

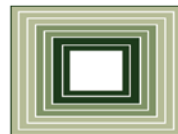
**Joint Legislative Oversight Committee on General Government**

# **Budget Oversight**

## *Electronic Procurement System Replacement*

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**March 6, 2020**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Outline

1. Background
2. System Replacement
3. Statutory Compliance Issues
4. Questions

# Electronic Procurement System Background

## § 143.48.3

- Instructs the Department of Administration (DOA) to develop and maintain e-procurement standards
- Directs DOA to work with the Department of Information Technology (DIT) in administering an e-procurement system

# Electronic Procurement System Background

- Online platform for third party vendors to conduct transactions with the State
- Implemented 2001; managed by DOA
- Primary vendor is SAP-Ariba
- System serves: State agencies, public schools, community colleges

# Electronic Procurement System Background

## § 66-58.12

- Authorizes a fee charged to vendors to cover costs of maintaining system
- Directs revenues to a non-reverting account
- Sets limitations for expenditures from account
- Requires consultation with Joint Legislative Oversight Commission on Information Technology for new projects

# Electronic Procurement System Background

- E-Procurement revenues from 1.75% fee charged to third-parties
- Revenues go to DOA's E-Commerce Special Fund (24100-2154)

DOA E-Commerce Special Fund (24100-2514), 3-Year Budget Information (Actuals)					
	FY 2016-17	FY 2017-18	FY 2018-19	Three Year Avg.	FY 2019-20 YTD
Expenditures	\$13,531,856	\$11,268,506	\$13,762,291	<b>\$12,854,218</b>	\$13,132,915
Receipts	\$16,194,838	\$15,471,567	\$17,305,399	<b>\$16,323,935</b>	\$9,488,982
Year-End Cash Balance*	\$16,933,532	\$21,136,593	\$24,679,700	<b>\$20,916,608</b>	\$21,035,768

Source: North Carolina Account System, February 20, 2020

Notes: YTD stands for "Year to Date." FY 2019-20 cash balance is from February 20, 2020, not year-end.\*

# Electronic Procurement System System Replacement

- Vendor notified DOA in March 2017 that current system support was being discontinued in December 2020
- Vendor discontinuing old on-premise system in favor of new cloud system
- DOA contacted DIT in early 2018

# Electronic Procurement System System Replacement

- Project includes replacement of old system **and** increased capabilities

Old System	New System
Procurement	Procurement
	Sourcing
	Contract management



# Electronic Procurement System System Replacement

## E-Commerce Project Cost Schedule

FY 2019-2020		FY 2020-2021		FY 2021-2022	
R	NR	R	NR	R	NR
\$14,183,439	\$722,000	\$14,183,439	\$10,077,016	\$14,683,439	\$516,000

- See handout for detailed costs

# Electronic Procurement System

## Statutory Compliance Issues

- DOA did not submit formal budget request
- H.B. 966 included \$7.5M NR from E-Commerce special fund; has not become law
- NCGA has not appropriated funds for the system replacement

# Electronic Procurement System

## Statutory Compliance Issues

- State currently has three active contracts for this project with ongoing work:
  - SAP-Ariba → Software License
  - SAP-Ariba → Technology Services
  - Accenture → Technology Services
- Office of State Budget & Management (OSBM) and DIT approved all contracts

# Electronic Procurement System

## Statutory Compliance Issues

Excerpt from [State Constitution, Article II Section 7\(1\)](#):

*No money shall be drawn from the State treasury but in consequence of **appropriations** made by law, and an accurate account of the receipts and expenditures of State funds shall be published annually.*

# Electronic Procurement System

## Statutory Compliance Issues

Excerpt from State Budget Act, [§143C-1-2\(a\)](#):

*A law enacted by the General Assembly that authorizes the expenditure of money from the State treasury is an appropriation; however, an enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is **not an appropriation**.*

# Electronic Procurement System

## Statutory Compliance Issues

Excerpt from State Budget Act, [§143C-6-8](#):

*Unless otherwise authorized by the Director as provided by law, purchase orders, **contracts**, salary commitments, and any other financial obligations by State agencies shall be **subject to the availability of appropriated funds** or available funds that are not State funds as defined in this Chapter.*

# Electronic Procurement System

## Statutory Compliance Issues

Excerpt from [§66-58.12\(c\)](#):

*The funds in the account **may be expended** only for e-commerce initiatives and projects approved by the State Chief Information Officer, in consultation with the Joint Legislative Oversight Committee on Information Technology.*

# Questions?

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