

State of Arizona Streamlines Purchasing with BuySpeed®

Facing a \$1.4 billion budget shortfall, the State of Arizona replaced its multiple procurement systems and old mainframe technology with a “one-stop-shop” implementation of Periscope’s BuySpeed eProcurement system.

“BuySpeed’s functionality and Periscope’s consulting approach have allowed us to implement ProcureAZ on-time, on-budget and with meaningful savings realized by the State. We couldn’t have asked for a better fit for our statewide purchasing process.”

The transition to the new statewide purchasing gateway, branded “ProcureAZ” for Arizona, began in 2009. This single, web-based procurement and sourcing portal brought significant cost and manpower efficiencies not only to the State, but to local governments and schools as well.

How does a state in a budget crisis purchase a new procurement/sourcing system? Arizona devised an everyone-wins answer to this question by assessing a one-percent administrative fee for vendors on purchases made by local government entities. The administrative fee covered the entire cost for implementing the system within 18 months and has since maintained an average 15 percent increase in revenue annually.

Procurement Administrator Jean Clark and her team worked with Periscope on a phased roll-out of the ProcureAZ system and the streamlined business processes it enables. “BuySpeed’s functionality and Periscope’s consulting approach have allowed us to implement ProcureAZ on-time, on-budget and with meaningful savings realized by the State,” said Clark. “We couldn’t have asked for a better fit for our statewide purchasing process.”

Implementation of ProcureAZ in phases made for a smooth, steady adoption of the system. This approach enabled the State to integrate procurement and sourcing processes, make these processes transparent to all stakeholders and level the playing field for small-business vendors by simplifying participation.



Online tool increases transparency and delivers savings

Any citizen can log into ProcureAZ, view all State contracts and see how much money has been spent with any vendor statewide (fiscal year-to-date). Procurement managers can see every solicitation and quote being issued for Arizona. Clark commented, “I get visibility into all my spend—my agency contracts and my statewide spend.” This transparency engenders accountability and sets the stage for continuous improvement of procurement processes.

Currently, more than 4,500 active catalogs and 25,000 vendors are registered in ProcureAZ. Since go-live, the State has used the system to manage more than 1,200 solicitations, including 12 reverse auctions. The State has seen a 26 percent reduction on pricing in a representative sample of new solicitations for various commodities and services. Participation in Arizona's cooperative purchasing program has increased by 51 percent; this program allows local governments to leverage the State's cost savings by purchasing off of statewide contracts.

In parallel with the ProcureAZ roll-out phases, the Arizona Department of Health Services worked with Periscope to implement the BuySpeed inventory module at the Arizona State Hospital. Implementing the inventory module moved State Hospital employees from using an antiquated inventory management approach to using an integrated, automated one. In the old method, staff members maintained a separate, legacy system that required multiple manual entries, and they tracked inventory and purchasing in separate systems with limited reporting capabilities. With the new module in place, the State Hospital is now able to search both inventory stocks and contract vehicles before building a requisition. The module automates reorder points and creates replenishment requisitions, assuring staff that key items are on hand when needed.

Outmoded technology hindered State's procurement management

Arizona's adoption of the ProcureAZ system could not have come at a better time. For a state in a severe budget crisis, the existing paper-based processes and disparate purchasing systems were simply too costly to sustain. They were too labor-intensive and time-consuming as well; the procurement staff had been reduced by half statewide because of budget shortfalls and retirements. The State needed a solution that would cut cost and trim waste—a solution that could be implemented quickly.

Manual, paper-based processes

Previously, purchase requisitions were routed physically through various checkpoints before a purchase order was issued. Issuing the purchase order did not encumber funds, so there was no guarantee that the money would be available to meet purchasing commitments.

Lack of coordination across state agencies

Agencies across the State managed their purchasing activities using manual processes or separate systems. Some agencies emailed purchase orders; others sent them through snail mail. It was impossible to track and analyze procurement metrics—vendor performance history, spend per vendor, purchases by category, and other factors—across agencies. Collaboration with local entities was difficult to coordinate and rarely occurred.

Vendor participation difficult

Competition among vendors was reduced, because suppliers had to navigate a labyrinth of multiple processes and systems to identify bid opportunities for both statewide and individual agency contracts. The process' complexity was prohibitive for many smaller vendor companies.

PHASE ONE May - September 2009

The State of Arizona implements ProcureAZ, providing a single web-based portal for vendor registration, sourcing and contract/catalog ordering.

PHASE TWO October 2010- August 2011

Includes full procurement/sourcing functionality that allows State agencies to manage requisitions, purchase orders, receipts, solicitations, vendors, contracts, inventory and business intelligence reports.

PHASE THREE November 2011- July 2012

Expands business intelligence framework with customized KPI dashboards and tools to drive procurement strategy; adds "three-way match" accounts payable module.

State of Arizona, State Procurement Office

The sixth-largest and 16th most populous state in the United States, Arizona is home to some 6.5 million people. The State Procurement Office (SPO) is a division of the Arizona Department of Administration; it serves as the central procurement authority for the State.

The SPO's focus is to make the best use of the State's resources by maximizing opportunities for strategic sourcing. Responsible for making and upholding procurement policies across Arizona, the SPO also obtains and manages contracts for statewide purchases for items that are not particular to a program, such as office supplies, temporary services, and equipment. It also handles purchasing for numerous small agencies throughout the State. This is the office within the Department of Administration that supports the ProcureAZ system and provides access to it for state agencies as well as Arizona's cities, counties, universities and school districts.

“Periscope’s team of professionals came well-prepared and were extremely knowledgeable and ready to assist the State of Arizona,” said Tanja Schmitt, Project Manager.



Optimizing eProcurement benefits

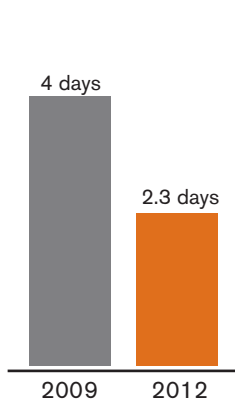
In implementing ProcureAZ, Arizona moved to a single, off-the-shelf software solution that Gartner rated best-in-class for the public sector. The new system would integrate processes across agencies and eliminate cumbersome, manual steps. The system would also enable the State to apply not just data analysis, but true business intelligence, to its decision-making process.

Completed in less than 100 days, Phase I was a success. This initial phase entailed launching a single, web-based portal for vendor registration, sourcing and contract/catalog ordering. When ProcureAZ went live, 19 WSCA contracts and more than 2,000 Arizona-specific contracts with 80,000 line items were loaded in the system. The phase engaged some 120 state agencies and 450 local governments and schools in using the new system. SPO Project Manager Tanja Schmitt commented, “Periscope’s team of professionals came well-prepared and were extremely knowledgeable and ready to assist The State of Arizona.”

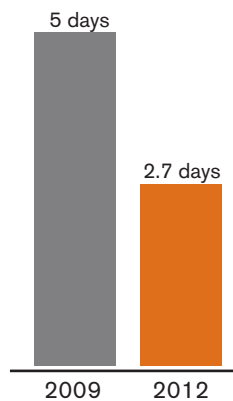
Arizona kicked off Phase II in October 2010. By late summer 2011, all state agencies had full procurement and sourcing functionality up and running. They now use ProcureAZ to manage inventory, requisitions, purchase orders, receipts, solicitations, vendors, contracts, and business intelligence reports. The phase was completed on time and within budget.

In Phase III, launched in late 2011 and completed in July 2012, Arizona capitalized and expanded on ProcureAZ’s sophisticated data analysis and reporting capabilities to maximize the savings potential of the new procurement approach. The State embarked on an initiative to identify the key performance indicators (KPIs) that would drive management decisions, develop reports and dashboards to monitor these KPIs, and define procurement strategy and resource management processes based on the business intelligence generated. The phase also added an invoicing and accounts payable module to enable a “three-way match” between purchase order, receipt of good(s) and invoice before payment is approved. This means that Arizona only pays vendors for goods and services that are actually delivered.

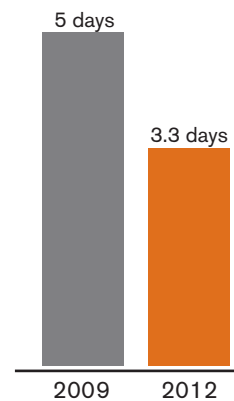
Decrease in requisition processing time



Decrease in purchase order/contract cycle time



Decrease in open market “1 time buy” cycle time



Strategic contract portfolios using business intelligence

Arizona set out to construct a business intelligence framework that would support the development of strategic contract portfolios. The State began by defining KPIs for its procurement process, aligning the indicators with the core procurement values of efficiency, quality and consistency. Using these values as a benchmark, Arizona worked with Periscope to design performance analysis mechanisms that would not only report on performance but would provide actionable data that could be used to adjust processes. The result was a business framework that is transferable to other state procurement organizations.

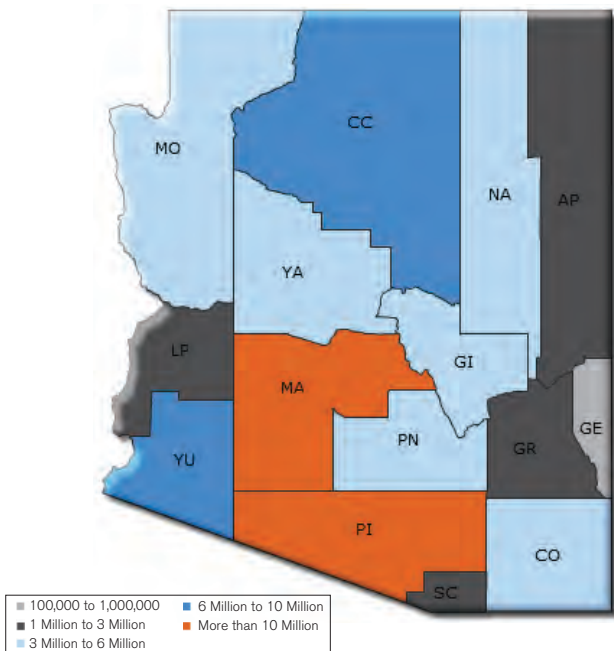
Periscope leveraged the capabilities of the ProcureAZ system to enhance data evaluation, enabling Arizona to identify strategic contract opportunities. The team built customized dashboards that put indispensable performance tracking metrics and data analysis tools at the fingertips of decision-makers, then rolled out this functionality statewide.

KPIs driving service improvement and cost reduction

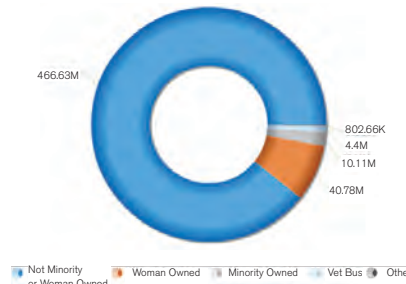
While dashboards are invaluable tools for monitoring performance trends, they can raise as many questions as answers about the KPI metrics presented. To overcome this, Periscope developed complementary tools to help the State's procurement professionals obtain the detailed information necessary to make more informed decisions.

- Most of the reports provided through the dashboards allow direct drill-down to the next level of data. For example, a buyer reviewing commodity spend for Spend Category 01 - Administrative, Financial, and Management Services can drill down to all the 3-digit NIGP classes within that category to identify which classes have the highest spend, which have spikes in off-contract spend, etc.
- Each of these reports can be further parsed by detail reports available within the system. For example, if a buyer finds that NIGP class 952 – Human Services has a high degree of off-contract spend, they can run a report that provides a detailed listing of what agencies (and divisions within those agencies) are buying off-contract in that class.
- The State is incorporating use of an Opportunity Assessment tool to provide a standardized approach to analyzing and documenting spend improvement initiatives within spend categories. This tool incorporates analysis from dashboards and detailed reports, as well as additional analysis by procurement teams, to provide a common mechanism for targeting improvement opportunities.

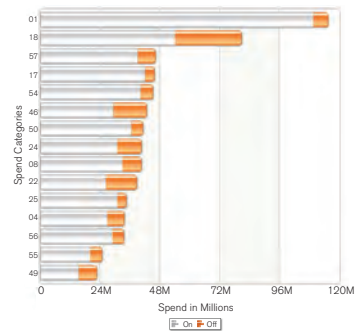
Arizona State Spend by County Dashboard
Total: \$518,283,862.78



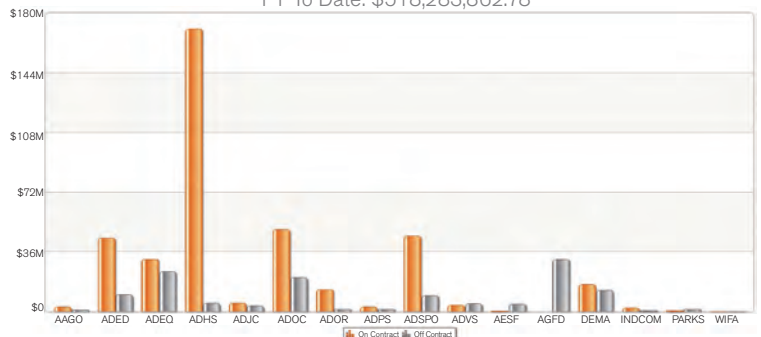
Spend by Vendor Category Dashboard



Top 15 Spend Categories Dashboard



Spend By Organization
FY To Date: \$518,283,862.78



Benefits by the numbers

The adoption of ProcureAZ yielded numerous benefits for the State of Arizona. Among these are the following:

- **Reduced Costs** – The State saved an average of 26 percent on contract pricing in a representative sample of new solicitations for various commodities and services
 - Office supplies – 25.4 percent lower
 - Janitorial supplies – 24.2 percent lower
 - Elevator maintenance – 32.5 percent lower
 - Legal messenger – 20.3 percent lower
- **Reverse Auction Solicitations** – Saved an average of 26 percent
- **Increased participation in the State's cooperative purchasing program by 51 percent**
- **Reduced cycle time for key processes:**
 - Requisition processing – 42.5 percent less time
 - Purchase order/contract processing – 46 percent less time
 - Open market, "one-time buy" cycle – 34 percent less time

ProcureAZ Accolades

- Best Fit Integrator Award
- NIGP Innovation Award
- Cronin Award Finalist
- Procurement Leaders Finalist

Arizona is making strategic strides to be efficient and transparent. We've rolled out eProcurement and plan to tackle a financial system next," Clark said.

Conclusion

The SPO responded to Arizona's fiscal crisis by revamping its antiquated purchasing system with a robust, all-in-one solution. ProcureAZ has netted significant benefits for stakeholders at all levels of government within the State. These benefits include cost savings from more efficient processes, greater vendor participation—and thus, competition—in State solicitations and more favorable pricing gained through increased collaboration among agencies at the State and local levels. Additionally, staff members can do their jobs more easily, because they have access to quicker, more cost-effective sourcing of needed items.

Capabilities of Arizona's new system include a central vendor portal, punch-out ordering with key online catalog vendors and full solicitation management functionality that includes reverse auctions. ProcureAZ is integrated with the State's mainframe financial system so that accounting entries can be posted in real time, boosting efficiency and providing transparency into financial transactions. The addition of ad hoc reporting and dashboards increases fiscal controls and supports long-term strategic planning.

Users at each stage of the purchasing process—from those creating a requisition, approving a purchase or identifying potential vendors to those registering as a vendor, posting an RFP response or receiving a payment—access ProcureAZ via the web. Centralizing the purchasing function through this single portal creates efficiencies and provides visibility across agencies and fiscal functions.

Perhaps the most significant benefit of adopting the new system has been the growth of strategic resource management made possible by the above-mentioned visibility. ProcureAZ's data analysis and reporting capabilities further magnify SPO's capacity for big-picture planning.

The State has optimized the benefits derived from the comprehensive, source-to-pay functionality of the new system by working systematically with Periscope to implement ProcureAZ in phases. SPO's strategic stewardship of State funds has garnered recognition for the Arizona Department of Administration. NIGP, The Institute for Public Procurement, awarded the Department its 2011 Innovations in Public Procurements Award. According to NIGP, "What makes the ProcureAZ implementation truly innovative is that it functionally supports all state of Arizona public bodies under a single statewide license."

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