

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.

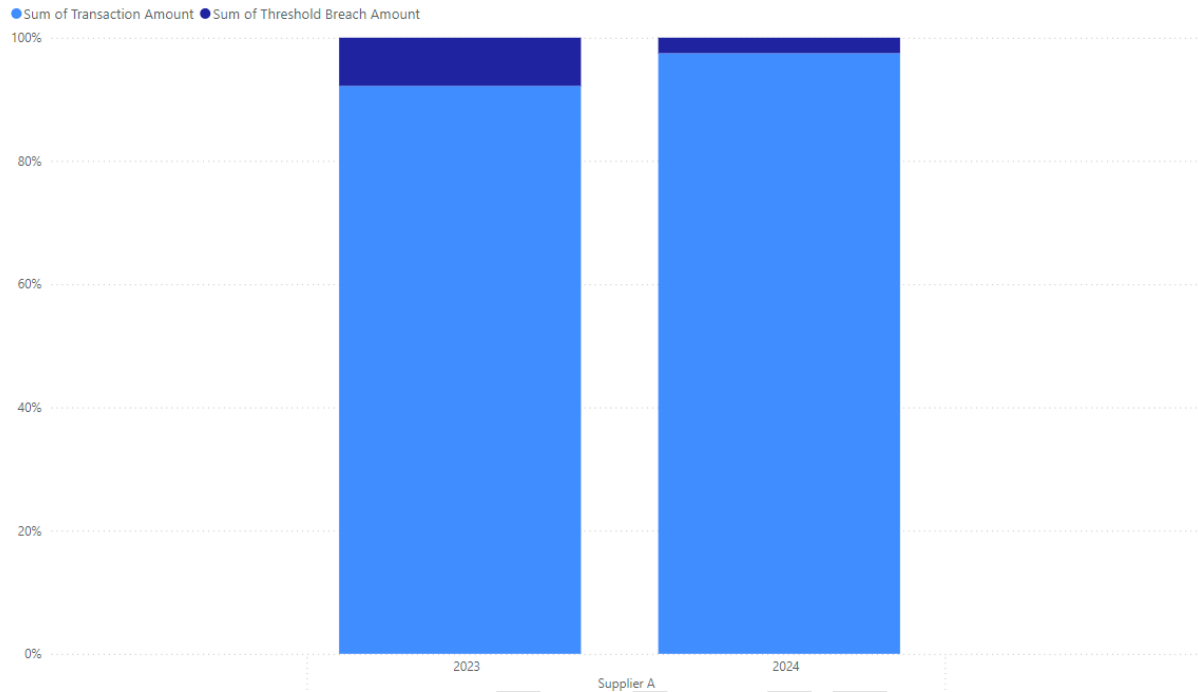
Key Issues

- Compliance Challenges:** Payments exceeding the \$300k P-Card threshold breach company policy and create compliance risks.
- Supplier Importance:** Supplier 1001 delivers exceptional services, aligns with corporate diversity goals, and supports cost-saving initiatives.
- Future Opportunities:** Discussions are underway to expand Supplier 1001’s services to executive offices, offering additional value.
- 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

\$518.29K
Goal: 300K (+\$218.29K +72.76%)

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



Current Situation and Stakeholder Engagement

Stakeholder Engagement:

As a first step, engage with Person ABC from Department XYZ, who approves payments and maintains direct interactions with Supplier 1001. This engagement is crucial for understanding the situation and devising an effective resolution strategy. During the discussion, address the following:

- **Policy Awareness:** Clarify Person ABC's recent awareness of the \$300k payment threshold and explore any knowledge gaps in financial policies that may have contributed to the breach.
- **Historical Context:** Gain insights into the longstanding partnership with Supplier 1001, including the legacy arrangement from Company Z1 and the rationale behind the growth in service volume over time.
- **Contractual Governance:** Assess whether a Master Service Agreement (MSA) or other governance documents were referenced or overlooked, especially considering the cost-saving arrangement involving Company-supplied cleaning materials and equipment.
- **Vendor Engagement:** Evaluate the nature of Person ABC's direct interactions with Supplier 1001, including recent discussions between the SVP of Manufacturing and the CEO of Supplier 1001 about expanding services to executive offices.
- **Documentation Review:** Collect relevant records, such as emails, past agreements, invoices, and any communications regarding payment approvals or service expansions, to establish a clear baseline for further actions.

In addition to stakeholder engagement, the following key details provide a comprehensive understanding of the current situation.

Key Details:

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



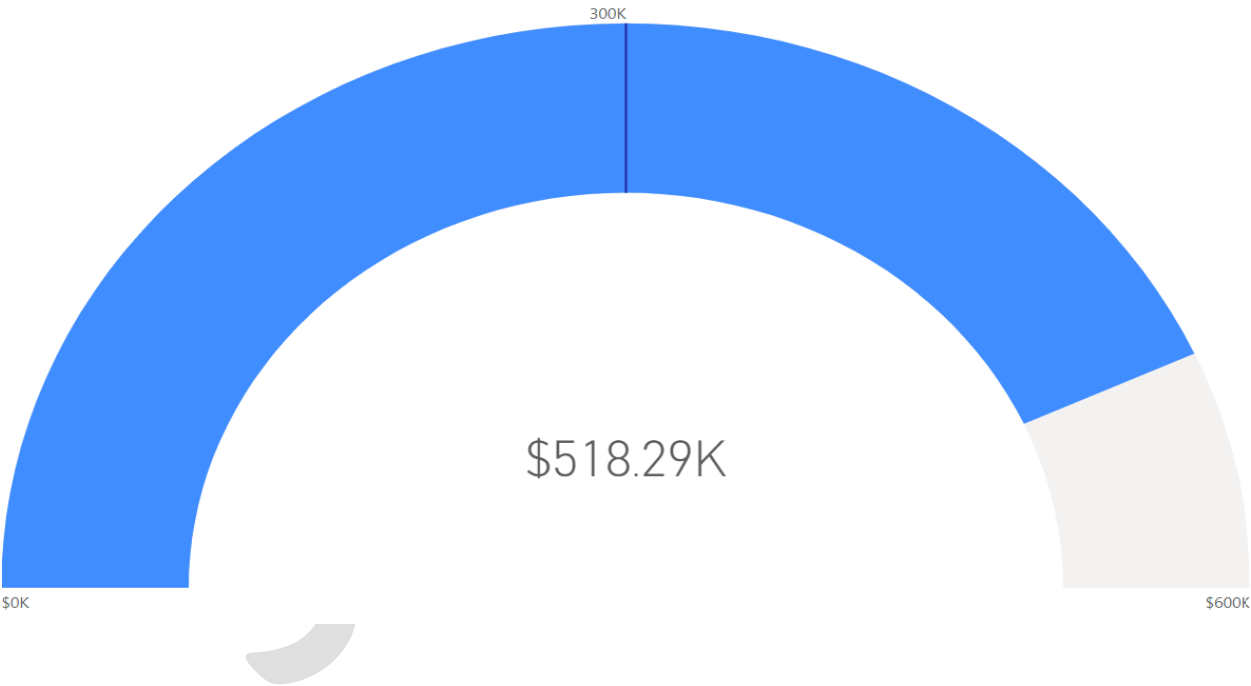
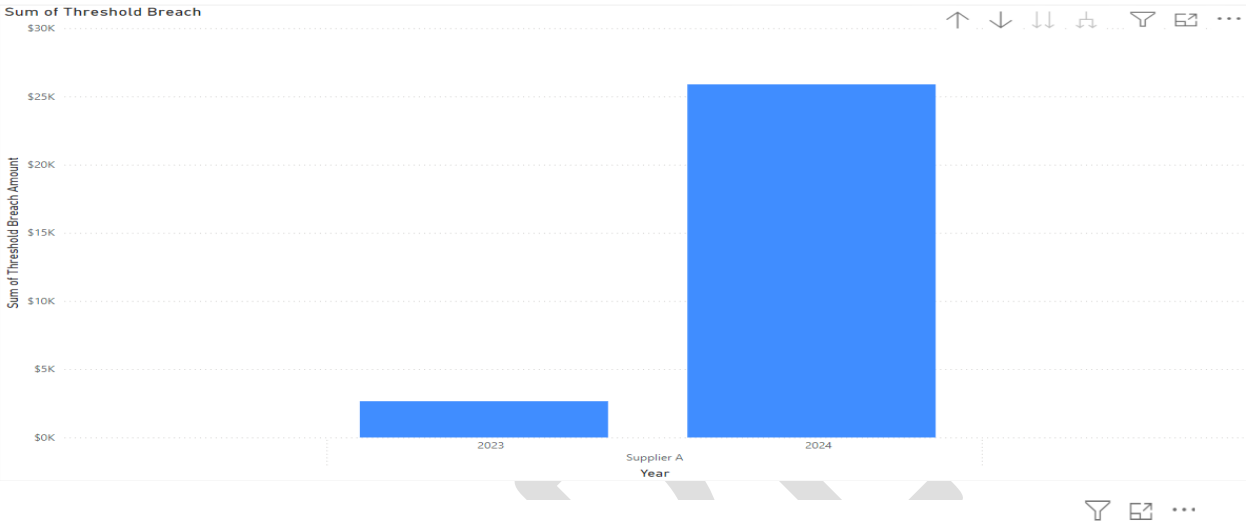
- **Operational Dependency:** The Company relies heavily on Supplier 1001 for facility maintenance, further strengthened by a cost-saving arrangement where the Company supplies cleaning materials. This arrangement reduces costs and ensures service efficiency, making the partnership indispensable.
- **Payment 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

A detailed Power BI analysis revealed a significant increase in monthly spending on Supplier 1001, averaging **\$518.29k**, which is **72.76% above the \$300k P-Card threshold**. This equates to an annualized spend of approximately **\$6.2 million**, significantly exceeding the **\$3.6 million annual limit**.

This consistent breach underscores:

- The growing **operational reliance** on Supplier 1001.
- The **urgency** for implementing robust compliance measures.
- The need for **scalable payment systems** and **enhanced financial controls** to mitigate future risks effectively.

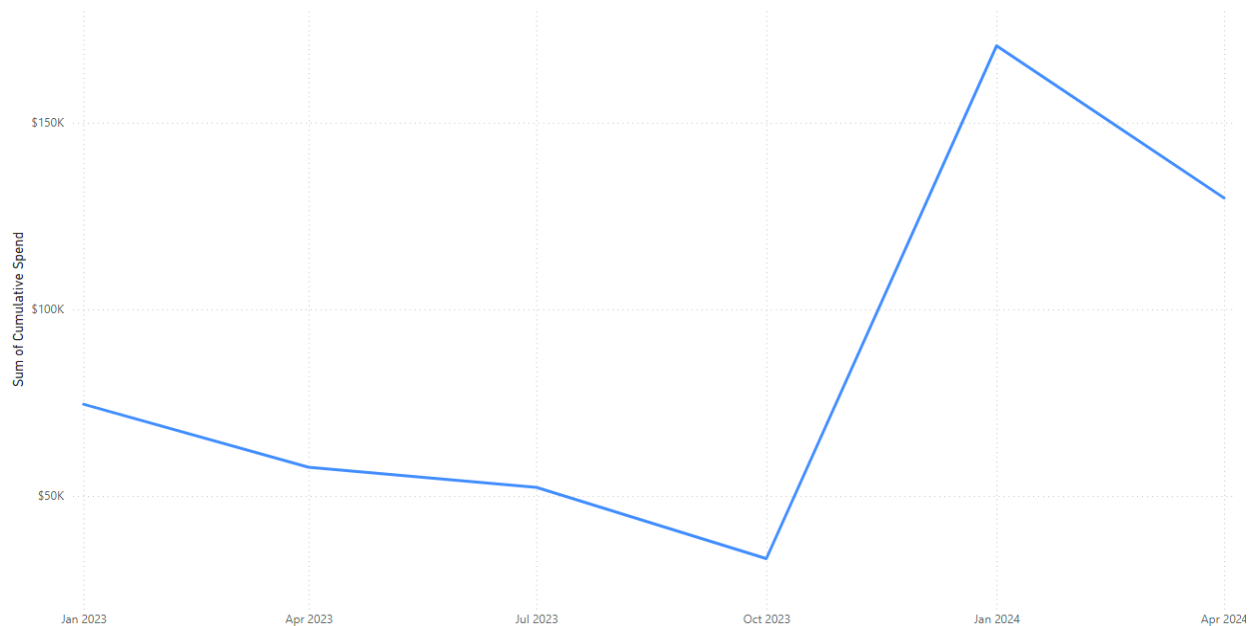


Options for Resolution

| Option | Description | Pros | Cons |
|-------------------------|---|--|---|
| Transition to PO System | Shift payments to a formal Purchase Order system. | <div>- Ensures compliance with financial policies and eliminates P-Card breaches.</div> <div>- Facilitates larger payments to accommodate increased spend.</div> | <div>- Requires administrative effort to transition the payment process.</div> <div>- May delay immediate operational payments during implementation.</div> |

| | | | |
|---|---|--|---|
| | | - Streamlines financial tracking and governance. | |
| Establish a Contractual MSA | Develop a Master Service Agreement (MSA) with Supplier 1001. | <ul style="list-style-type: none"> - Strengthens the partnership by formalizing the relationship. - Enhances scalability for future service expansions (e.g., executive offices). - Provides a structured framework for cost savings and performance metrics. | <ul style="list-style-type: none"> - Time and resource-intensive to negotiate and finalize the agreement. - Requires Supplier 1001's full buy-in, which may involve negotiation challenges. |
| Request a Policy Exception | Obtain a one-time exception for the payment threshold. | <ul style="list-style-type: none"> - Resolves the immediate compliance issue without altering existing processes. | <ul style="list-style-type: none"> - Risks setting a precedent for future threshold breaches. - Does not address the root cause or provide a scalable solution for growing reliance. |
| 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"> - Balances immediate compliance (via PO system) with long-term governance and scalability (via MSA). - Ensures continuity of services without operational disruption. | <ul style="list-style-type: none"> - Requires simultaneous coordination and effort. - Initial costs may increase due to administrative and legal efforts. |

Sum of Cumulative Spend by Year



Strategic Recommendations

Transition to a PO System:

Shift payments to a Purchase Order (PO)-based process to ensure compliance with financial policies and accommodate higher transaction volumes.

- **Impact:** This step will immediately mitigate the risk of exceeding P-Card thresholds, improve financial tracking, and create a scalable framework to manage growing expenditures.

Formalize the Relationship:

Develop and finalize a Master Service Agreement (MSA) with Supplier 1001 to establish clear terms and enhance accountability:

Key Provisions:

- Clear payment terms and compliance metrics to monitor performance.
- A formalized cost-saving arrangement utilizing Company-supplied cleaning materials.
- Scalability clauses to support potential service expansions, such as executive office cleaning.

Enhance Policy Awareness:

Prevent future breaches by improving employee understanding of financial policies:

Actions:

- Conduct targeted training sessions for Department XYZ and extend programs company-wide to ensure adherence to financial policies and procurement guidelines.
- Update and distribute policy manuals to clarify payment thresholds, compliance requirements, and escalation procedures.
- Communicate policy updates regularly through team meetings and emails, and designate compliance liaisons within departments to ensure accountability.
- Evaluate training effectiveness using quizzes, surveys, or feedback mechanisms to identify knowledge gaps.

Leverage Supplier Value:

Highlight Supplier 1001's strategic importance by emphasizing:

- Their alignment with corporate diversity, inclusion, and sustainability objectives as a diverse supplier.
- Their role in cost-saving initiatives, including the material provision arrangement.
- Their potential to scale services, showcasing their value as a reliable, long-term partner.

Policy Review:

Reassess the \$300k monthly P-Card threshold to better align with operational realities:

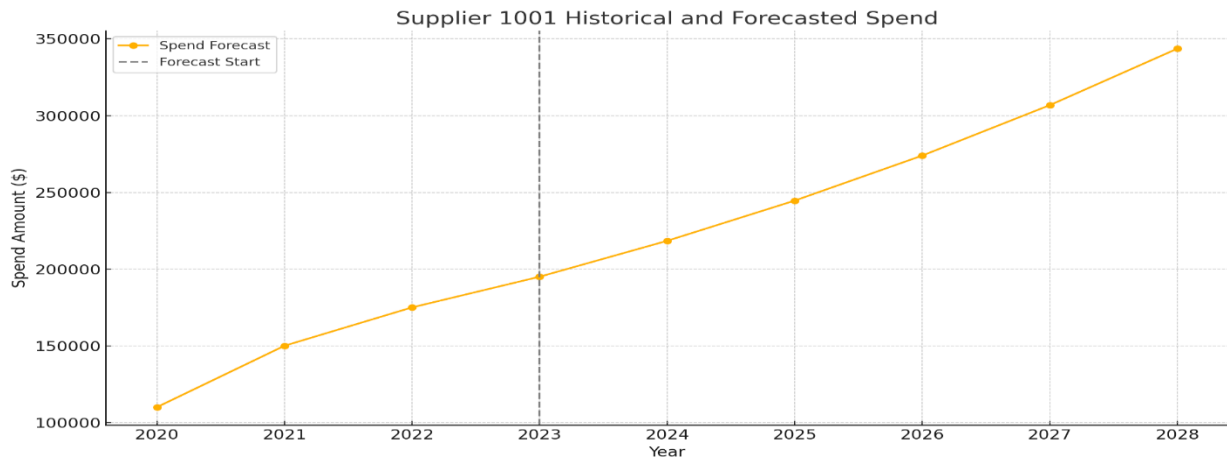
- Ensure threshold adjustments are data-driven, reflecting current spend trends and mitigating compliance risks.
- Maintain transparency by communicating any changes to all stakeholders.

Trends and Scalability:

Use insights from Power BI to:

- Monitor spend growth and ensure ongoing compliance with financial policies.
- Provide data to justify scalable solutions such as transitioning to a PO system and formalizing the MSA.

- Inform long-term supplier management strategies and alignment with corporate goals.



Implementation Plan

Short-Term Actions (1–2 Weeks)

- Notification and Immediate Communication
- Inform Department XYZ and Supplier 1001 about the compliance issue and the steps being taken to address it.
- Share a clear timeline for the transition to a PO system to align expectations.

Transition Payments

- Shift payments from the P-Card to a Purchase Order (PO) system to ensure immediate compliance with financial policies.

Temporary Service Limitations

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

Medium-Term Actions (1–3 Months)

Master Service Agreement (MSA) Finalization

- **Negotiate and finalize an MSA** with Supplier 1001 to formalize the partnership, ensuring:
 - Clear deliverables.
 - Defined compliance metrics.
 - Cost-saving provisions.

Policy Awareness Training

- Conduct targeted training sessions for Department XYZ to address compliance gaps and educate employees on:
 - Procurement policies.
 - Payment thresholds.
 - Financial governance practices.

Enhanced Communication Channels

- Establish a dedicated compliance liaison or procurement point-of-contact to:
- Provide ongoing guidance.
- Ensure consistent monitoring of payment and policy adherence.

Long-Term Actions (3–12 Months)

Strategic Service Expansion

- Collaborate with Supplier 1001 to gradually expand services to executive offices, ensuring scalability and alignment with the company's operational needs.

Compliance Monitoring with KPIs

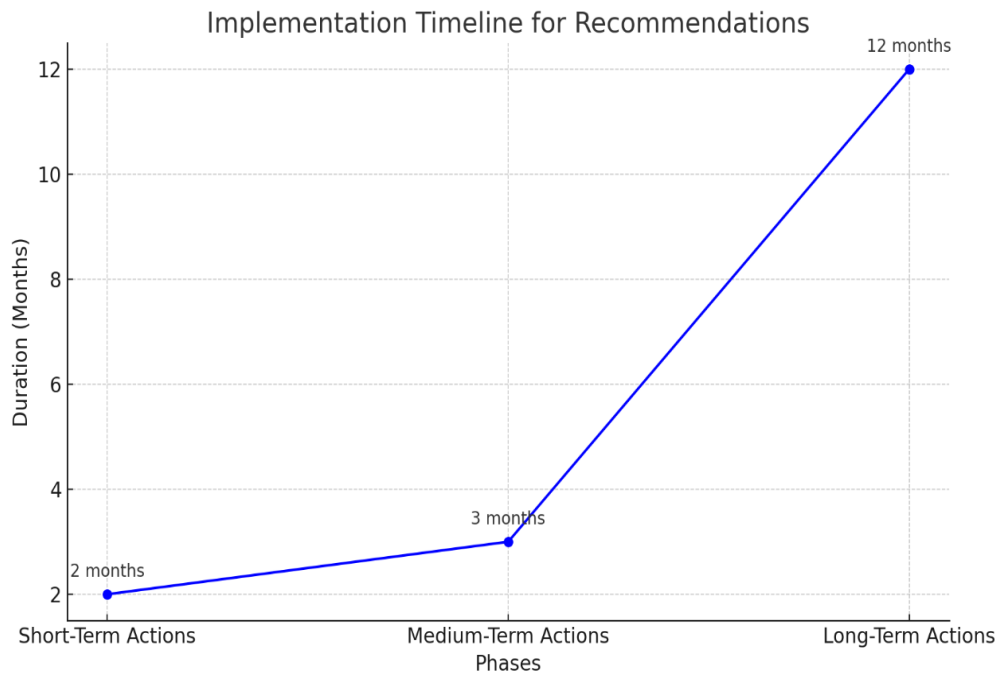
- Establish and track Key Performance Indicators (KPIs) for Supplier 1001 to:
 - Monitor adherence to the MSA.
 - Ensure compliance with procurement policies.
 - Measure cost efficiency and service quality.

Policy Review and Adjustment

- Conduct periodic evaluations of the P-Card threshold policy to:
- Align limits with operational realities.
- Avoid future compliance breaches.

Automated Compliance Monitoring

- Leverage tools such as Power BI for:
 - Real-time tracking of spend trends.
 - Automated compliance monitoring.
 - Early identification of potential risks or deviations.



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

Summary:

Transitioning to a **PO system**, formalizing the **Master Service Agreement (MSA)**, and implementing robust **policy awareness initiatives** will comprehensively address the compliance risks stemming from exceeding the \$300k monthly P-Card threshold. These measures will enhance operational efficiency, solidify the partnership with Supplier 1001, and align supplier management practices with corporate goals.

Leverage Technology:

By utilizing **Power BI insights**, the Company can adopt data-driven strategies that ensure compliance, enhance transparency, and support sustainable supplier management practices, positioning Supplier 1001 as a strategic partner for 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 reliable, long-term, and diverse partner aligned with corporate diversity and inclusion objectives.
- **Operational Efficiency and Savings:**
Streamline processes, reduce administrative burdens, and optimize resource utilization through improved systems and agreements.
- **Alignment with Goals:**
Advance corporate priorities for diversity, inclusion, sustainability, and operational excellence.

Target Timeline

- **Short-Term (1–2 Weeks):**
 - Transition payments to the PO system.
 - Notify stakeholders and address immediate compliance risks.
- **Medium-Term (1–3 Months):**
 - Finalize the MSA and initiate policy awareness training.
 - Implement temporary service controls to ensure continuity.
- **Long-Term (By Q2 2025):**
 - Expand Supplier 1001's services strategically.
 - Conduct compliance audits and update policies to reflect operational realities.

Stakeholder Impact

Internal Stakeholders:

- **Finance and Procurement Teams:**
 - Streamlined payment processes and reduced administrative effort.
 - Improved compliance monitoring ensures alignment with financial policies.

External Stakeholders:

- **Supplier 1001:**
 - Greater clarity and scalability through the MSA.
 - Strengthened partnership fosters trust, collaboration, and long-term success.

Final Recommendation

Implementing the proposed strategies is crucial for resolving the P-Card compliance issue while driving long-term operational improvements. These actions will position Supplier 1001 as a key strategic partner and enable the Company to achieve:

- Sustainable growth.
- Enhanced operational efficiency.
- Alignment with broader corporate goals for compliance, diversity, and sustainability.

By addressing immediate risks and establishing scalable solutions, the Company will build a robust framework for **compliance, cost efficiency, and growth**, securing a mutually beneficial partnership with Supplier 1001 for years to come.