



**NIGP FORUM**  
Connecting Procurement Communities  
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# Controlling Maverick Spending

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## Agenda

- Define Maverick Spending
- Your Organizational Structure
- Why does it occur?
- Why is it important?
- How does it affect your agency?
- Why can't we do "it" this way?
- Why do I have to adhere to Purchasing Policies?
- How can you reduce or eliminate it?
- Examples
- Q&A



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## VIDEO



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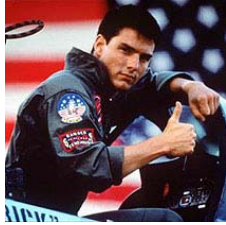
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### Pop Quiz

- Why is he called "Maverick"?



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### Define Maverick Spending

- Purchasing goods/service in non-compliance with your policies
  - Off-contract spending
  - Processing "paperwork" after the fact: retroactive contracting
  - Splitting Orders
  - Recurring Orders
- What "issues" is your agency experiencing?



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### Your Organizational Structure

- Org Structure
  - Centralized
    - » Easier to control
  - Decentralized
    - » Very difficult to control
  - Hybrid/Combination of Both
- How is Your Agency Structured?



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### Why does it occur?

- Many causes:
  - Ignorance of policies and procedures
  - Burdensome procurement process
  - Not aware item was on contract
  - Willful disregard for policies and procedures
  - Inevitable part of a decentralized purchasing approach



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### Why is it important?

- Opportunity for Cost Savings
- Compliance
- Process Improvement
- Liability
- Public Scrutiny



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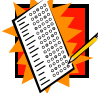
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### Pop Quiz #2

- What is the average % of increased costs of a typical "Maverick Purchase"?



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### How does it affect your agency?

- Costs (typically 2-5% higher)
  - Examples later
- Time (How much time did you spend when you could have been doing other things?)
  - Governing Body (Board, Council) approval for retroactive.
- Delay vendor payment
- Risks
  - Insurance
  - Reputable Firm
  - Licensing
  - Limiting Vendor Pool



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### Why can't we do "it" this way?

- Law (Federal, State and/or Local)
- Agency Policy
- Public Scrutiny of Purchasing habits
- Penalties/Ramifications



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### Why do I have to adhere to Purchasing Policies?

- We all have Policies
  - For Non-purchasing folks:
    - What is your most "abused" policy?
    - What are the ramifications of not adhering to policy?
  - Why are they important?
- Guardians of Corporate/Taxpayer Dollars
- Allow fair and open competition



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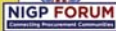
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### How can you reduce or eliminate it?

- Management "Buy in"
  - Executive Management
  - Purchasing Management
  - Finance
  - Counsel
- Review Purchases
- Enforce Policy
  - Willingness to take corrective action
  - Develop Standards
- Training & Education
  - Formal
    - Classroom
  - Informal
    - Whenever you "touch" your customers
      - Phone conversations or impromptu meetings
    - Includes Purchasing staff
  - Newsletters
    - Division, Department, Agency
    - Communications/Emails


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### Examples

- Office Supplies
  - User spent \$6,765.56
  - Would have paid \$4,504.95 if used Corporate Express
  - **OVERPAID \$2,044.71 (30%)**
- Forms Burster Contract
  - User signed contract for List Price
  - Purchasing renegotiated
  - **User would have OVERPAID \$3,328 (19%)**
- Locksmith Services
  - \$410 non-contracted vendor
  - Contract Vendor: \$250
  - **OVERPAID \$160 (40%)**
- Envelopes
  - \$4,060 (18%) savings on envelope
- Matching Orders to Contracts
- Retroactive Contracts
  - Must be ratified by Governing Board (County Supervisors, City Council, District Board, CEO, Owner, etc.)


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### Recap

- Maverick Spending is defined as...
- It occurs because...
- It is important because...
- It affects my agency in the following ways...
- It cannot be done this way because...
- I must adhere to Purchasing Policies because....
- I can reduce or eliminate it by.....


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