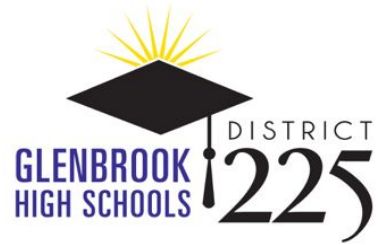


DRAFT



To: Dr. Charles Johns
Board of Education

From: Dr. R.J. Gravel

Date: Tuesday, February 4, 2020

Re: Procurement Card Program Update

Background

On October 25, 2004, the Board of Education authorized the establishment of a procurement card (PCard) program. The PCard program enables the school district to issue limited access credit cards for use in purchasing goods and services for the school district. PCards are primarily issued in the name of a department (e.g., GBS Social Studies, GBN Student Activities), and are checked-out to users on an as-needed basis. Any transaction to be processed with a PCard requires pre-approval from an administrator. Upon using a PCard, a detailed receipt is scanned and uploaded into Skyward, and the transaction is electronically audited and approved. As is the case for all disbursements, each transaction is verified by multiple administrators, including:

1. Assistant Principal or Director or Instructional Supervisor or Manager;
2. Assistant Superintendent or Associate Principal for Administrative Services;
3. Internal Auditor (Business Services Department).

Glenbrook was one of the first school districts to adopt the PCard program sponsored by the Illinois Association of School Business Officials, which has subsequently grown in participation to include over 1,100 school districts and municipalities across 21 states. Several benefits of the program that were identified in 2004 still apply today, including:

- Reduction of the amount of paperwork for small dollar transactions;
- Ability to submit a single monthly payment through the accounts payable process, as opposed to multiple payments to multiple vendors;
- Reduction of the need to issue employee reimbursements for petty cash type transactions;
- Reduction of the need to issue emergency checks for urgent purchases (e.g., revolving fund disbursements);
- Ability to take advantage of an expanded network of vendors, through the use of online ordering;
- Earned rebate dollars based on the total purchase volume using the school district's PCard program.

The use of the PCard program at Glenbrook has grown over the past 16 years and is a tool that enables our staff to efficiently procure goods and services at the most competitive price available. But perhaps the most exciting benefit of the PCard program has been additional revenue on an annual basis in the form of a rebate. Through a negotiated contract with a banking partner, Illinois ASBO has secured a rebate for each participant based on the volume of purchasing and the grace period selected (e.g., amount of days a school district has to pay their invoice). For the 2019 fiscal year, the rebate ranged from 1.1 and 1.4%. Table 1 indicates the rebates the school district has received in recent years.

Table 1
PCard Annual Volume and Rebate Earned

Year	Volume	Rebate	Rebate %
2019	\$2,414,661	\$28,662.99	1.2%
2018	\$1,874,411	\$21,649.45	1.2%
2017	\$1,630,349	\$16,955.63	1.0%
2016	\$2,025,509	\$20,052.54	1.0%
2015	\$2,099,237	\$20,152.68	1.0%
2014	\$1,120,464	\$10,375.50	0.9%
2013	\$955,400	\$8,512.61	0.9%

Over the past seven fiscal years, the school district has earned \$126,361.40 by utilizing a PCard in place of a paper check. This revenue has been utilized to minimize the impact of banking fees that the school district incurs each year (e.g., NSF fees, wire transfer fees), and to support the student activity fund and financial assistance programs for each of our schools.

Program Review

While the school district has been served well by the Illinois ASBO PCard program, we have not reviewed the program's structure in recent years. As a result, the business services team initiated a comprehensive review of similar PCard programs in use by school districts in Illinois and offered by local banking institutions. Our objective in conducting this evaluation was to determine the best program in terms of features that meet the needs of the school district along with financial benefits for participating.

After exploring PCard programs offered by several banking institutions, a single vendor emerged as a reliable option. CapitalOne has been actively marketing a corporate card program to Illinois school districts over the past two years. What makes CapitalOne's program especially unique, is that their team proactively contacts school district vendors to identify those that will take credit cards. By taking this approach, CapitalOne has been able to substantially increase the purchase volume, resulting in much higher rebates. An initial evaluation of the school district's purchases that are currently paid using paper checks that could be paid using a PCard indicates that the school district could increase its rebate by over \$50,000 in the first year. Additional features of the CapitalOne program include:

- A comprehensive online portal that enables the school district to manage all facets of the PCard program, including the instant deactivation of a card that is lost/stolen;
- A local, dedicated account manager available to assist with the PCard program, troubleshooting challenges, and continuing to evaluate ways for the school district to increase its rebate revenue;
- Enhanced fraud notifications and resolution toolset (e.g., contacts users electronically via SMS text message), significantly decreasing the challenges of false-positive fraud alerts when staff is with students at a school-sponsored event;
- Full integration with the Skyward financial management system, enabling posted/settled transactions to be downloaded and reconciled on a daily basis by staff;
- Rebates paid on a monthly basis at rates between 1.35% and 2.00%.

In comparing the existing and proposed options, our team was only able to identify advantages in support of a transition to the CapitalOne program. For example, the current PCard program is managed by Illinois ASBO but serviced by BMO in Canada. We have found that simple account actions such as requesting a new card or addressing a fraudulent charge can take multiple business days to achieve a resolution. Under CapitalOne's program, we have a local account manager that can address any of these concerns, and access to an online portal that provides the tools necessary to resolve the majority of our routine needs in a very timely manner. Another compelling advantage is the significantly higher PCard rebate offered by CapitalOne. Table 2 illustrates a comparison of the rebate provided by each program, based on our actual annual volume in 2019:

Table 2
PCard Annual Volume and Rebate Earned Simulation

Year	Volume	Current Program		CapitalOne Program	
		Rebate	Rebate %	Rebate	Rebate %*
2019	\$2,414,661	\$28,662.99	1.2%	\$36,219.91	1.5%

* The actual rebate percentage may vary based on the type of transaction. The minimum rebate for a transaction is 1.35% whereas the maximum rebate is 1.65%.

While Table 2 illustrates an increased rebate by merely using last year's volume, CapitalOne's vendor outreach program to increase our volume will result in an even higher rebate. And what makes the outreach program quite intriguing is that there is no additional work required of the business services team - the CapitalOne team handles the entire process on behalf of the district.

Given the advantages identified, we are confident that CapitalOne's PCard program will be able to fulfill the current needs of the school district and provide tremendous added value in the future. As part of the evaluation process, the business services team plan to begin a pilot program with a limited group of district office departments this spring. Should the pilot program be successful, the PCard program will be fully transitioned to CapitalOne effective July 1, 2020. We will continue to keep the Finance Committee informed regarding this transition, and are optimistic about the possibilities for the future.