


Survey: State contracts performed outside the USA (FY 05)

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Definitions

- Outsourcing - *an arrangement in which one company provides services for another company that could also be or usually have been provided in-house*
- Offshore – *in any country other than the USA*
- Business process outsourcing – *typically used to describe the offshore outsourcing of IT-related work*

Previous survey

- July 2004
- 41 agencies responded to survey
- Covered FY 02 through FY 04
- Included all identified contracts performed outside the USA, including contracts inherently requiring performance outside of the country
- Estimated 1% to 2% of value of all state contracts were performed out of country

Data limitations

- No required reporting of outsourced contracts by state agencies
- No required reporting of outsourcing by prime or sub-contractors
- Multinational nature of larger contractors
 - Ex: A vendor may be headquartered in a foreign country, with a local presence, but may be using foreign workers domestically

Scope of current survey

- 29 agencies (did not survey agencies under a separately elected official)
- Only included contracts over \$3,000 in value
- Only included **personal and purchased service contracts** – did not cover goods or construction
- Did not include contracts that **inherently required performance** outside of country
- Excluded **software support** contract components
- Attempted to include contracts performed by non-US residents inside the USA

Personal Service Contracts

- Personal service contracts are *professional or technical services provided by a consultant to accomplish a specific study, task, or other work statement, performed independently from the day to day control of the agency*
- Examples (non-IT): *Accounting services, economic analyses, event planning, grant writing*
- Examples (IT): *Project management, system analyses, disaster recovery planning, technical writing*

Personal Service Contracts

Project Evaluation Criteria

- Competitive procurement of personal services involves evaluation of proposals based on multiple factors, rather than relying on price as the determinant factor
- Evaluation criteria typically includes: the vendor's understanding of the project; approach and methodology; quality of work plan; feasibility; internal controls; references; and relevant criteria

Purchased Service Contracts

- Purchased service contracts are *services typically more routine, repetitive, or mechanical in nature, following established or standardized procedures*
- Examples (non-IT): *Building alarm services, courier services, engraving, language translation, painting, paper shredding services, property management*
- Examples (IT): *Routine programming, technical support, data entry, hardware and software installation*

Purchased Service Contracts

Lowest Responsible Bidder

- Competitive bids for purchased services must go to the lowest responsible bidder
- In addition to price, agencies can consider:
 - The ability, capacity, and skill of the bidder to perform the contract or provide the service required;
 - The character, integrity, reputation, judgment, experience, and efficiency of the bidder;
 - Whether the bidder can perform the contract within the time specified;
 - The quality of performance of previous contracts or services.

Examples of contracts “inherently requiring” work outside the US

- Contracts with study abroad professors
- Contracts to promote Washington products abroad
- Legal expertise / assistance for cases filed outside the USA
- Portfolio management for international investments

Measuring software support (ESD case study)

- In FY 05, ESD contracted with IBM, Nortel, Sun, ImageSource, Oracle, Verizon, and Microsoft for various types of software and hardware support
- At GAO request, ESD asked vendors whether a portion of the contract was performed offshore
- All stated that a portion of the contract did have an offshore component, but could not estimate amount
- Total estimated annual amount of contracts: \$8 million

Agencies surveyed (FY 05)

DSHS	Liquor Control	OFM
Corrections	Parks	DOP
DOT	Agriculture	DFI
L&I	Veterans	OAH
WSP	GA	Gambling
ESD	DIS	UTC
Ecology	CTED	Lottery
DOH	HCA	Printer
Licensing	Military	SIB
Revenue	DRS	

Agencies reporting no known offshore outsourced service contracts

	Liquor Control	OFM
		DOP
DOT	Agriculture	DFI
	Veterans	OAH
	GA	Gambling
ESD		UTC
	CTED	Lottery
DOH	HCA	
Licensing	Military	SIB
Revenue	DRS	

Agencies reporting at least one offshore outsourced service contract

DSHS

Corrections

Parks

L&I

WSP

DIS

Ecology

Printer



DSHS: EBT

- Electronic benefit transfer system for food stamp and cash assistance recipients
- Contract with JP Morgan Chase through Western States EBT Alliance (JP Morgan Chase provides EBT services to 38 states)
- Customer service call center handled with an automated system or through live operators located in India and Mexico. Less than one percent of calls go to live operators
- FY05 contract amount= \$5.7 million (state share)
- If all calls were sent to Jacksonville, FL call center, vendor estimates increased administrative costs at \$1 to \$1.5 million per year

DSHS: Adoption Services

- Choices: Futures and Families Society of British Columbia
- Provides adoption services: Recruit, screen, train, and license families; place children in permanent adoptive homes and provide casework services to child and family
- No established contract threshold
- \$14,000 per placement

DSHS: Portable Braille Communication Device

- Contract won by HumanWare (based in New Zealand)
- Contract amount: \$500,000
- Only three bidders replied to the RFP – all were based outside the US (New Zealand, Dutch, and Korean bidders)
- Office of Deaf and Hard of Hearing has been attempting to bid out for device for 10 years, but no interest from US-based firms

DSHS: McNeil Island Security System

- Status Communications (based in Canada)
- Built the security system on McNeil Island
- No current contract in place, but agency expects to sign a maintenance contract with Status in the near future



CORRECTIONS: OMNI

- Web-based tool to manage facilities, treatment, sentencing, movement, discipline, and other data on offenders in WA
- DOC awarded IBM the OMNI contract
- Total not-to-exceed value of contract: \$19,424,363 (since FY 2000)
- In Contract Amendment #5, IBM announced intention to subcontract work to an offshore development firm
- FY 05 expenditures: \$6,595,000

CORRECTIONS: Offender Trust Accounting

- Syscon Justice Systems (based in BC) won a bid seven years ago for a computer system for trust accounting, commissary, and photo identification
- DOC currently contracts with Syscon for system maintenance and upgrades
- Contract amount: \$150,000

CORRECTIONS: Risk of Re-offending Tool

- DOC contracts with Multi-Health System (based in Canada) for a software tool to identify the risk of re-offense
- Tool is used in a majority of other states as well as by the federal government
- Contract amount: \$16,200



L&I: ORCA

- Electronic processing of workers compensation claims
- Awarded \$3.7 million to FileNet (based in California) to develop an integrated document management system
- FileNet subcontracted a portion of the contract (\$100,000) in FY 05 for programming services performed in India and Russia



WSP: 3 Contracts

- FDM Software (Canada) provides the WSP with support for its Fire Protection Bureau records management application
- Tero Consulting (Canada) provides database application hosting for agency's inventory management
- International Road Dynamics (Canada) provides equipment and maintenance for the agency's weigh-in-motion system
- Total amount of contracts: \$408,747
- Total amount performed offshore: \$171,012



Ecology: Lab Analysis

- 98% of lab analyses are performed in-house
- Seek outside assistance only when the analysis is beyond capacity of the Ecology laboratory
- FY 05 overseas analyses:
 - Pacific Rim Laboratories: \$41,972
 - PSC Analytical: \$8,580
- Both based in Canada



Parks: Reservation System

- Camis (based in Canada) holds the contract for State Parks reservation system
- all work is performed in Canada
- Out of a national bidding process, 3 firms responded (2 Canadian, 1 US)
- Out of a possible 1800 points in bid criteria, Camis scored 1400
- US bidder (third place) scored 600
- FY 05 expenditures under contract: \$875,417



DIS: OSS

- Comarch Global (a Florida subsidiary of a Polish company) won the competitive bid to provide an Operations Support System (OSS) to DIS
- OSS contract is to perform management, inventory, engineering, planning, and repair functions to the TSD
- Projected FY 05 payments to Comarch: \$1,693,233



PRINTER: PRINT TRACKING

- Software maintenance contract
- Avanti (based in Canada) created the software and provides the maintenance
- system tracks daily print order information
- unique to the printing industry
- Contract amount: \$30,000 annually



Comparison to Total Spend (FY 05)

- Total of State Purchased and Personal Services= \$587,001,756
- Total Offshore Outsourced Contracts = \$13,140,414
- Percentage of Services Contracts performed overseas = 2%

Questions?



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