



Mississippi Procurement Transformation:

Driving Efficiency into Business Operations

Executive Summary:

Challenge:

The State of Mississippi was faced with the challenge of driving more efficiency into the business operations of the school districts. One way that was identified was to improve the efficiency of distributing Educational Enhancement Funds (EEF) to teachers in the State. Senate Bill 2761 (2012 Regular Legislative Session) authorized the Department of Finance and Administration to issue procurement cards for use by classroom teachers to purchase classroom supplies, instructional materials, and equipment. The total amount of funds appropriated for fiscal year 2013 for EEF classroom supplies, instructional materials, and equipment was \$8 million dollars (\$6 million in EEF funds and \$2 million from the general fund). The Office of Purchasing, Travel and Fleet Management (OPTFM) was faced with the challenging logistics of issuing 35,000 cards to teachers throughout the State in the extremely short time period of approximately 90 days. In addition to the distribution of the cards; policies, procedures and guidelines had to be established; and training materials and application forms had to be designed.

Overview:

Funds are distributed based on student enrollment and cards range from \$175 to \$225. Teachers sign a "Statement of Understanding" that the funds available on the card are public funds and are only to be used for their classrooms. A copy of the Mississippi Educator Code of Ethics and Standards of Conduct was attached to the Statement of Understanding. Individual audits of each teacher's card will be performed in addition to the school district's annual financial audit. A percentage of the rebate received from the program will be used to hire an audit firm. Procedures are in place to identify any items that need to be added to the fixed asset inventory.

Cost Reduction

This new approach of issuing funds freed up thousands of man-hours in school accounting departments statewide. Prior to the EEF cards, business officers across the state issued multiple purchase orders to vendors per teacher each year, and also issued thousands of checks. Not only were cost savings seen in the freeing up of man-hours, but the program generated a rebate too.

Initiative/Innovation

We believe that Mississippi was the first state to try a procurement card system of this magnitude for teachers. This significant step eliminated thousands of purchase orders and checks. The disbursement of cards was a win-win situation that put money directly into the teachers' hands while reducing the workload of the school districts' business offices.

Service Improvement

The streamlining of this entire procurement process resulted in less paperwork, faster purchases for teachers, and less administrative time – not to mention that it generated rebates! The paperless

application process along with the electronic delivery of statements also resulted in savings of time and dollars. The policies, procedures and guidelines that OPTFM established are easily transferable to all other states.

Introduction:

The State of Mississippi hereby submits for consideration a nomination for a NASPO Cronin Award for Procurement Excellence for streamlining Educational Enhancement Fund (EEF) disbursements to 35,000 teachers throughout the State of Mississippi. This innovative approach improved service, resulted in cost reductions, generated rebates, and can be easily adopted by all state procurement organizations.

Challenge:

The State was faced with the challenge of driving more efficiency into the business operations of the school districts. One way that was identified was to improve the efficiency of distributing EEF funds to teachers in the State. Senate Bill 2761 (2012 Regular Legislative Session) authorized the Department of Finance and Administration to issue procurement cards for use by classroom teachers to purchase classroom supplies, instructional materials, and equipment. The total amount of funds appropriated for fiscal year 2013 for EEF classroom supplies, instructional materials, and equipment was \$8 million dollars (\$6 million EEF funds, \$2 million general fund). Once SB 2761 was passed, the Office of Purchasing, Travel and Fleet Management (OPTFM) was faced with the challenging logistics of issuing 35,000 cards to teachers throughout the State in the extremely short time period of approximately 90 days. In addition to the distribution of the cards; policies, procedures and guidelines had to be established; and training materials and application forms had to be designed. The collaboration between OPTFM, the Issuer, and the Department of Education was essential to the success of the program.

Program Overview

Funds were distributed based on student enrollment in each school district and the amount on the cards ranged from \$175 to \$225. All cards will expire at the end of the year with unused funds being carried over to the following year for reallocation. The cards do not bear the teachers' names and they do not require passwords or personal identification codes. Instead, account numbers are registered to the recipient and recorded in the district office. Since no teacher names appear on the cards, when teachers leave the district, the cards can be reissued to new incoming teachers without having to bear the cost of reprinting new cards. Teachers receiving cards signed a "Statement of Understanding" that the funds available on the card are public funds and can only be used for their classrooms. A copy of the Mississippi Educator Code of Ethics and Standards of Conduct was attached to the Statement of Understanding. Individual audits of each teacher's card will be performed in addition to the school district's annual financial audit. A percentage of the rebate received from the program will be used to hire an audit firm. Teachers were required to retain receipts or copies of receipts made of their purchases. Procedures are also in place to identify any items that are purchased which the district requires be placed on their fixed asset inventory. The district shows the item as equipment donated to the district by the State of Mississippi.

Cost Reduction

This new approach of issuing funds freed up thousands of man-hours in school accounting departments statewide. Prior to the EEF cards, business officers across the state issued multiple purchase orders per teacher each year, and also issued thousands of checks to vendors. Not only were cost savings seen in the freeing up of man-hours, but the program generated rebates too.

Initiative/Innovation

At one point, legislators considered giving checks to teachers, but the concept was scuttled because the funds would have been subject to tax withholding and the Mississippi Department of Education felt it would be almost impossible for them to cut 35,000 checks. OPTFM recommended using procurement cards and the disbursement of these cards was a win-win situation that put the money directly into the teachers' hands while reducing the workload of the school districts' business offices. OPTFM knew that its existing state procurement card program and expertise in this area could be the basis of laying the groundwork for the EEF card program. OPTFM began working closely with the Department of Education and its current card Issuer in order to meet the extremely short deadline of 90 days. Since Mississippi already had some great experience with card issuance from the state purchase card program, those best practices were applied to the EEF card program. To prohibit the misuse of funds, the program included solid checks and balances: cards would not work at certain types of retailers including gas stations and restaurants; purchases were viewable online by card program managers; and thorough cardholder training was provided. Since the program began, both teachers and school district business managers have been very happy, even reporting their satisfaction with the program to both the Chairman of the House of Representatives and the Senate Committees.

Service Improvement

While the idea of using a procurement card was not revolutionary, the logistics of issuing and developing a new regulatory program for 35,000 procurement cards for individual teachers in a period of three months was. We believe that Mississippi is the first state to issue procurement cards of this magnitude to teachers. This groundbreaking step has eliminated the issuing of thousands of purchase orders and checks. The streamlining of this entire procurement process resulted in less paperwork, faster purchases for teachers, and less administrative time – not to mention that it generated rebates! Major vendors worked with OPTFM to ensure that teachers could easily use the cards online or in the store. They went out of their way to make it as simple as possible and to make sure the teachers were tax exempt at checkout.

The issuing of procurement cards for the EEF funds resulted in numerous benefits to the User, Purchasing/Receiving Department, Accounting, and Suppliers. Some of the benefits include:

- Reduced workload
- Faster delivery
- Assured delivery
- Eliminated the requisition PO and receipt entry processes

- Eliminated invoice processing and check processing costs
- Provided a complete audit trail
- Improved the cash flow by providing faster and more predictable payment
- Eliminated late fees and “check in the mail” syndrome
- Eliminated invoicing and all associated costs
- Economic benefits -- the prompt payments that merchants received were like a cash injection in the communities where the purchases were made
- Generated rebates

Instituting this program has proven to be an effective, efficient, and innovative method of issuing these funds to teachers in the State and an improvement to service overall.

Transferability

The policies, procedures and guidelines that were established by OPTFM are easily transferable to all other states.