
MEMORANDUM

Legislative Fiscal Office
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To: Joint Legislative Committee on Information Management and Technology

From: Sean McSpaden, Principal Legislative IT Analyst

Date: February 5, 2016

Subject: ODF Procurement/Purchase Order System Replacement Project Request
LFO Analysis and Recommendations

Agency Request: The Oregon Department of Forestry (ODF) has submitted a request to the Joint Committee on Ways and Means for an appropriation of \$704,286 General Fund, an increase in Other Funds expenditure limitation of \$813,594, and approval for the establishment of four 15-month, limited-duration positions (Project Manager 3, Information Systems Specialist 6, Accountant 1 and Procurement and Contract Specialist 3).

The purpose of this request is to provide the implementation resources needed to replace ODF's legacy Forestry Purchase Order System and the ancillary spreadsheets and databases the agency uses to track contracts and make payments to vendors with a modern, integrated procurement to payment solution. The initial planning for the ODF Purchase Order System Replacement Project began in early 2015 and the agency currently has the resources needed to complete detailed project planning between the 2016 legislative session and the fall of 2016. If the requested implementation resources are approved, the project is expected to be completed by the end of the 2015-2017 biennium within a total estimated budget of approximately \$1.8 million.

A. LFO Analysis

In the mid to late 1990s, ODF's current Purchase Order System was deployed utilizing PowerBuilder, which is an integrated application development toolset owned by Sybase - now a division of SAP. For context, PowerBuilder version 1.0 was released in 1991. In early 1997, PowerBuilder reached version 6.0, followed by version 6.5 in 1998. To ensure the ODF Purchase Order System could run on Windows 7, ODF hired a contractor in the 2012-13 Fiscal Year to upgrade the core software from version 6.5 to PowerBuilder version 12.0. This upgrade stabilized the system but, as ODF does not have in-house staff with this programming knowledge, current system maintenance and support is performed by contractors. Further, no changes to the underlying application were made at the time of the upgrade and could only be made in the future via contracted resources.

More broadly, ODF's end-to-end procurement-to-payment processes rely on the Forestry Purchase Order System, the state's Oregon Procurement Information Network (ORPIN) system, and a variety of partially manual, partially automated information systems and processes throughout the agency and its field offices. Several agency studies, and Secretary of State and Federal Government Audits of agency operations and business practices conducted over the past several years have concluded that the current complement of manual and automated ODF procurement, purchase order, and payment

systems and processes are not sustainable and do not meet agency needs for internal controls, reporting, contract development, and management or document storage and retrieval.

The 2015 Legislature authorized ODF to initiate planning for the project utilizing existing funds allocated within the agency's services and supplies budget for the 2015-17 biennium. With this funding the agency was directed to: hire a qualified project manager; develop a detailed business case and foundational project management documents; and, acquire the services of a quality assurance contractor to conduct an initial risk assessment and quality control review of the business case and foundational project management documents. Further, the agency was directed to work closely with the Office of the State Chief Information Officer (CIO) and the Legislative Fiscal Office (LFO) and satisfy the requirements set out within the Joint State CIO/LFO Stage Gate review process.

To complete these initial planning and required due diligence activities, ODF and a group of other state agencies with similar needs for improved, automated procurement, purchase order, and payment systems and processes have joined forces. The other partner agencies include the Secretary of State, Department of Human Services/Oregon Health Authority, Education, Administrative Services, Consumer and Business Services, Judicial, Revenue, and Fish and Wildlife.

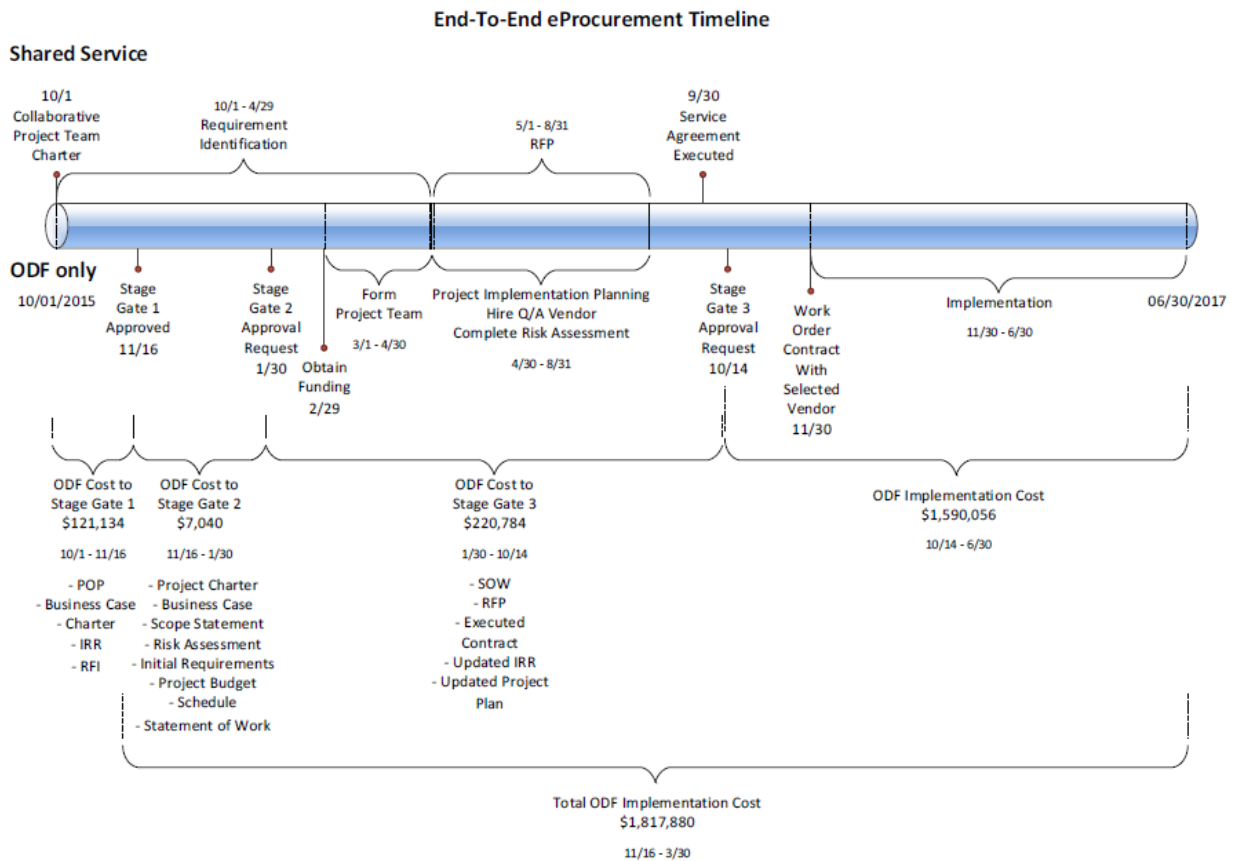
With support from the DAS Chief Operating Office (COO), the Office of the State CIO, and the COO's Enterprise Leadership Team, these agencies have formed the ORBUYS project with the goal of establishing a statewide price agreement for an integrated, Commercially-available Off-the-Shelf (COTS) system that the partner agencies can access over time. Ultimately, the goal is the deployment of an integrated, shared services procurement-to-payment system (likely via a software as a service - SaaS - model) that initially ODF and later the other partner agencies and the Department of Administrative Services (DAS) would migrate to over time.

To date, ODF has completed the following Stage Gate 1 and Stage Gate 2 activities:

- Developed and submitted an initial business case, policy option package, and project charter as part of the 2015 budget review process and received Stage Gate 1 endorsement.
- Completed a Request for Information (RFI) to better understand integrated procurement to payment solutions available in the marketplace.
- Updated the project charter and business case and developed initial versions of the project's foundational project management documents.
- Hired a quality management services firm to conduct an initial risk assessment. Overall, the quality management services firm found that, although some schedule and resource risks exist, the ORBUYS project (to define requirements for and acquire a shared end to end procurement system) is at low risk of failure. **Note:** as the initial planning activities for this project are being completed in concert with other state agencies participating in the ORBUYS project, this initial risk assessment did not focus solely on ODF's Procurement/Purchase Order System Replacement Project. Additional risk assessments by ODF and the quality management services firm for the ODF specific project will be required prior to ODF's request for Stage Gate 3 endorsement.
- Submitted a request for Stage Gate 2 endorsement and received conditional endorsement from the Office of the State CIO that aligns well with LFO recommendations on this project.

ODF plans to complete the required Stage Gate 3 detailed planning for the ODF specific

Procurement/Purchase Order System Replacement Project between February and October 2016 utilizing existing planning funds allocated to ODF during the 2015 legislative session. According to the ODF project timeline, ODF expects the ORBUYS program RFP process and vendor selection that results in a Statewide Price Agreement to be completed by September 2016.



Once the statewide price agreement has been finalized, ODF will complete the detailed planning including the final scope, budget, and schedule estimates for the implementation of the project. However, in order to avoid project delays and have an opportunity to move directly from project planning to project execution following Stage Gate 3 endorsement prior to the 2017 legislative session, the agency is requesting approval of its request for project implementation resources during this 2016 legislative session.

To date, ODF has:

- Actively involved and provided regular status reports to the Office of the State CIO and LFO.
- Is following current and has a plan to meet future requirements set out within the Joint State CIO/LFO Stage Gate Review Process prior to receiving authorization to initiate project execution activities.

Based on the assessments and planning activities conducted and ODF’s reporting of program status to date, LFO believes that ODF has performed an appropriate level of due diligence for a program of this scope and magnitude at this point in the program’s lifecycle.

B. LFO Recommendations

The Legislative Fiscal Office (LFO) recommends incremental, conditional approval of the agency’s

request assuming the funding, spending authority, and personnel resources are made available to ODF by the Joint Committee on Ways and Means. Specifically LFO recommends that ODF:

- Continue to work closely with and regularly report project status to the Office of the State Chief Information Officer (OSCIO) and LFO throughout the project's lifecycle.
- Continue to follow the Joint State CIO/LFO Stage Gate Review Process.
- Ensure the project continues to be led by an experienced, qualified project manager.
- Update the project's Business Case and foundational project management documents prior to the submission of Stage Gate 3 documents.
- Work with the OSCIO to ensure the independent quality management services contractor:
 - Conducts an updated risk assessment and performs quality control reviews on the updated Business case and foundational project management documents as appropriate prior the agency's request for Stage Gate 3 endorsement.
 - Performs ongoing, independent quality management services as directed by the OSCIO.
- Submit the updated business case, project management documents, risk assessment and quality control reviews to the OSCIO and LFO for Stage Gate 3 Review and endorsement.
- Report back to the Joint Legislative Committee on Information Management and Technology or the Emergency Board on project status during the September 2016 Legislative Days.
- Utilize the Office of the State CIO's Enterprise Project and Portfolio Management system as it is deployed for all project review, approval, and project status and QA reporting activities throughout the life of the ODF Procurement/Purchase Order System Replacement Project.

- Motion on the LFO recommendations

C. Final IT Subcommittee Action

Transmit the JLCIMT recommendations to the Natural Resources Subcommittee of the Joint Committee on Ways and Means.