

Final



North Carolina Procurement Transformation

Strategy & Governance Current
State Assessment
January 7, 2011

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Executive Summary

There are opportunities within the current procurement function to improve consistency and coordination of efforts across purchasing entities to drive increases in efficiency and effectiveness while lowering the total cost of ownership for goods and services.

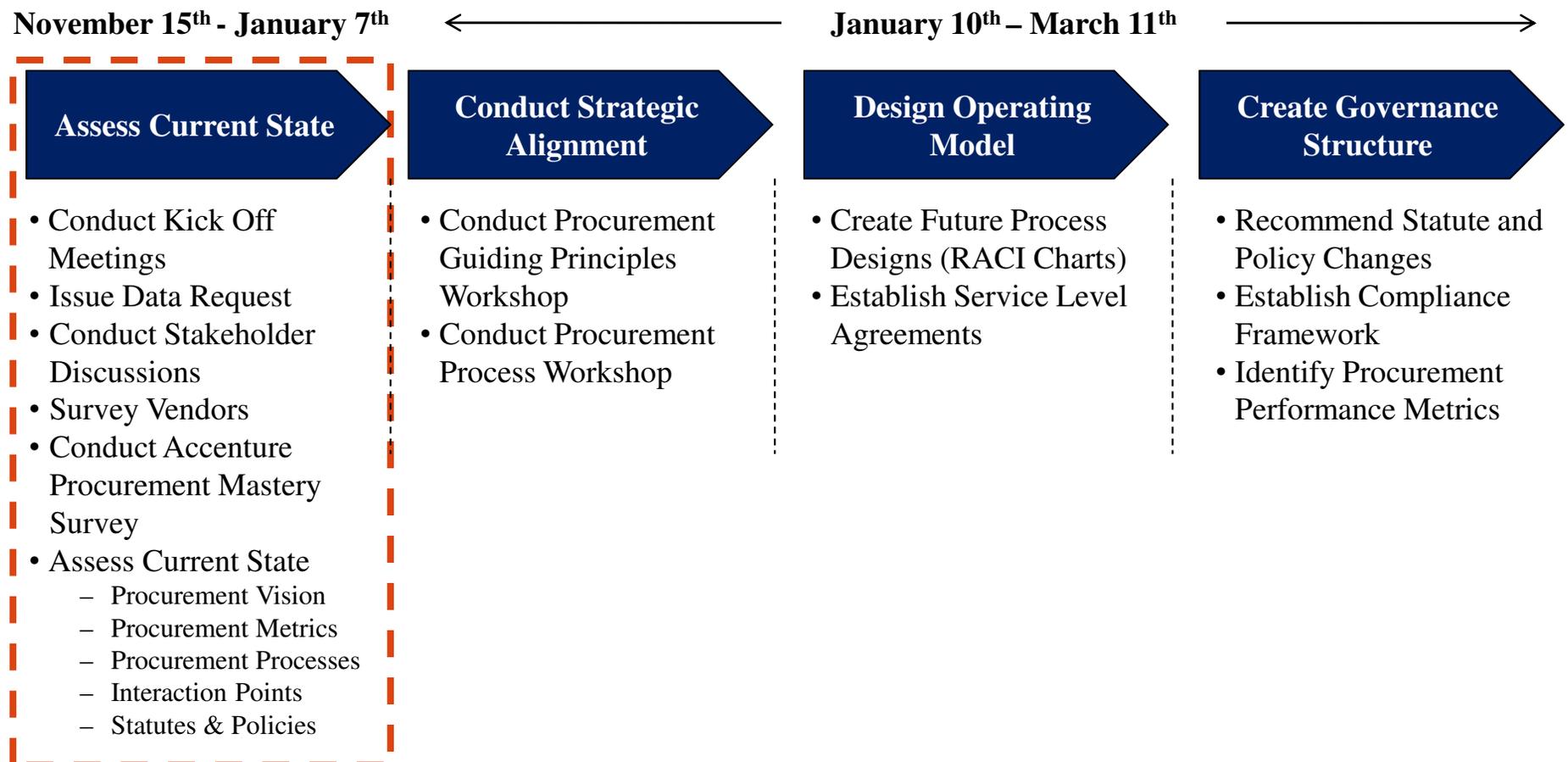
Key Observations	
1	There is <u>no single vision or set of guiding principles for the procurement function</u> that are commonly accepted by all central purchasing authorities and individual entities; there are similar themes in their individual visions and mission statements
2	There are <u>no standard metrics</u> consistent across all entities to monitor the performance of and the value generated by the procurement function
3	<u>Procurement is reactive versus proactive</u> ; there is not a multi-year sourcing plan that effectively coordinates the activities among the central purchasing authorities and the entities to aggregate common spend where appropriate to drive lower total costs and reduce administrative efforts
4	In general, there is a <u>lack of consistent, documented procurement processes</u> that incorporate leading practices in strategic sourcing and contract management
5	There is <u>no structured supplier relationship management framework</u> that segments the vendors based on strategic importance and criticality
6	The relatively low levels of delegation of authority to the entities and the Board of Award process for commodities creates <u>inefficiencies in the procurement process</u> without adding material value
7	Existing procurement related statutes, administrative codes and executive orders <u>reduce the procurement function's ability to optimize value</u> and create confusion across entities and vendors
8	<u>Focus on low bid that meets specification versus best value</u> (except in IT category) prevents procurement from driving innovative solutions with vendors to reduce total cost of ownership of purchased goods and services
9	<u>Lack of integrated spend data repository</u> across E-Procurement, NCAS and P-Card limits ability to effectively monitor and manage spend across all entities

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Approach and Collection Process

The team followed a structured approach to collect the information needed to assess the current procurement environment for Executive Branch state agencies and community colleges.



Approach and Collection Process

Key activities in determining the current state include issuing a data request for current information, conducting stakeholder discussions, and issuing a vendor satisfaction survey.

—Key Current State Assessment Activities—

- Issued data requests for 38 procurement related information items - requested documented sourcing processes, contract management, compliance, spend analysis, metrics, benefits tracking, statutes, policies and service level agreements
- Held multiple kick-off sessions to provide background and purpose of the Procurement Transformation initiative
- Conducted 32 survey discussions with 60 key procurement stakeholders
- Issued survey to around 25,000 vendors through IPS, and sent separate email to over 330 of the vendors with the highest FY09/10 purchase order amounts in E-Procurement
- Conducted Accenture’s Procurement Mastery Survey with 58 questions across 6 procurement dimensions
- Developed master list of over 85 procurement related statutes, administrative codes ,and Executive Orders

The following items were requested from the State to understand the current procurement processes and policies.

Item	Definition
Compliance	Post-procurement audit process
Compliance	Number of protests, with reasons, dispositions, and total time spend to resolve
Metrics	What OSBM is currently doing in the area of performance metrics for purchasing function
Metrics	Current metrics (including target levels and actual results) to assess performance of overall procurement function by entity
Policies	How entities establish procurement policies
Policies	Current purchasing delegation levels within entities
Processes	Processes related to sourcing and category management, sourcing support, and procurement operations
Processes	Current interaction points (including relationships driven by policy and statutory parameters) between procurement and customer groups / stakeholders, including degree and type of interaction
Service Level Agreements	Current SLAs between procurement and customers and within procurement by entity
Statutes	List of all statutes, rules, executive orders, polices, etc. that impact procurement function

Approach and Collection Process Stakeholder Discussions

To understand and assess the current procurement environment, the team conducted 32 discussions with 60 key procurement stakeholders across 17 entities that represent over 60% of the total spend of state agencies and community colleges.

Segment	Entity Name	FY09/10 Total Spend
Representative Executive Branch State Agencies	Department of Corrections	\$504 million
	Department of Crime Control & Public Safety	\$118 million
	Department of Environment & Natural Resources	\$327 million
	Department of Health & Human Services	\$330 million
	Department of Transportation	\$683 million
	Wildlife Resources Commission	\$34 million
Representative Community Colleges	Central Piedmont Community College	\$31 million
	Guilford Community College	\$37 million
	North Carolina Community Colleges System Office	\$13 million
	Pitt Community College	\$15 million
	Wake Technical Community College	\$26 million
Supporting Entities	Office of Historically Underutilized Businesses (HUB)	
	Office of State Budget & Management	
	Office of State Personnel	
	Office of State Controller	
Central Purchasing Authorities	IT Procurement (Office of Information Technology Services)	
	Division of Purchase & Contract (Department of Administration)	

To collect the vendors’ perspective, a survey was issued to vendors asking them to indicate the ease of doing business with the State within common procurement activities and to provide suggested opportunities for improvement.

—Sample Vendor Survey Question—

North Carolina's Procurement Transformation - Vendor Survey					Exit the survey
3. Ease of Doing Business with the State of North Carolina					
*1. Please rate your ease of doing business with the State of North Carolina in the following areas:					
	Very Dissatisfied	Somewhat Dissatisfied	Somewhat Satisfied	Very Satisfied	No Basis
Supplier Registration / Certification	<input type="radio"/>				
Providing Quality Specifications / Requirements	<input type="radio"/>				
Bid Notification	<input type="radio"/>				
Responding to Request for Proposals / Bids / Quotes	<input type="radio"/>				
Bid Evaluation	<input type="radio"/>				
Communicating Final Sourcing Decisions	<input type="radio"/>				
Contracting	<input type="radio"/>				
Forecasting / Planning	<input type="radio"/>				
Issuing Orders	<input type="radio"/>				
Receiving Orders	<input type="radio"/>				
Accounts Payable	<input type="radio"/>				
Timeliness of Payments	<input type="radio"/>				
Ongoing Relationship Management	<input type="radio"/>				
Ongoing Continuous Improvement / Innovation	<input type="radio"/>				
Dispute Resolution	<input type="radio"/>				
Comments					

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State of NC Procurement Vision / Priorities

Key Themes

A review of the available vision and mission statements from the targeted procurement entities identified several key themes around customer satisfaction, compliance, and taxpayer accountability, which complement the Procurement Transformation Vision.

Key Themes

- ✓ Maintain an Internal and External Customer Satisfaction Focus
- ✓ Seek Best Value Sourcing Opportunities
- ✓ Execute Sound Procurement Practices
- ✓ Deliver Consistent and Quality Services
- ✓ Maintain a High Level of Responsiveness to Internal and External Stakeholders
- ✓ Become a Trusted Source of Procurement Information
- ✓ Comply With Procurement-related Statutes, Codes, and Policies
- ✓ Conduct Efficient Operations
- ✓ Seek Continuous Improvement Opportunities
- ✓ Support Personal and Organizational Development

Procurement Transformation Vision

The vision for Procurement Transformation is to “create a customer-focused enterprise to achieve increased procurement effectiveness, efficiency, and compliance” which will result in significant financial benefit for taxpayers by reducing the costs of acquiring goods and services.

The State should expect to benefit:

- More consistency across the enterprise to leverage the State’s buying power, resulting in better value and more effective use of taxpayer money
- More efficient processes and systems to support providing customers what they need—when they need it
- Enhanced procurement and contract management training programs to enable employees to better serve their customers and the taxpayers of North Carolina

State of NC Procurement Vision / Priorities

Targeted Entity Vision and Mission Statements

Available vision and mission statements from the targeted entities’ procurement websites or from the stakeholder discussions are provided in the next group of slides.

State Agency/Entity	Mission Statement	Vision
Central Piedmont Community College	Procurement Services supports CPCC’s vision of becoming the national leader in workforce development by procuring supplies, equipment, and services in a timely manner and by obtaining the most advantageous pricing. We provide information, assistance, and service to our faculty and staff, who are then better able to service our students.	N/A
Department of Administration	To deliver services for other state agencies, state employees, our communities, and our fellow citizens effectively, responsively, and cost-efficiently.	N/A
Department of Corrections	Timeliness shall be a forefront objective as related to customer service. Prompt completion of process is the finished level of stability, the final closure that gets the customer's needs met. That level of process is and shall remain an everyday practice. Insuring that consistency, accuracy, professionalism, and the highest ethical standards in support of services is an expected standard.	The Division of Departmental Purchasing & Services commits to dedication in its efforts to support the Department of Correction as a central clearinghouse for procurement and other invaluable services. The duties and responsibilities necessary to achieve results will be of the highest quality through continuous accomplishments. Every Department of Correction location is considered our customer, and anything less than the highest quality service to all customers is not acceptable.

State of NC Procurement Vision / Priorities

Targeted Entity Vision and Mission Statements

State Agency/Entity	Mission Statement	Vision
Department of Crime Control and Public Safety	No specific CCPS Procurement mission statement	No specific CCPS Procurement vision statement
Department of Environment and Natural Resources	To provide timely customer service with consistency, accuracy, professionalism and the highest ethical standards in specific administrative support services to the department.	The Division of Purchase and Services will be a model on how to support a state department and help DENR achieve its mission by providing the highest quality service through continuous improvements in technology, personal development and knowledge of customer requirements.
Department of Health and Human Services	To promote integrity in all phases of public purchases and ensure compliance with applicable procurement regulations in the department by providing training, research, compliance reviews, reporting, and operational assistance to all of the North Carolina Department of Health and Human Services divisions, offices and facilities so that they maximize financial and program capacities through effective procurement while simultaneously fostering trust and confidence to North Carolina citizens that the utmost fairness and impartiality is being used in expending public funds.	As a leader, the Office of Procurement and Contracting Services (OPCS) will operate in a high performance culture where procurement makes direct and significant contributions to financial stability and improved service delivery to the residents in North Carolina.
Department of Transportation	Provide the Highest Quality Procurement of Commodities and Services for all DOT Using Agencies According to Established Policies and Procedures	N/A

State of NC Procurement Vision / Priorities

Targeted Entity Vision and Mission Statements

State Agency/Entity	Mission Statement	Vision
Division of Purchase & Contract	The mission of the Division of Purchase and Contract is to develop and implement sound procurement practices and provide quality service through teamwork and communication with State Agencies, Institutions, Universities, Community Colleges, and Vendor.	Play the lead role in improving and managing governmental procurement, offering more aggressive, integrated, and comprehensive information for analysis, compliance, and reporting with which to guide the best purchasing decisions for government entities. Work with customer groups, both governmental agencies and the vendor community, to address their needs and ensure a fair, robust, competitive, broad-based, and transparent purchasing environment. Identify significant opportunities for the State to achieve savings, and to achieve other public policy goals such as greater participation by small businesses, state-based businesses, and Historically Underutilized Businesses (HUBs) because of the State's vast spending power
Guilford Tech Community College	The mission of the GTCC Purchasing Department is to support the college's overall mission by procuring supplies, equipment, and services in a timely manner and by obtaining the most advantageous pricing. We provide information, assistance, and service to our faculty and staff, who are then better able to serve our students.	N/A

State of NC Procurement Vision / Priorities Targeted Entity Vision and Mission Statements

State Agency/Entity	Mission Statement	Vision
<p>North Carolina Community Colleges</p>	<p>The Division of Business and Finance supports the mission of the Community College System by procuring and allocating resources and by providing technical assistance to the 58 colleges. The organization is comprised of two major areas.</p> <ul style="list-style-type: none"> • Budgeting and Accounting manages the financial operations of the system and offers technical assistance to the colleges. • Administrative and Facility Services coordinates the acquisition and disposition of property and equipment with the colleges and the system office and supplies auxiliary services to the other divisions of the system office. <p>As good stewards of the state’s financial resources, both sections strive to pursue legitimate and sound business practices at the colleges and at the system office.</p>	<p>N/A</p>

State of NC Procurement Vision / Priorities Targeted Entity Vision and Mission Statements

State Agency/Entity	Mission Statement	Vision
Office of Historically Underutilized Businesses (HUB)	To promote economic opportunities for historically underutilized businesses in state government contracting and procurement that will foster their growth and profitability.	The HUB Office is an organization that advocates actions which increase opportunities for historically underutilized businesses and promotes diversity and inclusion in state government procurement and contracting.
Office of Information Technology Services	No specific IT Procurement mission statement	No specific IT Procurement vision statement
Office of State Budget & Management	We deliver the highest quality state-wide budgetary, management, and information services by promoting and providing the most effective use of public resources, consistent with state law and the objectives of the administration.	We strive always to be the best budget office in the nation.

State of NC Procurement Vision / Priorities

Targeted Entity Vision and Mission Statements

State Agency/Entity	Mission Statement	Vision
Office of the State Controller	<p>OSC’s mission is to serve as the public’s fiscal guardian by promoting accountability and protecting the financial integrity of the State.</p> <p>OSC is committed to:</p> <ul style="list-style-type: none"> • Providing exceptional enterprise accounting, disbursing, payroll, internal control and financial reporting systems that serve state agencies, employees and the public; • Maximizing financial return by implementing a uniform statewide cash management plan and an accounts receivable program; • Delivering quality services that achieve efficiencies and enable partnerships that result in an exceptional customer experience. 	N/A
Office of State Personnel (OSP)	<p>The primary purpose of the Office of State Personnel (OSP) is to establish and maintain a system of human resources administration under the direction of the Governor, which is based on accepted and successful principles of human resources administration used in government and industry.</p>	N/A
Pitt Community College	N/A	N/A
Wake Tech Community College	<p>Business Services is committed to continuously assessing and improving the level and quality of services we provide to our customers. We will accomplish this through excellent customer service, innovative processes, and the application of sound business practices.</p>	N/A

State of NC Procurement Vision / Priorities

Targeted Entity Vision and Mission Statements

State Agency/Entity	Mission Statement	Vision
<p>Wildlife Resources Commission</p>	<p>Purchasing has the primary function of providing leadership in directing the Commission’s procurement function to provide the right goods and services in the right place at the right time within a streamlined framework to support the 12 diverse and decentralized divisions / departments in meeting their core objectives. The function must be met while ensuring that compliance is achieved at the highest level with the Department of Administration’s Division of Purchase and Contract, Office of Information Technologies (ITS), State Construction Office (SCO), administrative code, and general statutes.</p>	<p>N/A</p>

State of NC Procurement Vision / Priorities

Key Performance Indicators

The P&C key performance indicators (KPI) and 2010 initiatives were established to align with the State to Executive Order 3.

Key Performance Indicator (KPI)	Baseline	Target	FY09/10 Results
% of requisitions processed within 45 days during most recent 12-month period ²	48%	50 – 55%	Not Available
% cost savings, YTD ³	3.1%	3.4 – 3.5%	Not Available
Percentage of state agency ⁴ procurement employees that have completed P&C procurement training, YTD	315	60 – 65%	Not Available
Percentage of state agencies reviewed for procurement compliance during most recent 12-month period ⁵	10%	20 – 30%	Not Available

2010 Initiatives	Measurement	Target
Improve Communication with HUB firms by highlighting a HUB Vendor “Spot Light” section on website, monthly	Number of website uploads to date	60 – 70 days
Institute term contracts to leverage state’s buying power for goods and services with high potential for savings	Number of new term contracts in place by end of 2010	4 - 8
Conduct training seminars (web- or classroom-based) for purchasing officers and agents	Number of persons trained by end of 2010	250
Hold statewide procurement / vendor conference	% of attendees who rate conference valuable in post-event survey.	80 – 90%

Notes:

1. Source: NCDOA Performance Management and Strategic Planning website (<http://www.doa.nc.gov/performance/pandc.aspx>)
2. Processing time is from receipt-to-award for open-market solicitations.
3. Based on total dollar amount of all awarded contracts year-to-date
4. State Agency is currently defined as Cabinet and Council of State agencies.
5. Based on 121 agencies (CC, Universities, Agencies) and compliance reviews completed in 2007-08.

State of NC Procurement Vision / Priorities

Key Performance Indicators

The Office of Historically Underutilized Businesses (HUB) key performance indicators (KPI) and 2010 initiatives are outlined below.

Key Performance Indicator (KPI)	Baseline	Target	FY09/10 Results
Number of firms certified (approved) as HUB firms	1200	1,500 – 1,600	Not Available
Percentage of HUB Certifications decided within 45 days of receipt of completed package, YTD	90%	95%	Not Available
Percentage of Certification Denial Review Completed within 45 days, YTD	90%	95%	Not Available
Number of projects finalized in HUBSCO Construction Reporting System	1300	1,500 – 1,600	Not Available

2010 Initiatives	Measurement	Target
Improve Communication with HUB firms by highlighting a HUB Vendor “Spot Light” section on website, monthly	Number of website uploads to date	10

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Current State Procurement Processes Summary

To guide the future state processes design, the team held discussions and analyzed information with targeted entities to better understand the current procurement processes across three dimensions.

Process	Process Description	Type of Processes
Sourcing & Category Management Processes	These processes are defined as services that provide significant savings through strategic sourcing projects and drive long term compliance, end-to-end category strategies, supplier management and demand management	<ul style="list-style-type: none"> • Sourcing Processes • Contract Management / Administration Processes • Demand Management • Supplier Performance Management
Sourcing Support Processes	These processes are defined as services that produce insight to specific sourcing opportunities and market trends through spend and market analysis	<ul style="list-style-type: none"> • Spend Analysis • Market Analysis • Spot Buy • Reverse Auction Services
Procurement Operations Processes	These processes are defined as the day-to-day operational procurement processes from monitoring and reconciliations of the procurement processes and other activities such as maintenance of vendor data and catalog data	<ul style="list-style-type: none"> • Requisitioning Processes • Supplier Enablement • Catalog Enablement • Compliance Monitoring Processes

Current State Procurement Processes Sourcing & Category Management

- Sourcing & Category Management Processes
 - Sourcing Processes
 - Contract Management / Administration Processes
 - Demand Management
 - Supplier Performance Management
- Sourcing Support Processes
- Procurement Operations Processes

Current State Procurement Processes

Sourcing Processes

There are significant differences between P&C and IT Procurement in the statutes, sourcing processes, and flexibility to deliver best value outcomes.

— Definition of Sourcing Processes

- A program aimed to lower total cost of ownership (TCO) by impacting different costs (e.g., sourcing, design, logistics, installation, maintenance, disposal) while maintaining / improving quality and service. It is a structured and prioritized approach to realize and sustain synergy and benefits in full partnership with the appropriate vendor base. It is not simply consolidation to a single vendor by category.
- The execution of the individual sourcing projects are formally tracked against key milestones

— Statutes and Delegations Observations

- G.S. 143 governs purchases of non-IT goods and services. G.S. 147 governs purchases of IT goods and services. Building Construction, Highway Construction, Land, and Leases are governed under separate statutes.
- P&C and IT Procurement delegate levels of purchasing authority to entities, which vary between \$10,000 and \$25,000
- Agencies and community colleges are responsible for sourcing items within delegation; they must go through P&C / IT Procurement for items above delegation
- All needs over \$10,000 require formal, competitive bids, which are electronically posted on IPS; paper responses are submitted
- Board of Award must approve purchases of goods over an entity's delegation of authority for P&C and \$100,000 for IT Procurement
- P&C typically awards to lowest price that meets specification and IT Procurement awards based on best value
- Statewide Term Contracts / IT Convenience Contracts are developed and managed by P&C / IT Procurement; only Executive Branch State Agencies are required to use them

Current State Procurement Processes

Sourcing Processes

Key Observations and Insights

- There is no formal, multi-year sourcing planning process or tool to identify and manage the portfolio of sourcing projects that will deliver projected total cost savings to the State. This includes no formal plan to measure allocation of work and utilization rates of procurement resources.
- There are significant differences in the statutes, sourcing process, and flexibility to deliver best value outcomes between P&C and IT Procurement. P&C does not have ability to focus on best value and negotiate with vendors; they focus on low bid that meets specification.
- There is inconsistent application of a standard Strategic Sourcing methodology
- Sourcing is very tactical and reactionary, usually occurring when a need is identified by an entity above their delegation threshold, or an existing contract is set to expire
- Sourcing process is lengthy due to the number of handoffs, approvals / reviews and lack of eSourcing application (bid responses all paper-based)
- P&C does not consistently track overall spend on Statewide Term Contracts
- Each entity develops and maintains their own Purchasing Manual to guide sourcing activities, which has resulted in significant duplication of effort and Compliance Review findings of inaccurate or non-sufficient procedure documentation
- Although Statewide Term Contracts / IT Convenience Contracts are established to aggregate spend to lower total costs, standardize specifications and simplify the sourcing process for the entities, only 12% of the spend in E-Procurement is identified as being from centrally managed agreements
- Community colleges, universities, LEAs, cities and counties are not required to buy off Statewide Term Contracts.
- There are no dedicated resources focused on proactively marketing existing Statewide Term Contracts to cities and counties, which spend an estimated \$16 billion on goods and services annually
- Solicitations are often conducted by the entities and an award recommendation is submitted to P&C for approval when value of award is above their delegation of authority limit. P&C's Attorney General representative gets involved at a point where addressing vendor issues with specifications or the process during bid process is no longer an option.
- The State's IPS tool used to post bids does not accept electronic vendor responses, which slows down the vendor response evaluation process and increases the State's cost to retain supporting documents
- The same reporting from IPS that is available to P&C is not provided to entities; IPS reporting can be improved to provide more visibility to status and who is working on bid
- Low levels of delegation of authority add burden on P&C to conduct sourcing for open market orders, which diverts resources away from developing and managing Statewide Term Contracts that can deliver substantially more savings
- Multiple sets of terms and conditions exist across P&C and IT Procurement and have opportunity to be consolidated
- There is limited to no leveraging of cooperative agreements or alternative contract sources (e.g., other states' Statewide Term Contracts) that could provide lower total costs and reduced administrative efforts
- Levels of protests by vendors has increased, requiring more time from State resources to address
- Board of Award process adds minimal value and extends cycle time between requisition submission and PO approval
- Entities have target of 10% for spend with HUBs, but have no ability to include HUB status in evaluation / award process
- No continuous improvement approach to review issues / protests within sourcing process to understand root cause, and then share with others to avoid having issue occur again
- P&C / IT Procurement utilize a contract checklist to ensure contract related requirements are met for awarded contracts

Current State Procurement Processes

Sourcing Processes

Process Analysis

The level of delegated purchasing authority by P&C is \$10,000 for most entities, with selected entities having higher delegations of \$25,000.

—P&C Delegation of Authority by Entity*—

Type	Name	Delegation As of January 2009
Agency	Administration, Dept of (includes Lt Gov, Personnel, Elections)	\$ 25,000
Agency	Agriculture, Depart of	\$ 25,000
Agency	Correction, Depart of	\$ 25,000
Agency	Environmental & Natural Resources, Depart of	\$ 25,000
Agency	Health and Human Services, Dept of	\$ 25,000
Agency	Information Technology Services	\$ 25,000
Agency	Juvenile Justice & Delinquency Prevention, Depart of	\$ 25,000
Agency	Labor, Depart of	\$ 25,000
Agency	State Bureau of Investigation 2	\$ 25,000
Agency	State Ports Authority	\$ 25,000
Agency	Transportation, Depart of	\$ 25,000
Agency	UNC General Administration	\$ 25,000
Boards/Commission	Employment Security Commission	\$ 25,000
Boards/Commission	Wildlife Resources Commission	\$ 25,000
Community College	Central Piedmont CC	\$ 25,000
Community College	College of the Albemarle	\$ 25,000
Community College	Guilford Technical CC	\$ 25,000
Community College	Pitt CC	\$ 25,000
Community College	Vance Granville CC	\$ 25,000
Community College	Wake Technical CC	\$ 25,000

IT purchasing has a standard level of delegated purchasing authority of \$25,000.

*The delegations above apply to all non IT goods and services

Source: P&C Compliance Review Reports

Current State Procurement Processes

Sourcing Processes

Process Analysis

The level of purchasing authority delegated by the Board of Governors to universities ranges from \$35,000 to \$500,000 for both IT and non-IT goods and services.

—Board of Governors Delegation of Authority by Entity—

Type	Name	Delegation As of January 2009
University	NC School of Science & Math	\$ 35,000
University	NC School of the Arts	\$ 50,000
University	Fayetteville State University	\$ 50,000
University	UNC-Asheville	\$ 50,000
University	Elizabeth City State University	\$ 100,000
University	A&T State University	\$ 100,000
University	UNC-Pembroke	\$ 150,000
University	Appalachian State University	\$ 150,000
University	NC Central University	\$ 200,000
University	Western Carolina University	\$ 250,000
University	Winston-Salem State University	\$ 350,000
University	East Carolina University	\$ 500,000
University	UNC-Chapel Hill	\$ 500,000
University	UNC-Greensboro	\$ 500,000
University	UNC-Wilmington	\$ 500,000
University	UNC-Charlotte	\$ 500,000
University	NC State University	\$ 500,000

Current State Procurement Processes

Sourcing Processes

Process Analysis

The State Purchasing Officer or Administrative Rules have delegated purchasing authority for selected categories to all agencies.

—Agency Delegation of Authority by Category—

Agency	Delegated Category
All Agencies	<ul style="list-style-type: none"> • Perishable Food Products: Fresh fruits, vegetables, meat and meat products, eggs, fresh fish etc. • Published Material, Produced By Others: Newspaper, magazines, pamphlets and books. Also maps, globes, film, filmstrips, recordings (including tapes) • Service and Maintenance Contracts: Telephone, telegraph, electricity, water, laundry, pest control. Maintenance of elevators, office machines, equipment and systems generally • Repairs and Alterations: Including contracts for labor • Feeding of Livestock: Only covers the following types of requirements having particular application to their operation and needs: Corn and small grain, soybean meal, and cottonseed meal. • Repairs (Non-Construction): Only repairs that will be handled by the private sector • Athletic Apparel • Feed - All animal, fish and poultry feed including any special ingredients • Animals, fish and poultry • Shrink-wrapped software (off-the-shelf) • Printing - \$10,000 for all agencies • Maintenance of aircraft • Playground Equipment • Concrete • Aircraft goods and services • Media Buys: This delegation covers actual media buys only (broadcast time or billboard space, for example; not design or production services) • Aggregate and Asphalt • Plant Mix Wet Concrete

Current State Procurement Processes Sourcing Processes

Process Analysis

The State Purchasing Officer has also delegated purchasing authority for selected categories to specific agencies.

—Agency Delegation of Authority by Category—

Agency	Delegated Category
Catawba Valley Community College	<ul style="list-style-type: none"> • Purchases using funds collected for testing of hosiery products by the Hosiery Technology Center
Department of Administration	<ul style="list-style-type: none"> • Satellite Uplink & Transponder
Department of Commerce	<ul style="list-style-type: none"> • Repair of Helicopters • Emergency Repair of State Executive Aircraft
Department of Correction	<ul style="list-style-type: none"> • Security Systems to accommodate prison facilities • Metal bleachers • Items for the Warren Janitorial Products Plant

Current State Procurement Processes

Sourcing Processes

Process Analysis

The State Purchasing Officer has also delegated purchasing authority for selected categories to specific agencies.

—Agency Delegation of Authority by Category—

Agency	Delegated Category
Department of Environmental and Natural Resources	<ul style="list-style-type: none"> • Planting of oyster shells • Acquisition and disposition of zoological animals • Rental of Aerial Bucket Trucks • Red Tide • Emergency Repair of State Aircraft • Plants, Trees & Shrubs for the Zoological Park • Animal Feed - NC Zoological Park • Shells - Marine Fisheries • Repair of aircraft • Fish Food - Aquariums • WIC Multistate Infant Formula Rebate • Donor Human Milk • Grants in Contract Form exceeding \$10,000 - Fishery Resource Grant Program • Seed & Seedlings for Nursery • Food Service and Concession at the N C Zoological Park • Smokey Bear and Woodsy Owl Products
Department of Health and Human Services	<ul style="list-style-type: none"> • Secure direct medical care services to patients and students
Department of Justice	<ul style="list-style-type: none"> • Purchase Order Writing • Radio Advertising - Prevention of Telemarketing Fraud

Current State Procurement Processes

Sourcing Processes

Process Analysis

The State Purchasing Officer has also delegated purchasing authority for selected categories to specific agencies.

—Agency Delegation of Authority by Category—

Agency	Delegated Category
Department of Transportation	<ul style="list-style-type: none"> • Certain building and construction materials - building materials, straw, plant mix asphalt, ready-mix concrete, equipment and parts for construction and repair of ferry boats, and aggregate • Purchase specialized equipment and services relating to railway transportation. No expiration. This special delegation covers trains, engines, tracks and services related to establishing and maintaining railroads • Bituminous Plant Mix
Office of The Lieutenant Governor	<ul style="list-style-type: none"> • Purchase Order Writing • Radio Advertising - Prevention of Telemarketing Fraud
Office of The State Auditor	<ul style="list-style-type: none"> • Blanket approval for multi-color printing on in-house printer per G.S.143-169(b)
Office of The State Controller	<ul style="list-style-type: none"> • Audit and collection of inadvertent overpayments to vendors
Ports Authority	<ul style="list-style-type: none"> • T5 lighting, Storage Tanks and diesel oxidation catalyst and diesel filters for reducing emissions
Port Railroad Commission	<ul style="list-style-type: none"> • Railroad operations and trackage rights

Current State Procurement Processes

Sourcing Processes

Process Analysis

P&C and IT Procurement’s level of delegation from central purchasing organization to individual agencies is lower than most states based on a review of the 2009 NASPO State Survey results.

—Delegation of Authority by State—

		North Carolina	Florida	Georgia	Massachusetts	Michigan	Pennsylvania	Texas	Virginia
Delegation Amount for:	Commodities	>\$25,000	Unlimited	>\$250,000	\$50,000	Any Amount*	> \$20,000	\$25,000	\$50,000
	Personal Services	>\$25,000	Unlimited	>\$250,000	No Info	Any Amount*	>\$250,000	\$100,000	Unlimited
	Human Services	>\$25,000	Unlimited	>\$250,000	No Info	Any Amount	>\$250,000	No Info	Unlimited
	IT Equipment	>\$25,000	Unlimited	>\$250,000	\$50,000	Any Amount*	>\$250,000	No Info	\$0
	Technology Services	>\$25,000	Unlimited	>\$250,000	\$50,000	Any Amount*	>\$250,000	No Info	\$0
	Consulting Services	>\$25,000	Unlimited	>\$250,000	\$50,000	Any Amount*	>\$250,000	No Info	Unlimited
	Travel Services	No Info	Unlimited	>\$250,000	No Info	Any Amount*	>\$250,000	No Info	Unlimited
	Building Construction	>\$500,000	Unlimited	No Info	No Info	\$25,000	>\$100,000	No Info	Unlimited
	Building Lease	>\$5,000	Unlimited	No Info	No Info	\$25,000	N/A	No Info	Unlimited
	Highway Construction	>\$500,000	Unlimited	No Info	No Info	\$25,000	N/A	No Info	Unlimited

Source: 2009 NASPO State Survey Results

*Current Amount is \$25,000

Current State Procurement Processes Contract Management / Administration Processes

NC OpenBook lists Statewide Term Contracts and the spend against the contracts, but does not serve as a central repository for all statewide and entity contracts.

Definition of Contract Management / Administration Processes

- Centrally logged contracts which allows for proactive management of contract information and compliance data
- Use of contracts management tools to electronically house and maintain agreements
- Tracking and reporting of contract reviews and contract administration process

Statutes and Delegations Observations

- SB1213 has P&C responsible for addressing the current lack of training available for contract management / administration processes
- Executive Order 4 establishes NC Open Book as a single, searchable website on State spending for grants and contracts. All State contracts and grants awarded in amount in excess of \$10,000 shall be included in the NC Open Book website.

Current State Procurement Processes

Contract Management / Administration Processes

Key Observations and Insights

- For agency specific contracts, agencies are responsible for contract management and administration activities
- NC OpenBook is the intended tool to be a searchable website for contracts and grants over \$10,000
- Statewide Term Contracts from P&C and IT Procurement are available on P&C's and IT Procurement's websites
- P&C and IT Procurement are responsible for managing Statewide Term Contracts and IT Convenience Contracts
- Many contracts are managed by divisions or program areas outside of procurement, with procurement only getting involved when issues are escalated to them
- With no formal contract management tool in place, most entities manually monitor expiration dates and have no central tool to facilitate the tracking of contract deliverables, vendor performance or overall contract spend
- There is no central tool to support contract management, but some entities (e.g., DENR, DHHS) have developed their own basic contract management tools
- DHHS indicates that they have a group called the "Contracting Center of Excellence" in each division that is intended to monitor and manage contracts
- Entities may include basic service level agreements in contracts (e.g., around expected delivery time)
- Notes related to a contract typically are not transitioned to new contract owner since there is no central tool to track this information
- P&C does not proactively market Statewide Term Contracts to cities and counties, which spend an estimated \$16 billion annually in goods and services, to increase overall contract spending
- P&C does not consistently track overall annual spend by Statewide Term Contract
- P&C does not include overall contract volume discounts in contracts to drive additional savings for all entities as contract volume increases
- Lack of common standard terms and conditions across central procurement groups, as well as across agencies
- Statewide Term Contracts are renewed majority of the time (when possible), and there is no consistent, comprehensive approach to determining if a contract should be renewed or rebid.
- Structured training is needed to provide contract management/contract monitoring skills to procurement professionals and entity resources in the divisions / program areas that are responsible for contract management / monitoring.

Current State Procurement Processes

Contract Management / Administration Processes

Process Analysis

There are numerous types of contracts and purchase methods to procure goods and services, with inconsistent definitions and use across the entities.

—Contract Types—

Type	Description
Agency Specific Term Contract	Rarely use this, usually rely upon Statewide Term Contract.
Consulting Services Contract	Only five or ten per year, usually with companies by sole source or competitive bids. All consulting contracts must go thru the Governor's office for sign off, and when going sole source must follow all sole source requirements mandated by state statute and DOA regulations.
Direct Purchase	A specific purchase made directly from a vendor without advertising and competing.
Emergency Contract	These contracts are issued to cover emergency needs, such as materials, equipment, or supplies to respond to an emergency.
IT Convenience Contract	Use them when appropriate to purchase IT equipment and staffing that falls under this type of contract. Also, subject to DOA and ITS requirements.
Lease-Purchase or Installment Contract	Generally a multi-year lease arrangement for equipment with an agreement to purchase the equipment at the end of the lease
Open Market Bid	Used for RFP, RFQ, and Request for bids (RFB).
P-Card	A credit card arrangement where cards are issued to authorized individuals to make small purchases without going through the contracting process.

Current State Procurement Processes Contract Management / Administration Processes

Process Analysis

There are numerous types of contracts and purchase methods to procure goods and services, with inconsistent definitions and use across the entities.

—Contract Types (continued)—

Type	Description
Personal Services Contract	Generally used for procuring the personal services of individuals. These are managed by the entity with no procedures to govern how they are reviewed, approved, and managed.
Services Contract	Used for things like landscaping, lawn care, housekeeping, etc.
Sole Source Contract	Contract used to purchase a service or commodity from a single vendor when there is only one vendor available that can provide the service or the commodity.
Statewide Term Contract	Use this more often and comply with all Department of Administration (DOA)/P&C requirements when using these contracts.

Current State Procurement Processes Contract Management / Administration Processes

Process Analysis

Overall, State Agencies indicated 25% of their requisitions in E-Procurement were against Statewide Term Contracts or IT Convenience Contracts.

—State Agency Requisitions by Contract Type—

State Agency	Number of Requisitions in FY09/10				FY09/10 Total	% TTL	Cumul. % TTL
	None	Statewide Term Contract	Agency Specific	IT Convenience			
Department of Transportation	20,204	2,376	292		22,872	23%	23%
Department of Correction	12,904	5,312	901		19,117	19%	42%
Department of Environmental And Natural Resources	2,257	1,199	28	3	3,487	3%	45%
Department of Administration	572	446	367		1,385	1%	47%
Department of Health and Human Services	16,665	6,307	2,874	91	25,937	26%	72%
Information Technology Services	373	334	96		803	1%	73%
Department of Public Instruction	2,915	678	10		3,603	4%	77%
Department of Revenue	162	315	38		515	1%	77%
Department of Juvenile Justice And Delinquency Prevention	1,290	1,459	313		3,062	3%	80%
Department of Crime Control	777	603	282	2	1,664	2%	82%
North Carolina Education Lottery	438	188	1		627	1%	82%
Department of Commerce	856	556	12		1,424	1%	84%
Department of State Treasurer	425	270	23		718	1%	85%
Department of Justice	1,621	915	4		2,540	3%	87%
Department of Agriculture	3,050	2,010	72		5,132	5%	92%
Office of the State Controller	83	44			127	0%	92%
NC Community College System	318	141	1		460	0%	93%
NC Wildlife Resources Commission	449	104	100		653	1%	93%
Department of Insurance	1,050	493			1,543	2%	95%
Department of Cultural Resources	1,562	910		1	2,473	2%	97%
State Board of Elections	65	34	6		105	0%	98%
NC State Fair	718	139	8		865	1%	98%
Office of the Governor	167	136	1		304	0%	99%
Department of Labor	449	331	1		781	1%	99%
Office of The State Auditor	127	63			190	0%	100%
Department of the Secretary of the State	168	109	3	1	281	0%	100%
Office of Administrative Hearings	7	20	1		28	0%	100%
Office of the Lt Governor	5	10			15	0%	100%
Grand Total	69,677	25,502	5,434	98	100,711		
% TTL	69%	25%	5%	0%			

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010). Analysis based on the Contract Type field that is provided by the user and therefore may not be accurate in all cases. Agencies listed in order of total requisition dollar amount for FY09/10.

Current State Procurement Processes Contract Management / Administration Processes

Process Analysis

Only 11% of the FY09/10 total requisition value for State Agencies was created against Statewide Term Contracts or IT Convenience Contracts.

—State Agency Requisitions by Contract Type—

State Agency	Total Requisition Value in FY09/10				FY09/10 Total	% TTL	Cumul. % TTL
	None	Agency Specific	Statewide Term Contract	IT Convenience			
Department of Transportation	\$663,741,048	\$2,325,988	\$46,432,753		\$712,499,789	30%	30%
Department of Correction	\$266,509,375	\$39,114,284	\$89,741,944		\$395,365,603	17%	47%
Department of Environmental And Natural Resources	\$338,003,849	\$2,556,860	\$6,241,668	\$163,506	\$346,965,882	15%	62%
Department of Administration	\$9,998,102	\$173,754,487	\$23,175,127		\$206,927,717	9%	71%
Department of Health and Human Services	\$38,605,030	\$104,839,002	\$21,138,609	\$7,003,902	\$171,586,542	7%	78%
Information Technology Services	\$41,971,780	\$31,496,419	\$22,190,740		\$95,658,940	4%	82%
Department of Public Instruction	\$57,275,866	\$3,757,295	\$7,235,588		\$68,268,749	3%	85%
Department of Revenue	\$507,839	\$62,167,274	\$1,271,732		\$63,946,845	3%	88%
Department of Juvenile Justice And Delinquency Prevention	\$53,358,803	\$4,456,163	\$1,285,548		\$59,100,514	3%	90%
Department of Crime Control	\$12,678,586	\$10,591,552	\$30,065,739	\$384,800	\$53,720,677	2%	92%
North Carolina Education Lottery	\$43,558,873	\$125	\$189,591		\$43,748,589	2%	94%
Department of Commerce	\$25,330,058	\$1,198,330	\$280,759		\$26,809,147	1%	95%
Department of State Treasurer	\$7,813,323	\$10,001,343	\$1,684,731		\$19,499,396	1%	96%
Department of Justice	\$13,390,692	\$102,715	\$3,636,497		\$17,129,903	1%	97%
Department of Agriculture	\$9,618,992	\$562,407	\$3,638,490		\$13,819,889	1%	98%
Office of the State Controller	\$12,603,928		\$17,282		\$12,621,210	1%	98%
NC Community College System	\$12,331,717	\$7,700	\$187,294		\$12,526,711	1%	99%
NC Wildlife Resources Commission	\$3,586,121	\$3,002,220	\$2,945,234		\$9,533,575	0%	99%
Department of Insurance	\$3,621,002		\$489,426		\$4,110,428	0%	99%
Department of Cultural Resources	\$3,253,526		\$580,637	\$11,276	\$3,845,440	0%	99%
State Board of Elections	\$2,373,497	\$1,056,248	\$314,288		\$3,744,033	0%	100%
NC State Fair	\$3,033,587	\$149,661	\$237,980		\$3,421,228	0%	100%
Office of the Governor	\$2,154,687	\$149	\$35,857		\$2,190,694	0%	100%
Department of Labor	\$906,007	\$138	\$543,446		\$1,449,591	0%	100%
Office of The State Auditor	\$836,410		\$363,933		\$1,200,343	0%	100%
Department of the Secretary of the State	\$565,018	\$50,239	\$235,831	\$15,600	\$866,688	0%	100%
Office of Administrative Hearings	\$17,414	\$11,845	\$17,352		\$46,611	0%	100%
Office of the Lt Governor	\$854		\$3,770		\$3,964	0%	100%
Grand Total	\$1,627,645,983	\$451,202,443	\$264,181,189	\$7,579,083	\$2,350,608,698		
% TTL	69%	19%	11%	0%			

The top 6 State Agencies made up 82% of the total requisition value in FY09/10

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010). Analysis based on the Contract Type field that is provided by the user and therefore may not be accurate in all cases. Agencies listed in order of total requisition dollar amount for FY09/10.

Current State Procurement Processes Contract Management / Administration Processes

Process Analysis

Overall, Community Colleges indicated 22% of their requisitions in E-Procurement were against Statewide Term Contracts or IT Convenience Contracts.

—Community College Requisitions by Contract Type—

Community College	Number of Requisitions in FY09/10				FY09/10 Total	% TTL	Cumul. % TTL
	None	Statewide Term Contract	Agency Specific	IT Convenience			
Grand Total	71,969	20,296	674	1	92,940		
% of Total	77%	22%	1%	0%			
Guilford Technical Community College	2,402	107	205		3,714	4%	4%
Central Piedmont Community College	2,178	150	82		2,410	3%	7%
Wake Technical Community College	3,286	1,158	2		4,446	5%	11%
NC Community College System	318	141	1		460	0%	12%
Fayetteville Technical Community College	2,701	955	13		3,669	4%	16%
Pitt Community College	1,185	303	7		1,495	2%	17%
Cape Fear Community College	3,505	953	3		4,461	5%	22%
Mitchell Community College	931	370			1,301	1%	24%
Durham Technical Community College	1,819	289			2,108	2%	26%
Rowan-Cabarrus Community College	1,902	473	3		2,378	3%	28%
Forsyth Technical Community College	1,528	927			2,455	3%	31%
Asheville-Buncombe Tech Community College	2,140	959	17		3,116	3%	34%
Central Carolina Community College	1,985	408			2,393	3%	37%
Isothermal Community College	1,950	455	2		2,407	3%	40%
Craven Community College	1,154	298	93		1,545	2%	41%
Gaston College	1,844	357	1		2,202	2%	44%
Catawba Valley Community College	1,500	813	1		2,314	2%	46%
Vance-Granville Community College	1,778	648	2		2,428	3%	49%
Davidson County Community College	1,189	258			1,447	2%	50%
Robeson Community College	1,351	558	3		1,912	2%	52%
Cleveland Community College	1,034	364	4		1,402	2%	54%
Lenoir Community College	998	559	11		1,568	2%	56%
Caldwell Community College & Tech. Inst.	3,302	502	2		3,806	4%	60%
Western Piedmont Community College	1,971	372			2,343	3%	62%
Wilkes Community College	868	332			1,200	1%	63%
Coastal Carolina Community College	998	381	5		1,384	1%	65%
Wayne Community College	1,250	315			1,565	2%	67%
Randolph Community College	886	382	1		1,269	1%	68%
Sandhills Community College	965	330	5		1,300	1%	69%
Johnston Community College	1,382	108	2	1	1,493	2%	71%
Remaining 28 Community Colleges	21,669	5,071	209	-	26,949	29%	100%

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010). Analysis based on the Contract Type field that is provided by the user and therefore may not be accurate in all cases. Community Colleges listed in order of total requisition dollar amount for FY09/10.

Current State Procurement Processes Contract Management / Administration Processes

Process Analysis

Only 17% of the FY09/10 total requisition value for Community Colleges was created against Statewide Term Contracts or IT Convenience Contracts.

—Community Colleges Requisitions by Contract Type—

Community College	Total Requisition Value in FY09/10				FY09/10 Total	% TTL	Cumul. % TTL
	None	Statewide Term Contract	Agency Specific	IT Convenience			
Grand Total	\$ 223,928,324	\$ 47,861,609	\$ 14,225,946	\$ 10,810	\$ 286,026,690		
% of Total	78%	17%	5%	0%			
Guilford Technical Community College	\$ 26,753,175	\$ 4,413,243	\$ 6,302,020		\$ 37,468,438	13%	13%
Central Piedmont Community College	\$ 24,124,837	\$ 2,825,611	\$ 4,094,403		\$ 31,044,851	11%	24%
Wake Technical Community College	\$ 17,097,504	\$ 4,993,522	\$ 86		\$ 22,091,112	8%	32%
NC Community College System	\$ 12,331,717	\$ 187,294	\$ 7,700		\$ 12,526,711	4%	36%
Fayetteville Technical Community College	\$ 9,788,690	\$ 1,959,658	\$ 39,414		\$ 11,787,761	4%	40%
Pitt Community College	\$ 8,794,823	\$ 1,488,068	\$ 216,702		\$ 10,499,593	4%	44%
Cape Fear Community College	\$ 7,993,095	\$ 1,634,203	\$ 145,926		\$ 9,773,224	3%	47%
Mitchell Community College	\$ 7,515,265	\$ 1,034,534			\$ 8,549,799	3%	50%
Durham Technical Community College	\$ 7,152,525	\$ 213,932			\$ 7,366,457	3%	53%
Rowan-Cabarrus Community College	\$ 4,566,685	\$ 2,579,150	\$ 68,088		\$ 7,213,923	3%	55%
Forsyth Technical Community College	\$ 3,755,666	\$ 1,507,006			\$ 5,262,672	2%	57%
Asheville-Buncombe Tech Community College	\$ 3,346,143	\$ 1,514,575	\$ 208,929		\$ 5,069,646	2%	59%
Central Carolina Community College	\$ 3,675,933	\$ 1,313,778			\$ 4,989,711	2%	61%
Isothermal Community College	\$ 4,319,813	\$ 565,561	\$ 8,855		\$ 4,894,229	2%	62%
Craven Community College	\$ 2,279,818	\$ 1,027,389	\$ 1,546,846		\$ 4,854,054	2%	64%
Gaston College	\$ 4,349,256	\$ 307,791	\$ 8,365		\$ 4,665,412	2%	66%
Catawba Valley Community College	\$ 3,131,473	\$ 1,466,404	\$ 1,934		\$ 4,599,811	2%	67%
Vance-Granville Community College	\$ 3,118,438	\$ 1,315,556	\$ 3,523		\$ 4,437,517	2%	69%
Davidson County Community College	\$ 3,929,605	\$ 275,096			\$ 4,204,701	1%	70%
Robeson Community College	\$ 2,009,256	\$ 2,051,898	\$ 12,296		\$ 4,073,450	1%	72%
Cleveland Community College	\$ 2,615,707	\$ 1,188,696	\$ 125,156		\$ 3,929,558	1%	73%
Lenoir Community College	\$ 2,454,831	\$ 1,266,840	\$ 165,892		\$ 3,887,563	1%	75%
Caldwell Community College & Tech. Inst.	\$ 3,172,092	\$ 575,817	\$ 3,068		\$ 3,750,977	1%	76%
Western Piedmont Community College	\$ 2,808,536	\$ 571,887			\$ 3,380,423	1%	77%
Wilkes Community College	\$ 2,761,049	\$ 592,608			\$ 3,353,657	1%	78%
Coastal Carolina Community College	\$ 2,637,794	\$ 511,394	\$ 71,522		\$ 3,220,710	1%	79%
Wayne Community College	\$ 2,882,535	\$ 328,337			\$ 3,210,873	1%	80%
Randolph Community College	\$ 2,451,626	\$ 478,126	\$ 47,324		\$ 2,977,076	1%	81%
Sandhills Community College	\$ 1,964,684	\$ 933,478	\$ 32,496		\$ 2,930,658	1%	83%
Johnston Community College	\$ 2,185,209	\$ 496,165	\$ 221,841	\$ 10,810	\$ 2,914,024	1%	84%
Remaining 28 Community Colleges	\$ 37,960,547	\$ 8,243,991	\$ 893,561	\$ -	\$ 47,098,099	16%	100%

The top 19 Community Colleges made up 70% of the total requisition value in FY09/10

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010). Analysis based on the Contract Type field that is provided by the user and therefore may not be accurate in all cases. Community Colleges listed in order of total requisition dollar amount for FY09/10.

Current State Procurement Processes

Contract Management / Administration Processes

Process Analysis

There are differences between the way P&C and IT Procurement handle protests from vendors, with IT Procurement having a lower protest percentage.

—Protest Process—

	P&C	IT Procurement
Protest Period	30 Days	15 Days
Protest Process	1. Office of Administrative Hearing	1. Internal informal hearing 2. Hearing Officer / SCIO 3. Appeal to Superior Court
Effect of Protest	Can Proceed with Award / Contracting During Protest	Can Proceed with Award / Contracting During Protest
# of Protests in FY09/10	24	7
% Protest Rate	1.43%	<1%
Comments	AG / P&C does not review all solicitations before they are posted	AG / IT Procurement reviews all solicitations before they are posted on IPS

Current State Procurement Processes Contract Management / Administration Processes

Process Analysis

P&C averaged 25 protests per year over the last 3 fiscal years; the dollar amount associated with the protests ranged from 5-10% of amount awarded annually.

—3 Year Protest Process Data for P&C—

	FY09/10	FY08/09	FY07/08
Protest Denied	12	26	22
Sustained	2	1	1
Protest Withdrawn/Cancelled by Vendor	2	1	2
Partially Denied/Sustained	1	-	-
Appealed to AOC	3	-	-
Appealed to NC Court Appeals	1	-	-
Pending Legal Review	3	-	-
Total	24	28	25
Total Number Award	1,674	1,435	1,618
Total Number of Protests	24	28	25
% of Protests	1.43%	1.95%	1.55%
Total Amount Awarded	\$1,110,022,490	\$833,844,222	\$514,164,272
Total Amount Protested	\$58,338,082	\$45,047,948	\$52,490,818
% Amount Protested	5.26%	5.40%	10.21%

Current State Procurement Processes Contract Management / Administration Processes

Process Analysis

North Carolina’s vendor protest process is more favorable to vendors than a few other states surveyed.

—Protest Process Benchmarks—

	North Carolina*	California	Florida	Georgia	Massachusetts**	Pennsylvania	Texas	Virginia
Does state law authorize vendors to protest procurement decisions?	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Does state law authorize vendors to appeal a decision on a protest?	Yes	Yes	Yes	Yes	No	Yes	No	Yes
Does state law authorize a vendor to file a lawsuit concerning a procurement decision?	No	Yes	-	No	No	Yes	No	Yes
Does state law provide an administrative procedure for a contractor to file a contract claim?	No	Yes	-	No	No	Yes	Yes	Yes
Does state law authorize vendors to appeal a decision on a contract claim?	No	Yes	-	No	No	Yes	Yes	Yes

* For P&C and IT Procurement only (excludes State Construction and State Property)

** Massachusetts has eliminated the vendor protest process and encourages vendors to communicate issues with the solicitation process while the solicitation is open in order to enable the State to cure and legitimate issues.

Current State Procurement Processes

Demand Management

IT bulk purchasing / Statewide Term Contracts allow the state to achieve some cost savings through demand management.

Definition of Demand Management

- Rationalize/standardize specs/requirements, substitute specs, use functional buying, examine life cycle cost, reduce volume consumed, substitute commodity with alternatives
- Addresses factors such as standards, requirements, and policies to reduce costs related to internal demand

Statutes and Delegations Observations

- SL 2009-202 (the 2009 budget bill) states that universities must consolidate information technology infrastructure purchasing by creating their own bulk purchasing process or utilize the existing IT Procurement bulk purchasing process

Key Observations and Insights

- There is no consistent, structured approach to conduct demand management across the categories of goods and services purchased by the State
- IT Procurement's PC/laptop bulk purchase program is one of the few examples of rationalizing specifications to help manage demand (e.g., avoids over specification of computers that exceed business needs)
- Within Fleet, no central review on vehicles requested by agencies to confirm the specifications are appropriate for the intended use
- Some vendors on Statewide Term Contracts may offer generic products to help reduce total costs
- No evidence of terms in contracts incentivizing vendors to identify and share in cost savings from demand management initiatives
- Vendors are not held accountable to suggest demand management ideas to target process efficiencies and cost savings
- The state utilizes a suggestion box that allows employees to make suggestions on how the state can save money, which can potentially include demand management opportunities
- The engineering group under P&C manages specification lists based on business needs and uncouples specifications from specific vendors to increase competition

Current State Procurement Processes Supplier Performance Management

The State lacks a Supplier Performance Management process and/or tool.

Definition of Supplier Performance Management

- Supplier Performance Management (SPM) is the systematic management of vendor relationships to optimize the value delivered through the relationship over its life cycle
- SPM includes all aspects of a relationship between a buyer and a seller.
- SPM consolidates data from multiple sources to highlight issues and opportunities within the vendor base
- By combining effective contracts management, vendor segmentation, supplier performance management and integration and collaboration techniques, enterprises can maximize the value achieved from their SPM program

Statutes and Delegations Observations

- N/A

Current State Procurement Processes Supplier Performance Management

Key Observations and Insights

- There is no formal Supplier Performance Management process that is followed consistently across entities
- A Vendor Complaint Form is available through P&C and IT Procurement for users to document and escalate issues regarding vendors' performance
- Most vendor relationships within the entities are managed by the division / program area, with procurement getting involved only when issues are escalated
- There is no central supplier performance management tool in place.
- P&C has 2 inspectors that selectively monitor equipment delivered by vendors on P&C Statewide Term Contracts to confirm they are what the state ordered
- Entities do not consistently segment their vendors to identify strategic vendors, critical vendors, high-risk vendors, etc.
- Some entities establish service level agreements, but it not consistently done across all entities. Some SLAs are so stringent, they are impossible to meet.
- Lack of a formal, centrally available Supplier Performance Management tool prevents procurement from consistently monitoring and managing vendor performance and adherence to service level agreements within contracts
- The Vendor Complaint Forms from P&C and IT Procurement are different, and users may struggle to find form and understand how to complete the form
- There is no process to develop and track execution of formal correction plans for submitted complaints
- Vendor performance scorecards are not utilized by entities to communicate performance along key attributes to targeted vendor
- Entities do not consistently conduct formal Quarterly Business Reviews with strategic vendors to discuss progress of contract, issues, innovative opportunities to reduce total costs, new products, how to expand Statewide Term Contract to more entities, etc.
- Entities are not leveraging 6 Sigma approaches to collaborate with key vendors to identify and remove waste from the procurement process
- There is limited to no surveying of users of contracts to determine their satisfaction with vendors' performance, items offered on contract, competitiveness of pricing, etc.

Current State Procurement Processes Sourcing Support Processes

- Sourcing & Category Management Processes
- Sourcing Support Processes
 - Spend Analysis
 - Market Analysis
 - Spot Buy
 - Reverse Auction Services
- Procurement Operations Processes

Current State Procurement Processes

Spend Analysis

The lack of a single repository of purchasing data and a reporting tool that can help the state know what they buy is limiting the ability to strategically manage the spend.

Definition of Spend Analysis

- Spend data that provides detailed information on expenditures across the State and aids in compliance tracking, monitoring, reporting, and supporting strategic sourcing
- Spend analytics systems or tools in place to support category management activities and related analysis over time

Statutes and Delegations Observations

- N/A

Current State Procurement Processes

Spend Analysis

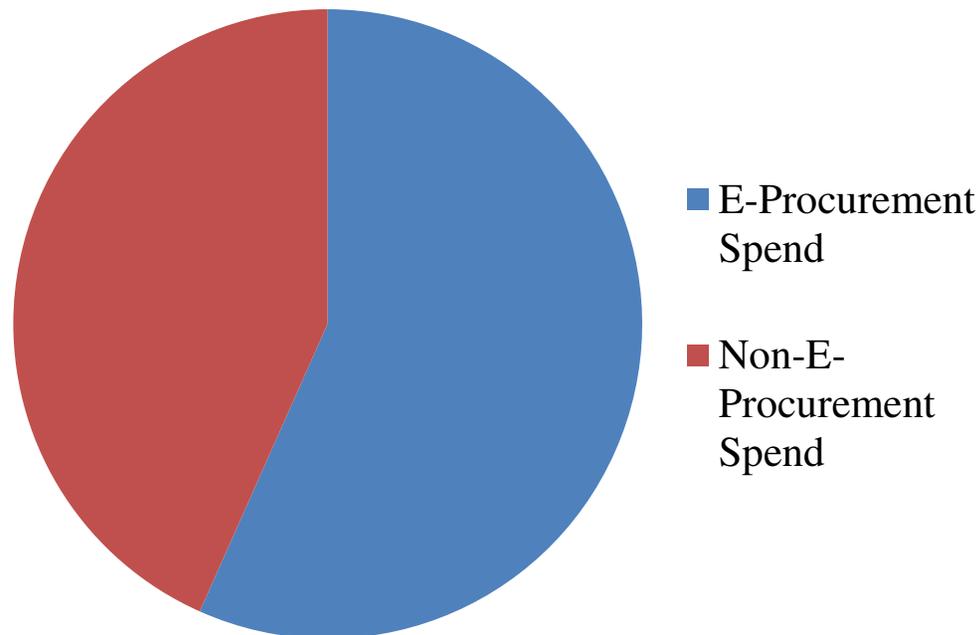
Key Observations and Insights

- State Agencies, Community Colleges and some LEAs utilizes E-Procurement to purchase goods and services
- State Agencies use NCAS to make direct payments for purchases that are not documented through a purchase order in E-Procurement
- Community Colleges use Colleague to make direct payments for purchases that are not documented through a purchase order in E-Procurement
- Entities may utilize P-Cards for field purchases and / or Fuel Cards to purchase fuel and maintenance services for vehicles
- These multiple data sources are not effectively integrated to enable effective reporting on payments to vendors across all channels at a level necessary for strategic sourcing
- There are relatively few people with access and training to use SAS (e.g., 1 in P&C), which limits the effectiveness of the tool. Entities need to contact E-Procurement Help Desk to get reports.
- With lack of comprehensive spend data across all channels, tracking spend by vendors and entity compliance to Statewide Term Contracts is extremely difficult and incomplete
- Existing reports in SAS / E-Procurement do not meet all needs of Compliance & Training group within P&C
- Commodity codes used by the State are outdated and too broad in certain areas to provide meaningful spend analysis or targeted distribution of solicitations through IPS
- Errors in coding spend transactions, especially direct payments in NCAS, impact accuracy of spend reports
- Pass through spend and categories not managed by procurement (e.g., building construction, land purchases) appear on procurement's spend reports, which makes it harder to focus on spend that procurement does control
- There is no solution for collecting and reporting on Statewide Term Contract vendor reported Quarterly Sales Reports that show spend on contract by all entities (including cities and counties)
- P-Card transaction details are not easily viewed by entities, which reduces their ability to effectively and efficiently monitor P-card transactions for compliance

Current State Procurement Processes Spend Analysis

P&C does not have a formal collection process or central repository to record Statewide Term Contract vendor quarterly reported spend, which prevents them from being able to articulate the full value being delivered to the State from their Statewide Term Contracts.

—Vendor Reported FY09/10 Total 615A Office Supplies Contract Spend—



Current State Procurement Processes Market Analysis

Market research on existing or new categories is not conducted consistently or frequently enough to provide sufficient insights to effectively manage the State's spend.

Definition of Market Analysis

- Analysis conducted during the sourcing process to understand market conditions, trends, supply base, constraints, pricing structure
- Market analysis guides the sourcing strategy of a commodity or service

Statutes and Delegations Observations

- N/A

Key Observations and Insights

- There is no consistent, structured approach to conduct market analysis or tools / subscriptions to facilitate conducting market analysis
- Entities conduct market analysis as part of the sourcing process, however this step in the process is not standardized or required
- Some entities look to other states' contracts to benchmark and understand current strategies
- There is no central source for market analysis that can provide insight into "which contracts have the best deal."
- Some users look to other states or co-op agreements (e.g., NY, GA, TX, KS, WSCA)
- Perception is that if central procurement conducted market research regularly, it would eliminate a number of waivers of competition
- There is no formal training on how to conduct market or financial research
- Some entities conduct Vendor Days to gain insights into market/industry conditions and understand ways to craft the Request for Proposal
- There is no central support group that can conduct market research, price benchmarking, provide insights and market intelligence to entities
- There is limited application of total cost of ownership models across entities to understand the true cost of a good or service across its life cycle

Current State Procurement Processes

Spot Buys

The State has established policies and procedures for conducting small purchases under \$5,000, but many entities provide further direction for these spot buys.

Definition of Spot Buys

- One-time, low to mid-dollar buy where sole-source vendor doesn't exist

Statutes and Delegations Observations

- For purchases over \$10,000, entities are required to conduct a formal solicitation through IPS
- For purchases between \$5,000 to \$10,000, entities are required to collect and document a minimum of three quotes through eQuotes or IPS
- Statutes establish small purchases as below \$5,000 and do not require a competitive process

Key Observations and Insights

- 80% of the requisitions in E-Procurement are under \$5,000
- Entities are not required to conduct formal, competitive bids for purchases under \$5,000, or “spot buys”
- Entities typically have divisions / program areas put small purchases on P-Card (under \$2,500) or conduct three telephone quotes and purchase from lowest bid that meets specifications
- State agencies are encouraged to conduct three quotes through either eQuote or telephone. Award is usually based on lowest bid that meets specifications.
- Individual entities sometimes require their buyers to conduct further diligence than minimally required in statute
- Within DHHS, all IT Procurement purchases require a four page “Justification for Information Technology E-Procurement Request” form, obtaining approval from divisions or office management, review and identification of funding by the division or office budget officers
- Spot buy delegation levels vary across the entities and is based on level of control that procurement wants to maintain on spending
- The state receives a rebate on P-Card transactions, which is shared with the entity

Process Analysis

Of the total \$3.1 billion in state agency spend in FY09/10, \$18 million (0.58%) was made using a P-card.

—FY09/10 P-Card Spend by State Agency—

State Agency	Total FY09/10 P-Card Spend
Department of Environmental And Natural Resources	\$ 7,959,849
Department of Correction	\$ 2,679,691
Department of Health and Human Services	\$ 2,492,461
NC Wildlife Resources Commission	\$ 2,371,867
Department of Agriculture	\$ 1,357,927
Department of Administration	\$ 894,059
Department of Juvenile Justice And Delinquency Prevention	\$ 89,998
Department of Crime Control	\$ 71,389
North Carolina Education Lottery	\$ 42,394
Office of The State Auditor	\$ 42,366
Department of Revenue	\$ 7,311
State Board of Elections	\$ 3,284
Administrative Office of The Courts	\$ 1,907
Office of the Lt Governor	\$ 413
Department of Labor	\$ 246
Total P-Card Spend	\$ 18,015,161
Total FY09/10 State Agency	\$ 3,104,640,000
P-Card % of Total State Agency FY09/10 Spend	0.58%

Current State Procurement Processes

Reverse Auction Services

Reverse auctions are not a component of the State's current sourcing strategy or process.

— Definition of Reverse Auction Services

- A dynamic competition between vendors to provide the best pricing solution for goods or services in a timed environment

— Statutes and Delegations Observations

- G.S. 143-129.9 allows for the use of alternative bidding methods such as, reverse auctions and electronic bidding

— Key Observations and Insights

- The State does not currently utilize reverse auctions, although they completed a pilot reverse auction for Office Supplies in 2005 using a hosted tool from Ariba
- No current reverse auction tool is in place to support eSourcing activity
- Use of reverse auctions on selected categories may provide vendors the opportunity to lower their proposed pricing based on feedback on their relative rank among the competition

Current State Procurement Processes Procurement Operations Processes

- Sourcing & Category Management Processes
- Sourcing Support Processes
- Procurement Operations Processes
 - Requisitioning Processes
 - Supplier Enablement
 - Catalog Enablement
 - Compliance Monitoring Processes

Current State Procurement Processes Requisitioning Processes

The State uses an Ariba E-Procurement system for requisitions to POs; opportunities for improvement include streamlining workflow approvals and increasing training across users.

Definition of Requisitioning Process

- Management of the procurement process from requisition to payment
- Identification of demand and easy leverage of existing contracts with ability to direct less straightforward buying decisions to procurement professionals
- Increased control for procurement professionals to direct employees to purchase goods and services using preferred contracts that provide the best value
- Clear and documented buying channels to the end-user

Statutes and Delegations Observations

- P&C and IT Procurement are required to review and approve all purchases above an entity's delegation of authority, unless exempted by Administrative Rule or special delegation
- G.S. 143-48.3 states that the Department of Administration will develop and maintain an electronic procurement system

Current State Procurement Processes

Requisitioning Processes

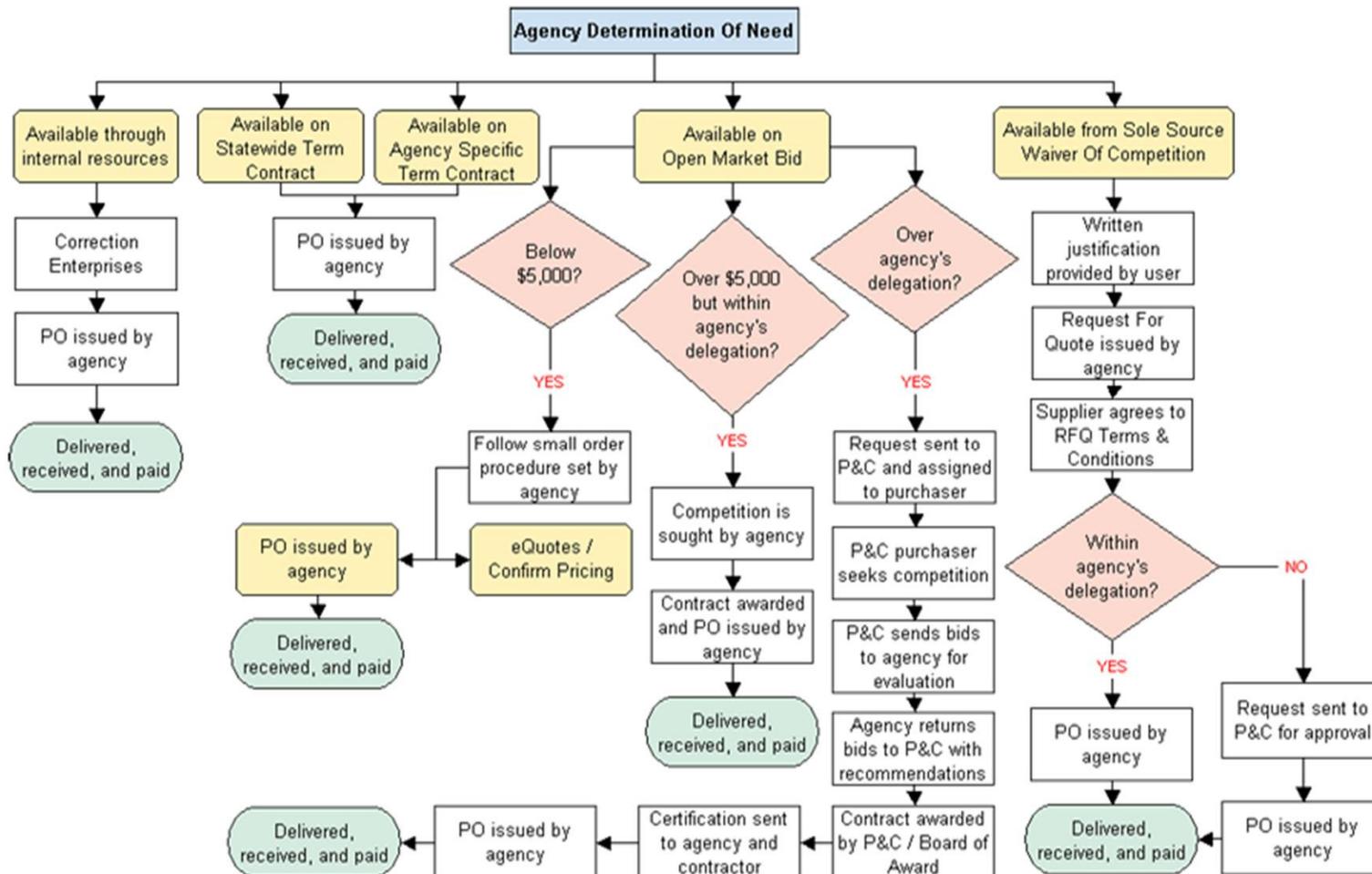
Key Observations and Insights

- E-Procurement is utilized to provide a centralized requisitioning system
- Workflow can be controlled by each entity to manage the review and approval process
- Users submit requisitions in E-Procurement that get routed to procurement; they may or may not utilize an eCatalog within E-Procurement or a punch-out catalog with a vendor
- Requisitions are received and reviewed by procurement
- If no existing Statewide Term Contract is available, the Sourcing Processes are followed
- Not all purchases go through E-Procurement. Direct payments and P-Cards are two main alternatives to E-Procurement system
- P&C and IT procurement do not issue POs on behalf of the agencies, when a requisition is routed to procurement, they must send it back to release to PO
- Requisitions tend to have extensive approval workflows, which increase approval timeline. The average number of approvals for State Agencies is 4, but the range is from 1 to 7.
- Even requisitions that are catalog orders against Statewide Term Contracts have to go through approval process with procurement
- There is inconsistent training for requisitioners across the state; some entities provide more training than others. P&C also provides training.
- The E-Procurement system keeps a detailed audit trail of transaction activities and changes
- E-Procurement does provide some tracking of overall cycle time from requisition submission to PO approval. The average cycle time varies by entity and by dollar amount of requisition. The average cycle time for state agencies is 17 days.
- For purchasing of goods above their delegation of authority level, users within entity will enter requirements into E-Procurement requisition, which is reviewed by procurement office and routed through the entity's approval process. Once approved, procurement office enters key information into IPS and submits it to P&C / IT Procurement. P&C / IT Procurement reviews submitted IPS request, assigns an IPS Bid Number, routes the request to the appropriate Purchasing Analyst, and then updates requisition in E-Procurement to add the IPS Bid Number. P&C / IT Procurement completes the sourcing process and provides results to entity. Entity procurement office reviews results with requesting user and develops recommended award. This recommendation is sent back to P&C / IT Procurement and goes through Board of Award approval process.
- For purchasing of non-IT services above their delegation of authority level, entities will enter requisition in E-Procurement and complete the bidding process through IPS. The bid, supporting documentation, and award recommendation are sent by mail / courier to P&C / IT Procurement for their approval.
- Within DHHS, all IT Procurement purchases require a four page "Justification for Information Technology E-Procurement Request" form, obtaining approval from divisions or office management, review and identification of funding by the division or office budget officers
- E-Procurement system is highly customized to meet unique entity requirements, which makes maintaining / upgrading more difficult
- Each entity develops and maintains their own Purchasing Manual to guide requisitioning activities, which has resulted in significant duplication of effort and Compliance Review findings of inaccurate or non-sufficient procedure documentation

Current State Procurement Processes Requisitioning Processes

Process Analysis

The current requisitioning process addresses purchases below and above delegation levels.



Current State Procurement Processes Requisitioning Processes

Process Analysis

There was significant variance across State Agencies of the average days from requisition submission to approval, with average days increasing as requisition values increased.

—Requisition to Approval Cycle Time by State Agency—

State Agency	<\$10,000		>\$10,000 to \$25,000		>\$25,000 to \$50,000		>\$50,000 to \$75,000		>\$75,000 to \$100,000		> \$100,000			
	Average Working Days from Requisition Submission to Approval	# of Requisitions	Average Working Days from Requisition Submission to Approval	# of Requisitions	Average Working Days from Requisition Submission to Approval	# of Requisitions	Average Working Days from Requisition Submission to Approval	# of Requisitions	Average Working Days from Requisition Submission to Approval	# of Requisitions	Average Working Days from Requisition Submission to Approval	# of Requisitions		
Department of Juvenile Justice And Delinquency Prevention	12	2,798	22	58	45	28	53	19	26	5	44	30	36	140
NC State Fair	3	791	19	24	21	8	13	1	95	3	67	4	30	40
Department of Cultural Resources	5	2,341	12	26	35	7	59	4	66	4	41	3	27	44
Department of Crime Control	16	1,220	28	142	31	62	19	49	16	21	24	57	25	331
Department of Correction	8	15,377	18	1,191	23	748	35	245	35	157	45	329	25	2,670
Department of Agriculture	4	4,703	22	149	21	48	33	9	29	7	37	8	23	221
Department of Revenue	10	457	20	18	44	5	24	4			10	4	23	31
Information Technology Services	6	539	19	47	18	61	12	28	20	11	24	79	20	226
Department of Administration	7	1,130	16	98	18	41	27	4	52	7	28	22	20	172
Department of Insurance	13	1,464	18	39	15	18	18	2			25	4	18	63
Office of The State Auditor	1	158	5	3			64	1	6	1			17	5
NC Wildlife Resources Commission	3	502	17	64	17	16	17	6	27	4	9	6	17	96
Department of Public Instruction	4	3,227	12	82	13	53	15	29	18	10	20	62	15	236
Department of Labor	2	727	13	7	14	3	20	2					14	12
Department of Health and Human Services	3	24,109	14	328	19	114	13	69	10	46	10	97	14	654
Department of Justice	2	2,232	10	74	11	25	18	12	17	3	14	16	12	130
North Carolina Education Lottery	2	527	9	12	16	5	8	4	17	3	15	4	12	28
State Board of Elections	4	76	4	9	17	2	5	1			22	6	11	18
Department of Environmental And Natural Resources	5	2,134	13	209	11	132	11	51	7	36	9	255	11	683
Department of Commerce	4	1,295	8	17	10	17	7	8	31	3	4	28	8	73
Department of State Treasurer	1	613	3	8	11	5	4	2			2	5	5	20
Office of the State Controller	2	87	4	3	4	6	5	1			3	7	4	17
Office of the Governor	-	270	1	1									1	1
Overall Average	5	66,777	13	2,609	20	1,404	22	551	29	321	23	1,026	17	5,911

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010. DOT was excluded since their requisitions are completed in SAP and then keyed into the E-Procurement system manually. The above table is sorted in descending order by overall average working days from requisition submission to approval.

Current State Procurement Processes Requisitioning Processes

Process Analysis

A review of FY09/10 requisitions in E-Procurement for State Agencies indicates that **98% were below \$100,000.**

—Requisition Analysis by State Agency—

State Agency	# of Requisitions						Totals	% TTL	Cumul. % TTL
	\$10,000 or Less	>\$10,000 to \$25,000	>\$25,000 to \$50,000	>\$50,000 to \$75,000	>\$75,000 to \$100,000	> \$100,000			
Department of Transportation	20,662	926	476	176	116	493	22,849	23%	23%
Department of Correction	15,377	1,456	965	324	197	466	18,785	19%	42%
Department of Environmental And Natural Resources	2,134	363	246	77	73	452	3,345	3%	46%
Department of Administration	1,130	112	48	5	9	43	1,347	1%	47%
Department of Health and Human Services	24,109	554	224	120	60	175	25,242	26%	73%
Information Technology Services	539	50	65	31	11	94	790	1%	74%
Department of Public Instruction	3,227	96	62	34	13	76	3,508	4%	77%
Department of Revenue	457	26	10	5	4	9	511	1%	78%
Department of Juvenile Justice And Delinquency Prevention	2,798	66	34	24	6	35	2,963	3%	81%
Department of Crime Control	1,220	166	72	59	23	79	1,619	2%	82%
North Carolina Education Lottery	527	32	14	11	8	22	614	1%	83%
Department of Commerce	1,295	23	22	12	5	38	1,395	1%	84%
Department of State Treasurer	613	22	18	4	2	19	678	1%	85%
Department of Justice	2,232	135	45	27	9	31	2,479	3%	88%
Office of the State Controller	87	4	7	1		14	113	0%	88%
Department of Agriculture	4,703	165	54	9	8	8	4,947	5%	93%
NC Wildlife Resources Commission	502	89	29	7	5	8	640	1%	93%
State Board of Elections	76	10	3	3		9	101	0%	94%
NC State Fair	791	27	10	1	3	4	836	1%	94%
Department of Insurance	1,464	42	20	2		4	1,532	2%	96%
Office of the Governor	270	5	3	4		5	287	0%	96%
Department of Cultural Resources	2,341	39	11	4	4	3	2,402	2%	99%
Office of The State Auditor	158	7	7	2	1	1	176	0%	99%
Department of Labor	727	13	5	2			747	1%	100%
Department of the Secretary of the State	266	9	3	2	1		281	0%	100%
Office of Administrative Hearings	22	1					23	0%	100%
Grand Total	87,727	4,438	2,453	946	558	2,088	98,210		
% of Total	89%	5%	2%	1%	1%	2%			

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010) for all contract types for just Executive Branch State Agencies

Current State Procurement Processes

Requisitioning Processes

Process Analysis

Requisitions below \$100,000 account for only 16% of the total value of all requisitions for State Agencies.

—Requisition Analysis by State Agency—

State Agency	Total Value of Requisitions						Totals	% TTL	Cumul. % TTL
	\$10,000 or Less	>\$10,000 to \$25,000	>\$25,000 to \$50,000	>\$50,000 to \$75,000	>\$75,000 to \$100,000	> \$100,000			
Department of Transportation	\$ 26,733,354	\$14,614,778	\$16,833,860	\$10,742,675	\$9,971,149	\$632,985,556	\$711,881,372	31%	31%
Department of Correction	\$ 24,174,853	\$25,017,362	\$32,980,526	\$20,131,612	\$17,056,941	\$271,079,699	\$390,440,994	17%	48%
Department of Environmental And Natural Resources	\$ 5,542,953	\$5,841,436	\$8,587,486	\$5,034,836	\$6,550,545	\$314,135,309	\$345,692,564	15%	62%
Department of Administration	\$ 2,220,273	\$1,645,462	\$1,695,219	\$293,519	\$780,875	\$198,942,423	\$205,577,770	9%	71%
Department of Health and Human Services	\$ 25,250,250	\$8,712,945	\$7,798,742	\$7,548,571	\$5,179,977	\$114,817,633	\$169,308,118	7%	79%
Information Technology Services	\$ 869,242	\$834,862	\$2,231,699	\$1,972,822	\$947,772	\$86,366,235	\$93,222,633	4%	83%
Department of Public Instruction	\$ 3,799,085	\$1,544,769	\$2,193,499	\$2,108,655	\$1,111,777	\$57,415,267	\$68,173,052	3%	86%
Department of Revenue	\$ 636,534	\$450,547	\$399,307	\$317,940	\$365,617	\$61,649,696	\$63,819,640	3%	88%
Department of Juvenile Justice And Delinquency Prevention	\$ 2,401,139	\$1,021,357	\$1,278,942	\$1,550,945	\$526,235	\$52,186,849	\$58,965,467	3%	91%
Department of Crime Control	\$ 3,147,391	\$2,544,960	\$2,594,174	\$3,448,084	\$1,908,645	\$38,466,087	\$52,109,341	2%	93%
North Carolina Education Lottery	\$ 702,844	\$506,806	\$472,189	\$714,212	\$709,086	\$40,635,992	\$43,741,129	2%	95%
Department of Commerce	\$ 1,198,687	\$373,869	\$796,568	\$725,918	\$425,795	\$23,257,807	\$26,778,643	1%	96%
Department of State Treasurer	\$ 745,044	\$362,752	\$599,210	\$248,601	\$174,541	\$17,213,991	\$19,344,138	1%	97%
Department of Justice	\$ 3,080,395	\$2,194,258	\$1,503,066	\$1,653,329	\$708,482	\$7,236,471	\$16,376,002	1%	98%
Office of the State Controller	\$ 125,656	\$80,451	\$218,996	\$59,000		\$12,127,001	\$12,611,104	1%	98%
Department of Agriculture	\$ 6,129,872	\$2,645,861	\$1,865,973	\$508,308	\$710,518	\$1,590,850	\$13,451,382	1%	99%
NC Wildlife Resources Commission	\$ 1,843,320	\$1,454,044	\$1,079,179	\$441,850	\$420,185	\$3,442,731	\$8,681,309	0%	99%
State Board of Elections	\$ 113,683	\$158,220	\$119,425	\$194,195		\$3,143,432	\$3,728,955	0%	99%
NC State Fair	\$ 812,118	\$434,163	\$352,435	\$71,900	\$263,432	\$1,470,840	\$3,404,888	0%	99%
Department of Insurance	\$ 1,695,834	\$694,693	\$721,156	\$111,437		\$850,050	\$4,073,170	0%	100%
Office of the Governor	\$ 173,513	\$92,806	\$91,380	\$239,138		\$1,585,861	\$2,182,699	0%	100%
Department of Cultural Resources	\$ 1,831,889	\$579,263	\$401,131	\$264,252	\$333,146	\$369,790	\$3,779,472	0%	100%
Office of The State Auditor	\$ 236,862	\$126,177	\$261,305	\$112,718	\$89,500	\$111,017	\$937,578	0%	100%
Department of Labor	\$ 884,951	\$198,461	\$181,916	\$131,294			\$1,396,622	0%	100%
Department of the Secretary of the State	\$ 396,295	\$149,892	\$99,146	\$136,080	\$85,275		\$866,688	0%	100%
Office of Administrative Hearings	\$ 48,605	\$11,845					\$30,450	0%	100%
Grand Total	\$114,764,641	\$72,292,040	\$85,356,528	\$58,761,889	\$48,319,493	\$1,941,080,586	\$2,320,575,177		
% of Total	5%	3%	4%	3%	2%	84%			

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010 for all contract types for just Executive Branch State Agencies

Current State Procurement Processes

Requisitioning Processes

Process Analysis

A review of FY09/10 requisitions in E-Procurement for Community Colleges...

—Requisition Analysis by Community College—

Community College	Number of Requisitions						Totals	% TTL	Cumul. % TTL
	\$10,000 or Less	>\$10,000 to \$25,000	>\$25,000 to \$50,000	>\$50,000 to \$75,000	>\$75,000 to \$100,000	> \$100,000			
Guilford Technical Community College	3,357	184	55	21	15	38	3,670	4%	4%
Central Piedmont Community College	1,929	216	114	47	19	64	2,389	3%	7%
Wake Technical Community College	4,115	140	62	17	18	42	4,394	5%	12%
Fayetteville Technical Community College	3,417	111	39	11	8	14	3,600	4%	15%
Pitt Community College	1,314	94	33	9	6	14	1,470	2%	17%
Mitchell Community College	1,215	42	17		1	5	1,280	1%	18%
Cape Fear Community College	4,190	113	39	20		6	4,368	5%	23%
Durham Technical Community College	2,006	58	18	3	2	7	2,094	2%	26%
Rowan-Cabarrus Community College	2,269	47	14	8	4	13	2,355	3%	28%
Forsyth Technical Community College	2,289	54	14	2	2	4	2,365	3%	31%
Catawba Valley Community College	2,214	47	16	4		4	2,285	3%	33%
Craven Community College	1,413	56	27	3	4	1	1,504	2%	35%
Davidson County Community College	1,362	36	12	13	2	2	1,427	2%	37%
Asheville-Buncombe Tech Community College	3,011	51	12	4		7	3,085	3%	40%
Vance-Granville Community College	2,295	72	12	4	2	3	2,388	3%	43%
Gaston College	2,099	51	17	7	4	1	2,179	2%	45%
Isothermal Community College	2,275	88	13	4	2		2,382	3%	48%
Cleveland Community College	1,293	49	17	5	1	2	1,367	2%	49%
Lenoir Community College	1,461	41	19	3	2	1	1,527	2%	51%
Robeson Community College	1,832	30	16	5		3	1,886	2%	53%
Central Carolina Community College	2,227	40	7	3	2	2	2,281	3%	55%
Wilkes Community College	1,078	40	13	4	1	1	1,137	1%	57%
Coastal Carolina Community College	1,280	32	13	4	3	1	1,333	1%	58%
Mcdowell Technical Community College	998	20	7	7		4	1,036	1%	59%
Wayne Community College	1,502	30	11	5	1	2	1,551	2%	61%
Randolph Community College	1,183	25	12	5		1	1,226	1%	62%
Johnston Community College	1,455	21	7	3	4	3	1,493	2%	64%

Current State Procurement Processes

Requisitioning Processes

Process Analysis

... indicates that over 99% were below \$100,000.

—Requisition Analysis by Community College—

Community College	Number of Requisitions						Totals	% TTL	Cumul. % TTL
	\$10,000 or Less	>\$10,000 to \$25,000	>\$25,000 to \$50,000	>\$50,000 to \$75,000	>\$75,000 to \$100,000	> \$100,000			
Sampson Community College	1,049	20	16	3	2	1	1,091	1%	65%
Sandhills Community College	1,234	42	5		4	1	1,286	1%	67%
Caldwell Community College & Tech. Inst.	3,707	42	8	1	3		3,761	4%	71%
South Piedmont Community College	773	31	4	2		1	811	1%	72%
Western Piedmont Community College	2,230	41	6	3	1		2,281	3%	74%
Bladen Community College	997	29	10	4			1,040	1%	75%
Edgecombe Community College	1,468	40	4	3	1		1,516	2%	77%
Southwestern Community College	1,334	31	11			1	1,377	2%	78%
Stanly Community College	695	20	4	3	2	1	725	1%	79%
Richmond Community College	813	25	8	1		2	849	1%	80%
Blue Ridge Community College	1,389	23	8	1	1	1	1,423	2%	82%
Nash Community College	1,068	25	10	1	1		1,105	1%	83%
Haywood Community College	830	25	6	1		1	863	1%	84%
Southeastern Community College	1,020	20	7	1	1	1	1,050	1%	85%
Brunswick Community College	1,516	26	11	1			1,554	2%	87%
Piedmont Community College	900	19	8	1		1	929	1%	88%
Rockingham Community College	1,503	18	6		3		1,530	2%	89%
Alamance Community College	201	9	4	2	1	1	218	0%	90%
College of The Albemarle	508	15	7	3			533	1%	90%
Beaufort County Community College	1,140	12	4		1	1	1,158	1%	92%
Halifax Community College	852	11	1	1	1	1	867	1%	93%
Surry Community College	342	20	3	1			366	0%	93%
Tri-County Community College	1,072	17	5	1			1,095	1%	94%
Martin Community College	608	11	2	1		1	623	1%	95%
Carteret Community College	1,032	11	7	1			1,051	1%	96%
Montgomery Community College	701	18	3		1		723	1%	97%
Mayland Community College	866	6	5	2			879	1%	98%
Roanoke-Chowan Community College	367	6	1	3			377	0%	98%
James Sprunt Community College	660	7	3				670	1%	99%
Pamlico Community College	1,012	12	1				1,025	1%	100%
Grand Total	86,966	2,420	814	262	126	260	90,848		
% of Total	96%	3%	1%	0%	0%	0%			

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010 for all contract types for just Community Colleges

Current State Procurement Processes Requisitioning Processes

Process Analysis

The 99% of the requisitions below \$100,000 ...

—Requisition Analysis by Community College—

Community College	Total FY09/10 Value						Totals	% TTL	Cumul. % TTL
	\$10,000 or Less	>\$10,000 to \$25,000	>\$25,000 to \$50,000	>\$50,000 to \$75,000	>\$75,000 to \$100,000	> \$100,000			
Guilford Technical Community College	\$ 4,340,145	\$2,973,098	\$1,778,027	\$1,270,725	\$1,337,701	\$25,653,313	\$37,353,010	14%	14%
Central Piedmont Community College	\$ 5,025,704	\$3,596,581	\$3,851,513	\$2,891,043	\$1,683,026	\$13,550,501	\$30,598,367	11%	25%
Wake Technical Community College	\$ 4,867,588	\$2,232,817	\$2,224,931	\$1,073,557	\$1,594,685	\$9,955,082	\$21,948,662	8%	34%
Fayetteville Technical Community College	\$ 4,469,617	\$1,757,212	\$1,258,466	\$661,471	\$692,608	\$2,842,501	\$11,681,874	4%	38%
Pitt Community College	\$ 3,048,564	\$1,458,459	\$1,172,581	\$553,835	\$495,251	\$3,502,868	\$10,231,558	4%	42%
Mitchell Community College	\$ 1,295,166	\$657,670	\$521,389		\$80,686	\$5,814,401	\$8,369,313	3%	45%
Cape Fear Community College	\$ 4,256,558	\$1,720,519	\$1,364,793	\$1,227,120		\$1,135,178	\$9,704,168	4%	49%
Durham Technical Community College	\$ 2,111,278	\$897,670	\$624,579	\$172,780	\$177,987	\$3,376,074	\$7,360,368	3%	51%
Rowan-Cabarrus Community College	\$ 2,384,269	\$723,319	\$464,099	\$486,350	\$352,213	\$2,352,115	\$6,762,364	3%	54%
Forsyth Technical Community College	\$ 2,140,817	\$923,433	\$493,250	\$135,000	\$171,997	\$1,303,358	\$5,167,854	2%	56%
Catawba Valley Community College	\$ 1,777,997	\$806,960	\$547,621	\$232,064		\$1,092,483	\$4,457,125	2%	57%
Craven Community College	\$ 1,722,779	\$890,423	\$868,020	\$202,130	\$326,421	\$247,192	\$4,256,965	2%	59%
Davidson County Community College	\$ 1,692,154	\$538,587	\$380,168	\$808,297	\$181,327	\$589,086	\$4,189,619	2%	61%
Asheville-Buncombe Tech Community College	\$ 2,448,014	\$792,908	\$392,362	\$236,811		\$957,081	\$4,827,176	2%	62%
Vance-Granville Community College	\$ 2,073,823	\$1,119,818	\$422,480	\$274,667	\$162,674	\$336,877	\$4,390,340	2%	64%
Gaston College	\$ 2,397,873	\$764,528	\$591,463	\$403,906	\$362,098	\$123,400	\$4,643,269	2%	66%
Isothermal Community College	\$ 2,574,086	\$1,373,287	\$426,821	\$231,953	\$193,705		\$4,799,853	2%	68%
Cleveland Community College	\$ 1,747,104	\$708,917	\$603,637	\$330,199	\$94,598	\$297,159	\$3,781,615	1%	69%
Lenoir Community College	\$ 1,861,276	\$659,121	\$639,045	\$189,619	\$177,389	\$194,580	\$3,721,030	1%	70%
Robeson Community College	\$ 2,048,419	\$421,181	\$577,330	\$306,661		\$525,073	\$3,878,663	1%	72%
Central Carolina Community College	\$ 2,477,786	\$659,730	\$249,683	\$195,873	\$177,737	\$535,551	\$4,296,360	2%	73%
Wilkes Community College	\$ 1,621,017	\$587,120	\$466,047	\$255,630	\$76,074	\$296,955	\$3,302,842	1%	75%
Coastal Carolina Community College	\$ 1,449,215	\$512,729	\$499,942	\$248,368	\$280,470	\$121,537	\$3,112,261	1%	76%
Mcdowell Technical Community College	\$ 997,755	\$309,124	\$214,313	\$437,075		\$702,264	\$2,660,530	1%	77%
Wayne Community College	\$ 1,661,818	\$467,226	\$380,905	\$310,119	\$89,937	\$280,788	\$3,190,794	1%	78%
Randolph Community College	\$ 1,378,562	\$454,649	\$394,992	\$304,799		\$351,004	\$2,884,006	1%	79%
Johnston Community College	\$ 1,409,980	\$304,477	\$241,403	\$186,920	\$332,164	\$439,079	\$2,914,024	1%	80%

Current State Procurement Processes Requisitioning Processes

Process Analysis

... were 70% of the total value of all requisitions for Community Colleges.

—Requisition Analysis by Community College—

Community College	Total FY09/10 Value						Totals	% TTL	Cumul. % TTL
	\$10,000 or Less	>\$10,000 to \$25,000	>\$25,000 to \$50,000	>\$50,000 to \$75,000	>\$75,000 to \$100,000	> \$100,000			
Sampson Community College	\$ 986,248	\$334,584	\$611,838	\$210,175	\$174,367	\$128,891	\$2,446,103	1%	81%
Sandhills Community College	\$ 1,584,971	\$691,188	\$142,863		\$337,833	\$145,113	\$2,901,970	1%	82%
Caldwell Community College & Tech. Inst.	\$ 2,420,067	\$623,340	\$297,085	\$58,863	\$264,364		\$3,663,718	1%	83%
South Piedmont Community College	\$ 935,567	\$514,049	\$125,311	\$122,142		\$399,938	\$2,097,007	1%	84%
Western Piedmont Community College	\$ 2,122,443	\$634,159	\$195,097	\$183,500	\$90,434		\$3,225,633	1%	85%
Bladen Community College	\$ 1,101,275	\$506,042	\$329,624	\$248,134			\$2,185,075	1%	86%
Edgecombe Community College	\$ 1,404,614	\$594,718	\$154,358	\$194,156	\$84,344		\$2,432,189	1%	87%
Southwestern Community College	\$ 1,352,610	\$494,295	\$360,863			\$131,769	\$2,339,537	1%	88%
Stanly Community College	\$ 615,348	\$314,452	\$146,344	\$180,916	\$165,371	\$156,997	\$1,579,428	1%	89%
Richmond Community College	\$ 1,119,200	\$404,598	\$258,638	\$69,418		\$229,704	\$2,081,557	1%	89%
Blue Ridge Community College	\$ 1,483,420	\$383,969	\$297,875	\$57,744	\$91,859	\$114,307	\$2,429,175	1%	90%
Nash Community College	\$ 1,217,634	\$421,629	\$347,306	\$60,487	\$78,049		\$2,125,106	1%	91%
Haywood Community College	\$ 868,561	\$380,599	\$222,705	\$71,937		\$175,470	\$1,719,272	1%	92%
Southeastern Community College	\$ 1,061,212	\$288,771	\$231,912	\$69,067	\$83,445	\$167,460	\$1,901,867	1%	93%
Brunswick Community College	\$ 1,507,668	\$352,074	\$383,489	\$53,111			\$2,296,343	1%	93%
Piedmont Community College	\$ 937,505	\$280,904	\$284,668	\$58,444		\$102,630	\$1,664,151	1%	94%
Rockingham Community College	\$ 1,064,715	\$279,489	\$198,381		\$231,485		\$1,774,070	1%	95%
Alamance Community College	\$ 427,883	\$158,880	\$142,861	\$128,287	\$90,400	\$161,625	\$1,109,935	0%	95%
College of The Albemarle	\$ 619,287	\$256,315	\$238,132	\$176,348			\$1,290,082	0%	96%
Beaufort County Community College	\$ 948,863	\$176,664	\$156,888		\$95,466	\$192,153	\$1,570,034	1%	96%
Halifax Community College	\$ 649,792	\$178,339	\$25,000	\$59,424	\$87,388	\$189,848	\$1,189,791	0%	97%
Surry Community College	\$ 508,566	\$328,965	\$105,004	\$55,406			\$997,941	0%	97%
Tri-County Community College	\$ 956,588	\$268,171	\$155,739	\$51,246			\$1,431,745	1%	97%
Martin Community College	\$ 639,085	\$160,034	\$88,458	\$63,487		\$154,154	\$1,105,219	0%	98%
Carteret Community College	\$ 748,634	\$172,635	\$226,685	\$55,910			\$1,203,864	0%	98%
Montgomery Community College	\$ 647,484	\$250,195	\$108,694		\$76,118		\$1,082,492	0%	99%
Mayland Community College	\$ 710,398	\$93,687	\$174,090	\$123,055			\$1,101,229	0%	99%
Roanoke-Chowan Community College	\$ 280,295	\$87,103	\$30,360	\$173,677			\$571,436	0%	99%
James Sprunt Community College	\$ 542,316	\$111,465	\$133,331				\$787,111	0%	100%
Pamlico Community College	\$ 662,500	\$195,555	\$40,422				\$900,497	0%	100%
Grand Total	\$ 95,404,135	\$ 38,248,435	\$ 27,865,882	\$ 16,151,903	\$ 10,991,671	\$ 79,025,559	\$ 267,687,584		
% of Total	36%	14%	10%	6%	4%	30%			

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010 for all contract types for just Community Colleges

Current State Procurement Processes Requisitioning Processes

Process Analysis

There was significant variance across State Agencies in the average number of approvals per requisition.

—Average Number of Approvals by State Agency—

State Agencies	Average Approval Counts							Totals
	<\$5,000	<\$5,000 to \$10,000	>\$10,000 to \$25,000	>\$25,000 to \$50,000	>\$50,000 to \$75,000	>\$75,000 to \$100,000	> \$100,000	
Department of Transportation								
Department of Environmental And Natural Resources	4	3	3	3	3	2	2	3
Department of Correction	3	5	5	5	5	5	5	5
Department of Administration	7	6	6	7	8	6	8	7
Department of Health and Human Services	3	3	3	4	4	4	4	4
Information Technology Services	4	5	5	6	5	7	7	6
Department of Revenue	5	5	6	7	7		6	6
Department of Public Instruction	4	6	5	6	5	6	6	5
Department of Juvenile Justice And Delinquency Prevention	5	5	5	5	5	6	6	6
North Carolina Education Lottery	4	5	5	7	8	6	5	5
Department of Commerce	2	3	5	4	4	5	4	4
Department of Crime Control	7	8	9	9	8	7	7	8
Department of State Treasurer	1	2	2	2	2		1	2
Office of the State Controller	2	3	4	3	3		3	3
Department of Justice	2	3	3	3	5	3	3	3
Department of Agriculture	3	3	4	5	8	8	5	4
NC Wildlife Resources Commission	2	2	3	3	4	3	2	3
State Board of Elections	5	4	5	6	6		6	6
NC State Fair	3	3	3	6	4	5	7	4
Department of Insurance	4	6	6	6	7		6	6
Office of the Governor	1	0	1					1
Department of Cultural Resources	5	6	5	7	7	7	6	6
Office of The State Auditor	1	1	1	1	2	1		1
Department of the Secretary of the State	1	1	1	2		1		1
Department of Labor	5	6	6	4	5			5
Office of Administrative Hearings	1	0	1					1
Grand Total	3	4	4	4	4	4	3	4

Source: E-Procurement Requisition Data from 7/1/2009 through 6/30/2010. DOT manually enters requisitions into E-Procurement, therefore E-Procurement only shows 1 approver

Current State Procurement Processes Supplier Enablement

The supplier enablement process is how vendors make their items available to requisitioners in E-Procurement to view and purchase.

— Definition of Supplier Enablement

- Supplier Enablement services include vendor information management (registration, catalogs) and end-user setup

— Statutes and Delegations Observations

- N/A

— Key Observations and Insights

- Vendors are required to register in three systems: E-Procurement in order to receive orders, eQuote in order to receive informal bid notices (e.g., less than \$10,000), and IPS in order to receive formal bid notices (e.g., above \$10,000)
- Appears to be some vendor confusion between supplier enablement in IPS and E-Procurement. Vendors tend to think they are the same system.
- Duplicate vendor records exist in E-Procurement
- The E-Procurement fee is an issue with some entities and vendors. Some entities indicated they would rather have the 1.75% E-Procurement fee billed to them then ask the vendors to pay.

Current State Procurement Processes Catalog Enablement

Catalogs are utilized, however punch-out catalog pricing errors and the amount of products offered tend to be a barrier in streamlining the requisition to pay process.

— Definition of Catalog Enablement

- All contracted goods and routine services are available in the catalog
- Effective and expiration dates for catalogs are used
- Vendors maintain and submit their catalogs electronically to minimize manual processing. Validation is done as part of the submission process and includes validating for required fields, formats, etc.

— Statutes and Delegations Observations

- N/A

Current State Procurement Processes Catalog Enablement

— Key Observations and Insights

- Once awarded a Statewide Term Contract, the E-Procurement team will support P&C and IT Procurement to determine the best approach to enable the vendor (e.g., internal catalog, punch-out catalog, ordering instructions) so users can view and select the vendor's items to add to a requisition
- Aravo is current tool to facilitate the validation and online approvals of new and updated catalogs
- Vendors manage their own catalogs and State staff focuses on reviewing and approving catalogs
- No tools are available to easily review and audit punch-out products and pricing
- E-Procurement has catalogs available internally and through punch-out for requisitioners to shop for items they need
- However, non-catalog requisitions are often utilized instead of the catalog because users can't find their item quickly
- Catalogs that are not updated in a timely fashion by the vendor, P&C, or IT Procurement can be out of sync with pricing on P&C and IT Procurement's websites and in vendors' systems, which causes invoice discrepancies that require significant effort to correct.
- With punch-out catalogs, it is very difficult and time consuming to manually monitor pricing on the vendor's website
- One of the biggest time consuming activities for P&C and IT Procurement is reviewing descriptions fields to make sure it conforms to the State's preferred nomenclature
- Many eligible contracts have not been converted to catalogs and many catalogs are considered out-of-date
- Users have too many product options, making the search process (including punch-out sites) more difficult
- There is no catalog filtering (limiting which catalogs a user can see) being done today to simplify use of catalogs for users
- Users don't always use E-Procurement as they should (e.g., catalog buys), which prevents easy reporting of proper use of Statewide Term Contracts by P&C and IT Procurement
- Not all items that are catalogable are on catalog in E-Procurement

Current State Procurement Processes Compliance Monitoring Processes

There are opportunities for consolidation of duplicate compliance monitoring activities between P&C and IT Procurement.

— Overview of Compliance Monitoring Processes —

- Compliance reviews how the organization is performing against set standards and metrics, provides insight into how policies are followed, and identifies areas of opportunity to drive value through process efficiencies

— Statutes and Delegations Observations —

- North Carolina Administrative Code Title 1, Chapter 5B, Section .1605 empowers the Division of Purchase and Contract with the authority to conduct compliance reviews on non-IT purchasing practices at entities
- North Carolina Administrative Code Title 9, Chapter 6B, Section .1305 empowers IT Procurement with the authority to conduct compliance reviews on IT purchasing practices at entities

Current State Procurement Processes

Compliance Monitoring Processes

Key Observations and Insights

- Compliance review focuses on monitoring procurement activities to ensure they are in compliance with relevant statutes, administrative codes, Executive Orders, rules, regulations, policies and procedures.
- P&C Compliance and Training team is responsible for monitoring compliance for Executive Branch agencies, community colleges and universities
- P&C targets to conduct a compliance review with each entity once every three years, but for some entities the interval between reviews may be longer
- Each review takes place over 30 days and involves a combination of on-site and off-site activities
- IT Procurement has its own Compliance team and process
- Both P&C and IT Procurement's compliance review processes provide a written Compliance Review Final Report that contains areas of opportunity to increase compliance
- A P&C compliance review is required when an entity requests an increase in delegation of authority or to have a P-Card program. Entity management can also request a compliance review.
- The intent of the compliance reviews is to identify areas for increased compliance and to provide training and assistance to entities to help them; these are not standard audits
- P&C compliance reviews are becoming more infrequent due to lack of available resources and the assignment of special projects to Compliance & Training resources
- Recently announced travel restrictions by the Governor may impact ability to effectively conduct on-site portion of the compliance review process
- Significant overlap in processes between P&C and IT Procurement
- There does not appear to be a continuous improvement process that formally communicates overall outcomes of compliance reviews to all entities to provide areas to focus on to improve / maintain their own level of compliance
- Every entity develops and maintains their own purchasing manual, which increases the time to conduct compliance reviews. Issues with the accuracy and completeness of purchasing manuals is the second most common finding in compliance reviews.
- Some entities have their own internal compliance review process and manual
- P&C Compliance & Training team members do not all have access to NCAS data , which creates inefficiencies in getting data to conduct reviews
- The lack of a single database of all PO and payment data (including P-Card) increases the complexity of conducting compliance reviews
- E-Procurement does not require a user to provide a reason in the system when they do not buy of a Statewide Term Contract; this is the most common finding in compliance reviews

Current State Procurement Processes Compliance Monitoring Processes

Process Analysis

A review of the P&C compliance reviews of entities indicates common opportunities for improved compliance around documentation, use of E-Procurement, and level of competition during purchases.

—Compliance Review Findings—

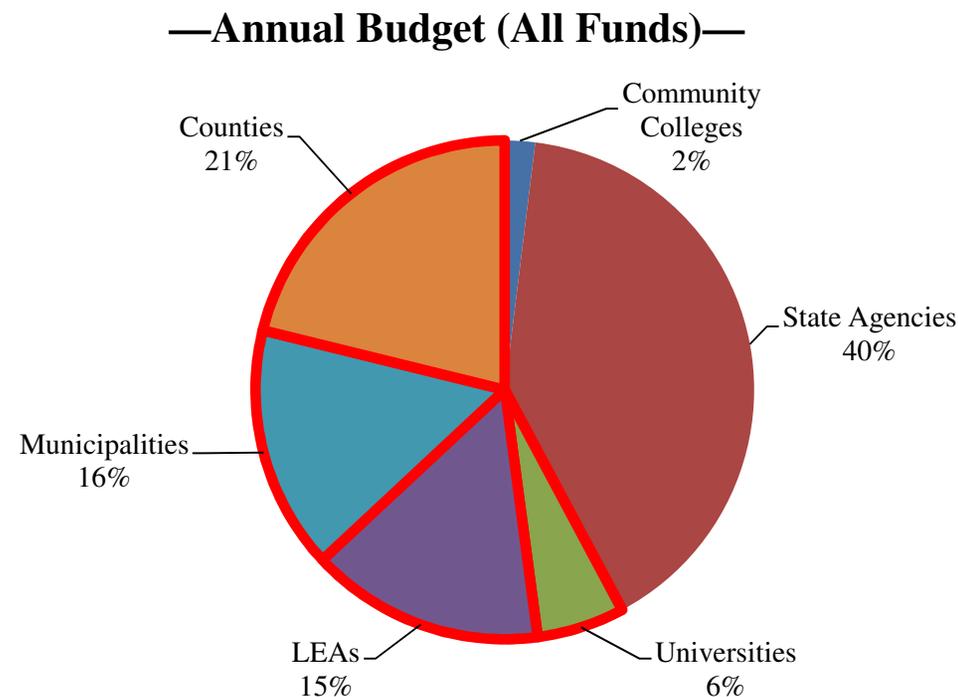
Compliance Review Finding	# of Entities	% of Total Issues
Incorrect documentation on POs and P-cards (e.g., commodity codes, explanation of contract usage)	13	72%
Outdated Purchasing manual	6	33%
Direct pay utilized to circumvent E-Procurement	4	22%
Insufficient vendor competition levels	3	17%
Purchases exceeded delegation levels	3	17%
Use of unauthorized charge cards for purchases	3	17%
Manual entries overriding the catalogue function in E-Procurement	2	11%
Redundant confirming purchase orders sent to vendors	2	11%
Decentralized purchasing records	2	11%
Lack of quality inspection documentation	1	6%
Lack of sufficient Direct Pay activity documentation	1	6%
Incorrect system utilized for purchases	1	6%
Lack of a Procurement Specialist in the organization	1	6%

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Other Segments' Procurement Processes Universities, LEAs, Local Governments

It is important to consider the broader potential impact and benefit to the NC Procurement Transformation effort from the participation of entities that are not in the scope of this assessment, but make up over 50% of the total public budget for NC.



Sources: Office of State Budget and Management (http://www.osbm.state.nc.us/files/pdf_files/PLS09_11.pdf) for FY09/10 budget (all funds) and Department of State Treasurer for municipal and county expenditures for FY08/09 (latest year available)

NOTE: The numbers in the graph represent the total budgets from all funds for the entities represented and, because of funding mechanisms between state and local government, actual spend may be duplicated. Due to different mix of the budget components (e.g., salaries, benefits, debt service) across the segments, the percentage of each segment's annual budget to the total public budget should not be used as the sole indicator of a segment's spend on goods and services with third party vendors.

Other Segments' Procurement Processes Universities

- The University of North Carolina (UNC) System is comprised of 16 individual public four-year universities and a residential science and math high school with oversight by a 32-member Board of Governors and a central supporting organization, UNC General Administration (UNC-GA)
- The UNC System annual budget is approximately \$3.8 billion. When capital and bond funding is included, the annual budget is approximately \$7.4 billion.
- The universities are encouraged, but not required to leverage the State Term Contracts established by P&C and IT Procurement under G.S. 143 and G.S. 147. The statutes stipulate that substitute products for equal or lesser prices may be purchased for items that are on these State Term Contracts.
- There are individual delegation thresholds ranging from \$35,000 to \$500,000 established by the Board of Governors per university above which major purchases must be reviewed and approved by either P&C or IT Procurement.
- UNC-GA is a central support organization within the university system responsible for executing the policies of the UNC Board of Governors and providing University-wide leadership in areas including business and financial management, long-range planning, and government relations
- Although a central contracting group within the Information Resources section has negotiated and completed many central contracts with vendors of the most highly used hardware and software products, it is not generally within UNC-GA's scope to establish and manage contracts supporting common, non-IT purchasing needs across the individual universities
- Since each university operates autonomously, the procurement organization and operation within each university varies.
- Each university maintains its own instance of technology support systems, including those used for procurement. The universities use various technologies to support the procurement function including SCT Banner, PeopleSoft and custom "home-grown" applications. There is a blanket agreement leveraged across 14 universities for services from SciQuest, including electronic catalog hosting. Universities do not leverage the State's Ariba E-Procurement System. Other than the benefits of SciQuest, there is no common reporting system leveraged to consolidate purchasing data across the universities and UNC-GA, with the exception of the newly developed NC OpenBook application which is still in development. The universities leverage IPS for solicitation postings above their delegation thresholds.

Other Segments' Procurement Processes Local Education Authorities

- The NC Public School System is comprised of 115 individual public school systems or Local Education Authorities (LEAs) supporting K-12 elementary education. The Department of Public Instruction (DPI), an executive branch agency, is the central supporting organization for the LEAs across the State.
- The NC Public School System annual budget is approximately \$8.0 billion and there are approximately 120,000 teachers and administrators serving in public schools
- The LEAs and schools are encouraged, but not required to leverage the State Term Contracts established by P&C and IT Procurement under G.S. 143 and G.S. 147
- There are no delegation thresholds established above which major purchases must be reviewed and approved by P&C or IT Procurement
- While DPI is charged with implementing the State's public school laws and the State Board of Education's policies and procedures governing pre-kindergarten through 12th grade public education, it is not generally within DPI's scope to establish and manage contracts supporting common purchasing needs across the individual LEAs. However, DPI does provide some services regarding the central purchase and/or distribution of key items including school buses and textbooks.
- Each LEA or school system operates autonomously and the organization and operation of the procurement function within each varies as a result
- Each LEA or school system maintains its own instance of technology support systems, including those used for procurement. The LEAs use various technologies to support the procurement function including the State's Ariba E-Procurement System, ISIS, Sunpac, Lawson and Oracle applications. While not mandated, significant purchasing activity (\$650+ million per year) is completed each year through the central E-Procurement System, allowing for some level of consolidation of purchasing data across all LEAs in the State. The LEAs have the option to leverage IPS for solicitation postings at their discretion.

Other Segments' Procurement Processes

Local Governments

- Local governments across North Carolina include 100 counties and over 540 municipalities (cities, towns and villages). Local governments are supported by a number of central support organizations including the North Carolina Association of County Commissioners (NCACC) and the NC League of Municipalities.
- The collective local government annual budget for counties exceeds \$14.1 billion and for municipalities exceeds \$10.5 billion
- Local governments are encouraged, but not required to leverage the State Term Contracts established by P&C and IT Procurement under G.S. 143 and G.S. 147
- There are no delegation thresholds established above which major purchases must be reviewed and approved by P&C or IT Procurement
- While there are various central support organizations available to support local governments, none are responsible for establishing and managing contracts supporting common purchasing needs across the local government entities.
- Each local government operates autonomously and the organization and operation of the procurement function within each varies as a result
- Each local government maintains its own instance of technology support systems, including those used for procurement. They use a wide variety of commercial off the shelf and custom “home grown” software applications or a combination of manual paper-based processes to support the procurement function. Only a few local governments leverage to some degree the State’s Ariba E-Procurement System. There is no common reporting system leveraged to consolidate purchasing data across local governments. Local governments have the option to leverage IPS for solicitation postings at their discretion.

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Current State Summaries by Targeted Entity

The current state summaries by targeted entity provide key observations across the major state agencies that participated in the survey discussions, as some of the processes and policies differ across entities.

—Key Observations Across Targeted Entities—

- Target entity procurement organizations operate differently across each agency (e.g., centralized versus decentralized, goods and services commodity groups versus no commodity group structure)
- Targeted entities' delegation of authority is \$25,000
- Many of the entities have their own documented procurement policies
- Some targeted entities appear to have their own compliance process separate from central procurement processes, entities also house their own tools to manage spend, compliance and contract management
- Contract management activities vary by entity and often vary by type of contract (e.g., larger projects will be assigned specific contract management resources)
- Lack of Supplier Performance Management process across targeted entities; it appears that most of the vendor relationship activities occur at the end user level within each entity
- Use of vendor service level agreements is very rare, and vendors are not tasked with developing continuous improvement or cost reduction initiatives
- Reverse auctions are not utilized across targeted entities
- Spot buys are utilized for purchases under \$5,000
- Bids over \$10,000 utilize IPS to solicit pricing proposals
- Bids over \$5,000 but less than \$10,000 either utilize eQuote or IPS to solicit pricing proposals

Current State Summaries by Targeted Entity CCPS - Summary

The key observations of the procurement function for Crime Control and Public Safety (CCPS) are summarized below.

Key Observations and Insights

- CCPS has delegation to purchase up to \$10,000 for non-IT goods and services and \$25,000 for IT products and services
- Procurement group has four resources focusing on IT/Equipment, Services, and Office Supplies and Furniture
- CCPS heavily utilizes Statewide Term Contracts for various goods, however there are currently 88 agency-specific contracts
- There are numerous procurement processes depending on the type of good or service being purchased and the funding source. This makes the procurement process complex and difficult to navigate.
- CCPS does not have an establish supplier performance management process
- CCPS does formally track spend against contracts

Current State Summaries by Targeted Entity

Community Colleges - Summary

The key observations of the procurement function for Wake Tech, Pitt, Central Piedmont, and the NCCC System Office are summarized below.

— Key Observations and Insights —

- Community colleges have delegation of authority ranging from \$10,000 to \$25,000 and source contracts on their own below their delegation of authority
- Community colleges are not required to use Statewide Term Contracts
- The Community College System Office does not source or establish contracts on behalf of the community colleges, key responsibilities are to provide information to the 58 community colleges
- The end users within the community colleges are usually tasked with contract management and monitoring
- Community colleges do not typically have a supplier performance management process in place, the end users within the community colleges are responsible for maintaining the vendor relationship and handling any performance issues
- Community colleges do not utilize any spend analytics tools or reports
- Some community colleges look to other Statewide Term Contracts to gain insights on benchmark pricing, but not all
- Community Colleges conduct spot buys if purchase is under \$5,000
- Reverse auctions are not utilized
- Community colleges submit requisitions in E-Procurement
- Community colleges reported receiving feedback from some vendors that there is confusion around the multiple registrations required for IPS and E-Procurement

Current State Summaries by Targeted Entity

DENR - Summary

The key observations of the procurement function for Department Environmental and Natural Resources (DENR) are summarized below.

— Key Observations and Insights

- DENR has a centralized purchasing structure; purchasing is reactionary based on division needs. Purchasing gives user guidelines for lead time / turnaround time needed to conduct the procurement process.
- DENR developed their own contract management tool called IBEAM, which places contract management ownership on the divisions by allowing them to input and monitor information in the system
- DENR indicated opportunities to improve the coding of transactions in NCAS to allow for more accurate categorizations of spend
- DENR indicated they do not have access to aggregated spend reports across NCAS and E-Procurement, they use IBEAM to track spend
- Utilize spot buys under \$5,000
- Reverse auctions are not utilized
- Requisitioners are expected to check if any item is available through Correction Enterprises, and then Statewide Term Contracts. The requisitions are reviewed by Purchasing to confirm if either is available.
- DENR indicated that they utilize catalogs when available, however they noted that catalogs were more user friendly when first developed
- DENR does support P&C in the area of environmentally preferable products, and indicates that there are opportunities to have a more formal process that supports this area

Current State Summaries by Targeted Entity

DHHS – Summary

The key observations of the procurement function for Department of Health and Human Services (DHHS) are summarized below.

Key Observations and Insights

- DHHS has a central purchasing group called Office of Purchase and Contract Services (OPCS); the procurement group that buys for the mental health institutions, schools and State Lab do not report to OPCS
- OPCS develops formal bids, and has DHHS Legal review all bids prior to posting on IPS. For IT bids, the IT procurement Attorney General will also review prior to posting the bid on IPS.
- DHHS has many sole sourced agreements
- DHHS has approximately 350 Contract Administrators across the program areas; overall, DHHS lacks contract monitoring once contract is awarded by OPCS. Contract management tool has been developed and is now being tested.
- DHHS indicated that there is an opportunity to develop, maintain and consistently use spend category codes that enable appropriate spend analysis
- Utilize spot buys under \$5,000
- Reverse auctions are not utilized
- DHHS indicated that users often utilize free text rather than using catalogs – this would be reduced if requisitioners were automatically directed to catalog based on the commodity code they enter in on the line item
- DHHS would prefer to eliminate charging vendors the E-Procurement fee and identify alternative way to generate revenues to pay for E-Procurement related expenses
- DHHS believes there is opportunity to increase the number items on catalogs
- DHHS indicates in their 2010 Business Plan that they are establishing “divisional centers of excellence, working to strengthen the skills and confidence of divisional staff to manage programs and contracts for results, finding and sharing best practice models, assessing training needs, and providing technical assistance.”

Current State Summaries by Targeted Entity

DOC – Summary

The key observations of the procurement function for Department of Corrections (DOC) are summarized below.

Key Observations and Insights

- DOC operates as a decentralized agency
- DOC 's Correction Enterprise is unique since it has a manufacturing component. DOC also manages a central warehouse, food ordered for the corrections facilities are shipped to the warehouse, then distributed to the various DOC facilities.
- In the privatized maintenance contracts, DOC assigns a Contract Monitor to conduct contract management activities
- DOC utilizes bulk purchase for some goods to consolidate volume (e.g., food items). DOC also buys from producers, manufacturers and brokers in truck loads to obtain volume discounts.
- Main method of understanding vendors' performance is through feedback / complaints from the users. In the privatized maintenance contracts, DOC requires specific reports from the vendors to help monitor their performance.
- DOC indicated there's opportunity to provide better procurement activity and spend reporting
- DOC monitors price indices where appropriate to benchmark prices (e.g., food items)
- Utilize spot buys under \$5,000
- Requisitions are entered onsite at the 200 correctional institutions. Procurement supervisors review reqs. and check to see if Corrections Enterprise supplies item, or if item is on Statewide Term Contract or agency contract. If not, DOC procurement will conduct formal bid on IPS if requisition is over \$10,000.
- DOC has their own internal audit of the procurement function

Current State Summaries by Targeted Entity

DOT – Summary

The key observations of the procurement function for Department of Transportation (DOT) are summarized below.

Key Observations and Insights

- DOT has been delegated the purchasing of aggregate, as well as rail
- DOT has a separate group, called Technical Services, that handles highway construction related spend (engineering and architectural services are included).
- With IT projects greater than \$25,000, DOT IT assigns their own project manager to help address issues
- DOT relies on end users to monitor vendor performance, and the process is not formalized
- Utilize spot buys under \$5,000
- Reverse auctions are not utilized
- Requisitions are automatically generated by SAP for inventory items (based on reorder points). Requisitions take approximately 1-3 days to get routed to the appropriate Purchasing Agent and 1-10 to get turned around.
- Requisitions are fully created and approved in SAP before being processed in E-Procurement, meaning that E-Procurement catalogs are not leveraged
- DOT would like to eliminate charging vendors the E-Procurement fee and identify alternative way to generate revenues to pay for E-Procurement related expenses
- DOT has their own compliance review process

Current State Summaries by Targeted Entity

WRC – Summary

The key observations of the procurement function for Wildlife Resources Commission (WRC) are summarized below.

— Key Observations and Insights

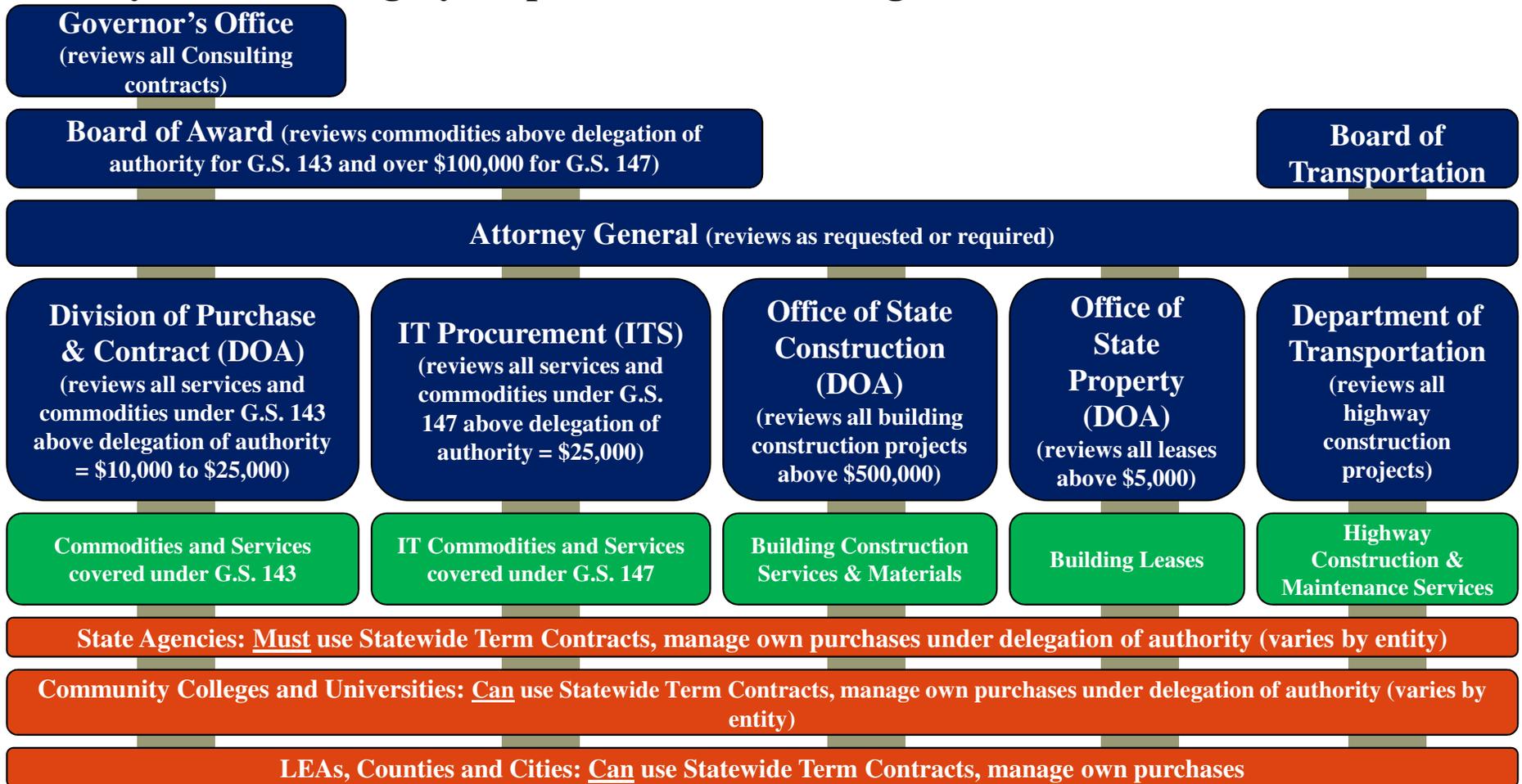
- WRC has a decentralized purchasing structure; purchasing is reactionary based on division needs
- 80% of procurement transactions are for goods. Approximately 75% of all POs are under \$25,000.
- WRC conducts 80 formal solicitations on average per year
- Procurement manages their agency-specific term contracts using a software called “Contribute.” All field users have access to the application and are responsible for the management of these contracts. However, they are not training for proper contract management (e.g., monitoring terms, pricing and SLAs) and come to Procurement with any issues.
- WRC aggregates demand for forestry, lumber, road building, land, etc. to solicit multi-year contracts
- No established vendor service level agreements in place, approximately 75% of the contracts are to address a one-time need. Some WRC divisions track on-time delivery performance.
- WRC program managers within the divisions utilize NCAS to run reports, however the reports do not provide enough detail to meet their spend analytics needs. WRC uses Controllers Office to run reports in NCAS, data is provided to Procurement to run their reports.
- Around 385 Division personnel are issued p-cards to make appropriate purchases under \$2,500. Personnel can also make purchases under \$5,000, but there is an issue with field purchases being reported properly to Procurement.
- Reverse auctions are not utilized
- WRC processes 23,000 transactions per year through E-Procurement, P-Cards and NCAS. They receive and process an average 700 requisitions a year, majority of the requisitions are under \$10,000.
- Procurement conducts 40 compliance reviews per year and each unit is given a rating. If the results are unsatisfactory, Procurement will cut their spending authority. During these compliance reviews, direct invoices, E-Procurement requisitions, eQuotes, P-card usage and workflows are analyzed. Procurement uses a 20% sample size to be more thorough than typical compliance reviews done by P&C.

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Procurement Interaction Points

Under existing statutes, there are multiple interaction points across procurement entities that vary based on category of spend and level of delegation.



Procurement Interaction Points Process Redundancies and Inefficiencies

There are considerable overlap and inconsistencies in processes between P&C and IT Procurement, which adds unnecessary complexity to the overall procurement process.

Process Element	P&C	IT Procurement
Governing Statute	<ul style="list-style-type: none"> G.S. 143 	<ul style="list-style-type: none"> G.S. 147 and G.S. 143
Delegation of Authority	<ul style="list-style-type: none"> Set by State Purchasing Officer Varies by Entity (\$10,000 to \$25,000) Further delegations by category to selected entities 	<ul style="list-style-type: none"> Set by State Chief Information Officer \$25,000 for all entities
Solicitation and Award Process – Goods Above Delegation of Authority	<ul style="list-style-type: none"> Entity create s requisition and submit line items in IPS for P&C to review and conduct solicitation via IPS P&C sends solicitation results to entity for award recommendation Entity submits award recommendation to P&C P&C presents to Board of Award all award recommendations for approval 	<ul style="list-style-type: none"> Entity works with IT Procurement in developing solicitation IT Procurement conduct bids on IPS and sends solicitation results to entity for award recommendation Entity submits award recommendation to IT Procurement Chief Procurement Officer reviews and approves all award recommendations under \$100,000 IT Procurement presents to Board of Award all award recommendations above \$100,000 for approval
Solicitation and Award Process – Services Above Delegation of Authority	<ul style="list-style-type: none"> Entity conducts own solicitation and submits recommended award to P&C for approval State Purchasing Officer reviews all award recommendations Governor’s Office reviews all consulting contracts 	<ul style="list-style-type: none"> IT Procurement is involved in reviewing and approving all solicitations prior to posting Entity utilizes IPS to conduct approved solicitations Entity submits award recommendations to IT Procurement Contract specialist manager reviews all awards up to \$100,000 Chief Procurement Officer reviews all award recommendations over \$100,000
Sole Source Process	<ul style="list-style-type: none"> P&C reviews all sole source requests over \$10,000 	<ul style="list-style-type: none"> IT Procurement reviews all sole source agreements over \$25,000
Legal Review	<ul style="list-style-type: none"> P&C Attorney General representative reviews Statewide Term Contracts over \$1,000,000 	<ul style="list-style-type: none"> IT Procurement Attorney General representative reviews most solicitations prior to posting and contracts prior to award
Terms & Conditions	<ul style="list-style-type: none"> P&C has own set of Terms & Conditions 	<ul style="list-style-type: none"> IT Procurement has own set of Terms & Conditions
Award Approach	<ul style="list-style-type: none"> Low bid that meets specifications 	<ul style="list-style-type: none"> Best value

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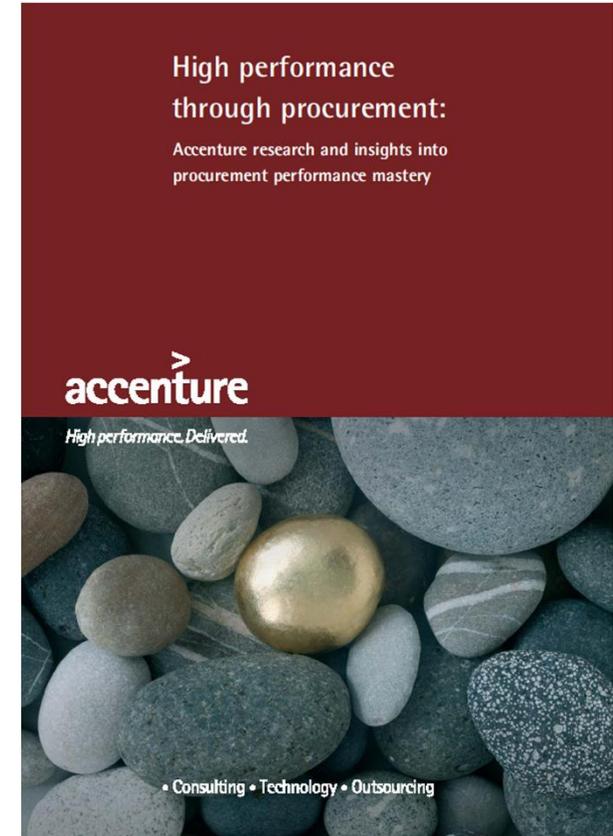
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To help benchmark the State of North Carolina’s procurement function, Accenture utilized its extensive research into the performance of 225 global procurement organizations that identified the traits of procurement “Masters”.

Accenture’s research shows:

- Procurement Masters excel across the board
- Procurement mastery is a clear predictor of high performance through procurement
- Procurement masters achieve higher savings
- Procurement masters face fewer organizational challenges

Bottom Line: Procurement Masters have a clear advantage because they operate more efficiently and effectively.



Procurement Mastery Outcomes Mastery Research Approach

Accenture’s research assessed each surveyed organization’s procurement function along six key dimensions of procurement.

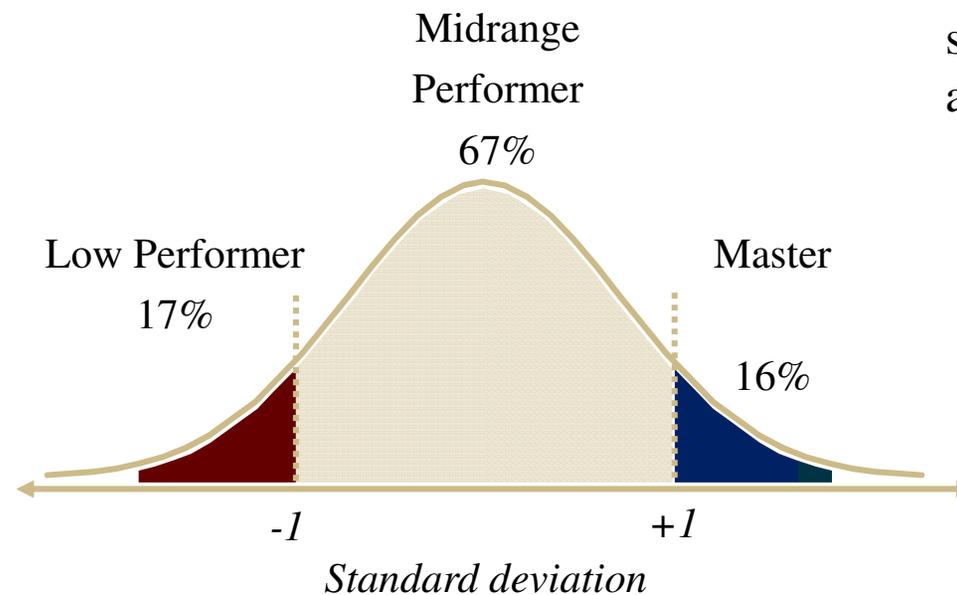


Procurement Mastery Outcomes Mastery Research Approach

Accenture identified the organizations that were one standard deviation above (Masters) and below (Low Performers) the average and compared their behaviors to understand the activities that separated them from one another.

Low Performer: The company's average mastery level is one standard deviation below the average

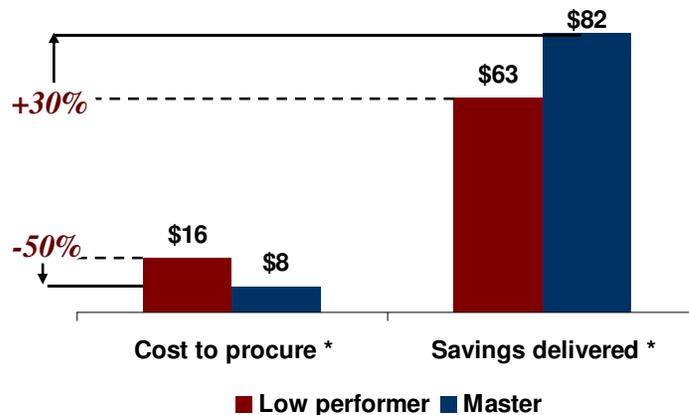
Master: The company's average mastery level is one standard deviation above the average



Procurement Mastery Outcomes Mastery Research Observations

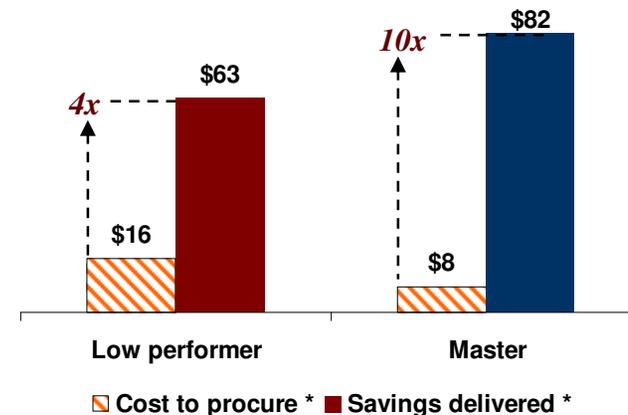
Masters are more efficient and have a 30% higher effectiveness year-on-year, which translates into 10x higher productivity level.

Masters' cost to procure are half as high but provide 30% higher savings vs. low performers



* On US\$1 billion of controlled, normalized spend

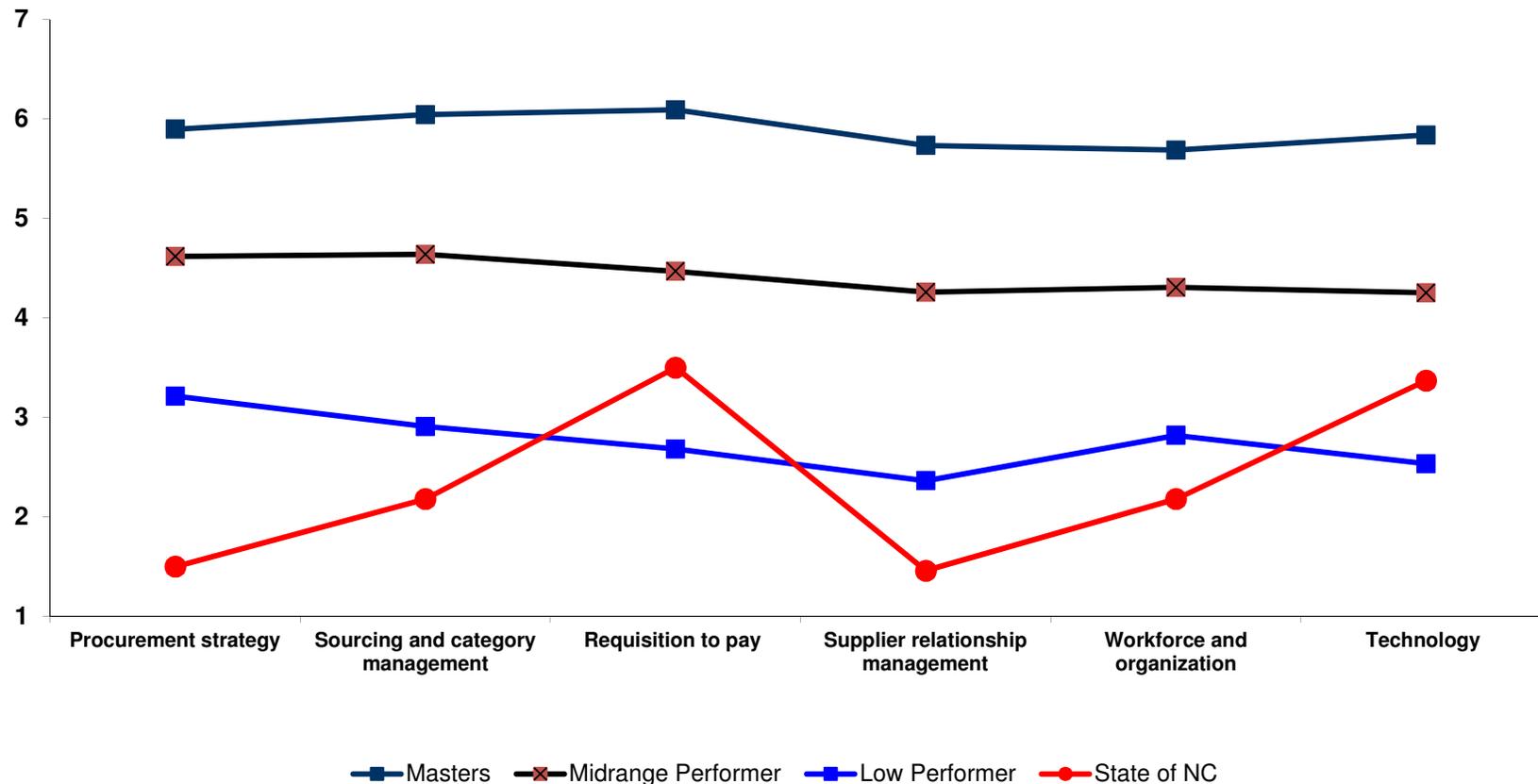
Masters save 10 times as much as it costs them to operate their procurement organizations



* On US\$1 billion of controlled, normalized spend

Procurement Mastery Outcomes Key Findings - Cross Industries

When mapping the State of North Carolina's self-assessed procurement behaviors*, there are significant opportunities for the State to realize benefits through Procurement Transformation across all six dimensions.



* DOA completed the Procurement Mastery survey on behalf of the State

Procurement Mastery Dimensions	State of NC Insights & Supporting Observations	Mastery Scores*	
		State of NC Self Assessment	All Industries- High Performers
1 Procurement Strategy	<ul style="list-style-type: none"> • State of North Carolina currently has a procurement mandate through statutes and procurement policies. • Procurement mandate is fragmented outside of state agencies, with varying degrees of purchasing flexibility for non-state agencies. • Lack of measurement of overall procurement performance. • No multi-year sourcing plan exists to proactively manage the spend. • Sourcing initiatives are launched opportunistically. 	1.5	5.8
2 Sourcing and Category Management	<ul style="list-style-type: none"> • Low bid threshold, the State conducts a fairly standardized bid process, typically focusing on the lowest price that meets specification • Within IT Category, focus is more on best value and sourcing process better accommodates negotiations with vendors. • Sourcing is more tactical / reactive than strategic / proactive • Infrequent use of eQuotes tools, and no use of electronic bids and other eSourcing tools. • Little monitoring or control over maverick spending across the state agencies. • Budget is controlled by Office of State Budget and Management. 	2.3	6.0
3 Requisition to Pay	<ul style="list-style-type: none"> • Currently using NC E-Procurement for requisition to pay process, but separate system handles direct pay transactions. • Catalog content is not helping facilitate purchases from vendor contracts at desired levels. • Complexity of workflow is driving users to purchase goods outside established contracts/catalogs. • Little to no reporting capabilities or processes. • State has a somewhat centralized set of data, however accuracy and duplication of entries in the data tend to be an issue. 	3.5	6.1

* Low Performer Range 1 -2, Mid Performer Range 3 – 5, Master Range 6 - 7

Procurement Mastery Dimensions	State of NC Insights & Supporting Observations	Mastery Scores*	
		State of NC Self Assessment	All Industries- High Performers
4 Supplier Relationship Management	<ul style="list-style-type: none"> The State meets with vendors infrequently to review current state of the business, however there is no standardized Supplier Relationship Management process to segment vendors based on strategic value. Utilize a Vendor Compliant form to understand performance issues, however there is no standard Performance Management process. State does not utilize risk/reward arrangements with vendors to drive high performance and encourage continuous improvement. KPIs are handled manually and individually in each agency. 	1.4	5.7
5 Workforce and Organization	<ul style="list-style-type: none"> End users are assigned to a group of similar categories (in most cases) and conduct bidding, contracting and vendor management across the category. User/buyer responsibilities tend to focus on a tactical/operational skill set. Lack of cross training across categories, very little formalized on the job training. State has some established point of contact within procurement for a variety of contracts – this includes the contact for Statewide Term Contract management. Employee performance management system lack meritocracy and incentives to exceed targets 	2.2	5.6
6 Technology	<ul style="list-style-type: none"> State utilizes a variety of technology platforms for procurement transactions (e.g., NCAS, E-Procurement, SAP – DOT). Currently using user-friendly tools for procurement functions, lack of T&E reporting tools. Vendors are integrated into ordering technology, duplicate vendor records exist, as well as opportunities to improve degree of integration. Lack of automation of invoices throughout the Req-to-pay process, currently manually matching invoices. Master procurement data exists to date, however data contains some errors and is lacking in overall quality. 	3.4	5.8

* Low Performer Range 1 -2, Mid Performer Range 3 – 5, Master Range 6 - 7

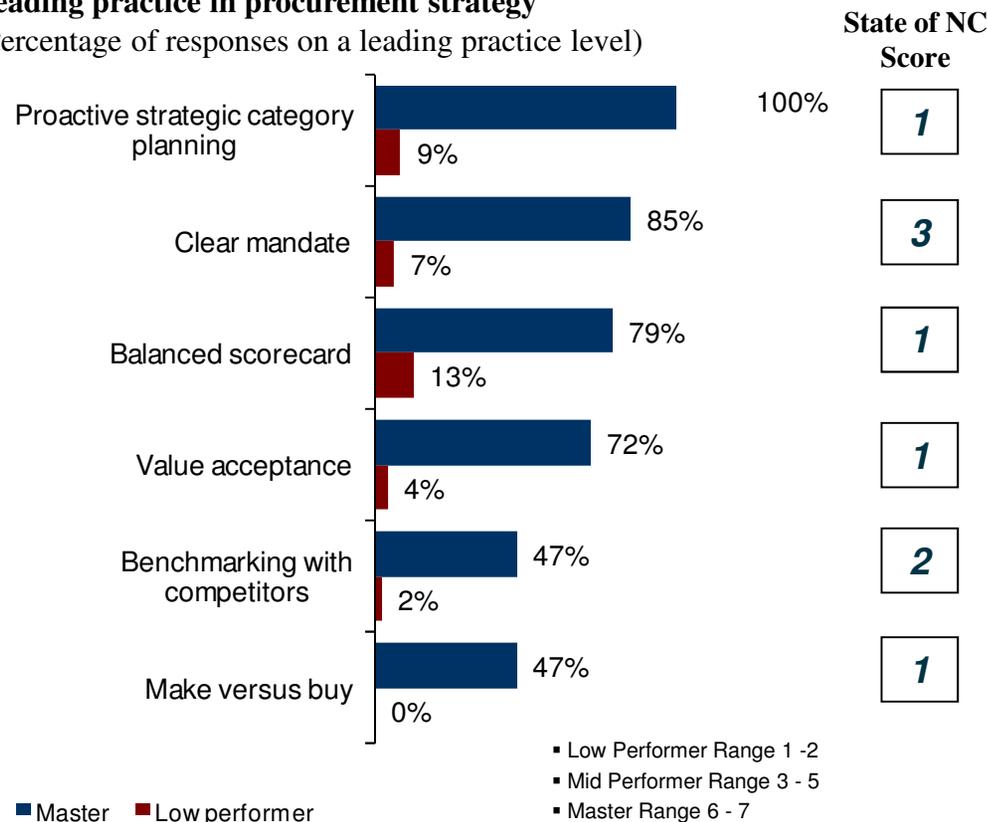
Procurement Mastery Outcomes

Procurement Strategy

Masters systematically apply a strategic approach to purchasing, aligning it to the business needs and proactively managing relationships.

Leading practice in procurement strategy

(Percentage of responses on a leading practice level)

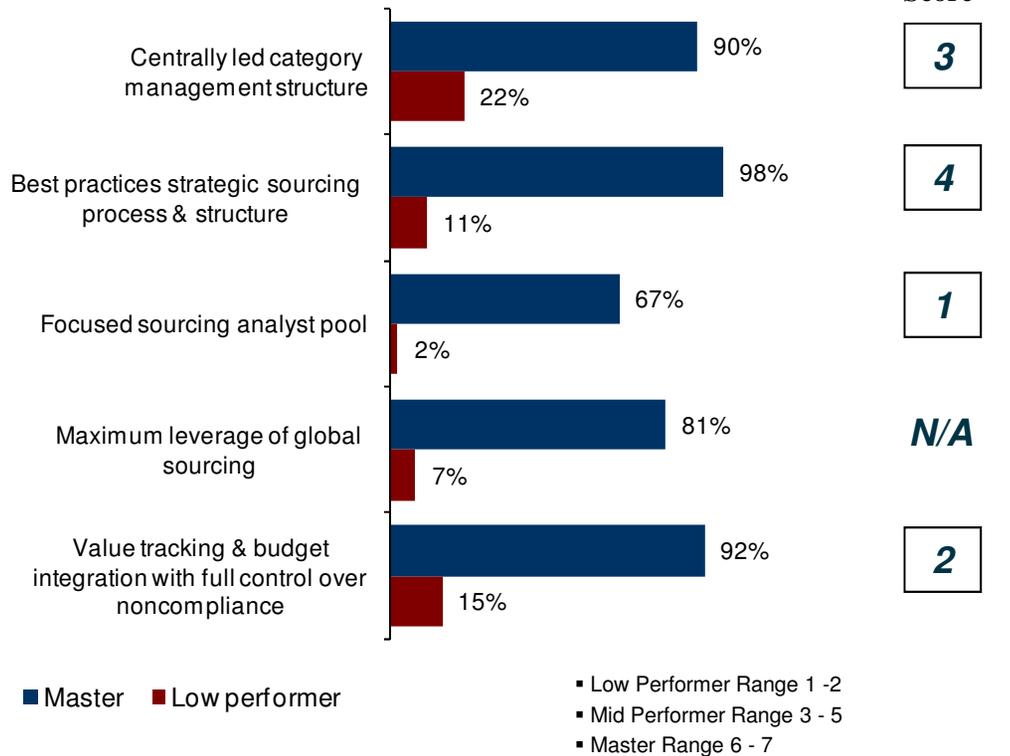


- Masters undertake strategic category planning proactively for critical business categories (e.g., looking at future business needs/identifying trends to plan vendor selection strategy/relationship to guarantee supply at the right cost)
- Masters have a clear mandate from top management and full accountability to achieve big business impact (e.g., innovation, cost reduction)
- A large majority of the masters measure procurement performance using a balanced scorecard; a clear definition of value is shared throughout the company to drive purchasing decisions.

Procurement Mastery Outcomes Sourcing and Category Management

Masters leverage centralization and cross-functional perspectives to provide leading practice sourcing & category management.

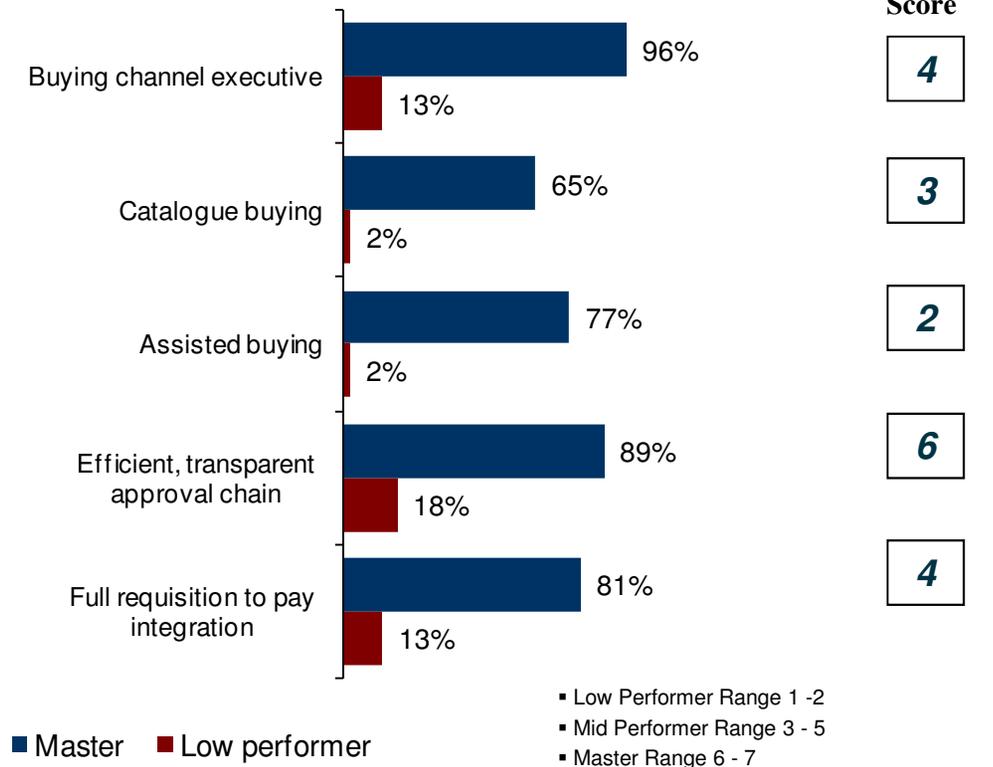
Leading practice in sourcing and category management
(Percentage of responses on a leading practice level)



- Masters have implemented a centrally guided category management structure, which cuts across organizational entities.
- Masters have a leading practices strategic sourcing process and structure in place that includes:
 - Cross-functional sourcing teams defining for a given category-project the optimal sourcing strategy, running the supplier selection and implementing the contracts.
 - Formal tracking of the execution of the project against key milestones.
 - Use of category boards that typically hold senior people from different technical and user-departments on top of Procurement organization and project leadership.

Masters invest in efficient and transparent approval chains, using assisted buying concepts.

Leading practice in requisition to pay
(Percentage of responses on a leading practice level)

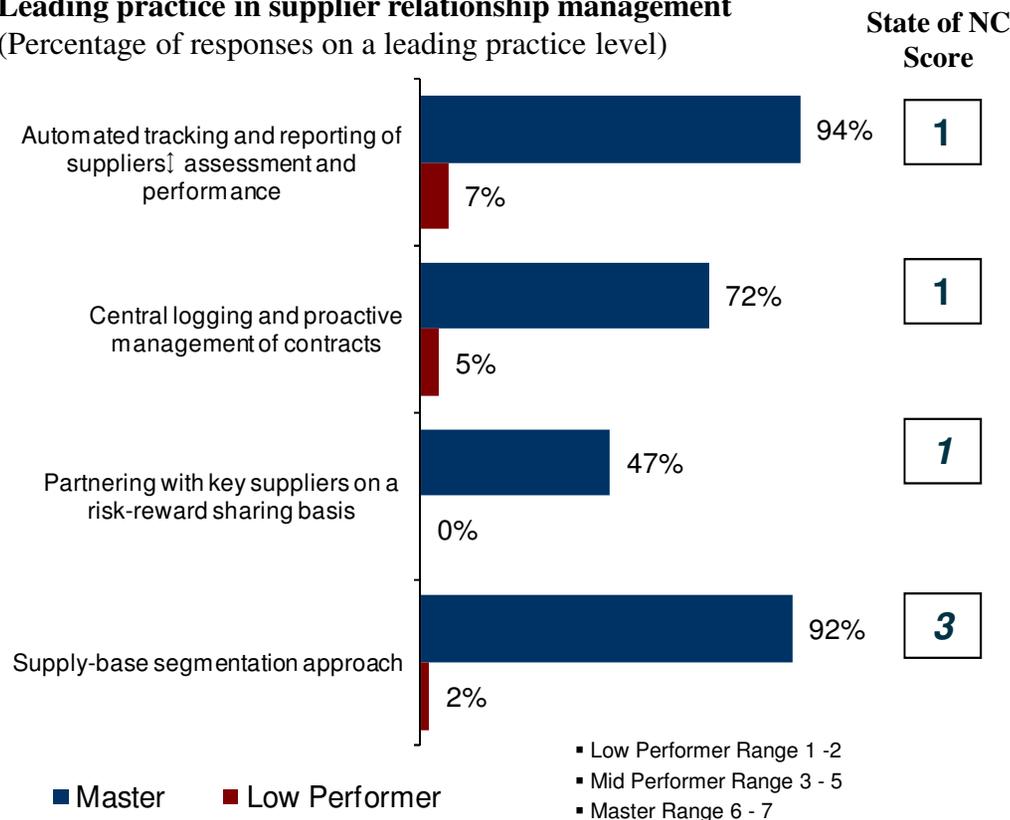


- Most of the masters provide clear and documented buying channels to the end-user. Category specific processes are defined, transparent and consolidated through buying portals. Masters have higher share of catalogue buying and approval chains that are efficient and transparent.
- Masters focus and learn from assisted buying to improve their requisition to pay efficiency and effectiveness continuously and drive towards further reduction of “spot” buys.
- Many of the masters manage the process from requisition to payment fully integrated and strongly automated

Procurement Mastery Outcomes Supplier Relationship Management

Masters combine a strategic approach to segmentation with an automated vendor performance assessment.

Leading practice in supplier relationship management
(Percentage of responses on a leading practice level)



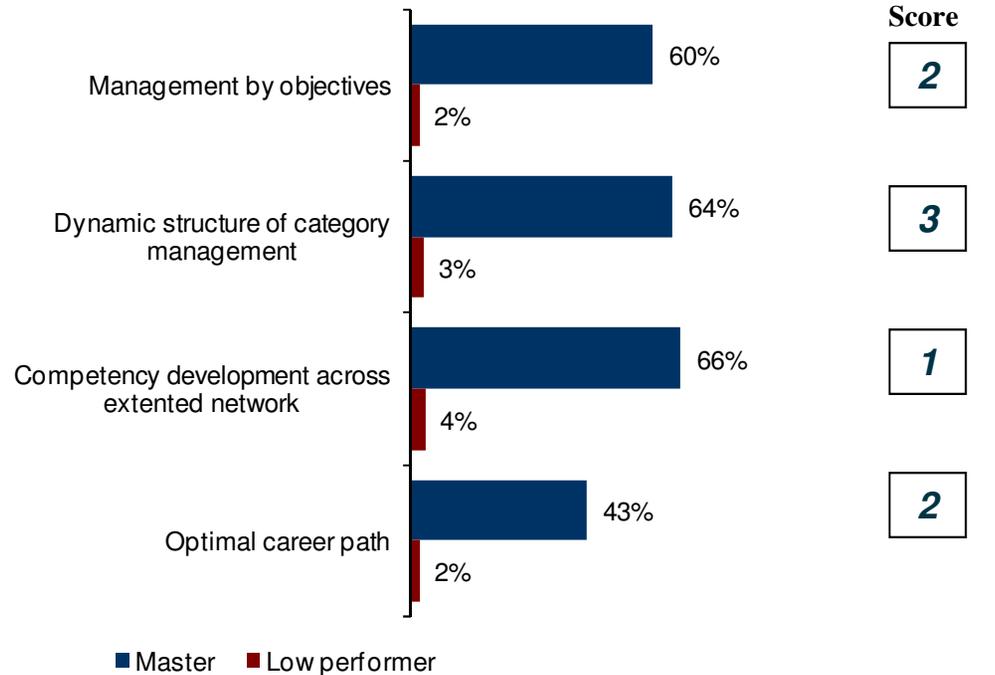
- Masters excel over low performers in that they apply a supply-base segmentation strategy, implementing differentiated approaches by vendor segments and tiers.
- Masters focus on key vendors and establish with them long-term partnering agreements.
- Masters centrally log contracts and proactively manage contract information and compliance data.
- Tracking and reporting vendors' performances and assessment is an area of improvement for masters.

Procurement Mastery Outcomes Workforce and Organization

Masters manage by objective and successfully address dynamic category management.

Leading practice in Procurement workforce

(Percentage of responses on a leading practice level)

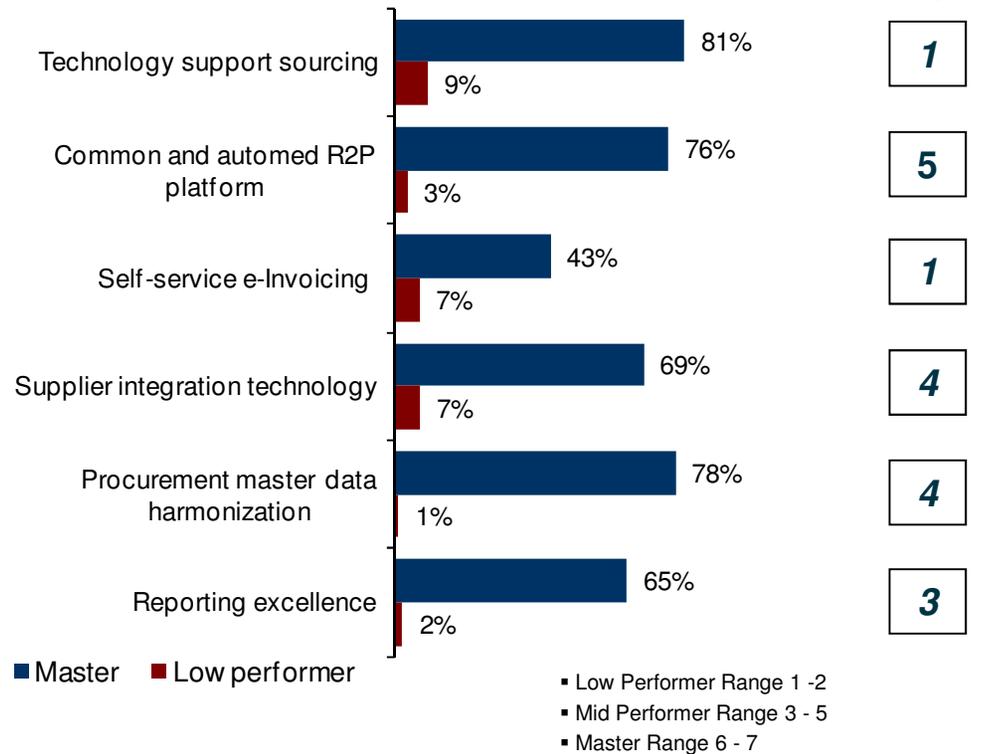


- Low Performer Range 1 -2
- Mid Performer Range 3 - 5
- Master Range 6 - 7

- Most of the masters indicate that they have a clear practice of management by objective. Targets are agreed upon at the highest level and cascaded down to the different teams and individuals.
- Most of the masters have implemented a structure of centrally-led category management.
- Success in sourcing and category management is driven by clear specialization, both in terms of categories and in terms of process.

Masters use common and automated technology which also supports the sourcing process and can provide easy reporting.

Leading practice in technology
(Percentage of responses)



- The importance of a common and automated technology supporting requisition to payment is highly regarded by the masters. Most of them have the integrated platform in place and have achieved to a high degree procurement master data harmonization.
- Masters are heavily supporting their sourcing process with technology to keep collaboration and knowledge sharing high.
- The value of user friendly ad hoc reporting capabilities is seen by most of the masters who deployed technology allowing timely reports driven transparency into the organization.

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Procurement Related Statutes and Policies

This section contains a listing of the procurement related statutes, administrative codes and executive orders based on information received from targeted entities and workshops with the legal representatives from DOA, P&C and IT Procurement.

—Key Observations—

- No current comprehensive listing of procurement related statutes, administrative codes, and executive orders exists
- Procurement related sections with Statutes are spread across numerous areas, making understanding how to procure goods and services more complex
- Several statutes reduce the ability of the procurement function to drive best value outcomes efficiently and effectively (e.g., special interest group based legislation)
- Limited to no value added processes are required in statute (e.g., Board of Award, Governor’s Office review of consulting contracts)

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
1	On-site and State-Stat Performance Management and Accountability	Executive Order 3	Directs the State of North Carolina to establish a comprehensive performance and budget system that will incorporate various performance management and accountability techniques. This system should be developed following a review of best practices from other states.
2	Open book Government for North Carolina	Executive Order 4	Directs The Office of State Budget and Management (OSBM), with the support of Information Technology Services (ITS), to build and maintain a website to be called NC Open Book; a single, searchable website on State spending for grants and contracts. All State contracts and grants awarded in amounts in excess of \$10,000 shall be included in the NC Open Book website.
3	Establishing the North Carolina Budget Reform and Accountability Commission (BRAC)	Executive Order 5	Establishes the North Carolina Budget Reform and Advisory Commission (BRAC) to help ensure that the services and programs provided by State government are meeting established public goals in the most effective, efficient and measured way. This means that the operations of State government are streamlined and improved to achieve cost savings without sacrificing core missions and services; and that policies and laws support these goals.
4	Support for Historically Underutilized Businesses	Executive Order 13	Directs support for historically underutilized businesses (HUB). Each executive branch agency should strive to increase the total amount of goods and services acquired by HUB firms, whether directly as principal contractors or indirectly as subcontractors or otherwise. It is expected that each agency will issue an aspirational goal of at least ten percent (10%), by dollar amount, of the State's purchases of goods and services that will be derived from HUB firms.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
5	Gift Ban	Executive Order 24	States that is in illegal for any State employee to receive or accept a gift of any value from a contractor.
6	Enhanced Purchasing Opportunities for North Carolina Businesses	Executive Order 50	<p>The State of North Carolina will enhance purchasing opportunities for North Carolina businesses. The key provision of the Order directs the Secretary of Administration to “develop a price-matching preference for North Carolina resident bidders on contracts for the purchase of goods so that qualified North Carolina companies whose price is within five percent (5%) or \$10,000.00 of the lowest bid, whichever is less, may be awarded contracts with the State of North Carolina.”</p> <p>EO 50 does not apply to services or items under G.S. 147. Several exemptions have also been granted to this rule (e.g., concrete, aggregate, etc.)</p>
7	Construction indemnity agreements invalid	G.S. 22B-1	States that construction indemnity agreements are against public policy and are void and unenforceable. Does not apply to contracts entered into by DOT.
8	Contracts to improve real property	G.S. 22B-2	States that a provision in any contract for improvement of property in NC is void and against public policy if it makes the contract subject to the laws of another state.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
9	Contracts with forum selection provisions	G.S. 22B-3	States that a provision in any NC contract that requires the prosecution or arbitration of any action to be heard in another state, is against policy and is void.
10	Contract provisions waiving jury trial unenforceable	G.S. 22B-10	States that a provision in any NC contract that requires a party to waive his right to a jury trial is unenforceable.
11	Uniform Commercial Code	G.S. 25-1-201	Includes government and agency in the definition of person. Readers should closely examine each provision to determine applicability to particular transactions.
12	Performance Bond - Bonds Required	G.S. 44A-26	States that when a construction contract exceeds \$500,000, a performance and payment bond is required for all State departments, agencies and the UNC (including their constituents).
13	Professional Corporation Act	G.S. 55-B	Applies to professional corporations and outlines the powers and privileges of such corporations. Also states the duties, restrictions and liabilities of corporations.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
14	General laws apply to Authority; exceptions	G.S. 63A-24	States that North Carolina Global TransPark Authority is exempt from the general statutes of Chapter 143, Article 3 and Article 8. Also states that Chapter 146 does not apply to the Authority (except for G.S. 146-29.1, 146-79 and 146-80).
15	Umstead Act - Sale of merchandise or services by governmental units	G.S. 66-58	Known as the Umstead Act. Prohibits the State from competing with the private industry. Continues to list numerous exceptions to this rule; see the statute for exceptions.
16	Powers of Council	G.S. 84-23	Explains the limitations on contracts made by the State Bar.
17	Engineering and Land Surveying	G.S. 89-C	Creates a State Board of Examiners for Engineers and Surveyors and specifies the qualifications, compensation, organization and powers of the board. Also specifies duties and liabilities of specific board member roles such as the Executive Director and the Secretary. Also states that it shall be unlawful for any one person to practice or to offer to practice engineering or land surveying in this State. Unless a person has been licensed, it is also unlawful to use the person's name to advertise any title or description that indicates that the person is either a professional engineer or a professional land surveyor,
18	Attorney General to Review Certain Contracts	G.S. 114-8.3	Mandates that the Attorney General must review all proposed statewide and agency term contracts that exceed \$1,000,000 except for those meant for the University of North Carolina and its constituents. In these cases, the General Counsel of each institution shall review.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
19	Purchase of Equipment & Supplies (Public Schools)	G.S. 115C-47(23)	States that the local boards of education shall have the power and duty to contract for equipment and supplies under G.S. 115C-522(a) and G.S. 115C-528.
20	Purchase of Lease and Installments (Public Schools)	G.S. 115C-47(28)	States that the local boards of education may enter into lease purchases as provided in G.S. 115C-528.
21	Procurement of Textbooks & Other Instructional Materials-LEAs (Public Schools)	G.S. 115C-98	Mandates that the local boards of education must adopt policies of the State Board of Education when purchasing textbooks locally. However, allows the local boards of education to create their own policies concerning the procedures for the selection and procurement of supplementary textbooks and materials.
22	Provision of Equipment for Buildings	G.S. 115C-522(a)	States that it shall be the duty of local boards of education to purchase or exchange all supplies, equipment, and materials, and these purchases shall be made in accordance with Article 8 of Chapter 143 of the General Statutes. Also allows for these purchases to be made from contracts made by DOA but does not mandate.
23	Lease purchase and installment purchase contracts for certain equipment	G.S. 115C-522.1	N/A - Repealed by Session Laws 2003-147

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
24	Lease purchase and installment purchase contracts for certain equipment (Public Schools)	G.S. 115C-528	States that the local boards of education may purchase or finance automobiles; school buses; mobile classroom units; food service equipment, photocopiers; and computers, computer hardware, computer software, and related support services by lease purchase contracts and installment purchase contracts. Also provides criteria for entering into such purchases/agreements.
25	Requires Community Colleges to purchase through contracts made by or with the approval of P&C.	G.S. 115D-58.5	When purchasing supplies, equipment, and materials this statute directs that each State institution shall be governed by contracts made by or with the approval of the Purchase and Contract Division within the Department of Administration.
26	Community Colleges Purchasing flexibility	G.S. 115D-58.14	This statute is a section within House Bill 490 / S.L. 2009-132 Community colleges may purchase supplies, equipment, and materials from noncertified sources that are available under State term contracts, subject to the following conditions: <ul style="list-style-type: none"> - The purchase price, including the cost of delivery, is less than the cost under the State term contract - The cost of the purchase shall not exceed \$25,000 - The items are the same or substantially similar in quality, service, and performance as items available under State term contracts
27	Special responsibility constituent institutions (Higher Education)	G.S. 116-30.1	Designation of one of more UNC institutions' management staff and internal financial controls as responsible for administering any additional management authority and discretion delegated to them. Applies to UNC institutions.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
28	Power of Board regarding certain purchasing contracts (Higher Education)	G.S. 116-31.10	States that not one UNC institution shall ever exceed \$500,000 in a single purchase/bid. Allows for the Board of Governors (with consultation from P&C and the Director of the Budget) to set the benchmark for each UNC institution according to capabilities and compliance. Mandates that each purchase greater than \$250,000 must be submitted to P&C for approval.
29	Construction Related Statute (Higher Education)	G.S. 116-31.11	Describes the power of the UNC Board regarding certain fee negotiations, contracts, and capital improvements. Sets requirements for the design, construction, or renovation of buildings, utilities, and other property development by UNC for expenditures of \$2 million or less. Applies to UNC Board only.
30	Acquisition of real property by lease (Higher Education)	G.S. 116-31.12	Allows all UNC Institutions to lease property for 10 years or less.
31	Management flexibility (Higher Education)	G.S. 116-40.22	States that UNC institutions can be granted management flexibility by the Board of Governors. 'Management flexibility' includes: <ul style="list-style-type: none"> - The appointment of senior personnel (including compensation), - Provide recommendations on tuition and fees and - Establish policies and rules governing IT and telecommunications programs at the institution.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
32	Compensation of State employees	G.S. 126-7	It is the policy of the State to compensate its employees at a level which encourages high performance to maintain the competitiveness necessary to recruit and retain a competent work force. To encourage this, salary increases to State employees shall be implemented through the 'Comprehensive Compensation System' based upon the individual performance of each State employee. The Comprehensive Compensation System shall combine salary increases and awards into an interrelated system of compensation that furthers the recruitment, retention, career service, and outstanding performance of State employees. The statute continues to outline the components of the 'Comprehensive Compensation System' stating at the end that "The level of the performance bonus allocation shall not exceed two percent (2%) of the total employee payroll."
33	Specifications to carry competitive items; substitution of materials	G.S. 133-3	Describes the required specifications for competitive items and outlines when it is acceptable to substitute an item specification for a brand name specification so long as they cite three or more examples of items of equal design. However, if three examples cannot be cited then as many items that are available should be cited.
34	Regulation of Contractors for Public Works Definitions	G.S. 133-23	Outlines the regulation of contractors working on public contracts for construction or repair or for the procurement of goods or services.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
35	DOT Authority	G.S. 136-18	<p>States that the Department of Transportation with the following (procurement related) powers:</p> <ul style="list-style-type: none"> - purchase any road/highway, tract of land or other property that may be necessary for a State transportation system - purchase land for the construction and maintenance of ridesharing parking lots - encourage the purchase or use of reusable, refillable, repairable, more durable, and less toxic supplies and products
36	DOT Contracts Letting of contracts to bidders after advertisement; exceptions.	G.S. 136-28.1	<p>Describes the bidding process for Department of Transportation contracts over \$1.2M. Also explains the exceptions to the formal bidding process which include:</p> <ul style="list-style-type: none"> - The construction, maintenance, and repair of ferryboats and all other marine floating equipment and the construction and repair of all types of docks - The construction, maintenance, and repair of the highway rest area buildings and facilities, weight stations and the construction of welcome center buildings
37	Purchases and Contracts	G.S. 143 Article 3	<p>The various sections under this article describe DOA's authority and responsibilities. Procurement related Article 3 statutes are G.S. 143-48 through 143-64.</p>

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
38	Requirements for certain building contracts	G.S. 143-128	Explains the requirements for certain building contracts. Outlines the preparation of specifications, construction methods allowed, project reporting requirements, requirements for separate prime and single prime contracts, dispute resolution and exceptions to this rule. Also mandates mediation of building subcontractor claims.
39	Minority business participation administration Construction Related Statute	G.S. 143-128.3	All public entities must report to HUB the use of minority businesses for construction methods including total dollar value, the value of projects, and the business category .
40	Historically underutilized business defined, statewide uniform certification	G.S. 143-128.4	Outlines the conditions that must be met in order for an organization to be considered a 'Historically Underutilized Business'. Also states that the Secretary of Administration will develop, maintain and administer a HUB certification program.
41	Procedure for letting of public contracts	G.S. 143-129	Outlines the procedures for bidding, advertising, letting, executing, and securing contracts. Applies to all boards, governing bodies of the state, institutions and political subdivisions of the state.
42	Exemption of General Assembly from certain purchasing requirements	G.S. 143-129.3	Exempts purchases, made by the General Assembly, of data processing and data communications equipment, supplies and services under the provisions of GS 143-129 and Article 3.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
43	Purchases from nonprofit work centers for the blind and severely disabled	G.S. 143-129.5	Allows for a city, county, or other governmental entity to purchase goods and services (under the provisions of GS 143-129 and Article 3) directly from work centers for the blind and/or severely disabled.
44	Purchase of information technology goods and services	G.S. 143-129.8	Allows for the contracting of IT goods, design, installation, training, operation, maintenance, and related services through "request for proposal". Applies to all political subdivision of the State.
45	Alternative competitive bidding methods	G.S. 143-129.9	Allows for the use of alternatives bidding methods such as, reverse auctions and electronic bidding. Applies to any political subdivision of the State (e.g., local governments)
46	When counties, cities, towns and other subdivisions may let contracts on informal bids.	G.S. 143-131	Describes when counties, cities, towns, and other subdivisions may let contracts on informal bids. Contracts for construction or repair or for the purchase of apparatus, supplies, materials, or equipment for amounts between \$30,000 and \$500,000 may be awarded through informal bids.
47	Applicable to Department of Transportation and Department of Correction; exceptions.	G.S. 143-134	Allows for the repair or construction of buildings by transportation employees and/or prison inmates when it is deemed more economical than letting a contract. Applicable to Dept. of Transportation and Dept. of Correction.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
48	State policy; cooperation in promoting the use of small, minority, physically handicapped and women contractors; purpose.	G.S. 143-135.5	Dictates that it is State Policy to cooperate in promoting and encouraging the use of small, minority, physically handicapped, and women contractors in State construction projects. Applies to State agencies, institutions and political subdivisions.
49	"Best Value" Procurements	G.S. 143-135.9	Specifies the selection of a contractor based on a determination of which proposal offers the best trade-off between price and performance, where quality is considered an integral performance factor. Applies to all State agencies
50	Board of Awards Review for Information Technology	G.S. 143-33.101	States that when the dollar amount for an IT purchase exceeds the established State CIO benchmark, the contract must be reviewed and approved by the Board of Awards. Also mandates that the agency's Director of the Budget must review and approve the purchase prior to submitting to the Board of Awards for approval.
51	Meetings of Public Bodies; Exceptions	G.S. 143-318.18	States that Article 33C does not apply to the Board of Awards. Article 33C states that the public bodies that administer legislative, policy-making, quasi-judicial, administrative, and advisory functions of North Carolina must conduct all hearings, deliberations, and actions openly.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
52	Powers & Duties of the Secretary of Administration - Purchase and Contract	G.S. 143-341	Gives the Department of Administration the authority and duties of the Purchase and Contract division.
53	Purchases and Contracts – Article 3 State policy; cooperation in promoting the use of small contractors, minority contractors, physically handicapped contractors, and women contractors; purpose; required annual reports.	G.S. 143-48	<p>Dictates that it is State Policy to cooperate in promoting and encouraging the use of small, minority, physically handicapped, and women contractors in State purchasing of goods and services. Also states that every governmental entity that receives an appropriation of \$500,000 or more during a fiscal year is required to report to the Department of Administration annually on:</p> <ul style="list-style-type: none"> - What percentage of its contract purchases of goods and services were from minority owned businesses, - What percentage from female owned businesses, - What percentage from disabled owned businesses, - What percentage from disabled business enterprises and - What percentage from nonprofit work centers for the blind and the severely disabled <p>The Department of Administration must provide instructions to the reporting entities concerning the manner of reporting and requirements.</p>
54	Procurement program for nonprofit work centers for the blind and the severely disabled.	G.S. 143-48.2	Outlines the guidelines for purchasing from nonprofit work centers for the blind and severely disabled. Also allows for these work centers to be exempt from G.S. 143-52.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
55	Electronic Procurement	G.S. 143-48.3	States that the Department of Administration will develop and maintain an electronic procurement system.
56	Powers and duties Secretary	G.S. 143-49	Make contracts made through the Department of Administration available to a variety of entities, including cities, towns, counties, governmental entities, etc. (non-state agency program).
57	Availability of term contracts to certain non-profit volunteer groups and private colleges & universities	G.S. 143-49(6)	Allows for a variety of nonprofit State corporations to use the services of the Department of Administration when purchasing materials, supplies and equipment.
58	Purchases by volunteer nonprofit fire departments, lifesaving, and rescue squads	G.S. 143-49.1	Allows any State volunteer nonprofit fire department, lifesaving and rescue squad to purchase gas, oil and tires for their official vehicles and any other materials and supplies under State contract through the Department of Administration.
59	Competitive bidding procedure; consolidation of estimates by Secretary	G.S. 143-52	Describes the competitive bidding procedure the Secretary of Administration will follow when the total commodity requirements exceed the established benchmark. Also states that the Secretary will gather and consolidate requirements for any given commodity to determine whether a statewide term bid is required.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
60	Board of Awards	G.S. 143-52.1 Senate Bill 425 / S.L. 2009-474 NC Administrative Code Title 1, Chapter 5B, Section .1518	Creates a Board of Awards and outlines the following: <ul style="list-style-type: none"> - Number of members required - Appointment of members - Frequency of meetings - When to meet - Appointment of the Secretary of Administration - Reports on Board recommendations
61	Setting of benchmarks; increase by Secretary.	G.S. 143-53.1	Outlines when delegation levels for all state entities can be increased and by how much. Also indicates that increases can only be approved by the Secretary of Administration.
62	The purchasing delegation for securing offers	G.S. 143-53(a)	States that the purchasing delegation for securing offers (excluding the special responsibility constituent institutions of The University of North Carolina), for each State department, institution, agency, and community college shall be determined by the Director of the Division of Purchase and Contract. The Director for the Division of Purchase and Contract may set or lower the delegation, or raise the delegation upon written request by the agency, after consideration of their overall capabilities, including staff resources, purchasing compliance reviews, and audit reports of the individual agency. The routine prescribed by the Secretary shall include contract award protest procedures and consistent requirements for advertising of solicitations for securing offers.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
63	Special provisions for the purchase of goods and services necessary to meet the requirements of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990	G.S. 143-53(b)	Requires the Secretary of Administration to adopt rules that included special provisions for the purchase of goods and services necessary to meet the requirements of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990
64	UNC Service Contracts	G.S. 143-53(d)	States that UNC may solicit bids for service contracts, that last for 10 years or less, without prior approval from the State Purchasing Officer.
65	Required Use of Statewide Term Contracts	G.S. 143-55	States that all departments, institutions and agencies must purchase supplies, materials and equipment from statewide term contracts if available. Exemptions to the rule do exist such as, the acquisition of supplies, materials, goods, equipment, or services using funds from the American Recovery and Reinvestment Act of 2009.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
66	Certain purchases excepted from provisions of Article 143.	G.S. 143-56	<p>Outlines purchasing exceptions of Article 143. The purchase of supplies, materials and equipment through the Secretary of Administration shall be mandatory (unless otherwise ordered) in the following cases:</p> <ul style="list-style-type: none"> - Published books, manuscripts, maps, pamphlets and periodicals. - Perishable articles such as fresh vegetables, fresh fish, fresh meat, eggs, and others as classified by the Secretary of Administration. <p>The following cases are where purchasing through the Secretary of Administration is not mandatory:</p> <ul style="list-style-type: none"> - Information Technology under Chapter 147, Article 3D - Purchases under the established benchmark - Group purchases made by hospitals, etc - UNC Healthcare System, Hospitals or on behalf of clinical patients - or by ECU on the behalf of the Medical Faculty Practice Plan
67	Purchases of articles in certain emergencies	G.S. 143-57	Allows the Secretary of Administration to obtain or authorize the obtainment of any necessary supplies, materials or services in the open market in the case of an emergency.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
68	Furniture requirements contracts	G.S. 143-57.1	Directs DOA to award each state furniture requirements contract (for case goods, classroom furniture, bookcases, ergonomic chairs, office swivel and side chairs, computer furniture, mobile and folding furniture, upholstered seating, commercial dining tables, and related items) on a multiple award basis to ensure agencies have access to sufficient sources of furniture supply and service. Also provides the agencies with the necessary flexibility to obtain furniture that is compatible with their interior architectural design and needs. Provides small and disadvantaged businesses additional opportunities to participate on State requirements contracts. Also aims to restore the traditional use of multiple award contracts for purchasing furniture requirements.
69	Preference given to North Carolina products and citizens, and articles manufactured by State agencies; reciprocal preferences	G.S. 143-59	Gives preference to North Carolina products, citizens and articles as long as quality and price are not sacrificed. Also allows for reciprocal preference which states that, as long as the NC organizations is within a certain percentage of the lowest bid, preference should be given to the in-state company.
70	Preference given to products made in United States	G.S. 143-59.1A	States that if preference cannot be given to a North Carolina product or service, preference should then be given to a United States manufactured good or service given there is no sacrifice or loss in price or quality.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
71	Beverages Contracts – special competitive procedures	G.S. 143-64	Gives LEA's, Community Colleges and institutions of UNC the ability to competitively bid contracts that involve the sale of juice or bottled water.
72	Surplus Property	G.S. 143-64.01 through 143-64.7	States that the Department of Administration may delegate the power and authority over federal surplus property to any state employee as long as such power is reasonable and proper for the current administration. Also outlines the powers and duties of the State agency over surplus property.
73	Contracts to Obtain Consultant Services - Governor's approval required	G.S. 143-64.20	States that no agency can contract to obtain consulting services without approval from the Governor. This approval must be in writing and maintained for at least 5 years.
74	Procurement of Architectural, Engineering, and Surveying Services (DOA)	G.S. 143-64.31	Requires all state public subdivisions and local governmental units to provide all requirements for architectural, engineering, surveying and construction management services to select firms qualified to provide the service based on demonstrated competence and qualification. Allows for the negotiation of a contract for those services without regard to fee.
75	Architectural, Engineering, and Surveying Services (DOA) Exemptions	G.S. 143-64.32	States that the Department of Transportation may be exempt from certain provisions of Article 143 if they provide the reasoning in writing.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
76	Advice in selecting consultants or negotiating consultant contracts	G.S. 143-64.33	Allows for the Department of Transportation and the Department of Administration to provide advice for architectural, engineering, or surveying contracts.
77	Purchase of supplies, material and equipment and building contracts	G.S. 143B-465	States that all of the provisions of Article 3 of Chapter 143 of the General Statutes relating to the purchase of supplies, material and equipment by the State government are applicable to the North Carolina State Ports Authority. Also all provisions of Chapter 143 regarding public building contracts are also applicable to the Ports Authority.
78	No expenditures for purposes for which the General Assembly has considered but not enacted an appropriation; no fee increases that the General Assembly has rejected	G.S. 143C-6-5	States that funds cannot be given / allocated for any new or expanded purpose. Excludes funds: for gifts and grants, allocated from the Repair and Renovations Account, allocated from the Contingency and Emergency Fund, and funds exempted from Chapter 143C. Goes on to state that no fee is allowed to be increased if the General Assembly has rejected the increase of that fee for the current fiscal.
79	State agencies may incur financial obligations	G.S. 143C-6-8	States that State agencies are allowed to incur financial obligations as long as they have been authorized by the Director of Budget and funds are available.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
80	All acquisitions to be made by Department of Administration.	GS 146-22	Requires that every acquisition of land made by any State agency must be made by the Department of Administration and approved by the Governor and Council of State.
81	Project Approval Standards	G.S. 147-33.72C	Describes the role of the State Chief Information Officer from an IT project management, review and approval perspective. Continues to outline requirements for IT project implementations, quality assurance and performance review / accountability for contractors.
82	IT Procurement procedures and cost savings	G.S. 147-33.72F	This statute is a section within Senate Bill 991 / S.L. 2004-129. Allows for the Office of Information Technology Services to establish procedures for the procurement of information technology. This Article does not apply to the General Assembly, the Judicial Department, or The University of North Carolina and its constituent institutions.
83	Procurement of Information Technology	G.S. 147-33.95	This statute is a section within Senate Bill 991 / S.L. 2004-129. Grants the Office of Information Technology Services the authority to purchase all information technology for State agencies. Continues to further outlines the authority and responsibilities of the Office.
84	Exempt agencies	G.S. 147-33.80	States that North Carolina Universities are exempt from the requirements outlined in the IT Services statutes (Chapter 147, Article 3D). However, they may elect to participate in any of the IT programs, services or contracts offered as long as the statutes and policies are abided.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
85	Functions of the Office of Information Technology Services	G.S. 147-33.82	States that local governmental agencies / community colleges may participate in any of the IT programs, services or contracts offered as long as the statutes and policies are abided.
86	Information technology procurement policy; reporting requirements.	G.S. 147-33.97	In alignment with the State's policy of promoting HUB businesses, IT Procurement will also encourage the use of small, minority, physically handicapped and woman contractors. Continues to outline the reporting requirements for State agencies when they make a direct purchase of IT using the services of IT procurement.
87	Unauthorized use of public purchase or contract procedures for private benefit prohibited.	G.S. 147-33.98	Mandates that it is illegal for any person to purchase, attempt to purchase, procure, or attempt to procure any property or services for private use or benefit. Continues to list exceptions to this rule.
88	Cash Management for the State	G.S. 147-86.11	Outlines the cash management procedures for the State. Starts with specifying the uniform plan to follow and continues to describe the duties of the auditor, the purpose of the treasurers report, how to handle earnings on trust funds, elements of the plan, disbursement requirements, how to maximize interest, how to consider new technologies and penalties if this rule is continually or willfully ignored.
89	Distribution of Products and Services	G.S. 148-132	Authorizes Correction Enterprises to market and sell the products and services they produce.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
90	Preference for Department of Correction products	G.S. 148-134	Mandates that all departments and agencies of the State must give preference to Correction Enterprises products as long as they meet the standard specifications of the department or agency as determined by the Secretary of Administration.
91	Settlement; contested case	G.S. 150B-22	States that any dispute between an agency and another person should be settled through informal procedures.
92	Scope; hearing required; notice; venue	G.S. 150B-38	Outlines the procedures for planning, coordinating and facilitating administrative hearings that were not mentioned in other statutes.
93	Depositions; discovery; subpoenas	G.S. 150B-39	Describes when a deposition may be used and when subpoenas may be issued and served.
94	Conduct of hearing; presiding officer; ex parte communication	G.S. 150B-40	Outlines how to conduct and administer hearings. Also explains the role of the presiding officer.
95	Evidence; stipulations; official notice	G.S. 150B-41	States that in all contested cases, irrelevant, immaterial, and unduly repetitious evidence shall be excluded. Evidence in a contested case, including records and documents shall be offered and made a part of the record.
96	Final agency decision; official record	G.S. 150B-42	Describes when an agency should prepare an official record of hearing. Also states what should be included.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
97	Office of Veterans Affairs	G.S. 165-50	Explains the Operation of Veterans Homes. States that the Veterans Affairs Commission is not required to select or recommend the vendor offering the lowest bid but can select offers most advantageous to the veterans and the State of North Carolina.
98	Appropriations Act of 2009	Senate Bill 202 / S.L. 2009-451	Sections of interest to procurement: -7.5, page 27: describes the conditions for the replacement of school buses and the State Board of Education role. Also states that the school bus vendors are not required to pay E-Procurement fees. -10.55, page 94: describes purchase agreements for non-Medicaid items for DHHS -10.58 (b), page 97: states the policy for volume purchase plans and single source procurement for DHHS
99	Zoo and Zoo Funds Modifications	Senate Bill 332 / S.L. 2009-329	Zoo modification bill gives purchasing exemptions to the State Zoo in Randolph County.
100	Streamline Plan Rev. & Inspection / State Bldgs	Senate Bill 425 / S.L. 2009-474	Section 9 extends life of Board of Award until June 30, 2011.
101	Improve State IT Efficiency and Project Management	Senate Bill 991	See relevant General Statutes 147-33.72F and 147-33.95.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
102	Amend State Purchases & Contracts Laws	Senate Bill 1213 / S.L. 2010-194	<ul style="list-style-type: none"> - Directs departments, agencies and institutions to submit proposed contracts to the Attorney General or the Attorney General's designee for review - Directs departments, agencies and institutions to include a clause in all contracts that provides the State Auditor with access to contractors' records - Directs that no contract shall be awarded using cost plus a percentage for any purpose - Directs that all proposed statewide term contracts and all proposed agency term contracts for contractual services that exceed \$1,000,000 shall be reviewed by the Attorney General or the Attorney General's designee - Directs all proposed contracts to be awarded by a department, agency, or institution to be reviewed by the Attorney General or the Attorney General's designee - Directs DOA to have an Attorney General representative assist in the award of any statewide term or agency term contracts exceeding a cost of \$100,000. All contracts and drafts of contracts shall be prepared by the Attorney General and copies retained by the Attorney General for 3 years following termination of the contracts. - Prohibits DOA from delegating power and authority to monitor and enforce the terms and conditions of statewide term contracts to any other department, agency, or institution <p>(See supporting spreadsheet for additional details)</p>

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
103	Retread Tires	Senate Bill 1797	Directs P&C to modify the criteria for RFP's in relation to tire retread contracts. Describes criteria to be changed.
104	An Act to Grant Additional Purchasing Flexibility to Community Colleges	House Bill 490 / S.L. 2009-132	See relevant General Statute 115D-58.14
105	Energy-Efficient State Motor Vehicle Fleet	House Bill 1079 / S.L. 2009-241	Amends GS 143-341(8) to require preference in purchasing to certain categories of passenger motor vehicles (exemption for law enforcement, emergency medical response and firefighting).
106	DHHS / Procurement Methods	House Bill 1088 / S.L. 2009-284	Amends GS 143-56 regarding an additional exemption for DHHS developmental centers, neuromedical treatment centers, and alcohol and drug abuse treatment centers. This is the same statute that exempts group purchases for hospitals.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
107	Encourages Use of Multiple Award Schedule Contracts	House Bill 1973 / S.L. 2010-147	<ul style="list-style-type: none"> - Defines a multiple award schedule contract is one that allows multiple vendors to be awarded a State contract for goods or services by providing their total catalogue for lines of equipment and attachments to eligible purchasers, including State agencies, departments, institutions, public school districts, political subdivisions, and higher education facilities. - Indicates a multiple award schedule contract allows multiple vendors to compete and be awarded a contract based upon the value of their products or services. - Indicates a properly administered multiple award schedule contract allows the State to evaluate vendors based on a variety of factors, including discounts, total life cycle costs, service, warranty, distribution channel, and past vendor performance. - Indicates under appropriate circumstances, multiple award schedule contracts result in competitive pricing, transparency, administrative savings, expedited procurement, and flexibility for State purchasers. - Strongly encourages DOA to consider the use of multiple award schedule contracts when issuing requests for proposals for State term contracts

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
108	Purchase and Contract	North Carolina Administrative Code Title 1, Chapter 5	<ul style="list-style-type: none"> - Specifies the responsibility, scope, organization, and authority of the Division of Purchase and Contract - Describes purchase procedures - Describes surplus property procedures - Provides procedures for consultant contracts <p>The Department of Administration is responsible for administering the State’s program for the acquisition, management, and disposal of personal property, as well as the acquisition of services for its agencies. The Secretary of the Department of Administration (Secretary) is authorized and responsible for adopting and carrying out the rules promulgated herein. The administration of this program is delegated to the State Purchasing Officer (SPO) who reports to the Secretary.</p>
109	Exceptions to use of state term contracts - Special Items	North Carolina Administrative Code Title 1, Chapter 5B, Section .1105	<p>In situations where a general type of item is covered by a term contract but a special type item is needed for a particular application, the agency may proceed with the purchase of the special type item. The need for the special type item in lieu of the general type item shall be justified by the agency in writing and the agency file documented for public record.</p>
110	Cooperative Purchasing	North Carolina Administrative Code Title 1, Chapter 5B, Section .1513	<p>Outlines the procedures for purchasing goods and services when the entity is a participant in a cooperative project with another governmental agency or nonprofit organization. In general, the rules of Chapter 5B must be followed but the SPO may authorize a specific acquisition if it is deemed to be in the interest of the State.</p>

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
111	Protest Procedures	North Carolina Administrative Code Title 1, Chapter 5B, Section .1519	Describes the protest procedures for contracts awarded by agencies and P&C. Only applies to contracts over \$10,000. Outlines what an offeror must do if they want to protest a contract awarded by an agency and then goes on to describe what the offeror and SPO must do if there is a protest to a contract awarded by the Secretary of Administration.
112	Procurement Card	North Carolina Administrative Code Title 1, Chapter 5B, Section .1523	Describes the rules and regulations around the use of P-Cards. If a P-Card transaction is processed through eProcurement it can be in any amount consistent with the agencies fiscal policies. If the transaction is processed outside of eProcurement the amount is limited to \$2500. This amount can be increased in the case of emergencies, the agency applies for a higher delegation or by the SPO upon P-Card purchases analysis. Also disallows any other charge cards for State use.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
113	P&C Exemptions	North Carolina Administrative Code Title 1, Chapter 5B, Section .1601	<p>Makes the following items and services exempt from purchasing through P&C:</p> <ul style="list-style-type: none"> (1) purchase of liquor; (2) perishable articles such as fresh meats; (3) published books, manuscripts, subscriptions to printed material, packaged copyrighted software products, and like material; (4) services provided by individuals by direct employment contracts with the State; (5) public utility services (gas, water and electricity); (6) telephone, telegraph and cable services furnished by those companies; (7) services provided which are subject to published tariff rates as established by the North Carolina Utilities Commission; (8) services which are merely incidental to the purchase of supplies, materials or equipment such as installation services; (9) contracts for construction of and structural changes to public buildings; (10) personal services provided by a professional individual; (11) services provided directly by an agency of the State, federal or local government, or their employees when performing the service as a part of their normal governmental function.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
114	P&C Authority to Conduct Compliance Reviews	North Carolina Administrative Code Title 1, Chapter 5B, Section .1605	Empowers the Division of Purchase and Contract with the authority to conduct compliance reviews on purchasing practices at all agencies. The purpose of the compliance review shall be to determine if an agency is complying with North Carolina's purchasing laws and regulations and whether the agency should continue having the same delegation amount, have it reduced, or increased.
115	Public Records, Confidentiality, Proprietary Information, Records Retention	North Carolina Administrative Code Title 1, Chapter 5B, Section .1903	States that each contract file shall be independent and must be easily located and referenced when applicable. Also lists the required criteria each contract file must include.
116	State Property (leasing) and Construction	North Carolina Administrative Code Title 1, Chapter 6,	All Administrative Codes associated with State Property and Construction. This is included for review purposes only and is meant to be a starting point when looking to update / modify administrative code text.
117	State Construction	North Carolina Administrative Code Title 1, Chapter 30	All Administrative Codes associated with State Construction. This is included for review purposes only and is meant to be a starting point when looking to update / modify administrative code text.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
118	Office of Information and Technology Services	North Carolina Administrative Code Title 9, Chapter 6	Lists the administrative codes for information technology procurement and procedures for procurement requests.
119	ITS Compliance Reviews	North Carolina Administrative Code Title 9, Chapter 6B, Section .1305	Empowers ITS with the authority to conduct compliance reviews on purchasing practices at all agencies. The purpose of the compliance review shall be to determine if an agency is complying with ITS' statutes and rules and whether the agency should continue having the same delegation amount, have it reduced, or increased.
120	State Personnel Act	Chapter 126	University employees can challenge personnel actions only under provisions of the State Personnel Act. The act provides for review only if a permanent state employee is dismissed, demoted, or is suspended without pay.
121	Office of State Personnel - Policies	Multiple	Contains the policies, regulations, and procedures of the Office of State Personnel which apply to employees of state agencies, universities, boards and commissions that are covered by the provisions of the State Personnel Act. Policies and regulations approved by the State Personnel Commission are presented in fourteen major sections.

Procurement Related Statutes and Policies

ID	Statute / Policy #	Statute / Policy Name	Summary
122	Budget Reform and Accountability Commission	N/A	<p>The Budget Reform and Accountability Commission (BRAC) recommends that the Governor direct the relevant State agencies and institutions to identify the appropriate mechanisms by which the State can develop and implement an integrated statewide procurement system that maximizes bulk purchasing and improves compliance to save the State money, using methods and practices found in large public and private entities. The State should improve staffing, information availability and analysis to achieve this recommendation.</p>
123	Office of State Budget and Management: Performance Measures for all Statewide Areas	N/A	<ul style="list-style-type: none"> - Contains listing of performance measures and results from 2004 through 2006 by Agency, Budget Code and Fund Code - Organization of the Management Evaluation and Audit Section specializes in management analysis of state government agencies, including assessment of organizational structure, staffing, systems, processes, workload, and delivery and quality of services. The division seeks to identify those areas that need improvement, to clarify causes of inefficiencies, and to provide and recommend implementation of best business practices for each situation. Its mission is to identify opportunities to reform government, save tax dollars, and improve services. Objectives include: 1) Help state agencies provide best-in-class performance for services they should provide, 2) Help state agencies cease those activities that are duplicative or wasteful, and 3) Bring about synergies by discovering opportunities for cross-agency collaboration

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- Procurement Related Statutes and Policies
- Vendor Survey Results

Vendor Survey Results

A web-based survey was issued to collect the vendors' perspective on the ease of doing business with the State within common procurement activities and their suggested opportunities for improvement.

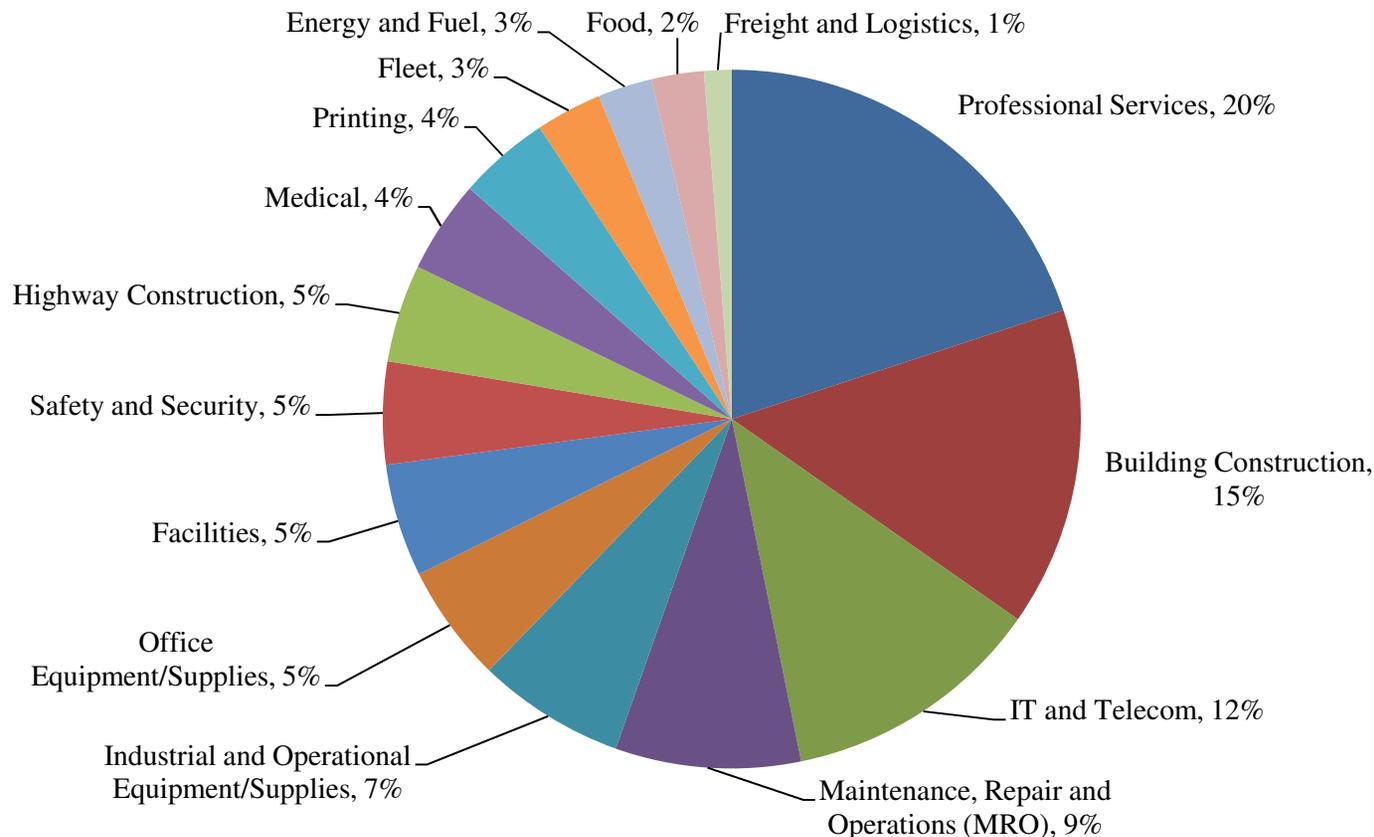
—Survey Summary—

- Issued to 24,730 State of North Carolina vendors registered in IPS
- Additional email invitation to take the survey was emailed to the top 330+ vendors based on FY09/10 E-Procurement PO values
- Survey included a total of 13 questions:
 - 7 questions focused on vendor demographics information (e.g., industry, annual revenues, annual revenues from State of NC government and educational entities, HUB status)
 - 6 questions focused on overall vendor satisfaction
- Vendors were given the option to comment on areas and offer suggestions for improvement
- As of 01/02/2011, 2,018 vendors submitted responses to the survey
- Approximately 2,020 comments were listed with regards to areas in which the state is performing well, areas of improvement, and other general comments

Vendor Survey Results Demographics of Responders

Over 50% of the respondents were from four industries: Professional Services (20%), Building Construction (15%), IT & Telecom (12%) and Maintenance, Repair and Operations (MRO)(9%).

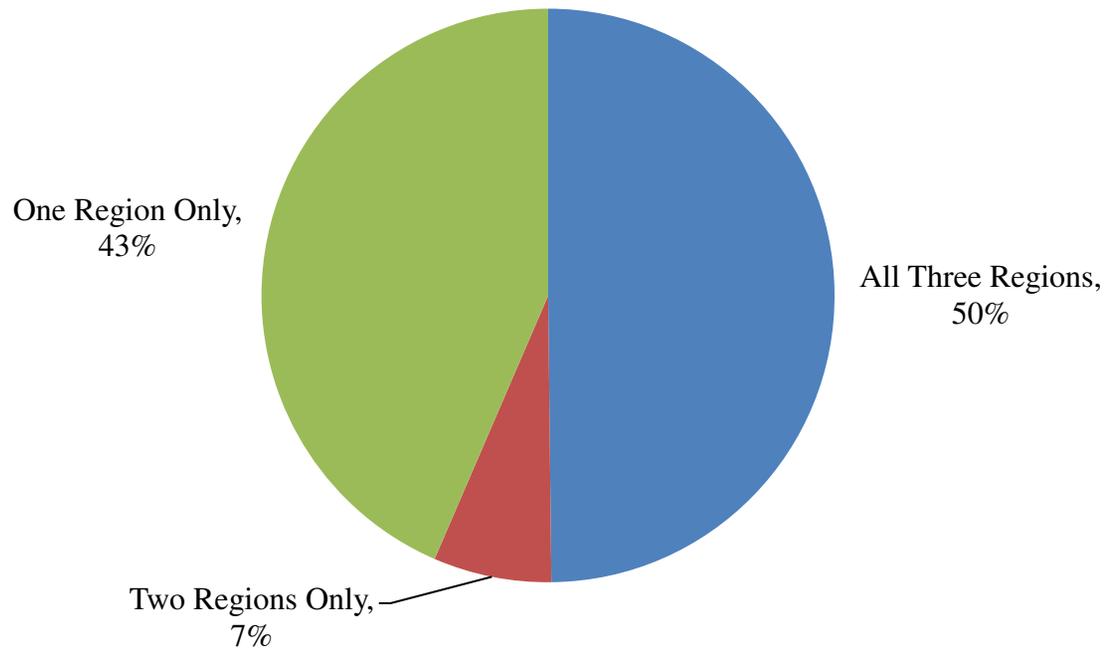
—Vendor Industry Classification—



Vendor Survey Results Demographics of Responders

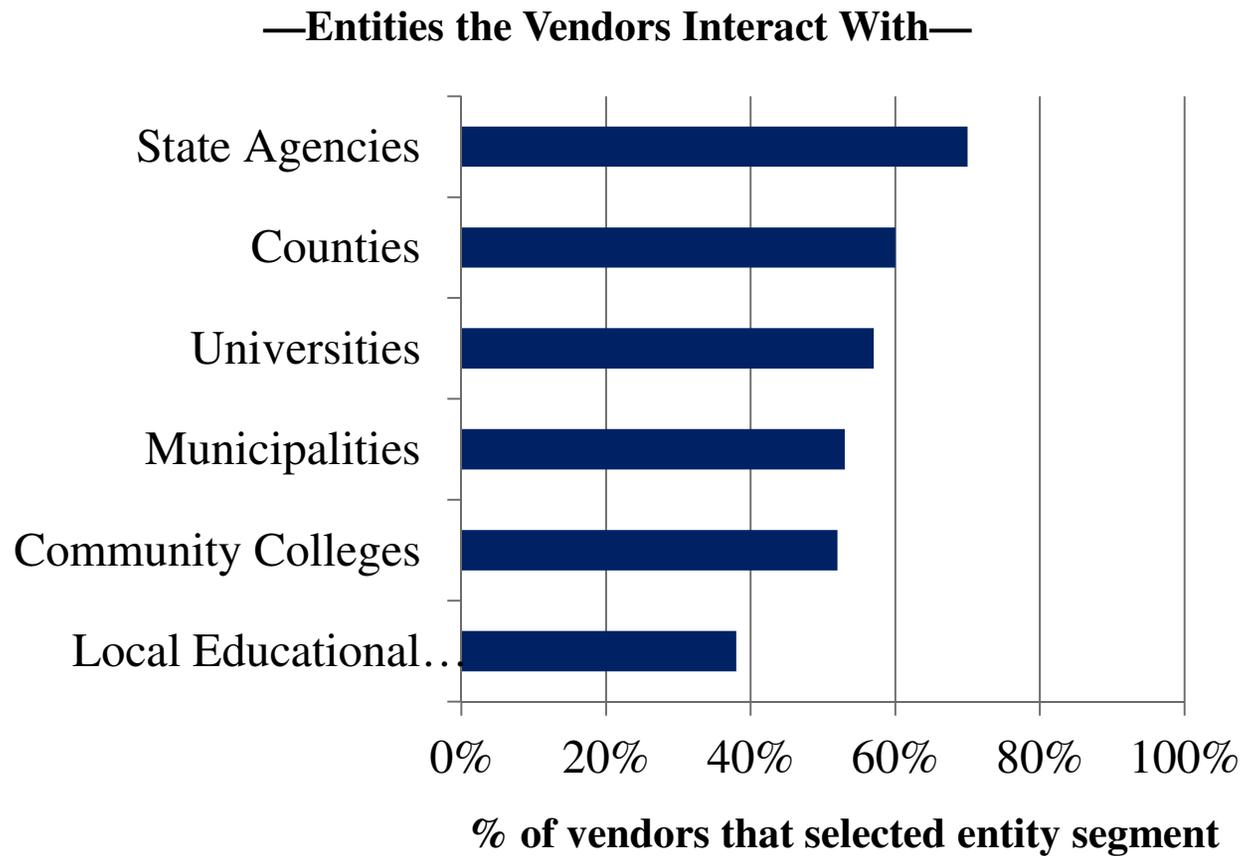
Half of the vendors indicated they provided coverage to all three regions of the State and 44% indicated that they cover only one region.

—Geographic Coverage—



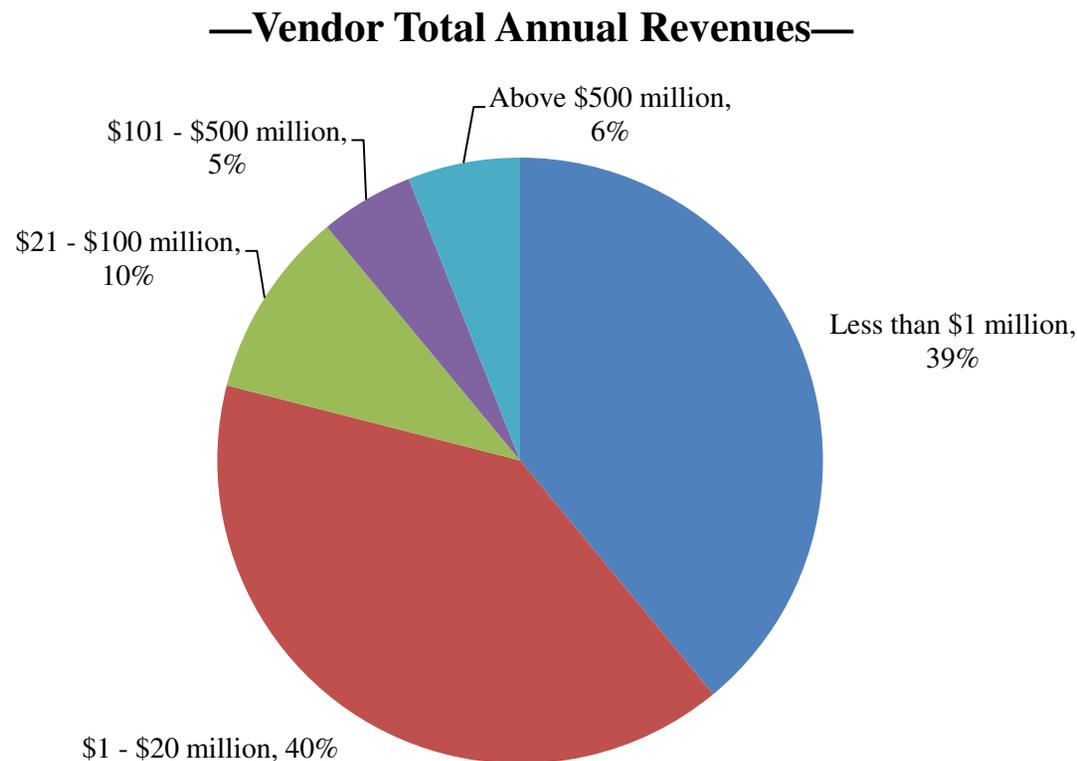
Vendor Survey Results Demographics of Responders

Around 70% of the vendors indicated they interact with State Agencies.



Vendor Survey Results Demographics of Responders

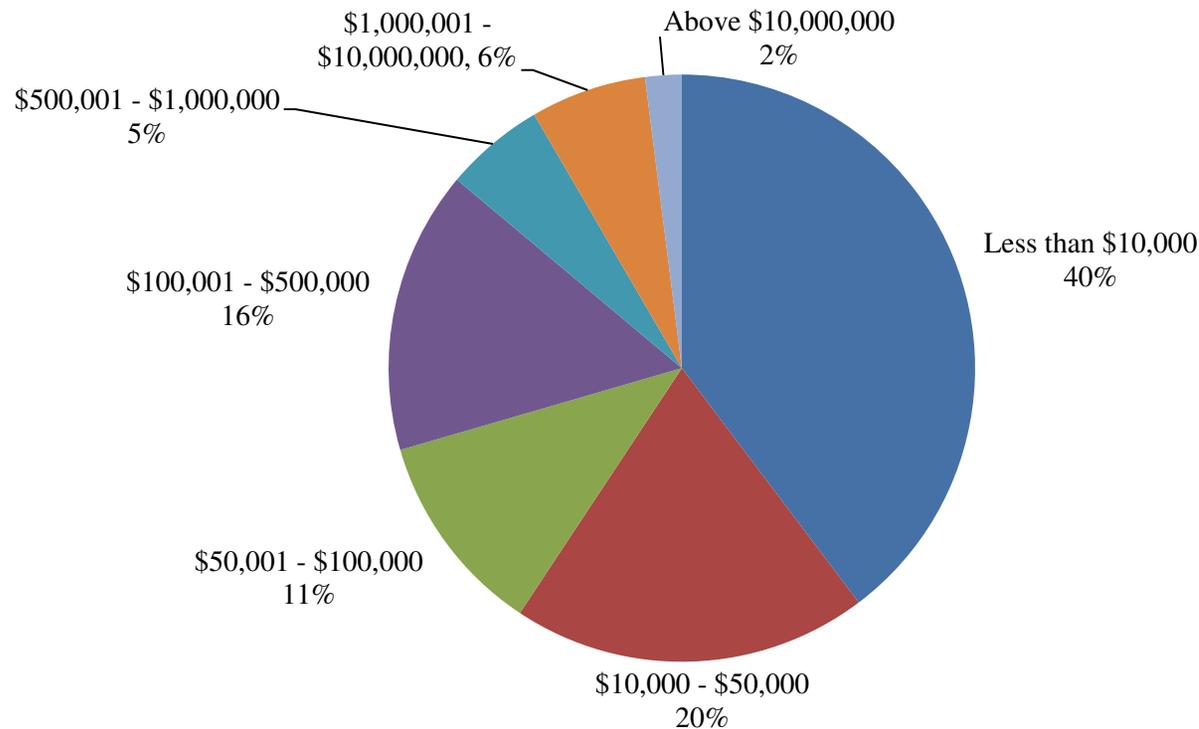
Over 80% of the vendors responding had total annual revenues of \$20 million or less.



Vendor Survey Results Demographics of Responders

Only 210 (8%) vendors reported total annual sales with State of NC entities of over \$1,000,000 and 40% reported total annual sales with the State of less than \$10,000.

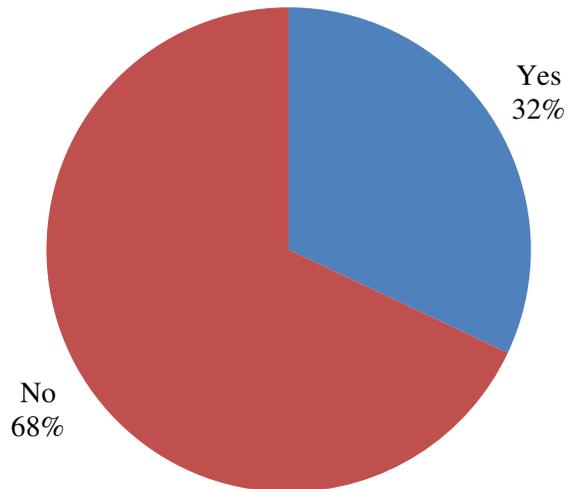
—Vendor Total Annual Sales to State of NC Entities—



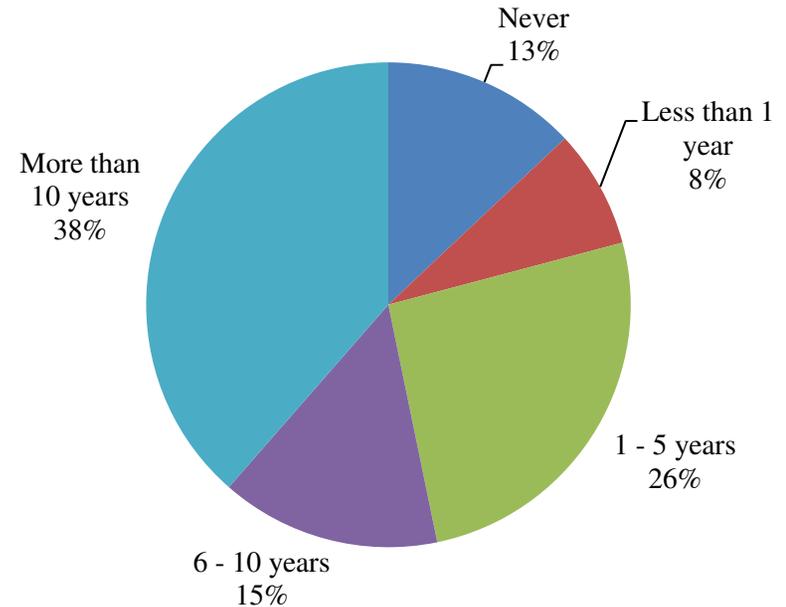
Vendor Survey Results Demographics of Responders

Over 30% of the vendors indicated they were HUB vendors, and over 50% said they have been doing business with the State for 6 or more years.

—Vendor Indicated HUB Status—



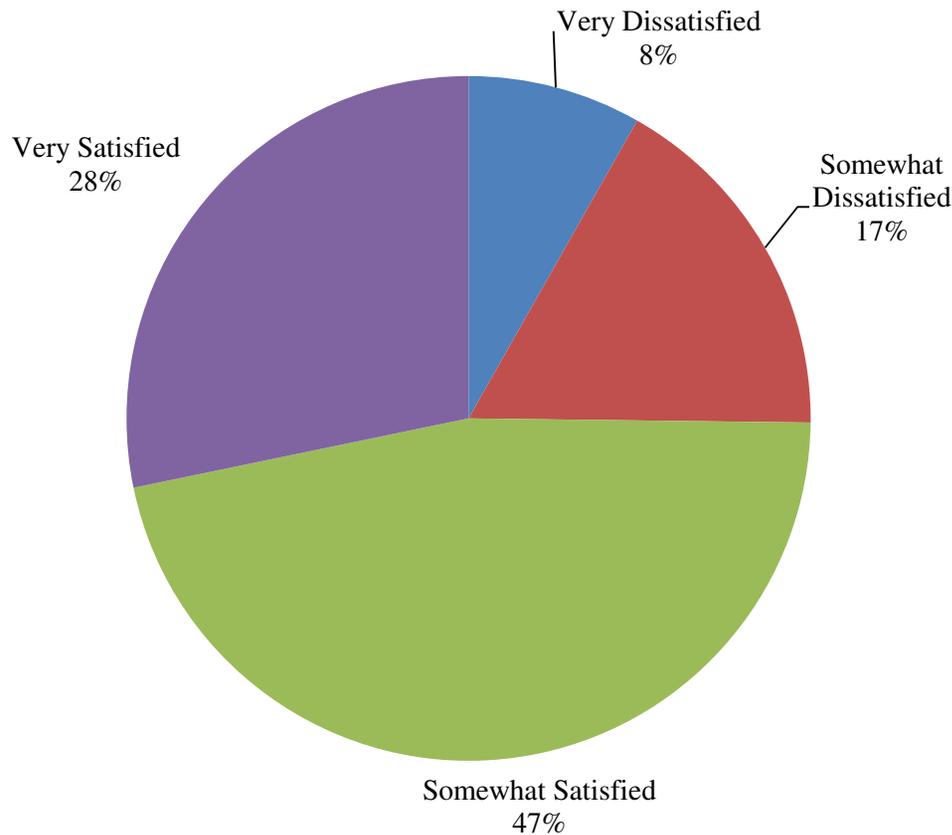
—Years of Doing Business with the State—



Vendor Survey Results

Out of the 2,018 responses where vendors provided an overall rating for the ease of doing business with the State, 75% of the vendors were either somewhat satisfied or very satisfied.

—Overall Level of Ease of Doing Business with the State—

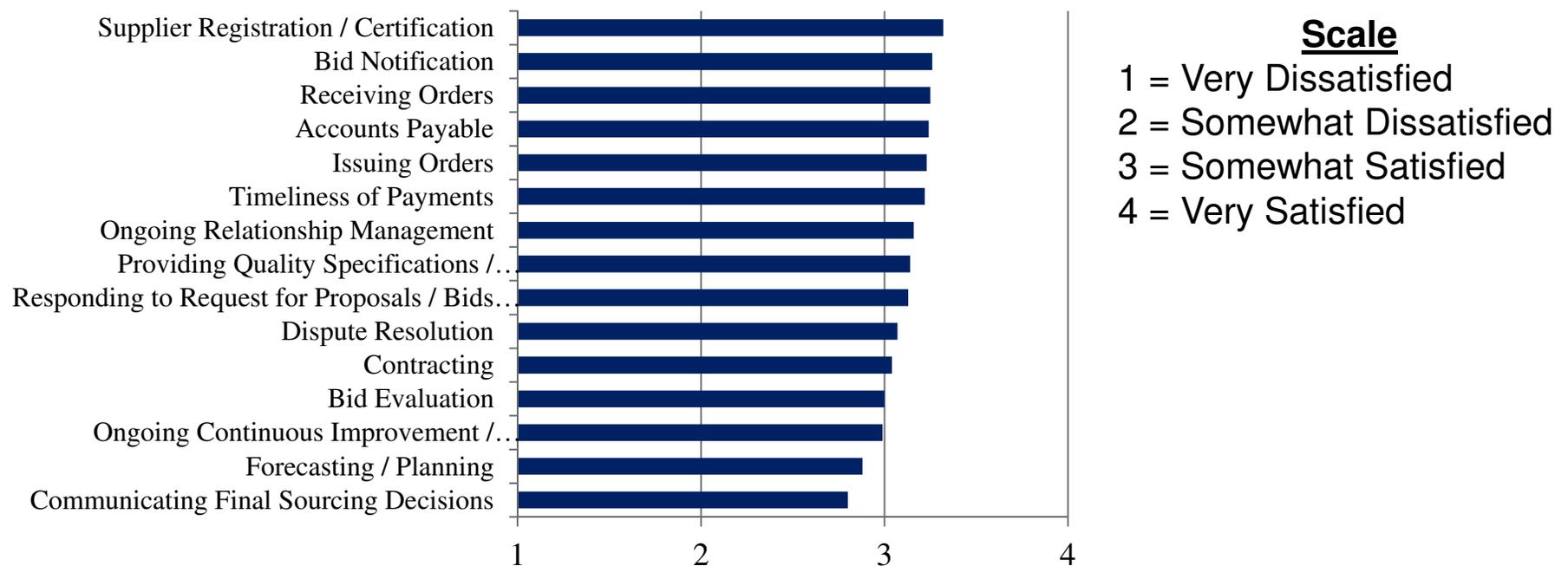


Overall Level of Ease of Doing Business With the State	# of Vendors	% TTL
Very Satisfied	570	28%
Somewhat Satisfied	940	47%
Somewhat Dissatisfied	343	17%
Very Dissatisfied	165	8%
Total	2,018	

Vendor Survey Results

Supplier Registration / Certification and Bid Notification were the highest rated areas by vendors, with planning and communications of final sourcing decisions rated as the areas with most opportunities for improvement.

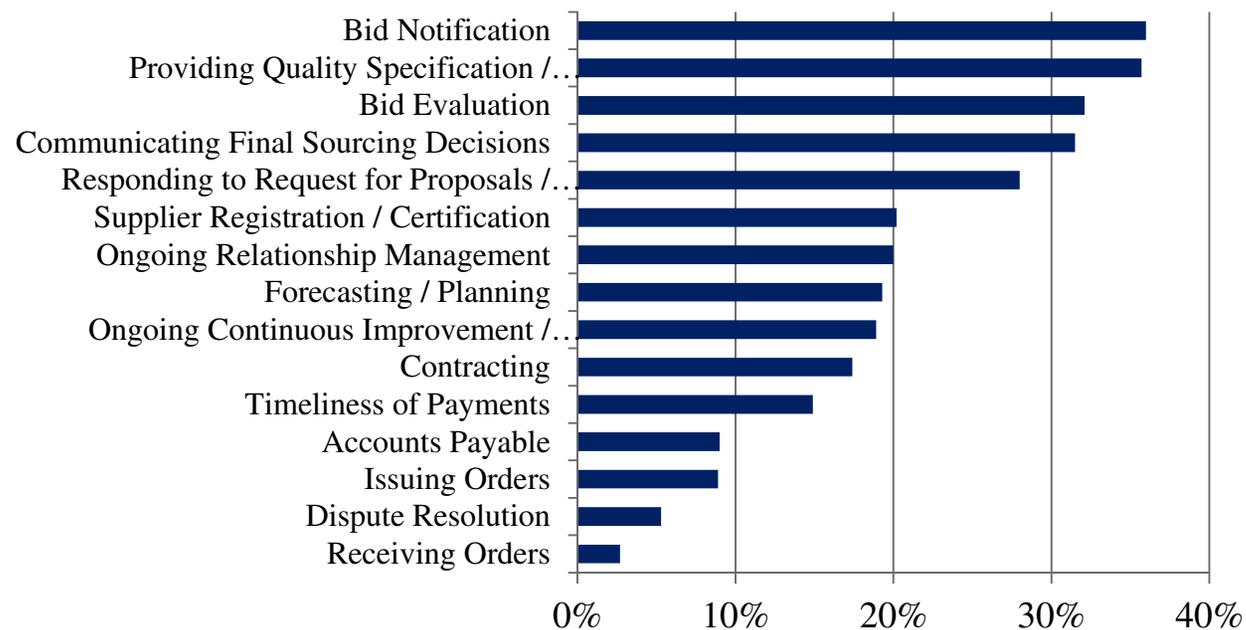
—Level of Ease of Doing Business with the State by Area—



Vendor Survey Results

When asked to pick the top three areas for the State to focus improvement efforts, the vendors overall indicated bid notification, providing quality specifications, and bid evaluation.

—Areas of Improvement—



% of vendors that selected listed area