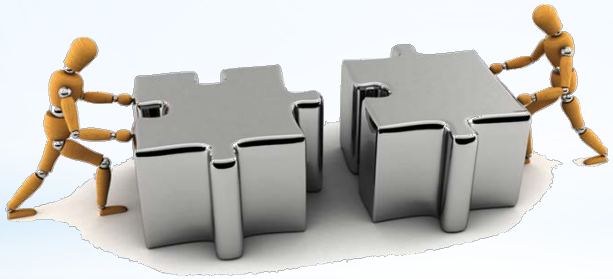
*Procure to Pay

A Collaborative Effort



JoAleen L Ainslie, CPCP

Procurement Card Program Manager

Procurement & Payables Division

City of Tacoma 253.502.8526

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Today's Take Aways

* Finding the industry standards
* Compiling procurement to payment costs, including PCard
* Indentify your team members & stake holders
* Create your play book -Collaboration works!

* Procure to Pay - *A Collaborative Effort*

Government Employees Under Attack

*By the media

*Politicians

*Private Enterprise

*Unethical Actions by a Few Public Employees

*Cost Analysis – *Why Should You Care?*

"Always do right. This will gratify some people and astonish the rest!" Mark Twain

The Players

*Schools

*Cities

*Counties

*States

*Federal Government

*Cost Analysis – *Why Should You Care?*

"It's not that we need new ideas, we need to stop having old ones!" Edwin Land

Analytics from Outside Sources

- *Benchmark Survey Results
- *Industry Standards
- *Best Practice Indicators
- *Great Starting Tools

STANDINGS

Sort By: Division | Year: 2013 Regular Season | Split: Overall | Go | Tie breaking procedures

American Football Conference - 2013 Regular Season

AFC East Team	W	L	T	Pct	PF	PA	Net Pts	TD	Home	Road	Div	Pct	Conf	Pct	Non-Conf	Streak	Last 5
New England Patriots	4	0	0	1.000	89	57	32	8	2-0	2-0	2-0	1.000	2-0	1.000	2-0	4W	4-0
Miami Dolphins	3	0	0	1.000	74	53	21	8	1-0	2-0	0-0	.000	2-0	1.000	1-0	3W	3-0
New York Jets	2	2	0	.500	68	88	-20	6	2-0	0-2	1-1	.500	1-2	.333	1-0	1L	2-2
Buffalo Bills	2	2	0	.500	88	93	-5	8	2-1	0-1	0-2	.000	1-2	.333	1-0	1W	2-2

AFC North Team	W	L	T	Pct	PF	PA	Net Pts	TD	Home	Road	Div	Pct	Conf	Pct	Non-Conf	Streak	Last 5
Baltimore Ravens	2	2	0	.500	91	87	4	10	2-0	0-2	1-0	1.000	2-2	.500	0-0	1L	2-2
Cleveland Browns	2	2	0	.500	64	70	-6	7	1-1	1-1	1-1	.500	1-2	.333	1-0	2W	2-2
Cincinnati Bengals	2	2	0	.500	81	81	0	10	2-0	0-2	1-1	.500	1-1	.500	1-1	1L	2-2
Pittsburgh Steelers	0	4	0	.000	69	110	-41	7	0-2	0-2	0-1	.000	0-2	.000	0-2	4L	0-4

AFC South Team	W	L	T	Pct	PF	PA	Net Pts	TD	Home	Road	Div	Pct	Conf	Pct	Non-Conf	Streak	Last 5
Indianapolis Colts	3	1	0	.750	105	51	54	12	1-1	2-0	1-0	1.000	2-1	.667	1-0	2W	3-1
Tennessee Titans	3	1	0	.750	98	69	29	11	2-0	1-1	0-1	.000	3-1	.750	0-0	2W	3-1
Houston Texans	2	2	0	.500	90	105	-15	10	1-1	1-1	1-0	1.000	2-1	.667	0-1	2L	2-2
Jacksonville Jaguars	0	4	0	.000	31	129	-98	3	0-2	0-2	0-1	.000	0-3	.000	0-1	4L	0-4

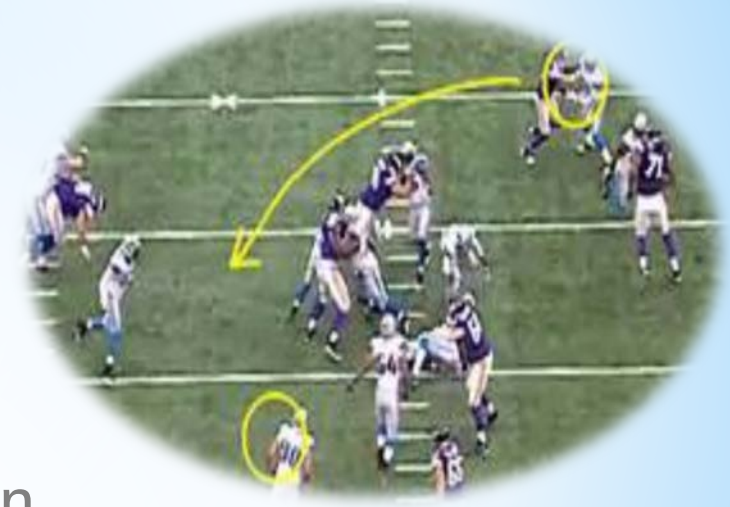
AFC West Team	W	L	T	Pct	PF	PA	Net Pts	TD	Home	Road	Div	Pct	Conf	Pct	Non-Conf	Streak	Last 5
Denver Broncos	4	0	0	1.000	179	91	88	23	3-0	1-0	1-0	1.000	2-0	1.000	2-0	4W	4-0
Kansas City Chiefs	4	0	0	1.000	102	41	61	12	2-0	2-0	0-0	.000	1-0	1.000	3-0	4W	4-0
San Diego Chargers	2	2	0	.500	108	102	6	12	1-1	1-1	0-0	.000	0-2	.000	2-0	1W	2-2
Oakland Raiders	1	3	0	.250	71	91	-20	8	1-1	0-2	0-1	.000	1-2	.333	0-1	2L	1-3

National Football Conference - 2013 Regular Season

*Cost Analysis – *Why Should You Care?*

"You must know for which harbor you are heading if you are to catch the right wind to take you there." Marcus Annaeus Seneca

Value of Creating Your Own



- Real Cost of Your Procure to Pay Process
- Uncover Redundancies
- Determine Where PCard Integration Belongs
- Create Strategies to Streamline your Process

Cost Analysis – *Why Should You Care?*

"Do not follow where the path may lead. Go instead, where there is no path and leave a trail." Author Unknown

Meet the team

NAPCP
Professional Association for the
Commercial Card and Payment Industry
Education ▪ Networking ▪ Career Development

* JoAleen Ainslie, CPCP
  City of Tacoma, WA
* Terri Brustad, CPCP
  City of Arvada, CO
* Glen Gainer III, WV
  State Auditor Office, WV
* Steve Johnson, VISA
  Public Sector
* Bill Meekins, CPCP, CPPB
  Frederick Public Schools, MD
* Dennis Wegner, UM Bank
* Christine Wertz, CPCP
  Harford County Public Schools, MD
* Kevin White, CPCP, CPPB
  Washington State Department of Transportation

*NAPCP Government, K-12 Group Advisory Board

Contibuting Members

- City of Arvada, CO
- City of Tacoma, WA
- Harford County Public Schools, MD
- Washington State Department of Transportation

NAPCP Government, K-12 Group Procure to Pay Cost Analysis

Roles & Cost Per Staff Member

ROLE	ABBREVIATION	AVERAGE ANNUAL SALARY	COST PER MINUTE
End User- Requester	Req	$43,000.00	$0.45
AP Technician	AP Tech	$48,000.00	$0.50
Accountant 1	Acct	$56,000.00	$0.58
Department Manager	Mgr	$92,000.00	$0.96
Stores Keeper - Receiver	Store	$41,000.00	$0.43

*((Annual Salary + 29% benefits)/2080 hours)/60 minutes))

***City of Arvada**

CITY & COMMUNITY OF ARVADA

Traditional PCard Payment Process

Purchase & Payment Process	Role	Minutes	Cost/Minute	Extended Cost
Select supplier	Req	5	$0.45	$ 2.25
Contact supplier for product & price information; place order	Req	15	$0.45	$ 6.75
Cost of phone call / internet usage				$ 2.00
				$ 11.00
Receiving Process	**Role**	**Minutes**	**Cost/Minute**	**Extended Cost**
Receive shipment of goods	Store	3	$0.43	$ 1.29
Deliver goods to Financial System End User	Store	10	$0.43	$ 4.30
				$ 5.59
Reconciliation & Review Process	**Role**	**Minutes**	**Cost/Minute**	**Extended Cost**
Review P-Card transaction (account coding, business purpose description)	Req	3	$0.45	$ 1.35
Copy NCR receipt and staple to original receipt	Req	1	$0.45	$ 0.45
Fill out monthly blue envelope containing receipt	Req	1	$0.45	$ 0.45
Cost of blue envelope				$ 0.80
Print monthly card statement off website	Req	1	$0.45	$ 0.45
Cost of paper				$ 0.15
Reconcile monthly blue envelope	Req	5	$0.45	$ 2.25
Review & approve monthly blue envelope	Mgr	5	$0.96	$ 4.80
File blue envelope	Req	1	$0.45	$ 0.45
				$ 11.15
Grand Total of Payment Cost via Traditional P-Card				**$ 27.74**

*City of Arvada

CITY & COMMUNITY OF ARVADA

Paper Check Process

Supplier Set-Up	Role	Minutes	Cost/Minute	Extended Cost
Receive request to set up supplier/set up in Financial System	A/P Tech	3	$0.50	$ 1.50
Request via phone or e-mail a completed W-9 prior to making payment	A/P Tech	2	$0.50	$ 2.00
Supplier Set-Up Process sub-total				**$ 3.50**
PO Process	**Role**	**Minutes**	**Cost/Minute**	**Extended Cost**
Contact supplier for product & price information	Req	15	$0.45	$ 6.75
Cost of phone call / internet usage				$ 2.00
Create PO in Financial System (if over $5,000)	Req	10	$0.45	$ 4.50
Approve PO in Financial System	Mgr	3	$0.96	$ 2.88
Mail or FAX PO to supplier	Req	3	$0.45	$ 1.35
PO Process sub-total				**$ 17.48**
Invoice Process	**Role**	**Minutes**	**Cost/Minute**	**Extended Cost**
Receive invoice & match to PO (if over $5,000)	Req	3	$0.45	$ 1.35
Verify invoice accuracy, including pricing & extensions	Req	1	$0.45	$ 0.45
Assign account coding to the invoice	Req	1	$0.45	$ 0.45
Enter invoice into Financial System - A/P Module	Req	5	$0.45	$ 2.25
Cost of forms (paper)				$ 0.15
Approve invoice in Financial System	Mgr	3	$0.96	$ 2.88
File & scan invoice	Req	2	$0.45	$ 0.90
Invoice Process sub-total				**$ 8.43**

*City of Arvada

CITY & COMMUNITY OF ARVADA

Paper Check Process… continued

Paper Check Payment Process	Role	Minutes	Cost/Minute	Extended Cost
Request check in Financial System	A/P Tech	3	$0.50	$ 1.50
Processing & printing of checks (ink cost, counting, verify first/last check)	A/P Tech	1	$0.50	$ 0.50
Separate checks	A/P Tech	1	$0.50	$ 0.50
Prepare check for U.S. or interoffice mail	A/P Tech	0.5	$0.50	$ 0.25
Cost of check/envelope/postage				$ 0.55
Send positive pay file to bank	A/P Tech	5	$0.50	$ 2.50
Receive & reconcile supplier statement	A/P Tech	3	$0.50	$ 1.50
Report 1099, if applicable (generate, import, print, mail)	A/P Tech	2	$0.50	$ 1.00
Stale Date Check Process (reconciliation)	A/P Tech	5	$0.50	$ 2.50
Paper Check Process sub-total				**$ 10.80**
Receiving Process	**Role**	**Minutes**	**Cost/Minute**	**Extended Cost**
Receive shipment of goods	Store	3	$0.43	$ 1.29
Deliver goods to End User	Store	10	$0.43	$ 4.30
Receiving Process sub-total				**$ 5.59**
Grand Total of Payment Cost via Paper Check				**$ 46.80**

*City of Arvada

CITY & COMMUNITY OF ARVADA

ePayables Payment Process

Accounts Payable Process	Role	Minutes	Cost/Minute	Extended Cost
Run ePayable process in Financial System (Spot check: print check register, verify invoice accuracy Handle exceptions.) (Match to PO? Place call to requester?)	A/P Tech	1	$0.50	$ 0.50
File check register & supporting documentation	A/P Tech	1	$0.50	$ 0.50
A/P Process sub-total				**$ 1.00**

ePayable Payment Process	Role	Minutes	Cost/Minute	Extended Cost
Request payment in Financial System	A/P Tech	3	$0.50	$ 1.50
Create PIF file	A/P Tech	0.5	$0.50	$ 0.25
If private ePayable supplier, call supplier w/virtual credit card information (optional)	Req	2	$0.45	$ 0.90
Monthly reconciliation	Acct	0.50	$0.58	$ 0.29
Uncolected Payment Processes	Acct	1.00	$0.58	$ 0.58
Accounts Payable Process Associated with ePayable sub-total				**$ 3.52**

Receiving Process	Role	Minutes	Cost/Minute	Extended Cost
Receive shipment of goods	Store	3	$0.43	$ 1.29
Deliver goods to End User	Store	10	$0.43	$ 4.30
Receiving Process sub-total				**$ 5.59**

Grand Total of Payment Cost via Epayables: **$ 39.52**

*City of Arvada

CITY & COMMUNITY OF ARVADA

Summary

Cost of Payment via Paper Check Process **per payment**	$ 46.80	
Cost of Payment via Traditional P-Card Process **per payment**	$ 27.74	
	$ 19.06	***Savings per Payment***
Cost of Writing a Check (outside of PO/invoice cost) **per payment**	$ 10.80	
Cost of ePayables payment (outside of PO/invoice cost) **per payment**	$ 3.52	
	$ 7.28	***Savings per Payment***
Annual Revenue Share divided by:		
Number of ePayable Payments in 2011	***$ 59.30***	
Number of Traditional P-Card Payments in 2011	***$ 4.00***	

*City of Arvada

CITY & COMMUNITY OF ARVADA

Roles & Costs Per Staff Member

ROLE	SALARY BASED ON RANGE K		HOURLY	HOURLY	TOTAL	AVERAGE	COST PER MINUTE
Requisitioner	Office Assistant 3	Secretary Supervisor	$15.18	$18.83	$34.01	$17.01	$0.28
Buyer	Office Assistant 3	PSS2	$15.18	$21.29	$36.47	$18.24	$0.30
Manager	PSS4	WMS Band 2	$27.25	$45.02	$72.27	$36.14	$0.60
Purchasing	PSS2	PSS4	$21.29	$27.25	$48.54	$24.27	$0.40
Receiver	Office Assistant 3	PSS2	$15.18	$21.29	$36.47	$18.24	$0.30
AP	FA2	FAS	$20.77	$27.93	$48.70	$24.35	$0.41
AP Manager	FA5	WMS Band 2	$27.93	$45.02	$72.95	$36.48	$0.61

*State of Washington

Washington State Department of Transportation

Traditional PO Process

Requisitions:

* 5 steps
* 2 employees
* 21 minutes + cost of forms
* Total = $7.80

Purchasing:

* 8 steps
* 2 employees
* 63* minutes
* Cost of forms
* Postage = $21.71

Receiving:

* 4 steps
* 1 employee
* 28 minutes = $8.51

Accounts Payable:

* 12 steps
* 3 employees
* 61 minutes = $25.87

Grand Total

* 29 steps
* 8 employees
* 173* minutes + cost of forms, checks, envelopes & postage = **$63.88***

*Development and posting of RFPs over $5,000 not included in totals; add 60 minutes, 2 more steps and $18.00 which increases cost to **$81.00**

*State of Washington

Washington State Department of Transportation

Traditional PCard Process

Requisitions:

* Not required
* Cardholder pre-authorized by delegated spend limits
* Total = $0

Purchasing:

* 3 steps
* 1 employee
* 20* minutes
* Order via phone, fax, internet or email
* Total = $6.50

Receiving:

* 2 steps
* 1 employee
* 13 minutes = $3.50

Accounts Payable:

* 6 steps
* 4 employees
* 27 minutes = $9.45

Grand Total

* 11 steps
* 6 employees

Cost Avoidance (Savings) $44.03

*Development and posting of RFPs over $5,000 not included in totals; add 60 minutes, 2 more steps and $18.00 which increases cost to **$37.00**

*State of Washington

Washington State Department of Transportation

Sample Promotional Literature

WSDOT P-Card Program Expands Lean Concepts

WSDOT's p-card program practices lean management through:

- ***Targeting specific merchants, commodities or services for P-Card payment.***
- ***Measuring program performance.***
- ***Optimizing visibility and transparency through checks and balances in PCMS.***
- ***Reducing the costs associated with small purchase transactions.***

By implementing these practices we have gradually increased efficiencies each year since the inception of the program in 1999. During calendar year 2011, WSDOT processed 109,000 transactions which totaled $45.4 million in spend with merchants who accepted p-cards. This resulted in a cash rebate of more than $573,000.

According to the 2010 RPMG Purchasing Card Benchmark Survey, p-card payments result in an average savings of $71 per transaction. In 2011 this translated to a "soft" savings for WSDOT valued at more than $7 million.

The Procurement and Materials Management Office (PMMO) proposes to expand lean management principles to increase cash rebates to more than $1 million per year.

This can be achieved by implementing a purchase card industry best practice of:

Standardizing to one payment process for merchants who already accept the p-card.

Through data analysis, PMMO has identified 1600 merchants who accept the p-card for payment. However, these same merchants are also being paid by warrant or ACH. At times, an office will use multiple payment methods.

An executive mandate to use the card with identified merchants could generate more than $848,000 in additional cash rebates annually. (see page 2)

The analysis shows that processing 22,238 more transactions with the p-card instead of using the warrant process will add an additional $1,578,898 in soft savings.

WSDOT can further streamline time spent on bill paying, reduce or eliminate printing and mailing costs, and allow staff to direct their attention to more critical activities.

Future lean enhancements to consider are:

- ***Mandating payment by P-Card on transactions under $10,000 for "preferred" merchants.***
- ***Conducting detailed spend analysis with the bank provider to identify growth opportunities.***

Lean Benefits

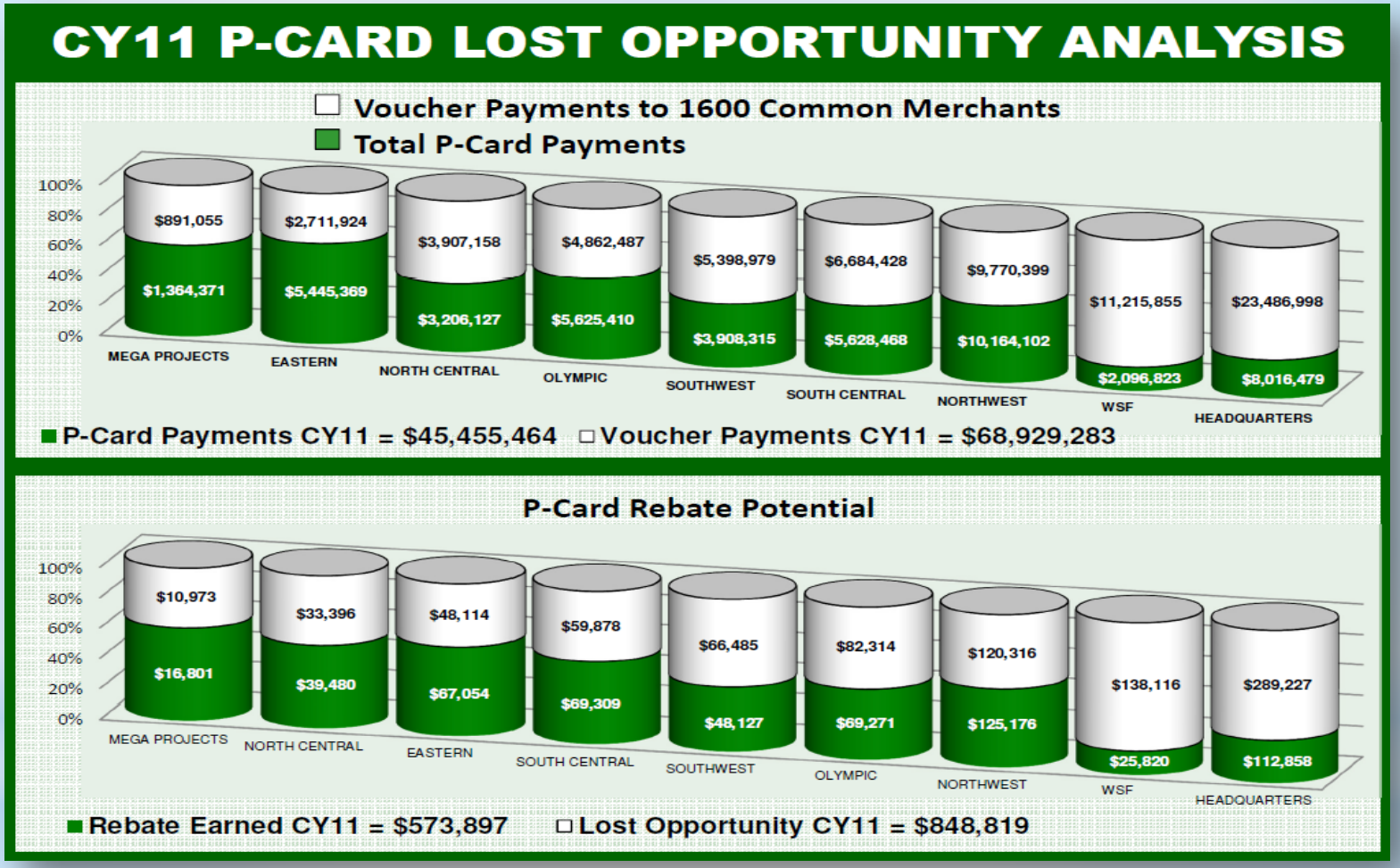
For WSDOT:

- *Clear accountability and visibility*
- *Reduction in warrants and associated cost*
- *Rebates tied to P-Card spending*
- *10 year payment and purchase history in PCMS*
- *Reduce printing costs*
- *Online statements available on demand*
- *Payments made online*
- *Automation reduces mistakes on payments*
- *More time to be focused on critical projects*
- *No 1099 reporting responsibilities*

For Merchants:

- *Get paid faster*
- *Seamless bill paying process*
- *Eliminate mailing statements*
- *Electronic invoice delivery*
- *Confidence in WSDOT as a customer*
- *Better supplier/customer relations*
- *Lower invoicing costs*

Sample Promotional Literature



*State of Washington

Washington State Department of Transportation

Roles & Costs Per Staff Member

ROLE	ABBREVIATION	ANNUAL SALARY	COST PER MINUTE
Clerical	Req	$40,000.00	$0.42
Administrator	Mgr	$89,000.00	$0.87
Buyer	Byr	$60,000.00	$0.78
Purchasing Assistant	Pur	$40,000.00	$0.42
Accounts Payable Clerk	AP Clk	$34,000.00	$0.36
10 Month Employees	Teachers	$56,000.00	$0.69
Maintenance & Custodial	Mtce	$46,000.00	$0.45

*((Annual Salary + 22.43% benefits)/2080 hours**)/60 minutes)) **= full time; substitute 1650 hours for 10 month employees

***Harford County Public Schools**

HARFORD COUNTY PUBLIC SCHOOLS

Traditional PO Process

Requisitions:

* 4 steps
* 2employees
* 20 minutes + cost of forms
* Total = $10.65

Purchasing:

* 6 steps
* 2 employees
* 90* minutes
* Total = $50.70

Receiving at Site:

* 3 steps
* 1 employee
* 13 minutes = $5.46

Accounts Payable:

* 9 steps
* 1 employee
* 29 minutes
* Cost of checks, envelopes, postage
* Total = $11.80

Grand Total

* 25 steps
* 7 employees
* 171.3* minutes + cost of forms, checks, envelopes & postage
* Total **= $83.65***

*Development and posting of RFPs over $5,000 are included in totals; This step adds 45 minutes and 2 steps for a cost of $18.90. If this step is eliminated, the cost of the Purchasing process becomes $31.80. Additionally, the Traditional PO Process Grand Total becomes **$64.75** rather than $83.65.

*Harford County Public Schools

HARFORD COUNTY PUBLIC SCHOOLS

Traditional PCard Process

Requisitions:

* Not required
* Cardholder pre-authorized by delegated spend limits
* Total = $0

Purchasing:

* 3 steps
* Cardholder*
* 16 minutes
* Order via phone, fax, internet or email
* Total = $9.12

Receiving:

* 2 steps
* 2 employees
* 8 minutes = $3.81

Accounts Payable:

* 5 steps
* 3 employees
* 15 minutes = $12.57

Grand Total

* 10 steps
* 6 employees
* 45* minutes = $25.50

Savings = $58.15

* Average cost per minute from ALL groups

***Harford County Public Schools**

HARFORD COUNTY PUBLIC SCHOOLS

Roles & Costs Per Staff Member

ROLE	SALARY RANGES LOW	HIGH	AVERAGE	AVG BENEFITS	INCL BENEFITS AVG HOURLY	COST PER MINUTE
AP Financial Assistant	$44,116.80	$53,622.40	$48,869.60	$18,679.15	$32.48	$0.54
Office Assistant	$44,116.80	$53,622.40	$48,869.60	$18,679.15	$32.48	$0.54
Assistant Buyer	$50,377.60	$61,235.20	$55,806.40	$21,330.57	$37.09	$0.62
Senior Buyer	$51,334.40	$68,785.60	$60,060.00	$22,956.39	$39.91	$0.67
Procurement & Payables Division Manager	$93,891.20	$120,369.60	$107,130.40	$45,590.57	$79.26	$1.32
Purchasing Supervisor-Financial Manager	$79,809.60	$102,315.20	$91,062.40	$36,836.87	$64.04	$1.07
PCard Program Manager - Manager Analyst II	$57,886.40	$74,214.40	$66,050.40	$25,098.77	$43.82	$0.73

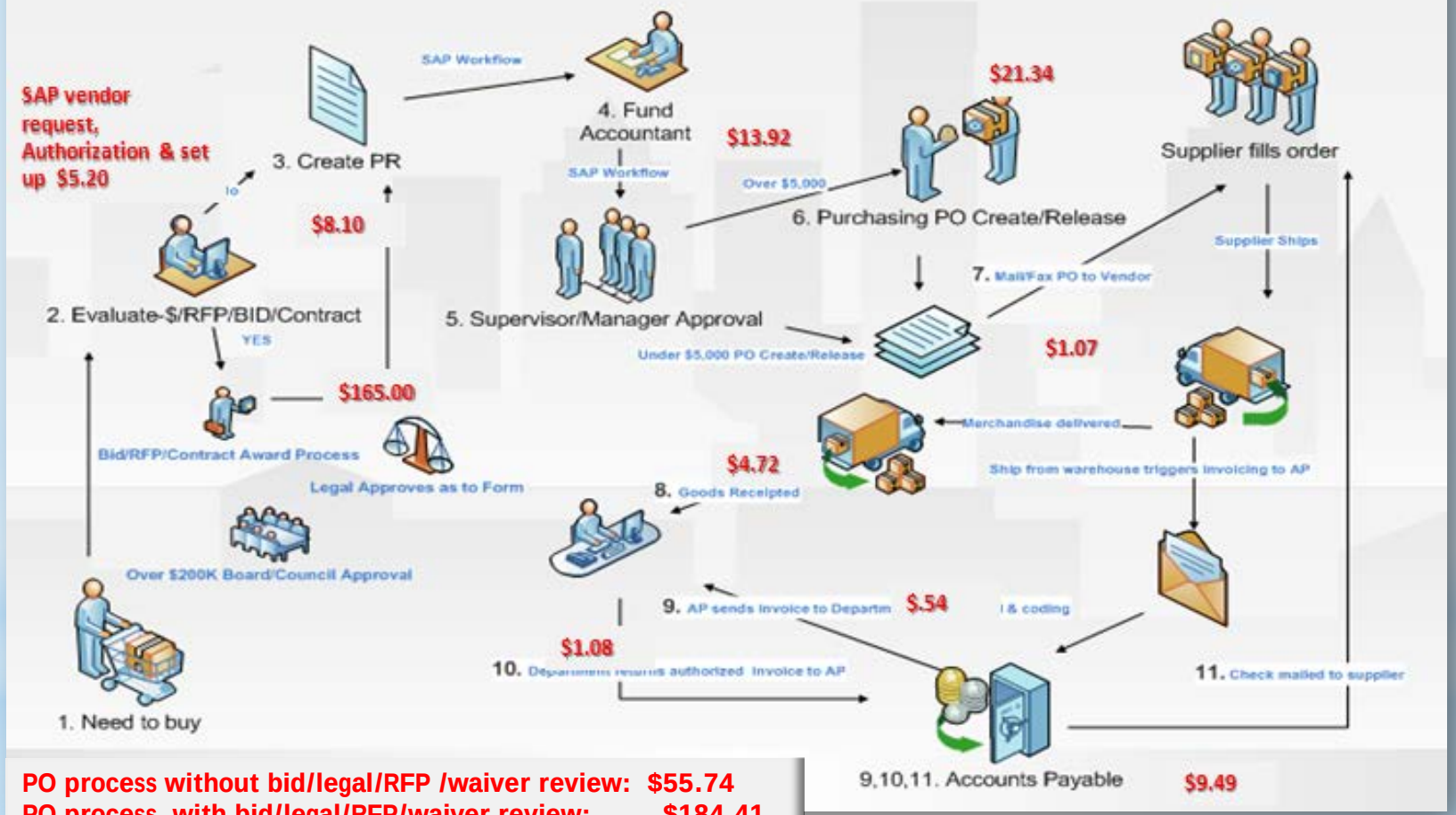
*((Average Annual Salary + 38% Average Benefits)/2080 hours)/60 minutes))= cost per minute

City of Tacoma Salary Ranges Link :
http://www.cityoftacoma.org/government/city_departments/human_resources/employment_information/classification_specifications/

*City of Tacoma

City of Tacoma

Traditional Purchase Order Process

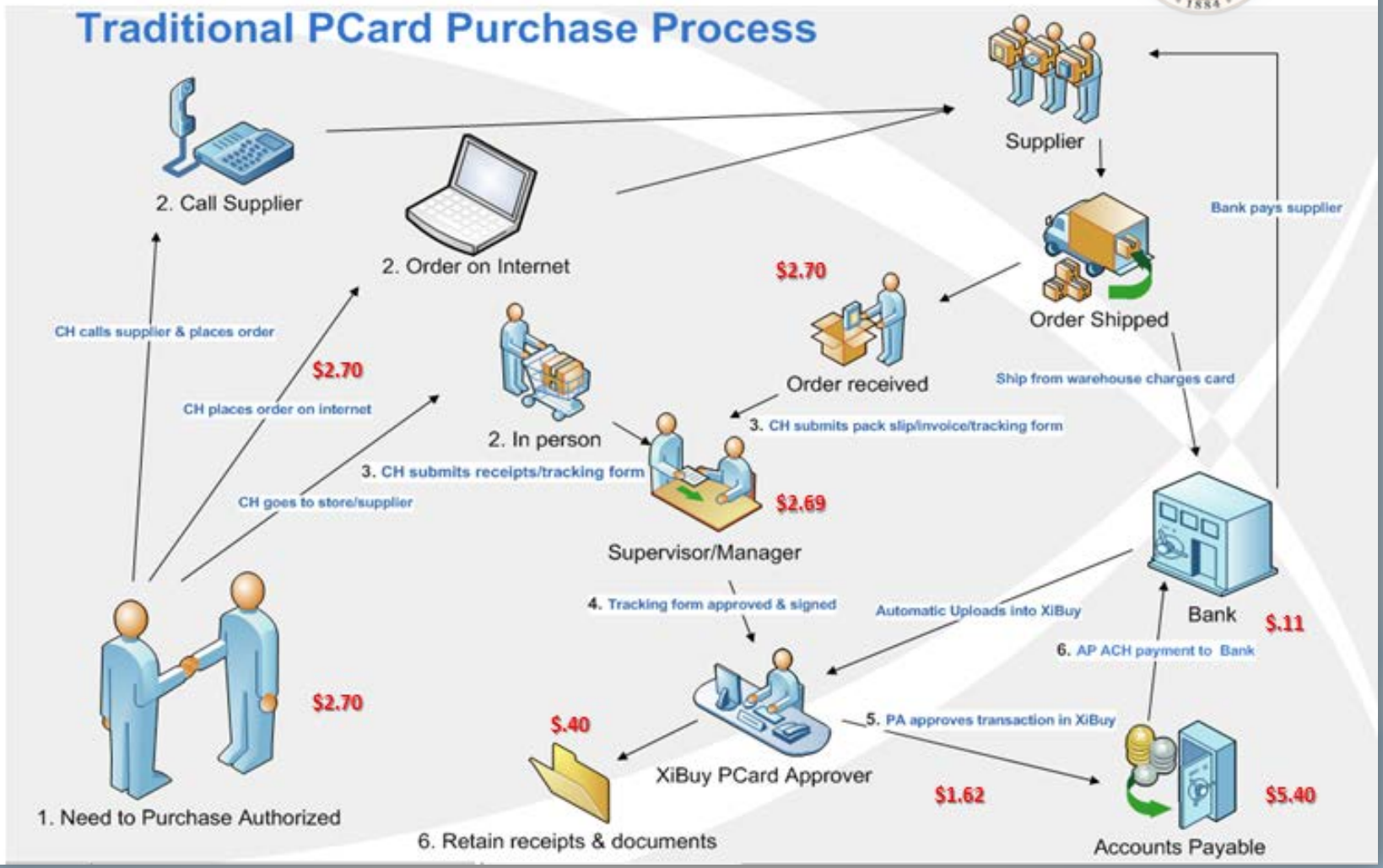


PO process without bid/legal/RFP /waiver review: $55.74
PO process with bid/legal/RFP/waiver review: $184.41

Cost Avoidance: $35.50 to $164.17

City of Tacoma

Traditional PCard Purchase Process

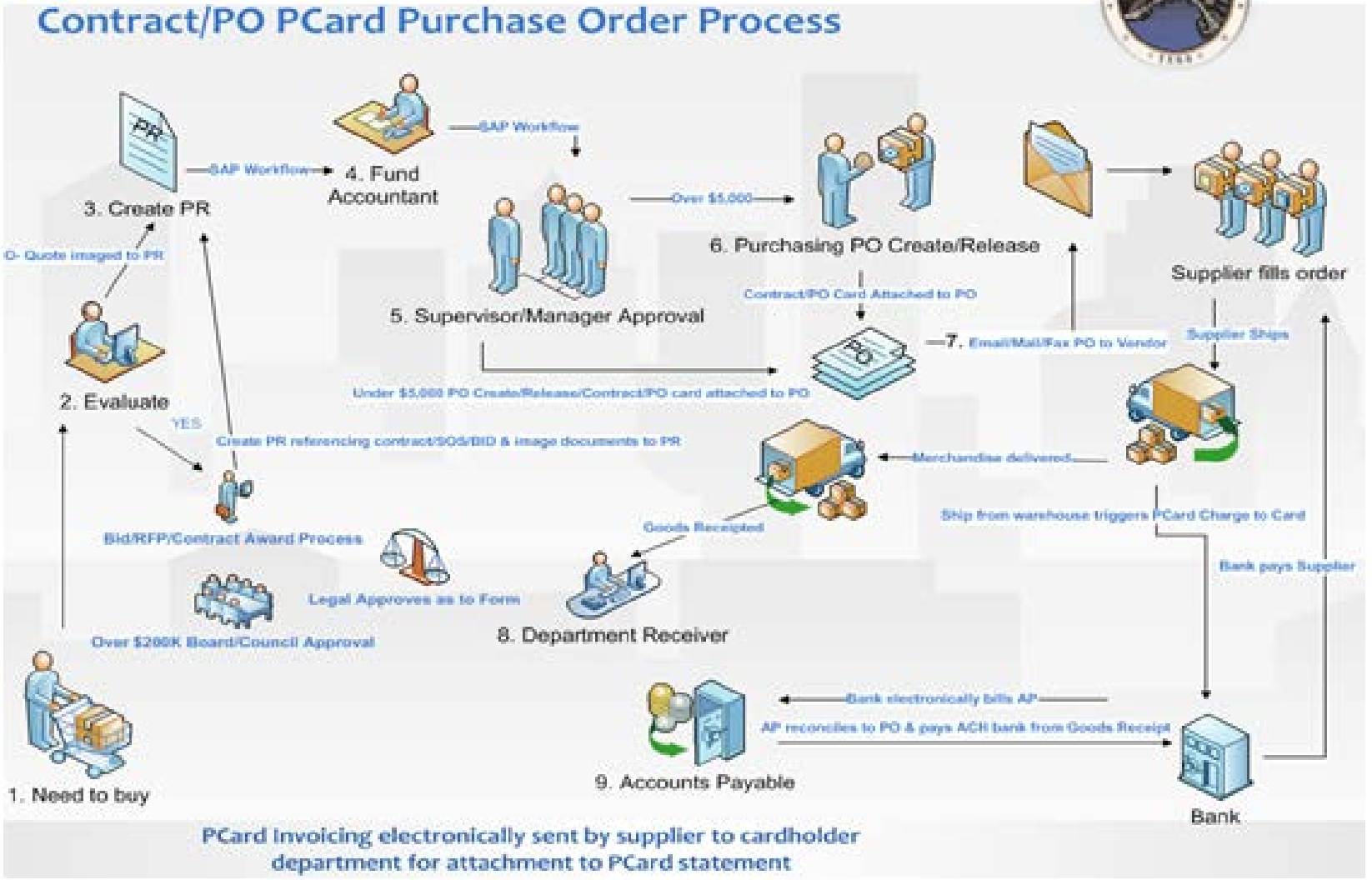


Card application-Set up: $6.73

Card set up –completion: $25.05 less incentive ($4.82) = $20.23 Net PCard cost

City of Tacoma

Contract/PO PCard Purchase Order Process



PCard invoicing electronically sent by supplier to cardholder department for attachment to PCard statement

Creating A Procure to Pay Team

*Purchasing & Accounts Payable Housed Together

*Procurement & Payables Division Manager

*Supplier Outreach by Division

*Collaboration with Client Departments

*City of Tacoma

Why should you care?

- Adversity Creates Opportunity
- Take Advantage of Opportunity
- Create & Present Your Own Cost Analysis
- Use Results to Team Build,Collaborate & Negotiate
- Demonstrate Your Commitment, Knowledge & Professionalism

Conclusion

"If you think hiring professionals is expensive, try hiring amateurs." Anonymous

*NAPCP Resources

* = Resources available to general public

♦ = Resources available to complimentary NAPCP subscribers;

Who	What	Where
*	P-Card Introduction (access the section on "Why Use...")	www.napcp.org/P-CardIntro
*	Commercial Card Glossary	www.napcp.org/CommercialCardGlossary
♦	P-Card Value Proposition	www.napcp.org/P-CardValueProposition
♦	Example Comparison: Rebate vs. Process Savings	www.napcp.org/ProcessSavings
*	*Purchasing Card Essentials: The NAPCP's Guide to Establishing and Managing a Program*	Available for purchase from: www.napcp.org/P-CardEssentials

For NAPCP members: www.napcp.org/ProcessCosts (includes a downloadable spreadsheet you can customize to evaluate your P2P costs, samples from end-users, etc.