

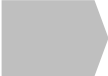
# Procurement Improvement Review State of Maryland



## Comprehensive Process Design Report and Implementation Plan May 1, 2013



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# 1. Introduction and Background

## 1.1 Current challenges with the State of Maryland's procurement system

Wide recognition exists of a number of challenges with the current State procurement system

- Loss of experienced staff
- Increasing complexity of procurement laws
- Lengthy dispute resolution process
- Prolonged sourcing process (competitive sealed proposals)
- Increased reporting demands for agencies
- Paper-intensive processes
- Insufficient training
- Ineffective contract administration
- Growing vendor dissatisfaction
- Competing demands of numerous socioeconomic programs
- Underutilization of technology

Source: RFP for Consulting Services/Procurement Improvement Review Solicitation ID: CON PIR 2012



# 1. Introduction and Background

## 1.2 Purpose and objectives of the Procurement Improvement Review project

### Purpose of Project

- Analyze State procurement laws and policies and specified agency business processes
- Develop a design for improved business processes
- Develop a plan that the State can use to implement the change process

### Project Objectives

- Enhance business processes and standardization
- Establish consistent and effective training
- Reduce reliance on paper-based processes
- Achieve faster sourcing cycles
- Maximize efficiencies within socioeconomic programs
- Improve administrative convenience for contractors currently doing business with the State and who want to do business with the State
- Eliminate redundant tasks
- Increase productivity and job satisfaction for procurement personnel
- Improve rate of successful procurements, especially competitive sealed proposals

Source: RFP for Consulting Services/Procurement Improvement Review Solicitation ID: CON PIR 2012



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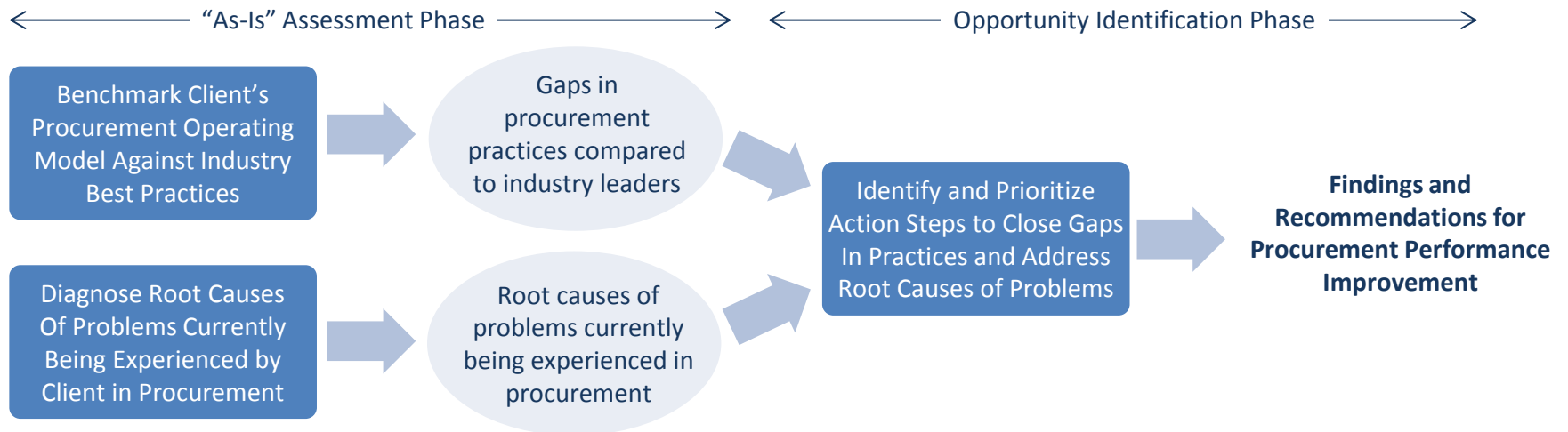


# 2. Project Approach and Methodology

## 2.1 Description of Treya's Procurement Improvement Methodology

Treya's Procurement Improvement methodology (Figure 1) identifies procurement improvement opportunities for organizations through an initial "As-Is" Assessment phase involving best practice benchmarking and root cause analysis and a "Opportunity Identification" phase where action steps are defined and prioritized to create an implementation plan for procurement transformation. In best practice benchmarking Treya compares a client's procurement practices against those of industry leaders. In root cause analysis Treya reviews the current performance of the procurement function and seeks to understand the underlying reasons behind any observed shortfalls in performance or behind any other known problems or challenges being experienced by procurement stakeholders. These underlying reasons can then be tied back against the results of the benchmarking exercise to correlate root causes against gaps in the organization's procurement practices relative to industry leaders. This in turn allows the identification and prioritization of recommended action steps for closing these gaps and achieving a significant and sustainable improvement in procurement performance.

**Figure 1: Treya Partners Procurement Improvement Methodology**



# 2. Project Approach and Methodology

## 2.2 Description of Treya’s Best Practice Benchmarking Methodology

Treya’s benchmarking methodology compares an organization to industry leaders in the areas of strategy, organization, processes and technology. These areas are explained in more detail in Figure 2 below:

**Figure 2: Benchmarking Areas**

Strategy	Organization	Processes	Technology
<ul style="list-style-type: none"><li>• Mission, goals and objectives for procurement</li><li>• Strategic positioning of procurement in the state</li><li>• Procurement involvement in state budget planning</li></ul>	<ul style="list-style-type: none"><li>• Structure, roles, authority and delegation</li><li>• Policies and procedures</li><li>• Skills and capabilities</li><li>• Reward and incentives</li></ul>	<ul style="list-style-type: none"><li>• Sourcing strategy</li><li>• Procurement execution</li><li>• Contract management</li><li>• Vendor management</li><li>• Performance management</li></ul>	<ul style="list-style-type: none"><li>• Spend analysis &amp; reporting</li><li>• E-procurement</li><li>• E-sourcing</li><li>• Contract management</li></ul>

### Sources of Benchmarking Information

To develop a fact base of best practice benchmarking information that will be of the highest value to a particular client Treya utilizes the following sources

**Primary sources:** Focus groups, previous and existing Treya client experience, and additional primary research by Treya business analysts

**Secondary sources:** Collation of most current best practice and benchmarking-suitable information from relevant industry associations (e.g. NASPO, Pew Center), third party research firms and other secondary sources

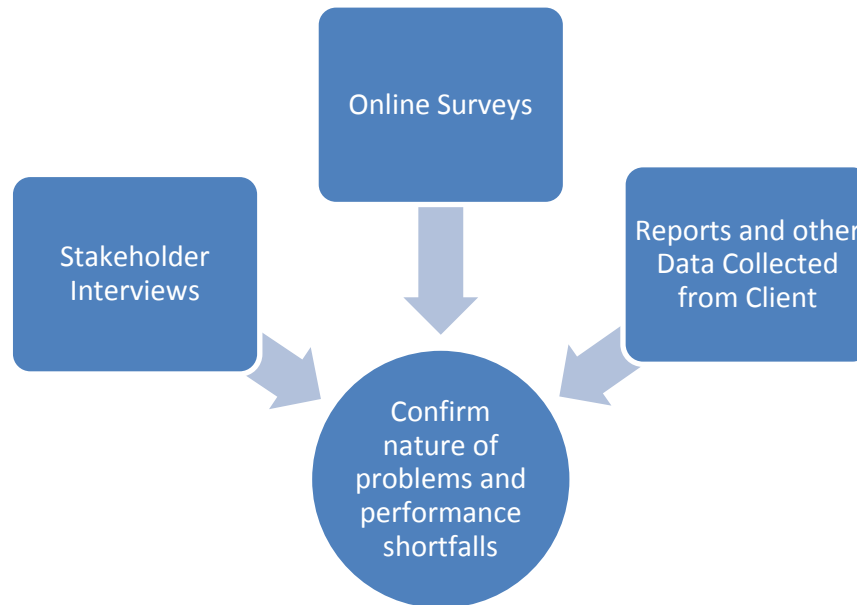
## 2. Project Approach and Methodology

### 2.3 Description of Treya's Root Cause Analysis Methodology

#### Treya's Root Cause Analysis Methodology

Treya's root cause analysis methodology involves gathering and synthesizing a large amount of quantitative and qualitative information from a combination of stakeholder interviews, online surveys, reports and other various customer data sources. See Figure 3 below for a description of the typical type of information collected from each of these sources

**Figure 3: Information Sources for Root Cause Analysis of the Procurement Operating Model**





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# 3. Findings and Recommendations

## 3.1 Summary Overview of Recommendations

The “As-Is” Assessment and Opportunity Identification phases of Treya’s Procurement Improvement methodology described in Section 2 resulted in 11 recommendations for improving the State of Maryland’s procurement system. These 11 recommendations are summarized in overview form below and described in detail in Section 3.2 together with each recommendation’s supporting findings and analysis.

Recommendations	
1	The Board should develop and promulgate through a State Procurement Manual one set of procurement policies, procedures and related forms and other standardized templates for the State which would take precedence over any others currently existing in state agencies.
2	Revise the Board operating model to allow Board Office staff to spend at least 80% of their time on process improvement, ensuring use of procurement best practices, statewide procurement training, and leveraging the state’s purchasing power through increased use of statewide contracting.
3	The Board should develop and broadly communicate a procurement mission statement for Maryland that positions procurement as a steward of taxpayer dollars and that institutionalizes the strategic role the function plays in helping the state “do more with less”.
4	Implement a statewide training program to raise procurement skills statewide and increase confidence in the state procurement system. As skill levels measurably improve, raise delegation and approval thresholds to streamline procurement as part of a “Train, Trust, Audit” culture.
5	Implement an improved career track for procurement professionals in Maryland through formalization of statewide job descriptions and redressing any imbalances in reward and incentive structure relative to equivalent positions in other states and other public sector organizations.
6	Develop and implement a single best practice contract management process statewide. Include a clear definition of the role and responsibilities of the contract manager and criteria for selecting contract managers for specific procurements and contracts.
7	Implement a multi-agency strategic sourcing pilot program for a selected set of spend categories to demonstrate the benefits of leveraging the state’s purchasing power. Incorporate compliance management and contract management techniques to ensure realization and sustainability of cost savings.
8	Implement a balanced scorecard of performance metrics that address effectiveness and efficiency of the state’s procurement process. Include metrics covering at a minimum implemented and realized cost savings, contract compliance, quality, service, delivery and total procurement cycle time.
9	Better balance interests of parties in the contract appeals process by updating procurement file definition to reflect current information handling practices, defining legitimate limitations on discovery, and revising allowable timeframes for appeals-related processes currently specified in regulation.
10	Increase training to State personnel and vendor community regarding MBE program requirements. Increase number of vendors applying for MBE certification by enhancing certification and outreach, and streamlining certification efforts.
11	Implement an advisory/consultative duty of the Board in the area of legislation impacting the procurement process with the objective being to validate that all such legislation is consistent with and supportive of procurement’s mission for the state.



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 1: The Board’s Role in Policies, Procedures and Standards

Finding	Recommendation	Supporting Analysis
<p>The Board’s delegation of authority for setting of procurement policy and regulation to multiple control agencies has resulted in a fragmentation of policy and procedure across the State. The resulting outcome is a lack of standards in areas such as forms and contract language which can cause confusion and inefficiency for procuring agencies and vendors. In some cases agencies have also encountered conflicting procedures and requirements between control units approving their solicitations which again causes confusion and frustration on the procuring agency’s part.</p>	<p><b>Short term</b> – Implement a cross-agency standardization initiative to agree on common standards for forms, contracts and solicitation procedures.</p> <p><b>Long term</b> – The Board should reevaluate the existing delegation of procurement policy and regulation setting to the control agencies. The Board should consider having sole authority for the development and promulgation of procurement policy and regulation in the State. The Board should formalize this authority and the associated policies, procedures and rules in a State Procurement Manual.</p>	<p><u>Root Cause Analysis</u> Stakeholder interviews and the online survey confirmed fragmentation of policies and procedures and conflicting requirements between control units</p> <p><u>Best Practice Benchmarking</u> Review of delegation practices by other states confirmed that delegation of procurement execution authority (i.e. authority to conduct solicitations) from a state’s highest procurement authority to multiple agencies is very common but that Maryland is the only state where the highest procurement authority (i.e. the Board) delegates authority for policy and regulation setting to multiple agencies</p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 2: The Board’s Operating Model and Role in Process Improvement and Best Practices

Finding	Recommendation	Supporting Analysis
<p>The current Board operating model of holding bi-weekly meetings with day-to-day responsibilities being discharged by a small Board Office allows only an “audit and review” approach to controlling procurement. The current resource level of the Board Office means it is unable to effectively discharge the Board’s statutorily assigned duties in areas such as process improvement, ensuring use of procurement best practices and training due to a lack of bandwidth and a need to stay on top of day to audit and review activities.</p>	<p>Revise the Board operating model to allow the Board Office to allocate a minimum of 80% of its time towards high value activities such as process improvement, ensuring use of procurement best practices, developing statewide procurement training, leveraging the state’s purchasing power through increased use of statewide contracting.</p> <p><i>To be feasibly implemented this recommendation would require either an increase in Board Office staffing levels or a reduction in its audit and review workload (which in turn would require either dollar threshold increases and/or use of automation in areas such as compliance reporting).</i></p>	<p><u>Root Cause Analysis</u> Review of the current focus of the Board Office’s activities and comparison against the Board’s statutorily defined duties revealed the imbalance between audit &amp; review-focused and process improvement-focused activities.</p> <p><u>Best Practice Benchmarking</u> In most other states duties such as procurement policy setting, process improvement and training are the responsibility of a central procurement department which, even in the smaller states, will typically number at least 10-12 full-time procurement professionals. This clearly emphasizes the challenge of discharging these same duties in a Board Office-sized department.</p> <p style="text-align: right;"><i>See Appendix Exhibit 1</i></p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 3: Procurement’s Mission and Role in the State

Finding	Recommendation	Supporting Analysis
<p>Maryland state budgets have not historically incorporated the level of cost savings from procurement initiatives that other states of similar expenditure levels have achieved. A perception also exists among program staff and procurement staff in many agencies that procurement is primarily an “agency-specific” function with a lack of statewide leadership for strategic cost management initiatives. As an example, existing statewide contracts for common cross-agency commodities such as office supplies are perceived in some agencies as contracts that would only be used if an agency had not had time to go out and negotiate its own pricing.</p>	<p>Develop and broadly communicate a Governor’s Office sponsored mission statement for procurement. This mission statement should outline procurement’s role as a steward of taxpayer dollars and should include quantifiable goals and objectives from statewide procurement initiatives. The ability of these initiatives to leverage the state’s purchasing power and deliver significant budget-impacting cost savings to the State should be clearly communicated to agency leadership with the goal of encouraging a cross-agency, statewide perspective on procurement.</p>	<p><u>Root Cause Analysis</u> Review of previous Maryland state budgets confirmed the low profile of procurement initiatives. Stakeholder interviews and online survey responses confirmed the perception of procurement as primarily an agency-specific function with little cross-agency leadership.</p> <p><u>Best Practice Benchmarking</u> In states that have undergone procurement reform, cost savings from statewide procurement initiatives feature strongly in the state budget.</p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 4: Procurement Skills and Impact on Oversight

Finding	Recommendation	Supporting Analysis
<p>Procurement skill levels vary considerably across the State with little visibility of which people have which skills in which agency. This appears to have contributed to a culture of “one size fits all” oversight, possibly to manage the risks associated with a potential “worst case scenario” event. Symptoms of high oversight environments which this project confirmed exist in Maryland include: a large volume of procurements being subjected to review and approval even for relatively low dollar value, longer sourcing lead times in cases where approving entities are resource-constrained and backlogs develop, and a general perception of procurement as a “difficult process’</p>	<p>Raise procurement skills levels across state agencies through a highly visible cross-agency coordinated training initiative, potentially a centralized training institute with a statewide training administrator and staff to assess statewide skill requirements &amp; gaps, develop curriculum, manage training logistics, and maintain a certification process and database.</p> <p>As procurement skill levels measurably improve across the state, raise delegation and approval thresholds as part a new culture of “Train, Trust, Audit”</p>	<p><u>Root Cause Analysis</u> The number of items requiring action by control agencies and the BPW could be significantly reduced without major reduction in oversight.</p> <p>Minimal or no formalized training provided in 2012 except for specific agency developed/delivered training (e.g., MDOT). Between fall of 2009 and early 2011 a significant amount (240 attendees) of Procurement Overview training occurred. However, the more intermediate and advanced Procure, Perform, and Planning training had much less attendance.</p> <p><u>Best Practice Benchmarking</u> Regardless of budget constraints, a centralized training program has been a part of the focus group states.</p> <p style="text-align: right;"><i>See Appendix Exhibits 2-6</i></p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 5: Procurement Career Track

Finding	Recommendation	Supporting Analysis
<p>Procurement is viewed generally negatively from a career track point of view in the state agency environment. Many procurement professionals in the state do not feel that they receive either the level of respect or the tangible reward for the dollars that they manage. This is true even for those procurement professionals who are clearly at the upper end of the skills and experience band. Many also feel that procurement staffing levels are insufficient to cope with workload, particularly in control agencies responsible for approving and/or conducting procurements for other agencies. This creates a perception of procurement staff deliberately “sitting” on jobs when in fact they are actually struggling to keep up with the volume of jobs assigned to them.</p>	<p>Develop a clear procurement career track and re-align and standardize procurement job classifications</p> <p>Benchmark current procurement salary levels against equivalent public sector positions in other states and local and federal government</p>	<p><u>Root Cause Analysis</u> A clear career track and progression aligned to training and rewards does not exist consistently for procurement professionals across the state. A significant minority (34%) of State procurement professionals are not satisfied with their career track and personal growth opportunities while 29% neither agree nor disagree.</p> <p><u>Best Practice Benchmarking</u> Advanced organizations conduct periodic human resource benchmark surveys to compare their efficiency to other organizations in various functional areas of Procurement, Finance, HR/Payroll, and IT.</p> <p style="text-align: right;"><i>See Appendix Exhibit 7</i></p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 6: Contract Management

Finding	Recommendation	Supporting Analysis
<p>No standard contract management process is utilized in the state and there is no single definition of what should be included within a contract management process. There are also no formal procedures or training materials to prepare someone who will be taking on contract management responsibilities. A perception exists among some that contract management is a task that means less time to do one’s “proper job”. There have been a number of instances of expedited procurements due to contract expiration not being monitored. Lack of contract management discipline also puts the state at greater risk of vendor non-performance.</p>	<p>Develop and communicate a single standard contract management process definition. Include as part of this definition the role and responsibilities of the contract manager and a set of criteria for determining who this individual should be. Include training in the standard statewide contract management process as part of a statewide procurement training initiative (see Recommendation Area No. 4 above).</p> <p>Evaluate affordable contract management software tools available in the marketplace to assist in basic contract administration tasks such as expiration tracking and spend reporting. Evaluate DHMH’s custom developed contract management system for potentially broader use.</p>	<p><u>Root Cause Analysis</u> Stakeholder interviews and online survey confirmed: No single formal contract management process exists in the state; contract management responsibilities are added on top of an end user’s other duties; no procurement staff capacity or formally defined roles exist to execute, support or facilitate contract management.</p> <p><u>Best Practice Benchmarking</u> A majority of states provide contract management training in which the central procurement group maintains records of vendor performance and potentially have a contract management manual.</p> <p style="text-align: right;"><i>See Appendix Exhibit 8</i></p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 7: Strategic Sourcing and Management of Total Spend

Finding	Recommendation	Supporting Analysis
<p>There is very little focus on managing Maryland’s total procurement expenditures on a statewide basis, probably due to the extremely decentralized nature of the state’s procurement model. Even though statewide contracts have been developed by DGS for several commodities a preliminary comparison of spend volumes against comparable statewide contracts from other states of similar size suggests compliance with Maryland’s statewide contracts is very low. One major drawback of this is that Maryland is foregoing significant budget-impacting cost savings. States with similar budgets to Maryland implementing statewide procurement initiatives such as strategic sourcing regularly save over \$100M annually.</p>	<p>Implement a multi-agency statewide strategic sourcing pilot program for a selected set of spend categories to demonstrate the benefits of leveraging the state’s purchasing power. Incorporate compliance management and contract management techniques to ensure realization and sustainability of cost savings.</p>	<p><u>Root Cause Analysis</u> Review of approximate spend through statewide agreements using ADPICS, DBM and P-Card data indicated spend levels significantly less than other states of comparable size.</p> <p><u>Best Practice Benchmarking</u> Several states have conducted and completed strategic sourcing projects to create significant savings from more effective procurement of goods and services. The most successful projects have involved significant stakeholder involvement and often centrally-led.</p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 8: Reporting and Performance Management

Finding	Recommendation	Supporting Analysis
<p>Maryland’s formal reporting requirements as laid out in statute and COMAR focus on ensuring agency compliance with law, regulation and policy. There is no formal requirement defined to report any procurement effectiveness measures such as cost savings, quality or lead time. Agency-specific reporting of cost savings has been observed in some cases but these are inconsistent in format and have not yet led to any consistent statewide approach to measuring and ultimately managing procurement performance from a total statewide perspective.</p>	<p>Implement a balanced procurement scorecard of performance metrics that address effectiveness and efficiency of the state’s procurement process. Include metrics covering as a minimum implemented and realized cost savings, contract compliance, quality, service, delivery and total procurement cycle time</p>	<p><u>Root Cause Analysis</u>            Currently there is an inability to manage fundamental aspects of procurement performance such as hard dollar cost savings captured by the procurement process. No standard statewide metrics exist to monitor the performance of and the value generated by the procurement function.</p> <p><u>Best Practice Benchmarking</u>            States undergoing procurement transformation have universally employed clearly defined metrics as a means to measure the success of their programs. Metrics related to cost, service, quality, operational efficiency, vendor performance and people development are among the most commonly utilized.</p> <p><i>See Appendix Exhibits 9 and 10</i></p>

# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 9: Vendor Protests and the Contract Appeals Process

Finding	Recommendation	Supporting Analysis
Protests and appeals are lengthy in cycle time to resolve due to outdated definitions of procurement file content and issues concerning a lack of practical limitations on discovery, and the frequency of vendor protests during the procurement cycle.	<p>Update definition of the procurement file to align to current ways information is held and transferred.</p> <p>Define legitimate limitations on discovery.</p> <p>Update COMAR to address process timing limitations for specific steps in the process.</p>	<p><u>Root Cause Analysis</u> The relative ease with which vendors can dispute procurement awards as well as an amenable culture contribute to significant delays in realizing the benefits of timely contract starts and requires significant resources to manage procurement award disputes.</p> <p><u>Best Practice Benchmarking</u> Practices exist in many states that focus on understanding, managing and ultimately resolving protests and appeals before they ever get to the level of an appeals board.</p> <p><i>See Appendix Exhibits 11 and 12</i></p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 10: MBE Vendors

Finding	Recommendation	Supporting Analysis
<p>Misunderstanding by the vendor community regarding MBE program requirements and vendors' concerns regarding the lack of certified MBE firms in specialized areas. There are also opportunities to improve training to State employees and vendors regarding MBE program requirements.</p>	<p>Expand training customized for State vendors and personnel regarding the MBE program and its requirements. Increase the number of firms applying for MBE certification by a) increasing outreach efforts to uncertified minority and women-owned business and those businesses certified by other governments; b) increasing the number of MDOT certification officers to conduct certifications, expansion of services, and re-certifications; and c) continuing to assess the certification process enhancements and efficiencies through streamlining.</p>	<p><u>Root Cause Analysis</u> Misinformation regarding the MBE program has caused confusion in the vendor community and has discouraged some vendors from participating in the State procurement process.</p> <p><u>Best Practice Benchmarking</u> Ongoing support for vendor outreach through events and training.</p>



# 3. Findings and Recommendations

## 3.2 Detailed Findings, Recommendations and Supporting Analysis

### Recommendation Area 11: Procurement Legislation

Finding	Recommendation	Supporting Analysis
<p>Maryland’s legislature has historically introduced a significantly higher number of procurement-related bills each year than other states. Although some of these bills are intended to improve the state’s procurement process (such as the 2009 passing of a law expanding the use of intergovernmental cooperative purchasing contracts) there is nevertheless a perception in some quarters that many of these bills are not focused on process improvement but on furthering the advance of unrelated initiatives and programs. Legislation of this latter type, if successfully passed, will generally create inefficiencies in the procurement process as additional steps are added that create no value for procurement stakeholders.</p>	<p>Include among Board staff responsibilities the formal assessment of the impact of proposed legislation on the procurement process. Include also a responsibility to work collaboratively with legislature to address situations where proposed legislation would work contrary to procurement best practices.</p>	<p><u>Root Cause Analysis</u> Interviews and survey feedback indicates that in certain cases legislation has introduced additional requirements and constraints into the procurement process that have created inefficiencies, increased cycle times, and generally reduced the quality of the outcome for some procurements.</p> <p><u>Best Practice Benchmarking</u> Some states have procedures in place, with differing degrees of formality, to evaluate proposed legislation from the point of view of its impact on the procurement process. Several states that have undergone procurement reform have also implemented changes to existing legislation where such changes materially improved the effectiveness of the state’s procurement process.</p> <p style="text-align: right;"><i>See Appendix Exhibit 13</i></p>



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# 4. Implementation Plan

## 4.1 Implementation Recommendations

### Implementation Recommendations

- 1 The Board should develop and promulgate through a State Procurement Manual one set of procurement policies, procedures and related forms and other standardized templates for the State which would take precedence over any others currently existing in state agencies.
- 2 Revise the Board operating model to allow Board Office staff to spend at least 80% of their time on process improvement, ensuring use of procurement best practices, statewide procurement training, and leveraging the state’s purchasing power through increased use of statewide contracting.
- 3 The Board should develop and broadly communicate a procurement mission statement for Maryland that positions procurement as a steward of taxpayer dollars and that institutionalizes the strategic role the function plays in helping the state “do more with less”.
- 4 Implement a statewide training program to raise procurement skills statewide and increase confidence in the state procurement system. As skill levels measurably improve, raise delegation and approval thresholds to streamline procurement as part of a “Train, Trust, Audit” culture.
- 5 Implement an improved career track for procurement professionals in Maryland through formalization of statewide job descriptions and redressing any imbalances in reward and incentive structure relative to equivalent positions in other states and other public sector organizations.
- 6 Develop and implement a single best practice contract management process statewide. Include a clear definition of the role and responsibilities of the contract manager and criteria for selecting contract managers for specific procurements and contracts.
- 7 Implement a multi-agency strategic sourcing pilot program for a selected set of spend categories to demonstrate the benefits of leveraging the state’s purchasing power. Incorporate compliance management and contract management techniques to ensure realization and sustainability of cost savings.
- 8 Implement a balanced scorecard of performance metrics that address effectiveness and efficiency of the state’s procurement process. Include metrics covering at a minimum implemented and realized cost savings, contract compliance, quality, service, delivery and total procurement cycle time.
- 9 Better balance interests of parties in the contract appeals process by updating procurement file definition to reflect current information handling practices, defining legitimate limitations on discovery, and revising allowable timeframes for appeals-related processes currently specified in regulation.
- 10 Increase training to State personnel and vendor community regarding MBE program requirements. Increase number of vendors applying for MBE certification by enhancing certification and outreach, and streamlining certification efforts.
- 11 Implement an advisory/consultative duty of the Board in the area of legislation impacting the procurement process with the objective being to validate that all such legislation is consistent with and supportive of procurement’s mission for the state.



# 4. Implementation Plan

## 4.2 Evaluation of Recommendations

Treya has reviewed each of the recommendations for whether it would require legislative action to implement, whether it could feasibly be completely implemented within one year, level of benefit impact and cost to implement.

	Recommendations	Requires Legislative Action?	Implement Within One Year?	Benefit Impact? <sup>1</sup>	Cost to Implement?
1	Board promulgates single set of procedures	Yes	No	High	Low
2	Re-focus Board staff on process improvement activities	No	No	High	Low
3	Procurement mission statement	No	Yes	Medium	Low
4	Statewide training and raising of delegation thresholds	Yes <sup>2</sup>	No	High	Medium
5	Procurement career track and reward/incentive systems	No	No	Medium	Medium
6	Implement best practice contract management	No	Yes	High	Low
7	Conduct a multi-agency strategic sourcing pilot program	No	Yes	High	Medium
8	Implement a balanced procurement scorecard	No	Yes	Medium	Low
9	Revise the contract appeals process	Yes	No	Medium	Low
10	Increase vendors applying for MDOT MBE certification and implement more MBE program requirements training.	No	No	Medium	Medium
11	Evaluate impact of new legislation on procurement	No	Yes	Medium	Low

<sup>1</sup>Benefit impact includes benefits from cost savings, cycle time reduction, improved service to procuring agencies and users, or any other value-based measure of benefit

<sup>2</sup>Only the raising of delegation thresholds would require legislative action

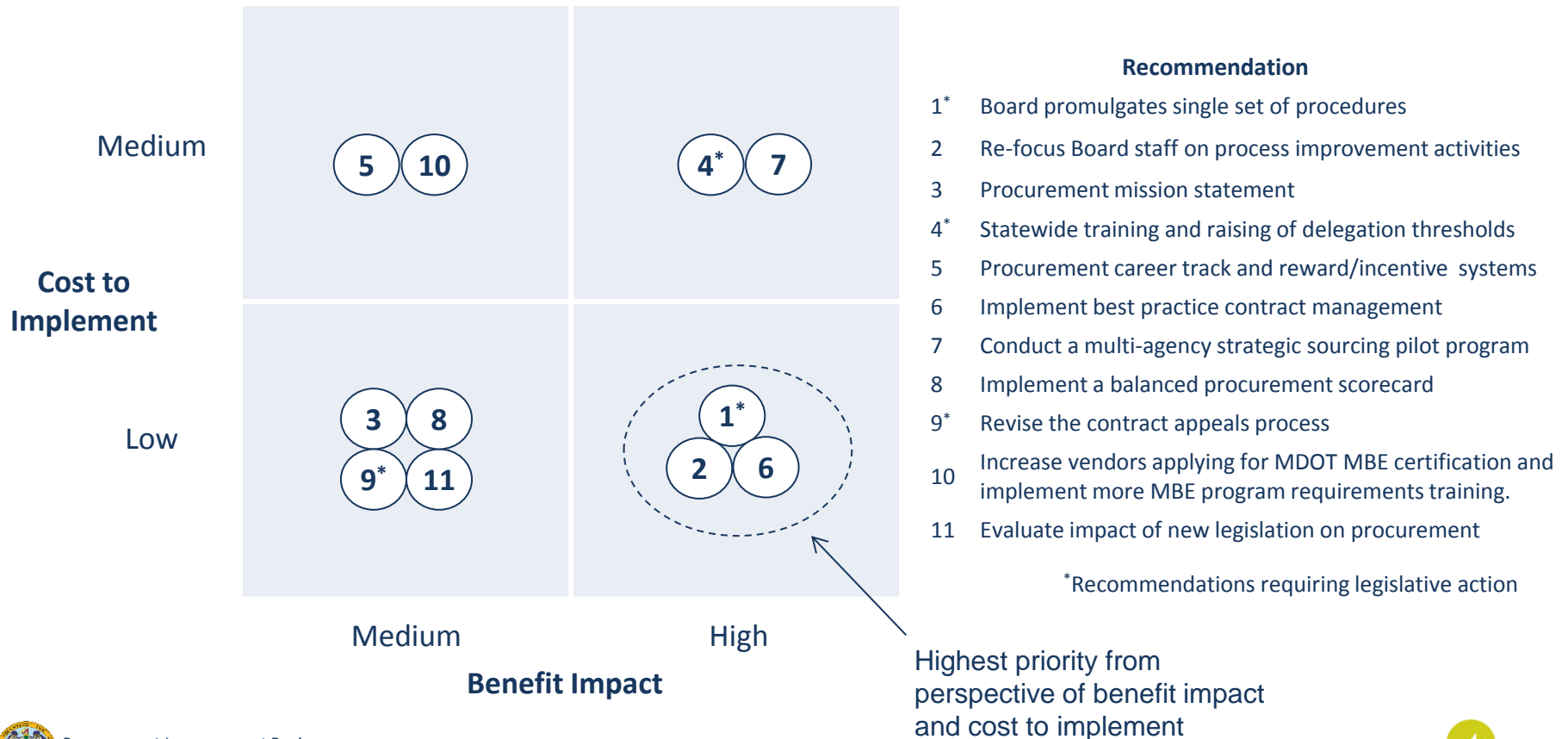




# 4. Implementation Plan

## 4.3 Prioritization of Recommendations

Comparing the recommendations along the dimensions of benefit impact and cost to implement shows that three of the recommendations – Board promulgation of a single set of procedures, refocusing Board staff on process improvement-related activities, and implementing best practice contract management – would deliver high benefits at a low cost of implementation. This would indicate that these recommendations should be prioritized for implementation although Board promulgation of a single set of procedures would require legislative action.





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## Exhibit 1

Analysis of information from the focus group study confirmed that policy setting, training and other process improvement related activities similar to some of the Board Office's responsibilities are carried out by central procurement groups in many states, in all cases with significantly higher staffing levels than the Board

### Focus Group Central Procurement Group Organization Structure

Central Procurement Group FTE Structure	AK	CO	FL	MA	NV	OR	VA
Strategic sourcing (cross-agency procurements)	6	5	6	15	7	12	13
Agency-dedicated staff	0	Sourcing staff support agencies	0	Sourcing and Audit Staff support agencies	Sourcing Staff support agencies	20	4
Training (development, delivery, certification mgmt)	1	0	3 (requesting 4 additional)	8	2	3 (previously 5 before cuts)	3
Policy development	1	1	3	4	1	n/a	4
Audit / delegation compliance management	0	0	3	15	1	n/a	10

Sources:  
Focus Group survey responses



## Exhibit 2

Maryland can leverage its own training material into a new central training administration based on how other states have successfully structured their programs.

### Focus Group Comparative Training Structure

State	Training Structure	Attendance/Certification
AK	3 levels of certification: Level 1 - 1 course Level 2: 2 addtl courses Level 3: 3 addtl courses 12 additional re-certification courses on specific topics External Training - NIGP, ISM classes do count for credit to refresh or enhance training.	Basic Training: 200  Intermediate Training: 150  Advanced Training: 75
FL	Basic: FL Certified Purchasing Agent / Purchasing Manager Intermediate: FL Certified Contract Manager / Contract Negotiator Advanced: Project Management Professional	Basic: 247 / 179 Intermediate: 247 / 233 Advanced: 189
MA	The cornerstone training offered is a certificate training entitled -Strategic Sourcing Certificate Program: Five-day course directed for agency procurement staff who are responsible for conducting solicitations. 1 Essentials of State procurement (1 day) 5 e-Procurement training courses for using their bid posting tool (half day courses)	n/a
NV	Periodically delivered: Essentials of purchasing- 1 day agency basic Certification- full level- 3day training - certified and tested to be Contract manager- to do certain activities to do higher-level solicitations and contracting work.	Basic: 1,000  Intermediate: 1,000
OR	OP Basic - 80 hours of training and 4 hour exam with public purchasing experience - at least 1 year Small Procurement Certification Contract Administration Certificate to manage and administer contracts. Administrator Certificate- for Management, Administrator level- high level training Advanced Certificate- top level customized level for procurement experts Certifications have to be kept current with certificate holders taking periodic credited courses. External training is allowed for professional development, and UPPCC certification is encouraged.	Basic: 234  Small Procurement: 120  Contract Administration: 142  Custom Advanced Certificate: 6
VA	Senior Contracting Officers and Special Instructors from key areas of Government - AG, Controller, IT, etc. There certification training is 80 hours with a test at the end. VA Contracting Officer certification: 3 year duration, educational credits throughout have to be gained to keep certification. VA Contracting Associate: Basic Procurement Training Program- one week class to educate people who need to understand procurement (Managers) and for people who make small purchases. VA Contracting Master: capstone training program focusing on strategic skills needed for managing at a senior level VA State Purchasing encourages staff to obtain CPPB, CPPO, CPM, SCO and funds most of the cost.	VA Contracting Associate: 600+  VA Contracting Officer: 59



### Exhibit 3

If the Category III small procurements definition were changed, effectively up to 28% of the volume of transactions could fall under the regulations of small procurement and various efficiencies could be gained without having major impact on overall value of contracts.

#### Thresholds Analysis – Small Procurement

##### State Agency Procurement Activity CY12 - Awards from eMaryland Marketplace

Threshold	Total Count of Contracts	Total Value of All Contracts above Threshold	TIER	# Contracts for Tier	% # of Contracts by Tier	% Cumulative	Value of Contracts by Tiers	% Value of Contracts by Tiers	% Cumulative
>\$25,000	401	\$4,167,790,005	\$25K - 50K	76	19%	19%	\$2,733,471	0.07%	0.07%
>\$50,000	325	\$4,165,056,534	\$50K - 100K	65	16%	35%	\$5,059,103	0.12%	0.19%
>\$100,000	260	\$4,159,997,430	\$100K - 200K	73	18%	53%	\$10,577,281	0.25%	0.44%

##### Small Procurement Threshold Key Points

- 671 total eMM procurements awarded in CY2012 worth \$4.44B
- 159 “Small procurements” awarded for <\$25K worth a total of \$1.8MM
- 401 procurements >\$25K
- 76 awarded with value between \$25K-\$50K accounting for 15% of total Non-small procurement volume but less than 0.1% of total value of contracts awarded (0.14% if remove Express Scripts contract) - \$2.7MM
- 65 awarded with value between \$50K-\$100K accounting for 13% of total Non-small procurement volume but only 0.1% of total value of contracts awarded (0.25% if remove Express Scripts contract) - \$5.1MM

Sources:

DGS provided eMaryland Marketplace data

Treya analysis



## Exhibit 4

If the DBM procurement value oversight delegation were changed, effectively 23% of the volume of DBM services procurements could be eliminated from DBM oversight and free up bandwidth of DBM resources for other key areas such as training.

### Thresholds Analysis – DBM Services > \$200K

DBM Procurement Activity FY12 - Awards Exceeding \$100,000 Excluding Sole Source and Non-Competitive Negotiated Procurements of Human, Social or Educational Services

Threshold	Total Count of Contracts	Total Value of All Contracts above Threshold	TIER	# Contracts for Tier	% # of Contracts by Tier	% Cumulative	Value of Contracts by Tiers	% Value of Contracts by Tiers	% Cumulative
>\$100,000	190	\$3,676,207,790	\$100K - 200K	43	23%	23%	\$6,633,157	0.18%	0.18%
>\$200,000	147	\$3,669,574,633	\$200K - 350K	22	12%	34%	\$6,043,467	0.16%	0.34%
>\$350,000	125	\$3,663,531,166	\$350K - 500K	19	10%	44%	\$7,932,828	0.22%	0.56%
>\$500,000	106	\$3,655,598,338	\$500K - \$1MM	27	14%	58%	\$20,167,057	0.5%	1.1%
>\$1,000,000	79	\$3,635,431,281	\$1MM - \$5MM	49	26%	84%	\$118,030,676	3.2%	4.3%
>\$5,000,000	30	\$3,517,400,605	>\$5,000,000	30	16%	100%	\$3,517,400,605	95.7%	100.0%

### DBM Oversight Threshold

- 190 total DBM procurements awarded in FY2012 that had award value >\$100K
- 43 awarded with value between \$100K-\$200K accounting for 23% of total volume of procurements >\$100K and worth a total of \$6.6MM (0.18% of total value of contracts >\$100K)
- 22 awarded with value between \$200K-\$350K accounting for 12% of total volume of procurements >\$100K and worth a total of \$6.0MM (0.16% of total value of contracts >\$100K)

Sources:

DBM provided services procurement activity report

Treya analysis



## Exhibit 5

If the BPW award approval delegation were changed, effectively up to 33% of the volume of procurements with value >\$200K could be eliminated from BPW approval/agenda processing.

### Thresholds Analysis – BPW > \$200K

#### State Agency Procurement Activity CY12 - Awards from eMaryland Marketplace

Threshold	Total Count of Contracts	Total Value of All Contracts above Threshold	TIER	# Contracts for Tier	% # of Contracts by Tier	% Cum.	% # of Contracts by Tier Requiring BPW Approval (>\$200K)	% Cum.	Value of Contracts by Tiers	% Value of Contracts by Tiers	% Cum.	% Value of Contracts by Tier Requiring BPW Approval (>\$200K)	% Cum.
>\$200K	187	\$4,149,420,149	\$200K - 350K	39	10%	63%	21%	21%	\$10,345,116	0.25%	0.69%	0.2%	0.2%
>\$350K	148	\$4,139,075,033	\$350K - 500K	22	5%	69%	12%	33%	\$9,605,009	0.23%	0.92%	0.2%	0.5%
>\$500K	126	\$4,129,470,025	\$500K - \$1MM	34	8%	77%	18%	51%	\$25,538,241	0.61%	1.53%	0.6%	1.1%
>\$1,000K	92	\$4,103,931,784	>\$1MM	92	23%	100%	49%	100%	\$4,103,931,784	98.47%	100%	98.9%	100%

- Notes:
- MDOT SHA >\$200K roads, bridges, and highways awards not requiring BPW approval were removed from scope
  - DGS statewide contracts >\$200 not requiring BPW approval removed from scope

#### BPW Approval Threshold

- 187 total in-scope eMM procurements awarded in 2012 that had award value >\$200K
- 39 awarded with value between \$200K-\$350K accounting for 21% of total volume of procurements >\$200K and worth a total of \$10.3MM (0.25% of total value of contracts >\$200K)
- 22 awarded with value between \$350K-\$500K accounting for 12% of total volume of procurements >\$200K and worth a total of \$9.6MM (0.23% of total value of contracts >\$200K)

Sources:  
DGS provided eMaryland Marketplace data  
Treya analysis





## Exhibit 6

If the TPPSB award approval delegation were changed, effectively up to 29% of the volume of >\$200K procurements could be eliminated from TPPSB approval/agenda processing and help reduce the 12+ month contracting cycle for Architectural & Engineering (A/E) contracts.

### Thresholds Analysis – MDOT State Highway Administration A/E Contracts TPPSB > \$200K

#### 2013 Pipeline of MDOT SHA Architectural/Engineering Contracts

Tier	Expected 2013 # By Tier Contracts	% # of Contracts by Tier	% Cumulative	Value of Contracts by Tier	% Value of Contracts by Tiers	% Cumulative
\$500K- \$750K	5	3%	3%	\$ 2,500,000	0.5%	0.5%
\$750K- \$1M	3	2%	5%	\$ 2,250,000	0.4%	0.9%
\$1M- \$1.5M	24	15%	20%	\$ 24,000,000	4.5%	5.4%
\$1.5M- \$2M	15	9%	29%	\$ 22,500,000	4.2%	9.6%
\$2M- \$3M	28	18%	47%	\$ 56,000,000	10.5%	20.2%
\$3M- \$4M	33	21%	68%	\$ 99,000,000	18.6%	38.8%
\$4M- \$5M	19	12%	79%	\$ 76,000,000	14.3%	53.0%
\$5M- \$6M	10	6%	86%	\$ 50,000,000	9.4%	62.4%
\$6M- \$8M	4	3%	88%	\$ 24,000,000	4.5%	66.9%
\$8M- \$10M	7	4%	93%	\$ 56,000,000	10.5%	77.5%
>\$10M	12	8%	100%	\$120,000,000	22.5%	100.0%
	160			\$532,250,000		

#### TPPSB Approval Threshold

- 160 A/E contracts >\$500K are in the pipeline for the MDOT SHA
- 47 contracts with value between \$500K-\$1,00K accounting for 29% of total volume of procurements >\$200K and worth a total of ~\$22.5MM (9.6% of total value of contracts >\$200K)

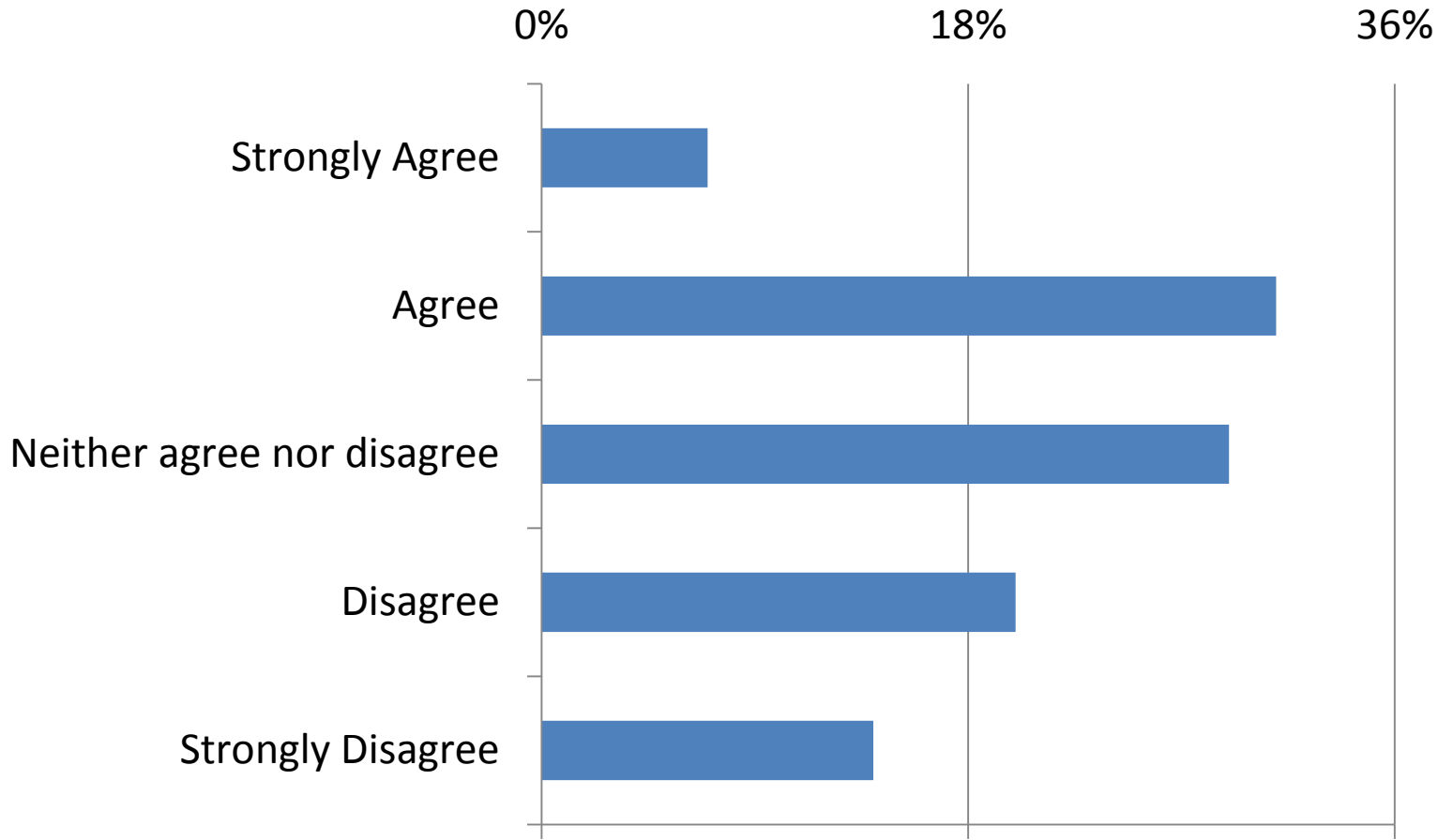
Sources:  
MDOT-SHA provided A/E projects summary  
Trey analysis



## Exhibit 7

A significant minority (34%) of State procurement professionals are not satisfied with their career track and personal growth opportunities while 29% neither agree nor disagree.

MD Employee Survey Q#20 - I am satisfied with the overall career track for a procurement professional in the State of Maryland in terms of opportunities for challenging work, professional advancement and personal growth.



Sources:

Treya state employee survey

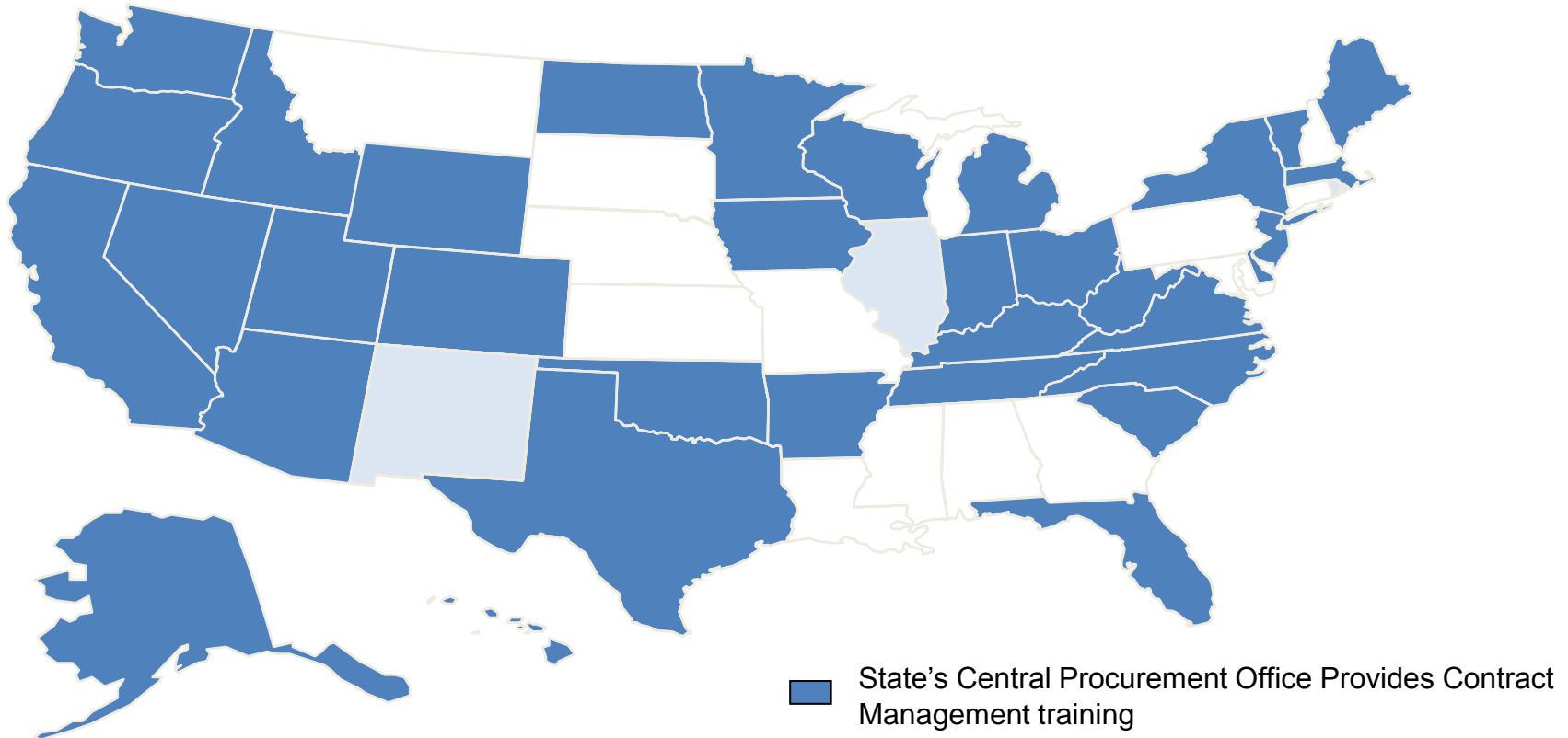
Procurement Improvement Review  
Comprehensive Process Design Report and Implementation Plan



## Exhibit 8

Based on the most recent NASPO survey, 32 states provide contract management training.

### NASPO Survey – Contract Management



Notes: Illinois, New Mexico and Rhode Island did respond to the 2011-12 NASPO survey

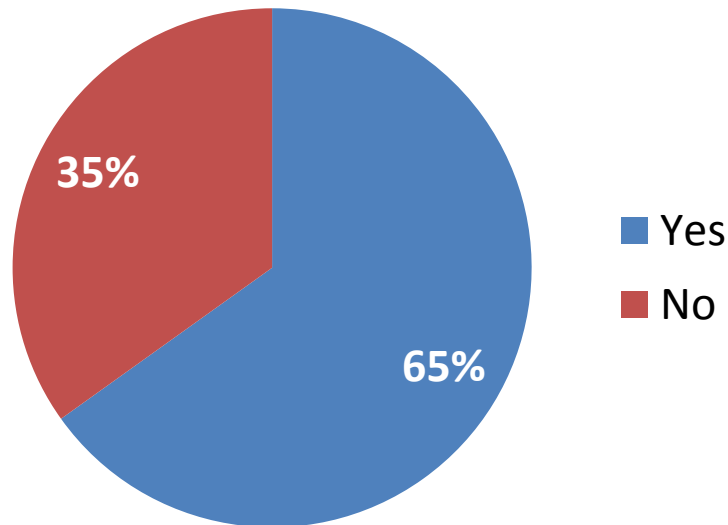
Source: 2011-12 NASPO Survey of State Procurement Practices



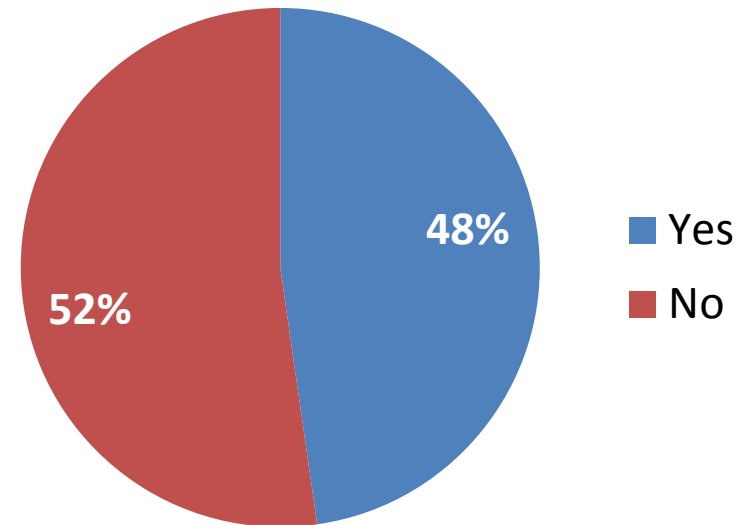
## Exhibit 9

A majority of states track and maintain vendor performance. While there is a split between states that have a contract management manual, there is a clear opportunity for Maryland be above average.

**Does the State Central Procurement Office maintain a record of and track vendor performance?**



**Is there a materials inspection manual, contract management manual, or similar set of guidelines?**



Source: 2011-12 NASPO Survey of State Procurement Practices



## Exhibit 10

Key performance metrics across areas related to overall financial and strategic goals, people goals, operations and agency program customers should be utilized in best in class enterprises.

Financial			People		
Key Metric	UOM	Freq.	Key Metric	UOM	Freq.
Active Strategic Sourcing Initiatives	#	Monthly	Procurement Employee Satisfaction	%	Yearly
Total Identified Strategic Sourcing Savings	\$	Monthly	Training Certifications Completed (Employees / Vendors)	%	Qtrly
Total Realized Strategic Sourcing Savings	\$	Monthly	Position Changes	%	Monthly
Contract Spend compared to Total Spend	%	Monthly	Turnover Rate	%	Monthly
Actual State Term Contract Spend compared to Targeted	%	Monthly	Vacant Positions	%	Monthly
			High Performing Employees	%	Yearly
Operations			Customer		
Key Metric	UOM	Freq.	Key Metric	UOM	Freq.
% Completion of Quarterly Business Reviews with Strategic Suppliers	%	Qtrly	Customer Satisfaction	%	Yearly
P-Card Spend compared to Total Spend	%	Monthly	Supplier Satisfaction	%	Yearly
# Contracts expiring in 180/90/60/30 days	#	Monthly	Complaints About Suppliers	#	Monthly
Respondents deemed non-responsive or non-susceptible for award	#	Monthly	Supplier Protests / Appeals	#	Monthly
Develop separate Socio-economic / preference program scorecard	#	Monthly or Qtrly	Time to Develop Protest / Appeal Decision	#	Monthly

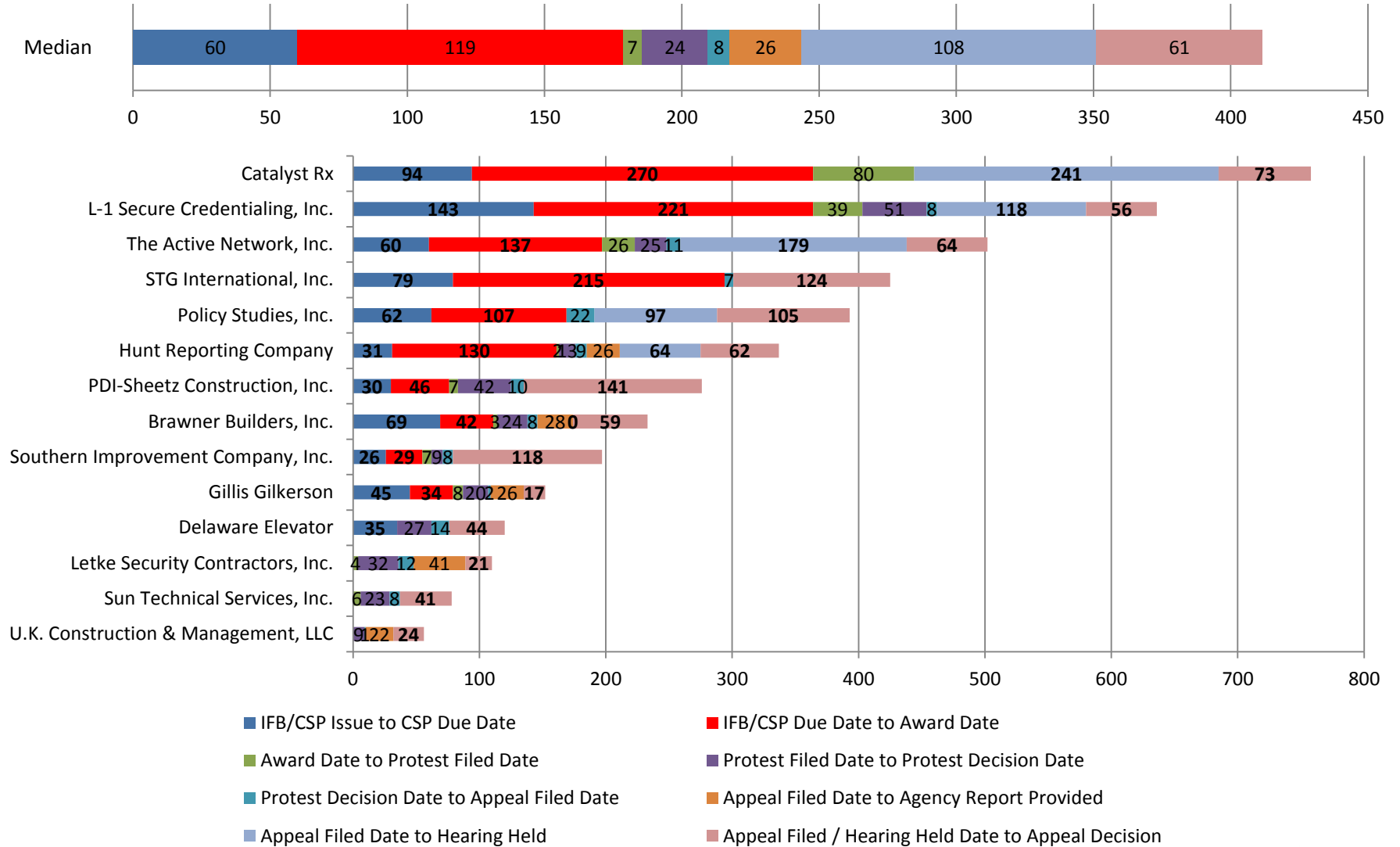
Notes: Adapted from North Carolina key performance metrics



## Exhibit 11

For those sample cases evaluated, there is almost equivalent time spent between issuing a solicitation through award as there is to manage an appeal from filed to decision.

### 2011-12 MSBCA Cases - Procurement and Appeals Cycle Time



## Exhibit 12

Maryland has a large number of appeals relative to most of the focus group states polled.

### Maryland Appeals Volume Comparison to Focus Group

MSBCA Performance Measures	2011 Actual	2012 Actual	2013 Est.	2014 Est.
<b>Input:</b> Number new appeals filed	35	29	33	33
Number of prior year appeals	21	12	10	10
<b>Output:</b> Number of appeals resolved without a written decision	21	11	15	15
Number of appeals requiring a written decision	23	20	18	18
Number of appeals carried forward	12	10	10	10

Area	AK	CO	FL	MA	NV	OR	VA
# Appeals	n/a	Occasionally an appeal is received, typically 5-7 each year	n/a	n/a	1	< 12	0
Key Comments on Dispute Resolution	<p>The procurement officer who is directly in charge of the solicitation, receives the protest informally and make the decision.</p> <p>An appeal can be made to the Commissioner of Administration.</p> <p>Final resort is District Court .</p>	<p>Typically, the first level protests are not frequent, and the agency purchasing heads work to resolve them at their level. The contract can go ahead for execution after the protest decision is made.</p> <p>The appeal is heard by the CPO as designated by the Executive Director of Administration. An appeal hearing can be requested.</p>	<p>Currently not satisfied with the number of protests (too many). There is an appeal hearing held for all protests.</p> <p>If a protest is received, the contract award is stayed until decision by hearing officer. Takes time to go through the process, delay in getting contractor started to work.</p>	<p>No administrative protest process.</p> <p>However, during the entire process of a solicitation up to award, aggrieved parties may bring concerns or issues to the procurement officer and they will be dealt with.</p> <p>If a party feels it is aggrieved after award, they may take it to district court. Very few have ever come to the court; 3 over the last ten years and the State succeeded in all.</p>	<p>Administrative disputes go to the CPO. During solicitation dispute are occasionally received and dealt with informally.</p> <p>If a protest is made, a bond or other acceptable form of security equal to 25% of the contract amount is required. The main reason for the bond is to protect the State of Nevada from frivolous protests that tie up the State from doing its business. This process has been good to strongly discourage such attempts by bidders.</p>	<p>Bidder has to show they are aggrieved directly – show cause they should have received the award.</p> <p>Delegated buyers handle the protest directly. Protesters do have the ability to appeal to the CPO; no hearings are held, OR averages less than a dozen appeals a year. Last recourse is District Court.</p> <p>Part of certification training is devoted to protests and answering them.</p>	<p>VA does not get a lot of protests; in the last few years there have been virtually no protests that have gone before the appeals board or further to court.</p> <p>Majority of protests are resolved at the informal level through Contracting officers for review.</p> <p>The Appeals Board has been disbanded by the current administration. It was not being used much, but it can be resurrected if needed.</p> <p>District Court is the last resort for protests.</p>

Sources:  
MSBCA "Managing for Results 2012" report  
Implementation Plan  
Focus Group survey responses

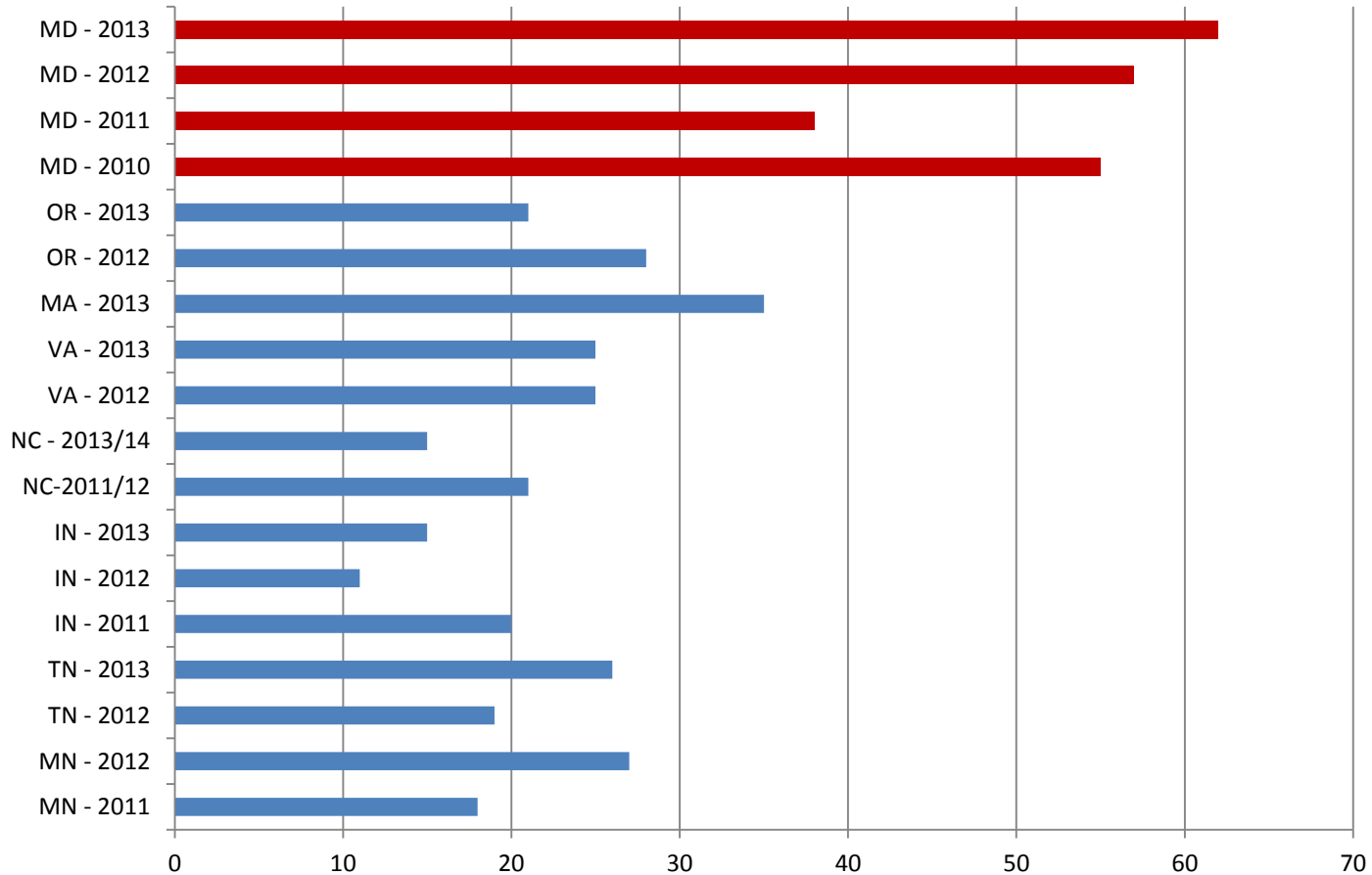


## Exhibit 13

Maryland has historically had a significantly greater number of pieces of procurement legislation, regardless of being passed, than other states that have gone through procurement transformation.

### Multi-State Comparison of Procurement Related Legislation

#### Procurement Related Bill Counts by Year



Sources:

Select states' general assembly or legislature websites; Treya Analysis

