



# It's in the cards

by JoAnne Sommers

## Ontario gets purchasing card savings plus Web-based reporting



**T**he Ontario government will realize savings of almost \$100 million over the next year, thanks to its new online MasterCard purchasing card program with the Bank of Montreal (BMO).

The three-year agreement with BMO's Financial Group Cardholder Services Division replaces a five-year contract with the Canadian Imperial Bank of Commerce (CIBC). There is an option for two one-year extensions of the deal.

In September, BMO ePurchasing Solutions, in partnership with the Ontario Government's Shared Services Bureau (SSB), provided 1,000 Ontario government employees with Master-

Card purchasing cards to pay for purchases made in person, via phone or online. An additional 13,000 employees were scheduled to receive cards in early November.

BMO is also providing, through the government's secure employee portal, its proprietary Web-based card reporting and data integration solution, BMO details Online, to about 40 Ontario ministries and agencies. This service will reduce government reliance on paper-based systems and allow for the management of detailed purchasing information electronically. BMO details Online delivers enhanced card transaction data for viewing, editing and allocating, as well as for integra-

tion into the various departments' Enterprise Resource Planning (ERP) systems. It also provides for increased levels of data reporting, including more than 300 report options and online statements.

The purchasing cards cover a wide range of goods and services valued at less than \$5,000, including everything from office supplies and cell phones to shovels and courier services. Travel is covered under a separate agreement with American Express Travel Services. The BMO program also allows the government to block inappropriate purchases and selected vendors and track employee expenditures.

"Cards are typically issued to administrative staff and those in regional offices, such as the operations program staff in provincial parks," says Karen Owen, strategic procurement director with SSB. "They're issued in the employee's name and are not transferable."

Employees maintain a log of all receipts, which is used to reconcile monthly online statements. Any discrepancies are dealt with at that point and kept in consistent order for audit purposes, says Owen, who declined to specify details of the contract's parameters.

"The program allows us to streamline payment processes," she adds. "By putting cards in the hands of front-line staff, we've ensured that they can get what they need

when they need it and reduced the costs of administration, purchase orders and invoices."

The new system will expedite payments to suppliers, while reducing the time and expense involved in the overall procurement process, notes Randy Ford, managing director, BMO ePurchasing Solutions. In the past, vendors have typically waited 30 days or more for payments. Now they'll be paid within 48 hours.

"The new program is a convenient and cost-effective method for employees to acquire business-related goods and services," he says. "It will result in fewer orders, fewer requisitions, reduced paper work and a single monthly bill."

Costs to the government for this program are minimal because the revenue stream comes from the seller. Suppliers send an electronic record of any government purchase to BMO, which stores it in a data warehouse.

government averages 630,000 purchase card transactions per year, says Kardys, adding that there has been a 17.5 percent increase in purchase card use in the past year. For the calendar year 2001, the government's purchasing card program volume totalled \$104 million.

"One monthly payment costs \$25 to reconcile and we can now group many transactions under a single payment," he notes.

SSB plans to move all government credit cards to BMO MasterCard eventually, says Kardys, in what he describes as "a lengthy process. We have a list of 7,000 suppliers, 50 percent of whom are MasterCard-enabled. We're confident that we can switch over those who are currently Visa-enabled and any new standing agreements will stipulate that the supplier must accept the purchasing card."

Thanks to the government's previous purchasing card program, the Ontario

### Not only in Ontario

Ontario is not the first Canadian government to sign an agreement with BMO's Financial Group Cardholder Services Division this year. Last January BMO was awarded a four-year contract to supply its MasterCard purchasing card program and proprietary Web-based card reporting and data integration solution to more than 100 federal government departments and agencies.

The resulting savings easily run into the millions of dollars annually, says Bob Berniquez, director, financial operations policy, Treasury Board Secretariat. "We conduct between one million and 1.3 million transactions a year. Instead of issuing cheques to every supplier we issue only one a month to BMO. The new system removes a great deal of administration, merchants are happy because they're paid much faster and we have access to all the data online."

The federal government is looking at extending the program beyond supply-type transactions to services, such as paying cellular telephone bills automatically, adds Berniquez.

"So far we've captured only a fraction of all possible transactions," he explains. "While all federal departments use it, it's not exploited to the fullest extent possible. So we're trying to educate people about the system's potential."

The province of Alberta also has a purchasing card agreement with BMO.

## The Ontario government anticipates \$98 million in savings in the first year of the deal ... and that figure will grow

The bank reimburses suppliers within 48 hours and issues a monthly online statement to the province. The government, one to three weeks after the monthly billing date, then reimburses the bank.

"We store detailed purchasing information electronically and make it quickly available to the government," says Ford. "Anyone can view departmental expenditures and obtain an online vendor analysis using Web-based reporting tools."

While Ford would not speculate about the extent of government savings resulting from this agreement, he says that private sector firms have saved between \$40 and \$60 an invoice as a result of similar programs.

The Ontario government anticipates \$98 million in savings in the first year of the deal, according to Andrzej Kardys, project assistant with SSB, Management Board Secretariat. "And that figure will grow as we move additional invoices to the purchasing card."

It now costs anywhere from \$5 to \$100 to process a purchase order and the Ontario

government has developed excellent training and communication around its use, says Karen Owen. "We have good comptrollership mechanisms in place and there are card coordinators for all ministries who are responsible for coordinating any issues that arise around double payments or errors."

As the government moves to the program's next phase, it will implement more functionality, says Owen. "We're increasing our online capabilities and enhancing the availability of information. Level 3 data is becoming more readily available through increasingly sophisticated Point of Sale equipment and we're using it to get better information about the products and services we purchase. Access to that data will help us to make more informed decisions in the future about sourcing goods and services for the province of Ontario." ■■■

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