Chapter III

Procuring Information Technology for Government

Introduction

Over the past 15 years, the nature of procurement of information technology has undergone radical change in government. These changes are due to the development of new technologies such as the Internet, changes in laws and rules concerning procurement, and a changed philosophy concerning government purchase of IT. Overall, the changes have moved purchasing from a slow, legalistic process emphasizing lowest cost to a more flexible process emphasizing best value (Rocheleau, 2000). At the Federal level, this change was marked by the replacement of the Brooks Act by the Federal Acquisitions Reform Act of 1996 that pushed streamlining of the procurement process. Similar changes have been widely implemented in state agencies too (National Association of State Purchasing Officers, 1996) including the following recommendations: (1) Simplify procurement to make it more effective and lower costs of purchasing; (2) Use electronic commerce to speed the process and improve prices and competition; (3) Emphasize best value rather than lowest cost; (4) Use a problem-oriented bid process to get the vendor community to help use its creativity and discretion to solve problems; and (5) Study and revise the processes linked to applications in order to make the process less costly and more effective. In this chapter, I will break our discussion of purchasing into four key issues that need to be performed well for it to be effective: (1) Needs assessment; (2) Sourcing issues; (3) The contracting process; and (4) Managing the project.
The Needs Assessment Process in Purchasing

Setting Goals and Priorities

During the early years in government, IT was used for a limited number of functions such as payroll and billing. Thus purchasing choices were limited and there were few problems of prioritization. Today, IT is omnipresent and potentially useful new hardware and software are constantly emerging and there are many possibilities that compete for funding. A government must be selective in how it invests its scarce resources and choose among IT projects. Research by an economist (Ariely, 2003) reveals that technology heads often make poor investments because they are overly concerned with sunk costs of previous investments and also because they tend to think in “silos,” comparing investments within one category like databases when they should compare any purchase with all possible IT investments. Thus a truly broad needs assessment as outlined in the planning chapter should be a prerequisite to purchasing. The organization must prioritize requests to meet organizational goals. Critical applications such as those which generate payrolls or revenue will receive high priority as will those that influence the most departments and users in the organization such as infrastructural investments. Since the purchasing process is continuous and cyclical, the needs of all departments and users eventually should be served. If an organization lacks a well thought-out prioritization process, the purchase of software can and often is dominated by individualistic and political choices. In the chapter on planning, I discuss some criteria and methods that organizations have employed to prioritize investments. Next, I provide some additional approaches and examples.

Due to the current budget problems, organizations have had to make tough decisions about cutting IT spending. Overall, there appears to be a movement to rating as top priority those projects that provide the best promise of cost-cutting or revenue increases (Newcombe, 2003). Analysis of these decisions reveals that a variety of factors influence the priority-setting process. The State of Texas CIO focused cutbacks on administrative expenses as well as leaving positions vacant while retaining higher priority items such as their Texas Online e-government system that is supported by “convenience fees” (CIO Magazine, Texas, 2003). Kentucky cut planned server upgrades, enterprise reporting system, and a new human resources (HR) system among other items while giving high priority to new microwave towers for public safety (CIO Magazine, Deep Cuts in Bluegrass Country, 2003). California’s CIO, J. Clark Kelso, initially concentrated cuts in the costs of consultants working on the state’s portal system while retaining projects that save money such as collaborative IT efforts among state agencies (CIO Magazine, California, 2003). Michigan’s CIO found that cutting was not “a smooth process” that could use abstract principles but involved working backwards to see how much had to be cut, estimating the costs of projects, and then prioritizing them (CIO, Michigan, 2003).

In many of these cases, the process appears to be ad hoc and informal but some states such as Iowa have developed a formal prioritization scheme to rank projects (Varon, 2003). Iowa has a “Pooled Technology Account” in which projects are assigned points...
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