

Report on Contracts

Department: Department of Parks, Heritage, and Tourism

Secretary: Secretary Stacy Hurst

The purpose of this report is to prompt an analysis of contracts and contract expenditures within each Department and assist in the formulation of a report to the Governor on how to achieve greater efficiency (cost savings) and effectiveness as it relates to this topic. An analysis of *contract management* should consider all relevant factors including the number of vendors, staffing, contract management process, approach to negotiation, and other barriers/challenges associated with the contracting. This analysis should take a holistic approach to developing plans to deliver efficiency and effectiveness improvements. **The report template includes sections for three projects for your convenience. This number is not a goal or target. You may add or delete boxes for as many projects as you submit.**

ACTION PLAN FOR PROJECT 1:

1. Project Title

CONTRACT SAVINGS AND EFFICIENCY REVIEW

1.1. Brief description of project, goal, and action plan.

GOAL: Identify potential savings by implementing a consistent contract and vendor management strategy across all divisions within ADPHT.

PROJECT DESCRIPTION:

ADPHT will conduct an analysis of the Department's contract management process to ensure consistent practices Department-wide and to identify opportunities for savings and efficiencies. ADPHT does business with a large number of vendors and contracts for a wide range of services. As a result, the Department believes there is potential for significant savings through a consistent approach in contract procurement, negotiation, management, and oversight.

The review process will include (1) an analysis of procurement practices, (2) an evaluation of existing contracts/vendors in order to identify potential consolidation or savings opportunities, (3) communicating standards for a legal review process for proposed contracts, and (4) the development of an implementation plan based on the findings of this analysis. Efficiencies are expected to reflect and support the work of implementing a shared services model, but as that effort will likely be implemented over the course of months or even a year, some contract savings may come in future years as alignment is achieved over time as business functions are made more efficient.

ACTION PLAN:

- *Fall 2019:* Department conducts Finance and Accounting Process Review including an analysis of procurement practices.
- *November – December 2019:* Finalize alignment and implementation of Department-wide Process Review.

- *Winter – Spring 2019*: ADPHT staff will conduct an analysis of existing contracts and vendors. Identified contracts/vendors will be grouped by service type, work area, or other appropriate categorization. The review team will work with responsible ADPHT division staff on an implementation plan to:
 - (a) consolidate the contract with others for an improved economy of scale,
 - (b) renegotiate the contract to expand scope to allow use by additional ADPHT subdivisions or ensure substantially similar terms and conditions,
 - (c) terminate or allow the expiration of the contract because another existing contract can provide the service to that ADPHT subdivision, or
 - (d) implement other appropriate approach developed by the review team in consultation with the division.
- *July 2020*: Begin implementing the contract management strategy with execution of new contracts or renewals for FY2020

1.2. Identify any additional resources required for the implementation and success of this plan. At this time, there are no additional resources are expected to be required.

1.3. Are there any anticipated costs associated with the plan? Does your current budget have sufficient funds to cover all anticipated costs?
 There are no new anticipated costs associated with the plan. The primary focus will be on the process review and implementation plan development. This will require the commitment of staff time, but it should not require additional resources. Likewise, the goal will be to allow existing contracts to expire rather than to deal with the costs associated with early termination. However, when appropriate, termination or renegotiation will be considered, if necessary to accomplish other Department objectives such as cost savings or compliance with applicable requirements.

1.4. How will you measure the success and results of your plan? Include forecasts of cost savings, efficiencies achieved, etc.
 The primary measure of success will be cost savings realized from contract re-evaluation and consolidation or cost avoidance from divisions utilizing existing projects rather than going through procurement. Likewise, ADPHT will track identified efficiencies in contract oversight, management, and implementation.

The Division of Arkansas Heritage implemented a similar approach to evaluating and consolidating contracts during the previous 2-3 years. A DAH review had determined a range of vendors and contract services could be managed in a more cohesive manner and worked to implement contract changes over a period of 1-2 years. The estimated savings were more than \$25,000 per year. In addition, staff responsible for administering the contracts noted improvements in their day-to-day oversight of these services because contract terms were substantially similar and specific individuals within DAH were tracking performance under the agreement.

1.5. What is the implementation timeline and key action steps for this plan? How will you track progress?
 See the Action Plan outline in response to 1.1.

1.6. Identify any obstacles to the implementation and success of this plan.

There are two timing-related challenges in this process. First, the on-going process review by the Finance and Accounting teams will be a key prerequisite to this contract review process. As a key shared services opportunity, this evaluation is timely and worth the effort, but it will need to be completed and implemented prior to significant work being undertaken related to existing contracts/vendors. Second, many of the Department's contracts are tied to the state fiscal year. As a result, ADPHT will see most savings in line with the fiscal year. This specific time period may mean that certain contract savings will need to be achieved over time as teams and functions are realigned under on-going Transformation efforts. As a result, not all savings will be realized in FY21.

1.7. How could Department of Transformation and Shared Services provide support to the Department?

TSS can provide support through OSP. In particular, providing feedback, reviewing and approving procurement paperwork, and other steps in the process will have a significant potential impact as ADPHT works on contract management.