



Oregon

Kate Brown, Governor

Department of Forestry

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January 20, 2016



"STEWARDSHIP IN FORESTRY"

The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

RE: OREGON DEPARTMENT OF FORESTRY - Procurement/Purchase Order System Replacement

Dear Co-Chairs:

Nature of the Request

The Oregon Department of Forestry (ODF) respectfully requests an allocation of \$704,286 General Fund, an increase of \$813,594 Other Funds expenditure limitation, and the establishment of four 15-month, limited-duration positions (2.5 FTE) to replace its antiquated Forestry Purchase Order System in order for ODF to have a system that provides appropriate controls over its purchasing processes from request to payment. In addition, ODF will be using \$300,000 existing Other Funds expenditure limitation for the project.

Agency Action

The purpose of this project is to implement an integrated agency Purchasing and Procurement System that will interface with our current accounting system and procurement databases, and meet ODF's business needs. This project is meant to replace our antiquated Forestry Purchase Order System, which does not provide appropriate controls over our purchasing processes from request to payment.

ODF's current Purchase Order System utilizes a program that was built in a legacy version of PowerBuilder that is no longer supported by the software manufacturer. This outdated system has created several challenges for the Department including the following:

- The current system is more of a "payment" than a "procurement" system and the Department is unable to strategically plan procurements on an agency level, which generates audit and cost containment concerns.
- As the Department of Administrative Services (DAS) has decentralized the areas of contracting, purchasing and payroll processes to agencies over time, ODF's procurement-related workload and the complexity of that work has increased, and the existing legacy system cannot accommodate those demands.
- Recent mandates from DAS relating to the increased use of purchasing cards and the associated processes and training to facilitate the use of those cards has had to be addressed through manual workarounds because the current system is not flexible enough to accommodate changing workload processes.
- The current system does not have the internal controls necessary to achieve a safe level of risk in our procurement and payment processes.
- Secretary of State auditors have recommended several times that ODF have an integrated enterprise purchasing and procurement system that will interface with existing systems and databases.

How Achieved

The Governor's Budget for the 2015-17 biennium included funding for an integrated enterprise purchasing and procurement system. The 2015 Legislature directed ODF to do additional groundwork and come forward with a funding request during the 2016 Legislative Session. The work included assignment of a project manager and development of a detailed business case and foundational project management documents. The Legislature also directed ODF to acquire the services of an independent quality management services contractor to conduct an initial risk assessment and quality control review of the business case and foundational project management documents.

ODF has hired a project manager and received Stage Gate I approval from the Office of the State Chief Information Officer. Stage Gate I phase corresponds to a project's concept/origination phase. Stage Gate II requirements will be completed and submitted for approval by end of January 2016. This includes a detailed business case and additional foundational project management documents. ODF has also completed the hiring of a quality management services contractor. As requested, they will be completing a risk assessment of the project work and documentation. The risk assessment will also be completed by the end of January 2016. ODF will then seek Stage Gate III approval in October 2016.

If this request is approved, ODF will start work developing a detailed implementation plan for Stage Gate III approval. The approved funds will be used for project implementation after a vendor contract is executed, which is expected in September 2016.

Staffing Impact

Completion of the project will require establishment of four limited-duration positions for 15 months. The positions include a Project Manager 3, a Business Analyst (Information Systems Specialist 6), an Accountant 1, and a Procurement and Contract Specialist 3.

Quantifying Results

This project will make ODF more accountable, compliant and efficient in overseeing its purchasing and procurement processes from request to payment through:

- Streamlined processes adhering to industry standards including:
 - Adherence to accountability standards set forth in statute and review by the Secretary of State
 - Elimination of redundant data entry into multiple systems, reducing reliance on contracted resources
 - Ability to determine purchase request compliance with state laws in advance of purchase
 - Increased transparency by providing reliable data to track and report on agency spending, viewing trends to assist with reducing costs, and responding to information requests in a timely manner
 - Implementation of controls to reduce the risk of fraud, waste and abuse
 - Automation of manual processes and online interaction with the vendor community
- System replacement that:
 - Replaces antiquated payment systems and many shadow systems used to support current processes
 - Implements a solution founded upon industry best practices eliminating need for customized software
 - Obtains a maintenance agreement that will support ODF's needs into the future

Action Requested

ODF respectfully requests that the Joint Committee on Ways and Means allocate \$704,286 General Fund, increase its Other Funds expenditure limitation by \$813,594, and approve establishment of four 15-month, limited-duration positions (Project Manager 3, Information Systems Specialist 6, Accountant 1 and Procurement and Contract Specialist 3) to replace ODF's antiquated Forestry Purchase Order System thereby allowing it to have appropriate controls over its purchasing and procurement processes from request to payment.

Legislation Affected

HB 5019, Chapter 809, section 1(1), Oregon Laws 2015.
HB 5019, Chapter 809, section 1(2), Oregon Laws 2015.
HB 5019, Chapter 809, section 2(1), Oregon Laws 2015.

Thank you for your time and consideration. I would be pleased to answer any questions.

Sincerely,



Doug Decker
Oregon State Forester

cc: Richard Whitman, Governor's Office
Brett Brownscombe, Governor's Office
Oregon Board of Forestry
ODF Executive Team
Matt Stayner, Legislative Fiscal Office
Cathy Connolly, Chief Financial Office
James Short, ODF Budget Director
Mark Hubbard, ODF Finance Director