



Executive Summary*

BEST PRACTICES OVERVIEW

The focus of this study is to identify Procure-To-Pay best practices suggested for and/or adopted by Federal government entities. For the purposes of this study, best practices are described as proven activities that, upon successful implementation, provide significant value to an organization. All best practices may not be applicable for all agencies, as agencies have different strategic, organizational, and technological goals and constraints.

As readers review this document, it is important to think realistically about how best practices can be applied to individual programs. It is also important to understand that although these findings are considered “best practices,” the suggestions will not be feasible for all organizations to pursue. At the very least, the stated best practices may provide guidance and thought for agencies to improve their programs.

SCOPE

This study encompasses the entire Procure-To-Pay function, including Procure-To-Pay Foundation and the end-to-end Procure-To-Pay Process, which includes Purchase Cards procedures from sourcing to back-end reporting.

STUDY APPROACH

The approach used for completing the study consisted of the following steps:

1. Identify and confirm participation of targeted Federal Government entities
2. Contact senior-level officials within organizations to establish necessary support
3. Develop Procure-To-Pay questionnaire and administer to participating agencies
4. Compile and analyze responses to questionnaires and prepare on-site interview guides
5. Conduct on-site interviews with appropriate Procurement and Finance resources
6. Follow up as necessary with participants to fill gaps in data
7. Compile best practices from participant findings, past commercial studies, and internal Deloitte & Touche/Deloitte Consulting research
8. Validate findings with subject matter experts, Issuer banks, and other government organizations
9. Develop organization-specific presentations assessing opportunities to implement best practices
10. Develop Performance Gauge tool utilizing best practice findings
11. Develop benefits calculator to measure savings organizations may obtain by leveraging the Purchase Card for purchases and streamlining the Procurement process

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COMPARISON OF THE PRIVATE SECTOR AND PUBLIC SECTOR STUDIES

In completing the best practices studies for the private and public sectors, we have identified key differences between the entities relating to Procure-To-Pay strategy, controls, sourcing, and funding.

Best Practice Area	Private Sector	Public Sector
Strategy	Strategy for commercial entities is usually indirectly, if not directly, focused on achieving profits and financial success. Consequently, many best practices focused on achieving cost savings and profit-motivated practices.	Strategy for government entities typically focuses on serving their constituents, e.g., citizens, companies, or other government entities. As a result, best practices focus more on customer or constituent services than on financial success. While cost savings are important, they must be balanced with constituent service and accountability.
Controls	Commercial entities answer to a limited and typically less-visible group of stakeholders, e.g., stockholders, customers, and suppliers. This often results in less accountability than in government entities and a de-emphasis on controls in favor of operational efficiency.	Government entities are held accountable to a broad and powerful group of stakeholders, including OMB, GAO, GSA, Congress, not to mention the media and the American people. There is a strong focus on accountability and controls, resulting in several best practices specifically related to this area.
Sourcing	Commercial entities have considerable latitude in the selection of vendors and the process for working with them, and therefore there were more opportunities for best practices in this area for commercial entities.	Government entities have limited flexibility in dealing with vendors due to FARs, DFARs, and other procurement requirements that promote a level and open playing field. Consequently, there are fewer opportunities for best practices in this area.
Funding/Budgeting	Commercial entities usually have more autonomy regarding operating budgets, which can be used for new technologies, procurements, etc. in a timelier manner.	Government entities usually have mandated protocols and procedures that must be followed regarding budgetary decisions. Consequently, the cycle time for implementing new programs and technologies is greater than for commercial entities.

BEST PRACTICES THEMES

The 34 Federal Government Procurement card best practices detailed on the following pages provide practical and innovative techniques for organizations to help enhance their Procure-To-Pay functions. In establishing these best practices, five themes emerged which apply across all best practices. These themes are fundamental to successful Procure-To-Pay functions and have the potential to produce tangible and significant benefits for most organizations.

1. Obtain continuous and focused Senior Executive Service (SES) level support for Procure-To-Pay initiatives

Many organizations with successful Procure-To-Pay functions have obtained SES-level sponsorship for Procure-To-Pay initiatives. These sponsors, which could include a Director, Deputy Director, CFO, or other management position, typically serve as advocates for new and existing Procure-To-Pay initiatives, and provide valued support and guidance for successful operations. Recently, organizations have become more innovative in achieving SES-level support by sharing Procure-To-Pay initiative performance information and actively communicating new initiatives, goals and successes to senior-level managers throughout the organization. It is critical that support from SES-level management is achieved to increase the likelihood of receiving endorsements and resources for existing initiatives, encouraging compliance to policies, and increasing visibility and buy-in.

2. Collaborate and communicate between Procurement and Finance operational units

Leading organizations have strategically realigned their positioning of Procurement and Finance functions in recent years. Increasingly, Procurement and Finance functions treat operational units as internal customers. This adaptation encourages a more collaborative relationship between the two functions, in order to better serve their common customers and achieve their respective goals. In addition, since the overall Procure-To-Pay process requires coordination between the two functions, interaction and communication is critical. Shared objectives and performance measures have led to more formalized ties between these two functions, resulting in increased compliance with policies, a more comprehensive view of controls, and a reduced overall cost structure.

3. Enhance operational capabilities of Procure-To-Pay functions through use of technology

Although many organizations strive to automate the Procure-To-Pay Process, stand-alone technology decisions are often made rather than developing and implementing an end-to-end solution. Leading organizations have taken a more comprehensive approach to technology, focusing on the implications and benefits inherent in an end-to-end automated environment. To support information technology initiatives, leading organizations set realistic and achievable operational and financial return objectives. The benefits of automating Procure-To-Pay functions include reduced payment cycles, increased transaction controls/monitoring, and improved reconciliation procedures.

Additionally, leading organizations recognize that the benefits of automation can only be achieved by incorporating process changes as part of the solution. These process changes require organizations to use change management techniques to achieve user support and provide necessary training.

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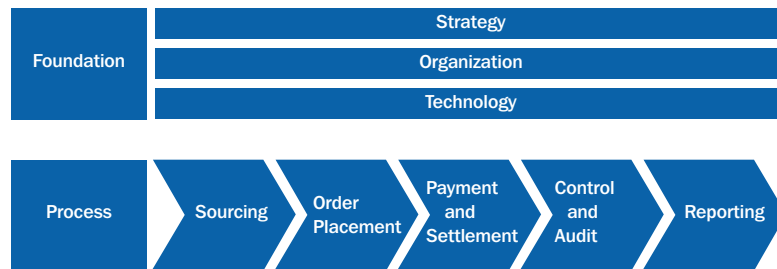
4. Continuously improve comprehensive and proactive controls that minimize occurrences of card mismanagement

Organizations are increasingly implementing strategies for improving controls over their Procure-To-Pay functions. Recent scrutiny and mandates (e.g., the Office of Management and Budget (OMB) memorandum requiring the development of Procurement Card remediation plans) have further encouraged organizations to reevaluate and, in some cases, modify existing control policies. Leading organizations look at controls from a process perspective, ensuring that every sub-process has appropriate controls in place. In addition, leading organizations are publicizing their controls to discourage unacceptable practices before the fact.

5. Employ data aggregation and reporting techniques that align with organizational goals and enable continuous improvement of the Procure-To-Pay functions

Leading organizations understand that data aggregation and reporting are critical to their program's success. Extensive Procure-To-Pay data often exists on disparate systems and platforms; however, this data is of little value unless it can be presented in a timely and usable manner. The sophistication of in-house systems (e.g., ERP, e-Procurement, data warehouse reporting tools offered by Issuer banks) has improved over the years to allow organizations to obtain greater spend detail from disparate internal systems. Integrating data from multiple sources has provided leading organizations with a clearer understanding of their operations and an enhanced ability to improve operations and controls.

BEST PRACTICES CATEGORIZATION



The best practices herein are organized according to the illustration above. All of the best practices are categorized within either the Procure-To-Pay Foundation or Procure-To-Pay Process areas:

- **Foundation:** The Procure-To-Pay Foundation incorporates the agency's overarching strategic, organizational, and technological frameworks. The Procure-To-Pay Foundation should be considered the base from which the Procure-To-Pay Process is established.
- **Process:** The Procure-To-Pay Process incorporates the workflow associated with procurement and payment activities. Steps in the process include Sourcing, Order Placement, Payment and Settlement, Reconciliation, Control and Audit, and Reporting. Note that technology acts as an enabler for many of these processes, such as e-Procurement for Sourcing and the linkage of card usage data with general ledger systems for Payment and Settlement, Control and Audit, and Reporting.