Mike Mucha
Deputy Executive Director
Government Finance Officers Association
Jack Pellegrino, **CPP, CCPO, CPCM**
Director Purchasing & Contracting
County of San Diego

CAPPO

California Association of Public Procurement Officials, Inc.

Established 1915

A PROCUREMENT WINDOW OF OPPORTUNITY

Creating Momentum, for Tomorrow & Beyond

MONTEREY, CA | JAN 8-11, 2023

106TH ANNUAL CAPPO CONFERENCE & SUPPLIER EXPO

Getting a Seat at the Table - Procurement's Role in Financial Management

A Professional Organization Dedicated to the Support and Education of California's Procurement Officials

Discussions Topics for Today

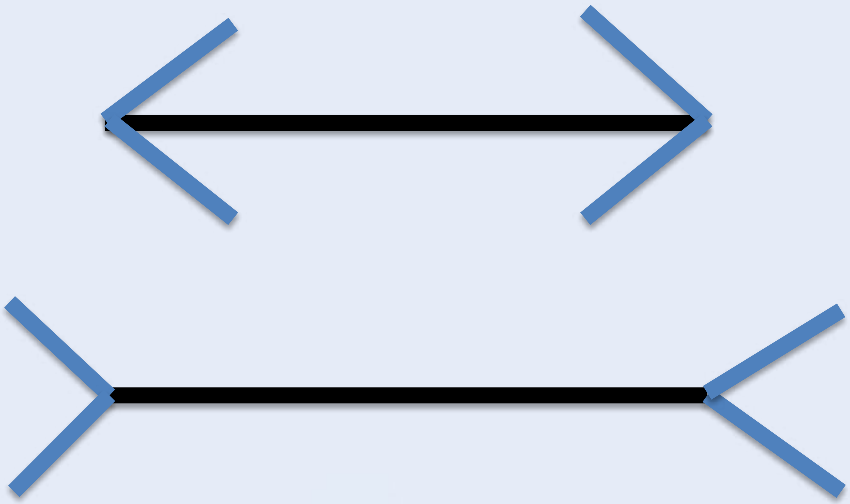
- Assessment of current state
- Ideal Vision for the Future
- Gain organizational agreement and plan
- Example outcomes

Assessment of Current State

Defining the Problem

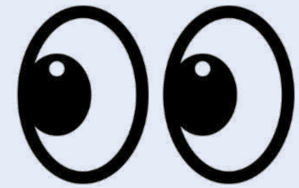
1. Reject zero sum thinking
2. Provide procedural justice
3. Create psychological safety
4. Recognize and mitigate cognitive bias
5. Go beyond positions and understand interests
6. Introduce constraints

https://www.gfoa.org/materials/defining-the-problem



Müller Lyer Illusion

How are you viewed?



Departments

Executives

Finance

Transactional			**Strategic**
Slow			**Efficient**
Unknown			**Transparent**
Antiquated			**Modern**
Siloed			**Aligned**
?			?

How do you Add-Value?

- What does procurement bring to the table that is helpful?
- How do you demonstrate that value?
- What is missing in your organization’s approach?

Vision for the Future:

Aligning Procurement and Finance

How do you position procurement?

- What does procurement look like from the outside?
- What outcome does procurement provide?
  - How?

County of San Diego

- General Management System (GMS) Reimagined

Vision

A just, sustainable, and resilient future for all

Mission

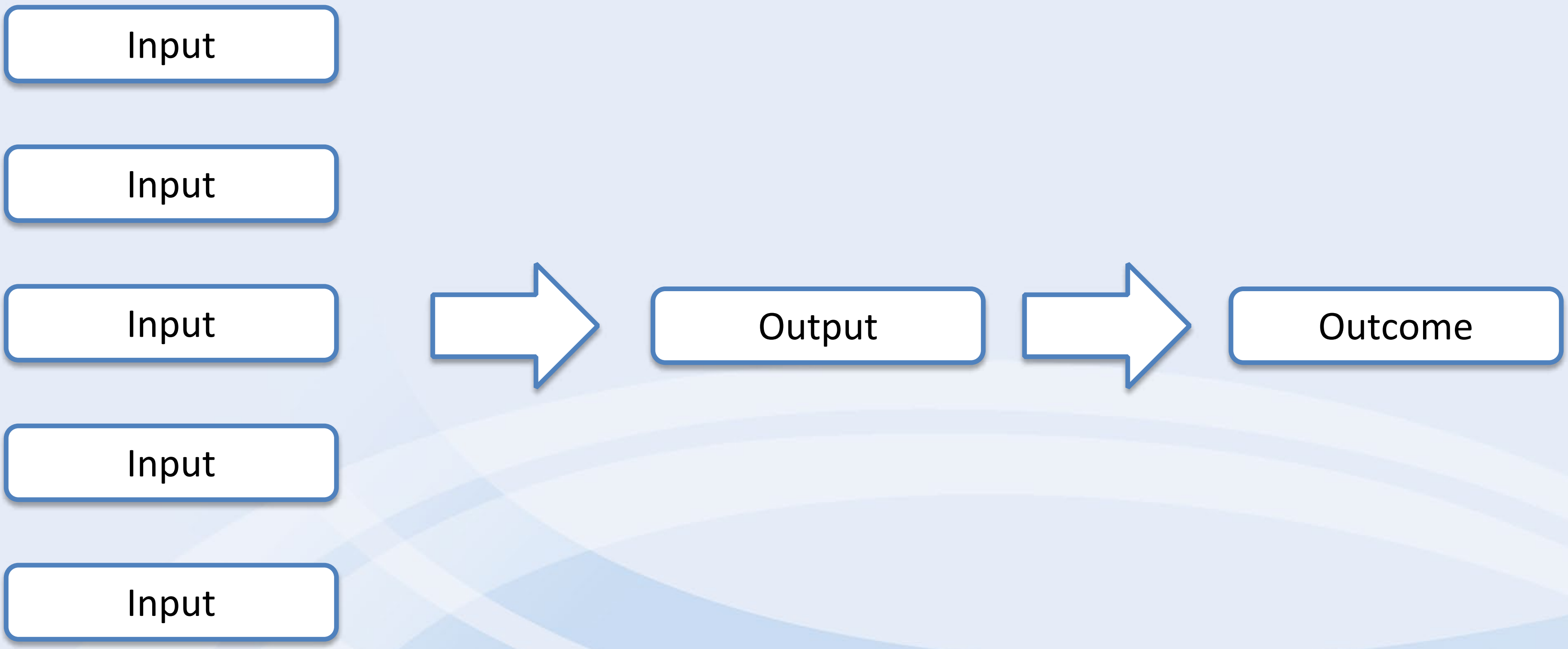
Strengthen our communities with innovative, inclusive and data-driven services, through a skilled and supported workforce

Procurement & Finance

participates in EVERY step

Most Notably in Strategic & Operational Planning

Logic Model



Business Case for Change

Identifying Key Stakeholders

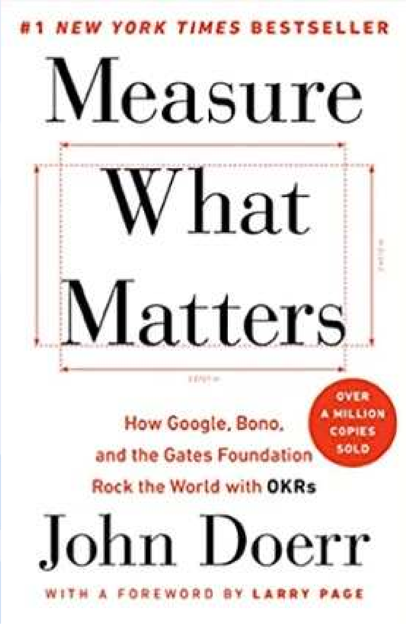
- Set clear expectations / goals
  - **S**pecific
  - **M**easurable
  - **A**chievable
  - **R**elevant
  - **T**ime-bound
- Establish what progress looks like

Gain Support

- Understand who stakeholders are
- Set clear expectations / goals
  - **S**pecific
  - **M**easurable
  - **A**chievable
  - **R**elevant
  - **T**ime-bound
- Establish what progress looks like

OKR – Objective and Key Results

- Objective (what you want to achieve)
- Key Results (how you accomplish the objective and monitor progress)



What's in it for me?

- Procurement will….
- Budget will…..
- Risk will….
- Treasury will….
- Accounting will….
- Grants will….

Example Outcomes

Procurement

- *What does improved coordination lead to?*

- *What does this mean?*

Budget

- More accurate data for budget projections
- Use of purchase orders allows for encumbrance of funds
- Tracking encumbrances is required for realistic budget
- Information on how to budget for open purchase orders at the end of the year?
  - Use it or lose it?
  - Roll authorization to next year?
  - Roll funding to next year?

What does this mean?

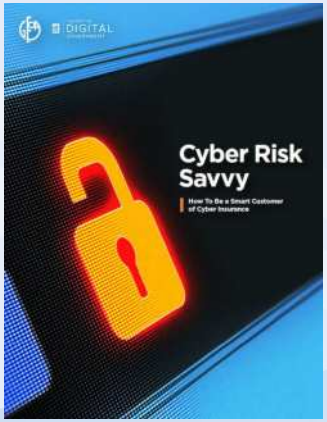
- Budget implementation flows through procurement
- Procurement needs to coordinate with budget

Risk

- Governments face many risks
- All contracts rely on assumption of acceptable risk
- Governments need to protect against failure.
- Not all risks are clear

What does this mean?

- All procurements include risk that need to be evaluated and managed
- Procurement needs to coordinate with risk



https://www.gfoa.org/cyber-insurance

Treasury

- GFOA recommends that governments perform ongoing cash forecasting to ensure that they have sufficient cash liquidity to meet disbursement requirements and limit idle cash.
  - Governments need to monitor expected disbursements
  - Timing of debt issuance important to capital projects

What does this mean?

- Procurement contracts impact cash flow projections
- Procurement needs to coordinate with treasury

https://www.gfoa.org/cyber-insurance

Accounting

- GASB-87 requires all leases to be reported as capital leases
- A lessee should recognize a lease liability and a lease asset
- The lease liability should be measured at the present value of payments expected to be made during the lease term
- A lessee should reduce the lease liability as payments are made
- Similar provisions are in place for SaaS contracts (GASB 96)

What does this mean?

- Lease contracts (and SaaS contracts) have financial reporting implications
- Procurement needs to coordinate with accounting

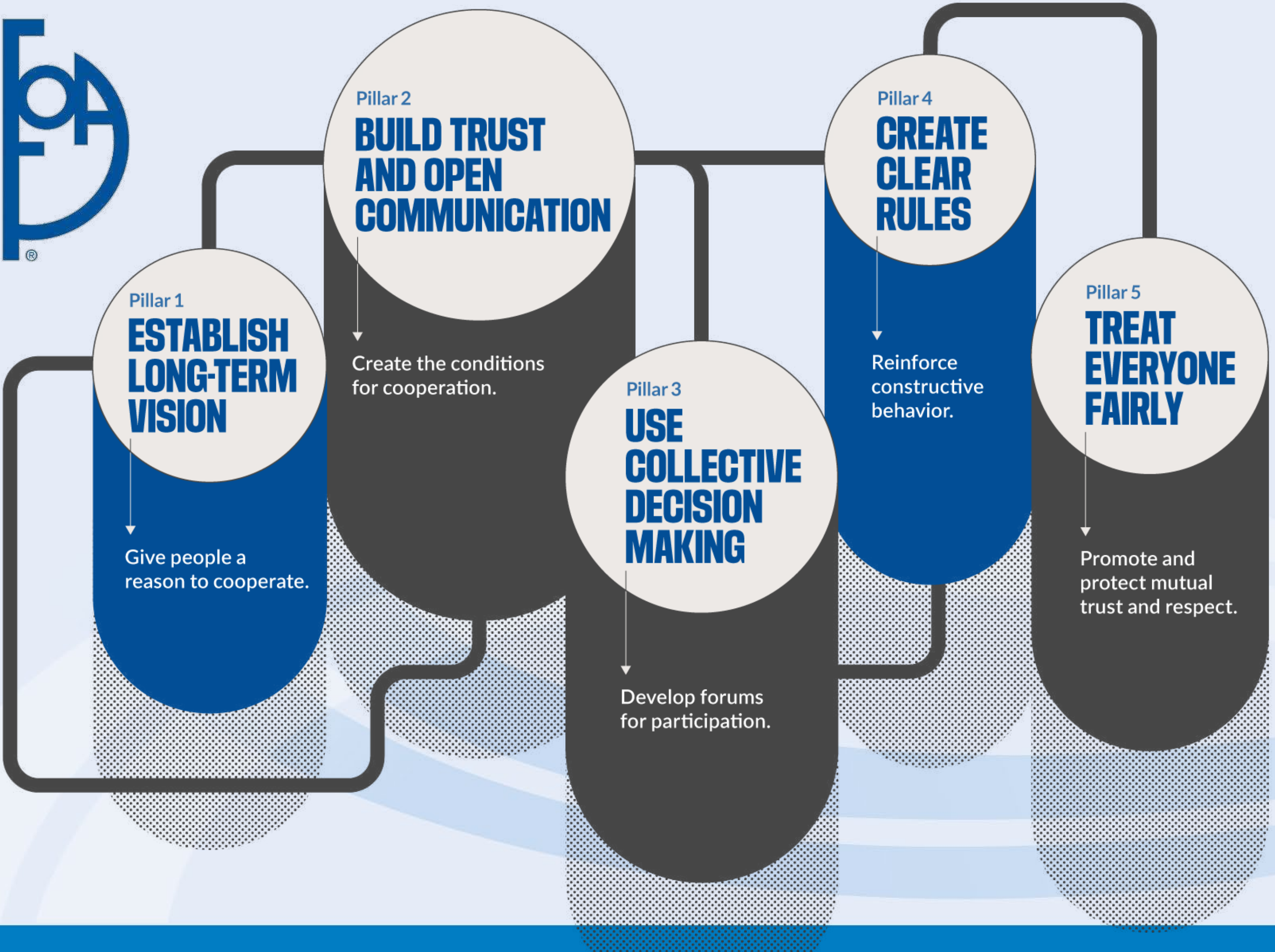
Grants

- The American Rescue Plan Act (ARAP) provided $$ to governments to provide direct relief during the COVID pandemic
- Federal money can be used to invest in projects with long-lasting community benefits
- Federal money comes with compliance requirements

What does this mean?

- Local government spending may be subject to federal grant requirements, including more stringent procurement policies
- Procurement needs to coordinate with grants

How can we sustain alignment?



Additional Resources

https://www.gfoa.org/cappo

Contact us at:

Mike Mucha
Deputy Executive Director
Government Finance Officers Association
Phone: 312.977.9700
Direct: 312.578.2282
mmucha@gfoa.org

Jack Pellegrino, NIGP-CPP, CPPO, CPCM
Director
County of San Diego |Dept. of Purchasing & Contracting
(858) 505-6562 | cell: (858) 231-7500
jack.pellegrino@sdcounty.ca.gov