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**Who is the City of Philadelphia Procurement Department?**

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## Overview of City Contracting

<p><b>Procurement Department</b></p> <p><b>Commodities &amp; Construction – Competitive sealed Bid Contracts</b></p> <ul style="list-style-type: none"> <li>▪ Issued by the City's Procurement Department</li> <li>▪ Subject to a sealed bid process and awarded to the lowest, responsive responsible bidder</li> <li>▪ For supplies, equipment, public works, some maintenance &amp; repair services.</li> <li>▪ Governed by Section 8-200 of Philadelphia Code</li> <li>▪ Paper-based bidding process</li> </ul>	<p><b>Finance Department</b></p> <p><b>Professional Services Contracts- Negotiated RFP Contracts</b></p> <ul style="list-style-type: none"> <li>▪ Issued by departments throughout the City</li> <li>▪ Oversight within Finance Department</li> <li>▪ RFPs awarded based on a number of factors, including cost</li> <li>▪ For professional services</li> <li>▪ Governed by Chapter 17-1400 of the Philadelphia Code</li> <li>▪ Electronic application process through eContract Philly</li> </ul>
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City of Philadelphia Procurement Department, 2014

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## Procurement – People

- **Specifications & Standards Unit**
- **Purchasing Unit**
- **Supply Management**
  - Coding Unit
- **Administrative Processing**
  - Purchase Order/Bid Unit
  - Contracts Unit
  - Customer Service Unit
- **Capital Project Unit**

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## Current Technology

- **Special Procurement Enhancement & Evaluation Database (SPEED)**
  - Homegrown, Access & SQL system
  - Handles Requisition to Contract Conformance workflow
  - Vendor Registration
  - Captures supplier diversity information
  - Used to interface with ADPICS (connection now broken)
- **Advanced Purchasing & Inventory Control System (ADPICS)**
  - Mainframe based
  - Post award system of tracking contract & purchasing
  - Captures commodity coding for purchases
  - Interfaces with general ledger accounting system (FAMIS)

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## Current Technology (cont'd.)

- **Purchase Order Imaging System**
  - Imaged POs in the system
  - All POs are then immediately available to departments and distributed to vendors
- **Data Warehouse**
  - Cognos reporting
  - Reporting limited to 3 digit, high-level internal coding schema
- **Procurement Department Website (in process of being upgraded)**
  - Currently, not very user friendly
  - Difficult to navigate

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**Why assess?**

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## Key Challenges

- Commodities, Construction & Concessions (sealed bids & RFPs):**
- Bid Fees & Bonding Requirements
- Dated Legacy Systems - Absence of eProcurement
- Various local bidding requirements - Local Business Entity Preference, etc
- Supplier Diversity Goal
- Transparency in the Bidding and Contracting Process
- Low competition
- High Processing Time : On average contracts take 110 to 130 days
- Bi-furcated Procurement processes/systems

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**How did we evaluate?**

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**The Lens We Were Looking Through**

- Leveraging CPPO and CPPB training and certifications
- Driven by real world reviews in 8 different states and prior work in state government
- Looking for models, not just work
- Looking for mission, not just process
- Looking for how buyers day to day job reflects priorities
- Looking for a common definition of success



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**CI Procurement Definition:**  
Putting the people's money to work in a way that upholds the people's trust

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## Why Doesn't It Always Feel That Way?

- Procurement will be a churning profession if:
  - Departments have limited training about how to work with the central organization
  - We don't have processes that align with mission
  - We have to juggle and react and try to keep up with the line
  
- Buyers know to enforce the process, clean up the bids, and keep the line moving...
  - Do we emphasize mission?
  - Do we value their time?
  - Do we have a common definition of value?



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## “So What Would You Say You Do Here?”

- How efficient is the process that you govern?
- What is the quality of the contracts you are establishing?
- How do you ensure that the policy of your jurisdiction is consistently applied to all purchases?


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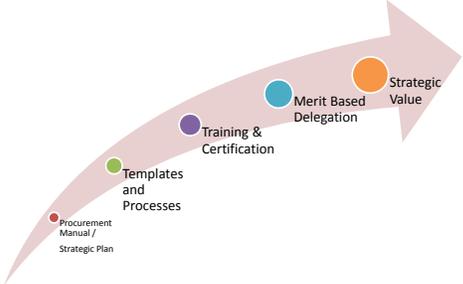
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## Signpost on the Path to Strategic Value



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### Applying Guiding Principles

- Does the organization have a sense of mission of the work in context to the function of government?
- Does the organization have definitions of value that is consistently understood from the buyer up?
- Is normal process system based or hero based?
- Are the right processes in place to drive to strategic value?
- Philly Specific: Does the organization have the baseline preparedness to take advantage of the value proposition of eProcurement?
- Philly Specific: Are there risks in current environment that should be addressed prior to automation?

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### Assessment Highlights

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### Extraordinary focus on paper

*"Dustin, I don't think you understand: When I say cut and paste, I mean "cut" with scissors and "paste" with a glue stick."*

- Substantial subset of staff was not utilizing standard office applications to perform work
- Typing is considered a clerical task; clerks are actually typing the bids into common office tools from paper documents
- Review and approval processes are paper based – the actual stack of paper is the document of record
- Creates accuracy and safety concerns regarding documents as they move around in paper format



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## Unchallenged Processes

*"Dustin, the only person missing from that [bid opening] room is Ben Franklin with his key and his kite"*

- Bid opening process symbolic of other unchallenged internal processes
- Spec writers can (and do) change department specs and can post without communicating changes
- Commissioner review not specifically sequenced pre-posting
- Any change by any party create new addendums, new versions to circulate
- Physical mail, at each stage, to all vendors signed up in the category
- Any changes means addendums, each addendum is a separate mailing



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## Getting the handoffs right

*"Seems like they want to run it like an assembly line, but I (the Customer) am responsible for it all end-to-end. People redo my job, and then the next person redoes the redo."*

- "Spec writer" and "buyer" is a job segmentation inconsistent with best practices
  - One BP: "senior" and "junior", end to end responsibility
  - Another: "category manager" and "purchasing agent", why versus how
- Substantive overlap and redo in functions and roles
- "Bid unit" and "contract unit" are clerical, dealing with work that would otherwise typically be considered buyer functions



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## Lindsey's story

*"We want Lindsey to be interested in procurement."*  
*"Lindsey, tell me about your job..."*

- Single sheet of paper from the wall with microscopic bids, regularly repeated
  - Tastykakes
  - Fruit Juice Concentrate
  - Replacement lawnmower parts
  - And on...
  - And on...
- "I feel like there ought to be a better way to buy this stuff, but I just get told to do it the way its been done."
- Citywide contract focus had fallen off
- Agencies were filling gaps creating their own piggyback style contracts



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## Stop mowing the lawn with scissors

*"They need to get a handle on citywide contracts again – they are allowed to expire. I don't think it was ever part of the responsibility for the people who have it now."*

- Procurement's citywide contract portfolio is not assigned as a primary responsibility, therefore is not actively managed as a focus
- Typical contract is only one (1) year term, causing the whole portfolio to roll over every year, with up to 3 one-year renewals.
- Some bids are extremely low level and segmented because of cultural perception they are easier to do within procurement rules
- City Code (or interpretation of Code) requires bid activity to validate marketplace prior to using cooperative contracts not present in other procurement organizations



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## Getting off the Starting Line

*"Even after everyone knows the low bid is acceptable and awardable, we cannot act because of external reviews, and we have no way to make action happen for weeks and weeks and weeks"*

- Extended post award validation activities
- Average less than 3 competitive responses per bid event
- Several up front fees that have chilling effect on vendors submitting a on a bid
  - Bid Submission Fee
  - Bid Security Bond
  - Performance bonds over 30k
- Terms and conditions are onerous
- City is perceived as a slow payer



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## Recommendations

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## Initiatives & Project Groupings

- Improve Procurement Practices (8 projects)
  - Examples: transition paper based processes; develop a procurement manual; address bonding practices
- Streamline External Interaction Processes (7 projects)
  - Examples: electronic notifications; coop contract approvals
- Organize Resources to Improve Citywide Contract Portfolio (3 projects)
  - Examples: improve org model; develop citywide contracting plan
- Automate Procurement Processes (5 Projects)
  - Examples: unify web presence; central procurement repository

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## Strategy moving forward

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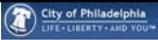
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## Departmental Vision

The Procurement Department takes pride in achieving its core objective, which is to contribute to Philadelphia government working efficiently, effectively, with integrity and responsiveness.

Our vision is to be recognized as a government leader in applying strategic supply management practices to achieve excellence in procurement, producing a sustainable, competitive paradigm in every facet of our operation.

City of Philadelphia Procurement Department, 2014

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## Strategic Priorities

- Improve Procurement paradigm to realign with industry best practices
- Organize City-wide staff resources to improve contract portfolio
- Streamline external interaction processes
- Train and develop employees to support a culture of continuous improvement and innovation

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## Operational Priorities

### Short Term Priorities

- Engage vendor(s) to run a Reverse Auction pilot \*
- Review City Terms and Conditions with Law and make appropriate changes \*
- Transition to electronic notifications of bids to vendors \*
- Revise design of Procurement website, including an FAQ section
- Work with OEO to develop standard category-based targets that will be applied to solicitations \*
- Market surplus disposal auction services to the departments \*
- Develop incentives for high performing employees (Excused day & Employee of the Quarter)
- Hold regular departmental wide meetings
- Provide Technology training as needed

(\* completed)

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## Operational Priorities (cont'd.)

### Mid Term Priorities

- Develop fee and bond practices report
- Develop a Procurement Manual
- Solicit and award an RFP for on-going Reverse Auction services
- Review and assess the use of ACIS for use by Procurement
- Implement a secure, centralized procurement document repository
- Refine and standardize bid templates \*
- Revise current Procurement job descriptions and responsibilities so as to align to industry best practices
- Institute a review of commodities to analyze the use of cooperative contracts
- Create a Procurement Planning Cycle process that follows the budget approval
- Institute a system to seek feedback from various committees, employees and workshops
- Offer opportunities for employees to engage in training and become certified Public Buyers \*

(\* completed)

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## Lessons Learned

- If things haven't changed much in 20 years it's time to do something.
- Technology is not the only way to improve
- Make improvements to the easiest things first (low hanging fruit)
- Get external independent analysis (3rd parties provide insight into your muck)
- Contract managers (and buyers) can always be busy, and will self define their priorities without guidance
- Executives have to set priority and focus on all three of the defining values of procurement
- Listen to your clients/customers (both internal & external)
- Look at best practices and evaluate your processes against those.

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## Contact Information

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