# Significant Cost Savings Can Be Achieved by Modernizing Oregon's Procurement Systems and Practices

Original audit report: *December 2018*                    Follow-up report: *May 2020*

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# Why this audit matters

- The Department of Administrative Services (DAS) conducts and oversees procurements for most state agencies.

- The Office of the State Chief Information Officer (OSCIO) – now known as Enterprise Information Services – oversees major IT investments across executive agencies.

- Effective management of procurement and IT projects is key to minimizing risk, enhancing transparency, and maximizing the value of the state's investments.



- Contracts
- Purchase Orders
- Credit Card Purchases

$7 BILLION

What we don't know

- Price Agreements $1 BILLION

What we know

According to DAS Procurement Services, the state has purchase-level data on only approximately $1 billion of the $8 billion in procurements each biennium.
Source: Presentation to the Joint Legislative Committee on Information Management and Technology

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# Objectives & scope

1. Determine the status of strategic sourcing efforts for IT procurement and identify potential improvements to increase savings.

2. Determine whether DAS provides appropriate oversight to mitigate risks associated with major IT projects.

3. Determine whether the cost of independent quality assurance (QA) aligns with best practices and if controls address conflicts of interest.

The scope of our audit included statewide IT procurement and oversight practices from 2015 to 2018.

However, we found that it was not possible to separate IT procurement spending from non-IT procurement spending.

As such, work performed for our first objective related to all procurement practices overseen by DAS.

# What we found

Significant reductions in costs could be realized by modernizing Oregon's procurement systems and practices.

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**1** Other states saved millions of dollars by modernizing.

**2** Analysis of limited data showed up to $7 million in potential savings.

**3** Better data and analysis could reduce spending by 5% to 20%.

# Critical issues

**1** **Unavailable data.** Legacy procurement systems did not allow for sufficient detail to analyze state purchasing.

**2** **Inefficient processes.** Manual processes and disparate agency systems were inefficient.

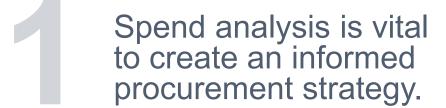*Additional IT-specific findings*:

- Stage gate processes needed refinements for consistency and scalability.

- QA costs were at or below industry norms, but reports should be better tracked.

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# Unavailable data

Legacy procurement systems did not support collection of purchase-level data needed for spend analysis.

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**1** Spend analysis is vital to create an informed procurement strategy.

**2** Purchase-level data was available for only 12.5% of procurement expenditures.

**3** ORPIN and other statewide systems did not support collection of purchase-level data.

# Inefficient processes

**1** Procurement relied on manual, paper-based systems that were time-consuming, error-prone, and fragmented.

**2** Agencies used a variety of systems, with limited ability to track or analyze purchases statewide.

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| Recommendations | Target Completion Date (as of December 2018) | Implementation status as of May 2020 |
|---|---|---|
| 1. Identify options, and seek funding, for the acquisition and implementation of an enterprise eProcurement system that would provide purchase data of sufficient detail to allow for robust spending analysis and identification of opportunities for strategic sourcing and cost reductions. Additionally, develop processes to ensure the results of this analysis are available to agencies, legislators, and the public. | June 2021 | **Partially Implemented**<br>• $9 million in funding received in 2019 to implement OregonBuys as an enterprise eProcurement solution.<br>• Expected benefits of OregonBuys:<br>  • Provide purchase-level data allowing for spend analysis.<br>  • Reduce manual, paper-based procurement processes.<br>• Phase 1 (replace ORPIN) expected in 2021, Phase 2 (end-to-end eProcurement functionality) expected 18 months later. Original timeline delayed by COVID-19.<br>• No processes developed to perform spend analysis or communicate analysis results to external stakeholders. |

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| Recommendations | Target Completion Date (as of December 2018) | Implementation status as of May 2020 |
|---|---|---|
| 2. Fully develop and implement stage gate processes to ensure they are effective and repeatable. Specific processes that should be developed include:<br>a) Specifying how projects of different sizes and complexity will be evaluated to ensure each project receives the appropriate amount of oversight;<br>b) Establishing more robust criteria and guidance regarding required elements for stage gate deliverables, including templates and examples, and a training program for oversight staff to promote consistent application of the project oversight framework. | June 2019 | **Partially Implemented** Draft procedures and tools developed, not yet approved |
| 3. Establish minimum knowledge (i.e. education or training) and experience requirements for project managers who manage major IT investment projects. Knowledge and experience requirements should be scaled to be commensurate with project risk determined by the OSCIO. | December 2019 | **Partially Implemented** Tool developed, not yet approved |
| 4. Work with stakeholders to define, periodically review, update, and approve key performance indicators for the oversight process. Once KPIs are defined, the agency should develop processes to collect and periodically review performance data, and report progress compared to performance targets to key stakeholders. | June 2019 | **Partially Implemented** Some tracking established, with other metrics and dashboards in process |
| 5. Establish a method to track QA report distributions to ensure that reports are sent to all appropriate stakeholders as required by state law. | May 2019 | **Partially Implemented** Tracking for some phases, full recipient list incomplete |

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# Questions?

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