

# · GOVERNMENT · PROCUREMENT

## P-Card Program Transforms County Procurement

In Polk County, FL, purchasing cards have reduced time, costs, and paperwork to streamline procurement procedures

By Buddy Storey

Strides in technology have enhanced many aspects of procurement functions, and purchasing cards (P-cards) offer one prime example. Whereas the manual purchase order system previously used in Polk County, FL, was expensive, time-consuming, and difficult to monitor, purchasing

cards are exactly the opposite.

In 2000, Polk County introduced a purchasing card system that has proven to be fast, efficient, and secure. The system also allows county officials to monitor and adapt spending on a real-time basis.

When I was a banker many years ago, I never imagined that new payment products would literally transform how government and corporate custom-

ers conduct business. Although advances in personal banking, such as online banking and bill payments, are often publicized and applauded, purchasing cards have been just as transformational, on even a larger scale.

On the county government level, purchasing cards combine the efficiency of online banking and other initiatives, providing the entity with millions of dollars in savings. Additional benefits include increased transparency and security.

### Overcoming the Paper Challenge

Before Polk County introduced the P-card program, procurement personnel kept a log of purchase order numbers for all transactions. However, the clerk who assigned the numbers to employees had no further control over which employees eventually used the numbers.

In addition, every purchase was costing an average of \$35 to \$150 per transaction to process. With thousands of transactions conducted annually, the system was costing the County millions of dollars. Even if a purchase order is for a small amount, processing charges are the same as



Many Polk County administrators, such as the County Manager and the County Commissioner, have offices at the Neil Combee Administration Building, located in Bartow, FL. The Board of County Commissioners was instrumental in launching the County's P-card program, by using a contract already established by the State of Florida.

those incurred for a large amount.

When county officials decided to improve payment procedures, two choices were considered. The first option was to align the existing purchase order system with appropriate controls. However, this upgrade would have been even more cumbersome and expensive. Instead, the County decided to implement the second option, which involved introducing a purchasing card system.

Because the State of Florida already had a Visa Purchasing Card Program issued by the Bank of America, Polk County's Board of County Commissioners was able to join that contract at no additional cost, beginning in June 2001.

Polk County employees were trained for a pilot program and issued approximately 100 P-cards in six divisions. The new system worked so smoothly that within just three months, officials decided to issue cards to employees in the county's remaining 29 divisions.

Within two years, employees of all remaining Polk County agencies were trained and added to the card program.

### Spending Increases, While Costs Decrease

Since using the purchasing cards, Polk County's transaction volume has grown from \$800,000 in 2001 to more than \$16 million in 2006.

Using the old paper-based system, the County would have needed to hire at least four more employees to handle the current volume of about 48,000 transactions per year. In the past five years, county employees have come to appreciate the efficiency that the card adds to so many job requirements. Some divisions that initially viewed the purchasing card with deep suspicions, now sing its praises.

Because the card program saves an abundance of time and money on each transaction, the County has been receptive to increasing the small purchase cap from \$500



and \$1,000 to \$2,500. In addition, because of rising costs and the chance to realize even greater efficiencies, county officials are considering raising that cap again.

### Controlling Influences

When Polk County first instituted the P-card program, some county executives and other government peers questioned whether the program placed too much purchasing power into the hands of employees.

However, allowing employees to use P-cards does not mean that procurement managers lose authoritative control over purchasing decisions.

In fact, I have more control now than I had years ago, when the County used a direct purchase order system. Before P-cards were implemented, there was more paper used, but less transparency, accountability, and security.

With the P-card system in place, I set all card usage parameters, as well as view all transactions through a real-time electronic card management system that tracks expenditures as they are made. My team and I can view transaction patterns using an intuitive Web-based interface.

Enhanced security is another benefit of using purchasing cards. Polk County introduced a P-card program because its traditional paper-based system was not secure. A county audit found that the direct purchase order system contained flaws, which could lead to waste and fraud.

The Visa Purchasing Card Program was implemented with the goal of allowing county staff to

make approved purchases quickly so they could return to performing their jobs, instead of wading in extra paperwork.

As an additional benefit, the program provides the procurement oversight team with increased clarity about purchases being made, thereby enabling auditors' requests to be quickly fulfilled.

As purchasing director, I control every P-card's usage parameters, including spending limits, merchant acceptance, and time of use, in order to ensure honest and ethical purchases by card users. Cards can be used only at merchants that carry relevant supplies. Spending limits restrict purchases to amounts needed, and time-of-use parameters restrict purchases to business hours.

When exceptions occur, such as special projects or emergencies, I simply remove or alter these restrictions, which takes less than 10 minutes. All transactions can also be viewed through a real-time electronic card management system that tracks each employee's expenditures as they are made.

In turn, employees submit all receipts with respective statements for verification and tracking at the end of the month, when purchasing card balances are paid in full.

### Combined Factors Contribute to Success

Over the years, the Polk County purchasing team has developed and come to rely on various best practices that can optimize implementation of P-card programs. These include:

- **Dedicated resources.** Polk County currently has one full-time staff member committed to handling all aspects of the P-card program, including training, monitoring, performing spot audits, and answering cardholder questions. This staff member helps to ensure the smooth operation and growth of the program for increased savings.

- **Program management.** For best results, the card manage-

ment program selected should be flexible and user friendly. In Polk County, a program called *Works* enables the administrator to set or alter usage parameters on all cardholders in real time, and any changes take effect immediately.

The program also provides transparent monitoring capabilities for all cardholders and transactions, thus ensuring crucial accountability.

- **Training.** For any card program, success hinges on effectively training employees, followed by retraining. In Polk County, employees are trained before they receive their P-cards.

As these cards expire, the County is starting a program that retrains employees about card usage. The retraining will begin with a test so employees and managers can monitor the employee's current understanding of the program.

Training topics will cover purchasing card procedures as well as specific purchasing procedures. Another test will then be administered at the end of the training session to measure employee retention.

All training sessions emphasize the role each employee plays in the overall success of the program. Trainers reinforce that each employee has an important responsibility to represent the County with integrity and pride.

Goals are to ensure that each employee fully understands the trust given to them by County management and their part in the program's success.

- **Monitoring.** An important step involves monitoring all card activity. Then, if and when problems occur, solutions can be enacted quickly. If a specific purchase looks question-able, managers call the employee who initiated the transaction.

Employees understand that the program is closely monitored and that disciplinary action will be taken if cards are abused.

Polk County's monitoring program includes purchasing staff, supervisors of the employees, card representatives who code transactions for work groups, and accounts payable personnel, who serve as auditors for the program.

In addition, the Bank of America constantly monitors the County's purchasing transactions through its fraud division, as well as alerts County management to any suspicious-looking activity. On a few occasions, when cards were lost or stolen, the bank cancelled the cards immediately.

- **Budget ownership.** Managers in 35 county divisions each own their specific budget. Thus, it is important that managers see the interface with the financial accounting system as quickly as possible after the billing cycle. The County currently interfaces once a month, but plans are underway to provide the data once a week. The weekly interface will mean that transactions appear on budgets more quickly.

## Insights About Launching a Program

Based on Polk County's experience, a few guidelines can help entities create a successful purchasing card program. To assist those who are in the beginning stages of program development, advice includes:

- Focus on getting buy-in support from top management. A great way to start is by benchmarking the entity's current purchasing process against the implementation of a P-card program. The comparison will usually show significant savings, which will motivate top managers to consider change.

- Develop a good, sound working relationship with the segment of your organization responsible for auditing and financial accounting. Demonstrating the controls that are built into the P-card program will go a long way toward winning advocates.

- Obtain the approval of policy makers. This approval can be accomplished by delivering a well-prepared presentation of what the P-card program can mean for your entity. An important step also involves selecting a card provider and bank that will work closely with your entity to make the program successful.

For Polk County, success of the P-card program is due to a combination of best practices: dedicated resources, multi-faceted program management, training and retraining, continuous monitoring, and timely interfaces with the financial accounting system.

Thanks to having a solid program in place, procurement managers, such as myself, feel that Polk County's 750 purchasing cards are in very good hands, allocated to employees who have a firm grasp on card usage and benefits of the program. With the absence of worries, I can rest assured, ready to fall asleep as soon as my head touches the pillow. □

### About the Author:

Buddy Storey has been the Director of Purchasing for Polk County, FL, since 1999. Polk County's spending volume is the second largest in the state, among cities and counties. Of that volume, 8 percent, or \$16 million, is currently spent using purchasing cards. Storey's goal is to continue to grow the number and type of transactions that can be processed on the purchasing card.

