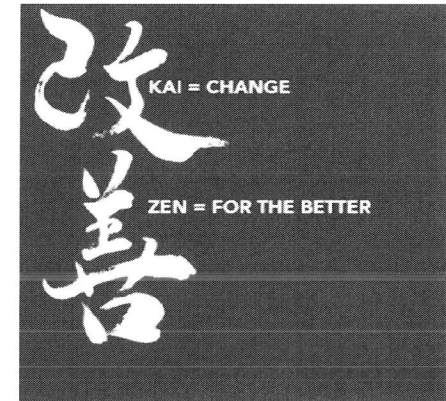


June 15, 2021 Council Presentation
2020 Procurement Card
Lean Process Improvement Kaizen
with
State Auditor's Office (SAO) –
Center for Government Innovation

WITH RESULTING PROPOSALS

Introduction

SAO Lean Specialist was asked by Kimberly Domine', Financial Services Manager, to train a small project team consisting of City employees who are key members processing P-Card submission, financial auditing, and bank payment. SAO Lean Specialist was asked to train this project team on Lean principles and methodology while facilitating their work to achieve the targets listed on the P-Card Kaizen Charter Document.



Targets



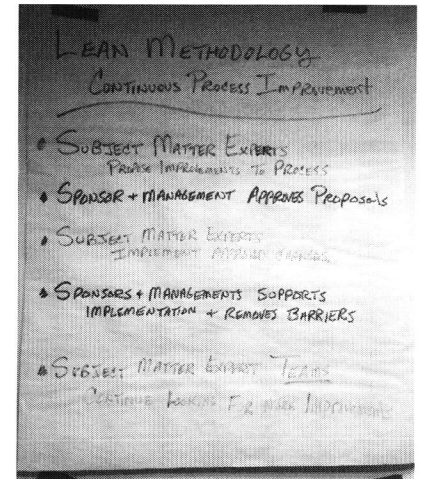
- ▶ Ensure Policy supports best practices
- ▶ Ensure all expenses are properly supported, reviewed, and approved by auditing officer prior to any payment being made as required by state law (RCW 42.24.080)
- ▶ Effectively decrease processing time
- ▶ Make credit card payments by the deadline that maximizes our rebate

Lean Methodology

- ▶ *"Lean is a methodology applied to process improvements for all kinds of work – from manufacturing to services industries. Lean for government helps break down complex processes into individual steps. This leads to innovative, new ways of making existing work more efficient, customer-focused and change more empowering for staff."*

Lean Methodology – Continuous Process Improvement steps:

- ▶ Subject matter experts propose improvements to process
- ▶ Sponsor and management approve proposals
- ▶ Subject matter experts implement approved changes
- ▶ Sponsors and management support implementation and remove barriers
- ▶ Subject matter expert TEAMS continue looking for more improvements



The Team

- Team members for this project included Teresa Borgman (Finance), Ann Northrup (Finance), Jeanne Thompson (Finance), Alejandra Rodriguez (ITS), Stephanie Hubert (YPD), Maria Mayhue (Purchasing) with Kimberly Domine' (Finance) acting as project Sponsor. A special event was created at the mid-point of the kaizen which invited key supervisors and management team members from across City departments to join the kaizen team to learn about Lean methodology, hear the team's current thinking and provide input they would like to see included in the final proposals. The team captured a few key points during that event from the 8 people who attended.



Interesting Facts



- ▶ At the time of our Lean exercise, there were 311 Cardholders in the City
- ▶ 109 of those Cardholders had transactions in December
- ▶ General Fund receives rebate dollars for paying statements early - \$37,854 in 2019
- ▶ Police and ITS have administrative department leads which has greatly improved processing accuracy and timing
- ▶ WA State Auditors base their audits on what is written in our City Policy as well as WA State RCW
- ▶ P-Cards are used for supplies, recurring charges (phone/internet), and travel

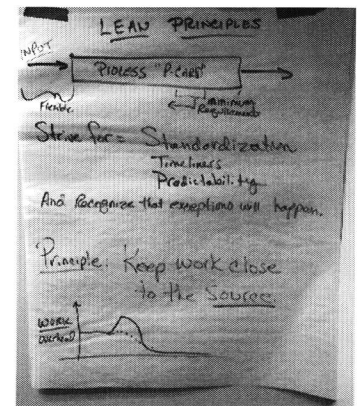
Lean Principles to Remember

► Standardization

- Providing clarity for employees and consistency for measuring metrics
- Achieving the highest level of efficiency at final processing happens when the input received is in a standardized format on a predictable timeline.

► Eliminate Waste

- Over-Processing = requiring multiple approvers slows down the process when only card-holder and a final approver is required for the Finance Department. Right-sizing the approvals needed.
- Defects (aka not getting what I expected or require) = eliminating (or at least reducing) rework done in Finance allows work to be done faster and provides time for staff to focus on other priorities.
- Non-utilization of talent = waste can multiply if staff members are taken away from other value-added work because they are spending time in wasted activities such as tracking down information that should have been supplied on first submission and/or putting Finance in a position to track down information that is more clearly known by the Department (keeping work close to the Source)
- Waiting = missed submission deadlines delays work being completed and impacts the opportunity for maximizing bank monetary rebate



Lean Principles to Remember



► System Thinking

- P-Cards are one process in the larger City management system. When P-Card processing is delayed, then also General Ledger updates are delayed and subsequently there is a delay in management team visibility to spent money and current budget status.
- Systems, not silos – all departments and all employees should be viewed as a part of the City rather than looking upon their work as an isolated department and prioritizing work only important for their departmental needs.

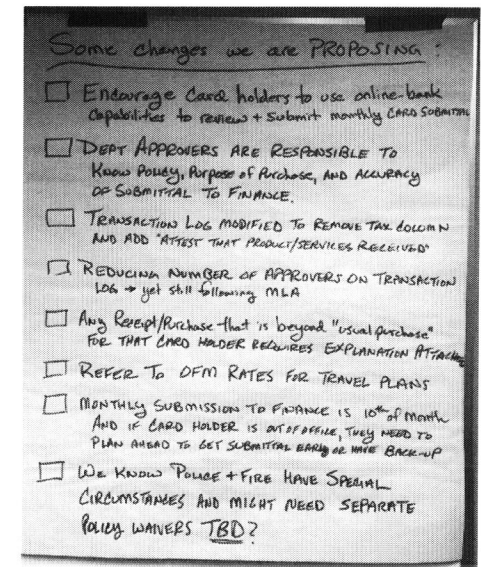
► Keep Work Close to the Source

- When work is done close to the originator, accuracy is improved and the answers are at hand so work can be done quickly. When process steps downstream need to collect information from work done upstream, time lag and lack of detailed understanding reduces accuracy and takes much longer making connections and interruption communications between multiple staff members to complete the work.
- Supporting work close to source in the departments requires that upstream requirements be clear and understandable to those involved in the process steps. It is important for upstream requirements to be communicated on the minimum required needs first and foremost, with helpful or desired needs requested at the appropriate level.

1. Encourage Cardholders to use online bank capabilities to review & submit monthly card submittal
2. Department approvers are responsible to know policy, purpose of purchase, and accuracy of submittal to Finance
3. Transaction log modified to remove tax document and add statement attesting that product/services received
4. Reducing number of approvers on transaction log – yet still following MLA
5. Any receipt/purchase that is beyond “usual purchase” for that Cardholder requires explanation attached
6. Refer to OFM Rates for Travel Plans (GSA)
7. Monthly submission to Finance is 10th of month and if Cardholder is out of office, they need to plan ahead to get submittal in early or have back-up
8. We know Police & Fire have special circumstances and might need separate Policy waivers – TBD



SUGGESTED CHANGES

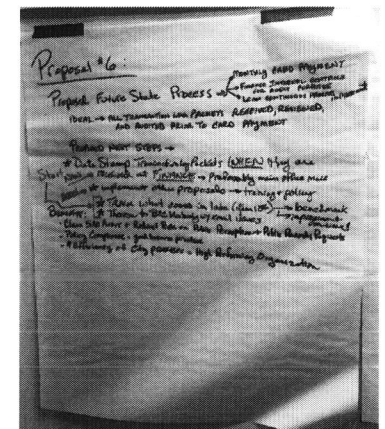
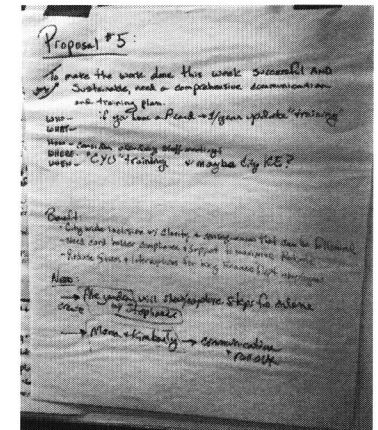


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- Proposal #4:
- We ask that these things in the current policy be changed/improved:
- 1. $1 \leq K \leq 100$ allow $K=1$ to be the best
 - 2. $1 \leq \beta \leq 100$ allow $\beta=1$ to be the best
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 - 100. $1 \leq w \leq 100$ allow $w=1$ to be the best


Proposals

- Proposal #5: To make the work done this week valuable, successfully rolled-out, and sustainable longer term, we need a training program and communication plan. Suggestions include an annual-update-training, utilize ICE and CYU, and offer to join departmental staff meeting.
- Proposal #6: Proposed Future State for the P-Card Process. Ideal would be: All Transaction Log Packets Completed Accurately by the Department (following their defined standard preparation process), Received in Finance, and Audited Prior to Paying the Monthly Bank Statement.



P-Card Policy Updates

- ▶ Delegation of Authority and Authorized Use Streamlined definitions
- ▶ Policy Knowledge Cardholders and Final Approvers commit to review and follow Policy, including updates
- ▶ Transaction Logs due to Finance by 10th of the month
- ▶ Exceptions Must be occasional, documented, promptly communicated, and pre-approved whenever possible
- ▶ Tipping Guidance simplified
- ▶ Prohibited Uses Updated section clarifies appropriate uses for P-Card
- ▶ Fraud Prevention Improved reminders and clarified procedure
- ▶ Transaction Log Simplified review and approval
- ▶ Online Access Cardholders encouraged to access statements online as soon as they become available



City of Yakima
ADMINISTRATIVE POLICIES
REISSUED POLICY NUMBER: 3.400

DEPARTMENT: Finance	AUTHORIZED BY: Finance Director
EFFECTIVE DATE: 8/1/2021	REVISION DATE: 8/1/2021
SUPERSEDES: 8/1/2021	8/1/2021
APPROVED: 8/1/2021	8/1/2021

POLICY: PROCUREMENT CARDS

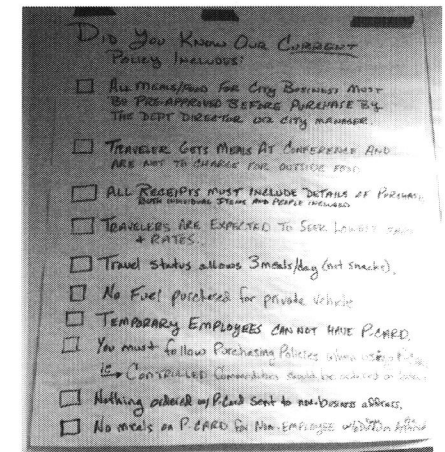
PURPOSE
The purpose of this policy is:
• To establish guidelines to achieve the objectives of reducing public funds.
• To authorize intent for the usage of procurement cards.
• To communicate clearly as a reference for users.
• To achieve a demonstrated plan that delivers transparency and accountability.
• To improve work flow, reduce costs and increase efficiency, using official trust processing invoices and issuing checks for a high volume of low-dollar transactions.

Procurement cards (hereinafter called P-Cards) are to facilitate convenient and efficient procurement of goods and services for official use. They are to be used to avoid or reduce purchasing or travel policies. They are to be used within the same statutes, rules, policies and procedures as purchases for any other means of payment. The City's P-Card program is a Visa card issued by US Bank under State Contract 00612, authorized by RCW 50A.20.200.

DELEGATION OF AUTHORITY AND AUTHORIZED USE
The Finance Director and City Manager designate and authorize Cardholders (permanent regular City employees and City Contractors) to use P-Cards described in this policy and Delegation of Approval Authority Policy 3.200. The Finance Director is responsible for implementing, monitoring, assessing exceptions, and administering this policy.
The Purchasing Division Manager manages the invoicing, off-banking, maintenance, and training, and monitoring compliance and fraud reporting to federal and state law, city charter and ordinances, and other city policies.
The Finance Division Manager is responsible for coordinating audits for compliance, processing payment to US Bank, and maintaining required accounting records.
Cardholders are authorized to make purchases related to this and all related policies and are responsible to be diligent, report and communicate concerning potential fraud or misuse.
Division Managers approve initial authorization for Cardholder to obtain a P-Card with the ability to delegate the division's budget.

Training for Cardholders – Key Points

- ▶ All meals/food for city business must be pre-approved before purchase by the Department Director or City Manager
- ▶ If a traveler gets meals included with a conference, they are not to charge for outside food during those meals
- ▶ All receipts must include details of purchase, both individual items and people included
- ▶ Travelers are expected to seek lowest fare & rates
- ▶ Travel status allows 3 meals/day (not snacks)
- ▶ No fuel purchased for private vehicle
- ▶ Temporary employees may not have a P-Card
- ▶ You must follow Purchasing Policies when using P-Card
- ▶ Nothing ordered with a P-card should be sent to a non-business address
- ▶ No meals on P-Card for non-employees without Director's pre-approval



Benefits of the Lean Exercise

- ▶ Reduced processing time
- ▶ Improved compliance with internal controls
- ▶ The new streamlined process is working for our P-Card program users



KAIZEN:
"CONTINUOUS
GRADUAL
POSITIVE
IMPROVEMENT"



Any Questions?

*CONTENT CREDIT TO DEBRA HENTZ, LEAN SPECIALIST, CENTER FOR GOVERNMENT INNOVATION –

OFFICE OF THE WASHINGTON STATE AUDITOR PAT MCCARTHY