

Cronin IT Award

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Submitted by:

**Arizona State Procurement Office
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Originators:

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Background and Innovation

GOAL: Partner with an on-line application developer willing to combine the Arizona State Procurement Office's (AzSPO) knowledge of public procurement with the developer's expertise in an entrepreneurial partnership to build a fully automated, web-based, e-procurement solution with low or no cost to the State of Arizona. The Arizona State Procurement Office was successful and did build such a partnership. AzSPO contracted with InterZnet. The resulting e-procurement system is called SPIRIT.

PHASE I: DEFINE THE PROCESS. The AzSPO is responsible for the development and management of approximately 2,000 statewide contracts for use by all state agencies and political subdivisions. AzSPO has faced cumulative budget cuts over the past several years that required a 25 percent reduction in force at the same time that demand for services was increasing. AzSPO initiated the SPIRIT project approximately four years ago by coordinating a Total Quality Management (TQM) Team to review the procurement process. The TQM Team focused on the Request for Proposal (RFP) process because it involves the most steps and complexity. From this process, the team was able to coalesce more than 120 identified procurement steps to a little more than 20 - a significant reduction and a simplification that would facilitate the development of a fully automated procurement system.

The AzSPO worked closely with experienced public procurement professionals to outline the required functionality from a public procurement perspective for the programming effort. From this collaborative effort, the State of Arizona developed a state-of-the-art e-procurement system that is truly for public procurement, rather than a system developed for private industry and converted to public procurement.

PHASE II: DEVELOP THE APPLICATION: In partnership with InterZnet Arizona developed a fully automated, web-based, e-procurement system designed to support and enhance the work of procurement professionals. The system provides the flexibility necessary to optimize the discretion required of experienced public procurement officers to conduct major solicitations. It provides the simplicity and structure to support less experienced buyers or non-procurement personnel to perform procurement functions, such as searching for state contracts or entering purchase requisitions (PR). Last and not least, the system administration provides extensive documentation required of public procurement as well as detailed management reports. The application virtually automates the entire workflow and process for the procurement officer. The application consists of supplier registration, requisitions, procurement plan, solicitation development, solicitation issuance, electronic submittal of offers, automatic tabulation, electronic evaluations, negotiations, best-and-final offers (BAFO), contract awards and notifications, and amendments. AzSPO has moved to a paperless environment. One office manager experienced an epiphany - no more contract folders!

It is possible to complete procurement in SPIRIT completely on-line without the need for any meetings. However, best practice indicates that large solicitations benefit with meetings such as pre-proposal conferences and consensus-based evaluation meetings. The evaluation documentation is completed in SPIRIT while in the meetings.

PHASE III: IMPLEMENTATION: The very first users of SPIRIT were suppliers. Supplier registration was an immense undertaking. All suppliers registered on the old system were notified by e-mail, letter and finally postcards. Current contractors were required to register. The registration process changed dramatically. In the former paper-hungry, resource-greedy process suppliers were sent inch thick registration application packets and commodity/service code listings. Suppliers returned the completed applications by mail or fax and an AzSPO employee entered the data into the old system. Now, suppliers log onto the SPIRIT website at www.spirit.az.gov and complete the registration themselves. No more data entry time, mailing costs, jammed fax machines, lost applications, or erroneous code numbers! Further more, suppliers now have the capability to keep their own supplier information up-to-date.

The next users of SPIRIT were the procurement officers of AzSPO. SPIRIT went on-line January 1, 2004 and the first competitive solicitation was issued on February 28, 2004 and awarded on April 13, 2004.

Agencies with limited delegated authority were required to enter all purchase requisitions through SPIRIT effective January 1, 2004. Each state agency was invited to send two employees to be trained as "power users" for their respective agencies. These individuals were trained to enter purchase requests, and conduct bid list searches of the SPIRIT supplier data base for their agencies.

Transferability

The AzSPO has begun the final step of implementation – transfer to every Arizona State agency. The objective is to transfer the application and move it out to all Arizona State agencies by the end of Fiscal Year 05. The application design facilitates the transfer to other government agencies. AzSPO will be the primary parent and the SPIRIT application will allow us to set up secondary sites with limited administrative rights and roles. For the first time, all Arizona State procurements will be on the same technology base and all agencies will be handling procurements with a consistent process and approach. Suppliers will at last have the standardization they have been requesting.

SPIRIT is available to other public procurement entities. As part of the enticement to limit development costs, the State entered into a marketing agreement with InterZnet providing the supplier the rights to market the application outside of Arizona State Government. The code has been selected by an Arizona political subdivision, Pima County, as its e-procurement solution.

Service Improvement

The AzSPO has already achieved improvements in contract management. All of AzSPO's contracts were migrated to the new application, so customers can view and search all of the statewide contracts or their own agency-specific contracts (solicited by AzSPO) on one database. Customers are able to view all of the contracts in one standardized method and format.

Issuance of contract amendments now takes only seconds. The AzSPO customer or supplier can request amendments with just one click of the button, and the procurement officer can quickly create an amendment for approval by the supplier. Customers are also able to view the status of their procurements on-line throughout the process and can review the status with the original procurement plan. Phone calls requesting the status of procurements are greatly reduced as customers can see the progress of their solicitations on-line in their solicitation plans.

Prior to the SPIRIT application, AzSPO mailed Letters of Intent (LOI) to every supplier registered in the solicitation's commodity or service code. The letter invited them to respond if interested in the solicitation with a request for a hard-copy of the solicitation. The solicitation package was then mailed to the requestors. This entire "mailing" process is now electronic. The cost savings for postage and copying have been reduced by 75 percent. SPIRIT also eliminated the "rush" for suppliers to deliver their proposals prior to the closing time.

SPIRIT has been in place for approximately five months as of this writing. AzSPO has had a learning curve for staff, however, staff reports experiencing approximately a 25 to 30 percent improvement in process time.

Involvement in Development and Implementation by Using Agencies

The Total Quality Management (TQM) Team that defined the basic process upon which SPIRIT is built consisted of chief procurement officers and procurement specialists from AzSPO.

Throughout the development AzSPO consistently provided demonstrations of the software to Arizona State agency procurement officers and received feedback and recommendations for implementation. The agencies are anxious to further their use and implementation of the application. Currently, all agencies are conducting their contract searches on the application. The unlimited delegated agencies are searching their suppliers and creating their bid list. The limited agencies are conducting supplier searches and submitting requisitions. We have touched all of our agencies already with the application, but will enhance their use in the next year. We have had agencies vying for first for the roll-out and implementation for their agencies.

AzSPO trained power users, who in turn, may train their own agency personnel on the use of SPIRIT to access contract information. Additionally, agency procurement officers have begun to train their own evaluators in the SPIRIT evaluation process.