NIGP FORUM
Connecting Procurement Communities
ORLANDO, FLORIDA ★ AUGUST 24-28, 2013

Government, K-12 Procure to Pay Process Cost Analysis

Why Should You Care?

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nigp.org

Background

- Member of the NAPCP more than 10 years
- Earned CPCP credentials in 2007
- Currently serving as a member of the NAPCP Government, K-12 Advisory Board
- Career Span
  - Working Partner Credit and Collections firm
  - Manager of Student Accounts, Private Business College
  - Twenty one years in K-12 Environment; last 10 building PCard program
  - Currently City of Tacoma PCard Program Manager & XiBuy Program Administrator since 2008
  - Frequent presenter & facilitator at forums, conferences, supplier outreach and other PCard related venues

Government, K-12 Procure to Pay Process Cost Analysis -*Why Should You Care?*

- **Government Employees Under Attack**
  - By the media
  - Politicians
  - Private Enterprise
  - Unethical Actions by Some Public Employees

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

Government, K-12 Procure to Pay Process Cost Analysis -*Why Should You Care?*

- **The Players**
  - Schools
  - Cities
  - Counties
  - States
  - Federal

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

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Government, K-12 Procure to Pay Process Cost Analysis -*Why Should You Care?*

- **Analytics from Outside Sources**
  - Benchmark Survey Results
  - Industry Standards
  - Best Practices Indicators
  - Great Tool to Start

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

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Government, K-12 Procure to Pay Process Cost Analysis -*Why Should You Care?*

- **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

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

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City of Arvada

- **Organizational Demographics**
  - State of Colorado
  - Population 108,500 Citizens
  - Approximate Number of Employes: 800
  - ERP Systems: Oracle
  - 320 Traditional PCards 20 Department Cards
  - ePayables Implemented in 2009
  - 2011 Spend Volume Approximately $15 Million

City of Arvada

Terri Brustad, CPCP
Program Administrator/Accountant
NAPCP Government, K-12 Group Advisory Member

- **2011 PCard VS. Paper Check Process VS. ePayables**
  - Decentralized Environment
  - Roles, Salaries, Cost per Minute
  - Traditional PCard Process
  - Payment Process via Check
  - Payment Process via ePayables

City of Arvada

- **Analysis Team***
  - Controller
  - Senior Accountant
  - PCard Administrator
  - Accounts Payable Lead
  - Accounts Payable Technician

*End-users were surveyed by the team to ensure each process was fairly represented

City of Arvada

- **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

- **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

- **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

- **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

- **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

- **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	

State of Washington

- **Organizational Demographics**
  - State Agency: Department of Transportation
  - Approximate Number of Employees: 6,800
  - ERP Systems: Mainframe with In-house developed PCard Reconciliation system software
  - 1013 Department PCards 40 Ghost Accounts
  - 2011 Spend Volume $45,455,463 Million

State of Washington

Kevin White, CPCP, CPPB
Program Administrator
Department of Transportation
NAPCP Government, K-12 Group Advisory Member

Washington State Department of Transportation

- **Roles & Cost 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	FA5	$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
    - Total = $25.87
  - **Grand Total**
    - 29 steps
    - 8 employees
    - 173* minutes + cost of forms, checks, envelopes & postage
    - **Total = $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 **$91.00**

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 employees
    - 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
    - Total = $9.45
  - **Grand Total**
    - 11 steps
    - 6 employees
    - 60* minutes
    - **Total = $19.85***

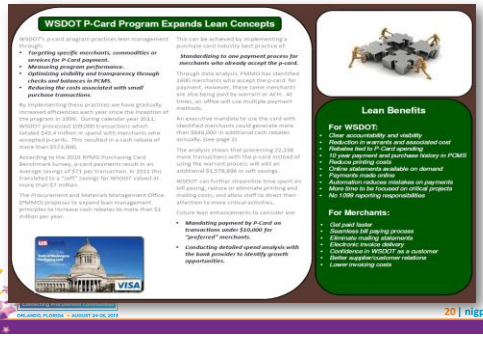
Cost Avoidance-Savings: $44.03

*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

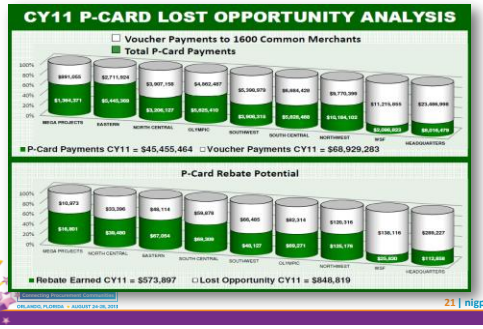
- **Sample Promotional Literature – Page 1**



State of Washington

Washington State Department of Transportation

- **Sample Promotional Literature – Page 2**



Harford County Public Schools

- **Organizational Demographics**
  - Bel Air, State of Maryland K-12 Public School System
  - Approximate Number of Employees: 5,369
  - Number of Students: 38,222
  - Number of Schools: 54
  - ERP System: Lawson
  - 376 Regular PCards 188 Declining Balance Cards
  - 2012 Spend Volume $18,362,694 Million

Harford County Public Schools

Christine Wertz, CPCP
Purchasing Card Coordinator
NAPCP Government, K-12 Group Advisory Lead

- **Roles & Cost 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

- **Traditional PO Process**
  - Requisitions:
    - 4 steps
    - 2 employees
    - 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
  - Purchasing Post Receiving:
    - 3 steps
    - 1 employee
    - 12 minutes
    - Total = $5.04
  - 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

- **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 employee
    - 8 minutes = $3.81
  - Reconciliation/Review:
    - 5 steps
    - 3 employees
    - 15 minutes
    - Total = $12.57
  - **Grand Total**
    - 10 steps
    - 6 employees
    - 45* minutes
    - **Total = $25.50***

Savings: $58.15

* Average cost per minute from ALL groups

City of Tacoma

- **Organizational Demographics**
  - Located in Washington State, General Government & Public Utilities
  - Population of 808,202
  - Approximate Number of Employees: 3,544
  - ERP System: SAP/XiBuy
  - 877 Department PCards 12 Contract/PO Cards
  - 2011-12 Biennium Spend Volume $25,53,605 Million*

*__26.5 %__ increase transferred spend over 2009-2010 biennium; __27%__ bank incentive increase over previous biennium

City of Tacoma

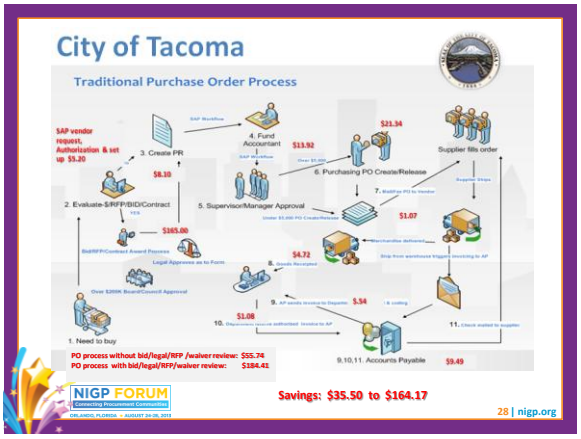
JoAleen L Ainslie, CPCP
Procurement Card Program Manager
XiBuy Program Administrator
NAPCP Government, K-12 Group Advisory Member

- **Roles & Cost 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
Traditional Purchase Order Process
SAP vendor request, Authorization & set up $3.20
3. Create PR
4. Fund Accountant
$13.92
$21.34
Supplier fills order
$8.10
2. Evaluate-$/RFP/BID/Contract
6. Purchasing PO Create/Release
5. Supervisor/Manager Approval
$1.07
$165.00
$4.72
8.
$1.08
9.
$.54
10.
11.
1. Need to buy
PO process without bid/legal/RFP /waiver review: $55.74
PO process with bid/legal/RFP/waiver review: $184.41
9,10,11. Accounts Payable
$9.49
Savings: $35.50 to $164.17
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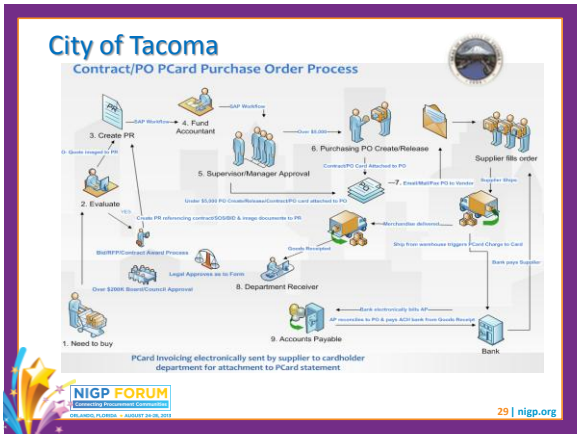
City of Tacoma
Contract/PO PCard Purchase Order Process
3. Create PR
4. Fund Accountant
6. Purchasing PO Create/Release
Supplier fills order
5. Supervisor/Manager Approval
2. Evaluate
8. Department Receiver
1. Need to buy
9. Accounts Payable
Bank
PCard Invoicing electronically sent by supplier to cardholder department for attachment to PCard statement
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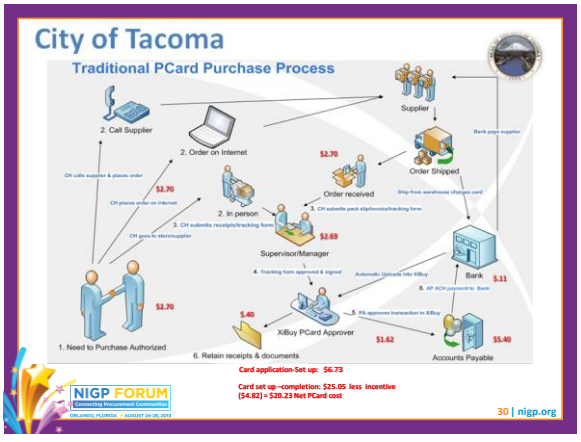
City of Tacoma
Traditional PCard Purchase Process
Supplier
2. Call Supplier
2. Order on Internet
$2.70
Order Shipped
Order received
2. In person
$2.69
Supervisor/Manager
Bank
$.11
$2.70
$.40
$1.62
$5.40
1. Need to Purchase Authorized
6. Retain receipts & documents
XiBuy PCard Approver
Accounts Payable
Card application-Set up: $6.73
Card set up -completion: $25.05 less incentive ($4.82) = $20.23 Net PCard cost
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Government, K-12 Group Advisory Board

- **Meet the team**
  - 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

Conclusion

- **Why Should You Care?**
  - Adversity Creates Opportunity
  - Take of Advantage of Opportunity
  - Create & Present your Own Cost Analysis
  - Use Results to Collaborate & Negotiate
  - Demonstrate Your Commitment, Knowledge & Professionalism

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

NAPCP Resources

** = Resources available to general public*
♦ = Resources available to complimentary NAPCP subscribers; www.napcp.org/JoinNow

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.