Managing Smaller Transactions & Tail Spend Management

Agenda

- What is *tail spend*?
- Policy considerations for managing spend
- Case studies: Amazon and MRO
  - Challenges to managing spend
- Ideas for improving tail spend management
  - DOC's experience
- Tools for reviewers/approvers, resources for buyers
- Best practices for managing spend
- Benefits of managing spend

What is *Tail Spend?*

- **Tail spend**: The portion of an agency's spend that is not well managed or strategically sourced

- Today we'll focus on:
  - Best judgment purchases (< $5,000)
  - Purchasing card spend
  - Off-contract spend

Wisconsin State Procurement Conference

Policy Considerations

Unauthorized Purchases

- Any state employee who contracts for the purchase of materials or services contrary to a statute or to SBOP policies and procedures may be liable for the cost (PRO-106)

Serial contracting

- The practice of an agency issuing a series of purchases (all methods) to the same vendor for the same good/service over a short period of time (up to one fiscal year) without use of competitive process (PRO-107)

- Significant issues could result in an agency's delegation being reduced or withdrawn (PRO-102)

Case Studies

Amazon

- Not on contract
- Offers many items available on other contracts
- Hard to audit, difficult to know what was purchased

MRO

- Mandatory contracts with Fastenal, Grainger and MSC
- Contracts offer competitive pricing and favorable terms
- Spend still occurring with non-contract vendors

Wisconsin State Procurement Conference

Amazon Challenges

- Products offered on Amazon overlap with many mandatory contracts
  - No way to block or restrict products that must be bought through State Use, BSI, mandatory contracts
- Purchasers won't receive the same protections built into contracts – returns, warranties, reporting
- Amazon allows third-party providers to sell, takes no responsibility for those providers
  - No way to ensure they're eligible vendors or that they'll honor any State terms and conditions
- Others?

Wisconsin State Procurement Conference

MRO Challenges

- Primary users of MRO contracts are facilities/repair workers
  - May not otherwise have a need to understand procurement policies
  - Need ability to purchase items quickly and conveniently
- Many small, local vendors provide similar products and have long-established relationships with agencies
- Certain categories or products are mandated on contract while others are provided as convenience
  - Can lead to frustration for some users
- Others?

What's An Agency to Do?
Cheryl Stapleton, Purchasing Supervisor, DOC

DOC found itself asking this very question. Cheryl Stapleton will share some of the strategies DOC has implemented to help manage small transaction spend including:

- Proactive approaches

- Audit tools and procedures

- Follow up to address issues, including highlighting the positive

Wisconsin
State Procurement
Conference

DOC Example: Proactive Approaches

People
- Help users understand purchasing policies
- Partnership between purchasing and finance

Tools
- Develop user guides on proper use of contracts

Training
- Create new opportunities to train users (New Supervisor training)
- More trainings - travel to user locations if possible

DOC Example: Auditing Spend

- At end of every purchasing card cycle, every transaction is reviewed for contract spend using report from STAR
- Transactions filtered, those with non-contract vendors are flagged for follow-up
  - Documentation reviewed to determine what was purchased
  - If purchase should have been on contract, employee is notified in writing

Wisconsin State Procurement Conference

DOC Example: Auditing Spend

Treat as training opportunities

- Work with employees when issues are identified
- DOC provides program areas with annual comparisons of their audit findings to highlight where the area has improved

Escalate when needed

- If problems continue, escalate to appropriate management level

Wisconsin State Procurement Conference

Tools For Reviewers/Approvers

The first step in managing spend is understanding what your agency is buying

Variety of resources you can use to find this information:

Purchasing Cards

- Reports available through the bank's online card management system (Access Online) – dashboard also available
- Transaction reports available in PeopleSoft

Other Spend

- Oracle BI offers agency specific reports and dashboards

*See handout for further instructions on accessing these reports and dashboards

Wisconsin State Procurement Conference

Tools for Purchasers

WISBuy

WISBUY

- DOA's electronic marketplace offers many benefits including:
  - Assurance that items are being purchased from a state contract
  - Competitive pricing
  - Ability to use the purchasing card
  - One-stop shop for all items needed
- You can find more information about WISBuy on the SBOP Website (including training opportunities)

Tools for Purchasers

VendorNet

VendorNet offers:

- Easy way to search categories, filter contracts

- Contract information, including pricing, ordering procedures, return policies

- Contact information for contract manager who can:

  - Answer questions

  - Provide additional information

  - Assist with vendor when issues arise

Wisconsin State Procurement Conference

Best Practices: Provide Resources

- Offer employees a resource they can refer to when they have questions:
  - User guide, policy, training, website, contact
- Look for ways for finance/procurement to work together
  - Training opportunities
  - Audit responsibilities

Wisconsin State Procurement Conference

Best Practices: Review/Audit

- Ensure requisitions reference the appropriate contract number so the spend can be considered on-contract

  - Follow up with employees who are not following this practice

- Review purchase requisitions to make sure correct pricing and terms are used

- Audit purchasing card spend for proper use of contracts

  - Require cardholders to provide justification when contracts are not used

Wisconsin State Procurement Conference

Best Practices: Follow Up

- Develop a corrective action procedure so issues can be addressed or escalated as needed

- Set quarterly or annual goals for specific Bureaus or program areas, based on their operations

Wisconsin State Procurement Conference

Benefits of Managing Spend

Strategic

- Compliance with statute, policies and procedures
- Identify new sourcing opportunities (agency or enterprise)
- Targeted training opportunities (Bureau, program specific)

Financial

- Increased contract spend allows State to obtain more competitive pricing
- Additional rebate opportunities for the agency

Session Overview

- Managing tail spend and small transactions can be difficult

- Using data can help you identify issues and develop a strategy

- Amazon and MRO present unique challenges for agency purchasers and approvers

- DOC discussed strategies they've implemented to better manage small transactions

- Tools exist for reviewers/approvers and there are resources for purchasers

- Identified best practices for managing spend and discussed the benefits

Wisconsin State Procurement Conference

Questions?

Thank you for participating!