

Department of Procurement and Material Management

LOB #35:

PROCUREMENT SUPPORT AND OVERSIGHT

Purpose

The Procurement Support & Oversight (PS&O) LOB supports an array of procurement-related programs, the purpose of which is to provide procurement support to internal and external customers including vendors, user departments and DPMM's Contracts staff. The most outward facing of these programs is the Supplier Diversity Program whose purpose is to break down barriers for small, woman and minority-owned (SWaM) vendors to do business with the county. PS&O's Sustainable Procurement Program seeks green/sustainable procurement options from suppliers and promotes environmentally conscious procurement to internal staff. PS&O also administers the county's robust 1,500 card p-card program and the office supply program. In addition, PS&O acts as functional liaison to FOCUS, providing the all-important link between business requirements and system technical capabilities. The LOB also includes the fixed asset oversight required for accountability of capital equipment assets.

PS&O gathers several diverse procurement functions on one team and achieves efficiencies by leveraging the synergies between each program. The team configuration provides a structure for the training and management of shared responsibilities for programs with very limited staffing.

Description

Procurement Support & Oversight is a line of business with several programs that provide support and oversight for various frontline procurement activities performed by DPMM, user departments and the vendor community. The primary programs are:

- **Sustainable Purchasing Program**: The nature of 'sustainable' purchasing has evolved in recent years to encompass not only the traditional concept of green or environmentally-preferable procurement but also the social and economic health of the county's supply chain. Previously delivered in two separate lines of business, DPMM has consolidated green procurement and supplier diversity into a single 'Sustainability' Line of Business to leverage resources and use the County's market influence to enhance sustainable outcomes. Implementing an integrated plan for sustainable purchasing will assist the county in saving money, improving vendor relationships and promoting a more resilient supply chain.
- **Supplier Diversity Program**: In keeping with the Board of Supervisors' mandate to increase participation by the county's small and minority business community in county procurement activity, DPMM established the Supplier Diversity program. Although the program is a new one for the PS&O LOB, DPMM has maintained a vendor relations/supplier diversity program for decades. The primary responsibility of the program is to ensure that SWaM businesses are treated fairly and have an opportunity to compete for the county's purchasing dollars. The program provides training, outreach, assistance and, along with the Fairfax County Small Business Commission, sponsors the annual Vendor Forum and Reverse Trade show, the premier event of its kind in the region. In FY2015, approximately 44 percent of county purchasing dollars were spent with SWaM businesses, a noteworthy statistic that is driven by this program.
- **Environmental Procurement Program**: This program seeks to promote environmentally sound and sustainable procurement through outreach to user departments, vendors and contract staff. Management of this former "Green" program together with the Supplier Diversity Program described above allows us to take advantage of the areas where these programs intersect. Both programs involve robust vendor outreach as well as user training and efforts to influence user departments to consider a diverse array of factors when making purchasing decisions.

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- **Program Administration for the County's P-card and Office Supply Programs:** In FY 2015, county departments spent \$57 million via 133,500 individual p-card transactions. Office supply purchasers spent \$3.15 million annually through over 11,000 electronic transactions that generate orders for virtually all of the office supplies consumed by Fairfax County government. Both of these widely used programs require comprehensive support. Together the programs produce over \$1.1 million in rebates.
- **Functional liaison for the FOCUS system:** As the business owners for the procurement piece of FOCUS, PS&O works with the technical staff of FBSG and DIT to assure the county's procurement requirements are addressed by the FOCUS system. Program staff must have a working understanding of FOCUS and technical concepts as well as an understanding of both department users' and central staffs' business needs.
- **Fixed asset oversight:** DPMM has oversight responsibility for \$452 million in accountable equipment assets. This program assures user agency accountability for all accountable equipment over \$5,000 and helps support the validity of the assets reported by the CAFR. Program administration requires physical verification of assets by both program staff and, alternatively, by departmental personnel. Program staff provides consultation and assurance of the using department's proper acquisition of these assets through FOCUS.

Benefits

The programs in this LOB benefit both internal and external customers and are primarily tied to four of the county's vision elements.

- The **Supplier Diversity Program** helps to **maintain healthy economies** by helping small, minority, and women-owned businesses to compete for county business. It also contributes to **creating a culture of engagement** by encouraging members of our local vendor community to work with the county to provide services to citizens.
- The **Environmental Procurement Program** supports the county's role in **practicing environmental stewardship** and also helps to **maintain healthy economies** in its efforts to develop a market for and utilization of green products.
- The **administration of the P-card and Office Supply programs** is an internal service that demonstrates our commitment to **corporate stewardship** by streamlining procurement for county departments as well as contributing rebate money back into county coffers.
- **Liaison for the FOCUS system and fixed asset oversight** are both central service programs that benefit county residents indirectly by supporting procurement by and for county departments. Like most of the DPMM's programs, these programs demonstrate our commitment to a high level of customer service for internal customers and to our obligation for **corporate stewardship**.

Mandates

The Procurement Support & Oversight LOB is partially mandated:

- Fixed asset oversight, reference Article 6 of the *Fairfax County Purchasing Resolution*. This LOB is responsible for all accountable equipment for purposes of financial tracking and reporting.

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Trends and Challenges

The most significant challenge on the horizon for PS&O is keeping pace with the expansion of e-commerce into almost every aspect of our 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.

Many public entities at the state and local levels now receive solicitation responses via an e-bidding platform. While FOCUS has a nascent e-bidding functionality, technical and security issues have so far prevented implementation. 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 our vendor community while taking advantage of the benefits offered by advanced e-focused trends will be challenging.

On the payment side, PS&O must partner with the Department of Finance to meet the increasing demands for electronic payment tools. PS&O's robust p-card program has facilitated both electronic ordering and electronic payment for several years. However, security and logistics issues of increased p-card use will continue to challenge PS&O and may create an increased need for resources devoted to managing and monitoring this program.

It is evident that e-commerce offers unparalleled opportunities for the procurement field and as technical liaison for DPMM, the PS&O LOB will lead the functional effort to both manage and exploit this trend.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
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FUNDING			
<u>Expenditures:</u>			
Compensation	\$663,234	\$658,723	\$611,871
Operating Expenses	1,273,528	1,276,026	1,298,269
Total Expenditures	\$1,936,762	\$1,934,749	\$1,910,140
General Fund Revenue	\$1,581,792	\$1,885,468	\$1,581,792
Net Cost/(Savings) to General Fund	\$354,970	\$49,281	\$328,348
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	9 / 9	10 / 10	10 / 10
Total Positions	9 / 9	10 / 10	10 / 10

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Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
P-card transactions as a percentage of procurement transactions	74%	74%	75%	74%	74%
Rebates and incentives received from p-card and office supplies	\$2,196,963	\$2,332,116	\$2,359,486	\$2,303,914	\$2,308,308

P-card transactions as a percentage of procurement transactions

The administrative cost of processing a p-card order is well below the cost of a purchase order (PO), the higher the percentage of p-card transactions, the higher the administrative cost savings. As the bulk of p-card transactions are for low dollar purchases, the p-card process streamlines procurement for low cost/low risk purchases. The challenge is to assure adequate oversight and management of a program that currently processes over 130,000 transactions a year performed by a widespread network of department users.

At almost 75 percent for the past three years, this measure appears to be holding steady and is expected to remain so through the next two fiscal years.

Rebates and incentives received from the p-card and office supply programs

Rebates and incentives received from the p-card and office supply program represent revenue generated from the county's p-card and office supply contractor for use of their products/services. Both contracts are competitively solicited to with the aim of procuring the best combination of price and value available. These types of rebates and incentives are typical in these industries. The county receives a revenue stream for operating programs that add efficiency and visibility to our processes.

The amount of our rebates is based on a combination of several factors – including total spend, average transaction size, speed of payment, and use of electronic purchasing tools. Rebates have risen fairly steadily over the past several years as program growth occurs. With recent budget cuts effecting a reduction in county spending, the rebates are expected to remain flat or drop slightly. However, our current contracts for both p-card services and office supplies are expiring in the near future and the resolicitation process is currently underway. New contracts could create a change in the rebate structure that would affect this metric.