

May 30, 2003

To: The National Association of State Procurement Officials

From: Director, Division of Purchases and Supply, Department of General Services,  
Commonwealth of Virginia

Subj: Cronin Club IT Innovation Award Submission – eVA, Commonwealth of Virginia  
Electronic Procurement Solution

The attached subject award submission is forwarded. The additional information requested is listed below.

- 1) Submission: Cronin Club IT Innovation Award Submission
- 2) State Procurement Agency: Division of Purchases and Supply (DPS)  
Department of General Services (DGS)  
Commonwealth of Virginia
- 3) Date of Implementation: March 1, 2001
- 4) Name and Title of Originator:

Ron Bell, Director, DPS

Individuals Primarily Responsible for Implementation:

Ron Bell, Director, DPS  
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Rebecca Barnett, eVA Business Manager, DPS  
Jan Fatouros, Director, Information Technology Support Services (ITSS), DGS  
Marion Lancaster, Deputy Director, ITSS  
Bryan Wagner, Comptroller, DGS

Sincerely,

Ron Bell

Attachment: 1) Cronin Club IT Innovation Award Submission  
2) eVA Slides



## **Commonwealth of Virginia Electronic Procurement Solution Cronin Club IT Innovation Award Submission**

Throughout the Commonwealth, day-to-day procurement activities were completed using a variety of desktop applications, automated purchasing systems and manual processes. These applications, systems, and processes did not enable sharing of information and data, promote cooperative procurement, provide for application of consistent practices and procedures, enable the Commonwealth to leverage its buying power to obtain best value for dollars spent, or enable the Commonwealth to take full advantage of the latest technology to maximize the value of its procurement processes. In addition, vendors seeking to participate in Commonwealth procurement activities were required to register with many state agency, institution and public body purchasing offices; access a variety of physical and internet information sources; and become familiar with a myriad of individual agency, institution and public body forms and procedural requirements. The Commonwealth's electronic procurement solution project was designed to remedy these inefficiencies.

eVA is used by 141 state executive branch agencies, 30 public universities and the Virginia Community College System, 256 local government entities, and 3 legislative branch organizations. Over 5,475 state employees use the the application. Over 10,125 suppliers, many with multiple locations, have registered on eVA, regularly accessing the site for bid opportunities, to receive email orders, and submit bid responses. Although not required, 709 vendors have submitted catalogs or have connected their catalog web sites to eVA. Vendor and eVA hosted catalogs provide over 4,000,000 items to eVA shoppers.

The Department of General Services, Division of Purchases and Supply (DGS/DPS) is the Commonwealth's central purchasing agency. The Agency Procurement and Surplus Property Manual (APSPM) is published by DGS/DPS under the authority of The Virginia Public Procurement Act (VPPA) Section 2.1-442 of the Code of Virginia, and establishes the policies and procedures to be followed by state agencies and institutions in fulfilling procurement and related logistical responsibilities within their delegated limits. State agencies and institutions have unlimited authority for purchase transactions using statewide term contracts and for the purchase of services. Many state agencies and institutions have qualified for additional, including unlimited, delegated purchasing authority. When exercising their delegated purchasing authority, state agencies and institutions are required to comply with the policies and procedures set forth in the DGS/DPS APSPM or they may, at their own discretion, establish additional more restrictive policies and procedures. State universities and local governments must follow the VPPA, but are allowed to establish policies and procedures specific to their public body. This leads to a highly decentralized procurement environment.

Neither decentralization or centralization of procurement activity optimizes the procurement process. Decentralization ensures that procurement is closer to the customer and thereby increases responsiveness to customer requirements. At the same time, decentralization frequently promotes inefficiencies and increased costs for those processes that are decentralized but lend themselves to a uniform centralized solution. For example, Virginia's decentralized approach to vendor registration required that vendors register with individual agencies, institutions and public bodies. This decentralized vendor registration process is resource intensive for vendors wanting to do business with the Commonwealth and as a result associated costs are passed to the Commonwealth. In addition, the Commonwealth incurs additional costs for hardware, software, and resources required to support vendor registration at multiple agencies, institutions and public bodies. Clearly it makes more sense to have a central vendor registration. Due to its decentralized procurement environment, the Commonwealth lacks visibility over the approximate \$5 billion in procurements transacted annually. If the Commonwealth had this information, procurement patterns could be effectively analyzed to determine how best to leverage the Commonwealth's buying power and to obtain the best value for goods and services.

eVA's goal is to create a virtual procurement organization that embodies the beneficial aspects of both decentralized and centralized models. Specifically, eVA is designed to provide a common face of government to state vendors through a single registration point, one location to see all business opportunities, a single point for the submission of electronic bids, and a standardized electronic distribution. eVA provides a robust data warehouse and analytic reporting capability that provides all purchasing organizations in the Commonwealth with procurement patterns, spend by vendor, last price paid for commodities, and access to all statewide and organization specific contract

pricing. eVA has increased competition for individual and statewide procurements, increased the visibility of small, women, and minority businesses, and reduced the time required to order and receive goods and services.

The Commonwealth's electronic procurement solution (eVA) is a hosted web based procurement solution that supports the Commonwealth's decentralized procurement environment through an electronic procurement portal on the Internet. This portal allows Commonwealth Entities and vendors to access information needed for conducting business, including solicitations and awards. The portal hosts tools such as central vendor registration, an electronic mall for on-line buying, Quick Quote (small purchases less than \$30,000), and competitive sealed and unsealed bidding and negotiations (purchases \$30,000 and above). These tools, combined with a purchasing data warehouse and analytical reporting, enable the Commonwealth to leverage its buying power through increased competition and effective negotiations. Through the procurement portal, the Commonwealth is able to conduct business in a decentralized manner while capturing the efficiency and effectiveness of a centralized organization. eVA enables Commonwealth Entities to obtain goods and services easier, faster, and at the best value.

eVA is a phased project which began delivering value on March 1, 2001 with the implementation of the eVA email for 7 "early adopter" agencies and Vendor Self Service Registration. Immediately following this initial phase, agencies and vendors were implemented with the majority of the state and local governments fully using eVA email and reporting features by December 2001. The data warehouse and advanced user and data administration tools were implemented in December 2001. eVA's functionality continued to grow with the implementation of Quick Quote in July 2002, and requisition and order import and export interfaces in August 2002. Competitive sealed and unsealed bidding and negotiations was unveiled by Governor Warner, the first week of January 2003. The project team is in the process of configuring agencies for this activity.

Some of the most significant benefits of eVA are:

- (1) **Single Source Access to Virginia Government:** Prior to eVA, vendors were required to visit over 140 buying locations, to review bid opportunities or submit their bids. Their sales organizations processed purchase orders from each agency frequently with different formats and requiring different price lists. Today, eVA enables vendors to electronically visit over 340 Commonwealth Entities every day for business opportunities and receive orders electronically all day every day without leaving their offices. Because eVA is associated with the Ariba Commerce Services Network, by participating in eVA vendors are also prepared to sell their products to over 30,000 commercial and public sector companies that are part of the Ariba buying community. Vendors may receive their purchase orders via e-fax, e-mail, XML, EDI, or directly from a web-inbox. The format and information received is consistent across all eVA buyers and the prices are based on the correct price list for the Commonwealth Entity. This has greatly reduced processing errors and has enabled vendors to automate entry of eVA orders into their order fulfillment systems.

Vendors may interface with eVA via the eMall's "punchout" capability which allows buyers to access vendor's production configuration and ordering websites via the electronic malls requisition creation process. As Virginia's central business opportunity site, vendors may now register at one location, be notified of all bid opportunities for the goods and services they sell, have catalog items seen by over 5,000 buyers daily and submit bids without ever leaving their home or office. Since March 2001, eVA has processed over 114,000 purchases amounting to over \$680 million. eVA provides robust interfaces that enable Commonwealth Entities with Enterprise Resource Planning (ERP) systems to import or export purchase transaction data via a middleware solution that translates the data based on the individual Entity's unique data structure. The eVA interface options enable ERP Entities to protect their existing technology infrastructure and investments while receiving the benefits of faster, easier, and more cost effective purchasing via eVA.

- (2) **Ability to analyze the Commonwealth's expenditures:** The Commonwealth's electronic procurement solution (eVA) includes a purchasing data warehouse that captures detailed information/data for transacted procurements. This purchasing data warehouse, and the analytical reporting tools included therewith, provides visibility and information necessary to enable the Commonwealth to leverage its buying power and to obtain the best value for goods and services. In addition, the purchasing data warehouse enables the Commonwealth to provide vendors access to purchase history by commodity code thereby affording vendors the opportunity to more effectively and competitively participate in business opportunities.

- (3) **Multi-jurisdictional support:** The applications provide each Commonwealth Entity the opportunity to tailor their accounting, approval workflow and business rules based on their Entity's policies and business practices. Configuration is completely data driven requiring no "agency specific" programming. The result is 342 COVA Entities receive the benefit of their combined buying power while maintaining their individual identities and business practices. This capability is a key to eVA's acceptance. Virginia's state and local

governments and universities must follow the Virginia Public Procurement Act, but these Entities have developed different policy and procedure manuals for procurement and maintain different accounting structures. Without the flexibility of multi-jurisdictional support, many COVA Entities would not have been able to participate in eVA.

- (4) **Service Offering:** eVA is a service offering. Virginia did not purchase hardware or software nor require a large technical staff to support the operation of eVA. These activities are outsourced to our service provider, American Management Systems (AMS). The Commonwealth was not required to expend precious citizen dollars to create this offering. Fees for eVA are collected on a per order basis. Registered vendors pay a fee of 1% per order capped at \$500 and Commonwealth Entities purchasing from non-registered vendors pay the ordering fee. Entities and vendors access and utilize the Commonwealth's electronic procurement solution (eVA) via any standard internet browser thereby accomplishing a significant savings as users are not required to purchase or install any unique hardware, software, or related technology support services.

eVA addresses all components of the materials management process. It reaches to the lowest level of an organization by automating requisitioning and associated approvals (entered on-line by requestors or via an interface from state inventory systems). For requirements that can be sourced using on-line catalogs the order is immediately transferred to the supplier. For requirements that must be procured the requisition flows into a robust formal procurement module that supports sealed and unsealed bids, evaluations based on price, best value, or solicitation specific criteria. Once awarded the procurement either generates an electronic catalog available to all eVA users or an individual order that is electronically sent to supplier. Transaction information is aggregated into a data warehouse that provides for web-based report development and distribution to all or specific eVA buying groups. Once received the good or service may be received on-line within the e-mail and vendor performance may be captured and associated with the solicitation. In future product phases, payment processing is planned. eVA will receive invoices electronically, match them to receipts, and issue payment authorizations to Virginia's electronic funds transfer application. The surplus of goods and the resale of those goods to either Commonwealth Entities or back to our suppliers will also be supported.

eVA also provides automated order fulfillment for eVA suppliers. Through the EDI or XML order transfer options eVA suppliers process orders directly into their order fulfillment systems. For one supplier this has reduced order fulfillment from 9 days down to 4 days. For another supplier it enables them to receive an order by noon and guarantee same day delivery.

eVA took an enterprise and end-to-end process approach. The solution has fully integrated agency and supplier systems into one solution. eVA was designed to compliment existing Commonwealth Enterprise Resource Planning (ERP) and accounting systems. The Commonwealth has over 40 agency specific ERP or accounting systems. Through the use of a message broker interface engine these systems are enabled to submit requisitions or orders to eVA and receive ordering, receipts, and transaction accounting from eVA.

The solution's configuration is data driven. Commonwealth Entities configure which fields are visible and required, what to title the fields, workflow rules and order, the accounting template and values, their users roles and permissions from a web-based administrative console. This console accepts on-line transactions as well as "batch" upload of configuration information. This information is loaded into a data repository that is used by all application components to ensure business rule consistency across all products. In a similar manner, suppliers simply complete a spreadsheet of information describing their products and prices and upload the spreadsheet via their web browser for posting with eVA's email.

eVA maintains high levels of security without burdening users with complex security processes. Although the solution is comprised of a number of different applications, the users maintains a single user id and password that authorizes access. At the technical level, eVA maintains a repository of digital certificate, one for each user, and when the user logs in they receive their digital certificate. On every transaction the solution authenticates that the user is authorized to access the function they are using and their level of authority.

eVA goes beyond simply streamlining government purchasing. The solution provides greater opportunities for small, women owned, and minority businesses. Small businesses in southwest Virginia now compete for government business all over Virginia. For sophisticated businesses full automation of the supply chain has reduced administrative costs and cycle time. Doing business with Virginia government is good for their business. eVA also provides suppliers the opportunity to understand e-commerce, how to develop electronic catalogs, and how to market their products other Ariba Commerce Services buyers.

The governor requires cabinet and agency heads to establish measurable performance goals. The effective use of eVA is a component of all agency performance plans. Monthly, the eVA report card is issued. This report card measures key usage indicators including the number and amount of orders placed with registered and non-registered vendors, the number of quick quotes (automated informal bids) awarded, and the percent of spend through eVA based on individual agency usage targets. The report cards are provided to cabinet officials for distribution to the agencies within their secretariat.

The eVA program also has measurements which must be met. These include the delivery of enhancements and increased services within scheduled timeframe, the number of vendors registered and fully electronically enabled, and the total amount of transactions processed for the contract period.

Virginia is the only state that limits their governor to one four-year term. eVA was begun under Governor Gilmore's administration. The schedule was aggressive to ensure that the project would be well underway prior to his leaving office in January 2002. eVA was just 9 months old when Virginia elected a new governor of a different party. eVA's executive committee developed an eVA summary and decision brief outlining eVA's potential and frankly discussing eVA's challenges. Prior to the new administration taking office the eVA team was briefing the governor's elect transition team on the benefits of eVA. We asked for an up or down vote. If the new administration was to continue the project, we needed their full and visible support. If they wanted to end the project, all we asked is they do it quickly. The business case for eVA is strong. The transition team knew, given Virginia's budget problems, that they needed to streamline administrative processes. They also clearly understood one of eVA's potential benefits, knowing what Virginia government buys and from whom. They, as every administration, were actively trying to figure out how tax dollars were spent, without much success. eVA provided them a means to jump-start administrative efficiencies and begin to capture information critical in a time of scarce resources.

Virginia did not have funds to apply toward the development or implementation of a statewide e-procurement system. The project began with an estimated budget requirement of 25 million dollars over 5 years, but no funds. The Department of General Services assigned existing staff to develop, evaluate and award a contract for an electronic procurement solution. The team held focus groups with agencies and suppliers to determine application requirements and gain ideas and acceptable means for funding the project. In 2000, many reverse funding models existed. Most were very costly to suppliers without providing them compelling value. The eVA team spent many days in focus group sessions with suppliers and potential system integrators discussing "what if" funding strategies. How would the strategy be received by both public bodies and our suppliers? In the end a shared risk revenue model was created. Suppliers would be charged a minimal registration fee of \$25.00 for basic services and one percent of the total order's value capped at \$500.00 per order. For an additional \$175.00 suppliers could receive email or e-fax notifications of bidding opportunities and gain on-line access to agency spending and last price reports. All suppliers could look for bid opportunities and registered suppliers could respond electronically to solicitations with no additional charges. Suppliers were given a year with no transaction charges to give them time to adjust prices. Many have found the efficiencies of eVA and the new customer accounts they can serve have more than made-up for the fees. Virginia shares the risk of application implementation by providing a minimum revenue guarantee to our service provider. Virginia also shares in the reward, beginning with a revenue split of service provider 95% and Virginia 5% below the minimum guarantee and then moving to a 95% Virginia to 5% service provider as Virginia processes orders above the anticipated cap for the year. Virginia has tied both its and the service provider revenue gains directly to the success and use of eVA.

Virginia's legislature first convened in 1619; Virginia prides itself on tradition. All of our stakeholders hold fast to doing business the "old fashioned way" with personal contacts, long standing relationships, and lots of paper. Changing well established habits is hard work. At times it is frustrating and now very gratifying. Change was not just asked of our suppliers and Virginia public bodies, but of ourselves. The Division of Purchases and Supply, has completely restructured the way it delivers statewide contracts, procurement oversight, and support of our suppliers. As the Director of Purchases and Supply stated in the request for proposal for eVA:

"The Commonwealth's procurement function will remain decentralized and close to the customer permitting a greater understanding of customer requirements and flexibility in meeting those requirements. Agencies, institutions and public bodies (COVA Entities) will develop creative and innovative procurement approaches to improve customer support.

At the same time, there will be a hosted web based procurement solution that will support the decentralized procurement environment through an electronic procurement portal on the Internet. This portal will allow COVA Entities and vendors to access information needed for conducting business in the Commonwealth including solicitations and contract awards. The portal will host tools such as central vendor registration and the electronic mall for on-line buying. These tools will enable the Commonwealth to leverage its buying power through increased competition. Through the procurement portal the Commonwealth will be able to conduct business in a decentralized

manner while capturing the efficiency and effectiveness of a centralized organization. This solution will enable COVA Entities to obtain goods and services easier, faster, and at the best value."

No organization has grown or changed more than eVA's sponsor. Former supplier registration and bid tabulation staff are now supplier adoption specialists and customer support agents. Procurement Review and Audit staff have become public body account executives training agencies and institutions on the effective use of eVa and assisting agencies in streamlining procurement through the use of electronic workflow and on-line bidding. State buyers have become expert contract negotiators basing their negotiations on known volumes. They have redesigned state-wide procurements to automate e-mall catalog creation based on bid awards. They have implemented new solicitation processes including best value and reverse auction procurements.

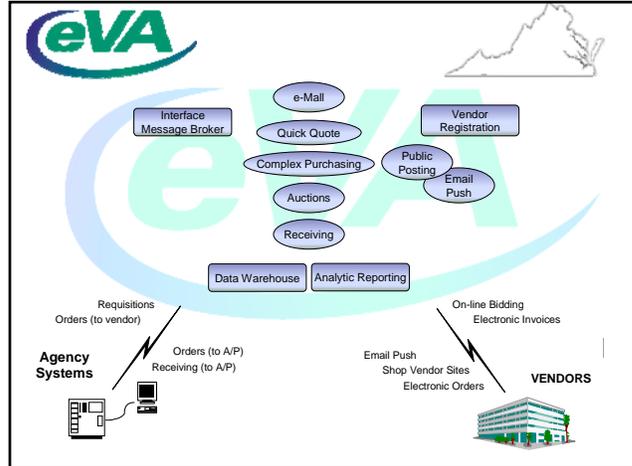
We have changed and by leading the change our public bodies and suppliers have also changed. We have also instituted measurements and rewards for ourselves and our eVA users. Cheering on our early adopters and cajoling the laggards. Keys to our success are persistence, a clear and consistent message, strong core project team, teamwork with agencies, institutions of higher education, and local governments, and excellent support from Virginia's governor and his cabinet.

Attachment: eVA Slides

## Department of General Services



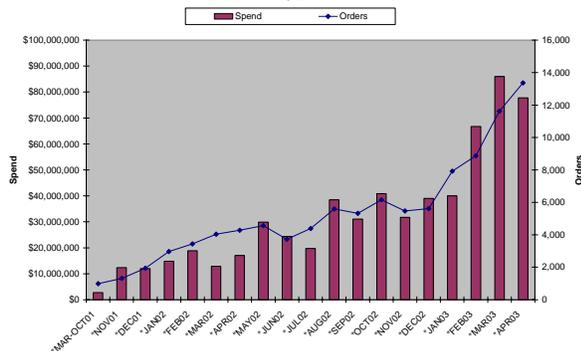
Attachment 2, eVA Slides  
 NASPO 2003 Cronin Club IT Innovation Award  
 Submission  
 June 3, 2003



## eVA How We're Doing

### eVA Summary Activity

May 1, 2003



## eVA How We're Doing

- ❑ Over 4 million goods and services can be purchased ...MRO, Fuel, Vehicles, Technology, Services
- ❑ 171 agencies and universities, and 256 local government entities use eVA
- ❑ Over 114,000 purchases, most in past 17 months
- ❑ Over \$680 million in spend, most in past 17 months
- ❑ Over 10,100 registered vendors and over 4,500 are SWAM
- ❑ Over 709 catalogs



"The system is easy to use and very convenient for our business."  
 Brooke Rhodes, Manager  
 James River Press, L.L.C.  
 Woman-owned business

"eVA's punch-out catalog is an effective and efficient way to reach all state agencies with pertinent information regarding our products and services."  
 Georgia Lucas, Internet Services Manager  
 The Supply Room Companies  
 Local independent business

"No matter which agency is doing the ordering, the hard copy layout looks the same. This has helped eliminate costly mistakes incurred when trying to read differently-formatted purchase orders."  
 Don Kellam, State Account Specialists  
 xpedx Richmond  
 IP-owned, National Paper Company subsidiary



"Now I am able to get real-time access to procurement information. Best of all, I avoid the administrative hassle and paperwork."  
 Freddie Cobb, President  
 Cobb Technologies  
 Local Independent Organization

"We have received many new orders and established a number of new accounts from outside our traditional market area. That never would have happened without eVA."  
 Kaythryn "Ty" Roop, President  
 Wytheville Office Supply, Inc.  
 Small, woman-owned business

"We've found eVA to be a powerful procurement tool that has enhanced our ability to conduct e-business."  
 Ed Floyd, Director  
 Daly Computers, Inc.  
 Minority-owned business

**Thank You & Visit . . .**



**[www.eVA.state.va.us](http://www.eVA.state.va.us)**