



Raleigh's eProcurement Marketplace for Negotiated Contract and Catalog Pricing

By Allison E. Bradsher

The City of Raleigh's award-winning eProcurement project linked the functions on an eProcurements system to negotiated catalogs and contracts.

The City of Raleigh's eProcurement project won a GFOA Award for Excellence in eGovernment and Technology in 2014.

One process that all government operations have in common is purchasing and paying for a large variety of goods and services — commonly referred to as the procure-to-pay cycle. In 2011, the City of Raleigh Finance Department recognized the need to streamline and improve the efficiency of this process and thus embarked on a project that transformed a system of frequent quotes and bids to a negotiated pricing program.

PROJECT GOALS

The City of Raleigh, North Carolina, recently implemented PeopleSoft and wanted to enhance the buying experience of its departments. The city's overarching objective was to end up with a system that complemented its ERP system, enhancing efficiency and reducing costs. To meet that objective, the project required the functions of an eProcurement system that linked to negotiated catalogs and contracts that featured competitive costs and quick delivery terms.

After extensive discussion and research, the city established five key goals and incorporated them into the project charter:

1. Access to pre-negotiated catalogs in an Amazon.com-style environment.

2. An approval workflow that enabled all city employees to use the system.
3. Electronic transmittal of purchase orders.
4. Electronic transmittal of invoices.
5. Enhanced spending tracking and metrics.

The city selected a software vendor that would address these goals and, after conducting a citywide survey of ideas, named the project "Raleigh's Procurement on Demand" (RPOD).

PROJECT TIMELINE AND STAFF

The project effort took most of 2012, and it went live on December 10 of that year. The finance department chose a dedicated project manager with a unique blend of functional and technical knowledge to the project. The department's controller, who led the project, was responsible for the full, end-to-end procure-to-pay cycle and devoted 80 percent of her time to the project. One of her main responsibilities was to ensure that policies and procedures were changed in ways that would best support the transition to an eProcurement approach and to meet the city's original project goals. The full purchasing and accounts payable teams were also involved in the project, including the design, policy decisions, and testing, which was instrumental to the project's success. The city's information technology (IT) team was heavily involved in the project as

well, managing the infrastructure and system interfaces. City departments participated in multiple workshops throughout the project and were instrumental in its development and testing. Departmental feedback was incorporated into the final design, allowing change management and training to take place throughout the project, instead of all at the end.

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MEETING PROJECT GOALS

One of the project goals was to drive city spending to vendors that had pre-negotiated contracts with the city. Over time, buying had evolved into purchases made without formal contracts, eroding the city's buying power. The city looked to organizations that specialized in government cooperative group purchasing arrangements to make the best use of existing contracts with a wide variety of vendors. Since the project was implemented, the purchasing office has increased the number of city bids to support specific departmental needs.

The eProcurement software allows the contracts to be loaded into a search

What Is eProcurement and What Does It Mean to Me?

One of the first communications the project team shared with city departments was the following elevator speech, which was used in project communications on numerous occasions during the implementation. It also served as the guiding framework for the change management efforts of the project.

The Raleigh Procurement on Demand Market project will improve the efficiency of the City's procure-to-pay process by using expanded e-capabilities and ease of obtaining vendor contract pricing. Departments will be able to manage their procurement needs with Amazon.com-like functioning, using a "marketplace" that contains multiple pricing options while continuing to do requisitions through the city's current software procurement environment. Automatic links will provide users with access to items previously awarded on city, state, cooperative, and group purchasing contracts. The project benefits and resulting savings are largely due to ease of use of the marketplace that will link to awarded contracts and catalogs, saving time in the ordering process and providing competitive prices.

engine like those used by many commercial shopping sites (see Exhibit 1). User departments are able to access pricing and product availability across vendors and build shopping carts, making purchasing fast and simple. All items, regardless of unit price or total price, are sourced to the vendor after being approved by originating department management. That is the only

approval needed because the purchasing department has already established the contract and monitors product pricing. This arrangement saves time in the ordering process, decreasing the amount of time needed from requisition to purchase order from nine days to two days. The number of catalogs available has dramatically increased since the project went live, from 20 to 90.

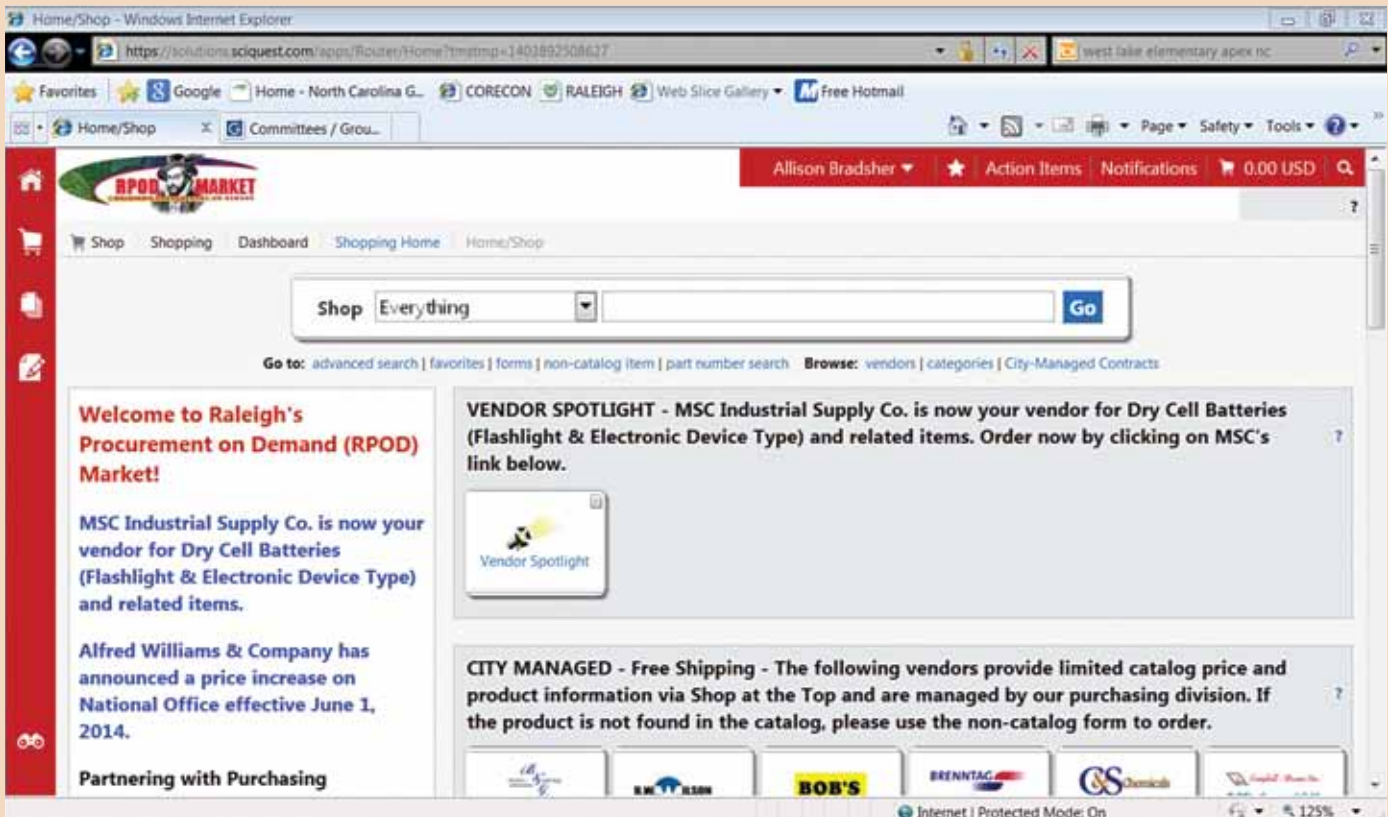
Project Management Structure

Executive Committee: The city's executive team consisted of the finance department, IT, and several department heads representing a cross-section of the buying community within the city. The executive team ensured that the project was on schedule and approved City policy changes.

Steering Committee: Representatives from almost every department in the city provided guidance for every aspect of the project. The steering team met frequently and ensured that their respective teams or departments stayed abreast of the project.

Project Team: The purchasing, accounts payable and IT individuals dedicated to the success of the project met weekly, and often daily, during peak times for the project. This team not only designed the system, but also tested each process.

Exhibit I: The Raleigh Procurement on Demand Home Page



Procure-to-pay efficiencies depend not only on the order process but also on the ability to receive purchase order and invoice documents electronically. Before the new system was implemented, the city had an electronic data interchange (EDI), but no purchase orders were truly electronic, and only a small portion of invoices were EDI-enabled. The city had to ensure that it had adequate internal controls for electronic invoices, and it established an automated process to ensure that data sent from vendors arrived within the city's IT infrastructure. The report generated by the system is monitored, and it immediately flags any issues regarding data integrity. While only a small percentage of overall invoices is

electronic, these invoices are “touchless,” requiring little or no effort from the accounts payable staff.

The e-procurement software allows the contracts to be loaded into a search engine like those used by many commercial shopping sites.

HEALTH CHECK

In the two years since the initial implementation, the city and its vendors have focused on refining processes. The purchasing metrics that are

now available have pointed to areas in which additional negotiated contracts and catalogs are needed. Individual work with vendors has resulted in more use of electronic purchase orders and invoices.

The project team recently surveyed users, and more than 200 department users responded, providing valuable feedback. Highlights included ease of use and quick turnaround times, with more than 75 percent of respondents very positive about the delivery time for ordered items. This feedback was welcomed by the project team, which had emphasized the electronic transmission of purchase orders. Even feedback that was less positive mainly reflected users' desire to use the

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Metrics (2012-2014)

- 79% of department requisitioners have a high level of satisfaction with the program.
62% reduction in the number of days from requisition to purchase order.
40% of users reported a 100% reduction in the use of paper.
12% of invoices are now electronic compared to a baseline of zero.

system more — for instance, being able to perform search functions. Using survey feedback and continuing outreach communications, the purchasing office has been able to focus on continuing making incremental improvements.

offered free shipping on some or all of the city's orders. Based on the detailed buying data the system provides, the city expects to save even more as existing contracts are renegotiated.

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ONGOING EDUCATION

As an outgrowth of RPOD Market, the purchasing office is now conducting weekly training and education sessions with city departments. The sessions, called "Partnering with Purchasing," offer practical tips and tricks for city personnel who are responsible for purchasing. Other topics discussed include best practice suggestions on contracting, invoicing, and matching processes. On occasion, vendor presentations have provided department users with product information to help them in their accessing alternatives to meet their procurement needs.

RETURN ON INVESTMENT

Raleigh's Procurement on Demand has led to both efficiency gains and monetary savings. The improvements in efficiency were not immediately obvious, as is the case with most process changes, but city departments continue to embrace RPOD Market and work with purchasing on adding more catalog vendors. Vendors have noticed that the city emphasizes best price contracting, and as a result, the purchasing office has been able to negotiate unit price reductions as well as overall rebates with key catalog vendors. These savings have been passed on to the city departments, encouraging them to continue using the catalogs for further savings. Many vendors have also

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