



Legislative Post Audit Performance Audit Report Highlights

Business Procurement Cards:
Expanding Their Use To Increase Cash Rebates to the State

Report Highlights

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Audit Concern

Questions have been raised about whether agencies were using their procurement cards to the maximum extent possible, which could generate additional cash rebates.

Key Facts & Findings

- Purchases made on the State's procurement cards are eligible for a cash rebate of \$1.43 for every \$100 in purchases.
- The Division of Accounts and Reports currently keeps half the rebate money to cover the cost of operating the program, and the agencies that made the purchases get the rest.
- Some of the vendors we identified with the highest amount of non-procurement-card purchases included Corporate Express (office supplies) for \$4.0 million and Dell (computers) for \$3.2 million.
- Some of the agencies we identified with the highest amount of potential cash-back rebates included the University of Kansas with \$67 million and Kansas State University with \$63 million.

Estimated Cost Savings:
\$ 380,000 to \$1.3 million
per year

What Extent Could the State's Cash Rebate Be Increased if Agencies Expanded Their Use of Business Procurement Cards?

AUDIT ANSWER:

- We identified \$27 million in non-procurement-card purchases agencies made from high-volume vendors that potentially could have been charged to a procurement card. Doing so would generate almost \$380,000 in cash-back rebates.
- Agencies also made \$327 million of similar non-procurement-card purchases from the thousands of other vendors we didn't analyze. If just 20% of these purchases could have been charged, agencies would have generated \$940,000 in additional cash-back rebates.
- Given the State's current fiscal situation, agencies should explore ways to maximize the rebates they receive, which effectively reduces their costs for the good and services they buy.

We Recommended

- The Division of Accounts and Reports should take several steps to encourage agencies to expand their use of procurement cards.
- The Division should limit its share of the rebates it keeps to the cost of operating the procurement card program.
- The specific agencies we identified in the report should explore ways of expanding their use of procurement cards.

Agency Response: In general, the agencies that responded to the report agreed with the report and our recommendations.

**Figure 1-1
Summary of Potential Cash Rebates That Could Have Been Generated
Through the Expanded Use of Procurement Cards
Top Vendors and State Agencies in FY 2008**

	FY 2008 State purchases we reviewed that potentially could have been made with a procurement card, but weren't. (a)(b)	Estimated savings through rebates if all these purchases had been made with a procurement card. (c)
By Vendor		
Corporate Express (office supplies)	\$ 4,018,911	\$ 57,470
Dell Marketing (computers)	\$ 3,245,413	\$ 46,409
AT&T (cellular and regular phone service)	\$ 1,926,577	\$ 27,550
Fisher Scientific Company (lab supplies)	\$ 1,859,983	\$ 26,598
Grainger (industrial supplies)	\$ 1,769,768	\$ 25,308
Cartridge King of Kansas (printer cartridges)	\$ 1,638,972	\$ 23,437
Alltel (cell phones)	\$ 1,083,984	\$ 15,501
Key Staffing (temporary staff)	\$ 1,014,841	\$ 14,512
Stanion Wholesale Electric Co (electrical supplies)	\$ 970,126	\$ 13,873
Fedex (shipping company)	\$ 591,394	\$ 8,457
<i>All other vendors (27 remaining)</i>	\$ 8,617,607	\$ 123,232
Total	\$ 26,737,576	\$ 382,347
By Agency		
University of Kansas	\$ 4,658,541	\$ 66,617
Kansas State University	\$ 4,404,749	\$ 62,988
Department of Transportation	\$ 1,939,945	\$ 27,741
Department of Social and Rehabilitation Services	\$ 1,578,997	\$ 22,580
University of Kansas Medical Center	\$ 1,467,320	\$ 20,983
Department of Health and Environment	\$ 1,376,219	\$ 19,680
Wichita State University	\$ 1,180,871	\$ 16,886
Department of Administration	\$ 900,423	\$ 12,876
<i>All other State agencies (93 remaining)</i>	\$ 9,230,511	\$ 131,996
Total	\$ 26,737,576	\$ 382,347
<p>(a) In general, includes only those purchases of \$5,000 or less made with the highest-volume vendors, and only vendors who appear to accept credit cards.</p> <p>(b) This amount is 20% less than total transaction amount, as part of our estimate that only 80% of these purchases could be made by a procurement card.</p> <p>(c) Based on the current cash-back rate of \$1.43 per \$100 in purchases.</p> <p>Source: LPA analysis of State accounting and procurement card data from the Division of Accounts and Reports.</p>		

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