



State of Georgia

Department of Transportation
Division of Operational Procurement

2019 George Cronin Awards for Procurement Excellence

Partnering for Efficiency and Positive Impact

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Executive Summary

The GA Department of Transportation (GDOT), Office of Procurement, began introducing continuous improvement applications into the state's Pcard program, streamlining of equipment repairs, lowering costs associated with parts, processing and personnel, reducing financial risk, and ensuring compliance with usage of statewide contracts implemented by the Department of Administrative Services.

Our solution was driven by significant restrictions to the usage of the state Pcard program, as directed by the Office of the Governor, which reduced the number of cards available to GDOT from 598 active cards to 61 active cards. This reduction in available cards mandated a need to reevaluate how purchases were being done and find more efficient ways of meeting the needs of the agency. This allowed for an opportunity to shift the focus of procurement from a transactional view to a strategic assessment of our processes. The idea supported our desire to review every process, form, approval, and policy periodically so that we could focus on continuous improvement concepts to the GDOT staff at all levels, from the field mechanics, parts runners, procurement and accounting staff.

The resulting analysis led to partnering with NAPA Integrated Business Solutions (NAPA IBS) which led to positive impacts to Pcard reductions, consistent contract pricing, more efficient processes and better utilization of resources. By partnering with NAPA IBS, with their onsite inventory expertise for automotive, truck, equipment and parts inventory management at repair facilities, led to efficiencies in hard and soft cost reductions, expedited equipment repairs, and reducing fraud and abuse risk exposure to the Pcard program.

The program implementation began with one district at a time with full statewide rollout completed within a 12 month period. The process proceeded by starting with an evaluation of parts usage over a 2 year period, complete inventory audit per district, NAPA IBS purchase of usable inventory, internal facility buildout for NAPA inventory and personnel and revised ordering process for GDOT personnel.

Innovation - While partnering with private sector companies is not new, this program has been the first to be implemented at a State of Georgia agency or university with statewide needs in all 159 counties within the state. With this in mind, GDOT's efforts have become a model for others within state government.

Transferability - The success of the NAPA IBS implementation is easily transferable. Many private sector companies with fleet equipment have taken advantage of and a few local Georgia county governments have implemented similar programs. The University of Georgia has elected to follow the GDOT model of implementation.

Service Improvement - Adopting and fostering this onsite environment has led to tremendous gains in efficiency and service levels, to be discussed later.

Cost Reduction - Time is money and when you can transform a process and achieve a reduction in the amount of time that process takes, the savings can be enormous.

The GDOT Office of Procurement proactively identified areas of risk within the GDOT Office of Equipment Maintenance, Pcard usage throughout the state, analyzed spend by category, drove compliance with state procurement purchasing rules, all while focusing on efficiencies across multiple offices that would experience an positive impact of efficiencies to their processes.

The areas analyzed were the Pcard and purchase order (PO) spend across GDOT for all equipment repair locations for the Auto Parts category. The analysis was conducted for all seven district offices across the state. This led to identifying multiple specific areas of concern;

noncompliance with using the statewide contract for auto parts resulting with higher costs to GDOT due to not receiving contract pricing, excessive issuance of POs, ineffective usage of mechanic personnel, creation of temporary maintenance labor positions to be used as parts runners, and high processing costs for payments to invoices and Pcard transactions.

Innovation

Although retaining onsite facility management services is not new, it was the first in the State of Georgia for a state agency to do so. Over a one year period, beginning in October of 2017 with full implementation across the State of Georgia in December of 2018, NAPA IBS was integrated successfully into all 7 GDOT motor vehicle equipment repair facilities located across the state.

In public procurement, we are often accused of unnecessary steps and expenditures due to our policies and processes. While our profession strives to address the various areas of risk and inefficiencies, the resulting layers of processes tend to become an administrative burden for our colleagues. As in the case of GDOT, without appropriate levels of inventory control for each individual site, based on the equipment and vehicles at each location, the overall inventory of auto/equipment parts quickly grew out of proportion, became obsolete and incurred excessive costs to GDOT.

NAPA IBS quickly assessed each facility and determined what GDOT owned inventory was relevant and what was obsolete. They also provided data analysis of spend by auto parts comparing what was paid versus pricing on the statewide contract. The data showed pricing per items to be widely varying.

Additional benefits came from decreasing the amount of time a piece of equipment was out of service due to waiting on parts as well as reducing the potential for fraud. NAPA IBS are experts at inventory management while GDOT is expert at building and maintaining roads. This partnership allowed GDOT to focus on what it does best while allowing NAPA IBS to manage its parts.

Transferability

Gaining access to the expertise of NAPA IBS is available through the National Joint Powers Alliance® (NJPA), as a solution for the procurement of Inventory Management Solutions.

The process GDOT used to implement the program was easily accomplished by following a common sense approach to the analysis of assessable data. To begin, a government entity would want to analyze the needs.

Step 1: Spend analysis by category of spend at each contemplated location. Select on area of focus and compare pricing by a specific item. Is the pricing static across a specific time period? Look for any outliers of items that may not necessarily be an item that should have been purchased.

Step 2: Where were the items purchased, were they purchased from the correct source or contract.

Step 3: Engage NAPA IBS to assess each location by vehicle/equipment assigned to that location. Conduct an inventory analysis to determine what parts are necessary and what inventory no longer is needed.

Service Improvement

Having the right parts on hand for daily repairs to equipment or vehicles greatly reduces the time the equipment is down. Any downtime to equipment equates to preventing GDOT from meeting its mission of improving transportation demands of the travelling public. Below is an example of improved productivity for equipment and vehicle repairs. ** The below does not include a full 12 month data analysis for all locations considering the rolling implementation schedule. The impact will be greater as the program reaches full maturity in November 2019.*

Fiscal Year	Number Of Repair Orders Completed	Increase in Productivity Total	Increase in Productivity %
FY 18	21921		
FY 19	23174	1253	5.72%

Cost Reduction

Cost reduction to GDOT came through savings to both hard and soft costs. To assess the hard costs, the data analysis had shown that much of the inventory parts was purchased through sources not awarded a DOAS statewide contract. The issues that resulted led to excessive inventory costs, inconsistent pricing due to not using contract pricing, increased level of obsolete parts and non-compliance with state purchasing rule. We had found hundreds of examples of purchasing a specific equipment/auto part at dozens of different price points.

Hard Costs

NAPA IBS conducted a cost-benefit analysis of outsourcing each of the GDOT District locations in a manner that would not interrupt the daily workflow of the fleet services. The analysis shown areas for new efficiencies as well as addressed the “right sizing” of inventory levels per location. As a result, NAPA IBS took possession of usable inventory held by GDOT in the amount of \$783,000. In addition to the usable inventory, NAPA IBS assisted GDOT in the reselling of over \$317,000 in parts that were no longer needed by GDOT. This is an additional service offered by NAPA IBS where they have the ability to resell through their many network distribution channels, which is then reimbursed to the agency.

Soft Costs

Each GDOT facility had a staff of 2 Parts Runners. The Parts Runners sole purpose was to be available to pick up and deliver required auto parts during an 8 hour period, Monday thru Friday. NAPA IBS allowed GDOT to reduce the total number of positions in some areas, and allowed it to re-purpose the positions to meet other maintenance related needs. This resulted in either an outright savings or re-purposing of \$452,637.00 per years in costs as detailed below:

Reduction/Repurpose of Shop Personnel

Hourly Rate	Weekly Wage 40hr	# of Personnel per Location	Total Wage per Week x 2	Total Wage x 7 Locations	Cost to Agency including Benefits (63%)	Savings to Agency per Year including Benefits
\$9.51	\$380.40	2	\$760.80	\$5325.60	\$8680.70	\$452,637

The two tables below show information related to soft cost reductions to procurement processing of PO and Pcard transactions.

Reduction in Purchase Orders Auto Parts POs				
Fiscal Year	POs	Life Cycle Processing Costs per PO	Total Yearly Processing Costs	Yearly Savings After Implementation
FY17	1066	\$150	\$159,900	
FY18	4269	\$150	\$640,350	
FY19 (Full Implementation)	879	\$150	\$131,850	\$508,500

Reduction in Pcard Transaction Auto Parts Pcard Transactions				
Fiscal Year	Pcard	Life Cycle Processing Costs per Transaction	Total Yearly Processing Costs	Yearly Savings After Implementation
FY17 (Card Program Changes 4/2017)	9112	\$75	\$683,400	
FY18 (Card Program Implemented)	2027	\$75	\$152,025	
FY19 (Full Implementation)	225	\$75	\$16,875	\$666,525

The savings from processing fees can be quantified as shown above. The savings realized from the overall reduction to fraud and abuse cannot be assessed numerically. However, preventing fraud and abuse is invaluable and unmeasurable to GDOT ability to maintaining public trust.

Total savings to the Agency

Hard Cost - Inventory	Personnel	PO Processing	Pcard Processing	Total Savings at Implementation
\$1,100,000	\$452,637	\$508,500	\$666,525	\$2,727,662.

Conclusion

The successful partnership of GDOT and NAPA IBS has provided cost reductions through the hard and soft costs, ensuring consistent contract pricing, establishing more efficient processes, better utilization of resources and reduction of fraud and abuse risk to the Pcard program.

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