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Nonprofit organizations are a vital partner to government in the delivery of human services. Through government contracts, nonprofits deliver a broad range of essential services to local residents: child care, senior centers, homeless shelters, meals on wheels, prevention and treatment of substance abuse, work-readiness programs, and many more. New York City awards roughly \$5 billion annually in contracts to local nonprofits, although the exact amount varies from year to year. So when the Great Recession hit in late 2007, the city had a strong incentive to ensure nonprofit providers weathered the recession and taxpayer money was used efficiently.¹

This brief examines three city initiatives (the Standard Human Services Contract; HHS Accelerator; and the Office of Support, Accountability and Value-Enhancement, or SAVE) to improve procurement, save money, and help city agencies and local nonprofits function more efficiently. Undertaken with guidance from the Strengthening Nonprofits Task Force, all three initiatives feature innovative uses of electronic storage and information sharing. The information in this brief is based on a review of official documents and interviews with key stakeholders who helped create and guide the initiatives.

Context

At all levels of government, the slow and cumbersome mechanics of the procurement process is a recurrent problem (Pettijohn et al. 2013). Typically, each government agency has its own forms, nonprofits must file reams of paperwork (much of it duplicating what has already been submitted to other government agencies), and the entire process is lengthy and time-consuming for both the government agencies and nonprofit organizations. Fixing such inefficiencies became a top priority for Mayor Michael Bloomberg's administration.

In 2009, Mayor Bloomberg formed the Strengthening Nonprofits Task Force to shape and guide initiatives in four critical areas: (1) reducing fixed costs for nonprofit organizations, (2) expanding loan programs, (3) improving city contracting and procurement procedures, and (4) building new partnerships to help foster stronger nonprofit management.

Led by the deputy mayor for health and human services, the CEO of the United Way of New York City, and the deputy executive director of the Human Services Council of New York, the Task Force brings city and nonprofit leaders together to explore new ways of improving procurement practices and strengthening nonprofit organizations that contract with the city.

Policy Response: Standard Human Services Contract

Understanding that human services providers often work with several agencies and have multiple contracts, the city sought to develop a standard contract for use by all government human services agencies. Nonprofit providers particularly liked the idea because it could simplify their business dealings with government. Negotiating the specifics of the contract, however, meant that both government agencies and nonprofits had to change established patterns of doing business. One interviewee noted: "We received input from nonprofits, deputy mayors, contract officers, general counsels, etc., so there was a lot

of back and forth, which takes time. There was progress made in each round.” Nonprofits appreciated that their viewpoints were included in the discussion. One nonprofit respondent noted, “We didn’t always win, but they [city officials] did listen to us.”

Structure

The standard contract has two major sections: procedural information and the scope of work. The first section provides basic definitions, the terms of agreement; fiscal procedures; information related to recordkeeping, deliverables, audits, and reports; and personnel practices and records. This section applies to all contracts between the city and human service providers.

The second section outlines the scope of work to be performed under the contract. This section enables the provider to describe its methods, the target populations it plans to reach, and the expected outcomes. Such information gives a fuller understanding of the work that will be performed under the contract and documents the expectations of both parties.

Results

Developing the standard contract took nearly two years to complete and accomplished the primary goal of streamlining the contracting process. For example, it eliminates the need for providers to negotiate unique terms and conditions with each government agency for each awarded contract. This saves substantial time for both the nonprofit and the government contract offices. The standard contract also makes the provider aware of the standard rules and regulations associated with doing business with the city and allows the provider to focus its energy on the scope of work and anticipated outcomes of the goods and services to be delivered.

Policy Response: HHS Accelerator

In many ways, HHS Accelerator is at the heart of simplifying the procurement process by helping nonprofits reduce paperwork and save time. The provider community and city officials worked together to radically overhaul and reengineer New York City’s procurement practices. The HHS Accelerator system is an online portal that allows government contractors to electronically share and store frequently requested documents, apply for prequalification, and receive information about solicitations. City agencies are using the HHS Accelerator system to manage the entire proposal process, which includes releasing requests for proposals (RFPs), receiving submissions, evaluating proposals, and selecting awardees. Once the awardee has been selected, the financial aspects of the contract can be managed in the Accelerator.

HHS Accelerator was strategically developed in three stages to enable the city and software developers to adequately address the complex issues associated with implementing a project of this magnitude. For example, when the city began issuing RFPs through Accelerator, only prequalified organizations were eligible to compete. The city therefore needed to issue the Accelerator’s prequalification function before launching the RFP management phase. This gave nonprofits time to complete prequalification, and it ensured a sufficient pool of qualified organizations would compete for the RFPs. The last stage to be operationalized was the financial management function.

Structure

The first part of HHS Accelerator was launched in March 2013. It has both a document vault and a prequalification process. The document vault allows organizations to electronically submit and store frequently requested documents so city agencies can access these materials without the organization having to submit repeatedly the same documents. It also eliminates the need to produce the documents in paper format, saving the provider and city time and money. The provider controls which agencies have access to the documents stored in its profile, and thus maintains control over the flow of the documents.

Under the new procurement process, all providers interested in pursuing a client services contract with the city must go through HHS Accelerator and its prequalification process. Prequalification streamlines procurement by allowing the city to screen potential providers based on their experience, organizational capacity, and readiness to complete work in a specific program area. Nonprofits select the service area(s) they want to be eligible to compete in from a service taxonomy² developed with the assistance of the nonprofit community. Nonprofits must submit documentation to establish their expertise, such as prior contracts in the area, staff résumés indicating past work in the area, or a narrative explaining how the organization is capable of successfully performing work in the area. Organizations that do not meet the threshold for prequalification can be deferred. A deferred organization receives feedback on what it needs to do to become qualified and is provided technical assistance to achieve that goal. Prequalification does not guarantee that an organization will be awarded a contract, but without completing prequalification the organization is not eligible to compete for human services RFPs with the city.

The second part of the Accelerator, a solicitation management function, launched in October 2013. As of the end of December, the city had issued seven RFPs through the HHS Accelerator, and two RFPs had proposals submitted from providers. All future RFPs for human services contracts will be issued through the Accelerator. When an RFP is released, all organizations in the system that are prequalified for the RFP's specific program area(s) are alerted. Organizations that want to compete for the contract will submit their proposal using the HHS Accelerator. Since the organization has been prequalified and regulatory and institutional documents have been uploaded to the HHS Accelerator's document vault, proposals will now be streamlined and focus primarily on the scope of work being procured through the RFP. The goal of the solicitation management function is to make the RFP process entirely electronic, thus bringing efficiency and time savings to the process for providers and city agencies as well as saving paper.

The third component of the HHS Accelerator is a financial management function. It requires the provider to develop and submit a contract budget into the system, track financial progress, and submit invoices for reimbursement. City agencies will also use this functionality to review and approve budgets and invoices as well as make payments to providers for services. Although this functionality was built at the same time as the solicitation management function, it will not be used immediately to give providers and government agencies time to adapt to this new procedure. Providers will transition to this function beginning in the new fiscal year. One interviewee noted that while nonprofits are excited about the prospect of using one system to manage financial reporting for 11 agencies, there is concern that some organizations may resist using the financial management function, especially those that have spent years customizing their financial systems to meet the needs of individual agencies.

Results

Because the HHS Accelerator was released in stages, each component has had a different and relatively short period to function. Measures of accomplishments should be considered works in progress. However, the track record for very early outcomes is promising. For example, by the end of October 2013 (e.g., about seven months after the Accelerator's launch), more than 1,000 nonprofits had created accounts to begin the prequalification process. Roughly 500 organizations had been prequalified. It is too early to assess response to and outcomes of the solicitation function, but the quality of the bidders and ease of administering the process will be key outcomes.

Perhaps most noteworthy is that New York City's new procurement process (i.e., both the standard contract and the HHS Accelerator) serves as a model for reforms being undertaken by New York State. Nonprofits that want to enter into a contract with the state government will be able to store documents in an electronic vault, will need to complete a prequalification process, and will be issued a standard contract. These changes to the state's procurement process are at various stages of development.

Policy Response: Office of Support, Accountability and Value-Enhancement (SAVE)

As part of the city's goal to reduce costs and increase efficiencies, the city created the Office of Support, Accountability, and Value Enhancement (SAVE) in 2011 to consolidate internal administrative operations shared by seven health and human services agencies.³ Each agency agreed to allocate personnel lines to staff SAVE.

Structure

SAVE focused on six areas to help save city dollars and allow agencies and nonprofits to focus on core services by centralizing some functions in a central office. Table 1 outlines these six areas: group purchasing for city agencies, group purchasing for nonprofits, central auditing, claiming, Human Resource Best Practices Group, and printing.

Table 1. Areas Identified by SAVE for Cost Savings

Area	Description
Group purchasing for city agencies	Group purchasing leverages the purchasing power of the city to obtain discounted prices from vendors and produces savings from better pricing on goods and services.
Group purchasing for nonprofits	Group purchasing for nonprofits leverages the purchasing power through a group purchasing organization (Essensa) available to all nonprofits in the city. It produces savings from better pricing on goods and services; plus, nonprofits are able to retain savings from participating in group purchasing.
Central auditing	Centralized audits maximize information sharing among city agencies by making external CPA audits of common nonprofit providers available to multiple city agencies through the HHS Accelerator's document vault. The central audit working group was also charged with developing risk assessment methodology.
Claiming	Claiming maximizes revenue drawdowns from state and federal funding sources and allows agencies to receive money as quickly and fully as possible while increasing compliance.
Human Resource Best Practices Group	This group was tasked with coordinating human resource functions and facilitated information sharing on human resource best practices to reduce inefficiencies.
Printing	The city identified printing as an area for potential savings by consolidating printing functions in two health and human service agencies.

Sources: Interviews with key stakeholders; and "Deputy Mayor Gibbs Announces New Shared Services Center Which Will Combine Operations to Cut Costs and Improve Services Throughout New York City's Health and Human Services Agencies," press release, Office of the Mayor, June 20, 2011, http://www.nyc.gov/portal/site/nycgov/menuitem.c0935b9a57bb4ef3daf2f1c701c789a0/index.jsp?pageID=mayor_press_release&catID=1194&doc_name=http%3A%2F%2Fwww.nyc.gov%2Fhtml%2Fom%2Fhtml%2F2011a%2Fdm_06-20-2011.html&cc=unused1978&rc=1194&ndi=1.

Results

In less than two years, the city has undertaken an array of activities to obtain cost savings and greater efficiencies. Some of these efforts are farther along than others, but all will require additional time to demonstrate their full effectiveness. For example,

- In 2011 after a competitive process, Essensa was selected as the city's nonprofit group purchasing organization. Nonprofits can purchase items for administrative, financial, and management services; food, food service products, and supplies; office supplies and furniture; and other items needed to run an organization. There is no cost to nonprofits to participate in the Essensa program, and there is no minimum purchase required. Nonprofits reap the savings earned from purchasing through Essensa. One nonprofit organization reported saving \$36,000 by purchasing office supplies through the plan; another reported a \$10,000 savings on the purchase of new copiers.⁴
- Progress was also made regarding the central audit. A working group representing the seven Health and Human Services agencies and the Department of Youth and Community Development developed a risk-based audit method with nine risk factors and common terms for the risk-based audit. As with other initiatives, reaching consensus on these factors was an intensive and negotiated process that took time to realize. The centralized audit allows city agencies participating in SAVE to review external CPA audits and encourages interagency sharing, which reduces duplicative audits of organizations. The centralized risk-based audit was scheduled for implementation in December 2013 and may start to show results in 2014.
- Due to damage caused by Hurricane Sandy, the cost-effective printing initiative was delayed. The printing facilities initially intended for use were severely damaged by the storm. Other sites need to be identified or the original sites repaired and put back into operation.

As one interviewee noted, SAVE's success has been measured largely through the collaborative nature of the project. Specific data related to cost savings have not yet been reported. However, SAVE has helped bridge departmental barriers, fostered collaboration, and begun to produce early signs of administrative efficiencies.

Looking Ahead

New York City has undertaken several innovative initiatives to streamline procurement and save taxpayer dollars through administrative efficiencies. Important groundwork has been laid and early signs point to a successful start. But it is too early to fully assess the success of these new procedures. The solicitation management function for the Accelerator went live in the last quarter of 2013, and the financial management function will not be used until 2014. Reforms of this breadth and depth will take several years before systems run smoothly and technical glitches can be addressed and resolved. However, these models are bringing both city government and local nonprofits into the electronic age and are restoring a new sense of partnership and joint problem solving between government and the nonprofit sector. New York City is being viewed by other jurisdictions as an innovator in this field. So far, the signs point to a strong beginning and a promising future.

Through interviews with stakeholders, several themes emerged that can serve as models for other jurisdictions seeking to undertake similar reforms.

1. Having the right individuals at the table is important. New York City included a good mix of city officials and nonprofit leaders in the conversations but it also had high-level and influential leaders at the table to make change happen.
2. Open dialogue between government and nonprofit leaders allows for realistic expectations and creates solutions that benefit both groups. The standard contract and HHS Accelerator are simply two examples of how the dialogue between government and nonprofit representatives led to products that serve the interests of both parties.
3. Time frames must be flexible so unexpected events or complications do not compromise or derail reforms. Hurricane Sandy, for example, threw an unexpected wrench into the process, with human

service providers and government diverting resources from these initiatives to provide services to people in need.

4. Outreach and marketing campaigns are essential to fully implement such reforms. For example, despite frequent requests from nonprofit organizations for group purchasing plans, the volume of purchasing through the plan is relatively low. Some nonprofits are likely unaware of this new opportunity or do not fully understand the group purchasing plan despite the city's extensive outreach. Using various stakeholders to educate nonprofits on how group purchasing works might help increase the volume of purchases made through the plan.
5. Finally, the technical nature of these initiatives required expertise outside the agencies tasked with developing solutions to these problems. Having a contractor who is well versed in the technical demands associated with a complex IT system such as the Accelerator is essential for ensuring success.

Acknowledgment

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Reference

Pettijohn, Sarah L., Elizabeth T. Boris, Carol J. DeVita, and Saunji D. Fyffe. 2013. *2013. Nonprofit-Government Contracts and Grants: Findings from the 2013 Survey*. Washington, DC: The Urban Institute.
<http://www.urban.org/publications/412962.html>.

Notes

¹ Even before the recession, the Bloomberg administration was working to improve and strengthen government-nonprofit relations. The two sectors negotiated and added cost-of-living adjustments to city contracts, an issue that nonprofits had long championed. As one interviewee noted, "We finally had people [in government] who were willing to listen, and there was goodwill on both sides. This wasn't just about procurement but also about strengthening the sector and being good partners." The feeling that the current administration was willing to work with the nonprofit sector laid the foundation for success in other initiatives undertaken during the Great Recession.

² The Client and Community Services Catalog provides a taxonomy for the 14 broad client and community-based services delivered in New York City. In total, the catalog provides 60 terms to describe programs, services, and client populations. The taxonomy took about two years to develop. Perhaps the greatest challenge was building consensus among the various stakeholders. As one interviewee described it: "There were so many people that owned the mission of what the [taxonomy] was trying to accomplish, we had to expand the number of people involved in the process. There was one person per program, so the number of people that we had to bring together went up exponentially. While there was no real resistance to this work, there was a lot of back and forth between the many people involved in the project."

³ The Department of Youth and Community Development participated in the central audit function of SAVE.

⁴ See "Reducing Costs of Goods & Services," NYC Nonprofit Assistance, accessed January 15, 2014, <http://www.nyc.gov/html/nonprofit/html/costs/costs.shtml>.