Changing For Excellence
Business Case Goal Completion Report

Procurement & Sourcing

Report Date
August 2016

Context
- University purchasing staff have limited focus on broad commodity management, spend analysis, and strategic sourcing functions due to their primarily transactional role in the purchasing process.
- Lawrence campus has already invested in many of the tools necessary to support best in class performance: PeopleSoft, SciQuest, ImageNow, and Spend Compass.
- While plans are in place to enhance KUPPS functionality, additional opportunities exist to improve KUPPS utilization and efficiencies for procurement and payables operations.
- KUMC stakeholders have expressed the desire to implement an e--procurement system; however, funding the initial deployment, integration with PeopleSoft, and supporting long--term operations are key concerns.

Goals
For each goal answer the following: What percent is this goal complete? If the goal has been met, please describe how it was met. If the goal has not been met, how will you be completing this goal or why will it not be complete?
- Realization of the benefit of developing a joint or highly collaborative strategic sourcing program across KU and KUMC.
- Develop commodity specialists with advanced product knowledge to provide proactive and value--added customer service, and to more actively manage supplier relationships and performance.
- Standardized procurement processes driving University spend to KUPPS, thus ensuring contract pricing and providing visibility to all purchasing activities (detailed product and service requests, online approvals, supporting documents and supplier performance.
- Complete/Fix KUPPS and streamline the approval and settlement process to address the low utilization and efficiencies of procure to pay technologies.

Overall, how did goals change during Changing For Excellence and what goals were added or removed:

- **Organizational change**
    - In December 2011 the Purchasing Department began to focus purchasing staff on commodity management, strategic sourcing activities, and increased collaboration on supplier contracts. This kicked off with the hiring of strategic purchasing staff, including a strategic sourcing specialist, commodity specialists for scientific, technology, and construction-related commodities, and a data analyst. The commodity specialists have advanced product knowledge and are able to provide proactive and value-added customer service to more actively manage supplier relationships and performance.
    - Accounts Payable moved from Central Accounting to join Payables, forming the Procurement Services Department in January 2013. This created a single strategy for the campus Procure-To-Pay (P2P) process.
    - On-going campus communications included town hall type meetings in 2012, direct communication with departments about new processes in 2013, participation in ongoing budgeter staff meetings, and involvement in SSC training. The KUPPS Help Desk was enhanced throughout the *CFE* phases and continues to provide excellent service to the campus

community. New video training tools have been developed. The Help Desk team works to provide all means of training including classroom, user guides, phone, and in-person support.

o While the decision was made to not merge the KUL and KUMC procurement organizations, KUL and KUMC work closely on common projects and jointly attend quarterly and annual supplier reviews. For example, a joint KUL-KUMC Office Related Products strategic sourcing agreement was completed in May 2012, followed by a mandate in August 2013.

- **Strategic sourcing**
  o The first sourcing collaboration efforts began at the end of 2011 and continued into 2012. Initial commodities identified for strategic sourcing opportunities were office related products, personal computers, technology, scientific supplies, and MRO (facilities). Strategic sourcing contracts are now in place with Staples, Dell, Fisher Scientific (joint KUL/KUMC agreement), CDW-G, Grainger, Stanion, and Regal. Additionally, a number of agreements are in place that benefit capital improvement projects. A document explaining project strategic sourcing guidelines and the *Preferred or Required Manufacturers and Vendors List* is located at http://dcm.ku.edu/sites/dcm.ku.edu/files/docs/Standards/Strategic-Sourcing-Cap-Imps_2014-09-24.pdf.
  o Sourcing is an ongoing task. For example, the Fisher agreement was modified in October 2014 to include options for the other BOR entities and political subdivisions within the State of Kansas. Since wrapping up Phase II, seventeen catalogs have been added to KUPPS and numerous non-catalog contracts have been negotiated related to common needs, primarily with DCM.
  o Procurement Services continues to implement improved methods related to the initial *CFE* exercise and continuous improvement is a standard practice. Strategic sourcing and process improvements are ongoing efforts and thus never complete. The structure for the Procurement Services organization along with the systems in place are imbedded in the department's culture today and are reflected in updated policies and procedures.
- **Standardized & streamlined procurement processes**
  o *CFE* recommendations included standardized procurement processes that would drive university spend to KUPPS, ensuring contract pricing and providing visibility to all purchasing activities. A procurement matrix was developed and is reviewed periodically to ensure it remains valid with current needs and practices, most recently updated on July 18, 2014. The Procurement Policy was updated on March 11, 2013 and the Purchasing Procedure on May 3, 2013. A new Office Related Products' procedure covering mandatory usage across all funds was issued with an effective date of August 1, 2013. A Purchasing Procedure for Technology (personal computers) was issued with an effective date of June 4, 2014. The PCard User Guide was updated and modified to a PCard Procurement Procedure effective March 27, 2014.
  o Centralized invoicing began in January 2013 and was fully implemented by July 2013. This facilitates reduced invoice processing times because invoices can process for payment without manual intervention. Payables currently processes all invoices within one day for UKANS business transactions, down from the two week average that existed in 2011. Centralized invoice delivery to Central Accounting facilitates prompt pay discounts.
  o Redundant procurement processes have been addressed and the use of appropriate purchasing methods has been reinforced and defined in P2P updates and the Procurement Matrix. PeopleSoft Matching has been employed, with lower tolerances for non-catalog orders. This automates many of the past manual steps. Audit sampling was implemented, replacing the previous practice of auditing 100% of all invoice transactions. The use of tools, such as Combo Edits, within PeopleSoft have been optimized to meet current practices.

- **Technology improvements**
    - Significant technology improvements and enhancements to KUPPS were begun in the 3rd quarter of 2011 and went live in July 2012. These improvements optimized technology and operations to address the drivers behind the low utilization and efficiencies of procure-to-pay technologies. The project scope included integration of KUPPS and PeopleSoft, along with pushing the initial 7,000 active business vendors from PeopleSoft to KUPPS.
    - Supplier integration between KUPPS and PeopleSoft, to eliminate the current state requirement to manually enter suppliers in both systems, created a one-stop purchasing platform in KUPPS. The integration was complete and went live at the beginning of FY2013. This increased supplier catalog enablement and utilization of custom forms to provide broader spend coverage and easier shopping for end users.
    - Workflows within KUPPS were established and continue to be updated. Additional workflows were created within ImageNow, giving departments needed visibility as defined in best practices. Workflow now streamlines the approval process, while maintaining audit history and links to related documents. KUPPS functionality is utilized including centralized and automated dispatch of all purchase orders to suppliers. This eliminated the past manual process of mailing, emailing, or faxing purchase orders for goods and services under the university's standard terms and conditions. Automated invoice approval workflow streamlines the approval process and eliminates the manual routing of invoices via office mail for approval and payment. Standards continue to be managed. Shopper and Requisitioner roles within KUPPS have been implemented.
    - Purchase order integration between KUPPS and People Soft, to eliminate the past process of re-entering purchase orders in PeopleSoft to establish the budget commitment, is complete. All KUPPS orders now create a "record" in PeopleSoft.

Challenges
- Significant sourcing implementation value could be lost without effective supplier management and internal compliance monitoring activities such as periodic supplier performance review, core list and standard models refresh, preferred supplier utilization compliance, etc.
- Implementation of KU standard computer models needs to be a joint effort between IT and Purchasing in order to be successful; the joint effort will provide campus users appropriately configured machines that meet their technology needs and at market competitive prices.
- High end of the opportunities range can only be achieved through demand management activities such as increased computer standard models utilization, core list item purchases, etc., as well as effective KU and KUMC collaboration on strategic sourcing efforts.
- The implementation best in class procurement will have a dramatic impact on the way in which decentralized departments carry out their purchasing and settlement activities. Staff may feel frustrated by the change, with departments perceiving that they will lose control over their ability to purchase independently without oversight from central purchasing.
- There will be pushback across campus to implement KUPPS with the minimal amount of change possible; however, unless the business process is standardized, efficiencies will not be realized.
- Many users do not perceive value from KUPPS or procurement transformation.

Describe if these challenges were encountered during Changing for Excellence and what unanticipated challenges occurred during the process:

There was some initial pushback across campus as KUPPS was implemented. This has dramatically decreased as users became familiar with the new processes and appreciated the efficiencies gained.

Significant savings and cost avoidance resulted from Procurement Services *CFE* efforts. These are detailed in the Opportunities section.

- Cost avoidance/cost savings in FY2014 were:
    - Procurement audit cost avoidance: $10,167
    - UMB P-Card rebate: $299,913
    - Rebates: $300,910
    - Negotiated contract savings: $307,861
    - Construction-related savings: $388,108
    - Contract savings: $1,840,025

Significant change has taken place in Procurement. Staff is now focused on commodity management, strategic sourcing, and increased collaboration on supplier contracts. Redundant processes have been addressed, PeopleSoft Matching employed, and audit sampling implemented. KUPPS and PeopleSoft have been integrated and workflows established.

Going forward, Procurement will continue to refine and improve processes and explore new strategic sourcing opportunities.

Continued Growth & Development

Overall System Processes
- A significant effort is being applied to the Oracle Financials in the Cloud (FITC)
    - Procurement is engaged in seeking improvements as we work to implement this product

- - KUMC is participating as an Observer on the P2P Workgroup
  - While there will be challenges in the transition, having all of the P2P in Oracle has great upside
- KUPPS PO records are now being populated in Maximo resulting in a reduction of duplicate entry
- KUPPS and Procurement Training Materials have been updated as the campus need mature

Strategies for sourcing include:
- Collaboration with KUMC primarily in the Scientific categories and includes joint quarterly reviews with the preferred supplier, Fisher Scientific. Other Regents have been added to the Fisher Master Agreement via site specific amendments.
- A BOR Contracts database is in work. This tool will provide information on all available Regents Contracts
- KUPPS Catalog additions have been focused on more specific high volume categories including Packaged Industrial Gases and Water Treatment / Boiler Chemicals
- Procurement and IT worked jointly on a competitive Enterprise Term License Agreement (ETLA) for the ADOBE Creative Cloud with that is available to the other Regents including Community Colleges and Technical Schools
  - Many have taken advantage of the volume based pricing in this contract

Organizational
- Stores (FS) and Surplus Property operations have been added to the Procurement Department
  - Strategies for improved Inventory/Space Management are in work for both areas
    - Includes Vendor Managed Inventory for MRO/Facilities
- Payables Successfully supported a Project Search Intern for two terms
- Student Employees will be utilized for ongoing needs along with Oracle FITC startup tasks

Metrics
Currently Tracking and Reporting
- Savings FY16 Total - $2,295,783
- Rebates (Revenue) FY16 Total - $126,587
- Spend Under Procurement Management (98%)
  - Contract Spend
  - Non-Contract Spend reviewed/approved by procurement
  - KURES Sub-Contract Spend
- UKANS PCard Metrics (Monthly Transactions and Totals)
- Non-travel personal reimbursements (Monthly Transactions and Totals)
- GovDeals (Surplus Auctions) FY16 sales - 658 Assets totaling $185,76112
- Stores Inventory Values (Began tracking FY17)
- KUPPS Help Desk Metrics

Current Initiatives

Kansas Board of Regents System Procurement Collaboration Update
Upon initiation by KU and with the support of Board of Regents staff on April 13, 2016 Washburn hosted a meeting of the Regents Purchasing Group (the Purchasing Directors of the 6 Regents institutions, the KU Medical Center and Washburn) as well as business staff from the 2 year and technical schools.

Ideas for ways the entire system could collaborate to achieve mutual benefit were discussed. Three (3) areas were identified for further exploration and implementation. The areas identified were:

1) Developing an easy way to share information and ask questions;
2) Developing an easily accessible contract database that would display contracts entered into by the various institutions that are available for use by all institutions under the jurisdiction of the Kansas Board of Regents;
3) Developing an easy way to display documents and work collaboratively on their content.

KU offered to set up a website that would address the identified opportunities. In collaboration with KU IT a SharePoint site has been developed that will display contract content and allow posting of documents for review and collaboration among interested parties. Yammer will be utilized for on-line communication. These tools have been favorably reviewed by the Regents Purchasing Group and will be rolled out to the entire system no later than September 30, 2016.

During the July monthly Regents Purchasing Group conference call additional topics for consideration were discussed. KU is developed a rolling 12 Month Strategic Sourcing Plan that identifies projects KU expects to undertake in the time frame specified. As work begins on each of the projects the group will be notified (via the SharePoint site) so interested parties can join if they so desire. The KU postings will serve as a template so others can post their plans and projects as they become available. This will allow planning for areas identified as mutual opportunities. KU will also post key performance metrics that KU utilizes to measure performance and identify opportunities for improvement. This activity will also serve as a template for others to use if they desire to post their metrics. Each institution operates very differently so comparative use of the metrics will be of little value at least initially but the concepts are transferable and hopefully can be of mutual value.

The work described above is designed to benefit the new collaboration that includes the 2 year and technical schools. For example, the Regents Purchasing Group is working on a Multi-functional Devise (MFD) contract. Work is underway at the present time with participation from all institutions. The new website will be used to facilitate work on this project and will allow the 2 year and technical schools to easily join if they so desire.

A meeting of BOR System Procurement staff will be organized for the spring of 2017. The goal is to have a highly productive system collaboration process functioning by June 30, 2017.

Facilities Supply Chain
Procurement Services is responsible for managing the Facilities Services Central Storeroom. Work is underway to minimize the number of items in inventory as well as lower the amount of funds that are invested in the items in inventory while at the same time improving the availability of needed items. As part of this exercise KU is working with Grainger to increase the number of items purchased from Grainger to take advantage of the "just in time" supply chain logistics they can provide. This effort will continue until the entire Central Stores is complete. Initial work to accomplish the same tasks in each of the 6 Zones is also underway.

KU Procurement Services and Facilities Services have worked with Grainger on a new way of supplying the custodial closets in buildings located on-campus. KU staff determined what items and the number of of each item required to be maintained in each closet and now Grainger is responsible for the direct replenishment of the inventory. KU is billed on the basis of the items as they are replenished. This saves a

material amount of time for KU staff that used to be responsible for replenishing the stock from Central Stores or Zone inventories.

Science Supply Chain

Current building codes will not allow KU to operate the Earth Energy and Environment Center and the the new Integrated Science Building in the same manner as current buildings such as Malott and Haworth. The amount of chemicals located in laboratories or zones within each building is greatly diminished from our current practice. This is especially true the higher the floor on which the chemical is located. Procurement Services is working with colleagues from Research and CLAS to investigate options
and to ultimately implement a best in class solution. Emphasis will be given to using technology such a vending and bar codes. The possibility of having a third party operate the storeroom and on-site distribution will also be considered. Once EEEC and ISB operations are complete work will begin to migrate the best in class operation into existing facilities.

Impactful Analytics

KU Procurement Services has the organization, skill-sets and technology to be a best in class organization offering best in class processes and services. The best in class technology and
processes ultimately provide a wealth of data that can be used to identify opportunities for improvement. To date the analysis has been focused internally on Procurement performance improvement. The next wave of evolution will be to work with Procurement data and link it to key KU customer data to look for impactful measurements that link Procurement performance to a result of impact for the University. A couple of current examples include: Amount of time a Facilities work order is on hold waiting on materials; and the number of trips by Zone personnel to obtain required parts or materials. If fewer trips are required the lessened amount of windshield time can be applied to performing work thus increasing
the productivity of Facilities personnel.

Supplier Diversity Program

KU has not had a supplier diversity program in the past due to the fact that state law (which until 2007) governed our processes did not allow minority, women, veteran, etc... owned status to be used in awarding procurement contracts. KU is also required to use the state of Kansas vendor database as payments are made. The state database does not contain the demographic information required to categorize vendors using the above referenced categories. As part of the Oracle project KU will begin to collect vendor demographic data and maintain the information in the Oracle vendor database. This information will allow KU to understand its existing spend and thus establish a baseline upon which improvement can be measured. The vendor information will also be useful in minimizing the amount of work required for federal grant expenditure reporting. KU Procurement will begin reaching out to various Chambers and Associations to build relationships with these entities and to enlist their assistance in identifying suppliers and helping to spread the word about "How to do Business with the University of Kansas." Once the suppliers have been identified KU can solicit proposals from these new potential suppliers as business opportunities present themselves. After a sufficient period of time to acquire a meaningful amount of data analysis can occur to determine next steps.