Project Summary

Procurement cards (p-cards) are a convenient mechanism to procure low-cost goods, including IT hardware. On an annual basis, approximately 3,000 IT hardware transactions are processed and 2,000 of these transactions could be done using a p-card rather than a purchase order.

The team’s goal was to find ways to decrease administrative costs and staff time associated with ordering IT hardware products.

This initial project was completed on September 30, 2013.

Improvements

- Increased service and efficiency. Reduces the time spent in placing an order from two or more days to one day.
- Reduces the steps in the ordering process from 17 to 4.
- Reduces administrative costs involved with issuing a purchase order

MAPSS Core Goal Area

- Service
- Accountability

Statewide Goal Area

- Cost of Government

Issue

The purpose of the team was to find a way to decrease administrative costs and staff time when ordering IT hardware. The current process utilizes the purchase order (PO) process for IT hardware purchases.

Lean Six Sigma Process

Using Lean Six Sigma methodology, the team identified 17 steps used for the purchase order (PO) process while only 4 steps are needed for a p-card process. The team found that over a 12-month period, 3,000 individual POs were used to make IT hardware purchases. Estimates of the cost of PO processing vary widely, so the team utilized a conservative range between $75 and $125 for generating and processing a PO.

The team identified that the p-card process could be used for making low dollar IT hardware orders for items that do not require inventory management. The team determined that 2,000 purchase orders could be eliminated annually by using a p-card for these low dollar orders.

Results

Both processes may still be used for purchasing IT hardware, but the p-card could be used on as many of the small IT hardware purchases.

Improved Staff Efficiency and Service: When implemented, the p-card purchase process will be utilized on approximately 2,000 POs placed each year. This will result in estimated savings of between $150,000 and $250,000 annually.

Also, by using a p-card, the time spent in making a purchase is reduced in both process steps (from 17 steps to 4 steps) and the time spent in making a purchase (from at least two days to less than one day). With increased use of the p-card, we would also anticipate an increase in the p-card rebate.

Next Steps

The Procurement & Distribution Section will work with the Bureau of Information Technology (BITS) to activate the p-cards and determine the appropriate charge limits. Procurement will monitor the number of purchase orders avoided on an annual basis to ensure that the resulting efficiency gains are sustained.