



OPERATIONAL SERVICES DIVISION

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Cronin Award Nomination for the Commonwealth of Massachusetts Innovative Procurement Reforms including Development of Procurement Advisory Board and Municipal Procurement Program and Implementation of Strategic Sourcing Practices

Introduction:

The Commonwealth of Massachusetts Operational Services Division (OSD) hereby submits for consideration a nomination for a NASPO Cronin Award for Procurement Excellence for the Commonwealth's Innovative Procurement Reforms.

Detailed Description and Results:

Most success stories start with the identification of problems or issues that need to be improved upon. In 2011, several major problems were identified at OSD, which is the Commonwealth's central procurement and operations office. These problems included:

- OSD did not have primary points of contact within the many public entities that we served and, as a result, we did not know who our customers were and did not know what these customers were buying, what they wanted to buy or what they wanted OSD to procure on their behalf. Previously, OSD communicated procurement policies and news to Department Heads, Chief Financial Officers and General Counsels. As a result, we never communicated with the primary audience of individuals responsible for procurement, purchasing and contracting activities because there was no consistency from one agency to the next for who was responsible for these activities.
- OSD was not making it easy for our customers to buy off of our Statewide Contracts and to conduct their own procurements;
- OSD was not in tune with our vendors and the fact that these vendors faced barriers to conducting business with the Commonwealth, including certain unfavorable procurement and contract terms and an annual fee to access bidding opportunities;
- Most Vendors on Statewide Contracts were not in compliance with all of their contract terms, including minority- and women-owned business contracting plans;
- The Commonwealth's eProcurement system was outdated;
- The Commonwealth's procurement policies and procedures were too complicated, repetitive and long; and
- The Commonwealth's procurement process was too bogged down in minutia and less focused on planning, strategizing and saving.

Identification of these problems provided OSD with an opportunity to develop solutions and to integrate innovation, customer service, cost savings and best practices into the core of the Commonwealth's procurement operations. OSD proposed to Governor Deval Patrick to solve most of the identified problems through his issuance of an Executive Order, which was signed on May 9, 2011 as [Executive Order No. 533](#) – Enhancing the Efficiency and Effectiveness of Executive Department Procurements and Establishing the Municipal Procurement Program. The basis for this Executive Order was that, during these difficult economic times, Massachusetts must be focused on making our procurement process more efficient for businesses and public purchasers and less restrictive to businesses and most importantly, to ensure that we save taxpayer's money. This executive order combined with changes to procurement statutes, regulations, policies, procedures, practices and culture in the Commonwealth have resulted in a multitude of innovative initiatives which were executed in parallel and have resulted in the following accomplishments, which are the basis for this nomination:

- OSD Appointed Secretariat Chief Procurement Officers (SCPO) and Agency Chief Procurement Officers (ACPO) who report directly to their Secretariat/Agency Heads and on a dotted-line basis to the Commonwealth's Chief Procurement Officer, or Assistant Secretary for Operational Services. Equally important, these individuals are also responsible for serving as their Secretariat/Agency's Supplier Diversity Program Officer (SDO). This dual responsibility unified the procurement requirements for overall goods and services procurement with secretariat and agency M/WBE goals with one person per secretariat and agency. These new CPOs and SDOs are now required to identify discretionary funding and for submitting annual Procurement Plans, as discussed below. This change resulted in the identification of over 700 procurement personnel across the executive branch, improved communication with and customer service provided to our primary customers and also makes them accountable to the Commonwealth's Chief Procurement Officer. It also raised the level where both procurement and supplier diversity decisions are made within the Executive Branch through the identified CPO/SDO at the secretariat level.
- OSD directed all Secretariats to submit annual Procurement and Spending Plans, which would assist OSD in the statewide development of:
 - Spend Analysis;
 - Benchmarks; and
 - Identification of Procurement Aggregation Opportunities.
- OSD established the following boards/programs, which provide forums for further communication, planning and implementation opportunities with our aforementioned newly identified customers:
 - Procurement Advisory Board, which is comprised of Secretariat Chief Procurement Officers and representatives from other key interest groups, including Higher Education, Supplier Diversity, Environmentally Preferable Products and eProcurement. The goal of this board is to meaningfully reduce the cost and improve the quality, value, efficiency, techniques and trends of purchasing goods and services and to enhance the opportunity for aggregate purchasing, standardization of processes, efficiencies and other coordination and collaborative procurement reforms. This Board is comprised of the following Subcommittees:
 - Business Advisory Committee;
 - Supplier Diversity Committee;
 - Savings Advisory Committee; and
 - Best Practices Advisory Committee.
 - eProcurement Advisory Board, which is focused on developing a strategic plan for funding, specifying and implementing a new state-of-the-art eProcurement solution which streamlines the Commonwealth's business processes.
 - Municipal Procurement Program, which is comprised of representatives from OSD and several municipalities and has solicited and aggregated local government priorities and is currently sourcing several of these priorities that will benefit local government and school districts.
 - Advanced Training, Outreach and Marketing to public entities and business groups, including:
 - Improved Marketing of Procurement Efforts and Contracts;
 - Revamped and Rebranded Annual Vendor Marketing event, as MASSbuys, formerly STAR Expo;
 - Implementation and use of Social Media tools; and
 - Development and Implementation of a new Strategic Sourcing Training Certification Program focused on Strategic Sourcing and best practices for the 700 known Commonwealth procurement staff.
- OSD introduced Strategic Sourcing into all levels of procurement and also implemented the following reorganizational and cultural changes in our own central procurement operations:
 - Implementation of Strategic Sourcing training and mindset into the Central Procurement Office, including use of the 7 step approach to Strategic Sourcing;
 - Appointment of Strategic Sourcing Services Managers and Leads (previously Procurement Managers and Procurement Team Leaders) in the Strategic Sourcing Services Office (previously the Procurement Office);
 - Implementation of a new contract renewal process for Statewide Contracts, including analysis of contract use, industry changes, certified Supplier Diversity Office and small business participation and pricing, in order to determine whether each contract should be extended, re-sourced or allowed to expire;
 - Six month advance publication of OSD's upcoming Statewide Contract procurement activities at the beginning of each month;

- Enforcement of Contract Terms on Statewide Contractors in order to ensure that they are complying with contract requirements - One example is an improvement from less than 30% to 99% compliance with Supplier Diversity Program contract terms;
- Improved Processes for Cooperative Procurements including the development and execution of Memorandums of Understanding between OSD and other public and quasi-public entities, including the Massachusetts Higher Education Consortium and a national cooperative purchasing group, for several cooperative procurements; and
- Implementation and Achievement of Cost Savings and Cost Avoidance Goals.
- The Commonwealth has removed unnecessary barriers or burdens which may result in increased risk and/or cost to businesses interested in doing business with the Commonwealth, including:
 - OSD identified and eliminated several unnecessary, overly risky, burdensome & costly standard terms and conditions. One example – OSD removed the “Most Favored Customer Clause” from our Required Specifications, which was perceived by several businesses as a barrier to doing business with the Commonwealth.
 - Governor Patrick eliminated OSD’s \$275 Annual Comm-PASS Subscription Fee on July 1, 2011, thereby giving everyone free access to bid opportunities, email notices and online bidding tools.
- OSD is standardizing and streamlining the Commonwealth’s procurement processes and providing new resources to departments, thereby making it easier for them to conduct procurements, for all public entities to buy from existing contracts, and for interested bidders to submit their bid. Some successes from this initiative include:
 - OSD and the State Comptroller’s Office issued a new, streamlined Standard Contract Form, which shortened instructions and certifications from 11 pages to 5 pages;
 - OSD developed and issued procurement and purchasing document templates, including a streamlined “Request for Response” (RFR) template, RFR template instructions and online bidding language for use by agencies in order to standardize the terms for buyers and bidders, to make the process more user friendly and to reduce paper and costs;
 - OSD is in the process of condensing excessively long procurement policies in order to simplify the steps that procurement personnel have to follow in conducting procurements;
 - OSD has streamlined its Supplier Diversity Office Certification Process in order to eliminate redundancies and unnecessary documents, thereby reducing the steps and time for M/WBEs to become certified;
 - OSD has worked with the Commonwealth’s Information Technology Division in streamlining the Information Technology Acquisition Policy which is followed by all Executive Agencies;
 - OSD has improved customer service provided to public entities and businesses;
 - OSD proposed legislation, which was enacted in June 2012 and which increased the Incidental Purchase threshold level from \$5,000 to \$10,000, thereby easing the process for simple, one-time purchases.
- The Commonwealth has implemented the following statewide oversight and fraud prevention efforts which OSD has membership on and which are aimed at ensuring the integrity of the procurement process:
 - Attorney General’s Office Anti-Fraud and Compliance Team (ACT); and
 - Executive Office for Administration and Finance’s Program Integrity Steering Committee.

Conclusion:

The Commonwealth of Massachusetts has implemented sweeping changes in the way it conducts its procurements. These innovations, which could be replicated elsewhere, have resulted in: improved customer service; more efficient operations; more streamlined procurements, forms, and processes for procuring entities and for interested bidders; and have resulted in savings in the first year alone of \$28 million, plus increased spending on Statewide contracts by 35% from \$732.3 million to \$985.6 million. The increase in statewide contract purchasing also generated an increase in revenues through the OSD administrative fee by \$2.53 million.