Agenda

Procurement topics for BOS Work Session

- Procurement Card Proposed Changes

Procurement Card Proposed Changes

<u>Agenda</u>

- Program Comparison
- Benefits to the County
- Summary of Primary Changes
  - Consolidate Cards & Banking Partner
  - Add services
  - Increase limits
  - Loosen contracted vendor requirements
  - Modify misuse oversight and penalties
- Proposed Next Steps

Procurement Card Proposed Changes

<u>Approach</u>

- Reviewed other programs to identify BKMs:
  - Counties: Maricopa, Coconino, Pima
  - Cities: Chandler, Mesa, Tucson
- Comprehends recommendations from 2011 internal audit of Purchasing
- Solicited input for desired changes from internal partners
- Reviewed changes with Finance managers
- Reviewed new policy draft with banking partner

Card Program Comparison

COUNTY	LIMITS Transaction/ Monthly	SERVICES OK?	ONE CARD?	NON CONTRACT SPENDS?	
Coconino	$3k/$15k	Yes	Yes	Yes	
Maricopa	Set on a per user basis	Yes	Yes	Yes	
Mohave	$5k/$50k	Yes	**No***	Yes	
Pima	$5k	Yes	Yes	Yes	
Pinal	Set on a per user basis	**No**	No	Yes <$1k No>$1k	

Pinal County is not receiving full benefit of its P-Card program due to overly restrictive policy requirements.

*P-cards are issued to departments not individuals

Procurement Card Proposed Changes

Benefits To The County

- Financial: Assuming a $5,000 transaction limit and the addition of services, Pinal County will see ~$190,000 in additional annual savings:
  - Incremental transaction savings = $151,000
  - Incremental rebate benefits = $ 39,000

  Total Annual Savings $190,000
- Efficiency:
  - One banking partner
  - One program administrator
  - Improved reporting
  - Higher value-add services from Procurement

Procurement Card Proposed Changes

Summary of Changes

- Card Consolidation
  - Increased efficiency benefits are available by routing travel and P-Card spends through a single card
  - Travel card policy has been incorporated into the P-Card policy

- Services:
  - Include services as eligible P-Card purchases.
  - Current 1099 reporting requirements do not restrict our ability to purchase services with P-Cards.
  - The IRS allows purchasing clients to rely on MCCs to distinguish between merchandise and services

- Spending Limits
  - Set single transaction limit to $5,000 and monthly limit at $30,000 maximums
  - Require all purchases <$5,000 to be processed on a P-Card. Controls include:
    - Department and Finance Directors approve the single transaction and monthly limits for all cards
    - Lowest practical limit shall be set to minimize risk
    - Audit procedures will be established to monitor compliance

- Contracted Vendors
  - Cardholders may use non-contracted vendors when a contracted vendor is unavailable. No pre-approval is required.
  - Procurement will review spends with non-contracted suppliers on a periodic basis and will negotiate contracts when the spending warrants

- Misuse Penalties
  - Eliminate point system and increase focus on education, accountability and follow-through
  - Perform periodic audits and take action on ALL violations
    - Missing receipts, prohibited purchases
  - Limit MCCs to only those required for each cardholder

Procurement Card Proposed Changes

Next Steps	Timing	Owner
• Update policy with suggested changes	Sept	Randon
• Review with department heads	Oct	Elizabeth/Randon
• Review with BOS and receive guidance	Oct	Levi/Randon
• Review revised Travel/P-Card policy with BOS for approval	Oct	Levi/Randon
• Partner with B of A to roll-out new programs – training	Nov/Dec	Randon/Elizabeth