Section I. Business and Technology Assessment

Agency Name and Address	*Contact Name, Phone*
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Project Investment Name	*Date*
Statewide Procurement/Purchasing System	9/10/2007 Revised November 20, 2007

A. Management Summary

The purpose for this project is to provide a single solution for enhanced functionality and technology to support the State's procurement and purchasing business processes. First, we will define procurement vs. purchasing. Procurement is a strategic function that consists of the competitive actions required for creation and administration of contracts. Purchasing, a more administrative function, is the actual buying off of established contracts or independent small dollar purchases. Purchasing is the requisition, purchase order, and receiving aspects of the process. Currently, statewide procurement and purchasing business processes are primarily manual and paper-driven, with only some of the larger agencies having automated solutions. And even these existing automated solutions are disparate and do not fully encompass the entire process. A statewide solution is needed to improve customer service, improve cycle times, and reduce "maverick" spending and to gather statewide information on purchases made by state agencies. Last year the State purchased $6.9 billion dollars without a single statewide system as reported from the AFIS system, however, we do not know the true specifics (vendors/products/compliance) of our procurements. We are requesting a new Statewide Procurement/Purchasing System that will accommodate the needs of all State agencies and suppliers who do business with Arizona. The system will be required to be web-enabled, hosted, secure and user-friendly. A system created by an Applications Service Provider (ASP) is recommended based on the cost versus custom applications and the savings on hardware/software since the ASP will host and maintain the application. Furthermore, use of an ASP increases our success factor while being the most economical and fastest means to complete implementation.

B. Proposed Changes and Objectives, "To Be"

In February, 2004, the Governor's Efficiency Review Report recommended maximizing the use of information technology based upon the procurement process being disjointed, paper-intensive and primarily manual with no connection to accounts payable systems. This report was further supported by the Governor's Executive Order 2005-01, dated January, 2005, State of Arizona Value in Procurement (VIP) Program with the task to coordinate procurement information technology systems for a new Statewide Procurement System.

With the implementation of a new Statewide Procurement/Purchasing System, we will be able to:

- Streamline the State's core purchasing and procurement processes, decreasing the cost of processing purchase orders and vastly improve the audit function.
- Standardize business processes and practices to conform to state statute, statewide policies, procedures, executive orders and initiatives.
- Eliminate administrative activities that add no value, such as redundant keying and reconciliation of data and improve real time information.
- Ensure that agencies are paying the correct prices for goods and services.
- Capture detailed purchasing spend information to effectively manage programs - information that has been hard to access, out-of-date, inaccurate or unavailable.
- Greatly enhance the ability to report statewide, geographic expenditures by goods and/or services, minority business indicators, procurement types, etc.
- Provide information more readily, as appropriate, to all state agencies, local governments, the general public, and the business community via a web-enabled system.
- Provide detailed data to assist with the Equity Initiative and track ongoing improvements.

- Enable the State to more efficiently conduct business with it's' vendors and service providers through expansion of electronic commerce.
- Use the collective information of a statewide system and the State's massive purchasing power to get additional savings through negotiations and volume pricing.
- Automate the entire purchasing process; eliminate paper solicitations and the associated postage costs.
- Replace multiple standalone systems and eliminate multiple interfaces to AFIS.
- Improve payment accuracy with 3-way match between Purchase orders (what was ordered), Inventory receipts (what arrived), and Costing (what the vendor invoiced).
- Enhance federal reporting compliance.
- Enable the tracking of Subcontractor usage.
- Capitalize on the availability of reverse auction technology.
- Hosted and maintained by an Applications Service Provider (ASP).

C. Existing Situation and Problem, "As Is"

Currently the State manages its requisitioning and purchasing activities on an agency-by-agency basis. These activities range from paper-based requisitions and purchase orders for most of the small to medium-sized agencies, to automated purchasing systems used by the larger agencies.

The same applies to the contract creation and administration activities within State agencies. Most agencies use a manual, non-integrated system with a word processing software backbone, while some larger agencies utilize disparate internal systems. Although some functions are invariably linked, the agencies' requisitioning and purchasing activities do not interface with these contracting systems.

The State has sought to acquire an integrated procurement system (linking purchasing and contracts to the financial system) since 1994. Since that time, the State has gotten by on a variety of systems – in-house developments, agency-specific applications with varying functional capabilities and differential manual processes.

Existing Purchasing Systems and Activities – Currently there is no continuity across the agencies with regard to the State's requisitioning and purchasing activities. Some agencies rely on manual systems while other agencies have invested in automated systems. Some automated systems were commercially developed while other systems were custom made. Aside from high-level administrative code and policy requirements set forth by SPO, each agency is independent with regard to the types and kinds of purchasing activities and/or systems they use. As a result, the State currently experiences the following challenges:

- Process Inefficiencies
  - Replicated tools, processes and data entry
  - Slow cycle times
  - Greater document management and storage costs
  - Disparate and inconsistent resource allocations
  - Disconnect contract systems
  - Difficult and very limited on-line catalogues to find specific products on contract
  - No supply chain integration (i.e., no product availability)
  - No ability to track procurement status
  - Inter-agency communication and integration is unsupported

- Compliance Exposure
  - Idiosyncratic audit trails and documentation
  - Disparate records retention and archival processes
  - No Statewide reporting capability, i.e., S/M/WBE Report
  - No controls for off-contract "maverick" spending
  - No dynamic search or price comparison capabilities for customers
  - Lack of standardization and consistency in Procurement Code application

- Management Obstacles
  - No Statewide ability to capture data and analyze purchasing activity at a statewide level
  - Varying ability to capture data and analyze purchasing activity at the agency level
  - Lost opportunities to leverage volume through shared purchase
  - No feedback cycle to optimize current contracts and better determine need for future contracts

- Lack of common interface and business processes for organizations doing business with the State of Arizona
- Difficulty in accurately reporting specific small business, minority, and woman-owned business purchases.
- Inability to automate the multiple statute, regulations, and executive order procurement requirements.

Existing Contracts Creation and Administration System – Currently the SPIRIT system is used for the central registration of suppliers for the State and for the creation of statewide contracts. However, the SPIRIT application is written on a software platform that has very limited technical staff availability in the marketplace, making it virtually impossible to hire staff to support the application and additionally causes costly and limited options for contracting for this support. The application does not provide a user-friendly means for agencies to search existing contracts for items required to meet the agencies needs, thus creating a high degree of customer dissatisfaction and unauthorized purchases, affecting our strategic sourcing leverage.

As this is a major undertaking and requires the involvement of the State Agencies and to a lesser extent our Cooperative Procurement Partners, we will be establishing a Steering Committee to assist with oversight and guidance. Furthermore, it is our intent to have members of the project team be from the various agencies to ensure buy-in and involvement. This project is supported by the Chief Procurement Officer's Council which was established under Executive Order 2005-01, Value in Procurement.

D. Proposed Technology

All required hardware and software will be provided by the ASP, it will be required to perform and function based on the State's current micro-computer standards. The software shall be web based and function at a minimum on Internet Explorer Version 6 and Firefox. All required communications will be routed through AzNET for security

	Service Oriented Architecture Planning and Implementation	Y/N
1.	Does this project qualify as an SOA application by improving application delivery for technology reuse, and/or application reuse and/or services reuse?	Y
2.	Can this project provide reuse benefits to other agencies, departments and/or divisions within state government as an SOA application through web services?	Y
3.	Can this project provide reuse benefits to other political sub-divisions via Internet web services?	Y
4.	Can this project provide reuse benefits to the private sector or the Federal government through web services?	Y
5.	Can this project eliminate redundant processes and/or services as an SOA application through web services?	Y
6.	Can this project, as an SOA application improve efficiencies and effectiveness in state government for increased productivity and performance and/or by eliminating waste and fraud?	Y
7.	Does the agency have the necessary technical skills, application suites, tool sets, workbenches, etc., to implement this project as an SOA application?	Y

F. Major Deliverables and Outcomes

1. ASP provider for procurement software and hosting services in accordance with the state's requirements.
2. A single Statewide Procurement/Purchasing System that interfaces with AFIS System.
3. One-stop shop for all vendors in doing business with the State.
4. Consistency in the procurement process for the State.
5. Improved service to the political subdivisions for purchases off of state contracts.
6. Improved reporting/data and savings for the State's procurement spend.
7. Reduction in multiple/disparate systems in State government.
8. Interface to AMS applications for ADOT and DES.

G. Roles and Responsibilities

State will be responsible for project management, functional review and implementation, train-the-trainer approach. The contractor will be responsible for software, software customization and hosting services. Jean Clark, State Procurement Administrator will serve as the Project Sponsor, multiple business experts will be assigned from state

agencies, and the contractor will be responsible for the consultants/programmers/analysts. The attached grid demonstrates the requested FTE's needed to assist in the implementation and training process.

The IT positions (IT Project Team) will be assessing the systems currently running in production for the various State agencies and their technical alignment with the new system. The IT Specialist V will be the Project Lead and will coordinate the efforts of the IT Project Team and the Process Project Team. Data elements and current data must be identified to determine the mapping strategy. This will be the primary focus of the IT Specialist III and IV positions. Furthermore, coordination with AzNET for connectivity, communications and firewall security design will be a focus. All of these costs are ongoing during implementation and the IT Specialist III and IV through operation.
The Procurement positions (Process Project Team) will be analyzing objectives, processes and resources, and suggesting ways by which re-design, or improvements could be made prior to implementation. The positions will focus on functionality review, gap analysis, customization requirements and recommendations, application testing, training documents, conversion requirements, customer training and project documentation. Additionally, these positions will assist with implementation of the application, training, and setup for our Cooperative members who use Statewide contracts. These costs are on-going through implementation. Two on-going positions, Sr. Procurement Specialist and Procurement Specialist will be on-going for continued operation.

I. Summary Project Management Schedule

Describe the high-level activities and events, such as project milestones and major project phases. Include any elapsed time for various stages of the project. Entries should include a description of the milestone, estimated time for completion in weeks or months, and total time required for project development. If the project is approved, GITA monitoring staff will review the project plan and may ask for additional information or updates.

Project/Budget Authorization	July 1, 2008
Issuance of Requirements to ASAP / software vendors	July 15, 2008
Demonstration of Software Solutions	August 15, 2008
Negotiation of Agreement under ASAP Contract	September 15, 2008
Project Start Date	January 1, 2009
Software Implementation/Customization Complete	December 31, 2009
System Implementation Start Date	January 1, 2010
System Implementation Complete (All Agencies)	December 31, 2010

Following contractor selection process a detailed project plan will be developed and submitted to GITA.