



CITY OF HOUSTON
FINANCE DEPARTMENT
S63- Q25533

NOTICE OF REQUEST FOR INFORMATION

**STRATEGIC
PROCUREMENT
DIVISION**

901 Bagby, Concourse
Level, Houston TX

ELECTRONIC ACCOUNTS PAYABLE INVOICING SOLUTION

The City of Houston Finance Department is soliciting information from Consultants(s)/Contractor(s) specializing in Electronic Accounts Payable Solutions. Please review the provided information. If you believe your firm can provide a response, please submit your information via **Two (2) Hard Copies and Two (2) USB Drives**. All information provided and expenses incurred shall be at **"NO COST"** to the City of Houston.

Please submit your information to Yesenia Chuca, Procurement Specialist by **2:00 p.m. CST, Friday, September 25, 2015** to the following address:

Mail: Yesenia Chuca
City of Houston
City Hall - Strategic Procurement Division
901 Bagby, Suite 514, Basement
Houston, TX 77002

BACKGROUND

CURRENT STATE – QUICK VIEW

The City of Houston's current state environment for accounts payable (AP) is manual and labor intensive, mostly all paper-based, and federated across multiple staff members and departments. The City is performing a holistic review of its options related to AP. One of the potential inputs to improving the landscape is technology. If a solution is selected and implemented today for the entire City, it would need to be capable of handling the following workload demands:

- Annual Number of Invoices: 133,973
 - Number of PO-based invoices: 90,068
 - Number of non-P.O. invoices: 43,905 (note, 1/3 to 1/2 of these non-PO based invoices are in the form of travel reimbursements and customer reimbursements for court fees, EMS fees, etc. These transactions are out of scope for this project)
- Estimated Number staff (FTEs) performing an accounts payable function: 124
- Estimated Number of COH AP organizations: 20
- Estimated Number of vendors paid annually by the City: ~5,000 vendors (excluding one-time vendors; approximately 4,500 excluding employee reimbursements)

Realistically, the solution the City picks will not be deployed in a fashion that is capable of handling the above workload demands at first roll-out, but having the scalability to do so is important.

CURRENT CHALLENGES

The operating environment for accounts payable, as highlighted above, presents several challenges. Some of these changes can be reduced by technology, while others may continue to exist beyond the implementation of technology.

Electronic Accounts Payable Invoicing Solution

Large Number of Accounts Payable Groups: The City has approximately 20 formal accounts payable groups – largely tied to individual departments. This federated organizational structure presents several challenges when presented with paper-based and manual operations:

- a) Vendor confusion over where to send invoices;
- b) Unequal work balance between AP groups;
- c) Lack of clarity of the division of duties between AP groups and between AP as a function versus requisitioning, receiving, and AP as functions. For instance, some departments have rather small AP groups that also perform the requisitioning and receiving functions. This leads to some concerns about the strength of internal controls and lack of clear supporting documentation;
- d) Vendors see the City as one client and mistakes or delays by one department's AP group directly impacts the operations of others; and,
- e) Lack of standardization in AP process (i.e. each group has different ways of processing invoices).

Fragmented Records Management: Paper-based processes coupled with a federated organizational structure make ensuring compliance with the City's records management policies is difficult. Similarly, recalling documents during audits and disputes is a time and labor intensive activity that often involves making copies of paper documents that have been copied multiple times during processing. Specific challenges include:

- a) Lack of accessibility of invoice and supporting documents in a centralized fashion;
- b) Different ways of storing documents across the AP groups; and,
- c) Inability to confirm compliance with the City's record retention policies across the organization.

Weak Standard Work Processes: Paper based processes combined with the federated AP organizational model makes it difficult to ensure standard work processes are available across the City. This leads to the following challenges:

- a) No written processes or documented flowcharts in several AP groups;
- b) Variability on what dates to use for baseline and invoice dates;
- c) Differences in standards of verifying receipt of goods;
- d) Difficulty in measuring cycle times and processing errors;
- e) Lack of clear guidelines on who is responsible for clearing credit memos and the GR/IR;
- f) Difficulty in making Citywide changes to operations when policy changes arise; and,
- g) Evaluated late fees and vendor complaints due to items being lost in the shuffle of manual workflow processes that involve multiple pieces of paper.

OVERVIEW AND OBJECTIVES

LONT TERM VISION

The City of Houston has a long term vision for accounts payable to provide first class service to vendors in a way that cuts down on service delivery delays and interruptions, improves cycle times, reduces errors, and better manages workload balances. Technology can help move this vision closer to fruition by providing:

- 1) One central point for invoices to come in to the City for processing;
- 2) A clearly documented process on how to assign out invoices;
- 3) Transparent and documented workflows for invoices and how they are worked;
- 4) A single place for invoices and support documentation to live, be retained, and be accessible by all employees with needed permissions;
- 5) Clear and consistent timestamps that document important stage gates for the invoice workflow process (i.e. receipt date, approval date, posting date, disbursement date, etc.); and,
- 6) Fosters an environment that leads to higher throughput on a per AP processor basis.

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REQUIRED FUNCTIONALITY FOR THE CITY

- 1) Scalability in Implementation
 - a. The City has multiple accounts payable groups and business units. The initial implementation of the solution may be rolled out to one or two accounts payable groups, but the solution should be easily scalable to additional AP groups and worksite locations.
 - b. The City may choose to implement the solution for only certain vendors, but may want to expand to additional vendors as the workers become more skilled in using the solution.
- 2) Robust Document Management, Storage, and Archival
 - a. The proposed solution should include robust document management, storage, and archival features.
 - b. Ideally, this solution should also already meet the Texas State Library and Archives Commissions' (TSLAC) electronic records storage certification requirements. For solutions that do not already have TSLAC certification, the City can apply for certification as needed.
- 3) Easy to Use Invoice Submission Processes
 - a. The City would like to offer opportunities for the companies to submit their invoices electronically via a customer portal, electronic interface (XML, EDI 810, or some other method of electronic data interchange), or e-mail. The solution should allow for at least one electronic submission method.
 - b. The City may choose to receive a portion of its invoices in paper format for an undetermined amount of time. The proposed solution should have the ability to ingest scanned documents in some form or fashion. Submitters who are not able to offer a solution for paper-based documents are still welcome to respond with their electronic-based solution.
- 4) Flexible and Customizable Document Review Workflow
 - a. Due to the existence of multiple accounts payable groups, the City needs a solution that provides for multiple AP processor queues.
 - b. Different departments, different vendors, and even different approvers creates the need for flexible and, even, ad-hoc workflows; the proposed solution should have flexible workflows to handle approving, routing, and document distribution.
 - c. The ideal solution would provide AP processors the ability to create ad-hoc document routing paths at certain points due to special projects or unique invoicing situations.
- 5) Integration with SAP
 - a. The City uses SAP for its enterprise resource planning system. SAP serves as the City's system of record for POs, goods receipts, invoices and payments. Any proposed solution is required to have some level of integration with SAP.
 - b. The solution should have some way of recognizing or acknowledging good receipts in SAP on three-way match POs and should have some sort of approval process that handles sign-off on two-way match POs in SAP.
- 6) Reporting Capabilities
 - a. The proposed solution should have at least basic reporting abilities around volume, cycle time, and error reporting.

NICE TO HAVE FUNCTIONALITY

- 1) Notifications or a portal for vendors to know where the invoice stands.
- 2) System alerts for when early payment discounts are coming due or invoices are getting close to being overdue.
- 3) Automatic acceptance of electronically submitted invoices. SAP provides for electronic receipt settlement whenever a three-way match is present between a PO, good receipt, and invoice. A solution that is able to take advantage of this functionality when a buyer specifies as such would be helpful.

Electronic Accounts Payable Invoicing Solution

- 4) Ability to communicate with Microsoft Outlook and send message alerts to users.
- 5) Ability to tell when documents are paid, changed/updated, and potential duplicates.

QUESTIONS FOR PROSPECTIVE RESPONDENTS

GENERAL SOLUTION QUESTIONS

- Describe the overall solution including all possible functions and the technologies required.
- Describe if the solution is able to integrate with SAP and in what fashion.
- Describe the hosting options available for the solution (e.g. cloud, in-house managed, etc.).
- List the equipment (hardware and software) the proposed solution requires.
- Describe how the solution would support individual department procedures such as varying layers of review, inspection and sign-off requirements, etc. (i.e. workflow management).
- Describe the process involved in developing customized document workflows and what resources are necessary to create, modify, and maintain document workflows.
- If the solution is not solely reliant on XML or an electronic data interface/interchange such as EDI 810, describe how the solution would store and extract data from various file formats (e.g. Microsoft Word, Microsoft Excel, PDF).
- Would the City have backend database access to the data? Are there any propriety data considerations the City would have to consider prior to using or sharing the data publicly?
- Describe similar solutions that have been implemented by other government entities, if any.
- Describe how the solution would handle data retention, including archiving and restoring historical data. Has the solution ever been certified by the Texas State Library and Archives Commission?
- Describe the proposed licensing model for the solution.
- Describe the solution's user permissioning model.
- Describe how the proposed solution would handle documents being accessed, viewed, and/or modified by multiple users at the same time.

SOLUTION ARCHITECTURE ACCESSIBILITY

- Describe the access requirements for various users of the proposed solution, including, but not limited to AP processors, workflow/invoice approvers, vendors, record managers, and other users that may have an interest in read-only permissions.
- Describe backup and recovery for the proposed solution.
- Describe how the solution would handle remote access from outside City firewalls.
- Describe the scalability of the proposed solution, including scenarios for which implementation could be phased by individual departments or by various contracts type (expense, capital funding, etc.).
- Describe how the solution would secure and protect City and vendor data.

INVOICE SUBMISSION

- Describe how vendors would use the solution to electronically submit invoices and backup documentation.
- If this solution would also allow for paper-based invoice submissions, describe how the proposed solution would handle the paper-based invoices.
- Describe how the solution would attempt to identify the invoice's vendor and purchase order number in order to create a two-way match. Describe how the solution would handle situations where it could not match to a PO or other submission errors that may occur.
- Describe if invoice attachments are supported and how attachments would be handled.
- Describe what unique identifiers can be assigned to an invoice submission. Describe how this unique identifier will be integrated into SAP document numbering schema.
- Describe the file format the submission will be stored in. Are there any propriety file format considerations the City should be aware of?

Electronic Accounts Payable Invoicing Solution

INVOICE WORKFLOW AND REVIEW

- Describe how the solution would handle communication between City staff and vendors during the review process, including when additional documentation is requested.
- Describe how the solution would handle situations in which invoices are submitted twice or otherwise appear to be duplicate entries of other received invoices.
- Describe how the solution would track invoices and payment when partial invoice payment is approved (e.g. when certain invoiced items are approved but others remain under review).
- Describe how the solution would notify AP processors and departmental approvers when an item is available for them to be worked, reviewed, or approved.
- Describe how the solution would integrate with SAP to build three-way match receivers from SAP into the workflow process; similarly, if and/or how would the solution turn an approval into a receiver in SAP (or, if receiving is left entirely to be handled in SAP).
- Describe how the solution would know how to route a two-way match invoice differently than a three-way match PO in order to handle different business sign-offs.

INTERFACES WITH OTHER CITY SYSTEMS

- Describe how the solution integrates SAP
- Does the solution integrate with Microsoft Outlook; if so, how?
- Describe the level of effort, including cost, of building interfaces to other City systems.

REPORTING

- Describe how the solution would handle standard and ad hoc reports such as cycle time metrics.

COST

- Describe the cost associated with each of the solutions proposed in response to the above topics. Include any annual maintenance or licensing costs.
- Describe options where cost savings may be achieved by omitting or revising one or more of the above desired functions.
- Describe what an implementation timeline would look like for the proposed solution. Please describe if additional professional services that would be required to implement the solution.
- Describe the suggested personnel that would be required to maintain the solution.
- If the proposed cost model is not cloud based, describe the amount of server space required for the solution based on the City's current state information presented above and the proposed cost for said base.
- Describe any necessary maintenance and upgrades and the associated costs.

Please address any questions to:

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Houston, TX 77002
Email: yesenia.chuca@houstontx.gov

Thank You. We look forward to reviewing your information and learning more about your system.