P-Card Kaizen Event

Team Report-Out

21-August 2012
<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
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<tbody>
<tr>
<td>Bobbie Dalquist</td>
<td>Team Leader, Accounting Info. Sys.</td>
</tr>
<tr>
<td>Joe Herbig</td>
<td>Champion/Accounting Svcs</td>
</tr>
<tr>
<td>Sue Laajala</td>
<td>Team Member / Gen. Accounting</td>
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<tr>
<td>Eddie Jean Johnson</td>
<td>Team Member/Accounting</td>
</tr>
<tr>
<td>Ray Lasanen</td>
<td>Team Member/Purchasing</td>
</tr>
<tr>
<td>Sue Kerttu</td>
<td>Team Member/KRC</td>
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<tr>
<td>Alane Isaacson</td>
<td>Team Member/Athletics and Rec.</td>
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<tr>
<td>Phyllis Williamson</td>
<td>Team Member/School of Bus.</td>
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<td>Nick Sirdenis</td>
<td>Team Member/Mt. Ripley</td>
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<tr>
<td>Mike Clawson</td>
<td>Team Member/Facilities Purchasing</td>
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<tr>
<td>Rick Berkey</td>
<td>Lean Facilitator, ILI</td>
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Outline

• Team Goals / Objectives / Approach
• ‘Current State’ – issues, opportunities, data
• ‘Future State’ – improvements and plans
• Monitoring Results
• Team Reflections on Lean/Kaizen
• Q&A
University purchasing cards (p-cards) are a more efficient method of making University purchases as compared with purchase orders and blanket orders. A review of PO statistics for the past year indicates roughly 50% of confirming and non-confirming PO's were in fact allowable p-card purchases. Over 80% of blanket order invoices were allowable on the pcard. The opportunity exists to streamline the purchasing process by increasing p-card usage in place of PO's and blanket orders for allowable purchases.
### Preliminary Objectives

**Reduce the number of PO's** for purchases that are allowable on University p-cards. **Target = 50% reduction within 6 months of completion of the Kaizen event.**

Review, revise, and update **University purchasing documentation** (process maps, procedures, etc.) **Communicate** updates across campus so end users have access and are knowledgeable of revised purchasing processes. More specifically, review and revise **p-card allowable purchases and credit limits** as needed.

Also look at use of petty cash within this team to determine whether additional efficiencies can be realized.
Lean Approach

Key Concepts/Tools

• Scoping – A3 Profile
• Metrics - Data-Based Decisions
• Process Mapping
• Standards, Standard Work
PO’s and Blanket Orders – appropriate for certain purchases, longer processing and cycle time vs. p-card purchases

Confirming Orders – after the fact / reactive, ‘non-value added’ processing from a Lean perspective, should be minimized

P-Card $ Limits – monthly, per transaction...can drive up # PO’s / Blankets when users near limits
‘Current State’ (cont.)

- **Prohibited P-Card List** – opportunity to clarify, update, provide users explanations on the ‘why’

- **Petty Cash Usage** – another ‘account’ to manage at the dept./unit level, is it needed, why and how is it used, could p-card be used instead?
FY12 Purchasing Transactions (counts) by Type

- Blanket Order: 22,403
- Direct Pay: 21,898
- Petty Cash: 9,577
- Purchase Order: 1,173
- P-Card: 32,777

Goal = Reduce!
• **Allowable on p-card** = charges to account codes allowable on Access Online

• **Majority are allowable; target 50% reduction in these PO’s and BL’s by converting to p-card**

### FY12 MTU Blanket and Purchase Order Transactions (counts)

<table>
<thead>
<tr>
<th></th>
<th>Transactions to account codes</th>
<th>Charges to account codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blanket</td>
<td>18,481</td>
<td>3,922</td>
</tr>
<tr>
<td>Purchase</td>
<td>6,236</td>
<td>3,341</td>
</tr>
</tbody>
</table>

### 50% Reduction Target

<table>
<thead>
<tr>
<th>Trans</th>
<th># PO and BL</th>
</tr>
</thead>
<tbody>
<tr>
<td>BL</td>
<td>9241</td>
</tr>
<tr>
<td>PO</td>
<td>3118</td>
</tr>
<tr>
<td>Total converted to p-card</td>
<td>12359</td>
</tr>
</tbody>
</table>

**Projected time savings (hrs)**: 437
<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fill out requisition</td>
</tr>
<tr>
<td>2.</td>
<td>Reviewed and signed by financial manager; PO is created/completed in Banner</td>
</tr>
<tr>
<td>3.</td>
<td>Send in campus mail, fax or email to Purchasing</td>
</tr>
<tr>
<td>4.</td>
<td>Req is received in Purchasing</td>
</tr>
<tr>
<td>5.</td>
<td>Various codes such as vendor ID, commodity, ship-to, etc are applied to req or verified</td>
</tr>
<tr>
<td>6.</td>
<td>Any necessary manual approvals are obtained</td>
</tr>
<tr>
<td>7.</td>
<td>Buyer works on req (verifies pricing, edits, obtains quotes, etc)</td>
</tr>
<tr>
<td>8.</td>
<td>Req is entered into Banner</td>
</tr>
<tr>
<td>9.</td>
<td>Accounting approves req</td>
</tr>
<tr>
<td>10.</td>
<td>Req posts</td>
</tr>
<tr>
<td>11.</td>
<td>Req is printed</td>
</tr>
<tr>
<td>12.</td>
<td>Buyer is assigned to req in Banner</td>
</tr>
<tr>
<td>13.</td>
<td>Purchase Order (PO) number is assigned to req in Banner</td>
</tr>
<tr>
<td>14.</td>
<td>PO is created/completed in Banner</td>
</tr>
<tr>
<td>15.</td>
<td>PO posts</td>
</tr>
<tr>
<td>16.</td>
<td>PO is printed in Print Shop</td>
</tr>
<tr>
<td>17.</td>
<td>PO copies (gold, blue, pink &amp; ivory) are sent in campus mail to Citizen’s Bank Building</td>
</tr>
<tr>
<td>18.</td>
<td>PO is faxed, emailed or mailed</td>
</tr>
<tr>
<td>19.</td>
<td>PO is reviewed by Manager of Purchasing</td>
</tr>
<tr>
<td>20.</td>
<td>PO is scanned in ImageNow</td>
</tr>
<tr>
<td>21.</td>
<td>PO is linked in ImageNow</td>
</tr>
<tr>
<td>22.</td>
<td>Receiver copy sent to Dept (either paper or in ImageNow) if over $1000</td>
</tr>
<tr>
<td>23.</td>
<td>Dept sends receiver (either paper or in ImageNow) to Accounts payable</td>
</tr>
<tr>
<td>24.</td>
<td>Accounts payable enters receiver in Banner</td>
</tr>
<tr>
<td>25.</td>
<td>Accounts payable enters invoice in Banner</td>
</tr>
<tr>
<td>26.</td>
<td>Accounts payable does check or direct deposit run and vendor is paid</td>
</tr>
</tbody>
</table>
1. Order item and charge on Pcard (Vendor Paid)
2. Keep log of purchases
3. Weekly or monthly - reallocate charges to appropriate index and account code
4. Monthly - Have statement reviewed and signed by supervisor or designee
5. Monthly - Download charges from Access Online
6. Monthly - Sponsored Program Accounting approves charges to grants and contracts
7. Monthly - Post charges to Banner
8. File receipts and statement or scan and upload to ImageNow
Summary
Time Factors

• Approving the payments
  • Individual requisitions/invoices vs monthly statement

• Processing Invoices
  • Many invoices per month vs one payment per month

• Checks
  • Many checks/direct deposits per month vs one wire transfer per month

• Determining Accounting
  • Individual requisitions/invoices vs reallocations on pcard transactions
Approvals

• **Purchase Requisition** – by financial manager and department head when over $5000 and Accounting Services/SPA when requisition submitted

• **Blanket Order** – by authorized person for that blanket order and Accounting Services/SPA when each invoice is received

• **Check request** – by check requester with department head’s or supervisor’s implicit approval and Accounting Services/SPA as each request is made

• **Purchasing card** – By card holder supervisor and SPA monthly
Defining the ‘Future State’
• Prohibited Items
• Credit Limit
• Did you know?
Prohibited Items

Updated list with reasons why
http://www.admin.mtu.edu/acct/dept/pur/purchcard/prohib.htm

• Federal Laws, regulations must be followed
• Accounting procedures or special forms required
• Insurance Liability – Need certificate of insurance on file
• Contract is required
• Not an appropriate use of Michigan Tech funds
Need a higher limit?

- Email your request to your supervisor
  Can be temporary or permanent

- Ask your supervisor to forward your request to Ray Lasanen (relasane@mtu.edu)
Did you know... [link]

- When to use a purchase order?
- When to use a blanket order?
- What to do if you ordered and received goods or services without doing a purchase requisition? (separate slides)
- That petty cash isn’t required?
Making a Purchase

Step 1 – decide on the method of payment

What if you skipped step 1?

If possible, pay with your credit card
Not on prohibited list
Not equipment over $5,000
Vendor takes VISA
Does the vendor take credit cards? Please ask...
Skipped step 1 and can’t pay by credit card

• Plan ahead next time – confirming POs should be the exception not the rule
• On campus service – fill out a requisition
  • Liability issues
  • Need Certificate of Insurance on file
  • Independent contractors – form needed
• Could use Pcard but Vendor won’t accept credit cards
  • Check request acceptable for amounts under $5000
Process Flow

http://www.admin.mtu.edu/acct/dept/pur/purchasing_decisions.pdf
Team Reflections

Alane Isaacson – Athletics
Mike Clawson – Facilities
Nick Sirdenis – Mont Ripley
Phyllis Williamson – School of Business, now School of Forestry
Sue Kerttu – Keweenaw Research Center
Monitoring Results

Monthly Purchasing Transactions by Type

FY2012
FY2013

% of total monthly transactions
0% 10% 20% 30% 40% 50% 60%

BL%
PO%
P-Card%

1 2 3 4 5 6 7 8 9 10 11 12 13 14 1 2 3 4 5 6
Monitoring Results
Questions?

Answers

Ray Lasanen - Manager, Purchasing
Barb Koski – POs and Blanket Orders
Lisa Redding – Purchasing Cards
Eddie Johnson – Purchasing Cards
Joe Herbig
Controller - Kaizen champion