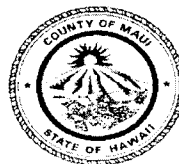


Purchasing Cards (pCARDS) & Purchase Orders

Policy & Intergovernmental
Affairs Committee
June 16, 2015



Pcard program

What is a P-Card?

Ordinary Master Card/Visa Card

+

Controls

- Merchant Category Codes

- No Cash

- Credit Limit

- Amount per Transaction

- Transactions/Day

- Transactions/Month

County of Maui Program

- Approx 370 Cards
- Annual Total Expenditures – approx \$4.6M
- Annual Transactions – approx 17,000
- “Office” Cards
- “Individual” Cards
- Other types of cards

Benefits to the Cardholder

- Convenience of Purchasing without a Purchase Order
 - No Delay
 - Less Paperwork
- Delegated Purchasing authority
- More purchase options

Vendors who do not accept purchase orders

Benefits to the Government

- Lower transaction costs
 - Department
 - Purchasing
 - Accounts Payable
- Rebates from First Hawaiian Bank
- One Check cut to First Hawaiian Bank

Controls

- Merchant Category Codes (Office/Travel, Industrial, Auto, IT, Fire Meals)
- Procedures, Cardholder Agreement
- \$500 transaction limit, with travel, price list, young brothers exceptions
- Centresuite Software
- Monthly Transaction Log
- Purchasing Division Consolidation & Review
- Accounts Division Review
- Department Training & Reminders
- First Hawaiian Bank covers external fraud

Disadvantages/Risks

- Potential for Abuse
- Public Perception
- Limitations of Merchant Category Codes
- Tight payment timeframe
- Fiscal year end control

3 Days

- Credit card risk vs. Purchase order Risk

Both Methods have:

Two Signature (separation of duties) standard –
Supervisors to help prevent theft

Purchasing/Accounts audit

Confirming Purchase orders & credit cards:

Financial commitment after all approvals

Credit card: Supervisors can see transactions 3
days later

Why it's worth it

- Estimated Transaction Cost Savings to Maui County per year: \$850,000.00 + (based on conservative estimate of \$50 savings per transaction x 17,000 transactions)
- Cost of Known Fraud to Maui County (since program inception) - <\$20,000 (not including current investigations)

Benchmarking – Organization Size

	Small Cities/ Counties (2009)	Large Cities/ Counties (2009)	County of Maui (2015)
Statistics			
Number of Employees	476	3763	2500
Program Performance Measures			
Number of cards	149	412	370
Purchasing Card to employee ratio	31.30%	10.90%	14.80%
Average monthly pcard spending	\$151,383	\$545,023	\$385,419
Transactions under \$2500 placed on pcard	43.00%	50.00%	60.00%
Transactions between \$2500 and \$10,000 on pcard	25.00%	19.00%	0.10%
Monthly pcard spending per employee	\$318	\$145	\$154
Annual pcard spending as a % of budget	1.76%	0.94%	0.93%
Cardholder Activity Measures			
Monthly transactions per pcard	4.21	4.45	5.58
Spending per transaction	\$242	\$297	\$272
Monthly spending per card	\$1,016	\$1,324	\$1,041
Active cards in a typical month	80.00%	76.00%	68.00%

Source: National Institute of Government
Procurement (NIGP) Survey (2009)

Benchmarking –Best Practices

	Best Practice Group (2009)	Needs Improvement Group (2009)	County of Maui (2015)
Statistics			
Number of Employees	1498	1729	2500
Program Performance Measures			
Number of cards	351	195	370
Purchasing Card to employee ratio	23.40%	11.30%	14.80%
Average monthly pcard spending	\$524,578	\$149,350	\$385,419
Transactions under \$2,500 placed on pcard	75.00%	26.00%	60.00%
Transactions between \$2500 and \$10,000 on pcard	48.00%	3.00%	0.10%
Monthly pcard spending per employee	\$350	\$86	\$154
Annual pcard spending as a % of budget	2.85%	0.57%	0.93%
Cardholder Activity Measures			
Monthly transactions per pcard	4.46	3.55	5.58
Spending per transaction	\$335	\$216	\$272
Monthly spending per card	\$1,495	\$766	\$1,041
Active cards in a typical month	81.00%	74.00%	68.00%

Source: National Institute of Government
Procurement (NIGP) Survey (2009)

Small Purchases

- Most of what an employee needs to know:

ALAN M. ARAKAWA
Mayor



DANILO F. AGSALOG
Director of Finance

JEREMIAH L. SAVAGE
Deputy Director of Finance

COUNTY OF MAUI

DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

February 25, 2011

Memo To: Department Heads
Thru: Danilo F. Agsalog, Director of Finance
From: Greg King, Central Purchasing Agent
Subject: Small Purchase Thresholds

The following is a reminder of our small purchasing requirements for goods, services, and construction.

Goods and Services:

\$0.01 - \$999.99 - Multiple quotations are not required, but are recommended if time permits.

\$1,000.00 - \$4,999.99 - A minimum of 3 verbal quotations are required.

\$5,000.00 - \$24,999.99 - A minimum of 3 written quotations are required.

\$25,000.00+ - Procurement must be advertised through the Competitive Sealed Bid or Competitive Sealed Proposal process, unless it qualifies as an emergency or sole source procurement as determined by the Director of Finance.

Construction:

\$0.01 - \$4,999.99 - Multiple quotations are not required, but are recommended if time permits.

\$5,000.00 - \$24,999.99 - A minimum of 3 written quotations are required.

\$25,000.00+ - Procurement must be advertised through the Competitive Sealed Bid or Competitive Sealed Proposal process, unless it qualifies as an emergency or sole source procurement as determined by the Director of Finance.

Where multiple quotations are required but are not available, the department is responsible for documenting why the additional quote(s) were not obtainable (e.g. sole source supplier) on the requisition form.

Please be reminded that small purchases shall not be parcelled by dividing the purchase of same like or related items of goods, services, or construction into several purchases of small quantity during any twelve-month period, so as to evade the statutory competitive source selection requirements. Also, vehicles, computers, and other planned or budgeted equipment will continue to be combined into large advertised purchases, so we can benefit from any economies of scale.

Thank you for your cooperation. If you have any questions, please call Greg King at 249-2403 x30.

Quotation requirements

- 3 quotes or documentation
- As many calls as needed to get 3 quotes
- Record of Procurement Form (\$1K +)

Quotation requirements

- Limited sources
 - Hawaii/Maui/Molokai/Lanai
 - Technical reasons

Quotation requirements

- Common statutory sole source
 - software license renewal
 - Software conversions/modifications/maintenance
 - Original Equipment manufacturer repairs to maintain warranty

Quotation requirements

- Common exemptions
 - Exempt/unknown extent or repair
 - Court reporter services
 - Conference registration fees
 - Targeted marketing (e.g. maui news, radio)
 - Soft skills training

Quotation requirements

- Cooperative Purchasing
 - WSCA/State of Hawaii (e.g. long distance telephone, computers, software, wireless access/equipment, mailing equipment, copiers, newspaper publication, lab equipment, etc.)
 - City/County (e.g. license plates, etc.)
 - Must be named in original solicitation

Quotation requirements

- County Price lists (e.g. fuel, tires, office supplies, nutrition supplies, safety toe shoes, printing, janitorial supplies)

Quotation requirements

- Best value (vs lowest bid)

Compliance law requirements

- Required for all expenditures over \$2,500.00
 - State and federal tax clearances
 - DLIR clearances
 - DCCA certificate of good standing
- Hawaii Compliance Express
- International companies can take time