P-CARD UTILIZATION IN MUNICIPAL GOVERNMENT:
ADVANTAGES AND CONCERNS

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ABSTRACT. P-card (i.e., procurement card) programs have been praised as innovative means for procurement systems to save fiscal resources for municipal government while granting greater purchasing discretion for departmental end-users. Using Hillsborough County (Tampa), Florida as a case study, the authors identify four critical factors that influence the successful implementation of municipal P-card systems. In the final analysis, the authors suggest that the distinction between organizational success and failure for these programs is likely to be a factor of organizational commitment more than technical capacity.

INTRODUCTION

Effectively managed municipal governments today are increasingly utilizing advanced technologies to improve services and preserve limited fiscal resources. Elected officials, appointed administrators, and taxpaying citizens expect an organization to integrate technology more effectively for improved administrative decision-making and operational practices. This movement toward more fiscally lean and resourceful public organizations is not a revolutionary concept. Clearly, the tax revolts of the late 70s and 80s, along with more recent “reinventing” and “reengineering” movements in the 90s, have accelerated this standard. Given these environmental “pushes,” it was only a matter of time when emerging technologies would influence public sector purchasing

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practices. Fortunately, many innovative municipal procurement systems are meeting this challenge and adapting their processes. One “technology” helping to create considerable savings, while improving end-user acquisition of needed goods and services, is the introduction of purchasing cards (also known as P-cards).

This research presents information about the recent implementation of P-card technology in Hillsborough County (Tampa), Florida’s 4th largest county government (Bureau of Economic and Business Research, 2000). As will be evident from this work, changing the way an organization does its purchasing can be demanding, even when the initiative leads to beneficial outcomes.

THE HISTORY OF P-CARDS

Purchasing card procurement is a relatively new phenomenon. P-cards are credit cards issued to corporate or government users so they can transact small-value purchases – usually under $1000 – for their organizations (Gillett, 1997). They were introduced first to American corporate markets in 1991 and have witnessed rapid growth since (Milligan, 2001). Some of the early implementers of P-card systems include: Temple University [1991], PepsiCo [1994] (Garrison, 1997), ITT Automotive [1993] (Palmer, 1996), Westinghouse Savannah River Company [1994] (Anonymous, 1998), and Merck & Company [1994] (Murphy, 1998). The use of credit cards in lieu of traditional purchase order transactions offers many advantages as well as a few drawbacks. The benefits of P-cards are discussed below with implementation challenges and system drawbacks addressed later in this article.

Purchasing card system growth across corporate America has been substantial over the past decade. Its proliferation is the result of organizations seeking increased process efficiencies that P-card implementation affords. For example, it reflects their desire to reduce delays due to burdensome paper processing, higher labor costs associated with traditional purchasing practices, and product delivery delays due to purchase order acquisition. The goal often is to increase purchasing agility through new and leaner purchasing processes.

Generally, municipal applications of P-card systems have lagged behind private sector practices. Factors influencing these delays in local government include: 1) the procurement offices’ desire to maintain control and accountability over purchasing practices, 2) fears that
decentralized P-card programs will result in increased employee fraud, abuse, and corruption, 3) suspicions that the implementation of P-card systems will result in procurement office employee downsizing, and 4) lack of resources and expertise to implement effectively these systems. Governmental resistance to P-card system implementation, however, is likely to be short-lived. Similar to rapid growth experienced in private corporations during the past decade, the benefits associated with P-card implementation and the growing demands for fiscally responsible spending will lead ultimately to its growing utilization over the next decade.

**MUNICIPAL GOVERNMENT BENEFITS FROM P-CARD UTILIZATION**

Local government procurement offices are moving progressively towards the use of P-cards for many reasons. First, private sector research shows increasing evidence of substantial operating savings when P-card systems are introduced in their organizations. A few examples provide support that demonstrates how substantial transactional cost savings can be for larger organizational purchasing systems. Texas Instrument (TI) Corporation is one example of this fact. TI first introduced its purchasing card system in the mid-1990s. At that time TI processed approximately 300,000 purchase transactions annually. It estimated that each procurement specialist on average could manage approximately 5,000 purchasing transactions per year. With the introduction of P-cards, 120,000 of these transactions shifted from procurement’s control to departmental purchasing discretion. This shift reduced TI procurement staffing needs by approximately 25 specialists. Moreover, TI estimated that the cost per transaction was reduced from $130.00 to $25.00, saving the corporation over $12 million annually (Atkinson, 2000).

Westinghouse witnessed even greater per transaction savings through the introduction of P-cards. In its case, costs per transaction dropped from $208.00 to $28.00 or a cost per transaction reduction of more than 85% (Garrison, 1997).

Not only do P-card systems result in favorable overall and per transaction cost saving, but they also offer end-users greater flexibility to purchase critical resources, often on a “just in time” basis. Realistically, departmental purchasing needs of municipal governments can occur at all times of the day or night, particularly during declared and undeclared emergencies, thus governments must be ready to act on a 24/7 basis.
Departments facing supply shortages during a catastrophic crisis cannot wait for the purchasing unit to reopen at 8 AM to secure items that were needed at 2 AM. One example would be a public works department emergency that requires specific supplies to fix an errant piece of equipment (e.g., traffic light switch box). The items it needs are common (e.g., electrical wire, circuit breakers, electrical conduit) and are available off the shelf from a local 24-hour vendor. The repair technician has located the parts and has placed them on hold. He drives to the vendor’s facility and purchases these items with a departmental P-card and is shortly thereafter on-site fixing the switching box. At this same time, the procurement officer is at home sleeping soundly without being interrupted by a frantic telephone call from the public works dispatcher requesting requisition assistance for the needed supplies. In this case, all parties win. Public works has its critical supplies, and the procurement office has saved the city money through this seamless transaction. Moreover, required supplies have been secured so a looming problem can be rectified quickly. The next morning, the city commission’s phones are also free of citizen calls about governmental ineffectiveness and bureaucratic/red-tape complaints. The traffic at the critical intersection is flowing smoothly due to the city’s rapid response.

The procurement process goal should be as seamless as possible. This becomes even more critical during emergencies when the procurement system should facilitate the rapid acquisition of needed resources in as convenient a process as is possible. Clearly, ease of acquisition of resources does not mean the degrading of procurement integrity. No one expects procurement personnel to bend accountability standards or allow “free range” by end-users seeking strategies for circumventing established and reasonable purchasing practices. Nevertheless, both the positive outcomes of P-card utilization, especially under circumstances like emergency conditions as well as the need for maintaining procurement processes’ integrity, must be balanced in a manner that benefits the overall attainment of high quality public service delivery.

P-card utilization also provides additional advantages beyond operational cost savings, improved acquisition flexibility, and purchase response times. These card systems have advanced to the point where they now provide procurement systems with a clearer understanding of their organization’s overall supply needs and purchase history. This allows for strategic purchases to be made, at least on the local level,
since most governments lack sophisticated systems to track purchases. Purchasing in many organizations is heavily driven by the need to acquire items in three supply areas commonly referred to as MRO (i.e., Maintenance, Repairs, and Operating) supplies. MRO procurement consumes the lion’s share of purchasing activities for procurement offices. According to one TI procurement officer, MRO purchases “represent about a third of all dollars we spend, but about 85% of all purchasing transactions” (Atkinson, 2000).

The use of credit cards (i.e., P-cards) creates the additional advantages of flexibility in use and the opportunity for competitive price comparisons prior to purchase. Under traditional purchasing arrangements end-users have been limited to purchases that were arranged through prior agreements between vendors and their own procurement office. This limits purchasing options and goods/service choices. In some circumstances (e.g., emergency maintenance) the item’s price becomes secondary to its availability. Prior arrangements with vendors tend to be of little value, even if the unit cost is marginally lower when that vendor’s product is not presently in stock. Critical projects may be stalled under traditional “blanket” purchasing arrangements when needed items are unavailable or on “back order.” P-card applications frequently allow end-user departments to search for the needed resources necessary to keep unit activities running smoothly. Moreover, procurement offices save critical procurement staff resources because the process of “discovery” (i.e., locating vendors, identifying parts specifications, and confirming their cost) becomes decentralized as a part of the operational unit’s activity to gain the item in need. This is not to suggest that the procurement functions simply give up all control of the purchasing role. Purchasing offices still must approve vendors to be utilized and those given preferred vendor status. End-users must be educated to the fact that the P-card process is a technique for achieving improved acquisition of goods or services, because it is an efficient and convenient method for vendor reimbursement. Purchasing policies will continue to be applied whether the organization pays via P-card or through other procurement mechanisms. Additionally, because the P-card process allows for broadened vendor accessibility, the end-user can select more desirable approved vendors who provide the best price/service delivery mix. In today’s competitive e-marketplace, supplies can be purchased from local vendors or from suppliers on the other side of the continent on a real-time basis with next day delivery
through E-purchasing that requires the use of a tool such as the P-card. This process facilitates Internet catalog purchasing and the on-line completion of purchasing transactions.

Calls for improved strategic management of governmental resources have also grown exponentially over the past two decades (Bryson, 1995). Clearly, P-card application provides procurement systems the opportunity to shed routine purchasing processes. Generally, departments can easily and effectively implement well planned P-card programs. This allows procurement systems to focus on better planning of critical procurement issues. Examples of these critical issues include: procurement bidding for capital projects, analysis of vendor effectiveness and responsiveness, strategic purchasing, oversight and bid planning for major equipment purchases (fire equipment, fleet purchases), and development of multi-governmental purchase agreements where substantial cost savings can be realized. There is much to be gained for those municipalities willing to adapt to purchasing card systems.

IMPLEMENTING P-CARD PROGRAMS IN LOCAL GOVERNMENT

A great deal of excitement exists among innovative government procurement specialists concerning the potential for integrating e-procurement/e-commerce strategies into government procurement practices. However, recent state and local government procurement research by Susan MacManus indicates that the optimism over near-term e-procurement integration may be overstated. Her research suggests that government procurement systems are moving more deliberately (i.e., in an incremental fashion) in their development and application of e-procurement technology. Furthermore, she believes that this governmental “lag” is occurring, because these systems must look beyond efficiency measures when assessing their procurement strategies. Governmental procurement policies must also include concerns about issues of effectiveness and equity (MacManus, 2002). It also must be noted here that many agencies, even when they desire P-card utilization, often lack the resources necessary to launch effective P-card programs. For many communities, particularly smaller ones, introducing P-cards would be like going from crawling to running.

It is also critical to differentiate procurement and purchasing activities. The National Institute of Government Purchasing defines procurement as “the combined functions of purchasing, inventory
control, traffic and transportation, receiving and inspection, storekeeping, and salvage and disposal operations” (MacManus, 2002, p. 8). Purchasing, by comparison, is defined as “the act and the function of responsibility for the acquisition of equipment, materials, supplies, and services. [Purchasing] describes determining the need, selecting the supplier, arriving at a fair and reasonable price and terms, preparing the contract or purchase order, and following up to ensure timely delivery” (MacManus, 2002, p. 8). This distinction is important, as implementing P-card systems is not the same as implementing a fully functioning e-procurement system. Our research focuses on the use of P-cards as a facilitating aspect that enhances the purchasing function – as opposed to e-procurement systems that require substantially more developmental time, resources, and risks.

P-card adoption in municipal procurement systems still requires a giant leap of faith on the part of the organization’s leadership to get them operating smoothly. We believe that four critical factors are required for successful municipal P-card system implementation. These four critical elements are: 1) supportive leadership for P-card implementation, 2) strong intra-agency coordination between the procurement, accounting and IT functions, 3) an effective partnership between the municipality and credit card (e.g., Visa, MasterCard, American Express) partner, and 4) effective communication with end-using departments about the policies associated with P-card uses and prohibitions. These four aspects of P-card implementation are discussed below.

**Leadership and P-card Implementation**

P-card implementation, as is often the case with municipal government initiatives, requires critical leadership support and resource commitments in order to succeed. The organization’s culture signals to innovative departments whether or not their executives will support risk-taking initiatives, like the introduction of a new P-card purchasing process. Department directors frequently assess these “signals” and act accordingly. Thus, the first necessary condition for P-card implementation is a highly placed leader supportive of meritorious ideas and willing to deflect criticism and blame that would otherwise dissuade procurement directors from taking risks. One executive group, the Association of Professional Executives of the Public Service of Canada (APEX), realizes the impact that failure can have on a group’s willingness to act. To overcome this situation its members in 1999
“proposed a new APEX prize--the Noble Failure Award--to learn from the experience of a team which had a good idea, focussed (sic) on all the right values, planned properly and took appropriate risk, yet still failed” (Association of Professional Executives of the Public Service of Canada, 1999).

A philosophy, similar to that exhibited through the APEX proposal, serves as an indicator of the level of risk that organizations are willing to accept. In those situations where organizational leadership lacks strong and abiding support, P-card system implementation will require greater patience, intensified leadership from its champions, and more thorough employee education in its utilization. In these instances, procurement leaders must focus extensively on the outcomes associated with effectively designed and implemented programs. A strong sense of optimism from P-card champions will be required to transform the organization’s belief and attitude system about P-card utilization. Developing a successful P-card program is not impossible, but it does require extensive planning. Moreover, P-card champions must be prepared to invest substantial amounts of time, talent and resources to ensure that it is understood and valued, implemented properly, and recognized when positive benefits result.

Coordination among Intra-agency Stakeholders

P-card initiatives span well beyond the procurement division. For programs to work effectively, procurement planning is required across a multitude of agency interests – especially with accountancy and information technology operations. Implementing these initiatives must be a collective process; one that takes into consideration the demands that will be placed on other functional units as well as the benefits of implementation that also may result. One example is the benefit to the municipal accounting department when P-card programs are instituted. P-card systems frequently facilitate the ledger rectification process. This is accomplished through electronic interfaces between the P-card vendor and the municipality’s general ledger. Garrison’s (1997, p. 18 and 20) research on P-card implementation found that card provider programs “eliminates many of the other accounting functions. Employees can make purchases, when needed, without the additional steps of establishing credit accounts, obtaining approvals, and arranging payment through payable systems.” An added benefit is the P-card allows for a
streamlining of the traditional 3-way match as the government now pays one vendor (i.e., the bank) instead of many.

**Sustained P-card Vendor – Municipal Partnerships**

Piloting new program initiatives does not have to be entered into blindly by municipal procurement agents. Substantial assistance is available from P-card vendors. Presently Visa, MasterCard and American Express are the “big three” in P-card vendor services (Garrison, 1997). The first logical step is to select a procurement representative to pursue vendor information about its P-card programs, its partnering philosophy with government, its level of municipal software and system implementation support, and relevant costs associated with the introduction of P-card systems. This knowledge should be shared with other municipal key stakeholder groups. This information can become the basis for initial discussion and further initiative consideration.

A high level of trust and cooperation must be nurtured between procurement co-production partners (i.e., between the municipality and P-card vendors). A strong relationship will help overcome the normal glitches experienced during initiative implementation. Moreover, reviewing the P-card providers’ past performance with other government P-card systems facilitates improved vendor selection. Thoroughly researching these client-vendor relations will provide insight regarding the level and quality of service likely to be received by potential service providers.

Vendor selection should take into consideration a number of factors, including: program costs, level and quality of vendor’s technical support, past track records with other clients, and perception of intra-agency units about the abilities of each vendor to meet its specific functional needs. Governments typically can look to their current bank for beginning a P-card program. Selection preference also may be affected by longer-term contractual arrangements as municipalities move from pilot testing to comprehensive organizational implementation phases. Thus, questions of costs, level of technical support, and service track record likely will be sensitive to the volume of transactions processed as well as the magnitude of departmental tracking and reporting by the vendor. Municipalities must know how P-card vendor costs and support change as the volume and magnitude of transactions increase. What may appear as an ideal municipal-vendor match at one service level may be totally
ineffective as the program expands to cover all functional departments. This is particularly so as the municipality’s size and its structural complexity increase.

**Effective Communication with Departmental End-Users**

Communication effectiveness with functional units also warrants critical consideration for P-card systems success. Procurement efforts to communicate internally are just as important as program development and implementation planning. The quickest way to destroy a P-card initiative is to foist it on units without their prior knowledge or their input. In addition, communication is more than simply creating awareness that a new purchasing process is being implemented. Effective communication requires careful planning of training content to enhance end-users’ understanding of new purchasing procedures, where the P-card can be used, what types of goods and service purchases are permissible (and prohibited), and what organizational limits (e.g., unit cumulative monthly purchase ceilings, cumulative transaction cost limits, Merchant Category Code (MCC) blocks) are imposed. Sufficient funding for additional training also will be necessary to launch effectively new P-card initiatives.

Other program aspects must also be imparted to units who now have behavioral control over purchase decisions. Issues of ethics come into place when purchasing is decentralized to end-units. For example, unit personnel may become comfortable dealing with certain suppliers or providers. This comfort level must be offset with an understanding of what is in the best interest of the municipality being served not just the department. Maintaining purchasing policies, while allowing the P-card to streamline processes, should protect the fiduciary responsibility of the purchasing department even as the devolution of authority occurs. Should one continue to buy goods from a preferred provider when comparable goods are available at competitive prices from other qualified providers? Issues like these must also constitute a part of the communication package provided to end-users when decentralized purchasing occurs in municipal systems.

**OVERCOMING THE DOUBTS OF P-CARD IMPLEMENTATION**

In general, operational units favor P-card processes once they have been educated to system parameters (e.g., its “do’s” and “don’ts”). The
greatest levels of resistance to purchasing practice changes will come from internal units that constitute the procurement oversight process (e.g., purchasing, accounting). Numerous signals exist within and across the procurement systems that may forewarn P-card “champions” that internal trouble is brewing. Table 1 is provided as a guide to some of the behavioral pitfalls that arise when P-card initiatives are being considered. Vigilance in observing these signals is necessary as no viable P-card system can succeed when internal support is lacking.

When patterns of behavior consistent with Table 1 characteristics exist organizational leaders must step back and analyze appropriate next steps. Initial strategic focus should be placed on the education of one’s procurement unit. Procurement personnel resistance must be addressed

TABLE 1
Agency Signals of Internal Resistance to P-card Programs

- Divergent missions across Procurement, Accounting and IT units
- Reluctant to embrace technology
- Failure to discontinue old processes, even when new processes prove effective
- Adherence to a “command and control” philosophy by Procurement officials
- Buyers’ reluctant to let “non buyers” make purchases
- End-user departments unwillingness to be accountable or “take on additional burden”
- Over auditing of purchases
- Failure to set up contracts for p-card usage (when analysis deem it appropriate)
- Placing unreasonable documentation demands on end-users and vendors
- Over-engineering the process at all levels (or duplicating the process vertically)
- Lack of trust among stakeholders
- High procurement unit perception (whether true or not) that downsizing will follow shortly after p-card implementation
openly with the staff. Personnel should be allowed to discuss their concerns regarding P-card utilization without the fear of retaliation. In some systems (e.g., smaller municipalities with less defined procurement policies), P-card utilization may be more problematic, and calls for concern may be justified. Procurement leaders should assure the staff that these changes are being considered primarily to serve better the organization, not to displace procurement officers from their jobs. This point is key, as employees’ commitment will be diminished if they believe that a P-card program is (and if the intent truly is) being introduced as a reduction in force strategy.

P-card educational programs will also be needed for end-using departments. The focal point of educational awareness here should be to encourage improved discussion and planning for the co-production of an enhanced purchasing function. Bi-directional information sharing during these sessions will increase the understanding of what procurement seeks to accomplish, while creating excitement about this initiative. A key to successful educational awareness will be to create legitimacy in the eyes of the end-users by allowing them input into the creation of programs during the planning stages. Moreover, by employing a strategy of education that incorporates the needs of the end-using department, a great sense of co-ownership of the system will evolve. This is a critical point, as a P-card system implementation must be perceived as “our” system rather than the procurement department’s new system. Instilling the belief that procurement is doing this “with us” rather than “to us” is vital to the acceptance and utilization of P-card initiatives.

PILOT PROGRAM TESTING OF P-CARD INITIATIVES

P-card initiatives should first be tested on a piloted basis. Testing can be conducted initially with some departments. Department testing should include a small number (i.e., two - four) of innovative and well-managed units where decentralized purchasing would prove valuable. Likewise, during the pilot phase, one less desirable unit where implementation might prove more difficult should be selected. Following this strategy allows procurement personnel to gauge likely implementation benefits and snags at a reduced risk level. Furthermore, it allows the procurement staff to reconfigure program implementation strategies within those units where fine-tuning is needed prior to system-wide implementation.
An additional benefit of piloted P-card implementation is that it allows end-users to gain a stronger sense of the values and responsibilities associated with increased decentralized purchasing. Co-production of purchasing activities increases departmental ownership. This helps ensure that unit employees understand the parameters of P-card usage as well as the ramifications when abuse occurs. Care should be taken, however, not to expand the departmental role while reducing the purchasing department’s role. Trading one for another between purchasing and a department is not the ideal result.

Pilot programs allow fuller cognition of their value to the organization. Short-term trials (3 – 6 months) allow for the continuation of traditional purchasing practices in non-testing units, thereby maintaining the system’s viability should the organization choose not to implement the P-card system following its trial period. Furthermore, pilot program results provide information about the likely future outcomes from a fully functioning, comprehensive P-card program.

IMPLEMENTATION LESSONS LEARNED IN A MUNICIPAL SETTING – HILLSBOROUGH COUNTY, FLORIDA

Hillsborough County government traditionally used paper field purchase orders (FPO). Under this system, department representatives would have to travel to the Hillsborough County Government Center, in some instances more than 70 miles roundtrip, to turn in packets of numbered FPO’s and pick up a 500-count stack of new FPOS. Line employees had to have their department-based purchasing clerk approve the FPO before they could purchase vendor goods/services. Copies of the FPO were retained by both the end-user department and by purchasing. Tracking of the paper FPO was difficult, and there were “no small” purchase reports available, thus millions of dollars per year were loosely accounted for. The county’s paper FPO had a limit of $1000, which matched its small purchase limit. Interestingly, when purchasing started the P-card system single P-card purchases were limited to $750 due to an accounting department procedural stipulation. The original $750 limit was set to match the capital expenditures’ threshold, although employees could easily circumvent this limit. Only later, when limit authorization inconsistency (i.e., $1,000 versus $ 750) was raised, did the paper FPO finally become virtually obsolete (i.e. other than maintaining a small presence for those vendors who did not accept county-approved credit cards). Ultimately this limit was raised to $2500, and the P-card limit
increased with it. Ironically, the county’s new P-card purchasing ceiling actually gave it improved reporting information and more desirous knowledge about procurement practices and end-user needs.

Hillsborough County, Florida, like most large local governments, harbored pockets of innovation and change. One of those pockets resided in its purchasing department. It was within this unit that the County’s P-card program was pollinated, germinated, and cultivated. This is unusual in that most P-card programs are brought about through measures external to purchasing departments. The goal of the County’s P-card program was to reduce costs, improve efficiency, and deliver best-in-class customer service. The initial program began in late 1998 but lay dormant until 2000. This dormancy was tied to many of the same reasons for P-card program failures (as noted in Table 1 above). Hillsborough County was no different in this area even with innovative thinking among some of its procurement officers.

In early 2000, the P-card program was resurrected with a pilot program kicking off in July. It started with six agencies and approximately sixty cards. The initial goal was to have the program completely operational within six months. This goal was not fully achieved during this period, although all agencies (i.e., 26 departments) had been offered the opportunity to join by the end of the ninth month. By the end of the first year all but five county agencies participated in the county’s P-cards program. A total of 700 cards were allocated with a monthly spending average of over 100K. During its first year of operation more than $1 million in purchases were transferred from the county’s paper FPO to the P-card system. Hillsborough County conservatively estimated savings per transaction of at least $50. This was based on cost estimates of $100 per transaction utilizing the traditional FPO system (the actual cost was likely much higher) versus $50 per transaction for P-card purchases. Approximately 10,000 transactions were initially moved with 30,000 ultimately being moved for an annual savings of $2 million once the program is fully operational.

Hillsborough County’s P-card system expanded vendor accessibility as well, which resulted in better pricing and the increased use of common national vendors. Overall work project times decreased, because those in the field received supplies more quickly, often in real time terms, and down time was reduced as personnel no longer waited for paper FPO approvals. Internet purchases increasingly became commonplace, and
vendors who previously would not accept FPO’s now accepted the P-card. A positive externality of the program was that more flexibility, responsibility, and accountability were granted to the county departments and to those individuals actually making the purchases. Control over purchasing was obtained by issuing cards in each employee’s name. Spending limits were also applied with purchase authorizations granted only with approved Merchant Category Code (MCC) groups. Each employee had to track his receipts and spending on a transaction log that required reconciliation each month with the bank statement. These were reviewed and forwarded to the accounting department for payment authorization to the bank. The primary roles the purchasing department played at this point were issuing and removing cards and electronically forwarding bank statements to individual county departments, and acting as the County P-card liaison to the Bank.

Although Hillsborough County’s P-card program is highly successful, there were many traditional problems along the way that placed barriers to its implementation and successful operational application. Initially, purchasing wanted to maintain too much control and wanted to review each purchase and reconciliation. The county’s accounting department also imposed hurdles that initially slowed program implementation and ultimately could have halted the program. Accounting personnel tended to be out of touch with emerging technology and new procurement methods. They resisted this change process simply, because they could not recognize how they would have the ability to transcend paying thousands of vendors to paying one, the bank. Early on, travel and services issues also proved problematic. Both were perceived as “Waterloo” issues for accounting in its on-going showdown with the purchasing department over P-card implementation. With regard to travel, accounting felt that under the P-card system there would be no prior approval for travel, as is required by county policy. In reality, travel authorization still required pre-approval, and nothing had changed from past practices except the payment method. In this situation, P-cards’ utilization provided an added benefit to county employees, as they were no longer required to use a personal credit card for travel transactions. The concern with services provisions was tax related. Accounting believed that there would be no way under the new system to account for vendors that required IRS 1099-tax reporting. Again, this was an unwarranted issue as Hillsborough County utilized very few vendors that required 1099 reporting and even fewer that would have
been P-card vendors. In addition, the software provided by the bank allowed for vendors to be flagged in the system as 1099 reportable, thus rendering the point moot. Consequently, at the end of each year a simple report could be run showing those vendors requiring 1099 documentation.

End-using departments also presented some roadblocks to P-card program development. These hurdles ran the gamut from the security philosophy of allowing a “wild west” mentality to receiving the cards in a central office and locking the cards up each night. Neither extreme approach worked. Additional guidance from the purchasing and accounting departments was required to strike a balance between these approaches so that the departments could become comfortable with the program. An additional hurdle was that of convincing operational departments that instituting duplicate purchasing processes or establishing more controls was not necessary and would not be in their best interest. Some departments were quick to impose multi-levels of internal review and more restrictive departmentally imposed rules on card usage that, without county level intervention, would have made the P-card operationally ineffective. Fortunately, in the end, countywide guidelines (as opposed to departmental rules) prevailed as the policy standards for the new P-card system.

Individual employees also proved to be challenging. Some did not want the responsibility associated with being issued a P-card. Others failed to submit their receipts in a timely manner (or at all in some instances) for account reconciliation. Again this resulted in “train wrecks” for the accounting unit, as it would not reimburse the bank until it had 100 percent of the receipts and statements accounted for. Accounting’s refusal to pay the bank electronically was also a major issue and over time created friction between Hillsborough County and the bank. Hillsborough County, like most entities, utilizes a three-way match of accounting. In order to meet this requirement, accounting mandated that each department submit an invoice from its vendors. With the P-card program this requirement appeared unwarranted since the vendors invoiced the bank, and the bank invoiced Hillsborough County. This requirement caused many problems with the vendor community as well. It obligated vendors to do double paper work by mandating that they submit an invoice to the county and to the bank. This special requirement also impacted unfavorably vendor accounting systems as well. Only through strong leadership within the purchasing unit, and
through the backing of the County Administrator’s office, was the program able to move past these problems and implement the P-card program successfully.

Under conditions like these, organizations need innovative people with strong commitments to productivity improvements in order for P-card systems to succeed. Strong leadership and dedicated process champions are also needed within the ranks. Moreover, support from the initial pilot project groups is essential to the program’s ultimate success. End-using departments, who served as P-card “guinea pigs,” assisted in developmental learning. Their feedback helped facilitate the reshaping of program design and content that removed programmatic glitches prior to the system wide launching of the P-card program initiative.

Improving relationships with the bank was also crucial. This took many hours on the phone and numerous e-mails to get the cards correct, statements correct, software installed correctly, and some fence mending in order for it to become a turnkey operation. The streamlined process is outlined below and includes the following steps:

- The cardholder list is received from the department.
- The cards are ordered electronically - cards arrive within 1-2 business days.
- The cards are delivered to departments for distribution.
- A 1-hour training session is provided. (Note: People may resist training, but the key is that the purchasing rules have not changed, just the payment method. Simply re-enforce through training the “do’s and don’ts” of existing purchasing practices).
- P-card usage begins immediately.
- Statements are downloaded from the bank and e-mailed to the recipients.
- Recipients reconcile their statement and forward it to the accounting department for payment.

As a result of the program Hillsborough County purchasing is now able to track small purchases, which was virtually impossible before, via reporting by MCC or vendor. This allows for targeted purchasing, blanket purchase, or bulk purchase opportunities.
Purchasing itself was not immune to internal challenges as the P-card program was rolled out. Initially, its second level management was never really on board with the program. It resisted these changes in principle and saw the card as a threat to its control and “territory.” Buyers were slow to embrace the card, because they perceived it as an infringement on their turf. There were nonbelievers at every turn, and aggressive tactics were required to push the systems into action. Hillsborough County’s program was implemented purposefully. Undoubtedly, many toes were stepped on in the process, but this approach was needed given the lack of creativity, innovation, and drive exhibited by many of the stakeholders in implementing the necessary changes. Two prevailing schools of thought existed in Hillsborough County. One approach followed along the lines of “wait until every nuance is covered,” which was the tactic preferred by many in the accounting unit. The other was the Purchasing Department’s preferred approach to “get the cards out there and make some purchases and tweak it as it goes.” Thus an “incremental development” approach proved to be the best method in Hillsborough County. Waiting for every possible contingency to be worked out would have kept this initiative from ever getting off the ground and allowing Hillsborough County to reap the benefits of a successful program. The purchasing unit’s persistent belief in the benefits and values of a P-card system ultimately prevailed. This is likely the most significant reason why P-card implementation has succeeded in Hillsborough County. In spite of all the roadblocks, regrouping, and possible hard feelings, the program has proved to be very successful and is highly recommended for any entity.

CONCLUSIONS RELATING TO MUNICIPAL P-CARD INITIATIVES

P-card programs have been praised as an innovative means for procurement systems to save fiscal resources for municipal government while granting greater purchasing discretion for departmental end-users. The goal of enhanced financial efficiency certainly is noteworthy and is a powerful argument for P-card adoption. Nevertheless, municipal governments should carefully consider P-card system application prior to its implementation. Supportive leadership, intra-unit cooperation, a strong municipal-card vendor partnership, and effective organizational communication with end-user departments prior to P-card system development are all required for optimal operational outcomes. Moreover, municipalities must think beyond issues of efficiency and
control and contemplate the impact that such innovative programs will have on operational effectiveness and policy equity. Finally, procurement leaders must carefully monitor the willingness of procurement systems’ personnel (especially in purchasing, accounting and the IT unit) to move forward with these initiatives and make decisions accordingly. In the final analysis, the distinction between organizational success and failure for P-card programs is likely to be a factor of organizational commitment more than technical capacity.

REFERENCES


