

Office of Efficient Government
MyFloridaMarketPlace Business Case Submission
February 2010

Executive Summary

Recommendation:

The Department of Management Services (DMS) recommends re-competing the Accenture contract for the MyFloridaMarketPlace (MFMP) in accordance with the recommendation contained in the Office of Program Policy Analysis and Government Accountability (OPPAGA) report dated January 12, 2009. DMS has followed and will continue to follow the recommendations of the report with two minor exceptions. The exceptions are that (1) DMS recommends continued outsourcing of Disaster Recovery (DR) hosting services with the Service Provider and (2) DMS also recommends continued outsourcing of the Billing and Collections Services (BCS). The DMS analysis below provides the rationale for its recommendations.

Background:

Florida Statute (F.S.) Chapter 287.057(23) authorizes DMS to develop an eProcurement solution. Specifically, F.S. states, "The department, in consultation with the Agency for Enterprise Information Technology and the Comptroller, shall develop a program for online procurement of commodities and contractual services. To enable the state to promote open competition and to leverage its buying power, agencies shall participate in the online procurement program, and eligible users may participate in the program....." F.S. Chapter 287.057(23)(a) goes on to say, "The department, in consultation with the agency, may contract for equipment and services necessary to develop and implement online procurement." The statute also permitted the use of a transaction fee to fund the cost and operation of the online procurement system.

Based upon this authorization, DMS procured an online procurement program that later became known as MyFloridaMarketPlace (MFMP). The web based eProcurement contract was executed by DMS on October 9, 2002. The contract was for a term of 61 months. Contract language provided for a renewal of three (3) years or, alternately, an additional 61 months. A three year renewal was exercised in 2005 that provided coverage until November 7, 2010. Subsequently, based on recommendations in the OPPAGA BCPI report dated January 12, 2009, a second renewal of 25 months was accomplished as part of a renegotiation effective July 1, 2009 (See Section 7 for a link to the contract and for a description of the benefits and significant savings provided by the renegotiation). The expiration date is now December 8, 2012.

Agency Mission:

The DMS mission is to "serve those that serve Florida." In accordance with this mission DMS provides a variety of centralized services to multiple state agencies to enable those agencies to focus on their primary missions. Examples include, but are not limited to, centralized human resource systems and tools, centralized real estate management and leasing and a centralized procurement services. DMS provides centralized procurement services through the Division of State Purchasing (SP) and these services include the MFMP online procurement system. MFMP replaced the

antiquated State Purchasing Subsystem (SPURS). SPURS was recently sunset after full implementation of MFMP. SPURS was implemented by DMS in 1992 so DMS' role as the centralized provider of an online procurement system has been in place for at least 27 years.

Refer to sections 3, 4 and 5 PowerPoint and Word Overview presentations of this Business Case for more detail of what the MFMP system is, what it does and what benefits accrue to the state as a result of the MFMP implementation. Section 4 addresses these items succinctly in 2 pages. It is well worth reading.

Stakeholders:

Currently, MFMP is used by 32 agencies, with the addition of the Office of Legislative Services in late September 2008. The system, as of this writing, has 123,000+ vendors registered of which 42,000+ are certified business enterprises (CBEs) and has 14,671 users. The system is interfaced with the State's Vendor Bid System (VBS) through which state agencies and some universities and local governments issue notices of bid opportunities and is also interfaced with the Florida Accounting and Information Resource Subsystem (FLAIR). Other stakeholders include but are not limited to: state agencies, vendors, Department of Financial Services, Governor, Legislature, Department of Management Services Office of Supplier Diversity (OSD), Office of Efficient Government (OEG), State Purchasing (SP) and CIO.

MFMP system utilization has grown since project inception, demonstrating that the system is widely used and accepted by state agencies and that it satisfies agency procurement requirements. Operational statistics are available in Section 10 of this submission and an annual Customer Satisfaction Survey results are in Section 12. The Operational Metrics also lists each state agency utilizing the system and provides data such as number of purchase orders issued, invoices processed and other statistical information regarding utilization of the system.

OPPAGA Report and Recommendations:

The 2008 General Appropriations Act directed the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an independent study of the state's eProcurement system, MyFloridaMarketPlace. To complete the study, OPPAGA contracted with BCP International (BCPI), a company that provides advisory services in information technology planning, integration and management and business transformation.

The five alternatives that OPPAGA directed to be considered are:

1. Continue contract with Accenture.
2. In-source all support of the MFMP system to state employees.
3. Solicit a competitive bid for a new service provider for the MFMP system, which will be won by the incumbent Service Provider or a new Service Provider.
4. In-source some of the support to state employees and solicit a competitive bid for a service provider for the remaining support of the MFMP system.
5. Solicit a competitive bid for a new service provider and a new system.

BCPI recommended a hybrid of post-contract options 1 (continue Accenture contract) and 4 (in-source some functions and solicit a competitive bid as a long-term solution).

DMS Plan:

In accordance with OPPAGA's recommendations DMS has completed post contract option 1 and has renegotiated and renewed the contract with Accenture, achieving significant reductions in cost that meet or exceed the OPPAGA/ BCP report recommendations. Refer to Section 7 for details.

DMS also plans to implement OPPAGA's post contract option No. 4 with two minor revisions. The two minor revisions that DMS plans are:

- The recommendation to in-source the DR site hosting, and
- The recommendation to in-source the Billing and Collection Services (BCS).

DMS investigated the recommendation to in-source the DR hosting. DMS' findings were that any in-source of DR hosting would be in the City of Tallahassee where production equipment also resides. DMS believes that placing production equipment and DR equipment in the same city is not in the state's best interest. The current DR hosting is in Suwannee (Atlanta) Georgia, which is sufficiently removed from Tallahassee and should be impervious from any disaster event in Tallahassee.

DMS also investigated the in-sourcing of the BCS staff. DMS conducted a full study of in-sourcing versus outsourcing of the BCS in 2006 (see Section 22 of this submission). The results of that study are still pertinent today and the recommendation to outsource it as part of the MFMP contract is still valid.

There are two substantive reasons for having the Service Provider retain responsibility for the billing and collections operation. One is that by F.S., the contractor is paid from fees after the Legislative Budget Request (LBR) is satisfied (refer to Section 13 of this submission for the funding model and history). Therefore, the Service Provider is highly incented to do a superb job of collecting fees. The other significant reason is that the State has difficulty retaining staff. The BCS work is complex. An understanding of the application and institutional knowledge of the collections process is of great importance. DMS believes that this institutional knowledge would be lost if BCS is done with in-house staff and collections would suffer. The OPPAGA report, in making its recommendations, did say that the potential loss of revenue should be considered as part of an evaluation. DMS has considered that factor and believes lost revenue collection would exceed any possible savings. Finally, with the State now retaining any excess fees collected above the LBR and contract expenses, the State is incented to pursue the approach that enhances revenue collection as well as reduces cost. Revenues significantly more than offset any added cost of outsourcing this activity.

Timeline:

Section 14 contains the timeline for completing the re-compete process.

Risk Mitigation Strategy:

Risk mitigation may consist of both real risks that require mitigation and perceived risks that may or may not require mitigation. Throughout its history, MFMP has enjoyed significant review from the Governor, State Legislative members, both individually and as a whole, OPPAGA, the state Auditor General (AG), the Office of Efficient government, its customers, vendors and others. MFMP has probably received more attention and study than most state programs. These reviews have spurred the DMS MFMP operation to continue to prove itself and have spurred ongoing continuous improvement.

The recent contract renewal and renegotiation was successful in mitigating several risks to the state. The risks mitigated include:

- Termination language including termination payment provisions to the contractor were replaced with new termination provision that is much more favorable to the state.
- Several performance measures were improved and strengthened to provide for better customer service.
- Cost reduction.
- New stronger transition services provisions were added to the contract.
- The Service Provider continues to assume the risk of contract payment from transaction fees, however, provisions were also added requiring the Service Provider to negotiate in good faith for service level reductions if there were to be a shortfall in revenue to cover the contract cost.
- The Service Provider must provide Termination Assistance Services and Transition Planning (refer to Section 17 for the Transition Planning effort).

In proceeding with a competitive bid for a new contract to replace the current contract, DMS will strive to continue to address and mitigate these risks. DMS plans to strengthen 12 of 24 of the current performance metrics and splitting a current performance metric into 2 metrics, which will result in strengthening 13 of 24 metrics.

DMS also plans to have contract language that will address any potential shortfalls in revenue. With 10 years of history, revenue loss through decreased revenue collection or possible redistribution of revenue is probably the more significant remaining threat to the MFMP operation.

Finally, a Contingency Budget (CB) for system enhancements will be built into the new contract to provide for continued improvement.

Governance Concerns/ Strategy:

With the augmentation of the CB during the recent contract renewal and renegotiation, MFMP has a sound governance structure and relies on its Change Review Board (CRB) to guide it through prioritization of system enhancements. The CRB meets periodically to address change request requested for the MFMP system. MFMP also has the capability and governance structure to permit enterprise level change requests.

There are two governance concerns that loom for the new contract. One has to do with the Southwood Shared Resource Center (SSRC) moving in the direction of being a full service provider. At the end of the current contract, the state takes possession of all equipment (hardware, software, customizations) for the MFMP operation currently hosted at the SSRC. If the SSRC moves in the direction of being a full service provider rather than hosting, it will present a governance issue in that there would be split responsibility between a service Provider and the state. Historically split responsibilities present governance challenges in that, when issues occur, it is a challenge to determine who has responsibility. MFMP is already working with the DMS CIO and the SSRC to develop clear lines of responsibility in the new contract. Specific contract language will be developed for the new ITN and will be addressed during contract negotiations.

The second challenge in governance is the evolution of the partnership between DFS and DMS. While our partnership is developing and becoming stronger, as DFS develops a replacement for

ASPIRE, which ultimately will happen at some point and as DFS also develops its systems for the Federal IRS 3% holdback on payments there will be impact to DMS that are difficult to plan for at this time. The CB mentioned above will be helpful but might need to be augmented in some fashion.

Cost Benefit Analysis:

Section 16 contains the cost benefit analysis of attempting to insource the MFMP program. In summary it would cost the state an average estimated \$18,200,000 annually compared to an estimated \$15,400,000 to continue the contract. This is an additional cost of \$2,800,000 and there could be a resultant potential loss of revenue from less effective BCS collections. Additionally, the OPPAGA Report stated that it is not feasible to insource the MFMP operation and DMS concurs with that assessment.

Conclusion:

Based on the data in this submission and based on the OPPAGA report, DMS submits this Business Case with the recommendation that DMS proceed to re-compete MFMP contract to obtain a Service Provider to run the current operation.

Agency Approval Signatures	
I am submitting the attached Business Case in support of our legislative budget request. I have reviewed and agree with the information in the enclosed Business Case.	
Agency Head/ Sponsor: Printed Name: Linda H. South	Date:
Agency Chief Information Officer: <i>(If applicable)</i> Printed Name: Joseph Wright	Date:
Budget Officer: Printed Name: Debra Forbess	Date:
Director of State Purchasing: Printed Name: Charles Covington	Date:
Project Director: Printed Name: Walter Bikowitz	Date: