



**Procure-to-Pay Business Model
Board of County Commissioners
Budget/Public Policy Workshop**

March 12, 2013



Design Project Team

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Procurement vs. Purchasing

Procurement

Setting up an over-arching system to gather resources in a best practice manner

- Governance
- Compliance
- Catalog Setup
- Solicitation
- Contracting
- Analysis
- Strategic Spend
- Asset Management

Purchasing

The act of acquiring and paying for commodities and services; is a subset of the wider procurement process

- Transactions
- Ordering
- Buying
- Receiving
- Requisitioning
- Confirm Quality



Procurement is Stewardship

Compliance

- NC Statutes
- County Policy
- Vision and Mission
- Ethics
- Fraud Prevention
- Fiduciary Responsibility

Service

- Consultation
- Solicitations
- Contracting
- Coordination
- Education

The Five Rights: Price, Quality, Vendor, Time, Amount



Example: Contract Processing



Current State

- Paper Driven
- Person Dependent
- Static
- “Paused”

Future State

- Automated
- Work Flow Driven
- Anytime/Anywhere
- Prompts and Reminders
- Note Sharing and Tracking
- Prompt Analysis
- Contract Catalog
- Reduced or Eliminated Printing



County Metrics

Metric FY2012	Count
Annual Budget	\$1.2B
Annual Spend ¹	\$376.6M
Vendors ²	7,704
Purchase Orders ³	5,488
Formal Solicitations	160+
Active Contracts	~650
P-Card Spend	~\$1M

¹Does not include payroll, payment to other governments / departments

²Includes County employees set up as vendors for mileage reimbursement

³For purchases over \$30,000; require secondary approval



Procurement Functions

	Current State City PMD	Future State City PMD	Future State County PMD*
• Purchase Orders	✓		✓
• Informal Solicitations			✓
• Formal Solicitations	✓	✓	✓
• Contract Management	✓	✓	✓
• Vendor Management	✓	<i>Shared Projects</i>	✓
• Procurement Exceptions	✓		✓
• P-Card Program			✓
• Asset Recovery/Disposal	✓	✓	
• Procurement Consultation	✓		✓
• Policy Development			✓
• E-Procurement			✓
• Work Flow Refinement			✓
• Strategic Spend Planning			✓
• Compliance & Governance			✓

**As a service to
County
Departments*



Where do we need to go?

Current State disconnected, limited decision data		Future State Integrated, data rich	
“Serve the Factory”	“Lowest Unit Cost”	“Coordinated Purchasing”	“Strategic Procurement”
Silos	Purchasing Departments	Centralized	Spend Analytics
Reactive	Cost Analysis	“Cross-Unit”	Proactive
Clerical Logistics	Negotiation	Shared Contracts	Cross-Functional Enterprise Targets
Expedite Orders		Vendor Database	E-Procurement



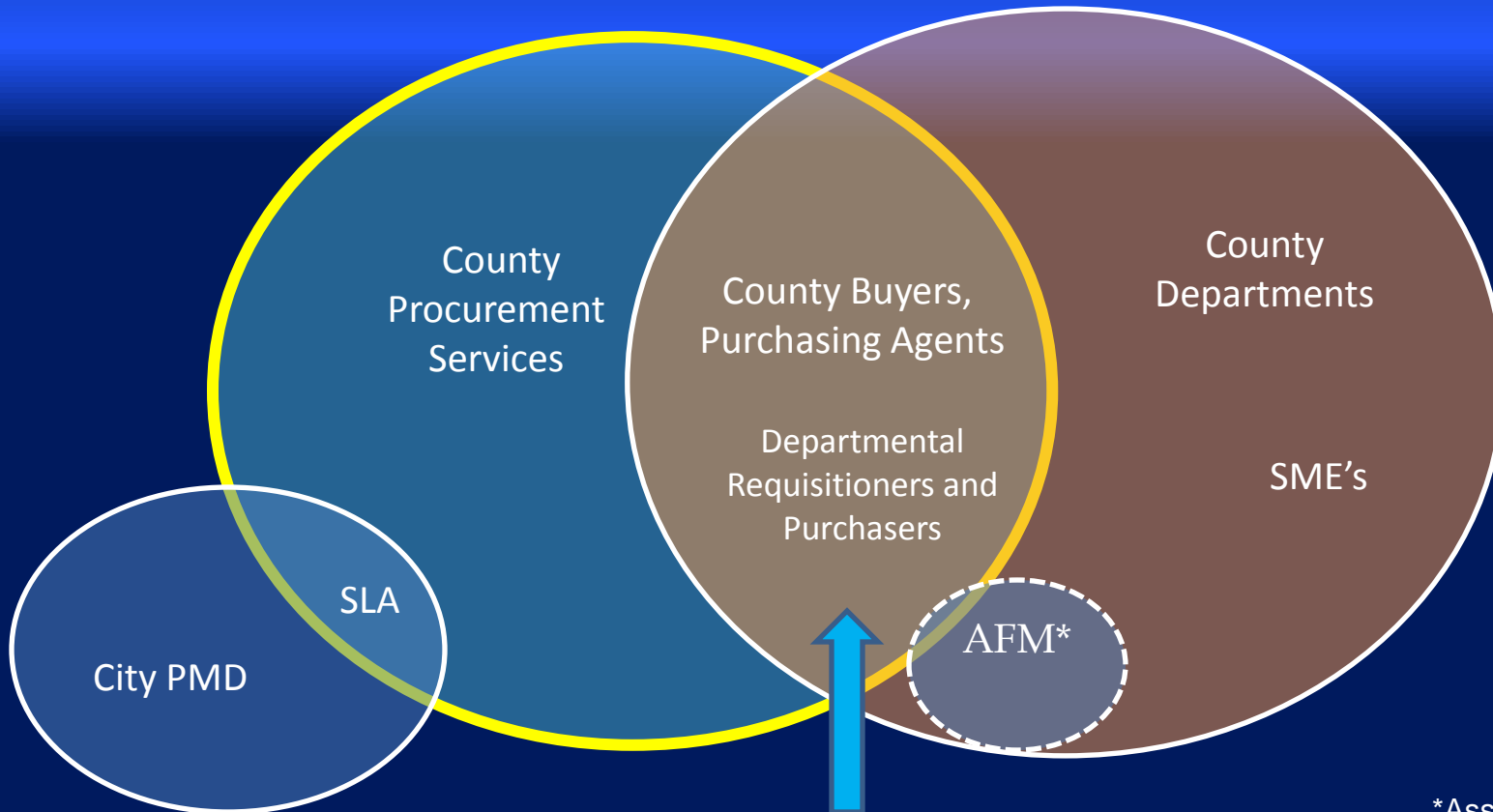


Future State Benefits

- **Institute best practice procurement**
 - Compliance and Governance
 - Efficiency and Cost Savings
 - Consistency and Process Reliability
 - Creativity and Problem Solving
 - Flexibility within a Framework
 - Accountability and Responsibility
 - E-Procurement and Data-Driven Processes
 - Customer Service and Satisfaction



Future State Model



- Shared values and objectives regarding procurement and purchasing.
- Co-implement and use the e-procurement system together.
- Work together to accomplish the procurement culture changes needed.
- Well defined complimentary and sensible roles.
- Included in e-procurement automated work flows.
- Committed to the integrity and use of the same data set.
- Good balance between central oversight and departmental autonomy.

*Asset and Facility Management



Future State Design

Process Activities

- ID Need
- ID Specs
- Cost Specs
- Select Vendor
- Contract
- Order
- Receive
- Authorize Payment
- Verify
- Analyze



Strategic Intent Goals

- MANAGE RISK**
 - Policies
 - Procedures
 - Assurance
- STRATEGIZE**
 - Cost Mgmt
 - Process Optimization
 - Customer Service
 - Vendor Mgmt



Management and Governance

- Management and Oversight**
 - Implement
 - Lead
 - Monitor



- Governance Committee**
Verify / Advise
 - Risk
 - Compliance
 - Budget
 - Strategy

Not in Place Today
What We Need to Build for
Mecklenburg County



Management & Governance

Subset of Risk Management Compliance Governance Committee

Verify Advise Risk Compliance Budget Strategy



Management Oversight – BSSA, Finance, General Manager

Implement Lead Monitor Policy Development

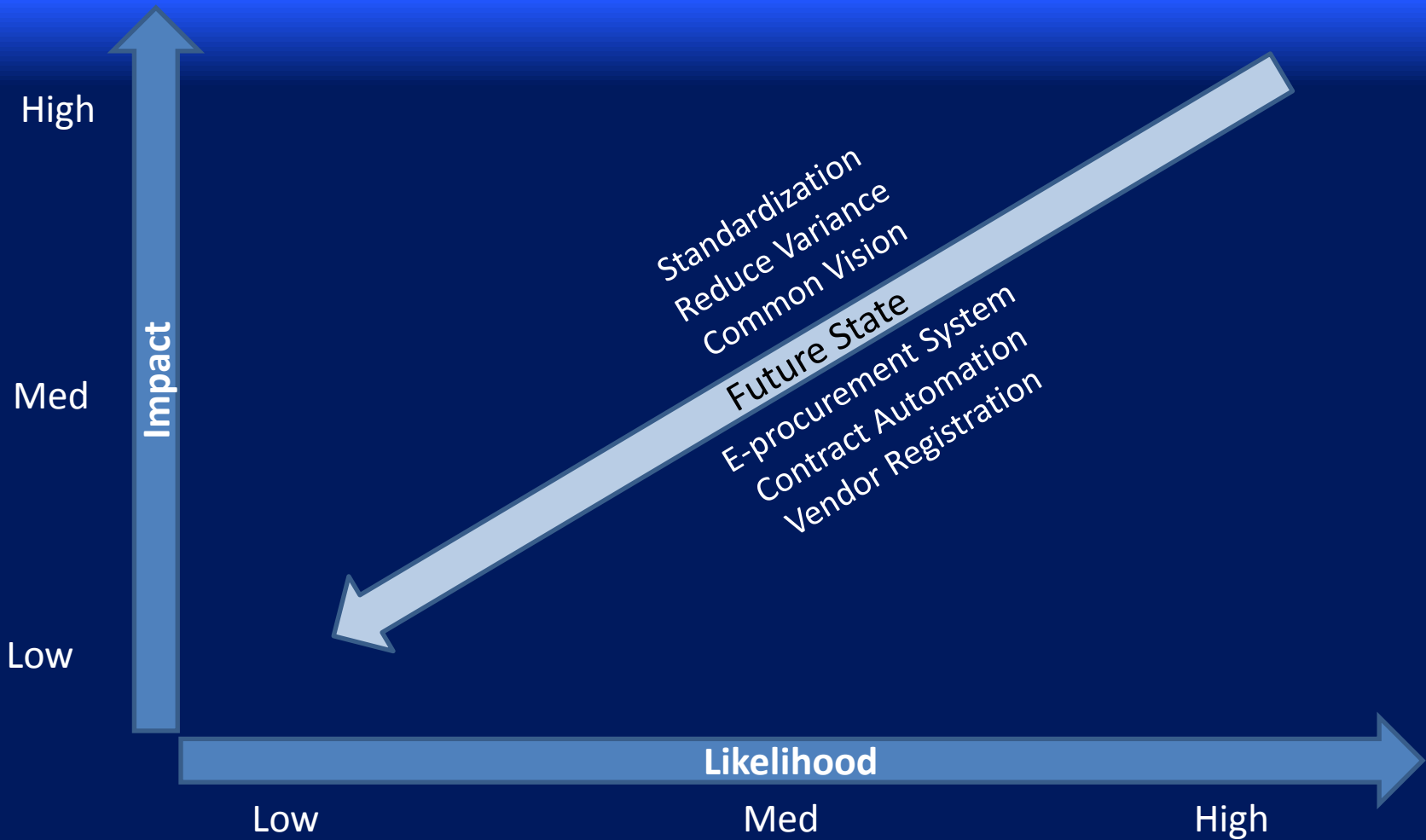


Procurement Division

Policies Processes Assurance Cost Vendors Internal Customers

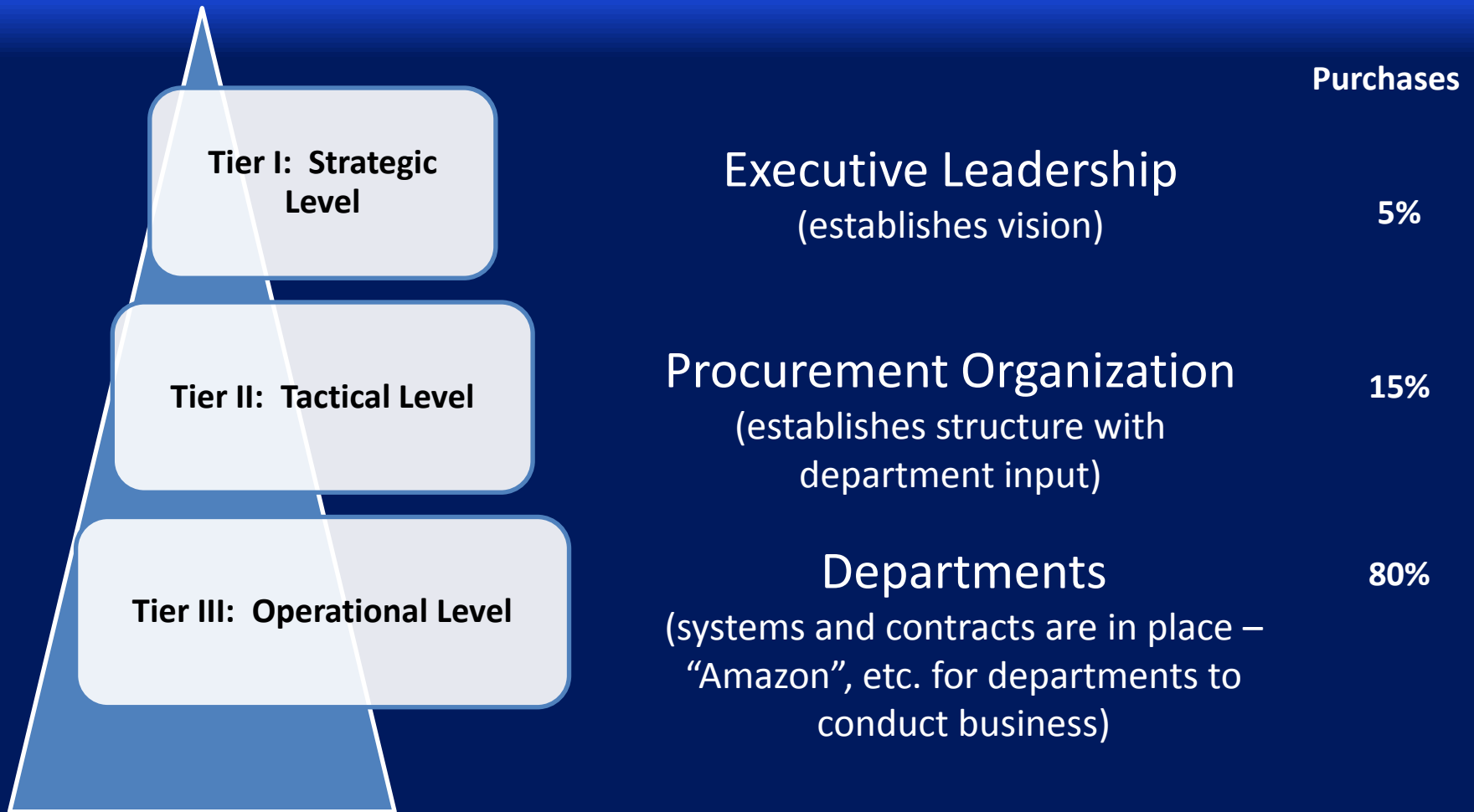


Risk Mitigation





Levels of Responsibility





What will be different?

Imagine:

“Amazon.Com” for Mecklenburg County



What Is Needed?

- Invest in People
 - Professional Procurement Team
- Invest in Technology
 - E-Procurement Information System



Return on Investment

- **Hard Savings**

- Tracking and analyzing spending – allows more favorable contracting terms and prices
- Reduced transaction time via e-procurement system
- Potential reduction of County spending
 - Conservative Estimate of annual 1% of \$376M = \$3.76M
 - Industry Estimates Higher

- **Soft Savings**

- Compliance and Risk Mitigation
- Reduced “Noise” for departments
- Staff and Vendor Confidence
- Service Quality to departments
- Increased Staff Productivity



Invest in Staff

Position	Count	Salary + Benefits	FY2014	FY2015	FY2016
Procurement Director	1	130,040	97,530	130,040	130,040
Senior or Lead Buyer	2	82,852		110,470	165,704
Buyer	10	66,020		440,136	660,204
Contract Coordinator	5	72,955		243,185	364,777
Administrative Support Assistant III	1	50,489		33,659	50,489
IT Business Analyst	1	80,752	60,564	80,752	80,752
	20		158,094	1,038,242	1,451,966

FY2014: Procurement Director and IT Business Analyst Positions Filled for 9 Months

FY2015: PD and ITBA Full Year; Remaining Positions Filled for 8 Months

FY2016: All Positions Filled for 12 Months – First Full Salary Year

Procurement Market Salaries Based on Comparable Current Titles – Class & Comp Study Needed



Staff Timeline

Milestone	FY2013	FY2014	FY2015
Write PDQs and Request Positions	✓		
Obtain Approval for All Positions	✓		
Obtain Approval for FY2014 Position Funding	✓		
Recruit and Hire Procurement Director and ITBA		✓	
Procurement Director Completes Detailed Staffing Plan		✓	
Complete Space Preparation and Equipment Orders		✓	
Recruit and Hire Two Lead Buyers		✓	
Finalize Re-Organization Plan (Current Positions)		✓	
Remaining New Staff in Positions			Nov2014
Launch Procurement Program			Jan2015



Invest in Technology

Item	FY2014	FY2015	FY2016
Procurement Software Implementation and Services	600,000		
Software Interface with Financial System	300,000	50,000	50,000
Annual Software Fees		150,000	150,000
Total	900,000¹	200,000	200,000

¹FY2014 Technology Reserve Request



Investment Summary

Component	FY2014	FY2015	FY2016
Staffing	158,094	1,038,242	1,451,966
Operational Support ¹	17,502	243,513	177,351
Technology Reserve ²	900,000		
Software Support		200,000	200,000
City Procurement ³	720,000	TBD	TBD
Total	1,795,596	1,481,755*	1,829,317*

¹Computers, software, phones, office supplies, travel, printing, legal advertising, fleet, etc.

²Will be funded from current level Technology Reserve

³CPD costs to be determined in FY15, FY16



FY14 Incremental Cost

Component	FY2014
Staffing	158,094
Operational Support	17,502
<i>Total</i>	175,596



Project Timeline

Milestone	FY2013	FY2014	1/1/15
Approval of Concept, Project and Budget	✓		
Organizational Design Complete	✓		
Reporting Structure and Stakeholder Plan Complete	✓		
Hire Procurement Director and ITBA		✓	
Implement Communication Plan		✓	
Program Description and Policies Written		✓	
Finalize Human Resource Plan		✓	
Conduct e-Procurement RFP and Sign Contract		✓	
Complete Space Up-Fit and Hire Team			✓
Procurement Program/e-Procurement System Go Live			✓



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