

EXECUTIVE SUMMARY

Direct Negotiation Agreement 58-033E – Central Bidders Registration Tool

The historically utilized tools and resources currently supporting the procurement process have proven insufficient in meeting the increasing and evolving procurement needs of the District. The requirements for increased transparency of process, real-time visibility into big data, process automation, systematic documentation, and overall process improvements have highlighted the necessity for advanced technological resources.

To address these needs, Procurement and Warehousing Services (PWS) performed an in-depth research, and four (4) options were identified ranging from off-the-shelf products to a fully integrated system. The table below provides a summary of the analysis of the identified options:

Options	Ease of Implementation	Change Mgmt.	Integration/ SAP-dependent	Tracking/ Reporting	Expected Benefits
#1: Off-the-shelf disparate systems					
#2: Partially integrated (SIPM & sourcing only)					
#3: Multiple-year, phased deployment of fully integrated solution					
#4: Rapid deployment of fully integrated system					
Legend:					

When considering the options, the workgroup made a relative comparison across the following criteria:

- **Ease of Implementation:** Involves the scale of existing processes that will be impacted; and the number of departments involved (i.e., purchasing only or other departments involved).
- **Change Management Effort:** Involves scale of training, communications, etc. (i.e., non-technical factors) required for successful implementation.
- **Integration/SAP-dependency:** Involves level of integration with the District’s current ERP (SAP) software; SAP is currently used by various departments including Finance and Human Resources.
- **Tracking/Reporting Automation:** Involves the breadth and degree of reporting capabilities (number of reports, details in reports, the granularity of reports, etc.) and level of automated reports versus manually processed reports.
- **Expected Benefits:** Relative ability to implement Supplier Diversity Outreach Program (SDOP) Policy 3330 as currently written; benefits in the form of economic inclusion, increased competitive contract pricing, reduction in the level of identified disparity, improved accountability, etc.

Based on the outcomes of the research and applied considerations, Option 3, the “Multiple-year, phased deployment of fully integrated solution” was identified as the best fit for the District. This option lead the District to “Direct Negotiate” with SAP Ariba for its procurement cloud solution, which is part of the SAP (District’s ERP system) portfolio.

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SAP Ariba it is a fully integrated solution to increase visibility into the end-to-end procurement process required by the increased volumes associated with Purchasing Policy 3320 and the Safety, Music & Art, Athletics, Renovation, and Technology initiative. It will also include a Central Bidder Registration tool in support of the SDOP Policy 3330.

The phased approach allows for immediate positive impact on processes and outcomes while minimizing the impact on the general user population. During Phase I/Year 1, the implementation will address the immediate needs to support SDOP Policy 3330 requirements, streamline vendor registration, and sourcing processes, and will introduce contracts to the user population. This can be done while requiring little change outside of the core procurement function and associated personnel. Whereas, during Phase II/Year 3 the implemented solutions will have a greater direct impact on the broader procurement user base, affecting all district requisitioners and approvers, requiring a more substantial change management approach to methodically address the adjustment time users will need to acclimate to the new system and processes.

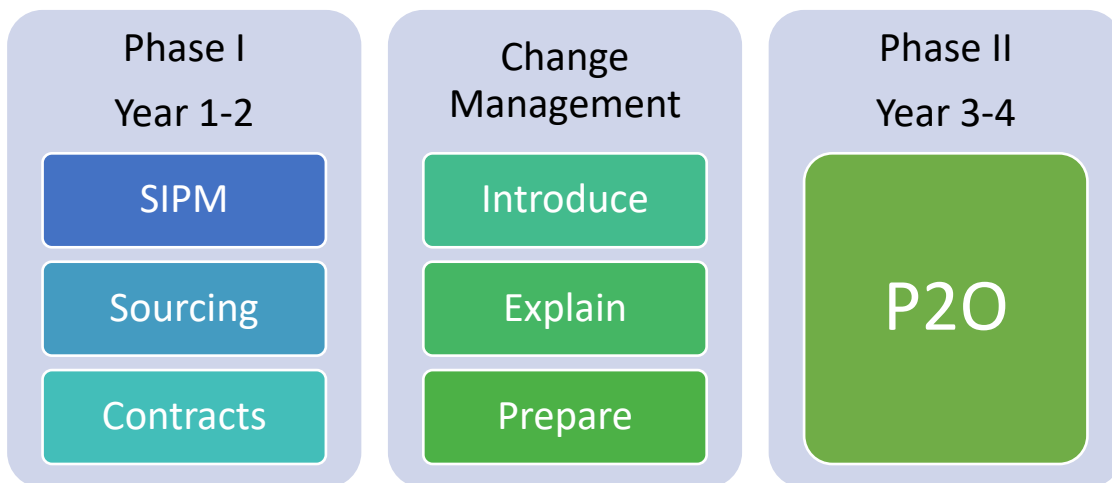
The solution includes the following components and addresses the identified needs as illustrated below:

Description		Impact on Current State
Supplier Information & Performance Management (SIPM)	<p>Phase I</p> <p>Supplier Information – web-based, district branded, report generating, central bidder registration tool</p>	<p>The Supplier Information piece of this component addresses the SDOP Policy 3330 requirement for a centralized bidder registration tool while also addressing the greater need for suppliers of all types to register to do business with the District in a standardized and controlled environment.</p> <p>The outcome being a single portal that includes vendor vetting, and supports three (3) varying registration paths depending on vendor type and its associated requirements; Standard, Small/Minority and/or Women Business Enterprises (S/M/WBE) Certified, or Pre-Qualified. The dashboard style reporting also improves the ability to focus on and measure the impact of core target areas such as S/M/WBE outreach activities.</p> <p>The current paper-based/manual process does not yield reports and leaves room for erroneous supplier submissions, delays in processing, and lacks the vetting and other controls necessary when enabling a supplier to do business with the District.</p>
	<p>Phase I</p> <p>Supplier Performance Management – centralized and data-driven and supplier management tool based on reportable contract compliance, survey statistics, and scorecard intelligence</p>	<p>The Supplier Performance Management piece of this component allows for improved visibility to the aggregate inputs and perspectives related to supplier performance, translating them into reportable, data-driven, actionable items in support of strategic decision-making, and quality vendor selection.</p> <p>The current supplier performance management activities are minimal and reactive with limited reporting capabilities. While supplier surveys are issued to obtain end-user feedback on supplier performance, with the number of suppliers and sheer volume of purchases, this only addresses a fraction of what is needed to fully manage the performance of strategic district suppliers.</p>

Description	Impact on Current State
<p>Phase I</p> <p>Sourcing – task driven, template based, report generating, streamlined electronic sourcing tool</p>	<p>The Sourcing component of this solution allows the District to electronically monitor, manage, and report throughout all phases of the sourcing process including identification of need, capturing required inputs from stakeholders, obtaining necessary approvals, publicly publishing sourcing opportunities to existing and new potential vendors, securely receiving vendor responses, and notifying all internal and external participants of changes, for each individual project, from inception to award. Additionally, it is an improved/guided supplier experience in support of higher bid participation rates from suppliers of all sizes, at no cost to the sourcing respondents, ideally attracting, and benefitting the S/M/WBE district suppliers.</p> <p>The specific terms of the awards in Sourcing are integrated with the Contracts and SIPM components allowing for ongoing oversight of supplier compliance with contract terms and measurable statistics regarding the quality of its performance throughout the duration of its award.</p> <p>The current system, DemandStar.com, does not support prerequisite bid development activities thereby losing visibility to the early stages of the bid process and its progress, has an extremely limited capacity for reporting, is not an intuitive program, and comes at a cost to participants (vendors must pay to download documents).</p>
<p>Phase I</p> <p>Contracts – task driven, template based, report generating, streamlined electronic contract management tool</p>	<p>The Contracts component of this solution includes a task-driven, template-based negotiation mechanism that also documents and supports version control and execution requirements. It also allows for control of contracts regarding expiration monitoring and spend authority alerts accompanied by dashboard-style reporting.</p> <p>The Contracts component interfaces and integrates with the Sourcing, SIPM, and P2O components, and once fully implemented, provides real-time analysis for contract compliance, vendor performance, and spend usage. Total spend tracking to include PO and P-card spend will not be realized until the implementation of Phase I and Phase II is complete.</p> <p>The current method for tracking awarded contracts is a manual process using tools unable to fully support the required tracking to ensure real-time contract management; especially in the area of spend per bid. The current time to pull spend for active bids is five (5) business days. Therefore, this activity is only performed monthly, leaving the District vulnerable to the risk of overspending, especially on high-cost or high-volume awards.</p> <p>Enabling the Contracts module during Phase I provides increased visibility and improved tracking of contract expiration, improved documentation and version control throughout negotiations, and allows spend tracking data to be imported for ongoing controls during the time between Phase I and Phase II.</p>

Description	Impact on Current State
<p>Future item to be presented to the School Board for additional spending authority (no later than September 2018).</p> <p>Phase II</p> <p>Procure-to-Order (P2O) – catalog-based, contract driven, user-guided, electronic, reportable, requisition → approval → Purchase Order system</p>	<p>The Procure-to-Order component of this solution provides the District with a reliable, easy-to-use process for requesting the purchase of goods and services. Providing an “Amazon-like” experience to users, procurement can guide requisitioners to preferred suppliers to leverage aggregate district spend for approved items, at pre-negotiated prices. Real-time reports on requisition cycle-time (from request to order), spend per commodity, spend per vendor, and spend per contract, among other metrics will be available at the user/school/department/and district level.</p> <p>This component exhibits the culmination of all preceding procurement activities supported by the components described above. It also gives the District the ability to not only tie the existing Purchase Order (PO) spend to Contract spend authority, but also improve Purchasing Card (P-Card) visibility by using the P-Card as a method of payment for approved POs.</p> <p>With the previous catalog procurement module going to end of life and unsupported in 2015, the District is using the SAP base system to process requisitions and POs. This is extremely lengthy, with little visibility to end-to-end cycle times. Users must have an in-depth knowledge of the ever-changing supplier and contract landscape and use multiple resources to obtain the necessary information to properly enter a requisition. Inaccurate submissions result in delayed PO processing and potential delays in delivery to our ultimate end users, the students of the District.</p>

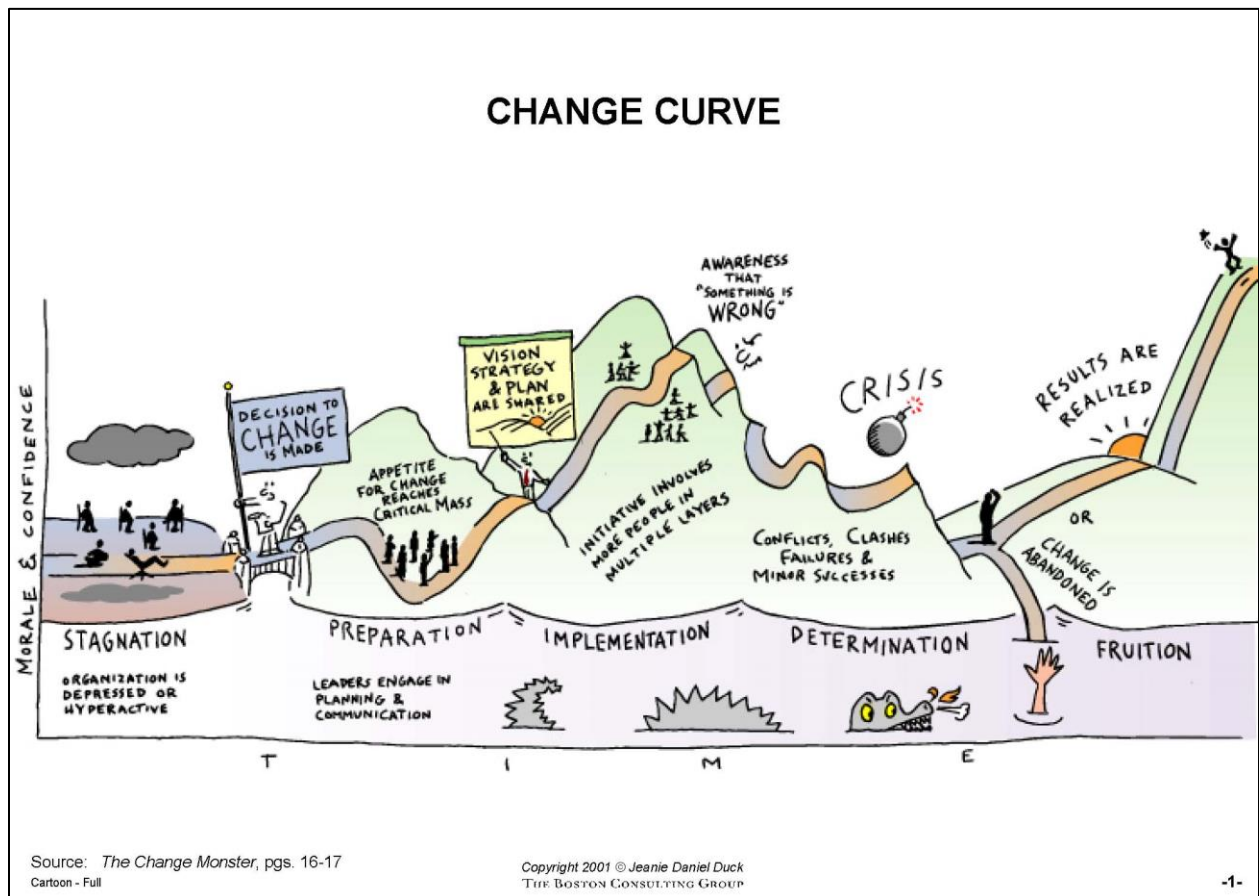
The recommendation is a multiple-year, phased deployment allowing the District to spread out the costs over four (4) years for the integrated procurement system that will cover onboarding, sourcing, tracking, and monitoring capabilities while fully integrating with our current SAP software.



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This option will allow PWS to proactively manage the implementation of a fully integrated procurement system by dealing with the demands of change which will involve the biggest challenge facing every department. PWS will certainly change more in the next four (4) years than it has in the last ten (10) years. So it's imperative that district leadership understand how to engage their teams to lead their departments and schools in collaborating around change.

To help manage expectations, we are including a graphic that helps to identify the barriers that block change and the emotions that are experienced during any change process.



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Financial Impact

The spend authority request for this item covers Phase I (Years 1-2) only. The financial impact for the District is demonstrated below:

Phase I: Supplier registration, Sourcing and Contract Management

- Initial investment: \$629,300 for full Phase 1 implementation

Description	Year 1	Year 2	Total
SAP Cloud Services	\$ 140,000	\$ 140,000	\$ 280,000
Installation Fee	\$ 49,300		\$ 49,300
Implementation Services	\$ 300,000		\$ 300,000
Total	\$ 489,300	\$ 140,000	\$ 629,300

On September 6, 2017, the School Board approved the Final District Educational Facilities Plan with a total investment of \$1,809,300 for the SAP Ariba implementation. Therefore, regarding Phase II – Procure to Order, a new item will be presented to the School Board requesting additional spending authority no later than September 2018, as demonstrated below:

Phase 2: Procure-to-Order, Supplier enablement and Contract enablement (centralized database) with an end-to-end integration with ERP

- Additional cost \$1,180,000 for full Phase 2

If for some reason during Fiscal Year 2018/19 the School Board of Broward County decides to not move forward with the second phase, the committed funds of \$1,180,000 will revert back to the District’s Capital budget.