

University System of Georgia
Scope II – Diagnostic Review
Abraham Baldwin Agricultural College - Purchasing

Detailed Process Analysis: Summary of Preliminary Findings, Conclusions and Recommendations

<p>Scope of Responsibilities</p> <p>The Purchasing cycle at Abraham Baldwin Agricultural College (ABAC) includes four administrative areas: Procurement, Central Receiving, Accounts Payable, and Inventory Management.</p> <p>The Procurement Office is responsible for purchasing equipment, materials, services and supplies for campus departments. The Office also receives all invoices and compiles them with purchase orders and receiving documents prior to sending them to Accounts Payable for payment. The Procurement Office processes approximately 200 purchase requests each month.</p> <p>Central Receiving is responsible for the receipt of all packages sent to the institution including direct vendor deliveries, Federal Express, and UPS packages. Central receiving also maintains the pick-up and shipment processing for surplus inventory items from the departments.</p> <p>Accounts Payable is responsible for generating checks and mailing payments associated with Purchase Orders and Travel reimbursements.</p> <p>The Inventory Management function consists of identifying, tagging, recording and reconciling all equipment acquisitions valued at \$1,000 or more.</p> <p>Staff FTE: Procurement 1.00 (+ part-time student) Receiving 1.00 Accounts Payable 1.00 Equipment Inventory .50</p>			
<p>Strengths</p> <p><u>Procurement</u></p> <ul style="list-style-type: none"> • The campus recently initiated the Procurement Card program, resulting in a decreased workload for the Procurement Office. • ABAC is planning to implement the PeopleSoft Purchasing system once available from OIIT. 		<p>Issues</p> <ul style="list-style-type: none"> • The procurement process is very manually and paper driven (e.g., 4 part requisition, 6 part PO, PO logbook, Voucher accounting form). Approximately 45% of the Procurement Office effort is spent on manually encumbering funds in the system and completing paper work to create requisitions and assign purchase order numbers. • Multiple copies of the same information are stored at various locations (departments, Procurement office, and Business Office). • Forms contain duplicate information. • The Procurement Office does not always have the necessary information for purchasing specialized equipment. • Changes in purchasing policy and procedures are not routinely communicated to campus departments. • Requisitions processed by DOAS require greater lead-time than those processed by the campus Procurement Office. • Approximately 75% of all purchases processed by the Procurement office are under the \$2,500 dollar threshold. 	

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<p>Strengths (continued)</p> <p><u>Receiving</u></p> <ul style="list-style-type: none"> • Packages are delivered to University personnel within 24 hours of receipt by Central Receiving. 	<p>Issues (continued)</p> <ul style="list-style-type: none"> • There is no system to log receipt of packages, this process is conducted manually after forwarding packing slips and/or bills of lading to the Procurement Office.
<p><u>Accounts Payable</u></p> <ul style="list-style-type: none"> • The Accounts Payable office averages 800 transactions a month, and all check processing is completed by a single FTE. 	<ul style="list-style-type: none"> • Processing payments to vendors is a manual process. After receiving payment packages from Procurement, Accounts Payable staff manually types in vendor invoice numbers and generates checks. This process requires .75 FTE effort.
<p><u>Inventory Management</u></p> <ul style="list-style-type: none"> • The institution allocates only .50 FTE effort to conducting the Inventory Management function. • There is a monthly process for reconciling the inventory database to the general ledger. 	<ul style="list-style-type: none"> • Most effort is devoted to accounting for a large volume of low cost items. Approximately 70% of the inventory consists of items valued at less than \$2,500 and comprises about 38% of the total dollar volume. • Conducting physical inventory inspection is a laborious process, requiring about 20% of the FTE effort.
<p>Opportunities</p> <ul style="list-style-type: none"> • Automating procurement operations would increase efficiency and enhance customer service. • Elimination of manual processes would enable Procurement, Receiving and Accounts Payable staff to redirect resources more strategically. • Electronic commerce offers additional opportunities for efficiency, for example ordering of routine supplies. • Collaboration among peer institutions could expand ABAC’s selection and buying capability. • A higher inventory threshold would result in significantly reduced workload. • Physical inventory could be conducted more efficiently if departments used bar-code scanning technology. 	

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<p>Conclusions</p> <ul style="list-style-type: none"> • Procurement operations are labor and paper intensive. • PeopleSoft ultimately will result in streamlined processes, however, implementation is not imminent. • Campus departments have inadequate information related to purchasing. • Many requisitions exceed campus-buying thresholds and must be processed by DOAS. 	
<p>Recommendations</p> <ul style="list-style-type: none"> • Consider taking short-term actions to streamline the purchasing operation by automating the requisition and purchase order development processes or, at a minimum, simplifying existing paper-intensive processes. This will result in more efficient processes for users, Procurement, and Accounts Payable. • Conduct a comprehensive needs assessment and develop plans for the PeopleSoft implementation. • Optimize opportunities for direct purchasing by departments, e.g., Procurement Card and electronic commerce. • Collaborate with System institutions to obtain an online, desk top delivery service for routine supply ordering. • Document purchasing policies and procedures, and make them available on the website; routinely update as changes occur. • Collaborate with regional institutions to process requests for specialized equipment and identify opportunities for economies of scale. • Initiate discussion between RCO and State officials regarding buying and equipment inventory thresholds. • Consider conducting physical inventory via departmental use of bar-code scanners. 	
<p>Potential Benefits</p> <ul style="list-style-type: none"> • The institutions will be able to prepare in advance for potential process changes related to PeopleSoft implementation • Efficiency will be improved. • Resources will be allocated more strategically. • Consolidated product knowledge and buying power will result. 	<p>Limitations</p> <ul style="list-style-type: none"> • Investments in technology and training will be required. • Collaborative decision making, organization, and resource investment for shared selection and buying will be required.
<p>Feasibility</p> <ul style="list-style-type: none"> • Systemwide implementation of PeopleSoft ultimately will lead to streamlined operations. • RCO may need to facilitate collaboration among regional institutions. • It is likely to take a substantial amount of time to evaluate and revise State purchasing thresholds. 	

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Overview of Major Processes, Transactions and FTE

Functional Area	Process	Transactions/Records per Year	FTE
Accounts Payable	Invoice Payments	600 checks cut a month	.70
Receiving	Receive Materials and Equipment	5-300 a day	.50
Receiving	Deliver Materials and Equipment	25-100 a day	.45
Purchasing	Encumbering Funds in the System	200 per month	.31
Accounts Payable	Travel Reimbursements	200 a month	.25
Asset Management	Physical Inventory	51 buildings	.20
Purchasing	Purchase Orders <\$2,500 bought by procurement	150 per month	.16
Purchasing	Issuing/Assigning PO Numbers- Requisitions	200 per month	.16
Purchasing	Receive Vendor Invoice- Perform Matching	200 per month	.16
Asset Management	Year-end		.10
Purchasing	Purchase Orders <\$2,500 bought by department	50 per month	.08
Purchasing	Consolidate Notice of Receipts	200 per month	.08
Asset Management	Identifying/Tagging Equipment	2,012 items in inventory	.05
Asset Management	Equipment Database	534 entries/year	.05
Asset Management	Monthly Reports		.05
Asset Management	Surplus Property		.05
Receiving	Surplus Inventory Processing	2 a year	.05
Purchasing	Purchase Orders <\$10,000 – Local Bid	2 a year	.02
Purchasing	Purchase Orders >\$2,500 and < \$10,000	1 per month	.01
Purchasing	Purchase Orders <\$10,000 – DOAS Bid	5-6 a year	.01
Purchasing	Enter New Vendors	25 per month	.01
Accounts Payable	Month End Closing Reports		.05
Total FTE			3.50

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 Administrative Process Analysis Worksheet

Functional Area: Procurement

Staff FTE: 1.00 (+ student workers)

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
1. Issuance of Purchase Order (PO) number. Assign and issue PO numbers from the paper tickler file and enter purchase information onto a "Request for Purchase" form; record PO number, vendor, budget number, department, purchaser, date, number of items and dollar amount in the purchase request log book.	Approximately 200 per month		Start of semesters and year-end closing	.16	Departments either call the Procurement Office or send a completed purchase request to obtain a purchase order number. Buying can be either at the department or the central level, depending on the dollar amount of the purchase. Signed purchase request forms must be sent to the Procurement office prior to the payment of an invoice.
2. Generate Purchase Order for Items Bought by the Department under \$2,500. Receive invoice form departments with appropriate signatures. Match invoice with the "Request for Purchase Form" and generate a Field Purchase Order send to Accounts Payable for payment.	50 per month	25	All month	.08	These types of purchases are for items not on state contract and a local vendor is used.
3. Generate Purchase Order for Items Bought by Procurement under \$2,500. Review requisition for type, dollar amount and proper approvals for the purchase. Type purchase order and transmit to vendor.	150 per Month	75 per month	All month	.16	This process includes state contract items, state central supply, out of town purchases and any other item the department would like Procurement to obtain.

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 Administrative Process Analysis Worksheet

Functional Area: Procurement

Staff FTE: 1.00 (+ student workers)

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
4. Generate Purchase Order for Items over \$2,500 and under \$10,000. Review request and completed specifications sent from the department. Solicit quotes from common list of vendors. Review quotes for dollar amount and select the lowest bidder that meets the needs of the user. Generate a typed purchase order and transmit to the vendor (email, fax, mail)	1 per month	2	Anytime during the year; especially year-end.	.01	Departments provide a list of three preferred vendors. Quotes are obtained by either preparing RFQ'S and sent to vendors or they are obtained over the phone.
5. Generate Purchase Order for Items Over \$10,000 (DOAS bid). Review request and completed specifications sent from the department. Generate the proper state forms and forward to Department of Administrative Services more bidding.	5-6 per year			.01	How many forms are completed for DOAS? Is an internal PO form also completed for these types of purchases?
6. Generate Purchase Order for Items Over \$10,000 (Local ABAC bid). Review request and completed specifications sent from the department. Generate the proper state forms and forward to Department of Administrative Services for approval. Receive approval from DOAS to bid locally. Solicit bids and invite vendors for site visits. Analyze proposals and select vendor who best meets the needs of ABAC and provides the best price.	2 per year			.02	Bids are managed by the institution, however DOAS still awards the proposal. RFP's submitted via this method are usually awarded quicker than if the bidding process is managed by DOAS.

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Functional Area: Procurement

Staff FTE: 1.00 (+ student workers)

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
7. Encumber Funds. Create a 'Voucher Apron' form. Assign account numbers and object codes from the paper list maintained in the Procurement Office. Attach the Requisition, PO and Voucher Apron form together and encumber funds in the CUFA system. File completed packet and send copies of the 'request' form to the department and Central Receiving.	200 per month			.31	
8. Receipt of Goods. Obtain Bill of Lading from the Central Receiving department and receiving documents from departments and file with PO package. Call departments verifying receipt if documents have not been forwarded to the Procurement Office.	Approximately 200 a month.			.08	Receiving forms are the responsibility of the departments. Once an item is received, departments sign a receiving form that is sent to the Procurement Office.

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Administrative Process Analysis Worksheet

<p>9. Receipt of Vendor Invoice. Open invoices sent in the mail, pull purchasing packets out of the files (Request, PO, Voucher Apron, Receiving documents) and verify invoices for accuracy. Code invoices on “Voucher Aprons” and send to Accounts Payable for payment. If any documentation is incomplete, contact the department to obtain missing forms, and keep a copy of the originals prior to sending the packet to Accounts Payable for payment. Once the missing forms are obtained, remove copy of PO from the file and send missing document to Accounts Payable for filing. Send copies of the PO to Inventory Management and Central Receiving. File copies of PO to be sent to the State department at month end.</p>	<p>Approximately 200 per month</p>			<p>.16</p>	
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Functional Area: Procurement

Staff FTE: 1.00 (+ student workers)

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
10. Enter New Vendors. Verify address and vendor name with department. Call vendor to obtain Federal ID Number or Social Security number. Add new vendor to the CUFA system.	Approximately 25 per month			<u>.01</u> 1.00 FTE	

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Functional Area: Central Receiving

Staff FTE: 1.00

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
1. Receive Materials and Equipment. Inspect deliveries on the truck and compare shipping documents to purchase requests sent from the Procurement Office. Verify number of boxes delivered. If packages are not damaged, accept the delivery and identify departments where packages should be delivered. Log package into “log book” and include the following: vendor, date received, freight company, freight bill, # of packages, PO number, name of person who received the package and delivery location. Send Bill of Lading to Procurement.	5 – 300/ day			.50	Packages are received numerous times a day. Log of packages received is maintained each day.
2. Deliver Package. Load trucks and deliver packages to departments and obtain signature in the “log book” from departmental personnel.	Varies From 25-100 daily			.45	Packages are delivered within 24 hours of receipt.
3. Check Surplus Inventory. Receive notification of surplus inventory from department. Contact department to establish time for pickup. Load surplus on delivery truck and bring to Central Receiving. Obtain approval from Procurement to either destroy equipment or send it to DOAS surplus. Destroy inventory once signed affidavit is obtained, or load trucks with salvageable surplus inventory and deliver to DOAS surplus.	2/ year			<u>.05</u> 1.00 FTE	Surplus inventory processing is very time consuming. Computers must be broken down and DOAS requires that each part within the computer be documented on the transfer form.

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Functional Area: Accounts Payable

Staff FTE: 1.00

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
<p>1. Invoice Payments. Receive complete payment package from Procurement, which includes Voucher Apron, Request for Purchase, Purchase Order (PO), and receiving documents. Review package for completion. Enter PO number into CUFA system to locate record, and input the following data into the system: vendor invoice number, transaction date and amount. Verify that the address in the system is correct. Create new records in CUFA for purchases that were not encumbered. Print report of all items entered into the system. Compare report with payment packages to verify balancing. Process and print checks in batch. Compare system printed check numbers with pre-printed numbers on check stock. Update system stating that “checks are acceptable”.</p>	<p>Approx. # of checks written per month: 600</p>			.70	<p>If the item was not encumbered, Accounts Payable creates a new record to input the invoice numbers, dollar amounts, etc.</p>
<p>2. Travel. Receive pre-approval travel form from departments and file in Accounts Payable Office. Obtain expense voucher form from employee with original receipts attached. Verify that signature from supervisor is on the form. Send voucher packet to VP of Finance, Director of Business Services or President for approval and signature. Complete voucher apron that includes: employee name, social security number, department name, budget account number, date of transaction and amount. Enter information into the CUFA system, balance batch and print checks. Send checks to employees via campus mail.</p>	<p>Approx. # of checks written per month: 200</p>			.25	<p>Either Vice President of Finance or Director of Business Services must sign in-state vouchers. The President must sign out-of -state vouchers.</p>

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Functional Area: Accounts Payable

Staff FTE: 1.00

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
3. Procurement Card. Receive monthly statement for Business Services Office procurement card from the bank. Pull receipts from file. Review expenditures and balance statement to receipts. Attach receipts to the statement, write budget numbers on statement if different than the card's budget number and forward to Director of Business Services for Journal Entry processing.				nil	The Director of Business Services processes all journal entries for departmental procurement cards.
4. Month End Reports. Process month-end closing procedures; generate monthly financial reports.				.05 1.00 FTE	This process takes approximately one day a month.

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Functional Area: Asset Management

Staff FTE: .50

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
<p>1. Identifying/Tagging Equipment: The first of each month run an Appropriations History report and identify, based on account number, equipment >\$1,000 purchased in the previous month. Enter related department number in the computer system, which will automatically identify the associated purchase order numbers. Pull purchase orders from file and copy. Contact department to determine if equipment has arrived and establish a time to affix decal to equipment. Affix decal and record information, e.g., serial number.</p>				.05	<p>In addition to equipment >\$1,000, the institution also requires all firearms to be tagged and recorded.</p> <p>Occasionally equipment purchases are not coded correctly, and; consequently, are not identified in the Appropriations History report. These items sometimes are brought to the attention of the Business Office by department personnel or may be noted when conducting physical inventory.</p>
<p>2. Equipment Database. Enter information about new acquisitions in database, including building, room #, commodity code, division, department #, decal number, acquisition date, cost, source reference (i.e., PO #), method of payment/receipt, serial number, transaction data, and description. Enter information related to any surplus items approved by DOAS to be transferred or destroyed.</p>	FY99: 534 entries	Total Inventory: 2,012 items \$5,961,745		.05	<p>< \$2,500: 1,468 items totaling \$2,295,030</p> <p>\$2,500-\$5,000: 375 items totaling \$1,287,898</p>
<p>3. Monthly Reports. Monthly copy information entered in the database into a QuatroPro spreadsheet and reconcile information with the Appropriations History report. Print both reports and send them to the CFO for review.</p>				.05	

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Functional Area: Asset Management Staff FTE: .50

Description of Major Processes	Number of Transactions	Number of Clients or Records	Peak Load Periods	FTE Effort Required	Comments
4. Year-end. At year-end enter all recent equipment purchases in the database and in QuatroPro, whether or not they've been received. Generate annual reports for DOAS and RCO. Regularly contact departments to determine if equipment has been received, and tag equipment accordingly.				.10	Equipment purchased at year-end often may not be received and tagged until October or November.
5. Physical Inventory. Conduct physical inventory about once a year. Locate and verify all items listed in the database.		51 buildings 48 departments		.20	Physical inventory is very time consuming because often equipment has been moved or transferred to another building without notifying the Business Office.
6. Surplus Property. Receive phone call or transfer form from department requesting equipment to be picked up. Complete necessary paperwork and generate a work order for Receiving to pick up the equipment and deliver it to another department or store it temporarily. When a substantial amount of equipment has been accumulated, complete a transfer form listing the equipment, and fax to Surplus Property asking for an appointment to deliver the equipment. Arrange for Physical Plant to load and ship equipment (and check each item loaded on the truck).	FY99 transfers between departments: \$358,819			<u>.05</u> .50 FTE	