

Overview of State Information Technology And Procurement

LEGISLATIVE ANALYST'S OFFICE

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Assembly Budget Committee
Hon. Darrell Steinberg, Chair





Overview of State Information Technology

- State spends about \$2 billion annually on information technology (IT).
 - About \$300 million on telecommunications services.
 - Over \$400 million in purchases of IT goods and services.
 - Over \$200 million in operating the state's data centers.
 - Remaining \$1 billion for developing and maintaining departmental systems.



How Does the State Oversee IT Performance?

Since the sunset of the Department of Information Technology in 2002, the state has had an interim structure to oversee IT, most of which was implemented through Executive Order and the *2002-03 Budget Act*.



State's Interim IT Governance Structure

- State Chief Information Officer
 - Provides general guidance and performs some coordination activities.
- Department of Finance
 - Develops policies for review, approval, oversight, and security of state IT systems.
 - Rates projects on risk—evaluating factors such as cost, activities, and staff experience.
 - Reviews project proposals and oversees medium- to high-risk projects (currently 28 medium- and 40 high-risk projects).
- Department of General Services (DGS)
 - Develops procurement policies.
 - Reviews and monitors state procurements.
- Departments
 - Manage IT projects.
 - Maintain departmental hardware and software.



Need for Permanent Structure

- Current structure is temporary. The state needs a permanent solution to effectively manage IT.
- Key objectives should be maximizing leadership, accountability, and oversight.



Overview of State Procurement

- State purchases about \$6 billion annually in goods and services.
- Purchases are governed by many state laws.
- State law designates DGS as the state's procurement officer.
- Statutory emphasis is on ensuring fair and open competition.
- Statutory differences exist in procuring (1) goods versus services and (2) IT versus non-IT goods and services.
- For IT-specific procurements, the state can select IT goods and services based on "best value" instead of lowest cost.
- In 2003, DGS began procurement training and a certification program. Eventually, all state procurement staff will be trained in laws, policies, and purchasing methods.



Overview of State Procurement Methods

- State uses several different procurement methods to acquire goods and services.

Most Common Purchasing Methods		
Methods	Description	Example
California Master Award Schedule (CMAS)	<ul style="list-style-type: none"> • DGS or departments select from lists of prequalified vendors. 	Personal computers
Master awards	<ul style="list-style-type: none"> • DGS or departments select from lists of <i>competitively</i> prequalified vendors. 	Computer programming services
One-time procurements	<ul style="list-style-type: none"> • State releases bid document. • Vendors compete. • State selects vendor that best meets state's needs. 	Large complex service contracts
Sole source	<ul style="list-style-type: none"> • Department's purchase meets statutory requirements and is granted DGS approval for noncompetitive bid process. 	Software licenses
Statewide commodities	<ul style="list-style-type: none"> • DGS conducts statewide procurement and departments purchase items from statewide contract. 	Medicines



Problems With Procuring Goods and Services

- Despite improvement efforts, frustrations continue regarding:
 - The amount of time and cost to conduct major complex procurements.
 - Obtaining contracts that meet the state's needs.
 - Nonperforming vendors continuing to receive state business.

- Recommendations to improve procurements:
 - Streamline the protest process, including allowing for voluntary, binding arbitration of protests.
 - Use computers instead of paper to facilitate transactions with vendors.
 - Require independent evaluations of proposals.
 - Improve the quality of departmental bid specifications and contract management.
 - Provide effective evaluations of contractor performance and sanction poor-performing contractors.



Budget Implications

- Governor's budget assumes \$100 million (\$50 million General Fund) in savings in both the current and budget years from improved procurements and contract management.
- Only minor savings identified to date, primarily in lease renegotiations.
- Savings from improved procurement policies and procedures would likely appear over the long term, rather than immediately.