



Procurement & HR Consolidation

Alaska Department of Administration

Commissioner Kelly C. Tshibaka

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Consolidation Statuses

Procurement Consolidation	Human Resources Consolidation	OIT Consolidation	SSOA Consolidation
Completed	Completed	In Process	In Process

How Are These Efforts Different?

- **DOA invested in pre-consolidation assessments**, developed by subject matter experts
- **DOA is employing governance structure**, giving other departments a decision-making role in consolidation decisions that affect them
- **DOA has established Service Level Agreements (SLAs)** between each department and OPPM, DOPLR
- **The consolidations were designed through consolidation a collaborative, inclusive process**, involving the staff, stakeholders, and leadership of other departments

Coordination and Decision Making

HOW THESE DECISIONS WERE MADE

- Between mid-2019 and December 2020, DOA had 300+ formal engagements with other departments to implement consolidations, not including *ad hoc* phone calls or conversations between staff
- Governance structure led by the Alaska Administrative Governance Council (AAGC), 5 commissioners, and OMB
- 4 Advisory Committees report to the AAGC: HR, Procurement, IT, and Shared Services-Accounting. These committees are comprised of representatives from different departments
- Working groups staffed from across the departments assist the Advisory Committees

Procurement Consolidation

History of the Procurement Consolidation

- February 2019: AO 304 Issued (Procurement Consolidation Order)
 - Over 100 employees held procurement delegation throughout State agencies
 - Decentralized model had significant drawbacks, redundancies, difficulty sharing best practices, difficulty enforcing procurement policies
 - Consolidation benefits: commodity and contractual cost savings, standardized, streamlined processes, greater consistency and control in procurement

Procurement Consolidation

AAPEX Assessment

(Alaska Administrative Productivity and Excellence)

Focused on how to consolidate procurement to:

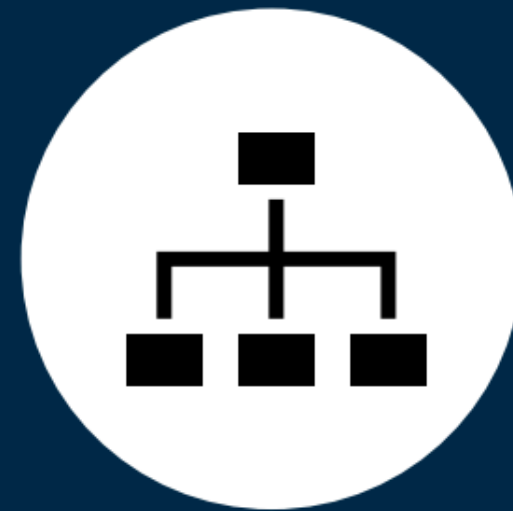
- Generate Cost Savings
- Improve Customer Satisfaction
- Achieve Process Efficiencies
- Address Staffing Challenges

Reviewed purchasing, warehousing, supply chain and inventory management activities within the State.

Procurement Consolidation

Previous State of Procurement

AAPEX found the decentralized structure resulted in inefficiencies and operational issues



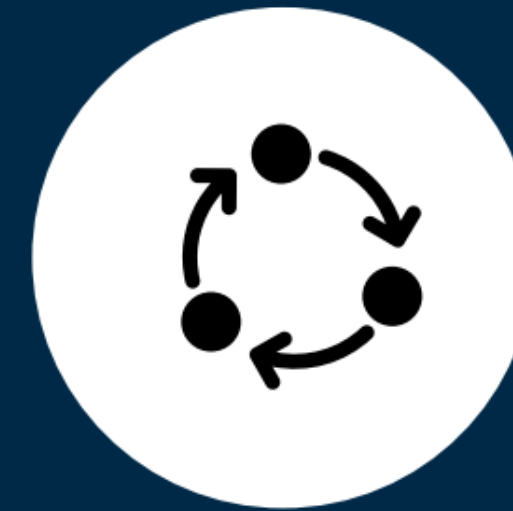
Organizational

- 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

Procurement Consolidation

Process for Consolidation

Phase I Consolidate

- 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

- 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

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

Procurement Consolidation

Early Adopters

Starting in August 2020, DEC, DEED, and DOR volunteers to transition early as a soft roll-out to allow DOA and other Departments to work out issues, concerns, or other admin hurdles

Starting in January 2021, the rest of the Executive Department transferred the remaining in-scope procurement employees to DOA

Procurement Consolidation

PCNs Were Selected Working With Departments

- 185 PCNs performed some sort of procurement functions within state government
- DOA excluded PCNs that only had marginal connection to procurement; 113 remained
- DOA sent a survey for each specific PCN and asked Departments to analyze and provide an initial allocation of percentage of duties spent in procurement functions
- Reviewed Department responses starting in March 2020
- Departments asked to make recommendation on appropriate staffing
- DOA determined final PCN count, including only staff performing purchasing, procurement, contracts, and related functions
- Ultimately, 62 positions, including 18 DOA PCNs were considered within scope
- Remaining 44 positions were transferred into DOA by January 2021
- Budget request transfers PCN funding from previous to new departments

How will these save money?

Procurement Consolidation

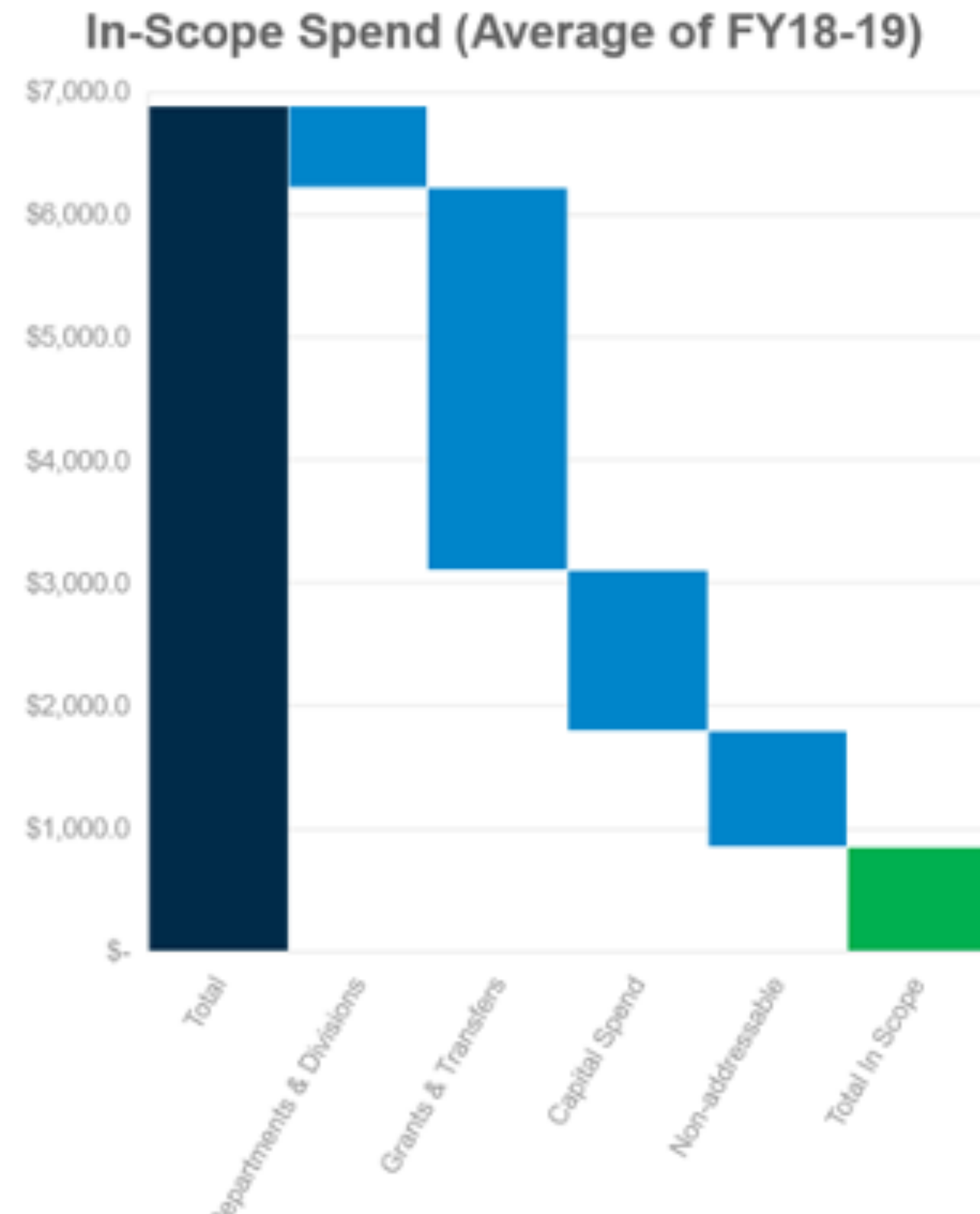
Strategic Sourcing Cost Savings Methodology

- Reduced actual spend by 20%, across all categories, including current contracts, and accounted for purchasing practices, geography, and vendor availability;
- Additional spend reductions: some spend categories were reduced as much as 64% to account for the unique challenges faced in Alaska, up to and including 100% for some difficult-to-procure categories;
- Reduced spend was compared with proprietary benchmarks which represent real-world sourcing results in actual sourcing events. This results in a range of savings for any particular category;
- Strategic sourcing savings do not include any reductions in PCNs. Any future PCN-reduction based cost savings from a procurement consolidation would be separate from strategic sourcing savings

Procurement Consolidation

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)



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

Procurement Consolidation

Potential Savings: Target Categories

Savings opportunities exist in a wide variety of categories; detailed spend data and analysis should narrow the estimated savings range. Sample annual savings ranges by categories include:

Category	Areas	In-Scope Spend (\$M) Average FY 18-19
Insurance	HR Benefits, Insurance, Risk Management	\$416.8
Information Technology	Software, Hardware, Telecom, Services, Peripherals	\$80.2
Facilities	Maintenance, HSE, Leases, Supplies	\$100.2
MRO	Svcs., Supplies, Tools, Chemicals, Office, Safety	\$73.0
Travel	Airfare, Lodging	\$23.0
Transportation	Oil & Gas, Transportation, Maintenance & Repair	\$31.4
Fleet	Vehicles, Fuel	\$26.5
Fuels & Lubricants	Gaseous Fuels and Additives	\$11.8
Food & Beverage	Food & Beverage	\$8.5
Marketing & Comms	Printed Materials, Services, Advertising	\$5.9
Consumables	Gravel, Sand, Proppant	\$6.1
Professional Services	Legal	\$2.6

Human Resources Consolidation

History of the HR Consolidation

- February 2019: AO 305 Issued (HR Consolidation Order)
 - Mandated all HR positions be transferred to Division of Personnel and Labor Relations (DOPLR)
 - HR was partially centralized but lacked consistency; without standard processes, Departments were operating under different systems
 - Purpose of AO was to streamline and increase accountability of HR activities within the Executive Branch by realigning HR staff to create a clear reporting structure to the Director of DOPLR and within respective agencies

August 2019: Work on Consolidation began in four phases

Human Resources Consolidation

Phase I: Assessment, Research, Work Session, Mapping of Processes, and Planning Activities

- Conducted by HR staff throughout the agencies, with assistance of outside contractors that had prior experience with DOTPF
- HR staff identified 70 process inefficiencies across departments, including lack of standardization, lack of digitization for on-paper practices, irregular pay processing, and problems in recruitment, onboarding, and retention
- Developed new organizational structure to address inefficiencies and inconsistencies

Human Resources Consolidation

Phase II: Analyze and Design Phase (Began November 2019)

- Led by HR Transformation Leadership Team comprised of HR staff, agency administrative staff (ASD and Division Operations Manager), DOPLR Staff, Director of DOPLR, and DOA Deputy Commissioner
- Meetings of the HR Transformation Leadership Team were held every two weeks starting in February 2020
- The team determined which services were needed and where they fit into the new structure
- HR staff in every department were asked to fill out a survey with their top three preferences on where they'd want to work in the new structure; over 90% of staff got the positions they selected

Human Resources Consolidation

Phase III: Implementation Phase (Completed February 8, 2021)

- Director of DOPLR and DOA Deputy Commissioner met with each commissioner to discuss the structure and draft a transition agreement
- Agencies' unique needs were considered in this agreement
- Final Service Level Agreements (SLAs) were completed
- Throughout this process, ASDs were updated and the Director of Personnel had individual meetings with them, held two town halls that ASDs attended, and held a town hall for HR staff
- **We now have a centralized HR team, with 166 dedicated Alaskans committed to providing smooth, efficient HR services statewide**

Human Resources Consolidation

How PCNs Were Selected

- Director of DOPLR identified all HR-related PCNs in each department
- Director met with each commissioner to discuss transformation and ask if/which PCNs would be best kept in their departments as a Human Resource Business Partner (HRBP)
- Subsequent meetings with Senior-Level Dept. Staff (including ASDs) to identify which PCNs would move over and which would stay
- SLAs were entered into which defined the moving PCNs
- SLAs clearly defined the work DOPLR and Departments would perform
- PCNs moved over to DOPLR organization on February 8, 2021
- Budget: PCNs will stay in departments until FY22, at which time the request is to move to DOPLR budget

Human Resources Consolidation

What Makes This HR Consolidation Different?

- DOPLR met 100+ times with departments to address concerns
- Held town halls and sought feedback from HR staff
- Created HR Business Partners to lead HR strategy
- Developed SLAs with Departments to hold DOA accountable
- New structure based on HR best practices found in other large-scale companies
- New governance structure in DOA gives departments decision-making roles in HR consolidation

Human Resources Consolidation

Improved HR Services

The HR Consolidation makes more HR services available to departments that were not available before:

- HR Business Partner in Departments to focus on retention and employee engagement, onboarding, workforce planning, leadership development
- Diversity and Inclusion strategies
- Data Analytics (Workforce Reporting/Records Management)
- Complex HR Investigations Unit
- Talent Acquisition Strategy
- Onboarding
- Key Performance Indicators

The consolidation will provide more consistency and control over HR functions, reduce redundancies, achieve time savings, and streamline processes to improve government performance.

Overall Goals of Consolidation

DOA's efforts focus on consistency and control

By consolidating across departments, we reduce redundancies in operations, achieve time savings, and streamline processes in a way that improves government performance.

By including Department leaders and longtime staff in the consolidation process conversations, we ensure that today's consolidation efforts match the actual best practices for respective departments, and can stand the test of time in the future.

FY22 DOA Budget Impacts of OPPM & HR Consolidation

Total: \$11.1M and 85 positions from other Departments and 21 PCNs from within DOA
UGF: \$0.0, DGF: \$0.0, Other: \$11.1M, Federal: \$0.0

Budget Impacts of OPPM and HR Consolidations FY22 Budget Proposals

- AO 304 - Office of Procurement and Property Management will add \$5.97M to OPPM's Budget authority
- AO 305 - Human Resource Consolidation will add \$5.16M to DOP's budget annually
- Both Divisions have Inter-Agency Receipts (I/A) for operating expenses. These are duplicative fund sources. Other departments will retain their funding sources and now pay DOA for services thru the chargeback rate process (RSA)

Organizational Structure Impacts

- AO 304 - (Procurement) will transfer in 45 PCNs from other Departments and 18 PCNs from Department of Administration to OPPM
- AO 305 - (Human Resources) will transfer in 40 PCNs from other Departments and 3 PCNs from Department of Administration to DOP

Commitment to Transparency



The Department of Administration is committed to full transparency in the public process, and our team of Alaskans is dedicated to ensuring that Alaskans have a complete understanding of government operations.

**Documents on consolidation efforts and other DOA initiatives can be found at:
doa.alaska.gov**