

Innovation In Today's Procurement World



**How the State of Arizona won
NIGP's 2011 Procurement Innovation Award**



Procurement Innovation

Background

In 2009, the state of Arizona realized the need for state procurement modernization. At the time, the state:

- Faced a \$1.4 billion dollar budget deficit
- Had little statewide procurement unity
- Lacked ability to view purchasing activity across state agencies
- Had individual agencies manage purchasing manually or with agency specific systems
- Failed to track and analyze spend by vendor
- Lacked vendor performance history
- Offered minimal collaboration with local agencies



Procurement Innovation

Arizona's Need for Change

The state saw a need to implement a solution that was easy to use and access and would:

- Eliminate waste & cut costs
- Exude transparency
- Increase productivity & process efficiencies
- Decrease cycle time
- Create vendor competition
- Drive business to local AZ vendors
- Provide one-stop-shop for vendors to register and submit invoices
- Track the results needed to make strategic purchasing decisions
- Make contracting with public entities easier



Action for Innovation

Arizona's Solution – BuySpeed eProcurement



The state implemented Periscope Holdings Inc.'s all-in-one eProcurement system BuySpeed, calling the project ProcureAZ. With ProcureAZ:

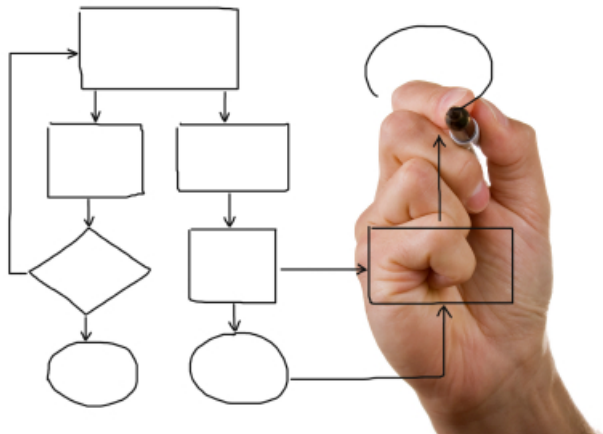
- The state expects to generate 5% - 20% in savings on \$6 billion state spend with ProcureAZ
- Savings are created at the state and local level
- Transparency is established, preserving hard-earned taxpayer dollars
- Efficient, standardized procurement practices are established, eliminating waste



Innovation Through eProcurement

ProcureAZ Functionality

- **State Contract/Catalog Search & Ordering**
 - *Savings from state pricing*
- **Sourcing & Solicitation**
 - *Manage and award proposals in one online system*
- **Vendor Management**
 - *One-stop-shop for vendors*
- **Contract Management**
 - *Track and update contracts*
- **Reverse Auction**
 - *Suppliers compete to offer lowest price*
- **Requisition & Purchase Orders**
 - *Streamline ordering*
- **Invoice & Receipt**
 - *Enhance transparency*
- **Integration into Financial System**
 - *Eliminates data entry and enhances budget controls*



How We Implemented ProcureAZ?

Phase I

- Single web-based portal for:
 - Vendor Registration
 - Sourcing
 - Contract/Catalog

- Loaded
 - 19 WSCA contracts
 - 2,000 AZ specific contracts
 - Over 80,000 line items

Phase II

- Full eProcurement and sourcing functionality:
 - Inventory
 - Requisitioning
 - Purchase orders
 - Settlement & receipt
 - Solicitations
 - Contracts
 - Business intelligence

- Roll-out to all state agencies over phased schedule



How We Implemented ProcureAZ?



Timeframe

- In December 2008 Arizona issued a Request For Proposal for a modernized procurement system
- The State of Arizona awarded BuySpeed eProcurement in April 2009
- Phase I - went live in less than 100 days
- Phase II -began roll-out in October 2010 and all agencies will be live by the end of summer 2011



How We Implemented ProcureAZ?

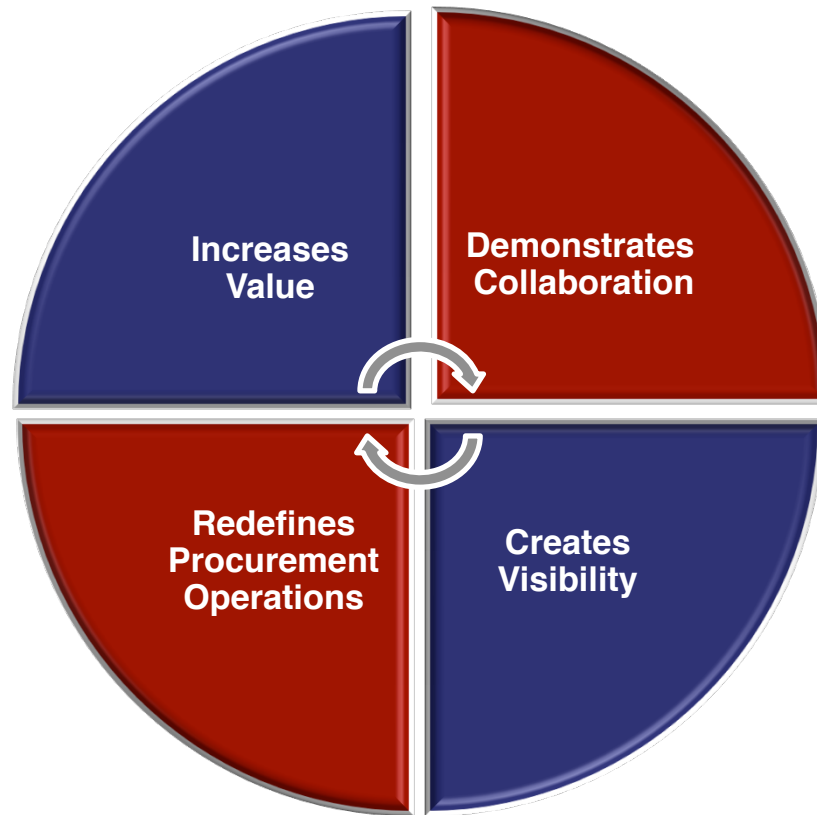


Funding

- Arizona desperately needed procurement modernization; however, in a struggling economy the state had no funds to allocate to such a project
- Arizona instituted a 1% transaction fee on contractors for the purchases made by local governments using state contracts
- This fee completely covered the costs of the eProcurement modernization and installation
- The fee is also expected to generate additional revenues for the state over the next 5 years



ProcureAZ's Innovation



ProcureAZ Benefits

Increases Value

- Level playing field for local and minority vendors
- Offer a one-stop-shop for vendor management – eliminate time required for staff to manually track vendors
- Reduced costs with over 18,000 competitive vendors in system
- Utilize strategic sourcing by soliciting, evaluating, and awarding bids within ProcureAZ
- Created savings through innovative solicitations like reverse auctions



ProcureAZ's Innovation Benefits

Collaboration with Local Governments



- The state's eProcurement investment is available to institutions across the state, at minimal cost, including:
 - Counties
 - Cities
 - Universities
 - School districts
- ProcureAZ benefits are already being seen at local levels. Co-op participation has increased 44%.



ProcureAZ's Innovation Benefits

Collaboration with Vendor Community

- Offer one online portal for vendors to track and update:
 - Profiles
 - Licenses
 - Contracts
 - Purchases Orders
- Time, resources, and postage fees are saved using a web-based system
- Vendors agree to pay 1% administrative fee for the right to make their contracts available to local governments without increasing contract prices



ProcureAZ's Innovation Benefits

Improved Visibility

- Public can access contract spend online, creating accountability through transparency
- Anyone with an internet browser can view active solicitations and contracts from the ProcureAZ login screen
- Arizona has increased the State's visibility into cross-agency procurement
- Procurement managers can easily report on commodity spend using NIGP 5-digit code
- ProcureAZ's business intelligence module creates standard reports and offers ad hoc capabilities both internally and externally, allowing the state procurement office to respond to legislative and executive requests more easily
- Full transparency allows procurement to strategically analyze spend patterns and target opportunities for sourcing



ProcureAZ's Innovation Benefits

Redefines How State Procurement Operates



- Arizona re-examined how procurement processes were managed across the state
- The state was consulted by Periscope Holdings and CGI with the objective to
 - Streamline
 - Establish consistency across all agencies
 - Automate business processes
- The state's innovation took stale business process and updated them to industry best practices



ProcureAZ's Innovation Benefits

Redefines How State Procurement Operates

- ProcureAZ includes a real-time interface to Arizona's financial system. This interface:
 - Eliminates double data entry
 - Replaces paper W-9 process
 - Reduces staff needed to manually check budget/account code validation
 - Provides immediate notification of errors in accounting transactions

- Real-time accounting and financial information is available for all users



Success of ProcureAZ

Results



- Increased vendor competition – over 18,000 vendors registered in system
- Created savings on goods & services – 30% cost reduction on statewide office supply contract
- Leveled the playing field for local small businesses
- Decreased average cycle times by nearly half – went from 4 days to 2.3 days
- Conducted over 685 online solicitations
- Hosted six successful reverse auctions – each auction closed nearly 20% below opening bid
- Increased local Co-op participation by 44%

