

**PURCHASING PROCESS TEAM
MEETING MINUTES**

April 12, 1999

Process Team

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

Process Team

Members Absent: Cay Gasque (Kent Campus)

- Mr. Snell provided Purchasing Process Team (PPT) members copies of the March 25, 1999 meeting minutes which was approved as written, and the February purchasing process measurements.
- The PPT further explored the potential use of Blanket Purchase orders (BPO) with a procurement card and confirmed use of separate BPO line items for each budget/GLC could be used to facilitate payment to the correct general ledger code. The PPT further concluded additional analysis was required in our process flow charting after receipt of confirmation from the cabinet of endorsing the use of a procurement card.
- The PPT reviewed our new problem statement (see attached).
- The PPT expanded the DRAFT set of "Root Causes" (see attached).
- PPT members were to:
 - a) Review February process measurement provided.
 - b) Mr. Snell was to develop a DRAFT set of root causes/recommendations (see attached) for PPT review.
 - c) Plan at our next PPT meeting to continue the development of a document (problem statement/root causes/recommendations/business risk) to be submitted to the cabinet requesting direction/endorsement for the PPT to continue analysis of use of a procurement card at FCCJ.

DRAFT (2/5/99)

PURCHASING PROCESS TEAM PROCUREMENT CARD EXECUTIVE SUMMARY

I. PROBLEM STATEMENT:

The procurement process of acquiring small dollar items <\$750.00 is inefficient.

II. ROOT CAUSES:

- The existing procurement process can require the involvement of up to 15 College employees to complete the purchase/payment of a small dollar purchase.
- The College does not have in place a purchase process unique for small purchases.
- The College does not have a defined and separate process for immediate purchases, other than petty cash, predominantly for purchases less than \$50.00
- The use of blanket purchase orders (BPO) to a specific supplier is inefficient as most suppliers ignore daily not to exceed limits, annual maximum amounts and do not confirm who is authorized to use the BPO.

III RECOMMENDATIONS/ADVANTAGES:

It is recommended the President's cabinet authorize the Purchasing Process Team to:

- Develop DRAFT procedures, APM's and modifications to our Board Rule to begin as a voluntary pilot use of an on-line procurement card.
- Begin use of the Nations Bank VISA card which would electronically provide designated employees the ability to make small dollar purchases.
- Establish the maximum purchase to be \$749.99 to electronically eliminate the possibility capital equipment which could be bought without a College purchase order.

- Train departments to enter a single blanket purchase order “ORION” department requisition to Nations Bank to encumber funds.
- Utilize the Nations Bank VISA procurement card which is on state contract as well as available at no cost to FCCJ and provides these advantages:
 - 1) Significant reduction in vendor checks, as we will pay Nations Bank with 12 checks/year versus thousands of small value checks.
 - 2) Improved VISA electronic controls on the card (initially set up by each budget administrator) versus blanket purchase orders (i.e., \$/day limits, exclude specified commodities, etc.)
 - 3) Receive a VISA rebate of .004% on purchases greater than \$100,000/year.
 - 4) Vendors will be paid by Nations Bank in 3 days after purchases.
 - 5) Accounts payable will have improved invoice tracking.
 - 6) Use of VISA mechanism to dispute charges, even if the retailer is paid.
 - 7) Significant reduction in both the use of petty cash and blanket purchase orders issued.
 - 8) Access to web based suppliers, of which many have lower cost.
 - 9) Reduction in purchases and delivery process time.
 - 10) Reduction in process time and administrative cost in expediting payment of thousands of small dollar value purchase invoices.
 - 11) Provides \$15,000 of insurance protection against fraudulent use of PCARD, if FCCJ terminates the employee.

IV PROCESS STEPS REQUIRED TO IMPLEMENT PROCUREMENT CARD PILOT AT FCCJ.

- A. Cabinet reviews, empowers the Purchasing Process Team (PPT) develop “DRAFT” APM/Board Rule changes.
- B. PPT develops DRAFT APM/Board Rule changes and submits same for review/approved through the Colleges governance model.
- C. Board Rule changes (once approved)O submitted to the District Board of Trustees for review approval.
- D. College APM’s to be changed to complement the Board Rule changes.
- E. Twenty (20) college wide employees selected to pilot the use of the Nations Bank VISA procurement card.
- F. Detailed interactive training manual, personal agreement and on-line exams to be developed by the PPT.
- G. Extensive training provided to administrators who supervise the twenty (20) employees selected to participate in the pilot in setting up the electronic controls on each card.
- H. Selected employees are provided extensive training in appropriate use of the PCARD use of state contracts and what items the card CANNOT be used for.
- I. Pilot to continue for 6 months, with close monitoring to refine College APM’s and training manual.
- J. Implementation of PCARD college-wide, if the pilot is successful.

V. 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) line item 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/mailling 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.

VI. PCARD OPEN ISSUES/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. PCARD security/controls set up/maintenance requirements.
5. Need to identify at FCCJ one (1) employee to serve part-time as the PCARD systems administrator.
6. 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.
7. Potential mis-use of the PCARD for personal use, and having to do payroll deductions/disciplinary action(s).
8. PCARD credit limit does NOT reduce with each purchase.
9. If employee loses a register receipt it will cost FCCJ \$3.00/each to obtain a copy.
10. If an employee loses their PCARD it will cost them costs \$9.00/each to replace it.
12. The College will see a modest reduction in interest/float earned due to timely payment of invoices versus discounts earned.

VII. 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 >25 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

April 12, 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 submitted to Human Resources with Mr. Bowers support a DMG CPQ reclassification request form(s) for Mr. Glisson's position.

- 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: Implemented January 1999.

- 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: Mr. Snell to submit as APA item for September 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: To be reviewed at our Purchasing Process Team meeting.

- 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: To be discussed at PPT meeting.

- 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 and Mr. Glisson have done a total re write of Purchasing APM's and submitted them to General counsel for review, April 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