



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



General Services Department
State Purchasing Division and the Status of Procurement Automation
March 18, 2015

Report #15-04

LEGISLATIVE FINANCE COMMITTEE

Representative Luciano “Lucky” Varela, Chairman
Senator John Arthur Smith, Chairman, Vice-Chairman
Senator Sue Wilson Beffort
Senator Pete Campos
Senator Carlos R. Cisneros
Representative William “Bill” J. Gray
Representative Larry A. Larrañaga
Senator Carroll H. Leavell
Senator Howie C. Morales
Senator George K. Munoz
Senator Steven P. Neville
Representative Henry “Kiki” Saavedra
Representative Nick L. Salazar
Representative Edward C. Sandoval
Representative Don L. Tripp
Representative James P. White

DIRECTOR

David Abbey

DEPUTY DIRECTOR FOR PROGRAM EVALUATION

Charles Sallee

PROGRAM EVALUATION TEAM

Michelle Aubel, CGFM
Jon R. Courtney, Ph.D.
Cody Cravens
Nathan Eckberg, Esq.
Brenda Fresquez, CICA
Pamela Galbraith
Maria D. Griego
Brian Hoffmeister
Yann Lussiez, Ed.D.
Rachel Mercer-Smith
Madelyn Serna Mármol, Ed.D.

Representative Luciano "Lucky" Varela
Chairman

Representative William "Bill" J. Gray
Representative Larry A. Larrañaga
Representative Henry "Kiki" Saavedra
Representative Nick L. Salazar
Representative Edward C. Sandoval
Representative Don L. Tripp
Representative James P. White

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone: (505) 986-4550 • Fax (505) 986-4545

David Abbey
Director



Senator John Arthur Smith
Vice-Chairman

Senator Sue Wilson Beffort
Senator Pete Campos
Senator Carlos R. Cisneros
Senator Carroll H. Leavell
Senator Howie C. Morales
Senator George K. Munoz
Senator Steven P. Neville

March 18, 2015

Ed Burckle, Secretary
General Services Department
P.O. Box 6850
Santa Fe, New Mexico 87502

Darryl Ackley, Secretary
Department of Information Technology
P.O. Box 22550
Santa Fe, New Mexico 87502

Dear Secretary Burckle, Secretary Ackley:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the program evaluation of State Purchasing Division and the status of procurement automation. The evaluation assessed the status of key findings and recommendations of the LFC's 2008 program evaluation of Procurement Division Effectiveness, the status of procurement automation, and evaluated the process for establishing price agreements including information technology.

The report will be released to the Legislature and public on March 18, 2015. An exit conference was held on March 3, 2015, with the General Services Department and the Department of Information Technology to discuss the contents of this report. The Committee would like a plan to address recommendations in this report within 30 days of the release of the report.

I believe this report addresses issues the Committee asked us to review and hope your department will benefit from our efforts. We appreciate the cooperation and assistance we received from your staff.

Sincerely,

A handwritten signature in cursive script that reads "David Abbey".

David Abbey, Director

Cc:

Senator John Arthur Smith, Chairman, Senate Finance Committee
Representative Larry A. Larrañaga, Chairman, House Appropriations and Finance Committee
Keith Gardner, Chief of Staff, Office of the Governor
Timothy Keller, State Auditor
Dr. Tom Clifford, Secretary, Department of Finance and Administration

Table of Contents

Page No.

| | |
|--|-----------|
| EXECUTIVE SUMMARY | 1 |
| BACKGROUND INFORMATION | 5 |
| FINDINGS AND RECOMMENDATIONS | 7 |
| Statutory Changes Aim To Improve Transparency In The Procurement Process; Additional Improvements Are Still Needed..... | 7 |
| Despite An Investment Of \$1 Million, The Statewide Human Resources, Accounting And Management Reporting E-Procurement System Does Not Function | 14 |
| The Statewide Price Agreement Process Does Not Encourage State Agencies To Seek The Most Competitive Option | 20 |
| AGENCY RESPONSES..... | 25 |
| APPENDIX A: Evaluation Objectives, Scope, and Methodology | 29 |

State Purchasing Division does not track statewide spending or procurement trends by vendor and agency.

In FY14, there were 227 sole source procurements, totaling \$88 million. Of these, 44 percent or \$39 million were for information technology.

The state does not have a comprehensive strategic plan to upgrade the SHARE application to implement the licensed modules, including procurement.

Until the laws changed in 2013, State Purchasing Division did not track emergency procurements.

More than \$5 billion of the state's \$11.4 billion annual budget is spent buying goods and services. The State Purchasing Division (SPD) of the General Services Department (GSD) administers the Procurement Code, which provides for fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and safeguards for maintaining a procurement system of quality and integrity.

The evaluation objectives were to assess the status of key findings and recommendations of the Legislative Finance Committee's (LFC) 2008 program evaluation of Procurement Division Effectiveness, assess the status of procurement automation, and evaluate the process for establishing price agreements, including information technology.

The Legislature has made a number of statutory changes to the Procurement Code in response to recommendations from the 2008 LFC program evaluation, and from the Procurement Reform Taskforce initiatives. In 2013, the Legislature made changes to the Procurement Code by adding procedures for sole source and emergency procurements, including publishing certain information about these procurements on GSD's website. Although publishing emergency procurements improves transparency, LFC staff identified some instances where emergency procurements appear to be a result of agencies not adequately preparing to go through the competitive procurement process for existing services. Failure of an agency to properly plan ahead should not provide the basis for an emergency procurement.

Since 2008, GSD has undertaken initiatives to automate some procurement processes with minimal success. After spending nearly \$1 million the eProcurement module in the Statewide Human Resources, Accounting, and Management Reporting (SHARE) system does not function, though GSD has made some process improvements. GSD implemented an electronic bid web-based system, improving vendor registration, automating the bid process from start to finish, ensuring process standardization.

Although GSD establishes statewide price agreements for commodities or services agencies commonly use in volume, the process does not encourage agencies to use the most competitive option. Because prices in the agreements are established for an extended period of time and GSD requires agencies to use existing agreements, agencies do not have the opportunity to pursue competition or potentially more cost-effective vendors.

In addition, state agencies are increasingly purchasing cloud-based solutions and the state does not have a cloud computing policy. The Department of Information Technology and GSD have not issued procurement guidance for cloud-based solutions.

Based on the evaluation results, the report includes a series of recommendations to improve the procurement process. These include requiring agencies to furnish usage reports to the state purchasing agent, and developing policy for purchasing IT cloud-based solutions.

KEY FINDINGS

Effective July 2013, the Procurement Code includes requirements for the establishment of a training certification program for Chief Procurement Officers.

The Procurement Code and administrative rule are used as policy; they are not always supported by written procedures.

GSD implemented some of the recommendations from the LFC's 2008 Program Evaluation of Procurement Division Effectiveness; other key recommendations have not been addressed. The 2008 evaluation focused on State Purchasing Division's overall procurement process, including non-typical procurements such as sole source, emergency purchases, procurement exemptions, price agreements, information technology contracts, and procurement best practices.

The Legislature was unsuccessful in its attempt to address LFC's recommendation to consider removing State Purchasing Division from the GSD and transfer to the Department of Finance and Administration (DFA). In response to the LFC's 2008 recommendation, and as part of the Government Restructuring Taskforce, the legislature considered two bills; House Bill 317 in 2009 and House Bill 66 in 2011, for an executive reorganization to transfer the purchasing division from GSD to DFA. However, both bills died. State purchasing function typically resides within a state's finance and administration agency. Nine out of ten surrounding or similar size states have its state purchasing division within its finance and/or administration agency.

LFC staff identified some instances where due diligence was not adequate and it appears sole source determinations and documentation may be inconsistent. For example, in April 2014, the Corrections Department issued a \$105 thousand sole source contract to purchase cell phone detectors, even though a security study, completed in 2013, did not recommend the purchase of cell phone detectors. The department stated the prospective contractor, Cellsense, was the only company in the country that provided the needed technology. LFC research indicated at least four other companies manufacture cell phone detection devices including BVS Systems Inc., CellBusters, Netline Technologies, and CEIA USA. The state purchasing agent or a central purchasing office is required to use due diligence in determining the basis for the sole source procurement, including reviewing available sources and consulting the using agency, and must include its written determination in the procurement file.

Although State Purchasing Division is tracking procurement violations, the number of violations is inconsistently reported and documentation is incomplete, making it difficult to determine if SPD is effectively monitoring and managing the procurement violation process. GSD's FY13 performance measure summary indicated there were a total of 15 violations and data indicated there were only 13 violations. GSD's FY14 performance summary reported 31 procurement violations, of which 15 violations were from the same agency. GSD reported a 47.6 percent increase instead of a 138 percent increase. The FY14 performance measure target is a five percent reduction in procurement code violations compared with the previous fiscal year.

The State Purchasing Division does not track statewide spending or procurement trends by vendor and agency. In response to the 2008 LFC recommendations, the state purchasing agent stated SPD does not generally

The eProcurement project was not implemented as planned due to lack of buy-in from pilot agencies.

track spend as it is not a part of the division's statutory brief. The only spending SPD tracks is the administrative fee dependent upon that spend under statewide price agreements. In such cases, SPD relies on self-reporting by vendors and spot audits. Contrary to the state purchasing agent's statement, Section 13-1-95 NMSA indicates the state purchasing agent has the authority and responsibility to require state agencies to furnish reports concerning usage, needs and stocks on hand of items of tangible personal property and usage and needs for services or construction.

Despite an investment of \$1 million, the Statewide Human Resources, Accounting and Reporting eProcurement system does not function. The State of New Mexico owns key modules in the SHARE system that support major portions of the procurement process and has not implemented the modules. The state has made sizeable investments in various SHARE modules without a clear plan for deploying the resources.

The state does not have a comprehensive strategic plan to upgrade the SHARE application and implement the licensed modules. As early as July 2009, the State Purchasing Division reported the full implementation of the eProcurement module could not be accomplished until SHARE has been upgraded to version 9.0 or 9.1. While the state has initiated several SHARE special projects during the past few years, the application upgrade has an impact on some of these projects moving forward. For example, the implementation of the Treasury module is delayed, and for FY16 the State Treasurer's Office requested an extension of time to use the \$1.9 million appropriation through the end of FY17.

In March 2014, the Department of Information Technology (DoIT) completed the \$2.2 million upgrade of the hardware and operating system supporting the SHARE application, resulting in a stabilized environment. The stabilized environment should provide for long term application planning including the upgrade. According to DoIT, the SHARE software upgrade is a significant project, anticipating 16 months to 24 months to complete by the end of 2016.

The Statewide Price Agreement process does not encourage state agencies to seek the most competitive option. State Purchasing Division will not allow agencies to initiate procurement when a statewide price agreement exists for the commodity or service being requested. SPD establishes statewide price agreements for commodities or services agencies commonly use in volume. SPD awards statewide price agreements using a formal competitive process; invitation to bid (ITB), or request for proposals (RFP). State agencies can award contracts based on the agreements up to four years as long as SPD amends the term of the agreement on an annual basis. Because the prices in the agreements are established for an extended period of time and SPD requires agencies to the use existing agreements, agencies do not have the opportunity to pursue competition and potentially more cost-effective vendors. It is not clear if SPD renegotiates pricing during the amendment process when extending the term of the price agreement. In addition, SPD does not specify to agencies whether they have to obtain a minimum number of quotes from vendors on price agreement prior to issuing a contract based on a statewide price agreement.

KEY RECOMMENDATIONS

The Legislature should evaluate the potential improved efficiency by transferring the State Purchasing Division function to the Department of Finance and Administration (DFA) or consolidating it with DFA's Contracts Review Bureau which manages the professional services contracts for the state.

The Legislative Finance Committee, Department of Finance and Administration and General Services Department should convene an interim workgroup during 2015 to review Section 13-1-98 NMSA 1978 to evaluate all exemptions and determine if noncompetitive purchasing status is in the best interest of New Mexico and its public funds.

The State Purchasing Division (State Purchasing Agent) should:

- Require state agencies to furnish reports concerning usage, needs and stocks on hand of items of tangible personal property and usage and needs for services or construction; and
- Develop and document formal policies and procedures for all aspects of the procurement process.

The General Services Department, Department of Information Technology, including the SHARE project team, need to determine:

- The feasibility and requirements for implementing the SHARE eProcurement and Strategic Sourcing modules; and
- An estimated budget amount for additional funding required for implementation of these modules.

The Department of Information Technology should:

- Develop a comprehensive implementation plan, including budget estimates for the SHARE modules the state owns;
- Develop a cloud computing policy and provide it to the Information Technology Commission for review and approval; and
- Ensure procurements of cloud computing solutions are in compliance with state information architecture plan and the state IT strategic plan.

The Department of Information Technology and General Services Department should:

- Conduct an analysis of the state's IT procurement methodology and strategies in comparison to other states for identification of best practices in the areas of warranties, indemnification, liability, and insurance;
- Determine if it is possible to update IT procurement practices while still maintaining compliance with state laws;
- Develop and use specialized templates with IT-specific terms and conditions for cloud service providers in line with best practices; and
- Develop state policy for agencies to purchase IT cloud-based solutions.

BACKGROUND INFORMATION

Background. Section 13-1-95 NMSA 1978 created the State Purchasing Division within the General Services Department (GSD). The State Purchasing Division (SPD) and state purchasing agent are responsible for the procurement of services, construction and items of tangible personal property for all executive branch state agencies and administration of the Procurement Code (Section 13-1-1 through 13-1-199 NMSA 1978). The purposes of the Procurement Code are to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds, and to provide safeguards for maintaining a procurement system of quality and integrity. The state purchases over \$5 billion dollars of a wide variety of goods and services each year and must ensure that each dollar is spent fairly and transparently in accordance with the Procurement Code. SPD's mission is to strive for "best value" in state acquisitions through the application of timely, data-driven business and marketplace research, and the application of "best procurement practices." Best-value procurement allows other factors, such as qualifications, schedule, quality, and performance-based criteria, to be used in evaluation and selection.

SPD is organized into four bureaus that provide guidance and oversight on all procurements including methodologies, templates and ensure state agencies follow the Procurement Code and SPD policies and procedures. The four bureaus include

- Contracts management is responsible for the work intake process, administrative processes, contracts inventory and renewals, and all financial management processes;
- Information technology (IT) responsible for all IT procurements;
- Construction where GSD is optimizing resources by locating this bureau to its Facility Management Division; and
- Core procurement which includes all other procurements that do not fall under IT or construction.

Procurement Services Performance Report. The number of procurement violations is on the rise, sometimes emanating from the same agencies which reflect inadequate procurement process training and oversight. The measure for sole source procurements reflects a new online portal that allows data from local public bodies to be reported in addition to state agencies. As a result, the number has increased dramatically. Procurement violations and sole source contracts are discussed further in the findings and recommendations section of the report.

| Measure | FY12 Actual | FY13 Actual | FY14 Target | FY14 Actual | Rating |
|---|----------------|----------------|----------------|----------------|---|
| Employees trained on Procurement Code | 636 | 754 | 600 | 689 | G |
| Procurement code violations | 50 | 21 | 20 | 31 | R |
| Sole source procurements | 45 | 132 | 125 | 236 | Y |
| New awards to businesses with New Mexico preference | | New | 5% | 7% | Y |
| Overall Program Rating | | | | | Y |

Source: LFC Volume 1, January 2015

The Governor issued two Executive Orders directly affecting SPD (2011-30 and 2011-31). Executive Order 2011-030 directs the state purchasing agent to suspend or disallow public contracting with companies that betray the public trust. Executive Order 2011-031 established the formation of the governor's task force on procurement reform. The Procurement Reform Task Force consists of the Secretaries, or their designees, of the Departments of: General Services, Taxation and Revenue, Finance and Administration, Information Technology, Transportation,

General Services Department, Report #15-04

State Purchasing Division and the Status of Procurement Automation

March 18, 2015

Human Services, Regulation and Licensing, and the State Purchasing Agent. The goal is to streamline the procurement process across all state agencies, improving accountability and transparency in an effort to help state government operate at maximum efficiency. Beginning in FY12 the Procurement Reform Taskforce initially met monthly beginning and since January 2013 it has met on a quarterly basis.

The objectives of the task force are to:

- Streamline and simplify the procurement process
- Re-engineer procurement process and incorporate process improvements
- Review and update procurement code as appropriate
- Increase transparency of procurement processes
- Automate processes and eliminate unnecessary paper processing Increase reporting data accuracy
- Validate appropriate use of Emergency and Sole Source Procurements
- Ensure fair, open and consistent procurement process throughout State Government

Electronic Procurement. GSD has undertaken initiatives beginning in 2008 to automate some procurement processes (eProcurement and Paperless Procurement). The term electronic procurement (eProcurement), according to the definition from the National Institute of Government Purchasing (NIGP) *Dictionary of Terms*, means “conducting all or some of the procurement function over the Internet; it implies that point, click, buy, and ship Internet technology is replacing paper-based procurement and supply management business processes.”

The Statewide Human Resource, Accounting, and Management Reporting System (SHARE) is New Mexico’s implementation of the PeopleSoft enterprise resource planning (ERP) system that provides centralized, shared, integrated accounting, procurement, and human resource information.

FINDINGS AND RECOMMENDATIONS

STATUTORY CHANGES AIM TO IMPROVE TRANSPARENCY IN THE PROCUREMENT PROCESS; ADDITIONAL IMPROVEMENTS ARE STILL NEEDED

The General Services Department (GSD) implemented some of the recommendations from the LFC's 2008 Program Evaluation of Procurement Division Effectiveness; other key recommendations have not been addressed. The 2008 evaluation focused on State Purchasing Division's overall procurement process, including non-typical procurements such as sole source, emergency purchases, procurement exemptions, price agreements, information technology contracts, and procurement best practices. LFC staff evaluated the status of GSD's progress on some of the key recommendations. For example:

- Statutory guidance on non-typical procurement methods, such as emergency purchases and exemptions needs review by executive management and the legislature.
- The state purchasing agent needs to develop improved management accountability to ensure statutory requirements are consistently met and efficient procurement practices are implemented immediately.
- State purchasing division should establish and document a course of action to effectively monitor and manage the procurement violation process and coordinate with the Department of Finance and Administration regarding how violations are identified and processed.

Statutory changes to the Procurement Code resulted in part, due to the LFC 2008 program evaluation findings and recommendations, and the Procurement Reform Taskforce initiatives.

The Legislature was unsuccessful in its attempt to address LFC's recommendation to consider removing State Purchasing Division from the General Services Department (GSD) and transfer to the Department of Finance and Administration (DFA). In response to the LFC's 2008 recommendation, and as part of the Government Restructuring Taskforce, the legislature considered two bills; House Bill 317 in 2009 and House Bill 66 in 2011, for an executive reorganization to transfer the purchasing division from GSD to DFA. However, both bills died. State purchasing function typically resides within a state's finance and administration agency. Websites of surrounding states were researched to determine which state agency had oversight for the procurement function. Out of ten surrounding or similar size states, nine states have its state purchasing division within its Finance and/or Administration agency.

The Procurement Reform Task Force June 2012 meeting minutes included discussions about streamlining procurement within the state by consolidating professional service contracts and IT contracts with state purchasing. Due to new opportunities to improve purchasing soon after June 2012, the taskforce put the idea of any organizational changes on hold indefinitely and has not revisited it since.

In 2009, the legislature added the requirement to the Procurement Code for developing a database of all state contracts with a term beginning on or after January 1, 2010. Statute required the database to be available on GSD's website, searchable by contractor name, subject matter, date, price or consideration, contract number, amendments, and other categories of information necessary to inform the public fully about state contracts. The provision was repealed in 2012, because the Sunshine Portal Transparency Act of 2010 included requirements for contract information to be included in the Sunshine Portal. The Department of Information Technology and Department of Finance and Administration are responsible for developing, operating and maintaining the Sunshine Portal. However, the Sunshine Portal is limited to purchase order activity and has limitations for detail contract information. Because the Sunshine Portal is limited to purchase order data and not contract specific it is difficult to determine if a vendor's purchase order activity is from a statewide price agreement or agency specific contract. Although some line item details may be viewed on the portal website, the downloaded information is limited to category expense type without a detail description of the contract scope of work, unlike the previous database.

In 2013, the legislature made changes to the Procurement Code by including procedures for sole source and emergency procurements, including publishing certain information about these types of procurements on GSD's website. At least 30 days before a sole source contract is awarded, the state purchasing agent, or a central purchasing office are required to post notice of the intent to award a sole source contract on its web site. If a central purchasing office does not maintain a web site, it shall post the notice on the state purchasing agent's web site. The notice shall identify at a minimum the parties to the proposed contract, the nature and quantity of the service, construction or item of tangible personal property being contracted for; and the contract amount. In addition, the state purchasing agent or central purchasing office is required to maintain records of sole source procurements for a minimum of three years. The party responsible for the procurement must retain the records. Posting such procurements on the state purchasing agent's website does not remove the central purchasing office's responsibility to maintain these records if the central purchasing office was responsible for the procurement.

Other statutory changes under the Procurement Code provide exemptions for certain online purchases, and include revisions to the amounts for small purchases and professional services, and add more reasons to debar or suspend contractors with respect to procurement contracts, including civil violations, and provide limitations on continuing contracts with debarred or suspended parties.

Effective July 1, 2013, the Procurement Code includes requirements for the establishment of a training and certification program for Chief Procurement Officers (CPO). CPO means the person within a state agency's or local public body central purchasing office who is responsible for the control of procurement of items of tangible personal property, services, or construction. Each state agency and local public body is required to provide the state purchasing agent the name of its chief procurement officer and information identifying the state agency's or local public body's central purchasing office, if applicable. The CPO certification program is required to be in place by January 2015, and all CPOs must be certified by July 2015.

To comply with the Procurement Code, State Purchasing Division partnered with the National Association of State Procurement Officers (NASPO), and Chemeketa Community College, in Salem, Oregon, to deliver online CPO training. Trainees may register for the four-week, 20-hour course curriculum, and pay approximately \$300 including the textbook, for the class online with Chemeketa via the New Mexico state government website. Once course curriculum is completed, individuals may register and take the online test, requiring 70 percent to pass in order to receive certification. The class and test will be delivered to New Mexico trainees online via the Chemeketa electronic learning system. Upon successful completion of course curriculum and online testing CPOs may register with the state to receive certification. The registration website indicates classes launched once a week beginning January 12, 2015. In addition, the state is accepting reciprocity of New Mexico State University's NM Edge program; CPOs having a certification from NM Edge may provide their certificate to receive CPO certification status from the State Purchasing Division.

Until the law changed in 2013, SPD did not adequately track sole source procurements, making it difficult to perform meaningful analysis. When the LFC requested FY12 and FY13 sole source data, the information was not readily available. Subsequently, SPD provided incomplete information for FY12 and FY13. The data did not include the vendor or dollar amount of sole source, again, making it difficult to perform meaningful analysis. The administrative rule in place during FY12 and FY13 required a written determination by the state purchasing agent and the records for sole source procurements be a public record and contain: the contractor's name and address; the amount and term of the contract; a listing of the services, construction, or items of tangible personal property procured under the contract; and the justification for the procurement method including any written determinations and written approvals. Prior to the statutory change the law did not require SPD to post sole source procurements. However, SPD was to track sole source data for performance measure purposes. Because of the 2013 changes to the procurement code, sole source procurement data for FY14 is available on SPD's website. The sole source procurements on SPD's website are limited to FY14 and the first and second quarter of FY15.

There were 227 sole source procurements in FY14, totaling \$88 million. Professional services represent 37 percent of all sole source procurements, which comprise 62 percent of the dollars spent. Other than statewide professional services for information technology, SPD has no jurisdiction over professional services contracts. All other professional services contracts are under the Department of Finance and Administration Department's authority.

Table 1. FY14 Sole Source Procurements
(in thousands)

| State Purchasing Category | # of Sole Source Awards | Procurement Amount |
|----------------------------|-------------------------|--------------------|
| Construction | 2 | \$147.5 |
| License Renewals | 7 | \$3,494.4 |
| Licenses | 7 | \$2,144.5 |
| Maintenance | 7 | \$226.5 |
| Maintenance and Support | 59 | \$19,241.9 |
| Professional Services | 85 | \$54,878.5 |
| Services | 37 | \$7,418.9 |
| Tangible Personal Property | 23 | \$571.1 |
| Total | 227 | \$88,123.3 |

Source: GSD Technology and Systems Support Bureau

SPD has instituted an online sole source registry for use by all agencies and local public bodies who forward such procurements to the required parties. When sole source procurements arrive from an entity under the authority of SPD, buyers review the documents to ensure the requesting entity performed the statutorily required due diligence in the prospective procurement. LFC's limited review of sole source documentation maintained at GSD did not reveal any issues or concerns and it appears file documentation has improved.

LFC staff identified some instances where due diligence was not adequate and it appears sole source determinations may be inconsistent. For example, in April 2014, the Corrections Department issued a \$105 thousand sole source contract to purchase cell phone detectors, even though a security study, completed in 2013, did not recommend the purchase of cell phone detectors. The department stated the prospective contractor, Cellsense, was the only company in the country that provided the needed technology. LFC research indicated at least four other companies manufacture cell phone detection devices including BVS Systems Inc., CellBusters, Netline Technologies, and CEIA USA. In addition, in August 2013, the Corrections Department requested approval for a \$14 million sole source contract for its Inmate Management Services Agreement with the Corrections Corporation of America. The sole source justification indicated the Corrections Corporation of America contract is due to expire and, because of the complex nature of the requests for proposals (RFP), an additional three year sole source approval is needed so the department has time to develop and issue the RFP. Knowing the contract was due to expire and that other sources are available, the Corrections Department should have planned accordingly to develop the RFP to avoid the need for issuing a sole source contract for a three year period. While a three year period for this sole source contract seems excessive, the Procurement Code and administrative rule do not stipulate or have a time limitation for the term of sole source contracts.

A contract may be awarded without competitive sealed bids or competitive sealed proposals regardless of the estimated cost when the state purchasing agent or a central purchasing office determines, in writing, providing:

- 1) there is only one source for the required service, construction or item of tangible personal property;
- 2) the service, construction or item of tangible personal property is unique and this uniqueness is substantially related to the intended purpose of the contract; and
- 3) other similar services, construction or items of tangible personal property cannot meet the intended purpose of the contract.

The state purchasing agent or a central purchasing office is required to use due diligence in determining the basis for the sole source procurement, including reviewing available sources and consulting the using agency, and must include its written determination in the procurement file.

The Procurement Reform Taskforce anticipates proposed legislation in a future legislative session to exempt proprietary information technology purchases from sole source procurement reporting requirements. There are several information technology sole source contracts for proprietary software and licenses. Although SPD approves the sole determination, agencies are required to submit a sole source justification annually for the proprietary software and licenses. For example, Geographic Solutions, Inc. (GSI) has been providing information technology services to Workforce Solutions Department since 2002. Under the initial contract with GSI, Workforce Solutions Department has the right to use the source code but has no ownership rights and is bound by confidentiality provisions to protect it from third party and is specific to its proprietary product. Use of proprietary software, as defined by the contract, does not allow third party vendors to integrate technology with existing workforce programs. Therefore, GSI is the only company that can legally work on its proprietary software. Based on LFC staff analysis, the FY14 information technology sole source contracts represent 44 percent or \$39 million of the total source contracts.

Table 2. FY14 Information Technology Sole Source Contracts
(in thousands)

| Agency | Licenses | License Renewals | Maintenance and Support | Professional Services | Total |
|--------------|------------------|------------------|-------------------------|-----------------------|-------------------|
| TRD | | | \$11,228.3 | \$395.7 | \$11,624.0 |
| ERB | | | \$870.0 | | \$870.0 |
| DoIT | \$1,929.1 | \$1,732.9 | \$184.1 | \$420.0 | \$4,266.1 |
| PERA | | | \$900.7 | | \$900.7 |
| SOS | | | \$310.2 | \$250.0 | \$560.2 |
| WSD | | \$975.0 | | \$16,172.7 | \$17,147.7 |
| DPS | | | \$1,730.9 | | \$1,730.9 |
| PED | | | \$990.5 | \$1,083.8 | \$2,074.3 |
| Total | \$1,929.1 | \$2,707.9 | \$16,214.7 | \$18,322.2 | \$39,173.9 |

Source: LFC Analysis

While monitoring and tracking emergency procurements was identified as issue in the LFC's 2008 evaluation, State Purchasing Division did not track emergency procurements until the laws changed effective June 14, 2013. SPD could not provide data for emergency procurements for FY12 and FY13 and aside from DFA being responsible for paying the emergency purchase contract or purchase order, the amount of spend dollars within the category of emergency purchases was not monitored. Prior to the change in the Procurement Code, all central purchasing offices were required to maintain records for emergency procurements for a minimum of three years. However, the code did not require a centralized location of records. In 2013 the legislature made changes to the Procurement Code requiring central purchasing offices to provide emergency procurements information within three business days of awarding an emergency procurement contract to the Department of Information Technology for posting on the Sunshine Portal. To facilitate this process, SPD provides agencies access to an on-line database to enter the required emergency procurement information and once entered, SPD personnel accept it for publication on its website. Currently, agency's documentation for the emergency procurements posted on SPD's website is inconsistent, making it difficult to determine if due diligence is adequate. For example, documentation for some agencies includes the declaration of an emergency and the request for DFA approval, while others only include the contract issued as a result of the emergency. Like sole source procurements, agencies are required to maintain records of emergency procurements for a minimum of three years. In addition, the state purchasing agent or a central purchasing office shall use due diligence in determining the basis for the emergency procurement and for the selection of the particular contractor. The determination shall be in writing and included in the procurement file.

In FY14, there were 51 emergency procurements totaling \$22 million.

Table 3. Summary of FY14 Emergency Procurements
(in thousands)

| Purchasing Category | # of Procurements | Procurement Amount |
|----------------------------|-------------------|--------------------|
| Construction | 8 | \$2,350.70 |
| Maintenance | 7 | \$245.30 |
| Maintenance and Support | 4 | \$61.60 |
| Professional Services | 14 | \$8,096.60 |
| Services | 16 | \$11,471.70 |
| Tangible Personal Property | 2 | \$374.30 |
| Total | 51 | \$22,600.20 |

Source: GSD Technology and Systems Support Bureau

The 2008 LFC evaluation reported that besides sole source purchases, emergency purchases are one of the highest procurement categories of abuse. The emergency procurement method (Section 13-1-127, NMSA 1978) may only be used when there is a serious threat to: the functioning of government; the preservation or protection of property; or the health or safety of any person. LFC staff identified instances where some emergency procurements appear to be a result of poor planning where contracts for existing essential services are due to expire and agencies are not adequately prepared to go through the competitive procurement process. The failure of an agency to properly plan ahead should not provide the basis for an emergency procurement.

In addition, LFC staff has cited recent potential concerns on how agencies may be misusing the emergency procurement method. For example, Children, Youth, and Families Department (CYFD) terminated contractual obligations with Optum HealthCare, Inc. for shelter care facilities and services, and forensic interviews and family adequacy services and issued 15 emergency contracts for a total of \$2 million “because these are non-behavioral health services that CYFD will be managing directly.” It may have been in the best interest of the state if CYFD instead developed and issue a RFP while waiting for the term of the Optum contract to expire. It is not clear if these emergency procurements for six months are cost effective. In FY14 the Human Services Department issued five contracts as emergency procurements totaling about \$18 million for behavioral health services. Also, the State Auditor’s Office 2011 Special Audit Report of the Corrections Department identified instances where emergency procurements were issued inappropriately.

Although State Purchasing Division is tracking procurement violations, the number of violations is inconsistently reported and documentation is incomplete, making it difficult to determine if SPD is effectively monitoring and managing the procurement violation process. GSD’s FY13 performance measure summary indicated there were a total of 15 violations and data indicated there were only 13 violations. GSD’s FY14 performance summary reported 31 procurement violations, of which 15 violations were from the same agency and the agency has addressed the issue that led to the procurement violations. GSD reported a 47.6 percent increase instead of a 138 percent increase. GSD calculated the increase based on the previous quarter instead of the previous fiscal year. The FY14 performance measure target is a five percent reduction in procurement code violations compared with the previous fiscal year.

Table 4. Procurement Violations Summary

| Fiscal Year | No. of Violations | Percentage Change | Approximate Dollar Value |
|-------------|-------------------|-------------------|--------------------------|
| 2012 | 33 | | \$2,198,078 |
| 2013 | 13 | -61% | \$432,642 |
| 2014 | 31 | 138% | \$3,376,671 |

Source: LFC Analysis of SPD Data

Based on the LFC's 2008 recommendations, when procurement violations are greater than \$100 thousand, DFA requires an audit. SPD's correspondence to cabinet secretaries indicates a complete assessment and internal audit report must be provided prior to moving forward with a determination and processing the violation. At a minimum, the agency's audit report should provide detail specifics of the situation and the root cause with a corrective action plan. In addition, agencies are to identify to DFA and SPD the individual(s) responsible and require those individuals to attend and successfully pass both contract and procurements classes provided by each agency. However, in most cases SPD's files did not have documentation of an audit and training.

DFA's Financial Control Division is responsible for processing the payments once it receives a copy of a letter from GSD to the violating agency declaring the procurement code violation. DFA will not process a payment until the letter from GSD State Purchasing Division and the agency's subsequent letter requesting payment has been submitted. DFA maintains the procurement code violation documents and notifies the agency's external auditors of the violations related to the current audit year.

The State Purchasing Division does not track statewide spending or procurement trends by vendor and agency. In response to the 2008 LFC recommendations, the state purchasing agent stated SPD does not generally track spend as it is not a part of the division's statutory brief. The only spending SPD tracks is the administrative fee dependent upon that spend under statewide price agreements. In such cases, SPD relies on self-reporting by vendors and spot audits. Contrary to the statement, Section 13-1-95 NMSA indicates the state purchasing agent has the authority and responsibility to require state agencies to furnish reports concerning usage, needs and stocks on hand of items of tangible personal property and usage and needs for services or construction. In addition, it is not clear if the state purchasing agent has collaborated with the state budget division in the preparation of statistical data concerning the acquisition and usage of all services, construction and items of tangible personal property by state agencies.

While State Purchasing Division developed some written procedures to support the Procurement Code and administrative rule, guidance available on its website is outdated. For example, the Procurement Guide is dated August 2009 and changes to the Procurement Code small purchases threshold increases, effective July 1, 2013, are not reflected. The Procurement Code and Administrative Code are used as policy and are not always supported by written procedures. Procurement Code and administrative rule do not provide sufficient detail to guide the staff through daily operations.

State Purchasing Division has developed standard operating procedures and guidelines (August 2014), however, it is an internal working document, primarily limited to the bid process and does not include details for all procurement business practices and processes. In addition, the Procurement Reform Task Force minutes indicate an initiative to develop the Best Value Guide has been on-going since 2012. GSD issued an \$11 thousand professional services contract for the development of the guide. In July 2013, the taskforce approved the draft guide and as of this writing it remains at the Governor's office for approval. When written policies and procedures do not exist, are inaccurate, incomplete or simply not current, potential concerns exist, including:

- Inaccurate and unreliable financial records due to inappropriate recording of transactions;
- Inconsistent practices among employees and the department; and
- Processing errors due to lack of knowledge.

Written procedures (*and documented procedures published on the website*) provide consistency in the procurement process, establish standard practices and ensure compliance with laws and administrative regulations. Also, written policies and procedures ensure:

- Employees understand assigned roles and responsibilities and encourage adherence to rules, sound decision-making, and productivity;

- Management can guide operations without constant intervention. The organization benefits by allowing managers the freedom to concentrate on strategic issues because policies and procedures are in place to guide the normal-day-to-day operations; and
- Employees possess effective training documents for reference purposes and help train new employees within the department and external agency purchasing staff.

Documenting business practices and processes are crucial for accountability and consistency in implementing public policy. In addition, having current documented business policies and procedures available assist agencies in identifying business requirements and needs when pursuing new information technology projects.

Recommendations

The Legislature should evaluate the potential improved efficiency by transferring the state purchasing division function to the Department of Finance and Administration (DFA) or consolidating it with DFA's Contracts Review Bureau which manages the professional services contracts for the state.

The Legislature should consider establishing requirements in the Procurement Code limiting the term of sole source and emergency procurements.

The Legislative Finance Committee, Department of Finance and Administration and General Services Department should convene an interim workgroup during 2015 to review Section 13-1-98 NMSA 1978 to evaluate all exemptions and determine if noncompetitive purchasing status is in the best interest of New Mexico and its public funds.

The State Purchasing Division (Agent) should:

- Require state agencies to furnish reports concerning usage, needs and stocks on hand of items of tangible personal property and usage and needs for services or construction;
- Develop and document formal policies and procedures for all aspects of the procurement process;
- Ensure policies and procedures published on its website are current;
- Ensure required documentation, including audit and training for procurement violations is maintained;
- Establish requirements for standard documentation for emergency procurements on its website to ensure better transparency for the legislature, state agencies and vendors, at a minimum the declaration of the emergency, the request with the associated determination and approval; and
- Create a formalized process for tracking and maintaining performance measure data to ensure data sources are accurate and consistent.

DESPITE AN INVESTMENT OF \$1 MILLION, THE STATEWIDE HUMAN RESOURCES, ACCOUNTING AND MANAGEMENT REPORTING E-PROCUREMENT SYSTEM DOES NOT FUNCTION

The State of New Mexico owns key modules in the Statewide Human Resources Accounting and Reporting (SHARE) system that support major portions of the procurement process but has not implemented the modules. The state has made sizeable investments in various SHARE modules without a clear plan for deploying the resource. The SHARE Financial Application Portfolio includes Supply Chain Management with the following modules:

Table 5. SHARE Financial Supply Chain Management Application Portfolio

| Licensed - Implemented | Licensed – Not Implemented | Not Licensed |
|------------------------|----------------------------|------------------------------|
| Purchasing | Strategic Sourcing | Services Procurement |
| Inventory | eSupplier Connection | Catalog Management |
| eProcurement* | Supplier Rating System | Supplier Contract Management |
| | ESettlements | |
| | Program Management | |
| | Order Management | |

Source: SHARE Application Portfolio

*Implementation was unsuccessful

The state does not have a comprehensive strategic plan to upgrade the SHARE application and implement the licensed modules. As early as July 2009, the State Purchasing Division reported the full implementation of the eProcurement module could not be accomplished until SHARE has been upgraded to version 9.0 or 9.1. While the state has initiated several special projects to implement licensed SHARE modules during the past few years, the application upgrade has an impact on some of these projects moving forward. For example, the implementation of the Treasury Module is delayed, and for FY16, the State Treasurer's Office has requested a time extension to use the \$1.9 million appropriation from Laws 2013 through the end of FY17.

The SHARE technical architecture was over seven years old, and in September 2013, the Department of Information Technology (DoIT) initiated an upgrade of the hardware and operating system that supports the SHARE application, completed in March 2014, for \$2.2 million. DoIT successfully completed the re-platform of SHARE resulting in a stabilized environment. With the system stabilized, overall process run times have improved, with better user experience. The stabilized environment should provide for long term application planning including the software upgrade.

The General Appropriation Act of 2013 appropriated \$5 million to stabilize and upgrade SHARE to the current levels of hardware and software. In its FY16 budget request, DoIT asked for a time extension to use the funds through FY17. DoIT reported the SHARE software upgrade is a significant project, and anticipates it will take 16 to 24 months to complete.

Since FY09, the General Services Department has received close to \$1.4 million in information technology appropriations to automate procurement, of which \$935 thousand was for eProcurement (SHARE) and \$459 thousand for paperless procurement (SciQuest). The eProcurement project was to include reviewing and documenting the current procurement functionality in SHARE and state of implementation; identify the functionality of the uninstalled SHARE modules for impact to procurement and analyze State Purchasing Division business processes. In its FY13 funding request GSD stated the paperless procurement project will include an electronic bid, third-party web-based system as an interim solution alternative to SHARE due to lack of adequate funding to fully implement the SHARE Strategic Sourcing module. GSD cited its dependence on upgrading SHARE to implement the Strategic Sourcing module and DoIT's resource constraints and undefined timeline to complete the upgrade as its reason to request a third-party web-based system as an interim solution.

The appropriation for the eProcurement project was fully expended and currently there is approximately \$120 thousand remaining for the paperless procurement project.

**Table 6. General Services Department State Purchasing Division
Summary of Funding for Electronic Procurement**
(in thousands)

| Fiscal Year | Amount | Source | Purpose |
|--------------|------------------|-------------------|--|
| 2009 | \$500.0 | General Fund | For the statewide human resource, accounting and management and reporting system (SHARE) strategic sourcing and electronic procurement configuration for General Services Department purchasing division. |
| 2010 | \$435.0 | General Fund | Re-appropriated to the Department of Information Technology (DoIT) for incremental license fees and "to address the critical issues with the statewide human resources, accounting and management reporting system." |
| 2013 | \$458.5 | Other State Funds | Implement an electronic bid and contracts management web-based system in fiscal years 2012 and 2013. |
| 2014 | | | Reauthorization - the period of time to expend \$458.5 from the purchasing enterprise fund contained in Laws 2012 to implement an electronic bid and contracts management web-based system is extended through fiscal year 2014. |
| 2015 | | | Reauthorization - the period of time to expend \$458.5 from the purchasing enterprise fund contained in Laws 2012 to implement an electronic bid and contracts management web-based system is extended through fiscal year 2015. |
| Total | \$1,393.5 | | |

Source: General Appropriations Acts

GSD initiated the SHARE eProcurement project in 2008, and closed the project in 2014 with minimal success due to lack of buy-in from pilot agencies during the administration transition. Phase I was completed on schedule in October 2009, resulting in improvements to procurement workflow and automation of the requisition process. Phase I project deliverables also resulted in the 2011 Oracle Health Check Assessment Report. The report included a series of recommendations for the implementation of eProcurement. Accomplishments in Phase I included implementing some of the Health Check recommendations, including resolution of vendor data discrepancies, streamlined and consistent data entry, and improved item categories and commodity codes. Although the assessment report indicated there was a set of separate documents for budget estimates for eProcurement, Strategic Sourcing and the Supplier Contracts Modules, it appears GSD did not retain the documents. LFC staff subsequently requested the information from the Department of Information Technology and as of this writing it did not provide the information.

Phase II of the eProcurement project was delayed and not implemented as planned. With the loss of key project personnel, the project start date was delayed until May 2010, with an estimated budget of \$435 thousand, and project completion in July 2010. The March 2011 monthly status report indicated the project was behind schedule since the prior year, initially anticipated project close-out by October 2010. Project status documentation indicated the project was complete and ready for full implementation by April 2011.

Since upgrading the SHARE application was not feasible for FY11, the project team decided on a scope change for Phase II to pursue the implementation of the eProcurement module at a set of pilot agencies, making the implementation of the Strategic Sourcing module Phase III of the project. GSD awarded a \$330 thousand contract to DLT Solutions to implement the eProcurement module at the pilot agencies. The pilot included establishing on-line catalog access with two vendors, Staples and Grainger, so agencies could use standard functionalities of Supplier Catalogue. The eProcurement module is the self-service requisitioning application which provides the ability to manage requisitions from searching for items and submitting requisitions to tracking status of requisitions. It provides business-to-business purchase and sale of supplies and services through the Internet by accessing qualified vendor catalogs.

GSD selected three agencies for the pilot: the Department of Health, Environment Department and Human Services Department. In April 2011, after successful testing, GSD did not anticipate the pilot agencies would decline to use the eProcurement module. Project status documentation indicates the pilot agencies did not want to deploy the new eProcurement capabilities during the administration transition, and as a result, GSD did not go live with eProcurement. Although implementation at pilot agencies did not take place, DLT Solutions developed a “cookbook” with detail steps to turn existing functionality on for additional agencies and associated users. GSD could not provide LFC staff a demonstration of the eProcurement functionality because the test vendors (Staples and Grainger) dropped their connection due to lack of activity. During project close out, GSD later stated additional vendors would need to be added if full implementation is undertaken. As of this writing, the LFC staff’s inquiry to DoIT and GSD’s CIO regarding what steps need to be taken to implement the SHARE eProcurement module statewide received no response.

GSD submitted an IT budget request for FY16 to implement the SHARE Strategic Sourcing module which included \$750 thousand from SPD’s enterprise fund. As previously stated, the state owns the license for the Strategic Sourcing module and GSD plans to conduct an assessment to determine the requirements to implement the module before issuing a request for proposals. However, this assessment may have already occurred in 2011 as part of the Health Assessment Report previously mentioned. A “Requirements Validation” was referred to in the report and it is not clear if GSD could potentially leverage information included in the document.

The eProcurement project followed project management best practices and was completed in April 2011, however, DoIT’s Enterprise Project Management Office did not require GSD to close out the project prior to initiating the paperless procurement project. The available Project Certification Committee (PCC) documentation indicated GSD did not present project status to the committee after its March 2010 certification for the implementation phase. Although eProcurement implementation did not occur, the project remained in active status from April 2011 until the project was closed out in June 2014.

**Table 7. General Services Department
SHARE eProcurement Project
Project Certification Timeline**

| Project Phase | Phase I | Phase II |
|----------------|---------|----------|
| Initiation | Sep-08 | Oct-09 |
| Planning | Feb-09 | |
| Implementation | Apr-09 | Mar-10 |
| Close-out | | Jun-14 |

Source: DoIT Project Certification Committee

During its PCC closeout presentation GSD reiterated pilot agencies were not committed to the new system; however, GSD also noted it could have done a better job assessing agency needs to understand what vendors were most widely used and provided the best volume discounts. The Information Technology Commission requested GSD develop a strategy to get the project moving again, noting it is an efficient, cost-effective technology that has been around for years.

GSD implemented the paperless procurement system (Sourcing Director) as an interim solution to SHARE that provides online vendor registration, online bidding capabilities and bid tabulation functionality. GSD stated the third party system was implemented as an interim alternative due to lack of adequate funding to fully implement the SHARE Strategic Sourcing module. Because GSD and DoIT did not provide LFC staff the estimated cost to implement the SHARE Strategic Sourcing module a cost comparison could not be made.

DoIT requires agencies to submit IT funding requests in its annual IT Plan, through the Computer System Enhancement Funding process (also known as the “C2” process), for projects over \$100 thousand. In FY13, GSD submitted its \$459 thousand funding request to implement an electronic bid and contract management web-based

system (paperless procurement) as a special request instead of through the C2 process. As part of the C2 process, agencies are required to submit a business case to support its funding request with a detailed explanation and justification, including a cost benefit analysis. Because GSD requested the funding outside the C2 process, the project could not be properly vetted by DFA, DoIT and the LFC. The LFC staff does its best to ensure IT budget requests do not come through as a special appropriation request to avoid potential issues with agency's IT projects to ensure IT projects receive proper vetting and oversight.

GSD initiated the paperless procurement project in March 2012, without a project management plan and independent verification and validation. As a result, the paperless procurement project had unexpected difficulties, delaying implementation, primarily due to poor project management and loss of key project staff. Because of the delays, in FY14, GSD requested an extension of time to use the funds appropriated for the project through FY15.

In addition, the project did not include independent verification and validation (IV&V). GSD stated it requested a waiver from DoIT, but did not provide evidence the waiver was granted. As of this writing, it is not clear if DoIT approved the waiver because documentation has not been provided by GSD and DoIT. The purpose of IV&V is to obtain an objective assessment, ensure compliance with specified requirements, and provide early detection of risks and issues to ensure a project's compliance with performance, schedule, and budget requirements. As a best practice from the technology industry, IV&V activities should be performed by an entity technically, managerially, and financially independent from project developers and project managers.

GSD awarded a \$385 thousand contract effective June 6, 2012 through July 31, 2017 to SciQuest for Sourcing Director, a commercial off-the-shelf (COTS) solution, using a Western States Contracting Alliance (WSCA) cooperative agreement. This allows GSD to bypass normal competitive procurement process by "piggy-backing" on other contracts. WSCA was formed by 15 western state members of the National Association of State Purchasing Officials (NASPO) and provides access to agreements for various products based on the combined volumes that result in substantial savings. SciQuest is the largest publicly-held provider of software-as-a-service (SaaS) procure-to-pay technology. The annual maintenance and license renewal for Sourcing Director is approximately \$69 thousand.

Table 8. Paperless Procurement Project Expenditure Summary

| Vendor | FY13 | FY14 | FY15 | Total |
|--------------|------------------|------------------|-----------------|------------------|
| SciQuest | \$106,360 | \$69,600 | \$69,600 | \$245,560 |
| POD, Inc. | \$9,871 | \$83,079 | | \$92,950 |
| Total | \$116,231 | \$152,679 | \$69,600 | \$338,510 |

Source: Sunshine Portal

GSD anticipated Phase I implementation to be complete in FY13, but it was not possible due to the lack of a dedicated project manager to manage project tasks, schedule, risk and required resources. In addition, GSD's implementation of the web-based electronic procurement solution was under the assumption the COTS solution would meet SPD's business and technical requirements, without performing a detailed business assessment. Therefore, in May 2013, GSD presented a change request certification to the PCC, requesting a scope and schedule change. Recognizing the need, in June 2013, GSD contracted POD, Inc. to perform a business assessment of the Paperless Procurement initiative and develop a project management plan. The most important discovery during the assessment is there were not enough business requirements gathered to successfully determine if the SciQuest product could be configured to support State Purchasing Division business needs. Defining business requirements upfront is critical in project planning to ensure successful project implementation.

The assessment recommended prior to automation, State Purchasing Division should participate in a complete business needs and requirements re-engineering process. The assessment also stated a project plan is needed for

additional purchasing functionality, beginning with a business process analysis to identify business requirements that are then used to configure the process for which the functionality is built.

While GSD did not follow project management best practices during the paperless procurement project, Phase I resulted in some process improvements with vendor registration, automating the bid process from start to finish, ensuring process standardization. Phase I of the paperless procurement project provides SPD with the ability to create and receive online bids and proposals and provide vendors the ability to register online and maintain their profiles. With completion of Phase I, there are 2,800 vendors registered compared to 1,800 previously. Furthermore, automated notifications of solicitations are delivered to vendors via email, and vendor responses are automated, giving SPD the capability to conduct bid evaluations online and perform bid tabulation electronically. It appears there is not an interface with SHARE to keep vendor information current, being that SHARE is still considered the system of record.

GSD closed out Phase 1 of the Paperless Procurement project in November 2014 at the PCC, stating additional phases of the project would not be pursued. During closeout GSD identified the following lessons learned:

- Conduct in-depth upfront analysis of system and business requirements to ensure a COTs solution can meet the business process needs of state government procurement;
- Full engagement of subject matter experts and staff is required at the beginning phase of the project.
- Require external security audit of COTs application and website prior to Go Live;
- Hire a full-time project manager with procurement experience if internal resources are not adequate;
- Adhere to standard Project Management Methodology; and
- Conduct a resource analysis and time allocation for the project scope at the beginning of the project to ensure successful implementation, adoption and full use of the solution.

GSD's Technology and Systems Support Bureau (TSSB) initiatives have assisted SPD in improving its procurement process. TSSB has developed a contract management tracking database and electronic imaging system. This allows SPD to scan contact documents into an electronic repository and provides tracking the contract process through award and expiration. In addition, state agencies can upload bid items online in a required format that allows SPD to then upload the data into the SciQuest tool for bid publication.

GSD's FY16 Information Technology Plan initiatives include the implementation of vendor e-catalogues in SHARE, with roll out of the e-catalogue to state agencies. GSD anticipates completion by June 2016, however, it appears a project plan has not been developed and the project budget is yet to be determined. In addition, SPD's strategic goal is to also implement the SHARE Supplier Contract Management and eSupplier modules in future projects, providing the state a full life cycle automated procurement system. The state does not own the license for the Contract Management module and the current price tag is unknown.

Recommendations

The General Services Department should ensure State Purchasing Division participates in a complete business needs and requirements re-engineering process and documents all of its business processes prior to initiating additional procurement automation projects.

The General Services Department, Department of Information Technology, including the SHARE project team, need to determine:

- The feasibility and requirements for implementing the SHARE eProcurement and Strategic Sourcing modules; and
- An estimated budget amount for additional funding required for implementation of these modules.

The Department of Information Technology should:

- Develop a comprehensive implementation plan, including budget estimates for the SHARE modules the state owns;
- Comply with administrative rule requiring independent verification and validation for all projects;
- Establish criteria for granting waivers; and
- Make approvals of information technology professional services and commercial-off-the-shelf software contracts contingent on a vetted project management plan and independent verification and validation.

THE STATEWIDE PRICE AGREEMENT PROCESS DOES NOT ENCOURAGE STATE AGENCIES TO SEEK THE MOST COMPETITIVE OPTION

State Purchasing Division will not allow agencies to initiate procurement when a statewide price agreement exists for the commodity or service being requested. SPD establishes statewide price agreements for commodities or services agencies commonly use *in volume*. SPD awards statewide price agreements using a formal competitive process; invitation to bid (ITB), or request for proposals (RFP). The statewide price agreement awards are a type of indefinite quantity, indefinite schedule contract, usually for a one-year term, with three one-year options to extend. In other words state agencies can award contracts based on the agreements up to four years as long as SPD amends the term of the agreement on an annual basis.

In addition, over a four year period, the market may change for a particular commodity or service, where prices may be lower. Because the prices in the agreements are established for an extended period of time and SPD requires agencies to use existing agreements, agencies do not have the opportunity to pursue competition and potentially more cost-effective vendors. It is not clear if SPD renegotiates pricing during the amendment process when extending the term of the price agreement.

Most statewide price agreements are awarded to more than one vendor for each commodity or service and vendor pricing varies but is competitive. SPD does not specify to agencies whether they have to obtain a minimum number of quotes from vendors on price agreement prior to issuing a contract based on a statewide price agreement. There may be instances where an agency obtains up to three quotes and award the contract based on vendor experience and price. In other instances an agency may select a specific vendor based on past performance, and familiarity and experience with the agency's project. An agency may also create the appearance of favoritism if it repeatedly selects the same vendor, limiting other price agreement vendors.

Arizona's November 2013 review of *Selected State Practices for Information Technology Procurement* reported its state purchasing office does not require state agencies to justify which state-wide contracts the agency purchases from. Similar to Arizona, six of nine states do not require state agencies to provide a justification, although some states reported they may encourage or instruct agencies to negotiate with multiple state-wide contract vendors. However, Pennsylvania requires state agencies to obtain quotes from contracted vendors for purchases above \$10 thousand when multiple vendors are awarded a state-wide contract, and Utah requires state agencies to obtain quotes for all purchases. In addition, North Dakota reported agencies may be required to obtain offers from multiple vendors on state contracts depending on the type of IT purchase and estimated cost.

Statewide Price Agreement revenue may be understated since SPD relied on vendor's self-reporting. However, beginning in FY15 SPD is sending vendor's reminder notices. The statewide price agreement contracts require vendors to submit quarterly usage reports to include gross revenues for the period subtitled by the procuring agency name, with the revenue reports accompanied with a check payable to the state purchasing agent. The amounts due by vendor are calculated based on a small percentage of the gross revenue, ranging from half of one percent to one percent. At this time, this percentage varies depending on the type of procurement. SPD is currently looking at a specific percentage to be consistent with all procurements. SPD revenue tracking was limited in FY12 due to a key employee leaving the division and it is not clear if SPD tracked the revenue prior to FY12.

**Table 9. General Services Department
Statewide Price Agreement Revenue**

| FY12 | FY13 | FY14 | FY15 1 st and 2 nd Qtr |
|---------|-----------|-------------|---|
| \$8,343 | \$835,947 | \$1,356,017 | \$744,958 |

Source: State Purchasing Division

The Statewide Price Agreement for IT Professional Services is due to expire March 31, 2015 and it appears SPD's publication of request for proposals was delayed due to the Department of Information Technology's review process. The current statewide price agreement has eight major categories of IT professional services with approximately 40 vendors available to provide services. SPD drafted a request for proposals (RFP) in coordination with the Department of Information Technology (DoIT). In July 2014, SPD provided the draft RFP to DoIT for review. The state Chief Information Officer (CIO) offers the technical and IT policy expertise to ensure the proposed procurement is consistent with the state's IT direction. As a result of its review and input from several agency CIO's, DoIT re-wrote the RFP, returning it to SPD for processing in late October 2014. With the statewide price agreement for IV&V services also due to expire at the end of March 2015, SPD at DoIT's direction included IV&V services in the RFP for IT professional services. In December 2014, DoIT revised the RFP a second time, leaving SPD's publication of the RFP delayed until the end of January 2015 when SPD issued it. The RFP response is due April 2, 2015. With the complexity of the procurement and potential of evaluating proposals from more than 30 vendors, it is critical SPD devote adequate resources to the evaluation process. Since most complex procurements take more than six months to process and complete, there is not sufficient time to award the new IT professional services price agreement without inherent risk and potential for procurement violations because of the delay.

The National Association of State Chief Information Officers (NASCIO) 2013 CIO survey indicated nearly two-thirds of CIO's believe IT procurement process is either somewhat or very ineffective. One of the most frequently cited concerns is the length of time required to complete IT procurement. According to the survey, the typical state procurement cycle for IT services often exceeds 18 months, with the majority of time consumed by RFP development and proposal evaluation. The report recommends improving the RFP process by providing an adequate period for sellers to respond to the RFP. Procurement requests with unreasonably short response times discourage otherwise qualified bidders from responding because either there is inadequate time to prepare a credible response or it suggests there is already a favored supplier. In addition, a National Association of State Procurement Officials (NASPO) IT Procurement Survey outlined several challenges facing state procurement officials. The issues most cited by survey respondents included:

- Liability issues;
- Project management;
- Contract management; and
- Lack of competition for IT procurement projects.

NASCIO's 2014 CIO survey made the following recommendations for improving state IT procurement:

- If permissible, remove unlimited liability clauses in state terms and conditions;
- Introduce more flexible terms and conditions;
- Do not require performance bonds from vendors;
- Leverage enterprise architecture for improved IT procurement;
- Implement rules for using competitive negotiations to facilitate "give-and-take" between the buyer and seller; and
- Adopt a "license" rather than an acquisition approach to a vendor's intellectual property and work product.

The majority of FY14 IT expenditures of \$120 million are in the IT services category. Combining IT services and IT professional services represents 76 percent of the total for FY14. IT procurement covers a wide array of materials and services, ranging from software applications, computers, and network equipment to IT consulting, web design, and maintenance and support services.

Table 10. Summary of IT Purchases
FY12 – FY14
(in millions)

| Category | FY12 | FY13 | FY14 |
|--------------------------|----------------|----------------|----------------|
| IT Services | \$75.6 | \$84.1 | \$83.0 |
| IT Equipment | \$14.3 | \$15.0 | \$11.3 |
| IT Supply Inventory | \$6.3 | \$9.8 | \$13.4 |
| IT Maintenance | \$3.9 | \$4.7 | \$4.5 |
| IT Professional Services | \$0.8 | \$1.1 | \$7.7 |
| Total | \$100.9 | \$114.7 | \$119.9 |

Source: Sunshine Portal

As previously stated, the Sunshine Portal is limited to purchase order activity and has limitations for detail contract information. Because the Sunshine Portal is limited to purchase order data and not contract specific it is difficult to determine if a vendor's purchase order activity is from a statewide price agreement or agency specific contract.

State agencies are increasingly purchasing cloud based solutions but the state does not have a cloud computing policy. Many state and local agencies are following the move to public- private- and hybrid cloud models to increase efficiencies and save tax dollars. Cloud computing is a general term for anything that involves delivering hosted services over the Internet from a provider's servers as opposed to being provided from a organization's own on-premises servers. Cloud represents a fundamental shift on how technology is acquired and managed. The most common service models used in government today are Software-as-a-Service (SaaS), Platform-as-a-Service (PaaS) and Infrastructure-as-a-Service (IaaS). The two most common ways to pay for these types of services are to “pay as you go” or through a subscription model, which is radically different than the way traditional technology solutions are purchased. There are risks when considering contracting for cloud computing services. Primary concerns over the use of cloud storage include vulnerability to hacking and theft, privacy and ownership of information in an environment that resides outside of agency firewalls, lack of portability standards, weak records management capability, inside threats, and insufficient due diligence before jumping into the cloud. Another issue to consider is if an agency no longer wants to use the same vendor, will the contract allow data transfer to another vendor. NASCIO's 2014 State CIO survey indicated State CIO priorities include cloud computing and it is one of the IT and solution priorities.

The Department of Information Technology and State Purchase Division have not issued procurement guidance for cloud based solutions. The NASPO IT Procurement Survey noted with technology changing, terms and conditions must be reconsidered. It appears current processes and requirements for IT procurement are not relevant to contracting for cloud services. Secretary Ackley stated DoIT is handling these types of procurements on a case by case basis. As the state CIO, the secretary is responsible for promulgating rules for oversight of IT procurement, including approval of agency RFPs, contract vendor requests, and IT contracts including amendments, emergency procurements, sole source contracts and price agreements. In addition, the secretary is responsible for recommending procedure and rules to the IT Commission to improve oversight of IT procurement.

Other states are facing common obstacles with the cloud procurement process, and amending terms and conditions to address the obstacles. Delaware began its cloud-first initiative in 2009 by piggybacking on the federal policy. Initially IT leaders worked with the procurement team to piggyback on another state's contract. “That was the only way we could procure at first because state laws had not kept pace.” Delaware has been the leader in developing cloud policies, including the creation of procurement and contracting language. With software-as-a-service, software, hardware, and network security are a bundled package. Delaware's CIO stated “most states do not have contract vehicles for all those components and it is still a challenge to procure.” Delaware has released *Cloud and Offsite Hosting Specific Terms and Conditions* and a *Cloud and Offsite Hosting Policy*.

Table 11. 2013 State CIO Survey

Survey Question:

Does your state have procurement and contract templates for common cloud services?

| Survey Response | Percent |
|---|---------|
| Yes, specific cloud procurement and contract templates exist and are in use | 17% |
| Yes, specific cloud procurement and contract templates exist but are not yet in use | 8% |
| No, but state is in the process of developing templates | 32% |
| No, but state is interested in developing template | 39% |
| No, not interested | 0% |
| Other | 4% |

Source: NASCIO/TechAmerica/Grant Thornton 2013 State CIO Survey

States are becoming more active in developing procurement and contract templates tailored for cloud services, writing standard terms that will protect state data and its citizens. For example, Colorado has written a standard model contract for cloud, hosting, and other IT related services. The model contract includes provisions to protect the state's confidential information. In addition, after reviewing its terms and conditions in 2010, Oregon developed six templates for four types of IT procurement, including hardware, software, IT services, and consulting. Each template contains terms and conditions appropriate for each type of procurement, which can be modified as necessary for each solicitation. Oregon began another review of its templates and the associated terms and conditions in 2013 with input from vendor representatives and reported it plans to continue reviewing them every two to three years.

The Illinois legislature cloud computing policy mandates agencies to consider cloud-based solutions before investing in new technology, and, when feasible, adopt them. Illinois' cloud program is based off the National Institute of Science and Technology's definition of cloud, which includes three service models, Infrastructure-as-a-Service, Platform-as-a-Service and Software-as-a-Service – and four delivery systems: community, hybrid, public and private clouds. Illinois' CIO and Chief Procurement Officer worked jointly to develop a memorandum to give state agency CIOs and purchasing officers the basic procedures for looking at cloud technology purchases. In addition, the Center for Digital Government issued a best practices guide for cloud and as-a-service procurements.

A May 2011 report by Gartner Inc. highlights IT procurement best practices to reduce risk in cloud contracts.

Gartner, Inc. is the world's leading information technology research and advisory company. The cloud delivery model is gaining popularity but it includes risks often unclear or overlooked when assessing the appropriateness of the sourcing model. "Cloud solutions often appear to have lower initial and switching costs than traditional solutions, but include hidden costs and risks, and require unique terms for contract protection, compared to traditional arrangements," said research vice president at Gartner. "Many cloud providers appear reluctant to negotiate contracts, as the premise of their core model is a highly leveraged approach. The starting point contractually often favors the vendor, resulting in a potential misalignment with user requirements."

When assessing cloud offerings' procurement and sourcing, executives need to understand what can be negotiated relative to risk elements. Some of the key terms to understand in cloud deals to mitigate excess risk include:

- **Security.** As part of the cloud-sourcing strategy, procurement and security executives should ensure the provider's security practices are at the same level as, or exceed, their own security practices, especially if the company falls under industry or national privacy-related regulations. Gartner recommends negotiating service level agreements (SLAs) for security, especially for security breaches. The analysts suggest immediate notification of any security or privacy breach as soon as the provider is aware of it.

- *Business Continuity and Disaster Recovery.* Cloud contracts rarely contain any provisions about disaster recovery or provide financially backed recovery time objectives. Some infrastructure-as-a-service providers do not take responsibility for backing up customer data. If organizations are prepared to back up their data within the enterprise, or some other cloud service, and have the ability to use that data within an application, then they need to confirm the provider has a suitable application programming interface or other mechanism to accommodate the organization taking responsibility for disaster recovery.
- *Data Privacy Conditions.* If the cloud provider is complying with privacy regulations for personal data on behalf of the organization, the client needs to be explicit about what they are doing and understand any gaps. Contracts should unequivocally state that the cloud provider will not share personal data with anybody else (this becomes more complicated if they have to share data with a third party — e.g., a cloud infrastructure provider — which is common for many software-as-a-service solutions) and that they will only do what the customer (the data controller) says they should do.

Recommendations

The Department of Information Technology should:

- Research Delaware's cloud computing best practices and available documents to determine if the information can be leveraged for New Mexico's use;
- Develop a cloud computing policy and provide it to the Information Technology Commission for review and approval; and
- Ensure procurements of cloud computing solutions are in compliance with state information architecture plan and the state IT strategic plan.

The Department of Information Technology and General Services Department should:

- Conduct an analysis of the state's IT procurement methodology and strategies in comparison to other states for identification of best practices in the areas of warranties, indemnification, liability, and insurance;
- Determine if it is possible to update IT procurement practices while still maintaining compliance with state laws;
- Develop and use specialized templates with IT-specific terms and conditions for cloud service providers in line with best practices; and
- Develop state policy for agencies to purchase IT cloud-based solutions.



State of New Mexico
Department of Information Technology

SUSANA MARTINEZ
Governor

DARRYL ACKLEY
Cabinet Secretary

JACQUELINE MILLER
Deputy Secretary

Mr. David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501
13 March 2015

Director Abbey,

This letter serves as the Department of Information Technology's (DoIT), and the General Service Department's (GSD) response to the Legislative Finance Committee's (LFC) Information Technology (IT) report entitled, "State Purchasing Division and Status of Procurement Automation." The undersigned provide the following response to the findings and recommendations set forth in this report.

As members of Governor Martinez' joint Task Force on Procurement Reform, both DoIT and GSD have worked to make incremental, comprehensive, and sustainable improvement to the State's overall procurement fabric. Beyond the critical need to have effective IT procurement, both departments acknowledge the need for a procurement environment that is both efficient and modern with respect to the expectations of our constituency. While both departments have made significant progress in their respective domains over the past years, it is also acknowledged that some of the findings in this report represent constructive criticisms that are interpreted and received as worthwhile aspirational objectives. It is also noted that without disagreeing, both agencies observe that some of the findings deal with issues that predate the current administration, and indeed, the leadership of both of the undersigned.

A common thread to the report involves the use of the Statewide Human Resources, Accounting, and Reporting (SHARE) system. Specifically, the report identifies modules and functionality of the SHARE system relevant to electronic and/or semi-automated procurement tasks. At the onset of the current administration, the SHARE system was in a state of significant operational deficiency and fragility; this situation undoubtedly impacted the efforts covered by this report. That being said, DoIT has made significant progress in stabilizing the SHARE system. The

system has been replatformed into a modern technology environment, and numerous operational improvements have been made. Indeed, the amount of time needed to perform many routine operations in the system has been at least halved. These efforts have put the SHARE system into a state where operations, maintenance, module implementation, and ultimately upgrade activities can be realistically planned and implemented.

DoIT concurs with the need to evaluate implementation plans and timelines for the modules that are owned by the State, and intends to work with stakeholder agencies in evaluating plans (and costs) to implement these modules. DoIT is committed to the systemic viability of SHARE, and will have to carefully prioritize module implementations with stakeholder readiness and future upgrade activities. A full statewide implementation of all modules was not envisioned at the time PeopleSoft was purchased; rather, given the diverse and often competing business requirements across agencies, agencies could elect to implement those functions most valuable to their mission and key business functions.

Collaboratively, DoIT and GSD are supportive of enhancements and further automation of the procurement process. The efforts in the past few years have been beneficial and have improved the competitive bid and procurement process. As with all technology projects and automation of existing business processes, consideration of flexibility and appropriate tracking is critical. Definition of the business requirements and the estimation of funding needs for ongoing improvements has continued, and will be assessed and prioritized in context of the operations and upgrade of SHARE, as well as for other proposed implementations of modules not in use today. It is also worth noting that the implementation of the eProcurement and Strategic Sourcing modules requires a considerable change management function; that is, cross-agency collaboration, standardization, training, and culture change. These governance efforts are arguably a greater portion of the project than the technology aspects.

With respect to the findings in the report concerning the oversight of IT, projects statewide are generally in compliance with existing rules. In the case of the eProcurement initiative established by GSD, the project was brought into compliance retroactively, and at a juncture at which Independent Validation & Verification (IV&V) was neither feasible nor cost effective¹. It was DoIT's opinion it was better to have the project appear in the oversight portfolio for posterity, despite the fact that IV&V and other gate requirements would be missing.

Many professional services contracts and software purchases do not meet the criteria for project certification. However, those purchases part of a certified project are reviewed in parallel, and the approval processes of each complement one another. In the case of eProcurement, purchases were made prior to the understanding of the magnitude of effort that would be involved in its implementation. Once the endeavor crossed the threshold for certification, measures were

¹ The report asserts that neither DoIT nor GSD could produce an IV&V waiver for the eProcurement project. This is correct, as no waiver was granted.

taken to bring the project into compliance. With respect to the function of DoIT's Project Oversight and Compliance Division, project certification is required when:

- A project is one of mission criticality, or has a significant impact to operations;
- A project is a subsequent or interrelated project to a previously certified project;
- A project cost is equal to or in excess of \$100,000; and/or,
- A project is deemed appropriate by the State Chief Information Officer/Cabinet Secretary of DoIT.

In general, DoIT agrees given the continual and rapid evolution of technology, its oversight policies and procedures in general need to be evaluated and updated periodically, and anticipates updating many of the mechanisms referenced in this report in the near future.

With respect to the findings regarding the procurement of cloud computing services, DoIT is familiar with various cloud computing research and best practices including the referenced Delaware documents. The development of a sound cloud computing guiding document, development of policy and incorporation to the state enterprise architecture and IT Plan involves foundational policies and processes that are specific to the existing infrastructure and governance unique to New Mexico.

DoIT works constantly with their counterparts in procurement, GSD/SPD, Department of Finance Administration/Contract Review Bureau, and with stakeholder agencies to evaluate and update IT procurement mechanisms and evaluate best practices in terms of contract terms and conditions as mentioned above. Of particular note, DoIT and GSD/SPD worked closely on the recently issued Statewide Price Agreement for IT Professional Services, to include updated template language in many of the areas referenced above, including input from stakeholder agencies. Additionally, DoIT carefully follows best-practices in IT procurement via the National Association of State CIOs (NASCIO), as does GSD/SPD via the National Association of State Procurement Officers (NASPO) and the National Association of State Chief Administrators (NASCA).


Existing methodology and strategies for procurement of cloud services are based on existing IT Procurement templates and language that has been appropriate for the limited large procurements that have been proposed to date. These types of procurements are often specific to the needs of the procuring agency and those considerations have been addressed on an individual bases. With the growing need for cloud computing solutions, the foundational policies and processes are a priority for both DoIT and GSD/SPD. Critical to a solid methodology and approach to cloud computing are policies and processes such as data classification; private and public cloud standardized specification; system specification and classification; and risk and vulnerability.

DoIT has worked with several agencies in deploying pilot projects in the cloud, and intends to use lessons learned from these engagements, along with resources identified in the report, to develop a policy guiding the use of cloud computing in New Mexico. Moreover, DoIT intends that

any policy will complement existing investments in the State's private-cloud computing environment, which is hosted in the State's primary data center.

In conclusion, both DoIT and GSD are proud of the accomplishments that have been made respectively in advancing the state of electronic and IT procurement within the state. Additionally, both agencies acknowledge that there is plenty of work remaining in these areas, and embrace the opportunity and the challenge to continually improve in these areas. Both DoIT and GSD will remain available for further clarification and discussion concerning the findings outlined in the report. Again, both agencies are appreciative of the opportunity to review aspects of operation and projects, and certainly understand that this report represents a significant investment on time on behalf of the staff at the LFC.

Respectfully submitted,



Darryl M. Ackley
Cabinet Secretary / State Chief Information Officer
Department of Information Technology



Ed Burckle
Cabinet Secretary
General Services Department

APPENDIX A: Evaluation Objectives, Scope, and Methodology

Evaluation Objectives.

Assess the status of key findings and recommendations of the LFC's 2008 program evaluation of Procurement Division Effectiveness, assess the status of procurement automation, and evaluate the process for establishing price agreements, including information technology.

Scope and Methodology.

- Reviewed applicable laws and regulations.
- Reviewed prior LFC reports.
- Reviewed available State Purchasing Division policy memorandums.
- Reviewed the Department of Information Technology (DoIT) Procurement Guidance.
- Reviewed Procurement Reform Taskforce meeting minutes.
- Reviewed the GSD Information Technology plans for FY13 and FY16.
- Reviewed available project management plans, project status reports and project deliverables for the eProcurement and Paperless Procurement projects.
- Reviewed available independent verification and validation (IV&V) project reports.
- Reviewed available project contracts, budgets, and financial data.
- Interviewed the GSD's and DoIT's chief information officer, project sponsors, managers and other staff.

Evaluation Team.

Brenda Fresquez, Program Evaluator

Authority for Evaluation. The LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. The LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, the LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conference. The contents of this report were discussed with representatives from the General Services Department and Department of Information Technology during the exit conference on March 3, 2015.

Report Distribution. This report is intended for the information of the Office of the Governor, the General Services Department, Department of Information Technology, and Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Charles Sallee
Deputy Director for Program Evaluation

