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State of Louisiana Office of Information Technology

Sourcing & Procurement Strategy

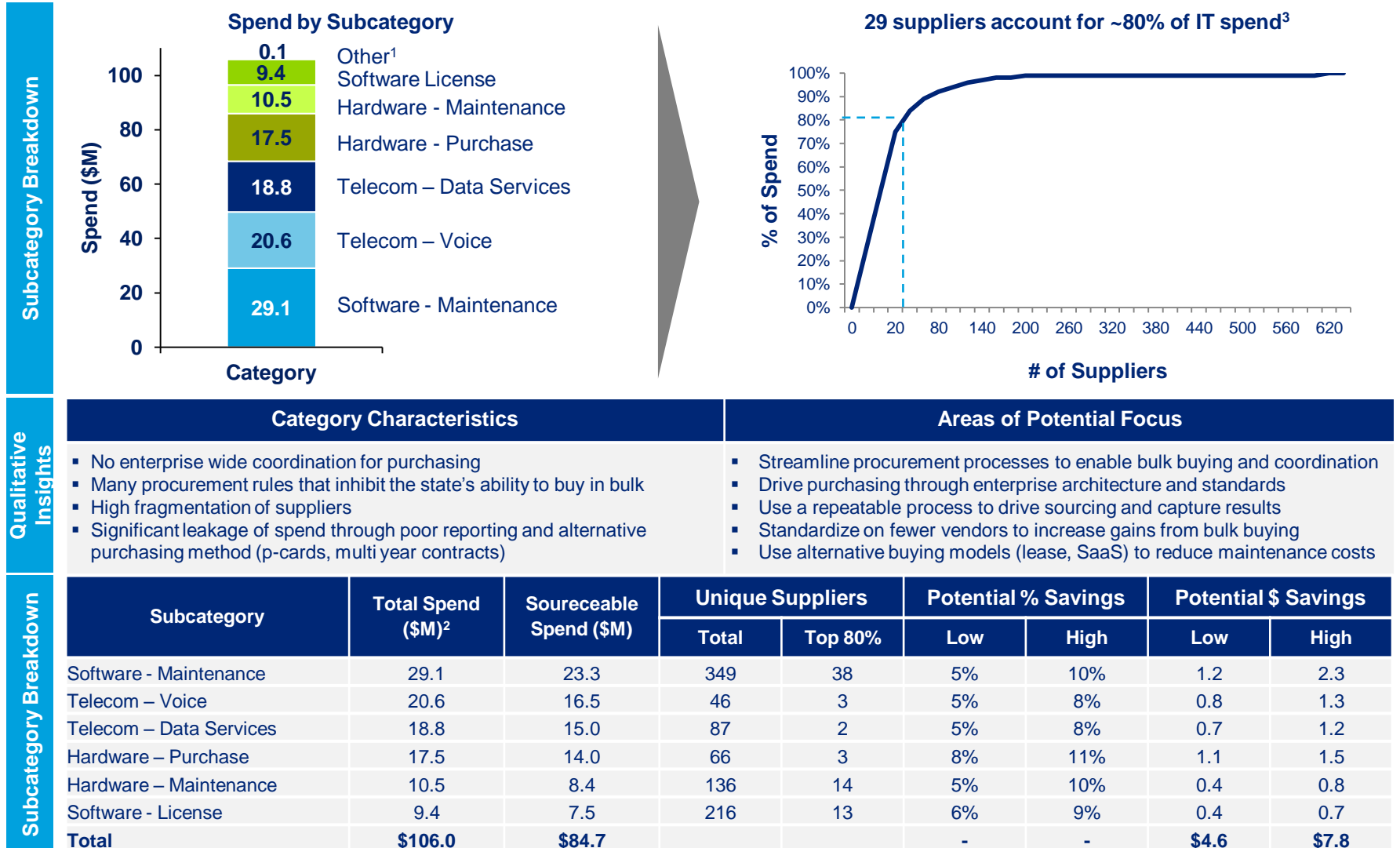


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Executive Summary

FY13 Subcategory Overview



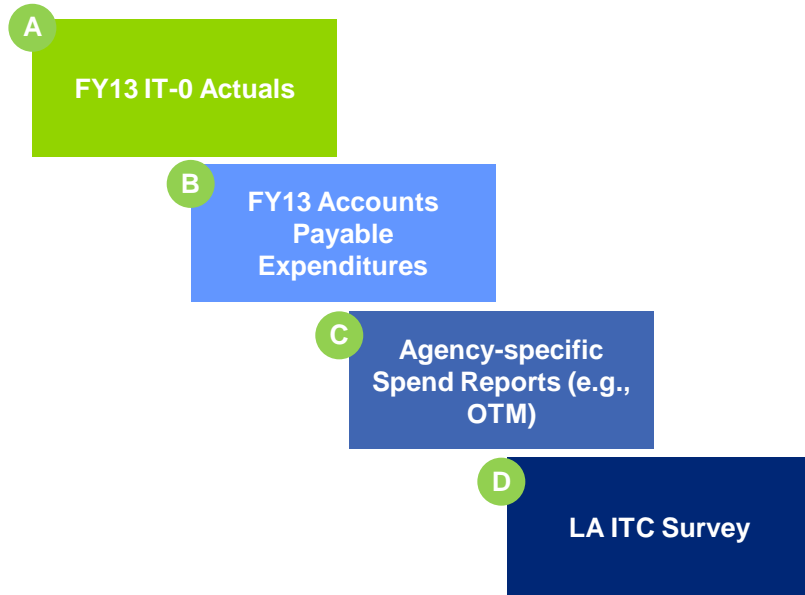
1 – Other includes Telecom – Services and Hardware – Leases.

2 – Total spend of \$106.0M. Sum of individual subcategories may not equal total spend due to rounding.

3 – Detailed list of suppliers available in the Appendix.

Methodology and Assumptions

Data Sources



Methodology

- 1 Analyzed data sources to categorize suppliers into spend classification
- 2 Interviewed stakeholders from OIT, State Purchasing and various departments understand current-state and brainstorm opportunities
- 3 Engaged OIT to validate spend classification and key assumptions
- 4 Identified sourcing and procurement opportunities

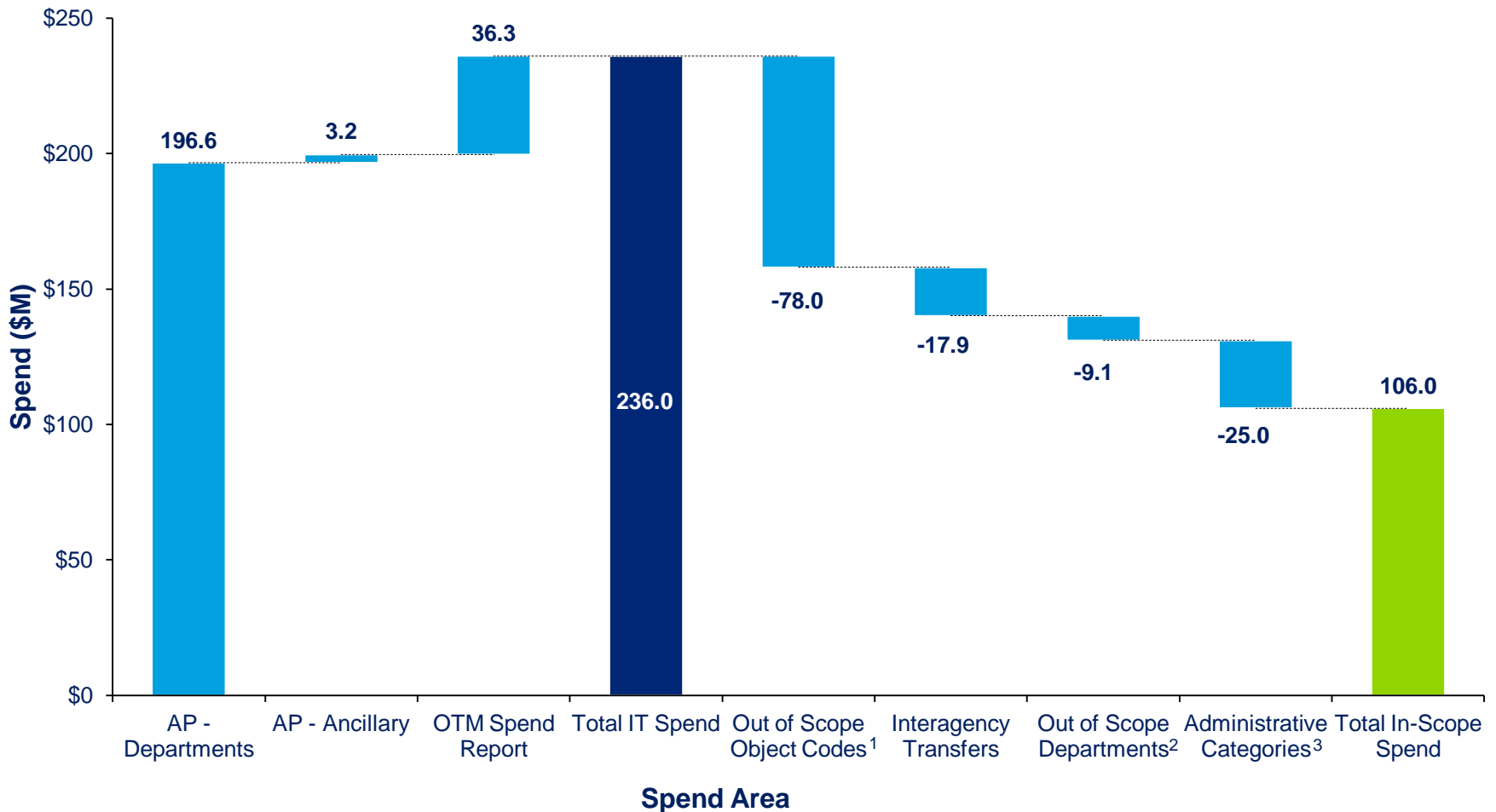
Assumptions and Data Gaps

- Spend analysis includes all Executive Branch departments and select Ancillary Agencies (e.g., Administrative Services and OTM)
- Spend classification categories based on IT-0 and OTM's lines of service
- Data was not manipulated from how it was reported in AP data, significant items are misplaced, incorrectly coded or missing
- Manual review provided some gap closure but it is understood that gaps still remain in the data
- In-scope object codes for each category validated with OIT and OTM
- Asset information based on self-reported survey data
- Spend with unknown suppliers account for 13% of total in-scope spend
- Savings estimates based on leading practices, modified for current-state understanding of the State
- Assumes majority of IT spend is consolidated into a single organization
- Standards can be implemented, monitored and enforced

Spend Analysis and Opportunity Identification

FY13 IT Spend Analysis

FY13 State of Louisiana IT Spend Breakdown (\$M)



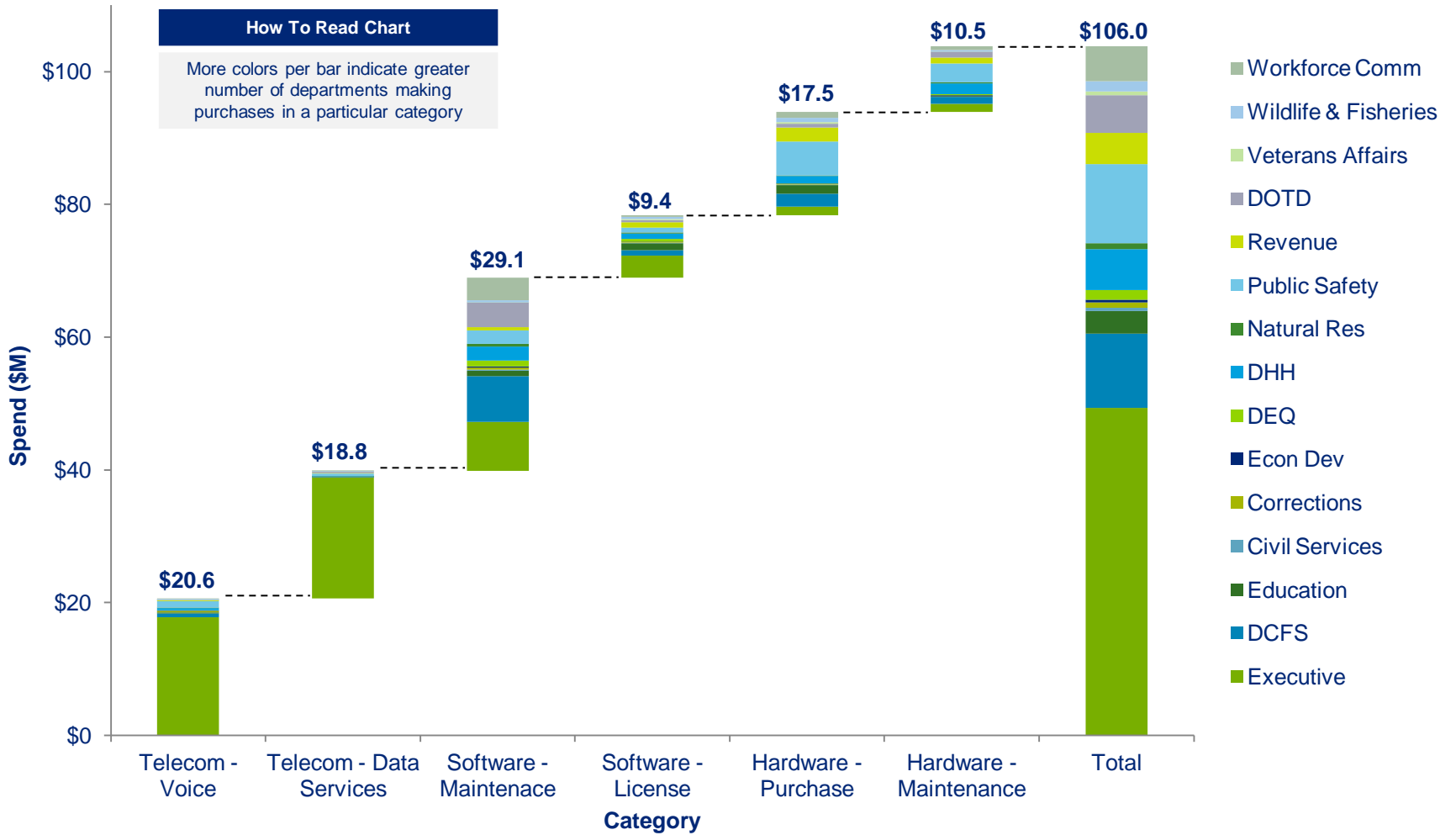
1 – Object codes include 2100 – 2520, 2600 – 2620, 2700 – 2810, 2830, 2840, 2870, 2890, 2900, 2930, 2940 – 3100, 3130 – 3310, 3410 – 3450, 3470 – 3730, 3750, 3760, 4490 – 5260 and T140.

2 – Departments include Dept. of Agriculture & Forestry, Dept. of Culture, Rec & Tourism, Dept. of Insurance, Dept. of Justice, Dept. of Public Service, Dept. of State, Dept. of Treasury, Dept. of Youth Services, High Education, Lieutenant Governor, Ancillary: Donald J. Thibodaux Training Academy, Office of Risk Management, LA Property Assistance Agency, Federal Property Assistance and Office of Aircraft Services, Executive Department: Office of Inspector General, Mental Health Advocacy Service, Louisiana Tax Commission and Louisiana Public Defender Board.

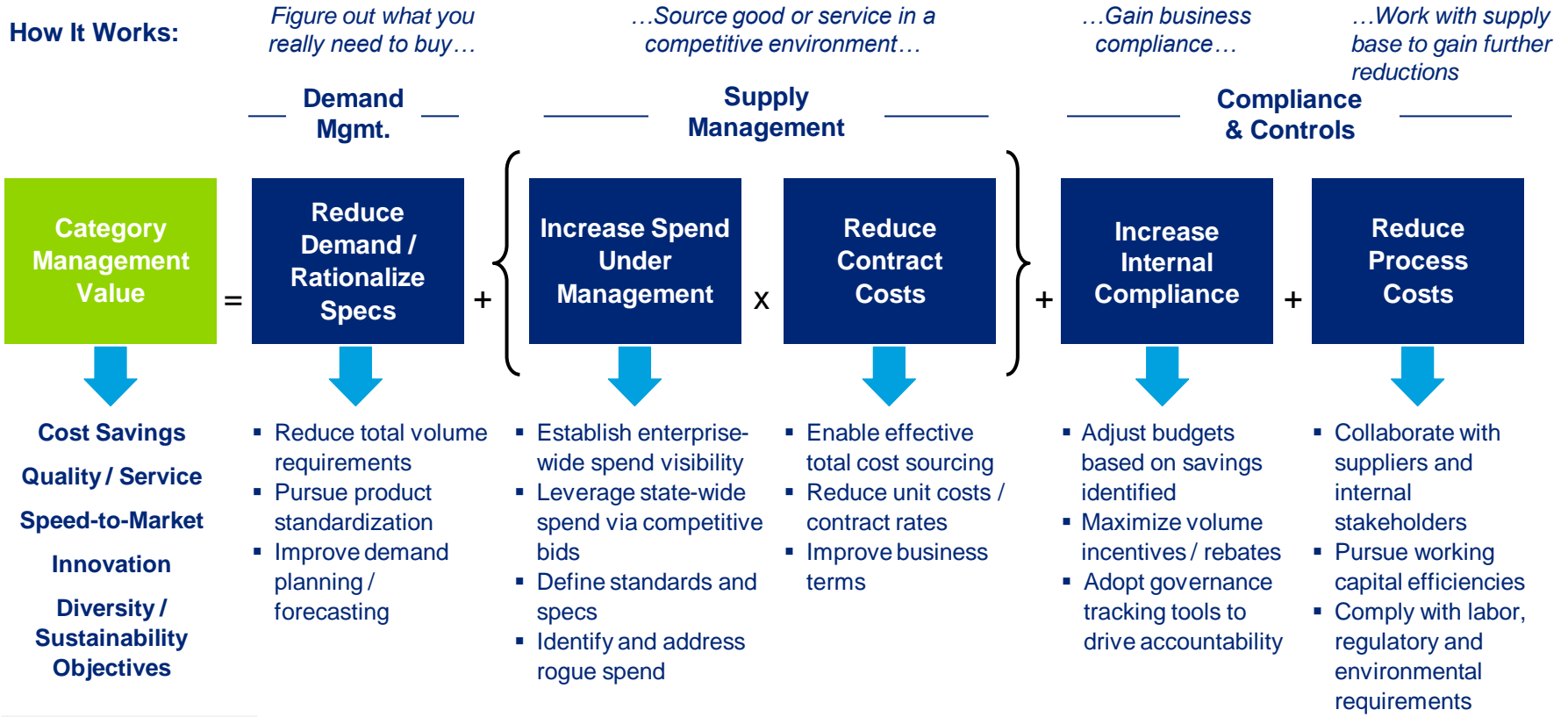
3 – Administrative categories include object codes 2550, 2650, 2935, 3120, 3460, 3740 and 2500.

FY13 Category Spend by Department

FY13 Category Spend Fragmentation by Department



Spend Management Framework

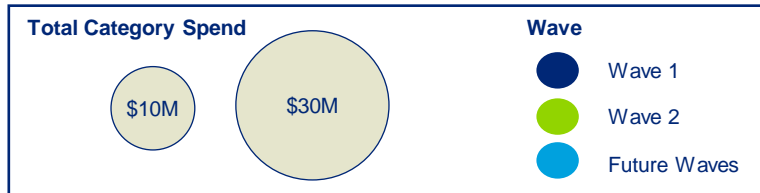
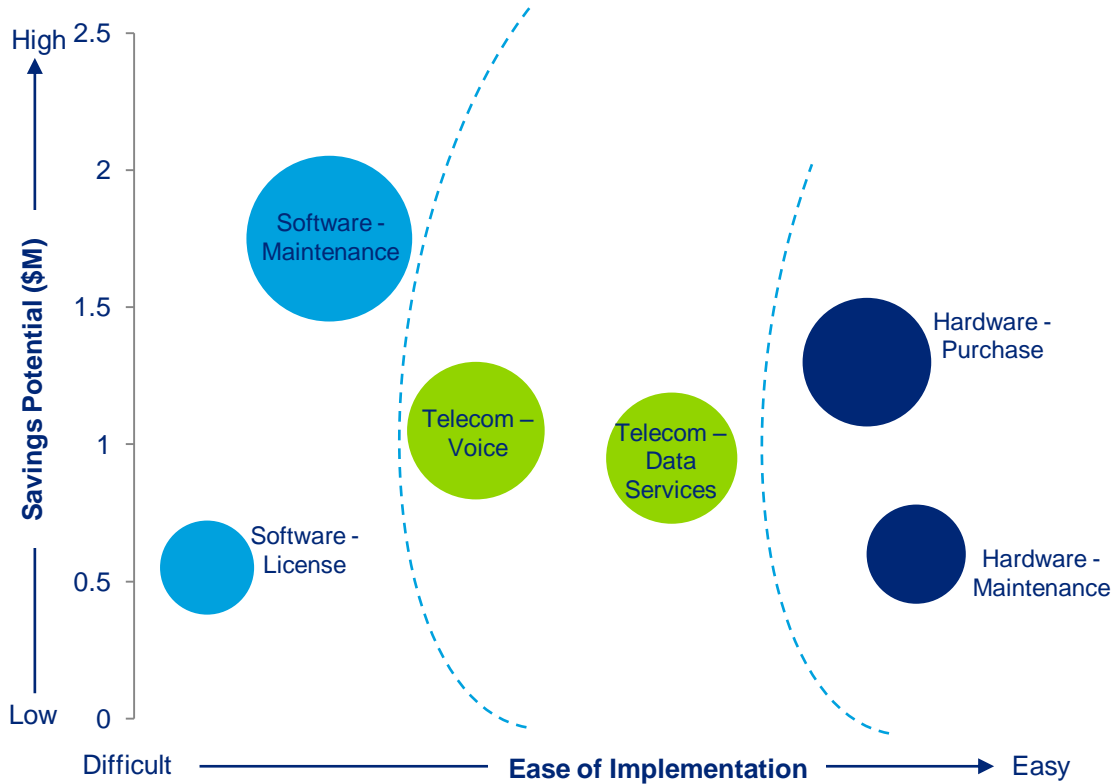


Highest Priority Levers for Each Category

Telecom – Voice	✓		✓	✓	✓
Telecom – Data Services	✓	✓	✓	✓	✓
Software – Maintenance	✓		✓		✓
Software – License	✓	✓	✓		
Hardware – Purchase	✓		✓		
Hardware – Maintenance	✓		✓		✓

Opportunity Prioritization

Opportunity Priority Matrix



Implementation Filters

The following filters were used in prioritization of sourcing opportunities:

1. Sourcing Process

- How long will implementation take?
- When will the State realize the benefits?

2. Organizational Readiness

- How ready is the organization for change?
- What kinds of business supports are in and/or need to be in place?

3. Category Simplicity

- How complex is the external market?
- How clear are the standards and requirements that drive purchasing?

Observations:

- Hardware presents the easiest opportunity (\$1.5 - \$2.3M) since category purchases are conducive to standardization and existing consolidation efforts already in motion (e.g., mainframe)
- OTM has already taken steps to rationalize Telecom spend, sourcing in this category is around the margins of network spending and driven by increasing spend under management
- Software represents a significant opportunity (\$1.6 - \$3.0M), but will require a significant reduction in types of software used and numbers of vendors providing services

Telecom – Voice: Observations and Opportunities

Spend and Supplier Summary

Telecom Subcategory	FY13 Spend		Suppliers	
	Total (\$M)	Sourceable (\$M)	Total	80% of Spend
Voice	\$20.6	\$16.5	46	3

Savings Potential

- Savings: 5 – 8%
- \$0.8M – 1.3M

Implementation

- Time to Source: 15 Wks
- Wave 2

Top 10 Suppliers

Top Suppliers	FY13 Spend \$M	% of Category Total
BELLSOUTH TELECOMMUNICATIONS	\$13.4	65.2%
A T & T MOBILITY II LLC	\$2.6	12.7%
A T & T CORP	\$1.5	7.1%
CELLCO PARTNERSHIP	\$0.7	3.3%
DELTACOM INC	\$0.6	3.2%
TW TELECOM HOLDINGS INC	\$0.5	2.2%
CENTURYLINK INC	\$0.4	1.8%
GM CABLE CONTRACTORS INC	\$0.2	0.8%
QWEST COMMUNICATIONS	\$0.1	0.6%
SPRINT	\$0.1	0.5%
Total	\$20.1	97.4%

Notes and Definitions

- Source: FY13 AP Data
- 1. In-Scope object codes: 2910 – Telephone services; 3650 – Miscellaneous charges; Wireless spend with AT&T, Cellco Partnership (Verizon) and Sprint

Current State Observations

Sourcing

- Statewide hosted IP telephony contract currently in process, may provide the greatest sourcing opportunity in the category
- AT&T and affiliates (Bellsouth Telecommunications) serve as the primary provider for landlines and wireless

Procurement

- OTM acts as the central authority for telecom procurement
- Wireless spend is managed by individual departments with limited central controls

Supplier Management

- AT&T and affiliates (AT&T Corp and Bellsouth Telecommunications) account for 82% of category spend
- Fragmented supplier base outside of AT&T and affiliates with ~60% of suppliers with <\$20,000 in annual spend
- ~\$3M is spent annually on cell phones, 75% of cell phone spend is with AT&T, 24% is with Cellco (Verizon)

Opportunities for Consideration

Reduce Demand / Rationalize Specs

- Bundle voice, data and audio/video services spend with a primary and secondary provider to increase volume discount with each carrier and enhance service provision (hosted IP/unified communications procurement could achieve these results)
- Develop guidance around wireless packages used by employees (e.g., amount of minutes and data per month) to reinstitute controls
- Reduce use of non-core vendors
- Evaluate need for non-IP voice lines in state facilities

Reduce Contract Costs

- Renegotiate rates (through bid or RFP) using new pooled volume across department
- Rationalize cellphone contracts approach to gain more leverage with primary suppliers

Increase Compliance

- Use a contingency vendor to conduct regular audits for billing errors, reconciliation and unused lines of spend not managed by OTM; usually 7-12% of all charges are in error

Reduce Process Costs

- Rationalize smaller suppliers to reduce back-office processing costs for managing suppliers
- Develop telecom equipment inventory for assets owned by agencies to manage the full life cycle and avoid one off repairs and replacements

Telecom – Data Services: Observations and Opportunities

Spend and Supplier Summary

Telecom Subcategory	FY13 Spend		Suppliers	
	Total (\$M)	Sourceable (\$M)	Total	80% of Spend
Data Services	\$18.8	\$15.0	87	2

Savings Potential

- Savings: 5 – 8%
- \$0.7M – 1.2M

Implementation

- Time to Source: 15 Wks
- Wave 2

Top 10 Suppliers

Top Suppliers	FY13 Spend \$M	% of Category Total
BELLSOUTH TELECOMMUNICATIONS	\$13.6	72.4%
A T & T CORP	\$1.6	8.7%
COX LOUISIANA TELCOM LLC	\$0.7	3.9%
TW TELECOM HOLDINGS INC	\$0.4	2.1%
AMERICAN ASSN OF MOTOR VEHICLE	\$0.3	1.5%
UNKNOWN/ UNLISTED	\$0.3	1.4%
CENTURYLINK INC	\$0.3	1.3%
CELLCO PARTNERSHIP	\$0.2	1.2%
UNIVERSITY CORP FOR ADVANCED	\$0.2	1.1%
GRAYBAR ELECTRIC CO INC	\$0.2	1.1%
Total	\$17.8	94.7%

Notes and Definitions

- Source: FY13 AP Data, OTM Spend Report
- 1. In-Scope object codes: 2880 – Internet provider costs; 2920 – Data lines & circuits; 3650 – Miscellaneous charges

Current State Observations

Sourcing

- OTM provides 82% of its network bandwidth through AT&T and affiliates (Bellsouth Telecommunications) and has brokered with other providers (e.g., Cox) for departments in areas where AT&T cannot provide services or to provide customers with additional options
- Cellco Partnerships provides network bandwidth to 7 departments; OTM does not use Cellco high spend with unusual network vendors like AAMVA for DPS
- 3 internet contracts currently in place

Procurement

- OTM acts as the central authority for telecom procurement, except for internet service subscriptions that cost <\$1500 per year; these small contracts make up <1% of category spend and are used primarily by Office of Financial Institutions, DHH and Veterans Affairs
- 74% of switches owned and supported by departments are Cisco with the remaining 26% spanning across at least 6 other providers
- Departments self-reported they were directly supporting \$0.9M in network device purchases and \$1.1M in network device maintenance as not supported by OTM

Supplier Management

- Highly fragmented supplier base with ~75% of suppliers with <\$20,000 in annual spend

Opportunities for Consideration

Reduce Demand / Rationalize Specs

- Rationalize suppliers for data and port access across departments, especially DPS and small service subscriptions
- Evaluate utilization of various network segments including dark fiber

Increase Spend Under Management

- Require remaining agencies move into OTM service pool

Reduce Contract Costs

- Renegotiate rates (through bid or RFP) using new pooled volume across departments

Increase Compliance

- Use a contingency vendor to conduct regular audits for billing errors, reconciliation and unused data ports of spend not managed by OTM; usually 7-12% of all charges are in error

Reduce Process Costs

- Rationalize smaller suppliers to reduce back-office/administrative costs related to managing suppliers
- Simplify technical architecture, especially for organizations running their own networks (DOTD)

Software - Maintenance: Observations and Opportunities

Spend and Supplier Summary

IT Subcategory	FY13 Spend		Suppliers	
	Total (\$M)	Sourceable (\$M)	Total	80% of Spend
Software - Maintenance	\$29.1	\$23.3	349	38

Savings Potential

- Savings: 5 – 10%
- \$1.2M – 2.3M

Implementation

- Time to Source: 15 Wks
- Wave 3

Top 10 Suppliers

Top Suppliers	FY13 Spend \$M	% of Category Total
I B M CORPORATION	\$3.2	11.0%
SAP PUBLIC SERVICE INC	\$2.9	10.0%
UNKNOWN/ UNLISTED	\$2.6	9.0%
CURAM SOFTWARE INC	\$1.3	4.5%
SHI INTERNATIONAL CORP	\$1.3	4.5%
CHERBONNIER MAYER & ASSOC INC	\$1.0	3.5%
NOVELL INC	\$0.9	3.1%
GEOGRAPHIC SOLUTIONS INC	\$0.9	3.0%
DELL MARKETING LP	\$0.8	2.7%
SOFTWARE AG OF NORTH AMERICA	\$0.6	2.2%
Total	\$15.5	53.3%

Notes and Definitions

- Source: FY13 AP Data
- 1. In-Scope object codes: 2825 – Maint of data process equ - soft

Current State Observations

Sourcing

- Departments are authorized to make software maintenance purchases under \$100K annually without going through a competitive bid
- Maintenance services are currently provided by both software providers and resellers

Procurement

- Multiple service catalogs used with varying prices and scope of services provided; no standard purchasing approach
- Proliferation of small software maintenance purchases – over 5800 transactions last year alone, average cost per transaction: \$5000

Supplier Management

- Highly fragmented supplier base with ~60% of suppliers with <\$20,000 in annual spend
- Number of software maintenance providers almost double the number of software providers

Opportunities for Consideration

Reduce Demand / Rationalize Specs

- Standardize service offerings and prices through a single services catalog

Reduce Contract Costs

- Align warranty with lifecycle of software to minimize paying higher maintenance costs for services outside of warranty
- Consolidate the number of maintenance contracts with one (e.g., reseller) or small group of preferred providers for similar functionality software to leverage volume discounts

Reduce Process Costs

- Rationalize smaller suppliers to reduce back-office processing costs for managing suppliers

Software - License: Observations and Opportunities

Spend and Supplier Summary

IT Subcategory	FY13 Spend		Suppliers	
	Total (\$M)	Sourceable (\$M)	Total	80% of Spend
Software - License	\$9.4	\$7.5	216	13

Savings Potential

- Savings: 6 – 9%
- \$0.4M – 0.7M

Implementation

- Time to Source: 15 Wks
- Wave 3

Top 10 Suppliers

Top Suppliers	FY13 Spend \$M	% of Category Total
DELL MARKETING LP	\$2.5	27.0%
SHI INTERNATIONAL CORP	\$1.2	13.0%
I B M CORPORATION	\$0.9	9.9%
MMCS CONSULTING LLC	\$0.4	4.7%
COMPUTER AID INC	\$0.4	4.4%
INFORMATION BUILDERS INC	\$0.4	4.2%
PAETEC SOFTWARE CORP	\$0.3	3.5%
COMPUTER ASSOCIATES INTRNTL	\$0.3	3.4%
MYTHICS INC	\$0.2	2.5%
EDGEAR LLC	\$0.2	2.5%
Total	\$7.1	75.0%

Notes and Definitions

- Source: FY13 AP Data
- 1. In-Scope object codes: 2875 – Data process licensing soft; 3320 – Software; 4450 – Acqn capitalized software; 4456 – Acq software costing <\$1000; 4453 – Acquisition software; 4456 – Acq-Software costing <\$1000

Current State Observations

Sourcing

- In process of evaluating ESRI enterprise license agreement (ELA), estimated to provide ~9% annual savings; similar opportunity exists for an ELA with Microsoft
- Promulgating rule to classify Software as a Service (SaaS) under Software category rather than services

Procurement

- Procurement driven by individual departments rather than an enterprise approach (e.g., ESRI software purchased by 5 departments in FY13)
- Purchasing from software manufacturer and resellers that offer similar products (e.g., Mythics Inc and Oracle, SHI International and Microsoft)
- Proliferation of small software purchases – over 1600 transactions last year alone, average cost per transaction:\$5500

Supplier Management

- Highly fragmented supplier base with ~75% of suppliers with <\$20,000 in annual spend
- Frequent use of specialty/custom software may be driving the high number of suppliers

Opportunities for Consideration

Reduce Demand / Rationalize Specs

- Rationalize to a few primary preferred software suppliers across the State for like applications with similar functionality

Increase Spend Under Management

- Develop new reporting classifications for Software as a Services (SaaS) to understand and source spend in line with category

Reduce Contract Costs

- Consider a master contracting agreement with vendors who provide multiple products / services to increase leverage (e.g., Dell, SHI International)
- Set standards and negotiate ELAs for software used by multiple departments (e.g., ESRI, SAS, Microsoft)
- Negotiate a tiered pricing structure with top suppliers (including Dell, etc.) with discounts based on level of spend or volume
- Evaluate cost-benefit of using resellers (e.g., SHI International) versus direct purchasing
- Evaluate use and number of resellers

Hardware - Purchase: Observations and Opportunities

Spend and Supplier Summary

IT Subcategory	FY13 Spend		Suppliers	
	Total (\$M)	Sourceable (\$M)	Total	80% of Spend
Hardware – Purchase	\$17.5	\$14.0	66	3

Savings Potential

- Savings: 8 – 11%
- \$1.1M – 1.5M

Implementation

- Time to Source: 15 Wks
- Wave 1

Top 10 Suppliers

Top Suppliers	FY13 Spend \$M	% of Category Total
UNKNOWN / UNLISTED	\$10.1	57.4%
DELL MARKETING LP	\$3.9	22.3%
GLOBAL DATA SYSTEMS INC	\$0.9	5.1%
HEWLETT-PACKARD COMPANY	\$0.6	3.7%
AXI EDUCATION SOLUTIONS LLC	\$0.5	2.7%
INTEGRATED AV SYSTEMS LLC	\$0.4	2.3%
DETEL COMPUTER SOLUTIONS	\$0.3	1.5%
APPLE COMPUTER INC	\$0.2	1.1%
CDW GOVERNMENT INC	\$0.1	0.4%
TWOTREES TECHNOLOGIES LLC	\$0.1	0.3%
Total	\$17.1	96.8%

Notes and Definitions

- Source: FY13 AP Data, LEAF Expenditure Data
- 1. In-Scope object codes: 4440 to 4442; 4451; 4452; 4454; 4455 445; 4458; LEAF expenditures

Current State Observations

Sourcing

- Departments are authorized to make hardware purchases under \$5K without going through a competitive bid
- Majority of hardware contracts are state-wide; servers from a variety of suppliers are contracted by individual departments
- For brand name contracts, State Purchasing typically participates in WSCA RFP or allows suppliers to initiate contract request
- On average servers are 68% virtualized for Intel, 36% for non-Intel

Procurement

- Online catalogs provide wide array of options for each type of hardware (e.g., >100 options for laptops)
- Over 25% of catalogue options exceed the OIT suggested maximum price
- Purchases from resellers require hardware to be rebranded to the reseller's logo

Supplier Management

- 52% of spend is with unknown or unlisted vendors
- More than 36K desktops/laptops of all makes and models
- More than 20K printers of all makes and models
- 64% of Intel physical servers are Dell; Unix is 39% for both IBM and HP
- 97% of data center square footage is devoted to Intel servers
- Nearly half of category spend is through Dell Marketing; ~65% of remaining suppliers have <\$20,000 in annual spend

Opportunities for Consideration

Reduce Demand / Rationalize Specs

- Further virtualize servers to reduce demand for physical devices
- Develop an inventory of assets to understand current use and future demand
- Develop tiered levels of standardized configurations and cost thresholds for purchasing
- Evaluate opportunity to retire certain hardware instead of purchasing replacement (e.g., server virtualization)
- Evaluate enterprise hardware leasing (especially for desktops/laptops) to reduce capital and standardize spend

Reduce Contract Costs

- Move to enterprise approach to hardware sourcing instead of by department (e.g., servers, firewalls, laptop)
- Consider managed print services to increase standardization and lower maintenance burden
- Negotiate a tiered pricing structure with top suppliers (including Dell, etc.) with discounts based on level of spend or volume

Hardware - Maintenance: Observations and Opportunities

Spend and Supplier Summary

IT Subcategory	FY13 Spend		Suppliers	
	Total (\$M)	Sourceable (\$M)	Total	80% of Spend
Hardware – Maintenance	\$10.5	\$8.4	136	14

Savings Potential

- Savings: 5 – 10%
- \$0.4M – 0.8M

Implementation

- Time to Source: 15 Wks
- Wave 1

Top 10 Suppliers

Top Suppliers	FY13 Spend \$M	% of Category Total
I B M CORPORATION	\$1.6	15.1%
MORPHO TRAK INC	\$1.6	15.0%
GLOBAL DATA SYSTEMS INC	\$1.3	12.6%
VENYU SOLUTIONS INC	\$1.1	10.1%
DELL MARKETING LP	\$0.5	4.8%
IMAGING BUSINESS MACHINES LLC	\$0.4	4.2%
EMC CORPORATION	\$0.3	3.1%
UNKNOWN/ UNLISTED	\$0.3	3.0%
LA SHERIFFS ASSOCIATION	\$0.3	2.9%
SAS INSTITUTE INC	\$0.3	2.8%
Total	\$7.7	73.4%

Notes and Definitions

- Source: FY13 AP Data
- 1. In-Scope object codes: 2820 – Maint of data processing equip

Current State Observations

Sourcing

- Departments are authorized to make hardware maintenance purchases under \$100K without going through a competitive bid
- Comprehensive Equipment Maintenance Management Program with Specialty Underwriters scheduled to take effect 1/1/2014, estimated to provide 35% discount off certain hardware maintenance contracts
- 50% of desktop/laptop maintenance is conducted in-house; the rest is supported by a mix of 3rd parties and vendors

Procurement

- Multiple service catalogs used with varying prices and scope of services
- Standard warranty timeframe for desktops, workstations and servers is 3 years; standard refresh cycle is 5 years

Supplier Management

- Highly fragmented supplier base with ~70% of suppliers having <\$20,000 in annual spend
- Number of hardware maintenance providers is twice the number of hardware providers

Opportunities for Consideration

Reduce Demand / Rationalize Specs

- Standardize service offerings and prices through common services catalog available to all departments
- Establish asset lifecycle standards to clarify maintenance decisions
- Eliminate equipment that has passed the refresh cycle to reduce higher support and maintenance costs
- Evaluate options for hardware leasing (especially for desktops/laptops) to reduce capital and maintenance burden

Reduce Contract Costs

- Negotiate a tiered pricing structure with top suppliers (including Dell, etc.) with discounts based on level of spend or volume
- Align warranty with lifecycle of hardware to minimize paying post-warranty maintenance costs

Reduce Process Costs

- Rationalize smaller suppliers to reduce back-office processing costs for managing suppliers

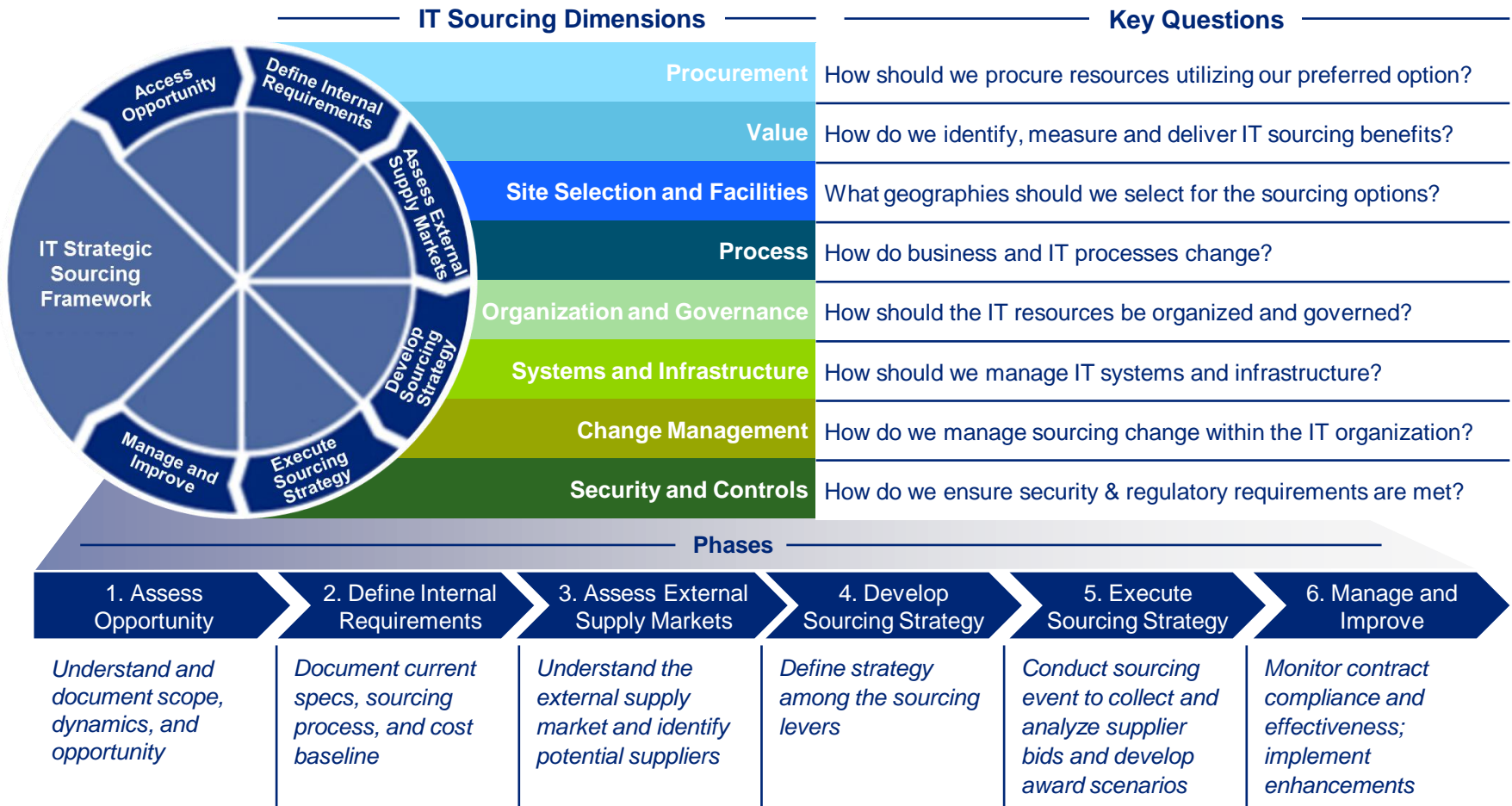
Sourcing and Procurement Strategy

Guiding Principles for Sourcing and Procurement Strategy

Guiding Principles		Key Elements
1	Decreasing Costs through Standardization	<ul style="list-style-type: none"> Reduces the number of technologies and the diversity of solutions deployed Lowers maintenance costs Increases speed to implementation due to interoperability Lowers training burden Reduces complexity
2	Simplifying IT Investments	<ul style="list-style-type: none"> Makes it easier to identify needs in light of available/standard options Enable bulk buying Decrease duplication Frees up time to look at future innovation and continuous improvement Reduces business process complexity and customization
3	Streamlining Negotiations and Contract Management	<ul style="list-style-type: none"> Reduces overall number of contracts Reduces amount of time spent procuring and negotiating Achieves clearer SOWs and requirements due to less complex technology demands
4	Providing a Blueprint for Suppliers	<ul style="list-style-type: none"> Creates a vehicle to communicate more clearly with suppliers Reduces the amount of siloed systems and one-off solutions Provides clarity on needs to which suppliers can match services and technologies Defines the technology boundaries for business process solutions
5	Serving the State's Vision	<ul style="list-style-type: none"> Promotes business process solutions using technology tools rather than the reverse Creates efficient effective processes to better serve citizen needs and use tax payer dollars wisely Establishes future direction so solutions are not just focused on today's needs but also future ones

IT Strategic Sourcing Strategy

A successful IT sourcing strategy takes a disciplined approach to drive savings, standardization and asset effectiveness. The proposed sourcing strategy uses 6 repeatable steps across 8 dimensions to move to the future state for sourcing IT.



Sourcing Strategy Phases

The diagram below details the goals, activities and outputs of the 6 phases of the IT sourcing strategy. Items in **bold** indicates key areas of improvement for Louisiana.

	1. Assess Opportunity	2. Define Internal Requirements	3. Assess External Supply Market	4. Develop Sourcing Strategy	5. Execute Sourcing Strategy	6. Manage and Improve
Goals	Understand and document scope, dynamics, and opportunity	Document current specs, sourcing process, and cost baseline	Understand the external supply market and identify potential suppliers	Define strategy among the sourcing levers	Conduct sourcing event to collect and analyze supplier bids and develop award scenarios	Monitor contract compliance and effectiveness; implement enhancements
Activities	<ul style="list-style-type: none"> Identify stakeholder and executive sponsors Validate results of diagnostic and gather additional info as needed <u>Document addressable spend, preliminary savings levers and savings target</u> Finalize charter and obtain signatures 	<ul style="list-style-type: none"> <u>Evaluate current specs and processes, and document improvement opportunities</u> Identify additional stakeholders impacted by sourcing decisions <u>Understand and challenge 'current state' approach when appropriate</u> 	<ul style="list-style-type: none"> Document current suppliers and research additional suppliers <u>Evaluate services provided by suppliers and identify key industry issues / trends</u> Assess bargaining strength of suppliers Determine qualified suppliers based on research, (RFI, Other states etc.) Understand impact of supply, demand, and other forces on pricing 	<ul style="list-style-type: none"> Review internal requirements / external supply market and refine preliminary sourcing levers Determine appropriate type of sourcing event (e.g., RFP, direct negotiation) <u>Develop approach for engaging suppliers via selected event type</u> 	<ul style="list-style-type: none"> <u>Develop bid package and supplier communications</u> Execute bid Develop quant/qual tools for scoring bid and other materials Prepare for and conduct supplier negotiations based on bid results Analyze post-negotiations pricing considerations, if any Develop award scenarios based on results of sourcing event 	<ul style="list-style-type: none"> <u>Support supplier selection process; issue award decisions</u> Develop method for tracking of savings over time <u>Develop supplier monitoring plan</u>
Outputs	1A. Understanding of Agency specific and Statewide need	2A. Initial business requirements and technical specification	3A. Market supply scan analysis	4A. Sourcing strategy and action plan	5A. Bid Package 5B. Scoring Results, if appropriate 5C. Negotiation Strategy 5D. Award Scenarios	6A. Supplier performance metrics 6B. Mentoring approach and tracking method

Current State Sourcing Process

The graphic below details the key focus areas and current state practices.

	1. Assess Opportunity	2. Define Internal Requirements	3. Assess External Supply Market	4. Develop Sourcing Strategy	5. Execute Sourcing Strategy	6. Manage and Improve
Activities for Focus	<ul style="list-style-type: none"> Document addressable spend, preliminary savings levers and savings target 	<ul style="list-style-type: none"> Evaluate current specs and processes, and document improvement opportunities Understand and challenge 'current state' approach when appropriate 	<ul style="list-style-type: none"> Evaluate services provided by suppliers and identify key industry issues / trends 	<ul style="list-style-type: none"> Determine appropriate type of sourcing event (e.g., RFP, direct negotiation) Develop approach for engaging suppliers via selected event type 	<ul style="list-style-type: none"> Develop bid package and supplier communications 	<ul style="list-style-type: none"> Support supplier selection process; issue award decisions Develop method for tracking of savings over time Develop supplier monitoring and tracking plan
Current State	<ul style="list-style-type: none"> Limited cross-agency collaboration in IT-10 or other process Spend and needs evaluated on an individual department basis Minimal coordination by OIT to standardize specifications for agencies purchasing similar products 	<ul style="list-style-type: none"> No enterprise wide perspective on needs or standards to drive behavior Lack of enterprise architecture to drive direction and set standards 	<ul style="list-style-type: none"> No category specific knowledge resides in State Purchasing Limited use of category management Many resellers and catalogue contracts exist with wide selections of similar products offered 	<ul style="list-style-type: none"> Supplier driven contracting processes (e.g., brand name hardware) whereby suppliers can initiate a competitive bid to do business with the State Overly complex procurement rules and regulations that inhibit the state's ability to get the greatest value from purchases Lack of purchasing and accounts payable processes developed around newer technologies (e.g., cloud) 	<ul style="list-style-type: none"> Overly complex but ineffective contracting and procurement oversight through PST Many mechanisms to enable purchasing but few to drive pricing State Purchasing focuses on executing bid or RFP, with minimal coordination role between other parties (e.g., OIT, departments) in the sourcing process 	<ul style="list-style-type: none"> Limited ongoing category review or management Lack of clarity and compliance for billing code usage (e.g., SAS for hardware maintenance) and referencing contracts numbers or vendor IDs with payments Limited use of centralized purchasing / bulk buying Minimal tracking of vendor spend on a holistic level Limited use of performance metrics to evaluate effectiveness of purchases/procurements Supplier utilization requirements are not followed by State Purchasing

Sourcing Process Opportunities

The graphic below details improvement opportunities for Louisiana based on leading practices.

	1. Assess Opportunity	2. Define Internal Requirements	3. Assess External Supply Market	4. Develop Sourcing Strategy	5. Execute Sourcing Strategy	6. Manage and Improve
Activities for Focus	<ul style="list-style-type: none"> Document addressable spend, preliminary savings levers and savings target 	<ul style="list-style-type: none"> Evaluate current specs and processes, and document improvement opportunities Understand and challenge 'current state' approach when appropriate 	<ul style="list-style-type: none"> Evaluate services provided by suppliers and identify key industry issues / trends 	<ul style="list-style-type: none"> Determine appropriate type of sourcing event (e.g., RFP, direct negotiation) Develop approach for engaging suppliers via selected event type 	<ul style="list-style-type: none"> Develop bid package and supplier communications 	<ul style="list-style-type: none"> Support supplier selection process; issue award decisions Develop method for tracking of savings over time Develop supplier monitoring and tracking plan
Opportunities	<ul style="list-style-type: none"> Coordinate spend requests from different departments to evaluate category-wide or enterprise-wide purchases Clearly define category governance and roles and responsibilities of all parties involved in the sourcing process (e.g., OIT, departments, State Purchasing) Enlist additional savings levers (e.g., reduce demand, rationalization specifications) as part of sourcing process 	<ul style="list-style-type: none"> Coordinate among departments purchasing similar products to rationalize specifications and/or requirements, simplify investments and go to market as an enterprise Direct purchasing based on enterprise architecture and established standards Purchase for the bulk of needs rather than for the exception to the rule 	<ul style="list-style-type: none"> Proactively reach out to other states (including NASCIO community) with experience in sourcing for specific solutions to gain best practices / lessons learned; share learnings with State Purchasing Increase the use of the RFI process, especially for large procurements, to enhance the State's understanding of solutions and options to inform RFP development 	<ul style="list-style-type: none"> Limit supplier-initiated bids so suppliers can only participate in upcoming bids initiated by departments / OIT Create a pre-determined method, procedure and decision rule set for deciding the best supplier for each service 	<ul style="list-style-type: none"> Create oversight mechanisms through governance rather than existing mechanisms Streamline and simplify procurement rules to enable the state to get the best price and purchase the same types of assets holistically Build metrics into contracts to facilitate tracking and continuous improvement 	<ul style="list-style-type: none"> Continuously review and confirm sourcing approach in parallel with service planning and management Request annual supplier utilization report to identify consolidation opportunities Standardize minimum info. captured per payment to facilitate internal reporting Develop and implement a continuous improvement process

Future State Roles and Responsibilities

Procurement Phases	Roles and Responsibilities		
	Agency/Department	Central IT	OSP
1. Assess Opportunity <ul style="list-style-type: none"> Identify category stakeholder and executive sponsor Validate results of diagnostic and gather additional info as needed Document addressable spend, preliminary savings levers and savings target Finalize category charter and obtain signatures 	<ul style="list-style-type: none"> Work with OIT Business Relationship Manager (BRM) to communicate technology needs 	<ul style="list-style-type: none"> BRMs collaborate across business units to identify common needs and specifications; Communicate with 	
2. Define Internal Requirements <ul style="list-style-type: none"> Evaluate current specs and processes, and document improvement opportunities Identify additional stakeholders impacted by sourcing decisions Understand and challenge 'current state' approach when appropriate 	<ul style="list-style-type: none"> Detail business requirements 	<ul style="list-style-type: none"> Host planning session with Business to understand requirements 	
3. Assess External Supply Market <ul style="list-style-type: none"> Document current suppliers and research additional suppliers Evaluate services provided by suppliers and identify key industry issues / trends Assess bargaining strength of suppliers Determine qualified suppliers based on research, (RFI, Other states etc.) Understand impact of supply, demand, and other forces on pricing 		<ul style="list-style-type: none"> Evaluate existing suppliers and available contracting mechanisms to identify use of existing or new supplier Conduct research to identify market trends 	<ul style="list-style-type: none"> Provide category support as applicable
4. Develop Sourcing Strategy <ul style="list-style-type: none"> Review internal requirements / external supply market and refine preliminary sourcing levers Determine appropriate type of sourcing event (e.g., RFP, direct negotiation) Develop approach for engaging suppliers via selected event type 		<ul style="list-style-type: none"> Provide insights as to sourcing approach 	<ul style="list-style-type: none"> Define sourcing approach
5. Execute Sourcing Strategy <ul style="list-style-type: none"> Develop bid package and supplier communications Execute bid Develop quant/qual tools for scoring bid and other materials Prepare for and conduct supplier negotiations based on bid results Analyze post-negotiations pricing considerations, if any Develop award scenarios based on results of sourcing event 	<ul style="list-style-type: none"> Provide subject matter experts for selection process Support selection 	<ul style="list-style-type: none"> Provide content for bid (RFI, RFP) Provide subject matter experts for selection process Guide selection 	<ul style="list-style-type: none"> Develop bid package Conduct selection process Facilitate selection
6. Manage and Improve <ul style="list-style-type: none"> Support supplier selection process; issue award decisions Develop method for tracking of savings over time Develop supplier monitoring plan 		<ul style="list-style-type: none"> Evaluate contract effectiveness and results Monitor category 	<ul style="list-style-type: none"> Report on results Support category monitoring

Appendix

FY13 Spend by Department

FY13 Spend by Department

Department	IT Spend (\$M)	Telecom Spend (\$M) ¹	Total Spend (\$M) ¹
Administration	13.8	35.5	49.3
Children and Family Services	10.7	0.5	11.2
Civil Service	0.4	<0.1	0.4
Economic Development	0.3	0.1	0.4
Education	3.2	0.3	3.5
Environmental Quality	1.4	0.1	1.5
Health and Hospitals	5.8	0.4	6.2
Natural Resources	0.8	0.1	0.9
Public Safety	10.7	1.3	12
Corrections	0.7	0.2	0.9
Revenue	4.4	0.3	4.7
Transportation and Development	7.4	0.2	7.6
Veterans Affairs	0.5	0.1	0.6
Wildlife and Fisheries	1.4	0.2	1.6
Workforce Commission	5.1	0.1	5.2
Total	\$66.6	\$39.4	\$106.0

¹ – Sum of individual departments may not equal total spend due to rounding.

Breakdown of Top Vendors by Spend

	Supplier	Spend (\$M)	Primary Category(s) ¹	Specialty	% of Spend (Cum.)
1	BELLSOUTH TELECOMMUNICATIONS	\$27.0	Data services, voice	N	26%
2	THIRD PARTY	\$13.5	Hardware purchase / maintenance, software license / maintenance, data services	N	38%
3	DELL MARKETING LP	\$7.7	Hardware purchase / maintenance, software license / maintenance	N	46%
4	I B M CORPORATION	\$5.7	Hardware maintenance, software license / maintenance	N	51%
5	A T & T CORP	\$3.1	Data services, voice	N	54%
6	SAP PUBLIC SERVICE INC	\$3.0	Software license / maintenance	N	57%
7	A T & T MOBILITY II LLC	\$2.7	Wireless services	N	59%
8	GLOBAL DATA SYSTEMS INC	\$2.6	Hardware purchase / maintenance, software maintenance, data services	N	62%
9	SHI INTERNATIONAL CORP	\$2.5	Software license / maintenance	N	64%
10	MORPHO TRAK INC	\$1.6	Hardware maintenance	Y	66%
11	CURAM SOFTWARE INC	\$1.3	Software maintenance	N	67%
12	VENYU SOLUTIONS INC	\$1.2	Hardware maintenance, software maintenance	N	68%
13	CHERBONNIER MAYER & ASSOC INC	\$1.1	Software maintenance	N	69%
14	CELLCO PARTNERSHIP	\$0.9	Data services, wireless services	N	70%
15	NOVELL INC	\$0.9	Software maintenance	N	71%
16	GEOGRAPHIC SOLUTIONS INC	\$0.9	Software maintenance	Y	72%
17	TW TELECOM HOLDINGS INC	\$0.8	Data services, voice	N	72%
18	HEWLETT-PACKARD COMPANY	\$0.8	Hardware purchase / maintenance	N	73%
19	COMPUTER ASSOCIATES INTRNTL	\$0.8	Software license / maintenance	N	74%
20	COX LOUISIANA TELCOM LLC	\$0.7	Data services	N	75%
21	INFORMATION BUILDERS INC	\$0.7	Software license / maintenance	N	75%
22	DELTACOM INC	\$0.6	Voice	Y	76%
23	CENTURYLINK INC	\$0.6	Data services, voice	N	76%
24	SOFTWARE AG OF NORTH AMERICA	\$0.6	Software maintenance	N	77%
25	CGI TECHNOLOGIES AND SOLUTIONS	\$0.6	Software maintenance	Y	78%
26	AGILEASSETS INC	\$0.6	Software maintenance	N	78%
27	ALLEN SYSTEMS GROUP INC	\$0.6	Software maintenance	N	79%
28	BAHWAN CYBERTEK INC	\$0.5	Software maintenance	N	79%
29	SAS INSTITUTE INC	\$0.5	Hardware maintenance, software license	Y	80%

1 – Categories that Suppliers classified into with <\$100K in annual spend are excluded.

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