

Department of Management and Budget

LOB #53:

FOCUS BUSINESS SUPPORT GROUP - PROCUREMENT TO PAYMENT

Purpose

The FBSG Procurement to Payment Team is responsible for functional systems administration of the Supplier Relationship Management, Inventory Management, Materials Management, Registration of Supplier, Supplier Self Service, Marketplace, Contract Management, Purchase Order/Shopping Cart, Accounts Payable, Accounts Receivable, and Treasury and Banking modules in FOCUS. This team of subject matter experts provides functional program policy and governance support for all procurement to payment-related activities that impact the system and enables continuous improvement and smooth operation of the production systems. The Procurement to Payment team works to improve upon the implementation and provide support for changing business processes.

Description

The Procurement to Payment modules support the processing of approximately 19,000 payments monthly through FOCUS and the recordation of more than 1.9 million billing transactions per year. The use of FOCUS continues to expand in areas such as non-tax accounts receivable dunning and calculation of interest and late payment penalties on items for which they charge and accounts payable activities for Human Services case management programs managed through Harmony. FOCUS is used to procure goods and services, manage vendor activities, process payments via wire, ACH (Automated Clearing House) transmissions and check, issue accounts receivable notices and record receipts of payments from customer, bank reconciliation, and cash management.

The staff in this LOB serve as the Functional Project Manager for major projects and in that work, are the subject matter expert lead and work with their counterparts in the Department of Information Technology to:

- Partner with business stakeholders to successfully perform critical business functions on a daily, weekly, bi-weekly, monthly or annual basis (e.g. 1099 production, month-end and year-end close-out of financial and procurement processes, banking interfaces)
- Monitor and manage inbound and outbound interface processing for systems that send data to and receive data from FOCUS.
- Investigate, diagnose, and resolve complex system related problems.
- Perform configurations in the FOCUS system to implement new functionality or change existing functionality.
- Provide support during various audits being performed by the external auditor, the FCG or FCPS internal audit organizations, and the BOS or FCPS Board Auditor(s).
- Participate in special projects, providing subject matter expertise, for applications that have a direct impact on or that will interface with FOCUS.

Procurement

The Procurement portion of this LOB provides functional project and systems implementation planning and estimating, change management and enhancement prioritization, and project management leadership associated with the maintenance of current functionality and the implementation of new functionality for the following modules:

- Inventory Management
- Warehouse Management

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- Registration of Supplier/Supplier Self Service
- Supplier Relationship Management – Organizational Structure
- Shopping Carts/Purchase Requisitions/Reservations
- Purchase Orders
- Marketplace Purchasing (Site that maintains several catalogs of various products that can be acquired by County and FCPS staff)
- Contract Management (create solicitations and award contracts)
- Materials Management (Catalog of products that can be acquired by FCPS education and administrative staff)

The primary business process owners are the County's Department of Procurement and Material Management (DPMM) and the Fairfax County Public Schools Office of Procurement Services (OPS), and staff within the County and FCPS that are responsible for all inventory, logistics, material management, and procurement activities. In that work, the Procurement team conducts business process and systems analyses; applies in-depth SAP knowledge; and applies subject matter expertise and theoretical knowledge and experience in supporting highly complex functional system administration processes associated with the business and associated legislative and other legal and statutory requirements for procurement and logistics functionality. These professionals analyze business requirements and determine the appropriate ERP options to meet those needs through participation in special projects and provide procurement and logistics subject matter expertise for applications that have a direct impact on or that will interface with FOCUS.

Staff responsible for Inventory Management (IM) and Warehouse Management (WM) work with DPMM, OPS and the various warehouse staff in the County and FCPS to ensure the IM and WM modules are updated and maintained to effectively record and manage physical inventory (e.g. manhole covers for the Department of Public Works and Environmental Services, appliances for the Fairfax County Redevelopment and Housing Authority, curriculum materials and science kits for FCPS) and fixed assets (inventory items greater than \$5,000). This is done by extracting a list of inventory items, counting their respective quantities in their location, and comparing those counts to the system. SAP modules must be maintained to aid in the inventory cycle count and spot check processes performed by either the Central Purchasing Inventory Oversight staff or the warehouse staff and to insure that all fixed assets and consumable inventories are accurate for financial reporting in the County's Comprehensive Annual Financial Report.

Staff responsible for Registration of Supplier (ROS) maintain the functionality in FOCUS that allows bidders to register themselves using a link on the Fairfax County Internet website. The unregistered bidder initiates the registration process by responding to a basic survey which will validate their email. The bidder does not provide any financial information. They only provide basic company information and codes used to match sourcing needs within the Contract and Requisition processes. The list of bidders can be vendors who have never conducted business with Fairfax or a vendor who is currently providing goods and services to Fairfax. All qualified bidders reside in SRM. When a bidder becomes a supplier by being awarded a PO or contract, they are validated and applied to the vendor file for processing of accounts payable activities.

Staff responsible for the Supplier Relationship Management (SRM) organizational structure ensure that the component of SAP Supplier Relationship Management (SRM) used to define operational hierarchy used in workflow and procurement approvals is updated and maintained to accurately reflect the approval controls established by DPMM and OPS.

Staff responsible for the Requisitions (Shopping Carts and Purchase Requisitions) work with DPMM, OPS and the various agency and school staff in the County and FCPS to ensure that the component of SAP utilized by agency staff to initiate identification of need for a product or service for procurement is functioning accurately. A shopping cart is the entry point for procurement within SAP. The purchase requisition is used to notify the purchasing department of requirements for materials and services. A requisition is an umbrella term covering Purchase Requisitions (PRs), Shopping Carts (SCs), and Reservations. The materials requested through shopping carts/purchase requisitions are procured

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externally. The materials requested through reservations are created for requests for materials stocked in the central warehouse. The staff responsible for shopping carts and reservations maintain, monitor, and update functionality based on business requirements and resolve issues associated with the conversion of an authorized requisition (or shopping cart) into an authorized order for goods/services that effectively route for approval based on the organizational hierarchy rules/regulations established by DPMM/OPS (including dollar value, commodity code, contract status and originating agency). This includes the daily monitoring of jobs and help desk tickets and the timely triage and resolution of issues for easily remedied solutions to business process-related questions to items that escalate to the level of development work/configuration changes. The key factors in the effective functioning of the purchase requisition process are:

- Management of approval levels based on organizational hierarchy, policy, procedures and internal controls
- Facilitation of effective communication between the buyer, purchasing, and the vendor.
- Referencing multiple contracts on a single requisition created in the shopping cart.
- Conversion of a requisition immediately to PO if items are on contract.
- Ability to store multiple ship-to address locations for delivery to multiple locations.
- Pre-encumber orders for the next fiscal year within restricted order dates.
- Flag/alert if funds are insufficient to cover a requisition during the ordering process.
- Facilitation of Advanced Orders/Passive orders for FCPS operations
- Tracking conversion of the PR to the PO and notify the DPMM/OPS of the PO number.
- Tracking changes to requisitions and versions for audit purposes.

Staff responsible for the Purchase Order (PO) process work with DPMM, OPS and the various agency and school staff in the County and FCPS maintain, monitor, and update functionality based on business requirements and resolve issues associated with the conversion of an authorized requisition (or shopping cart) into an authorized order for goods/services that effectively route for approval based on the organizational hierarchy rules/regulations established by DPMM/OPS (including dollar value, commodity code, contract status and originating agency). This includes the daily monitoring of jobs and help desk tickets and the timely triage and resolution of issues for easily remedied solutions to business process related questions to items that escalate to the level of development work/configuration changes.

Staff responsible for the Marketplace work with DPMM, OPS and the various agency and school staff in the County and FCPS to ensure that the component of SAP utilized by agency staff to initiate procurement of services from pre-defined sources for the acquisition of materials or services is functioning. Catalogs enable users to search, compare, and procure products and services from suppliers. A catalog can include descriptions, prices, images, and other related data as needed. Multiple catalogs can be established to support various procurement activities. Catalogs are repositories of data that identify pre-defined sources for the acquisition of materials or services. Since this information can be used by all Fairfax departments, it is essential the data is established and maintained in accordance with system standards. The Department of Procurement and Material Management will retain management oversight of all catalogs and will be responsible for establishing related policies and procedures. The Catalog/Configuration Manager will be responsible for creating and maintaining internal catalogs, thus ensuring data consistency and eliminating redundancy. External catalogs reside outside of FOCUS on vendor-supported internet sites. Therefore vendors will be responsible for creating and maintaining these catalogs. Since these types of catalogs will be primarily established based on contractual agreements, the DPMM and OPS will be responsible for coordinating catalog requirements with each vendor. In addition, DPMM and OPS will be responsible for approving catalog content and format to ensure vendor compliance. Subject matter experts that support the Marketplace ensure that the external punch-out catalog of office supplies and computer software/hardware is operating and available 24/7. This includes the daily monitoring of jobs and help desk tickets and the timely triage and resolution of issues for easily-remedied solutions to business process-related questions to items that escalate to the level of development adjustment by the vendor that is responsible for maintaining the marketplace internet site functionality.

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Staff responsible for the Material Management catalog work with OPS and the FCPS Financial Services Support group that liaises with FCPS staff to ensure that the component of SAP utilized by FCPS staff to initiate procurement of services from pre-defined sources for the acquisition of materials or services is functioning. Catalogs enable users to search, compare, and procure products and services from suppliers. A catalog can include descriptions, prices, images, and other related data as needed. Multiple catalogs can be established to support various procurement activities. Subject matter experts that support Material Management ensure that the internal catalog of office is operating and available 24/7. This includes the daily monitoring of jobs and help desk tickets and the timely triage and resolution of issues for easily-remedied solutions to business process-related questions to items that escalate to the level of development adjustment by the vendor that is responsible for maintaining the marketplace internet site functionality.

Payment

The Payment portion of this LOB provides functional project and systems implementation planning and estimating, change management and enhancement prioritization, and project management leadership associated with the maintenance of current functionality and the implementation of new functionality for the following modules:

- Accounts Payable
- Accounts Receivable
- Treasury and Banking

The primary business process owners are the County's Department of Finance and Department of Tax Administration, the Fairfax County Public Schools Office of the Comptroller, and staff within the County and FCPS that are responsible for all banking, treasury, accounts payable, and accounts receivable activities. In that work, the Payment team conducts business process and systems analyses; applies in-depth SAP knowledge; and applies subject matter expertise, theoretical knowledge, and experience in supporting highly complex functional system administration processes associated with the business and associated legislative and other legal and statutory requirements for human resources functionality. These professionals analyze business requirements and determine the appropriate ERP options to meet those needs through participation in special projects and provide subject matter expertise for applications that have a direct impact on or that will interface with FOCUS.

Staff responsible for Accounts Payable work with DOF, the FCPS Office of the Comptroller, and the various agency and school staff in the County and FCPS responsible for the accurate payment of system wide obligations at both the County and Schools. In addition, staff handles the creation and maintenance of vendor master records, vendor invoice processing, credit memo processing, tax reporting, and payment processing for the issuance of vendor payments. This includes monitoring interfaces, updating the master records, and the daily monitoring of reports after interfaces and jobs run. If errors are found, timely triage and resolution of issues is undertaken. The key factors in the effective functioning of the accounts payable process are:

- Support for tax withholding criteria
- Support all 1099 vendor reporting requirements
- Support for decentralized Vendor master data creation with approval by centralized accounts payable
- Ability to send ACH remittance advice to multiple email addresses
- Ability to select the procurement card as a payment method on the vendor record
- Ability to stop payment with the bank, void and reissue voided checks
- Ability to reissue check using the original voucher
- Ability to cancel original voucher through the check void process
- Support for the management of the Vendor Master record required to conduct business transactions

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- Ability to hide/mask legally protected vendors or legally protected data fields (HIPPA data, SSNs, banking details, welfare payments, garnishments)
- Indicate whether SWAM vendors are self-certified or DEMBE certified and date of certification
- Maintenance of one vendor master record for both Accounts Payable (AP) vendors and Purchasing vendors without duplication

Staff responsible for Accounts Receivable work with DOF, DTA, the FCPS Office of the Comptroller and the various agency and school staff in the County and FCPS responsible for the accurate receipt of amounts due towards billable grant and other services. The business process under Accounts Receivable includes the creation and maintenance of customer master records, the process of invoicing to the customers, the receipt of money against these invoices, the process of dunning customers for amounts due but not received, the process for write offs or circumstances where a credit memo needs to be issued, and the interfaces that are required from the departments that capture receivables on a separate sub system. Staff is also responsible for the maintenance of customer payment terms, interest, penalties, and charges, as well as the protection of sensitive information on customer records and in transaction details. This includes monitoring interfaces, updating the master records and the daily monitoring of reports after interfaces and jobs run. If errors are found, timely triage and resolution of issues is undertaken.

Staff responsible for Treasury and Cash Management work with DOF, the FCPS Office of the Comptroller, and the various agency and school staff in the County and FCPS responsible for the accurate recordation and reporting of bank data, cash reconciliation, investment accounting and debt accounting for the County and FCPS. This includes monitoring interfaces, updating the master records including the bank master file utilized for payroll and vendor payment processing, and resolving issues associated with the key data utilized to record cash, banking and treasury transactions. This includes the daily monitoring of reports after interfaces and jobs run. If errors are found, timely triage and resolution of issues is undertaken. The key factors in the effective functioning of the treasury and cash management process are:

- Ability to track all investment and debt activities and to produce accounting entries and industry standard reports
- Processing of electronic bank statements
- Handling of exception items
- Posting of incoming deposits
- Receipt of encrypted prior day electronic bank statement through interface in order to process daily bank reconciliation
- Automatic match of electronic bank statements for deposits and payments processed by Fairfax failed, or no automatic match was attempted
- Accurate generation of the Month-End Reconciliation Report at the end of closing month. Receipt of Cash, Check, E-Check, Credit Card, ACH and Wire payments for Fairfax
- Processing of accurate accounting entries posted into SAP to record incoming deposits against customer receivable or classified as income
- Set-up of the Bank Master file for use system wide (e.g. payroll processing)
- Establishing and maintaining the logic to accurately track and record cash transactions, cash position and cash balance and to accurately track, record and report on investment types
- Maintains the ability to account for amounts to source documents (bank balance report, trade ticket/due diligence, BNY Mellon investment maturity report)
- Manage, update, and create new reports required to manage investments, debt and cash positions including but not limited to the Daily Investment Report (management summary) Portfolio Holdings report. Portfolio Holdings Report by Portfolio, Issuer List, Bank wire report (current day), Bank ACH Report (current Day), Bank Balance Report (previous day), Bank wire Report (current day), Bank Control Disbursements Report (Current Day), Portfolio Limits Report, Investment Purchase Due Diligence Report, Investment Maturities/ Purchases/ Settlement Reports, Cash Position Report, Restricted Portfolio Report, A/P Wire Report

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Benefits

The FBSG Procurement to Payment team provides services to the entire County, but most directly to the County's Department of Finance, Department of Procurement and Material Management (DPMM) and Department of Tax Administration; the Fairfax County Public Schools Office of the Comptroller and the Office of Procurement Services (OPS); and staff within the County and FCPS that are responsible for all inventory, logistics, material management, procurement, accounts payable, accounts receivable and treasury/cash management activities. The FBSG leverages County IT investments to optimize project management oversight, engage strategic thinking for new opportunities, promote consistent change management practices, and ensure that the ERP platform remains functional, compliant, and current. The LOB ensures processes within procurement and payment meet County strategic and business goals for finance, logistics, revenue collection, and budget. They enable and promote innovation; foster quality customer service and efficient cross-agency business processes; and ensure compliance with state and federal regulations, County regulations and County policies and procedures.

Staff supporting this LOB regularly evaluate business process impacts, assist in reviewing alternatives, propose resolutions, and implement resolutions to problems. Significant value is added as staff work continuously to leverage and extend the investment in an enterprise resource planning solution by finding synergies and efficiencies. Staff regularly participate in special projects, providing subject matter expertise, for applications that have a direct impact on or that will interface with FOCUS. For example, FCPL (Fairfax County Public Library) Comprise implementation, human services Harmony system integration with FOCUS Accounts Payable, Office Supply vendor integration with the Marketplace, procurement card management, internal business process audits, external audit, procurement reporting requirements, and functionality to aid in the department's ability to impose late payment penalties and interest on non-tax delinquencies for accounts receivable (e.g. Fire and Rescue and (FIDO) Fairfax Inspections Database Online).

Mandates

This LOB is not a state or federal mandate, the LOB manages a technology solution that supports state or federal mandates in agencies and compliance policies which must be performed under County, state, and/or federal guidelines. For example:

- Department of Tax Administration - the agency is mandated to perform billing, collection, and reconciliation of tax revenues. The functions performed by DTA support the requirements for the role of the Constitutional Office of the Treasurer concerning taxes. These mandates are found in Section 58.1 of the Code of Virginia and Chapter 4 of the Fairfax County Code.
- DOF Payment of Countywide Obligations (LOB #15) - IRS 1099 reporting for payments to non-employees for services performed on behalf of Fairfax County. All organizations making non-employee payments for services are required to report to the IRS the amounts paid per vendor. All versions of Form 1099 must be printed and mailed to the vendor as well. For calendar year 2014, the County reported taxable income to vendors with form 1099-MISC Miscellaneous Income, 1099-S Proceeds from Real Estate Transactions, 1099-INT Interest Income, and 1042-S Foreign Person's US Source Income.
- DOF/DPMM - Virginia Public Procurement Act 2.2-4352 requires every agency of local government to promptly pay for the completed delivery of goods or services by the required payment date.
- Additional duties incorporated within this LOB are performed to support compliance with the County's financial policy requirements and generally accepted accounting principles (GAAP).

The following existing regulatory requirements have been incorporated into the FOCUS Business Design Process:

- Requirements up to \$5,000: competition recommended, but not required (Procedural Memorandum (PM) 12-09).

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- Requirements between \$5,000 and \$10,000: Solicit at least three written or oral quotes (PM 12-08).
- Requirements between \$10,000 and \$50,000: Solicit at least four written competitive bids or proposals (PM 12-07 and PM 12-15).
- Requirements over \$50,000: formal solicitation process (competitive sealed bidding/competitive negotiation) (Code of Virginia, Chapter 43).
- Professional services (any type of service performed by an independent contractor within the practice of accounting, actuarial services, architecture, dentistry, land surveying, landscape architecture, law, medicine, optometry, pharmacy, or professional engineering) require a different selection, negotiation, and approval process than non-professional services (Code of Virginia, Chapter 43, and County Purchasing Resolution, Section 2.B.4).

Trends and Challenges

Procurement to Payment

In partnership with the primary business process owners (the County's Department of Procurement and Material Management (DPMM), Department of Finance, and Department of Tax Administration; the Fairfax County Public Schools Office of Procurement Services (OPS); and staff within the County and FCPS) that are responsible for all inventory, logistics, material management and procurement activities, the FBSG will continue to improve upon the implementation and provide support for changing business processes including:

Department of Procurement and Material Management (DPMM)

- The most significant challenge on the horizon for DPMM is keeping pace with the expansion of e-commerce into almost every aspect of the County's business. E-commerce is growing in depth and breadth of usage, as well as in technical sophistication. It is a developing presence in both the private and public sectors and expectations from vendors, citizens and County users increase persistently.
- In addition, FOCUS has a nascent e-bidding functionality. Newer and more streamlined e-bidding systems are now available in the marketplace and, at some point in the near future, DPMM must determine the best solution for the county's procurement needs.
- On the ordering side, larger vendors are equipped to receive and often prefer electronic purchase orders while smaller vendors still struggle with the technology. FOCUS currently offers a hybrid model of purchase order delivery. Some are electronic (the FOCUS Marketplace) and the remainder are delivered by the US Postal Service. Managing the diverse capabilities of the vendor community while taking advantage of the benefits offered by advanced e-focused trends will be challenging.
- The growing complexity and dynamism of supply chains requires the use of a technology solution for inventory management and delivery tracking. Warehousing is increasingly viewed as a sub-process of the end-to-end supply chain. County departments, responding to commercial sector practices, are expecting more value-added services such as tracking and heightened responsiveness to storage and transportation needs. An investment in an inventory / delivery management system will provide the foundation for shared use of space and equipment with the Fire and Rescue Department and FCPS. Efficiencies can be attained in improving service levels and demand management through the use of predictive data, and transportation management.
- Identify and implement strategic sourcing solutions into FOCUS that support the procure-to-pay model and also identify opportunities for cost reduction, supply base resizing, e-commerce, and management of contract spend.

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Department of Finance (DOF)

- The Department of Finance continues to improve processes through FOCUS to expedite invoices to agencies and increase efficiencies in the approval process. Efforts remain to coordinate with agencies on the approval of goods and services for payment and the reconciliation of their purchase orders.
- Finance continues efforts to decrease the issuance of paper check payments through increased vendor participation in electronic disbursements. The department continues to explore other payment trends including the use of single account procurement cards as a payment method that earns a rebate per dollars spent, expanding the use of electronic data interchange (EDI), and other opportunities to optimize the amount of discounts achieved.

Department of Tax Administration (DTA)

- Continuing to explore opportunities to enhance interfaces between each agency's system of record and the County's financial system FOCUS. The lack of interface results in a manual process for monitoring the aging of accounts receivables, as well as billing and referral limitations, and makes it difficult to easily compile useful reports for program analysis. This latter issue was previously reviewed by the Auditor of the Board, and it was determined that the most cost-effective response to this challenge would be to explore integration in the future as these individual systems are replaced, modernized or upgraded.
- With the successful implementation of the County's financial system, FOCUS, the Tax Reconciliation Section has turned its attention to the challenge of improving efficiencies in its reconciliation processes. This will be achieved through the development of additional automated interfaces between FOCUS and DTA's tax systems.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #53: FOCUS Business Support Group - Procurement to Payment			
FUNDING			
<u>Expenditures:</u>			
Compensation	\$552,444	\$582,099	\$660,464
Operating Expenses	51,235	56,354	28,745
Total Expenditures	\$603,679	\$638,453	\$689,209
General Fund Revenue	\$0	\$0	\$0
Net Cost/(Savings) to General Fund	\$603,679	\$638,453	\$689,209
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	8 / 8	8 / 8	8 / 8
Total Positions	8 / 8	8 / 8	8 / 8

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Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Number of procurement jobs/interfaces managed	29	29	29	30	30
Annual 1099s Produced and Filed with Internal Revenue Service	4,835	4,642	4,600	4,600	4,600
Number of Purchase Order Transactions processed by Accounts Payable	45,355	45,445	45,927	45,500	45,500
Number of payments processed via FOCUS	322,699	305,373	303,025	304,000	304,000
Number of Accounts Payable documents managed via interface	381,702	333,275	313,498	315,000	315,000

Number of Procurement/Accounts Payable Jobs/Interfaces Managed:

The teams in this LOB support the core operations of the enterprise resource planning solution including the inbound and outbound interfaces from enterprise-wide computer applications for public safety, public health, human services, revenue and taxation, and land development, finance and accounting, purchasing, payroll and human resource management, libraries and facilities management and many others that send data to and from FOCUS. This LOB supports ongoing critical County operational and customer service needs associated with monitoring, maintaining the functionality of the interfaces, ensuring accuracy of data and timely transmission of data and resolving issues.

Number of 1099's Produced and Filed with the Internal Revenue Service:

This metric represents the number of vendors whose payments require tax reporting to the IRS. More than 31,000 vendors are reviewed for reportable status for their business and payment type. The volume is not expected to change and would not indicate a success or problem for the payment process. Instead, these totals represent the level of effort required by the LOB's vendor maintenance program. The key factor to the volume is the number of vendors Fairfax County contracts business for services with.

Number of Purchase Order Transactions Processed by Accounts Payable,

Number of Payments Processed via FOCUS,

Number of Accounts Payable Documents Managed via Interface:

These metrics represent the level of effort required by the LOB's staff to manage the procurement and payment functionality in FOCUS. The key factor to the volume is that with the implementation of FOCUS with enhanced purchasing capabilities FOCUS provided an efficient technology solution for procurement and payment. Note: Payments are items as varied as vendor obligations, tax refunds, employee reimbursements, debt services, rental leases, and the County's human services benefits programs. The metric represents the volume of output required from the LOB to maintain all County programs and services to the residents of Fairfax County.