



Procurement Consolidation Presentation

Alaska Department of Administration

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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
- **The consolidation was designed through 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

Consolidation Assessment

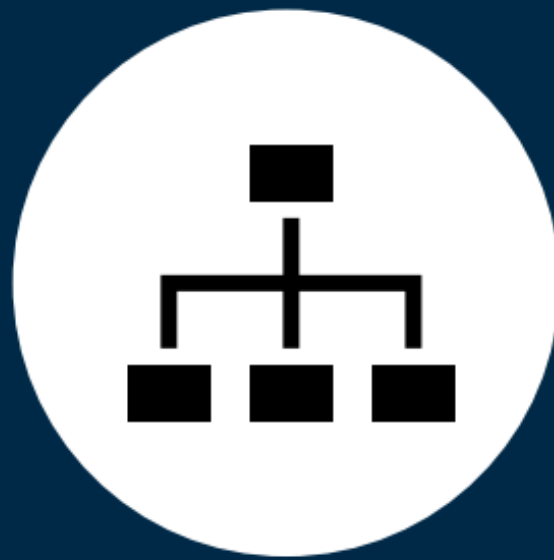
Focused on how to consolidate procurement to:

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

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

Inefficiencies and Operational Issues Found

Previous State of Procurement



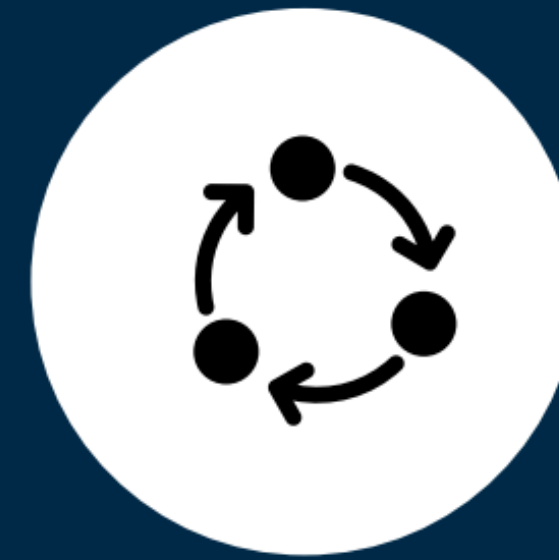
Organizational

- 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 staff 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; 114 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, 63 positions, including 18 DOA PCNs were considered within scope
- Remaining 45 positions were transferred into DOA
- Budget request transfers PCN funding from previous to new departments

FY22 DOA Budget Impacts of OPPM

Total: \$5.97M and 45 positions from other Departments and 18 PCNs from within DOA
UGF: \$0.0, DGF: \$0.0, Other: \$5.97M, Federal: \$0.0

Budget Impacts of OPPM FY22 Budget Proposals

- AO 304 - Office of Procurement and Property Management will add \$5.97M to OPPM's Budget authority
- This Division has 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

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**