

Certified Management Consultant Ontario Outreach Event

Supply Chain Management

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Policy Framework

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Procurement Policy Overview

- Management Board of Cabinet (MBC) Procurement Directives for Goods and Services, Information Technology and Consulting Services apply to all ministries and certain agencies
- Advertising/creative communications services procurements covered under separate directive, administered by Advertising Review Board
- The directives otherwise delegate authority to Deputy Ministers for their ministry procurement activities within the corporate procurement policy framework
- Subject to corporate procurement policy framework, acquisitions occur through specific ministry procurement processes with the operational assistance of Ministry of Government Services (MGS) and/or corporate vendor of record (VOR) arrangements

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Procurement Requirements

- Competitive procurement process must be fair, transparent, open and advertised widely, using electronic tendering where possible, for:
 - Goods acquisitions valued at \$25,000 or more; and,
 - Services and construction acquisitions valued at \$100,000 or more
- No local preference – Provincial procurement subject to Agreement on Internal Trade (AIT), but no international trade obligations apply
- Services between \$25,000 and \$100,000 must be acquired through a competitive invitational process by inviting at least three written bids/proposals

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Procurement Requirements (continued)

- Per the Ontarian's with Disabilities Act, ministries must consider the accessibility for persons with disabilities of the goods/services to be purchased
- Contract awards can only be made to vendors in good tax standing
- No conflict of interest or unfair advantage: both for vendors and Ontario Public Sector (OPS) staff. Government has right to disqualify vendor during procurement process or over term of contract if there is a conflict of interest. In particular, during the procurement process vendors must:
 - sign declaration that they do not have confidential information that would give them an unfair advantage
 - identify former OPS employees who participated in preparing bid response to see if that gave them an unfair advantage
 - In the case of public and media relations services and polling services, declare if they are registered under the Lobbyist Registration Act, including whom they have lobbied on behalf, the ministries and subject matter in the past 12 months

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Procurement Requirements (continued)

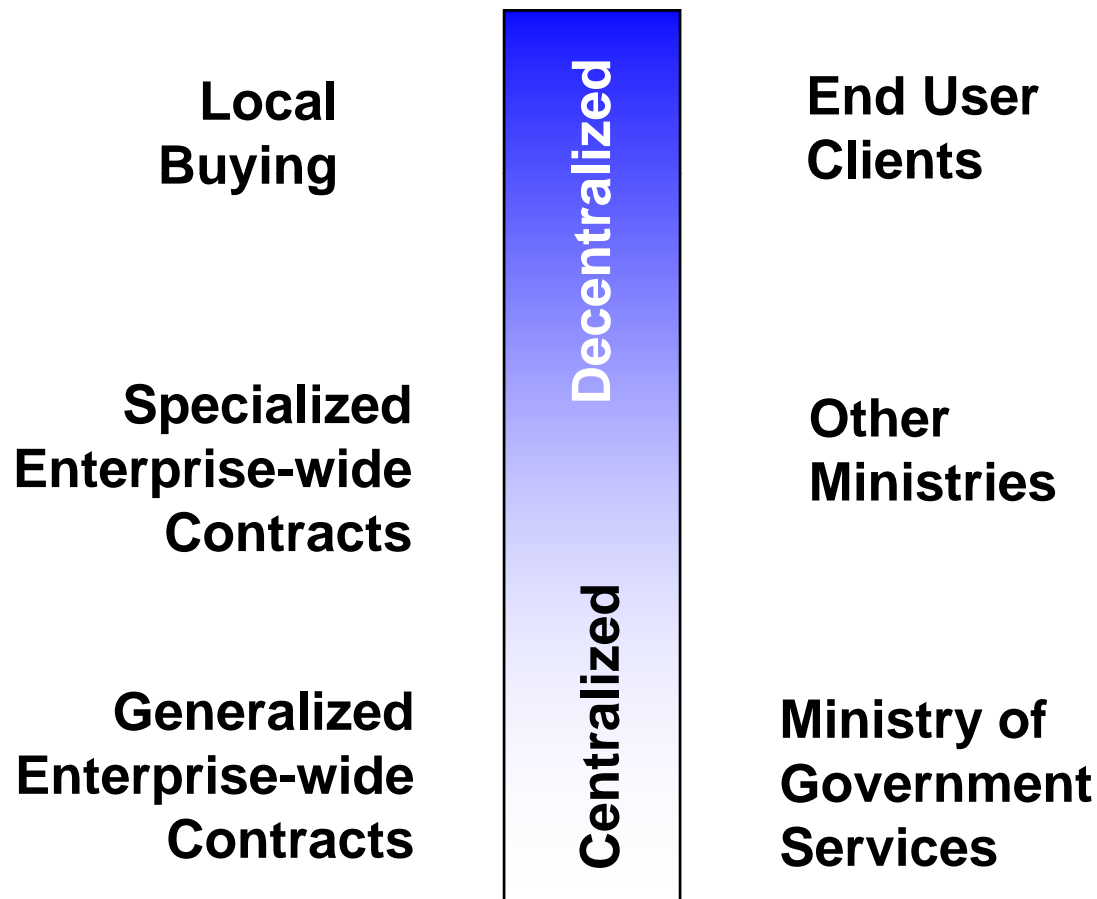
For Procurements Less Than \$25,000:

- Ministries may establish their own procurement processes for goods and services acquisitions below \$25,000, but such processes must support the principle of obtaining value for money
- Where established for the required goods or services, a VOR arrangement may be used for purchases where the estimated total contract value is less than \$25,000
- When a VOR arrangement is not utilized, ministries must provide a clear description of its requirements so potential vendor(s) can submit valid responses
- Ministries must ensure that the selected vendor(s) can meet the requirements as outlined and that value for money is achieved
- A legal agreement is entered into with the selected vendor(s)

- Non-competitive (single/sole source) procurements above the thresholds are permitted based on certain justifiable exceptions, for example:
 - where an unforeseeable situation of urgency exists and the procurement cannot be concluded in time to meet requirements
 - procurement of consulting services or goods regarding confidential matters where their disclosure could reasonably be expected to compromise government confidentiality, cause economic disruption or otherwise be contrary to the public interest; and
 - where public order or security would be compromised

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OPS Buying Environment



Purchasing Card Program

- The Purchasing Card program reduces the administrative costs of acquiring and paying for low dollar value goods and services, generally \$5,000 or less
- Each ministry determines the transaction limit for the cards issued to their staff
- The Purchasing Card is issued in the name of the government employee with the government liable for all card expenditures

Vendor benefits include:

- Improved cash flow with payment in 24 to 48 hours
- Simplified accounting process

Vendor Of Record Program

Vendor of Record (VOR) Arrangements

- A VOR arrangement is a fixed contractual arrangement with multiple vendors for the on-going acquisition of commonly purchased goods or services within a defined term (e.g., 3 years)
- Ministry of Government Services (MGS) has required ministries to use mandatory VOR arrangements since May 1, 2000
- Unless otherwise approved by Management Board of Cabinet, MGS establishes all corporate VOR arrangements
- Ministries may establish ministry VOR arrangements, but such arrangements cannot be used by other ministries

VOR Arrangements (continued)

- Established through open, competitive procurement processes (i.e., RFPs posted on MERX)
- Vendors may bid according to geographical area (e.g., temp help)
- Vendors expected to agree to common terms and conditions, including pricing
- Buyers do not need to repeat full open, competitive process and get access to preferred pricing (i.e., volume pricing)

VOR Arrangements (continued)

- The VOR program is designed to ensure that qualified vendors, including small and medium sized vendors, get access to government contracts once they have been selected as a VOR
- MGS contracts directly with all suppliers although vendors are free to subcontract to others in the agreement if they wish
- Vendors, including small and medium sized vendors, do not have to have broad experience to qualify for a VOR arrangement
- For example, in our IT consulting services VOR arrangements, requirements have been structured so that vendors can submit responses for one or more roles at one or more experience levels within one or more computing environments

VOR Arrangements (continued)

- Generally closed for the duration of the contract
- Can include refresh process to:
 - Capture new vendors
 - Allow for pricing changes by existing vendors
 - Allow for the addition of services/products by existing vendors
- Refresh occurs at defined points during the term of the VOR arrangement and must be fair, open and competitive

Second Stage Selection Process

- Depending on the value of the assignment, buyers may be required to complete a second stage selection process. Specific requirements will be set out in the User Guide for the VOR arrangement
- The second stage selection process shall be concerned only with the particular goods and services to be acquired, including the specific needs and issues for a particular project or assignment, such as:
 - contract price for the project or assignment (vendors may have the option during the second stage selection process to discount their rates);
 - the resources to be assigned; and
 - availability and timelines to complete the project or assignment

Second Stage Selection Process (continued)

- Ministries do not need to evaluate general requirements of vendors already determined through the initial competition to establish the VOR arrangement
- Where multiple bids or proposals are required under a VOR arrangement, the solicitation and evaluation procedure and criteria must be designed to achieve best value for money in the context of the specific goods and services being acquired
- Process was strengthened after the Ontario Auditor General's 2002 Report on Consulting Services

Second Stage Selection Process (continued)

- The following are the second stage selection process thresholds:

Under \$25,000 - Select one, or consider more than one vendor, from VOR arrangement

\$25,000 - \$249,999 – Ministries must consider, and invite (where applicable), at least **3 vendors** to submit bids or proposals

\$250,000 - \$749,999 – Ministries must consider, and invite (where applicable), at least **5 vendors** to submit bids or proposals

Over \$750,000 - Ministries must proceed with full open competition, unless a higher threshold is otherwise approved by MBC for a particular VOR arrangement

Contracting Developments

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Consultations with IT Vendors

Ontario is piloting a Limited Negotiations Framework for up to 5 projects over 2006/07 that permits negotiation of contractual terms in specific areas:

- Liabilities, indemnities, insurance, performance bonds, warranties
- Intellectual property rights;
- Termination for convenience and other revenue recognition issues;
- Price reductions related to the above items;
- Proponents must also agree not to contest the outcome of the procurement process in the context of the negotiated terms.
- As a result of extensive discussions with ITAC, Ontario is considering policy recommendations on contractual terms and conditions to streamline the contracting process and balance the interests of the Crown and vendors. Upon approval, changes will be implemented across the government.
- A Vendor Advisory Committee will be established this fiscal year to provide an ongoing forum for vendor input.

Doing Business with the Ontario Government Task Force

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- A Doing Business with the Ontario Government Task Force was created by Minister Phillips to consult with small and medium-sized enterprises (SMEs) to help find ways to enhance access to government procurement opportunities.
- The Task Force was chaired by Wayne Arthurs (PA - Ministry of Finance and former PA - Ministry of Government Services)
- The Task Force held five consultation sessions in Ajax, Thunder Bay, Ottawa, London and Toronto. Each session had the following agenda:
 - Procurement 101 presentation
 - Joint (participants, OPS staff and task force members) identification of opportunities and challenges
 - Oral presentations from participants
- The Task Force committed to sharing its report publicly.

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Overview of Recommendations:

Conduct Procurement Education Sessions

- Create Vendor/Government information exchange days
- Develop “outreach” materials and distribute them to SMEs
- Mandatory Posting of Contract Award Notices
- Mandatory Offer of Vendor Debriefing
- Review Invoice Payment Process
- Create a Vendor Information Database
- Revise Insurance and Limitation of Liability Requirements in Government Contracts
- Review Financial Requirements under VOR arrangements
- Develop VOR arrangements and Requirements based on Project Risk
- Create policy for receipt of Innovative and Pilot Project Proposals

Ontario Shared Services

- Since last fall, SCM has met with over 1,600 small business vendors in workshops on doing business with the Ontario Government.
- SCM plans to continue this outreach to small and medium-sized enterprises throughout the coming year.
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- SCM is setting up standing vendor advisory groups, including one for small business, to ensure that we have a permanent channel for discussion and resolution of issues related to doing business with the Government of Ontario.
- Effective October 23, 2006, ministries and agencies must post contract award information and offer a vendor debrief as a mandatory part of the procurement process.
- SCM is implementing a new streamlined process for providing proof of insurance only at second stage of the VOR process where appropriate.

Supply Chain Management Initiative

- In Spring 2004, an external consultant conducted a review of the OPS procurement function on behalf of Cabinet Office and Management Board Secretariat
- Conclusions of the review were accepted by government, i.e., an integrated supply chain management strategy and structure across the OPS would result in enhanced controllership, improved planning and execution, and significant annualized savings
- As a first step, a Supply Chain Management organization was created in Ontario Shared Services bringing together, as a first step, the general goods & services procurement functions within the Shared Services Bureau and the procurement policy and information technology procurement functions within the Office of the Corporate Chief Information Officer

- Policy, controllership and service delivery were brought together under an effective organization construct that results in “doing the right things” and “doing them right”
- Consistency and cohesiveness of approach will result in strengthened procurement practices across the OPS
- Achieve \$200M in annualized savings while, at the same time minimizing potential risks to government

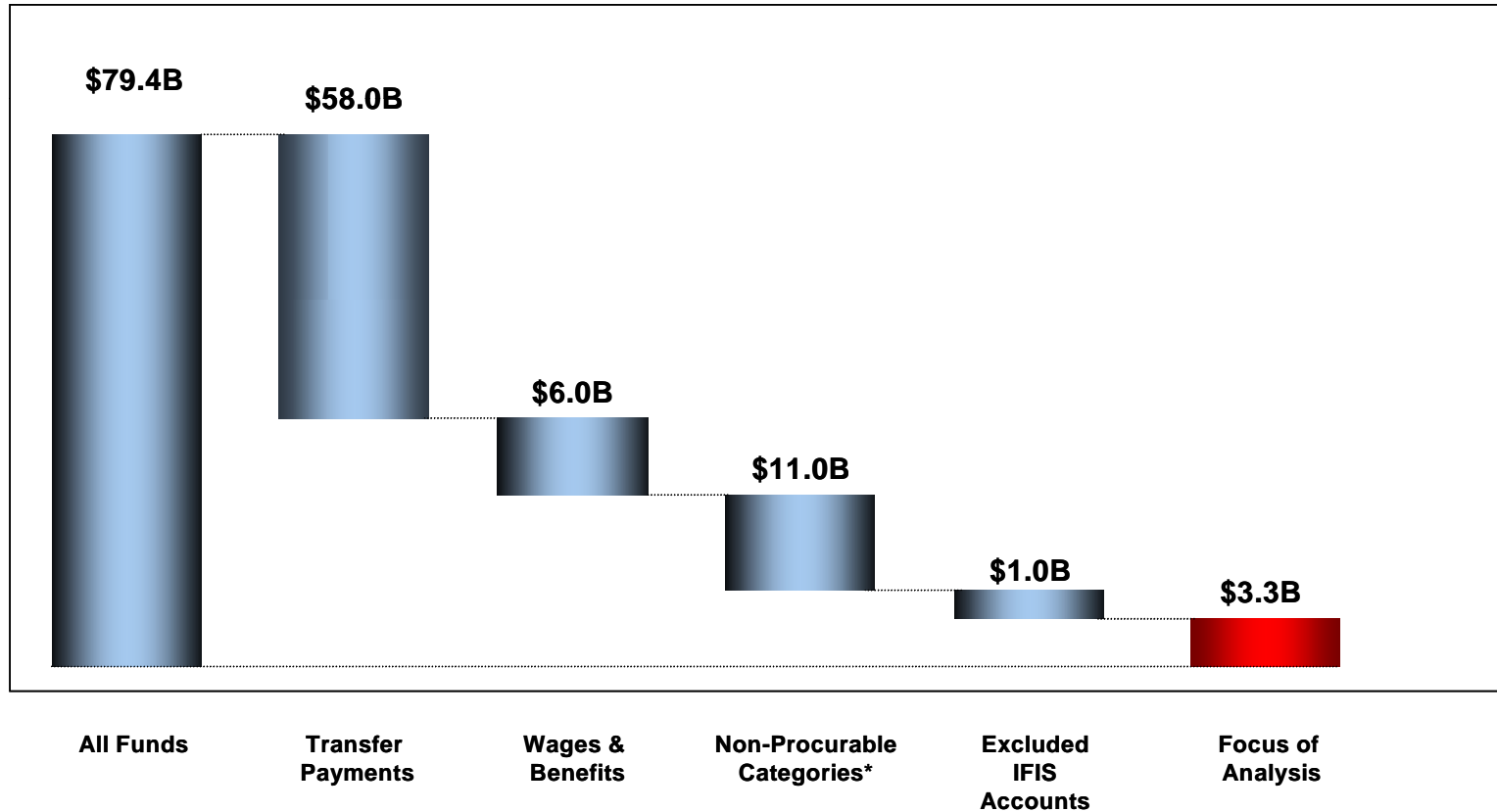
- Within that structure is:
 - A Federated Governance model with delegated authority to drive better planning and integration of procurement within the OPS
 - A core organization that has end-to-end ownership for procurements and contract management of enterprise-wide vendor of record (VOR) agreements and volume licensing agreements and corporate programs such as Travel and Vehicle Fleet Management
 - Centres of excellence that deliver and/or support large complex procurements in the context of an enterprise supply chain management strategy

Spend Analysis

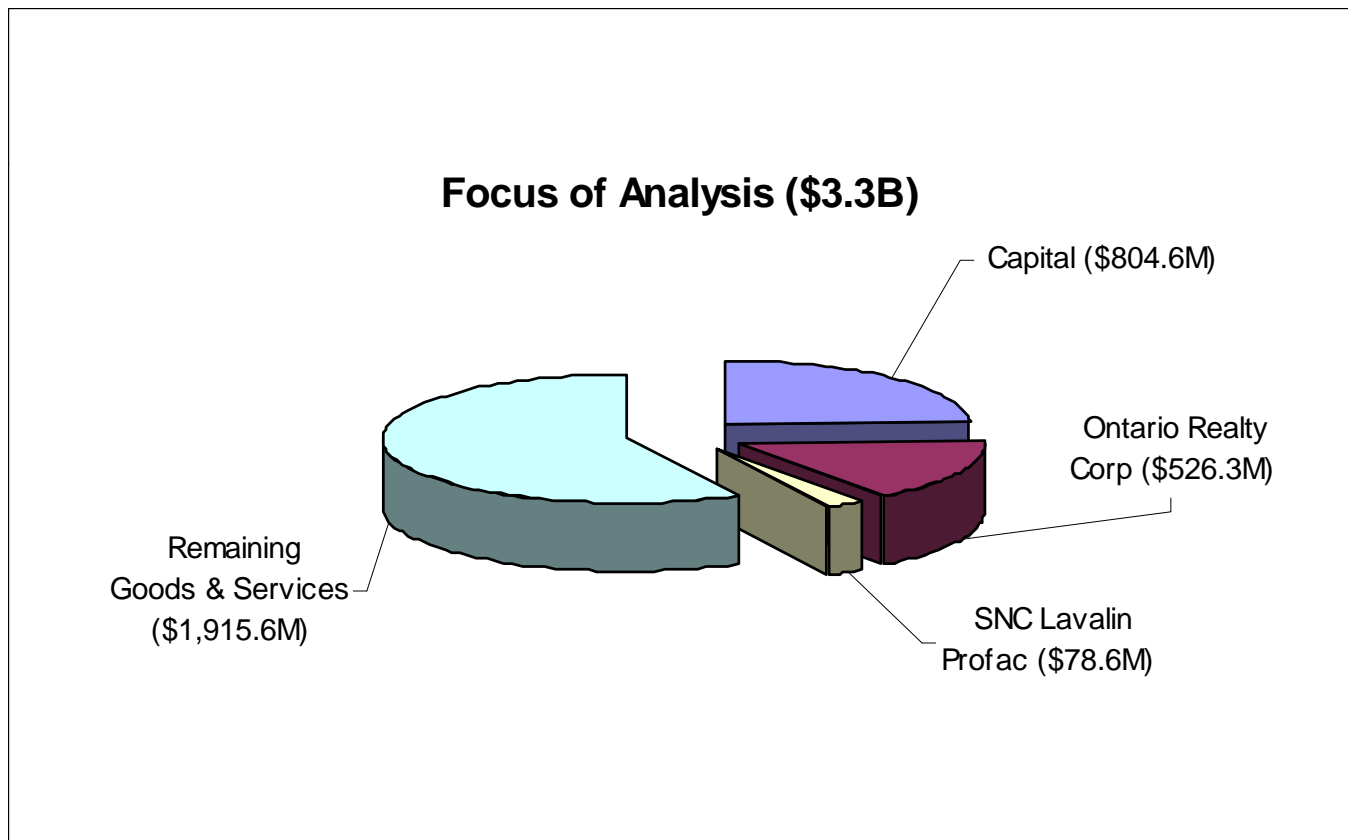
Spend Analysis

- A comprehensive spend baseline review identified significant savings through volume-based contracting in new areas and through exploitation of current VOR's

OPS Fiscal Year 2004-05 Baseline Overview



Focus of Analysis



Spend Analysis (continued)

- The key is to focus resources on product groups that offer the greatest potential for achievement of lower costs. SCM is pursuing areas of procurement that have been traditionally the sole purview of ministries
- These areas represent approximately \$2.0 B in annual procurements
- Since June 2005, SCM has received Management Board of Cabinet approval for 51 Vendor of Record arrangements

Governance and Planning

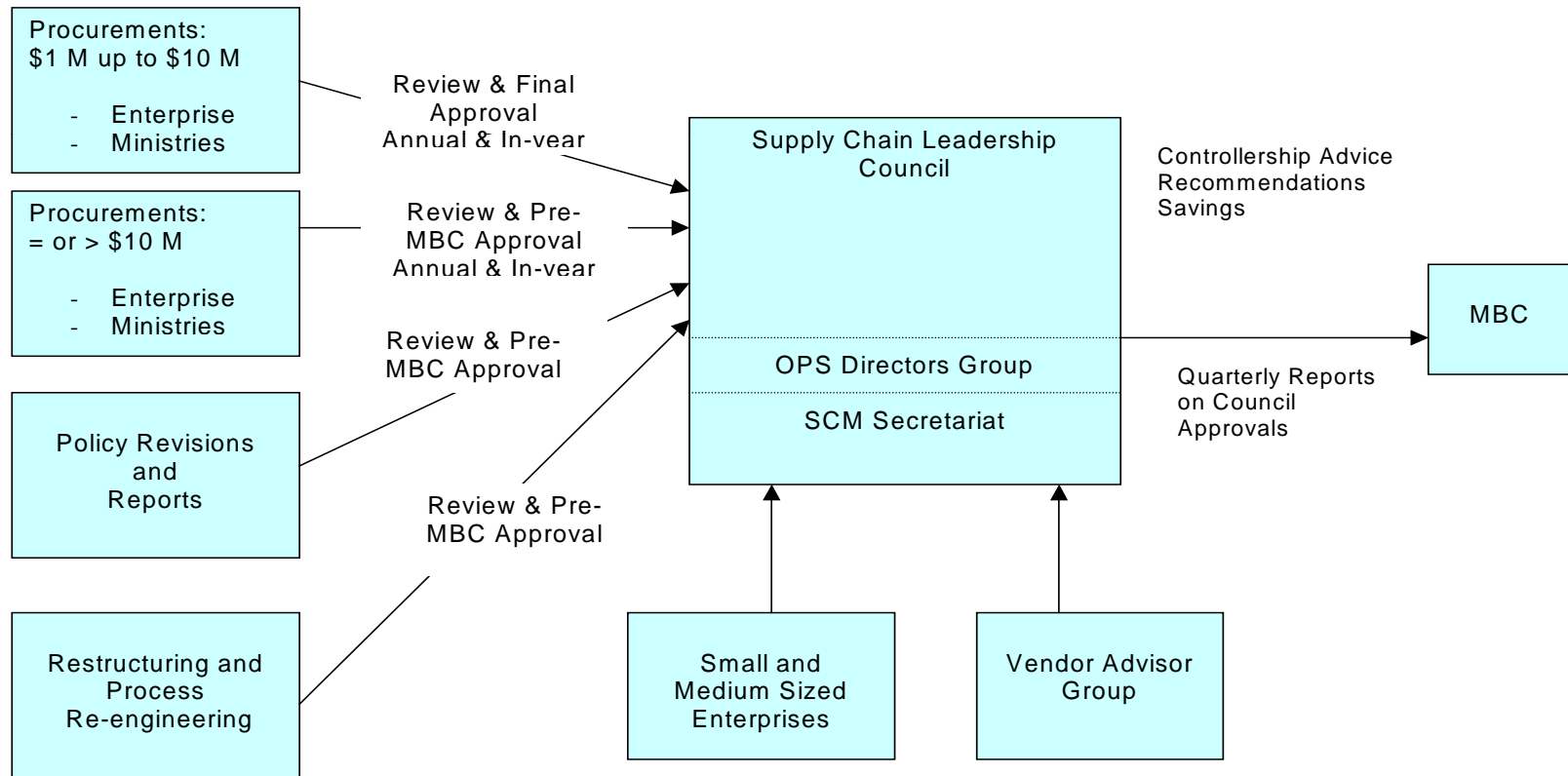
Governance and Planning

The Supply Chain Leadership Council (SCLC) which was approved by Management Board of Cabinet (MBC) is authorized to:

- Serve as the mandatory procurement approval authority for procurements with expected values of \$1M or greater up to, but not including \$10M
- Review and support non-competitive and competitive procurements with expected values of \$10M or greater prior to consideration by MBC
- Develop the government's overall annual procurement plan including the identification of duplication and overlaps

- Review and approve proposed changes to the procurement directives prior to consideration by MBC
- Receive and review annual consulting services reports prior to consideration by MBC
- Review and recommend initiatives for additional organizational integration of the procurement function to MBC

SCM GOVERNANCE – Approvals Model



Governance and Planning

The Council Chair, the Assistant Deputy Minister, Supply Chain Management Division, will report quarterly to MBC summarizing the procurements with values greater than \$1M but less than \$10M

Benefits to Key Stakeholders

The Supply Chain Management Strategy has been designed to achieve a range of key benefits for key stakeholders, including:

- Significant cost reductions from vendors based on volume aggregation (across the OPS and extended to the Broader Public Sector (BPS))
- Reduction in duplication and overlap of procurement initiatives (both OPS and BPS)

Benefits to Key Stakeholders (continued)

- Streamlined decision-making
- Enhanced controllership and compliance
- Focus on core business
- An integrated approach to enable supply chain transformation
- A one-window approach for procurement advice and guidance

Benefits to Key Stakeholders (continued)

The vendor community, in conjunction with the Vendor Advisory Group, will be critical to the success of this initiative. In particular, the larger vendors will likely welcome greater centralization of many of the proposed initiatives:

- More aligned and centralized approach to procurement;
- Drive greater consistency in process and advice;
- Capacity to change
- More rapid deployment and implementation of agreed changes
- Strategic engagement with legal counsel
- Focus on procedure issue identification

Next Steps

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Next Steps

- Review of Procurement processes and structures within the eight largest ministries accounting for 90% of annual spend complete and implementation plan being developed;
- Reviews have identified procurement governance, process, and change management requirements to align with government-wide strategy;
- Continue to work on smart consumption tools to give clients the ability to make the best choice in circumstances;
- Identification and approval of additional enterprise contracting opportunities to drive savings;
- Continue implementation of Task Force recommendations for Small and Medium Sized Enterprises and Large IT Projects;
- Develop Vendor Advisory Committee structure and develop Vendor Outreach Program.

Questions?