Process Review – Commodity and Operational Service Procurement

Logistics

October 2014

LaGov

Process Review Session Agenda

- Purpose
- Commodity & Operational Service Procurement Business Process Detailed Review
- LaGov - Key Design Elements
- Future Sessions
- Organizational Impacts Identified
- Questions

Purpose of Process Review Sessions

- Process Review Sessions are intended to review the current LaGov system processes:

    - Review system process designs
        - Highlight decisions that define the process, approval steps, and integration points

    - Review and discuss system design features
        - Highlight key system features and processes

    - Identify areas of changing process, roles, and responsibilities

Purpose of Today's Review Session

Detailed Review
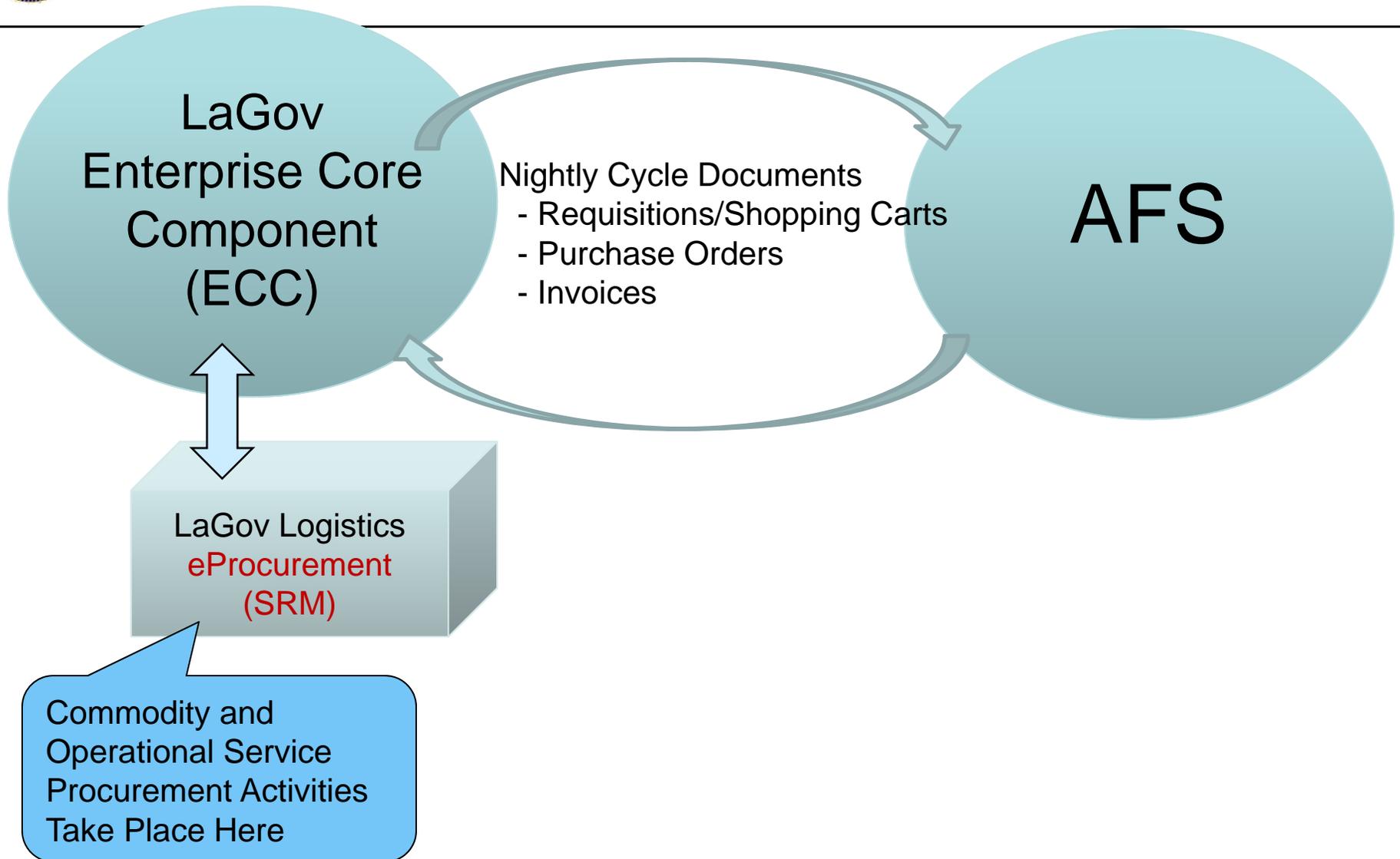- Commodity Operational Service Procurement Work Process Flows

Address
- Key features of system design and processes

Identify
- Areas of changing processes, roles, and responsibilities

LaGov Enterprise Core Component (ECC)

Nightly Cycle Documents
- Requisitions/Shopping Carts
- Purchase Orders
- Invoices

AFS

LaGov Logistics
eProcurement
(SRM)

Commodity and Operational Service Procurement Activities Take Place Here

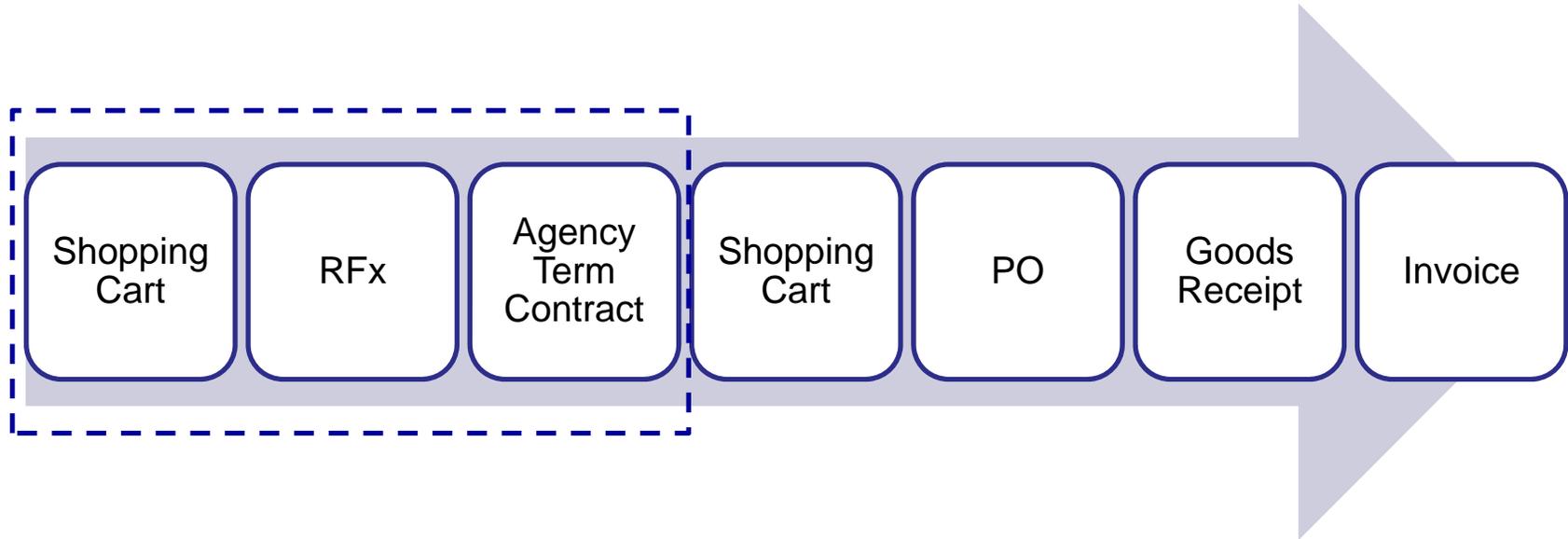# COMMODITY AND OPERATIONAL SERVICES PROCUREMENT

Commodities

- Office Supplies, Lab Equipment, Vehicle Purchases
- Purchases from Statewide Commodity Contracts

Operational Services

- Routine services that are not considered to be professional, social, consulting, or personal services
- Pest Control, Garbage Collection, etc.

Procurement Overview

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┌ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┐
│  Shopping      RFx    Agency  │  Shopping    PO    Goods    Invoice
│  Cart                 Term    │  Cart              Receipt
│                       Contract│
└ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┘
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| Shopping Cart | RFx | Agency Term Contract | Shopping Cart | PO | Goods Receipt | Invoice |

Procurement Overview

The end result of this process flow is to create a Contract that does not encumber funds, that can be referenced by Shopping Carts and Purchase Orders (release orders), and that is not typically used for one-time purchases.

The Contract indicates any specific pricing, terms, and conditions agreed to by the Vendor and can include instructions to the user on specific uses of the Contract.

SC – RFx – Contract

When the process starts with a SC, the SC is pre-encumbered. The Pre-encumbrance is released when the Contract is created.

This scenario is applicable when it is identified that the goods or services requested on a Shopping Cart should be accessible by the entire Agency.

RFx – Contract

When the process starts with an RFx, the RFx is published, RFx Responses are entered, and a Contract is created from the RFx Response. The information on both the RFx and the RFx Response is used to create the Contract.

Contract

When the process starts with a Contract, all information is entered directly into the Contract and is not copied from previous documents.

Procurement Overview
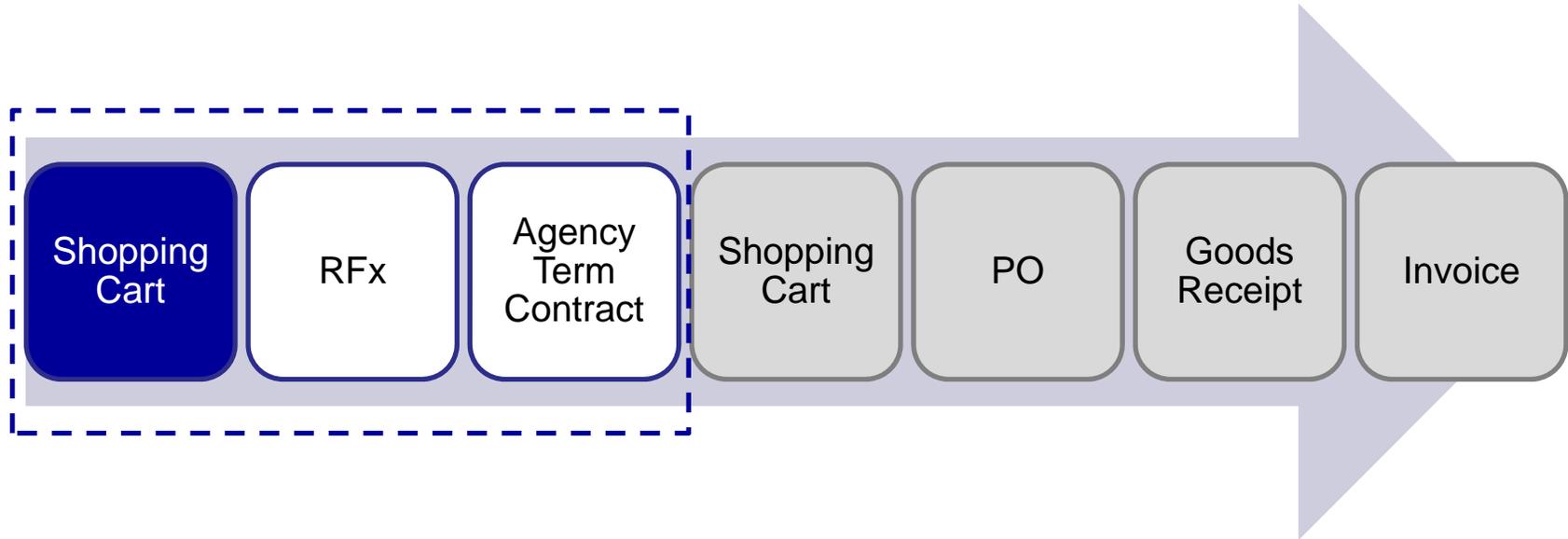
General Definition: Shopping Cart Process

- The Shopping Cart can be the starting point of the procurement process similar to today's purchasing requisition and documents the item(s) or service(s) which need to be procured in the system

- End Users (Requestors) can create requests for purchases.

- All Shopping Carts go through an approval process before they are released for further processing

- The Shopping Cart is followed by a Purchase Order, RFx, or Contract created by a Buyer

- Some Shopping Carts that meet certain criteria, once approved, will automatically generate a PO without interaction from a Buyer

Shopping Cart

Header Attributes – Information about the entire Shopping Cart

- Shopping Cart Name
- Approval Notes
- Default Settings

Line Attributes - Information about the individual goods or services that the creator wishes to procure

- Item Description
- Unit of Measure
- Price
- Accounting Information
- Long Text and Attachments

Types of Shopping Cart Lines That Can Result In a Contract:

- The requestor can enter text into the fields of the Shopping Cart and describe the requirements of their Shopping Cart line.

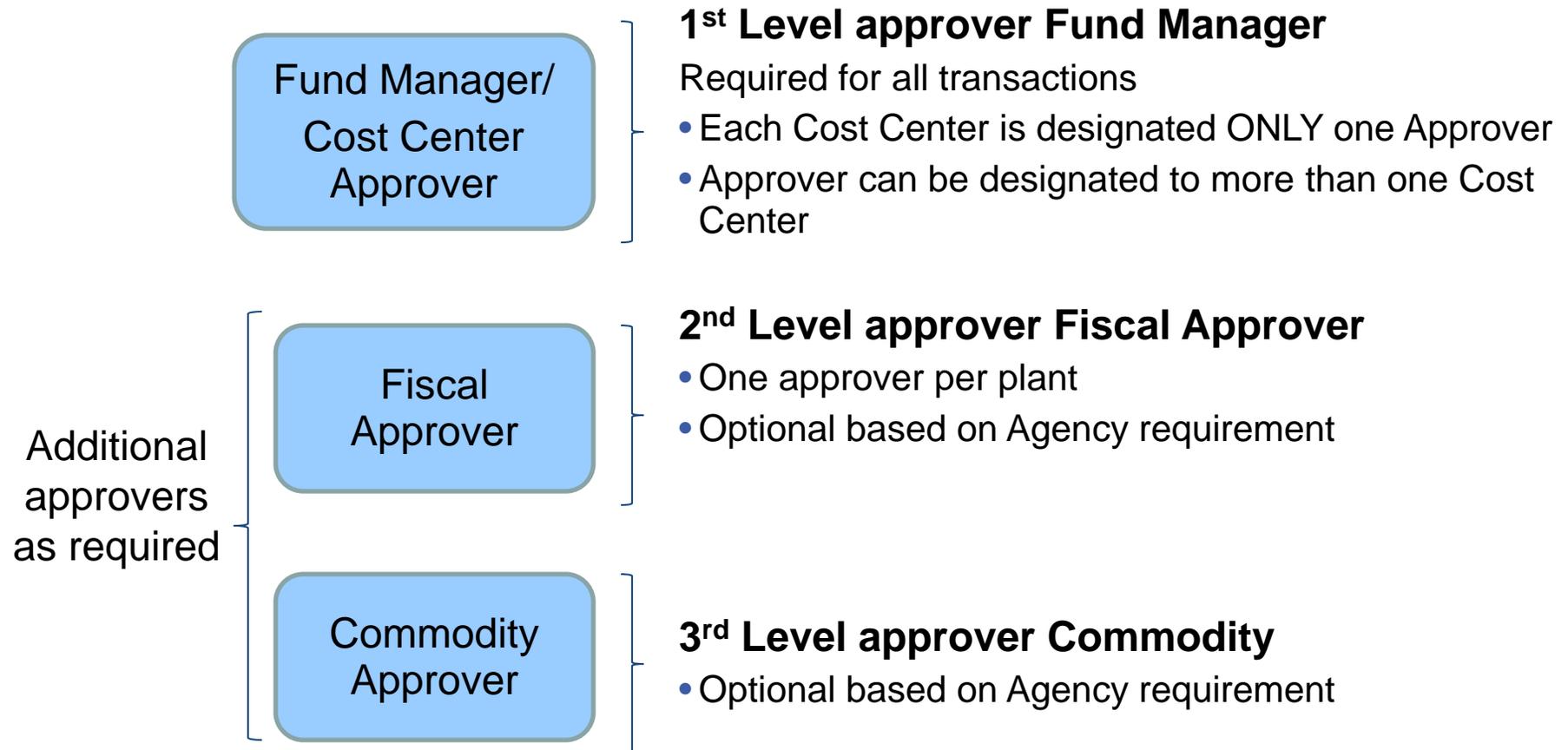- Shopping Cart lines to be used in this process (to create a Contract) can be entered with a zero price.

Once all of the required information is entered in a Shopping Cart and no errors are displayed to the user, the Shopping Cart can be "Ordered".

This ordering of the Shopping Cart routes the Shopping Cart through the predetermined approval process.

Approvers are dynamically determined based on the data entered in the Shopping Cart.

Shopping Cart Approvals

Fund Manager/ Cost Center Approver

1st Level approver Fund Manager

Required for all transactions

- Each Cost Center is designated ONLY one Approver
- Approver can be designated to more than one Cost Center

Additional approvers as required

Fiscal Approver

2nd Level approver Fiscal Approver

- One approver per plant
- Optional based on Agency requirement

Commodity Approver

3rd Level approver Commodity

- Optional based on Agency requirement

Once a Shopping Cart has been approved, and does not generate an Auto PO, the Shopping Cart request will be fulfilled by a Buyer by creating a PO, a Contract or RFx and subsequent PO or Contract.
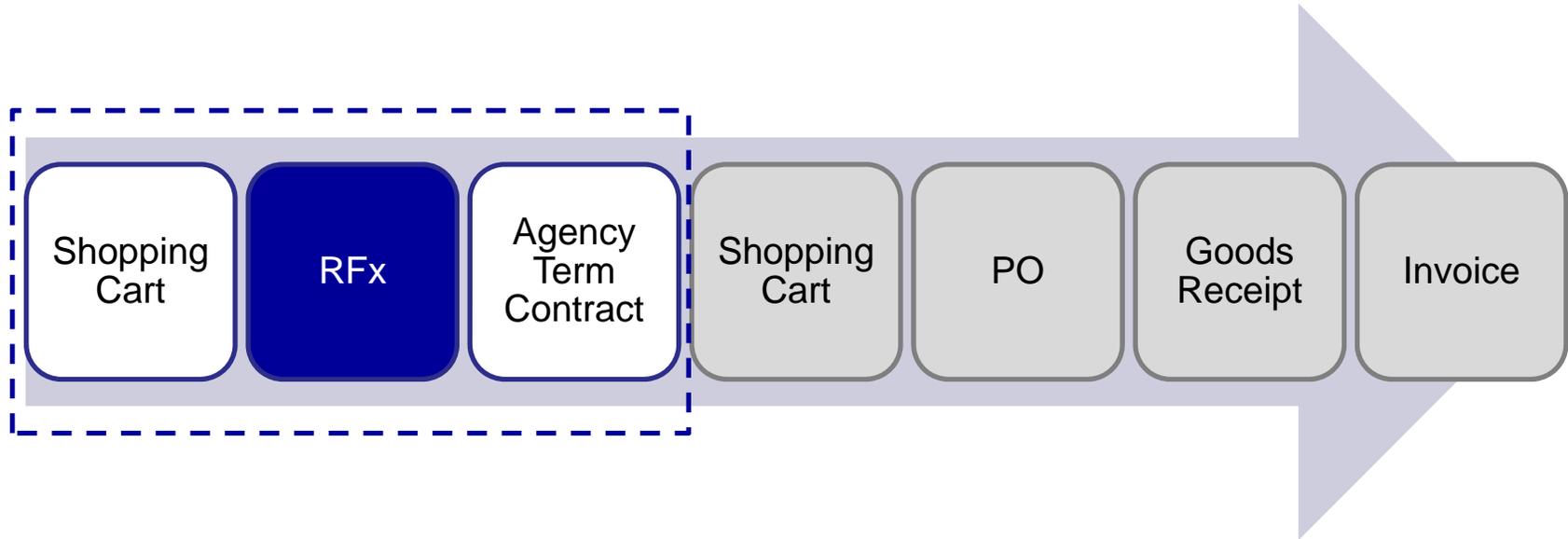
The Buyer accesses the "Perform Sourcing" section of SRM to process these Shopping Carts.

The Buyer selects the Shopping Cart to work with and generates the follow-on document from it.

1	2	3	4
Select Requisition	Assign Sources of Supply (No Items)	Review Drafts (No Items)	Summary Screen (No Documents)

Procurement Overview

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┌ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┐
   Shopping        RFx        Agency      Shopping      PO      Goods     Invoice
     Cart                      Term         Cart               Receipt
                             Contract
└ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┘
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An RFx in SRM is an invitation extended to vendors by a buyer to submit a Bid Response for the supply of materials or performance of services. This term is interchangeable with ITB's, RFP's, and Solicitations.

RFx Structure
- Header
  - Contains information about the entire RFx
- Line item
  - Contains information about the individual goods or services that the creator wants to solicit

The RFx can be created from:
- Shopping Carts
- Directly Typing in Requirements

All information is copied from the Shopping Cart when one is used to create the RFx.

Attachments such as Word Docs, Excel Sheets, PDFs, etc. can be added to the RFx.

RFx Approval

Once all required information is entered, the RFx is sent to any required approvers.

Referenced Buyer Approver

Referenced Buyer Approver

Required if the Buyer creating the RFx does not belong to the Purchasing Group identified

- Buyer belonging to the PGroup identified

Once all approvals have been obtained, the RFx is published and a file is sent to LaPAC for posting on their website.

LaPAC then notifies registered vendors of the RFx via email.

RFXs do not print automatically when published so buyer will have to print the RFX using the Print Preview function if a hard copy is required.

Bid Submission and Opening Dates

Before Opening Date Has Passed

Dates		
Start Date:		00:00:00
Submission Deadline: *	10/10/2014	10:00:00
Opening Date: *	10/10/2014	10:00:00

After Opening Date Has Passed

Dates		
Start Date:		00:00:00
Submission Deadline: *	12/30/9999	10:00:00
Opening Date: *	10/10/2014	10:00:00

This date changes automatically to allow surrogate bids to be entered.

An RFx Response (Bid) is submitted offline by a Bidder and must be entered by a buyer after the RFx Bid Opening Time has passed. This entry method is known as "Surrogate Bidding" in SRM.

Once all Responses are entered in SRM, they can be compared and evaluated in the system.

The buyer has the option to award a single bidder or multiple bidders to create a PO(s) or Contract(s).

RFx Response Approval

Once a Bid Response has been Accepted, workflow is started and if the amount exceeds the Agency's DPA, the response will require Office of State Purchasing approval.

OSP Approver

OSP Approver

Required if the Accepted RFx Response exceeds an Agency's DPA

- Approver determined by Product Category responsibility

Once the RFx Response has been approved, the information from the RFx is combined with the details from the RFx Response and is used to create the Contract.

Once the Contract is created and released, LaPAC is updated and posts the award information.

Demonstration
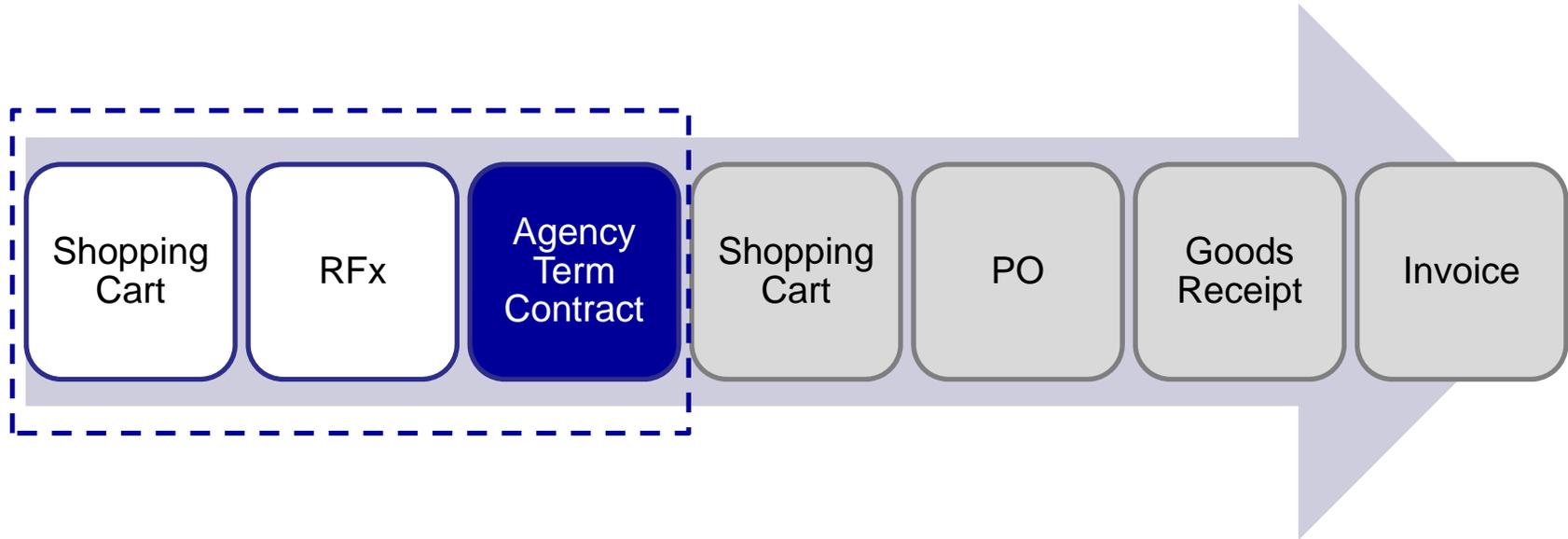
A Contract document in SRM is used to identify an agreement between the State and a Vendor to supply commodities or services at pre-determined prices.

A Contract does not encumber funds when created and is not used to pay invoices.

Contracts are referenced by Shopping Carts and Purchase Orders to access pre-determined pricing and Terms and Conditions.

A Contract can be created from an RFx Response, a Shopping Cart, or by directly entering the required information on the document.

Contract Structure
- Header
  - Contains information about the entire Contract
- Line item
  - Contains entries and details about the individual goods or services that the Vendor has agreed to supply

A Contract with Product Category detail is created in SRM.

The line item detail is captured in the Internal Catalog.

The Internal Catalog lists contract items and their details such as short description, unit of measure, price, long description, etc.

Once all required information is entered, the Contract is released and workflow is started. There are no system generated approvers for Contracts.

Once approved, the Contract status becomes "Released" and can be used as a Source of Supply for Shopping Carts and Purchase Orders.

Demonstration

Uniforms may be used as an example scenario for this process. Individual uniforms can be listed on the Shopping Cart as individual lines. Once approved the Shopping Cart is then used to create an RFx. Bidders would respond with specific pricing for each line and each line would result as a separate line on the Contract. Requestors would then shop the Internal Catalogs link for the uniforms. Once selected, the appropriate pricing, text and Contract information would pull in to the Shopping Cart. The Shopping Cart would be followed by the PO, Goods Receipt, and Invoice.

COMMODITY AND OPERATIONAL SERVICES PROCUREMENT

Contract Commodity Procurement Overview
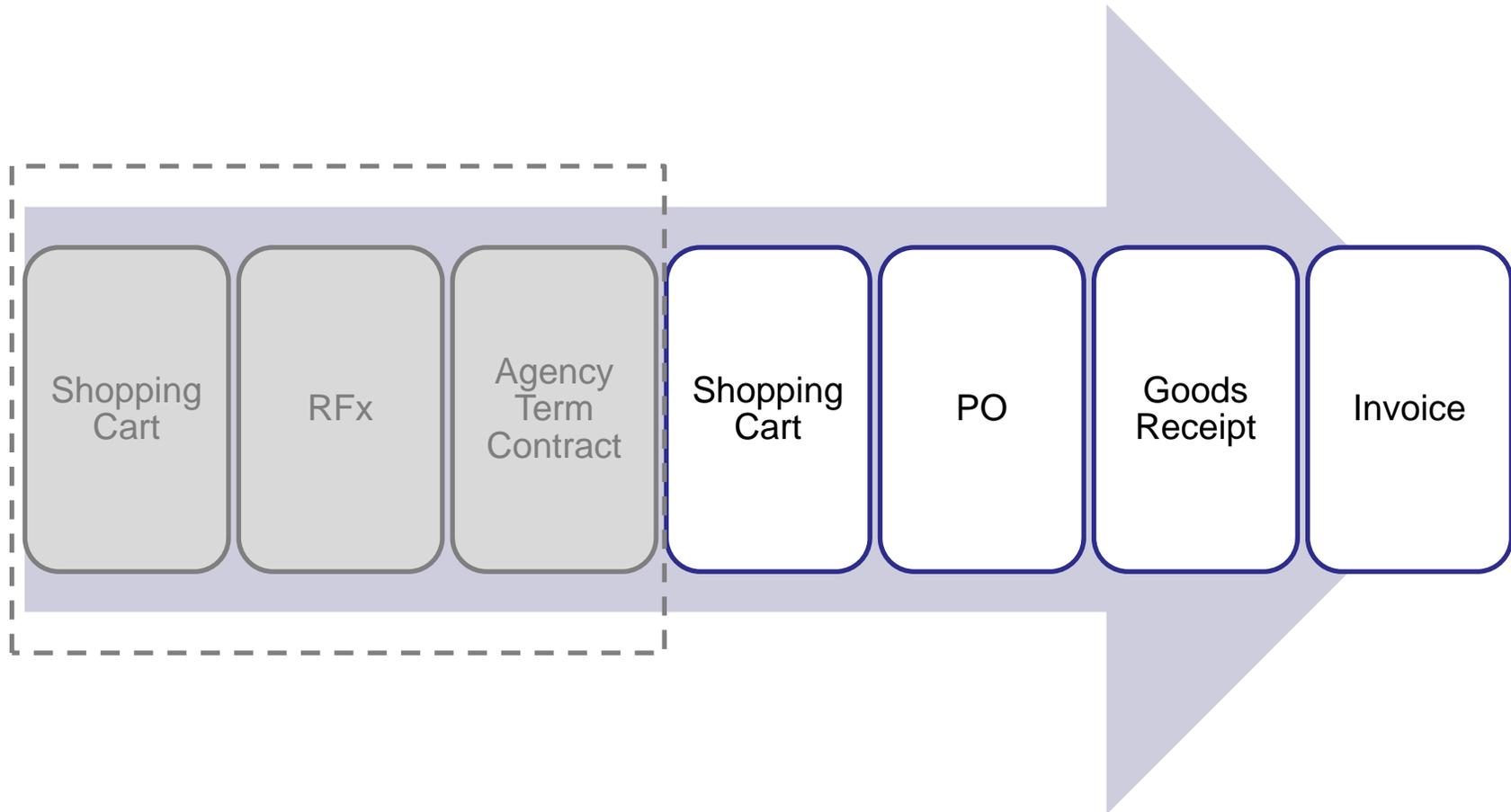
The end result of this process flow is to order and receive commodities or operational services by referencing a Contract on a Purchase Order.

The Contract creation process was discussed previously. Now we will discuss the details of using the Contract on the Shopping Cart and Purchase Order.

This process does not include the creation of the RFx. The bidding process was performed prior to the Contract creation.

Contract Commodity Procurement Overview
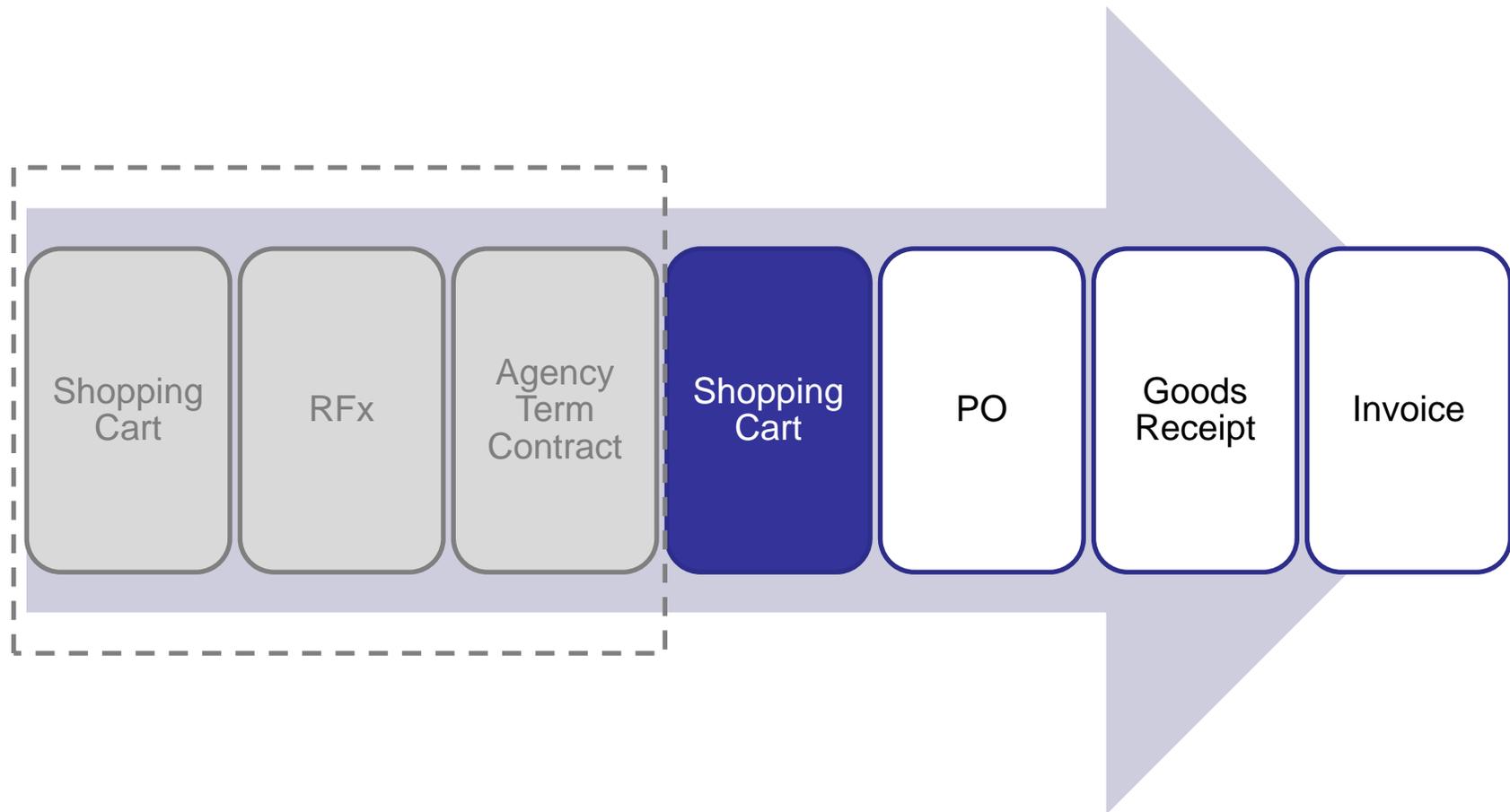
Shopping Cart

All Information discussed earlier applies to the Shopping Cart used in this process (to create a Purchase Order).

The following slides detail additional information about the Shopping Cart used in this process.

Shopping Cart lines can be created from the
following sources:

- Internal Catalog (Statewide and Agency Term Contract items)

- Punch-out (External Catalog items)

- Describe Requirement

- Copying a line from an old Shopping Cart

The Internal Catalog contains all available statewide and Agency Term contract items.

Internal Catalog items can be searched and filtered to reduce the number of items displayed to the requestor.

Requestors can drill down on specific items and compare multiple items side-by-side.

Selected items are added to the Shopping Cart for further processing.

Punch-out (External Catalogs)

Punch-out Catalogs are statewide contracts that allow requestors to visit the Vendor's website to select items for purchase.

The selected items are transferred from the Vendor's website and added to the Shopping Cart to allow for further processing.

If none of the other Shopping Cart line options are applicable, the user may choose to enter their requirements by describing them on the line.

They can type in the Short Description, Unit of Measure, Product Category, Long Description, etc.

They can also add attachments to the Shopping Cart to further define the items requested.

Account Assignment

Each Shopping Cart line can be apportioned to different accounting objects and accounts.

There are multiple account assignment categories that are used in SRM.

The LaGov project team is evaluating creating an additional single account assignment to be used by AGPS Replacement Agencies.

AFS	LaGov
Object	General Ledger
Agency + Expense Org	Cost Center
Agency + Rep. Category	Fund
Activity	WBS
Sub Object	Fund Center

Existing AFS accounts and numbers will be entered in SRM via their respective SRM labeled field.

Split Accounting Distribution

Each line can also be split between multiple account assignments, i.e. different cost centers, different grants etc.

| Item Data | Account Assignment | Notes and Attachments | Delivery Address/Performance Location | Sources of S |

You can see who bears the costs and, if necessary, you can distribute the cost to several cost centres

Cost Distribution [Percentage ▼] [Details] [Add Line] [Copy] [Paste] [Duplicate] [Delete] [Split Distribution] [Change All Item]

	Number	Accounting Line Number	Percentage	Account Assignment Category	Assign Number	A
	0001		80.00	Cost Center ▼		
	0002		20.00	Cost Center ▼		

Once all of the required information is entered in a Shopping Cart and no errors are displayed to the user, the Shopping Cart can be "Ordered".
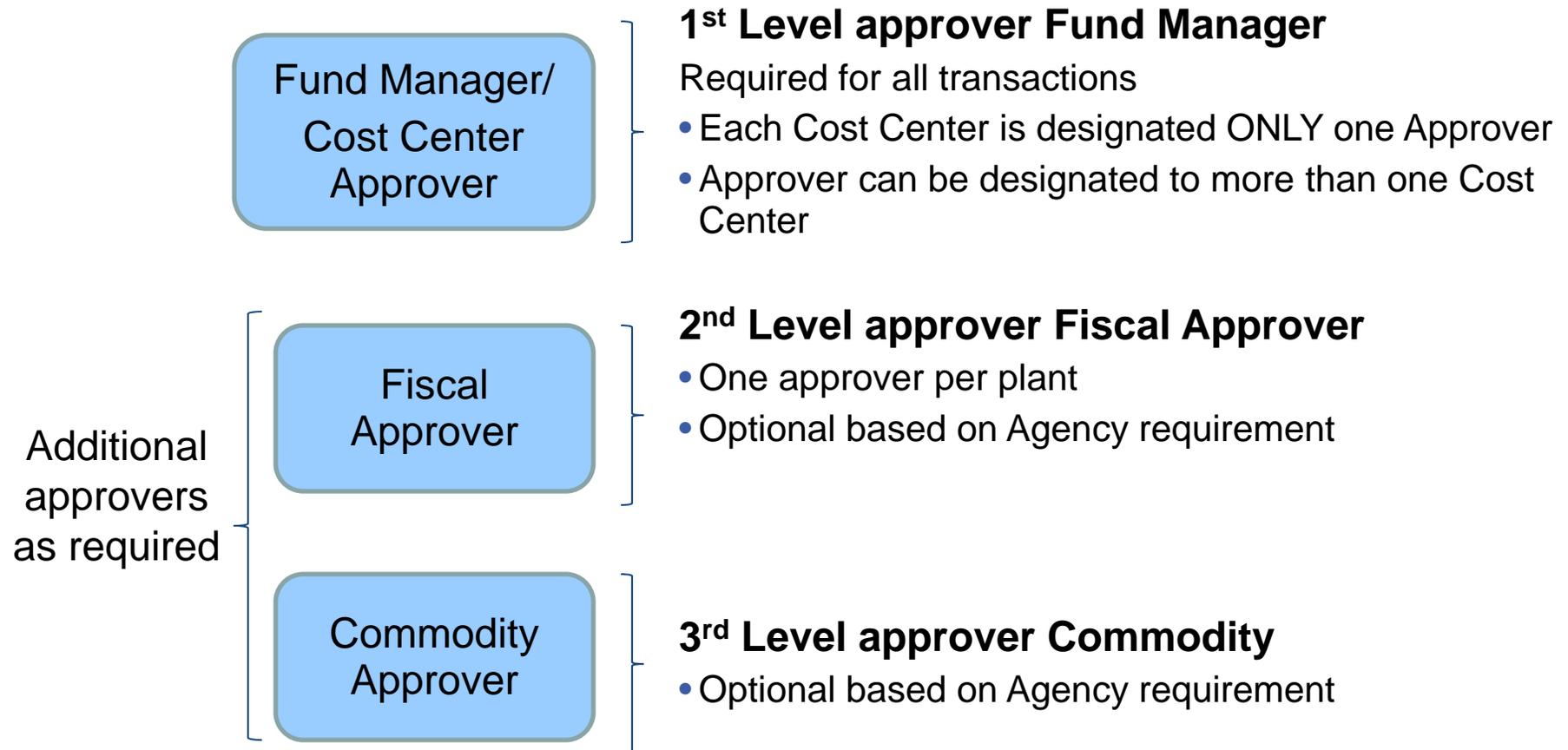
This ordering of the Shopping Cart routes the Shopping Cart through the predetermined approval process.

Approvers are dynamically determined based on the data entered in the Shopping Cart.

The Shopping Cart pre-encumbrance takes place in AFS via the nightly cycle after all approvals are obtained
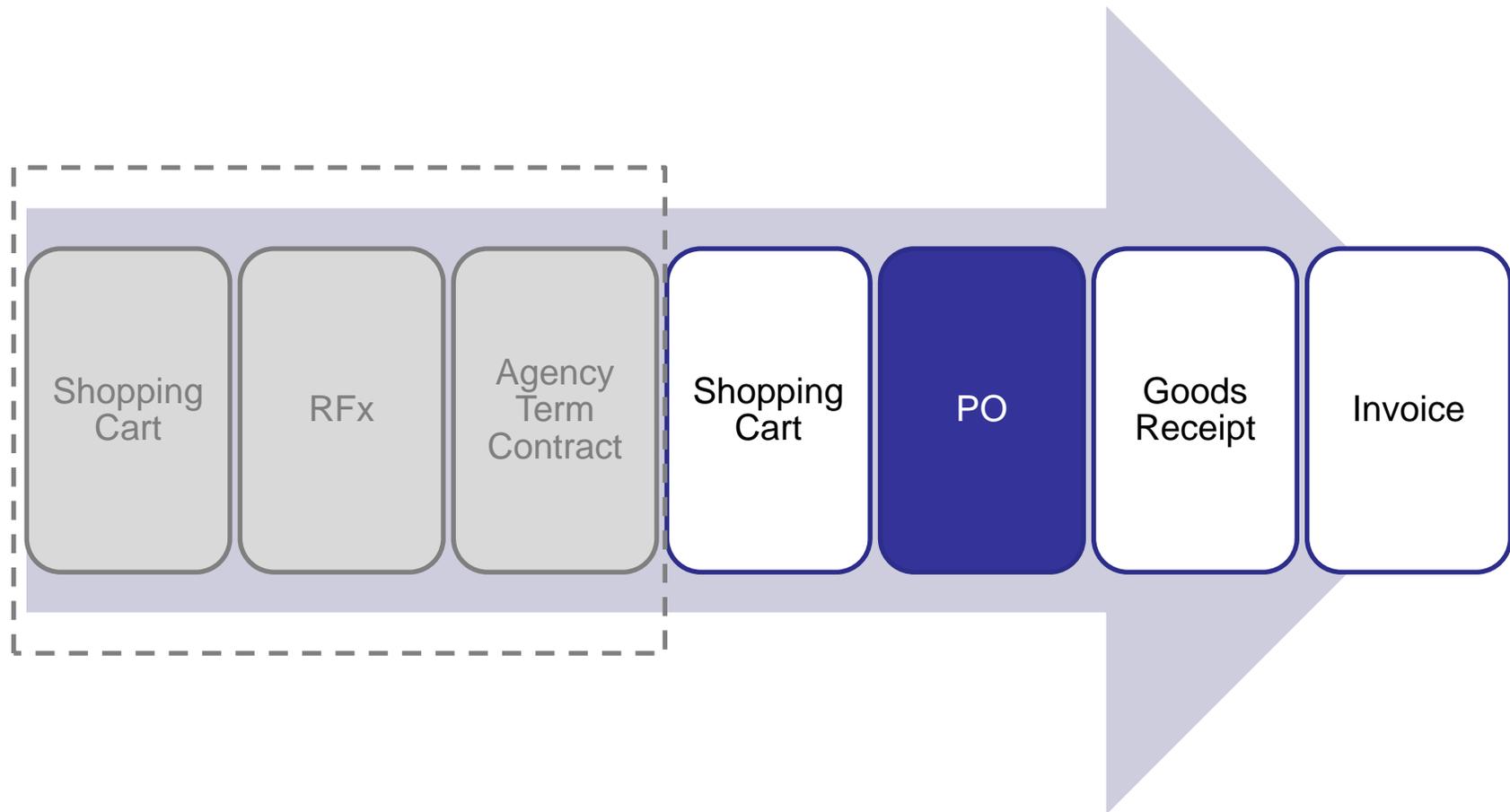
Shopping Cart Approvals

Fund Manager/ Cost Center Approver

1st Level approver Fund Manager

Required for all transactions

- Each Cost Center is designated ONLY one Approver
- Approver can be designated to more than one Cost Center

Additional approvers as required

Fiscal Approver

2nd Level approver Fiscal Approver

- One approver per plant
- Optional based on Agency requirement

Commodity Approver

3rd Level approver Commodity

- Optional based on Agency requirement

Shopping Cart

Commodity Procurement Overview

Shopping Cart → RFx → Agency Term Contract | Shopping Cart → PO → Goods Receipt → Invoice

Automatic Purchase Order

Once a Shopping Cart has been approved, if it meets the criteria below, a Purchase Order will be automatically created by SRM. The current criteria for Automatic Purchase Orders are that the Shopping Cart total value is less than $5,000 AND

1. Shopping Cart item is from a catalog or a contract is assigned OR
2. Shopping Cart item is marked Confirming

The PO will print at the Buyer's printer (after the nightly cycle has run and the PO encumbered successfully). The Buyer can then review the PO and send it to the Vendor.

The automatically generated Purchase Order will be displayed in the Buyer's Active Queries.

The PO carries all of the information from the Shopping Cart.

Shopping Carts that do not meet the Auto-PO criteria, will be sent to the Perform Sourcing link for further processing into an RFx or PO.

Purchase Order

Purchase Orders are created in SRM by a buyer from an approved shopping cart or accepted RFx response.

Purchase Order Structure
- Header
  - Contains information about the entire purchase order
- Line item
  - Contains entries about the individual goods or services that the creator wants to procure

Account Assignments and Accounting Data
- Account assignment information and all other fields will be adopted into the PO line item from the shopping cart.
- An item on the PO can be funded from a single funding source or from multiple sources.

Encumbrance
- Shopping Cart pre-encumbrance is reduced/liquidated and PO encumbrance is created (via the nightly cycle) after all required approvals are obtained.
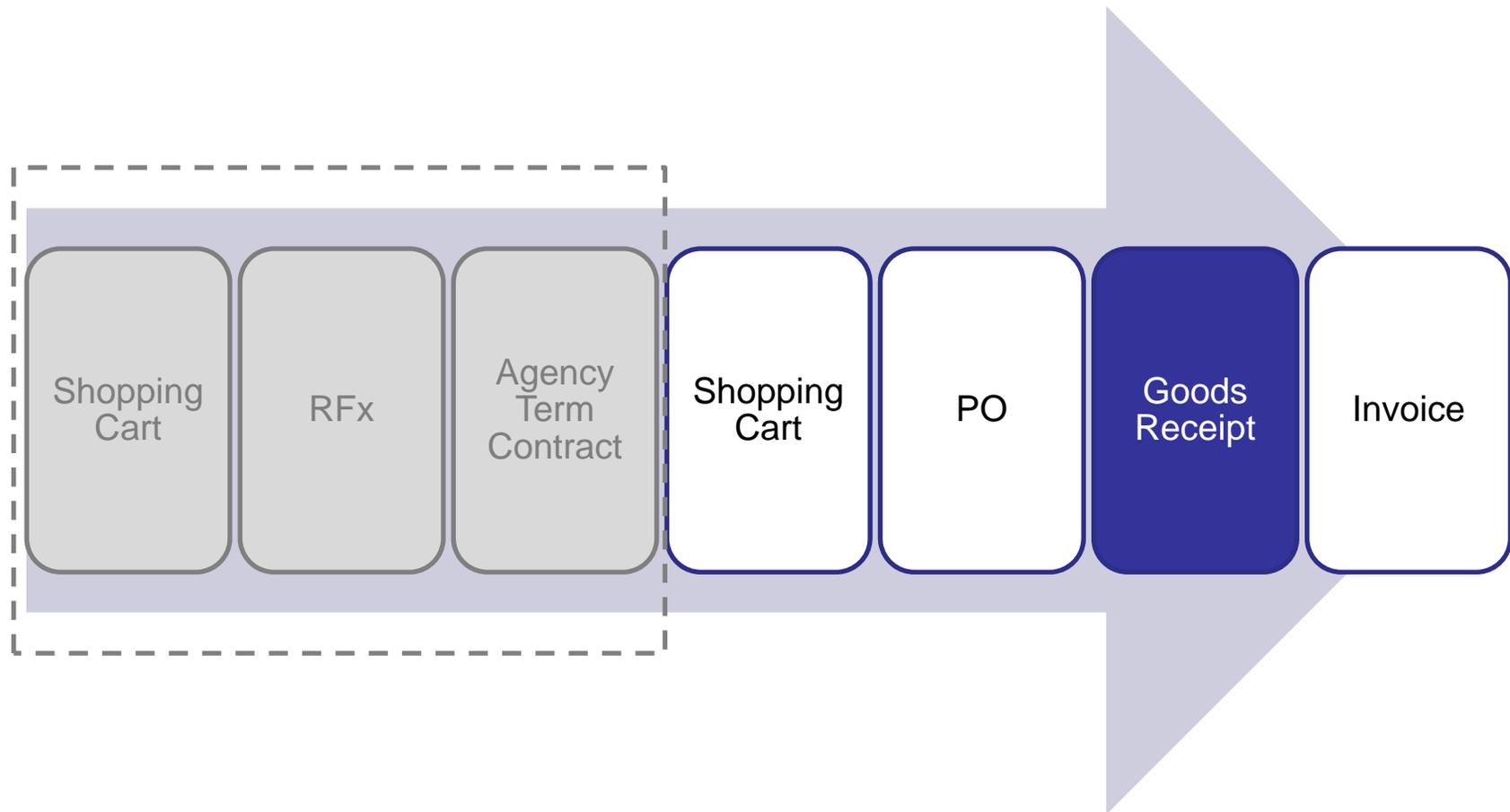
Demonstration

Contract Commodity Procurement Overview

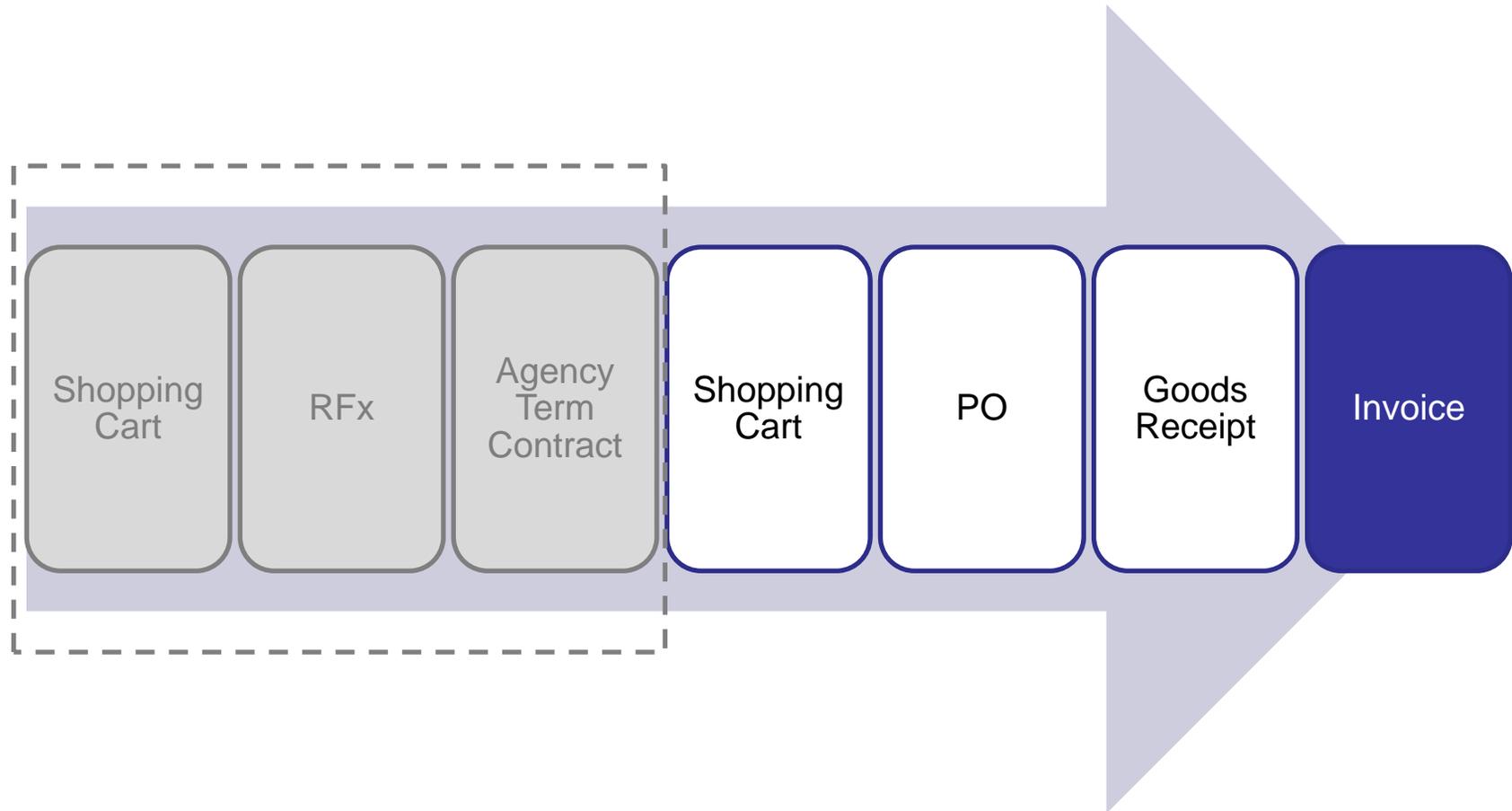Shopping Cart → RFx → Agency Term Contract → Shopping Cart → PO → Goods Receipt → Invoice

A Goods Receipt for a Commodity procurement is entered in LaGov to confirm when the goods on a PO have been delivered by the Vendor.

A Service Entry for a Service procurement is entered in LaGov to confirm when the services on a PO have been performed by the Vendor.

A Goods Receipt must be performed prior to payment of an invoice (except for "Confirming Orders" to be discussed later in this session).

The paper version of the invoice from the Vendor requesting payment is entered in LaGov as an Invoice.

Further details of the invoicing process will be discussed in a later session.
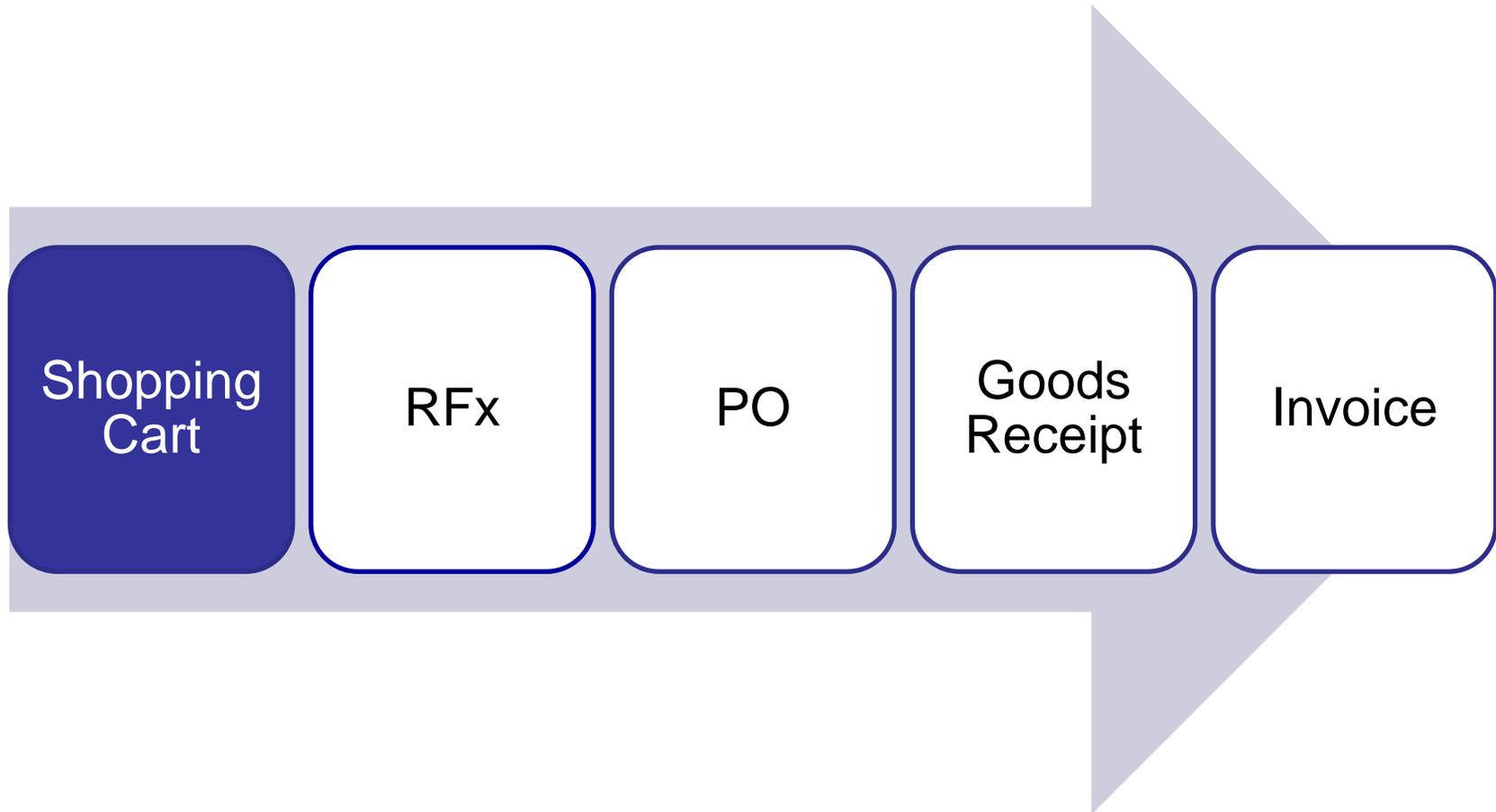
Time for a Break?

Shopping Cart → RFx → PO → Goods Receipt → Invoice
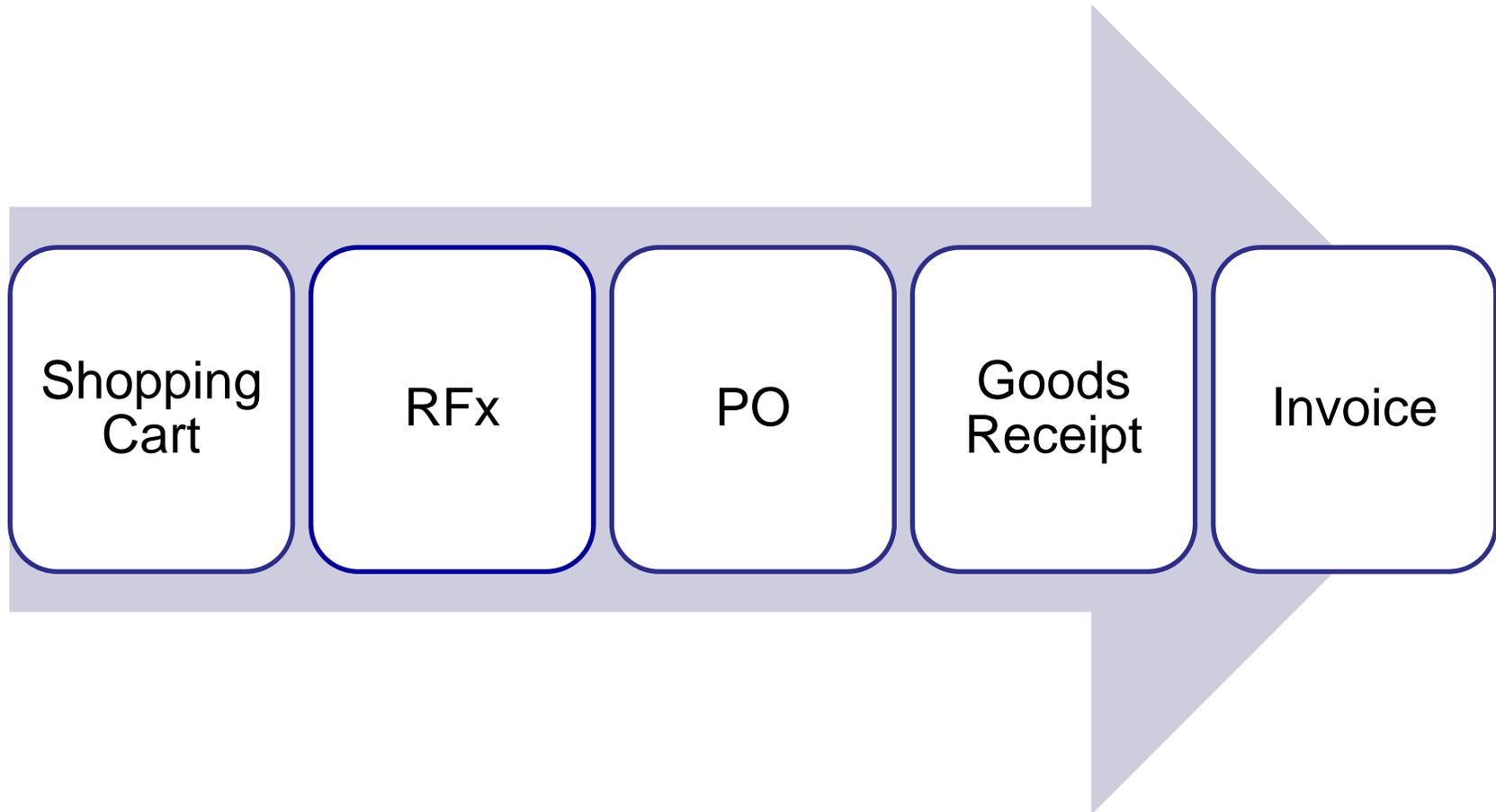
The end result of this process flow is to create a Purchase Order from an RFx and receive the commodities or operational services.

This process does not result in a Contract.

Shopping Cart → RFx → PO → Goods Receipt → Invoice

The Shopping Cart line is created by typing in the requirements. Other required fields are completed as needed.

Attachments are added if needed to further define the requested item.

Accounting information is entered.

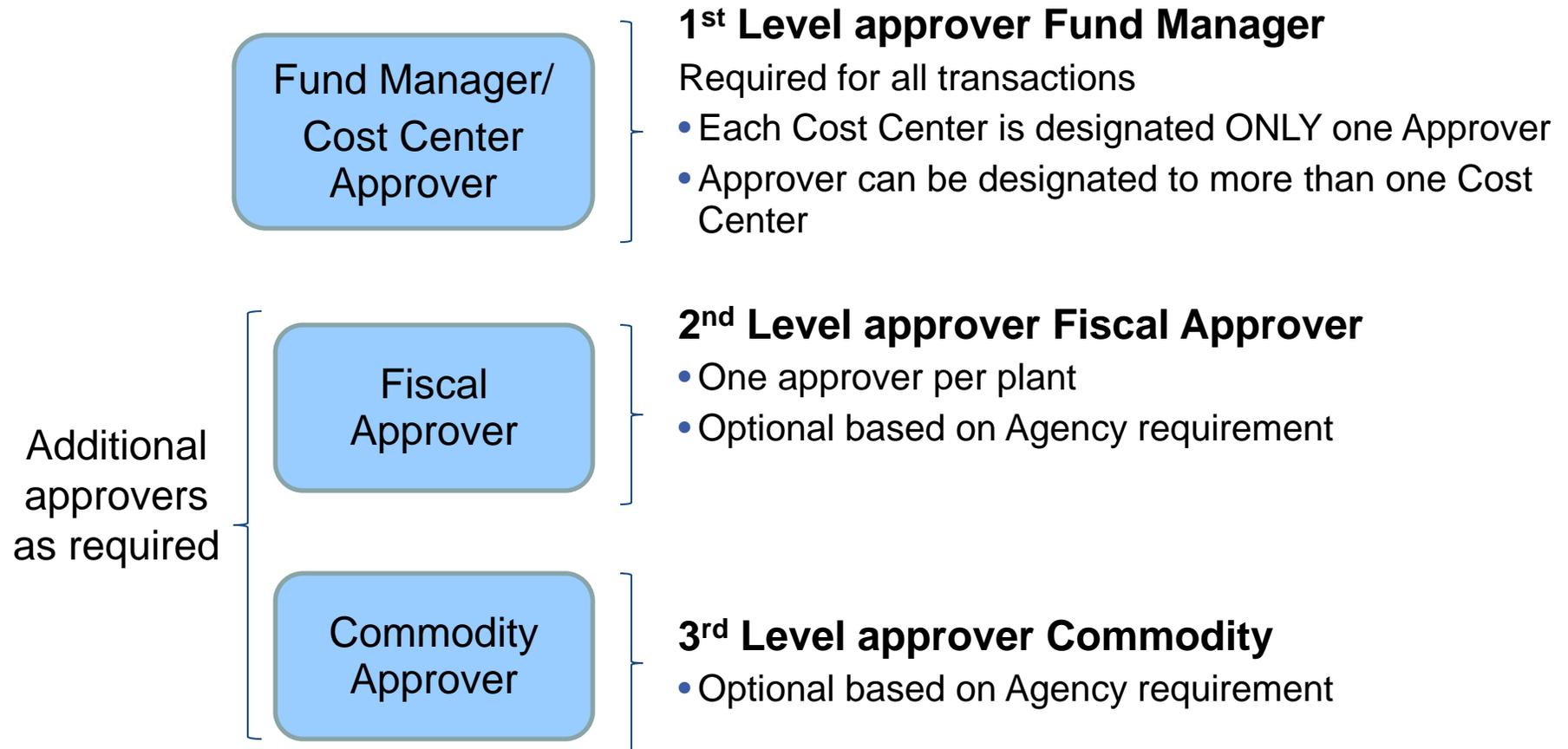A Contract is NOT referenced in this scenario.

Once all of the required information is entered in a Shopping Cart and no errors are displayed to the user, the Shopping Cart can be "Ordered".

This ordering of the Shopping Cart routes the Shopping Cart through the predetermined approval process.

Approvers are dynamically determined based on the data entered in the Shopping Cart.

Shopping Cart Approvals

Fund Manager/ Cost Center Approver

1st Level approver Fund Manager

Required for all transactions

- Each Cost Center is designated ONLY one Approver
- Approver can be designated to more than one Cost Center

Fiscal Approver

2nd Level approver Fiscal Approver

- One approver per plant
- Optional based on Agency requirement

Additional approvers as required

Commodity Approver

3rd Level approver Commodity

- Optional based on Agency requirement

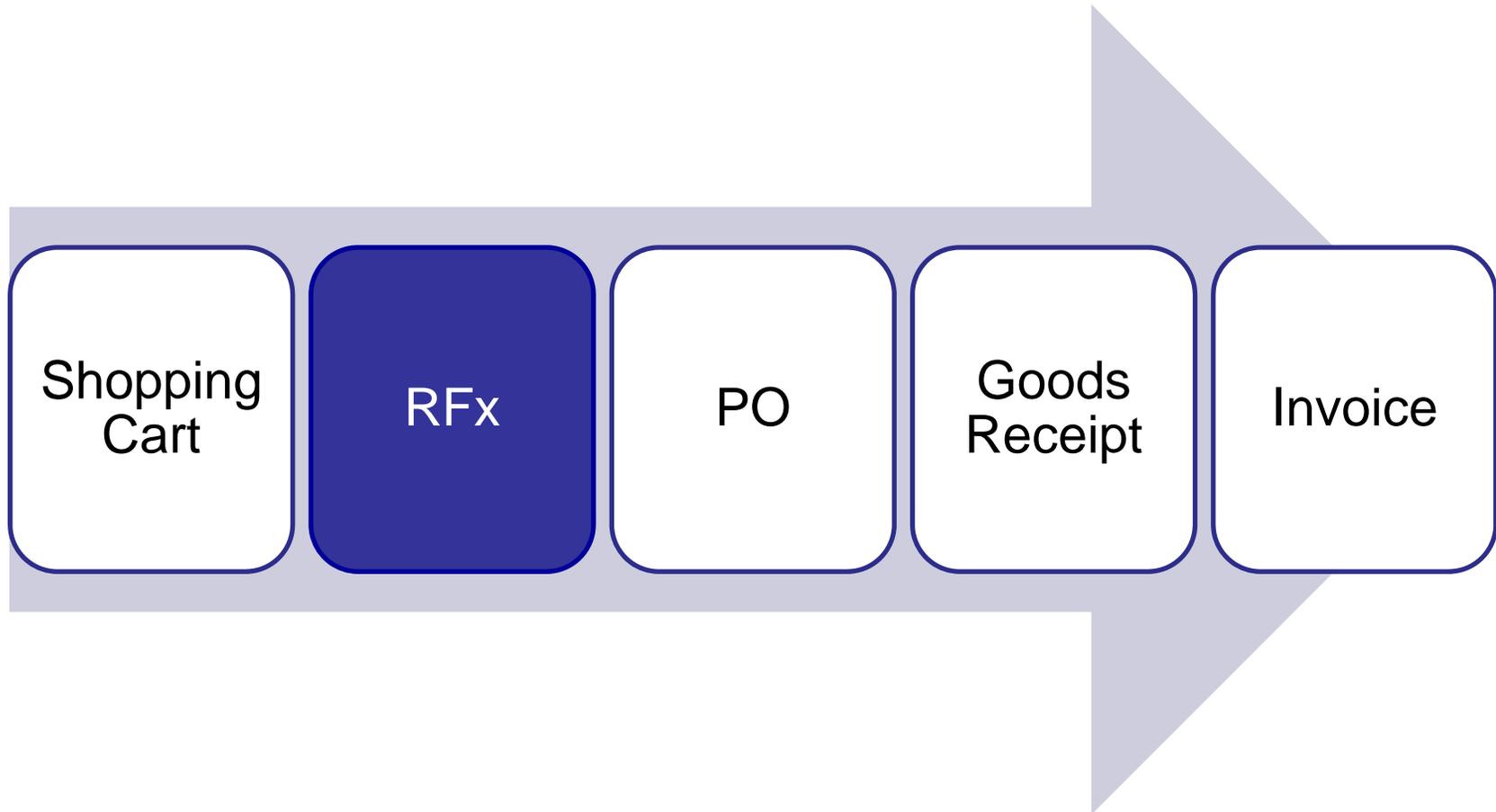Once a Shopping Cart has been approved it can be processed by a Buyer into an RFx.

The Buyer accesses the "Perform Sourcing" section of SRM to process the Shopping Cart.

The Buyer selects the Shopping Cart to work with and generates the RFx from it.

An RFx in SRM is an invitation extended to vendors by a buyer to submit a Bid Response for the supply of materials or performance of services. This term is interchangeable with ITB's, RFP's, and Solicitations.

RFx Structure

- Header
  - Contains information about the entire RFx
- Line item
  - Contains entries about the individual goods or services that the creator wants to solicit

RFx

All information from the Shopping Cart is copied to the RFx.

The Buyer adds additional information to the RFx.

Attachments such as Word Docs, Excel Sheets, PDFs, etc. can be added to the RFx.

Once all required information is entered, the RFx is sent to any required approvers.

Referenced Buyer Approver

Referenced Buyer Approver

Required if the Buyer creating the RFx does not belong to the Purchasing Group identified

- Buyer belonging to the PGroup identified

Once all approvals have been obtained, the RFx is published and a file is sent to LaPAC for posting on their website.

LaPAC then notifies registered vendors of the RFx via email.

RFXs do not print automatically when published so buyer will have to print the RFX using the Print Preview function if a hard copy is required.

An RFx Response (Bid) is submitted offline by a Bidder and must be entered by a buyer after the RFx Bid Opening Date and Time has passed. This entry method is known as "Surrogate Bidding" in SRM.

Once all Responses are entered in SRM, they can be compared and evaluated in the system.

The buyer has the option to award a single bidder or multiple bidders to create a PO(s).

RFx Response Approval

Once a Bid Response has been Accepted, workflow is started and if the amount exceeds the Agency's DPA, the response will require Office of State Purchasing approval.

OSP Approver

OSP Approver

Required if the Accepted RFx Response exceeds an Agency's DPA

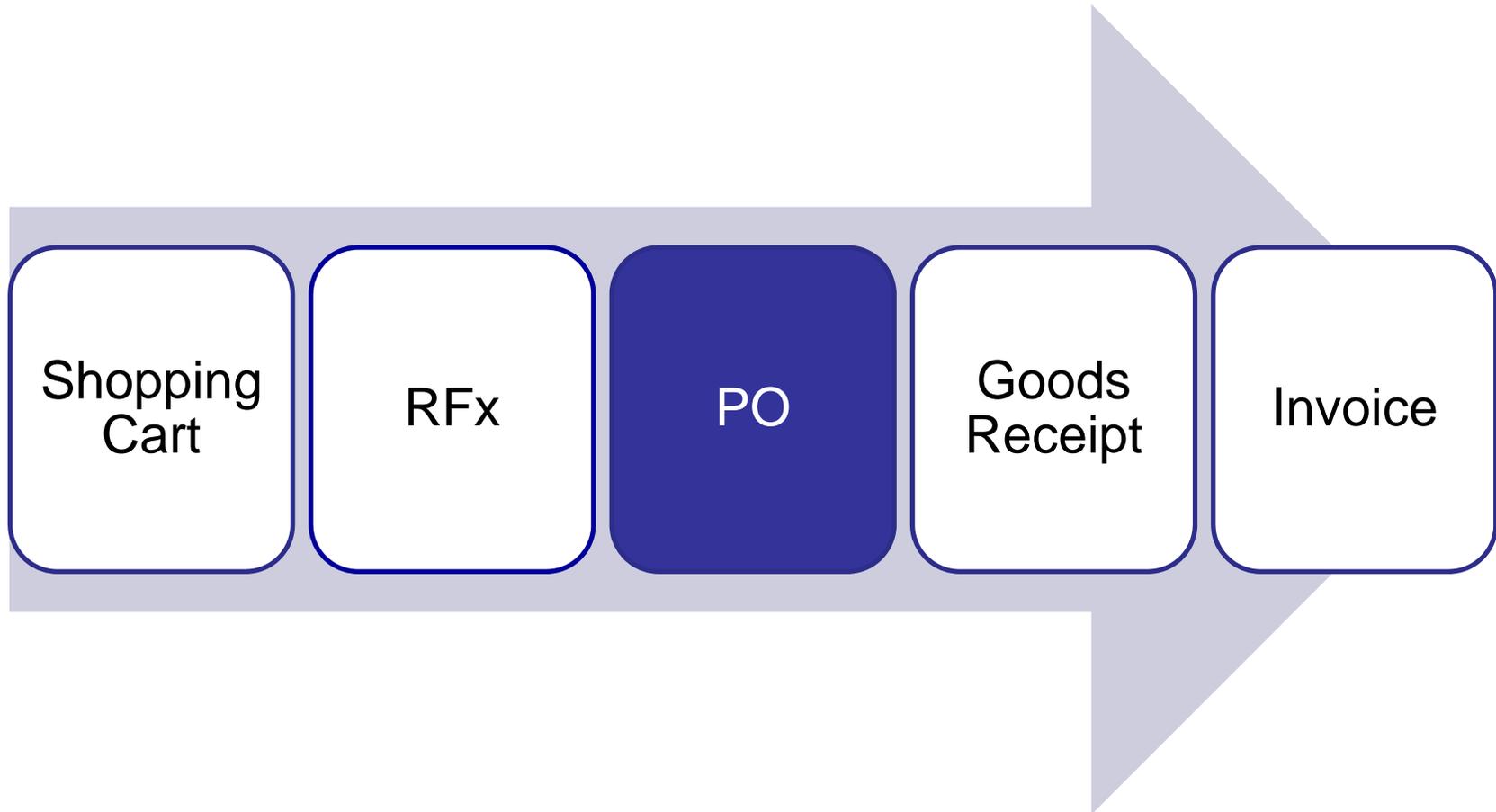- Approver determined by Product Category responsibility

Once the RFx Response has been approved, the information from the RFx is combined with the details from the RFx Response and is used to create the PO.

Once the PO is created and "Ordered", LaPAC is updated and posts the award information.

Shopping Cart

RFx

PO

Goods Receipt

Invoice

Purchase Orders are created in SRM by a buyer from an approved shopping cart or accepted RFx.

Purchase Order Structure

- Header
  - Contains information about the entire purchase order
- Line item
  - Contains entries about the individual goods or services that the creator wants to procure

Account Assignments and Accounting Data

- Account assignment information and all other fields will be adopted into the PO line item from the shopping cart.
- An item on the PO can be funded from a single funding source or from multiple sources (on a percentage, value or quantity basis).

Encumbrance

- Shopping Cart pre-encumbrance is reduced/liquidated and PO encumbrance is created (via the nightly cycle) after all required approvals are obtained.

Non Contract Commodity Procurement Overview

Shopping Cart → RFx → PO → Goods Receipt → Invoice
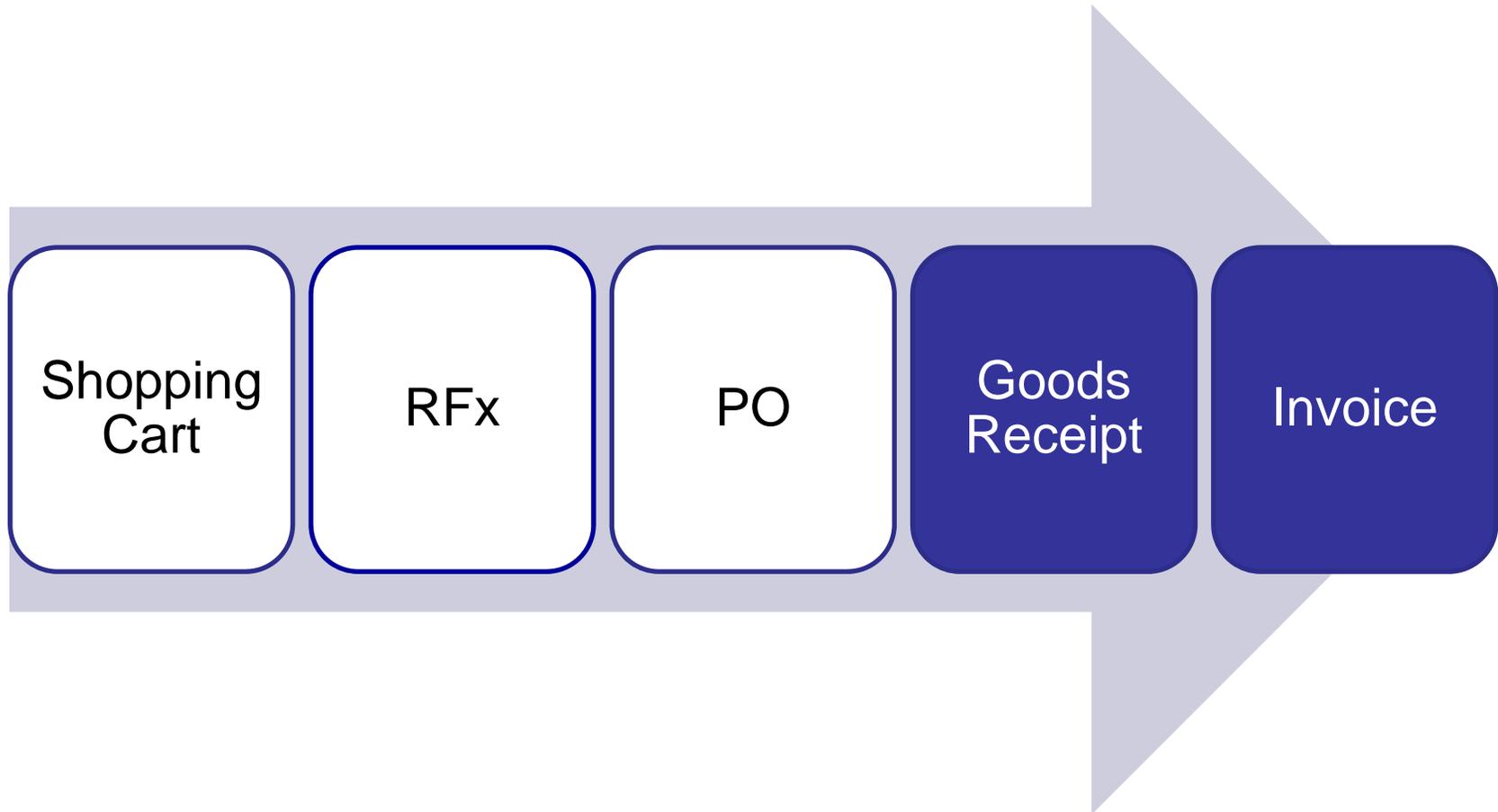
Goods Receipt

A Goods Receipt for a Commodity procurement is entered in LaGov to confirm when the goods on a PO have been delivered by the Vendor.

A Service Entry for a Service procurement is entered in LaGov to confirm when the services on a PO have been performed by the Vendor.

A Goods Receipt must be performed prior to payment of an invoice (except for "Confirming Orders" to be discussed later in this session).
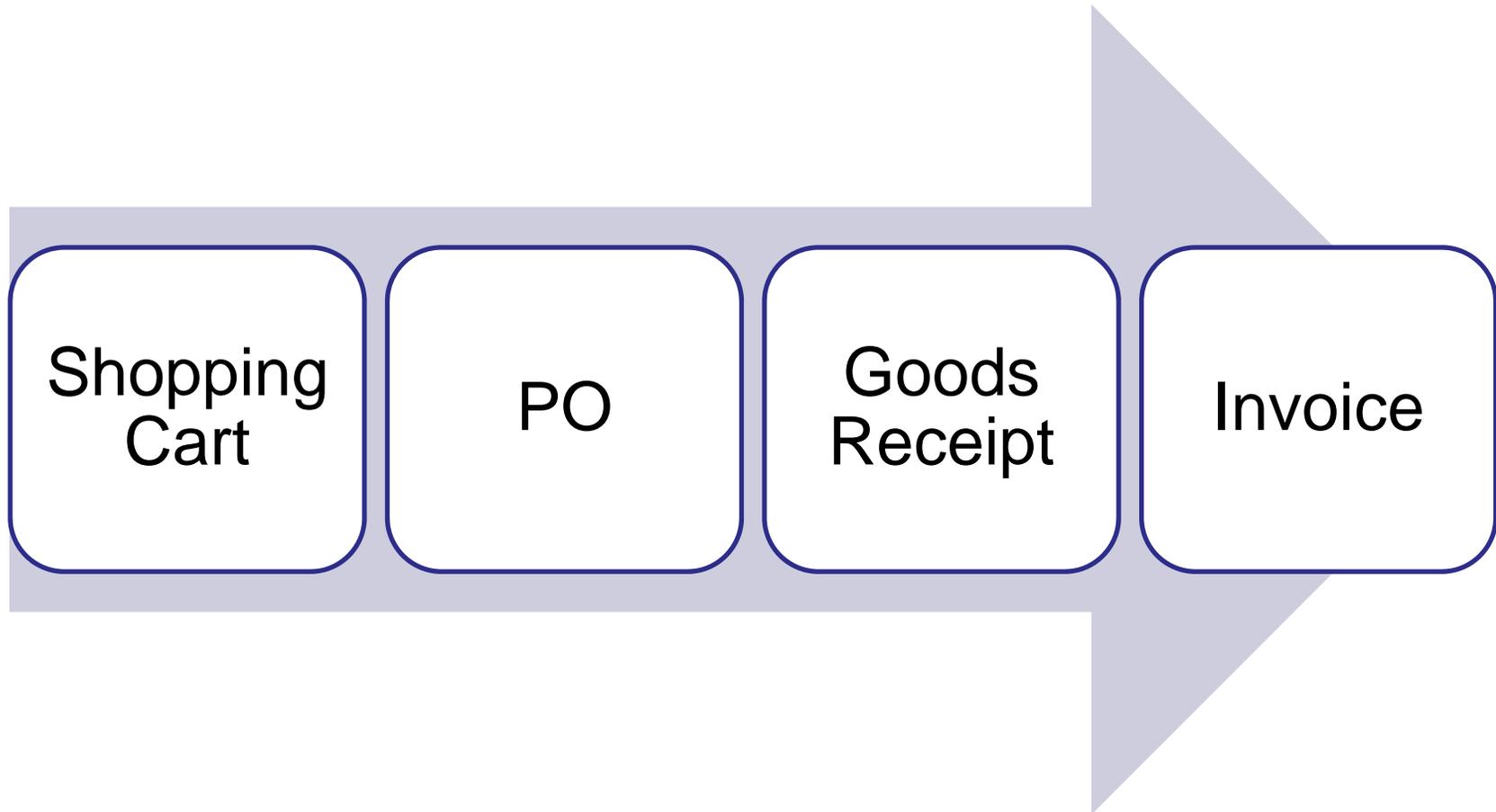
The Invoice is entered and Posted.

ADDITIONAL METHODS OF COMMODITY PROCUREMENT

Shopping Cart → PO → Goods Receipt → Invoice

Additional Purchase Order Approvals

This commodity procurement scenario does not include the RFx and Contract.

Agency Approver

Agency Approver

Required if the PO value is greater than $5,000 (This amount is taken from Section 4: A. of the Executive Order No. BJ 2010-16 - Small Purchase Procedures) and the PO is not created from an RFx Response, Catalog or Contract

- One approver per plant

OSP Approver

OSP Approver

Required if the PO Value is greater than Agency DPA and the PO is not created from an RFx Response, Catalog or Contract

- Approver determined by Product Category responsibility

PO → Goods Receipt → Invoice

Additional Purchase Order Approvals

This commodity procurement scenario does not include the RFx and Contract.

Fund Manager/Cost Center Approver

Fund Manager/Cost Center Approver

Required if the PO does not begin with a Shopping Cart.

- Each Cost Center is designated ONLY one Approver
- Approver can be designated to more than one Cost Center

Agency Approver

Agency Approver

Required if the PO value is greater than $5,000 and the PO is not created from an RFx Response, Catalog or Contract

- One approver per plant

OSP Approver

OSP Approver

Required if the PO Value is greater than Agency DPA and the PO is not created from an RFx Response, Catalog or Contract

- Approver determined by Product Category responsibility

Confirming Orders

Shopping Cart lines may be marked as "confirming" when the goods or operational services have already been received by the requestor. The Shopping Cart is then used to create a "Confirming PO". This PO does not require a Goods Receipt in order to pay the invoice nor does it print on the Buyer's printer.
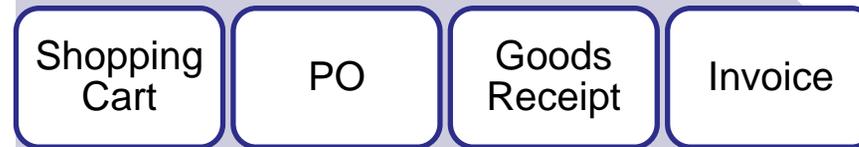
Confirming PO's may also be created directly without reference to a Shopping Cart.

Emergency Orders

- The Emergency flag on the Shopping Cart acts as an indicator for commissioner reporting. It does not change the required details or approvals of the Shopping Cart.

| Shopping Cart | PO | Goods Receipt | Invoice |

- The Purchase Order Type Catastrophic Emergency is used during a declared emergency. This PO type is typically used to start the procurement process with the PO and bypasses all PO approvals.

| PO | Goods Receipt | Invoice |

Sole Source

Shopping Cart lines may be marked as "Sole Source" when the goods or operational services can only be purchased from one Vendor.

The Sole Source flag on the Shopping Cart acts as an indicator for commissioner reporting. It does not change the required details or approvals of the Shopping Cart.

| Shopping Cart | PO | Goods Receipt | Invoice |

Additional Detail of Topics Discussed Today

Procurement Master Data
October 21st and 22nd

Conversion Strategy Discussion
Dates to be announced

Accounts Payable
October 28th and 29th

Organizational Impacts

- Opportunity to Standardize Agency Processes and Approvals

- Identify changing roles and responsibilities in your Agency

Security Considerations

Requisitioners
- Create Shopping Carts
  - Shopping Carts up to $5,000 will auto-generate a PO which will print on the printer of the selected Buyer
  - Shopping Carts greater than $5,000 will be sent to a Buyer for processing in to a PO

Basic Buyers
- Create Shopping Carts
- Create POs

Buyers
- Create Shopping Carts
- Create RFx's
- Create Contracts
- Create POs

Consolidated vs Non-consolidated Agencies
OSP Exempt Purchases

Project Documentation

Project Documentation Location:

http://www.doa.louisiana.gov/ois/lagov/srm/srm_conversion.htm