



January 15, 2014

The Honorable Tom Saxhaug
Chair, Senate State Departments and
Veterans Division
328 State Capitol

The Honorable Mary Murphy
Chair, House State Government Finance and
Veterans Affairs
443 State Office Building

Dear Senator Saxhaug and Representative Murphy:

M. S. § 16C.36 requires the Commissioner of Administration to make available under a master contract program a list of eligible contractors who can assist state agencies in using data analytics to accomplish specified reorganization services and issue a report to the legislature by January 15, 2014.

In December 2011, the Department of Administration formally launched its Data Analytics Master Contract Program. This program makes available the services of 22 eligible contractors in 12 separate analytics categories. Most pertinent to this report is the service category of "Continuous Organizational and Quality Improvement" which is available under the master contract program for agencies to use at their discretion. A full description of the Data Analytics Master Contract program is detailed in the attached Report to the Legislature dated January 15, 2012.

The Data Analytics Master Contract Program has been a useful tool to support a variety of continuous improvement objectives throughout the state. This includes a significant engagement by the Minnesota State Colleges and Universities related to its strategic Campus Service Cooperative initiative. In addition, eleven state agencies have undertaken activity valued at approximately \$1,220,605, according to the SWIFT Supplier Contracts system. The State of Wisconsin requested two engagements, estimated around \$220,000 -- one of these was done on contingency fee basis.

While 41 engagements have been requested under the program to date, 28 have culminated in contracts. The most common reason indicated for not reaching a contract was that a customer was unable to reach agreeable terms with a vendor. Other reasons for not entering a contract include: conflict of interest with possible follow-on work, lack of vendor response to a solicitation, the engagement was superseded by a solicitation outside the program, and the agency changed focus to other projects.

Concurrent to the passage of section 16C.36, the 2012 Minnesota Legislature enacted legislation and appropriated funds for a benchmarking study that would assess the efficiency and effectiveness of State government's finance, human resources, payroll and procurement processes. (Chapter 292, Article 4, Section 17.) In October 2012, the Department of Administration contracted with IBM to collect and analyze the data required to benchmark the State's performance in these areas against other public and private organizations. The final report, along with findings and recommendations, is

easily accessible on the Legislative Reference Library's website at:
<http://archive.leg.state.mn.us/docs/2013/other/130626.pdf>.

In addition to utilizing the various services under the Data Analytics master contract, a number of agencies have focused on benchmarking related opportunities. Assessment and implementation of the various benchmarking study recommendations is ongoing. Contractors under the Data Analytics Master Contract Program remain available to contract with agencies to assist with implementation of the benchmarking recommendations that are within the scope of the program.

Representative Engagements

The following details several representative engagements that highlight the benefits obtained through work under the Data Analytics Master Contract Program:

- 1) Department of Revenue is currently using SAS software for data mining and executive dashboards. The Tax Research Division is using SAS Institute to respond to some Legislative requests and the Business Planning and Improvement Division is creating agency wide dashboards to display key performance indicators. Some savings (estimated at 52 work hours annually) have been achieved through SAS because Tax Research has been able to run some of its data queries faster than previous versions of SAS. The plan is to have additional staff trained on SAS in 2014 so that it may be used for audit selection and debt collection.
- 2) Department of Revenue conducted a pilot project with Revenue Solutions Inc. for the purpose of sales and use tax audit selection. The results of this project were not significant enough to justify a full project. The Department took what it learned from this pilot and others to select KXEN (through an existing contract with FAST Enterprises) for the majority of our analytics projects. KXEN uses predictive data models to analyze the relationships between variables and find out how it affects known results. The product is currently being used by many divisions for audit selection, prioritize collection activities and improve inefficiencies. As of December 2013, the Department has realized an additional \$900,000 as a direct result of this program.
- 3) Wisconsin Department of Human Services contracted with Health Management Systems, Inc. (HMS) for Recovery Audit Contractor (RAC) services from 1/22/2013 through 12/31/2013. HMS is paid a contingency fee rate of 11.5% for the recovery of overpayments and identification of underpayments. The contractor has performed as expected to date. There was an amendment to the contract extending it through 10/31/2014. The contract has met all of our requirements for establishing a RAC program for Wisconsin DHS.
- 4) Department of Employment and Economic Development (DEED) contracted with Deloitte for consultation on the North Minneapolis Workforce Center project. Deloitte's consultants performed their work in close collaboration with the principles in the agency and met the objectives as outlined in the scope of the study. The completed Deloitte study identified several best practices and the relative benefits of implementation for each. While the original Data Analytics study was specific to building a new Workforce Center in North Minneapolis, the

recommendations have been implemented in the design/redesign of several other projects. As we move forward with Workforce Center strategic planning in the future, these recommendations will enable DEED to reduce operational expenses and increase staff efficiencies. For the sites for which we have applied the DA findings, the net result has been reductions in overall leased sq. ft. and related costs; as well as improvements in work flow and staff time spent with clients. More broadly, it helped expand DEED's thinking related to design, operational processes/work flows and cost/efficiencies.

- 5) DEED Small Business Development Strategies Study. The Data Analytics Program allowed DEED the speed and flexibility to partner with Minnesota Department of Transportation and the Metropolitan Council to identify opportunities to improve processes that affect a shared client base –small businesses interested in growing their business and participating in state contracting and procurement opportunities. The contracting process allowed us to identify a highly qualified contractor and launch and complete the project within a six-month window, from inception to completion. The three-month study involved conducting structured interviews with over 40 small business owners, dozens of state program staff and 20+ non-profit service providers that work closely with State agencies to deliver services. The project resulted in over 20 high impact recommendations that will be implemented in whole or part over the next 18 months. Some examples of the ongoing efforts resulting from the report include exploring ways to improve the minority contractor certification program, the launching of an on-line small business portal, a Small Business 101 blog, and the launching of a new small business loan fund targeting start-up.

Conclusion

The development of the Data Analytics Master Contract Program is attributable to a significant cooperative effort enthusiastically approached by multiple state agencies. In total, more than 100 state employees participated in some manner to assist with planning activities, RFP development, evaluation processes, contract negotiations or program administration implementation. The Program has been in place for over two years and has helped multiple agencies and CPV members achieve cost savings, improved efficiencies, and quality improvements. Given the considerable energy and dedication demonstrated to utilize these important tools, there is much optimism and anticipation that this Program will be an important factor in realizing continuous improvement objectives statewide.

Sincerely,



Commissioner Spencer Cronk
Minnesota Department of Administration