Enterprise Business Process and Data Modeling for the
Roadmap for Financial and Administrative Policies,
Processes, Systems and Data

State of Washington
Sponsored by:
  Department of General Administration
  Department of Information Services
  Department of Personnel
  Office of Financial Management

Procure-to-Pay Value Proposition -
Version 1.0

June 21, 2006
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1. Document Overview

1.1 Related Documents

This document is a consolidated view of procure-to-pay cycle business process modeling and includes:

- An executive summary that provides a high-level digest of the procure-to-pay modeling including:
  - A definition of scope and business objectives for the processes;
  - Summarization of challenges with the current processes;
  - A summary of the value proposition associated with moving to the “could-be” vision for the processes; and
  - Delineation of the performance measures that might be used to quantify improvements during and after the “could-be” processes have been implemented.

- A portrayal of the current state of each of the procure-to-pay process areas – vendor information management, procurement management, contract management, and accounts payable management functions including the following detail for each:
  - Process scope and business objectives;
  - Process challenges;
  - Process flow diagram;
  - Components list; and
  - Agency variations summary.

- Best practice research from the overview perspective and for each process area.

- The recommended (could-be) common model for the integrated procure-to-pay process including process flow diagrams and a narrative of the process.

- A high-level data model for the recommended common process model.

- Policy, process, organization, and system recommendations to support the common model for procure-to-pay.

The business case and value proposition for the procure-to-pay cycle will be developed in conjunction with the consolidated business case and value proposition deliverable as a part of Roadmap Milestone 4 activities.

This document should be used in conjunction with the following documents:

- Enterprise Business Process and Data Modeling for the Roadmap Project Charter;
- Enterprise Business Process and Data Modeling for the Roadmap Communication Plan; and

1.2 Approvals

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1.3 Summary of Changes
This section records the history of changes to this document. Only the most significant changes are described here.

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2. Executive Summary

2.1 Background and Conceptual Vision

The 2004 Priorities of Government Report identified the Roadmap as an innovation supporting state government efficiency. Led by the directors of General Administration, Department of Information Services, Department of Personnel and the Office of Financial Management and an advisory group of 17 agencies, the Roadmap:

- Sets the future direction for state’s “back office” business;
- Takes an enterprise approach to solving today’s common business problems; and
- Defines a multi-biennium program for 1) transforming the state’s financial and administrative policies, processes, data, and systems, 2) achieving business objectives, and 3) measuring results.

The Roadmap business process modeling project is tasked with describing the state’s current vendor information, procurement, contract, and accounts payable management business processes (the procure-to-pay cycle) and proposing a vision for the future. This report summarizes the effort completed and makes a business case for significant change.

Recommendations in this report are based on best practice research, proven solutions from other public entities and input from focus groups of experts from 17 agencies. Each of the recommendations includes metrics that will steer procure-to-pay processes towards delivering best value goods and services to program managers on time and according to requirements as well as effectively managing the state’s working capital to increase investment revenues.

The following graphic presents a conceptual view of the Roadmap vision for procure-to-pay business processes in Washington State:
2.2 Value Proposition for Change

The next subsections summarize the rationale, recommendations, business value, and performance metrics that make up the value proposition for significant change in four broad areas: procurement reform, shared services, vendor management, and procurement operations.

2.2.1 Procurement Reform

Vision

Procurement laws promote open and effective competition, public trust and leveraged buying.

Rationale

The state spends approximately $2.4 billion annually to buy operating commodities and services from 50,000 different vendors. The procurement laws that guide these purchases have evolved into an intricate maze of eighteen major purchase authorities under the control of multiple agencies with little formal coordination. Strategic reform of laws and policy would reduce risks, improve business relationships and allow the state to buy goods and services at lower cost. According to industry experts, this strategic transformation must be accomplished prior to implementing more operational improvements and systems.

Recommendations

- Institute procurement reform legislation that would result in a comprehensive consolidation, standardization, and streamlining of state procurement law and policy based on the American Bar Association’s Model Procurement Code, already adopted in full by 16 states, in part by several more, and by thousands of local jurisdictions.
- Establish a Chief Procurement Officer (CPO) empowered to oversee procurement policy and practices across agencies.
- Require certification for procurement professionals assigned to high-risk acquisitions, and compensate them accordingly.
- Adopt the National Institute of Government Purchasing (NIGP) commodity/service code structure, the most widely used code in the public sector.

Business Value

- **Lower costs** through improved competition and more standard processes.
- **Better business relationships** through better, easier to understand procurement and contracting processes and standards for vendors and agencies.
- **Reduced risks** through:
  - Strategic alignment with proven, standard, transparent, competitive and reliable procurement and contracting processes and best practice trends and standards in public procurement;
  - Proactive, professional management of high risk acquisitions;
  - Improved ability to retain a qualified workforce; and
  - Minimal customization of future eProcurement system(s).

Performance Measures

- Number of vendors responding to solicitations by commodity/service category.
- Statewide prices by commodity/service category (including cost of storage).
- Percent of on-time acceptable delivery.

*Government procurement is often mired in laws, policies and processes that hinder or prevent success. Procurement reform is politically difficult, but it is worth it.*

- Gartner Inc., 2003
2.2.2 Shared Services

Vision
Responsive, cost-effective procure-to-pay services are delivered through a shared services center of excellence.

Rationale
Each agency meets their agency-specific procurement, contracting and accounts payable needs as best they can, but greater efficiencies, improved information value, increased investment revenues, and more effective contract negotiations could be achieved with enterprise-level, risk-based processing supported by integrated procure-to-pay systems.

Recommendations
• Centralize responsibility and authority for Washington’s procure-to-pay policies, systems, data and targeted procure-to-pay business processes within a shared services organization.
• Require the shared services organization to establish service level agreements with agencies to ensure quality services are measured and delivered, and require agency participation in shared services.
• Change laws and policy to authorize a risk-based approach to business processing that will focus effort on providing reasonable assurance commensurate with risk rather than requiring explicit evidence of authorization.
• Move local funds to the State Treasurer to the extent practical and schedule and disburse all accounts payable, provider and client payments through an enterprise disbursement system.
• Implement enterprise information systems that integrate procure-to-pay business processes and data to support recommended improvements.

Business Value
• Improved service delivery:
  - To citizens by allowing agencies focus on core missions, strategic plans and customers; and
  - To agencies and vendors through faster, better business processes, measured and monitored against service level agreements.
• Reduced risks through:
  - 100% automated compliance validation;
  - Higher quality contracts; and
  - Limited organizational impact of procure-to-pay improvements.
• Optimized returns on working capital investments and payment discounts.
• Better decisions for better results:
  - Access to comprehensive, detailed spend data puts the state in a formidable contract negotiating position;
  - Systematic, early recording of transactions will ensure timely, accurate financial status reports; and
  - Contract performance data will be tied to the priorities of government.
• Lower costs through reduced investments in agency shadow systems.

Performance Measures
• Percent of contracts in place by target service delivery dates.
• Percent of invoices received in electronic format.
• Working capital turnover rates.
• Number of invoices processed per accounts payable FTE.
• Percent of available discounts earned.
2.2.3 Vendor Management

**Vision**
Convenient access and enterprise coordination promote constructive, transparent partnerships with vendors.

**Rationale**
Duplicative and often out-of-date information about Washington’s business partners is currently held in dozens of locations managed by many different organizations.

An enterprise approach to vendor registration, coupled with investments in portal technology and electronic commerce tools would allow the state to manage its vendor community as a corporate asset and offer the same convenient, reliable electronic interactions vendors use with many other businesses.

**Recommendations**
- Enable vendors to register to do business in and with Washington State through the One-Stop Business Portal.
- Require all vendors and providers to register to do business in the state and accept enterprise vendor terms as prerequisites for doing business with the state (except for “one-time vendors”).
- Adopt enterprise vendor performance rating standards, policies and processes.
- Centralize management of vendor information and relations within the recommended shared service organization.
- Leverage Washington State’s electronic commerce laws to enable electronic commerce between the state and its vendor, provider, and subgrant recipient community.
- Create an enterprise web-portal for vendor self-service receipt and submission of documents and access to data about their transactions with the state.

**Business Value**
- **Improved business relations** through faster, better business processes between our external business partners and the state, and easy, timely payment.
- **Better decisions for better results** through access to comprehensive data on the state’s business transactions with each vendor.
- **Reduced risks:**
  - Doing business almost exclusively with registered, TIN-validated vendors will reduce the risk of fraud.
  - Centralized management of vendor performance will reduce the likelihood of continuing to do business with a poor performing vendor.
- **Increased revenues** through improved sales and use tax compliance monitoring.
- **Optimized return** on the state’s investment in the One-Stop Business Portal and technology to support electronic commerce.

**Performance Measures**
- Number of vendor inquiries by type (online, telephone, written).
- Percent of vendors reporting excellent or very good service.
- Number of vendors responding to solicitations by commodity/service category.
- Percent of invoices received in electronic format.
2.2.4 Procurement Operations

Vision
Just-in-time easy access to best value goods and services enables efficient and effective program delivery.

Rationale
Once procurement reform is underway, the state can turn its attention to facilitating routine purchases to leverage best value purchases, save time and effort, and promote enterprise procurement values.

Recommendations
- Enable shared catalog services for acquisition of readily available commercial products from state vendors and consumable inventories and implement a contract wizard process to guide selection of appropriate contract terms and conditions.
- Require use of shared catalog services for readily available commercial products and services and use of state contracts except in pre-determined circumstances.
- Improve and standardize consumable inventory management processes and data, and implement an enterprise consumable inventory system to provide effective financial and materials management of Washington State resources.
- Adopt and enforce an enterprise purchasing card policy based on industry best practices and aligned with NIGP commodity codes, and renegotiate the existing purchase card program to support the new policies.

Business Value
- **Improved service delivery** through faster, better business processes and ready access to the right products at the right price.
- **Reduced risks** by:
  - Freeing up staff time to focus on agency priorities and high-risk acquisitions.
  - Increasing use of standard procurement processes, standard products, and pre-approved contract terms and conditions.
  - Lowering inventory exposure to loss, theft or obsolescence.
- **Better decisions and better results:**
  - Data to ensure the right items are available when needed to support agency operations.
  - Enterprise access to purchase card procurement details.
  - Ability to establish and monitor performance improvement targets for procurement.
- **Lower costs** through:
  - Increased use of standard products and services.
  - Faster, more efficient turnover of inventory.
  - Reduced investments in agency inventory and procurement systems.

Performance Measures
- Percent of on time acceptable delivery.
- Number of procure-to-order cycles by type (catalog, master contract, competitive bid, etc).
- Time from purchase request to receipt by end user.
- Percent of spend managed through catalogs or contracts.
2.3 Conclusion and Next Steps

Washington State’s procure-to-pay process is ripe for policy and organizational transformation. Change is necessary to establish a solid foundation that enables the state to conduct leveraged, lower risk buying and make associated best value purchases, effectively manage consumable inventories, and optimize discounts and cash flow.

Best practice research indicates that investments in technology may only generate a positive return once these foundational initiatives have been assimilated by the enterprise. These policy and organization changes represent a large cultural change for the state, but are essential to successful procure-to-pay transformation.

The next step for the procure-to-pay process transformation is to further the research begun in this study on adoption of the American Bar Association’s Model Procurement Code. In addition, effort should continue on expanding the scope of the Governor’s One-Stop Business Portal initiative to include the concept of doing business with the State of Washington.

No action is expected on other procure-to-pay recommendations in this report until the Roadmap Advisory Group and Executive Sponsors identify these processes as a priority. At that time, the following steps are proposed:

- Identify a business owner for the could-be vision and recommendations;
- Transition responsibility to the business owner;
- Evaluate the feasibility of each of the approved recommendations; and
- Communicate and gain momentum for change.

2.4 Focus Group Participants

Representatives from the following agencies participated in the modeling focus groups for the procure-to-pay cycle:

- Department of Agriculture
- Department of Community Trade and Economic Development
- Department of Corrections
- Department of Ecology
- Department of Fish and Wildlife
- Department of Information Services
- Department of Labor and Industries
- Department of Licensing
- Department of Revenue
- Department of Social and Health Services
- Department of Transportation
- General Administration
- Office of Financial Management
- Office of the State Treasurer
- State Auditor’s Office
- Washington State Lottery
- Washington State Patrol

A complete listing of participants is included as Appendix H – Agency Focus Group Participants.
3. As-Is Procure-to-Pay Business Models

This section contains as-is documentation (models) for each of the four areas that make up the procure-to-pay cycle business function:

1. Vendor information management;
2. Procurement management;
3. Contract management; and
4. Accounts payable management.

Information about the current state (as-is processes) for each of these areas was gathered through separate focus group meetings with agency experts. In these meetings, participants described what they do today and why.

The agency participants who participated in the as-is, could-be and combined focus group meetings are listed in Appendix H – Agency Focus Group Participants.

3.1 Business Process Model Overview

The following documentation illustrates the existing processes, challenges and variations for each of the four areas:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model);
- Components list; and
- Agency variations summary.

The following symbols are used in the business process model flow diagrams:

![Figure 1 - Process Modeling Legend](image-url)
### 3.2 Vendor Information Management

This section contains as-is documentation for the vendor information management function. The components of this section include:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model);
- Components list; and
- Agency variations summary.

#### 3.2.1 Process Scope and Business Objectives - Vendor Information

Focus group participants agreed to the following scope for vendor information management:

The process of managing information about vendors who currently do business with the state, or want to in the future. The process includes registration of new vendors and maintenance of registration information, including vendor status and performance history.

The business objectives of Washington’s vendor information management process are to:

- Make it easy for businesses, organizations, and individuals to register to do business with the state;
- Maintain current and accurate information about the state’s vendors and providers;
- Enable consolidated vendor reporting across the enterprise (e.g. strategic sourcing, 1099 reporting, grant disbursements, etc.);
- Enable centralized management of vendor performance history and status (debarment, insurance, and bonds, etc.);
- Identify pools of potential contractors for procurement and subgrants so they can be notified of bid and subgrant opportunities that may be of interest to them; and
- Establish the appropriate level of authentication/trust needed for the type of business that will be conducted (e.g. view bid or subgrant opportunities, receive payments, or conduct electronic commerce business transactions such as managing on-line catalogs and submitting bids/proposals, grant applications, progress reports, and payment requests).

#### 3.2.2 Business Challenges - Vendor Information

The focus group identified the following business challenges for state vendors, agencies and the state:

**Challenges for state vendors:**

- The process for registering to do business in Washington State is totally separate from the process for registering to do business with Washington state;
- The process for registering to receive notification of bid opportunities is totally separate from the process for registering for payment;
- Vendors are often required to register for payment with each separate agency with whom they do business;
Vendors must update their profiles at multiple agencies whenever their location or contact data changes;

Multiple points of contact for questions, payment, registration, etc. with the state is confusing;

New vendor payment may be delayed, since payment registration information may not be requested during the contracting process;

Vendors have no consistent and reliable way to communicate with the state about registration or payment issues;

Vendors that register for EFT as their preferred method of payment often continue to receive warrants from some agencies because use of statewide vendor records is not required;

Vendors lack self-service capability to update their payment information directly (e.g. payment addresses, contacts, and bank account data);

Other than Canadian vendors with US tax IDs, foreign vendors must register with each agency they do business with rather than as statewide vendors;

The current registration processes do not establish the level of authentication/trust that would enable expanded electronic commerce such as submission of bids, proposals, grant applications, signed contracts, and invoices/payment requests; and

Organizations interested in applying for state subgrants are not currently able to register to receive notification of grant opportunities.

Challenges for agencies and the state:

No official source of enterprise data about the state’s vendors, therefore the state cannot definitively report how much business it does with any particular vendor;

It is difficult and expensive to compile enterprise data that will support strategic sourcing decisions (because of different naming conventions and data formats and lack of a common vendor identifier among the various payment systems);

The same vendors are often registered under various agency unique identification numbers, making it difficult to manage information about vendor activity, status, and performance across agencies;

Redundant data maintenance effort is required to add and update data about the same vendors in multiple files;

Vendor issues such as garnishments, backup withholding, debarment, levies and Office of Foreign Assets Control (OFAC) economic sanctions must be handled by each agency. Managing these issues at the state enterprise level would allow the state to adopt and enforce consistent policy and business rules and decrease the risk of potential liability claims for continuing to do business with ineligible vendors;

Vendor updates may be propagated properly resulting in inconsistent and outdated vendor address and contact data in some files;

Socio-economic issues such as minority and women business enterprises and environmental standards must be handled by each agency; agencies can not readily access official OMWBE certification status records;
No consistent, reliable way to communicate with the state’s vendors;
- Difficult to communicate with vendors with multiple locations because AFRS does not identify the vendor’s corporate address;
- Companies often have multiple remittance addresses under various ‘doing business as’ names therefore payments sent to the wrong address may not be credited to the correct account;
- The state lacks the capability to communicate with potential subgrant applicants and manage them as a group.
- Increased risk of fraud due to ineffective internal controls at some small agencies and decentralized vendor maintenance locations;
- W-9 information is not consistently collected for agency vendors when required by IRS regulations;
- Agencies occasionally pay foreign vendors and must comply with complex tax reporting and backup withholding requirements that are not supported by AFRS and vary according to the United State’s treaty with the foreign country;
- The AFRS vendor record does not include a field for the state’s Uniform Business Identifier (UBI) code, as may be required by SAAM 70.60;
- Paying by warrant instead of EFT costs about one dollar more plus mailing and additional staff handling costs; and
- Some vendor payment locations insist on being paid by warrant, even if the company has registered for payment by EFT.

The bottom line is that current processes take time and focus away from service delivery and make doing business with the state cumbersome.

3.2.3 As-Is Business Process Model - Vendor Information
The next page presents the graphical process flow diagram (business process model) for vendor information management:

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1 A Unified Business Identifier (UBI) number is a nine-digit number linking a business to the Department of Revenue, the Department of Licensing, and the Office of the Secretary of State and, if the business has employees, the Departments of Employment Security and Labor and Industries. The number has accumulated several different names throughout the years. You may see or hear it referred to as a “registration number”, “DOR reporting number”, “tax registration account number,” or "resale number."

RCW 82.12.020 (Use Tax Imposed) indicates that virtually anything provided for use or service shall be taxed. Vendors are responsible for registering with the Department of Revenue and for collecting the appropriate tax. Generally, out-of-state businesses with activities in Washington are required to register with the Department of Revenue. Refer to WAC 458-20-193 for more detailed information.

Sellers of goods and services in the state must register to with DOR. Based on state law and WAC, vendors must apparently have a UBI to contract for providing goods or services in the state. The UBI is used by several other agencies as well. Therefore, it seems prudent to include the UBI as a required item in a vendor registration approach.
Figure 2 - As-Is Model - Vendor Information Management
In addition to the As-Is Model – Vendor Information Management on the previous page, the Department of Social and Health Services (DSHS) and Department of Transportation (DOT) provided additional process flows for their agency specific vendor information management processes.

**DSHS provider enrollment/vendor registration process flow:**

1. **Provider**
2. **Enrollment Request**
   - **MAA Approves Request?**
     - Yes
       - ** Tax Compliance**
         - Validate W-9 and W-4
         - Setup for Payment
       - **SWV Creation**
         - Create Statewide Vendor Number (SWV#) in AFRS
         - Required for EFT's
     - No
       - **Request Denied**
       - **Enrollment Request**
         - **OAS Vendor Registration Desk**
         - **Oracle Financials**
         - Auto-Create new Accounts
         - Update Account information
         - SWV# synch. with Provider #
         - **AFRS**
         - OFM sets up vendor for payment

**Source:** DSHS, 2/8/2006

**DOT TRAINS vendor registration process flow:**

1. **Vendor**
2. **Contracts Vendor Add Request**
3. **Bililngs Vendor Add Request**
4. **Accounts Payable Vendor Add Request**
5. **TRAINS Help Desk**
6. **Vendor Information Verification Process**
7. **Did It Pass IRS Verification?**
   - No
     - GET IRS Form W-8 Withholding Determined By Form
     - Is this a Foreign Vendor
     - Resident
6. **NonResident**
   - GET W-9
   - Withholding
   - Is this an EFT Vendor
   - Send Vendor Profile to AFRS Help Desk and Wait for Verification
   - ADD to TRAINS

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3.2.4 Process Components - Vendor Information Management

These are the process components, roles, inputs, outputs, events, data and constraints that support the vendor information management business process model:

<table>
<thead>
<tr>
<th>Roles</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Events</th>
<th>Data</th>
<th>Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bidders</td>
<td>• Vendor registration form</td>
<td>• New vendor records</td>
<td><strong>WEBS</strong></td>
<td><strong>Vendor Profile</strong></td>
<td>• IRS regulations</td>
</tr>
<tr>
<td>• Contractors</td>
<td>• W-9 form</td>
<td>• Updated vendor records</td>
<td>• Collect vendor profile information</td>
<td>• Company name</td>
<td>• SAAM policy</td>
</tr>
<tr>
<td>• Payees</td>
<td></td>
<td></td>
<td>• Collect additional contact information</td>
<td>• Tax ID number</td>
<td>• WA Administrative Code (WAC)</td>
</tr>
<tr>
<td>• US vendors</td>
<td></td>
<td></td>
<td>• Collect commodity code(s)</td>
<td>• W-9 indicator</td>
<td>• RCWs</td>
</tr>
<tr>
<td>• Foreign vendors</td>
<td></td>
<td></td>
<td>• Collect geographic locations (by county)</td>
<td>• Pay locations</td>
<td>• Agency polices</td>
</tr>
<tr>
<td>• IRS</td>
<td></td>
<td></td>
<td>• Attempt to contact vendor</td>
<td>• Pay contacts</td>
<td>• Internal controls</td>
</tr>
<tr>
<td>• OFM</td>
<td></td>
<td></td>
<td>• Email vendors requesting validation &amp; updates</td>
<td>• Pay method</td>
<td></td>
</tr>
<tr>
<td>• GA/WEBS</td>
<td></td>
<td></td>
<td>• Collect vendor updates</td>
<td>• MWBE flag</td>
<td></td>
</tr>
<tr>
<td>• DSHS client services managers</td>
<td></td>
<td></td>
<td></td>
<td>• Bank account</td>
<td></td>
</tr>
<tr>
<td>• Agency managers (program, fiscal, project and grant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Vendor's Bank</td>
<td></td>
<td></td>
<td><strong>AFRS - Statewide</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Search for vendor record</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Add statewide vendor registration and W-9 data</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Enter business location information</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Enter bank account &amp; process pre-note</td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td><strong>AFRS - Agency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Search for vendor record</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Update vendor registration</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Refer vendor to statewide vendor forms</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Request W-9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Request W-8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Add agency vendor record</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Add tax information</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Specific to WEBS</strong></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Account Administrator</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Corporate location</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Corporate contact</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Minority and women status</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Vendor in Good Standing (VIGS)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Bid locations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Bid contacts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Branch locations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Additional users</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Commodity Codes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Geographic designations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.2.5 As-Is Common Process and Agency Variations - Vendor Information

Although Agency Financial Reporting System (AFRS) provides a statewide vendor payment file and Washington Electronic Business Solution (WEBS) provides vendor solicitation request profile information, many agencies continue to maintain unique vendor files. Agencies often bypass the statewide vendor file when they do not want to/need to remit payment via electronic fund transmittal (EFT) or need to include documents with the payment returned to the vendor. Focus group agencies reported spending between five and twenty-five hundred hours per month managing their agency specific vendor files reducing their time to focus on the service delivery.

The following section summarizes agency commonalities and variances. A more detailed listing can be found in a separate document, Procure-to-Pay Agency Variations - Appendix J1.

Statewide Commonality

Focus group agencies share the following areas of commonality:

- Agencies use WEBS to publish solicitation requests for vendor services;
- Agencies use the Agency Financial Reporting System (AFRS) vendor file, EFT and pre-note processes to make payments for some goods and services purchased. They also rely on the AFRS statewide vendor information for Internal Revenue Service (IRS) form W-9 data collection for certain vendors;
- AFRS and agency vendor files include vendor profiles with similar components e.g. company name; pay to locations and contacts, taxpayer information number (TIN) verification and W-9 filing indicators, and Office of Minority and Women Business Enterprise qualified indicator;
- Agencies often use a vendor’s TIN and an employee’s payroll identification number as their vendor identification number;
- Agencies limit vendor file updates to a few individuals and may require supervisor review of vendor file updates;
- Agencies often identify duplicate vendor records on their agency file with slightly different names;
- Agencies typically compare the remit-to address on warrants to the invoice address to validate that the payment will be sent to the requested location; and
- Most agencies do not perform back-up withholding, except for foreign vendors.

Agency Variations

Significant variations in agency processes for vendor information management include:

- Different standards for naming vendors and identifying distinct vendors;
- Different requirements for vendor W-9 filing;
- Different approaches to “registering” foreign vendors and collecting W-8 information;
- Agencies do not use AFRS statewide vendor records for a variety of reasons including: rush/emergency payments and development of the payment turnaround documents; and
- Most agencies allow employees to specify whether they receive reimbursement payments via EFT or warrant.
3.3 Procurement Management

This section contains as-is documentation for the procurement management function. The components of this section include:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model);
- Components list; and
- Agency variations summary.

3.3.1 Process Scope and Business Objectives - Procurement Management

Focus group participants agreed to the following scope for procurement management:

The process of identifying and clarifying needs, determining sources, identifying purchase authority and funding, acquiring, receiving, and accepting the good or service, delivering the good or service to the end user or inventory, and managing vendor performance and procurement risks.

The business objectives of Washington’s procurement management process are to:

- Effectively supply the products and services needed to support agency missions;
- Promote open and effective competition and conduct business in an impartial, equitable, open, and professional manner;
- Optimize the state’s purchasing power by capturing and analyzing timely, accurate, and complete information on what the state buys, from whom, and what contract was used, if any;
- Make it easy for vendors to do business with Washington State;
- Maximize value for money (not necessarily cheapest price) considering: total cost of ownership, fitness for purpose, timeliness, etc.;
- Demonstrate compliance with state procurement law and policy to support statewide targeted public policy;
- Promote alignment of requirements and consolidation of purchases across agencies and over time to demonstrate compliance with state procurement policy and match budget with authority purchase;
- Support statewide targeted public policy (Some current examples include: OMWBE requirements, sustainability, target zones for redevelopment, and competitive contracting);
- Correctly identify purchasing authority and follow standardized procurement method, budget verification and approval processes;
- Provide reasonable assurance of receipt and acceptability of goods and services, commensurate with risk; and
- Optimize consumable inventory levels.
3.3.2 Business Challenges - Procurement Management

The focus group identified the following business challenges for vendors, agencies and the state:

- No single repository of state and agency contracts (procurement information) available, making it difficult to purchase from and leverage existing contracts;
- No single governance agency for all state contracts; currently governance is split among four different agencies depending on the contract type;
- Variations in purchasing regulations, policies and procedures from agency to agency, review Appendix E – Major Washington State Purchase Authorities;
- Minimal standardization of products inhibiting ability for bulk contracting and increasing the cost of doing business;
- Adherence to complex purchasing policies and procedures is difficult for staff to follow and management to enforce;
- Too many layers of approvals required before release of purchase order to vendor causing delays in receipt of goods and services;
- No official source of enterprise data about the state’s purchases;
- Purchasers do not have access to the vendor files used by accounts payable, and the vendor ID is not identified on purchasing documents;
- It is difficult and expensive to compile enterprise data that will support strategic sourcing decisions;
- The state cannot definitively report how much business it does with any particular vendor; and
- Poor specifications received from agency managers and staff, cause increased workload for purchasing managers.

The bottom line is that current processes take time and focus away from service delivery and managing the state’s procurements. The processes are confusing and require a high level of training to effectively manage the different procurement activities. Additionally, with so many entities controlling various aspects of state purchasing, it becomes more challenging each legislative session to adapt to new purchasing regulations without creating conflicts.

The State of Washington is in the minority among other states when it comes to this approach of dispersing the purchase authority across multiple agencies at different levels of prescription via an uncoordinated group of purchasing authorities, refer to Appendix E – Major Washington State Purchase Authorities. Most states have adopted the model procurement code and centralized all of their procurements under a Chief Procurement Officer in an agency similar the Department of General Administration.

3.3.3 As-Is Business Process Model - Procurement Management

The next page presents the graphical process flow diagram (business process model) for procurement management:
Figure 3 - As-IS Model - Procurement Management
### 3.3.4 Process Components - Procurement Management

These are the process components, roles, inputs, outputs, events, data and constraints that support the procurement management business process model:

<table>
<thead>
<tr>
<th>Roles</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Events</th>
<th>Data</th>
<th>Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requisitioner</td>
<td>Request (SOW, item description, internal approval, RFI, etc)</td>
<td>Emergency purchase form</td>
<td>Identify need</td>
<td>Vendor</td>
<td>WACs/RCW (43.19 GA, 43.105 DIS, 39.29 OFM, etc.)</td>
</tr>
<tr>
<td>Contracts Officer</td>
<td>Master contract</td>
<td>Purchase requisition</td>
<td>Retrieve from inventory</td>
<td>Catalog</td>
<td>Purchasing manuals/rules</td>
</tr>
<tr>
<td>Purchasing Officer</td>
<td>Response</td>
<td>Sole source/ Product justification</td>
<td>Update inventory</td>
<td>Inventory</td>
<td>Agency policy and purchasing procedures</td>
</tr>
<tr>
<td>Vendor</td>
<td>Bid document</td>
<td>Price quotes</td>
<td>Determine authority</td>
<td>Purchasing Rules</td>
<td>Executive orders</td>
</tr>
<tr>
<td>Warehouse/inventory</td>
<td>Received bids</td>
<td>Bid document</td>
<td>Document justification</td>
<td>Orders</td>
<td>Socio-economic goals (OMWBE, small/disadvantaged business)</td>
</tr>
<tr>
<td>Shipper</td>
<td>Master contract</td>
<td>Solicitation</td>
<td>File justification as required</td>
<td></td>
<td>Competitive contracting and bargaining unit agreements</td>
</tr>
<tr>
<td>Receiver &amp; Acceptor</td>
<td>Response</td>
<td>Evaluation sheets</td>
<td>Select vendor contract</td>
<td></td>
<td>Federal funding authority</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>Bid document</td>
<td>Order</td>
<td>Send purchase requisition to Central Agency</td>
<td></td>
<td>Qualified and trained purchasing staff</td>
</tr>
<tr>
<td>Bidders</td>
<td>Master contract</td>
<td>Purchase contract</td>
<td>Request approval</td>
<td></td>
<td></td>
</tr>
<tr>
<td>End Users</td>
<td>Apparent successful vendor announcement</td>
<td>Master contract</td>
<td>Request price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Approvers</td>
<td>Acceptance</td>
<td>Acceptance</td>
<td>Document requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approving Authority (OFM, DIS, Feds, DOP, GA, STO, ISB, etc)</td>
<td>P-card log</td>
<td>P-card log</td>
<td>Receive response</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluators</td>
<td>Inventory</td>
<td>Order</td>
<td>Evaluate response</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attorneys</td>
<td></td>
<td>Purchase contract</td>
<td>Confirm funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Master contract</td>
<td>Develop solicitation document</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Award purchase contract</td>
<td>Solicit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Award master contract</td>
<td>Hold pre-bid conference (optional)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Place order</td>
<td>Receive responses</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Send copy of order and/or contract to fiscal</td>
<td>Evaluate/Best and Final/ Presentations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Follow contract terms and conditions</td>
<td>Announce apparent successful vendor</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Record acceptance</td>
<td>Confirm funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Update inventory</td>
<td>Award purchase contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tag asset</td>
<td>Award master contract</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These include the process models for Procure-to-Pay, Value Proposition, and Conflict of Interest.
3.3.5 As-Is Common Process and Agency Variations - Procurement Management

When agency staff need something, they typically follow similar steps:

- Check inventory;
- Complete an opportunity/risk assessment;
- Research applicable purchasing rules and agency spending authority for the commodity type and dollar value; and
- Purchase using the simplest method available.

Currently, Washington has a wide spectrum of often conflicting purchasing rules embedded in law and these rules apply inconsistently to different agencies and funding sources. No enterprise procurement systems are available to guide agencies through the complicated business rules for delegated purchasing and oversight review or to direct them to a central purchasing mechanism for a particular good or service. Some agencies have systems to support portions of the procurement management process, but none of the focus group agencies has a technology tool that integrates the request, vendor selection, order, receiving, and encumbrance processes. Focus group agencies reported that between 47% and 98% of procurements were low dollar value, while the number of acquisitions made using purchasing cards range from 103 to 100,000 per year.

Agency commonalities and variances are summarized in this section. A more detailed listing can be found in a separate document, Procure-to-Pay Agency Variations - Appendix J2.

Statewide Commonality

Focus group agencies share the following areas of commonality:

- Agencies share common objectives for best value purchasing and transparency and accountability in procurement activities;
- Agencies generally follow the same high-level process steps to check inventory, complete an opportunity/risk assessment, research applicable rules and authority, and purchase to meet the need;
- Agencies use General Administration and their own or other agency Master Services Agreements for purchasing when possible;
- Agencies use purchase and field orders to formalize the purchase transaction with vendors; and
- Agencies generally record encumbrances only annually.

Agency Variations

Significant variations in agency processes for vendor information management include:

- Some agencies centralize purchasing and some decentralize some or all purchases;
- Some agencies formally or informally pre-qualify vendors for certain goods and services;
- Agencies process email, phone, written, or on-line requisitions;
- Agencies manage consumable inventories through catalogs, access to central stores, or through requisitions;
- Agencies use formal and informal opportunity/risk assessment processes;
• Agencies assign responsibility for procurement management activities to different organizational units based on agency specific protocols;
• Some agencies establish encumbrances for some purchase transactions; and
• Agencies use both periodic and perpetual inventory control methods.
3.4 Contract Management

This section contains as-is documentation for the contract management function. The components of this section include:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model);
- Components list; and
- Agency variations summary.

3.4.1 Process Scope and Business Objectives - Contract Management

Focus group participants agreed to the following scope for contract management:

The process of planning for, establishing, amending, and monitoring contractual agreements, from managing standard sets of terms and conditions to drafting, approving, executing, and recording agreements, and evaluating the effectiveness of contracts and suppliers in meeting contract performance objectives.

For this study a contract was defined as a legally binding agreement between two or more parties for the exchange of tangible value, the principal purpose of which is to purchase, lease, or barter property or services for the use and benefit of state government, or its clients, and to firmly define accountability for performance by each party. Contracts include all types of agreements, regardless of what they might be called.

The business objectives of Washington’s contract management process are to:

- Reach agreement between the parties to ensure timely delivery;
- Demonstrate compliance with contract laws, rules, terms and conditions;
- Protect the interests of the state;
- Monitor, measure and report achievement of contract objectives; and
- Identify and manage risks.

3.4.2 Business Challenges - Contract Management

The modeling effort identified a number of challenges that ultimately affect the overall value of contracted services to the state and its constituents:

- Current manual and paper-bound processes take focus away from monitoring and managing risk, service delivery, and contractor performance;
- Contracting rules and regulations are complex and sometimes difficult to follow even for experienced contract management professionals;
- Wide variation in contract quality creates additional challenges related to managing poorly structured contracts;
- Informal agency oversight of vendor (contractor) information affects the reliability of payment and contract summary data;
- Audit exceptions related to highly visible contract spending may lead to additional, low value oversight requirements; and
• Lack of enterprise contract development and management tools leads to inconsistent contract quality and difficulties in monitoring contract performance.

The current contract management processes direct scarce resources away from supplier performance management towards contract development and administration tasks, leaving the state with less value for dollars spent on contracted goods and services.

3.4.3 As-Is Business Process Model - Contract Management

The next page presents the graphical process flow diagram (business process model) for contract management:
Figure 4 - As-Is Model - Contract Management
3.4.4 Process Components – Contract Management

These are the process components, roles, inputs, outputs, events, data and constraints that support the contract management information business process model:

<table>
<thead>
<tr>
<th>Roles</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Events</th>
<th>Data</th>
<th>Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor</td>
<td>Notification of need for contract/ amendment</td>
<td>Draft contract</td>
<td>Contracting</td>
<td>Contract/Amendment Number</td>
<td>State Constitution</td>
</tr>
<tr>
<td>Executive mgmt team</td>
<td>Description of goods &amp; services</td>
<td>Final contract</td>
<td>Assign contract/ amendment number</td>
<td>Contractor number/name</td>
<td>State Laws, Budgets &amp; Provisos</td>
</tr>
<tr>
<td>Internal managers</td>
<td>Accepted proposal/bid</td>
<td>Signed contract/ amendment</td>
<td>Refine and approve draft (negotiate if allowed)</td>
<td>Balance</td>
<td>Revised Code of Washington (RCWs)</td>
</tr>
<tr>
<td>(program, fiscal, project, agency)</td>
<td>Terms &amp; Conditions Clauses</td>
<td>Payments</td>
<td>Assess risks</td>
<td>Manager</td>
<td>State Capital &amp; Operating Budgets &amp; Provisos</td>
</tr>
<tr>
<td>State Treasurer (COPS, debit/credit cards)</td>
<td>Current contract (for amendments)</td>
<td>Updated contract balance</td>
<td>Approve internally</td>
<td>Dates</td>
<td>Federal Laws, OMB Circulars, Tax Laws</td>
</tr>
<tr>
<td>Authorizing Agencies</td>
<td>Performance criteria</td>
<td>Performance measures</td>
<td>Report to authorizing agencies as required</td>
<td>Rates</td>
<td>Code of Federal Regulations</td>
</tr>
<tr>
<td>(state, local &amp; federal)</td>
<td>Agency Boilerplate</td>
<td>Risks</td>
<td>Obtain signatures</td>
<td>Volume limits</td>
<td>OMB Circulars</td>
</tr>
<tr>
<td>OFM – budgeting, financial reporting, contracts office</td>
<td>Payment information</td>
<td>Monitor Contracts</td>
<td>Performance measures</td>
<td>Description</td>
<td>IRS</td>
</tr>
<tr>
<td>Agency Contracts Offices</td>
<td>Performance information</td>
<td>Monitor contract</td>
<td>Payment transactions</td>
<td>Performance measures</td>
<td>Policies</td>
</tr>
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<td>Attorney General</td>
<td></td>
<td>payments</td>
<td>Payment transactions</td>
<td>Risks</td>
<td>State contract policies</td>
</tr>
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<td>Ethics Board</td>
<td></td>
<td>Monitor contract</td>
<td>Reimbursement/Revenue transactions</td>
<td>Reimbursement/Revenue transactions</td>
<td>Internal controls</td>
</tr>
<tr>
<td></td>
<td></td>
<td>performance</td>
<td>Locations/Geo-spatial data</td>
<td>Close contract</td>
<td>Agency policies</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Statement of Work</td>
<td></td>
<td>WA Admin Code (WAC)</td>
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<td>Competition method</td>
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<td>Other</td>
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<td></td>
<td>Governors Executive Orders</td>
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</tbody>
</table>

State Contract Policies

Procure-to-Pay Consolidated v1.0.doc
3.4.5 As-Is Common Process and Agency Variations – Contract Management

Very few policies and processes are common across all agencies and no enterprise contract management systems are available for use by state agencies. Though some agencies have contract management systems, current contract management processes are primarily manual, with extensive agency and program variations at each step of the process.

Agency and program commonalities and variances are summarized in this section. A more detailed listing can be found in a separate document, Procure-to-Pay Agency Variations - Appendix L3.

Statewide Commonality

Focus Group agencies share the following areas of commonality:

- Agency representatives complete mandatory training courses;
- Agencies comply with state laws and regulations;
- Unique numbers (within the agency) are assigned to each contract; and
- Agencies file personal and client services contracts with OFM.

Agency Variations

The biggest drivers for contract process variations among agencies are:

- The level of formality and rigor applied to the contracting process;
- The number and dollar value of contracts executed;
- The reliance on contracted goods and services in fulfilling mission;
- The degree to which contracting is supported by professional contract management personnel;
- Contract numbering schemes (sometimes these have been driven by outside influences);
- The priority of risk assessments; and
- The complexity of the approval path required.

Additional agency variations occur in every process steps, as detailed in a separate document, Procure-to-Pay Agency Variations - Appendix J3.
3.5 Accounts Payable Management

This section contains as-is documentation for the accounts payable management function. The components of this section include:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model);
- Components list; and
- Agency variations summary.

3.5.1 Process Scope and Business Objectives - Accounts Payable

Focus group participants agreed to the following scope for accounts payable management:

The process of paying for goods and services. The process encompasses tracking and managing encumbrances and accruals, approving requests for payment, processing approved payments, canceling and reissuing payments as necessary, and providing timely and accurate payment information to stakeholders.

The business objectives of Washington’s accounts payable management process are to:

- Make timely, accurate, efficient, and cost effective payments of obligations to vendors;
- Verify authorization and acceptance of goods and services prior to payment;
- Manage payment dates and terms to optimize cash flow;
- Track and manage encumbrances and accruals to properly state obligations, liabilities, and expenditures to vendors; and
- Provide timely and accurate information to stakeholders about payments, as needed and required.

3.5.2 Business Challenges - Accounts Payable

The modeling effort identified a number of challenges in the current accounts payable process:

- Accounts payable staff are often chasing approval for purchase after the fact, rather than having the pre-purchase approval matched with the invoice;
- The account payable function is often seen as the gate-keeper for money and a constraint on operations;
- Similar to the purchase approval, the fund coding for purchases is often not known when the invoice is received and requires research;
- Various RCW’s are in the way of improving the process, e.g. staff are required via RCWs to collect three signatures on the A19 form for all invoices regardless of dollar amount;
- External constraints and requirements such as federal audits and HIPPA requirements add additional complexity to the process;
- Cash management is hindered by the large number of non-Treasury or local bank accounts;
- Currently only about 30% of all vendors pay via EFT; and
• It is difficult and time consuming to answer vendor questions related to invoices which increase the incentive for staff to pay as fast as possible and reduces the Treasury’s ability to effectively manage cash.

3.5.3 As-Is Business Process Model - Accounts Payable

The next page presents the graphical process flow diagram (business process model) for accounts payable management:
3.5.4 Process Components - Accounts Payable Management

These are the process components, roles, inputs, outputs, events, data and constraints that support the accounts payable management business process model:

<table>
<thead>
<tr>
<th>Roles</th>
<th>Inputs</th>
<th>Events</th>
<th>Events</th>
<th>Data</th>
<th>Constraints</th>
</tr>
</thead>
</table>
| • State Treasurer  
• Vendors (businesses, recipients, other agency, employees for travel)  
• OWMBE  
• Internal managers (program, fiscal, accounts payable, project, procurement, asset managers, contract office, and grant)  
• IRS  
• Receivers  
• Purchasers  
• Authorized approvers  
• Department of Revenue  
• Legislature (evaluating budget status) | • Order  
• Evidence of acceptance  
• Invoice  
• Credit memo  
• Use tax liability balance  
• Credit memo  
• Refund check  
• List of authorized approvers (with their signatures)  
• Unpaid invoices | • Receive Copy of Order  
• Record encumbrance  
• File order  
• Receive Evidence of Exception  
• File notification of Acceptance  
• Receive Invoice/Credit Memo  
• Voucher invoice  
• Match to purchase authorization & goods/services acceptance  
• Research for prior payment  
• Review, approve, assign account coding  
• Reconcile to card logs  
• Update contract balance  
• Record asset and verify tag  
• Record use tax liability  
• Record discount  
• Batch payments  
• Review batched payment documents  
• Research & resolve issues  
• Record payable transactions  
• Release batch/process payment  
• Validate turnaround documents  
• Distribute payments  
• File payment documents  
• Cancel payment  
• Reverse electronic payment | • Overpayment Discovered/Check or Credit Memo Received  
• Request Refund or Credit Memo  
• Review Pending Credits  
• Deposit Refund  
• Match Credit Memo to Invoice  
• Non-Invoiced Payment Due  
• Confirm authorization Vendor/Staff Inquiry  
• Research and Respond to Inquiry  
• Pay use tax liability  
• Compare encumbrances to outstanding orders/contracts  
• Liquidate obsolete encumbrances  
• Review / update OWMBE transactions  
• Submit data for annual accruals  
• Clean up disbursement  
• Records for 1099 / 1098 Reporting  
• Prepare 1099 / 1098 Reports | • Vendor Payment Data  
• Vendor  
• Amount  
• Account coding  
• Invoice number  
• Invoice date  
• Due date  
• Account number  
• Warrant number  
• Current document number  
• Reference document number  
• Credit memo number  
• Discount amount taken  
• Other Data  
• Capital asset tag number | • Contract/grant terms  
• State sales/ use tax rules  
• State accounting policy (SAAM)  
• IRS regulations  
• Agency policies  
• Internal controls  
• Bargaining agreements  
• State RCWS  
• State WACS  
• Exclusions (federal excise tax for fuel and communications)  
• Interagency regulations |
3.5.5 As-Is Common Process and Agency Variations - Accounts Payable

In accounting for encumbrances and payables and processing vendor and other requests for payments, agency fiscal offices focus on:

- Verifying the goods and services for which they are billed have been received;
- Ensuring invoices are appropriately approved;
- Coding expenses to the correct ledger accounts;
- Taking discounts and meeting timely payment requirements;
- Avoiding duplicate payments,
- Calculating tax (sales, use, excise);
- Collecting TIN data for non-registered vendors;
- Returning remittance documents with payments, as necessary; and
- Responding to vendor inquiries regarding the status of payments.

The AFRS enterprise system generates electronic fund transfers or warrants payable to the designated payees. Agencies have varying degrees of automation to support the activities that precede the actual disbursement function. Some have automated order systems that program staff use to document the receipt of goods and services, while others image invoices and route the image for approval. A myriad rules and policies have been established over the years to guide the accounts payable process and ensure that the state does not disburse funds inappropriately. Focus group agencies receive from 7,000 to 150,000 invoices per year and agency fiscal staff process from 129 to 542 invoices per full time equivalent per month.

Agency commonalities and variances are summarized in this section. A more detailed listing can be found in a separate document, Procure-to-Pay Agency Variations - Appendix J2.

Statewide Commonality

Focus group agencies share the following areas of commonality:

- Agencies share a concern for complying with the rules and policies surrounding the accounts payable processes;
- Agency staff research missing receipts and invoices for orders received;
- Agencies maintain paper based files for accounts payable activities that they check for contract balance and duplicate billings;
- Agencies record tax liabilities;
- Agencies attempt to take available discounts;
- Agencies accrue payables at the end of the fiscal year; and
- Agencies want to avoid audit exceptions.

Agency Variations

Significant variations in agency processes for vendor information management include:

- Some agencies centralize the accounts payable function while others allow decentralized processing in regions, for example;
• Agencies may or may not encumber contracts and orders;
• Invoices are received by various agency organizations;
• Some agencies require invoices for recurring payments;
• Agencies use different forms and templates to voucher invoices for payment;
• Agencies collect varying amounts of TIN data for non-registered vendors;
• Agencies log purchase card purchases, maintain purchase documentation and authorize payment differently;
• Some agencies make most payments by EFT; and
• Agencies may accrue payables monthly.

**Best Practice Adoption Rates**

Agencies also vary widely in their best practices adoption rates, as illustrated by the following hands-off payment method example:

Prior to 1999 all AFRS payments to external vendors were made by paper warrant, returned to the agencies for matching to remittance documents and hand-stuffed into envelopes for mailing. Prior to 2001, all interagency payments were made via paper journal vouchers. Over the past six years, the Office of Financial Management has introduced three options agencies can use to make “hands-off” payments:

• **Inserted** – paper warrants are automatically inserted and mailed, instead of being returned to the agency for manual processing
• **EFT** – payments to external vendors are electronically deposited; remittances are inserted and mailed automatically, or emailed
• **IAP** – Agencies are paid electronically; remittances are automatically emailed

With the help of numerous agencies, OFM has registered 27,000 statewide vendors. Most of these vendors can be paid electronically if the agency selects the vendor’s statewide ID instead of the agency ID when they record payment transactions.

Despite proven cost savings, clear vendor preference for electronic payment and a SAAM policy requiring disbursements by the most cost effective means available, many agencies persistently use duplicative agency vendor records and generate expensive paper warrants. Agency EFT adoption rates range from zero percent to over 60 percent after six years of efforts to promote hands-off payment as a best practice. Half of the 22 highest payment volume agencies are still at least 10 percent under the average adoption rate of 34 percent.

See

Appendix B – Procure-to-Pay EFT Statistics for more information on annual hands-off payment counts and percentages.
4. Best Practice Research

This section contains best practice research compiled for the procure-to-pay business function, the combination of vendor information, contract, procurement and accounts payable management. The following subsections summarize best practice research for vendor information management, procurement management, contract management and accounts payable management.

In order to recommend common business processes and data standards that leverage the best thinking of specialists in this functional area, the project team researched best practices, as well as the capabilities of commercially available software. Research included reviewing other state solutions for procure-to-pay transformation, assimilating industry standards research, and evaluating software tools.

4.1 Best Practices - Vendor Information Management

The value derived from enterprise vendor management according to best practice sources is gained from:

- Collecting enterprise-wide spend aggregation data by vendor, commodity, etc;
- Product consolidation – getting consumers to standardize on requirements;
- Ability to track demand and forecast deviation, improving time to market/solution;
- Tracking contract performance, tracking supplier performance, ability to quickly understand and research supplier market opportunities in order to verify current good deals or get improved deals;
- Segment vendors into like groups and manage them accordingly (for example, manage vendors of commodities primarily on price); and
- Reduce the complexity of the vendor management process.

4.2 Best Practices - Procurement Management

The value derived from enterprise procurement management according to best practice sources is gained from:

- Elevating procurement from a tactical transaction management activity to a strategic source-to-pay initiative to drive compliance;
- Adopt complementary functionality or solutions to manage and control a broader range of spending;
- Clearly define and report cost, process, and performance metrics for measuring success;
- Align executives and policies and objectives to drive adoption and compliance;
- Leverage spend data for improved sourcing and compliance management;
- Simplify the procurement of commodity items and services;
- Establish alternate fast-track procurement processes for low-risk transactions;

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Maximize the breadth and usage of automated purchase card services and integrate with account coding to provide a higher degree of value;

Deploy robust internal-facing and external-facing web-based applications and content to provide better customer service and reduce costs; and

Develop and document consistent policies and procedures for procurement of non-traditional goods and services (e.g. professional, technical and expert services) and maintain internal and external (public) access to all documents.

4.3 Best Practices - Contract Management

Best practice research indicates that changing contract manager processes and leveraging investment in automation requires both executive sponsorship and stakeholder support. Successful change generally requires a dedicated contract management program champion empowered by a strategically positioned governance council. Research also suggests that an audit of internal processes, systems, and controls should precede the investment in an automated contract management solution. This audit should help create a compelling business case for change based on perceived benefits.

With appropriate sponsorship, stakeholder support, background information, a robust business case, and a champion in place, organizations implement the following processes and tools to elevate contract management performance:

- Standardized contract templates speed up the process and promote consistency;
- Version control and automated workflows enable collaborative contract creation and expedited approvals;
- Exception based reviews facilitate focus on high risk clauses instead of the entire document;
- Automated email notification of dates and milestones support proactive contract administration;
- Tracking and notification of potential contract exposures with pre-identified triggers enable managers to proactively respond to risks;
- Central contract repositories support enterprise wide privilege controlled access to contracts and detailed terms and conditions; and
- Improved search, analysis and reporting capabilities allow organizations and individuals to easily locate contracts, search for specific contract clauses, analyze contracts across agencies, suppliers or categories of service and supplies, and generate reports for improved contract monitoring and decision support.

Establishing an enterprise contract management application would require investment in additional research and planning, application acquisition and implementation, hardware and software to support the system, hosting, or connectivity, marketing development, training and on-going support and maintenance. The return on investment is difficult to quantify due to the lack of current enterprise data and costs, however best practice research has shown that after implementing these types of processes and tools, organizations report significant benefits. They not only reduce the cost of contracting and potential for negative outcomes, but are also more likely to achieve favorable pricing (lower costs for good and services with more discount opportunities), avoid overpayments, and improve regulatory and contract compliance while reducing auditing costs.
4.4 Best Practices - Accounts Payable Management

The value derived from enterprise accounts payable management according to best practice sources is gained from:

- Primary drivers to reform are process standardization and process improvements
- Shared service centers are a means to an end. They can lower costs by minimizing redundant labor and system expenditures, they can also improve service by reducing non-value added processes and optimizing standardized procedures
- Reduce the use of paper-based processes e.g. utilize paperless invoices and paperless payment methods; and
- Manage payment dates and terms to maximize cash flow
5. Could-Be Business Process Model – Procure-to-Pay

Using the information gained from the as-is processes and the best practice research, the project team worked with the same extended group of agency experts to model the could-be business processes for the four areas included in the procure-to-pay function:

1. Vendor information management;
2. Procurement management;
3. Contract management; and
4. Accounts payable management.

Generally, the focus group and the project teams were open to significant change and agreed that the future state process should:

- Leverage the Governor’s Enterprise Business Portal Initiative to register vendors interested in doing business with the State of Washington as they apply to do business in Washington through an integrated vendor information portal.
- Assign a UBI to all vendors and use this as the statewide vendor number, whether or not they have nexus in Washington, assigning a non-taxable status, as appropriate; and
- Provide shared service organizations to support catalog services, procurement for common goods and services, consumable inventory management, contract terms and conditions management, and accounts payable management, allowing agency staff to focus on agency unique activities. Enable these shared services organizations with integrated vendor, procurement, contracts, and accounts payable systems.

The focus group combined these technology and organizational improvements with the policy and process improvements recommended in Section 6.1 to create the standard, efficient, and effective “could-be” process models presented in the following section. In recognition of the enormous challenges of implementing the significant change proposed, the models are labeled as a “Vision in Progress”.
The following graphic presents a conceptual view of this could-be vision for Washington’s procure-to-pay cycle:

Figure 7 - Could-Be Model - Conceptual Vision

The following components illustrate the could-be process for the procure-to-pay cycle:

- Business process models – diagrams representing the could-be processes for procure-to-pay; and
- Process narrative to support the proposed process.

This narrative supports the could-be process models developed by the agency experts in the could-be focus group meetings in the following areas:

1. High-level combined vision (Figure 8);
2. Vendor information management (Figure 9);
3. Procurement management (Figure 10);
4. Contract management (Figure 11); and
5. Accounts payable management (Figure 12).

The high-level combined model (Figure 8) is proposed as a “Vision in Progress” and combines the more detailed could-be process models developed for each process area.
The vision expands the concept of a vendor to include any entity paid by the State of Washington, e.g. purveyors of goods and services to the state, subgrantees, health care providers, lottery winners and aid recipients. The vision also reflects the consolidation of OFM and other state agency vendor files for procurement, contracting, and payment activities into one self-service registration and information management framework that leverages the Governor’s Enterprise Business Portal Initiative.

Under this procure-to-pay vision, when agency staff “need something” and have the spending authority to acquire it, they first access a set of catalogs that identify available goods and services (either in inventory or under pre-established acquisition terms). When items are not available through the catalog or under another existing contract, agency staff work with procurement experts to prepare and complete an opportunity risk assessment and a risk-based solicitation to address their needs. The solicitation is advertised to and responses received from potential suppliers through the self-service vendor portal. Agency personnel record vendor performance and vendors record information on the state’s performance via the same portal.

In the could-be vision, the solicitation process is supported by standardized and streamlined procurement laws and policies, better trained procurement staff, and commodity/service codes based on the National Institute of Government Purchasing (NIGP) structure. Procurement experts use a contract “wizard” to access the appropriate state standard terms and conditions for the items they plan to acquire. To the extent possible, they incorporate contract terms in the solicitation documents and require vendors to accept them as part of their bid. Draft and final contract documents are automatically routed for review and approval based on the level of risk and variation from standard terms and conditions incorporated in the solicitation.

Once executed, contracts are monitored and performance reported via the vendor information portal and shared order records. Commodity, service, contract, order, vendor, and agency based rules drive the creation of an encumbrance as the order is finalized. Workflow tools notify designated staff when deliveries or status reports, for example, are due. Vendors report shipping and delivery and submit invoices for payment according to order terms through the vendor information portal. Agency staff confirm the receipt of goods and services against the order record which liquidates any encumbrance and establishes an account payable for the items received.

Automated accounts payable processes validate shipping and tax charges, notifying the submitting vendor of errors through the vendor information portal. Available discounts are calculated and payments scheduled. Risk based rules automatically route certain payments for review and approval. Scheduled payments and payment turnaround documents are merged using workflow technology and funds are transmitted via electronic funds transfer based on bank routing information in the vendor record.

It is important to note that:

- The vision for procure-to-pay activities must be supported by standardized law and policy.
- The procure-to-pay vision cannot be implemented without automation to provide enterprise-wide access to information.
- The narrative refers to integrated enterprise-wide financial systems and supporting processes such as Performance and Budget Monitoring, Grant Management and Human Resource Management. The vision for these robust systems is defined in related Roadmap process models.
The subsections that follow present narrative for the individual could-be models for vendor information management (Figure 9), procurement management (Figure 10), contract management (Figure 11), and payables management (Figure 12).

### 5.1 Could-Be Model - Vendor Information Management

The could-be vision for vendor information management creates a one-stop approach for registering to do business with the State of Washington through an integrated vendor information portal. The vision expands upon:

- Current and planned features of the Governor’s Regulatory Improvement Program Enterprise Business Portal Initiative;
- Current and planned features of General Administration’s Washington Electronic Business Solution (WEBS);
- Current Department of Licensing, Department of Revenue, Office of Minority and Women Business Enterprise (OMWBE) processes; and
- Other agency business licensing, application, and registration processes.

The could-be vision features a single source of vendor data for the enterprise, linked through Washington’s Universal Business Identifier (UBI). In addition, it also allows for the assignment of a UBI to foreign vendors and vendors without nexus in Washington.

The vision for vendor information management through a portal ties into several other current and planned statewide financial and administrative resources. These include a single taxpayer identification number/name verification process with the Internal Revenue Service (IRS), OMWBE registration, and subgrant management. The vision consolidates common information collected for one vendor available for subsequent activities involving other agencies e.g. insurance, Federal debarment, W-8 / W-9 information, and acceptance of standard State of Washington vendor terms and conditions. It also encourages electronic payments by requiring payment routing information as a part of the vendor registration process.
Figure 9 - Could-Be Model - Vendor Information Management Vision
The following narrative supports the could-be vendor information vision as modeled in Figure 9.

Notes:
1. The could-be vision allows for the assignment of a UBI and registration by an agency on behalf of the disbursement recipient.
2. The vision allows for the automated assignment of a UBI to one-time vendors and for small purchases.

Register to Do Business in Washington – From the Access Washington website, the vendor will link to the One Stop Business portal and complete a series of registration steps based on their answers to a questionnaire. The process will route the registrant for services with various state agencies according to their needs for land use permits, professional certifications, and so forth. If the applicant has nexus in Washington, the process will link to Department of Revenue processes for state tax registration.

If the registrant supplies a Taxpayer Identification Number (TIN) [either an employer identification number (EIN) or a social security number (SSN) based on business type], the process will include steps to validate the TIN/name combination supplied with the IRS using a shared resource. This shared resource will indicate the validity of the TIN/name provided on the registration record.

As a result of the registration process, the vendor will be assigned a UBI, even if they have no obligation to pay taxes in Washington. The UBI assignment process will integrate the Department of Revenue’s determination of tax reporting requirements for the vendor. Other state agencies will provide licenses, permits, and other regulatory services to the registrant. The vendor will be asked if they have interest in doing business with the State of Washington.

Register to Do Business with the State of Washington – If a vendor is routed to this process by the completion of their registration to do business in Washington, they will next be asked to review and accept enterprise vendor terms and conditions. If they arrive via direct access, they will first be asked for their UBI and then to accept vendor terms and conditions. If they do not have a valid UBI they will be redirected to the process to register to do business in Washington.

Vendors will be asked to supply their TIN or non-resident alien status information if it was not previously validated. At this point, the process will require a valid TIN or qualified foreign vendor status before allowing applicants to proceed further. Vendors may also request registration with OMWBE, and the vendor information portal processes will link them to those services. Vendors with validated TINs may supply solicitation profile information (the commodities and/or services they provide, their contacts for solicitations, and locations where they are prepared to engage in commerce with Washington, for example). Potential subgrant recipients will be asked for similar data to complete a registration profile. Vendors and potential subgrant recipients may also provide other information specific to certain commodity, service, location, or agency requirements (for example, financial qualifications, insurance qualifications, and federal debarment status). The process will also allow (and may require) a vendor to enter electronic payment routing data.

Collect Additional Vendor Information – When additional information such as federal debarment certification or evidence of insurance is required of a vendor, staff will first look to vendor portal data to determine if this information is already available. If the information has not already been collected, the enterprise service for initiating a request to the vendor for the information will be activated. For example, after determining that the information is not already on file, agency staff would send a message to the portal indicating that the vendor needed $1 million in general liability insurance, the portal would notify the vendor of the requirement by email, the vendor would log into the portal and provide the required insurance coverage, expiration date, and possibly attach electronic versions of the required certifications. The portal would verify the vendor supplied data (amount and expiration date for example) in comparison to the request and route the corroborating document image for staff review, if necessary. Once validated and reviewed, the vendor information would become “official” in the portal.
Check for OMWBE certification – Staff will verify the OMWBE status of a vendor within the vendor information portal through links to the OMWBE database based on UBI.

Note: The existing OMWBE certification process appears to require UBI number for all applications.

5.2 Could-Be Model - Procurement Management

The could-be vision proposed by the focus group for Washington procurement management features two enterprise shared services:

1. Catalog services; and
2. Procurement services.

Enterprise shared catalog and procurement services consolidate purchasing and inventory management experts into organizational units with the resources to develop and enhance the state’s purchasing power and leverage it across agencies. These services are available to agency staff through an enterprise procurement portal that integrates various support tools by capturing and routing requests to fill specific needs based on a series of business rules. The procurement portal provides access to consumable inventories, catalogs of fixed priced goods and services, master purchase agreements, and agency and enterprise resources to conduct competitive procurements to program managers who “need something”. The portal helps program managers fulfill their needs using the buying power and the procurement expertise of the State of Washington.

The could-be model for procurement management (Figure 10) is proposed as a “Vision in Progress”:
Figure 10 - Could-Be Model - Procurement Management Vision
The following narrative supports the could-be procurement vision as modeled in Figure 10.

**Identify and Describe Need** – When authorized State of Washington staff identify the need for goods and services, they will access the enterprise procurement portal and describe their need and business purpose. They may “browse” catalogs available through the portal and select listed items as a part of the description process. They will include a need-by date, account coding, and estimated cost (perhaps retrieved from the catalog and their user profile) in their request. For certain requests, they may include detailed specifications and requirements. The portal will verify the availability of funding to meet the request using the account coding provided and route the request for approval based on risk driven business rules.

**Shared Catalog Services** – Typically, State of Washington catalogs will include readily available commercial items and services (and goods and services provided by State of Washington agencies). If the request can be filled by one or more catalog services, the portal will route the request to the designated supplier (based on requestor preferences and/or enterprise procurement strategies if multiple sources exist). Catalogs will accept new requests or updates to previously recorded blanket requests. Catalog listed items will be acquired through standard, master, and dynamic contracts and state supplied activities, for example.

As the request is processed, the shared catalog service function will record the encumbrance for the agency. The designated supplier will receive and process the request, ship the item and/or provide the service, and update the shipping and delivery dates through the vendor information portal. As the item and/or services are delivered (or the specified delivery date occurs), the requester will accept or reject the acquisition, liquidating the encumbrance and recording an accrual and updating vendor information records to reflect performance, as appropriate. The need for positive acceptance of the acquisition will be based on business rules, vendor performance, and audit sampling parameters.

**Emergency and Low-Dollar Purchases** – For emergency needs not available (timely) through catalog services and low dollar value needs (low dollar thresholds may be variable based on commodity type) not available, the requester will make the purchase directly from the appropriate supplier. The requester will pay the supplier using a State of Washington purchase card, if possible, and accept delivery of the item. The requester will provide emergency purchase justification and record acceptance of acquired items and services through the procurement portal. Where not yet supplied, delivery acceptance will require account coding and initiate the creation of a payables accrual for the acquisition.

**Available on Contract or Sole Source** – For other goods and services not available through catalogs, enterprise procurement portal business rules and/or agency and shared services procurement staff will determine whether to classify the request as agency unique. Agency unique requests will typically relate directly to program delivery functions, for example Department of Transportation bridge design engineering services. For these types of requests, the expertise to manage the procurement process is not reasonably shared at the enterprise (statewide) level.

For either agency unique or generally used commodity request items not in catalogs, the procurement portal will guide the requester through the completion of an opportunity/risk assessment. As a part of this assessment, the requester may supply additional requirements, usage statistics, and cost data based on market and other research. For agency unique commodities, agency delegated authority limits and procurement portal business rules will route appropriate requests for external review and approval. Based on the approved request, portal functionality will identify any existing contracts under which the request can be satisfied. The requester may choose to additionally qualify the contracted supplier(s) via informal procurement processes.

Where no contract exists, but the requester indicates that the commodity can only be supplied by a single source/product, procurement portal functionality captures and validates the sole source/product justification (using business rules based on commodity/service codes). Procurement portal functionality will establish an encumbrance for the agency and route the order to the designated contract holder or sole source/product supplier through the vendor information portal. The designated...
supplier will receive and process the request, shipping the item and/or providing the service, notifying the requester of the shipping and delivery dates through the vendor information portal. As the item and/or services are delivered, the requester will accept or reject the acquisition, liquidating the encumbrance and recording the accrual and updating vendor information records to reflect performance, as appropriate.

**Competitive Procurement** – When no contract currently exists for the requested item/service, agency or shared services procurement staff will use procurement portal capabilities to develop solicitation documents from templates, boiler plate contract language, and the refined request. Staff will route the solicitation documents for review and approval via the portal and then release the finalized solicitation to registered vendors interested in providing the commodity(ies) identified in the request via the vendor information portal. Interested vendors will submit responses to the solicitation via the vendor information portal, where an initial validation check (typically limited to administrative requirements) will occur.

Agency or shared service procurement and other (program) staff will review and evaluate the responses, announcing the apparently successful vendor via the vendor information portal. After the protest period, the appropriate procurement entity will award the procurement to the designated vendor, notifying the vendor and the requester. Procurement portal functionality will establish an encumbrance for the agency and route the order to the winning vendor. The winning vendor will receive and process the request, shipping the item and/or providing the service, updating the requester with shipping and delivery dates through the vendor information portal. As the item and/or services are delivered, the requester will accept or reject the acquisition, liquidating the encumbrance and recording the accrual and updating vendor information records to reflect performance, as appropriate.

**Intent to Award Contract or Subgrant or Issue a Purchase Order** – Staff will use the vendor or recipient’s TIN or UBI to verify that they are registered to do business with the State of Washington. If not, staff will request that the vendor complete this process before awarding the contract/subgrant/purchase order. Staff will request that the vendor supply additional information via the vendor information portal. This information will include electronic payment routing data. Staff will work with the vendor through the portal to validate the information collected, as appropriate.

**Manage Catalog** – Procurement portal functions will track commodities acquired outside of the current catalogs as well as activity related to catalog items. These functions will support shared procurement services staff responsible for adding and removing catalog items, designating catalog suppliers, and continuing to ensure best value pricing for catalog items.

### 5.3 Could-Be Model - Contract Management

The could-be vision for contract management features an application that combines a configurable “wizard” with a document management capability for contract documents. The “wizard” helps staff create appropriate, enforceable, and measurable contracts for the type of good or service they are procuring. The document management application enables program managers, procurement professionals, and suppliers to efficiently work together to create, review, approve, and amend contract scope, schedule, cost, and general terms and conditions. Together, the wizard feature and the document management capability provide functionality to manage a library of contract terms; develop, review, and approve contracts; and electronically collaborate with external parties (oversight agencies, suppliers, recipients, etc.).

The could-be model for contract management (Figure 11) is proposed as a “Vision in Progress”:
Figure 11 - Could-Be Model - Contract Management Vision
The following narrative supports the could-be contract management vision as modeled in Figure 11.

**Create and Manage Terms & Conditions** – A library of pre-approved terms and conditions (T&C) that can be easily incorporated into new draft contracts will serve as the information core for the contract management wizard. The process for approving new and modified T&C sets will vary depending on the most appropriate “owner” for the particular contract class. For example, General Administration will approve components for common goods and services and professional services contracts, while agency grant program managers will be the lead on contracts relating to their grant programs.

The process will also support maintaining the data that drives the wizard, linking the determination of contract type to pre-selected terms and conditions. It will have the capability to add ‘special terms’ and the ability to track which terms have been used in which contracts for risk management purposes. The process will include the ability to have enterable elements that will be recorded as data related to that term. So, for example, a standard professional liability insurance requirement clause might contain text describing the overall terms and a field indicating the amount of insurance required. This field might be filled in by the end user or the wizard.

**Identify Need for a Contract** – Depending on the procurement type, the need for a draft or final contract will be identified at different times in the process and negotiation between the state and the supplier/recipient may or may not occur. In public works and state master service contracts, terms and conditions and statement of work details are developed prior to the advertisement and are not changed in the version signed with the supplier. In a professional services contract, a draft of the terms and conditions and statement of work are typically included in the advertisement but can change significantly in the final contract signed with the supplier, especially in cases where the state uses the professional judgment of bidders to refine the scope and Statement Of Work (SOW). Risk must also be assessed prior to and during the project especially when the scope is inherently risky or not easily measurable.

**Draft the Contract/Amendment** – When the need for a contract or amendment is identified, the project/program manager will use the wizard to select the data parameters that will drive the contract process. The wizard process will guide staff to select the major contract class (purchased services, personal services, client services, grants, loans, public works, state master contract, and so forth), the variations within these classes such as the specific grant program, competition method, commodity category, and estimated or actual amount. These selections will automatically generate a default set of T&Cs and the internal and external approval path.

The drafting process will allow efficient collaboration between the project/program manager (for the needs and requirements of the project) and the contract manager (for procurement and contract law and process), whether the contract manager is agency or shared services staff. Overlapping changes will be automatically merged into the same section when necessary. Standard statement of work/product description language will be selected from the library or the project/program manager will provide custom language.

Initial risk assessments of the contract and program will continue here and throughout the process, as more information becomes known about the scope of the project and the parties involved. Document versions will be continuously controlled so everyone is always using the current copy. Prior reviewers will be notified of subsequent changes that might impact their areas of interest.

**Review Internally** – Once the draft is finalized an optional internal review step will route the draft to appropriate parties for review. This process will be configurable to meet agency needs.

**Oversight Review Required?** – When oversight or other external review is required, the oversight contact will be automatically notified that their review is needed and the reason for the review. The scope and focus of the external review might vary based on whether the standard T&Cs for the procurement type were modified; the oversight body might only need to approve the changes that were
made to the standard set of T&Cs.

The oversight body will also have the ability to halt the contract process if there is an inherent problem that cannot be resolved, for example, in the case of inappropriate sole-source procurement. Known examples of oversight bodies include: OFM, DIS for technology contracts, and Federal Highway Administration for DOT construction contracts. Note: External reviews might occur at different times depending on the purpose of the review and reviewer. Some external reviews may need to continue to be managed manually.

**Finalize & Execute Contract/Amendment** – Depending on when or if procurement is required for the contract, final details such as supplier name and ID will be added in this step, and final internal approvals collected. Selection of a current or former state employee will trigger an additional risk analysis or approval by the Ethics Committee, as required.

*Note – In an automated process, the separation of various contract statuses (draft, review, finalize, and execute) might be less distinct since the process will more easily support parallel reviews and approvals. For example, if a reviewer who was only concerned about T&Cs has approved them, and then there were contract changes outside of the T&C area, the T&C reviewer might not need to review the contract again.*

When the contract is ready for final signatures it will be sent (electronically whenever possible) to the agency, the supplier or recipient, and any other parties to sign in the proper signing order. The signed contract will be automatically published, making it available to any authorized parties and visible to the public when appropriate via the vendor information portal. There may be times when proprietary/private information needs to be redacted from the contract documents available to certain user groups.

**Manage Performance** – As the contract parties are actively exchanging goods and services, the performance of the contract will be monitored. These monitoring efforts will be documented and should include how the agency ensures the goods/services for which they are billed are delivered and meet the requirements of the SOW. When goods or services are received, they will be reviewed to ensure that contract quality, quantity, and timing terms are met and this information will be recorded. The contract wizard will automatically notify project/program managers of scheduled events such as inspection dates, deliverable due dates, and pending contract expirations.

**Close Out** – When the life of the contract is over, either because it has expired, been cancelled or terminated, or because all the deliverables have been fulfilled, it will go through the close process established in the wizard when the contract was created. This might include liquidating any remaining encumbrance balance, producing required close-out reports, notifying parties and possibly other requirements for the contract type or grant program involved.

### 5.4 Could-Be Model - Accounts Payable Management

The could-be vision for payables management proposes centralizing accounts payable functions into a statewide shared services organization. This shared service organization would be supported by an enterprise accounts payable system that automatically validates submitted invoice information using a risk based two or three way match process and then schedules items for payment according to business rules for discounts and cash management.

Implementing the shared services model and tools that support it would allow the state to consistently implement policies, reduce audit costs, take advantage of additional vendor discounts, and plan for cash needs in advance of payments due to the visibility of the payment pipeline.

The could-be model for accounts payable management (Figure 12) is proposed as a “Vision in Progress”:
Figure 12 - Could-Be Model - Accounts Payable Management Vision
The following narrative supports the could-be accounts payable management vision as modeled in Figure 12.

**Submit Invoice or Credit Memo via Portal and Process Recurring Payments** – Entities will bill (invoice) the state for goods and services provided through the vendor information portal. The portal will include a variety of methods for vendors to submit invoice data. The portal will validate the submitted invoice data using procurement, delivery, receipt, and tax rate information for the items billed. Issues, such as commodity code miss-matches, procurement numbering errors, or apparent duplicates, will be identified for the vendor at the point of submission.

When the need for a credit memo is identified the vendor will submit it through the vendor portal as well.

In order to facilitate repeating (recurring) payments like rent or utilities, the enterprise accounts payable system will accrue expenses and make payments based on the procurement terms for the goods or services received.

**Accept Goods and Services** – As goods and services are delivered, the receiver (could be the requester, agency warehouse receiver, or central receiver) will acknowledge that the items were accepted. This acceptance will trigger the accounts payable system to liquidate the encumbrance and establish a payable (accrual) using account coding information from the encumbrance.

**Validate Shipping Charges and Calculate Tax** – The accounts payable system will validate shipping charges and sales tax based on vendor, procurement, commodity, delivery, and acceptance information updating the accrual with additional/changed amounts as appropriate. Vendors with nexus in Washington will be expected to include appropriate sales tax on their invoices. Invoices without appropriate tax for these vendors will be rejected. For vendors without nexus (as designated by the Department of Revenue (DOR)) the accounts payable system will calculate appropriate use tax for the acquiring agency and create a transaction to remit the amount due to DOR. The vendor will be notified of any apparent shipping charge or tax calculation errors via the vendor information portal and asked to resubmit a corrected invoice.

**Wait for 2- or 3-Way Match** – The accounts payable system will wait for a match between ordering, acceptance, and invoicing information before further processing of validated invoices. Risk based business rules will require a two-way (order + invoice, acceptance + invoice, order + acceptance) or three-way (order + acceptance + invoice) before further processing can occur. (Two-way matches may be appropriate where there is a trusted relationship between the parties or there is another way to establish the third element of the match.)

**Calculate Discount Credit** – Once the invoice is authorized for payment (valid data and match has occurred) the accounts payable system would calculate available prompt payment discounts (from invoice terms or procurement terms and conditions) and set a corresponding pay-by date, if appropriate. The discount will be taken based on business rules that compare the value of the discount terms to the opportunity cost of cash.

**Payment Validation and Scheduling** – As a step prior to payment, some authorized invoices will be selected for additional automated or manual validation. Criteria for additional validation will include stratified random sampling, deviation from order amounts, vendor, requester, and agency performance ratings, commodity types, payment size, invoice turnover rates and so forth. Validation steps will include routing for additional agency review, routing for additional shared service review, email or telephone confirmation with the vendor, and others. Payments that include discounts will be prioritized in review queues to ensure that the discount is still available.

**Create Payment** – Once invoices pass final validation, they will automatically be scheduled for payment according to business rules that consider available discounts, prompt payment requirements, and state, fund, and program cash flow needs. The system will consolidate invoices and credit
memos for a particular payee within a range of payment dates and use banking information received in the vendor registration process to route the payment. Remittance advices will be returned to the vendor via the vendor information portal, where possible, and routed for mailing to the appropriate remittance address, if necessary.

**Pay a One-time Vendor or a Small Purchase** – Agencies will submit payment requests for one-time vendors and/or small purchases/abatements with a TIN, name, and payment routing information or UBI (statewide vendor number) and payment type. When a UBI is not supplied, the vendor information process will use the TIN and name to determine if a UBI exists for the payee. If not, the process will create a UBI and mark the TIN as not verified. Based on the payment type, the process may route the TIN supplied for verification.

**Process Benefit Payment** – Agencies will submit payment requests for client, benefit, and provider payments with required payment date, payee name, taxpayer identification number, account coding, payment routing information (benefit card, EFT, warrant, for example), and amount.
6. Recommendations, Value Proposition & Performance Metrics

This section summarizes the significant changes recommended by the procure-to-pay focus groups, describes the business results expected from each change, identifies the value proposition for making these investments, and proposes performance metrics that could be used to drive progress toward achievement of procure-to-pay business objectives.

6.1 Proposed Recommendations

The following sections present the policy, process, organizational and system changes recommended by the procure-to-pay focus groups and the business value expected from each change. The recommendations are proposed to support the could-be vision, and are intended as a starting point for discussion rather than definitive solutions. Additional research and extensive stakeholder involvement will be required to establish the feasibility of each recommendation, recommend policy revision language, if necessary, and support an executive level decision to move forward.

The recommendations are organized around four broad categories:

1. **Procurement Reform** – This category focuses on the strategic transformation that must, according to industry experts, be accomplished prior to implementing more operational improvements and systems. It examines streamlining and standardizing laws and policies, focusing procurement professionals on high value activities and adopting a nationally accepted commodity code structure for goods and services.

2. **Shared Services** – This category focuses on efficient and effective adoption of a shared services model for targeted procure-to-pay activities. The recommendations propose creating a center of excellence to provide shared procure-to-pay business process services, adopting a risk-based authorization approach, transitioning all payments to a central disbursement function and providing integrated systems and data.

3. **Vendor Management** – This category focuses on improving relationships with external business partners. It looks at effective utilization of the data the state collects about its vendor community and implementation of self-service and electronic commerce technologies to support efficient and effective business interactions.

4. **Procurement Operations** – This category encompasses the concrete steps needed to improve transactional procurement processes. It looks at expediting routine acquisitions, optimizing consumable inventories and instituting an enterprise purchasing card policy.

More details on each recommendation can be found in Recommended Implementation Strategies.

6.1.1 Procurement Reform Recommendations

This section summarizes the policy/process and organizational recommendations for strategic procurement transformation.
Proposed Recommendations | Expected Business Results
--- | ---
1A **Institute procurement reform.**
  **Policy/Process:** – Introduce procurement reform legislation that would result in a comprehensive consolidation, standardization, and streamlining of Washington State procurement law and policy based on the American Bar Association’s Model Procurement Code, already adopted in full by 16 states, in part by several more, and by thousands of local jurisdictions. (See http://kppanigp.org/Docs/Code_and_Regs.pdf)
  **Organizational:** Establish a Chief Procurement Officer (CPO) empowered to oversee procurement policy and practices across agencies.
  > • Strategic alignment with proven, standard, transparent, competitive and reliable procurement and contracting processes
  > • Better, easier to understand processes for vendors and agencies
  > • Better business relationships with vendors
  > • Lower prices through improved competition
  > • Reduced procurement risks

1B **Require professional certification.**
  **Organizational:** Require certification and training for procurement professionals assigned to high-risk acquisitions, and compensate them accordingly.
  > • Reduced risk exposure
  > • Improved ability to retain a qualified workforce and ensure competent, compliant performance
  > • Strategic alignment with best practice trends in public procurement

1C **Adopt enterprise commodity codes.**
  **Policy/Process:** – Adopt the living code version of the National Institute of Government Purchasing (NIGP) commodity / services code structure, the most widely used code in the public sector.
  > • Effective support for strategic and tactical procurement
  > • Strategic alignment with universally accepted, best practice standards
  > • Convenient access to current, complete codes
  > • More efficient and accurate procurements
  > • Comprehensive spend data
  > • Support for incremental implementation

### 6.1.2 Shared Services Recommendations
This section summarizes policy/process, organizational and system recommendations for efficient and effective adoption of a shared services model for targeted procure-to-pay activities.

Proposed Recommendations | Expected Business Results
--- | ---
2A **Create a shared service center of excellence.**
  **Policy/Process:** 1) Require the shared services organization to establish service level agreements with agencies to ensure quality services are measured and delivered; and 2) Require agency participation in shared services as they become available.
  **Organizational:** Centralize responsibility and authority for Washington’s procure-to-pay
  > • Improved service delivery to citizens, through more agency focus on core missions, strategic plans and customers
  > • Faster, better business processes, measured and monitored against service level agreements
  > • Faster results from *Roadmap* procure-to-pay business process improvements
  > • Increased payment discounts and investment revenues
### Proposed Recommendations vs Expected Business Results

<table>
<thead>
<tr>
<th>Proposed Recommendations</th>
<th>Expected Business Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>policies, systems, data and targeted business processes such as management of enterprise</td>
<td>• Improved vendor relations</td>
</tr>
<tr>
<td>vendors, catalog services, procurement of common commodities, enterprise contract</td>
<td>• Reduced risk exposure</td>
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<tr>
<td>terms and accounts payable within a shared services organization.</td>
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<tr>
<td>2B. Authorize risk-based approvals.</td>
<td>• Reduced risk exposure by freeing up staff time to focus on</td>
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<tr>
<td><strong>Policy/Process:</strong> Change laws and policy to authorize a risk-based approach to business</td>
<td>high-risk activities and 100% automated compliance validation</td>
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<td>processing that will focus effort on providing reasonable assurance commensurate with risk</td>
<td>• Faster, better business processes</td>
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<tr>
<td>rather than requiring explicit evidence of authorization.</td>
<td></td>
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<tr>
<td>2C. Disburse all payments centrally.</td>
<td>• Increased investment revenues – the larger the investment pool</td>
</tr>
<tr>
<td><strong>Policy/Process:</strong> 1) Move all local funds to the State Treasurer to the extent practical;</td>
<td>and the more predictable the disbursements, the greater the</td>
</tr>
<tr>
<td>2) Schedule and disburse all A/P, provider and client payments through an enterprise</td>
<td>potential earnings</td>
</tr>
<tr>
<td>disbursement system; and 3) Require scheduling of payment transactions as soon as</td>
<td>• Reduced risk by minimizing customizations in future enterprise</td>
</tr>
<tr>
<td>payment details are known.</td>
<td>A/P system</td>
</tr>
<tr>
<td><strong>System:</strong> Enable interfaces between the state accounts payable, agency client</td>
<td></td>
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<tr>
<td>management and provider eligibility systems to support recording and reversal of</td>
<td></td>
</tr>
<tr>
<td>payable transactions.</td>
<td></td>
</tr>
<tr>
<td>2D. Implement integrated procure-to-pay systems.</td>
<td>• Better information for better decisions for better results:</td>
</tr>
<tr>
<td><strong>System:</strong> Implement enterprise information systems that integrate vendor information,</td>
<td>- Formidable contract negotiating position</td>
</tr>
<tr>
<td>procurement, contracts and accounts payable management business processes and data to</td>
<td>- Timely, accurate financial status</td>
</tr>
<tr>
<td>support the policy and process improvements recommended for procure-to-pay.</td>
<td>- Contract performance data tied to priorities of government</td>
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<tr>
<td>Best practice research indicates that system modernization is a key enabler for all of</td>
<td>• Faster, better business processes</td>
</tr>
<tr>
<td>the other procure-to-pay recommendations (except procurement reform)</td>
<td>• Improved accountability</td>
</tr>
<tr>
<td>• Increased investment revenues and payment discounts</td>
<td>• Improved vendor relations</td>
</tr>
<tr>
<td>• Reduced risk through 100% automated compliance validation</td>
<td>• Reduced investments in agency shadow systems</td>
</tr>
</tbody>
</table>

### 6.1.3 Vendor Management Recommendations

This section summarizes policy/process, organizational and system recommendations for improving relationships with external business partners of the procure-to-pay business function.
### Proposed Recommendations

<table>
<thead>
<tr>
<th>Proposed Recommendations</th>
<th>Expected Business Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3A. Enhance vendor information management.</strong></td>
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</tbody>
</table>
| **Policy/Process:** 1) Require all vendors and providers to register to do business in the state and accept enterprise vendor terms as prerequisites for doing business with the state (except for “one-time vendors”); and 2) Adopt enterprise vendor performance rating standards, policies and processes. **Organizational:** Centralize management of vendor information and relations within the recommended shared service organization. **System:** 1) Enable vendors to register to do business in and with Washington State through the One Stop Business Portal; and 2) Provide consolidated vendor data to support enterprise procure-to-pay business processes, with specific data maintained by the appropriate business owner. | • Improved vendor relations  
• Faster, better business processes for vendors and agencies  
• Better information for better decisions and better results  
• Reduced risk exposure  
  - Doing business almost exclusively with registered, TIN-validated vendors reduces risk of fraud  
  - Centralized management of vendor performance reduces likelihood the state will continue to do business with a poor performing vendor |
| **3B. Enable vendor self-service and electronic commerce.** |  |
| **Policy/Process:** Leverage Washington State’s electronic commerce laws to enable electronic commerce between the state and its vendor, provider, and subgrant recipient community. **System:** Create an enterprise web-portal for vendor self-service receipt and submission of documents and access to data about their transactions with the state. | • Improved vendor relations  
• Faster, better business processes for vendors and the state |

### 6.1.4 Procurement Operations Recommendations

This section summarizes policy/process recommendations for improving procurement processes of the procure-to-pay business function once procurement reform is complete.

<table>
<thead>
<tr>
<th>Policy/Process Proposed Recommendations</th>
<th>Expected Business Results</th>
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</thead>
<tbody>
<tr>
<td><strong>4A. Expedite routine purchases.</strong></td>
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</table>
| **Policy/process:** 1) Require use of shared catalog services for readily available commercial products and services; and 2) Require use of state contracts except in pre-determined circumstances. **System:** 1) Enable shared catalog services for acquisition of readily available commercial products from state vendors and consumable inventories; and 2) Implement a contract wizard process to guide selection of appropriate contract terms and conditions. | • Faster, better business processes  
• Frees up staff time to focus on agency priorities and high-risk acquisitions  
• Better information for better decisions and better results  
• Lower prices for goods and services  
• Reduced risks due to increased use of standard procurement processes, standard products, and pre-approved contract terms and conditions |
### Roadmap

**EBPDM – Procure-to-Pay Value Proposition**

**Updated: June 21, 2006**

<table>
<thead>
<tr>
<th><strong>Policy/Process Proposed Recommendations</strong></th>
<th><strong>Expected Business Results</strong></th>
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<tbody>
<tr>
<td><strong>4B. Optimize consumable inventories.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Policy/Process:</strong> Improve and standardize consumable inventory management processes and data</td>
<td>• Better information to ensure the right items are available when needed to support agency operations</td>
</tr>
<tr>
<td><strong>System:</strong> Implement an enterprise consumable inventory system to provide effective financial and materials management of Washington State resources.</td>
<td>• Reduced levels of inventory</td>
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<td></td>
<td>• Faster, more efficient turnover of inventory</td>
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<td></td>
<td>• Reduced cost of inventory</td>
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<tr>
<td><strong>4C. Adopt an enterprise purchasing card policy.</strong></td>
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<tr>
<td><strong>Policy/Process:</strong> Adopt and enforce an enterprise purchasing card policy based on industry best practices and aligned with NIGP commodity codes, and renegotiate the existing purchase card program to support the new policies.</td>
<td>• Consistency with the enterprise procurement strategy</td>
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<td></td>
<td>• Faster, better business processes</td>
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<tr>
<td></td>
<td>• Better information for better decisions and better results through enterprise access to purchase card procurement details</td>
</tr>
<tr>
<td></td>
<td>• Increased revenue potential from payment incentives</td>
</tr>
<tr>
<td></td>
<td>• Reduces the administrative cost associated with processing purchase orders, invoices, and 1099s</td>
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<td></td>
<td>• Ensures vendor receives prompt, easy payment</td>
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### 6.2 Value Proposition

The value proposition for procure-to-pay business processes is based on a foundation of procurement reform using:

- The American Bar Association’s model public sector procurement code and the National Institute of Government Procurement (NIGP) codes for commodities/services;
- Centers of excellence for enterprise wide procure-to-pay services; and
- Highly skilled human resources to support service delivery.

Implementing policy and organizational changes to establish this foundation will help the State of Washington begin to:

- Conduct leveraged, lower risk buying and make associated best value purchases with engaged business partners;
- Effectively manage consumable inventories; and
- Optimize discounts and cash flow.

Best practice research indicates that investments in technology may only generate a positive return once these foundational initiatives have been assimilated by the enterprise. These policy and organizational changes represent a large cultural change for the state, but are essential to successful procure-to-pay transformation. Implementing change through centers of excellence mitigates the risk of incomplete transformation by limiting the organizational impact.
Once the policy and organizational changes are underway, enterprise systems must be available to provide access to the following information managers need for effective delivery of program services:

- Goods and services availability;
- Acquisition processes; and
- Goods and services cost, budget impact, and status.

These systems will assist the enterprise in achieving administrative efficiencies and vendors in easing the effort involved in doing business with the state.

Measuring the net benefit against the cost of the following policy, process, organizational, and system changes is difficult:

- Best value goods and services maintained in appropriate stores;
- Easier, faster, and more administratively efficient procure-to-pay processes; and
- Optimized cash flow.

Best practices research, however, indicates that measurable savings do accrue to entities making these types of changes. More specifically, best practices research shows that enterprise level changes in the procure-to-pay cycle:

- Encourage increased competition and better value purchases by making procure-to-pay processes faster and better for vendors and establishing more positive business relationships between vendors and the state.
- Reduce the state’s risk exposure and improving program accountability for procurement by aligning policies and processes with the proven, standard, transparent, competitive, and reliable procurement and contracting processes already adopted in full by sixteen states, in part by several more, and by thousands of local jurisdictions.
- Provide structured commodity/service details regarding acquisitions, allowing program managers and procurement professionals to alter purchasing behavior to reduce overall costs to the state by leveraging better information for better decisions and better results.
- Reduce acquisition lead time and administrative costs for purchases through use of self service catalogs for many goods and services, resulting in faster, better, cheaper procure-to-pay processes for vendors and agencies.
- Eliminate duplicate commodities/services, thereby reducing the number of acquisitions and the cost of the items purchased.
- Reduce costly contract amendments and terminations and improve customer service by using standard terms and conditions and performance based statements of work and deploying risk-based review and approval through work flow tools.
- Increase investment revenue by making vendor and benefit payments just in time and taking earned discounts when to the state’s advantage.
- Improve purchase card effectiveness by requiring the purchase card provider to validate the merchant’s TIN, collect commodity/service code information, and support reconciliation and settlement.
• Reduce duplicate payments and improve program accountability through systematic application of business rules and compliance monitoring.

• Improve customer service and reduce time spent responding to vendor inquiries by making data directly available via the vendor information portal.

• Increase sales and use tax compliance and collection and reduce losses from fraud by consolidating data under a single vendor identifier and requiring taxpayer information prior to making payments.

• Reduce risk by discontinuing business with poor performing vendors.

• Improve ability to measure achievement of socio-economic goals via purchasing decisions through the availability of enterprise-wide information.

• Support rapid and ongoing implementation of best procure-to-pay practices through one-stop deployment at centers of excellence staffed by skilled professionals.

When enterprise-wide data is standardized and data collection is increased, program managers and procurement professionals will have a rich store of information about vendors, commodities/services, procurement processes, contracts, and cash usage. This data can be analyzed to help inform policy decisions and better serve Washington citizens. The types of questions that can be answered include:

• What are the characteristics of best value purchases?

• How can the state increase standardization and competition to reduce costs and increase value without impacting service delivery?

• Which types of procurements result in the least risk to the state?

• Is the state meeting its socio economic and geographic goals for purchasing?

• Who are the state’s high performing vendors?

• Where should the state target audit and fraud detection?

When the proper tools are in place information can be managed proactively to impact larger statewide service delivery performance initiatives. For example:

Virginia recently implemented eVA, a statewide e-procurement system, and has already begun to yield real economic benefits for the citizens of Virginia. The system is used by 171 state agencies, 476 local governments and more than 27,000 registered vendors; it offers 5 million items in almost 1,000 electronic catalogs and has processed more than 640,000 orders representing $6.6 billion in goods and services. eVA achieved $69.4M of savings in FY2004, a 50% reduction in the cost to process a purchase order, up to 70% reduction in process time from solicitation to award, up to 25% reduction in the delivery time and increased competition with a 200% increase in vendor registration.3

Another example of realized improvements indicates that companies trying electronic invoice presentation and payment are seeing 20% to 50% of their invoice/payment volumes managed via electronic means.4

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3 “Virginia Enterprise Applications Architecture Initiative, Supply Chain Management”, Team CGI-AMS, August 5, 2004
4 Pikulik, Jeff “Invoice Reconciliation and Payment Benchmark Survey”, June 2004
6.3 Performance Metrics

The focus group identified several overall performance indicators to measure the results of implementing the procure-to-pay vision:

- Number of vendors responding to solicitations by commodity/service category;
- Statewide prices by commodity/service category (including cost of storage);
- Percent of contracts in place by target service delivery dates;
- Percent of on time acceptable delivery;
- Percent of invoices received in electronic format; and
- Working capital turnover rates.

Evaluating metrics for each procure-to-pay sub-process helps to target implementation and operational efforts to achieve the overall goals and objectives identified in the procure-to-pay value proposition. The focus group also recommends several performance indicators for each of the four sub-processes to further measure the results of implementing the could-be vision.

Appendix G – Procure-to-Pay Business Objective and Metrics presents the objectives for each of the four sub-processes and the suggested metrics to create an additional framework for performance measurement under the “could-be” vision.

Vendor information management metrics include:

- Number of vendor inquires by type (online, telephone, written);
- Percent of vendors reporting excellent or very good service; and
- Percent of payments to vendors with a UBI and validated TIN.

Procurement Management metrics include:

- Number of procure-to-order cycles by type (catalog, master contract, competitive bid, etc)\(^5\);
- Time from purchase request to receipt by end user;
- Percent of spend managed through catalogs or contracts, under control of the procurement group\(^6\).

Contracts management metrics include:

- Percent of contracts using pre-approved terms & conditions; and
- Number of days lost to protest-related delays.

Accounts payable management metrics include:

- Number of invoices processed per accounts payable FTE;
- Percent of available discounts earned;
- Percent of fully compliant invoices on first receipt; and
- Percent of payments made in electronic format\(^7\).

\(^5\) The e-Procurement Benchmark Report: Less Hype, More Results”, Aberdeen Group, December 2004
7. Recommended Implementation Strategies

Focus group members recognize that each of the recommended changes will involve significant cultural change and implementation challenges for agencies, employees and the state’s business partners. The following general implementation strategy is proposed for each recommendation:

1. Perform a thorough analysis.
   a. Research current laws, policies and best practices.
   b. Work with subject matter experts and stakeholders to draft legislation and or policy/process revisions as appropriate. Include impacted agencies, employees, the state’s business partners, and collective bargaining units, when appropriate. To the extent possible, propose principle-based policies and standard processes across agencies.
   c. Document stakeholder impacts and concerns.
2. Confirm the feasibility of the recommendation.
   a. Validate the Roadmap focus group recommendation in light of the information collected during step 1.
   b. If the recommendation appears to be feasible, evaluate various implementation options.
   c. Recommend a specific approach.
3. Seek approval for the recommended approach from Roadmap governance.
4. Clearly communicate the benefits of each approved change to all impacted parties.
5. Obtain formal approvals for legislation, policy revisions and enterprise data standards, as required.
6. Develop transition, implementation and training plans, with appropriate emphasis on change management.
7. Benchmark current processes where possible, and ensure appropriate performance metrics will be measured as part of the new process.
8. Roll out in accordance with implementation plan.

The following sections describe each recommendation in more detail, including specific implementation steps recommended by the focus groups, beyond the general approach outlined above.

The recommended implementation strategies are organized around the four broad categories described in Section 6:

1. Procurement reform;
2. Shared services;
3. Vendor management; and
4. Procurement operations.

7.1 Implementation Strategies for Procurement Reform

The following recommendations focus on the strategic transformation that must, according to industry experts, be accomplished prior to implementing operational improvements and systems. They examine streamlining and standardizing laws and policies, focusing
procurement professionals on high value activities and adopting a nationally accepted commodity code structure for goods and services.

1A. Recommendation – Institute procurement reform.

| Organizational: | Establish a Chief Procurement Officer (CPO) empowered to oversee procurement policy and practices across agencies. |

Current Policy
- Washington state procurement law has evolved into an intricate maze of 18 major purchase authorities under the control of multiple agencies with very little formal coordination
  - **Control level**: The authorizing agencies take varied approaches to purchasing control:
    - **Delegated authority**: Under Chapter 43.19 RCW the Department of General Administration (GA) grants agencies unlimited authority to use any Office of State Procurement (OSP) master contract; under Chapter 43.105 RCW the Department of Information Services (DIS) limits agency authority to about $1 million, whether the agency uses DIS master contracts or not
    - **Purchase method**: GA uses a “Mandatory Master Contract” method to aggregate state spend by requiring state agencies to use the master contract exclusive of other purchasing methods; DIS uses a “Convenience Contract” approach that allows agencies the option to use the DIS master contract or to select a different procurement approach so long as they remain within their delegated purchase authority
    - **Fee model**: DIS uses a vendor collected contract administration fee business model; GA relies on the honor system for agencies to remit a contract administration fee based on their contract usage
  - **Legal flexibility**: The degree to which procurement processes are prescribed in law varies from authority to authority:
    - Chapter 43.19 prescribes nearly every aspect of procurement, giving agencies very little latitude in how Chapter 43.19 procurements are conducted; for example the law specifies how bids will be received, how protests will be handled, limitations on bid cancellations, limitations on negotiations, and specific requirements for environmental considerations
    - Chapter 43.105 provides broad purchase authority that allows most aspects of the procurement to be handled by Information Service Board (ISB) policy, thereby granting maximum flexibility and adaptability to information technology procurements
    - Chapter 43.78 RCW alludes to procurement authority in a way that has

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6 See Appendix E – Major Washington State Purchase Authorities

7 FY 2005 expenditures for personal services (Object C) were $238 M; purchased services (sub-object ER) expenditures totaled $501 M (exclusive of higher education).
# Roadmap
EBPDM – Procure-to-Pay Value Proposition
Updated: June 21, 2006

## 1A. Recommendation – Institute procurement reform.

- recently raised legal issues over the practical application of this authority to Department of Printing Services procurements
  - **Dollar thresholds:** Minimum dollar amounts for when informal or formal competitions are required vary among authorities and authorizing agencies
  - **Contract filing:** Personal service contracts require filing with OFM and purchased services do not; almost twice as much money is spent on purchased services than on personal services, and most states make no distinction between personal and purchased services.

## Problems With Current Policy

- Washington’s complex rules and regulations act as a deterrent for some vendors, resulting in less competition and higher prices for goods and services
- The level of complexity causes confusion for employees; significant training is required to effectively manage various procurement activities
- With so much legal complexity, it is increasingly difficult to propose RCW changes that won’t create conflicts with other sections of the law
- It is difficult to determine which rules apply to “mixed” purchases that include hardware, software and integration services
- No central authority has responsibility for ensuring effective and efficient procurement policies and processes
- Mistakes in determining proper authority and following various different processes result in delays, rework, protests, and audit findings.
- Effort spent sorting through complex rules takes time and focus away from high-value, high-risk procurement and contract management activities
- Enterprise eProcurement tools could not be implemented without the expense, delays and risks associated with significant customization to accommodate the complex business rules
- Best practice research indicates that without procurement reform, complex government IT systems will cost at least 20 percent too much and take 33 percent too long from idea to completion.

## Benefits

- Strategic alignment with proven, standard, transparent, competitive and reliable procurement and contracting processes – the Model Procurement Code has already been adopted in full by 16 states, in part by several more, and by thousands of local jurisdictions
- Better, easier to understand procurement and contracting processes for vendors and agencies
- Better business relationships with vendors
- Lower prices through improved competition
- Reduced procurement risks
  - Best practice acquisition processes for state goods, services, and projects
  - Minimal customization required for future eProcurement system(s)

## Impacts & Concerns

- Procurement reform will require vision and leadership
- Effective reform will require a strong partnership with the state’s vendor community
- Successful procurement reform is a prerequisite for implementation of the process improvement and eProcurement tools needed to complete the

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8 Road Map for Government Procurement Reform, Gartner, Inc., 2003.
### 1A. Recommendation – Institute procurement reform.

**Roadmap** vision for procure-to-pay

<table>
<thead>
<tr>
<th>Specific Implementation Strategy Steps</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>• Include in analysis:</td>
<td></td>
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<tr>
<td>- Compare and contrast current procurement law and agency policies in relationship to the Model Procurement Code</td>
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<tr>
<td>- Define Washington’s corporate values for procurement.</td>
<td>9</td>
</tr>
<tr>
<td>• Consider the following Roadmap focus group proposals:</td>
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<tr>
<td>- Simplify processes for routine low-dollar, low-risk procurements</td>
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<tr>
<td>- Streamline oversight agency approval processes (possibly replacing pre-approval with post-review)</td>
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<tr>
<td>- Standardize amount-based review/authority rules for the various types of procurements and contracts</td>
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<tr>
<td>- Align and integrate procurement and contract processes</td>
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<tr>
<td>- Remove the complex and subtle distinction between personal and purchased services; base review requirements on assessed risks rather than contract type</td>
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</table>

### 1B. Recommendation – Require professional certification.

**Organizational:** Require certification and training for procurement professionals assigned to high-risk acquisitions, and compensate them accordingly.

<table>
<thead>
<tr>
<th>Current Policy</th>
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<tbody>
<tr>
<td>• Certification and specialized training is not currently required for state or agency procurement and contract professionals, regardless of the level of complexity of the procurements they are assigned (except for half or full day training sessions for personal and client service contract managers to meet the requirements of RCW 39.29.120).</td>
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</table>

<table>
<thead>
<tr>
<th>Problems With Current Policy</th>
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<tbody>
<tr>
<td>• Errors made during the procurement process and contract development contribute to delays in service delivery, conflicts with vendors, protests, law suits, and audit findings</td>
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<table>
<thead>
<tr>
<th>Benefits</th>
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<tbody>
<tr>
<td>• Reduced risk exposure – through prevention of problems and delays with high-risk procurements</td>
<td></td>
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<tr>
<td>• Improved ability to retain a qualified workforce and ensure competent, compliant performance</td>
<td></td>
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</tbody>
</table>
| • Strategic alignment with best practice trends in public procurement:  
  “The skill levels of the procurement staff must be elevated to meet the changing needs of the 21st Century. Procurement staffs are becoming internal consultants, teachers and procurement process designers. Even with the existence of cross-functional teams, the central procurement office will generally be accountable for the complex, high-risk or high-dollar-value transactions. They’ll be called upon to solve the problems when something goes wrong. They’ll continue to review the legislation and write the policies and procedures. Thus, it is clear that the rapid advancement of technology, globalization of the marketplace and 9 Road Map for Government Procurement Reform, Gartner, Inc., 2003. 10 State Procurement: Strategic Positioning for the 21st Century, National Association of State Procurement Professionals, January 1999
## 1B. Recommendation – Require professional certification.

<table>
<thead>
<tr>
<th>Impacts &amp; Concerns</th>
<th>Specific Implementation Strategy Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Need to involve collective bargaining stakeholders</td>
<td>• Include in analysis:</td>
</tr>
<tr>
<td>• Need to analyze in conjunction with recommended procurement reform</td>
<td>- Modifications to job classifications, position requirements, and compensation needed to support procurement reform</td>
</tr>
<tr>
<td>• Must be integrated with the Human Resource Management System (HRMS) for effective monitoring</td>
<td>- Risk assessment process for assigning risk ratings to procurements</td>
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<td>- Certification standards</td>
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<tr>
<td></td>
<td>- Qualifying education and training opportunities</td>
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<tr>
<td></td>
<td>- Business process controls to ensure appropriate involvement by certified professionals in all high risk acquisitions, possibly through integration of HRMS with procure-to-pay processes</td>
</tr>
<tr>
<td></td>
<td>• Implement certification and training tracking capabilities within the HRMS</td>
</tr>
</tbody>
</table>

*increased competition call for a more involved and knowledgeable workforce in the immediate future.*

## 1C. Recommendation – Adopt enterprise commodity/service codes.

### Policy/Process:
Adopt the living code version of the National Institute of Government Purchasing (NIGP) commodity/services code structure, the most widely used code in the public sector.

### Current Policy
- During the 1970s, the state adopted a version of the Federal Supply Classification (FSC) commodity code structure
- GA has responsibility for maintaining commodity codes; over time, resources assigned to code maintenance have fallen from 2 FTEs to part of one FTE
- Several large agencies now maintain their own agency versions of the codes

### Problems With Current Policy
- Since the state-maintained code structure no longer aligns with any commercially recognized standard, it does not serve as an effective communication tool with the state’s business partners
- The code structure does not include adequate classifications for services
- Since code maintenance is a labor-intensive manual process, GA cannot be responsive to agency requests for new commodity/service codes; this results in procurement process delays for small agencies and further variances between the state code list and large agencies’ versions
- The code structure is not available centrally to agencies that would like to use the codes in their business transactions
- The code structure is not reliable: different items sometimes have same code and the same items sometimes have different codes, even within the same agency
- Commodity/service details captured in agency procurement systems are not comprehensive since they don’t include purchase cards transactions; data provided by the state’s purchase card provider do not include commodity/service details

### Benefits
- Effective support for strategic and tactical procurement decisions – the 4-level
1C. Recommendation – Adopt enterprise commodity/service codes.

<table>
<thead>
<tr>
<th>NIGP code structure provides category and item details to support all levels of decision-making from strategic sourcing to order processing and inventory management</th>
</tr>
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<tbody>
<tr>
<td>• Strategic alignment with universally accepted, best practice standards – the NIGP code is the most widely used commodity/service code in the public sector; it is used by 1400 public entities, including 30 states</td>
</tr>
<tr>
<td>• Access to current, complete codes – using NIGP licensed services will ensure central access to a current and comprehensive set of standard codes, maintained with rigor and professionalism by the vendor</td>
</tr>
<tr>
<td>• More efficient and accurate procurements – state orders will include standard codes recognized by most vendors</td>
</tr>
<tr>
<td>• Comprehensive spend data – NIGP has partnered with states to create software to collect NIGP code details on purchase card transactions, making it possible to consolidate spend information, regardless of payment method</td>
</tr>
<tr>
<td>• Support for incremental implementation – NGIP maintains a crosswalk to current FSC codes that could be modified for use by agencies during incremental transition to the new code structure</td>
</tr>
</tbody>
</table>

Impacts & Concerns

| State and agency systems that use commodity codes (e.g. Capital Asset Management System (CAMS) and agency inventory systems) will need to crosswalk to or convert to the NIGP codes instead of the current state codes |
| Implementation of the NIGP codes may require retrofitting agency systems that will eventually be replaced by enterprise systems |
| The full benefits of a new commodity/service code structure cannot be realized until enterprise procure-to-pay technology tools are implemented to capture and report commodity/service details |
| The impact of license fees for the vendor-maintained, Living Code version of the NIGP codes will need to be evaluated |

Specific Implementation Strategy Steps

| Involve business and technology representatives in the analysis step |
| Develop a searchable crosswalk to current codes that is easy for people and systems to use until agencies can migrate to enterprise procurement and inventory systems; the crosswalk should allow existing agency systems to keep the old codes internally but show the new codes in screens or reports |
| Negotiate license agreement with NIGP for the web-accessible, vendor-maintained Living Code version of the NIGP code |

7.2 Implementation Strategies for Shared Services

Recommendations in this section focus on efficient and effective adoption of a shared services model for targeted procure-to-pay activities. The recommendations propose creating a center of excellence to provide shared procure-to-pay business process services, adopting a risk-based authorization approach, transitioning all payments to a central disbursement function and providing integrated systems and data.
**2A. Recommendation** – Create a shared service center of excellence.

<table>
<thead>
<tr>
<th><strong>Organizational</strong></th>
<th>Centralize responsibility and authority for Washington’s procure-to-pay policies, systems, data and targeted business processes such as management of enterprise vendors, catalog services, procurement of common commodities/services, enterprise contract terms and accounts payable within a shared services organization.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy/Process</strong></td>
<td>1) Require the shared services organization to establish service level agreements with agencies to ensure quality services are measured and delivered; and 2) Require agency participation in shared services as they become available.</td>
</tr>
</tbody>
</table>

| **Current Policy** | Each agency operates largely as an independent business, with some oversight by and assistance from central service and other authorizing agencies.  
Agencies adopt their own procure-to-pay policies and procedures within the limits established by federal and state law and policies.  
Many agencies operate their own systems to supplement functionality provided within enterprise financial and administrative systems.  
OFM registers statewide vendors for payment, with assistance from DSHS for social service providers wanting payment by EFT; each agency registers agency vendors for payment, many of which are also in the statewide vendor file; the same vendors can also self-register for bid opportunities through GA’s WEBS.  
GA and DIS develop statewide master contracts for use by all agencies; GA, DIS, and OFM publish model contract language and contract checklists, and provide other procurement and contracting assistance to agencies on request.  
Accounts payable are processed by staff in almost every agency, in either centralized or decentralized offices.  
OFM’s Small Agency Client Services (SACS) unit provides accounting, budgeting and payroll services for 39 small agencies, allowing these agencies to focus their limited resources on their missions, strategic plans and customers. |

| **Problems With Current Policy** | High costs due to significant duplication of effort and inefficiencies within and across agencies.  
Increased risks from inconsistent processing quality and poorly written contracts.  
Sporadic, slow adoption of business process improvements across agencies, as each diverse agency independently solves the same business challenges.  
Poor vendor relations due to multiple points of contact and inconsistent practices.  
Unreliable and inconsistent data from too many processes and systems.  
Lost prompt payment discounts due to inefficient payment approval processes.  
Lost investment revenue potential due to poor payment scheduling practices. |

| **Benefits** | Improved service delivery to citizens – agencies will be able to focus more resources on their core missions, strategic plans and customers.  
Faster, better business processes – results will be measured and monitored against service level agreements.  
Faster results from Roadmap procure-to-pay business process improvements. |

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11 See hands-off payment method example in the *As-Is Common Process and Agency Variations*.
### Roadmap
**EBPDM – Procure-to-Pay Value Proposition**  
*Updated: June 21, 2006*

#### 2A. Recommendation – Create a shared service center of excellence.

<table>
<thead>
<tr>
<th>Impacts &amp; Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased payment discounts and investment revenues</td>
</tr>
<tr>
<td>Improved vendor relations – through single point of contact and consistent business practices</td>
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<tr>
<td>Reduced risk exposure – professional management of centralized procure-to-pay business processes will ensure appropriate attention to high risk areas</td>
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<table>
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<tr>
<th>Specific Implementation Strategy Steps</th>
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<tbody>
<tr>
<td>Implementation of shared services would create significant organizational change management challenges; however the total change impact may be lower than implementing new processes and systems in many decentralized locations</td>
</tr>
<tr>
<td>Successful implementation will require a strong partnership with the state’s vendor community</td>
</tr>
<tr>
<td>Best practice research indicates that integrated procure-to-pay systems are a critical enabler for shared services</td>
</tr>
<tr>
<td>Salaries for center of excellence employees will need to be sufficient to retain highly skilled, motivated professionals</td>
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</tbody>
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<tr>
<th>Specific Implementation Strategy Steps</th>
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<tbody>
<tr>
<td>Evaluate implementation options such as:</td>
</tr>
<tr>
<td>- Expand OFM’s Small Agency Accounting Services (SACS) to include all or some portions of the new authorities and services</td>
</tr>
<tr>
<td>- Create a unit similar to SACS with responsibility for shared services</td>
</tr>
<tr>
<td>- Establish informal teams across agencies to provide shared services (SmartBuy Teams model)</td>
</tr>
<tr>
<td>- Merge two or more existing agency units from GA and OFM into a centralized group to form a shared service center of excellence</td>
</tr>
<tr>
<td>- Establish a policy board with public and private (to ensure continuous adoption of industry best practices, as appropriate) representation, supported by staff from the shared services organization</td>
</tr>
<tr>
<td>- Negotiate service level metrics and agreements</td>
</tr>
<tr>
<td>- Pilot the processes and adjust as necessary before statewide roll-out</td>
</tr>
</tbody>
</table>

#### 2B. Recommendation – Authorize risk-based approvals.

**Policy/Process:** Change laws and policy to authorize a risk-based approach to business processing that will focus effort on providing reasonable assurance commensurate with risk rather than requiring explicit evidence of authorization.

<table>
<thead>
<tr>
<th>Current Policy</th>
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<tbody>
<tr>
<td>SAAM 85.32.10 requires agencies to implement controls to ensure that all expenditures and disbursements are for lawful and proper purposes</td>
</tr>
<tr>
<td>SAAM 85.32.30.a requires payment processing documentation to include, at a minimum, evidence of authorization for purchase, receipt of goods or services, and approval for payment</td>
</tr>
<tr>
<td>Agencies may request a SAAM 85.32.60 “rapid invoice processing” exemption from OFM that allows some additional latitude but also imposes some notification requirements before payments can be processed</td>
</tr>
<tr>
<td>Agency policies typically require one or more prior approvals for all purchase requests</td>
</tr>
<tr>
<td>Some agencies allow approval of blanket orders that can be refilled as needed to facilitate routine purchases</td>
</tr>
<tr>
<td>Some agencies allow employees to use purchase cards without prior</td>
</tr>
</tbody>
</table>
### 2B. Recommendation – Authorize risk-based approvals.

**Policy/Process:** Change laws and policy to authorize a risk-based approach to business processing that will focus effort on providing reasonable assurance commensurate with risk rather than requiring explicit evidence of authorization.

<table>
<thead>
<tr>
<th>Problems With Current Policy</th>
<th>Benefits</th>
<th>Impacts &amp; Concerns</th>
<th>Specific Implementation Strategy Steps</th>
</tr>
</thead>
</table>
| • State policy requires the same level of control for all expenditures, regardless of amount or risk | • Reduced risk exposure:  
  - Automates validation of 100 percent of transactions for compliance with enterprise business rules  
  - Frees up staff time to focus on high-risk activities | • Involves significant cultural change and implementation challenges  
• State Auditor’s Office, Federal, and agency management buy-in are critical  
• Robust, integrated systems and processes are essential enablers | • Consider propose principle-based policies that will ensure continuation of basic internal control principles such as separation of duties and risk monitoring  
• Get commitment from external stakeholders (SAO, FED, etc.) and executive management on acceptable levels of risk and compensating controls |
| • Agencies typically end up spending over 80 percent of their effort processing a high volume of small dollar transactions that represent less than 10 percent of the dollars spent | | | |
| • The need to look at all transactions makes it difficult to give high dollar, high risk transactions the care and attention they deserve | | | |
| • Since the “notification prior to payment” process required for rapid invoice processing is not supported by current statewide systems, very few agencies have been able to take advantage of that option | | | |

### 2C. Recommendation – Disburse all payments centrally.

**Policy and Process:** 1) Move all local funds to the State Treasurer to the extent practical; 2) Schedule and disburse all A/P, provider and client payments through an enterprise disbursement system; and 3) Require scheduling of payment transactions as soon as payment details are known.

**System:** Enable interfaces between the state accounts payable, agency client management and provider eligibility systems to support recording and reversal of payable transactions.

<table>
<thead>
<tr>
<th>Current Policy</th>
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</table>
| • Treasury funds are deposited to and managed by the State Treasurer; Local funds are deposited to private banks and managed by agency staff  
• Local fund transactions require separate handling and special accounting treatment in statewide systems  
• Several agencies disburse treasury and local funds through agency payment systems, with summary interfaces to state systems  
• Some local funds are banked in non-interest bearing accounts to simplify the accounting and manage other legal complications |
### 2C. Recommendation – Disburse all payments centrally.

<table>
<thead>
<tr>
<th>Problems With Current Policy</th>
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<th>Impacts &amp; Concerns</th>
<th>Specific Implementation Strategy Steps</th>
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</thead>
<tbody>
<tr>
<td>• Investment revenue distribution varies by fund&lt;br&gt;• Accounts payable transactions are generally entered into AFRS the day before they are to be paid</td>
<td>• Increased investment revenues; the larger the investment pool and the more predictable the disbursements, the greater the earnings potential&lt;br&gt;• Reduced risk by minimizing customizations in future enterprise A/P system</td>
<td>• Will increase STO workload; may impact Treasury Management System (TM$)&lt;br&gt;• If even a few funds retain local fund status, special system and business process functionality will needed to accommodate local funds&lt;br&gt;• It may not be practical to move some funds to the Treasurer:&lt;br&gt;  - Legal mandates may be too difficult to change&lt;br&gt;  - Revenue sharing agreements for investment earnings may be too difficult to negotiate&lt;br&gt;  - Federal rules may not be negotiable&lt;br&gt;  - Privacy issues may prevent conversion (e.g. undercover operations fund)&lt;br&gt;  - Accounting rules for some funds may prove to be too complex for an enterprise approach (e.g. interest from inmate trust funds must, by law, be credited to the inmate)</td>
<td>• Develop criteria to compare the cost of system customizations and lost investment revenue potential with the cost of addressing legal issues for individual funds&lt;br&gt;• Propose fund consolidation where appropriate to reduce the total number of funds&lt;br&gt;• Negotiate revenue sharing agreements with agencies to ensure all funds receive their authorized fair share of investment revenue</td>
</tr>
</tbody>
</table>

### 2D. Recommendation – Implement integrated procure-to-pay systems.

**System:** Implement enterprise information systems that integrate vendor information, procurement, contracts and accounts payable management business processes and data to support the policy and process improvements recommended for procure-to-pay. Best practice research indicates that system modernization is a key enabler for all of the other procure-to-pay recommendations (except procurement reform).

<table>
<thead>
<tr>
<th>Current Policy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• AFRS provides limited functionality for accounts payable and vendor registration for payment&lt;br&gt;• GA’s WEBS provides enterprise support for bid solicitations and vendor registration for notification of bid opportunities&lt;br&gt;• State contract databases provide contract tracking functionality for a few types</td>
<td></td>
</tr>
</tbody>
</table>
2D. Recommendation – Implement integrated procure-to-pay systems.

<table>
<thead>
<tr>
<th>Problems With Current Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The state generally lacks reliable data to manage program and contract budgets and vendor performance, or to support effective contract negotiations with vendors, cash investment decisions and enterprise procurement initiatives such as strategic sourcing</td>
</tr>
<tr>
<td>• Agency procure-to-pay business processes are inefficient and ineffective</td>
</tr>
<tr>
<td>• Each of the procure-to-pay processes depends on information from the other processes, but the data is spread across file cabinets, desktop tools and agency and state systems and cannot easily be shared</td>
</tr>
<tr>
<td>• State systems are too fragmented, siloed and inflexible to support adoption of best business practices</td>
</tr>
<tr>
<td>• It is expensive for the state to develop and operate duplicative agency systems</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Better information for better decisions for better results</td>
</tr>
<tr>
<td>- Formidable contract negotiating position</td>
</tr>
<tr>
<td>- Timely, accurate financial status reports for programs and contracts</td>
</tr>
<tr>
<td>- Contract performance data tied to priorities of government</td>
</tr>
<tr>
<td>• Faster, better business processes</td>
</tr>
<tr>
<td>• Improved accountability</td>
</tr>
<tr>
<td>• Increased investment revenues and payment discounts</td>
</tr>
<tr>
<td>• Improved vendor relations</td>
</tr>
<tr>
<td>• Reduced risk through 100% validation for compliance with business rules</td>
</tr>
<tr>
<td>• Reduced investments in agency shadow systems</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impacts &amp; Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The scope of the proposed change is very large</td>
</tr>
<tr>
<td>• Requiring use of enterprise systems and data standards would involve a significant cultural shift</td>
</tr>
<tr>
<td>• Impact on agency mission critical systems and interfaces may be significant</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specific Implementation Strategy Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In collecting stakeholder input on detailed requirements, emphasize the importance of implementing standard business processes across the enterprise wherever possible to minimize customizations and maximize ROI from the technology investment</td>
</tr>
</tbody>
</table>
### 2D. Recommendation – Implement integrated procure-to-pay systems.

- Acquire system(s) that best fit the *Roadmap* vision for Washington State
- Configure system to incorporate *Roadmap* vision and best business practices
- Configure the system(s) in a pilot setting, then adjust the configuration as necessary to improve standard business processes before rolling out statewide

### 7.3 Implementation Strategies for Vendor Management

The following recommendations focus on improving relationships with external business partners. They look at effective utilization of the data the state collects about its vendor community and implementation of self-service and electronic commerce technologies to support efficient and effective business interactions.

### 3A. Recommendation – Enhance vendor information management.

**Policy and Process:**

1. Require all vendors and providers to register to do business in the state and accept enterprise vendor terms as prerequisites for doing business with the state (except “one-time vendors”).
2. Adopt enterprise vendor performance rating standards, policies and processes.

**Organizational:** Centralize management of vendor information and relations within the recommended shared service organization.

**System:**

1. Enable vendors to register to do business in and with Washington State through the One Stop Business Portal.
2. Provide consolidated vendor data to support enterprise procure-to-pay business processes with specific data maintained by the appropriate business owner.

**Current Policy**

- Information about Washington’s business partners (vendors, potential bidders, subgrant recipients, providers, etc) is held in dozens of locations managed by many different organizations within the state
- Vendors are required to register as a WEBS vendor with GA to receive notification of bid opportunities, as a statewide vendor with OFM for EFT payment, and possibly as agency vendors with each agency they conduct business with
- Each vendor can have multiple AFRS vendor IDs
- Vendors can also register with DOL to receive a master business license and a Uniform Business Identifier (UBI), with the Office of Minority and Women Business Enterprises if they qualify for certification, and with numerous other agencies for licenses and permits to operate their business in Washington
- AFRS payments do not require a Tax ID number (TIN); Vendor TINs are not validated with the IRS until calendar year end as part of the 1099 process
- Businesses are not required to have a UBI to receive payment from state agencies
- Vendor performance is managed at the agency level

**Problems With Current Policy**

- It’s cumbersome for vendors to register to do business with the state and get information about the status of their orders and payments
- The state cannot manage its vendor community as a corporate asset
- It is difficult and expensive to compile enterprise data that will support
### 3A. Recommendation – Enhance vendor information management.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Impacts &amp; Concerns</th>
<th>Implementation Strategy Steps</th>
</tr>
</thead>
</table>
| - Improved vendor relations  
- Faster, better business processes for vendors and agencies  
- Better information for better decisions and better results  
- Reduced risk exposure  
  - Doing business almost exclusively with centrally registered, validated vendors reduces risk of fraud  
  - Centralized management of vendor performance reduces likelihood the state will continue to do business with a poor performing vendor  
- Increased sales tax revenues through improved compliance monitoring | - It may not prove practical or desirable to require all vendors to accept identical enterprise terms; policy should allow some flexibility in unusual circumstances  
- Agencies will probably need the capability to register on-behalf of vendors unable or unwilling to self-register  
- Strategic alignment with the One Stop Business Portal project will impact both projects’ timelines  
- Maintenance of enterprise vendor performance management information may raise public disclosure issues  
- Migration to enterprise vendor management will involve significant cultural change  
- The practicality and legality of requiring all vendors without nexus in Washington State ¹² to obtain a UBI number before they can do business with state agencies needs to be further evaluated | - Promote vendor data as a shared and valuable resource  
- Continue to work with One Stop Business Portal and WEBS staff to define common data standards and how best to incorporate Roadmap requirements  
- Define enterprise vendor management polices:  
  - Define enterprise vendor terms and conditions for doing business with the state (e.g. Valid UBI, W-9/W-8 confirmation required, electronic submission of invoices, acceptance of electronic payments, collection of sales tax by nexus vendors, email address required, and insurance and debarment requirements); provide appropriate flexibility  
  - Require agencies to use enterprise vendor file as the single source of vendor data for the end to end procure-to-pay process;  
  - Standardize the definition and policies for “one-time vendors” across agencies; |

---

¹² This Department of Revenue site describes current registration requirements for out-of-state vendors and defines Nexus: [http://dor.wa.gov/content/doingbusiness/doingBus_OutOfStBus.aspx](http://dor.wa.gov/content/doingbusiness/doingBus_OutOfStBus.aspx)
**3A. Recommendation** – Enhance vendor information management.

- Return all non-compliant invoices to vendors for correction
- Develop process for centralized management of vendor performance
- Coordinate technical aspects of the proposed solution with the Integration Architecture Committee

**3B. Recommendation** – Enable vendor self-service and electronic commerce.

**Policy and Process:** Leverage Washington State’s electronic commerce laws to enable electronic commerce between the state and its vendor, provider, and subgrant recipient community.

**System:** Create an enterprise web-portal for vendor self-service receipt and submission of documents and access to data about their transactions with the state.

<table>
<thead>
<tr>
<th>Current Policy</th>
<th>Vendors have no self-service access to their registration, order, contract or payment data now, except they can self-register to receive bid opportunities through WEBS and can update their Master Business License data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vendors must deal with each agency’s unique procurement and payable staff, policies and processes</td>
</tr>
<tr>
<td></td>
<td>Invoice information is not typically available in AFRS until the day before it is paid</td>
</tr>
<tr>
<td></td>
<td>Some agencies have developed some electronic commerce capabilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Problems With Current Policy</th>
<th>Agencies spend significant time and effort responding to vendor inquiries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vendors cannot easily access data about the status of their state transactions</td>
</tr>
<tr>
<td></td>
<td>Processes are primarily paper based and error prone</td>
</tr>
<tr>
<td></td>
<td>The state cannot offer its vendors the same convenient, reliable electronic interactions they use with many other businesses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Improved vendor relations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Faster, better business processes for vendors and the state</td>
</tr>
</tbody>
</table>

| Impacts & Concerns         | Need to work with vendor, provider, and subgrant recipient communities to ensure new processes and policies will meet their needs |

<table>
<thead>
<tr>
<th>Implementation Strategy Steps</th>
<th>Establish outreach program to promote benefits to vendors and other external business partners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Form statewide task force to develop strategies for leveraging electronic commerce laws; validate that law supports enterprise strategies and propose amendments if necessary</td>
</tr>
<tr>
<td></td>
<td>Define requirements and enterprise business policies for:</td>
</tr>
<tr>
<td></td>
<td>- Receipt of solicitations</td>
</tr>
<tr>
<td></td>
<td>- Submission of responses and electronic invoices</td>
</tr>
<tr>
<td></td>
<td>- Electronic authorization/signature</td>
</tr>
<tr>
<td></td>
<td>- Vendor access to information about their bids, contracts, payments, etc.</td>
</tr>
<tr>
<td></td>
<td>Provide incentives for vendors to participate and hold vendors responsible for the quality of their data</td>
</tr>
<tr>
<td></td>
<td>Provide flexible electronic commerce tools to support varying levels of technical capability</td>
</tr>
</tbody>
</table>
### 7.4 Implementation Strategies for Procurement Operations

The following recommendations encompass the concrete steps needed to improve transactional procurement processes. They look at expediting routine acquisitions, optimizing consumable inventories and instituting an enterprise purchasing card policy.

<table>
<thead>
<tr>
<th>4A. Recommendation – Expedite routine purchases.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy/process:</strong></td>
</tr>
<tr>
<td>1) Require use of shared catalog services for readily available commercial products.</td>
</tr>
<tr>
<td>2) Require use of state contracts except in pre-determined circumstances.</td>
</tr>
<tr>
<td><strong>System:</strong></td>
</tr>
<tr>
<td>1) Enable shared catalog services for acquisition of readily available commercial products and services from state vendors and consumable inventories.</td>
</tr>
<tr>
<td>2) Implement a contract wizard process to guide selection of appropriate contract terms and conditions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Current Policy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• No statewide systems are available to facilitate routine procurements or assist in drafting contracts</td>
</tr>
<tr>
<td>• Routine purchases of most readily available commercial products are managed at the agency level, to the extent of the agency’s delegated authority</td>
</tr>
<tr>
<td>• Processes for drafting contracts are paper based and managed at the agency level</td>
</tr>
<tr>
<td>• Agencies order from mandatory state contracts when they are available; use of convenience contracts is optional</td>
</tr>
<tr>
<td>• Order, receiving, and contract documents are generally paper-based</td>
</tr>
<tr>
<td>• Most vendor, contract, commodity and price details are not captured electronically</td>
</tr>
<tr>
<td>• State contracts are available in text format on GA’s website; agency contracts are accessible only to agency employees</td>
</tr>
<tr>
<td>• Some agencies have invested in agency procurement systems</td>
</tr>
<tr>
<td>• Procurement review and approval policies vary by agency</td>
</tr>
<tr>
<td>• Some contract types require oversight review and/or approval</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Problems With Current Policy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inefficient and ineffective procurement and contracting processes take time and focus away from higher value work</td>
</tr>
<tr>
<td>• The state lacks the ability to promote use of standard products and pre-approved contract terms and conditions</td>
</tr>
<tr>
<td>• Less than 15% of the amount the state spends on operating goods and services is managed under aggregated or central contract</td>
</tr>
<tr>
<td>• With almost all purchasing done either manually or through agency systems, the state lacks reliable data to establish and monitor performance improvement targets for procurement</td>
</tr>
<tr>
<td>• The state lacks the ability to determine when vendors offer agencies better deals than the state contract terms, to support strategic sourcing decisions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Benefits</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Faster, better business processes</td>
</tr>
<tr>
<td>• Frees up staff time to focus on agency priorities and high-risk acquisitions</td>
</tr>
<tr>
<td>• Better information for better decisions and better results</td>
</tr>
<tr>
<td>• Lower prices for goods and services</td>
</tr>
<tr>
<td>• Reduced risks due to increased use of standard procurement processes,</td>
</tr>
</tbody>
</table>
### 4A. Recommendation – Expedite routine purchases.

| standard products, and pre-approved contract terms and conditions |

**Impacts & Concerns**
- Procurement reform must be accomplished before technology can be effectively implemented to support procurement operations
- Effective vendor outreach and enablement strategies are critical
- The choice of funding model for catalog services will impact agencies and vendors

**Implementation Strategy Steps**
- Develop, approve and implement a funding model for catalog services
- Work with key vendors including agency inventory managers, to design and implement catalogs and establish policies and procedures
- Ensure agencies are able to maintain catalog services for items unique to their operations, as appropriate
- Design processes for continuous monitoring and improvement of catalog offerings
- Work with contract professionals to design effective contract wizard content and process

### 4B. Recommendation – Optimize consumable inventories.

**Policy/Process:** Improve and standardize consumable inventory management processes and data.

**System:** Implement an enterprise consumable inventory system to provide effective financial and materials management of Washington State resources.

**Current Policy**
- GA manages Central Stores inventory for the benefit of state agencies
- Agencies manage large volumes of consumable inventories
- No enterprise systems are available to support effective inventory management
- Most agency systems are aging and poorly integrated

**Problems With Current Policy**
- Without modern systems that support best practice inventory management processes, agencies cannot meet current and emerging critical business requirements to ensure the right items are available when needed
- Inventory often sits in storage for too long, leading to:
  - Loss, damage, or theft
  - Possible obsolescence
  - Less cash available for other purposes
  - Higher costs of managing, securing, and maintaining stored commodities
- Information about items available in agency inventories is not accessible to other agencies that may have urgent operational needs for the items

**Benefits**
- Better information to ensure the right items are available when needed to support agency operations
- Reduced levels of inventory
- Faster, more efficient turnover of inventory
- Reduced cost of inventory

**Impacts &**
- Effective communication of the benefits of just-in-time delivery (speed, price,
### 4B. Recommendation – Optimize consumable inventories.

<table>
<thead>
<tr>
<th>Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>quality) will be essential</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Implementation Strategy Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Use the September 2004 <a href="#">Consumable Inventory System Feasibility Study</a> as a starting point for determining requirements and policies</td>
</tr>
<tr>
<td>• Coordinate this recommendation with other operational procurement improvements to ensure agency and Central Stores consumable inventories will be available through shared catalog services</td>
</tr>
</tbody>
</table>

### 4C. Recommendation – Adopt an enterprise purchasing card policy.

**Policy/Process:** Adopt and enforce an enterprise purchasing card policy based on industry best practices and aligned with NIGP commodity/service codes, and renegotiate the existing purchase card program to support the new policies.

<table>
<thead>
<tr>
<th>Current Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Department of General Administration (GA) through their Office of State Procurement (GA-OSP) has established a purchase card program for the purpose of the program is to provide for rapid purchases and to reduce the amount of paperwork required when making certain types of purchases</td>
</tr>
<tr>
<td>• SAAM 45.10 places limits on use of purchasing cards and requires agencies to establish purchase card procedures</td>
</tr>
<tr>
<td>• SAAM 45.20 specifies minimum procedures that must be part of agency purchase card programs</td>
</tr>
<tr>
<td>• Purchase cards are used to a different extent and level of effectiveness by each agency</td>
</tr>
<tr>
<td>• The state purchase card provider offers a system that is used by some agencies for account coding, review, approval, and reconciliation of card purchases</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Problems With Current Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Purchase cards are not being used as effectively as they could be to support an overall state procurement strategy</td>
</tr>
<tr>
<td>• The paper-based purchase logs and payment clearing processes used by most agencies is cumbersome and inefficient</td>
</tr>
<tr>
<td>• The process offered by the state purchase card provider is not integrated with state systems and processes</td>
</tr>
<tr>
<td>• Better management tools (1099 data, commodity/service code data, automated clearing process, etc.) are needed to support expanded use of purchase cards</td>
</tr>
<tr>
<td>• Commodity/service details for purchase card purchases are not available to support strategic sourcing decisions</td>
</tr>
<tr>
<td>• It is difficult to combine purchase card data with state accounts payable data for consolidated 1099 reporting</td>
</tr>
<tr>
<td>• Without proper controls, purchase cards can be used to circumvent procurement rules</td>
</tr>
<tr>
<td>• Agencies may be paying too much for some goods/services just because the vendor is willing to accept payment by purchase card</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consistency with the overall enterprise procurement strategy</td>
</tr>
<tr>
<td>• Faster, better business processes</td>
</tr>
<tr>
<td>• Better information for better decisions and better results through enterprise</td>
</tr>
<tr>
<td><strong>4C. Recommendation</strong> – Adopt an enterprise purchasing card policy.</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>access to purchase card procurement details</strong></td>
</tr>
<tr>
<td><strong>Increased revenue potential from payment incentives</strong></td>
</tr>
<tr>
<td><strong>Reduces the administrative cost associated with processing purchase orders, invoices, and 1099s</strong></td>
</tr>
<tr>
<td><strong>Ensures vendor receives prompt, easy payment</strong></td>
</tr>
</tbody>
</table>

**Impacts & Concerns**

- Any significant reduction in the current volume of purchase card transactions has the potential to greatly increase accounts payable workload
- Sophisticated purchase card controls would be required to limit their use to certain commodities/services or vendors
- Not all vendors are capable of providing the level of commodity/service detail the state would like to have about its purchases
- More sophisticated purchase card management tools are needed to expand purchase card transaction volumes without increasing administrative workloads

**Implementation Strategy Steps**

- Base the new enterprise policy on a comprehensive analysis of how purchase cards can most effectively support the state’s overall procure-to-pay strategies
- Renegotiate state purchase card contract to ensure the card provider:
  - Is certified with the IRS to vendor W-9/W-8 information
  - Can report NIGP commodity/service code details for purchases
  - Can limit purchase card usage by Standard Industry Code/Merchant Category Code
    - Implements an enterprise clearing process for efficient review, coding, and payment of purchase card invoices, integrated to state systems such as travel and accounts payable
    - Can provide electronic access to purchase details through the state’s enterprise reporting system
    - Remits prompt pay incentive payments frequently so agencies can recover the rebates against current fiscal year expenditures
    - Offers more favorable terms for occasional, low volume cards.
- It will be important to revaluate the state purchase card program periodically to adjust the enterprise policy as circumstances change
8. Proposed Candidates for Enterprise Data Standards

Implementation of the could-be vision provides opportunities for data standardization. Following is a view of procure-to-pay related enterprise data entity candidates:

<table>
<thead>
<tr>
<th>Data for Procure-to-Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor</td>
</tr>
<tr>
<td>Catalog</td>
</tr>
<tr>
<td>Inventory</td>
</tr>
<tr>
<td>Purchasing Rules</td>
</tr>
<tr>
<td>Contract T&amp;C’s</td>
</tr>
<tr>
<td>Solicitation</td>
</tr>
<tr>
<td>Contracts</td>
</tr>
<tr>
<td>Orders</td>
</tr>
<tr>
<td>Payments</td>
</tr>
</tbody>
</table>

Definitions for these candidate enterprise entities follow:

**Vendor**
Information about business and other entities with whom the State of Washington does business or might want to do business with. Would include names, taxpayer information, locations, contacts, insurance, OMWBE, commodity/service, and performance.

**Catalog**
Information about goods and services available to agency purchasers via a statewide catalog including commodity/service, price, vendor, delivery schedule, and payment terms.

**Inventory**
Information about goods and services available from statewide consumable inventory stores including commodity, volume, price, and delivery schedule.

**Purchasing Rules**
Information about the rules guiding purchasing by commodity/service and agency including delegation authority, low dollar limits, and purchasing card limits.

**Contract T&C’s**
Information about standard terms and conditions for State of Washington contracts including commodity/service dollar limits, insurance requirements, dispute resolution methods, termination processes, amendment process, and performance requirements.

**Solicitations**
Information about the requirements, risk assessment, timeframes, dollar value, response submission, responses, award, protest, and performance requirements related to a particular solicitation.

**Contracts**
Information about the legal instrument that specifies vendor and purchaser obligations.

**Orders**
Information about requests for goods and services from inventory, catalogs, and contracts including commodity/service, amount, delivery date, delivery requirements, received date, and acceptance.
criteria

**Payments**  
Information about disbursements to vendors and other entities related to the purchase of goods and services, delivery of program benefits, or award of subgrant funds, for example. Information may include payment, credit, tax, and shipping amounts and dates.

These candidate entities and definitions are intended as a starting point for discussion. Additional research and extensive stakeholder involvement will be required to further define the entities and their attributes and determine where enterprise standards are needed to support business objectives for procure-to-pay processes. Information Services Board (ISB) approval will be required to establish the agreed upon standards.

Some of these entities and their logical attributes might also be shared across other *Roadmap* business processes. This is already true for vendor, contract terms and conditions, solicitations, contracts, and payments entities, for example.
9. Conclusion and Next Steps

Washington State’s procure-to-pay process is ripe for policy and organizational transformation. Change is necessary to establish a solid foundation that enables the state to conduct leveraged, lower risk buying and make associated best value purchases, effectively manage consumable inventories, and optimize discounts and cash flow.

Best practice research indicates that investments in technology may only generate a positive return once these foundational initiatives have been assimilated by the enterprise. These policy and organization changes represent a large cultural change for the state, but are essential to successful procure-to-pay transformation.

The next step for the procure-to-pay process transformation is to further the research begun in this study on adoption of the American Bar Association’s Model Procurement Code. In addition, effort should continue on expanding the scope of the Governor’s One-Stop Business Portal initiative to include the concept of doing business with the State of Washington.

No action is expected on other procure-to-pay recommendations in this report until the Roadmap Advisory Group and Executive Sponsors identify these processes as a priority. At that time, the following steps are proposed:

- Identify a business owner for the could-be vision and recommendations;
- Transition responsibility to the business owner;
- Evaluate the feasibility of each of the approved recommendations; and
- Communicate and gain momentum for change.
## Appendix A – Procure-to-Pay Expense Statistics

**State Fiscal Year**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenses</td>
<td>$1,975,075,142</td>
<td>$2,075,392,533</td>
<td>$2,237,512,477</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>36,004,702,672</td>
<td>35,488,813,631</td>
<td>34,881,425,942</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>$37,979,777,814</strong></td>
<td><strong>$37,564,206,164</strong></td>
<td><strong>$37,118,938,419</strong></td>
</tr>
</tbody>
</table>

**State Fiscal Year**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury</td>
<td>$33,650,898,716</td>
<td>$33,781,909,586</td>
<td>$34,085,452,764</td>
</tr>
<tr>
<td>Treasury Trust</td>
<td>1,630,374,519</td>
<td>1,671,076,842</td>
<td>1,814,830,653</td>
</tr>
<tr>
<td>Local</td>
<td>2,698,504,579</td>
<td>2,111,219,736</td>
<td>1,218,655,002</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>$37,979,777,814</strong></td>
<td><strong>$37,564,206,164</strong></td>
<td><strong>$37,118,938,419</strong></td>
</tr>
</tbody>
</table>

Local Account Percent of Total

- 7.1%
- 5.6%
- 3.3%

Washington State spent over $35 billion dollars for non-personnel related expenditures during each of the past three fiscal years (FY03, FY04, FY05).

<table>
<thead>
<tr>
<th>Sub Object of Expenditure</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA  Management/Organizational Services</td>
<td>$ 54,329,595</td>
<td>$ 59,989,630</td>
<td>$ 95,015,477</td>
</tr>
<tr>
<td>CB  Legal/Expert Witness Services</td>
<td>10,351,135</td>
<td>7,774,976</td>
<td>8,080,285</td>
</tr>
<tr>
<td>CC  Financial Services</td>
<td>16,042,404</td>
<td>15,670,413</td>
<td>13,913,859</td>
</tr>
<tr>
<td>CD  Computer/Information Services</td>
<td>36,680,869</td>
<td>17,958,397</td>
<td>27,127,403</td>
</tr>
<tr>
<td>CE  Social Research Services</td>
<td>5,067,382</td>
<td>5,362,887</td>
<td>15,737,705</td>
</tr>
<tr>
<td>CF  Technical Research Services</td>
<td>16,928,350</td>
<td>13,548,040</td>
<td>20,597,615</td>
</tr>
<tr>
<td>CG  Marketing Services</td>
<td>30,391,437</td>
<td>25,289,544</td>
<td>26,794,468</td>
</tr>
<tr>
<td>CH  Communications Services</td>
<td>5,257,533</td>
<td>6,275,780</td>
<td>6,023,855</td>
</tr>
<tr>
<td>CJ  Employee Training Services</td>
<td>2,040,874</td>
<td>2,361,634</td>
<td>2,764,892</td>
</tr>
<tr>
<td>CK  Recruiting Services</td>
<td>119,874</td>
<td>70,775</td>
<td>195,492</td>
</tr>
<tr>
<td>CZ  Other Services</td>
<td>21,679,617</td>
<td>17,605,497</td>
<td>23,215,030</td>
</tr>
<tr>
<td><strong>Personal Service Contracts Total</strong></td>
<td><strong>198,889,071</strong></td>
<td><strong>171,907,572</strong></td>
<td><strong>239,966,080</strong></td>
</tr>
<tr>
<td>EA  Supplies and Materials</td>
<td>183,546,963</td>
<td>184,295,510</td>
<td>194,052,164</td>
</tr>
<tr>
<td>EB  Communications</td>
<td>121,495,287</td>
<td>116,087,253</td>
<td>119,573,933</td>
</tr>
<tr>
<td>EC  Utilities</td>
<td>65,256,834</td>
<td>68,485,555</td>
<td>73,609,908</td>
</tr>
<tr>
<td>ED  Rentals and Leases</td>
<td>245,624,902</td>
<td>255,028,692</td>
<td>257,371,824</td>
</tr>
<tr>
<td>EE  Repairs, Alterations &amp; Maintenance</td>
<td>75,808,725</td>
<td>66,994,315</td>
<td>76,837,294</td>
</tr>
</tbody>
</table>

---

13 Source: OFM Statewide Accounting Services query of CAFR database. Figures include all non-personnel expenditures by agencies except higher education.
<table>
<thead>
<tr>
<th>Sub Object of Expenditure</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>EF Printing and Reproduction</td>
<td>32,803,478</td>
<td>30,980,499</td>
<td>32,496,996</td>
</tr>
<tr>
<td>EG Employee Prof Dev &amp; Training</td>
<td>21,276,095</td>
<td>25,671,963</td>
<td>26,488,302</td>
</tr>
<tr>
<td>EI Retailer Commissions</td>
<td>37,658,720</td>
<td>39,170,339</td>
<td>37,770,283</td>
</tr>
<tr>
<td>EJ Subscriptions</td>
<td>3,403,501</td>
<td>3,408,078</td>
<td>3,423,420</td>
</tr>
<tr>
<td>EK Facilities and Services</td>
<td>29,588,463</td>
<td>30,323,217</td>
<td>31,652,535</td>
</tr>
<tr>
<td>EL Data Processing Services</td>
<td>63,376,006</td>
<td>59,621,004</td>
<td>65,141,381</td>
</tr>
<tr>
<td>EM Attorney General Services</td>
<td>88,067,667</td>
<td>91,389,166</td>
<td>98,544,875</td>
</tr>
<tr>
<td>EN Personnel Services</td>
<td>11,312,955</td>
<td>18,218,926</td>
<td>18,556,899</td>
</tr>
<tr>
<td>ER Other Purchased Services</td>
<td>428,825,059</td>
<td>442,986,413</td>
<td>501,718,464</td>
</tr>
<tr>
<td>ES Vehicle Maintenance &amp; Operating Cst</td>
<td>72,173,477</td>
<td>71,176,433</td>
<td>82,015,054</td>
</tr>
<tr>
<td>ET Audit Services</td>
<td>10,904,822</td>
<td>4,178,437</td>
<td>4,767,722</td>
</tr>
<tr>
<td>EV Administrative Hearings Services</td>
<td>12,336,756</td>
<td>12,717,256</td>
<td>12,302,295</td>
</tr>
<tr>
<td>EW Archives &amp; Records Management Svscs</td>
<td>2,464,164</td>
<td>3,014,583</td>
<td>3,236,923</td>
</tr>
<tr>
<td>EX Owmbe Services</td>
<td>511,235</td>
<td>396,336</td>
<td>395,110</td>
</tr>
<tr>
<td>EZ Other Goods and Services</td>
<td>213,326,248</td>
<td>155,032,364</td>
<td>157,418,039</td>
</tr>
<tr>
<td><strong>Goods and Services Total</strong></td>
<td>1,791,337,972</td>
<td>1,776,145,968</td>
<td>1,879,186,170</td>
</tr>
<tr>
<td>FA Net Cost of Goods Sold</td>
<td>33,897</td>
<td>1,720</td>
<td>3,966,033</td>
</tr>
<tr>
<td>FB Purchases</td>
<td>104,524</td>
<td>(5,095)</td>
<td>30,411</td>
</tr>
<tr>
<td>FD Freight-In</td>
<td>128,503</td>
<td>196,048</td>
<td>267,209</td>
</tr>
<tr>
<td>FE Discounts</td>
<td>(40,035)</td>
<td>(39,364)</td>
<td>(46,051)</td>
</tr>
<tr>
<td>FG Direct Labor</td>
<td>2,104,209</td>
<td>2,327,645</td>
<td>2,601,189</td>
</tr>
<tr>
<td>FH Raw Materials</td>
<td>17,798,189</td>
<td>18,937,923</td>
<td>26,164,176</td>
</tr>
<tr>
<td>FJ Manufacturing Overhead</td>
<td>3,777,048</td>
<td>3,951,316</td>
<td>4,220,627</td>
</tr>
<tr>
<td><strong>Cost of Goods Sold Total</strong></td>
<td>23,906,334</td>
<td>25,370,193</td>
<td>37,203,594</td>
</tr>
<tr>
<td>GA In-State Subsistence &amp; Lodging</td>
<td>20,352,342</td>
<td>21,978,713</td>
<td>23,916,978</td>
</tr>
<tr>
<td>GB In-State Air Transportation</td>
<td>3,521,216</td>
<td>3,753,335</td>
<td>3,645,462</td>
</tr>
<tr>
<td>GC Private Automobile Mileage</td>
<td>13,255,658</td>
<td>14,067,032</td>
<td>14,746,448</td>
</tr>
<tr>
<td>GD Other Travel Expenses</td>
<td>4,965,296</td>
<td>5,179,667</td>
<td>5,094,037</td>
</tr>
<tr>
<td>GF Out-Of-State Subsistence &amp; Lodging</td>
<td>3,786,900</td>
<td>4,693,128</td>
<td>5,440,445</td>
</tr>
<tr>
<td>GG Out-Of-State Air Transportation</td>
<td>3,072,377</td>
<td>3,671,296</td>
<td>4,080,444</td>
</tr>
<tr>
<td>GN Motor Pool Services</td>
<td>17,680,380</td>
<td>18,429,094</td>
<td>15,987,444</td>
</tr>
<tr>
<td><strong>Travel Total</strong></td>
<td>66,634,170</td>
<td>71,772,264</td>
<td>72,911,258</td>
</tr>
<tr>
<td>JA Noncapitalized Equipment</td>
<td></td>
<td></td>
<td>77,840,146</td>
</tr>
<tr>
<td>JC Furnishings, Equipment &amp; Software</td>
<td>95,372,144</td>
<td>90,221,397</td>
<td>102,643,899</td>
</tr>
<tr>
<td>JD Library Resources</td>
<td>2,385,011</td>
<td>1,945,248</td>
<td>2,026,874</td>
</tr>
<tr>
<td>JE Land</td>
<td>89,007,136</td>
<td>90,684,678</td>
<td>129,360,730</td>
</tr>
<tr>
<td>JF Buildings</td>
<td>125,535,602</td>
<td>137,920,463</td>
<td>169,955,326</td>
</tr>
<tr>
<td>JG Highway Construction</td>
<td>532,615,931</td>
<td>615,104,692</td>
<td>598,739,362</td>
</tr>
<tr>
<td>JH Improvements Other Than Buildings</td>
<td>73,824,250</td>
<td>65,770,395</td>
<td>79,818,036</td>
</tr>
<tr>
<td>JJ Grounds Development</td>
<td>473,093</td>
<td>394,159</td>
<td>670,183</td>
</tr>
<tr>
<td>JK Architectural &amp; Engineering Service</td>
<td>98,571,794</td>
<td>100,024,893</td>
<td>145,480,565</td>
</tr>
<tr>
<td>JL Capital Planning</td>
<td>170,162</td>
<td>153,188</td>
<td>66,710</td>
</tr>
</tbody>
</table>
## Roadmap

**EBPDM – Procure-to-Pay Value Proposition**  
**Updated: June 21, 2006**

### Sub Object of Expenditure

<table>
<thead>
<tr>
<th>Sub Object of Expenditure</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>JM Art/Library Resv/Museum/Hist Collections</td>
<td>6,143,106</td>
<td>2,856,643</td>
<td>2,881,119</td>
</tr>
<tr>
<td>JN Relocation Costs</td>
<td>2,500,462</td>
<td>2,410,624</td>
<td>5,386,892</td>
</tr>
<tr>
<td>JZ Other Capital Outlays</td>
<td>40,450,596</td>
<td>23,646,599</td>
<td>26,077,993</td>
</tr>
<tr>
<td><strong>Capital Outlays Total</strong></td>
<td><strong>1,067,049,286</strong></td>
<td><strong>1,208,973,126</strong></td>
<td><strong>1,369,364,468</strong></td>
</tr>
</tbody>
</table>

| MA Interfund Operating Transfers In | 10,442,000 | 13,304,000 | 273,891,000 |
| MB Interfund Operating Transfers Out | 18,566,170 | 103,051,143 | 35,903,828 |
| MC Interfund Transfers In - Principal | (297,246,031) | (283,055,451) | (307,947,976) |
| MD Interfund Transfers In - Interest | (301,901,647) | (295,089,393) | (326,921,338) |
| MI Interfund Transfers Out - Principal | 311,747,015 | 398,935,943 | 223,074,789 |
| MM Incentive Savings Transfers Out | 36,230,006 | 18,351,577 | 42,816,077 |
| MP Interfund Transfers Out - Principal | 297,246,031 | 283,055,451 | 307,947,976 |
| **Inter Agency/Fund Transfers Total** | **75,083,545** | **238,553,270** | **248,764,355** |

| NA Direct Grants to Clients | 2,828,698,865 | 2,279,952,780 | 1,372,355,748 |
| NB Direct Payments to Providers | 7,351,446,899 | 6,447,132,951 | 6,836,209,129 |
| NF Workers’ Compensation Payments | 2,373,604,822 | 2,172,544,870 | 2,165,728,594 |
| NH Health Service Benefit Paymts (Hca) | 1,265,935,275 | 1,354,438,392 | 1,354,438,392 |
| NL Lottery Prize Payments | 297,975,327 | 295,488,431 | 280,862,647 |
| NR Loan Disbursements | 216,300,218 | 217,145,013 | 226,338,680 |
| NT Pension Refund Payments | 85,708,945 | 110,433,987 | 126,278,888 |
| NU Pension Benefit Payments | 1,862,914,765 | 1,949,049,104 | 2,087,258,663 |
| NW Special Employment Compensation | 5,927,931 | 4,841,848 | 11,144,712 |
| NX Distrib. to Local Governments Other | 3,871,876 | 4,026,752 | 4,187,821 |
| NY Participant Withdrawals | 12,261,066,586 | 11,768,897,452 | 10,852,669,639 |
| NZ Other Grants/Benefits/Client Svcs | 6,880,482,846 | 6,903,033,563 | 7,267,299,244 |
| **Grants, Benefits & Client Services Total** | **34,167,999,082** | **33,418,482,026** | **32,584,772,159** |

| PA Principal | 420,445,621 | 403,401,171 | 444,427,976 |
| PB Interest | 433,747,031 | 463,530,825 | 491,592,390 |
| PC Other Debt Services | 419,594 | 350,891 | 942,442 |
| PD Principal-OST Lease/Pur Agreements | 26,883,526 | 25,475,737 | 27,852,404 |
| PE Interest-OST Lease/Pur Agreements | 18,191,665 | 17,010,786 | 17,789,707 |
| **Debt Service Total** | **899,687,437** | **909,769,410** | **982,604,919** |

| SA Salaries and Wages | (78,997,466) | (68,785,396) | (74,218,501) |
| SB Employee Benefits | (3,478,399) | (3,912,907) | (4,271,961) |
| SC Personal Service Contracts | (9,244,431) | (9,399,627) | (9,991,228) |
| SE Goods and Services | (59,587,029) | (60,296,378) | (64,101,709) |
| SG Travel | (1,472,148) | (1,119,581) | (2,577,822) |
| SJ Capital Outlays | (37,254,729) | (19,345,659) | (29,990,387) |
| SN Grants, Benefits & Client Services | (120,774,229) | (93,898,520) | (110,682,975) |
| SP Debt Services | (651) | (9,597) | - |

**State Fiscal Year**

- 2003
- 2004
- 2005
<table>
<thead>
<tr>
<th>Sub Object of Expenditure</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interagency Reimbursements Total</td>
<td>(310,809,082)</td>
<td>(256,767,665)</td>
<td>(295,834,584)</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$37,979,777,814</td>
<td>$37,564,206,164</td>
<td>$37,118,938,419</td>
</tr>
</tbody>
</table>

**State Fiscal Year**
Appendix B – Procure-to-Pay EFT Statistics¹⁴

Over the past six years, the Office of Financial Management has introduced three options agencies can use to make “hands-off” payments instead of handling paper warrants or journal vouchers:

- **Inserted** – paper warrants are automatically inserted and mailed, instead of being returned to the agency for manual processing
- **EFT** – payments to external vendors are electronically deposited; remittances are inserted and mailed automatically, or emailed
- **IAP** – Agencies are paid electronically; remittances are automatically emailed

The following table reports the statewide number and percent of payments made in July of each year using each of these hands-off payment methods:

<table>
<thead>
<tr>
<th>Calendar Month</th>
<th>Total Payments</th>
<th>Inserted</th>
<th>EFTs</th>
<th>IAPs</th>
<th>% Inserted</th>
<th>% EFT</th>
<th>% IAP</th>
<th>Total Hands-Off %</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/1999</td>
<td>90,274</td>
<td>29,445</td>
<td>566</td>
<td>0</td>
<td>32.6%</td>
<td>0.6%</td>
<td>0.0%</td>
<td>33.2%</td>
</tr>
<tr>
<td>07/2000</td>
<td>90,312</td>
<td>33,361</td>
<td>6,822</td>
<td>0</td>
<td>36.9%</td>
<td>7.6%</td>
<td>0.0%</td>
<td>44.5%</td>
</tr>
<tr>
<td>07/2001</td>
<td>94,701</td>
<td>33,288</td>
<td>13,296</td>
<td>1,184</td>
<td>35.2%</td>
<td>14.0%</td>
<td>1.3%</td>
<td>50.4%</td>
</tr>
<tr>
<td>07/2002</td>
<td>91,166</td>
<td>35,938</td>
<td>20,031</td>
<td>2,264</td>
<td>39.4%</td>
<td>22.0%</td>
<td>2.5%</td>
<td>63.9%</td>
</tr>
<tr>
<td>07/2003</td>
<td>93,505</td>
<td>40,390</td>
<td>25,582</td>
<td>2,606</td>
<td>43.2%</td>
<td>27.4%</td>
<td>2.8%</td>
<td>73.3%</td>
</tr>
<tr>
<td>07/2004</td>
<td>97,857</td>
<td>40,848</td>
<td>29,341</td>
<td>3,204</td>
<td>41.7%</td>
<td>30.0%</td>
<td>3.3%</td>
<td>75.0%</td>
</tr>
<tr>
<td>07/2005</td>
<td>96,902</td>
<td>43,266</td>
<td>32,304</td>
<td>2,760</td>
<td>44.6%</td>
<td>33.3%</td>
<td>2.8%</td>
<td>80.8%</td>
</tr>
</tbody>
</table>

¹⁴ Source: OFM Statewide Financial Systems query of AFRS payment data.
Appendix C – Procure-to-Pay Payment Details\textsuperscript{15}

The table below represents AFRS payment counts for a two-month period from December 2005 through January 2006, including the number of payments made with blank tax ID numbers (TINS) and the number of different vendors paid within the period.

<table>
<thead>
<tr>
<th>Count\textsuperscript{16}</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Payments</td>
<td>226,672</td>
</tr>
<tr>
<td>Payments to blank TINs</td>
<td>37,291</td>
</tr>
<tr>
<td>Percent of payments made with blank TINs</td>
<td>16%</td>
</tr>
<tr>
<td>Number of different vendors paid</td>
<td>52,650</td>
</tr>
<tr>
<td></td>
<td>$1,500,400,000</td>
</tr>
<tr>
<td></td>
<td>$67,900,000</td>
</tr>
</tbody>
</table>

\textsuperscript{15} Source: FileAid report generated from AFRS data by Mike Contris, AFRS System Manager, OFM.

\textsuperscript{16} Counts include some credit memo transactions, assumed to be immaterial.
Appendix D – Contract Volume Statistics

Since the state requires filing of most personal services contracts and architectural engineering agreements with OFM, basic information about these types of agreements is known at the enterprise level. OFM also maintains a client service contracts database to help the nine largest contracting agencies coordinate their contract oversight requirements. The database currently includes about 52,000 active client service contracts.

The following table summarizes the total number and dollar amount of personal services and architectural engineering contracts filed during each of the past three biennia. During a typical month about 100 new contracts are filed by about 30 agencies.

Contracts Reported to OFM

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Service Contracts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>3,325</td>
<td>3,546</td>
<td>4,804</td>
</tr>
<tr>
<td>Dollars</td>
<td>$ 703,056,603</td>
<td>$ 750,886,178</td>
<td>$ 1,876,297,177</td>
</tr>
<tr>
<td>Architectural Engineering Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>2,703</td>
<td>439</td>
<td>5,560</td>
</tr>
<tr>
<td>Dollars</td>
<td>$ 954,094,501</td>
<td>$ 111,933,998</td>
<td>$ 1,483,104,747</td>
</tr>
</tbody>
</table>

An unknown number of contracts for additional types of agreements such as grants and purchased services are currently tracked only at the agency level. No information about these agreements is captured at the enterprise level.

17 Source: Email from Susan Johnsen, OFM 1/11/2006; contract totals include higher education.
Appendix E – Major Washington State Purchase Authorities

Major Washington State Purchase Authorities:

1. Chapter 43.19 RCW Department of General Administration for the purchase of goods and purchased services. Purchased services are routine and ongoing activities, typically maintenance contracts.

2. Chapter 43.105 RCW Department of Information Services for the purchase of goods and purchased and personal services related to information technology.


5. Public works, RCWs 28B.10.350, 39.04, 39.80 and 43.19.450. The Department of General Administration, Division of Engineering and Architectural Services (E&A) is responsible for the design and construction, major repairs and alterations of all state-owned facilities.

6. Highway design and construction, chapters 39.80 and 47.28 RCW. Contracts for highway construction are subject to the statutory requirements of chapter 47.28 RCW and for architectural and engineering (A/E) services, chapter 39.80 RCW. Contracts for architectural and engineering services are processed through the Consultant Services Office in the Department of Transportation, Environmental and Engineering Division.

7. Printing services, chapter 43.78 RCW. The Department of Printing in general, is the mandatory supplier for printing services.

8. Insurance and bonds, RCW 43.41.300. Purchase of all insurance, fidelity and surety bonds and notary public commissions for state agencies is the responsibility of the Office of Financial Management, Risk Management Division.

9. Higher education, RCW 28B.10.029. An institution of higher education may exercise independently those powers otherwise granted to the Director of General Administration in chapter 43.19 RCW in connection with the purchase and disposition of all material, supplies, services, and equipment needed for the support, maintenance, and use of the respective institution of higher education.

10. Space/buildings, RCW 43.82.010. The purchase, lease or rental of privately owned space and/or buildings on private property and alteration or repair is the responsibility of the Department of General Administration, Division of State Services.

11. Purchases for resale, RCW 43.19.190(2). Agencies have primary statutory authority for the purchase of materials, supplies and equipment for resale to other than public agencies.

12. Interpreter services, RCW 43.19.190(2). The Department of Social and Health Services has the statutory responsibility to contract for interpreter services on behalf of public assistance recipients under RCW 43.19.190(2).

13. Vending services, chapter 74.18 RCW. The Department of Services for the Blind maintains a business enterprises program for blind persons to operate vending facilities in public buildings.
14. Travel on state business & credit card services, RCW 43.03.065. Agencies are to conduct the acquisition of travel and travel-related services (lodging, meals, transportation, etc) in accordance with the OFM State Administrative and Accounting Manual (SAAM) Chapter 10 Travel and Chapter 45 Purchase Cards and RCW 43.03.065.

15. Original works of art, RCW 43.19.455, chapter 43.46 RCW. The designation of projects and sites, selection, contracting, purchase, commissioning, reviewing of design, execution and placement, acceptance, maintenance, and sale, exchange, or disposition of works of art shall be the responsibility of the Washington State Arts Commission in consultation with the Director of General Administration.

16. Recognition awards, RCW 41.60.150. Other than suggestion awards and incentive pay unit awards, agencies shall have the authority to recognize employees, either individually or as a class, for accomplishments including outstanding achievements, safety performance, longevity, outstanding public service, or service as employee suggestion evaluators and implementers. Recognition awards may not exceed two hundred dollars in value per award.

17. Janitorial services and carpet cleaning at state owned facilities, RCW 43.19.125. Janitorial services and carpet cleaning at state owned facilities located on the Capitol Campus are to be purchased from the Department of General Administration, Division of Capitol Facilities.

18. Competitive contracting, RCW 41.06.142. The Civil Service Reform Act of 2002 provides that any department, agency, or institution of higher education may purchase services, including services that have been customarily and historically provided by employees in the classified service under this chapter, by contracting with individuals, nonprofit organizations, businesses, employee business units, or other entities. Agencies are permitted to contract with GA to conduct their bidding process. In accordance with statute, GA has developed rules. See Chapter 236-51 WAC.
Appendix F – Best Practice References


Pikulik, Jeff “Invoice Reconciliation and Payment Benchmark Survey”, June 2004


“5 ways to say good-bye to the traditional 3-way match ... and all its inherent inefficiencies”, Managing Accounts Payable, August 2003

“Accounts Payable Features”, compiled by Jerry Messer, Washington State Department of Information Services, January 2006

“A/P Pros Step Up to the Plate with Solutions to Worst Practices”, originally published in the 1997 Institute of Management and Administration, Inc.


“Best Practices in Integration of Procurement and Financial Management Data”, National Electronic Commerce Coordinating Council (NECCC), undated


“Buying Smart: Blueprint for Action”, NASPO, Jan 1999


“E-Procurement With SAP For Public Sector”, SAP, undated

“Improve Cash Flow by Managing Accounts Payable”, AMMBIT based on PricewaterhouseCooper's Best Practices

“IT Procurement and Enterprise Architecture: Recognizing Mutual Benefits”, NASCIO research brief, October 2005


“Managing Public Sector Procurement”, Office of Government Commerce (OGC), London, June 2005


“Meeting the Procurement Challenges Of the Public Sector”, SAP, undated

“NIGP Best Practices Library Search Results – 2004”, undated


“Organizations Can Easily Cut Accounts Payable Cost by up to 90%, According to New Research by the Hackett Group”, Institute of Management Accountants, January 2004


“State Procurement: Strategic Positioning for the 21st Century”, NASPO, January 1999

“Supply Chain Trends”, Compilation of Denali Research, Denali Consulting, November 2005

“The e-Procurement Benchmark Report: Less Hype, More Results”, Aberdeen Group, December 2004


“Virginia Enterprise Applications Architecture Initiative, Supply Chain Management”, Team CGI-AMS, August 5, 2004
### Appendix G – Procure-to-Pay Business Objective and Metrics

The following subsections present the objectives for each of the four sub-processes and the suggested metrics to create a framework for performance measurement under the “could-be” vision.

#### Vendor Information Management

<table>
<thead>
<tr>
<th>Business Objective</th>
<th>Metric</th>
<th>Proposed Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Make it easy to register to do business with the state</strong></td>
<td>• Number of vendors responding to solicitations by commodity/service category</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Number of vendor inquires by type (online, telephone, written)</td>
<td>• Vendor Information Portal</td>
</tr>
<tr>
<td></td>
<td>• Percent of vendors reporting excellent or very good service</td>
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<tr>
<td><strong>Maintain current and accurate information about vendors;</strong></td>
<td>• Percent of payments to vendors with a UBI and validated TIN</td>
<td>• Vendor Information Portal</td>
</tr>
<tr>
<td></td>
<td>• Number of vendor inquires by type (online, telephone, written)</td>
<td>• Procurement Management System</td>
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<tr>
<td></td>
<td></td>
<td>• Cost Reporting System</td>
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<tr>
<td></td>
<td></td>
<td>• Accounts Payable System</td>
</tr>
<tr>
<td><strong>Enable consolidated vendor reporting</strong></td>
<td>• Percent of payments to vendors with a UBI and validated TIN</td>
<td>• Vendor Information Portal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accounts Payable System</td>
</tr>
<tr>
<td><strong>Enable centralized management of vendors</strong></td>
<td>• Percent of vendors reporting excellent or very good service</td>
<td>• Vendor Information Portal</td>
</tr>
<tr>
<td></td>
<td>• Percent of payments to vendors with a UBI and validated TIN</td>
<td>• Procurement Management System</td>
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<tr>
<td></td>
<td>• Number of vendor inquires by type (online, telephone, written)</td>
<td>• Cost Reporting System</td>
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<tr>
<td></td>
<td></td>
<td>• Accounts Payable System</td>
</tr>
<tr>
<td><strong>Identify pools of potential contractors for procurement and subgrants</strong></td>
<td>• Number of vendors responding to solicitations by commodity/service category</td>
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<tr>
<td></td>
<td>• Number of vendor inquires by type (online, telephone, written)</td>
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<tr>
<td></td>
<td></td>
<td>• Cost Reporting System</td>
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</tbody>
</table>
Business Objective | Metric | Proposed Source
---|---|---
**good service**

**Procurement Management**

Business Objective | Metric | Proposed Source
---|---|---
**Effectively supply the products and services needed**

- Number of procure-to-order cycles by types (catalog, master contract, competitive bid, etc)\(^{18}\)
- Time from purchase request to receipt by end user

- Procurement Management System
- Inventory Management System

**Promote open and effective competition**

- Statewide prices by commodity/service category (including cost of storage)

- Procurement Management System

**Optimize the state’s purchasing power**

- Statewide prices by commodity/service category (including cost of storage)
- Percent of spend under catalog/contract of the procurement group

- Procurement Management System
- Inventory Management System

**Make it easy for vendors to do business with Washington State**

- Time from purchase request to receipt by end user
- Number of procure-to-order cycles by types (catalog, master contract, competitive bid, etc)

- Procurement Management System

**Maximize value for money**

- Statewide prices by commodity/service category (including cost of storage)
- Percent of spend under catalog/contract of the procurement group

- Procurement Management System
- Inventory Management System

**Demonstrate compliance with state procurement law and policy**

- Percent of on time acceptable delivery

- Procurement Management System

**Promote alignment of requirements and consolidation of purchases**

- Number of procure-to-order cycles by types

- Procurement Management System
- Inventory Management System

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\(^{18}\) The e-Procurement Benchmark Report: Less Hype, More Results”, Aberdeen Group, December 2004
### Roadmap
EBPDM – Procure-to-Pay Value Proposition
Updated: June 21, 2006

<table>
<thead>
<tr>
<th>Business Objective</th>
<th>Metric</th>
<th>Proposed Source</th>
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<tbody>
<tr>
<td><strong>Business Objective</strong></td>
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<tr>
<td><strong>Metric</strong></td>
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<tr>
<td>(catalog, master contract, competitive bid, etc)</td>
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<tr>
<td>• Percent of spend under catalog/contract of the procurement group</td>
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<tr>
<td><strong>Support statewide targeted public policy</strong></td>
<td></td>
<td>• Procurement Management System</td>
</tr>
<tr>
<td>• Percent of spend under catalog/contract of the procurement group</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Correctly identify purchasing authority and follow standardized methods</strong></td>
<td></td>
<td>• Procurement Management System</td>
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<tr>
<td>• Percent of certification for supply chain management staff</td>
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<tr>
<td>• Statewide prices by commodity/service category (including cost of storage)</td>
<td></td>
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<tr>
<td><strong>Provide reasonable assurance of receipt and acceptability of goods and services</strong></td>
<td></td>
<td>• Procurement Management System</td>
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<tr>
<td>• Number of procure-to-order cycles by types (catalog, master contract, competitive bid, etc)</td>
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<tr>
<td><strong>Optimize consumable inventory levels</strong></td>
<td></td>
<td>• Procurement Management System</td>
</tr>
<tr>
<td>• Statewide prices by commodity/service category (including cost of storage)</td>
<td></td>
<td>• Inventory Management System</td>
</tr>
<tr>
<td>• Time from purchase request to receipt by end user</td>
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<tr>
<td><strong>Contract Management</strong></td>
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<tr>
<td><strong>Business Objective</strong></td>
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<tr>
<td><strong>Metric</strong></td>
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<tr>
<td><strong>Reach agreement between parties</strong></td>
<td></td>
<td>• Contract Management Wizard</td>
</tr>
<tr>
<td>• Percent of contracts in place by target service delivery dates</td>
<td></td>
<td>• Terms and Conditions Library</td>
</tr>
<tr>
<td>• Percent of on time acceptable delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Demonstrate compliance</strong></td>
<td></td>
<td>• Vendor Information Portal</td>
</tr>
<tr>
<td>• Percent of contracts using pre-approved terms &amp; conditions</td>
<td></td>
<td>• Procurement Management System</td>
</tr>
<tr>
<td>• Number of days lost to protest-related delays</td>
<td></td>
<td>• Contract Management Wizard</td>
</tr>
<tr>
<td><strong>Protect the interests of the State</strong></td>
<td></td>
<td>• Vendor Information Portal</td>
</tr>
<tr>
<td>• Percent of on time acceptable delivery</td>
<td></td>
<td>• Procurement Management System</td>
</tr>
<tr>
<td>• Contract Management Wizard</td>
<td></td>
<td>• Terms and Conditions Library</td>
</tr>
</tbody>
</table>
## Business Objective

### Monitor, measure, and report achievement of objectives

- Percent of contracts in place by target service delivery dates
- Percent of on time acceptable delivery

### Identify and manage risks

- Percent of contracts using pre-approved terms & conditions
- Number of days lost to protest-related delays

## Accounts Payable Management

### Make timely and accurate payments efficiently

- Percent of invoices received in electronic format
- Number of invoices processed per accounts payable FTE
- Working capital turnover rates
- Percent of payments made in electronic format

### Verify acceptance of goods and services

- Number of invoices processed per accounts payable FTE

### Manage payments dates and terms

- Working capital turnover rates

### Track and manage encumbrances and accruals

- Working capital turnover rates

### Provide timely and accurate information about payments

- Percent of fully compliant invoices on first receipt
- Percent of payments made in electronic format

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19 "The e-Procurement Benchmark Report: Less Hype, More Results", Aberdeen Group, December 2004
Appendix H – Agency Focus Group Participants

A total of eight half-day as-is and could-be focus group sessions were held to model contracts management, vendor information management, procurement management, and accounts payable management business processes. All participants were invited to also attend two combined follow-up sessions to create a consolidated procure-to-pay vision for Washington State. The following is a full list of the 82 participants who attended at least one of the 10 sessions.

<table>
<thead>
<tr>
<th>Name</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Pattison</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>Cindy Trambitas</td>
<td>Department of Community Trade and Economic Development</td>
</tr>
<tr>
<td>Cora Shively</td>
<td>Department of Community Trade and Economic Development</td>
</tr>
<tr>
<td>Del Hontanosas</td>
<td>Department of Community Trade and Economic Development</td>
</tr>
<tr>
<td>Denny Naughton</td>
<td>Department of Community Trade and Economic Development</td>
</tr>
<tr>
<td>Leslie Edwards</td>
<td>Department of Community Trade and Economic Development</td>
</tr>
<tr>
<td>Steve Bourque</td>
<td>Department of Community Trade and Economic Development</td>
</tr>
<tr>
<td>Anita Kendall</td>
<td>Department of Corrections</td>
</tr>
<tr>
<td>Susan Bunce</td>
<td>Department of Corrections</td>
</tr>
<tr>
<td>Gary Zeiler</td>
<td>Department of Ecology</td>
</tr>
<tr>
<td>Kreighan McAuliffe</td>
<td>Department of Ecology</td>
</tr>
<tr>
<td>Laura Lowe</td>
<td>Department of Ecology</td>
</tr>
<tr>
<td>Janice Jackson</td>
<td>Department of Fish and Wildlife</td>
</tr>
<tr>
<td>Abraham Rocha</td>
<td>Department of Information Services</td>
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<tr>
<td>Bryce Carlen</td>
<td>Department of Information Services</td>
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<tr>
<td>Chuck Smith</td>
<td>Department of Information Services</td>
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<tr>
<td>Fay Foster</td>
<td>Department of Information Services</td>
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<tr>
<td>Jerry Messer</td>
<td>Department of Information Services</td>
</tr>
<tr>
<td>Steven Wagaman</td>
<td>Department of Information Services</td>
</tr>
<tr>
<td>Angela Flahaut</td>
<td>Department of Labor and Industries</td>
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<tr>
<td>Lance Yount</td>
<td>Department of Labor and Industries</td>
</tr>
<tr>
<td>Rex Garrett</td>
<td>Department of Labor and Industries</td>
</tr>
<tr>
<td>Sharon Elias</td>
<td>Department of Labor and Industries</td>
</tr>
<tr>
<td>Tom Goldsby</td>
<td>Department of Labor and Industries</td>
</tr>
<tr>
<td>Cindy Cavanaugh</td>
<td>Department of Licensing</td>
</tr>
<tr>
<td>Jana Jones</td>
<td>Department of Licensing</td>
</tr>
<tr>
<td>Lora Ketter</td>
<td>Department of Licensing</td>
</tr>
<tr>
<td>Shannon Kingsley</td>
<td>Department of Licensing</td>
</tr>
<tr>
<td>Binh Vu</td>
<td>Department of Revenue</td>
</tr>
<tr>
<td>Colin Corbin</td>
<td>Department of Revenue</td>
</tr>
<tr>
<td>Erick Kniestedt</td>
<td>Department of Revenue</td>
</tr>
<tr>
<td>Linda Allan</td>
<td>Department of Revenue</td>
</tr>
<tr>
<td>Nonnie Phan</td>
<td>Department of Revenue</td>
</tr>
<tr>
<td>Aleta Quimby</td>
<td>Department of Social and Health Services</td>
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<tr>
<td>Bill Barrett</td>
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<tr>
<td>Brad Carlson</td>
<td>Department of Social and Health Services</td>
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<tr>
<td>Chris Olsen</td>
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<tr>
<td>Dan Ivie</td>
<td>Department of Social and Health Services</td>
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<tr>
<td>Esther Fredson</td>
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<tr>
<td>Farrell Presnell</td>
<td>Department of Social and Health Services</td>
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</tbody>
</table>
Roadmap
EBPDM – Procure-to-Pay Value Proposition
Updated: June 21, 2006

Helen Patred Department of Social and Health Services
Helen Sick Department of Social and Health Services
Leigh Frazier Department of Social and Health Services
Maria Aviles Department of Social and Health Services
Mariann Schols Department of Social and Health Services
Mark Tyler Department of Social and Health Services
Melena Thompson Department of Social and Health Services
Melissa Cox Department of Social and Health Services
Peggy Nelson Department of Social and Health Services
Tom O’Brien Department of Social and Health Services
Wendy Armstrong Department of Social and Health Services
Beverly Runion Department of Transportation
Bob Loveless Department of Transportation
David Davis Department of Transportation
Greg Hansen Department of Transportation
Kevin Walker Department of Transportation
Kim Williams Department of Transportation
Lee Rolle Department of Transportation
Marilyn Bowman Department of Transportation
Mike Kane Department of Transportation
Rick Griffith Department of Transportation
Tami Grant Department of Transportation
Cheryl Crank General Administration
Chris Stevenson General Administration
Jack Zeigler General Administration
Kathy Iblings General Administration
Steve Demel General Administration
Christopher Carlile Office of Financial Management
Laura Nelson Office of Financial Management
Pam Johnson Office of Financial Management
Sharon Novak Office of Financial Management
Connie Scheller Office of the State Treasurer
Jackie Biss Office of the State Treasurer
Darrell Jenson Office of the State Treasurer
Michelle Weiburg State Auditor’s Office
Bruce Eisentrout Washington State Lottery
Denise Furman Washington State Lottery
Tom Dhames Washington State Lottery
DeEtte Niemier Washington State Patrol
Maria Hug Washington State Patrol
Susan Aschenbrenner Washington State Patrol
Terry Gadd Washington State Patrol
Appendix I – Procure-to-Pay Glossary

AFRS  
Agency Financial Reporting System

CAFR  
Comprehensive Annual Financial Report

DSHS  
Department of Social and Health Services

DOT  
Department of Transportation

eCAMS  
Capital Asset Management System (statewide)

EFT  
Electronic Funds Transfer

GA  
General Administration

IRS  
Internal Revenue Service

NIGP  
National Institute of Government Purchasing

NDA  
Non-Disclosure Agreement

OMWBE  
Office of Minority and Women Business Enterprise

OFM  
Office of Financial Management

SAAM  
Statewide Administrative and Accounting Manual

TIN  
Taxpayer Information Number

TRAINs  
Department of Transportation’s financial system

WEBS  
Washington’s Electronic Business Solution
Appendix J – Advisory Group Endorsement

Roadmap Advisory Group members met on April 26th to discuss the Procure-to-Pay Value Proposition and were asked to respond in writing to the following question:

Based on the information we have at this time, do you agree to endorse the “could-be” vision for the Procure-to-Pay Value Proposition document and the twelve recommendations for change?

Members were advised that “no response” would be considered an endorsement. The table below displays the responses received.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Date</th>
<th>Endorse Vision?</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGR</td>
<td>6-16-06</td>
<td>Endorsed</td>
<td>On behalf of the Department of Agriculture, I concur with the Procure to Pay value proposition.</td>
</tr>
<tr>
<td>DIS</td>
<td>5-31-06</td>
<td>Endorsed with comments</td>
<td>We endorse the Procure to Pay &quot;could be&quot; vision and four recommendations for change. I believe that recommendation 2D, to Implement integrated procure-to-pay systems is the most important change and that many of the other recommendations are dependent upon an enterprise information system for procure-to-pay. This would provide better information, true accounts payable functionality, and cost savings from the elimination of many shadow systems currently used for the procure-to-pay processes. I am concerned about recommendation 2C, to Disburse all payments centrally. The deployment of an enterprise disbursement system would allow for automated 3 way match and central payment of many of the invoices for DIS. However, a large portion of DIS business involves large, complex telecommunications invoices that require intense review, reconciliation, and adjustments by payables staff. We also are required to return hard copy documentation to telecommunication vendors so that they post payments to the correct accounts. DIS would probably need to re-engineer some business processes to move these types of invoices to payment at a central location.</td>
</tr>
<tr>
<td>DOC</td>
<td>5-31-06</td>
<td>Endorsed with comments</td>
<td>I can endorse most of the recommendations in the Procure to Pay value proposition. The key exception being the central services payment of invoices. I agree with the need to reform procurement laws and policies. This must be completed first. Once this is completed then we need to rework our procedures and in particular I believe that we can work for consistency in the process. After this is completed then we should work on a technological solution that will best meet our needs. Even if we did not receive money for the technology, the first two steps would still provide value for the state! Regarding the recommendation for one Procurement authority, that would be nice, however we can easily continue to operate with multiple authorities. Certification of staff for high risk procurements - I agree but think that perhaps the most challenging element will be defining what is high risk.</td>
</tr>
</tbody>
</table>
**Agency** | **Date** | **Endorse Vision?** | **Response**
--- | --- | --- | ---
DOR | Endorsed | Endorsed with comments | Shared services - I agree to the extent of establishing policy etc. Central establishment of certain contracts is already in place. There may be an interest in looking at what contracts are currently convenience and determining whether they should be mandatory use. I agree with the recommendation to move funds as appropriate to the Treasury and disburse from there. Even our Inmate Trust Accounts, could be moved there if we had legislation to the effect. I am very concerned about the shared services proposal regarding payments. I remain concerned about our ability to effectively handle the complicated payments and to effectively project our expenditures. I believe that particularly for large agencies we can efficiently support our agencies ourselves and would prefer that the tool be provided to us to manage our resources. I have tremendous confidence in our employees and believe that we can manage as well as any other organization. We will be able to have a broad enough span of control that I would be suprised if it cost less for us to pay rates to another agency vs. using our resources. I concur with the final two major recommendations. I'll send specifics later, but have to get to negotiations.

DOR appreciates the opportunity to provide feedback for the proposal for procure to pay. We feel the strategic vision of the Roadmap is critical to prepare state operations for the future. We understand that not all aspects of the Roadmap vision will be included in the upcoming feasibility study and that focus will be placed on replacement of the “core financials”. This will put consideration of reengineering of state agency operations (i.e. shared services) into the future. DOR agrees with this approach as it will focus needed attention to the financial system requirements and improvements.

Specific responses below for some of Value Propositions are outlined below. Generally, DOR supports improvement in process such as the risk based approach to making payments. Consolidation of coding also is seen as an improvement. However, DOR does have concerns with the potential negative impacts on agency operations from generic purchasing and payment systems and processes. DOR is not in favor of any changes that would necessitate the agency having to develop “shadow” systems or processes to support current functionality, or any changes that provide results that are less efficient than current processes.

DOR is also concerned with the non-specificity of the Value Proposition. Several recommendations are made without sufficient detail or explanation of impact necessary for the agency to provide meaningful input.

**Responses to Proposal Specifics:**

1a. Institute Procurement Reform
The Value Proposition does not include sufficient information of the American Bar Association’s Model Procurement Code for DOR to conclude on its adoption for Washington agencies. The Value Proposition only refers to the code in a non-specific manner, without explanation of the potential for improvement for Washington procurement practices.

The CPO concept recommendation is also unclear. The term “empowered to oversee procurement policy and practices across agencies” does not sufficiently explain this recommendation such that DOR can respond. There are
<table>
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<td>currently procurement authorities and oversight (General Administration, Department of Information Services), but the Value Proposition does not contrast the CPO concept so that the benefit can be determined.</td>
</tr>
</tbody>
</table>

1b. Require Professional Certification  
We agree with the procurement certification recommendation.

1c. Adopt enterprise commodity codes  
DOR agrees with this recommendation, but we are not sure why this would have to wait until the Value Proposition is adopted as OFM currently maintains commodity codes in the SAAM.

2a. Create a Shared Service Center of Excellence  
As indicated before, we believe this concept should be pended to the future. There is not sufficient detail in the Value Proposition for DOR to fully consider this option. For instance, what specific types of payments would the service center be responsible for? How would the service center operate (staffing, funding, location)? Could the same level of efficiency and accuracy be achieved with agencies changing their current payment practices and by using a centralized system? Would there be negative impact on customer service when employees not familiar with the payments are processing payments or responding to inquiries from vendors? Would the agency be able to meet its procurement and payments needs in a fashion that supports the agency’s objectives?

As to centralization of vendors, catalog services procurement of common commodities, some of these efforts are already underway (i.e. SmartBuy). Others could be attempted within the existing purchasing and payment structure.

2b. Authorize Risk-based Approvals  
We agree with this proposal.

2c. Disburse Payments Centrally  
We agree that having all funds located in the State Treasury may improve the payment process, but we’re unclear how the requirements that necessitate the use of local funds could be met with the funds in the State Treasury. We also have concerns with processing client payments through an “enterprise disbursement system” as currently the major agencies that process client payments (DSHS, L&I, ESD) process the payments using large legacy systems that have significant co-dependency with other systems.

We do agree with improvements to schedule payments in a “just in time” manner that process the payment no sooner or later than required.

2d. Implement Integrated Procure-to-pay Systems  
We support this proposal.

3a. Enhance Vendor Information Management  
The requirements for all vendors to register to do business in the state seem to contradict the Governor’s “business friendly” objectives, by imposing additional process and cost for state vendors. Also portions of the proposal are not clear such as the definition of a “one-time” vendor.

We do agree with the adoption of enterprise vendor performance rating standards, policies and processes. We also agree with the centralization of vendor information but have concerns with the centralization of “relations”
**Roadmap**  
EBPDM – Procure-to-Pay Value Proposition  
Updated: June 21, 2006

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<td>DOT</td>
<td>5-30-06</td>
<td>See comments</td>
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Beginning with general comments, WSDOT supports the Procure to Pay Value Proposition in concept, but has concerns about the implementation of the shared services concept. Much more work is needed on that topic to ensure success. In fact, for this proposal to be successful in total, the order of events is important in taking the next steps. As stated many times throughout the report (pages 13, 41, 46, 83 and 88, for example), it is crucial to streamline laws, policies and regulations, first. Without that, systems implementation would be more complex and costly.

After a new legal and policy framework is in place, an Enterprise-wide purchasing system, integrated with payment systems would help support that framework, improve information flow and potentially help enforce the rules. Only after addressing these two fairly large issues should movement toward the shared services organization begin.

There is confusion and consternation over the shared services model. There have been rumors that staff resources would be pulled from agencies to staff the shared services organization. If a centralized purchasing system is deployed with business rules and integrated with payment systems, is an organization like Small Agency Accounting Services really necessary? Further, since Pennsylvania was provided as an example of a shared services model, how do you address the growth (39 new positions to begin with and an additional 60 planned) in their General Services organization? Also, one of our representatives on the workgroup thought that the workgroup’s concept was that one agency (probably GA) would set the rules and policies around state procurement. That central agency would do the contracting for commonly used commodities with commodities specific to an agency (e.g. guardrail) purchased/contracted for by the specific agency through delegated authority. Did this idea lose something...
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<td>in the translation? The benefits to the workgroup concept would be minimizing the additional resources needed by the State Procurement agency and agencies would be able to meet their needs, along with less complexity in the statewide process and reduction of legal issues related to authorities. We would prefer much more discussion and consideration of union issues and agency-specific support needs before moving ahead with the shared services recommendation.</td>
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Now for some specific comments:

Pages 10 and 67 - Rather than initially focusing on numbers of invoices processed per FTE, why not focus on results or outcomes like percentage of invoices paid on time and percent of available discounts earned. There will be initially a learning curve with new procedures and new systems, so outcomes rather than outputs should be the first focus.

Page 16 - On the last bullet, shouldn’t it be improperly, rather than properly in the discussion about challenges in propagating vendor updates?

Pages 38 and 39 - Just a reminder that not all warrants are generated by AFRS currently, so you may be missing some information in your statistics.

Page 62 - There needs to be a recognition under item 2C about the importance of integration between expenditure/payment systems and agency billing and receivable systems. WSDOT and other agencies have expenditure-based billing systems that are well-integrated with financial systems and highly automated.

Page 69 - Would the Chief Procurement Officer organization truly be an effort to pull many of the disparate laws and oversight requirements into a single organization, or would this just be another layer on top of the existing structure? In addition, there are several RCW’s that give WSDOT contracting authority -- how will that authority be impacted?

Page 71 - Under 1A, Institute procurement reform, it would help to clarify that this relates to both goods and services, and contracts.

Page 74 - See remarks above regarding concerns with shared services. Given current cost increases from Central Service agencies, benefits will need to be clearly demonstrated.

Page 75 - Under Impacts & Concerns, the unions and bargaining agreements are another item to consider. Also, under Specific Implementation Strategy Steps, it is not clear why, if the system is robust and rule-based, a distributed model would not work.

Page 76 - Recommendation 2C Policy and Process: WSDOT only has one local fund and would be
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<td>DSHS</td>
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<td>ESD</td>
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<td>GA</td>
<td>Endorsed with comments</td>
<td>Thank you for the opportunity to comment on the Procure-to-Pay value proposition. We appreciate the extensive research and analysis that has gone into preparing both the “as-is” and could-be” models. While we agree with many of the recommendations, there are two areas that we differ in our approaches; procurement reform and the shared services center recommendations. In addition, we have some</td>
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supportive of moving it to a Treasury account. Under System: Integration with purchasing, cost allocation and billings are also important.

Page 82 - Under Problems with the Current Policy: It would help to reword the first bullet to talk about people doing the best they can with complex and sometimes conflicting laws and rules and limited tools to support procurement processes.

Page 83 - Another benefit under Recommendation 4B on optimizing inventories would be improved tracking of hazardous materials.

Page 85 - Under Impacts & Concerns: What supports the first statement about reducing purchase card transactions resulting in increased accounts payable workload? We have been finding work shifts under current practices where an increase in payment card usage most often does not result in reduced accounts payable workload. Only if the two processes get fully integrated and rules incorporated into system edits will accounts payable workload go down.

Page 93 - It is not clear whether non-AFRS payments are included in the totals.

Page 96-97 - Will there be a more intensive review of purchasing and contracting statutes before final decisions are made and actions taken? While the major RCW's for WSDOT are referenced, there are additional ones to consider.

Page 103 - Accounts Payable Management metrics, Timely and accurate payments: Rather than number of invoices processed per A/P FTE, why not percentage of payments within 30 days, and percentage of payments with discounts?

Verify acceptance of goods: Rather than number of invoices processed per A/P FTE, why not measure timeliness of receiving notification, or monitoring percentage of payments in dispute?

Manage payments and encumbrances: In both of those areas, surely there is something better than working capital turnover rates. Governmental accounts, at least should have a different measure. I will forward something we use for our Equipment Fund.
suggestions for the ‘next steps’ to implement some of the recommendations of this value proposition.

In partnership with our other central services agencies, we would prefer to standardize and streamline existing procurement practices, using our current statutory authority. We would seek more comprehensive procurement reform via agency or executive request legislation after we collectively have pursued our current statutory authority to their administrative limit.

Rather than a shared services organization, we support the Human Resources Management System (HRMS) model of providing an enterprise reporting system (ERP) that enhances state agencies’ capacity to conduct their own procurement and financial transactions. This would allow the central services agencies, such as OFM, GA, and DIS, to shift their resources to more of a policy leadership and oversight role. The key is to hold agencies accountable to some central policy requirements.

Once the Procure-to-Pay recommendations have been finalized by the Roadmap executive sponsors, we must prioritize which ones we will undertake and the level of resources needed to implement them. We suggest a project team approach versus a single business owner since the recommendations span the statutory missions of all of the central service agencies.

Again, we appreciate the visionary leadership and hard work that you and your team have provided in developing these recommendations! We look forward to working with you on them in the future. We have included feedback for each of the value proposition’s recommendations at the enclosure.

Enclosure
GA’s Feedback on Each of the Value Proposition Recommendations

Chapter 2 Executive Summary

2.2.1 Procurement Reform - Recommendations

Roadmap Recommendation: Institute procurement reform legislation that would result in a comprehensive consolidation, standardization, and streamlining of state procurement law and policy based on the American Bar Association’s Model Procurement Code

GA’s Feedback: Suggest that this recommendation be slightly re-worded as follows: “Work toward the comprehensive consolidation, standardization, and streamlining of state procurement law and policy. Consider the feasibility of implementing the American Bar Association’s Model Procurement Code as part of this initiative.”

Roadmap Recommendation: Establishing a Chief Procurement Officer empowered to oversee procurement policy and practices across agencies.

GA’s Feedback: Suggest that this recommendation be slightly re-worded as follows: “While standardizing...”
and streamlining state procurement law and policy, consider the feasibility of appointing a single Chief Procurement Officer, empowered to oversee procurement policy and practices across agencies.”

**Roadmap Recommendation:** Require certification for procurement professionals assigned to high-risk acquisitions, and compensate them accordingly.

**GA Feedback:** We would support the following language: “While the establishment of a certification program is already required by statute for purchasers operating under RCW 43.19, certification is needed for all procurement professionals; recognizing required technical competencies may be different for entry-level versus more skilled procurement professionals.”

**Roadmap Recommendation:** Adopt the National Institute of Government Purchasing (NIGP) commodity/service code structure (the most widely used code in the public sector).

**GA Feedback:** Suggest that this recommendation be slightly re-worded as follows: “While standardizing and streamlining state procurement law and policy, consider the feasibility of implementing the NIGP code as part of this initiative.”

### 2.2.2 Shared Services - Recommendations

**Roadmap Recommendation:** Centralize responsibility and authority for Washington’s procure to pay policies, systems, data and targeted procure to pay business processes within a shared services organization.

**GA’s comment:** Rather than a shared services organization, we support the Human Resources Management System (HRMS) model of providing an enterprise reporting system (ERP) that enhances state agencies’ capacity to conduct their own procurement and financial transactions. This would allow the central services agencies, such as OFM, GA, and DIS, to shift their resources to more of a policy leadership and oversight role.

**Roadmap Recommendation:** Require the shared services organization to establish service level agreements with agencies to ensure quality service are measured and delivered, and require agency participation in shared services.

**GA’s Feedback:** See GA’s feedback on shared services center (directly above).

**Roadmap Recommendation:** Change laws and policy to authorize a risk-based approach to business processing that will focus effort on providing reasonable assurance commensurate with risk rather than requiring explicit evidence of authorization.

**GA’s Feedback:** We support this recommendation.

**Roadmap Recommendation:** Move local funds to the State Treasurer to the extent practical and schedule and disburse all accounts payable, provider and client payments through an enterprise disbursement

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<td><strong>GA’s Feedback:</strong> See GA’s feedback on shared services center (directly above).</td>
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<td><strong>GA’s Feedback:</strong> We support this recommendation.</td>
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<td><strong>Roadmap Recommendation:</strong> Move local funds to the State Treasurer to the extent practical and schedule and disburse all accounts payable, provider and client payments through an enterprise disbursement</td>
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### 2.2.3 Vendor Management - Recommendations

**Roadmap Recommendation:** Enable vendors to register to do business in and with Washington State through the One-Stop Business Portal.

**GA’s Feedback:** We support this recommendation.

**Roadmap Recommendation:** Require all vendors and providers to register to do business in the state and accept enterprise vendor terms as prerequisites for doing business with the state (except for one-time vendors).

**GA’s Feedback:** We support this recommendation.

**Roadmap Recommendation:** Adopt enterprise vendor performance rating standards, policies and processes.

**GA’s Feedback:** We support this recommendation.

**Roadmap Recommendation:** Centralize management of vendor information and relations within the recommended shared service organization.

**GA’s Feedback:** We support the centralization of vendor information; however, see our feedback on a shared services organization.

**Roadmap Recommendation:** Leverage Washington State’s electronic commerce laws to enable electronic commerce between the state and its vendor, provider, and sub-grant recipient community.

**GA’s Feedback:** We support this recommendation.

**Roadmap Recommendation:** Create an enterprise web-portal for vendor self-service receipt and submission of documents and access to data about their transactions with the state.

**GA’s Feedback:** We support this recommendation.

### 2.2.4 Procurement Operations - Recommendations

**Roadmap Recommendation:** Enable shared catalog services of acquisition of readily available commercial products from state vendors and consumable inventories and implement a contract wizard process to guide selection of appropriate contract terms and conditions.
### Roadmap Recommendation

**EBPDM – Procure-to-Pay**

**Value Proposition**

Updated: June 21, 2006

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<td>GA’s Feedback: We support this recommendation.</td>
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**Roadmap Recommendation:** Require use of shared catalog services for readily available commercial products and services and use of state contracts except in pre-determined circumstances.

**GA’s Feedback:** We support this recommendation.

**Roadmap Recommendation:** Improve and standardize consumable inventory management processes and data, and implement an enterprise consumable inventory system to provide effective financial and materials management of Washington State resources.

**GA’s Feedback:** We support this recommendation; however, enterprise consumable inventory processes, data and systems might not be optimal for agencies with unique inventories (e.g., bottles of liquor, sand and gravel, etc.). In those cases where unique inventories processes, data and system must exist, ensure interface with the enterprise consumable inventory system.

**Roadmap Recommendation:** Adopt and enforce an enterprise purchasing card policy based on industry best practices and aligned with NIGP commodity codes, and re-negotiate the existing purchase card program to support the new policies.

**GA’s Feedback:** We support the enterprise purchasing card policy recommendation, but see our feedback on use of the NIGP codes.

### Section 2.3 and Chapter 9 - Conclusion and Next Steps

We strongly agree that the Roadmap Executive Sponsors must identify these processes as a priority before any work can be undertaken on these recommendations. However, once decisions have been made to proceed, more than one business owner is required to evaluate the feasibility of these recommendations for two reasons. First, procurement authority is shared by a number of state agencies (e.g., GA, DIS, OFM, etc.). Second, accounts payable and vendor management falls under the Office of Financial Management’s statutory authority. If approved, Roadmap core financial systems and policies will be the first major component of the Roadmap implemented.

We recommend a project team approach, where OFM serves as the project lead and the procurement authority agencies serve as project partners, dedicating executive level attention and full-time staff support to the effort.

In addition, we think that it is important to use a pilot approach to implement any major changes. Recommend this approach be included in the ‘next steps’ section; otherwise, the reader might assume the changes could be immediately implemented across all agencies.
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<td>LCB</td>
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<td>LNI</td>
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<td>See comments</td>
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**Here at L&I we did a group response. Thank you for listening to some of our concerns.**

1A. Institute Procurement Reform
   - We agree, in theory to consolidate and standardize procurement laws and policy.

1B. Require Professional Certification
   - We support certification as a desired qualification. However that should also be balanced with relevant experience.

1C. Adopt enterprise commodity codes
   - We support the concept. We believe the challenge will be conversion. There may be huge clean up issues. Also there could be budgetary concerns and recommend that the cost of conversion be added to agency budgets.

2A. Create a shared service center of excellence
   - This recommendation causes us great concern. We don’t have enough tangible information as to roles and responsibilities and would appreciate a slow and iterative process of development and scrutiny.

2B. Authorize risk-based approvals
   - We support this recommendation.

2C. Disburse all payments centrally
   - We would need a great deal more information before we can support this recommendation, as in 2A.

2D. Implement integrated procure-to-pay systems
   - We support the recommendation.

3A. Enhance vendor information management
   - We support the concept, however, it is important to first assess the impact of "enterprise vendor terms and prerequisites" on current vendors.

3B. Enable vendor self-service and eCommerce
   - We support this recommendation.

4A. Expedite routine purchases
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<td>OFM</td>
<td>5-31-06</td>
<td>See comments</td>
<td>I offer the following comments on the proposition -</td>
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<td>I'm sure that there is room for improvement in current systems and practices, but the negativity with which they are portrayed in the document is overstated in my opinion. Additionally, use of terms such as &quot;often,&quot; &quot;large&quot; and &quot;significant,&quot; especially in light of the negative tone of the document, should be avoided and replaced with more definitive terms.</td>
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<td>I think that the document could benefit from additional research in the areas of local funds (Recommendation 2C) and TIN verification (Recommendation 3A). I would be happy to share with you some information on local funds and Phil Taylor can provide information on what OFM and agencies currently do related to TIN verification.</td>
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<td>The Impacts &amp; Concerns and the Implementation Strategy for Recommendation 2B should include a requirement to change law. RCW 43.88.160(5)(e) currently requires agency heads or their designees to certify that services have been rendered or materials have been furnished before payment can be made.</td>
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<td>Recommendation 4C cites SAAM requirements. These requirements merely reflect GA contract provisions. We coordinate update of this section with GA so that agencies don't have to go out and find the GA contract to determine what they need to do. At a minimum, the document should include reference to the GA procurement card contract.</td>
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<td>It would also be nice if there were a way to weight the value of each recommendation. The potential value of Recommendation 4B (optimize consumable inventories) would seem to me to be lower than some of the other recommendations, but it's hard to get a feel for which recommendations offer the most potential value. And, without consideration of the potential cost of each solution, it's difficult for me to assess value.</td>
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<td>See comments</td>
<td>• Page 31 - Section 3.4.4 - Process Components - Contract Management</td>
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<td>Under the left column, Roles - we suggest that &quot;agreements with financial institutions (e.g. custody, fiscal, lockbox, depository agreements, etc.)&quot; be added in the State Treasurer's section.</td>
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<td>• Page 75, under Specific Implementation Strategy Steps - sub-bullet #5 - &quot;Merge two or more existing agency units from GA and OFM into a centralized group...&quot; - I just have a comment/question: I assume that OST would retain its authorities to represent agencies in agreements with financial institutions for banking, custody, and fiscal, as well as the financing authorities?</td>
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<td>• Page 96 - Appendix E - Need to add OST statutory authorities:</td>
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<td>1. <strong>RCW 43.08.015</strong> - grants the State Treasurer's Office the authority to represent the state in all contractual relationships with financial institutions. It also authorizes the Treasurer's Office to take such actions as are necessary to ensure the effective cash management of public funds.</td>
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<td>2. Financing Contracts: Pursuant to <strong>Chapter 3, Laws of 1981 (RCW 43.33.030)</strong>, the Office of the State Treasurer provides administrative support to the State Finance Committee, which is composed of the Governor, Lieutenant Governor and State Treasurer, the latter being designated by law as Chairman. By statutory provision, the Committee is delegated authority to supervise and control the issuance of all bonds and approve all financing contracts and certificate of participation issues.</td>
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<td><strong>RCW 39.94</strong> - Authorizes the state to enter into financing contracts for the state and its agencies or on behalf of certain local agencies specified in the law to acquire real and personal property to be used by the state and its agencies or those local agencies, and to issue certificates of participation in those contracts. All financing contracts of the state must be approved by the State Finance Committee. State agencies are not authorized to enter into financing contracts.</td>
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<td>3. Statewide Custody - <strong>RCW 43.08.280</strong> - The state treasurer is authorized to negotiate a statewide custody contract for custody services for local governments and institutions of higher education.</td>
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<td>WSP</td>
<td>5-11-06</td>
<td>Endorsed with comments</td>
<td>WSP endorses the procure-to-pay recommendations.</td>
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<td>Based on the difficulties we currently face with receiving and processing payment documents (not getting documents timely or with all the necessary information, having to check for duplicate payments, or having to handle documents more than once and by many hands, etc.) this new electronic model seems more secure. We like the concept of a Shared Service Center but will be interested to see what controls agencies will have. The web-portal for vendors to check payment status is an excellent idea.</td>
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Enterprise Business Process and Data Modeling for the Roadmap

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