Case Study: Cleaning Services by Supplier 1001

Introduction

Person ABC from department XYZ approached the team with a request regarding p-card payments for Supplier 1001. Supplier 1001, a cleaning services provider, has had a long-standing relationship with the company, spanning over 10 years. While Person ABC expressed satisfaction with their services, the monthly payment to Supplier 1001 exceeded the $300k threshold for p-card payments, necessitating a review and resolution.

Current Situation

Key Details:

- Supplier 1001 Services: Cleaning services provided in facilities located in Rahway, Boston, and San Francisco.

- Payment Threshold Issue: Monthly payments surpassed the $300k limit for p-card transactions.

- Supplier Status: Supplier 1001 is a diverse company with a prior relationship with Z1, which was later acquired by our Company.

- Collaboration: Over the years, the volume of work with Supplier 1001 has increased due to successful partnerships.

- Cost-Saving Arrangement: The Company provides cleaning materials and equipment to Supplier 1001, which reduces costs associated with their services.

- Expansion Potential: The SVP of Manufacturing has met with Supplier 1001's CEO to explore extending services to executive offices.

Challenges Identified:

- Lack of awareness of the payment threshold by Person ABC and department XYZ.

- Management of department XYZ has not yet been informed about the issue.

Key Issues

1. Payment Compliance:

   - Transactions exceeding the $300k p-card threshold breach company policy.

2. Supplier Importance:

   - Supplier 1001 is critical to operations, with a strong record of service and cost-saving initiatives.

3. Future Opportunities:

   - Expanding Supplier 1001's services to executive offices could strengthen the partnership.

Options for Resolution

Option 1: Transition to Purchase Order (PO) System

- Description: Shift payments to a formal PO system.

- Pros:

  - Ensures compliance with payment policies.

  - Supports larger and recurring transactions.

- Cons:

  - Requires administrative effort to set up and manage.

Option 2: Establish a Contractual Agreement

- Description: Draft a formal contract with Supplier 1001 to outline payment terms, services, and future collaboration.

- Pros:

  - Strengthens the partnership.

  - Provides transparency and accountability.

- Cons:

  - Requires time to negotiate and finalize terms.

Option 3: Policy Exception

- Description: Seek a one-time policy exception while transitioning to a long-term solution.

- Pros:

  - Immediate resolution to the compliance issue.

- Cons:

  - Risk of setting a precedent for policy exceptions.

Recommendations

1. Transition to PO System:

   - Shift Supplier 1001's payments to a PO-based process to align with internal financial controls.

2. Formalize the Relationship:

   - Develop a formal contract with Supplier 1001, including payment terms, service level agreements (SLAs),

and cost-saving provisions.

3. Training and Awareness:

   - Conduct policy awareness sessions for department XYZ to avoid future compliance issues.

4. Highlight Supplier Value:

   - Engage the supplier diversity team to emphasize Supplier 1001's contributions as a diverse supplier.

Implementation Plan

Short-Term Actions:

- Notify department XYZ about the payment threshold issue.

- Transition payments to the PO system.

Medium-Term Actions:

- Draft and negotiate a contract with Supplier 1001.

- Organize training for department XYZ on procurement policies.

Long-Term Actions:

- Explore opportunities to scale Supplier 1001's services, including expansion to executive offices.

- Monitor and evaluate supplier performance and compliance.

Conclusion

This case highlights the importance of maintaining compliance with payment thresholds while preserving strategic partnerships with critical suppliers. By transitioning to a PO system, formalizing the relationship through a contract, and increasing policy awareness, the Company can ensure adherence to financial controls and support future collaboration with Supplier 1001.

Power BI Dashboard Overview

- A Power BI dashboard was developed to analyze Supplier 1001's transaction patterns and threshold breaches.

- Key insights include:

  - Cumulative spend across locations.

  - KPI tracking for compliance with the $300k payment threshold.

  - Year-over-year spend trends.

Dashboard Files:

- Dashboard File: Supplier_1001_Dashboard.pbix

- Dashboard Visuals: Exported images and reports available for review.

For additional details, refer to the Power BI dashboard linked in the repository.