

Insured Maintenance Program

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Abstract

The Insured Maintenance Program allows the University to streamline its procurement duties as it applies to the issuance of maintenance agreements. Instead of 1,500 maintenance purchase orders issued over the course of a year, the Insured Maintenance Program required only one purchase order be issued. Since a single provider handles the Insured Maintenance Program, the University is able to save thousands of dollars in direct and indirect costs associated with maintenance agreements.

Introduction of the Organization

Georgia State University is a public research institution located in downtown Atlanta, Georgia. The University is one of 34 institutions in the University System of Georgia. Georgia State's overarching goal is to become one of the nation's premier research universities located in an urban setting. The University has enrollment of more than 28,000 students served by more than 1,700 faculty members. Georgia State is nationally recognized for the diversity of its student body. Students are served through six colleges and schools: Arts and Sciences, Business, Education, Health and Human Sciences, and Law; as well as the Andrew Young School of Policy Studies. The University is experiencing a period of significant growth with more than 15% increase in headcount over the past five years. As with many state-supported institutions, the University is facing the challenge of providing quality services to an expanding student population in an era of declining state funding.

Statement of the Problem/Initiative

The Georgia State University Purchasing Department has always been budget conscious, attempting to obtain the best value for the available dollars for each purchase. However, in the mid-1990's, many of the departments were challenged by the Vice-President for Finance and Administration to find ways to streamline budgets and operations. An opportunity came for the Purchasing department to tackle both requests. A senior employee who handled the service repair calls for the University retired. The Technical Specialist position was combined with the Maintenance Buyer position in the Purchasing department. The Maintenance Buyer was issuing upwards of 1,500 purchase orders per year, and fielding five or more service calls per day. Expanding the duties of the Maintenance Buyer proved to be a more cost-effective move for the Purchasing Department. However, when yet another employee retired a few years later, the Maintenance Buyer received a promotion. The former position of Maintenance Buyer was not immediately filled. After six months of still issuing the maintenance agreements, handling service calls and taking on a new position, the duties became overwhelming. An idea that had been presented to the University in the past resurfaced: the Insured Maintenance Program.

The concept of the Insured Maintenance Program is just that: insurance. Repairs made to equipment are covered under an insurance policy. The insured maintenance provider pays the claims (invoices for service calls) against the policy.

The Insured Maintenance Program also offered the University full management of the

service repair area. Instead of issuing hundreds of purchase orders per year, only one PO is needed. Another selling point of the Insured Maintenance Program was the promise of monetary savings for the University.

Design

One of the first steps toward implementation was to inform the university's personnel of the potential change in procedure regarding maintenance agreements. A representative from an insured maintenance provider spoke with the Administrative Officers for each college and the Vice Presidential area detailing the benefits of the program. The presentation was well received and, in the end, aided in the impressive participation rate of individual colleges.

The next step toward implementation was to collect data on the number and types of equipment that Georgia State University would cover under the program. This information was gathered by running reports from the University's financial system. Once all of the information on the various makes, models and serial numbers were collected, along with the prices that the University was paying for service agreements on the equipment, the Request for Quote was created. There were 1,200 individual pieces of equipment that were included on the original RFQ.

Many factors were considered when developing the RFQ. The University did not need a program that would merely provide a message center for service calls. There had to be true value added in the undertaking of this task.

There were eight objectives that were extremely important to the Purchasing Department if this program was going to be successful.

The Insured Maintenance Program had to:

1. Improve the quality of the equipment repair.
2. Optimize equipment performance.
3. Reduce equipment maintenance costs.
4. Outsource operational functions to save time and costs in administration of such program.
5. Provide the University with a more predictable and fixed budget for maintenance.
6. Provide cost control services to help contain and reduce costs proactively.
7. Provide management reports to assist in program and equipment evaluation.
8. Provide toll-free help desk service for receiving all maintenance calls and the dispatching of all calls.

The RFQ was released for competitive bid, remaining open for 45 days.

Although the process was labor intensive on the front end, the bid process itself was relatively painless. The bid evaluations were lengthy, but went smoothly. The final bid results showed the lowest responsible/responsive bidder's price would save the University 30% of the current costs of our maintenance agreements.

Implementation

Implementation of this program looked good on paper, but in actuality it proved to be quite difficult. The vendor who was awarded the contract had written into their proposal that they would provide a team of three individuals who would place decals on all of the equipment on campus under the Insured Maintenance Program. After a few days, the idea of the “team” decaling the equipment was abandoned due to the large number of equipment on our list. For example, the Library alone had almost 300 pieces of equipment, and the team had a hard time locating many of the items. The Purchasing Department decided it would be better to send all of the departments their decals and have them affix the decals themselves.

The insured maintenance vendor provided a list of the University equipment by department with an assigned ID/decals number and annual cost. The new plan for implementation entailed the Maintenance Buyer issuing the assigned decals per department and sending a list of all the equipment and the pricing along with it for the departments to follow. This worked well. None of the departments complained about having to identify the equipment and affix the decals.

After all of the decals were assigned, the funds were transferred from each department’s budget via a journal entry to a holding account designed specifically for the insured maintenance purchase order. A spreadsheet for each department listing the equipment and the annual costs was prepared for the vendor and submitted along with

the purchase order. In the first year of the program, over 50 departments participated in the program.

Benefits

With the Insured Maintenance Program in place, the University received a 30% reduction in the cost of maintenance contracts. This cost benefit continues to be a strong point even in the third year of the contract. Other benefits the University received as a result of the Insured Maintenance Program are a reduction in the number of purchase orders issued, fixed maintenance costs (no increases were incurred with the subsequent renewals), and added ease in making repair calls (decals affixed to the equipment provide the department with important information needed to place the call).

Retrospect

We learned that all is not as simple as it seems. It took a year and a half to work out all the problems with equipment listings and decals. We would also require the insured maintenance provider to add the University as an additional insured. This will cover the University in the event that the insured maintenance provider is unable to provide the services required.

The Insured Maintenance Program worked well for Georgia State University in the three years it has been in place. With a few more adjustments, the program will continue to be a time and money saving process for the University.