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National Association of State Procurement Officials 2011 Cronin Award Submittal

In 2009, the State of Arizona faced an economic crossroad. With a \$1.4 billion dollar budget deficit, influenced by the US economic recession, the State needed a procurement solution that would cut cost and eliminate waste, and it needed something fast. The State called for a single off-the-shelf software solution that would increase process efficiencies, provide transparency, and track the results needed to formulate strategic purchasing decisions moving forward. After a thorough review process of the top rated solutions, the State selected Periscope's BuySpeed eProcurement/sourcing solution; a one-stop-shop specialized in government purchasing.

To ease the budget deficit and cover the costs for a new system, the State instituted a one percent transaction fee on contractors for the purchases made by local government using state contracts. Not only did this transaction fee cover the full cost of procurement modernization and installation, it is expected to generate additional revenues for the State over a five year period.

In June 2009, Arizona launched Phase I implementing the new eProcurement system, calling their implementation of BuySpeed "ProcureAZ". This initial phase included a single web-based portal for vendor registration, sourcing and contract/catalog ordering. The phase was a success, being completed in less than one hundred (100) days. This initial implementation included over 2,000 contracts with 80,000 line items, and it leveled the playing field for Arizona based small businesses.

In October 2010, Arizona began the roll out of ProcureAZ Phase II. Phase II offers full procurement/sourcing functionality and allows State agencies to manage inventory, requisitions, purchase orders, receipts, solicitations, vendors, contracts, and business intelligence reports all in one on-demand solution. Between October 2010 and May 2011, thirty-five (35) State agencies have successfully implemented Phase II on time and on budget, with the remaining agencies going live by July 1, 2011.

The benefits of ProcureAZ Phase I and Phase II are apparent. Since go-live, over 17,000 vendors have registered in the system, and 380 online solicitations have been conducted, including five (5) reverse auctions. Having a large pool of vendors registered in ProcureAZ has lowered state costs through visible competition, and use of a single online portal for managing solicitations has reduced processing costs for state agencies and vendors alike.

State procurement services improved tremendously through purchasing visibility and process automation. Prior to ProcureAZ, a requisition took on average four (4) days to be processed. Since implementing ProcureAZ, the same cycle time has reduced by nearly half. Purchase order cycle time has decreased 42 percent. In less than six months, seven agencies processed more than 7,720 requisitions with value over \$130 million. More than 10,211 contracts and purchase orders have been processed, with a value near

\$236 million. These transactions have been processed online, including a real-time interface to the State's mainframe financial system, which generates manpower savings and improves overall government transparency.

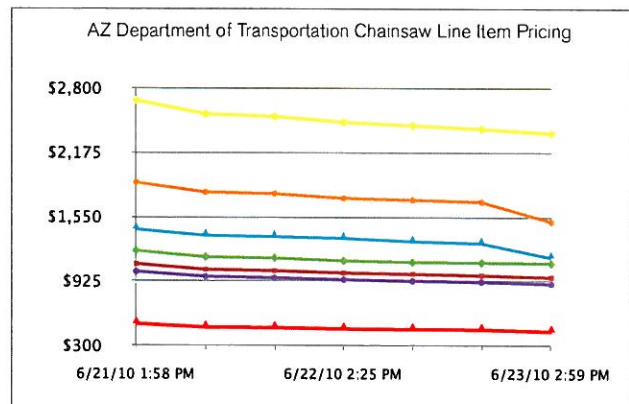
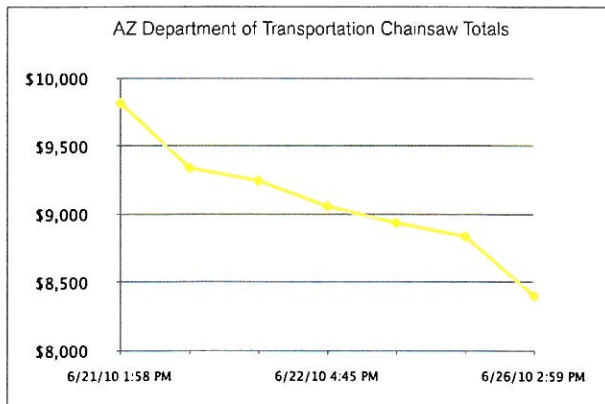
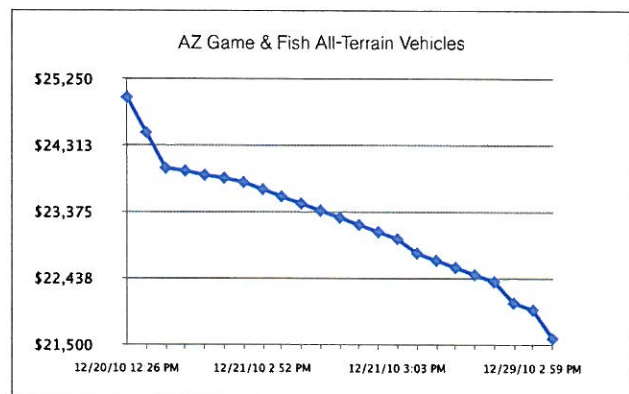
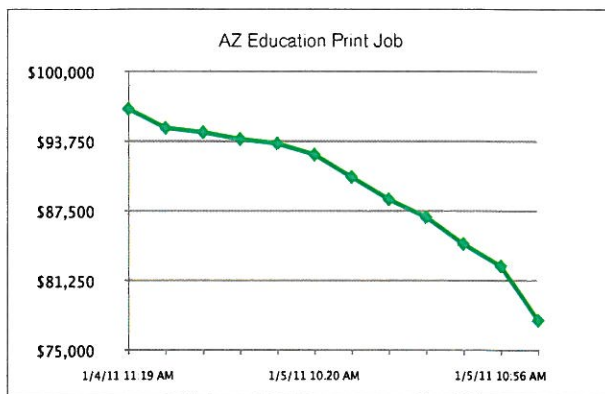
Because the software behind ProcureAZ was built from the ground up, specifically for public sector use, it is easily transferable to other states and agencies. The software ensures public sector business compliance while maintaining flexibility to be configurable with an entity's specific needs, mandates or funding requirements. In fact, ProcureAZ was licensed for state agencies, as well as over 450 political subdivisions statewide, including counties, cities, universities and school districts. This inclusion gives local government access to ProcureAZ's vendor one-stop-shop and offers the opportunity to purchase off state contacts. This forward thinking approach drives savings and value to local agencies as well. Since implementing ProcureAZ, local co-op participation has increased 44 percent.

By instituting an innovative eProcurement modernization, the State established an efficient system that reduces costs while enhancing transparency, improving cycle times, and increasing vendor competition. ProcureAZ expects to generate 5% - 20% in savings on \$6 billion State spend, translating to savings anywhere from \$250 million to \$1 billion at the state and local level. Arizona is confident ProcureAZ will continue to preserve hard-earned taxpayer dollars and help get the State back on a sturdy economic foundation.

ProcureAZ eProcurement Solution

Reverse Auctions Provide Measurable Savings

DESCRIPTION: Reverse auctions are a form of strategic sourcing where the roles of buyers and sellers are reversed; therefore, prices decrease as auctions progress. By conducting reverse auctions online in real-time, ProcureAZ allows suppliers to track and bid down against competitors. This process ensures the best possible price. Recently, Arizona Departments of Transportation, Game & Fish, and Education conducted reverse auctions using ProcureAZ. In each case, tangible savings demonstrate the value of the new eProcurement solution.



RESULTS

- Contract **AWARDED** to local vendor \$1,254 below budget for the State of Arizona Department of Education print job. The ending bid finished 20% below opening price.
- The State of Arizona Department of Transportation **SAVED** 5.2% on purchase of seven heavy duty chainsaws compared to previous actual purchase prices. The final bid came in nearly 15% below the opening bid.
- 24 bids **SUBMITTED** for Arizona Department of Game & Fish all-terrain vehicles. Contract awarded 13.6% below opening bid.
- Vendors **DEMONSTRATED** continued involvement from the opening bid to the last seconds of the closing bid.

“We are happy with the results from this year’s reverse auction, and feel this procurement method well served our interests.”

– Douglas C. Peeples, Chief Procurement Officer
Arizona Department of Education