IT Budget Proposal
Administration/IST: eProcurement
ABBA Category One: Institutional Effectiveness
ABBA Category Two: Information Technology

For more information about this proposal, contact: Lila Mauro, Director, Business Services, 642-1943

eProcurement is a set of software modules and catalogues that support the automation and integration of procurement processes at UCB. It facilitates strategic sourcing of materials and services through:
- Transaction processes - requisitions, purchase orders
- Engagement processes - contract execution and supplier performance
- Settlement processes - accounts payable
- Receiving processes for indirect materials and services

eProcurement can simplify and automate UCB’s purchasing systems and capture additional cost savings from our substantial purchasing volumes. On a campus-wide basis, it will eventually generate cost savings, rebate and productivity gains which overall offset the program’s cost; however, the cost savings and productivity gains will accrue to campus departments, hence they will not be available to fund the program’s ongoing operations. VC-Administration has committed to fund half of the implementation costs.

1. Alignment with IT Strategic Plan
eProcurement is directly aligned with Critical Issues 4 and 5 of the IT Strategic Plan. eProcurement will provide consistent, reliable access to Strategic Sourcing vendors through an intuitive interface. This will make contract pricing available through a single gateway in a timely, integrated manner. eProcurement can serve as a flagship program that serves the IT Guiding Principles of Integration, Security & Reliability, Ubiquity, Ease of Use, Alignment and Information Technology Excellence.

2. Impact
eProcurement will produce significant and immediate impacts in five key areas:

- **Requisitioning** – provides an interface for end-users that acts as a single point of entry for all purchasing regardless of the type of purchase (i.e. catalogue item, high-value requisition, low-value purchase, etc.) Currently, these requisition processes are not integrated.
- **Workflow/Approvals (Control Environment)** – Currently, “ approvers” of requisitions and purchase orders are based on BFS roles that are generic for a given unit. The proposed system will enable flexible workflow for approvals; the workflow rules can be based on attributes such as dollar value of order, funding source, or category of purchase. This will lead to a significant decrease in cycle time and paperwork as well as an increase in controls and reduction in risk.
- **Catalogue Management & Shopping** – the proposed solution will create a “marketplace” of catalogues from which end-users can purchase, all with a consistent look, feel, and purchasing process. Items can be searched for and retrieved across catalogues. Items from multiple catalogues can be placed on a single requisition. This is a significant improvement compared with today’s experience of separate entry points for each catalogue and will drive substantial cost and time savings. This solution is also highly scalable, unlike the current system.
- **Disbursements** – payment transactions can be fully automated between key suppliers and the accounts payables module in PeopleSoft, significantly reducing manual workload. Additionally, the bluCard can be utilized for payment of many of the transactions currently paid through Disbursements, further reducing workload and increasing bluCard rebates to the Campus.
• **Supplier “Self-Service”** – the e-Supplier portal enables suppliers to access information such as the status of their invoices and to acknowledge purchase orders. Today, communication with and informing of suppliers is handled by Procurement, Disbursements or the department making the purchase. This solution centralizes all information for easy and consistent access.

3. **Risk assessment**

- Campus demands too many customizations, increasing initial and ongoing support costs as well as slowing down implementation
- Unable to achieve implementation timeline, increasing implementation costs and delaying savings and rebates
- User adoption resistance, leading to reduced rebates needed to partially fund operations
- Insufficient mainframe capacity or other unexpected technology issues
- May create expectations that the program will solve purchasing problems which it was not meant to address such as vendor performance or one-time, high-value purchases
- Time and materials contract with Oracle Consulting could exceed the budget due to unanticipated customizations required to interface with existing systems and/or design decision delays by Berkeley
- Retained incentive revenue funding less than anticipated due to a new model that may require funding to be provided to UCOP initiatives
- Utilizing Oracle consulting and design lab is a new approach to system development for our campus; IST and functional groups will have to adjust our “normal” development processes to accommodate this new approach

4. **Innovation**

eProcurement will redefine the way that departments across entire Campus purchase goods. In addition, contract cost savings will be maximized by sharing catalogs across multiple UC campuses through an innovative new product, Contract Manager.

5. **Funding model**

As shown by the eProcurement business case in the Appendix, marginal rebates and campus savings generated by eProcurement are projected to have a positive NPV to the campus over the next 10 years; however, only the rebates can be used to directly offset program costs, as cost savings will be dispersed widely across all campus departments. Given that marginal incentive rebates from Strategic Sourcing agreements and bluCard purchases will not be sufficient to cover operating costs, a detailed funding model has been developed.

The largest single element of eProcurement is the Peoplesoft/Oracle module. Implementation and training associated with this module is estimated to cost just over $1 million. This cost will be financed with Oracle over a 5-year period at payments of approximately $235k per year. Administration will commit half of this from available resources, and is requesting that the campus fund the addition $117.5k per year for five years.

Additional implementation costs are estimated to total $840k. IS&T has already committed $160k in staffing and benefits towards these costs. Administration is proposing to split the remaining implementation costs with the campus at $340k each.

Permanent needs of eProcurement are estimated at $650k per year. This $650k would be required beginning in the initial year in addition to the implementation detailed costs above.
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<thead>
<tr>
<th>Summary of Funding Model: Administration - eProcurement</th>
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<tbody>
<tr>
<td><strong>Summary of funding: campus vs other</strong></td>
</tr>
<tr>
<td><strong>PROJECTED</strong></td>
</tr>
<tr>
<td>FY 07-08</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>Campus funding sources</strong></td>
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<tr>
<td>Temporary/development</td>
</tr>
<tr>
<td>Permanent/on-going</td>
</tr>
<tr>
<td><strong>Total campus funding sources</strong></td>
</tr>
<tr>
<td><strong>Other funding sources</strong></td>
</tr>
<tr>
<td>Temporary/development</td>
</tr>
<tr>
<td>Permanent/on-going</td>
</tr>
<tr>
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<td><strong>TOTAL ALL FUNDING SOURCES</strong></td>
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**Note:** In accordance with the University’s accounting system, positive numbers are expenses or deficits, while negative numbers are funding or surpluses.

For FY 08-09 -> FY 11-12, please contact VC-Admin.