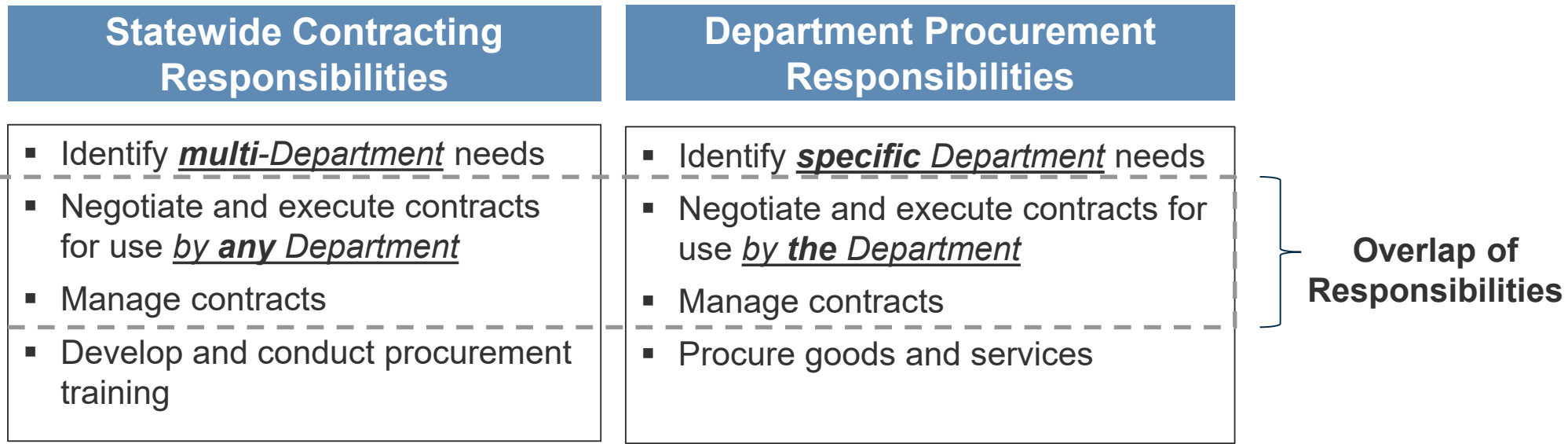


Governance

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

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



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

Procurement Assessment – 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	<ul style="list-style-type: none"> ~\$2.1 billion annually (2019)¹ 	<ul style="list-style-type: none"> ~\$3.3 billion annually (2018 - 2019)²
Reporting Structure	<ul style="list-style-type: none"> Department of Administrative Service 	<ul style="list-style-type: none"> Department of Administration
Staffing	<ul style="list-style-type: none"> 46 FTE 	<ul style="list-style-type: none"> 87 FTE
Organizational Structure	<ul style="list-style-type: none"> Chief Procurement Officer, 2 Deputy Chief Procurement Officers, 4 Purchasing Contracts Managers 6 Purchasing Teams (4 Managers) <ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> State Procurement Director, 1 Executive Staff Officer, 1 Deputy Director 5 Assistant Directors 5 Purchasing Teams (5 Managers, 8 Supervisors) <ul style="list-style-type: none"> 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)

[1] Statewide spend -- Source: <https://procure.ohio.gov/pdf/ThinkOhioFirstScorecard/ThinkOhioFirstScorecardFourthQuarterFY2019.pdf>

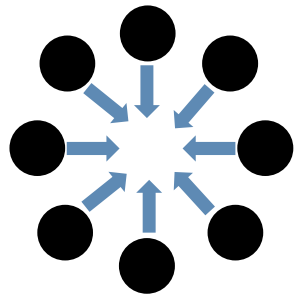
[2] Statewide spend -- Source: <https://www.doa.la.gov/osp/PC/agencies/publications/AnnualReport2018-2019.pdf>

Procurement Recommendations & Plan

Procurement Executive Summary

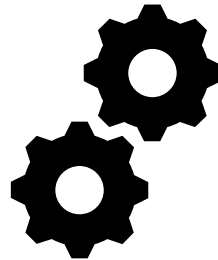
AAPEX recommends organizational consolidation and standardization of procurement into a category-based organization through a phased implementation approach

Phase I. Consolidate (July to September)



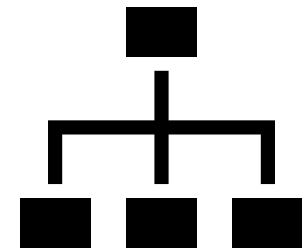
- Realign all Procurement reporting structures to Department of Administration Office of Procurement and Property Management (OPPM) effective October 1st
- Develop IRIS training to standardize business processes and system utilization

Phase II. Streamline (October to February)



- 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

Phase III. Restructure (March to September)



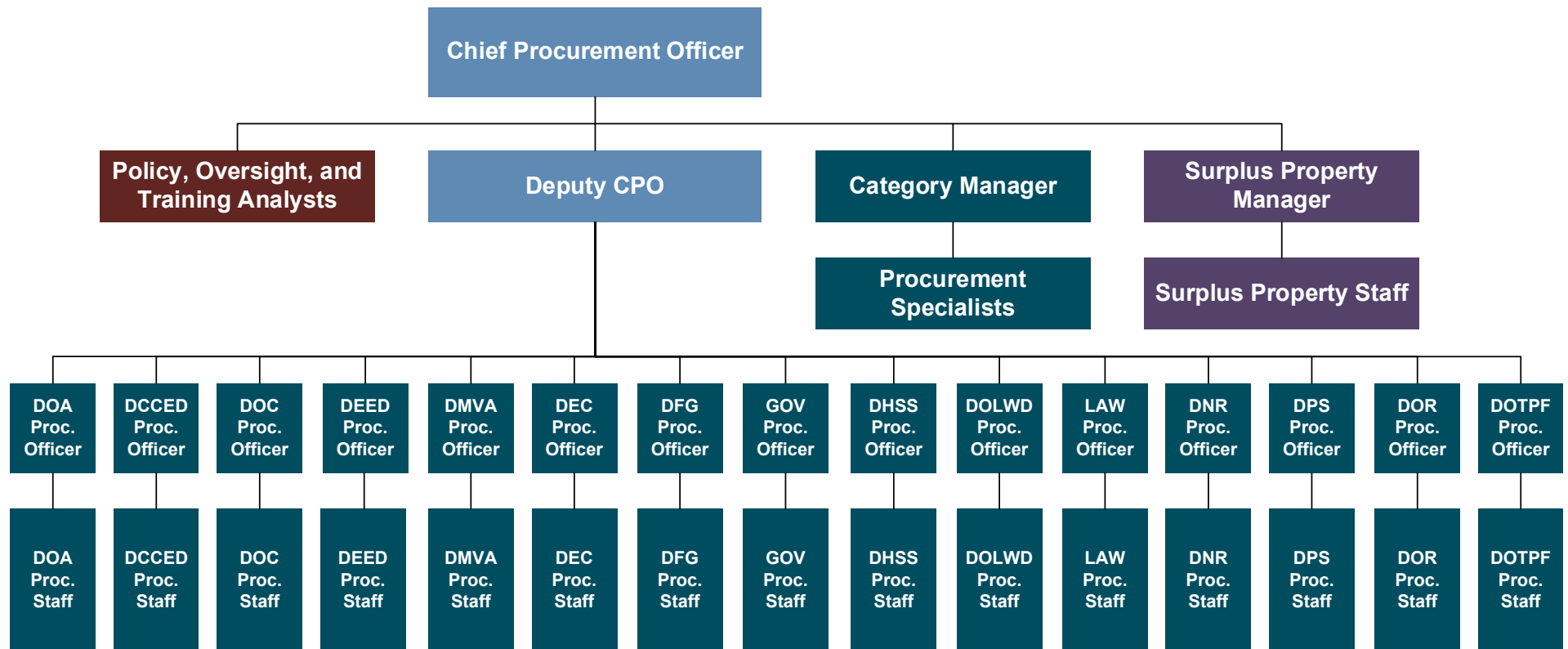
- Determine best physical location for procurement staff¹ to maximize standardization, communication, and policy enforcement efforts
- Create Procurement category-based sourcing and purchasing

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

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



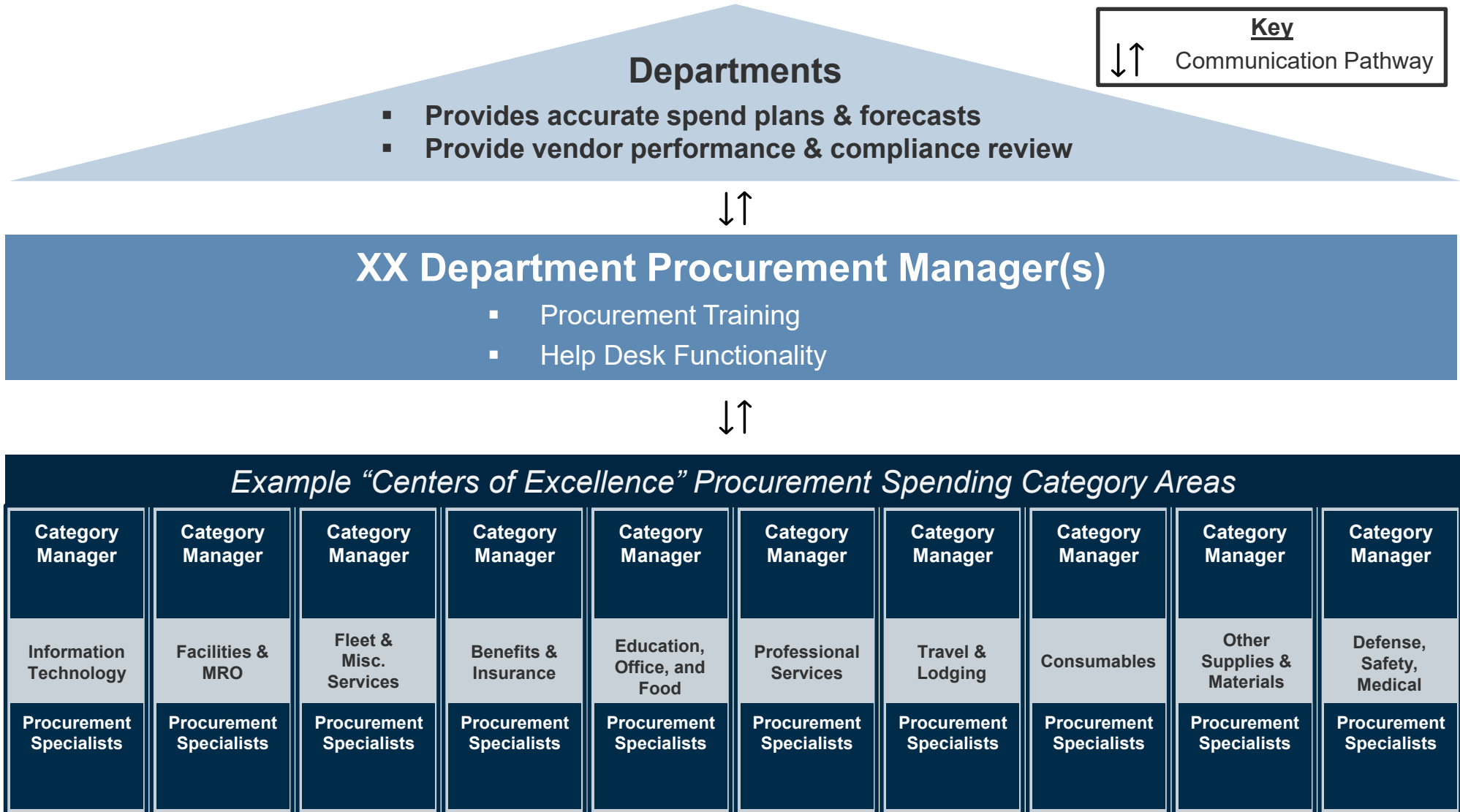
Implementation Plan Timeline & Key Tasks

Key implementation tasks for delivery of Consolidated Statewide Procurement Services

# 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																		

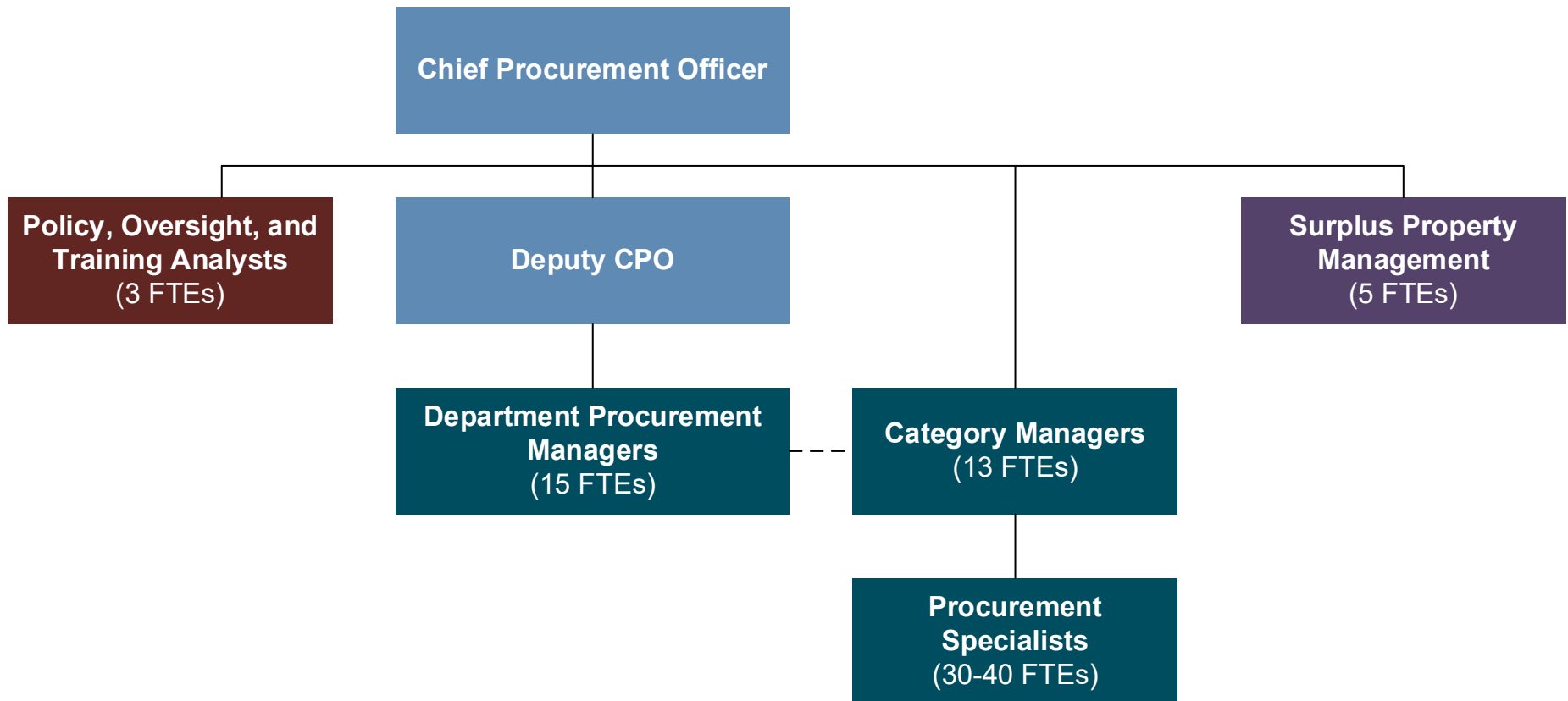
Future State: Phase III Delivery Model

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



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



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	
SSOA Procurement Leadership	2
SSOA Procurement FTE	10
Total SSOA Procurement FTE	12
Department Procurement FTE	69
Statewide Procurement FTE	81

Phase I FTE Requirements ¹	
OPPM Procurement Leadership, Management & Training	5
OPPM Administrative Support	TBD
OPPM Procurement FTE	79
<ul style="list-style-type: none"> ▪ Department Procurement Officers ▪ Category Managers / Procurement Specialists 	
Total OPPM Procurement FTE	84
Department Procurement FTE	0
Statewide Procurement FTE	84

Phase III FTE Requirements	
OPPM Procurement Leadership, Management & Training	5
OPPM Administrative Support	TBD
OPPM Procurement FTE²	58 to 68
<ul style="list-style-type: none"> ▪ Department Procurement Managers ▪ Category Managers / Procurement Specialists 	
Total OPPM Procurement FTE	63 to 73
Department Procurement FTE	0
Statewide Procurement FTE	63 to 73

Final OPPM 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 OPPM Procurement FTE based on benchmarks from peer governments.

Future State: New Roles

New Procurement organization focuses on customer service and consolidated purchasing

	Deputy CPO	Policy / Oversight / Training Analysts	Department Procurement Manager
Description	<ul style="list-style-type: none"> Directs and administers procurement activities and oversees implementation of policies and programs as mandated 	<ul style="list-style-type: none"> Monitor procurement laws that impact SOA, perform quality reviews, and provide training to DOA and Department staff 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

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	<ul style="list-style-type: none"> Lead the procurement function across multiple categories Statewide Responsible for working with key stakeholders to achieve long-term State procurement objectives. 	<ul style="list-style-type: none"> Conduct and maintain their own portfolio of procurements and contracts Manage the requisition to purchase process
Roles and Responsibilities	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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