MINUTES

House Select Committee on E-Procurement

Wednesday, October 26, 2011
1:00 PM
Room 1228 Legislative Building

I. Committee Members:

Co-Chairs: Representative G. L. Pridgen, 46th District
Representative Fred F. Steen II, 76th District

Members: *Representative Glen Bradley, 49th District (Absent)*
Representative Bill Brawley, 103rd District
Representative Dale Folwell, 74th district
Representative Grey Mills, 95th District (Absent)
Representative Elmer Floyd, 43rd District
Representative Rosa U. Gill, 33rd District
Representative Pricey Harrison, 57th District

Clerk: Beverly Slagle

Attending House Sargent at Arms:

Martha Gadison   Young Bae   Jesse Hayes

II. Staff:
Mark Bondo (Fiscal Research)
Tim Hovis (Research)
Karlynn O'Shaughnessy (Fiscal Research)
Bill Patterson (Research)
Barbara Riley (Research) (Absent)

III. Speakers:
Sam Byassee, State Purchasing Officer / Department of Administration (DOA)
Pattie Bowers, Director of IT Procurement / Department of Transportation (DOT)

IV. Call To Order:

The House Select Committee on E-Procurement (the committee) meeting was called to order by the presiding Co-Chair (Chair), Representative Fred F. Steen II, at 1:15 PM. At that time he announced he and Representative Gaston L. Pridgen would be Co-Chairing the committee.

V. Committee Business / Presentment of Proposed Budget:

A. Research provided the Chair with a *Proposed Committee Budget* prepared by their staff: A *proposed budget* was put before the committee by the Chair described by staff as an estimate of what the committee expenses might be. Because the budget had not been presented to the

Co-Chairs, prior to the meeting, the Chair requested that staff explain the purpose and scope of the budget to members of the committee. .

Research Staff, Tim Hovis, described the budget set forth as a *proposed budget* to cover four (4) meetings, noting that this committee was not restricted to four (4) meetings. He then read off the items included in the calculation which were as follows: legislative members' subsistence, travel expenses, and clerical staff. He stated that the calculations were based on the assumption that all nine (9) members will attend every meeting. The *proposed* budget was a "broad" estimate for (4) meetings.

B. **Motion:** Representative Brawley made a motion to adopt the *proposed* budget as presented. The motion was approved unanimously by voice vote.

VI. **Welcome and Introductions:**

The Chair welcomed everyone to the meeting and each member introduced themselves, ending with the Co-Chair, Representative G. L. Pridgen. The Chair then requested that Research staff member, Tim Hovis, review the charge of the House Select Committee on E-Procurement for the committee.

Tim Hovis, Research, asked members to go to the 1st tab, Authorizing Legislation, in their committee binder to follow as he read the charge (document) from the Speaker's Office (ATTACHMENT A).

VII. **General Overview of State Procurement Law and Procedures:**

Mr. Sam Byassee, State Purchasing Officer, DOA, gave a brief summary of his background. He told the Committee he would like to return and present, specifically, on E-Procurement at a later date. Today's presentation (ATTACHMENT B) gave a broad overview of the State Procurement Law and Procedures, requesting questions be taken at the end of his presentation. During Mr. Byassee's presentation he asked committee members to contact him or his office with any constituent issues regarding procurement.

VIII. **Information Technology Procurement**

A. Introduction: Ms. Bowers, Director of IT Procurement / DOT, has fifteen (15) years of experience in State Procurement. Initially she worked in the North Carolina (NC) University System. She was Procurement Director over IT Procurement for almost eleven (11) years, for the last year she worked at DOA as Project Director over the *Procurement Transformation Project* until recently, assuming her present position.

Ms. Bowers, presenting to the committee, described IT Procurement and the differences between what is done as described by Mr. Byassee at the DOA, and what is done in IT Procurement. In particular, she explained, as it relates to IT projects which are the major expenditure in North Carolina.

In conclusion of Ms. Bowers' presentation she emphasized the importance and significance of the collaboration and communication between all of the various groups mentioned throughout her presentation. She explained that, with collaboration and communication, agencies identify enterprise systems and/or enterprise opportunities to work and partner together. When multiple agencies are looking to implement similar projects or a similar technology an

advantage through this process is to identify opportunities for state agencies, instead of everyone going off and doing their own thing. (See ATTACHMENT B)

B. Question (Q) and Answer (A):

(Q) Rep. Pridgen: Can any nonprofit order though state procurement?

(A) Ms. Bowers: Our state-wide contracts are available for any state or nonprofit entities across NC.

(Q) Rep. Brawley: What is the e-Procurement transaction fee, who receives the fee, and who is the vendor?

(A) Ms. Bowers: The e-Procurement transaction fee is 1.75% on goods only. The fee is shared with the vendor that operates the e-Procurement systems and anything over that goes to the Department of Administration. The vendor is Accenture.

(Q) Rep. Floyd: What is the total number of IT contracts?

(A) Ms. Bowers did not have that information but did make a note to follow-up.

IX. Closing Presentation: Mr. Byassee identified the state's e-Procurement systems as Ariba Buyer, which is the Department of Administration's electronic purchase orders, the E-Quote Market Place, the vendor registration system, and IPS (Interacting Purchasing System) which has been in place since 2001. He remarked that the system has served the state well and, while undergoing many changes over the years, it has done its job.

A. System Usage: The Usage of this system is wide with 234 entities with full or partial use of the systems. More than 14,000 individuals who use the system and more than 60,000 vendors are registered in the system.

B. Entities Using the Department of Administration's e-Procurement system:

1. 30 state agencies

2. 16 state institutions and hospitals

3. 58 community colleges

4. 115 K-12 local school systems

5. 15 local governments around the state

C. Upgrade System: Mr. Byassee presented the following positive points regarding an upgrade to the present system.

1. On a user level: The advantages to an Ariba System upgrade.

   a) Better functionality

   b) More flexibility

   c) Better reporting capabilities

   d) System will be much faster (common complain among users)

2. The Ariba System Agreement: The current Agreement for operating the Ariba System will expire at the end of next year (2012). At that time there will be a decision made

either to bring the work in-house, which has been looked at in the past and is *not an inexpensive process*; or go back out into the market place with an RFP for operating the current system.

D. Question (Q) and Answer (A):

(Q) Rep. Pridgen, Co-Chair, inquired if the original project was bid out.

(A) Mr. Byassee: The original project was bid out, long before my employment with the State, for which the e-Procurement portion was an option in that project. After the original project was fulfilled the option was exercised to create the e-Procurement System.

(Q) Rep. Brawley asked if there was a separate fee for Ariba.

(A) Mr. Byassee: The procurement fee pays for everything. Accenture has licensed Ariba Software on behalf of the state, which they operate. They are paying that fee from the money they receive from the state.

(Q) Rep. Steen II, Chairman, asked Mr. Byassee for recommendations of any savings going forward regarding the state's e-Procurement systems.

(A) Mr. Byassee's recommendations were as follows:

- That the e-Procurement system go end-to-end as far as the procurement process is concerned.

- Eventually, Ariba Systems will most likely be replaced. If, at that time, we could consolidate or reduce the 173 interfaces that exist today down to a more manageable number, it might be possible to go to the Cloud as Rep. Brawley had discussed.

E. Request For Addition Vendor Presentation: Rep. G. L. Pridgen requested that additional vendors be brought in, in addition to Ariba Systems, for presentation. The Chair agreed suggesting that staff arrange for additional vendors to present.

X. **Announcement:** Rep. Fred F. Steen II, Chairman, announcing that the members would be notified of the next meeting date and location and adjourned the House Select Committee on E-Procurement at 3:14 PM.