IT ACQUISITION STRATEGIC PLAN

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BACKGROUND

The IT Acquisition Strategic Plan identifies discreet and actionable steps to be taken by the State to immediately begin to optimize the management of IT services and programs, including the planning and acquisition process for the State. The ultimate goal is to deliver on the policy direction of state leadership – act to modernize the state technology infrastructure and make Hawaii a model for the nation. The plan identifies an appropriate IT acquisition life cycle model to best meet long term needs of the State for IT acquisitions, one that works in concert with overall state acquisition practices of the State.

METHODOLOGY

The IT Acquisition Strategic Plan has been developed to ensure that four key variables – people, processes, policies and technology – as related to the acquisition of IT goods and services are aligned to provide for an effective and efficient acquisition life cycle model that drives value and outcomes in state technology acquisition initiatives.

To develop the plan, a series of review efforts captured the current state of IT acquisitions for Hawaii. With the current state identified, industry and government best practices, along with the current practices of other states as relates to IT acquisition were examined. Leveraging this work, a set of holistic recommendations were developed to close the gap, culminating in the following plan that provides a prioritized matrix of initiatives and discreet, actionable projects.

RECOMMENDATIONS

For Hawaii to transform and modernize as envisioned by state leadership, there must be a call to action to all levels of government across the islands to come together to implement the following key initiatives:

1. Establish mechanisms to allow all public entities to benefit from the collective volume of the State
2. Optimize the State acquisition process
3. Maximize state purchasing power through a comprehensive IT contract portfolio
4. Establish acquisition review practices that reinforce enterprise architecture and governance
5. Identify, prioritize and execute on shared service initiatives that create the foundation of success for Hawaii in the decades to come

The plan provides an overview of each initiative and a set of discrete, actionable projects to meet the goal of each initiative. The overarching target outcome of these initiatives and projects is to make IT acquisitions put resources to work in a way that is faster, better and cheaper; achieving any one of these outcomes is good, two of them would be great, and all three of them would move Hawaii to first tier in the nation, and that is the goal of this plan.

IMPLEMENTATION

To move the state from the current “As Is” state to the envisioned future state model for IT acquisition, the plan compiles and sequences the recommended projects providing a timetable for implementation of the projects associated with the key initiatives.

1.0 INTRODUCTION

1.0 INTRODUCTION

1.1 PURPOSE

The IT Acquisition Strategic Plan identifies discrete and actionable steps to be taken to address short-term gaps necessary to streamline and optimize the IT acquisition process for the State, and identifies an appropriate IT acquisition life cycle model to best meet long term needs of the State for IT acquisitions. This plan seeks to work within the existing acquisition framework of the State to transform IT acquisition practices wherever practical, and to work in concert with the State Procurement Office in areas of mutual responsibility.

State leadership has stated with high clarity through creation of the CIO office, and legislative directives, the need for expedited implementation of business reengineering and foundational technology initiatives, and specifically establishes intent for an expedited procurement approval process for IT projects that are funded for fiscal year (FY) 2013 as outlined in Act 222.

The purpose of the plan is to establish the strategy regarding the future state of IT acquisition for the State of Hawaii, the operational impact of that strategy, and establish intended outcomes to maximize the outcomes from public funds dedicated to moving the state forward.

1.2 SCOPE

The IT Acquisition Strategic Plan has been developed to ensure that four key variables – people, processes, policies and technology – as related to the acquisition of IT goods and services are appropriately aligned to provide for an effective and efficient acquisition life cycle model that drives the greatest value for IT acquisitions for the State.

Figure 1: Key Variables of Acquisition

1.2.1 PEOPLE

The roles, organizational structure, and authority of individuals that impact the state function of IT acquisition.

1.2.2 POLICY

The formal policy directing the function of IT acquisition, which is comprised of legislative and statutory direction, formal executive branch direction from the Governor, administrative policy, and other documented requirements that extend administrative policy such as policy circulars, directives and memos.

1.2.3 PROCESS

The prescribed sequence of interdependent activities performed by people to operationalize policy in the function of IT acquisition.

1.2.4 TECHNOLOGY

The use of automated tools and systems to enforce policy and optimize the efficiency of people in their efforts to complete process activities related to IT acquisition.

1.2.5 METHODOLOGY

In order to develop an accurate "As Is" state of IT acquisitions, current policies, procedures, process documentation, and statute related to the IT acquisition process were reviewed. In addition, numerous interviews were held with management and staff at OIMT and the State Procurement Office (SPO), along with members of the IT Acquisition Work Group and other state agency and local government stakeholders. Lastly, the technical infrastructure in place to support the IT acquisition function was assessed.

To support plan development , review of best practices relevant to the current state for Hawaii were examined, along with the current practices of other states as relates to IT acquisition. From this review, an initial target future state model for the State was developed along with initial recommendations. These recommendations and the initial target future state model were presented to many of the same stakeholders from the current state phase of work for comment and feedback.

Lastly, the gap between the current state and the target future state was assessed to identify discreet actionable projects that would help the State to move from the current state to the target future state. This effort culminated in this plan and provides a prioritized matrix of initiatives, and associated projects, to be implemented by the state, including descriptions, policy considerations and possible technology requirements for each initiative.

1.3 DOCUMENT OVERVIEW

The IT Acquisition Strategic Plan describes the outcomes from the work described above, with emphasis on a prioritized matrix of initiatives, and associated projects, to be implemented by the state, including descriptions, cost estimates, associated cost savings and/or process efficiencies, policy considerations and possible technology requirements for each initiative.

1.4 ASSOCIATED DOCUMENTS

- *State of Hawai`i Business and IT/IRM Transformation Plan, September, 2012*
- *Baseline of Information Management and Technology and Comprehensive View of State Services (known hereafter as the "Final Report") prepared by SAIC and State of Hawai'i, September, 2011*

2.0 BACKGROUND

2.0 BACKGROUND

2.1 IT ACQUISITION LIFE CYCLE

For the purposes of this document, the concept of the Acquisition Life Cycle is defined as a process that connects business need with fair and effective methods to acquire goods and services needed to fulfill those needs. Initial stages build best practices to prioritize, plan, and procure goods and services. Vendors and projects are managed to deliver outcomes and meet scope commitments. Individual contracts and the overall contract portfolio are optimized through performance assessments that inform future acquisitions. Figure 2 provides a visual overview of the IT Acquisition Life Cycle and key functions performed in each phase.

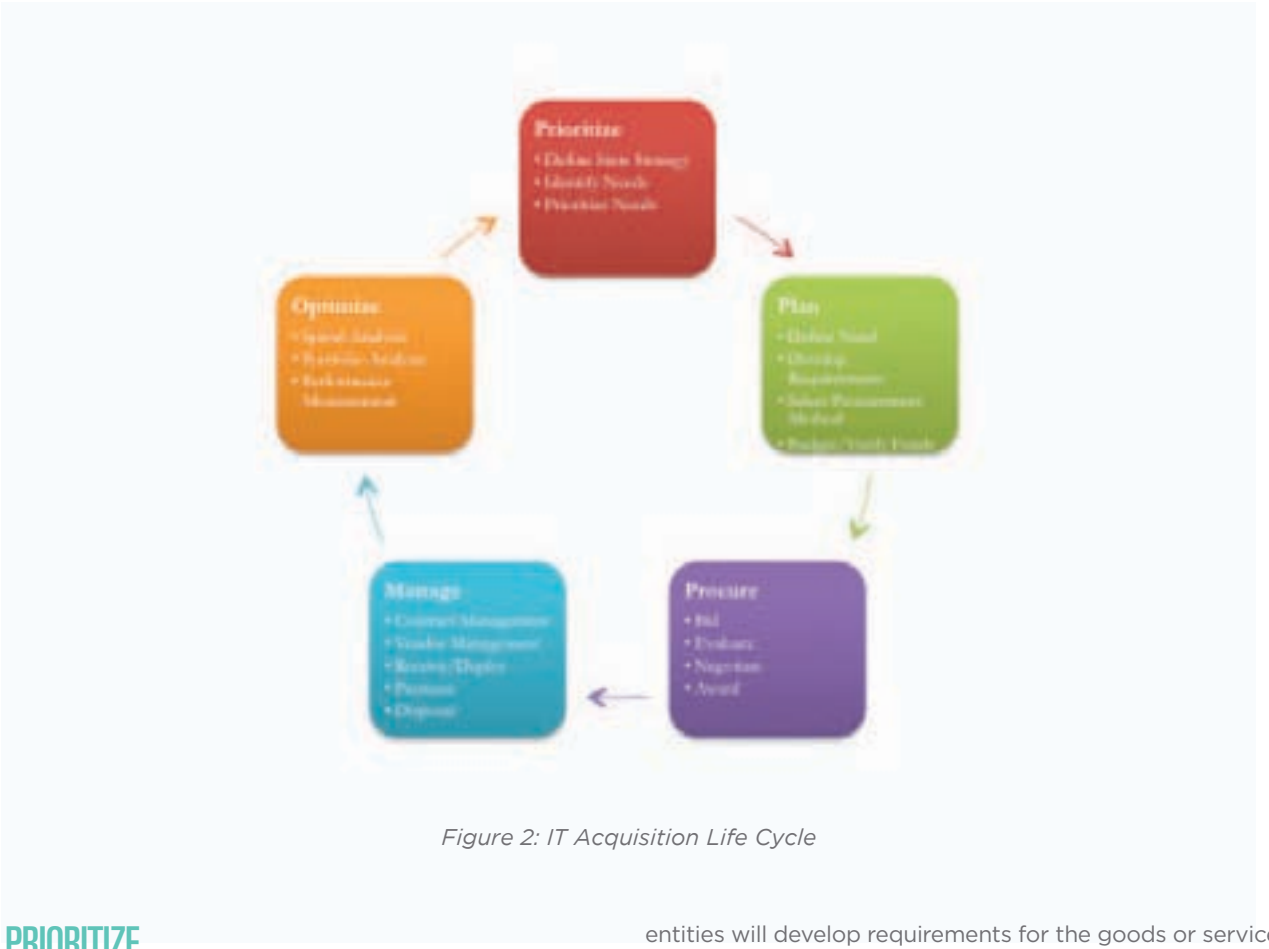

Figure 2: IT Acquisition Life Cycle

2.1.2 PRIORITIZE

The Prioritize phase is a process of establishing broadly applicable strategy and reviewing individual needs to determine alignment with the priorities of the state. From this phase agencies seek to identify priorities for legislative review and approval and eventual inclusion in the state budget, and post appropriation work in coordination with the state CIO to regarding overall timing and sequence of initiatives.

2.1.3 PLAN

The Plan phase is a process of defining the specific need and the appropriate fulfillment method for provisioning the goods or services needed. This phase includes review of state shared services and shared infrastructure alternatives, both existing and scheduled. If necessary for the acquisition method chosen, entities will develop requirements for the goods or services during this phase. The phase also typically encompasses the completion of purchasing processes, such as requisitioning, budget verification and gathering of required approvals, necessary to acquire the goods or services.

2.1.4 PROCURE

The Procure phase is the process of acquiring the needed goods or services through an open, competitive process. To complete this phase entities, working in conjunction with the central procurement authority, will develop a solicitation document, release the document, receive vendor responses, evaluate those responses and complete discussions and or demonstrations necessary to award a contract. Careful attention should be placed in this phase to develop risk mitigation strategies that are appropriate for the services to be procured.

2.1.5 MANAGE

The Manage phase is a process of monitoring and tracking contracts and the associated vendors to be certain requirements and contract terms and conditions are being met, risk mitigation strategies are being reviewed and reconciled, assets management, vendor invoices are correct, and payments to vendors are being made in a timely manner.

2.1.6 OPTIMIZE

The Optimize phase is a process of reviewing outcomes of individual contracted initiatives to assess vendor performance, return for the State and overall determine lessons learned. In addition to individual contract performance reviews, in the optimize phase the overall contract portfolio should be consistently reviewed on a spend category basis to ensure that the state has an appropriately managed contract portfolio in place, to ensure an efficient and competitive process of IT acquisition, with the best possible pricing, product availability, and favorable terms and conditions.

2.2 CURRENT STATE

The following provides a synopsis of relevant factors regarding people, policy, process and technology in regards to the current state of IT acquisition for Hawaii.

2.2.1 PEOPLE

The roles and responsibilities regarding overall State procurement iThe roles and responsibilities regarding overall state procurement is established via Chapter 103D of the Hawaii Revised Statutes (HRS), referred to as The Hawaii Public Procurement Code (HPPC), Part II defines the procurement organization for the State. At the highest level is the Procurement Policy Board, a seven member board that is made up of following members:

- Comptroller;
- A County Employee with significant high-level procurement experience; and,
- 5 members appointed by the Governor.

The Board has the statutory authority and responsibility to adopt rules, consistent with the HPPC, governing the procurement, management, control, and disposal of any and all goods, services, and construction. The Board also has the power to audit and monitor the implementation of its rules and the requirements of the HPPC, but is not able to exercise authority over the award or administration of any particular contract, or over any associated dispute, claim, or litigation.

The HPPC also establishes the State Procurement Office (SPO) and tasks the entity with assisting and advising state governmental entities in matters related to procurement, including the development of:

- A statewide procurement orientation and training program;
- A procurement manual for all state procurement officials; and,
- A procurement guide for vendors wishing to do business with the State.

The statute directs that the administrator of that entity, appointed by the Governor and housed at the Department of Accounting and General Services (DAGS), shall also act as the Chief Procurement Officer (CPO) for the executive branch agencies.

The final layer of the procurement organization for the State is the Chief Procurement Officer (CPO). As defined in the HPPC, Hawaii has broadly delegated authority for procurement to 21 CPO's at all levels of government.

Figure 3 provides an overview of the state acquisition organizational structure. Each orange shaded box represents a statutorily identified CPO for the State.

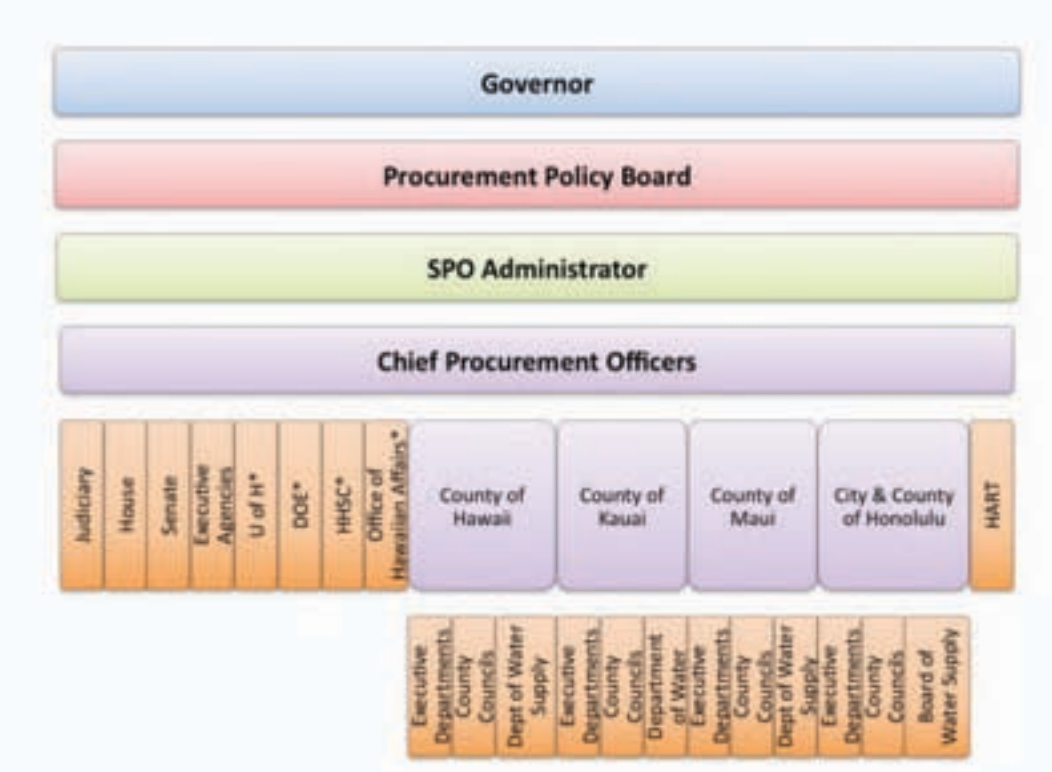

Figure 3: State Acquisition Organizational Structure

*Outside direct purview of the State CIO, who oversees the Executive Branch IT/IRM Only (Act 200)

In 2008, the State faced a significant budget shortfall, and as a consequence of the ensuing cuts in the state budget, the SPO had a significant reduction in force, leading to discontinuance of several projects and staff resources. This reduction led to the SPO restructuring various procurement services, delegating projects and services it was handling on behalf of the executive branch agencies to the executive branch agency administrators, a major shift in acquisition policy and process for the State. The SPO role was refocused to act primarily as a monitoring and oversight entity, with a focus on providing applicable training, while enforcing the ethics and integrity of the procurement process.

The executive branch agency administrators, to whom the procurement responsibilities were delegated, were by and large not prepared to receive it, and did not have the appropriate staff or infrastructure to support the function. Under direction of Department Directors, this led to further delegation of the procurement authority by agency administrators to lower level managers, supervisors and staff in each entity. While there are exceptions within executive branch agencies, in almost all stakeholder interviews it was consistently reported that procurement authority resides with line staff personnel, and is one of many other duties they are required to perform as part of the daily work.

The procurement function is definitely professionalized within SPO and DOE with consistent standards compared to other states. Despite resource cuts and de-centralization of acquisition functions over time, SPO has done a good job in trying to establish and manage a professional IT Acquisition environment with an “equity in process” framework with established-but-rigid acquisition practices.

However, the function of acquisition within the 18 Departments and attached agencies in Hawaii is not professionalized (i.e. career IT acquisition professionals) is a manner consistently found in most other states. The procurement function is not provided centrally as an administrative function of the agency. There is no specified job classification or career path for procurement professionals in agencies.

The SPO has developed and provides training on the procurement process, the training is extensive, can overwhelm line staff tasked with the duty, and is heavily focused on the Procure phase of the Acquisition Life Cycle. Due to a focus that does not extend into planning activities described in the Acquisition Cycle, the training does not address the requisite knowledge necessary to navigate the entirety of processes required to complete acquisitions.

2.2.2 POLICY

Official acquisition policy for the State of Hawaii is broadly dispersed in numerous sources. As an example, the following are the identified sources of policy related to acquisition of goods and services for the State:

- The HPPC (HRS Chapter 103D);
- Hawaii Administrative Rules (HAR), Chapters 3-120 to 3-132;
- Procurement Circulars (87) issued by the Administrator of the SPO to transmit policies, procedures, directions, and instructions;
- Procurement Directives (9) issued by the Procurement Policy Board to transmit the Hawaii Administrative Rules and policies; and,
- Comptroller's Memos (9) issues by the Department of Accounting and General Services.

Due to resource shortages and the highly delegated nature of the procurement function, and the early implementation steps toward a cooperative contracting program, there is a great deal of effort involved in creating multi-entity contracting efforts, and in some cases conflicting policy regarding the establishment of broadly available statewide contracts for use by all state entities. The administrator of the SPO, as CPO for the executive branch agencies, may establish contracts required for the executive branch, and in some cases based on initial participant scope, other entities in the state. While today in Hawaii these are referred to as "statewide" contracts, this definition is inconsistent with how the term is used in other States. Additional governmental entities, including other state governmental entities and any level of political subdivision within the state, must enter into an individual agreement with SPO on each individual Contract.

Cooperative contracting is directed by statute (HPPC, Part VIII). Cooperative contracting is defined as a, "procurement conducted by a public or external procurement unit with one or more public procurement units, external procurement units, or nonprofit private procurement units." SPO issued a MOA to each CPO jurisdiction to amend the current process seeking individual CPAs, providing essentially a 'blanket approval' to use any optional contracts issued by SPO. This recently established process by SPO allows for each CPO jurisdiction to be party to go forward with term contracts through a memorandum of understanding, changing the prior process of requiring each entity to sign an agreement for each individual sourcing event. This is a very positive step.

Aside from the new memorandum of understanding process described above, entities not included in the initial solicitation document are not allowed to utilize the contract.

In this model the lead entity, which can be the SPO or any other delegated agency or CPO, is then responsible for working with all cooperative entities to gather requirements and data for the solicitation – a process which if not managed by procurement and project managers experienced in multi-stakeholder procurements is an arduous task to manage and drive to and effective solicitation. Due to resource shortages resulting in this delegated procurement structure, and complex cooperative contracting processes, the State is challenged in its ability to aggregate statewide volume for the purpose of seeking the best pricing and terms for contracts across all governmental entities.

Further limiting the ability of the State in acquisition is the limitations on the use of cooperative contracting vehicles established outside of Hawaii. The act of the acquiring of goods, services, or construction using another agency contract without prior public notice and intent to participate is often referred to colloquially as "piggybacking" (HAR 3-128, 3-128-2). This rule precludes the use of existing state, federal and cooperative contracts even in circumstances where the initial contract contemplated use by other entities, such as the State. While piggybacking as a process must be carefully managed to allow for fairness in the process, current state interpretation regarding this option precludes the use of contracts established via robust competition where it was clear to the vendor community that the solicitations would be marketed to states, including federal contracts and others established by states or reputable cooperative purchasing programs.

Another key policy [HRS §103D-310(c)] that affects IT acquisition in current state is the requirement for vendors to certify compliance with state laws governing business in the State prior to award. For this process, vendors are required to establish an account on the Hawaii Compliance Express (HCE) system to register for compliance. This system must be used for all acquisitions $2,500 or above. The HCE system is quite capable and won recognition within the National Association of State CIOs (NASCIO) when launched. While important for ascertaining vendor compliance with State and Federal tax and business related financial obligations, the process is viewed as an impediment to doing business with the State, and a deterrent to local, small and minority businesses. Registration with the system requires the payment of a nominal fee, and although automated, the process is described by both vendor and agency stakeholders as inordinately cumbersome and lengthy due to concatenated delays in other departments in the process (e.g., workload in DoTAX may affect priority). As noted, this is generated through state statute, and optimizing this statute based on user experience is a matter that could be considered by state leadership.

In regards to IT acquisition, the recent state restructuring regarding the establishment of a state CIO is in part a result of a desire to be more proactive in the establishments of services than is previous models, in which the state ICSD had been primarily responsible for planning and initiation of IT services and related contracts. Previous models resulted in a limited statewide technology contract portfolio, especially concerning IT services. Contracts that do exist are primarily commodity goods leveraging external contract vehicles, such as hardware and software. Agencies that go to market and achieve success in the contracting process cannot share that success due to piggybacking limitations.

Act 200, the law that recently established OIMT and the position of the State CIO, provided the CIO authority to direct executive branch agencies (excluding certain agencies given special status as indicated in Figure 3, such as University of Hawaii, Department of Education, the Health and Human Service Commission, charter schools, and the Office of Hawaiian Affairs) regarding technology, including a provision requiring review of all IT related procurements. The law also directs the CIO to act in an expedited process regarding addressing several of these issues, and establishing new services in the current fiscal year to improve several of the issues addressed above. In development of this report the CIO and the CPO have established a memorandum of understanding to collaborate to move Hawaii forward on several of these key topics and in support of the change envisioned in this report.

Act 222 provides the CIO with responsibility and authority (in concert with the SPO) to acquire and implement the supplemental budget projects in Fiscal Year (FY) 2013 in an expeditious manner to demonstrate progress and investigate new ways to improve the IT acquisition process. Additional budget execution guidance from the Budget and Finance Director in FY 2013 provides the CIO with the requisite authority to oversee and approve all IT acquisitions in the executive branch of the State of Hawai'i (subject to general provisions in Figure 3).

2.2.3 PROCESS

Acquisition processes in the State are much like those in most states; numerous and hard to navigate without clear direction. Examples of the varying types of procurement processes that must be understood by buyers in the State include:

- Small Purchases
  - Under $5k
  - $5k to $15k
  - $15k to $100k
- Large Purchases
  - Invitation For Bids
  - Request For Proposals
- Sole Source
- Emergency
- Professional Services
- Exemptions

The SPO maintains a helpful web portal (http://www.spo.hawaii.gov/) with access to various procurement policy documents, presentations and forms, which provides a foundation to build on for defining acquisition practices. For administrators with responsibilities that span all aspects of the Acquisition cycle described in Section 2.1, a substantial amount of the synthesis of the various pieces of related policy is left to the agencies to incorporate, and in many cases the interpretation of policy may vary substantively from agency to agency.

Processes preceding the Procure phase in the Acquisition Life Cycle at the State are highly manual. For example, at this time there is a lack of a comprehensive strategic planning process for IT acquisitions that drives transparency into the planned initiatives and projects at agencies, and makes certain they are aligned with IT priorities of the State. Also directly affecting the agency buyers is a highly manual process to initiate the acquisition process that requires the manual completion of a six-part multi-color purchase order form and a non-automated circulation of the form for review and approvals.

Once responses are received, buyers are responsible for completing remaining Procure phase processes and coordinating with various external entities to navigate post-Procure phase processes. The first of these processes is a vendor negotiation process lead by an Attorney General staff assigned to support the agency. These negotiations are often focused on vendor efforts to create exceptions to the State standard terms and conditions. This process is often lengthy and cumbersome because the standard terms and conditions used in solicitations today are more appropriate for non-technical projects, such as construction, and are not contemporary with terms and conditions for the types of goods and services being acquired through IT acquisition.

The lack of a comprehensive contract portfolio, especially in regards to IT services, means that negotiations are frequently required and the effort drives no ongoing residual value due to the lack of an enterprise contracting approach; so each contract interaction retreads and retreads the same ground, agency by agency, political subdivision by political subdivision.

Before a contract can be executed, buyers must submit contract documentation to DAGS for certification, through what is referred to as the Pre-Audit process. This process occurs after all contract processes have been completed, including negotiation and contract signature by all parties, often leading to significant rework, delays and the need for further negotiation of terms or new signatures in cases where issues are raised in the Pre-Audit review.

The overall lack of guidance and direction and time required to complete these complex processes for acquisitions often limits the ability of buyers to expend funds appropriated to the agency in a timely manner. This not only leads to the inability of the agency to meet the policy objectives of the legislature and Governor, but also often leads to the lapsing of appropriated funds.

2.2.4 TECHNOLOGY

Further exacerbating the difficulty of the acquisition process is the lack of automation of key administrative processes such as requisitioning, purchasing approvals, purchase orders, invoice processing and payment. Each of these processes appears to be different at each agency, based on their established administrative hierarchy, and with few exceptions, are entirely manual processes.

An example of these manual processes is the continued use the six-part multi-color purchase order form by numerous state agencies that requires the use of a typewriter or strike printer to complete. The form has apparently been automated by DAGS and has been made available to some state entities, but is either restricted in use or has not been widely available for all agencies to use. In addition, the automation is limited to completion of the form and still requires the form to be printed and distributed for approvals.

The current state financial system either does not support or has not implemented automated tools to support these functions. The SPO maintains a website (http://www.spo.hawaii.gov) that houses policy documents and forms, and allows agencies to post their solicitation documents. The website also provides detailed contract and vendor information, for which it has received national recognition in an emerging category in a recent report by OMB Watch, a non-profit research and advocacy group (http://www.ombwatch.org/upholdingpublictrustreport). This clearly indicates that SPO has achieved recognition and been helpful and transparent despite many resource shortages. Given more resources, automation of acquisition and purchasing processes is a natural next step and evolution of the site into an Enterprise Resource Planning (ERP) system with acquisition management capability.

The SPO website does maintain a link to access the current eProcurement system, HePS. HePS, or the Hawaii eProcurement System, is an outsourced hosted solution that was implemented in 2001 with no upfront capital that provides government entities automation for some elements of the procurement function, including: posting of solicitations; notification of posting to registered vendors; and posting of bid responses by vendors.

The system is required for use by the set of executive branch agencies as described in Figure 3 and is available for use by other government entities in Hawaii. It is used primarily for Small Purchases ($15k to $100k), but can be used for larger acquisitions. Most state entities use it for to open the solicitation up to the largest possible vendor pool and not limit it to only registered vendors in the HePS system. Clearly, the ERP Acquisition module (when implemented) will facilitate additional use and posting of all acquisitions in one integrated system and process.

3.0 BEST PRACTICES

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3.1 BEST PRACTICES

To identify potential IT acquisition models to be use by the State of Hawaii for a target future state, best practices in the area of acquisition, are where possible IT acquisition specifically, were reviewed. Examples of the research reviewed include research from the following entities:

- Gartner
  - IT sourcing and eProcurement research reports
- National Association of State Procurement Officials (NASPO
  - 2011-12 Survey of State Procurement Practices
  - NASPO Guide to IT Procurement
- American Bar Association
  - ABA Guide to State Procurement
- National Association of State Chief Information Officers (NASCIO)
  - IT Procurement Reform Initiative (in coordination with Tech America and NASPO)
  - 2010 State CIO Survey
- A.T. Kearney
  - 2011 Assessment of Excellence in Procurement Study
- Pew Center for the States
  - States Buying Smarter: Lessons in Purchasing and Contracting from Minnesota and Virginia
- Federal Acquisition Regulation

3.2 PEER STATE REVIEW

Another means of identifying possible models for a target future state for the State of Hawaii is to review to the people, policy, process, and technology of peer states. For the peer state review, efforts were made to choose states that were either similar in nature and organizational structure to Hawaii, or had best practice aspects in IT acquisition. The focus of the review for each state, focused on the following items based on the current state assessment:

- Policy related to the procurement structure including the roles of the central procurement office and central IT office;
- Policies related to cooperative purchasing, and piggybacking;
- People and organization related to the procurement, and where applicable IT procurement, functions; and,
- Technology utilized in the state to facilitate the acquisition life cycle process. [DAGS/ICSD]

Table 2 provides an overview of the states reviewed and the reason each state was chosen for the review.

Table 1: Current and Future State Summaries by Architectural Layer

State Reviewed	Significance to Hawai'i
Oregon OSPO website EISPD website	Closest in organization and procurement code to Hawaii. Member of the Western States Contracting Alliance (WSCA).
Texas TPASS website DIR website	A leading state in Cooperative Contracting acquisition. Provides a useful model of IT acquisition strategic planning.
Virginia DGS/eVA website VITA website	Considered a leading state in IT acquisition and organization. Also has deployed a best in state government eProcurement solution.
Michigan DTMB website	Similar in organization to Hawaii regarding acquisition models. Currently in the midst of transforming IT and IT acquisition and acquiring an eProcurement solution.
Minnesota MMD website MN.IT website	Considered a leading state in IT acquisition. Has deployed a best in state government eProcurement solution. Sponsoring state to the IT hardware and software contract for WSCA currently in use by Hawaii.
Georgia DOAS website GTA website	Considered a leading state in acquisition of all types, including IT acquisition. Has deployed a best in state government eProcurement solution. Provides a useful model for IT shared services deployment.

All of these states were reviewed in the research performed for the peer state review; a comparison of all states reviewed is provided in Table 3 in Section 3.3. Three states are spotlighted below for comparative purposes.

It is important to note that states selected were chosen to represent different best practices. These states have more substantive investment of resources, in terms of personnel and technology investment, in the procurement function than does Hawaii. As such the comparisons below are not intended to draw negative comparison to Hawaii, rather to present best practices in action to illustrate what is possible through a combination of optimizing people, policy, process and technology. Additional resources of similar size, scope and caliber would be required for SPO and CIO to compare equitably with these "best practice" and "benchmark" states.

Hawaii is a member of the Western States Contracting Alliance, and maintains close ties with the member states, which are typically considered to be relevant peers. As such the comparison begins with Oregon, perhaps the most highly relevant state for Hawaii comparison overall for reasons noted below.

3.2.1 OREGON

Oregon was chosen to review because it was seen as the closest peer to the State of Hawaii, as it was closest in organization and procurement code to Hawaii. It was also chosen due to it being a member of WSCA, a key cooperative contracting mechanism utilized by the State of Oregon for pricing and vendor lists.

ROLES

Oregon recently updated its procurement code in 2005, utilizing the 2000 American Bar Association (ABA) Model Procurement Code – the same model code utilized by Hawaii for its HPPC. Like Hawaii, Oregon has a highly delegated procurement model. The Oregon State Procurement Office (OSPO) is similar in scope and authority as that in Hawaii, and has the exclusive authority to establish statewide contracts that are broadly available to all state agencies – even though its authority is limited to executive branch agencies. The OSPO can also delegate this ability to agencies, when it benefits the state. The key exception is that the administrator for OSPO is the Chief Procurement Officer for the State.

The central authority for IT for the state is the Enterprise Information Strategy and Policy Division (EISPD). The administrator for EISPD is the State CIO, and is responsible for providing leadership for state government in enterprise information technology management, strategic planning and policy. Like procurement, IT management is highly delegated in the state with CIO's in each state agency. To facilitate coordination and cooperation, the state has established a CIO Council that advises the State CIO and acts as a forum for all agencies to collaborate in the management of IT resources across state government.

Both the OSPO and the EISPD are housed at the Department of Administrative Services (DAS) which facilitates cooperation and coordination in the area of IT procurements. Over the past several years, the Department of Administrative Services (State Procurement Office, Enterprise Information Strategy and Policy Division, State Data Center), Department of Justice, and various state agencies have partnered to put multiple Statewide IT Contracts and Price Agreements in place.

POLICY

Oregon policies related to cooperative purchasing and piggybacking provide an interesting case study. Oregon and Hawaii started with the same model code, and the statutory language relating to cooperative purchasing is nearly identical. The interpretation in Hawaii is vastly different from that Oregon. Instead of requiring agreements on each contract for cooperative purchasing, Oregon has chosen to establish the Oregon Cooperative Procurement Program. This program is open to qualified agencies and organizations as specified in statute, and provides access to:

- State contracts to purchase goods and services;
- Procurement training opportunities;
- Unlimited advertising on the Oregon eProcurement system (ORPIN); and,
- Designated State of Washington contracts through a reciprocal interstate agreement.

State entities meeting the qualifications to be a member of the program complete a program application, and pay a fee, ranging from $50.00 to $5,000.00, based on the entity's annual budget. Entities also complete and sign a participation agreement that sets the terms and conditions for the member services provided by the State.

PEOPLE

OSPO is comprised of the CPO and 39 staff members, which is four times larger than the Hawaii State Procurement Office (SPO), whose scope of responsibility has broader jurisdictional responsibility (i.e. Hawaii SPO encompasses all government jurisdictions, including DOE, UH, the Counties, Judiciary, Legislative Branch, etc.). The OSPO staff is generally organized into major spend categories, including a team of seven (7) staff dedicated to IT procurements. By comparison, Hawaii SPO has a much smaller staff (due to major resource cuts) with a much broader responsibility.

With a substantial delegation of procurement to agencies, most agencies in Oregon establish an administrative services division that includes a dedicated procurement section with dedicated procurement staff. Some larger agencies also have specialized procurement staff focused on IT procurements.

These staff are trained and certified by the OSPO who offers five (5) different certifications and certificates that are based on an employee's role and level of authority for procurement.

They track training and credentials in a credentials database and require certified employees to complete continuing education to maintain their certifications.

TECHNOLOGY

The State of Oregon has an internally developed sourcing tool, Oregon Procurement Information Network (ORPIN), which has been in use since 2005. The current ORPIN provides state entities and cooperative program members the ability to post bids and search existing contracts. In addition it allows vendors to register and receive notifications of current solicitation opportunities.

The State is in the process of implementing ORPIN 2.0 utilizing the SciQuest solution currently under contract with WSCA. The effort began in October, 2011. The state anticipates an autumn 2012 go live implementation timeframe. The first phase is focused on procure to pay backroom processing and catalog support. The next phase of the effort will replace ORPIN. The state of Oregon (and Hawai`i) will be utilizing new functionality available through WSCA – the eMarket Center – to leverage catalogs available through that marketplace for contracts they use.

3.2.2 TEXAS

Texas was chosen to review because it has separated out procurement authority for IT to the State CIO Office and is considered a leading state in the area of IT of cooperative contracting. Both factors provide insight to Hawaii when considering an appropriate future state model.

ROLES

Texas is a large state, with a highly decentralized model of government, which requires a highly delegated model for acquisition in the state. The procurement authority in the state is divided between two entities, segmenting out authority for IT procurement to the State CIO Office.

Authority for state purchasing for non-IT goods and services is the purview of the Texas Procurement and Support Services (TPASS) division of the State Comptroller's Office. TPASS is also responsible for establishing policies and procedures for all statewide acquisition and in that role takes a holistic view of the Acquisition Life Cycle providing training and certification and publishing manuals providing guidance to buyers in all phases the life cycle.

Authority for State purchasing for IT goods and services is the authority of the Texas Department of Information Resources (DIR). The director of this agency is the State CIO and is responsible for statewide leadership and oversight for management of government information and communications technology. DIR has established and manages a statewide IT strategic and procurement planning, reporting and budgeting process.

Over a two-year period in the state DIR and state agencies develop IT strategic plans that are used to develop reports to state leadership and the legislature. The reports help to develop requests for the budget for IT expenditures and enable DIR to have a consistent view of what agencies are buying. In addition, DIR also has authority for review and approval of certain IT procurements, with an established project planning process with review gates for high dollar IT acquisitions.

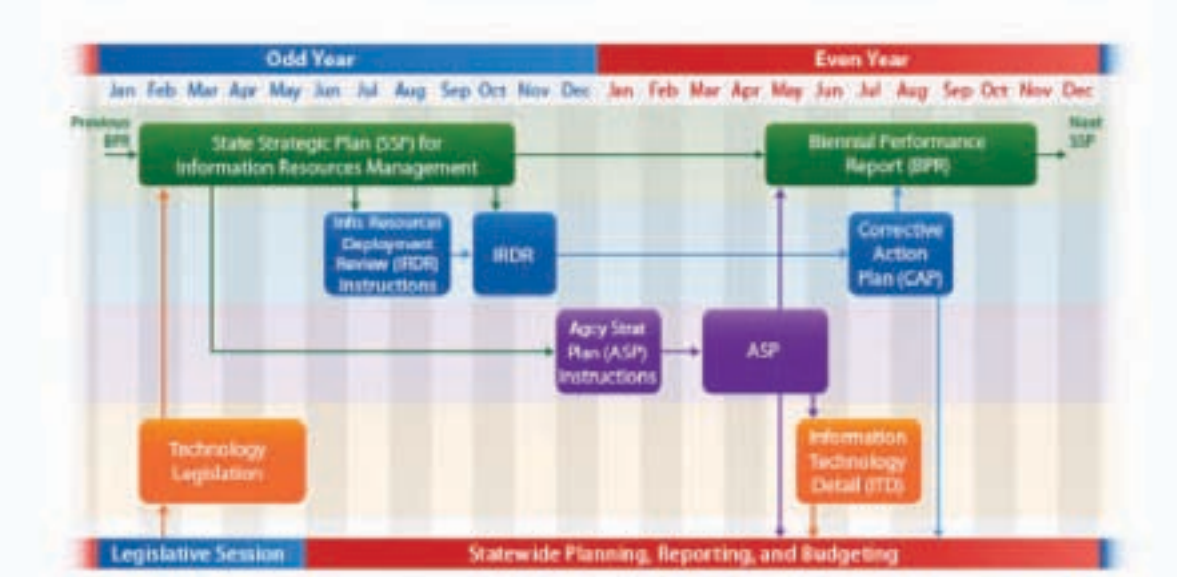

Figure 4: Texas Planning, Reporting, and Budgeting Framework

Both the state procurement office and the CIO procurement division are very active central procurement authorities for the state and run highly regarded procurement organizations that provide valuable state contracts to state government and cooperative program members. It should also be noted that with small exception, statewide contracts established by both procurement entities are mandatory use for all executive branch state agencies and permissive use for all other state and cooperative entities.

POLICY

Texas policies related to cooperative purchasing and piggybacking provide comparisons to the State of Hawaii in strategic planning.

Both TPASS and DIR maintain broad cooperative purchasing programs. TPASS manages the Texas CO-OP Purchasing Program, a program that currently has over 1,900 members. The program was established through legislation and stipulated that the following entities are able to be a member:

- Local governments (municipalities, counties, school districts, etc.)
- Special districts
- Mental Health Mental Retardation (MHMR) community centers
- Assistance organizations (non-profits receiving state funds through a current state contract or grant)
- Texas Rising Star Providers (as certified by the Texas Workforce Commission)

To sign up to be a member of the cooperative program, entities complete and submit an application with proof of eligibility along with an annual $100.00 flat fee. Once approved, members have access to the statewide contract portfolio. In addition, members are provided access to automated tools provided by the State to facilitate procurement, including the ability to post solicitations to the state marketplace and access to TxSmartBuy, an e-catalog purchasing system for state commodity contracts.

DIR does not maintain a separate cooperative program. Instead their cooperative program is defined in statute and implemented through use of special contract language. They are provided the authority in statute to include terms in a procurement contract entered into by the agency that allow the contract to be used by:

- Another state agency;
- A political subdivision of the state;
- A governmental entity of another state; or,
- An assistance organization.

Any entity meeting these criteria is able to access the portfolio of contracts managed by the agency.

The state policy related to piggybacking is defined in the Texas Administrative Code (TAC) and stipulates that TPASS is allowed to piggyback on other contracts if it determines that entering into an agreement would be in the best interest of the state. This form of contracting is used sparingly at the state and is often only used when the original solicitation was bid with language that contemplated use by other states. Typically these contracts are developed by state or national cooperative purchasing programs such as U.S. Communities or National IPA.

TPASS has also established a specific program for inclusion of the U.S. General Services Administration (GSA) schedule contracts for use by state and cooperative entities called the Texas Multiple Award Schedule (TXMAS). This program allows vendors with GSA contracts to apply to be included in the TXMAS program, making their GSA schedule contract, pricing and terms available to entities wishing to use the contract.

PEOPLE

Although Texas has a highly delegated procurement model, as noted above it also has highly active central procurement authorities with large contract portfolios. TPASS maintains a staff of 45 full time equivalents (FTE) that are organized into 3 main groups:

- Purchasers (Non-IT goods & services)
- Contract Managers
- Program Managers (HUB, COOP, etc.)

This staff maintains and manages procurement related programs for over 200 state agencies and 1,900 cooperative purchasing entities and a contract portfolio of over 200 state term contract representing several thousand line items of products and services and billions in spend. The division also supports two unique state procurement groups, the Council on Competitive Government and Strategic Sourcing, who have unique and broad procurement authority in the state.

DIR maintains a staff of 30 FTE that are focused on IT procurement that are organized into 4 main groups:

- Enterprise Contracting
- Contract Establishment
- Contract Performance
- Program Analytics

This staff maintains and manages over 750 technology contracts with over $1.3 billion in sales. DIR estimates that through this contracting program they generated more than $171 million in taxpayer savings in FY 2009.

With a broad delegation of procurement authority to agencies, most agencies in Texas establish a dedicated procurement section with dedicated procurement staff. Some of the larger agencies have dedicated IT purchasers within this section. Purchasing is a job classification with a defined career path driven by the level of training and certification one receives. An employee's training level determines what level of procurement authority they are granted.

All staff that perform procurement in the state must be trained through a training program developed and administered by TPASS. TPASS offers two training tracks – Procurement and Contract Management – and three (3) different certifications. They track training and credentials in a credentials database and require certified employees to complete continuing education to maintain their certifications.

All procurement staff in the state must be trained through a training program developed and administered by TPASS. TPASS offers two training tracks, Procurement and Contract Management, and three different certifications. They track training and credentials in a credentials database and require certified employees to complete continuing education to maintain their certifications.

TECHNOLOGY

Texas has several systems in place to support the acquisition processes. The state has a central ERP and financial system that support the administrative purchasing functions such as requisitioning, purchasing approvals, purchase orders, invoice processing and payment.

Outside of the central ERP and financial system, TPASS maintains several automated tools that support procurement and purchasing functions for state agencies and cooperative program members. The state has not implemented a true eProcurement solution, but has over time built automated tools to provide functionality often found in an eProcurement solution. The systems maintained by TPASS include:

- Electronic State Business Daily (ESBD) – a system for posting and managing solicitation opportunities. ESBD is used by all state agencies and some of the cooperative program members. ESBD also provides entities and vendors the ability to search for current posted opportunities using several search functions.
- Central Masters Bidder List (CMBL) – a master database used by State of Texas purchasing entities to develop a mailing list for vendors to receive bids based on the products or services they can provide to the State of Texas. CMBL allows for vendor registration and self-service of their vendor profile and requires that vendors pay an annual registration fee of $70. The system can be searched by vendors to identify small or HUB businesses they may want to partner with.
- TxSmartBuy – a system that provides e-catalogs for state commodity term contracts. TxSmartBuy can be utilized by all state agencies and cooperative program members for state contract searching, side-by-side pricing comparison (if multiple vendors), and order placement. Upon placement of an order the system sends a PO directly to the vendor.

In addition to these systems, TPASS maintains a very thorough and useful website providing links to all of these systems and other relevant information such as state contracts not available for use on TxSmartBuy, the State Procurement Manual, State Contract Management Guide, Training and Certification (including class registration), and other procurement related documents.

Because agencies utilizing DIR contracts use TPASS systems for much of their acquisition processing, DIR has not built and deployed any additional automated tools for procurement. The department maintains a website with a section dedicated to its ICT Cooperative Contracting program that provides users with a catalog of all ICT contracts. The catalog website can be used to search products, services and/or vendors and provides users with detailed information on the contracts, vendors and ordering procedures.

3.2.3 VIRGINIA

Virginia was chosen to review because it has separated out procurement authority for IT to the State CIO Office and is considered a leading state in IT acquisition and organization. Additionally, Virginia has what is considered to be one of the best eProcurement solutions in the nation. Like Texas, the Virginia example provides insight as to possible alternative IT Acquisition operating models any state might consider for the future.

ROLES

Similar to Texas, Virginia employs a procurement organization model that separates procurement authority for IT and non-IT acquisitions. The Department of General Services (DGS), Division of Purchases and Supply is the centralized purchasing agency for non-IT materials, supplies, equipment, printing, and nonprofessional services required by any state agency or institution. In addition to its procurement authority, the division publishes a Procurement Manual that sets policy and process for state agency procurements, establishes standards and specifications for goods and services and maintains eVA, the eProcurement solution for the state.

IT acquisitions are the authority of the Virginia Information Technology Agency (VITA), the State CIO's office. The primary roles of the agency include:

- Governance of the Commonwealth's information security programs;
- Operation of the IT infrastructure, including all related personnel, for the executive branch agencies;
- Governance of IT investments; and,
- Procurement of technology for VITA and on behalf of other state agencies and institutions of higher education.

In addition, the agency supports the Information Technology Advisory Council that is responsible for advising the CIO and the Secretary of Technology on the planning, budgeting, acquiring, using, disposing, managing, and administering of information technology.

POLICY

Virginia does not maintain a special cooperative purchasing program but instead has taken its statutory authority to establish availability of contract to other governmental entities in the state. State contracts must stipulate up front if local entities are authorized to use the contract, and if they do, local entities can utilize the contract; there is no requirement for local entities to enter into an agreement to use the contracts. Similar to Hawaii, agencies can also work together for cooperative purchasing efforts, but there is no formal agreement process required to act in a cooperative manner for acquisitions.

Virginia statute permits piggybacking allowing a government entity to use any contract issued by another governmental entity. The statute stipulates that the original contract must have included language that included and option for other organizations to "ride," "bridge," or "piggyback" the contract as awarded, even if they did not participate in the original solicitation. Policy requires that any entity entering into a piggyback situation, should establish a separate contract and not rely on the piggyback contract, since there is no other legal relationship involved. Both DGS and VITA provide guidance to agencies for how to evaluate piggyback and cooperative contract opportunities for use and strictly controls its use by requiring reviews and approvals.

PEOPLE

With a central procurement authority at both DGS and VITA, both maintain ample staff resources focused on acquisitions. The Department of General Services maintains a significant staff to support the procurement of non-IT goods and services. The specific FTE count could not be determined, but it appears that there over 40 FTE performing direct procurements or supporting the acquisition process and eVA. Specifically, the staff is broken out into the following high-level groups:

- Purchase Management
  - Statewide Contracts and Services
  - Single Agency Contracts Support
- Bid Receipt and Analysis
- Contract Compliance
- Competitive Negotiation
- Training and Development
- eProcurement Bureau (eVA Support)

Within each Purchase Management group, staff is organized into sector managers responsible for managing specific categories of goods or services.

For acquisitions, VITA maintains a staff of 22 FTEs dedicated to IT procurement alone! The staff is broken into groups responsible for Strategic Sourcing and Contract Management. The Strategic Sourcing group is responsible for establishing competitive IT contracts; the Contract Management group is responsible for managing some of the larger contracts to be certain customers are receiving goods and services as stipulated in the contract, and vendor(s) are meeting contract requirements, including reporting to the contract manager.

Like most states, Virginia delegates some procurement authority to state agencies for contracts that are agency specific, or not already contracted for under statewide contracts. Because of this, most agencies establish a dedicated procurement section with dedicated procurement staff. Some of the larger agencies have dedicated IT purchasers within this section. Purchasing is a job classification in the state with and defined career path driven by the level of training and certification you have received. An employee's training level determines what level of procurement authority they are granted.

All staff that perform procurements in the state must be trained through a training program developed and administered by DGS through their Virginia Institute of Procurement (VIP). There are two certifications offered, requiring completion of a three-day or seven-day training program with testing. The certification required is based on the employees role and purchasing authority at the agency. They track training and credentials in a credentials database and require certified employees to complete ongoing continuing education to maintain their certifications.

TECHNOLOGY

Virginia has deployed what is considered to be one of the most robust eProcurement solutions in state government to date. "eVA", Virginia's online, electronic procurement system is a central tool for accessing all statewide contracts, including DGS and VITA contracts, that provides users with:

- Support for purchasing processes from requisition to receipt of goods;
- Support for procurement processes from bid to award;
- Hosted and punch-out catalogs;
- Vendor registration and acceptance of state Terms & Conditions;
- Purchasing Data Warehouse and a BI solution for spend analytics and performance management; and,
- Procurement related documentation and training.

In addition to being used by state entities, eVA is available for full implementation and use by local governments at no cost. Since implementation, eVA has processed over three million orders and $31 billion in spend and is estimated to save the state over $300 million annually in process efficiencies and reduced costs of goods and services. The system currently supports nearly 1,000 online catalogs, 171 agencies, 575 localities, over 53,000 vendors and over 22,000 users.

3.3 PEER STATE COMPARISON

Table 3 below provides a comparison of all the states reviewed in the research for the peer state review for specific components of research that are potentially pertinent in considering an appropriate future IT Acquisition model for the State of Hawai`i.

Table 2: Peer State Comparison

State	IT Acquisition at CIO Office	IT Acquisition in SPO	Cooperative Purchasing Program	Allows for Piggybacking	Deployed eProcurement*	IT Shared Services Offered	Procurement Manual	Procurement Templates	IT Acquisition Strategic Planning Process	IT Acquisition Coordinating Committee
Oregon		●	●	●	●					
Texas	●		●	●	●	●	●	●	●	●
Virginia	●		●	●	●	●	●	●	●	●
Michigan		●	●	●	●					
Minnesota		●	●	●	●	●	●	●	●	●
Georgia	●		●	●	●		●	●	●	

* Michigan is currently in the process of evaluating responses to an eProcurement solution solicitation.

4.0 TARGET FUTURE STATE

4.0 TARGET FUTURE STATE

4.1 CALL TO ACTION

4.1 Call to Action

For Hawaii to transform and modernize as envisioned by state leadership, there must be a call to action to actively implement the following key initiatives:

1. Establish mechanisms to allow all public entities to benefit from the collective volume of the State
2. Optimize the State acquisition process
3. Maximize state purchasing power through a comprehensive IT contract portfolio
4. Establish acquisition review practices that reinforce enterprise architecture and governance
5. Identify, prioritize and execute on shared service initiatives that create the foundation of success for Hawaii in the decades to come

The following sections provide an overview of each initiative and a set of discreet, actionable projects to meet the goal of each initiative. The overarching goal of these initiatives and projects in the long run is to optimize IT acquisitions by making them faster, better and cheaper; if we are to meet any one of these goals – good, two of them – great, all three of them – fantastic.

INITIATIVE 1: ESTABLISH MECHANISMS TO ALLOW ALL PUBLIC ENTITIES TO BENEFIT FROM THE COLLECTIVE VOLUME OF THE STATE

Hawaii statute allows for cooperative purchasing, and recent policy changes to allow for a standing memorandum of understanding to participate in go forward sourcing events is an important step to implementing this capability. As an island state, Hawaii has unique considerations regarding issues such as supplier diversity, product availability, and redundancy to name a few. Limitations on the ability for collective action that are not imposed in other states should be rethought and optimized. The state's new process should be fully implemented and communicated, and practices of other states in the management of cooperative contracting programs should be reviewed in order to determine the most optimize the process once it is put into practice.

PROJECT 1.1: PILOT OPTIMIZED COOPERATIVE PURCHASING PROGRAM FOR IT ACQUISITION

to build a way forward. The IT acquisition arena provides an ideal environment to test additional best practices of other states, including:

- A simple membership application for interested entities to use to apply for membership to the program and to collaborate on future purchasing needs;
- A one-time agreement for each member to enter into, that mimics the current cooperative agreement form used;
- Rules, as necessary, to establish the program and define eligible entities that can be members of the program; and,
- If a nominal fee should be charged for membership (if statutory allowed) to help support administration, marketing and training regarding the program.

PROJECT 1.2: OPTIMIZE THE RULE FOR CROSS ENTITY CONTRACT USE

Although piggybacking in the long term is not as effective as other means of contracting, the current inability to consider the use of this contracting method, given the gaps in the current contracting portfolio, is a detriment to the State. It is recommended the State revaluate HAR 3-128, Sec. 3-128-2, and amend it to enable piggybacking in limited situations where contracts have incorporated language anticipating the use of the contract by another state or governmental entity. The CIO and CPO should work together with the goal that the high majority (80%) of purchasing should still go through state-competed contract portfolio, or through alliance-competed contracts to which Hawaii is a party (such as WSCA). As complement to this state based procurement, the State should allow for the use of the following contracts (for the remaining 20% as required):

- Federal contracts and GSA Schedule contracts;
- Other state contracts bid with published piggybacking provisions; and,
- Other cooperative contracts that were competitively bid with piggybacking provisions

To provide assurances that piggybacking is appropriately leveraged, the State should establish a defined process that requires submission for approval with an analysis of contracting method, pricing and terms prior to entering into the contract. It should be noted that if a cooperative contracting program is established in the state, it will greatly eliminate many of the issues related to piggybacking.

PROJECT 1.3: ESTABLISH AN IT ACQUISITION COORDINATING COMMITTEE

To seek collective acquisition opportunities in IT acquisitions, OIMT should establish an IT Acquisition Coordinating Committee that meets regularly to discuss IT acquisition needs amongst key stakeholders and representative entities and with OIMT management and staff. The committee can also be an excellent forum for identifying problems or issues that have an impact across agency lines. To be sure to include all state entities in this committee it may be wise to establish multiple subcommittees for large agencies, small agencies and/or local government. It is recommended that the State use the State Agency Coordinating Committee in Texas or the CIO Council in Virginia as models for structure and organization of this committee.

INITIATIVE #2: OPTIMIZE THE STATE ACQUISITION PROCESS

Hawaii currently has a lengthy, resource intensive and manual process for acquiring goods and services. Much of this has been brought about by resource cuts to SPO (and other agencies), and the resulting delegation of authority to Agencies, who do not have the appropriate staff, support infrastructure or technology supporting the process to effectively and efficiently spend state budget funds to meet the policy objectives of the legislature and state leadership. To align with acquisition processes of other states, Hawaii must identify and implement opportunities to optimize processes in the Acquisition Life Cycle. Hawaii must consider adding critical resources and consolidating functions in the IT Acquisitions lifecycle within the SPO and OIMT.

PROJECT 2.1: CREATE A DEDICATED PURCHASING/ SOURCING GROUP AT OIMT

Although this project should ideally be a statewide effort, in an effort to establish the necessary support infrastructure to meet the legislative mandate for IT acquisitions in the current FY, it is recommended that OIMT move immediately to create a dedicated purchasing/sourcing capacity. Responsibilities that need to be addressed include:

- Complete required purchasing processes to acquire IT goods and services for OIMT;
- Identify needs and develop requirements for statewide IT contracts;
- Manage statewide IT contracts in a category manager approach; and,
- Provide assistance and guidance as SMEs for other non-statewide IT acquisitions.

Given the scope of work and the aggressive timelines, this requires an IT Procurement Manager and six to eight additional sourcing analyst resources, with the following core skillsets:

- Procurement and strategic sourcing;
- IT shared services procurements;
- Spend analytics and performance management;
- Business process reengineering; and,
- Contract management.

This dedicated sourcing group will not only enable OIMT deliver on the short-term directives of the legislature and Governor, but will also provide OIMT with the ability to execute on longer-term efforts toward establishing a comprehensive statewide contract portfolio for IT goods, services, and shared services that are critical to the State. The CIO should be resourced at a scale similar to other leading states in IT Acquisitions.

PROJECT 2.2: CREATE A DEDICATED IT PROCUREMENT SUPPORT GROUP AT SPO

For the same reasons OIMT should implement a sourcing planning group at the agency, it is highly recommended that SPO would add a dedicated IT procurement support resources. These resources should be tasked to assist OIMT in a buyer capacity in the procurement of statewide IT goods and services and assist agencies and other governmental entities in utilization of state IT contracts. At a minimum, this should include be a couple of dedicated resources in the short term, potentially adding more resources as an additional supplement once the two year bid schedule described below is completed. The SPO should be resourced at a scale similar to other leading states in IT Acquisitions.

PROJECT 2.3: DEVELOP AN IT ACQUISITION AND CONTRACT MANAGEMENT GUIDE

Due to special requirements for IT acquisitions and the need to provide specialized guidance to buyers, it is recommended that OIMT develop an IT Acquisition and Contract Management Guide. The Guide should be a single authoritative source for the entirety of the Acquisition Life Cycle processes (prioritize, plan, procure, manage and optimize) for IT acquisitions and should seek to compile, in an easy to follow way, all state policies and processes. The goal of the document should be to translate the policy to process – "can do"/"can't do" into "should do"/"how to." The guide should include a process flow chart to assist buyers in all process steps required to complete a purchase and should reflect all the different acquisition process, including all special and exception processes and special practices related to IT acquisitions. Additionally, as projects outlined in this plan related to IT acquisition planning and governance are implemented, these processes should be incorporated into the Guide as well.

PROJECT 2.4: REVIEW AND UPDATE ACQUISITION TEMPLATES

The goal of this initiative is to make the work of the buyer more effective and efficient. One means of helping buyers be more efficient is to provide them with tools that minimize the level of effort required to complete the process. One tool set that is especially helpful in the Acquisition Life Cycle is templates that provide direction and structure to the work.

It is recommended that the State identify, catalog and prioritize the review, and update and/or development of acquisition related document templates to facilitate the acquisition process. Examples of templates that could be created by the State include, but are not limited to:

- RFP Template for IT Goods and Services
- IFB Template for IT Goods and Services
- Standard Terms and Conditions for IT Goods
- Standard Terms and Conditions for IT Services
- IT Special Terms & Conditions
  - Hardware
  - Software
  - Services
  - Maintenance

These templates, if built and designed properly, will help the buyer to navigate the acquisition processes and make sure that necessary steps are completed that limit rework.

PROJECT 2.5: AUTOMATE THE CREATION AND PROCESSING OF PURCHASE ORDERS

Although the implementation of Project 2.7 below will address the underlying concerns driving the need for this project, the implementation of an eProcurement solution is a long-term solution. The manual processing of purchase is a current concern that may be addressed through implementation of a short-term fix while efforts are progressing to a longer-term solution. As such, it is recommended that the State do a short term assessment of automation of the creation and processing of purchase orders.

In review of the current state it was noted that DAGS had developed a tool for creation and completion of the purchase order form. The broad use of the tool was not evident, as numerous stakeholders noted frustration with the completion of the six-part NCR purchase order form that required the use of a typewriter to complete.

Deployment of an ERP Acquisition Module will address this issue in the long run, but in the short-term, the State should seek to eliminate use of the 6-part forms and rapidly assess the ability to deploy a uniform solution for creation and completion of Purchase Orders for use by all agencies. This assessment should consider the viability of the use of available short term options as a potential solution, and should seek to incorporate an automated workflow process for reviews and approvals of the Purchase Order as well.

Deployment of a solution will to lead to efficiencies in the creation and completion of the Purchase Order and eliminate unneeded costs associated with the use of the six-part form and the antiquated equipment required to complete it.

Deployment of an ERP or eProcurement solution will address this issue in the long run, but in the short term, the State should seek to eliminate use of the six-part form and rapidly assess the ability to deploy a uniform solution for creation and completion of purchase orders for use by all agencies. This assessment should consider the viability of the use of available short-term options as a potential solution, and should seek to incorporate an automated workflow process for reviews and approvals of the purchase order as well.

Deployment of a solution will to lead to efficiencies in the creation and completion of the purchase order and eliminate unneeded costs associated with the use of the six-part form and the antiquated equipment required to complete it.

PROJECT 2.6: REVIEW AND OPTIMIZE CONTRACT REVIEW PROCESSES

In the review of current state, stakeholders regularly expressed their frustration with processes that followed the identification of a successful vendor in evaluations. These processes included development of terms and conditions, contract execution, vendor compliance and contract pre-audit.

It is recommended that the State review these processes and seek to identify opportunities for process reengineering and optimization. This project should include developing clear guidance to buyers for each process for incorporation into the Procurement Guide identified in Project 2.3 above. Examples of specific issues raised in these processes that should be reviewed included:

- Attorney General State standard terms and conditions;
- DAGS pre-audit and encumbrance process;
- Contract execution and signature requirements;
- Use of e-signatures for contracts;
- Vendor compliance via use of the Hawaii compliance Express (HCE) system; and,
- Prompt payment of vendors.

PROJECT 2.7: PRIORITIZE AS A FOUNDATIONAL PROJECT THE MODERNIZATION OF STATE FINANCIAL AND PROCUREMENT SYSTEMS

The majority of the inefficiencies in the acquisition life cycle in Hawaii stem from the lack of deployed automated systems to support the acquisition processes. As such it is recommended that the State immediately prioritize as a foundational project the deployment of modern automated systems that support the acquisition process, including the modernization of the state financial and procurement systems. As part of this project, the State should consider the migration of HePS into a more complete ERP Acquisition module solution.

The state is in the early stages of development of a business case and functional requirements for an Enterprise Resource Planning (ERP) solution. A key component of this ERP solution is the incorporation of Acquisition as a line of business, either as a module from an ERP system, or leveraging one of several options for integrating a stand-alone eProcurement or eAcquisition system. ERP is often a significant deployment effort and because of the focus on ERP as a state financial system of record, procurement or acquisition is often not an initial module to be deployed. In its ERP business case, the state should assess both options, the deployment of eProcurement as a component of ERP or as a separate system, to determine which is best suited to meeting the needs of the State.

Figure 5 provides an overview of an eProcurement Maturity Model that represents the value that an eProcurement solution can provide to the organization and the role it may play in a target future state. In developing a business case and functional requirements for an eProcurement solution the State should seek to deploy a solution that, at a minimum, seeks to deploy the first two levels of maturity with a long-term vision of implementing a solution that reaches the remaining levels of maturity in the model.

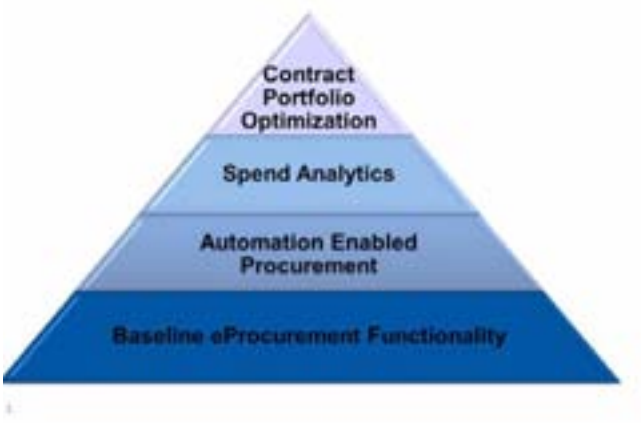

Figure 5: eProcurement Maturity Model

In doing this, the State can implement a solution that automates acquisition processes and uses technology to enforce the acquisition policies and rules of the State. Some of this functionality may be provided directly in an eProcurement solution, or it may be incorporated in the ERP solution and integrated with the eProcurement solution in a way that provides seamless end-to-end processing.

INITIATIVE #3: MAXIMIZE STATE PURCHASING POWER THROUGH A COMPREHENSIVE IT CONTRACT PORTFOLIO

Another means of making the acquisition process effective and efficient, and helping buyers to expediently acquire the goods and services they require, is to establish a comprehensive portfolio of broadly available statewide contracts. A well designed portfolio of contracts should seek to maximize state spend under management which allows buyer to:

- Acquire needed goods and services in an expedited manner by not having to solicit for every need; and,
- Focus acquisition efforts on unique or more complex agency specific needs.

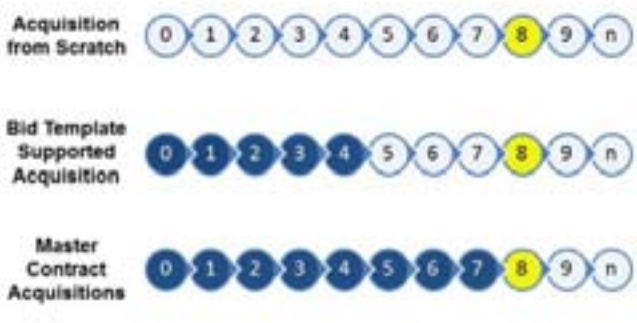

Figure 6: Reducing Acquisition Effort

Figure 6 below provides an overview of the impact the implementation of this initiative will have on reducing the acquisition effort of buyers at the State. Today the State performs a substantial amount of acquisition initiatives "from scratch," i.e. starting in effect with a blank piece of paper. The middle line demonstrates what impact the implementation of Project 2.4 above would have on the process, providing buyers with templates and tools to expedite the acquisition process. With a broad statewide IT contract portfolio in place, buyers are able to focus on development of a statement of work, an accelerated determination process, and the ability to execute a purchase against an already solicited, negotiated and awarded contract set.

Transitioning the acquisition focus from "Acquisition from Scratch" to utilizing master contracts for goods and services that can be commoditized has two major positive impacts. For low complexity contracting areas, a comprehensive program of vendor contracts and state driven term contracts puts a substantial portion of the state spend under management. It also frees up the resources needed to pursue the large requirement based bids that provide an opportunity to transform the state, and emphasizes those as a professional discipline. This shift over time creates appropriate emphasis on both transactional acquisitions, and transformational acquisitions. These concepts are presented as a model in Figure 7.

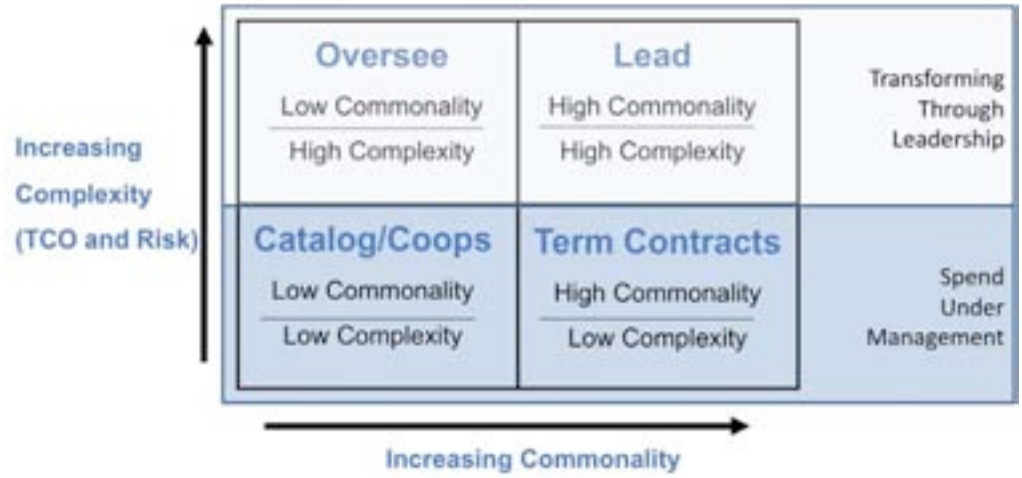

Figure 7: Transactional vs. Transformational Acquisition

PROJECT 3.1: DEVELOP AND EXECUTE ON A TWO YEAR SOURCING PLAN TO ESTABLISH A COMPREHENSIVE STATEWIDE IT CONTRACT PORTFOLIO

Before the State can establish a comprehensive statewide IT contract portfolio, it must identify contracting gaps and prioritize these opportunities. It is recommended that the State, lead by the CIO and OIMT, develop a two year sourcing plan to establish a comprehensive statewide IT contract portfolio and then work diligently to execute against the plan.

The first step in developing a comprehensive IT contract portfolio is to review the current IT contract portfolio at the State and determine what gaps exist. To accomplish this in the current environment the State will need to analyze existing statewide and agency IT contracts, vendor reports for existing contracts, and overall IT spend for the State.

With this information the contract gaps can be identified, and with the help of state leadership and key stakeholders, contracting opportunities identified can be prioritized toward the development of a prioritized two year sourcing plan to execute against. Focus for the two year plan should be on identifying contracting opportunities that maximize spend under management (see Figure 7) for IT goods and services.

Contracts should be solicited to allow for use by all state government entities, and non-state entities, to allow for the greatest aggregation of volume to drive the best pricing and terms for the State. Contracts should also be fully negotiated and have fixed contract terms and conditions to eliminate the need for renegotiation at each purchase against the contract. Because these contracts will be used for the procurement of IT infrastructure at the State, they must support the goals of OIMT for state IT standards and architecture and be mandatory use for executive branch agencies (with exclusions noted in Figure 3) under the newly created authority of the CIO.

PROJECT 3.3 ESTABLISH PERFORMANCE MEASURES FOR STATE IT CONTRACT PORTFOLIO AND VENDORS

The establishment of a comprehensive contract portfolio, while a major step forward for the State, is not enough on its own. In the longer-term, the State must be able to measure the performance of the contract portfolio to know if the portfolio is:

1. Meeting the needs of the buyers;
2. The right mix of contracts;
3. Competitively priced in the market; and,
4. Meeting the policy objectives of the state.

Examples of the performance measures the State should seek to track and monitor include, but are not limited to:

- Efficiencies driven through establishment of contract portfolio
  - How much is going through the contracts?
  - How much time to complete purchases on existing contracts?
  - How much time to complete steps in the procurement process?

- Quality of the contract portfolio
  - How well is the contract portfolio meeting the needs of state entities?
  - Do we have the right contracts?
  - Is the pricing on the contracts competitive with other available options?
- How do we enforce state policy through our contracting efforts?
  - Are we contracting with small business, minority business, local business, etc.?
  - How often do entities go off-contract or do special procurements?
  - Are we getting multiple valuable responses to bids?

With this information the State will be able to identify spend patterns, procurement patterns, perform comparative benchmarking and track performance of the contracts and vendors under contract in a way that enables them to make management decisions on the contract portfolio.

INITIATIVE #4: ESTABLISH ACQUISITION REVIEW PRACTICES THAT REINFORCE IT PRIORITIES, ENTERPRISE ARCHITECTURE AND GOVERNANCE

OIMT is establishing a governance and portfolio management process that will ensure that all acquisitions of information technology are reviewed to be in compliance with the Enterprise Architecture (EA). There are three tiers of reviews:

- **Tier 1:** Minor Acquisitions (<$100,000) – Reviewed by OIMT for compliance with priorities, EA, and security and privacy. Acquisitions in full compliance will be approved by CIO.
- **Tier 2**: Medium Acquisitions ($100,000 – $1,000,000) or non-compliant Minor Acquisitions – Reviewed and approved by CIO Council.
- **Tier 3:** Large Acquisitions (>$1,000,000) – Reviewed and recommended for approval by CIO Council, approved by Executive Leadership Council.

The EA establishes the standards and patterns for the envisioned future state of the State's business and IT/IRM environment. The EA reflects the priorities established in the IT Strategic Plan. Because mission, business, and technology needs and capabilities can change, proposed acquisitions that deviate from the established EA may be approved on a case-by-case basis. The EA will be updated to reflect the new information, and will also be updated periodically in consultation with the CIO Council and Executive Leadership Council.

It is important to note that the B&F Director (de facto CFO), CIO, Comptroller and CPO of the State of Hawai`i have no visibility as to the actual expenditures or associated breakout for enterprise IT with requisite detail and business intelligence/analytics. Consequently, there is no ability to mitigate duplication of effort, explore synergy opportunities, verify alignment with business needs, and realize cost efficiency and mission effectiveness on an enterprise scale. This situation needs an urgent fix.

PROJECT 4.1: DEVELOP AND IMPLEMENT A FORMAL IT STRATEGIC PLANNING PROCESS THAT INCORPORATES IT ACQUISITION PLANNING

In order for the State CIO to have transparency into the planned initiatives and projects at agencies, and to make certain they are aligned with IT priorities of the State it is recommended that the State establish a formal IT strategic planning process that incorporates IT acquisition planning as a key component of the process.

The strategic planning process should at minimum include the development of the following:

- State IT Strategic Plan that establishes the IT roadmap and priorities for the State;
- Agency IT Strategic Plans that identifies anticipated technology initiatives of the agency and speaks to how the initiatives align with the priorities established in the State Strategic Plan; and,
- Call for Projects that identifies anticipated agency IT projects for the coming biennium.

It is recommended that each strategic planning component be performed in a recurring manner on an established schedule that aligns with and facilitates the budget planning process. To be effective the process must not be obtrusive and complicated for agencies to complete and as such templates for the completion of each component should be developed that delineate the required information agencies must provide and that are simple and easy to complete and submit. Where agencies are already completing strategic plans, the IT strategic plan can simply be incorporated into the larger strategic plan.

PROJECT 4.2: DEVELOP AND IMPLEMENT A PLANNED ACQUISITION SCHEDULES PROCESS

To help the State CIO and OIMT stay abreast of the anticipated needs of the agencies for IT goods and services it is recommended that the State develop and implement a Planned Acquisition Schedule process. The Planned Acquisition Schedule is a rolling 12 month forecast of technology purchases that is updated on regular intervals always with a 12 month view. This process is valuable in helping provide the State CIO with a comprehensive view of overall IT needs of the State that enables the State CIO to determine the need for spend category prioritization and project contract portfolio reach.

Like the IT strategic planning process, to be effective the process must not be obtrusive and complicated for agencies.

As such the process should require agencies to provide the minimum level of information necessary to gain a comprehensive view of anticipated IT acquisitions. Additionally, templates for the schedule should be developed and provided to agencies that delineate the required information agencies must provide and that are simple and easy to complete and submit.

Like the IT strategic planning process, an effective process must not be obtrusive and complicated for agencies. The process should require agencies to provide the minimum level of information necessary to gain a comprehensive view of anticipated IT acquisitions. Additionally, templates for the schedule should be developed and provided to agencies that are simple and easy to complete and submit and delineate the required information they must provide.

PROJECT 4.3: DEVELOP AND IMPLEMENT POLICY RELATED TO CIO REVIEW OF IT ACQUISITIONS

Current policy requires that the State CIO review and approve certain IT acquisitions of executive branch agencies. To make certain this process is efficient and effective and meeting the policy objectives of the State, it is recommended that the State CIO develop and implement policy related to the review of IT Acquisitions. The policy should set expectations and timelines for agencies and should seek to highly constrain and eliminate emergency reviews.

Once enterprise architecture standards are established and supported through a comprehensive statewide contract portfolio, the process should also create pathways for agencies to bypass review for acquisitions using the contract portfolio or meeting established standards.

INITIATIVE #5: IDENTIFY, PRIORITIZE AND EXECUTE ON SHARED SERVICE INITIATIVES THAT CREATE THE FOUNDATION FOR SUCCESS FOR HAWAII IN THE DECADES TO COME

While Initiative 3 sought to establish a comprehensive contract portfolio of IT contracts for the state, those contracts are focused on addressing the standard IT goods and services needs of state entities. However, there are certain areas in IT where the whole is greater than the sum of the parts – referred to as shared services.

A shared service is the consolidation and provision of a common service by a central state entity that is utilized by other state entities. In this model, redundancy of resources and expenditures across state entities is eliminated and replaced with a model where funding and resourcing for the service is shared across state entities with the providing department effectively becomes an internal service provider.

To elevate the IT organization, it is recommended that the State begin efforts to identify and prioritize opportunities for shared services and execute to establish these shared services for the State under the auspices of the State CIO and OIMT. Implementing this initiative will move the State into the modern area of technology service delivery and create a foundation for success for Hawaii for decades to come.

PROJECT 5.1: DEVELOP AND EXECUTE ON A TWO YEAR SOURCING PLAN TO ESTABLISH A SHARED SERVICES PORTFOLIO UNDER THE CIO

Before the State can implement shared services, it must identify where shared services opportunities exist at the State. Toward that end, it is recommended that the State CIO and OIMT work with state leadership and state and local stakeholders to identify and prioritize shared services opportunities toward the development of a two year sourcing plan to execute against.

Examples of shared services areas the State should consider include, but are not limited to:

- Data Center Services
- Cloud Services
- Telecommunication (Landline and Wireless)
- Networking
- ERP
- Enterprise Email
- Data Warehousing/Business Intelligence and Logistics
- GIS data and systems

5.0 IMPLEMENTATION STRATEGY

5.0 IMPLEMENTATION STRATEGY

The following tables compile and sequence the project work described in the Section 4.0 providing a timetable for implementation of the projects associated with the key initiatives required move the state from the current "As Is" state to the envisioned future state model for IT acquisition.

5.1 IMMEDIATE STRATEGIES AND TIMEFRAMES (THE FIRST SIX MONTHS)

Project No.	Project
1.1	Pilot optimized cooperative purchasing program for IT acquisition.
1.2	Optimize the rule for cross-entity contract use.
2.1a	Create a dedicated purchasing/sourcing group at OIMT.
2.2	Create a dedicated IT procurement support group at SPO.
2.7	Prioritize, as a foundational project, the modernization of state financial and procurement systems.
3.1a	Develop a two-year sourcing plan to establish a comprehensive statewide IT contract portfolio.

5.2 SHORT-TERM STRATEGIES AND TIMEFRAMES (SIX MONTHS—ONE YEAR)

Project No.	Project
3.1b	Execute on the two- year sourcing plan to establish a comprehensive statewide IT contract portfolio.
5.1a	Develop a two-year sourcing plan to establish a shared services portfolio under the CIO.
2.3	Develop an IT Acquisition and Contract Management Guide.
2.4	Review and update acquisition templates.
2.5	Automate the creation and processing of purchase orders.
2.6	Review and optimize contract review processes.

5.3 LONG-TERM STRATEGIES AND TIMEFRAMES (ONE-THREE YEARS)

Project No.	Project
5.1b	Execute on the two-year sourcing plan to establish a shared services portfolio under the CIO.
1.3	Establish an IT Acquisition Coordinating Committee.
4.1	Develop and implement a formal IT strategic planning process that incorporates IT acquisition planning.
4.2	Develop and implement a Planned Acquisition Schedules process.
4.3	Develop and implement policy related to CIO review of IT acquisitions.
3.2	Establish performance measures for State IT contract portfolio and vendors.
2.1b	Create dedicated purchasing/sourcing groups at state agencies
N/A	Work with SPO on a detailed assessment of State acquisition policy and process.[1]

[1] This project is not specifically identified in the plan as the plan was focused on IT acquisition only, but is a project the State should seek to implement in the long-term.

		Year 1				Year 2				Year 3			
Project #	Project Name	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
1.1	Pilot Optimized Cooperative Purchasing Program for IT Acquisition	■											
1.2	Optimize the rule for cross entity contract use	■											
1.3	Establish an IT Acquisition Coordinating Committee					■	■						
2.1a	Create a dedicated purchasing/sourcing group at OIMT	■	■										
2.1b	Create dedicated purchasing/sourcing groups at state agencies												
2.2	Create a dedicated IT procurement support group at SPO	■	■										
2.3	Develop an IT Acquisition and Contract Management Guide			■	■								
2.4	Review and update acquisition templates			■	■								
2.5	Automate the creation and processing of Purchase Orders			■	■								
2.6	Review and optimize contract review processes			■	■								
2.7	Prioritize as a foundational project the modernization of state financial and procurement systems	■											
3.1a	Develop a two year sourcing plan to establish a comprehensive statewide IT contract portfolio	■	■										
3.1b	Execute on the two year sourcing plan to establish a comprehensive statewide IT contract portfolio			■	■	■	■	■	■	■	■		
3.2	Establish performance measures for state IT contract portfolio and vendors									■	■		
4.1	Develop and implement a formal IT strategic planning process that incorporates IT acquisition planning									■	■	■	■
4.2	Develop and implement a Planned Acquisition Schedules process									■	■	■	■
4.3	Develop and implement policy related to CIO review of IT acquisitions									■	■	■	■
5.1a	Develop a two year sourcing plan to establish a shared services portfolio under the CIO			■	■								
5.1b	Execute on the two year sourcing plan to establish a shared services portfolio under the CIO					■	■	■	■	■	■	■	■
6.1	Work with SPO on a detailed assessment of State acquisition policy and process[1]					■	■						

6.0 FUNDING CONSIDERATIONS

7.0 CONCLUSION

6.0 FUNDING CONSIDERATIONS

Many of the projects that are outlined in the plan, while requiring personnel resources to execute do not require significant outlays of funds to implement as they are business process reengineering efforts. While typical methods of funding projects outlined in this plan would be general revenue funds or bonding mechanisms, the State has an available funding mechanism is has not yet implemented related to procurement – administrative fees.

Administrative fees are fees that are assessed and paid to the State on statewide contracts. They are meant to generate revenue for the State to offset costs associated with administrative function of procurement, but in this case could also be used for costs associated with the reengineering efforts and technology deployments such as eProcurement and/or ERP. Administrative fees can be applied in several approaches to include:

- Fee paid by vendors based on total purchases with the vendor;
- Fee paid by vendor based on dollar value of the purchase order (with caps); or,
- Fee paid by the agency based on dollar value of the purchase order.

The majority of states use some sort of administrative fee to support the central procurement function and the IT procurement function (where applicable). The most common approach seen in states is to assess a vendor fee in either of the first two models outlined above. Vendors are then able to factor this into their pricing and build it into the bid responses provided to the State for contracts where the fee will be applied. In some cases the fee is sent directly to the state and simply retained as part of general revenue, in other cases it is directed to the procurement entity and in yet others it is some combination of the two. In all cases, it derives significant revenue to the State.

To be an effective revenue source for the State, the fee must be both reasonable and defensible. To meet both criteria the fee must not be excessive such that it deters vendors from wanting to do business with the state or causes unacceptable cost models for agencies, and should be based on an analysis of current and future revenue needs so as not to be viewed as a cash cow.

7.0 CONCLUSION

This plan represents a call to action to move Hawaii to be a model for the nation in IT acquisition strategy, and the work begins today. *Mahalo.*

APPENDIX A: CIO/CPO COORDINATION FACTORS MEMO

APPENDIX A: CIO/CPO COORDINATION FACTORS MEMO

KEY CIO-CPO COORDINATION FACTORS

Statement of Understanding Related to Technology Procurement in Hawai'i

CPO has the statutory authority to establish statewide contracts:
- Statewide is defined as the Executive Branch agencies
- Any additional entities – even if the contract is established by CPO – must be specified in the document under the administrative policy regarding "piggybacking"
- Agencies may establish co-operative contracts, but only within and among named parties
- Agencies have an option to request that SPO lead a statewide contract (Form SPO-018)
- • CPO indicated there would be scenarios where they would be willing to designate an agency to lead a statewide contracting effort – in effect, enable the statewide contracting authority to be led by an agency with a specific expertise if it advanced the state goals and purpose

CIO has the authority to direct Executive Branch agencies regarding technology:
- Oversees statewide information technology governance
- Develops, implements, and manages statewide information technology governance
- Develops, implements, and manages the state technology strategic plans
- Develops and implements statewide technology standards
- Legislation pending signature indicates that foundational elements of the technology strategic plan "must" be implemented in 2012-2013
- The same legislation described expedited procurement regarding these initiatives as "essential"

Technology direction is within the designated authority of the CIO, yet making true change in technology strategy and vendor behavior requires statewide contracting:
- With individual agency technology acquisition, success in one agency's T&C's/price/scope/etc. does not translate to any other agency's success
- Hawaii, with its unique characteristics, has an clear need for a coordinated technology vendor management strategy
- Coordinated vendor management strategy can only happen with buying strategy supported by enterprise architecture and new shared service offerings.
- The limitations described above (including piggybacking limitations) mean that technology contracts should be established with broad scope from the beginning to benefit as many agencies as possible as architecture converges

CIO and CPO can coordinate their authority and areas of expertise in a way that powers the future state technology strategy:
- CIO should have the subject matter expertise and resource base to develop, and coordinate a contract portfolio comprising the technology spend of the state
- CIO bid development should reinforce state acquisition policy
- CPO should coordinate with the CIO to release solicitations under the authority of the CPO in order to make them statewide contracts
- CIO should be responsible for the outreach necessary to interested parties outside of the executive branch consistent with state piggybacking policy
- • Recent examples of this type of collaboration: State Portal Contract and Network Equipment

APPENDIX B: CIO/SPO AGREEMENT

APPENDIX B: CIO/SPO AGREEMENT

AGREEMENT OF RESPONSIBILITY BETWEEN
State Procurement Office
and
Office of Information Management and Technology
Regarding the
Planning, Design, Procurement and Contract Management
of
Information Technology Goods and Services

August 2012

The **Primary (P)** entity is responsible for initiating and completing the tasking.
The **Secondary (S)** entity is responsible for assisting the effort.

PLANNING, DESIGN, SOLICITATION DEVELOPMENT

Activities	Reference	Responsible Entity Primary (P)/Secondary (S)		Approximate Completion Period
		OIMT	SPO	
General				
Overview/background		P		TBD by OIMT
Goals and objectives		P		TBD by OIMT
Obtaining all applicable approvals		P		TBD by OIMT
Operational IT standards		P		TBD by OIMT
Scope of Services /project configuration, systems design, integration & interoperability specifications		P		TBD by OIMT
Service prioritization		P		TBD by OIMT
Geographic location(s) involved		P		TBD by OIMT
Insurance requirements	DAGS, Risk Mgmt.	P		TBD by OIMT
Request for information (RFI), as applicable	HAR §3-122-9.02	S Provide SPO RFI details/content, review RFI responses and incorporate into procurement, as applicable	P Release RFI and receive responses	TBD by OIMT
Hardware, software, services				
Lease vs. purchase		P		TBD by OIMT
Product description, functional specifications		P		TBD by OIMT
Technical capabilities		P		TBD by OIMT
Software licenses		P		TBD by OIMT
Warranty information for service		P		TBD by OIMT
Maintenance requirements (annual maintenance cost)		P		TBD by OIMT
Installation requirements		P		TBD by OIMT
Consultant services		P		TBD by OIMT

PLANNING, DESIGN, SOLICITATION DEVELOPMENT

Activities	Reference	Responsible Entity Primary (P)/Secondary (S)		Approximate Completion Period
		OIMT	SPO	
Offeror qualifications				
License(s), experience, references, training, education, etc., as applicable		P		TBD by OIMT
Facilities,as applicable		P		TBD by OIMT
Location of contractor(s) office(s)		P		TBD by OIMT
Construction, if applicable (coordinate with DAGS-PWD)				
Plans/designs, building renovation, electrical, A/C, permits, contractor licenses		P Coordinate with DAGS/PWD		TBD by OIMT
Capital Improvement Projects (CIP) authorizations/allotments	HRS §103-7	P		Varies
Coordination of services				
Deliverables and installation requirements/timelines		P		TBD by OIMT
Trade-in or disposal of obsolete assets; applicable approvals		P		TBD by OIMT
Contractual responsibilities				
Department				
• Monitoring, measuring, and assessing contractor performance		P		TBD by OIMT
• Other responsibilities		P		TBD by OIMT
Contractor				
• Performance outcome, expectation measurements		P		TBD by OIMT
• Other responsibilities		P		TBD by OIMT

PLANNING, DESIGN, SOLICITATION DEVELOPMENT

Activities	Reference	Responsible Entity Primary (P)/Secondary (S)		Approximate Completion Period
		OIMT	SPO	
Procurement Requirements **OIMT to coordinate procurement requirements with SPO**		Coordinate with SPO		
Method of procurement determination • Competitive sealed bidding (IFB) • Competitive sealed proposals (RFP) • Professional services • Small purchase • Sole source • Emergency	HRS §103D-301 HAR §3-122-16	S	P	
Timeline: Release of solicitation; offer/proposal submittal deadline, contract execution, notice to proceed	HAR chapter 3-122 subchapters 5 and 6	S	P	
Determination of type of contract, i.e., fixed-price, cost-reimbursement, cost incentive, performance incentive, time and materials, labor hour, quantity, installment	HAR §3-122-135	S	P	1-2 weeks SPO to coordinate with OIMT
Single or multiple awards, and the basis of the awards	HAR §§3-122-145 and 3-122-146	S	P	
Term of contract, including extension periods	HAR §3-122-7 HAR chapter 125	S	P	
Provisions for early termination and renewals	HAR §§3-125-21 and 3-122-7	S	P	
Encumbered or open-ended contract	HAR §3-122-102	S	P	
Method of payment: e.g., unit rate, fee for service, deliverables/milestones	HRS §103D-309 HAR §§3-122-21 and 3-122-46	S	P	
Allowable contract price adjustments	HAR §3-125-2	S	P	
Bid security, contract performance bond, payment bond, as applicable	HAR chapter 3-122 subchapter 24	S	P	
Preferences, i.e., software development, tax preference	HAR chapter 3-124	S	P	
Public Procurement Notice	HAR §3-122-16.03		P	
Pre-bid/pre-proposal conference schedule, as applicable	HAR §3-122-16.05	S	P	

PLANNING, DESIGN, SOLICITATION DEVELOPMENT

Activities	Reference	Responsible Entity Primary (P)/Secondary (S)		Approximate Completion Period
		OIMT	SPO	
Competitive Sealed Proposals				
• Evaluation committee selection	HAR §3-122-45.01	P		2-3 weeks
• Basis of evaluation	HAR §3-122-52	P		
• Proposal evaluation criteria w/assigned points	HAR §3-122-52	P		

PROCUREMENT PERIOD (FROM POSTING OF PROCUREMENT PUBLIC NOTICE)

Activities	Reference	Responsible Entity Primary (P)/Secondary (S)		Approximate Completion Period
		OIMT	SPO	
Competitive Sealed Bidding				
Procurement public notice released	HAR §3-122-16.03		P	• Min. 10 days (single step) • Min. 15 days for 1st phase and 10 days for 2nd phase (multi-step)
Pre-bid conference, as applicable	HAR §3-122-16.05	S	P	Sufficient time before to allow offerors to review solicitation and sufficient time after to prepare offer
Addenda issued, as needed • Responses to questions • Changes to specifications, scope of work, provisions	HAR §3-122-16.06	S	P	Sufficient time before submittal deadline for offeror(s) to prepare proposal
Receipt, opening and recording of offers	HAR §3-122-30		P	1-2 days
Evaluation of offers	HAR §3-122-33	S	P	Varies
Award of contract	HAR §3-122-33		P	Varies
Posting of award	Procurement Circular 2010-01	P		Within 7 days from notice of award

PROCUREMENT PERIOD (FROM POSTING OF PROCUREMENT PUBLIC NOTICE)

Activities	Reference	Responsible Entity Primary (P)/Secondary (S)		Approximate Completion Period
		OIMT	SPO	
Competitive Sealed Proposals				
Procurement notice released	HAR §3-122-16.03		P	Min. 30 calendar days
Pre-proposal conference, as applicable	HAR §3-122-16.05	S	P	Sufficient time before to allow offeror(s) to review solicitation and sufficient time after to prepare offer
Addenda issued, as needed : • Responses to questions • Changes to specifications, scope of work, provisions • Best and Final Offer (BAFO), as applicable	HAR §3-122-16.06	S	P	Sufficient time before submittal deadline for offerer(s) to prepare proposal
Receipt and registration of proposals	HAR §3-122-51		P	1-2 days
Proposal evaluation by evaluation committee, based on established RFP criteria • Offeror interviews/product demonstrations/site visits, as applicable	HAR §3-122-52	P		Depending on procurement complexity and number of proposals received - Average 1 month
Discussion with offeror(s), as needed	HAR §3-122-53	S	P	Varies
Best and final offers, as needed	HAR §3-122-54	S	P	2 weeks
Award of contract	HAR §3-122-57		P	Varies
Posting of award	Procurement Circular 2010-01		P	Within 7 days from notice of award
Debriefing, upon request by offeror	HAR §3-122-60	S	P	Average 1 week after completion of evaluations (within 7 days)

PROCUREMENT PERIOD (FROM POSTING OF PROCUREMENT PUBLIC NOTICE)

Activities	Reference	Responsible Entity Primary (P)/Secondary (S)		Approximate Completion Period
		OIMT	SPO	
Protest				
Protest prior to receipt of offers	HAR §3-126-3	S	P	Varies
Protest of award	HAR §3-126-4	S	P	Filing of protest: within 5 working days after posting of Notice of Award
Procurement Officer written decision on protest	HAR §3-126-7	S	P	As soon as possible
Protest Appeal - Department of Commerce and Consumer Affairs, Office of Administrative Hearings (DCCA-OAH)	HAR chapter 3-126, subchapter 5	DCCA-OAH		Filing request for hearing within 7 calendar days

CONTRACT EXECUTION, MANAGEMENT, AND PAYMENT

Activities	Departments and Agencies Involved with the Process of Contracting with the State	Approximate Completion Period
Contract Processing		
Draft contract review by Deputy Attorney General	Office of the Attorney General	Varies
Contract term discussions with potential contractor(s)	OIMT	Varies
Contract Execution		
• By Contractor(s)	Contractor	5 weeks
• By Office of the Attorney General (approval as to form)	Office of the Attorney General	
• By SPO Procurement Officer (PO)	SPO	
Certification/encumbrance for IFB/RFP/Sole Source; forms (A-47, C-41, transmittal to DAGS, Pre Audit)	OIMT/SPO HRS §103D-309	Varies

CONTRACT EXECUTION, MANAGEMENT, AND PAYMENT

Activities	Departments and Agencies Involved with the Process of Contracting with the State	Approximate Completion Period
Contract Period		
Inventory		
• Assign inventory tags to equipment	OIMT and DAGS, Inventory Mgmt.	Term of contract
• Enter equipment into inventory system	OIMT and DAGS, Inventory Mgmt.	Term of contract
Contract Payment	OIMT and Department of Accounting and General Services	Term of contract
Contract Administration	OIMT	Continuous
Contract Management	OIMT/SPO	Term of contract
Contract Performance and Fiscal Monitoring	OIMT	Term of contract
Contract Performance and Fiscal Evaluation	OIMT	Term of contract
Contract Amendments/Extensions	OIMT/SPO	Term of contract
Responsible for the compliance with HRS chapter 103D, Hawai'i Procurement Code	SPO	Continuous
Promulgates the Hawai'i Administrative Rules (HAR) and issues Procurement Directives, as required	Procurement Policy Board (PPB) HRS chapter 103D	As required
Disclosure of government records	Office of Information Practices (OIP) and PO - HRS chapter 92F	As required
Requires applicable code of ethics for government employees and officers	State Ethics Commission and Purchasing Agency HRS chapter 84	As required
Contracting Requirements		
Verification prior to award and upon final payment on Hawai'i Compliance Express (HCE) to obtain Certificate of Vendor Compliance for: • Internal Revenue Service (IRS), • Department of Taxation (DOTAX), • Department of Labor and Industrial Relations (DLIR), and • Department of Commerce and Consumer Affairs (DCCA)	SPO HRS §103D-310(c)	Required upon award of contract
Obtain Certificate of Insurance, as applicable	SPO	Within 10 days to execute contract
Obtain bid/performance/payment bonds, as applicable (required for construction)	SPO HRS §103D-324	Within 10 days to execute contract

OTHER RELATED ADMINISTRATIVE REQUIREMENTS

Activities	Responsible Entity	Approximate Completion Period
Executive memorandums available at http://hawaii.gov/budget/, includes Budget Execution Policies requiring the Governor's approvals for expending funds Administrative Directives available at: http://hawaii.gov/budget/administrative-directives/	Office of the Governor	Continuous
Finance memorandums available at http://hawaii.gov/budget/, includes B&F requirements	Department of Budget and Finance (B&F)	Continuous
Comptroller memorandums available at http://hawaii.gov/dags/cm, such as: • Certificate of Insurance (Ref. CM 2010-39) on contractor's insurance policies • Contract Execution Date (Ref. CM 2009-14) for retroactive contracts approval • Personal Services Contractor Procedural Manual • Pre-Audit review/approval request for payment processing/vouchering	Department of Accounting and General Services	Continuous
Chief Information Officer (CIO) approval for design and implementation of IT infrastructure, IRM, and shared services pursuant to AD 11-02	OIMT	Continuous

OTHER RELATED ADMINISTRATIVE REQUIREMENTS

Activities	Responsible Entity	Approximate Completion Period
Contract forms; contract approval as to form: • AG-002 Contract for Goods and Services Exempt, Small Purchase, Sole Source, or Emergency • AG-003 Contract for Goods or Services Based Upon Invitation for Competitive Sealed Bids • AG-004 Contract for Goods or Services Based Upon Request for Competitive Sealed Proposal • AG-005 Supplemental Contract • AG-008 General Conditions • AG-009 Contractor's Acknowledgement • AG-010 Contractor's Standards of Conduct Declaration • AG-011 Attachment – S1, Scope of Services • AG-012 Attachment – S2, Compensation and Payment Schedule • AG-013 Attachment – S3, Time of Performance • AG-014 Attachment – S4, Certificate of Exemption from Civil Service • AG-015 Attachment – S5, Special Conditions • AG-016 Attachment – S6, Supplemental Special Conditions	Office of the Attorney General (AG)	Continuous

AARON S. FUJIOKA **Date**
Administrator and Chief Procurement Officer
State Procurement Office

SANJEEV BHAGOWALIA **Date**
Chief Information Officer
Office of Information Management & Technology