



Deputy Secretary Kenneth Hess
Testimony for the
Senate Communications and Technology Committee
Hearing on Senate Bill 482
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Good morning Chairs Phillips-Hill and Kane, and members of the Senate

Communications and Technology Committee. I'm Ken Hess, Deputy Secretary for Procurement for the Department of General Services. Thank you for the opportunity to talk with you today about information technology (IT) procurement and service delivery. When I last spoke before this Committee in October 2019, I described how the Department of General Services and the Office of Administration/Office for Information Technology work in tandem to provide world-class information technology services and support (which includes the purchasing component) to meet the Commonwealth's varying business needs. That sentiment remains true today. DGS is viewed as the expert in procurement of the Commonwealth's goods and services, and OA/OIT is similarly viewed as the expert in technology requirements and service delivery.

With respect to Senate Bill 482, the Wolf Administration believes that the bill expresses several points of mutual understanding and agreement. These include the desire to keep information technology service and delivery costs under control, the desire to maintain data security, the desire to effectively manage information technology spending, the importance of timely service provision and delivery – adhering to delivery dates and budgets, as well the importance of quality, transparency and accountability in IT procurement and service delivery. Where we differ with Senate Bill 482 is in how the Commonwealth might best achieve these goals.

While the Wolf Administration is always open to dialog on ways to improve government operations, we would like to affirm the many benefits that have been accredited to the Commonwealth since DGS voluntarily resumed responsibility for IT procurement on July 5, 2017. For instance, the Commonwealth has experienced over \$228 million in IT contract

savings since July 2017, reducing costs from million to \$1.45 - \$1.23 billion. Similarly, with the COSTARS program, we have seen tremendous growth in the volume of information technology and related-services transactions. During the same period, COSTARS members have purchased over \$1.26 billion in IT equipment and services through contracts managed by DGS' Bureau of Procurement. \$49 million of which originated via piggybacks off of statewide contracts.

Allocating responsibility to the Office of Administration for information technology-related purchases would make the COSTARS program less efficient, effective, and accessible. Senate Bill 482 would require the development of a second COSTARS team that would need to be equally familiar with the COSTARS program, have similar skill sets, and would require significant time and investment by the Commonwealth to build the relationships with COSTARS members that the DGS team currently provides.

DGS also plays a significant role in providing a check-and-balance regarding agency procurements. Most but not all Commonwealth purchasing authority has been consolidated within DGS. By acting as the Commonwealth's purchasing agent, we leverage and rationalize the cumulative demand of many state agencies, as well as members of the COSTARS program, to achieve some of the most competitive prices for goods and services that can be found anywhere, period. As noted above, this contributed to OA's and DGS' mutual decision to consolidate IT purchasing within the Bureau of Procurement. While it is true that an agency may request a waiver from DGS to conduct a procurement in an area of specialty, DGS serves as the Commonwealth's guarantor of the Procurement Code. Senate Bill 482's desire to codify all Information Technology procurement responsibility in the Office of Administration would remove DGS' check on adherence to the Procurement Code, would place scoping,

procurement, delivery, and oversight for IT purchases in one agency, and would likely make the Commonwealth less competitive.

From both a budget and management perspective, it's important to discuss the practical application and potential consequences associated with Senate Bill 482's desire to utilize a color designation system for managing contract performance. Theoretically, the use of a color designation such as 'red' or 'green' seems benign. However, having managed multiple complex projects during my career with the Commonwealth and in private industry, there is always a level of fungibility that can insert itself in the color-coding or stoplight process. What one individual sees as 'green'; another may see differently. From a contractual standpoint, the proposed color-coding system might result in significant future litigation and delays, as vendors may seek to challenge a particular designation and/or need for a remedial plan.

I would also like to draw attention to Senate Bill 482's likely effect on the management of grant funding, particularly federal grants. Senate Bill 482's requirement to transfer ownership, custody, or control of information technology equipment, supplies, and positions to the Office of Administration has the potential to create unforeseen complications with respect to existing and future grant awards and agreements.

Over the last 23 years, DGS, OA, and the General Assembly have worked together to create a procurement process that maximizes the value of taxpayer dollars, promotes transparency and fairness, and eliminates wasteful bureaucracy. I am here today to emphasize the importance of continuing that trend, rather than trying to create duplication of procurement efforts that slows progress and may complicate the achievement of those goals. I

am immensely proud of the team that we have at the DGS Bureau of Procurement and their ability to meet the goals that the department, the Office of Administration, and the General Assembly have developed together. As noted above, we have many areas of mutual agreement. In the areas where we differ, let us take the opportunity for further dialog on how we might achieve additional collective successes.

Thank you. I would be happy to take your questions.