

# **Comprehensive Report: Resolving the P-Card Payment Issue and Strategic Supplier Management**

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Disclaimer:

This report is based on a hypothetical scenario, and all data included is fictitious and created for demonstration purposes only.

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# Executive Summary

The Company is facing a compliance challenge due to monthly payments exceeding the \$300k P-Card threshold for Supplier 1001, a longstanding partner providing critical cleaning services. A Power BI analysis revealed monthly expenditures averaging \$518.29k, exceeding the threshold by 72.76%, equating to an annualized spend of \$6.2 million, far above the \$3.6 million annual limit. This trend reflects a growing reliance on Supplier 1001, highlighting the urgency for implementing compliance measures and scalable solutions to sustain the partnership.

## Key Recommendations

**Transition Payments to a PO System:** Align payments with financial policies by adopting a more compliant process.

**Establish a Master Service Agreement (MSA):** Enhance transparency, scalability, and accountability in supplier relationships by formalizing the partnership.

**Enhance Policy Awareness:** Conduct targeted training sessions for Department XYZ to address compliance gaps and prevent future breaches.

**Leverage Cost-Saving Models:** Optimize operational efficiency by expanding the scope of services provided by Supplier 1001.

**Align with Corporate Goals:** Strengthen supplier management to support diversity, inclusion, and sustainability objectives.

## Projected Outcomes

**Compliance Ensured:** Eliminate financial and operational risks stemming from policy violations.

**Stronger Partnerships:** Solidify long-term collaboration with Supplier 1001.

**Scalability for Growth:** Develop scalable strategies to meet increasing operational demands.

**Alignment with Goals:** Advance corporate diversity, inclusion, and sustainability initiatives.

Introduction

Person ABC from Department XYZ reported exceeding the \$300k monthly P-Card threshold for Supplier 1001, a longstanding provider of essential cleaning services for facilities in Rahway, Boston, and San Francisco.

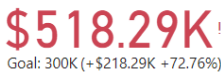
While Supplier 1001 consistently delivers exceptional service and supports cost-saving initiatives through an arrangement involving Company-supplied cleaning materials, the breach of company policy necessitates immediate corrective action.

This report evaluates the compliance issue, explores viable resolution options, and outlines a strategic plan for sustainable supplier management. Power BI played a crucial role in identifying spend patterns, uncovering compliance gaps, and forecasting trends, providing data-driven insights to inform the recommendations in this report.

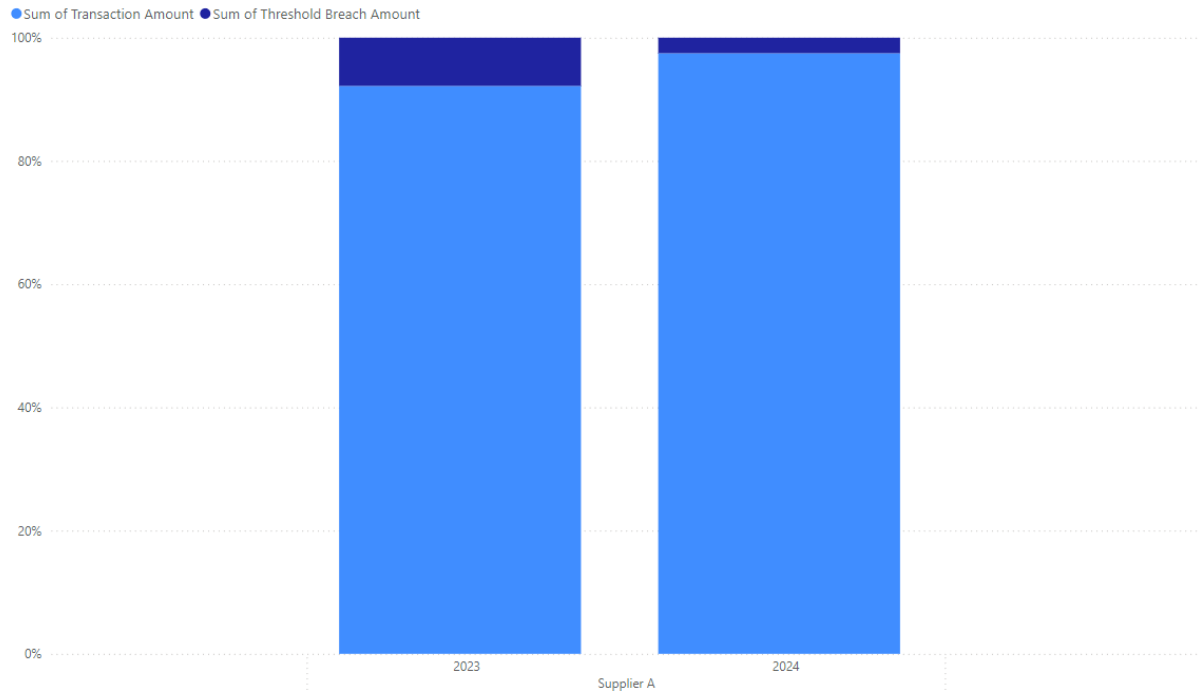
Key Issues

- 1. **Compliance Challenges:** Payments exceeding the \$300k P-Card threshold breach company policy and create compliance risks.
- 2. **Supplier Importance:** Supplier 1001 delivers exceptional services, aligns with corporate diversity goals, and supports cost-saving initiatives.
- 3. **Future Opportunities:** Discussions are underway to expand Supplier 1001’s services to executive offices, offering additional value.
- 4. **Spend Trends:** Power BI revealed growing reliance on Supplier 1001, with a \$518.29K peak spend in 2024, surpassing compliance limits by 72.76%.

Supplier 1001 Spend KPI



- 5. **Awareness Gaps:** Lack of policy awareness in Department XYZ contributed to the breaches, emphasizing the need for corrective actions.



## Current Situation

### Key Details:

- **Services Provided:** Supplier 1001 delivers cleaning services for the Company's facilities in Rahway, Boston, and San Francisco.

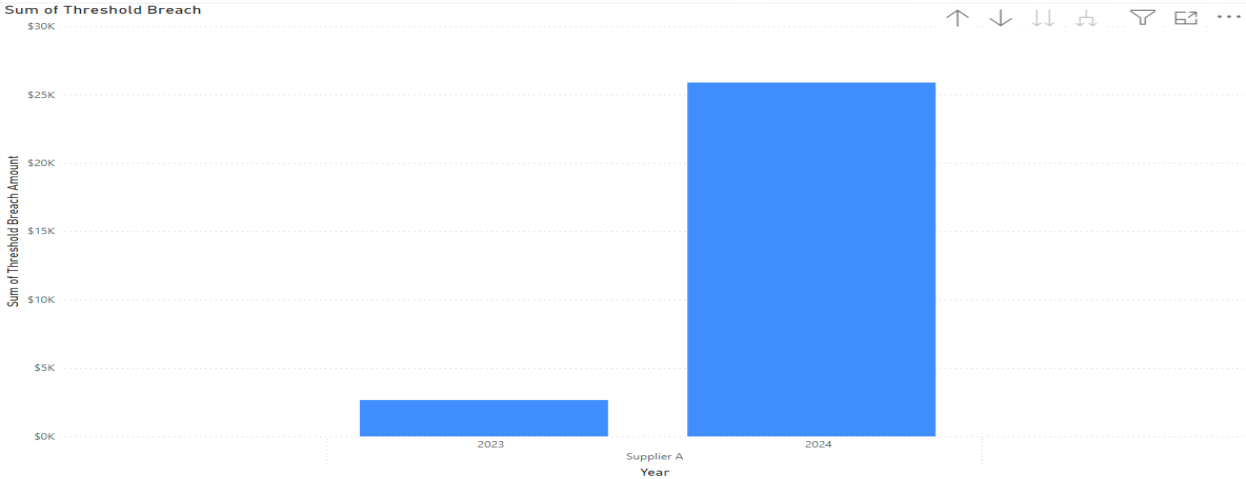


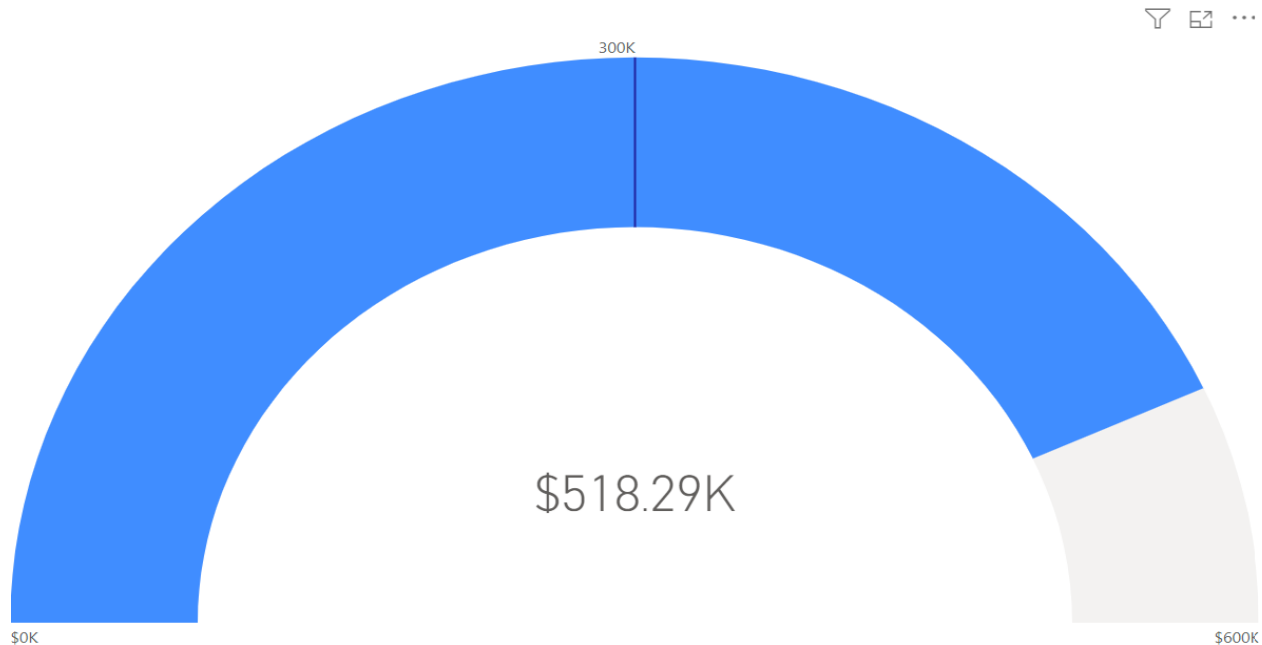
- **Operational Dependency:** The Company relies heavily on Supplier 1001 for facility maintenance, further strengthened by a cost-saving arrangement where the Company supplies cleaning materials. This arrangement reduces costs and ensures service efficiency, making the partnership indispensable.
- **Payment Threshold Issue:** Monthly expenditures averaging \$518.29k significantly exceed the \$300k P-Card limit, breaching financial policies by 72.76%. This creates substantial compliance risks.

- **Diverse Supplier:** Supplier 1001 is a diverse supplier, aligning with the Company's corporate diversity and inclusion objectives.
- **Stakeholder Satisfaction:** Stakeholders consistently report high levels of satisfaction with Supplier 1001's reliability and quality of services.
- **Expansion Potential:** Discussions are underway to expand Supplier 1001's services to executive offices, reflecting growing confidence in their capabilities.
- **Contractual Gap:** Despite the dependency on Supplier 1001, no formal Master Service Agreement (MSA) exists. This lack of governance and scalability provisions exposes the Company to compliance and operational risks.
- **Risk of Discontinuation:** Halting the relationship is not a viable option due to:
  - Potential operational disruptions at critical facilities.
  - Delays in finding and onboarding a replacement supplier.
  - Loss of cost-saving benefits tied to the material provision arrangement.

**Spend Analysis**

Power BI analysis revealed a significant increase in monthly spend, averaging \$518.29k 72.76% over the \$300k P-Card threshold. This equates to an annualized spend of approximately \$6.2 million, far exceeding the \$3.6 million annual limit. This consistent breach highlights growing operational reliance on Supplier 1001 and underscores the urgency for implementing robust compliance measures, transitioning to scalable payment systems, and enhancing financial controls to mitigate future risks.

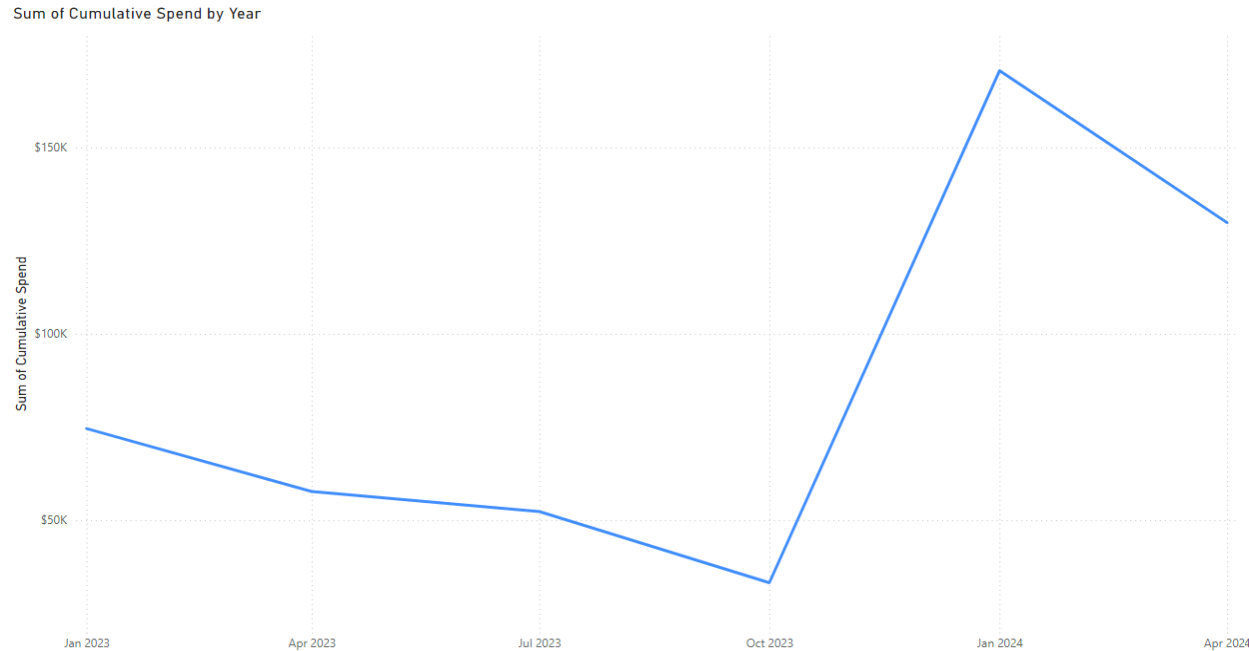




#### Options for Resolution

Option	Description	Pros	Cons
Transition to PO System	Shift payments to a formal Purchase Order system.	<ul style="list-style-type: none"> <li>- Ensures compliance with financial policies and eliminates P-Card breaches.</li> <li>- Facilitates larger payments to accommodate increased spend.</li> <li>- Streamlines financial tracking and governance.</li> </ul>	<ul style="list-style-type: none"> <li>- Requires administrative effort to transition the payment process.</li> <li>- May delay immediate operational payments during implementation.</li> </ul>
Establish a Contractual MSA	Develop a Master Service Agreement (MSA) with Supplier 1001.	<ul style="list-style-type: none"> <li>- Strengthens the partnership by formalizing the relationship.</li> <li>- Enhances scalability for future service expansions (e.g., executive offices).</li> <li>- Provides a structured framework for cost savings and performance metrics.</li> </ul>	<ul style="list-style-type: none"> <li>- Time and resource-intensive to negotiate and finalize the agreement.</li> <li>- Requires Supplier 1001's full buy-in, which may involve negotiation challenges.</li> </ul>
Request a Policy Exception	Obtain a one-time exception for the payment threshold.	<ul style="list-style-type: none"> <li>- Resolves the immediate compliance issue without altering existing processes.</li> </ul>	<ul style="list-style-type: none"> <li>- Risks setting a precedent for future threshold breaches.</li> <li>- Does not address the root cause or provide a scalable solution for growing reliance.</li> </ul>

Combination of PO System and MSA	Implement a hybrid approach: transition payments to a PO system while negotiating an MSA.	<ul style="list-style-type: none"> <li>- Balances immediate compliance (via PO system) with long-term governance and scalability (via MSA).</li> <li>- Ensures continuity of services without operational disruption.</li> </ul>	<ul style="list-style-type: none"> <li>- Requires effort and coordination to implement both solutions in parallel.</li> <li>- Initial costs may increase due to administrative and legal efforts.</li> </ul>
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# Strategic Recommendations

## Transition to a PO System:

Shift payments to a Purchase Order (PO)-based process to ensure compliance with financial policies and support higher transaction volumes. This will immediately mitigate the risk of exceeding P-Card thresholds and provide a more scalable framework for managing growing expenditures.

## Formalize the Relationship:

Develop and finalize a Master Service Agreement (MSA) with Supplier 1001 to:

- Establish clear payment terms and compliance metrics.
- Formalize the cost-saving arrangement involving Company-supplied cleaning materials.
- Include scalability provisions to accommodate potential service expansions, such as executive office cleaning.

## Enhance Policy Awareness:

Address compliance gaps and prevent future breaches by strengthening employee awareness of financial policies:



- **Training Sessions:** Conduct targeted training for Department XYZ and expand company-wide programs to ensure employees understand financial policies, thresholds, and procurement guidelines.
- **Documentation:** Update and distribute accessible policy manuals outlining payment processes, thresholds, and compliance expectations.
- **Communication and Accountability:** Regularly communicate policy updates through emails or team meetings, and designate a compliance liaison in each department to support adherence.
- **Evaluation:** Use quizzes, surveys, or feedback mechanisms to assess the effectiveness of training and identify areas for improvement.

#### **Leverage Supplier Value:**

Emphasize Supplier 1001's strategic importance by highlighting their:

- Alignment with corporate diversity, inclusion, and sustainability goals as a diverse supplier.
- Operational efficiency and cost-saving contributions through the material provision arrangement.
- Potential to scale services, demonstrating their value as a long-term strategic partner.

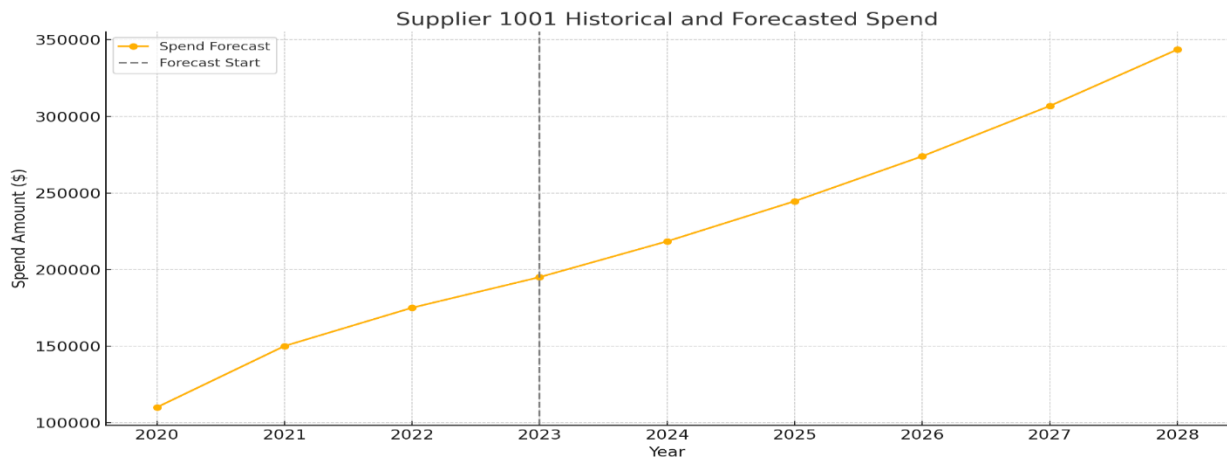
#### **Policy Review:**

Reassess the \$300k monthly P-Card threshold to align with operational realities, ensuring it reflects current spend trends and reduces the likelihood of future breaches. Any adjustment should be informed by spend data and corporate financial policies.

#### **Trends and Scalability:**

Use Power BI insights to:

- Continuously monitor spend growth and compliance.
- Justify scalable solutions such as transitioning to a PO system and finalizing the MSA.
- Provide actionable data to inform ongoing supplier management and alignment with corporate goals.



### **Implementation Plan**

#### **Short-Term Actions (1–2 Weeks):**

- Notify Department XYZ and Supplier 1001 of the compliance issue.
- Transition payments from P-Card to a PO system.

### Establish Temporary Service Limitations:

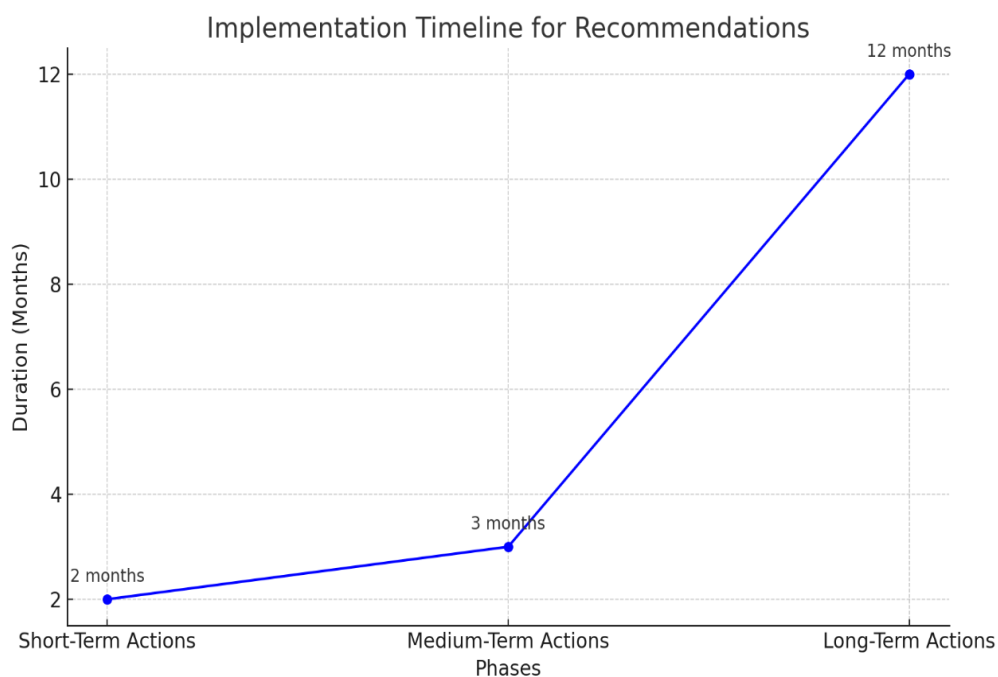
- Focus Supplier 1001's activities on essential services only, ensuring uninterrupted cleaning at critical locations.
- Set a temporary monthly spend cap below the \$300K P-Card threshold to prevent further compliance breaches.
- Postpone expansions to additional locations or services until the MSA is finalized.
- Implement temporary material provision guidelines to maintain cost transparency and control.

### Medium-Term Actions (1–3 Months):

- Draft and Finalize a Master Service Agreement (MSA): Negotiate and formalize a contract with Supplier 1001 to ensure clear deliverables, compliance metrics, and cost-saving arrangements.
- Conduct Policy Awareness Training: Deliver targeted training sessions to Department XYZ to address compliance gaps and educate on procurement policies and payment thresholds.
- Enhance Communication Channels: Set up a dedicated compliance liaison or procurement point-of-contact for ongoing guidance and monitoring.

### Long-Term Actions (3–12 Months):

- Expand Services Strategically: Collaborate with Supplier 1001 to gradually expand their services to executive offices while ensuring service scalability and alignment with the company's needs.
- Monitor Compliance with KPIs: Establish and track key performance indicators (KPIs) for Supplier 1001 to ensure adherence to the MSA and procurement policies.
- Policy Review and Adjustment: Conduct periodic evaluations of the P-Card threshold policy, adjusting limits as needed to reflect operational realities and avoid future breaches.
- Implement Automation for Compliance Monitoring: Leverage tools such as Power BI for automated tracking and reporting of spend trends to ensure ongoing compliance and operational efficiency.



Leveraging Power BI for real-time spend monitoring will support continued adherence to procurement policies and identify additional cost-saving opportunities.

### **Additional Enhancements**

To ensure long-term efficiency, mitigate risks, and align with corporate goals, consider the following enhancements:

- 1. Performance Metrics:** Establish and track Key Performance Indicators (KPIs) to measure cost savings, service quality, and compliance adherence. These metrics will help monitor the supplier's performance and identify areas for improvement in real-time.
- 2. Scalability Clauses:** Incorporate provisions in the Master Service Agreement (MSA) to support future service expansions seamlessly. This ensures flexibility for the partnership to scale as operational demands increase, such as extending services to additional facilities or executive offices.
- 3. Temporary Service Controls (During Negotiations):** Implement interim measures while formalizing the MSA to prevent further compliance risks. These measures include:
  - Spend Caps: Limit monthly expenditures to essential services until formal agreements are in place.
  - Prioritized Services: Focus Supplier 1001's activities on critical cleaning operations to maintain service efficiency while managing costs.
  - Clear Reporting: Ensure detailed monthly reports to maintain transparency during the transitional phase.
- 4. Technology Integration:** Utilize advanced tools like Power BI to enable real-time monitoring of supplier spend, compliance adherence, and performance trends. This will enhance visibility and support data-driven decision-making.
- 5. Sustainability Initiatives:** Collaborate with Supplier 1001 to adopt eco-friendly practices, such as:
  - Transitioning to green cleaning materials to minimize environmental impact.
  - Reducing energy consumption through efficient cleaning schedules and equipment use.
  - Aligning services with the Company's broader sustainability and diversity goals.

### **Cost-Saving Opportunities**

#### **Key initiatives to enhance operational efficiency and reduce costs:**

- 1. Volume Discounts:** Negotiate tiered pricing structures based on the growing scale of services provided by Supplier 1001. This approach could unlock potential savings of 5–15%, leveraging the Company's operational dependency and spend volume to secure better rates.
- 2. Service Optimization:** Analyze and streamline cleaning schedules by focusing on high-traffic and high-priority areas. Adjusting service frequency to actual usage patterns could achieve cost reductions of 10–20%, while maintaining quality and efficiency.
- 3. Automation and Technology Upgrades:** Invest in cleaning robots and advanced tools to automate repetitive tasks, reducing dependency on labor-intensive processes. These upgrades can lead to savings of 10–15% in labor costs and improve overall productivity.
- 4. Multi-Year Contracts:** Establish long-term Master Service Agreements (MSAs) with fixed or capped annual rate increases to mitigate inflation risks and secure consistent savings of 3–5% per year. Such contracts provide predictability in budgeting and enhance supplier loyalty while incentivizing long-term collaboration.

## Conclusion

Transitioning to a PO system, formalizing the Master Service Agreement (MSA), and implementing policy awareness initiatives will address the compliance risks associated with exceeding the \$300k monthly P-Card threshold. These actions will also strengthen the partnership with Supplier 1001 and improve operational efficiency. Leveraging insights from Power BI will enable actionable, data-driven strategies for sustainable supplier management and long-term success.

## Projected Outcomes

- **Compliance Ensured:** Eliminate risks of policy violations by adhering to procurement and financial compliance standards.
- **Stronger Partnerships:** Establish Supplier 1001 as a long-term, diverse partner aligned with corporate goals.
- **Operational Efficiency and Savings:** Streamline processes, reduce waste, and optimize resource utilization.
- **Alignment with Goals:** Support diversity, inclusion, and sustainability initiatives in alignment with the Company's strategic priorities.

## Target Timeline

- **Short-Term:** Immediate steps, such as transitioning payments to the PO system, to be completed within **1–2 weeks**.
- **Medium-Term:** The drafting and finalization of the MSA, along with policy awareness training, to be completed within **1–3 months**.
- **Long-Term:** Expansion of Supplier 1001's services, compliance audits, and policy updates to be completed by **Q2 2025**.

## Stakeholder Impact

- **Internal Stakeholders:**
  - Finance and procurement teams will experience streamlined payment processes and reduced administrative burdens.
  - Compliance monitoring will improve, ensuring adherence to policies and reducing risks.
- **External Stakeholders:**
  - Supplier 1001 will gain clarity and scalability through the formalized agreement, enhancing their ability to meet the Company's growing demands.
  - The partnership will be reinforced, fostering trust and long-term collaboration.

## Final Recommendation

Implementing these strategies is essential to resolving the P-Card compliance issue. It will position Supplier 1001 as a strategic partner, enabling sustainable growth, operational excellence, and alignment with the Company's broader objectives. The proposed actions provide an opportunity to build a robust framework for compliance, cost efficiency, and scalability, securing a mutually beneficial partnership for years to come.