

**Office of Florida's State Controller's
Division of Accounting and Auditing**

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1. Provide a brief description of the project, including project objectives.

Created a totally electronic state purchasing card program for the acquisition, approval and payment of small dollar purchases. State government saw a need to streamline and improve management reporting, as well as reduce the administrative cost of annually making over four million purchases of less than \$1,000. Implementation of the system began in July of 1997.

2. What improvement(s), new functionality, or business application did the project address?

The state purchasing card program uses existing credit card point of sale infrastructure and EDI (Electronic Data Interchange) technology to capture vendor data at the point of sale. A statewide interface to the State's accounting system electronically routes transactions to appropriate personnel, allowing them to add necessary information, review transactions, and approve payments. Approved transactions update the accounting records automatically, causing the credit card provider to be paid via EFT (Electronic Funds Transfer) once a day. All information obtained from the point of sale through the electronic review process is stored in an information warehouse for future analysis.

3. Describe the schedule of the project's design, development, and implementation.

From June 1996 through February 1997, we performed surveys and onsite visits of other state card programs. We discussed purchasing card technology with several card providers and conducted numerous Joint Application Development (JAD) sessions with ten small to large state agencies.

From February 1997 through June 1997, we established our EDI and EFT connection protocols, expanded our computerized information warehouse to accept the additional data, and programmed our state accounting system interface.

In July 1997, we began our roll out of the program to the various state agencies. As of January 1999, we have 20 of 48 eligible agencies using the program in various stages of implementation. All eligible agencies should be using the program by the end of 1999.

4. What did the project accomplish? Who are the current and potential beneficiaries? Were other public sector entities, like component units or

local governmental entities, or private sector entities able to participate and, if so, how did this add value to the development and outcome of the project?

For small dollar purchases, this project eliminated the manual processing of requisitions, purchase orders, and invoices, as well as the associated paperwork. Consequently, goods are received quicker and vendors are paid faster. Overhead costs associated with the old purchasing process have been reduced by 40% for each purchasing card transaction.

This program is offered to and utilized by local government entities, adding to the purchasing power the State can leverage when negotiating volume discounts with vendors.

5. What were the levels of personnel on the project team and how did participation on the team enhance the skills of those personnel?

The project team consisted of professional accountants, programmers and business analysts. These individuals were augmented with two analysts and four programmers from the consultant. None of the team members had any experience with a purchasing card program or with a project of this size and scope. Only the consultants had any experience with EDI and automated routing systems. Every State employee associated with the project enhanced their skills by learning about purchasing card programs, EDI, automated routing systems, and how and how not to conduct a project of this size and complexity.

6. List the funding source(s) (indicating those that would be innovative), costs incurred, benefits derived, and return on investment (factoring in hard and soft dollars savings).

Funding sources were a State funded innovation grant of \$138,000 and approximately \$360,000 of legislative funding for the Office of the Comptroller's modernization project. The entire \$498,000 was paid to the consultant. Costs associated with state employees working on this project were not accumulated. It is estimated that with full implementation of all eligible agencies, the State will save \$260 million in administrative costs annually.

7. What measurements have been established to monitor the continued success and benefits of the project?

Initial cost analysis of processing both purchasing card transactions and the traditional paper based process have been completed and will be periodically monitored until the program is fully implemented. The number of purchasing card transactions versus manual paper transactions can easily be determined using the State's information warehouse.

As of January 13, 1999, the State has processed 102,890 purchasing card transactions. Based on the initial cost analysis, the State saves approximately \$65 on each purchasing

card transaction. Therefore, the State has already saved \$6,687,850 in administrative overhead costs.

8. How replicable in other areas of the public sector or other states do you consider this project to be? In discussing replicability, please address the following questions. What obstacles or problems might other states encounter in trying to implement this or a similar project? Specifically, how was this project communicated statewide? Were there cultural business barriers to overcome? If yes, please elaborate. Was training involved from the central project team? Were consultants involved in the project? If yes, what was their role?

This project is easily replicable for other entities that are willing to conduct business differently, as well as change their internal processes. The biggest obstacle to overcome is changing management's attitude about employees using State credit cards to purchase goods and services directly from vendors.

Our project was successful because of a centralized accounting system that was able to be modified to accommodate purchasing card transactions. The central project team working on the accounting system enhancements solicited feedback from the user community and allowed them to be a partner on the project. Through this open line of communication, we were able to promote the program and address concerns regarding security and internal controls. This relationship was found to be useful for delivering training on the project.

Like any major innovative project in state government, it is unlikely that current staff has all the expertise necessary. The State's central project team did some formal training in EDI, but most of it was obtained on the job working with the consultants. The consultants provided need expertise, training and additional short term staffing.