

10 Steps

TO BETTER COORDINATION BETWEEN FINANCE AND PROCUREMENT



While organizations can structure finance and procurement in many different ways, they all share one need: the two functions must be aligned and working together. This issue, we feature ten steps that all governments can take to improve the coordination between finance and procurement while improving organization-wide culture, accountability, transparency, and the ability to get results and serve the community.

1 Understand the importance of procurement authority. Procurement authority is the power to award or approve legally binding procurement agreements such as contracts or purchase orders. For governments, this means that before a purchase is made, it needs to comply with policies for appropriate approvals, competition, and budget availability.

2 Separate purchase from payment. Don't confuse multiple approval processes that may take place over time. When the budget is approved, funding is allocated to an overall plan. Approvals related to the purchase itself ensure proper procurement authority and allow a government to enter into an agreement with a specific vendor. Approving the payment should ensure that goods or services have been provided or that contract milestones have been reached. Each approval is separate and necessary within a system of appropriate controls.

3 Use p-cards effectively. GFOA recommends that all governments explore the use of purchasing cards to improve efficiencies. They can provide a convenient and transparent way to make small and routine purchases. P-cards also have potential to eliminate work effort in registering vendors, managing purchase orders, and processing invoices – but only when used without burdensome, redundant, and administrative processes that don't add any value.

4 Use purchase requisitions correctly. Purchase requisitions manage the “request” to purchase. They should always be used in advance of a purchase and be used for all non-p-card purchases. In a financial system, processing a requisition will also pre-encumber funds, providing necessary budget checks before starting a competitive procurement process. Using purchase requisitions before purchases not only works to ensure consistency with procurement policies, but it also greatly improves the reliability of budget reporting.

5 Document existing policies and procedures. The entire organization will benefit from documented policies and procedures. For finance and procurement professionals, however, this work will also create opportunities to improve processes and collaboration.

6 Collect feedback from customers. Finance and procurement both serve the same stakeholder groups—operating departments and vendors. Collecting feedback from these stakeholders can initiate discussions about how to better meet the needs of the organization and pursue shared goals of efficiency and transparency.

7 Set expectations using service-level agreements. Everyone should be held accountable to performance standards. Service-level agreements, even extremely simple ones, can provide good tools for managing expectations, improving the perception of services, and demonstrating reliability. When there are issues, missed service-level standards can pinpoint areas for improvement.

8 Collaborate on contract risk management. Finance and procurement should work together to assess risk, implement appropriate policies and controls, and develop an overall program to manage contracts throughout their lifecycle.

9 Clarify ethical procurement On the surface, knowing what's right and wrong can seem easy; but in practice, ethics related to finance and procurement can be extremely difficult. All organizations face occasional challenges with conflicts of interest, vendor gifts, unfair competition, and vendor relationships. Finance and procurement should work together to clarify and document clear policies that define boundaries of ethical procurement—and then work to communicate key messages throughout the organization.

10 Focus on building a relationship. Breaking down organizational silos and improving collaboration requires professionals in both finance and procurement to establish trust, mutual understanding, and appreciation for the value that each brings to the table. In other words, staff from finance and procurement need to work on building a relationship. Reach out and get to know your peers, better understand why what they feel is important, and take time to listen to their concerns. You never know, you might find that procurement and finance are more similar and aligned than you previously thought. 