



“MyFloridaMarketPlace,” the State of Florida’s  
eProcurement System

**Final Report**

**Submitted to:**

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## Executive Summary

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The Florida Legislature, through the Office of Program Policy Analysis and Government Accountability (OPPAGA), issued a contract to BCP International Limited (BCPI) to conduct an analysis of the "MyFloridaMarketPlace" (MFMP) system and support contract with Accenture. The purpose of the analysis was to provide a recommendation to the state on which post-contract option should be pursued.

We conducted a thorough analysis, including reviewing all MFMP documentation, conducting best practices research, benchmarking with other state purchasing offices and conducting many on-site and telephone interviews. The results of our analysis and our recommendation are presented in this report.

The following key findings and option considerations greatly influenced our recommendation:

1. The MFMP system performance has improved and users are generally satisfied.
2. The MFMP Program Management is more effective.
3. The Accenture contract provides advantages; however, the terms and conditions require modification.
4. **Widespread agency use of the MFMP system continues to be a challenge.**
5. The MFMP Program execution lacks governance and effective change management.
6. Contract timelines restrict post-contract option selection.

Team BCPI recommends 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). This hybrid approach provides near-term improvements and prepares the state for a long-term solution. The estimated re-compete timeline forecasts a new competitive solicitation award date of October 2012. Since the current Accenture contract expires in November 2010, we recommend negotiating an additional two-year option period with Accenture, with the last year a transition period to the new service provider. Additionally, we recommend the state in-source the disaster recovery site hosting and the Billing and Collections operations, which would result in approximately \$0.3M savings per year. Our recommendation assumes that Department of Management Services (DMS) will get authority to hire the additional staff required to support the functions proposed to be in-sourced, especially since the DMS Legislative Budget Request ceiling of \$8M will be sufficient.

After the transition period, our cost estimates predict a contract savings of approximately \$4.7M per year. The suggested increased system capabilities and program execution improvements should provide better statewide spend visibility; therefore increasing the state's strategic sourcing opportunities. The largest recognized benefit of implementing an eProcurement system is increased strategic sourcing, which leads to additional cost savings for the state.

## Acronym List

| Acronym | Definition  |
|---------|---|
| AEIT    | Agency for Enterprise Information Technology                    |
| ASN     | Ariba Supplier Network  |
| BCPI    | BCP International Limited                                       |
| BPA     | Blanket Purchase Agreement                                      |
| CCR     | Central Contractor Registry                                     |
| COTS    | Commercial Off-the-Shelf  |
| CSD     | Customer Service Desk   |
| DFS     | Department of Financial Services                                |
| DMS     | Department of Management Services                               |
| ERP     | Enterprise Resource Planning                                    |
| FAR     | Federal Acquisition Regulations                                 |
| FPDS    | Federal Procurement Data System                                 |
| FLAIR   | Florida Accounting Information Resource                         |
| FT      | Full-time   |
| FTE     | Full-time Equivalents   |
| FY      | Fiscal Year   |
| IT      | Information Technology  |
| LBC     | Legislative Budget Commission                                   |
| LBR     | Legislative Budget Request                                      |
| MFMP    | MyFloridaMarketPlace  |
| OPPAGA  | Office of Program Policy Analysis and Government Accountability |
| P-Card  | Purchasing Card   |
| PMBOK   | Project Management Body of Knowledge                            |
| PMI     | Project Management Institute                                    |
| PT      | Part-time   |
| SIR     | System Investigation Request                                    |
| SPURS   | Statewide PURchasing Subsystem                                  |

## 1 Overview and Approach

The Florida Legislature, through the Office of Program Policy Analysis and Government Accountability (OPPAGA), issued a contract to BCP International, Limited (BCPI) to conduct an analysis of the MyFloridaMarketPlace (MFMP) system and support contract with Accenture. The purpose of the analysis was to provide a recommendation to the state on which post-contract option should be pursued. The current Accenture contract expires on November 7, 2010. The post-contract options 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.
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.

Team BCPI conducted a thorough analysis of all documentation provided on the MFMP system and support contract with Accenture. We researched recognized industry best practices in system implementations, especially eProcurement systems. We conducted a benchmarking study with other state purchasing offices. Team BCPI reviewed the Project Management Institute (PMI) Project Management Body of Knowledge (PMBOK) processes and recommendations.

We conducted on-site interviews with 22 staff from OPPAGA, the Auditor General's office, the Department of Financial Services (DFS), the Department of Management Services (DMS) and Accenture. We conducted telephone interviews with 36 staff from 13 agencies who use the MFMP system and with 3 staff from the Department of Agriculture and Consumer Services, which is statutorily exempt from using the system. We also contacted the Agency for Enterprise Information Technology (AEIT).

The results of our analysis and research and our recommendation are presented in this report.

## 2 Background

### 2.1 MFMP System

The MFMP System is made up of four modules, extensive functionality (including two interfaces with other state systems) and several tools for state agency use. The four modules include the Buyer Module, Invoicing Module, Vendor Registration Module and Sourcing Module. Table 1 summarizes the system, including a brief description of these key components.

**Table 1 – MFMP System Components**

| MFMP System Component              | Description   |
|------------------------------------|---|
| <b>Buyer Module</b>                | <b>Six functions</b>  |
| • Purchasing                       | Provides three types of purchases   |
| o Purchase Requisition             | Used to request purchase of commodities   |
| o Blanket Purchase Agreement (BPA) | Used to establish BPA   |
| o Agency Master Agreement          | Used to establish Agency Master Agreement   |
| • Approval Workflow                | Establishes approval workflow based on agency business rules  |
| • eQuote                           | Used to obtain three or more informal quotes for purchases between \$2500 and \$25,000 and for State Term Contracts that require three quotes |
| • Online Catalog                   | Used in conjunction with purchases from some state term contracts   |
| • System Search                    | Used to locate stored procurement documents and to locate vendors   |
| • Receiving                        | Used to record receipt of goods and services  |
| <b>Invoicing Module</b>            | <b>Three functions</b>  |
| • eInvoicing                       | Allows vendor to electronically "flip" a purchase order into an invoice   |

| MFMP System Component                              | Description  |
|--|--|
| • eForm  | Used to record data from an invoice received by FAX or mail  |
| • Invoice Reconciliation                           | Used to review and approve invoices  |
| <b>Vendor Registration Module</b>                  | <b>Used to register vendors</b>  |
| <b>Sourcing Module</b>                             | <b>Four functions</b>  |
| • Solicitation                                     | Sends notices to selected vendors to solicit a bid   |
| • Bid  | Receives bids  |
| • Evaluation                                       | Rates and ranks the vendor bids  |
| • Contract Award                                   | Posts contract award and establishes contract in Buyer Module  |
| <b>Analysis Tool</b>                               | <b>Used to review spend patterns</b>   |
| <b>Vendor Performance Tracking Tool</b>            | <b>Allows buyers to rate vendor performance</b>  |
| <b>Reporting Tool</b>                              | <b>Offers 11 Daily Reports, 7 Weekly Reports, 1 Bi-Weekly Report, 9 Monthly Reports and 1 Quarterly Report</b> |
| <b>System Interfaces</b>                           | <b>Two interfaces</b>  |
| • Florida Accounting Information Resource (FLAIR)  | Online and batch interfaces  |
| • Statewide PURchasing Subsystem (SPURS) SPURSVIEW | Batch interface  |
| <b>Billing and Collections System</b>              | <b>Creates vendor invoices for the 1% transaction fee and tracks collection of payments</b>                    |

## 2.2 Accenture Contract

The original MFMP contract with Accenture was signed on October 9, 2002 with a 61-month period of performance. The original contract states that Accenture will

- design, build and implement a state-of-the-art eProcurement system to support the state's purchasing requirements;
- provide operational support;
- be measured against 13 established performance measures and
- be compensated from a share of the 1% transaction fee collected from vendors doing business with the State of Florida through the MFMP system.

Since 2002, the Accenture contract has been modified five times. Four of these modifications primarily addressed adjustments to the scope of work and one modification extended the contract for three years. The value of the initial contract was \$92M, which was increased to \$114M when the contract was extended. The contract value represents the maximum amount Accenture intends to collect on the contract. Some of the modifications show a financial impact to the contract, which represent funds paid to Accenture above their share of the transaction fees collected, but still part of the contract value. The five modifications are summarized below.

**Modification 1** was signed on June 26, 2003. This modification moved the due dates for the Pilot Implementation schedule and the Production schedule by 2 months because Accenture was behind schedule. Also, a requirement to develop and implement the DFS Audit functionality was added.

The financial impact to the contract was \$192,104.

**Modification 2** was signed on September 3, 2003. Two modules (the asset management module and the travel and expenses module) were eliminated from the scope of the contract, along with 33 other business requirements. As a result of the Conference Room Pilot testing, 84 business requirements were not adequately met and were reported to Accenture as issues requiring resolution. System issue resolution is covered in the contract at no additional cost to the state. In addition, 5 new business requirements surfaced during the Conference Room Pilot testing, which were included as system change requests in the next system release.

Another major change in requirements was to develop an online interface with Florida Accounting Information Resource (FLAIR), the state's legacy accounting system, since the new accounting system project (ASPIRE) was canceled.

This modification also redefined the billing and collection of transaction fees from vendors, authorizing Accenture to develop a Billing and Collections System. In addition, this modification authorized Accenture to invoice DMS for the Billing and Collections operations beginning in Fiscal Year (FY) 05, which now averages \$40,000 per month.

A contingency fund was created to pay Accenture for developing and implementing approved change requests to the MFMP system.

The financial impact to the contract was \$3,988,128.

**Modification 3** was signed on June 30, 2005. The 1% transaction fee charged to the vendors was aligned with Florida law as defined by Chapter 2005-59, *Laws of Florida*. The fees collected from the vendors now flow through a state DMS controlled bank account and Accenture is paid by the state once all monthly DMS Legislative Budget Request (LBR) obligations are satisfied.

This modification also established the annual revenue share of \$15.457M as a state budget appropriation, representing the minimum to be paid to Accenture based on Legislative Budget Commission (LBC) approval.

There was no direct financial impact to the contract.

**Modification 4** was signed on October 18, 2005. The contract period of performance was extended for an additional 3 years. The new contract term is now through November 7, 2010, predicated on Accenture consistently meeting established performance metrics. The original 13 performance metrics were updated and supplemented by 11 new and more stringent metrics with stronger penalties.

This modification also covered a mutual release of claims to date, including those regarding the impacts of 1% transaction fee exemptions enacted in 2003. A collaborative approach to collect transaction fees was established, including the use of the state's collection agency for accounts 90 days past due.

The contract value (or Accenture's base compensation) increased from \$92M to \$114M.

**Modification 5** was signed on July 12, 2007. Hosting services were transferred from a third party data center in Miami, under subcontract with Accenture, to the State Resource Center in Tallahassee. The financial impact to the state was a one-time setup charge of \$16,018 and a monthly cost of \$12,294, which is paid from the state's LBR share of the 1% transaction fee collected.

In addition, one performance measure threshold was changed. The Create Requisition response time was changed from 96 seconds to 60 seconds.

There was no direct financial impact to the contract.



## 2.3 MFMP Revenue and Costs

The base compensation of Accenture's revenue share of the transaction fees collected for the original five-year contract was not to exceed \$92M, with three planned adjustments to the base compensation of approximately \$5.3M per year beginning in FY05. Contract Modification 4 extended the contract by 3 years and the value of the contract, or base compensation, was increased to \$114M.

The business model calls for a portion of the collected transaction fees to fund DMS procurement related functions (with a cap of \$8M per year), with the remainder paid to Accenture. The contract also established an annual minimum to be paid to Accenture of \$15.5M from FY06 forward.

Accenture's contract revenue is the company's revenue share of the transaction fees collected, plus payment for the development of approved change requests and the monthly invoice for handling the billing and collection of the transaction fees from vendors. Table 3 shows the transaction fees collected compared to the DMS share of the transaction fees collected and what DMS has paid Accenture through FY08.

**Table 2 – Transaction Fees Collected, DMS Share and Accenture Contract Revenue**

|  | <b>FY04</b>    | <b>FY05</b>    | <b>FY06</b>    | <b>FY07</b>    | <b>FY08</b>     |
|--|----------------|----------------|----------------|----------------|-----------------|
| Vendor Fees Collected                      | \$13.5M        | \$14.8M        | \$16.8M        | \$18.7M        | \$ 20.8M        |
| P-card Fees Collected                      |                | \$ 4.8M        | \$ 5.6M        | \$ 5.6M        | \$ 4.9M         |
| <b>Total</b>                               | \$13.5M        | \$19.6M        | \$22.4M        | \$24.3M        | \$ 25.7M        |
| <b>Cumulative</b>                          | <b>\$13.5M</b> | <b>\$33.1M</b> | <b>\$55.5M</b> | <b>\$79.8M</b> | <b>\$105.5M</b> |
| DMS Share of Transaction Fee               | \$7.7M         | \$7.5M         | \$7.8M         | \$7.1M         | \$7.8M          |
| <b>Cumulative</b>                          | <b>\$7.7M</b>  | <b>\$15.2M</b> | <b>\$23.0M</b> | <b>\$30.1M</b> | <b>\$37.9M</b>  |
| Accenture Revenue Share of Transaction Fee | \$4.1M         | \$12.1M        | \$14.6M        | \$17.2M        | \$18.0M         |
| Change Order Development*                  | \$1.7M**       | \$ 1.1M        | \$ 0.9M        | \$ 1.1M        | \$ 0.3M         |
| Billings and Collections Operations***     | -              | \$ 0.9M        | \$ 0.5M        | \$ 0.5M        | \$ 0.5M         |
| <b>Total</b>                               | <b>\$5.8M</b>  | <b>\$14.1M</b> | <b>\$16.0M</b> | <b>\$18.8M</b> | <b>\$18.8M</b>  |
| <b>Cumulative</b>                          | <b>\$5.8M</b>  | <b>\$19.9M</b> | <b>\$35.9M</b> | <b>\$54.7M</b> | <b>\$73.5M</b>  |

Notes: \* Funded by alternate funding sources such as Grants and Donations Trust Fund

\*\* Paid from transaction fees collected

\*\*\* Paid from DMS share, note that cost associated with these invoices has decreased since FY05. At the onset of the contract, the hourly rate for the Billing and Collections operations was about \$200 per hour for a six-member team, but was changed on July 31, 2006 by a two-party memo to a lower rate, \$150 per hour for two managers and \$50 per hour for four support specialists. The average monthly invoice dropped from \$80,000 to \$40,000.

Accenture declined to provide its cost data when Team BCPI requested the information.

Consequently, we used the following approach to develop the cost data estimates shown in Table 4.

- Number of Staff per FY was provided by Accenture.
- Billable Rate was estimated by determining the labor category for the existing staff in the roles represented in the Accenture organization chart, then finding the FY08 rate for that labor category in the Accenture price list on the DMS State Purchasing website. The previous fiscal years were extrapolated based on 5% inflation rate, number of staff and for FY03 the fact that the contract was only in effect for nine months of the fiscal year.
- Labor Cost was estimated by taking 60% of the billable rate. The Labor Cost includes employee benefits.
- The cost estimates for Production Hardware and Software, Operations Hardware and Software and Maintenance Agreements came from estimates provided by DMS.

Using this methodology, we determined that Accenture's estimated cumulative costs for implementing and operating MFMP are \$62.3M as of FY08. Annual estimated costs have fluctuated from \$12.4M in FY03 to \$8.9M in FY 08. See Table 4.

**Table 3 - Rough Order of Magnitude Cost Estimate**

|                                | FY03           | FY04           | FY05           | FY06           | FY07           | FY08           | Total Cost     |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Number of Staff                | 100            | 100            | 50             | 50             | 67             | 56             | -              |
| Billable Rate                  | \$10.1M        | \$14.2M        | \$7.5M         | \$7.9M         | \$11.1M        | \$9.7M         | -              |
| Labor Cost                     | \$6.1M         | \$8.5M         | \$4.5M         | \$4.7M         | \$6.7M         | \$5.8M         | <b>\$36.3M</b> |
| Production Hardware & Software | \$5.6M         | -              | -              | \$9.8M         | -              | -              | <b>\$15.4M</b> |
| Operations Hardware & Software | \$0.7M         | -              | -              | -              | \$0.5M         | \$0.8M         | <b>\$2.0M</b>  |
| Maintenance Agreements         | -              | -              | \$2.0M         | \$2.1M         | \$2.2M         | \$2.3M         | <b>\$8.6M</b>  |
| Total                          | <b>\$12.4M</b> | <b>\$8.5M</b>  | <b>\$6.5M</b>  | <b>\$16.6M</b> | <b>\$9.4M</b>  | <b>\$8.9M</b>  | <b>\$62.3M</b> |
| Cumulative                     | <b>\$12.4M</b> | <b>\$20.9M</b> | <b>\$27.4M</b> | <b>\$44.0M</b> | <b>\$53.4M</b> | <b>\$62.3M</b> | <b>-</b>       |

Table 5 compares Accenture's estimated costs to the revenue received and calculates the company's profit. The table shows that Accenture's cumulative revenue did not cover their estimated costs until FY07, when the company realized an estimated profit of \$2.5 million.

**Table 4 – Accenture Estimated Cost, Revenue and Profit**

|                        | FY03            | FY04            | FY05           | FY06           | FY07           | FY08           |
|------------------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| FY Estimated Costs     | \$12.4M         | \$8.5M          | \$6.5M         | \$16.6M        | \$9.4M         | \$8.9M         |
| FY Revenue             | -               | \$5.8M          | \$14.1M        | \$16.0M        | \$18.8M        | \$18.8M        |
| FY Estimated Profit    | <b>-\$12.4M</b> | <b>-\$2.7M</b>  | \$7.6M         | <b>-\$0.6M</b> | \$9.4M         | \$9.9M         |
| FY Percent Profit      | -               | -               | 117%           | -              | 100%           | 111%           |
| Cumulative Est. Costs  | <b>\$12.4M</b>  | <b>\$20.9M</b>  | <b>\$27.4M</b> | <b>\$44.0M</b> | <b>\$53.4M</b> | <b>\$62.3M</b> |
| Cumulative Revenue     | -               | <b>\$5.8M</b>   | <b>\$19.9M</b> | <b>\$35.9M</b> | <b>\$54.7M</b> | <b>\$73.5M</b> |
| Cumulative Est. Profit | <b>-\$12.4M</b> | <b>-\$15.1M</b> | <b>-\$7.5M</b> | <b>-\$6.9M</b> | <b>\$2.5M</b>  | <b>\$12.4M</b> |
| Cumulative % Profit    | -               | -               | -              | -              | 5%             | 20%            |

Note: The FY05 profit shows a drop in staff from 100 to 50, no hardware or software purchases and a much larger revenue share being paid to Accenture.

### 3 Findings

#### 3.1 System Performance Has Improved and Users Are Generally Satisfied

Since its inception, the MFMP system has experienced numerous performance problems, including system response time and security issues. For example, a 2006 Auditor General Report on MFMP noted serious system performance issues regarding

- system response time,
- data reliability,
- system availability,
- security and
- performance metrics.

The system and hardware upgrade in April 2007 resolved most of the system performance issues. Most agencies interviewed reported no issues with system performance. DMS reported some system

performance issues with the Sourcing Module, which will be discussed in the section on system challenges.

All state executive agencies, with the exception of the Department of Agriculture and Consumer Services, which is statutorily exempt, are now using the MFMP system, and agencies we interviewed (13) are generally satisfied that the system can handle their procurement workload.

### **3.1.1 System Performance Issues Resolved**

#### **System Response Time Issues Resolved**

Agency users reported significant satisfaction with system response time, noting that it has improved considerably since MFMP's inception. Specifically, during the early years of system implementation, users reported that the system was often very slow, limiting their ability to readily use it. Since, April 2007 the system response time has improved to such an extent that agencies are reporting system responses within one to three seconds.

#### **Data Reliability Issues Resolved**

Accenture and the DMS MFMP Program support team report that the data reliability issues have been resolved. No data has been lost or changed since the system and hardware upgrade in April 2007. The backup data used by the Analysis Tool is now an accurate replica of the system data from two days prior. However, three agencies continue to report uncertainty about data reliability.

#### **System Reliability Issues Resolved**

All agencies interviewed confirmed that MFMP is now very stable. Those who have used MFMP for several years report that there have been tremendous improvements in system availability. Agencies interviewed do not even remember the last time the system was down unexpectedly. Our analysis only found two instances of unexpected system outages in the last 12 months, each being resolved within minutes.

#### **System Security Issues Resolved**

System security issues were resolved by moving the MFMP system hosting and system security to the State Resource Center, which provides physical security, intrusion detection, firewall and other system security measures.

#### **System Performance Measures Now Consistently Being Met**

The 24 system performance measures established in contract Modification 4 are now consistently being met. Some examples of performance measures over the last year that are being met:

- 96% of customer calls are answered within 90 seconds.
- 99% of emails from customers are responded to within 1 business day.
- 99.9% of customer help desk tickets are resolved within 5 business days.
- 99.9% of time system is available for use.

There have only been two instances in the last year where performance measures were missed and Accenture was charged \$2,000 for missing them:

- FLAIR encumbrance and payment transactions in May 2008 – required that 90% of any failed transactions must be processed within two business days and 100% within five business days. Only 82% were processed within two business days, but 100% were processed within five business days.
- Customer Service Desk (CSD) help desk ticket resolution in February 2008 – required 100% of the help desk tickets to be resolved within five business days. One out of 3,731 tickets did not get resolved within the five business days.

### 3.1.2 Agency Use Increased

#### **Agency Use of MFMP Increased**

Currently, MFMP is reported as being used by 32 agencies, with the addition of the Office of Legislative Services in late September 2008. Attachment 1 provides a list of state agencies where MFMP has been deployed and the FY they began using the system. The attachment also shows which modules each agency is using.

MFMP system utilization has grown since project inception, showing that the system is being more widely used and accepted by state agencies and that it appears to satisfy agency commodity-buying requirements. The number of agencies using the system has nearly tripled and the number of registered vendors has more than doubled. The annual number of Purchase Orders issued has increased six-fold and dollar value increased seven-fold. The number of invoices processed has increased 19-fold and the dollar value increased almost 11-fold. MFMP growth is shown in Table 6.

**Table 5 - MFMP Growth**

| <b>Growth Measure</b>             | <b>FY04</b> | <b>FY08</b> | <b>% Growth</b> |
|-----------------------------------|-------------|-------------|-----------------|
| Number of agencies using MFMP     | 12          | 32          | 267%            |
| Number of agency users registered | 8,000       | 14,000      | 175%            |
| Number of vendors registered      | 43,000      | 105,000     | 244%            |
| Number of Purchase Orders issued  | 24,000      | 153,000     | 638%            |
| Dollar value of Purchase Orders   | \$196M      | \$1.4B      | 714%            |
| Number of Invoices processed      | 14,000      | 276,000     | 1971%           |
| Dollar value of Invoices          | \$69M       | \$752M      | 1090%           |

#### **Agencies Satisfied with MFMP Customer Service Desk Support**

The agency MFMP System Administrators and Agency Liaisons reported high satisfaction with the CSD. The MFMP CSD is as an effective and efficient operation. The MFMP CSD is well managed and has a low employee turnover rate. The CSD operates a three-tier process, which follows a recognized industry best practice. All help desk calls and emails come into Tier 1. Those that cannot be resolved by Tier 1 staff within 15 minutes are passed to Tier 2 staff. Any of those that require coding changes are passed to Tier 3 staff. The CSD handles an average of 3,000 calls per month, most of which are about vendor registration or password resets. The tier 1, 2 and 3 Accenture team is an integrated team that has established a very thorough and high-quality process that enables them to address all CSD help desk tickets within the established performance metrics.

#### **Agencies Satisfied with Improved MFMP Year-End Process**

The MFMP year-end process was very smooth this FY. In the past, closing contracts at the end of the FY had been very problematic, with accounting records being out of balance. Year-end processing was handled trouble-free at the end of the past FY. All agencies interviewed reported no year-end problems.

### 3.2 MFMP Program Management Is More Effective

MFMP Program management has shown great improvements under the leadership of the new MFMP Program Director. The MFMP Program Team implemented many of the practices that PMI identifies as required for effective program management, such as

- identifying a strategic plan and associated goals,
- focusing on improving communication with stakeholders,
- limiting approval of system change requests,
- showing diligence in contract management and
- offering continuous user training.

### 3.2.1 Strategic and Tactical Plan Developed

The new MFMP Program Director established a Strategic and Tactical Plan for MFMP in 2008. The plan covers 11 focus areas, with numerous goals within each area. Several goals have already been accomplished. For example, the legacy system SPURS has been sunset and the department has increased its interaction with vendors and agency users. Table 7 summarizes the plan.

**Table 6– MFMP Strategic and Tactical Focus Areas and Goals**

| Focus Areas                     | Goals  |
|---------------------------------|--|
| S1 - One eProcurement System    | <ul style="list-style-type: none"> <li>• Sunset SPURS</li> <li>• Eliminate agency shadow systems</li> <li>• Increase Invoicing adoption</li> <li>• Increase Master Agreement adoption</li> </ul>             |
| S2 - Procure to Pay Integration | <ul style="list-style-type: none"> <li>• Increase Invoicing adoption</li> </ul>  |
| S3 - Enhance Vendor Interaction | <ul style="list-style-type: none"> <li>• Simplify vendor registration process</li> <li>• Simplify transaction fee reporting and payment process</li> <li>• Create more personalized vendor portal</li> </ul> |
| S4 - Operational Reporting      | <ul style="list-style-type: none"> <li>• Improve operational reports required by agencies</li> </ul>   |
| S5 - Increased Outreach         | <ul style="list-style-type: none"> <li>• Increase interaction with vendors and agencies</li> </ul>   |
| S6 - Enterprise Sourcing Tool   | <ul style="list-style-type: none"> <li>• Roll Sourcing Tool and associated business processes out to the agencies</li> </ul>   |
| T1 - Buyer Training Outreach    | <ul style="list-style-type: none"> <li>• Increase buyer training opportunities</li> </ul>  |
| T2 - Vendor Training Outreach   | <ul style="list-style-type: none"> <li>• Increase vendor training opportunities</li> </ul>   |
| T3 - Customer Communications    | <ul style="list-style-type: none"> <li>• Continue operational communications</li> <li>• Increase information on MFMP website</li> </ul>  |
| T4 - Enhance Catalogs           | <ul style="list-style-type: none"> <li>• Increase number of punch-out catalogs</li> <li>• Improve catalog enablement activities</li> </ul>   |
| T5 - eQuote Adoption            | <ul style="list-style-type: none"> <li>• Increase eQuote usage</li> </ul>  |

Notes: Highlighted goals have been accomplished.

S represents a strategic focus area and T represents a tactical focus area.

### 3.2.2 Stakeholder Communications Improved

A positive change in the management of the MFMP Program is that communications have improved between the DMS MFMP Program support team and the agency liaisons, vendors and Accenture support team. According to PMI, effective Program Managers spend 90% of their time communicating with their stakeholders, which facilitates conflict resolution and stabilizes stakeholder expectations. Evidence of improved communications includes:

- establishing monthly discussions with vendors ("fireside chats"),
- expanding user training to several cities statewide,
- changing user training style to hands-on vs. auditorium,
- scheduling quarterly meetings with agency liaisons to discuss their Agency Benchmarking Activity Report,
- redesigning the MFMP website and
- publishing a bi-monthly MFMP e-newsletter.

### 3.2.3 Approved System Change Requests More Limited

The new DMS MFMP Program implemented a more rigorous cost benefit analysis on the proposed system change requests being presented to the System Change Control Board for discussion and approval. Only seven change requests have been approved and scheduled for implementation in the last year. Once approved and scheduled, DMS pays Accenture for developing and implementing the approved change requests through the contract Contingency Fund. There are currently 66 change requests in the queue compared to 355 change requests in 2006. The Change Review Board voted to remove many change requests after careful review of the cost benefit analysis. The Change Review Board now meets quarterly instead of monthly.



### 3.2.4 Contract Management Improved

Management of the MFMP Accenture contract has improved. The improvements are evidenced by the following actions:

- Letter was sent to Accenture on October 16, 2007 detailing concerns that needed to be addressed; including
  - hardware failure on October 14, 2007 and related communication failures,
  - MFMP/State Purchasing System (SPURS) vendor registration interface failure,
  - CSD E-Mail routing issues,
  - delayed code releases and performance environment configuration testing,
  - diminishment of training environment performance and
  - lack of consistency between the MFMP training and production environments.
- Bi-weekly, rather than monthly, contract meetings are being held.
- Contract performance metrics are reviewed in detail monthly versus Accenture providing a monthly performance metrics report.
- Formal approval process was established for Accenture deliverables requiring a thorough review process followed by signature approval.
- Advice from Ariba experts sought on Accenture's proposed technical options.
- Facilitated closure of 348 System Incident Reports at no cost to the state.

### 3.2.5 MFMP User Training Improved

The original Accenture contract called for Accenture to provide "train-the-trainer" instruction to selected individuals at each agency using the MFMP system. Agency liaisons reported that this training was ineffective. MFMP end-user training has improved with the DMS MFMP Program support team conducting their "continuous training model," providing both hands-on on-site training at various locations throughout the state and interactive on-demand buyer and vendor training on the MFMP website.

Three DMS MFMP state personnel are now dedicated to agency training. Agency interviews revealed that the initial reaction to this new approach has been well received. Additionally, the DMS MFMP Program support team is demonstrating a proactive training program by conducting a training needs assessment in October 2008 statewide to determine agency training requirements.

### 3.2.6 Industry Best Practices Implemented

Team BCPI researched industry best practices in Information Technology (IT) system implementation, focusing on procurement solutions. Table 8 shows the industry best practices we identified that the MFMP Program team implemented. There are also many industry best practices we found that the MFMP Program team either has not implemented or only partially implemented, which are discussed in section 3.5.5.

**Table 7 – Industry Best Practices Implemented**

| Best Practice  | Rate | MFMP Program Implementation  |
|--|------|--|
| On-site system administrators to handle first level of trouble calls |      | Every agency using MFMP has a person assigned and trained as an MFMP system administrator, who serves as the first level person for trouble calls. |
| Multi-tier help desk   |      | The MFMP CSD operates as a three-tier help desk.   |
| Formal change request process  |      | The MFMP Program has a formal change request process in place.   |
| Regularly scheduled Change Review Board meetings                     |      | Meetings were held monthly when the system was still in development, now the meetings are held quarterly.  |
| Adequate stakeholder representation on Change Review Board           |      | Twelve of the 32 agencies are represented on the MFMP Change Review Board.   |

| Best Practice   | Rate | MFMP Program Implementation   |
|---|------|---|
| Measure and monitor progress of the implementation                        |      | MFMP program monitors performance and progress through established performance measures and thresholds. The program also conducts bi-weekly contract meetings and monthly contract performance reviews. |
| Commercial-Off-The-Shelf (COTS) products rather than 'home-grown' systems |      | The MFMP system is based on the Ariba product, which is a COTS product.   |

### 3.3 Accenture Contract Has Positive and Negative Aspects

There are many positive aspects of the current Accenture contract.

- The contract is self-funded through collection of a 1% vendor transaction fee.
- The contract covers software and hardware upgrades on a regular basis at no additional cost to the state.
- When system problems are identified, they are fixed under the contract at no additional cost to the state.
- At the conclusion of the contract, all MFMP infrastructure, hardware and software become state assets.

However, some of the contract terms and conditions are inappropriate and require modification.

- Now that the MFMP Program is no longer in a development stage, the number of service provider staff and contract payment method should be reviewed and revised.
  - The number of Ariba application developers could be reduced except during system upgrades.
  - There is a potential to reduce the number of help desk positions now that the system is more stable and if the problems with the Vendor Registration Module are resolved (see MFMP System Challenges).
  - Some of the funds collected from the 1% vendor transaction fee should be used to replenish the Contingency Fund.
- Some performance metrics or thresholds need to be revised.

#### 3.3.1 Self-Funding Model

##### Vendor 1% Transaction Fee

Vendors wishing to do business with the State of Florida must register with MFMP. Once a vendor has a contract for goods or services, they are assessed a 1% transaction fee on invoices paid in MFMP and FLAIR. The billing and collection of the transaction fee is currently being performed by Accenture. The transaction fees collected are approximately \$25M per year. The DMS LBR is funded first, with a cap of \$8M. The remainder is used to pay Accenture its revenue share.

Accenture has a significant incentive for doing an accurate and thorough job of Billing and Collections operations, since the company's revenue share is solely based on the total amount of transaction fees collected.



#### 3.3.2 Software and Hardware Upgrades Included in Contract

Software and hardware upgrades, including the state required customizations, are included in the Accenture contract at no additional cost to the state; this feature requires careful consideration as future options are pursued.



##### Software Upgrades

The current contract requires Accenture to support Ariba upgrades, including reinstituting the state required customizations, without additional cost to the state. To date, only one Ariba upgrade has

occurred over the life of the contract. The Ariba product issues a new version once or twice a year. DMS is planning another Ariba upgrade during FY09 or FY10.

### **Hardware Upgrades**

The hardware that supports MFMP was upgraded in FY06, three years after the initial purchase. An industry best practice is to upgrade system hardware every three to four years. The Accenture contract covers hardware upgrades on a regular basis at no additional cost to the state. In keeping with best practice requirements, DMS should plan a system hardware upgrade during FY09 or FY10.

### **3.3.3 System Problem Fixes Included in Contract**

During the course of operation and use of the MFMP system, some system problems are reported, creating System Investigation Requests (SIRs). The Ariba application developers on the Accenture team review the SIRs and resolve any system problems identified, at no additional cost to the state. Of the 2,849 CSD tickets reviewed for August 2008, 19 (less than 1%) were escalated to Tier 3 and became SIRs requiring Accenture to research and resolve the issues.

### **3.3.4 MFMP Infrastructure, Hardware and Software Become State Assets**

Under the current Accenture contract all infrastructure, hardware and software is transferred to state ownership at the completion of the contract. This covers the equipment and software for

- the production site,
- the disaster recovery site,
- user training,
- system release development,
- web servers,
- help desk and
- performance monitoring.



### **3.3.5 Inappropriate Contract Terms and Conditions**

#### **Contract Inappropriate for Current MFMP Program Life Cycle**

The current Accenture contract covers the design, build and implementation (i.e., development) stage in the program life cycle. Today the MFMP system is no longer in a development stage, but rather in a sustainment and maintenance stage. An on-going operation requires a contract with completely different terms and conditions.

The current Accenture contract needs significant modifications to support an on-going operation. For example, reducing the number of support staff required during sustainment, then ramping up with Ariba application developers during system upgrades or maintenance. In addition, system upgrades should be scheduled on a regularly recurring basis, e.g. minor system releases every six to twelve months for approved change requests and major system upgrades every other year. Moreover, it may be appropriate to modify the contract to implement a certain number (e.g., six or less) of change requests per year. Performance metrics and thresholds should also be modified to reflect the change in system life cycle.

Contract payment terms should also be revisited based on the current stage of the MFMP project. Specifically, the base compensation to Accenture should be reduced to reflect the required levels of support. Additionally, to support ongoing system upgrades and maintenance, a certain amount of the collected transaction fees could be placed into the contingency fund annually.

#### **Contingency Fund for Change Requests Needs To be Replenished**

Change requests typically modify the scope of the system functionality. Limiting the number of change requests allowed per year or establishing a small contingency fund that can only allow a small



number of changes per year helps control the system scope. The contingency fund established in contract Modification 2 for DMS to pay Accenture for developing and implementing approved change requests has diminished significantly, with a remaining balance of about \$300,000. DMS stated that by approximately June 2009, the contingency funds would be completely depleted if not replenished. DMS should ensure that about 2% of the collected transaction fees be established to annually replenish the contingency fund.

### **Performance Metrics Need Revision**

The new performance metrics established in contract Modification 4 are now outdated and the thresholds appear too low. For example:

- Help desk tickets at either Tier 1 or Tier 2 have five business days to either be resolved or escalated to the next tier. They should be able to either resolve the problem or escalate it to the next tier within one business day.
- Catalog enablement and catalog refresh time must be 90% completed within five business days. Accenture has been at 100% for the last year, so the threshold should be either 100% within five business days, or perhaps 90% within three business days.
- Report requests have to be 100% implemented for up to eight reports per month. This may be inadequate, since there were 17 report requests in June 2008. Accenture was able to implement all 17, but were only contractually obligated to implement only eight that month. This increase in reports at year-end may indicate that more support is required at year-end than for the rest of the FY.

### **3.4 MFMP System Challenges**

The challenges facing the MFMP System are agency underutilization of some of the functionality of the system, agency use of shadow systems, support for the large number of customizations to the Ariba COTS product and some system performance issues. Though agency use of the system has increased, not all functionality is being used, mostly due to lack of awareness, lack of refresher training or lack of policies or procedures. Agencies that still operate a shadow system are not using the full functionality of the system. The large number of customizations and Accenture developed parts of the MFMP system make support very challenging, especially when performing a system upgrade.

Though system performance issues have mostly been resolved, there are still two modules experiencing problems – Vendor Registration and Sourcing. The reason there are still problems with the Vendor Registration Module is probably because the vendors do not have representation on the Change Review Board. There are two reasons for problems with the Sourcing Module; 1) some of the customizations to the software actually disabled the contract award functionality of this module and 2) currently DMS is the only agency using this module. DMS appears to be less likely to call problems into the help desk, since the support for the system comes under this agency.

#### **3.4.1 Agency Underutilization of MFMP Functionality**

Many functions of MFMP are being underutilized, with a significant number of agencies only using the Buyer and Invoicing Modules. There are numerous potential causes for this underutilization, including

- an awareness or change management issue,
- the functionality may have an unresolved issue or
- the Accenture contract called for functionality that was not really needed.

Establishing service contracts, BPAs and Agency Master Agreements in MFMP is very limited. Of the 13 agencies interviewed, there are less than ten service contracts, agency Master Agreements or BPAs that have been established in MFMP, and the agencies that do use MFMP for such contracts each find their own way to implement the process, since there are no statewide policies or procedures

on how they are to use MFMP for these contract types. Nine agencies reported only using MFMP for commodity buying.

The eQuote function is only being used by 9%, or 3, of the 32 agencies. Most agencies interviewed reported they were not sure when or how to use eQuote. A few agencies reported they would rather get three quotes by other means, or they thought their old method was more efficient.

The eInvoicing function is only being used by 29 of the 105,000 registered vendors. There is no state requirement for use of eInvoicing. Vendors must pay additional fees to join the Ariba Supplier Network (ASN) before they are eligible to use eInvoicing. Most agency buyers were only aware of one or two vendors they used that participated in eInvoicing. If eInvoicing were utilized more widely, the agency buyers would not have to manually enter invoice data, which would improve the invoice to payment cycle time and decrease the errors on invoice data.

The Online Catalog functionality is only being used about 50% of the time. Agency users reported that it is easier to go directly to the vendor's website and view the catalog there, then place their orders using the Purchasing Card (P-Card). The prices are the same whether the agency buyer uses the MFMP online catalog or goes directly to the vendor's website. The MFMP system does not easily handle P-Card purchases. Very few P-Card purchases are entered into MFMP, which makes tracking spend data more difficult.

Two agencies interviewed were aware of the reports available to them in the MFMP Reporting Tool, but most agencies preferred instead to continue to use reports from FLAIR, the state's accounting system.

All agencies interviewed had never used the Vendor Performance Tracking Tool. Since it is optional, they had never taken time to enter any data about the vendors they use. They also never looked at how any other users rated a vendor, even though the data is available at one click when selecting vendors. Most of this is due to lack of awareness or lack of refresher training.

Of the agencies interviewed, only DMS regularly uses the Analysis Tool. Most agencies had tried the Analysis Tool before the April 2007 upgrade, when there were data reliability issues. According to those agencies, they still do not trust the data. In addition, some of the agencies new to MFMP this past year had not yet been trained on how to use the Analysis Tool.

Seven of the 13 agencies interviewed reported doing all invoicing through FLAIR, the state's accounting system, rather than processing invoices through MFMP. Some agencies reported only using MFMP to process invoices for commodity purchases. State agencies continue to receive paper invoices and either process them electronically through MFMP using eForm or enter the invoice data directly into FLAIR.

Some agencies interviewed have established workarounds to use the MFMP system (see list in Attachment 2), while others reported perceived problems with the MFMP system. For example, as shown in the attachment, agencies have established workarounds that

- allow an order to be split across accounting codes when the MFMP system only allows the split to be done by assigning a percentage to each accounting code,
- facilitate multiple "ship-to" addresses when the MFMP system does not support that by creating separate purchase orders for each "ship-to" address and
- facilitate system searches by putting the buyer name in the optional "On Behalf Of" field.

In addition, many agencies interviewed still print and maintain hard copies of the purchase documentation. One agency said that in 2003, all of the agency purchase data was lost in MFMP and

could not be retrieved. That agency still does not trust that MFMP is a safe storage place for their purchase data, so they print hard copies of all procurements. Moreover, three agencies claim they have a policy requirement to print everything in case of an audit. Two agencies claim that the MFMP attachment limit is prohibitive, so they keep a hard copy of the purchase order to file with attachments that cannot be stored in MFMP. Two agencies stated that they had a policy requirement to print hard copies of everything for at least the first year of using MFMP.

### 3.4.2 Agencies Use of Shadow Systems

Five of the 13 agencies interviewed like their old procurement system better than MFMP and are still using them as parallel or shadow procurement systems, along with entering some purchase data into MFMP.

- Department of Corrections has an internal Purchase Request System that routes requests for approval. Once approved, MFMP is used to create an approved purchase request followed by the purchase order.
- Department of Transportation has an internal Contract Funds Management system to track invoices and payments.
- Florida Department of Law Enforcement uses email for their approval system rather than using the approval workflow within MFMP.
- The Attorney General uses their internal LotusNotes Purchasing database, which they have used since 1995. Only selected purchases are also entered into MFMP.
- Public Service Commission uses their internal Purchase Order Tracking system and stopped using MFMP entirely in June 2008.

As long as the use of shadow systems is not prohibited, agencies are likely to continue to resist a full, standardized use of MFMP.

### 3.4.3 Significant Customizations

Accenture has heavily customized the Ariba COTS product to meet state and agency requirements. There are currently 363 documented customizations to the Ariba code that have to be reinstituted with every Ariba upgrade. Most of the customizations are in the Buyer and Invoicing Modules. Support of the customizations by another service provider would require an extensive knowledge transfer and transition period.



Currently, MFMP has only undergone one Ariba upgrade, in April 2007. When a decision is made to perform an Ariba upgrade, the analysis required is extensive. Every customization must be compared to the new version of Ariba, to determine if it is still required. Each required customization must individually be introduced into the new Ariba code and regression tested. The Ariba upgrade was accomplished with the least amount of interruption, due to Accenture's methodical approach and realistic timeline of eight to ten months.

Some parts of the MFMP system are not part of the Ariba COTS product, but are completely customized, developed and integrated with the Ariba system by Accenture. Support of these parts of the MFMP system by another service provider would require an extensive knowledge transfer and transition period. The Accenture developed parts of the MFMP system are listed below.

- Vendor Registration Module – ASN exists but is optional.
- Vendor Performance Tracking Tool – Ariba does not offer this functionality.
- eQuote Function – Ariba does not offer this functionality.
- Billing and Collections System – Ariba does not offer this functionality.

### 3.4.4 Vendor Registration Module Problems

Vendors report difficulty in using the vendor registration module, because it is a lengthy and cumbersome process. Many small vendors are unfamiliar with eProcurement systems and require

help throughout the registration process. Vendors must maintain the data about their company to keep the address, phone and banking information current. When a vendor needs to reset their system password, they are required to call the CSD. Most registration systems allow online password resets.

A change request has been submitted and approved to automate the password resets. In August 2008, 500 of 2,869 CSD tickets were for vendor password resets and 350 were for vendor registration assistance. Implementing the vendor registration change request should alleviate almost one-third of the CSD tickets every month, affording a reduction in the Tier 1 CSD support staff of about three people at an annual savings of approximately \$200,000.

The vendor registration change request is in the process of being implemented, with expected completion by January 31, 2009. The reduction in CSD support staff should be noticed within a few months.

### 3.4.5 Sourcing Module Problems

DMS volunteered to be the first agency to test the Sourcing Module, before deploying this module to other agencies. DMS identified some system performance issues that need to be resolved prior to full scale implementation.

The **Solicitation Function** in the Sourcing Module is designed to solicit bids from 100 vendors or less. Complex bids and those having more than 100 vendors solicited create system performance issues. This appears to be an application capacity issue, since the function works fine when soliciting to 100 vendors or less. To address this issue, DMS uses a business process workaround where invitations to bid are posted through the DMS Vendor Bid System, rather than through the Solicitation Function of the Sourcing Module.

The **Contract Award Function** is designed to allow the contracting officer to award a contract to the selected vendor at completion of the evaluation process. The awarded contract is then passed electronically to the Buyer Module so that agency users may make purchases from the newly awarded contract. DMS State Purchasing reported that the interface between the Sourcing Module and the Buyer Module is no longer functional. Accenture verified this to be correct and said it was caused by some of the state required customizations. DMS uses a business process workaround to address this deficiency; once the contract is awarded, the contract information is manually entered in the Buyer Module, including the catalog information if available.

## 3.5 MFMP Program Execution Challenges

The MFMP Program faces several program execution challenges. The major challenges are the lack of a strong governance body, the lack of a comprehensive communications and change management program, failure to pursue additional items that could show cost savings or cost avoidance and staffing issues. In addition, DMS could implement some additional industry best practices and learn from other state purchasing offices through more thorough benchmarking.

### 3.5.1 Lack of Strong Governance

MFMP needs a governance body with the responsibility and authority to oversee and implement statewide policies and procedures that will aid the successful delivery of a statewide eProcurement solution. If a strong governance body existed, it could

- mandate that all agencies must fully use the system,
- prohibit use of shadow systems,
- make decisions on standardization of business processes rather than customizing the code,
- enforce standard utilization of the system and

- facilitate a comprehensive change management and communication program.

Discussions with the AEIT identified that since MFMP is a statewide eProcurement solution, it would come under their purview. However, they are not yet fully operational and are currently focusing on IT security issues.

In addition, the State of Florida does not have statewide policies designed to standardize use of the MFMP system. The state procurement policies do not standardize how agencies use MFMP for

- P-Card purchases,
- agency Master Agreements,
- BPAs,
- statewide contract online catalogs and
- invoice processing.

The results are non-standard use and underutilization of the MFMP system, which leads to limited visibility of statewide purchase and spend data. Without such data, the state is unable to maximize strategic sourcing opportunities that would likely result in additional cost savings. This means the state is likely paying more than necessary for the purchases that are not processed through the MFMP system.

### **3.5.2 Lack of Effective Communications and Change Management**

Even though communications have improved, the MFMP Program still does not have an effective communications and change management program. This is evidenced by the fact that agencies are underutilizing the system and using shadow systems and that there have been numerous customizations to the Ariba COTS package rather than agencies changing their business processes. Interviews with agency users indicated many are still resistant to change their business processes, retire their shadow systems or are unaware of some of the capabilities of the MFMP system.

An effective communications and change management program needs support from a strong governance body, such as AEIT. For every change being introduced, the agency users need to be told about the change (in advance is best), have an opportunity to discuss how the change will affect them, be shown how the change will benefit them and have frequent follow-up communications to be sure they have implemented the change properly.

### **3.5.3 Calculate Additional Cost Savings and Cost Avoidances**

DMS should seek ways to calculate the numerous additional opportunities to report cost savings and avoidance that can be attributed to the MFMP system. Some of these opportunities include those listed below.

- The MFMP system allows for an automated purchase order approval process, which has reduced the cycle time for requisition to purchase order and invoice to payment. However, no cost savings have been attributed to these reductions.
- The use of MFMP has reduced, and in some cases even eliminated, paper processing of purchase orders. There should be cost savings related to the MFMP paperless processes and reduction of postage to mail hard copies of purchase orders to the vendors.
- The MFMP system performs a 3-way match for invoices, matching the purchase order to the encumbrance data to the invoice. This should have streamlined the DFS invoice auditing function, which would result in additional cost savings.
- It appears that the DMS State Purchasing Program is not counting cost savings from every strategic sourcing contract or from reverse auctions.



### 3.5.4 Staffing Issues

Since the MFMP Program is now in the sustainment and maintenance stage of the program life cycle, the Accenture support staff has been reduced and the MFMP Program Support staff might slightly increase, especially if DMS were to in-source any of the MFMP support functions.

#### **Accenture Support Staff**

The Accenture support staff has been reduced from approximately 100 employees during the early development stage to a current level of 56 employees (see Table 9).

**Table 8 – Current Accenture Staff**

| <b>Position</b>                       | <b>Current Number of Staff</b> |
|---------------------------------------|--------------------------------|
| Accenture Partners*                   | 2                              |
| Program Manager                       | 1                              |
| Program Management Staff              | 8                              |
| Application Development Manager       | 1                              |
| Application Development Staff         | 12                             |
| Technical Infrastructure Manager**    | 1                              |
| Technical Infrastructure Staff        | 9                              |
| Stakeholder Manager                   | 1                              |
| Tier 1 CSD Buyer Support              | 5                              |
| Tier 1 CSD Vendor Support             | 5                              |
| Tier 2 CSD Buyer support              | 4                              |
| Tier 2 CSD Vendor Support             | 1                              |
| Billing and Collections Operations*** | 6                              |
| <b>Total</b>                          | <b>56</b>                      |

Notes: \* The Accenture project partner is half-time on this project. The Accenture Quality Assurance partner is only one-tenth time on this project.

\*\* The Technical Infrastructure Manager is half-time on this project.

\*\*\* Two of the Billing and Collections operations staff are only part-time (PT). The Billing and Collections operations Project Manager is only one-tenth time on this project. The Reporting Manager is only one-quarter time on this project.

#### **DMS MFMP Program Support Staff**

There are currently eight DMS staff members supporting MFMP.

- Program Director,
- Operations Manager,
- Process and Training Manager,
- Vendor Manager,
- Purchasing Process Analyst,
- Communications Specialist and
- Operations Specialist (2).

Based on our interviews and resume reviews, we determined that the DMS MFMP support team members exhibit a high maturity level and perform their assigned roles very well. However, the DMS MFMP Program support team lacks any member with the technical skills necessary to provide the technical support for post-contract options that require full or partial in-sourcing.

The current DMS MFMP Program support team members' resumes were evaluated for maturity level and for procurement experience. Table 10 rates the maturity level and Table 11 rates the procurement experience of the current staff. The rating criteria are described below the tables.

**Table 9 – Maturity Level of DMS MFMP Program Managers**

| Role                       | Years Experience | Management Experience | Education Level       | Rating |
|----------------------------|------------------|-----------------------|-----------------------|--------|
| Program Director           | 36               | Director              | BA                    | High   |
| Operations Manager         | 10               | Manager               | BA                    | High   |
| Process & Training Manager | 23               | Manager               | Equivalent experience | High   |
| Vendor Manager             | 4                | Manager               | BA                    | Med    |

High = Meets or exceeds all three categories: 10 + years work experience, manager or director experience and BA degree (or at least 10 years work experience)

Medium = Meets or exceeds all three categories: 3+ years work experience, supervisor or team leader experience and AA degree (or at least 5 years work experience)

Low = Meets or exceeds two categories: 1+ years work experience, team leader experience and AA degree (or at least 5 years work experience)

**Table 10 – Procurement Experience of DMS MFMP Program Support Team**

| Role                       | Procurement Experience | Years in Current Role | MFMP Experience | Rating |
|----------------------------|------------------------|-----------------------|-----------------|--------|
| Program Director           | 10 yr                  | 1 yr                  | 1 yr            | High   |
| Operations Manager         | 10 yr                  | 8 mo                  | 7 yr            | High   |
| Process & Training Mgr     | 10 yr                  | 2 yr                  | 2 yr            | High   |
| Vendor Manager             | 4 yr                   | 1 yr                  | 4 yr            | Med    |
| Purchasing Process Analyst | 7 yr                   | 7 mo                  | 7 yr            | High   |
| Communications Specialist  | 8 mo                   | 8 mo                  | 8 mo            | Low    |
| Operations Specialist      | 3 yr                   | 9 mo                  | 3 yr            | Med    |
| Operations Specialist      | 2 yr                   | 9 mo                  | 2 yr            | Low    |

High = 5+ years procurement and/or MFMP experience

Medium = 3+ years procurement and/or MFMP experience

Low = less than 3 years procurement and/or MFMP experience

Despite their maturity level and procurement experience, none of the current DMS MFMP Program support team members have the technical expertise that would be required to support full in-sourcing of the system support. Specifically, current staff does not possess the software development experience, particularly Ariba coding experience or network infrastructure support experience, necessary to support the system should DMS bring MFMP technical support in-house.

In addition, state resource reductions and hiring freezes in DMS may adversely affect the ability to implement post-contract options that call for in-sourcing all or some of the MFMP functions. Specifically, DMS resources have been reduced since FY02, from 60.5 to 45 full-time equivalent (FTE) positions. Evidence of the state turnover can be seen by the limited longevity of the DMS staff on the MFMP program. The average length of time on the MFMP program is now 11 months. In fact, one of the current staff left the program during this study. Moreover, interviews revealed that the state has difficulty hiring and retaining highly technical resources. DMS currently has 50 technical positions, nine of which are vacant. Some of those nine have been vacant for more than one year. However, not all nine vacancies have been actively recruited due to department hiring freezes.

### 3.5.5 Industry Best Practices Not Fully Implemented

Many industry best practices in IT system implementation or eProcurement solution support have either not been implemented or not been fully implemented by the MFMP Program. For example, not all agency executives exhibit support for the MFMP system and many agencies still have a shadow system in use. In addition, it took the state five years to retire SPURS, the legacy procurement system, and the Ariba COTS product was heavily customized, rather than attempting to improve or standardize business processes. The industry best practices either not implemented or not fully implemented by the MFMP Program are identified in Table 12.

**Table 11 – Best Practices Not Fully Implemented by MFMP Program**

| Best Practice  | Rate | MFMP Program Implementation   |
|--|------|---|
| Obtain executive buy-in and support  |      | Of the 13 agencies interviewed, only 5 agency executives were reported to outwardly provide support for the use of MFMP.  |
| Disable shadow systems as soon as feasible                                   |      | Many agencies still operate shadow systems. Some reported that is because they are familiar with their shadow system; others reported that MFMP cannot perform some of the functions their shadow system performs.  |
| Increase strategic sourcing efforts  |      | DMS State Purchasing uses the Analysis Tool in the MFMP system to find opportunities to increase strategic sourcing efforts. However, recent cuts in staff have limited the opportunities being pursued. In addition, with agencies still using other means for some agency Master Agreements and BPAs, it is difficult to obtain the full statewide spend patterns that would lead to more strategic sourcing. |
| Move toward paperless processing of procurements                             |      | Eight of the 13 agencies interviewed still print hard copies of all procurements.   |
| Comprehensive communications and change management program                   |      | Communications has improved, but DMS does not have a comprehensive communications and change management program, which affects agency acceptance and use of the MFMP system.  |
| Retire the legacy system as soon as feasible                                 |      | The state's legacy procurement system was sunset or retired at the end of September 2008, five years after the MFMP system was implemented. The contract required that DMS retire the legacy procurement system 90 days after MFMP was implemented. This was impacted by how long it took DMS to migrate agencies to MFMP.  |
| Automate password resets for remote users                                    |      | One of the approved change requests to the MFMP system is for Accenture to automate password resets for the vendors in the Vendor Registration Module. This is in the process of being implemented, with expected completion by January 31, 2009.   |
| Limit customizations to the code   |      | The Ariba code was heavily customized, with 363 customizations. Most were reported as state requirements. This affects how often Accenture and DMS can schedule upgrades to a new version of Ariba and affects the transition time required to familiarize another service provider with these customizations.  |
| Establish effective governance structure                                     |      | No formal executive level governance structure provides senior level direction for MFMP.  |
| Document lessons learned as they occur                                       |      | Lessons learned during the development and implementation of the MFMP system has not been well documented.  |
| Focus on improving or standardizing business processes across the enterprise |      | Very little, if any, business process improvement or standardization was attempted. DMS lacks sufficient authority to mandate standard business processes across the state agencies.  |

### 3.5.6 Benchmarking Study Results

We conducted a benchmarking study with 25 other state purchasing offices, selecting some from each region in the country, to determine which eProcurement solution they had implemented, whether they customized systems for their use and whether they assess a vendor transaction fee. We found that most states have not implemented eProcurement systems, and the ones that have use a more limited approach than Florida.



### **Many States Have Not Implemented an eProcurement System**

Most mountain, mid-western and central states contacted have not implemented an eProcurement system. However, some eastern, western and southwestern states have implemented an eProcurement system. For example, like Florida, Virginia and North Carolina use the Ariba system, but these states have only implemented the Buyer Module. North Carolina also contracted with Accenture for implementation and support in 2001. Virginia contracted with CGI-AMS for implementation and support. Both states had their support contractor customize the code to handle state purchasing requirements.

The state contacted that spends the least on their eProcurement solution is Missouri, which uses the Federal Government Central Contractor Registry (CCR), the Federal Acquisition Regulations (FAR) and stores their contracts in the Federal Procurement Data System (fpds.gov), all at no cost to the state. Most other states that have implemented an eProcurement solution implemented either an Oracle or an SAP-based Enterprise Resource Planning (ERP) solution. A few states have a legacy, custom-built eProcurement solution, but are formulating plans to replace it with an ERP. An ERP solution would be more costly to implement than what Florida has done.

We also found that two other states charge a vendor transaction fee. Specifically, Maine and Virginia are the only other states contacted that charge the vendors a transaction fee for doing business with the state. Like Florida, their fee is also 1%. Virginia has the fee capped at \$500 per transaction.



## **4 Cost-Contract Option Analysis**

### **4.1 Advantages, Disadvantages, Risks and Mitigation Strategies**

Table 13 summarizes the post-contract option analysis performed on all five options. The post-contract options 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.
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.

After careful analysis of the advantages, disadvantages, risks and mitigation strategies, some considerations with significant staffing or cost impacts were reviewed. Options 2 and 5 were found to be non-viable options for the state to consider. Schedule analysis was performed next, which ruled out option 3. Finally, we formed our recommendation described in the next section of this report, conducted a full cost analysis for options 1 and 4 combined and summarized the implementation steps required.

**Table 12 - Post-Contract Options**

| Post-Contract Option                              | Advantages  | Disadvantages/ Risks   | Mitigation Strategies   |
|---|---|--|---|
| <b>Option 1: Continue contract with Accenture</b> | Known vendor  | Limits competition   | No mitigation, must accept the risk.  |
|   | Vendor expertise with state purchasing, MFMP system and customized software | Limits performance improvement incentives                    | Renegotiate performance measures and thresholds with the award of the next Accenture option. Continue to assess performance and utilize performance penalties when appropriate. |
|   | No knowledge transfer required  | Dependence on single contractor                              | Take the recommended steps to position the MFMP program for future competitive solicitation.  |
|   | No transition period required   | Limits revisions to contract terms and conditions            | Renegotiate the terms and conditions with the award of the next Accenture option.   |
|   | Uninterrupted support   | Difficult to add incentives or disincentives to the contract | No mitigation, must accept the risk.  |
|   | Minimizes state resource requirements (staff, facilities, etc.)             | Limits price negotiations                                    | No mitigation, must accept the risk.  |
|   | Contract renewal reduces schedule   | Potential for system operations to remain status quo         | Ensure the MFMP Strategic and Tactical plan is executed.  |
|   | Agency users are familiar with the system                                   |  |   |
|   | Process for future Ariba upgrades already exists                            |  |   |
|   | Agency user expectations are known  |  |   |
|   | DMS and Accenture have developed an effective trust relationship            |  |   |

| Post-Contract Option   | Advantages   | Disadvantages/Risks   | Mitigation Strategies  |
|--|--|---|--|
| <b>Option 2:<br/>In-source<br/>all support<br/>of the<br/>MFMP<br/>system to<br/>state<br/>employees</b> | Reduces dependence on contractor   | Requires additional state employees to support MFMP   | Submit request for additional staff and budget as soon as possible. Begin hiring search when new positions have been authorized.   |
|  | Provides state employees career opportunities                                    | Required technical expertise does not exist with current state employees                                  | Eliminate this option due to difficulty in hiring and retaining highly technical staff.  |
|  | State employees are more familiar with state business processes and requirements | Requires additional facilities to house program office  | Start looking for facilities as soon as authorized.  |
|  | State would collect 100% of the transaction fees                                 | Not the core competency of the current state employees  | Recruit new employees with the skill set required to perform the work.   |
|  | Would allow state employees to develop expertise                                 | May deplete some agency expertise   | Set up process to help back-fill vacant positions if an agency person with MFMP expertise is selected for a DMS MFMP support position.   |
|  |  | State employees are unfamiliar with supporting the technical aspects of the system and the customizations | Allow for an extensive transition and knowledge transfer period with Accenture. Recruit for highly specialized technical support staff.  |
|  |  | State may have difficulty hiring and retaining employees with the right technical skill sets              | Submit request for additional staff and budget as soon as possible. Begin hiring search when new positions have been authorized.   |
|  |  | Extensive knowledge transfer required   | Form a transition team of key DMS/MFMP staff. Ensure that each function/position being recruited has a documented job description and identifies the knowledge and skills required. Ensure that all processes and procedures are well documented. Fully document all Ariba customizations and 'homegrown' functionality to support knowledge transfer from Accenture to the state. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the state. |
|  |  | Transition period required  | Develop a schedule to implement a transition plan that overlaps to provide sufficient knowledge transfer and smooth transition with uninterrupted support for agency users.  |
|  |  | Potential for interrupted support   | Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the state.  |
|  |  | Setback for customer confidence   | Use DMS transition team to make introductions and interface directly with customers. Develop a comprehensive communication and change management plan to ensure confidence in MFMP remains consistent.   |
|  |  | Process for future Ariba upgrades would have to be transferred  | Allow for knowledge transfer from Accenture to cover Ariba upgrade process. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the state. Ensure Ariba customizations and Accenture 'homegrown' functionality is fully documented to support knowledge transfer. Recruit for highly specialized technical support staff.   |

| Post-Contract Option  | Advantages  | Disadvantages/ Risks  | Mitigation Strategies   |
|---|---|---|---|
| <b>Option 3: Solicit a competitive bid for a new service provider for the MFMP system</b> | Increases open competition                                      | Knowledge transfer required   | Form a transition team of key DMS/MFMP staff. Ensure that each function/position being replaced has a documented job description and identifies the knowledge and skills required. Ensure that all processes and procedures are well documented. Fully document all Ariba customizations and 'homegrown' functionality to support knowledge transfer from Accenture to new service provider. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to new service provider. |
|   | Opportunity for a different point of view                       | Significant transition period required  | Develop a schedule to implement a transition plan that overlaps to provide sufficient knowledge transfer and smooth transition with uninterrupted support for agency users.   |
|   | Opportunity to adjust contract and performance terms            | Vendor potentially unfamiliar with state purchasing, MFMP and customized software | Identify and provide key DMS personnel to bring new service provider up to speed at the onset of the new contract. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to new service provider. Ensure Ariba customizations and Accenture 'homegrown' functionality is fully documented to support knowledge transfer.  |
|   | Minimizes state resource requirements (staff, facilities, etc.) | Unknown vendor  | Organize a team to research and target specific vendors with high success rate with major eProcurement implementations, specifically with Ariba.  |
|   | Provides vehicle for price negotiations                         | Potential for major disruption of services and operations                         | Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to new service provider. Establish metrics or incentives for new service provider that will mitigate disruption.  |
|   | Agency users are familiar with the system                       | Dependence on single contractor   | Consider a multiple award approach.   |
|   | Potential to improve system operations                          | DMS would have to build trust relationship with new vendor                        | Co-habitation of DMS and new service provider staff would create a team environment approach.   |
|   | State could potentially collect more of the transaction fees    | Setback for customer confidence   | Use DMS transition team to make introductions and interface directly with customers. Develop a comprehensive communication and change management plan to ensure confidence in MFMP remains consistent.  |
|   |   | Contract lead time required   | Establish adequate lead-time in the acquisition strategy.   |
|   |   | Process for future Ariba upgrades would have to be transferred                    | Allow for knowledge transfer from Accenture to cover Ariba upgrade process. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to new service provider. Ensure Ariba customizations and Accenture 'homegrown' functionality is fully documented to support knowledge transfer.   |
|   |   | Agency user expectations are unknown  | Transition team should focus on agency requirements, develop a comprehensive communication and change management program to help set expectations. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to new service provider.   |
|   |   | Potentially increases contractual cost  | Identify all current contractual costs in order to do an accurate cost estimate. Provide adequate contractual lead-time to permit extensive cost negotiations.  |

| Post-Contract Option  | Advantages   | Disadvantages/ Risks  | Mitigation Strategies  |
|---|--|---|--|
| <b>Option 4:<br/>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</b> | Provides flexibility   | Requires additional state employees to support MFMP                               | Submit request for additional staff and budget as soon as possible. Begin hiring search when new positions have been authorized.   |
|   | Reduces contractual cost   | Potential for unknown vendor  | Organize a team to research and target specific vendors with high success rate with major eProcurement implementations, specifically with Ariba.   |
|   | State can be selective in activities to in-source                                | Vendor potentially unfamiliar with state purchasing, MFMP and customized software | Identify and provide key DMS personnel to bring new service provider up to speed at the onset of the new contract. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to new service provider. Ensure Ariba customizations and Accenture 'homegrown' functionality is fully documented to support knowledge transfer.   |
|   | Agency users are familiar with the system  | Knowledge transfer required   | Form a transition team of key DMS/MFMP staff. Ensure that each function/position being recruited or replaced has a documented job description and identifies the knowledge and skills required. Ensure that all processes and procedures are well documented. Fully document all Ariba customizations and 'homegrown' functionality to support knowledge transfer from Accenture to the state and to the new service provider. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the state and to the new service provider. |
|   | Increases open competition   | Transition period required  | Develop a schedule to implement a transition plan that overlaps to provide sufficient knowledge transfer and smooth transition with uninterrupted support for agency users.  |
|   | Opportunity to adjust contract and performance terms                             | Potential for interrupted support   | Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the state and to the new service provider. Establish metrics or incentives for new service provider that will mitigate disruption.  |
|   | Reduces dependence on contractor   | Requires additional facilities to house program office                            | Start looking for facilities as soon as authorized. Explore facility options with potential new service provider.  |
|   | Provides vehicle for price negotiations  | Contract lead time required   | Establish adequate lead-time in the acquisition strategy.  |
|   | Potential to improve system operations   | Process for future Ariba upgrades would potentially have to be transferred        | Allow for knowledge transfer from Accenture to cover Ariba upgrade process. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the state and to the new service provider. Ensure Ariba customizations and Accenture 'homegrown' functionality is fully documented to support knowledge transfer.   |
|   | Provides state employees career opportunities                                    | Agency user expectations are potentially unknown                                  | Transition team should focus on agency requirements, develop a comprehensive communication and change management program to help set expectations. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the state and to the new service provider.   |
|   | State employees are more familiar with state business processes and requirements | DMS would potentially have to build trust relationship with new vendor            | Co-habitation of DMS and new service provider staff would create a team environment approach.  |
|   | State could potentially collect more of the transaction fees                     | Required technical expertise does not exist with current state employees          | Submit request for additional staff and budget as soon as possible. Begin hiring search when new positions have been authorized. DMS should hire a technical lead to act as a liaison between new service provider and the state.  |

| Post-Contract Option | Advantages                                       | Disadvantages/ Risks  | Mitigation Strategies  |
|----------------------|--|---|--|
|                      | Would allow state employees to develop expertise | Not the core competency of the current state employees  | Recruit new employees with the skill set required to perform the work.   |
|                      |  | May deplete some agency expertise   | Set up process to help back-fill vacant positions if an agency person with MFMP expertise is selected for a DMS MFMP support position.   |
|                      |  | State employees are unfamiliar with supporting the technical aspects of the system and the customizations | Allow for an extensive transition and knowledge transfer period with Accenture. Recruit for highly specialized technical support staff. Selectively consider in-sourcing functions to ensure state expertise exists or can be recruited. |
|                      |  | Setback for customer confidence   | Use DMS transition team to make introductions and interface directly with customers. Develop a comprehensive communication and change management plan to ensure confidence in MFMP remains consistent.                                   |



| Post-Contract Option   | Advantages   | Disadvantages/ Risks                                       | Mitigation Strategies   |
|--|--|--|---|
| <b>Option 5: Solicit a competitive bid for a new service provider and a new system</b> | Increases open competition                                   | Forces state to completely restart the program             | No mitigation, must accept the risk.  |
|  | Opportunity to adjust contract and performance terms         | Lose program momentum                                      | Run systems in parallel.  |
|  | Provides vehicle for price negotiations                      | Requires user retraining                                   | Establish comprehensive new system training for both state employee and vendor community users.   |
|  | Potential to improve system operations                       | All cost to date are considered sunk cost                  | No mitigation, must accept the risk.  |
|  | State could potentially collect more of the transaction fees | Potential unknown vendor                                   | Organize a team to research and target specific vendors with high success rate with major eProcurement implementations.   |
|  |  | Vendor potentially unfamiliar with state purchasing        | Identify and provide key DMS personnel to bring new service provider up to speed at the onset of the new contract. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the new service provider.   |
|  |  | Knowledge transfer required                                | Form a transition team of key DMS/MFMP staff. Ensure that each function/position being replaced has a documented job description and identifies the knowledge and skills required. Thoroughly document state and agency eProcurement requirements. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the new service provider. |
|  |  | Transition period required                                 | Develop a schedule to implement a transition plan that overlaps to provide sufficient knowledge transfer and smooth transition with uninterrupted support for agency users.   |
|  |  | Competition elongates the schedule                         | Develop a phased approach that allows for a smooth transition.  |
|  |  | Agency users frustrated with another change                | Use DMS transition team to make introductions and interface directly with customers. Develop a comprehensive communication and change management plan to ensure confidence in MFMP remains consistent. Address user frustrations in an open forum.  |
|  |  | Potential for interrupted support                          | Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the new service provider and from MFMP to the new system. Run systems in parallel.   |
|  |  | Contract lead time required                                | Establish adequate lead-time in the acquisition strategy.   |
|  |  | Agency user expectations are totally unknown               | Transition team should focus on agency requirements, develop a comprehensive communication and change management program to help set expectations. Provide for an extensive transition period that is sufficient to support a smooth uninterrupted transition from Accenture to the new service provider and from MFMP to the new system.   |
|  |  | DMS would have to build trust relationship with new vendor | Co-habitation of DMS and new service provider staff would create a team environment approach.   |
|  |  | Dependence on single contractor                            | Consider a multiple award approach.   |
|  |  | Setback for customer confidence                            | Use DMS transition team to make introductions and interface directly with customers. Develop a comprehensive communication and change management plan to ensure confidence in MFMP remains consistent.  |

| Post-Contract Option | Advantages | Disadvantages/Risks                    | Mitigation Strategies  |
|----------------------|------------|--|--|
|                      |            | Potentially increases contractual cost | Identify all current contractual costs in order to do an accurate cost estimate. Provide adequate contractual lead-time to permit extensive cost negotiations. |

#### 4.2 Cost Considerations with Significant Influence

Table 14 shows some considerations that have a significant influence, either positive or negative, affecting the cost of the post-contract options. None of the post-contract options alone stood out above the rest, without also exercising Option 1 for a short period to allow plenty of time to mitigate the risks identified.

**Table 13 - Significant Influence on Post-Contract Options**

| Consideration   | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 | Hybrid Option 1 & 4 |
|---|----------|----------|----------|----------|----------|---------------------|
| The infrastructure, hardware and software become state resources at the completion of the Accenture contract.   | -        | Pos      | Pos      | Pos      | -        | Pos                 |
| Ariba has been heavily customized to provide state purchasing requirements and several custom built applications have been developed (i.e. Vendor Registration).              | Pos      | Neg      | Neg      | Neg      | -        | Pos                 |
| Transition period for migrating to a new service provider must be accommodated to ensure a smooth transition and limited interruptions to state agency purchasing operations. | -        | Neg      | Neg      | Neg      | Neg      | Pos                 |
| Knowledge transfer is extensive for migrating to a new service provider and must be accommodated in the transition period.  | -        | Neg      | Neg      | Neg      | -        | Pos                 |
| DMS budget cuts and staff reductions may affect in-sourcing options.  | -        | Neg      | -        | Neg      | -        | Pos                 |
| State implements an ERP system  | Neg      | Neg      | Neg      | Neg      | Pos      | Neg                 |

#### 4.3 Non-Viable Options

Post-contract option 2 is not a viable option mainly because of DMS resource reductions and the fact that DMS has difficulty hiring and retaining highly technical staff.

Post-contract option 5 is not a viable option for several reasons.

- The state is not ready to implement an ERP system.
- It is the most costly option, since all costs spent on MFMP to date become sunk costs.
- Implementing the option would require the longest contract lead time.
- Implementing the option would require the longest system implementation time.
- All agency users would have to be retrained to use a new system.

#### 4.4 Viable Options

This analysis leaves post-contract options 1, 3 and 4 as viable options, with the 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) being the best option, since there are certainly some functions currently being performed by Accenture that could be considered for in-sourcing. These functions include



- operating Billing and Collections,
- providing Tier 1 Help Desk Support,
- providing Tier 2 Help Desk Support and
- hosting the Disaster Recovery Site.

#### 4.5 Schedule Analysis

Conducting the schedule analysis for options 3 and 4 revealed that there is not enough time remaining on the Accenture contract to allow either of these to be pursued alone. Since post-contract option 3 does not allow for in-sourcing any of the MFMP support functions, we considered it separately (see proposed timeline in Attachment 3). We combined options 1 and 4 to allow the Accenture contract to be renewed for a short period prior to implementing option 4 (see proposed timeline in Attachment 4).

### 5 Recommendation

Based on the analysis conducted and presented in this report, we recommend a combination of post-contract options 1 (continue Accenture contract) and 4 (in-source some functions and solicit a competitive bid as a long-term solution). The Accenture contract should be renewed for two more years to give the state ample time to prepare for post-contract option 4. Our recommendation assumes the state will be authorized to hire the four additional FTE required to in-source some of the functions. The funding to support this is available within the \$8M ceiling in the DMS LBR.

#### 5.1 Cost Estimates

The projected annual cost estimates beginning in FY13 for the recommended option after the transition period is completed are shown in Table 15, compared to the current cost and projected savings. The total current cost is \$18.7M per year. The projected cost is \$14M per year, which shows a projected savings of \$4.7M per year. During the recommended eight-month transition period, both service providers would be paid. As each function is phased out of Accenture's scope, Accenture should no longer be charging for that function. The estimated cost for the new service provider during the transition period is about \$3.5M.

**Table 14 – Projected Annual Cost Estimates in FY13**

|   | Current        | Projected      | Savings       |
|---|----------------|----------------|---------------|
| Disaster Recovery Site Hosting  | \$0.2M         | \$0.1M         | \$0.1M        |
| Billing and Collections Operations  | \$0.5M         | \$0.3M         | \$0.2M        |
| Tier 1 Help Desk  | \$0.7M         | \$0.5M         | \$0.2M        |
| Tier 2 Help Desk  | \$0.5M         | \$0.5M         | -             |
| Application Development Support<br>Current – Accenture 13 staff FT<br>Proposed – Service Provider 10 FT | \$1.9M         | \$1.6M         | \$0.3M        |
| Program Management Support<br>Current – Accenture 9 staff FT 2 PT<br>Proposed – Service Provider 8 FT   | \$1.6M         | \$1.2M         | \$0.4M        |
| Change Order Development  | \$1.0M         | \$0.5M         | \$0.5M        |
| Service Provider Profit   | \$6.6M         | \$3.5M         | \$3.1M        |
| Software and Hardware Licensing and<br>Maintenance Agreements   | \$1.8M         | \$1.8M         | -             |
| Hardware Refresh Every 4 <sup>th</sup> Year @ \$11.0M<br>Divided by 4                                   | \$2.8M         | \$2.8M         | -             |
| Technical Infrastructure Support  | \$1.1M         | \$1.2M         | -\$0.1M       |
| <b>Total</b>  | <b>\$18.7M</b> | <b>\$14.0M</b> | <b>\$4.7M</b> |

Note: Functions being considered for in-sourcing are mentioned first, followed by the functions that show a cost savings, then the functions that have no cost savings.

**Functions Considered for In-Sourcing**

Disaster Recovery Site Hosting is currently provided by Accenture at a cost of \$65,000 per year, but only covers the Buyer Module of the MFMP system. The estimate to cover the entire MFMP system at the disaster recovery site is \$0.2M. To estimate the cost of in-sourcing disaster recovery site hosting for the entire MFMP system, we compared it to when the state moved production site hosting to the State Resource Center in Modification 5 to the Accenture contract. The cost was \$16,000 for one time setup plus \$12,000 per month for a total of \$1.6M. The disaster recovery site hosting should be about one-tenth the cost of the production site hosting, so the estimated annual cost to move the disaster recovery site hosting to a state site is \$0.1M. This could be accomplished without requesting a legislative change to the DMS LBR \$8M ceiling. This proposed change should be negotiated when exercising post-contract option 1 of our recommendation.

Billing and Collections Operations is currently being done by Accenture with four full-time (FT) clerks, one one-quarter time report specialist and one one-tenth time project manager at a cost of \$0.5M which is separately invoiced to DMS. In-sourcing this function could potentially be performed by three FT state clerks and one FT supervisor. The average annual state salary including benefits at DMS is currently \$68K. Using \$60K for the three clerks and \$75K for the supervisor, the estimate for the state to perform this function is \$0.3M. This could be accomplished without requesting a legislative change to the DMS LBR \$8M ceiling. This proposed change should be negotiated when exercising post-contract option 1 of our recommendation. Once the state employees are hired, a six-month transition period is suggested. It should be noted that the Billing and Collections System would still be maintained by Accenture, though the operations of that system could be in-sourced.

Tier 1 Help Desk is currently provided by Accenture with ten FT junior-level help desk support technicians at a cost of \$0.7M. It is estimated that the staffing level can potentially be reduced to seven FT staff once the Vendor Registration Module has been upgraded to allow vendors to reset their passwords online. This would reduce the cost to \$0.5M. In order to in-source this function, it is recommended that the state hire eight junior-level help desk support technicians at an estimated fully-burdened annual rate of \$63K or a total of \$0.5M. Since the estimated cost for a service provider is the same as the estimated cost for in-sourcing this function, we recommend this function remain with a service provider.

Tier 2 Help Desk is currently being handled by Accenture with five FT senior-level help desk support technicians at a cost of \$0.5M. If the state were to in-source this function, we recommend that the state hire six senior-level help desk support technicians at an estimated fully burdened annual rate of \$80K or a total of \$0.5M. Again, since the estimated cost for the service provider to support this function is the same as for the state to in-source the function, we recommend this function remain with a service provider.

**Functions Showing Cost Savings**

Application Development Support is currently provided by Accenture with 13 FT Ariba software developers. Since the MFMP system is no longer in a development stage, it may be possible to reduce the number of application developers required to ten, which would reduce the cost from \$1.8M to \$1.5M. This proposed change could be negotiated when exercising post-contract option 1 of our recommendation.

Program Management Support is currently provided by Accenture with nine FT project managers and two Part-time (PT) project managers at a cost of \$1.6M. Again, since the MFMP system is no longer in a development stage, it may be possible to reduce the number of project managers required by up to three FT staff, which would reduce the cost to \$1.2M. This proposed change could be negotiated when exercising post-contract option 1 of our recommendation.

Change Order Development is currently being funded through the DMS contingency fund established in contract Modification 2 and occasionally through additional funding for unique enhancements (i.e. Aspire). The charge for this is being billed at the contract cap of \$224.87 per hour. We recommend the billable rate be renegotiated when the Accenture contract option is exercised. Price lists for the state contract agreement with Accenture identify multiple labor categories with rates ranging from \$108.33 per hour to \$248.47 per hour, which should be considered when renegotiating. This cost should be able to be reduced by about half. This proposed change could be negotiated when exercising post-contract option 1 of our recommendation.

Service Provider Profit is currently about \$6.6M, or 53% of cost, now that the annual collected transaction fees are about \$25.5M. Under our recommendation, the projected service provider profit is estimated at 35% of cost. This part of our recommendation reduces the cost for this function by about half. DMS would probably have difficulty negotiating this change when exercising post-contract option 1 of our recommendation, but could easily have this as one of the conditions for any new competitive service provider.

### **Functions Without Cost Savings**

Software and Hardware Licensing and Maintenance Agreements would be the same as the current cost plus inflation at 5%. There is no value for the state to in-source the purchase of these agreements.

Hardware Refresh has occurred every fourth year for a total of \$11.0M. There is no value for the state to in-source the hardware purchase. However, the state should ensure that any new solicitation covers hardware refresh and that the hardware becomes state property at the close of the contract.

Technical Infrastructure Support is currently provided by Accenture with nine FT hardware or network technicians and one PT manager. A service provider should be able to perform this function with nine FT hardware or network technicians and one PT or FT manager at approximately the same cost.

## **5.2 Increased DMS Staff Required**

Our recommendation calls for in-sourcing the Billing and Collections operations. This function is currently performed by four FT junior level Accenture clerical staff, a reporting manager who works one week per month and a project manager. It is recommended that three junior level clerks and one senior level clerk be hired to support in-sourcing this function. The MFMP Program Director can serve as the project manager. As stated in the cost estimates section, the estimated cost for the new DMS staff is \$300,000 per year. Given the current DMS LBR share of the collected transaction fees, and the \$8M annual ceiling, DMS will not have to request a legislative change to increase the annual ceiling. However, DMS will have to request authority to hire four additional FTE.

The current Accenture contract expires in November 7, 2010, which is about 4 months into FY11. In order to have our suggested six-month transition period for the newly hired state employees, the new state positions should be filled by May 7, 2011.

The other function recommended for in-sourcing, moving the disaster recovery site hosting to the state, will likely not require any additional state staff.

## **5.3 Implementation Steps Required for Recommendation**

We recommend 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). The steps required for our recommendation and proposed dates are found in the timeline in Appendix 4 and are summarized below.

1. OPPAGA submits this recommendation to the Legislature by February 2009.
2. The recommendation is reviewed and approved for implementation by April 2009.
3. The MFMP Program Director begins scheduling the development and implementation of some suggested system capability improvements by April 2009 with anticipated completion by May 2012. The suggestions include the following.
  - The Team BCPI analysis covered 13 of the 32 agencies using MFMP. All agencies should be contacted to compile a complete list of agency perceived problems and agency developed workarounds with MFMP to recommend methods to
    - address any system functionality issues that exist,
    - focus training efforts,
    - identify change management activities,
    - suggest communications to clarify perceived problems and
    - determine if functionality is really required.
  - The state should designate AEIT as the governance body available to assist DMS with the statewide implementation and especially with the communication and change management activities required for a successful implementation.
  - Develop a comprehensive communication and change management program to increase user awareness of the MFMP system and promote its acceptance and increased usage.
  - Draft policies or legislation to standardize how agencies are required to use the MFMP system.
  - All agency shadow systems should be identified and evaluated to determine why they still use the shadow system; the Team BCPI analysis covered 13 of the 32 agencies using MFMP. The results may expose a variety of causes, such as change management issues, areas for potential business process re-engineering or perhaps identify missing system functionality.
  - Review the documentation of the 363 customizations and of the parts of the MFMP system that are Accenture developed, to ensure the documentation is complete enough to be transferred to another service provider.
  - Examine customizations to the Ariba COTS product to determine if there are business processes that could be standardized across all state agencies to potentially eliminate the need for a customization.
  - Contact all agencies to determine why some of the MFMP functionality is being underutilized; the Team BCPI analysis covered 13 of the 32 agencies using MFMP. Again, the results may expose a variety of causes, such as change management issues, areas for potential business process re-engineering or perhaps identify missing system functionality.
  - Develop a business process for correctly using the Sourcing Module.
  - Authorize the development and implementation of any approved changes to the Sourcing Module to prepare it for deployment to the agency users.
4. By December 2009, DMS should begin preparing the business case for post-contract option 4 for soliciting a competitive bid for the MFMP support functions that will not be in-sourced.
5. The business case should be submitted to the Council on Efficient Government (CEG) by February 2010.
6. DMS should explore in-sourcing some of the support functions. Support functions recommended for in-sourcing are the disaster recovery site hosting and the Billing and Collections operations. DMS should request approval for four additional FTE. DMS should begin recruitment actions to hire the required new staff as soon as approved. The in-sourcing decisions should be completed by April 2010.

7. The CEG should review and approve the business case by May 2010.
8. The DMS MFMP Program support team should plan for Accenture to perform hardware and software upgrades before June 2010.
9. DMS should prepare solicitation plans and documentation; then submit to the LBC by June 2010.
10. The LBC should review and approve the solicitation plans by August 2010.
11. DMS should exercise post-contract option 1 by September 2010, to renew the contract with Accenture for two more years, but only after careful planning and renegotiation of the terms and conditions of the contract. Some issues to consider in planning this step are as follows.
  - The MFMP system is no longer in a development stage, but rather in a sustainment and maintenance stage.
  - Since online vendor password resets will drastically reduce the number of help desk tickets, the Tier 1 vendor support staff could probably be reduced by three FTE.
  - The base compensation and compensation method should be carefully reviewed and modified as appropriate.
  - The performance measures should be evaluated, especially the current thresholds, and updated as necessary.
  - Any functions the state has determined to in-source should be removed from the contract requirements.
  - Replenishment of the contingency funds to support development and implementation of approved change requests.
  - Assess current Accenture staffing. Obtain a full description of their duties and their role on the MFMP project to determine the necessity for the positions in the contract extension.
12. DMS should prepare the intent to award for the post-contract option 4 solicitation by February 2011.
13. DMS should post the intent to award by April 2011.
14. DMS staff positions being in-sourced should be filled by May 2011.
15. Prospective bidders have until July 2011 to submit a bid.
16. DMS evaluates the bids and makes a selection of the new service provider by October 2011.
17. DMS and the new service provider should complete contract negotiations by January 2012.
18. The new service provider contract should be executed by February 2012.
19. The transition period should start in February 2012 and be implemented in phases; the following phases are suggested for consideration.
  - Tier 1 Help Desk,
  - Tier 2 Help Desk,
  - Tier 3 Help Desk,
  - Infrastructure and Hardware Support,
  - Application Development Support and
  - Program Management Support.The transition should be fully accomplished by October 2012.



## Attachment 1 – State Agencies Using MFMP

The table below lists the 32 agencies using MFMP, what FY they began using the MFMP system and which modules of the system they are using. The 13 agencies interviewed by Team BCPI are highlighted. MFMP utilization for other agencies was determined by analyzing the MFMP Operational Metrics Report.

Some items point out how the MFMP system is being underutilized, e.g. eQuote, Reporting, eForm and Analysis are rarely used and Vendor Performance Tracking shows no use at all.

|    |  |                        | Modules Used |                      |              |                     |           |           |                 |                    |          |          |                             |
|----|--|------------------------|--------------|----------------------|--------------|---------------------|-----------|-----------|-----------------|--------------------|----------|----------|-----------------------------|
|    | Agency   | Fiscal Year Began MFMP | Buyer        | Buyer Online Catalog | Buyer eQuote | Buyer System Search | Reporting | Invoicing | Invoicing eForm | Invoicing eInvoice | Analysis | Sourcing | Vendor Performance Tracking |
| 1  | Agency for Health Care Administration              | 2004                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 2  | Agency for Persons with Disabilities               | 2006                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 3  | Agency for Workforce Innovation                    | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 4  | Attorney General                                   | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 5  | Department of Business and Professional Regulation | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 6  | Department of Children and Families                | 2004                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 7  | Department of Citrus                               | 2004                   | X            |                      |              |                     |           |           |                 |                    |          |          |                             |
| 8  | Department of Community Affairs                    | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 9  | Department of Corrections                          | 2005                   | X            |                      |              | X                   |           | X         | X               | X                  |          |          |                             |
| 10 | Department of Education                            | 2004                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 11 | Department of Elder Affairs                        | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 12 | Department of Environmental Protection             | 2004                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 13 | Department of Financial Services                   | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 14 | Department of Health                               | 2004                   | X            | X                    | X            | X                   | X         | X         | X               |                    | X        |          |                             |
| 15 | Department of Highway Safety and Motor Vehicles    | 2005                   | X            |                      | X            |                     | X         | X         | X               | X                  |          |          |                             |
| 16 | Department of Juvenile Justice                     | 2004                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 17 | Department of Law Enforcement                      | 2005                   | X            | X                    |              | X                   | X         |           | X               | X                  |          |          |                             |
| 18 | Department of Management Services                  | 2004                   | X            |                      |              |                     |           | X         |                 |                    | X        | X        |                             |
| 19 | Department of Military Affairs                     | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 20 | Department of Revenue                              | 2005                   | X            |                      |              |                     |           |           |                 |                    |          |          |                             |
| 21 | Department of State                                | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 22 | Department of the Lottery                          | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 23 | Department of Transportation                       | 2004                   | X            |                      |              |                     |           | X         | X               | X                  |          |          |                             |
| 24 | Department of Veterans Affairs                     | 2004                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 25 | Division of Administrative Hearings                | 2008                   | X            |                      |              |                     |           |           |                 | X                  |          |          |                             |

|    |   |                        | Modules Used |                      |              |                     |           |           |                 |                    |          |          |                             |
|----|---|------------------------|--------------|----------------------|--------------|---------------------|-----------|-----------|-----------------|--------------------|----------|----------|-----------------------------|
|    | Agency                                  | Fiscal Year Began MFMP | Buyer        | Buyer Online Catalog | Buyer eQuote | Buyer System Search | Reporting | Invoicing | Invoicing eForm | Invoicing eInvoice | Analysis | Sourcing | Vendor Performance Tracking |
| 26 | Executive Office of the Governor        | 2004                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 27 | Fish & Wildlife Conservation Commission | 2005                   | X            |                      |              |                     |           | X         |                 |                    |          |          |                             |
| 28 | Florida School for the Deaf and Blind   | 2008                   | X            | X                    |              |                     |           | X         | X               | X                  |          |          |                             |
| 29 | *Office of Legislative Services         | 2008                   | X            |                      |              |                     |           |           |                 |                    |          |          |                             |
| 30 | Parole Commission                       | 2005                   | X            |                      |              | X                   | X         | X         | X               |                    |          |          |                             |
| 31 | **Public Service Commission             | 2005                   |              |                      |              |                     |           |           |                 |                    |          |          |                             |
| 32 | State Courts                            | 2005                   | X            |                      |              |                     |           |           |                 |                    |          |          |                             |

Notes: \* Office of Legislative Services just started using MFMP in October 2008.

\*\* Public Services Commission reported they stopped using MFMP June 2008.

Highlighted rows indicate the 13 agencies that were interviewed by Team BCPI.

## Attachment 2 – Agency MFMP System Workarounds

Of the 13 agencies interviewed by BCPI, four reported MFMP system workarounds they had developed over the years to make the system work for them in order to accomplish the purchasing and invoice payment functions required.

| AGENCY   | Workarounds Identified from<br>Interview Question # 11   |
|--|--|
| Department of Corrections/<br>Parole Commission        | <ul style="list-style-type: none"> <li>• Split accounting defaults to % in MFMP that FLAIR cannot handle, so work around is to split accounting codes by line item ordered.</li> <li>• Multiple 'ship-to' addresses are not supported by MFMP, so must create separate Purchase Order for each 'ship-to' address in order to be able to close.</li> <li>• On BPA when unit is 'lot', you must make \$ field = quantity in order to be able to receive partial.</li> <li>• Cannot process credits in MFMP, so credit postings are done in FLAIR.</li> </ul> |
| Department of Citrus                                   | <ul style="list-style-type: none"> <li>• In Composing Mode, make a dummy purchase request to help search for vendors.</li> </ul>   |
| Division of Administrative Hearings                    | <ul style="list-style-type: none"> <li>• Put name in "On behalf of" optional field to facilitate system searches that yield results just for our agency.</li> </ul>  |
| Department of Management Services/<br>State Purchasing | <ul style="list-style-type: none"> <li>• Use the DMS Vendor Bid System to post invitations to bid, since the Solicitation Function in the Sourcing Module has a capacity issue.</li> <li>• Re-enter contract award data into the Buyer Module, since the Sourcing Module is no longer integrated with the Buyer Module.</li> </ul>   |





