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Pennsylvania's State System of Higher Education Consortium Procurement and Consortium Services Task Group

Strategic Sourcing and Procurement: A Collaborative Approach

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Pennsylvania’s State System of Higher Education
Strategic Sourcing and Procurement: A Collaborative Approach

Executive Summary

In January 2018, the Consortium Procurement and Services Task Group was established and charged with developing a collaborative approach to strategic sourcing and procurement as the first phase of its broader charge of “(e)xpanding collaboration between and among universities through shared academic programming, student services, and administrative services.”

The task group examined multiple extensive past studies commissioned by Pennsylvania’s State System of Higher Education (System) to evaluate potential cost savings opportunities associated with shared procurement, consulted with experts concerning legal requirements of the System under current laws of the Commonwealth, consulted with university officers overseeing procurement and related operations, and evaluated governance models for shared procurement activities beyond those already engaged in by the System and its universities.

Since its inception, the System has utilized strategic sourcing to provide high quality goods and services for its universities and the Office of the Chancellor at the lowest possible cost. Today, the System manages over 70 strategically sourced contracts available for all universities to utilize, participates in numerous procurement co-ops, operates a System-wide online eProcurement Exchange used by all System universities, and maintains substantial online resources for university procurement professionals. All System universities also take advantage of Department of General Services state agency contracts and COSTARS (joint Commonwealth government) contracts and pricing. The Office of the Chancellor also operates a Construction Support Office that provides support for facilities engineering design and construction contracting.

Recommendations for Strategic Sourcing and Procurement

The task group recommends that:

- The significant joint contracting and procurement activities of the System and universities that have evolved over several decades, utilizing the combined purchasing power of multiple universities and other agencies of the Commonwealth, should be continued and expanded to include any and all universities that may benefit from these shared activities and to encompass additional commodities and services. Particular attention should be given to improving procurement planning, communication and coordination among and between universities to increase opportunities for joint bid solicitations involving multiple universities.
- Voluntary arrangements among physically proximate universities, whereby staff members are shared among two or more universities to support shared procurement

- The System and its universities should adopt and utilize new and emerging eProcurement and ePayable technologies as they become available, and these investments should be centrally sourced under the existing strategic procurement authority of the System. Such technologies offer the greatest promise both for the leveraging of combined purchasing power and streamlining of administrative operations.
- The System and its universities should explore means of standardizing procurement records, such as by committing to utilizing common data input structures for vendor/commodity/service information, in order to maximize spend analysis capabilities and maximize savings in future strategic sourcing initiatives.

In addition to these recommendations, the task group urges expanded collaborative efforts in two areas related to its investigation of the Boston Consortium as a potential model for the System to emulate. First, there is potential to utilize the Commission of Presidents, a legal structure provided under Act 188 of 1982 (the System's enabling legislation), for joint action by the presidents within their legal authorities under the Act to provide oversight to a consortium of multiple universities. Second, System institutions would benefit from targeted efforts to convene specifically for the purpose of sharing best practices among all universities to encourage greater efficiency and effectiveness; member institutions of the Boston Consortium, comprised of private institutions that compete for student enrollments in their region, have established multiple "Communities of Practice" that regularly share such information for the benefit of all member institutions and their students.

The foregoing recommendations are consistent with the extensive historical, legal, operational and quantitative reviews undertaken by the task group.

Pennsylvania's State System of Higher Education

Strategic Sourcing and Procurement: A Collaborative Approach

Introduction

In January 2018, the Consortium Procurement and Services Task Group was established and charged with developing a collaborative approach to strategic sourcing and procurement as the first phase of its broader charge of “(e)xpanding collaboration between and among universities through shared academic programming, student services, and administrative services.” This work began with a review of multiple past assessments commissioned by the Office of the Chancellor to examine opportunities for cost savings achieved via the combined purchasing power of joint procurements and operational efficiencies (i.e., potential staffing reductions) afforded by shared administrative operations. In addition to these reviews, the task group examined current areas of joint contractual agreements and discussed past and present barriers to realizing optimal cost savings and operating efficiencies. The task group met during the spring of 2018 and continued its review of legal and historical documentation through completion of its report.

History of Strategic Sourcing

Since its inception, the System has utilized strategic sourcing to provide high quality goods and services for its universities and the Office of the Chancellor at the lowest possible cost. Early examples of System-wide contracts include healthcare, alternative retirement program providers, banking and auditing services, and inter/intranet services. The System gained national notoriety in the mid-1990s when it was the first system in the country to enter into a pouring rights contract (Pepsi), and created the Keystone Library Network to increase access to library materials by optimizing the purchasing power of the System for the acquisition of databases. By the turn of the century, collaborative procurement also resulted in contracts for shared administrative systems, energy, architecture/engineering, and construction management resources. The energy procurement model was later adopted by the Commonwealth, and the universities now maximize their buying power by purchasing energy within a consortium of all state agencies.

The System's current strategic sourcing efforts began in late 2005, after an in-depth study of source-able spend conducted by Silver Oaks, Inc. Industry experts worked with System personnel to determine the optimal strategy to leverage spend while taking full advantage of the Commonwealth's strategic sourcing initiative and the System's previous central procurements. Among the recommendations arising from this study were process improvements such as that for architect and engineering services, shown in Figure 1 (mirroring practices already in place). In addition, Silver Oaks outlined the characteristics of a “best in class” procurement operation, shown in Figure 2.

Led by the Office of the Chancellor in collaboration with university personnel, in early 2006, the System began a new emphasis on creating and issuing strategically sourced requests for proposals (RFPs). Aggregation and coordination of spend have resulted in

harnessing the System’s purchasing power, and significant operational improvements have been realized. By 2007, new strategically sourced contracts had been established for office supplies, computer hardware and equipment, software, books and library supplies, and executive search services.

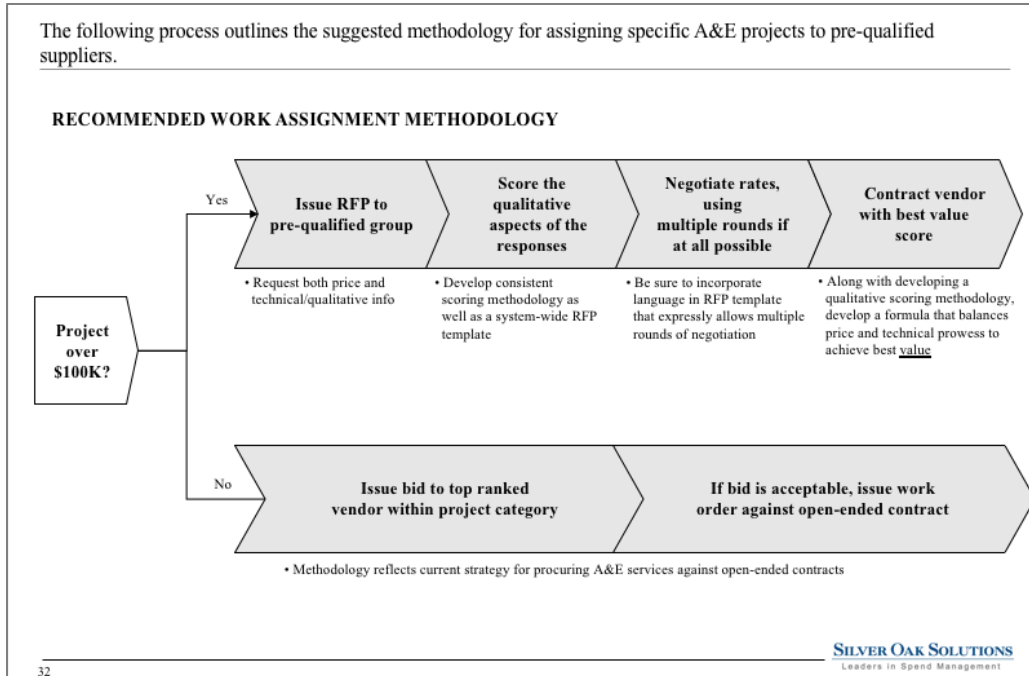


Figure 1. Recommended Process Improvement from Silver Oak Study

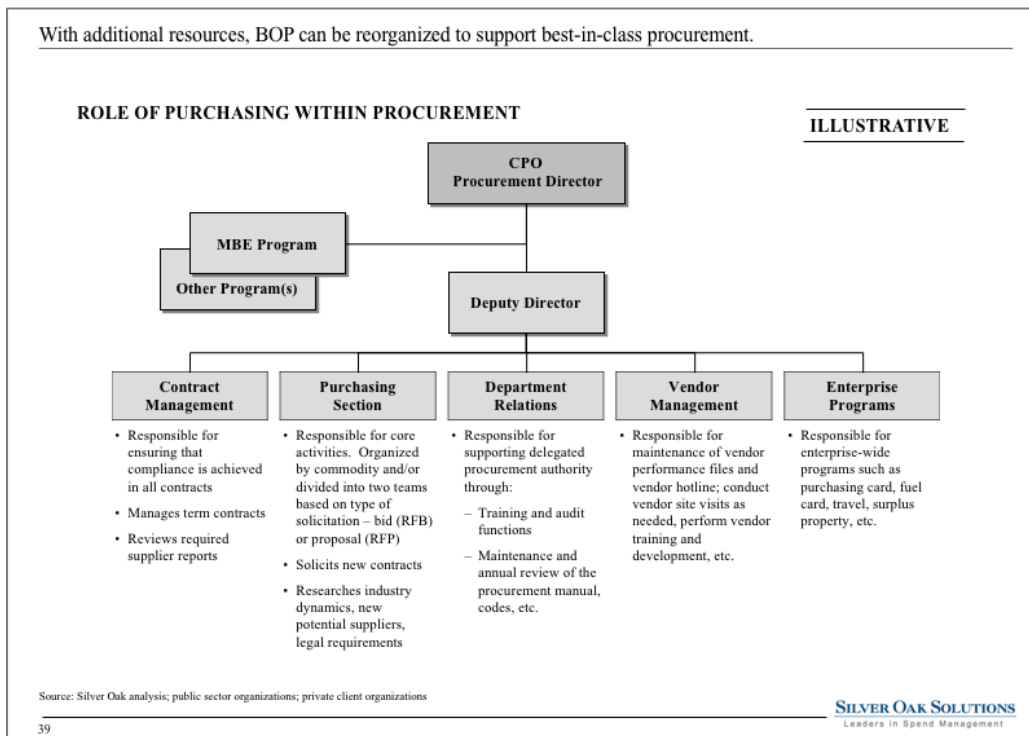


Figure 2. Illustrative Diagram of “Best-in-Class” Procurement

By 2010, an administrative services review commissioned by the Office of the Chancellor and performed by the Pappas Consulting Group, Inc., identified several significant strengths in the procurement function across the System. Their report noted that “(s)everal broadly utilized strategic sourcing agreements have been established (i.e., Penn State Facilities Engineering Institute for utilities, Enterprise rent-a-car, etc.),” and that “(s)ystem-wide vendor agreements have been established within most high-dollar spend categories.” It further noted that the procurement card program had “dramatically reduced requisition submittal volume and related workload at PASSHE universities.”

Among the recommendations of the 2010 Pappas study were an analysis of remaining high-spend trends with common vendors across the System to serve as candidates for multi-campus contracts, standardizing vendor contract terms and conditions across the System, developing additional multi-institutional contracts in collaboration with university procurement directors, and investigating the possibility of implementing a shared eProcurement system. As a result, in 2011, the System implemented an eProcurement tool that provides an innovative, cost-saving and operationally efficient method of purchasing for all universities and the Office of the Chancellor.

The Pappas report noted that certain procurement activities are inherently local and that institutions often obtain favorable terms and pricing from local sources. Over the subsequent several years, the System continued to strategically source commodities and services with the potential for both System-wide use and savings opportunities. Newer strategically sourced contracts were added, including learning management systems, financial aid professional services, enrollment consulting, marketing services, trademark management services, facilities benchmarking, printing, background screening services, and numerous software platforms. However, not all collaborative contracts were successful, such as the travel services contract.

By 2016, the System’s strategic sourcing leadership was transferred to shared leadership resources with Bloomsburg University of Pennsylvania. Today, the System manages over 70 strategically sourced contracts available for all universities to utilize (listed in Appendix 1), participates in numerous procurement co-ops, operates a System-wide online eProcurement Exchange used by all System universities, and maintains substantial online resources for university procurement professionals. All System universities also take advantage of Department of General Services state agency contracts and COSTARS (joint Commonwealth government) contracts and pricing. The Office of the Chancellor also operates a Construction Support Office that provides support for facilities engineering design and construction contracting.

In 2017, the System contracted with Calyptus Consulting Group, Inc., to perform another comprehensive analysis of the System’s spend, contracts, markets, and functional structure. This analysis identified potential savings opportunities in both spend on commodities and services as well as the System’s decentralized organizational structure for the procurement function, and concluded that potential savings opportunities depended upon a combination of policy and governance

restructuring, deliberate and regular data analysis, and maintaining systematic category purchasing strategies to serve the entire System.

A related July 2017 analysis of potential contractual savings, performed in conjunction with the Calyptus Consulting Group study released the following month, is shown in Figure 3. Items outlined in dotted lines in this chart are already under joint contracts within the System, including several items with the highest savings potential. The highest spend and savings potential category, computer hardware, is frequently purchased under COSTARS or other joint procurement agreements, or is hardware of such a specialized nature that joint procurements would not be effective.

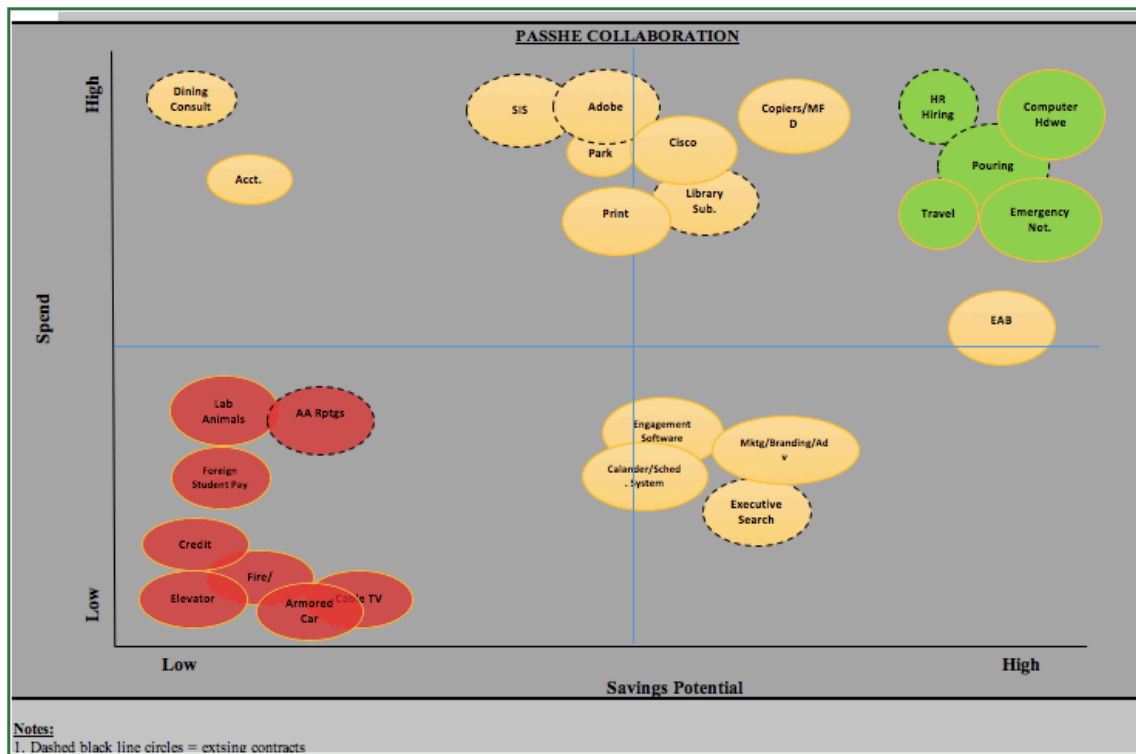


Figure 3. State System Collaboration Spend and Savings Potential

The Calyptus Consulting Group study identified these multi-institution procurement agreements. Figure 4, below, contains a summary of all joint procurement contracts available for use by System institutions and the Office of the Chancellor as identified by Calyptus in the 2017 study, totaling 2,380 individual contracts and agreements available to System institutions. Notably, this table excludes joint procurements between regional institutions within the System which are common for items such as computer hardware.

Category	DGS	COSTARS	National IPA	PEPPM	U.S. Comm.	PASSHE Contracts	Total
FACILITIES AND MAINTENANCE	54	53	30		1	1	139
IT	37	188	58	345		15	643
MRO SUPPLIES	16	344	19		3		382
OFFICE EQUIPMENT/ SUPPLIES	12	124	32	38		1	207
OTHER EQUIPMENT/ SUPPLIES	47	165	50		1	1	264
SAFETY SUPPLIES	17	100	6		2	1	126
SERVICES	78	15	27			86	206
TRAVEL	1		1			1	3
UTILITIES	13	10	7				30
VEHICLES	24	354	1			1	380
Grand Total	299	1353	231	383	7	107	2380

Importance: Use of the above listed existing contracts may result in lower pricing and better terms due to higher volumes of business promised and can be used expeditiously.

Figure 4. Calyptus Consulting Compilation of Joint Contracts

In October 2017, results of the Calyptus Consulting Group study were shared with the assembled vice presidents for finance and administration (VPFAs) for the 14 System universities. As shown in Figure 5, below, projected goods and services cost savings of \$13.2 million were anticipated based on average 6 percent savings on a base of \$230 million. However, the System’s strategic sourcing assessment projected a more conservative \$3.8 million in savings. Similarly, the Calyptus Consulting Group anticipated reducing procurement staffing from its current level of 52 full-time equivalent (FTE) employees across 13 institutions (Cheyney University of Pennsylvania has no dedicated procurement staff) to a total of 10.5 FTE employees, to which the System strategic sourcing office’s assessment was “Not Realistic!” These savings estimates and anticipated staff savings were extremely important to the work of the task force as summarized in the section “Potential Savings Revisited,” on page 14. Nevertheless, the VPFAs saw the potential for significant financial savings via a combination of lower prices for goods and services and operational efficiencies from reduced staffing levels.

In October 2017, the VPFAs unanimously supported efforts to proceed to with attempting implementation of the recommendations of the Calyptus Consulting Group report. System presidents similarly expressed overwhelming (yet not unanimous) interest in consolidating procurement operations in a 2014 ParenteBeard survey of shared services included as Appendix 2 (see pages 25, 26 and 31 of Appendix 2).

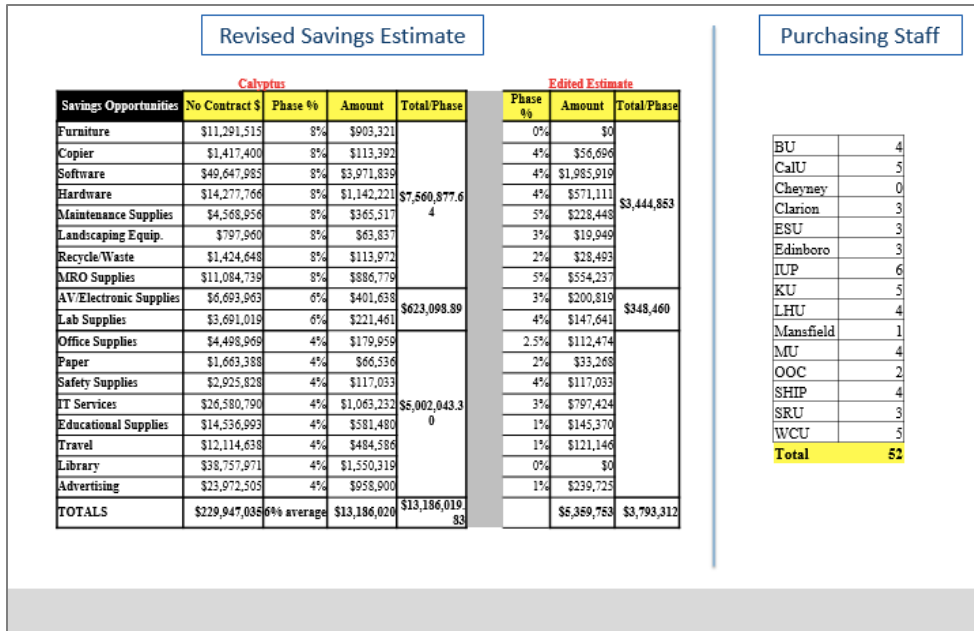


Figure 5. Projected Savings from the Calyptus Consulting Group

The non-financial recommendations for implementation and realization of the Calyptus Consulting Group savings projections are summarized in Figure 6, below. These recommendations include reorganization of central and university procurement functions to reduce staffing by 80 percent and mandating, via Board of Governors policy, that all System institutions participate in mandated System-wide joint procurement solicitations and agreements. This last provision, per preliminary legal review by System counsel, is contrary to the procurement authority afforded university presidents under Act 188 of 1982 (the founding legislation of the System). This finding significantly influenced the direction taken by the task group in considering potential implementation models and governance approaches to collaborative procurement approaches.

Recommendations	Action(s)
<p>Governance/Policy(report excerpts)</p> <ol style="list-style-type: none"> 1) Policy.....each university will work together to source products/services with common suppliers. 2) Center-led ...strategic sourcing that organizes/manages/reports on strategic sourcing projects. 3) Senior procurement executive ... responsible for all university strategic sourcing activity, determines if/when universities can opt out of using a system-wide procurement contract. Based on the signed policy. 4) Category plans by SME's or university having highest level of spend in a category. Ultimately, staff members ... organized centrally. 5) Well defined teams of procurement staff/ users included as members of category teams that establish system-wide sourcing projects. 	<p>Existing "independence" sub-optimizes System savings potential</p> <p>Need a mandate from BOG that when we solicit/contract as a System=>all participate.</p> <ul style="list-style-type: none"> • Daft revisions to BOG Policy 1998-04-A prepared • Legal reviewed (PM 8/10/17) <ul style="list-style-type: none"> ➢ Actions set forth may conflict with authority given to the Presidents and COT under Act 188. ➢ Procedure/Standard vs. a BOG policy? <ul style="list-style-type: none"> ✓ Greater flexibility for changes/adaptions. ✓ Also provide opportunity to provide guidance on surplus property (does not exist currently) <ul style="list-style-type: none"> – Lessens authority/leverage – PASSHE legal preparing 1st draft

Figure 6. Summary of Calyptus Consulting Group Recommendations

Recent Shared Services, University Organization, and Governance

The preceding history provides the context for the work of the task group, which began with a comprehensive review of the past analyses and recommendations described above. As reflected in the unanimous endorsement of the VPFAs, each university recognizes that any opportunity to realize savings in the cost of goods and services, as well as to gain operational efficiencies, benefits both students and the university.

At this initial stage of its work, the task force was staffed predominantly with VPFAs and Office of the Chancellor experts in procurement, human resources and legal issues. In addition, one provost participated in the task group.

The task group reached out to System universities with recent experiences sharing procurement services between their campuses. Most notably, Kutztown and East Stroudsburg have shared procurement solicitations and staff for several years. This joint effort yielded one-time savings of \$250,000 in relation to a joint furniture procurement. Many other joint procurements between the two universities did not yield savings, primarily due to differences in requirements and the timing of buys. These two universities were able to eliminate one position in the procurement areas (annual savings of approximately \$70,000) due to efficiencies realized in combining the procurement card aspects of their operations. In addition, one of the co-chairs of the task group led an institution providing procurement services to an institution in close

proximity to his university. For multiple reasons these arrangements were difficult to manage due to existing workloads and staffing levels. Among the issues that arose in both cases were those associated with short timeframes for responding to individual customers in cases where the responding service providers were several miles away and unavailable electronically or by phone.

Further discussion with VPFAs revealed that university procurement staff have also acquired additional duties as workforce reductions have impacted their campuses. Over the course of time, as automation improved and timesaving innovations such as procurement cards were adopted, staff in procurement offices took on more and varied work depending on the needs of the individual university. For example, at one university the procurement office oversees campus mail, central receiving, and other central services, in addition to providing onsite contract review and procurement. Yet there are always unplanned and last minute procurement issues related to travel, contracts (in the spring, frequently for camps), and other procurement “emergencies” requiring immediate attention and resolution.

The task group requested and obtained from the System a listing of nonrepresented and AFSCME¹ staff whose job descriptions involved some level of procurement and accounts payable responsibilities (see buy-pay discussion below). The totals for the entire System were 35 managers and 63.5 staff at an annual combined salary and benefit cost of \$8.5 million as shown in Table 1, below. In review with university leadership, however, it became clear that job duties for individuals engaged with these functions also overlapped significantly with other functional areas of campus operations. In stark contrast to the 80 percent staffing savings anticipated by Calyptus Consulting projections for procurement staff alone (52 of the staff included in Table 1), individual university discussions revealed potential savings of relatively few FTE positions per university, particularly given the need to preserve non buy-pay functions performed by the individual staff members involved.

¹ American Federation of State, County and Municipal Employees union.

Buy-Pay Function Staffing		University Total		
University	Total FTE	Benefits	Salary	Total Compensation
Bloomsburg University	10	\$394,857.06	\$581,937.11	\$976,794.17
California University	9	280,338.97	392,592.99	672,931.96
Clarion University	5	161,853.85	295,927.51	457,781.36
East Stroudsburg University	4	111,573.41	187,534.69	299,108.10
Edinboro University	6	210,841.18	314,381.99	525,223.17
Indiana University	10	366,439.05	543,722.45	910,161.50
Kutztown University	8	282,625.64	414,321.00	696,946.64
Lock Haven University	4	159,177.13	227,536.24	386,713.37
Mansfield University	3	92,846.35	146,802.62	239,648.97
Millersville University	6	204,618.15	291,135.23	495,753.38
Office of the Chancellor	2	72,640.83	136,393.84	209,034.67
Shippensburg University	7	217,069.18	293,923.02	510,992.20
Slippery Rock University	8.5	333,611.86	464,987.56	798,599.42
West Chester University	17	474,995.20	856,365.15	1,331,360.35
Grand Total	99.5	\$3,367,752.78	\$5,153,079.28	\$8,520,832.06

Table 1. Salaries and Benefits of University Staff Engaged in Buy-Pay Functions

These university perspectives were taken into account in developing a prospective structure for a consolidated procurement operation along the lines of that recommended by the Calyptus Consulting Group. In addition, expert legal analysis of presidential oversight of university procurement activities as provided for in Act 188 of 1982 was taken into account in designing an organizational and governance framework that would meet the charge of the task group and remain in compliance with Commonwealth law.

A Model for System Universities: Combining Buy-Pay Processes and the Boston Consortium

Working in close consultation and collaboration with the VPFAs who had unanimously endorsed the strategy recommended by Calyptus Consulting, the task group examined best practices in corporate procurement and searched for higher education models of collaboration that paralleled the goals of the task group. In the former case, and upon the recommendation of Vice Chancellor Dillon in the Chancellor's Office, examination of the complete buy-pay process as opposed to a singular focus on procurement ("buying") was found to be the gold standard in corporate business process efficiency. Many System universities are already organized consistent with this best practice, with procurement and accounts payable functions residing together both organizationally and physically. The matching of orders placed with goods received is only gradually becoming a fully automated electronic function, and both physical and process proximity between the two functions yields operating efficiency benefits. Similarly, the specific detailed knowledge of automated systems, vendors, account code structures, payment terms and conditions, and other aspects of buy-pay business rules are similar across all dimensions of the buy-pay business cycle.

An additional benefit of combining these functions under the auspices of a consortium procurement (or buy-pay) function would be that staffing could realistically be split between one or more centralized organizations and multiple campus organizations to provide the "high touch" local service university constituents usually expect and often require for their own business needs. In other words, sufficient positions would be involved to potentially meet the goals of achieving cost savings, maintaining a procurement presence on each campus, and fully staffing one or more central procurement operations. Current shared administrative systems would make it possible for campus-based staff to work on multiple institutions' work processes from any location within the System while remaining available to personally address immediate needs at their local campus. Also, in making the transition from fully decentralized to a hybrid centralized-decentralized buy-pay model, many of the 90+ current employees impacted by the organizational transformation could nevertheless remain in their current communities. The conclusion and recommendation of the VPFAs to the task group was that the "centralized procurement organization," or CPO, include all accounts payable, travel, procurement card, and institutional procurement activities with central staff located on each participating campus.

In the course of their discussions, the VPFAs determined that procurement activities associated with construction projects, which involve extremely high levels of onsite coordination with multiple contractors, should remain a strictly campus-based operation in conjunction with the Construction Support Office in the Office of the Chancellor.

To identify a governance structure that would prove compliant with Act 188 of 1982, the task group turned to examples in private higher education where presidents and their institutions are acting in a voluntary manner rather than according to prescribed state statutes. This approach was in respect of Act 188's delegation of campus procurement authority to each respective university president. A potential model was found in the

Boston Consortium, which is a collaboration of multiple private colleges and universities in the Boston area that voluntarily unite for the purposes of leveraging their combined purchasing power and also—despite the fact that they directly compete with each other for student enrollments—for the purpose of sharing best practices in the areas of administrative efficiency and effectiveness. The governance of the Boston Consortium is entirely by consent of the individual members and their presidents; the governing board, however, is comprised of the individual VPFAs for each institution (who ultimately report to their respective presidents).



Figure 7. The Boston Consortium

Finally, the VPFAs found within Act 188 of 1982 the governance solution to the seemingly insurmountable obstacle to centralization of presidential oversight of procurement: the Commission of Presidents. Established by Act 188 of 1982, yet with few prescribed formal duties, the Commission of Presidents is a legal entity to which presidents *could*, if they chose to do so, delegate their procurement authority while still maintaining direct oversight and control of the delegated function via their participation as members of the Commission. This approach would require no change to the authoring legislation of the System (Act 188) or action of the Board of Governors or the chancellor. It would be, in other words, a purely presidentially guided and governed operation.

It was with the scope, staffing and governance issues apparently resolved that significant issues of implementation arose. As noted above, very few university staff are “purely” engaged only in procurement or accounts payable functions. One VPFA estimated his university’s procurement director was less than 30 percent devoted to that

function and could not be included in any consolidation without significant impacts on other administrative functions. In the course of these discussions, it was clear to each university that the institution would directly realize any cost savings primarily from position reductions resulting from the new procurement organization. In other words, VPFAs were not arguing to preserve their staffs in order to pass operating costs on to others. Issues were also raised with regard to the complexity of implementing a combined operation. Institutions currently do not share a common chart of accounts, so at least initially the central organization would grapple with fourteen separate and different sets of account codes.

Setting up the central organization also presents several significant challenges vis-à-vis computer equipment, staffing and training. The start-up investment for a central organization would be considerable and require up-front investment prior to the realization of any savings. Yet the greatest potential obstacle was not in the form of procurement, but rather in the role the accounts payable function serves in providing payments to all students who are recipients of financial aid refunds. At each university, this work, which is regulated by the United States Department of Education (ED), is closely coordinated with both the financial aid and student accounts offices. Within the ED environment, regulations are extremely complex and the tolerance for error is extremely low; errors or delays may result in fines. One System university is currently under the most severe form of what is termed “heightened cash management,” whereby institutional distributions of Title IV financial aid are reimbursed by the federal government only after 100 percent audit verification, (as opposed to the normal practice of drawing on federal financial aid resources prior to disbursement to students). Should a shared centralized accounts payable unit err in such a disbursement, it could potentially jeopardize the position of all participating institutions in the central organization—a risk not worth taking for the levels of savings contemplated in this effort.

Potential Savings Revisited

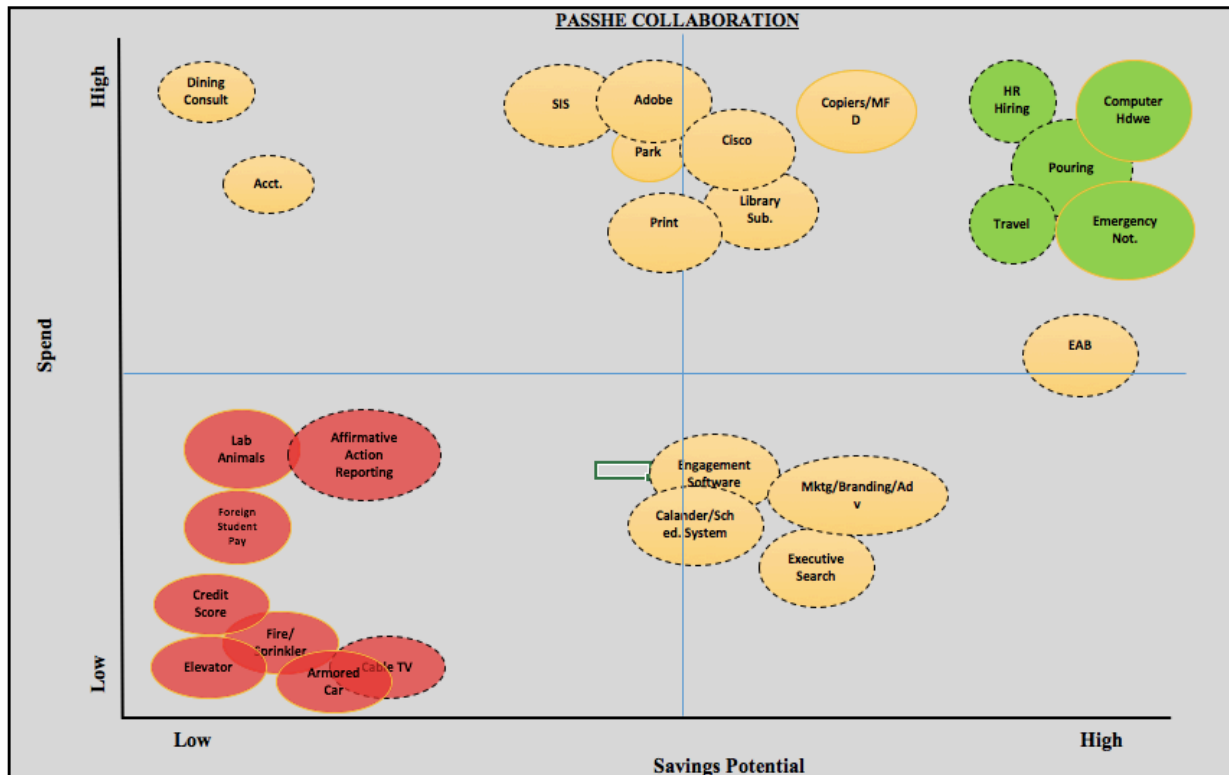
The task group considered the potential levels of spend savings that might be realized through increased shared contracting based on collaboration. Using the categories of advertising, travel and professional development, computing and data processing, professional services and honoraria, miscellaneous services, supplies and equipment, all of which are high spend categories, the total spend across all institutions and the Office of the Chancellor is \$242,189,502. Assuming the System could save 10 percent (a higher percentage than envisioned by Calypsus through collaboration) on 25 percent of the total spend in these categories, the total savings would be \$6,054,738. Dividing this savings by the 14 institutions yields an annual savings of \$403,648 per year. That this figure is not larger is hardly a surprise to university leaders: significant potential cost savings are not in the form of goods and services, which comprise 20 percent of costs, but in the form of salaries and benefits which comprise the other 80 percent.

Recommendations

The task group recommends that:

- The significant joint contracting and procurement activities of the System and universities that have evolved over several decades, utilizing the combined purchasing power of multiple universities and other agencies of the Commonwealth, should be continued and expanded to include any and all universities that may benefit from these shared activities and to encompass additional commodities and services. Particular attention should be given to improving procurement planning, communication and coordination among and between universities to increase opportunities for joint bid solicitations involving multiple universities.

As illustrated in Figure 8, an update of Figure 3 (potential joint contract savings), significant progress has been made in less than a year for high potential savings procurements. In addition, System-wide RFPs for new high demand services such as enrollment management consulting are also currently underway.



Notes:

1. Dashed black line circles = extsng contracts

Figure 8. Collaboration Spend and Savings Potential Update

- Voluntary arrangements among physically proximate universities, whereby staff members are shared among two or more universities to support shared procurement administration for the purposes of increased operating efficiency and leveraging combined buying power, are recommended provided that risks associated with such combined operations are well understood and mitigated against. The significance of

such associated risks precludes a recommendation that all System universities combine their procurement activities under a single common shared operational unit. These voluntary arrangements, and any impact thereof, require consideration of obligations associated with a collective bargaining agreement(s).

- The System should endorse legislative efforts to relieve its universities from procurement-related regulatory requirements of the Commonwealth Attorneys Act and the Commonwealth Procurement Code in cases where appropriations from tax revenues are not being expended.
- The System and its universities should adopt and utilize new and emerging eProcurement and ePayable technologies as they become available, and these investments should be centrally sourced under the existing strategic procurement authority of the System. Such technologies offer the greatest promise both for the leveraging of combined purchasing power and streamlining of administrative operations.
- The System and its universities should explore means of standardizing procurement records, such as by committing to utilizing common data input structures for vendor/commodity/service information, in order to maximize spend analysis capabilities and maximize savings in future strategic sourcing initiatives.

In addition to these recommendations, the task group urges expanded collaborative efforts in two areas related to its investigation of the Boston Consortium as a potential model for the System to emulate. First, there is potential to utilize the Commission of Presidents, a legal structure provided under Act 188 of 1982 (the System's enabling legislation) for joint action by the presidents within their legal authorities under the Act, to provide oversight to a consortium of multiple universities. Second, System institutions would benefit from targeted efforts to convene specifically for the purpose of sharing best practices among all universities to encourage greater efficiency and effectiveness; member institutions of the Boston Consortium, comprised of private institutions that compete for student enrollments in their region, have established multiple "Communities of Practice" that regularly share such information for the benefit of all member institutions and their students.

Appendix 1: Collaborative Contracts List

SSC - STRATEGICALLY SOURCED CONTRACTS ISSUED ON BEHALF OF UNIVERSITIES.

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS. [SEE BI REPORT FOR CY 2017.](#)

UCC - UNIVERSITY COLLABORATIVE CONTRACTS: ORIGINATING UNIVERSITY ISSUED CONTRACT; INCLUDES PIGGYBACK LANGUAGE; UNIVERSITIES ISSUE SEPARATE CONTRACTS.

QCC Contracts appear in separate tabs.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
SSC	Adobe Systems, Inc.	Adobe Creative Cloud Software	OOC	1000223	4500418341	07/05/20	
SSC	Adobe Systems, Inc.	Adobe Cumulative Licensing Program	OOC	1000223	---	07/05/20	
SSC	ADP	Cobra & FSA Administrative Services	OOC	1095861	4000038131	12/31/19	
SSC	Amazon	Amazon Business Accounts Terms	BU	---	SSHE-17-071	---	
SSC	Apple Computer, Inc.	Hardware, Software, Related Services	OOC	1000824	4600000325	---	4/4/18: REVIEWING T&Cs WITH LEGAL COUNSEL FOR SCHOOL MANAGER
SSC	Bank of America	Commercial Card Services	OOC	---	2015-PASSHE-CCS	10/31/20	
---	Blackboard, Inc.	IT Consulting and Support Services	OOC	1001512	4700000513-A2	07/01/18	
SSC	Blackboard, Inc. (Collaborate)	Web Conferencing Solution	OOC	1001512	4500522253	06/30/18	SEE NEW CONTRACT FOR WEB CONFERENCING SOLUTION WITH ZOOM
SSC	Blackboard, Inc. (Learn)	Learning Management System	OOC	1001512	4700003099	06/30/22	
SSC	Blackboard, Inc. (Transact)	Transact	OOC	1001512	4700003575	06/30/22	
SSC	Campus Dining, Inc.	Food Service Consultant Services	OOC	1071869	4700003718	06/30/22	
UCC	Campus Televideo	Cable Television Programming Services	CLARION	1049896	4900000263	06/30/19	
DGS	CDW Government	Software Services, Licenses, Maintenance	DGS	---	4400018548	06/30/20	COMMONWEALTH CONTRACT; COSTARS
SSC	CliftonLarsenAllen LLP	Audit Services	OOC	1091558	4000050939	04/30/21	VIEW CONTRACT IN SAP
UCC	Cohn Elias Pallas,Greenhall & Furman	Title IX Investigator	WCU	1102892	4300000956	08/22/18	VIEW CONTRACT IN SAP
SSC	Cornerstone OnDemand	HR Learning Management System	OOC	1098054	4700002567	06/30/20	
UCC	Credit Bureau of York	Background Screening Services	WCU	1003081	4300000960	01/10/23	VIEW CONTRACT IN SAP (NOT A PART OF THE QCC CONTRACTS)
UCC	CS Technologies	Joint Desktop/Laptop Purchase & Install	CLARION	1002860	4900000411	06/30/19	VIEW CONTRACT IN SAP
SSC	D2L	Learning Management System	OOC	1074913	4700003087	06/30/22	SEE PO 4500517363
SSC	Dell	MalwareBytes Software	OOC	1003502	4500517497	06/30/20	
UCC	Demans Athletic Apparel Uniforms	Athletic Apparel, Uniforms and Accessory Products	CLARION	1003537	4900000412	06/30/20	VIEW CONTRACT IN SAP
SSC	eBid Systems	ProcureWare	OOC	1080301	4700003237	12/31/20	
UCC	ECSI	Perkins & Nursing Billing Services (Kutztown)	KUTZTOWN	1004115	4900000318	05/31/19	
SSC	Educational Advisory Board (EAB)	EAB Membership Services	OOC	1083870	4700003564	06/30/22	
UCC	Educational Loan Services dba Campus Partners	Perkins & Nursing Billing Services (Kutztown)	KUTZTOWN	1049862	4900000317	05/31/19	
SSC	Ellucian (Sungard)	Student Information Systems	OOC	1014875	4600000174-A1	10/22/19	
UCC	Enterprise Car Share	Car Share Services	INDIANA	1094723	4700002091	03/31/19	

Collaborative Contracts List

SSC - STRATEGICALLY SOURCED CONTRACTS ISSUED ON BEHALF OF UNIVERSITIES.

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS. [SEE BI REPORT FOR CY 2017.](#)

UCC - UNIVERSITY COLLABORATIVE CONTRACTS: ORIGINATING UNIVERSITY ISSUED CONTRACT; INCLUDES PIGGYBACK LANGUAGE; UNIVERSITIES ISSUE SEPARATE CONTRACTS.

QCC Contracts appear in separate tabs.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
SSC	ESRI	Geographic Software	OOC	1016964	4500534240	06/30/18	RENEWAL PENDING VIA CDW STATE CONTRACT
SSC	EverFi (previously LawRoom)	Online Learning Programs	OOC	1098472	4700002736	06/30/20	
SSC	Google	License Agreement	OOC	---	---	---	4/4/18: REVIEWING T&Cs WITH LEGAL COUNSEL INCLUDES CHROMEBOOK LICENSE
SSC	Heritage Environmental Services	Hazardous Waste Removal Services	CALIFORNIA	1005662	4900000246	02/28/19	
SSC	Idemia	Fingerprinting and Security	OOC	1108473	4600000765	---	
SSC	Instagram	Instagram	DGS	---	---	---	
SSC	Instructure	Learning Management System	OOC	1102570	4700003098	06/30/22	
UCC	iParq	Parking & Vehicle Registration System	BLOOMSBURG	1077061	4700002460	06/30/18	
SSC	Kaltura	Open Source Video Software	OOC	1087575	4500487322	06/30/18	RENEWAL PENDING
SSC	Key Travel	Travel Management Services	BU	1107296	4700003736	12/31/23	STUDENT STUDY ABROAD TRAVEL
SSC	Kinber	Telecommunications Data Services	OOC	1090056	4700002160	08/31/19	
UCC	Lane Press Inc.	Printing / Mailing of WCU Magazine	WCU	102149	4300000868	02/03/21	VIEW CONTRACT IN SAP
SSC	Learfield Licensing Partners	Trademark Licensing Program	BU	---	---	06/30/22	
SSC	Level 3 Communications	Intranet Transport Services	OOC	1080143	4700002883-R1	05/31/19	
SSC	Level 3 Communications	Telecommunications Data Services	OOC	1080143	4700002128	08/31/19	
SSC	M&T	Banking Services	OOC	---	2016-MNT-01	10/31/21	
SSC	McAfee (SourceIT)	McAfee Anti-Virus/Anti-Spyware Software	OOC	1094970	4500464345	06/30/18	UNIVERSITIES WILL PURCHASE INDEPENDENTLY EFF 7/1/18
SSC	McGraw-Hill	McGraw-Hill Campus Terms of Service for PASSHE.pdf	OOC	---	---	---	
SSC	Microsoft Enrollment for Education (EES)	Zones, Inc.	OOC	1032036	4500530135	05/31/20	
SSC	Microsoft Premier Support Services	Microsoft Corporation	OOC	1035352	4500533612	06/30/18	CLARION, EDINBORO, INDIANA, KUTZTOWN, SHIPPENSBURG, WEST CHESTER, AND OFFICE OF THE CHANCELLOR RENEWAL IN PROCESS
SSC	NEOGOV	HR Applicant Tracking System	OOC	1078109	4700002854	12/31/20	
SSC	Nittany Travel	All-Inclusive Educational Tour Services	LHU	1026154	4900000434	12/31/22	MULTIPLE AWARD VIEW CONTRACT IN SAP
UCC	Northwest Classroom Captioning LLC	Communications Access Real Time	EDINBORO	1099568	4700002805-R2	06/30/18	
UCC	Oliver Mechanical	HVAC Services	WCU	1052081	4300000911	12/12/22	VIEW CONTRACT IN SAP
SSC	Oracle	Oracle (Technology)	OOC	1009482	---	---	
SSC	Outsolve	Affirmative Action Plan Services	OOC	1092246	4700001819	11/30/18	

Collaborative Contracts List

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QCC Contracts appear in separate tabs.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
SSC	Pepsi	Beverage Pouring Rights	OOC	1099532	4700002798	11/19/25	
SSC	Pharmedix	Comprehensive RX Medication Distribution System	OOC	1010020	4700003493	08/31/22	
SSC	Red Hat Software	En-Net, Inc.	OOC	1089953	4500564414	06/30/19	VIEW PO IN SAP
UCC	Republic / BFI	Waste Removal and Recycling	WCU	1069376	4300000872	04/21/19	VIEW CONTRACT IN SAP
SSC	Ruffalo Noel Levitz	Net Price Calculator	OOC	1022755	4700003327	12/31/20	
DGS	Staples	Office Supplies	DGS	---	4400013257	08/31/18	COMMONWEALTH CONTRACT APR 2018: DGS PENDING RFP FOR OFFICE SUPPLIES
SSC	Symplicity Corporation	Career Services Management System	OOC	1034039	40000050691-A2	06/30/19	
UCC	Target X	Constituent Relationship Management CRM	WCU	1033030	4300000871	05/09/21	VIEW CONTRACT IN SAP
SSC	TouchNet	Commerce Management Software	OOC	1051723	4700002719-A1	06/30/19	
SSC	Vivature	Athletics Medical Billing Services Contract	ESU	1107065	4300000952	09/17/20	REVENUE-SHARING, NO COST CONTRACT VIEW CONTRACT IN SAP
SSC	VMware	Software	OOC	1002185	4500468120	06/30/18	RENEWAL PENDING
SSC	Windstream	Telecommunications Data Services	OOC	1095085	4700002127	08/31/19	
SSC	Won by One to Jamaica	All-Inclusive Educational Tour Services	LHU	1095191	4900000436	12/31/22	MULTIPLE AWARD VIEW CONTRACT IN SAP
SSC	Worldstrides	All-Inclusive Educational Tour Services	LHU	1088334	4900000435	12/31/22	MULTIPLE AWARD VIEW CONTRACT IN SAP
SSC	YouVisit	Virtual Campus Tours Software	BU	1089899	4700003986	06/30/21	
SSC	Zoom Video Communications	Web Conferencing Solution	OOC	1103010	4700003568	06/30/23	

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	Accurate Background LLC	Background Screening Services	OOC	1106646	4700003638	10/31/22	NOTE AMENDED SPC T&Cs
QCC	Castle Branch, Inc.	Background Screening Services	OOC	1086742	4700003644	10/31/22	NOTE AMENDED SPC T&Cs
QCC	Justifacts Credential Verification	Background Screening Services	OOC	1086888	4700001450	10/31/22	

The following contracts expire 10/31/17:

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	Accusource, Inc.	Background Screening Services	OOC	1064194	4700001444	10/31/17	
QCC	American Databank	Background Screening Services	OOC	1086888	4700001450	10/31/17	
QCC	Castle Branch, Inc.	Background Screening Services	OOC	1086742	4700001439	10/31/17	
QCC	Credit Bureau of York, Inc.	Background Screening Services	OOC	1003081	4700001451	01/31/18	Contract was amended to allow for a 3 month extension
QCC	Inquiries	Background Screening Services	OOC	1072383	4700001437	10/31/17	
QCC	Justifacts	Background Screening Services	OOC	1042052	4700001449-A1	10/31/17	
QCC	Sterling InfoSystems	Background Screening Services	OOC	1086751	4700001442	10/31/17	

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	Kinber	Ethernet Data Circuits	OOC	1090056	4700002827	10/01/20	
QCC	Level 3 Communications	Ethernet Data Circuits	OOC	1079943	4700002831	10/01/20	
QCC	Sunesys	Ethernet Data Circuits	OOC	1099692	4700002832	10/01/20	
QCC	Windstream	Ethernet Data Circuits	OOC	1095085	4700002848	10/01/20	

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	Academic Search, Inc.	Executive Search Services	OOC	1080655	4700002643	06/30/20	
QCC	AGB Search, LLC	Executive Search Services	OOC	1073784	4700002644	06/30/20	
QCC	Archer-Martin Associates	Executive Search Services	OOC	1082385	4700002651	06/30/20	
QCC	Bradley Partnerships, Inc.	Executive Search Services	OOC	1101902	4700003035	06/30/20	
QCC	David Gomez & Assoc., Intn'l.	Executive Search Services	OOC	1101914	4700003037	06/30/20	
QCC	Diversified Search	Executive Search Services	OOC	1038928	4700003746	10/31/22	
QCC	Ferra Executive Search	Executive Search Services	OOC	1107451	4700003749	10/31/22	
QCC	GDI Infotech, Inc.	Executive Search Services	OOC	1107588	4700003754	10/31/22	
QCC	Greenwood/Asher Associates, Inc.	Executive Search Services	OOC	1033465	4700002658	06/30/20	
QCC	Harris & Associates	Executive Search Services	OOC	1060971	4700003038	06/30/20	
QCC	Helbling & Associates, Inc.	Executive Search Services	OOC	1107464	4700003750	10/31/22	
QCC	Joymark Associates, Inc.	Executive Search Services	OOC	1101915	4700003039	06/30/20	
QCC	Kaye Bassman Int'l. Corp.	Executive Search Services	OOC	1101916	4700003040	06/30/20	
QCC	Myers McRae Executive Search and	Executive Search Services	OOC	1098619	4700002652	06/30/20	
QCC	Parker Executive Search	Executive Search Services	OOC	1088784	4700002653	06/30/20	
QCC	R. H. Perry Associates	Executive Search Services	OOC	1010604	4700002654	06/30/20	
QCC	Registry for College & Univ. Pres.	Executive Search Services	OOC	1077134	4700003044	06/30/20	
QCC	RPA Inc.	Executive Search Services	OOC	1042376	4700002655	06/30/20	
QCC	Stephen Bradford Search	Executive Search Services	OOC	1101919	4700003042	06/30/20	
QCC	Storbeck Pimentel & Assoc.	Executive Search Services	OOC	1075857	4700003043	06/30/20	
QCC	The Spelman & Johnson Group	Executive Search Services	OOC	1101917	4700003041	06/30/20	
QCC	TM2 Education Search	Executive Search Services	OOC	1107452	4700003748	10/31/22	
QCC	Waters Company Incorporated	Executive Search Services	OOC	1098620	4700002656	06/30/20	
QCC	Wheless Partners	Executive Search Services	OOC	1107465	4700003747	10/31/22	
QCC	William H. Spelman	Executive Search Services	OOC	1101918	4700003045	06/30/20	
QCC	Witt Kieffer	Executive Search Services	OOC	1019107	4700002657	06/30/20	
QCC	WorldBridge Partners	Executive Search Services	OOC	1107561	470003752	10/31/22	

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	Pauline & Associates	Facilities Benchmarking	OOC	1035830	4700002628	06/30/20	
QCC	Sightlines, Inc.	Facilities Benchmarking	OOC	1043881	4700002629	06/30/20	

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	American Student Assistance	Financial Aid Services	OOO	1099676	4700002807	09/30/19	
QCC	EdFinancial Services, LLC	Financial Aid Services	OOO	1088537	4700002806	11/30/20	
QCC	Financial Aid Services, Inc.	Financial Aid Services	OOO	1076725	4700002808	11/30/20	
QCC	ProEducation Solutions, LLC	Financial Aid Services	OOO	1096600	4700002816	11/30/20	

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	Alcom Printing Group, Inc.	Print Services	OOO	1000354	4700002840	12/31/20	
QCC	Nittany Valley Offset	Print Services	OOO	1009233	4700002843	12/31/20	
QCC	NPC, Inc.	Print Services	OOO	1015849	4700002844	12/31/20	
QCC	Printlynx dba Envision	Print Services	OOO	1065056	4700002842	12/31/20	
QCC	SSS Printing	Print Services	OOO	1099974	4700002845	12/31/20	
QCC	Staples	Print Services	OOO	1051261	4700002846	12/31/20	
QCC	Triangle Press	Print Services	OOO	1038867	4700002847	12/31/20	

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	Coast Professional	Student Loan Collection Services (Kutztown)	KUTZTOWN	1074882	KUBB00340	05/31/19	4700002475
QCC	Enterprise Professional	Student Loan Collection Services (Kutztown)	KUTZTOWN	1074878	KUBB00341	05/31/19	4700002474
QCC	General Revenue	Student Loan Collection Services (Kutztown)	KUTZTOWN	1022902	KUBB00338	05/31/19	4700002473
QCC	NCO Financial	Student Loan Collection Services (Kutztown)	KUTZTOWN	1060682	KUBB00339	05/31/19	4700002472
QCC	Reliant Capital Solutions	Student Loan Collection Services (Kutztown)	KUTZTOWN	1097110	KUBB00342	05/31/19	4700002471
QCC	Williams & Fudge	Student Loan Collection Services (Kutztown)	KUTZTOWN	1060683	KUBB00337	05/31/19	4700002470

Collaborative Contracts List

QCC - QUALIFIED COLLABORATIVE CONTRACTS: MULTIPLE AWARD CONTRACTS; UNIVERSITIES ISSUE INDIVIDUAL PURCHASE ORDERS.

TYPE	SUPPLIER	DESCRIPTION	UNIVERSITY	VENDOR#	CONTRACT#	END TERM	STATUS
QCC	22nd Century Technologies, Inc.	Temporary Personnel Services	OOC	1075127	4700002722	06/30/20	
QCC	Abacus Service Corporation	Temporary Personnel Services	OOC	1096189	4700002723	06/30/20	
QCC	CareersUSA	Temporary Personnel Services	OOC	1098975	4700002724	06/30/20	
QCC	ClarusTec, Inc.	Temporary Personnel Services	OOC	1078445	4700002725	06/30/20	
QCC	Computer Aid, Inc	Temporary Personnel Services	OOC	1082603	4700002726	06/30/20	
QCC	DatamanUSA	Temporary Personnel Services	OOC	1093516	4700001914	06/30/18	
QCC	Diversity Search Group	Temporary Personnel Services	OOC	1094637	4700002070	06/30/18	
QCC	Domino Technologies, Inc.	Temporary Personnel Services	OOC	1098976	4700002727	06/30/20	
QCC	InGenesis, Inc.	Temporary Personnel Services	OOC	1094977	4700002728	06/30/20	
QCC	LanceSoft	Temporary Personnel Services	OOC	1075174	4700002729	06/30/20	
QCC	Makro Technologies, Inc	Temporary Personnel Services	OOC	1098993	4700002730	06/30/20	
QCC	Manpower	Temporary Personnel Services	OOC	1007874	4700001792	06/30/18	
QCC	Premier Staffing Source, Inc.	Temporary Personnel Services	OOC	1077210	4700002732	06/30/20	
QCC	RADgov, Inc.	Temporary Personnel Services	OOC	1093386	4700002733	06/30/20	
QCC	SC Consulting LLC	Temporary Personnel Services	OOC	1093375	4700001885	06/30/18	
QCC	Spruce Technology, Inc.	Temporary Personnel Services	OOC	1098994	4700002734	06/30/20	
QCC	Synerfac, Inc.	Temporary Personnel Services	OOC	1072262	4700002290	06/30/18	
QCC	V3iT Consulting, Inc.	Temporary Personnel Services	OOC	1036363	4700002735	06/30/20	

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION



Shared Services — A State System Perspective

August 11, 2014



Agenda

Project Objectives

Project Approach

Executive Summary – Internal Interviews

Internal Interviews

Project Objectives (I)

The Chancellor is seeking an independent advisor to complete a high level assessment of the “Shared Services” model

- ParenteBeard will 1) analyze the cost allocation methodology and 2) analyze “shared service” vs “distributed service” model for the following State System shared service items:
 - Human Capital Mgmt / Accounting Payroll (“Payroll systems and administration”)
 - Human Resources (“Benefit plans management and administration”)
 - Labor Relations (“Collective bargaining agreements negotiation and administration”)
 - Construction Support (“Contracts procurement and administration” or “Construction Contracts”)
 - Keystone Library Network (“Online library system”)
 - Shared Administration Systems (“Enterprise software applications”)

- The fact base will be external interviews/research and internal interviews of the descriptions (or variants of the descriptions) listed below:
 1. Payroll systems and administration
 2. Benefit plans management and administration
 3. Collective bargaining agreements negotiation and administration
 4. Contracts procurement and administration or Construction contracts
 5. Online library system
 6. Enterprise software applications
 7. Online education
 8. Internal audit

Project Objectives (II)

The Chancellor is seeking an independent advisor to complete a high level assessment of the “Shared Services” model

- The following items are NOT included in the assessment:
 - Verification that actual allocation of costs of shared services was in compliance with documented methodology.
 - Verification that the cost of each shared service was properly allocated to the Universities and the Office of the Chancellor during calendar year 2013.
 - Evaluation of the Cost (Efficiency) of shared service vs distributed service vs. outsourced service.
 - Evaluation of the Value (Effectiveness) of shared service vs. distributed service vs. outsourced service.

Agenda

Project Objectives

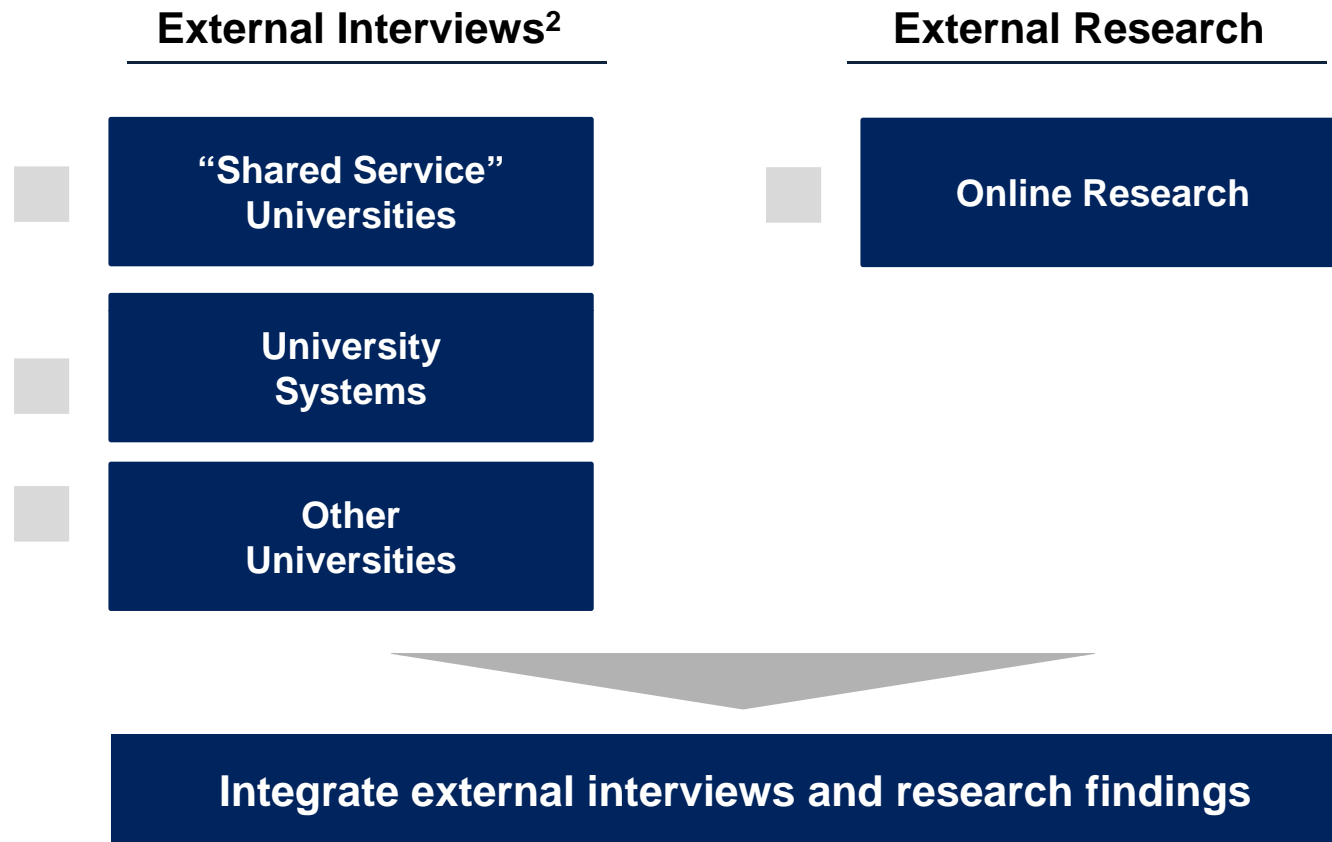
Project Approach

Executive Summary – Internal Interviews

Internal Interviews

Project Approach (I)

External Benchmark¹ Interviews and External Research



¹ External Benchmark refers to interviews with other universities to understand how they utilize Shared, Centralized or Decentralized Services for the items listed in the project objectives.

² As approved by the State System, ParenteBeard stated that the interviews are being completed on behalf of the State System and ParenteBeard will offer to share an executive summary of the findings with the external interview participants.

Project Approach (II)

External Interview Candidates

We identified 50 universities to conduct interviews with regarding their use of Shared, Centralized and Decentralized Services for a specific set of items

These universities were categorized as follows:

Shared Service Universities	University Systems	Other Universities
Universities that have been cited as either implementing or have implemented Shared Services (15 Universities)	University Systems (20 Systems)	Other Universities (15 Universities)

Project Approach (III)

External Interview Questions

We developed a standard set of questions to ask the interview candidates. These included:

<u>Do you use a Shared Service, Centralized Service, or Decentralized Service model for “x”?</u>	<u>If Shared or Centralized...</u>	<u>What is your cost allocation methodology?</u>	<u>What, if any, challenges have you experienced with Shared or Centralized Services?</u>
1. Payroll systems and administration		1. _____	1. _____
2. Benefit plans management and administration		2. _____	2. _____
3. Collective bargaining agreements negotiation and administration		3. _____	3. _____
4. Contracts procurement and administration or Construction Contracts		4. _____	4. _____
5. Online library system		5. _____	5. _____
6. Enterprise software applications		6. _____	6. _____
7. Online education		7. _____	7. _____
8. Internal audit		8. _____	8. _____

Project Approach (IV)

Internal Interviews

We completed interviews with 14 State System University Presidents regarding their experience with the State System Shared Services model for a specific set of items

- | | |
|--------------------|-----------------|
| ■ Bloomsburg | ■ Kutztown |
| ■ California | ■ Lock Haven |
| ■ Cheyney | ■ Mansfield |
| ■ Clarion | ■ Millersville |
| ■ East Stroudsburg | ■ Shippensburg |
| ■ Edinboro | ■ Slippery Rock |
| ■ Indiana | ■ West Chester |



Synthesize the internal interview findings and integrate with the external interviews and research findings

Project Approach (V)

Internal Interview Questions

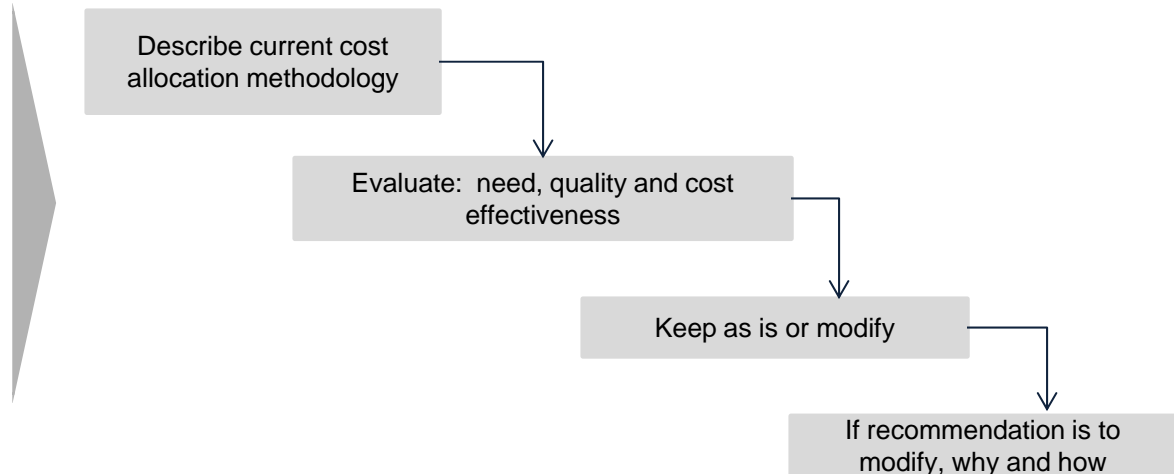
We developed a standard set of questions to ask the University Presidents. These included:

1. What are your thoughts about the Shared Services concept in general?

- a. What is working well?
- b. What, if any, have been the primary benefits?
- c. What, if any, have been the key success factors?
- d. What, if any, challenges have you experienced?
- e. What, if any, improvement opportunities can you identify?

2. In particular, for the following items,

- Payroll systems and admin
- Benefit plans mgmt and admin
- CBA negotiation and admin
- Contracts procurement and admin
- Online library system
- Enterprise software applications
- Online education
- Internal audit



Agenda

Project Objectives

Project Approach

Executive Summary – Internal Interviews

Internal Interviews

Executive Summary (I)

Internal Interviews

- Customer service was identified as the primary item **working well** with the current State System Shared Services model
- Economies of scale was identified as the **primary benefit** of the State System Shared Services model
- **Key challenges** identified include:
 - Coordination between the Office of the Chancellor and the universities
 - Lack of clear communication and transparency of decision making processes
 - Planning process does not currently include the input of the universities
 - Implementations do not have clear project timelines and cost information
 - Lack of consistency and knowledge sharing
 - Lack of buy-in (e.g., one size may not fit all; lack of performance metrics)
 - Specific services (e.g., Internal Audit)
- The universities are aware of the current **cost allocation methodologies** or are aware of the mechanism for obtaining the information and identified some methodologies that should be re-evaluated

Executive Summary (II)

Internal Interviews

- The universities identified the following as **key factors** required to make the State System Shared Service model successful:
 - Shared Service with Service Level Agreements
 - Coordination between the Office of the Chancellor and the universities
 - Communication, planning and implementation
 - Systematic evaluation of the services

- The universities identified the following **improvement recommendations**:
 - Evaluate *Shared Services with Service Level Agreements vs. Centralized Services vs. Outsourced Services* for a subset of the services
 - Improve *coordination* between the Office of the Chancellor and the universities
 - Develop a clear *communication process and transparency* of decision making processes
 - Include the universities in the *planning process*
 - Utilize an *implementation approach* that includes clear project timelines and cost information
 - Develop efficiency and effectiveness *performance metrics*
 - Implement a regular *cost allocation methodology* review process
 - Develop improvement initiatives for certain services (e.g., *Internal Audit*)
 - Evaluate potential to offer additional Shared Services (e.g., *Food Services*)

Agenda

Project Objectives

Project Approach

Executive Summary – Internal Interviews

Internal Interviews

Internal Interview Topics

Our interview topics included the items listed below

- 1 **What is Working Well**
- 2 **Primary Benefits**
- 3 **Key Success Factors**
- 4 **Key Challenges**
- 5 **Improvement Opportunities**
- 6 **Cost Allocation Methodologies**
- 7 **Feedback Regarding Specific Services**

Internal Interviews

What Is Working Well

1

Based on the interviews, the University Presidents identified the following items as working well with the current State System Shared Services model

- **Customer Service**
 - The people providing day-to-day administration of the services provide excellent customer service.

- **Well Defined Processes & Procedures**
 - Shared Services, which have well defined processes and procedures, are efficient and effective.

- **Shared Service Examples**
 - Construction Support: The construction support office provides great value.
 - Penn State Engineering Contract: The engineering contract provides specific expertise.
 - SSHE Network: The SSHE network is done well and the contract works well.

Internal Interviews

Primary Benefits

2

Based on the interviews, the University Presidents identified the following benefits of the current State System Shared Services model

- **Cost (Economies of Scale)**
 - The ability to utilize the buying power of the 14 universities is the primary benefit.

- **Value (Effectiveness)**
 - Resource Expertise
 - The collective resources available to staff and students provides a better experience than individual universities could provide.
 - Processes
 - The ability to standardize processes enables improved customer service.

Internal Interviews

Key Success Factors

3

Based on the interviews, the University Presidents identified the following as key items required to make the State System Shared Services model successful

- **Shared Services with Service Level Agreements vs. Centralized Services**
 - Provide the universities with Service Level Agreements that define the terms, service levels, usage, cost allocation methodology and performance metrics

- **Coordination between the Office of the Chancellor and the Universities**
 - Improve coordination between the Chancellor's office and the universities
 - Develop a clear communication process and transparency of decision making processes
 - Include the universities in the planning process
 - Utilize an implementation approach that includes clear project timelines and cost information
 - Respond in a timely manner

- **Systematic Evaluation**
 - Develop efficiency and effectiveness performance metrics
 - Implement a regular review process (e.g., for current and potential new services)

Internal Interviews

Key Challenges

4

Based on the interviews, the University Presidents identified the following as key challenges of the current State System Shared Services model

- **Coordination between the Office of the Chancellor and the Universities**
 - Lack of communication and transparency of decision making processes
 - Planning process does not include the input of the universities
 - Implementations do not have clear project timelines and cost information
- **Lack of Consistency**
 - Roadblocks when working with other universities on sharing programs or services that do not include all universities
 - Receive mixed messages between universities as well as between departments
- **Lack of Buy-in**
 - Belief that one size does not fit all
 - Lack of performance metrics
- **Shared Service Examples**
 - Internal Audit is complex and burdensome

Internal Interviews

Improvement Opportunities (I)

5

Based on the interviews, the University Presidents identified the following improvement opportunities to the current State System Shared Service model

- **Shared Services with Service Level Agreements vs. Centralized Services vs. Outsourced Services**
 - Implement service level agreements
 - Evaluate potential to offer additional Shared Services
 - Evaluate outsourcing of some Shared Services

- **Coordination between the Office of the Chancellor and the Universities**
 - Improve coordination between the Chancellor's office and the universities
 - Develop a clear communication process and transparency of decision making processes
 - Include the universities in the planning process
 - Utilize an implementation approach that includes clear project timelines and cost information

- **Systematic Evaluation**
 - Develop efficiency and effectiveness performance metrics
 - Implement a regular review process

Internal Interviews

Improvement Opportunities (II)

5

Based on the interviews, the University Presidents identified the following improvement opportunities to the current State System Shared Service model

- **Collaboration Example**
 - Share internal audit information with all universities
- **Hotline**
 - Review and modify the Fraud, Waste & Abuse Hotline
- **Shared Service Examples**
 - Collective Bargaining Agreements
 - Contract Procurement
 - Enterprise Software Applications
 - Online Education
 - Internal Audit
- **Cost Allocation Examples**
 - Collective Bargaining Agreement
 - Online Library System
 - Enterprise Software Applications
 - Online Education

Internal Interviews

Cost Allocation Methodologies

6

Based on the interviews, the University Presidents identified the following items regarding the current State System Shared Service cost allocation methodologies

- **Understanding of Cost Allocation Methodologies**

- Universities are aware of the current cost allocation methodologies or are aware of the mechanism for attaining that information.
- One interview participant did note that they are not familiar with the specifics of each cost allocation model, but are confident that they could attain that information if necessary.

- **Belief about Cost Allocation Methodologies**

- Universities believe the current cost allocation methodologies for shared services are fair for services rendered.
- The interview participants recommended that some cost allocation methodologies should be re-evaluated
 - Collective Bargaining Agreement
 - Online Library System
 - Enterprise Software Applications
 - Online Education

Internal Interviews

Average Ratings

Based on the interviews, the University Presidents rated the current State System Shared Services as follows

Service ¹	Satisfies University Need	Is Effective & Of High Quality	Is Efficient & Cost Effective
Payroll Systems & Administration	8.6	8.5*	8.1*
Benefit Plans Management & Administration	8.4	8.1	8.0
Collective Bargaining Agr, Negotiation & Admin	6.1	5.7*	5.5*
Contract Procurement & Administration	6.0	6.0	6.2
Construction Contracts	7.6*	7.7*	7.7*
Online Library System	8.7*	8.6*	8.3*
Enterprise Software Applications	7.3	7.2	6.1*
Online Education	7.0*	6.9*	6.5*
Internal Audit	4.9	4.3*	4.4*

Internal Audit had the lowest ranking, followed by Collective Bargaining Agreements and Contract Procurement

¹ Ratings = 1 (low) to 10 (high)

* Indicates that 1 interview participant provided a rating of "N/A" for each item

Internal Interviews

Ratings – Low, High & Median

Based on the interviews, the University Presidents rated the current State System Shared Services as follows

Service ¹	Satisfies University Needs			Is Effective & Of High Quality			Is Efficient & Cost Effective		
	Low	High	Median	Low	High	Median	Low	High	Median
Payroll Systems & Administration	6.5	10.0	8.3	5.0	10.0	8.0	2.0	10.0	8.0
Benefit Plans Mgmt & Administration	5.5	10.0	8.3	4.0	10.0	8.3	2.5	10.0	8.3
Collective Bargaining Agr, Neg & Admin	3.0	9.0	6.5	3.0	9.0	5.5	3.0	9.0	5.0
Contract Procurement & Administration	4.0	10.0	5.8	4.0	10.0	5.0	4.0	10.0	5.5
Construction Contracts	3.5	9.0	8.0	3.5	10.0	8.5	3.5	10.0	8.5
Online Library System	5.0	10.0	9.0	5.0	10.0	9.0	5.0	10.0	9.0
Enterprise Software App	4.0	9.5	8.0	4.0	9.5	7.0	1.0	9.5	6.0
Online Education	1.0	10.0	8.0	1.0	10.0	8.0	1.0	10.0	7.0
Internal Audit	1.0	9.0	4.0	1.0	8.0	4.0	1.0	8.0	5.0

¹ Ratings = 1 (low) to 10 (high)

Internal Interviews

Keep as Is or Modify

7

Based on the interviews, the University Presidents recommended that several State System Shared Services should be modified

Service ¹	Keep As Is	Modify
Payroll Systems & Administration	10	4
Benefit Plans Management & Administration	12	2
Collective Bargaining Agr, Negotiation & Admin	5	9
Contract Procurement & Administration	2	12
Construction Contracts	11	3
Online Library System	11	3
Enterprise Software Applications	7	7
Online Education	6	8
Internal Audit	1	13

¹ Number = the number of interview participants that stated the response

Internal Interviews

Recommended Modifications (I)

7

Based on the interviews, the University Presidents identified improvement recommendations for the current State System Shared Services

Service	Improvement Recommendation
Payroll Systems & Administration	<ul style="list-style-type: none">▪ Reduce complexity▪ Provide additional services▪ Evaluate outsourcing▪ Evaluate use of service level agreement
Benefit Plans Mgmt & Adm	<ul style="list-style-type: none">▪ Improve communication, coordination and collaboration▪ Reduce staff
Collective Bargaining Agr, Negotiation & Admin	<ul style="list-style-type: none">▪ Improve response time and technical knowledge▪ Improve decision making, communication and collaboration▪ Evaluate cost allocation methodology▪ Evaluate use of service level agreement
Contract Procurement & Administration	<ul style="list-style-type: none">▪ Improve planning, coordination and collaboration▪ Consolidate the 14 purchasing departments▪ Develop Eastern/Western groups or regional groups▪ Evaluate adding food service as a Shared Service offering▪ Consult with the Department of General Services (“DGS”)

Internal Interviews

Recommended Modifications (II)

7

Based on the interviews, the University Presidents identified improvement recommendations for the current State System Shared Services

Service	Improvement Recommendation
Construction Contracts	<ul style="list-style-type: none">Improve communication, coordination and collaborationDevelop Eastern/Western groups or regional groupsUtilize Office of the Chancellor expertise for specific issues
Online Library System	<ul style="list-style-type: none">Improve communication and collaborationEvaluate cost allocation methodologyEvaluate current funding
Enterprise Software Applications	<ul style="list-style-type: none">Improve planning, coordination and collaborationProvide additional trainingEvaluate SAP and system costs
Online Education	<ul style="list-style-type: none">Evaluate use of service level agreementEvaluate Desire2LearnAnalyze cost allocation methodology
Internal Audit	<ul style="list-style-type: none">Evaluate university needsImprove communication, coordination and collaborationEvaluate the hotlineOutsource the service

Internal Interviews

7

Recommended Modifications – Payroll Systems & Administration

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Payroll Systems & Administration Service

- **Process Related**
 - Reduce the complexity of processes and procedures
 - Simplify manual tasks and transition to automated tasks
- **Additional Shared Services**
 - Leverage the Office of the Chancellor to provide additional payroll services
- **Outsourcing**
 - Evaluate outsourcing option
- **Service Level Agreement**
 - Evaluate the use of a service level agreement

Internal Interviews

7

Recommended Modifications – Benefit Plans Management & Administration

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Benefit Plans Management & Administration Service

- **Communication, Coordination & Collaboration**
 - Improve communication process
 - Increase coordination and collaboration

- **Capabilities Related**
 - Increase efficiency and effectiveness of current team members (e.g., limit number of additional personnel)

Internal Interviews

7

Recommended Modifications – Collective Bargaining Agreement, Negotiation & Administration

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Collective Bargaining Service

- **Communication, Coordination & Collaboration**
 - Provide a structured process that includes timelines, leadership & continuity
 - Enable the universities to have a stronger voice in decision making processes
 - Develop an improved communication process to ensure consistency
 - Encourage collaboration across universities in effort to develop a collective response
- **Process Related**
 - Analyze key drivers regarding current response time
- **Capabilities Related**
 - Evaluate staff for technical knowledge
- **Cost Allocation Methodology**
 - Modify cost allocation methodology (e.g., when a particular university does not use the service)
- **Service Level Agreement**
 - Evaluate the use of a service level agreement

Internal Interviews

7

Recommended Modifications – Contract Procurement & Administration

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Contract Procurement Service

- **Communication, Coordination & Collaboration**
 - Improve up-front planning to include a broad span of contracts
 - Ensure collaboration across universities on purchase orders to achieve additional discounts
 - Develop coordination effort across all universities to create bulk purchase orders
- **Additional Shared Services**
 - Consolidate the 14 separate purchasing departments
 - Evaluate adding food service as a Shared Service offering
- **Regional Groups**
 - Develop Eastern/Western groups or regional groups to increase buying power
- **Department of General Services**
 - Consult with the Department of General Services (“DGS”) to see if they are willing to provide flexibility to the universities

Internal Interviews

Recommended Modifications – Construction Contracts

7

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Construction Contracts Service

- **Communication, Coordination & Collaboration**
 - Provide clarity regarding construction processes occurring at each university
 - Encourage universities to collaborate on cost savings initiatives
 - Enable the universities to have more input to the decisions made centrally
 - Create a mechanism for system wide knowledge sharing
 - Utilize expertise of the Office of the Chancellor for specific issues
- **Regional Groups**
 - Develop Eastern/Western groups or regional groups to increase buying power
- **Department of General Services**
 - Consult with DGS to see if they are willing to provide flexibility to the universities

Internal Interviews

Recommended Modifications – Online Library System

7

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Online Library System Service

- **Communication, Coordination & Collaboration**
 - Develop a communication mechanism regarding decision making processes
- **Cost Allocation Methodology**
 - Evaluate cost allocation methodology (e.g., number of employees/students vs. flat fee)
- **Expanded Services**
 - Expand service so the campuses are not buying additional supplemental material
 - Evaluate opportunities to add features and applications
- **Regional Groups**
 - Develop Eastern/Western groups or regional groups to promote sharing and collaboration
- **Funding**
 - Increase funding to offset constant price escalation in order to retain system

Internal Interviews

7

Recommended Modifications – Enterprise Software Applications

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Enterprise Software Application Service

- **Communication, Coordination & Collaboration**
 - Create a mechanism for system wide knowledge sharing
 - Involve the universities in the planning and implementation phases
- **Capabilities Related**
 - Re-train individuals on SAP
- **Cost Allocation Methodology**
 - Clarify the cost allocation methodology
- **Application Specific**
 - Reduce the potential of system failure
 - Improve robustness of software applications
 - Evaluate the cost of SAP versus alternative options
 - Re-evaluate maintenance schedule

Internal Interviews

Recommended Modifications – Online Education

7

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Online Education Service

- **Service Level Agreement**
 - Evaluate the use of a service level agreement

- **Desire to Learn (“D2L”)**
 - Reduce the complexity of D2L to avoid running duplicate systems
 - Implement processes and procedures to avoid having D2L down on commencement day
 - Evaluate cost efficiencies of D2L vs. open source platforms
 - Evaluate the timing of D2L upgrades (e.g., not close in timing to exams)
 - Add a “mobile friendly” application to the system

- **Cost Allocation Methodology**
 - Evaluate the cost allocation methodology (e.g., number of employees/students vs. flat fee)

Internal Interviews

Recommended Modifications – Internal Audit

7

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Internal Audit Service

- **Communication, Coordination & Collaboration**
 - Understand the unique needs of each university (e.g., analyze internal audits currently being completed versus required/nice to have)
 - Create a mechanism for system wide knowledge sharing
 - Develop an approach to streamline and communicate the audit process with the universities
 - Design a system for the universities to request audits for new and/or challenging processes
 - Provide customized support that meets each university's specific needs
- **Hotline**
 - Review and modify the Fraud, Waste & Abuse Hotline
- **Outsourcing**
 - Evaluate outsourcing option

Internal Interviews

Recommended Modifications – Legal¹

7

Based on the interviews, the University Presidents identified the following improvement recommendations to the current State System Legal Service

- **Communication, Coordination & Collaboration**
 - Improve coordination between the attorneys and the universities
 - Clearly define the role of the attorney that is provided to the university
- **Additional Shared Services**
 - Ensure the attorney is on-site the university more than once a month (preferably 2-3 times per week)
 - Provide additional staff in the General Counsel's office
- **Service Level Agreement**
 - Evaluate the use of a service level agreement

¹ This service was not in the project scope. However, several interview participants commented on the service.



CALU



CLARION
UNIVERSITY



Millersville
University



SlipperyRock
University



Appendix 3

Pennsylvania's State System of Higher Education Consortium Procurement and Consortium Services Task Group Members

Co-chairs

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