

February 16, 1999

PURCHASING PROCESS TEAM MEETING MINUTES

February 8, 1999

Process Team

Members Present: Larry Snell, (Process Owner)
Ann Guiler, (Open Campus)
Gary Glisson, (Resource)
Becky Scott, (South Campus)
Cay Gasque, (Kent Campus)
Pat Walls, (North Campus)
Karl Schmidt, (Downtown Campus)
Michelle Bowles, (Resource)

Process Team

Members Absent: None

- Mr. Snell provided purchasing process team (PPT) members copies of the January 12, 1999 meeting minutes and last month's purchasing process measurements.
- As noted in our last meeting the PPT would develop in this meeting an executive summary of procurement card (PCARD) advantages/disadvantages/risks, as recommended by Dr. Darby to potentially be presented to the cabinet.
- Attached is the DRAFT set of advantages/disadvantages developed in the meeting.
- The PPT reviewed the difference between processing payment for PCARD purchases using off line and on-line transactions as follows:

I. OFF-LINE:

As Broward Community College does today individual departments would enter ORION disbursement requests for each purchase made with the PCARD. As such a given department may have to enter 100's of disbursement requests (DRS) to Nations Bank annually and still have to sign/forward register receipts to the BAO and A/P office(s).

Disadvantage: Off line means ORION will not have budgets encumbered anticipating purchases, which could be a problem at year end with departments over spending the ORION G/L as the PCARD has a credit limit that does "NOT" reduce over the fiscal year once paid.

II. ON-LINE:

- Departments would enter potentially one (1) ORION blanket purchase order (BPO) department requisition annually to Nations Bank.
- Purchasing would encumber the funds but not mail the P.O. to Nations Bank.
- Department would still have to sign/forward register receipts to the BAO, A/P office(s).

ADVANTAGE: Only one (1) BPO/year, and this maintains on-line encumbrance thus reserving funds in the G/L for year end purchases.

DISADVANTAGE: If a departments desires to purchase say non-instructional materials it should have its own BPO and a separate BPO for, for instructional materials due to different GLC's instructional materials.

The PPT assignment for the next process team meeting is to identify not only additional PCARD advantages, disadvantages, risks, but also a DRAFT problem statement.

DRAFT (2/5/99)

**PURCHASING PROCESS TEAM PROCUREMENT CARD
EXECUTIVE SUMMARY**

I. Problem Statement:

While the College has increased its efforts to timely process invoices for payment it continues to be delinquent of which many are small value purchases.

II. **P-CARD BENEFITS TO FCCJ (ON PURCHASES <\$750.00)**

1. Convenience of use for departments who will be empowered and accountable.
2. Each department would only need one (1) blanket PO (BPO) annually to Nations Bank for each general ledger code.
3. Reduction of purchase/delivery lead time.
4. Access to Web based vendors of which many are at a lower cost.
5. Significant reduction in vendor checks as we will pay Nations with 12 checks or wire transfers a year versus thousands of small value checks today.
6. Significant reduction in the use of petty cash.
7. Vendors will be paid by Nations Bank in 3 days.
8. Small disadvantaged vendors will obtain improved cash flow.
9. Accounts payable will have improved invoice tracking.
10. VISA has a mechanism for disputing charges, even if paid.
11. Improved VISA electronic controls on the card versus BPO (i.e., \$/day, commodities).
12. \$15,000 insurance on fraudulent use, (if we terminate the employee).
13. Elimination of printing/ mailing blanket PO's to Nations. (Saving > \$1,000 postage each year.)
14. Potential of purchasing negotiating early payment volume discounts.
15. VISA rebate of .004% on purchases >\$100,000/year.
16. Reduced staff time/administrative costs overall to expedite payment of thousands of small dollar value purchase orders/invoices.

III. **PCARD DISADVANTAGE/RISK (ON PURCHASES <\$750).**

1. Requirement to develop training manuals and provide initial and on going training.
2. Departments may not competitively shop their small dollar purchases as purchasing does currently.
3. Departments may not be aware of or maximize use of all state contracts/other volume purchase agreements.
4. FCCJ would need to expand access to DMS state contracts and pay for additional software (licenses at \$360/person/year).
5. PCARD security/controls set up/maintenance requirements.
6. Need to identify at FCCJ one (1) employee to serve part-time as the PCARD systems administrator.
7. End of year close out of one (1) years purchases may potentially require payment out of the next fiscal years budget, if all receipts not timely submitted.
8. Potential mis-use of the PCARD for personal use, and having to do payroll deductions/disciplinary action(s).
9. PCARD credit limit does NOT reduce with each purchase.
10. If employee loses a register receipt it will cost FCCJ \$3.00/each to obtain a copy.
11. If an employee loses their PCARD it will cost them costs \$9.00/each to replace it.

IV. LIST OF THINGS TO DO BEFORE IMPLEMENTING PCARD PILOT

- a) Develop a DRAFT executive summary.
- b) Finalize an executive summary.
- c) Submit executive summary to cabinet for review/approval.
- d) Develop a proposed process flow chart of PCARD process recommended (including how to address different GLC purchases).
- e) Develop a FCCJ PCARD agreement/training manual.
- f) Develop a DRAFT set of APM/Board Rule changes.
- g) Finalize Board Rules/APM's and receive their input/approval.
- h) Assure the ORION A/P system is changed before going live to allow payment for >125 invoices on one check to Nations Bank.
- i) Confirm the College's comptroller will be able to serve as system administrator with Nations Bank as done at BCC.
- j) Develop a training program (interactive preferred with on-line exams) and schedule/provide training on a voluntary basis to those administrators desiring to use the PCARD so as to help them set up the account.

PURCHASING PROCESS TEAM
PHASE II RECOMMENDATIONS
February 8, 1999

I. Organizational:

It is recommended the College maintain its current purchasing organizational structure with the Director of Purchasing serving as the collegewide process owner monitoring process measurements defined below. It is further recommended the purchasing department implement a procurement card pilot in conjunction with ORION blanket PO's to provide on-line encumbrances versus off-line processing 1000's of disbursement requests

ASSIGNMENT: The PPT is to develop at the next meeting a DRAFT/concise overview of the procurement card benefits/disadvantages/risks.

- II . It is recommended the Purchasing Process Team form a subcommittee to meet with the proposed Director(s) of Administrative Services on each campus to develop/modify College administrative procedures and employee contracts to assure adequate control to implement a Visa procurement card with Nations Bank off State Contract for FCCJ purchases valued at \$749.99 or less, except for hazardous chemicals/software, etc. It is further recommended this card be Beta tested in a pilot on a voluntary basis with a few departments for small dollar purchases and offer either on-line transactions once tested Collegewide.

STATUS: (See number I above).

- III. It is recommended the College submit a reclassification request for one (1) Asst. Director of Purchasing position (Mr. Gary Glisson) to be reclassified as a project coordinator based on proposed "additional" responsibility/accountability of supervising six (6) additional purchasing agents and all purchases below \$15,000 in value as well as managing multiple department budget(s).

ASSIGNMENT: Mr. Snell has developed a written request and will schedule a meeting with Mr. Bowers to explore process reclassification options.

- IV. It is recommended that both the Asst. Director of Purchasing and Purchasing Agent I (of which both are PECO funded positions) be released of duties and focus on construction/facility renovations/remodeling as required to be dedicated resources to reduce process lead time to complete the construction bidding/contracting process.

STATUS: Non construction workloads reduced/monitoring.

- V. It is recommended the Purchasing department develop a request for proposal, solicit and bring under annual contract a construction manager using a unit price structure for construction projects <\$120,000.

ASSIGNMENT: Larry Snell to work with the facilities departments to develop an APM to utilize an existing UNF annual contract for unit price construction and a delivery order construction contract at Valencia CC.

- VI. It is recommended the Purchasing department begin use of the State's DMS Vendor Bidding System (VBS) to advertise bid solicitations on the internet for free.

ASSIGNMENT: Gary Glisson/Gene Keegan to implement in the spring 1999 in addition to/in place of FAX vault as deemed in the Colleges best interest.

- VII. It is recommended the Purchasing department request the Board of Trustees to change Board Rule #6Hx 7-5.1 to increase the authority of the President or designee from the current \$59,999 to award contracts/purchase orders to \$119,999 for bids/RFPs and annual contract extensions as provided in SBE Rule 6A-14.073 recent language changes.

STATUS: Submitted as an APA item to the March 1999 Board meeting.

- VIII. It is recommended the Purchasing Department discontinue requiring end user departments to identify on an ORION department requisition the appropriate buyer initials for a specific commodity. The Assistant Director of Purchasing would route/assign requisitions to buyers based on backlog and commodity expertise to balance buyer work load/productivity.

STATUS: This recommendation requires additional PPT discussion before being implemented.

- IX. It is recommended the Director(s) of Administrative Services (DAS) identify commonly used goods/services consumed on campus and centralize on each campus one (1) budget to reduce excessive paperwork/duplication of efforts.

STATUS: With the DAS position(s) being approved January 5, 1999, the screening/hiring process will take place this spring 1999.

- X. It is recommended the Purchasing department work with each campus Director of Administrative Services to identify one day a month to have a purchasing agent visit campus to provide employees an opportunity to ask questions.

STATUS: On hold till position(s) filled.

- XI. It is recommended the Purchasing department modify its APM's to increase the threshold to obtain three quotations from \$1,000 to \$1,500.

ASSIGNMENT: Mr. Snell to do a total re write of Purchasing APM's in the spring of 1999.

- XII. It is recommended the Purchasing department modify its APM's pending Board APA approval of Board Rule 6Hx 7-5.1 to increase the signature authority/empowerment of the following positions.

STATUS: See number XIV above.

POSITION	FROM	TO
Purchasing Asst.	\$500	\$999
Associate Director(s)	\$5,000	\$14,999
College President	\$14,999	\$119,999
Associate Vice President Purchasing	\$14,999	\$119,999

- XIII. It is recommended College administration submit to the Board a reclassification of the position Director of Purchasing and Stores to a new position job classification description entitled Associate Vice President of Purchasing, Property and Auxiliary Services which includes recent duties/responsibilities added to be the College process owner of receiving, property and auxiliary services.

STATUS: Implemented 2/2/99.

- XIV. Process Measurements:

Monthly publish to the Process Team, as well as the President's cabinet the following process measurements and post to a purchasing department web page.

- a) Process time (work day): Measurement
From: the date an Orion committed department requisition valued at \$1,500 or less is sent to purchasing
To: the date the purchase order is encumbered.
(Goal: 7 work days)
STATUS: Implemented
- b) Process time (work days): Same as "A" above, but value at \$1,500 - \$14,999
(Goal: 12 work days)
STATUS: Implemented
- c) Process time (work days): Same as "A" above, but value at \$15,000 plus
(Goal: 30 work days)
STATUS: Implemented
- d) Process time (work days): Measurement of confirming/emergency purchase orders turn around time, valued at less than \$15,000.
(Goal: 2 days)
STATUS: Implemented
- e) Department requisition quality: Measurement by campus of the number of purchase requisitions that require to be electronically sent back in Orion due to inadequate/incomplete specifications.
(Goal 0%)

STATUS: Implemented

- f) Customer satisfactory survey: Develop an electronic survey sent to department budget administrators to measure on every 50th purchase order and every formal bid/RFP how well the purchasing department service met the end users expectations.

(Goal 7)

STATUS: Implemented

- g) Purchase saving (\$/ percent)

(Goal 4 %)

STATUS: Implemented

- h) W/MBE, SBE award (%)

(Goal 18%)

STATUS: In progress. Tom Crowe is working with IS to access data fields/to develop an ORION computer report to access data.

- XV. It is recommended the Purchasing department implement a fax vault (the College currently has) to allow bidders to fax to themselves copies of bid specifications 24 hrs/day, by October 1, 1998.

STATUS: Implemented October 1, 1998

- XVI. Phase II Estimated Cost/Savings Analysis:

RECOMMENDATION #/TYPE	ESTIMATED ADDITIONAL COST	ESTIMATED SAVINGS
I Procurement Card	Add Acctg. Specialists \$??*	Transaction cost to process 3,000-5,000 checks/yr.
VIII Fax Vault	FCCJ owns	Est. \$10,000/yr
IX DMS Internet Advertising	\$0	Est. \$ 3,000/yr
II Dir Purchasing Reclassification	est. \$4,595/yr	----
III Asst. Dir Purch Reclassification	est. \$2,504/yr	----
IV Eliminate Purchasing Asst. I position		Est. \$18,000/yr
TOTALS	\$7,099/yr* *plus accounting specialist position	\$31,000/yr