

# P-CARD

Better Understanding How  
Money Is Actually Spent



Myth:

- The more paper, the better the paper trail

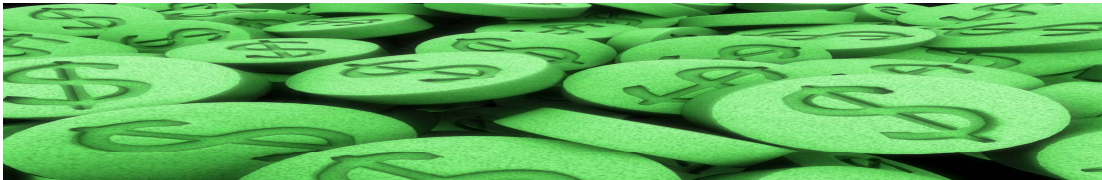


**Fact:**



In good times schools spend money!

In bad times schools spend money!



## Fact:

It costs money to spend money!

## Question:

What does it actually cost to process a PO from beginning to end?



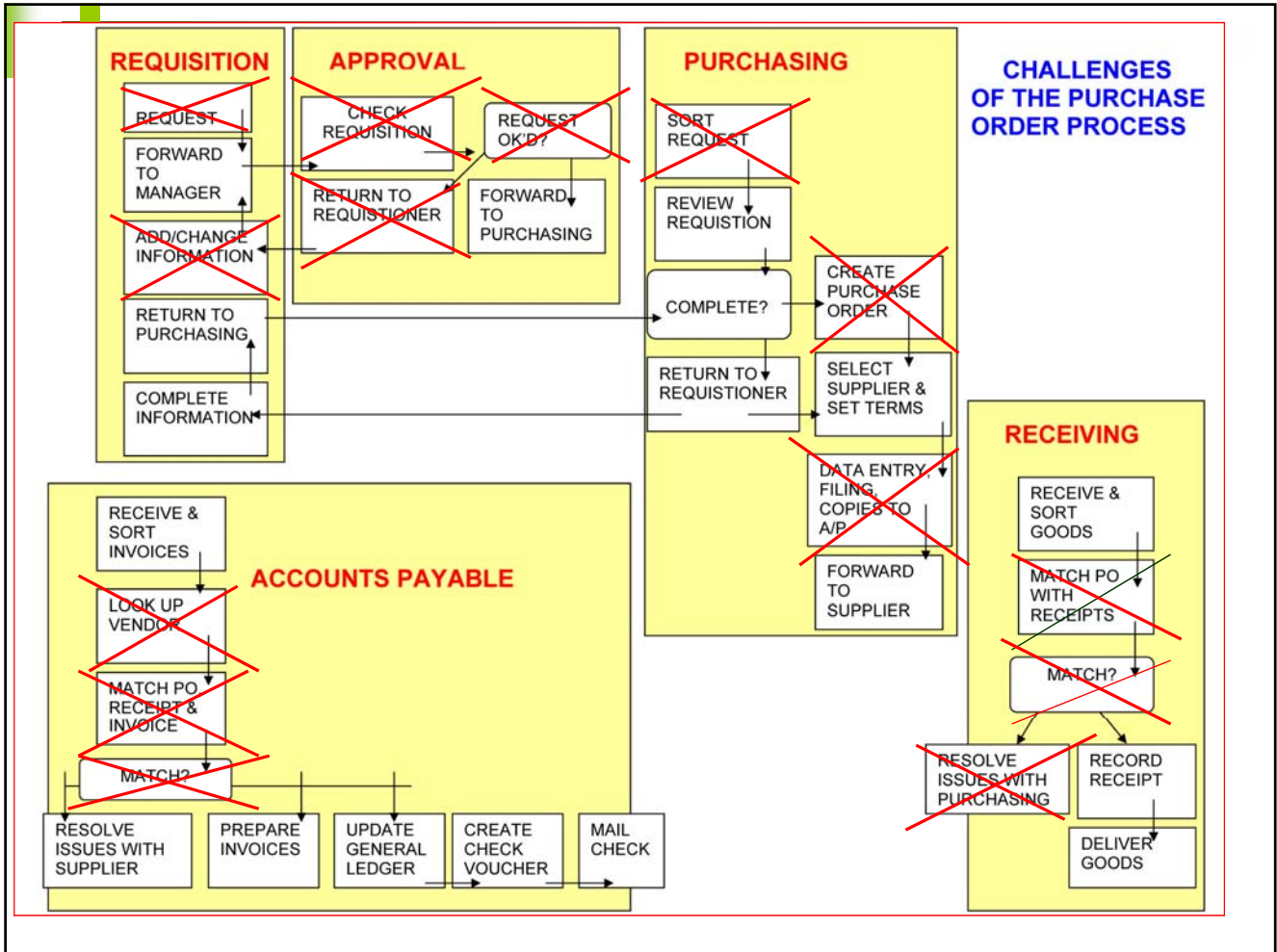
## The Traditional PO Process Can Be Painful...

- Paper Intensive / Mountains of Paper
- Multiple Departments Involved
- Same Process Regardless of Transaction Value
- High Average Per Transaction Cost to School District
- High Average Per Transactions Cost to the Vendor
- Not Cost-Effective for Small Purchases (Less than \$2500)

## What does it actually cost to process a PO from start to finish?

- Requisition
- Approval
- Purchasing
- Receiving
- Accounts Payable







## What are the Experts Saying?

“The average cost of processing a purchase order manually is between \$75 - \$200.”

“Automating procurement reduces that cost to between \$10 - \$40... The Return-On-Investment (ROI) is amazing.” *Deloitte Consulting*

Accenture   **US Bank**   Fifth/Third Bank   **American Express**



## Real reduction in paperwork (Naperville, IL SD# 203)

- 2001 - 9,847 PO's
- 2006 - 4,724 PO's  
5,123 PO's  
Reduction



## The reduction of checks written (Naperville, IL SD# 203)

- 2001 – 16,954 Checks Written
- 2006 – 8,689 Checks Written

**Savings of 8,265 Checks!**

Postage savings alone

At \$.44 = \$3636.60



## Bench Marking Questions



- How many non-payroll checks are written each month?
- What percentage are for less than \$500?

## Why is the Streamlining of Small Purchases Significant?

The majority of transactions in most school districts are for relatively small amounts

- 55 – 60% of AP checks are for less than \$500




Could **all** of these small transactions each month be consolidated into **one** payment?



It is time to streamline your accounts payable process – take it to the next level

- Measurable cost savings
- Customized cardholder controls
- Internet based program management
- Dedicated program support





## School districts have several options when it's time to pay the bills

- Write checks
- Petty cash
- Credit cards emergency checks
- Imprest funds
- Reimburse employee purchases
- P-Cards

In reality all of these result in checks being written

## The Bottom Line

Here is a state of the art best practice for school accounts payable processing

- Is free
- Provides comprehensive reports
- Provides general ledger coding
- Generates integrated transaction data
- Has simplified program administration
- Implementation support
- Technical support
- Cardholder support
- Ongoing education
- User Group Seminars
- Rebates







- School Districts can continue the status quo or look at innovative ideas that will discover the key to unlock school district potential, improve efficiency and effectiveness and allow decision makers to practice the “efficient substitution of resources.”



## P-Cards – Your Options

- Create reasons NOT to implement this current best practice
- Negotiate/bid a p-Card option as part of total banking services
- Negotiate/bid a p-Card option separate from banking services
- Form a consortium
- Form a state wide consortium
- Join a multi state consortium

- If you are a small rural isolated school district the only way to truly get p-Card services with all the bells and whistles available to large districts in consortium route





## P-Cards Should Not/Will Not

- Eliminate **all** of the Purchase Orders a district uses – whether paper or electronic!  
(Only the many small PO's will be eliminated)
- Change what you buy
- Who you buy from
- When you buy



## What are Procurement Cards?

- Have been used in the private sector for years
- They look and operate similar to credit cards
- They **do not** carry a revolving line of credit
- Usage and authorization parameters can be reviewed, revised and managed via the internet by district administration on a 24/7 basis



## P-Cards customized to the needs of each employee

- Transaction limit per charge
- Monthly limits
- Preferred supplier restrictions
- Use can be monitored 24/7
- Usage parameters set by school district
- Usage parameters changed online
- Card user monthly bill reconciliation

## P-Cards customized to the needs of the district

- 2 lines – 24 characters
- Card holder name
- Name of school district
- Tax ID
- Department name
- Department account code
- Budget Code



## Three Options:

- Individual Name
- Department
- Ghost Card





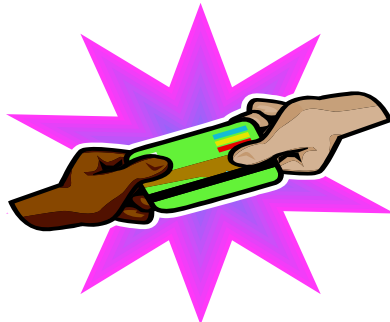
## Costs:

- ✓ No set up fees
- ✓ No annual card fee
- ✓ No monthly billing fee
- ✓ No online access fee
- ✓ No card cancellation fee
- ✓ No fee to issue initial or replacement cards



## Special Features:

- Rebate
- Fraud Protection
- 100% locally administered



A way to move  
away from the  
traditional check  
issuance –  
payment  
methodologies  
(costly, time  
consuming, labor  
intensive)





## Other special features

- Pinpoint expense reporting 24/7
- Better cash flow planning
- Better investment of idle funds
- Better tracking of procurement patterns
- MIS (details online) to drive decisions AND provide information to help negotiate better volume discounts

# No Charges

## OTHERS CHARGE FOR:

- Central billing
- Over limit fee
- Over night delivery of replacement cards
- Monthly report fee
- Cost per individual bill
- Average transaction size (NOT a factor)
- Rebates



## Billing and Payment




- Monthly Billing Statements

- Consolidated Billing Statement (Available online)
- Cardmember Report (available online)
- Individual Reports

- Payment Methods

- Automated Clearing House
- Check



## Only 3 Possible costs to participating school

- Late fee
- ATM Charge – IF cash advance option is selected
- Interest owed on any cash advance

## Why was MasterCard selected? (Continued)



- Individualized training
- Global acceptance at over 35 million locations
- Retailers benefit from low transaction charge





## Vendor Benefits

- Reduces paper processing/billing
- Reduces vendors' time/costs of processing/depositing payments
- Reduces vendor transaction costs
- Vendor paid by Harris within 48 hours of shipment/pick-up
- Reduces the issues of partially filled orders  
Reduces vendors time/costs of processing & depositing of payments



## Benefits of a p-Card Program for Management

### Easier on Accounts Payable

- Submit one monthly payment vs. multiple payments to multiple vendors
- Reduction in paperwork
- Fraud prevention and protection through the Bank and MasterCard
- Detailed reporting available 24 x 7
- Easy online administration and dedicated customer support
- Control on spending limits and accepted vendors



## Side Benefits

- More time on task
- Less wasted time
- Reduction in the publication of the annual “Statement of Affairs”
- Reduction in time/cost of monthly bank statement reconciliation
- Better investing/cash management



## Key to Consolidating Small Purchases into **one** payment:

- As a **minimum** -  
Get p-Cards into the hands of as many employees as you can who are currently making small purchases/ generating PO's of less than \$1,000.
- As a **minimum** -  
The average monthly spend should exceed \$10,000 (not per card but total for all cards).

The logo for p-CARD is displayed in a bold, white, sans-serif font with a thick green outline. The letters are set against a dark green rectangular background. To the left of this background, there is a decorative graphic consisting of several overlapping squares in various shades of green, creating a stepped, staircase-like effect.

# p-CARD

Holly Wallace  
815.753.9083 (tel)  
815.753.9367 (fax)  
[hwallace@niu.edu](mailto:hwallace@niu.edu)

# p-CARD

p-Cards for Schools:  
Streamline Your  
Procurement and  
Accounts Payable Process

