

Procurement Coordination Committee Report

September 1, 2017



Texas Department of Information Resources



Texas Comptroller of Public Accounts

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Executive Summary

In 2013, the Texas legislature established measures to assess contracting and procurement overlaps between the Texas Department of Information Resources (DIR) and the Texas Comptroller of Public Accounts' (Comptroller) statewide commodity purchasing programs. House Bill (HB) 2472 of the 83rd Legislature, Regular Session, added Section 2155.007 to Texas Government Code, Chapter 2155 (TGC 2155), Subchapter A. This section required DIR and the Comptroller to establish a Procurement Coordination Committee (PCC) comprising essential DIR and Comptroller personnel.

The PCC is charged with reviewing DIR and Comptroller procurement functions for the purposes of identifying areas of overlap, mutually beneficial contracting methodologies, data management, customer relations, and consolidation opportunities; developing standard data collection and cost savings methodologies; and reporting findings to the Sunset Advisory Committee.

DIR and the Comptroller formalized the PCC charter in March 2014. However, DIR and the Comptroller had been meeting since July of 2012 to foster positive communication and collaboratively address shared procurement concerns. Since that time, the PCC has met numerous times, establishing workgroups to explore topics related to the PCC charges. Through these workgroups, the PCC found few overlaps in the procurement functions due to the types of commodities being purchased and contracted for by the two agencies. Any variances in procurement and contract methodologies, as well as the reporting, were found to be appropriate based on these differences and were due to statutory requirements for each agency. The PCC did identify actions to support the legislative objectives, and

- Identified commodity codes used by both agencies and eliminated duplicative work
- Analyzed the effectiveness of each agency's cost avoidance processes
- Reviewed opportunities to collaborate on the Contract Management Guide content and Customer Training
- Worked to identify data collection opportunities related to Senate Bill 20 (84 R) requirements.

The PCC's findings are organized around six primary objectives to meet the intent of the legislation and further the committee's goals of collaborative analysis, including:

Objective 1: Identify areas of overlap in the procurement functions and methods to avoid duplication of services.

Objective 2: Identify mutually beneficial contracting and procurement methodologies, data collection and management techniques, and customer relations management.

Objective 3: Identify opportunities for collaboration on procurement functions that would benefit the state or other customers.

Objective 4: Identify opportunities for consolidation of administrative or other functions to improve customer service and reduce operating costs.

Objective 5: Develop a standardized method to:

- 1) Collect and analyze spending data relating to procurement contracts; and
- 2) Benchmark and quantitatively measure cost savings and increased administrative efficiency resulting from collaboration and cooperative purchasing

Objective 6: Develop strategies that encourage coordination relating to procurement functions.

The PCC will continue to work together to address the issues contained in the legislation and build upon other legislative efforts surrounding statewide contracting practices.

This is the second of two reports the PCC has published collaboratively. The first report was submitted in 2015.

Background

The Texas Comptroller of Public Accounts

The Statewide Procurement Division (SPD), formerly called Texas Procurement and Support Services (TPASS), was established within the Texas Comptroller of Public Accounts (Comptroller) as a separate division and carries out the powers and duties transferred to the Comptroller from the Texas Building and Procurement Commission and otherwise provided to the Comptroller under HB 3560, (80R, 2007). These powers and duties include statewide procurement, training and certification, the Centralized Master Bidders List, the Historically Underutilized Business (HUB) program, administrative support, the Cooperative Purchasing Program, mail operations, vehicle fleet management and offices for the now abolished Council on Competitive Government (CCG). SPD rules can be found in 34 Texas Administrative Code (TAC), Chapter 20.

SPD has approximately 220 term and 320 Texas Multiple Award Schedule (TXMAS) contracts for use by more than 200 state agency customers and 1,700 local government entities enrolled in its cooperative purchasing program. Term contracts are competitively bid contracts procured by SPD and put in place for customer use, based on spend data and identified need. TXMAS contracts are established using competitively bid contracts awarded by the federal government or any other governmental entity of any state. In both cases, use of SPD contracts saves customers both time and money by allowing them to avoid lengthy procurement processes and make purchases from these contracts with the assurance that their competitive bidding requirements have been met. During the 2016-17 biennium, the State Auditor's Office (SAO) evaluated the TXMAS program, and in implementing the audit recommendations, SPD evaluated the expenditures on TXMAS contracts and canceled contracts that demonstrated little use by state agencies.

The Texas Department of Information Resources

The Department of Information Resources (DIR) Cooperative Contracts program was created with the passage of HB 1516 (79R). This bill requires state agencies to buy technology commodity items from DIR contracts, unless the agency obtains an exemption from DIR. DIR has defined commodity items (products and services) in TAC 212.

- **Commodity items** are commercially available software, hardware, and technology services that are generally available to businesses or the public and for which DIR determines that a reasonable demand exists in two or more state agencies.
- **Hardware** is the physical technology used to process, manage, store, transmit, receive, or deliver information.
- **Software** is the commercially available programs that operate hardware and includes all supporting documentation, media on which the software may be contained or stored, related materials, modifications, versions, upgrades, enhancements, updates, or replacements.
- **Technology services** are the services, functions, and activities that facilitate the design, implementation, creation, or use of software or hardware. Technology services include seat

management, staffing augmentation, training, maintenance, and subscription services. Technology services do not include telecommunications services.

- **Seat management** refers to services through which a state agency transfers its responsibilities to a vendor to manage its personal computing needs, including all necessary hardware, software, and technology services.

More than 600 information technology (IT) commodity contracts are in place for products and services, including computers, software, security hardware and software, networking equipment, telecommunications equipment, IT staffing services, and technology-based training. The Cooperative Contracts program offers customers a combination of discounted pricing, convenience, expedited processing, options across multiple vendors and resellers, and opportunities to purchase from Historically Underutilized Businesses (HUBs).

DIR serves five primary customer groups with the Cooperative Contracts program: Texas state agencies; Texas local governments (cities and counties in Texas); the Texas public and private education community, including institutions of higher education and K-12; Texas assistance organizations; and state agencies, local government communities, K-12, and higher education of other states as well as quasi-state agencies such as the Electric Reliability Corporation of Texas, the Lower Colorado River Authority, and volunteer fire departments. Texas state agencies are mandatory customers and all other entities are voluntary.

DIR leverages the state's purchasing power to negotiate competitive discounts on information and communications technology products and services, then establishes pre-negotiated contracts that meet state procurement requirements. Every dollar participants save on goods and services through this program is a dollar that can be redirected to agencies' mission-critical services, such as education or health care.

The Procurement Coordination Committee

HB 2472 (83R) amended Texas Government Code Chapter 2155 (TGC 2155) Subchapter A by adding Section 2155.007 and requires DIR and the Comptroller to establish a Procurement Coordination Committee (PCC) comprised of essential personnel from DIR and the Comptroller.

The PCC was formed to establish a formal communication and coordination body to

1. Identify
 - areas of overlap in the procurement functions and methods to avoid duplication of services;
 - mutually beneficial contracting and procurement methodologies, data collection and management techniques, and customer relations management;
 - opportunities for collaboration on procurement functions that would benefit the state or other customers; and
 - opportunities for consolidation of administrative or other functions to improve customer service and reduce operating costs.

2. Develop

- a standardized method for the department and the comptroller to
 - collect and analyze spending data relating to procurement contracts, and
 - benchmark and quantitatively measure cost savings and increased administrative efficiency resulting from collaboration and cooperative purchasing; and
- strategies that encourage coordination between the department and the comptroller relating to procurement functions.

Findings

The following sections provide the results of the PCC collaborative analyses according to objectives specified by statute. The goals of this committee were to identify areas of overlap between DIR and the Comptroller; discover mutually beneficial contracting methodologies, data management, customer relations, and consolidation opportunities; and develop standard data collection and cost savings methodologies.

Objective 1: Identify areas of overlap in the procurement functions and methods to avoid duplication of services

In the initial findings, the PCC found few overlaps in the procurement functions due to the types of commodities being purchased through the two agencies. As technology continues to emerge, more and more commodities are beginning to have embedded hardware or software components. As a result, a number of NIGP commodity codes were used by both agencies to establish contracts. To address this issue, DIR and the Comptroller performed an exhaustive review during 2014 and 2015 of the entire commodity code list and made changes to codes designated as technology related. To remain current, DIR and the Comptroller continues to review the commodity codes and made additional updates in January 2016. The most current list is published on the [Comptroller's purchasing website](#) — the list of commodity codes assigned to DIR is marked in the downloadable commodity list. When the classification of an item is in question, DIR and the Comptroller work together to best determine how that item should be procured and to communicate clear guidance to customers.

One such example related to the classification and possible change in administration of these contracts for mail services. DIR and the Comptroller reviewed the specifications for this type of procurement and determined that while there have been advancements in the overall capabilities of these systems, and that there is an IT component in this type of purchase, the main function of the purchase was to provide postage and metering services and should not be considered IT. The Comptroller maintained oversight of these contracts.

In another case, the Comptroller worked with DIR to determine that the now abolished CCG contract for Computer Assisted Legal and Investigative Research (CALIR) shared several features of the online subscriptions services administered by DIR. After multiple discussions, the agencies decided that DIR was the more appropriate administrator for this type of contract. The Comptroller then worked with the stakeholders and DIR staff to ensure a seamless transfer of knowledge and responsibility for this contract to DIR. DIR issued the new CALIR contracts in May of 2017.

This communication occurs frequently in the development of TXMAS contracts, when vendor offer packets are submitted that have items or services that could potentially overlap between SPD and DIR authority. During initial TXMAS offer packet review, the TXMAS contract development team contacts their DIR counterparts and asks for DIR to review the submitted contract and associated catalog to determine if those documents contain conflicts with a current or future procurements. In instances where DIR finds that there is a conflict that would cause duplication between a potential SPD contract and a DIR contract, SPD advises the vendor to contact DIR to establish a potential

statewide contract and if a procurement opportunity is known, the vendor is advised of that bidding opportunity.

In some situations, there may be an overlap between certain IT equipment listed on a base contract catalog that is required to support a service that is not one DIR would procure. A recent example involves a company that provides fingerprinting services — a government entity purchasing these services needs to acquire specific computer hardware and software and related parts, which have NIGP commodity codes assigned as DIR codes.

In another situation, a print equipment supplier sells digital imaging equipment — a commodity agreed to fall under DIR's purview — but it also sells non-digital print bindery equipment listed on the same federal base contract. By communicating with DIR, SPD was able to move forward with considering a contract award based only on the items with commodity codes not designated as DIR. DIR still has the option to consider a separate contract for the commodity items within its sector.

As these types of procurement questions have arisen, DIR and SPD continue to communicate whenever needed to address and resolve these issues and establish contracts that meet the needs of the state.

Objective 2: Identify mutually beneficial contracting and procurement methodologies, data collection and management techniques, and customer relations management

During the 84th Legislative Session, contracting legislation passed that focused heavily on initiatives identified in Objective 2. DIR, the Comptroller and the Legislative Budget Board (LBB) worked collaboratively to initiate the legislative requirements. Reporting enhancements through the Comptroller and the LBB's respective reporting systems now provide more detailed data and allow better visibility into state agency contracting spend as well as monetary changes related to those agreements. That said, while finding that both agencies continue to capture significant amounts of data on expenditures and are able to adequately report on that data, the PCC still sees challenges in standardizing this reporting further, primarily due to how commodities are purchased by state agencies.

Maintaining strong customer relations is an integral piece to ensuring the contracting and procurement needs of the state are met. Both agencies employ purchasers and contract managers who are extremely knowledgeable about the state's procurement laws and the guidance provided in both the state's Procurement Manual and Contract Management Guide (CMG). These individuals serve as liaisons to state customers, vendors, and members of the public, providing them with valuable information regarding state purchasing. DIR and the Comptroller share procurement information to ensure that each is able to provide its customers with the most relevant and accurate resources available. Both agencies maintain links to the other's website on their own to promote easy navigation between the sites.

Objective 3: Identify opportunities for collaboration on procurement functions that would benefit the state or other customers

DIR has created guidance related to Senate Bill 20 (SB 20), 84th Texas Legislature, which greatly impacted state contracting and procurement, including technology procurement. Multiple town halls, webinars were held and FAQs were published and kept updated to ensure that state agencies were supported and educated on changes related to IT procurements, enabling agencies to quickly modify their processes to minimize interruptions within their organization and ensure compliance.

DIR continues to provide training classes to assist customers in using DIR Cooperative Contracts. Some examples of these training classes include:

- Basic Purchasing of Information Technology Products and Services
- Advanced Purchasing of Information Technology Products and Services
- Statement of Work Training for Cloud, DBITS, and Managed Services Contracts

Currently, the classes are held as an instructor-led class with DIR instructors as part of the Comptroller's training as well as one-on-one training with customers who may have larger groups within their own organization.

The Comptroller integrated rules, policies, and procedures required by multiple provisions within SB 20, coordinating with DIR and other agencies. DIR and the Comptroller will continue to meet and identify additional opportunities to collaborate on procurement functions to benefit the state.

Objective 4: Identify opportunities for consolidation of administrative or other functions to improve customer service and reduce operating costs

In 2016, the Comptroller authored the Centralized State Purchasing Study of Texas (Study), required by SB 20, and met early in the research process with DIR to discuss each other's statewide procurement methods. The Study captured data from 108 state agencies that all use statewide contracts established by SPD and DIR. As both participants and the subjects of the Study that would be impacted by future changes in state contracting, the Comptroller consulted with DIR on data-gathering methodology and met with DIR leadership during the final drafting phase to ensure accuracy in how DIR contracting was explained.

Objective 5: Develop a standardized method to

- 1) Collect and analyze spending data relating to procurement contracts**
- 2) Benchmark and quantitatively measure cost savings and increased administrative efficiency resulting from collaboration and cooperative purchasing**

DIR and the Comptroller capture significant amounts of expenditure data which is sourced from their own systems and statewide accounting systems and reports; however, challenges in standardizing this reporting, primarily due to the way the commodities are purchased by state agencies, were identified. The Comptroller employs data captured through Texas SmartBuy purchase orders created by state agencies, higher education and local government users for specific contracted items. These data help determine value of existing contracts and whether the commodities or services in new or replacement solicitations should be modified or contracts

extended. The DIR cooperative contracts model allows customers to generate a purchase order and issue it directly to the master contract vendor and utilizes a data warehouse to capture the purchases of those specific IT-related items.

Working in conjunction with the Comptroller and LBB in the implementation of new legislative reporting requirements resulted in the consolidation of additional data fields being populated by state agencies and collected into a centralized reporting system, which allow the ability to leverage the Centralized Accounting and Payment/Personnel System (CAPPS) reporting features, there are still variances in types of data collected. The consolidation of additional data fields captured into a centralized reporting system may create opportunities for DIR and the Comptroller to develop additional mutually beneficial reporting features. The Comptroller is working with CAPPS developers to implement reporting of delegated expenditure data that may also have use for DIR.

Objective 6: Develop strategies that encourage coordination relating to procurement functions

Through the PCC, DIR and the Comptroller have developed open lines of communication that foster an environment of collaboration in statewide procurement. In addition, as the National Association of State Procurement Officials Member Representative for the State of Texas, Statewide Chief Procurement Officer Jette Withers at SPD has taken steps to ensure that DIR has had the opportunity to become involved in NASPO events and access its resources.

In spring 2017, DIR and SPD sent senior representatives to the NASPO Exchange conference where they met with state procurement officials from more than 40 states to discuss procurement methods, challenges, procurement technologies, and met one-on-one with vendors looking to do business in Texas. By becoming versed in the other's procurement opportunities, DIR and SPD staff were able to promote not just their own agency's initiatives but introduce and connect potential vendors with the most appropriate agency to work with Texas. Members from both agencies regularly consult with the other to coordinate purchasing efforts to eliminate redundancies and better serve the needs of the state's customers.

The increased mutual understanding between DIR and the Comptroller enhances the overall effectiveness of state procurement. The two agencies will continue to jointly represent Texas in the wider procurement community and develop additional strategies to encourage coordination relating to procurement functions.

Conclusion

DIR and the Comptroller have worked successfully together to establish a formal communication and coordination body and foster a positive and responsive team. Although the formal reporting of the Procurement Coordination Committee is completed with this report, both member agencies should continue to collaborate to further enhance statewide contracting. This collaboration includes DIR contributing to the next Texas Procurement and Contract Management Manual and enhanced training for state purchasers and contract managers.

This is the second of two reports published collaboratively by the PCC.

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