TO: T.C. Broadnax, City Manager
FROM: Andy Cherullo, Finance Director
COPY: Government Performance Finance Committee
SUBJECT: Procure to Pay Project
DATE: December 2, 2015

SUMMARY:
Procure-to-Pay project (P2P) is a project being implemented in coordination between the IT and Finance Departments. P2P's main objectives are to (1) eliminate highly manual and inefficient procurement and purchasing practices; (2) deploy software that will allow the City to analyze spend, make educated and strategic purchasing decisions; and (3) save the City money in its purchasing practices.

BACKGROUND:
Procurement and Payables has been working to build a road-map from the current state to a new future state where processes are less manual, more efficient and can generate savings through strategic purchasing. Part of the road map process was to identify manual and inefficient processes that are currently being done in the procurement and purchasing processes. The following areas were identified as areas for improvement:
- Perform policy reviews
- Establish control processes and document master data standards
- Perform vendor master data clean up
- Review and revise Purchase Requisition (PR) workflow
- Develop training documents detailing how the procurement process will be used going forward
- Develop reporting requirements based upon capabilities of the selected solution
- Fix known configuration issues in our existing system
- Address staffing levels
- Review and update business process blueprints and Visio documents

Procurement and Payables staff have also been working collaboratively with clients and vendors through a series of workshops to get a deeper understanding of the client's and vendor's needs and to ask them about their visions of a future state.

ISSUE:
Our existing procurement and payment processes create a highly manual and inefficient environment with poor reporting capabilities. The result is an inability to engage in strategic procurement activities. For example:
- We have no capability for electronic bid receipt so submittals are received in the mail, in person or by fax or e-mail for small dollar purchases.
- We lack reporting capabilities required to leverage the City's spend and report on priority policy areas.
- 95% of our $300 million spend (2014) was generated using non-standard text-only Purchase Orders (POs) which cannot be measured, analyzed nor reported.
- Contract routing is entirely manual – taking an average of 18 days for City approvals
- Master Data is incomplete and/or duplicative and lacks standardization
- The City issued over 700 competitive solicitations in 2014 (this is about twice as many as our peers).

- o Many of these time-consuming solicitations would be avoided with updated software that enabled vendor catalogs, making existing contracts easier to find and use.
    - o Lack of a vendor registration database requires vendors to regularly check the City's website for contracting opportunities.
    - o Updated systems would allow us to proactively communicate these opportunities to local small businesses.
- Approximately 57,000 invoices were hand-keyed into SAP for processing in 2014.
    - o Invoices take multiple trips through interoffice mail which delays payments to vendors and results in misplaced invoices.
    - o 96% of all invoices are sent directly to departments and then mailed to Accounts Payable.
    - o 33% of all invoices are then sent back to departments for correction/clarification.

The proposed solution will involve the procurement of a 3rd party software product that will have:

- External facing vendor portal that will allow secure self-registration
- Allow vendors to submit bids electronically where allowed by law
- Allow the electronic exchange of Purchase Orders and Invoices between the City and its vendors
- Enhance the ability to pay invoices much more quickly
- Increase the vendor community's satisfaction with the City's processes
- Provide an Amazon-like experience for users to easily find needed goods or services
- Convert awarded contracts into an Amazon-like catalogs from which employees can purchase needed goods or services with the ability to report on contract usage
- E-mail notification/communication capabilities
- Easy and intuitive web based user interface for both the vendors and COT
- Allow the City to gather, analyze and report on purchasing data
- Workflow Routing and Approval capabilities
- Ability to integrate with TIMS (Tacoma Information Management System)

ALTERNATIVES:
The City could choose to continue to use its highly decentralized, manual, inefficient and paper-driven purchasing practices.

FISCAL IMPACT:
This is an informational briefing only; however, staff believes that by working on implementing best-practices and a new purchasing software system that the City can conservatively save $3 -$15 million of our $300 million annual spend.

RECOMMENDATION:
This is an informational briefing only.