EXECUTIVE SUMMARY

Procurement—contracting with external vendors to deliver goods and services—is critical to the City fulfilling its obligations to New Yorkers. The process for designing and awarding a contract is governed by a complex web of statutes, regulations, and practices intended to ensure a fair process; however, outdated laws, antiquated systems, and layers of bureaucracy create an inefficient and lengthy process that fails to deliver the best value.

New Yorkers should know nine things about how New York City buys stuff:

1: NYC BOUGHT ALMOST $20 BILLION IN GOODS AND SERVICES IN FISCAL YEAR 2018.

Most of the City’s contracts, slightly over 90 percent, were for services, while goods comprised just 10 percent. Contracts for services were divided between construction (19 percent), human services (36 percent), professional services (24 percent), architecture/engineering services (3 percent), and standardized services (9 percent). There were 120 contracts greater than $25 million that accounted for $10 billion, or approximately half of all goods and services; however, most contracts (86 percent) were $100,000 or less.
2: A COMPLEX WEB OF ACTORS REGULATES AND PROCURES GOODS AND SERVICES.

A myriad of laws, rules, and procedures define the process to promote fairness, transparency, and value. Procurement is governed by State General Municipal Law, with the Procurement Policy Board promulgating specific rules for the City. Up to five agencies or offices can be required to review a contract before it is sent to the NYC Comptroller for registration.

3: MOST CITY CONTRACTS ARE NOT BID COMPETITIVELY.

A fair process with robust competition is expected to yield the best price, but only 42 percent of contracts were initial competitive bids. Twenty-six percent continued existing contracts and the remaining 32 percent were partially or entirely non-competitive.

4: THE PROCESS TAKES TOO LONG WITH TOO MANY ACTORS.

The six phases of the City's procurement process are: 1) specification of the need, 2) solicitation and competition, 3) contract award, 4) review and registration, 5) delivery of goods or services, and 6) post-award contract management. The median cycle time (from solicitation to registration) was 179 days in fiscal year 2018. One result of a long process is that many contracts are registered after their start date; it is not unusual for vendors to begin work prior to registration.

5: DCAS IS THE CITY’S CENTRALIZED PURCHASING AGENCY, BUT ITS ROLE IS MOSTLY LIMITED TO PURCHASE OF GOODS AND STANDARDIZED SERVICES.

The Department of Citywide Administrative Services (DCAS) manages well over 60 percent of City goods purchases and an increasing share of standardized service contracts (such as janitorial or security services), were 23 percent in fiscal year 2018. It has a limited role in procurement of other services.

6: STATE RESTRICTIONS FOR CONSTRUCTION ARE ONEROUS AND PROJECTS ARE OFTEN DELAYED AND OVERBUDGET.

Restrictive state laws and poor management practices limit the pool of qualified firms that bid on city construction projects, fail to properly allocate risk, and result in cost overruns and delays. Three state mandates are: 1) requiring the City to award based on lowest price, 2) prohibiting design-build contracting, except in very limited circumstances, and 3) Wicks Law. Furthermore, contract and change order delays contribute to rapid cost escalation.
7: CITY FALLS SHORT AS RESPONSIVE AND RESPONSIBLE PARTNER TO VENDORS.

Complex rules and regulations, inefficient and lengthy bidding processes, extensive review and oversight, and bureaucratic payment processes make the City a less attractive business partner, which often translates into smaller bidding pools and higher prices.

8: CITY HAS BEEN SLOW TO MODERNIZE ANTIQUATED E-PROCUREMENT SYSTEMS, BUT EFFORTS ARE UNDERWAY.

The City’s antiquated procurement systems have made the bidding process unnecessarily onerous, thereby reducing competition and increasing the cost to the City. Recent efforts to move vendor management and human services contracting to online platforms have been positive. PASSPort, the digital procurement system, is expected to be implemented in stages and fully completed by 2020.

9: PROCUREMENT REFORMS HAVE THE POTENTIAL TO SAVE TAXPAYER DOLLARS AND IMPROVE CITY GOODS AND SERVICES.

Better vendor relations, streamlined processes, increased use of technology, and flexibility are critical to a competitive procurement environment where the City gets the best deal.

1) Continue to improve e-procurement systems, including e-invoicing and payment.

Improving these systems should remain a priority. Increased transparency and accountability could facilitate more efficient processes.

2) Centralize more procurement under DCAS.

Greater centralization of contracting, especially for small agencies with limited contracting activity, would leverage the expertise of DCAS staff and potentially save more than $80 million per year.

3) Streamline approval of capital projects and change orders.

A more efficient process would reduce the time for capital projects and generate savings.

4) Continue to urge the State to change construction procurement laws.

The City should continue to seek changes to permit best value awards for capital projects, design-build authority for all City capital projects, and elimination of Wicks Law.