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**Subject:** Letter of Clarification No. 3: Request for Information No. S63-Q25533 –  
Electronic Accounts Payable Invoicing Solution

**To:** All Prospective Respondents:

This letter of Clarification is being issued for the following reasons:

- **To respond to questions posed by perspective respondents.**

1. The following questions and the City of Houston responses are hereby incorporated and made part of the Request for Information:

**Question No. 1** “Are any invoices currently submitted to the City in an electronic format?”

**Answer:** “XML and Quantity?” **None that we’re aware of.**

“Email and Quantity?” **We do receive invoices by e-mail, we don’t have a count, but these are printed out and worked by paper.**

“EDI and Quantity?” **We do not have any interfaces that meet EDI 810 that we’re aware of, but we do have some vendors that have flat file interfaces that we load – mainly electricity, Telecom billing (using Telesoft), and temp services.**

“Fax and Quantity?” **We do receive invoices by fax. We don’t have a count, but these are printed out and worked by paper.**

**Question No. 2** “How many paper invoices are currently received?”

**Answer:** **Unsure of the exact amount, but it’s likely that 80%+ of the invoices counts listed in the RFI (PO-based invoices = 90,068 and non-PO based = 43,905) are paper based.**

**Question No. 3** “What is the average number of pages per invoices?”

**Answer:** **Most invoices are 1-2 pages, although there are some invoices that are longer. Some telecom and energy invoices are 40+ pages in length, but we have another solution in place at this point in time.**

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**Question No. 4** “Is the City looking for a scanning process that support automated data extraction from the invoices?”

**Answer:** **Yes, OCR for scanning is functionality we’re potentially looking at if this is something that is commonplace in the market.**

**Question No. 5** “Is it expected that line item information be extracted from the invoices?”

**Answer:** **Yes, all entries into SAP are done at the PO line level. The City’s terms and conditions on all purchase orders require that all invoices match the services listed at the PO line ([http://purchasing.houstontx.gov/PO\\_terms\\_conditions.shtml](http://purchasing.houstontx.gov/PO_terms_conditions.shtml)). While this is not routinely followed, all AP clerks do end up matching the goods and services listed on the invoice to individual lines on the PO in SAP.**

**Question No. 6** “Is the 2-way match or 3-way match currently done in SAP based on total dollar amounts or at the line item level?”

**Answer:** **Three-way matching is done at the line item level by dollar amounts. Two way matching simply requires sign-off from the business user and for the invoice to be less than or equal to the amount outstanding on the PO.**

**Question No. 7** “Does the City currently have a mechanism to have other applications communicate with SAP (i.e. Web Services)?”

**Answer:** **The City does own the SAP Gateway module, however it hasn’t been used much beyond SAP Netweaver integration. Most interfaces into SAP are flat file interfaces that are developed with our ERP development staff. We would like to adhere to SAP and industry best practices where possible on this project.**

**Question No. 8** “What version of SAP is the City currently on?”

**Answer:** **SAP ECC6, Enhancement Pack 6**

**Question No. 9** “Does the City anticipate using a centralized process to receive invoices in one location?”

**Answer:** **The City has stated in its long term vision provided in the RFI that we would like to have “One central point for invoices to come into the City for processing,” however it’s unlikely we’ll reach this point by the time a solution is deployed. This is why we would like a system that is scalable as outlined in the required functionality section.**

**Question No. 10** “Or will invoices still be received at the various departments and routed to the individual departments?”

**Answer:** **See question 9. Items could still be received out in the departments. As for routing, even if invoices are received in a centralized location, invoices will still need to be routed on two-way matches (and three-way when no receiver is present) to departments for approval.**

**Question No. 11** “Does the City anticipate using a centralized or decentralized process for approving and GL coding non-po invoices?”

**Answer:** There is a standard general ledger across the City, but business users can pick what fund, cost object, and GL they wish to use in order to pay the non-PO invoice. In the current state, business users fill out a form called “FV60/FV65” that includes funding information (fund, cost object, and GL). In a future state, the ideal solution would allow the business user reviewing the invoice to submit the funding information with their approval in the workflow system.

**Question No. 12** “Do PO based invoices require an approval?”

**Answer:** PO based invoices that are two-way matches will require an approval from the business, review by an AP manager prior to posting, and potentially review by the Controller’s Office depending on the dollar amount. Three-way match invoices may not require business approval if receivers are present in SAP.

**Question No. 13** “How many concurrent or named users would need to approve and code invoices only (as part of the workflow process)?”

**Answer:** AP staff would be around 124 in the current state; we believe that could potentially be reduced to 60-90 by shifting job duties. 50-60 named user licenses could be sufficient. Approving invoices is more difficult on a named-user perspective, however perhaps 20 concurrent user licenses would be sufficient.

**Question No. 14** “How many concurrent or named users would need to view invoices only?”

**Answer:** Any SAP users should be able to view invoices – this means thousands of users.

**Question No. 15** “Would the City like to have a mechanism to have vendors submit all forms of invoices (i.e. images, XML, EDI, etc.)?”

**Answer:** Yes.

**Question No. 16** “How many vendors does the City anticipate would submit electronic invoices as opposed to paper invoices?”

**Answer:** We’re unsure at this point and would be interested in understanding what the market sees as an appropriate solution to gain participation from vendors on this front.

**Question No. 17** “Outside of viewing the status of an invoice or submitting invoices, is the City looking to provide any other functionality to the vendors?”

**Answer:** Possibly e-mail notification of where an invoice stands in the process.

**Question No. 18** “Outside of vendors, are there any other "external" or public users that would have access to the solution?”

**Answer:** This isn't an explicit "need", however a "want" would be for the City to grant access to our external auditors if executive management deems appropriate.

**Question No. 19** "Does the City prefer to have a hosted solution or on premise solution?"

**Answer:** Implementation, solution, and maintenance pricing will likely be the determinate factors on this.

**Question No. 20** "Is the City's SAP system on-premise or hosted?"

**Answer:** The solution is currently on-premise.

**Question No. 21** "Are the following scenario's correct;"

**Answer:** "Matching would continue to occur in SAP."  
**Yes, although the proposed should provide some way to integrate with SAP on this front.**

"If there is a discrepancy in the matching process outside of certain tolerance then SAP would trigger a workflow process within the Electronic Accounts Payable Invoice Solution as an exception."

**There is currently tolerance testing for two-way and three-way matches in SAP; we would expect the solution integrating with SAP to be able to account for our configuration set-up.**

**Question No. 22** "Is it anticipated that the approval and GL coding process for Non-PO invoices would take place in the Invoice Solution which would then deliver the data elements to SAP or would this process occur in SAP?"

**Answer:** There is a standard general ledger across the City, but business users can pick what fund, cost object, and GL they wish to use in order to pay the non-PO invoice. In the current state, business users fill out a form called "FV60/FV65" that includes funding information (fund, cost object, and GL). In a future state, the ideal solution would allow the business user reviewing the invoice to submit the funding information with their approval in the workflow system.

**Question No. 23** "Does the City current have a retention policy for invoices and supporting documents?"

**Answer:** Generally 5 years, but it varies based on the standards circulated by the Texas State Libraries and Archive Commission.

**Question No. 24** "Does the City anticipate that the Purchase Orders or other supporting documents will be stored within the Invoice Solution?"

**Answer:** This is not an expressed need; these documents are currently stored in SAP in some cases and our procurement division is exploring options on a contract management system. However, if you would like to provide additional information on offerings you provide on this front, you're welcome to - however, please make sure your response clearly delineates between the two.

**Question No. 25** “How many users are involved in the hierarchy approval process or invoices?”

**Answer:** **Depends on the department, however generally one or two users on the business side sign-off. On the AP side many AP clerks park with a manager reviewing; some invoices then go to the Controller’s Office for review prior to post.**

**Question No. 26** “Is the approval process hierarchy based on dollar amounts or roles?”

**Answer:** **Yes, however it also depends on the department. We’re not able to provide more detailed information at this time.**

**Question No. 27** “Does each department currently have their own hierarchy approval process?”

**Answer:** **Yes.**

**Question No. 28** “Would the City like each department to have its own mechanism to scan invoices or would this be a centralized function?”

**Answer:** **In an ideal world, this would be a centralized function; however scalability for the intermediate term is more appropriate given the ideal world may not be achieved by the time this solution is in place.**

**Question No. 29** “Does the City anticipate using existing multi-functional devices to perform invoice scanning?”

**Answer:** **Unsure, depends on what the market believes is approximately. We currently have a contract with Xerox that places WorkCentre multi-purpose machines on each floor.**

**Question No. 30** “What is the estimated timing for issuing an RFP, making a selection, and the start of implementation?”

**Answer:** **We’re not able to provide additional clarity on this item at this time. It’s depends on responses to the RFI.**

**Question No. 31** “How are receivers generated (i.e. in SAP) and where will the receivers need to be stored? Do they need to be stored in the solution or will they be in SAP? Are there any supporting documents that need to be captured such as waybills, packing slips and will those need to be stored in the solution? Assuming there are additional documents to be stored, can you provide estimates on the quantities and formats of the supporting documents?”

**Answer:** **Receivers are created by the business user in SAP, which will continue to be the system of record.**

**Question No. 32** “Where will POs be stored? Do they need to be stored in the solution or will they be kept in SAP for retention purposes?”

**Answer:** **The system of record is SAP and POs will continue to be retained there.**

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**Question No. 33** “Does the City prefer a cloud based or a premise based solution? How is your SAP solution currently implemented?”

**Answer:** See questions 19 and 20.

**Question No. 34** “Is there a requirement to provide external access to other users besides vendors, such as the public?”

**Answer:** See question 18.

**Question No. 35** “Are all Non-PO receipts and invoices out of scope for this phase of the project? If not, what are the number of non-PO related invoices that would be included in the scope and in what format do you receive them?”

**Answer:** In an ideal state all procurement activity would occur on POs, but we know this is not the environment we work in. If the market is able to present a easy to use solution for non-PO based invoices related to procured goods and services, the scope could expand to include these type of payments. Payroll, temporary staffing services, and debt payments will likely remain out of scope.

**Question No. 36** “Does the City have preference for the electronic format? Are you receiving any invoices electronically, and if so what format and what percentage of your invoices would those be?”

**Answer:** We defer to the market for guidance on best practices.

**Question No. 37** “When scanning paper documents, should the system be capable of extracting header information and/or line item details? Can you provide an estimate of the volume of the paper invoices received?”

**Answer:** Yes, we are looking for an OCR-like solution. 80%+ of our volume is likely paper at this point.

**Question No. 38** “Will the portal for vendors be provided by SAP and the invoicing system provide integration to enable viewing of supporting documents or do you want a direct portal to the electronic invoicing solution? Do you prefer vendor notifications, a vendor portal or both?”

**Answer:** This depends on what the market is able to recommend through this RFI and subsequent information in the procurement process.

**Question No. 39** “Does the City have any examples of an ad-hoc document routing process that you can provide?”

**Answer:** An IT services firm has a contract with the City to provide programming services. This services firm is overseen by our IT department, but funding is provided by the client departments. HITS would provide the first sign-off, but the client department would have to review the invoice and sign off in order to enter a receiver for their funding area. The client department may want a project manager to review the invoice prior to sign-off.

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When issued, Letter(s) of Clarification shall automatically become a part of the solicitation documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. All revisions, responses, and answers incorporated into the

Letter(s) of Clarification are collaboratively from both the Strategic Procurement Division and the applicable City Department(s). It is the responsibility of the bidder/respondent to ensure that it has obtained all such letter(s). By submitting a bid on this project, bidders/respondents shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this solicitation and resulting bid.

Furthermore, it is the responsibility of each Contractor to obtain any previous Letter of Clarification associated with this solicitation.

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