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P-Card Kaizen Event

Team Report-Out

21-August 2012

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Our Team

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

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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

<u>Problem Statement</u>					
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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.

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Lean Approach



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Key Concepts/Tools

- Scoping – A3 Profile
- Metrics - Data-Based Decisions
- Process Mapping
- Standards, Standard Work

MichiganTech 'Current State'

- ❑ **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

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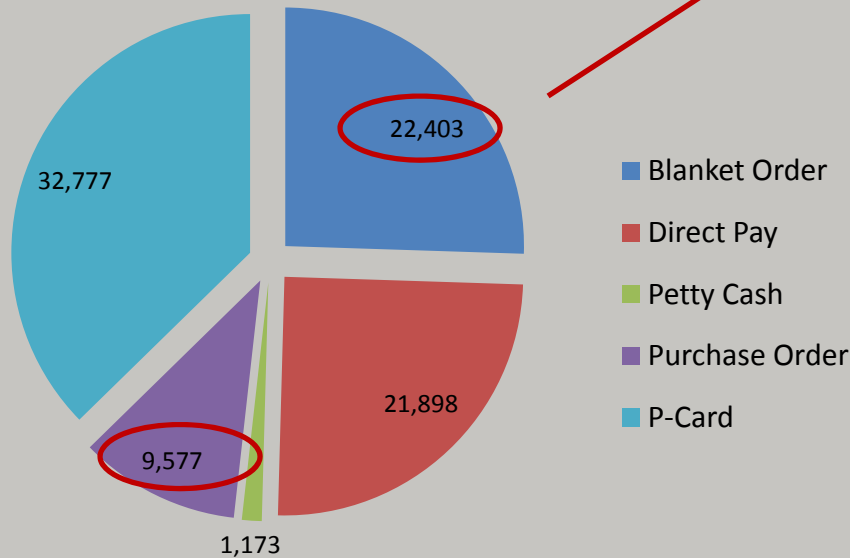
‘Current State’
(cont.)

- ❑ **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?

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Data/Metrics

FY12 Purchasing Transactions (counts) by Type



	Count	#PO and BL	Count per PO and BL
Blanket Orders	22403	530	42
Purchase Orders	9577	2833	3



Time Estimates (hours)

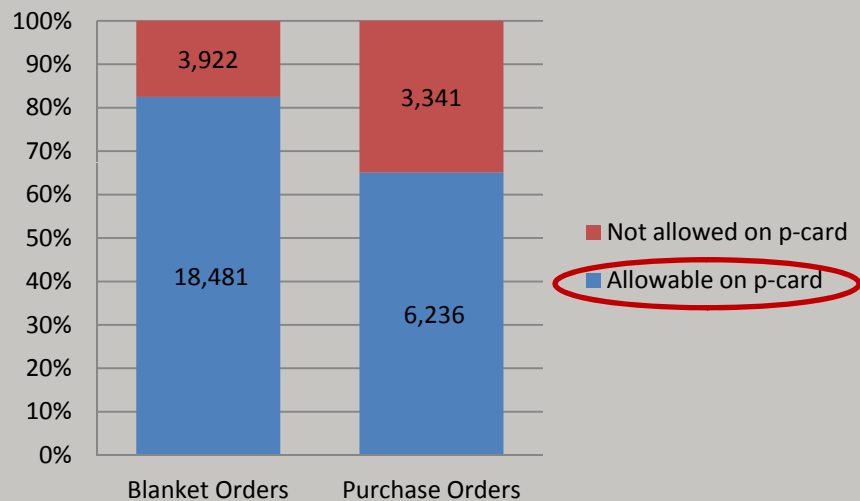
Requisition Time (Requester)	0.17
PO and BL Processing Time (Purchasing)	0.22
Average Total Processing Time	0.38
Total Processing Time FY12 (hours)	1289

Goal = Reduce!

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Metrics (cont.)

FY12 MTU Blanket and Purchase Order Transactions (counts)



- *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*



<u>50% Reduction Target</u>	Trans	# PO and BL
BL	9241	219
PO	3118	922
Total converted to p-card	12359	1141
Projected time savings (hrs)	437	

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Purchase Order Steps

1. Fill out requisition
2. Reviewed and signed by financial manager; >5000 reviewed and signed by dept head
3. Send in campus mail, fax or email to Purchasing
4. Req is received in Purchasing
5. Various codes such as vendor ID, commodity, ship-to, etc are applied to req or verified
6. Any necessary manual approvals are obtained
7. Buyer works on req (verifies pricing, edits, obtains quotes, etc)
8. Req is entered into Banner
9. Accounting approves req
10. Req posts
11. Req is printed
12. Buyer is assigned to req in Banner
13. Purchase Order (PO) number is assigned to req in Banner
14. PO is created/completed in Banner
15. PO posts
16. PO is printed in Print Shop
17. PO copies (gold, blue, pink & ivory) are sent in campus mail to Citizen's Bank Building
18. PO is faxed, emailed or mailed
19. PO is reviewed by Manager of Purchasing
20. PO is scanned in ImageNow
21. PO is linked in ImageNow
22. Receiver copy sent to Dept (either paper or in ImageNow) if over \$1000
23. Dept sends receiver (either paper or in ImageNow) to Accounts payable
24. Accounts payable enters receiver in Banner
25. Accounts payable enters invoice in Banner
26. Accounts payable does check or direct deposit run and vendor is paid

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Purchasing Card Steps

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

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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

- 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

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Defining the 'Future State'

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Policy Review

- Prohibited Items
- Credit Limit
- Did you know?

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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...

http://www.admin.mtu.edu/acct/dept/pur/did_you_know.htm

- 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?

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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

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Making
a Purchase

Does the vendor take credit cards?

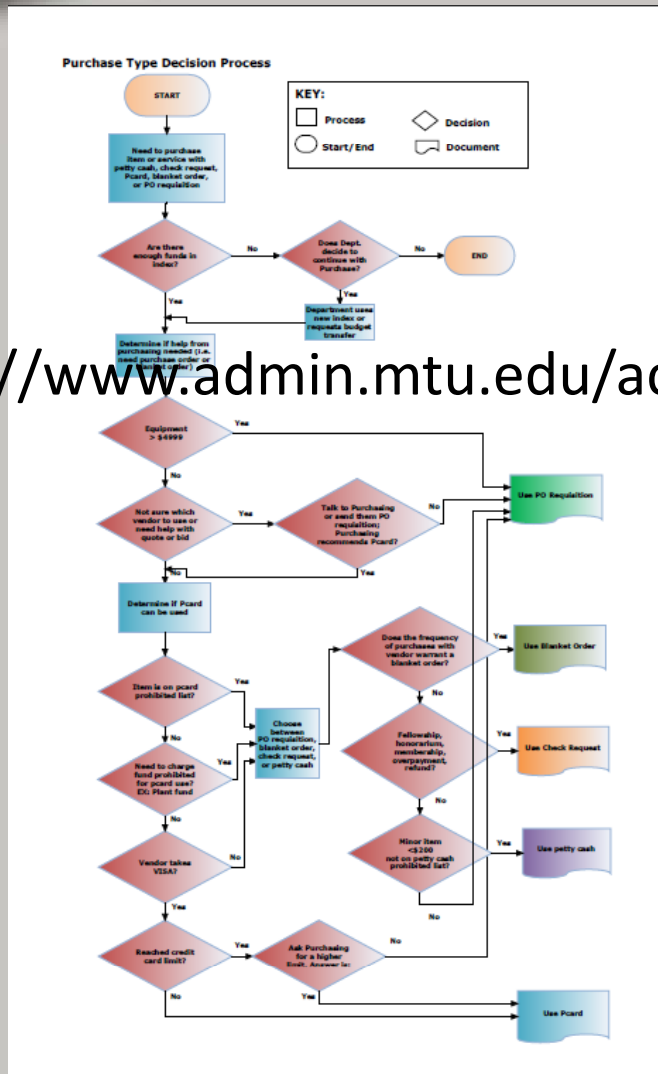
Please ask...

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

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Process Flow



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



Team Reflections

Alane Isaacson – Athletics

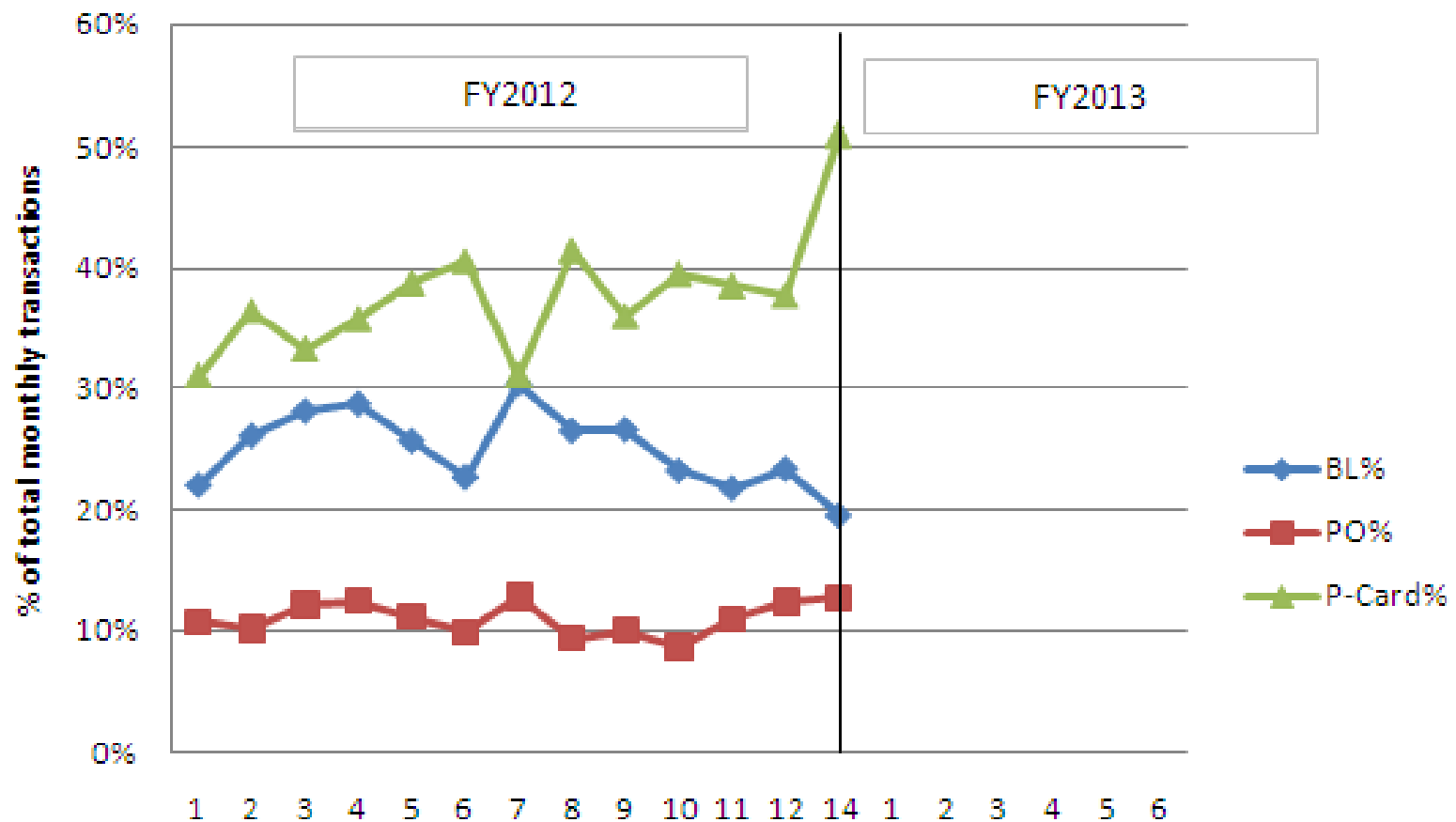
Mike Clawson – Facilities

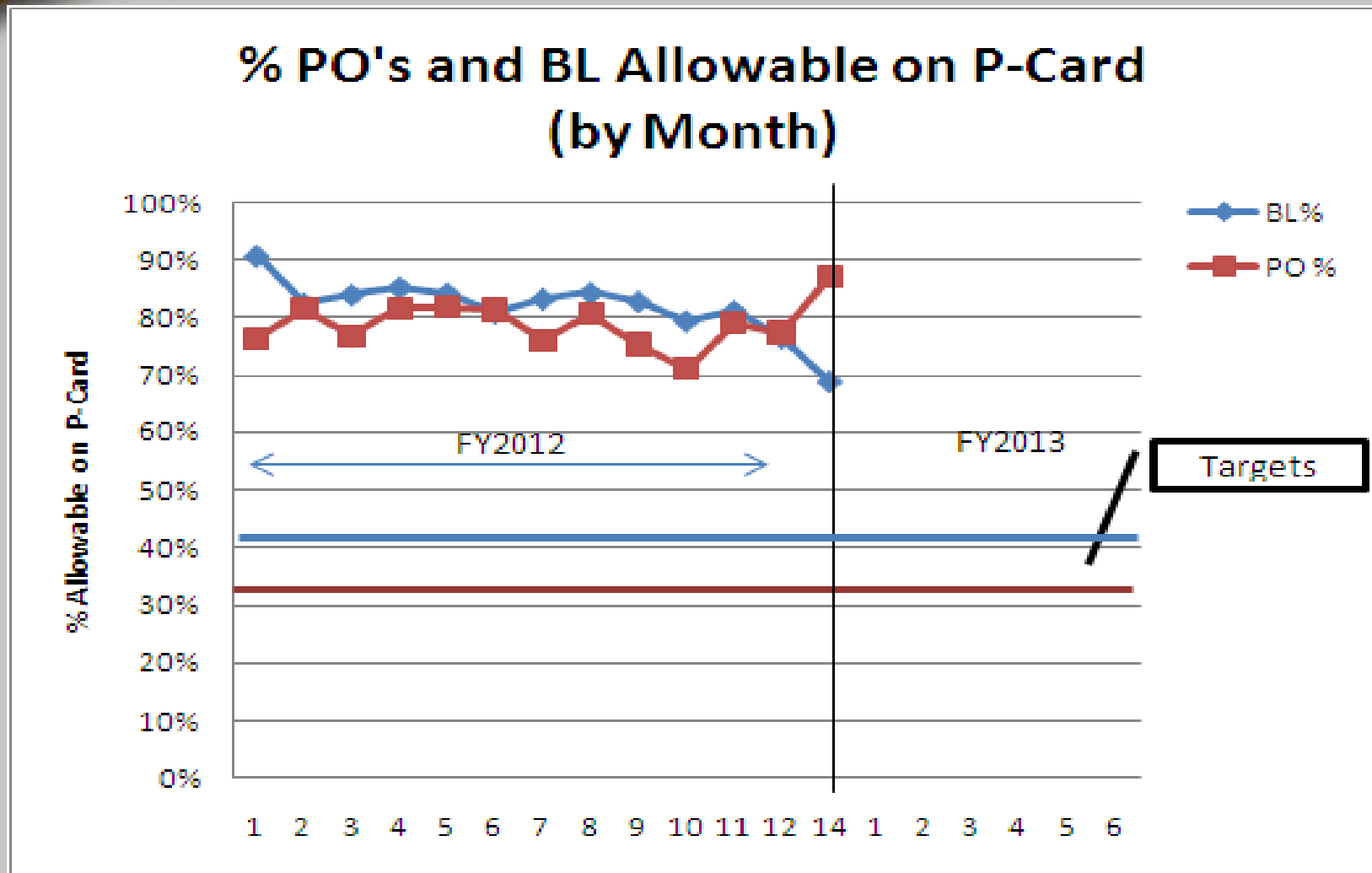
Nick Sirdenis – Mont Ripley

Phyllis Williamson – School of Business, now
School of Forestry

Sue Kerttu – Keweenaw Research Center

Monthly Purchasing Transactions by Type





Answers

Ray Lasanen - Manager, Purchasing

Barb Koski – POs and Blanket Orders

Lisa Redding – Purchasing Cards

Eddie Johnson – Purchasing Cards

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Summing it Up

Joe Herbig

Controller - Kaizen champion