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

VIDEO
Pop Quiz

• Why is he called “Maverick”?

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?

Your Organizational Structure

• Org Structure
  – Centralized
    » Easier to control
  – Decentralized
    » Very difficult to control
  – Hybrid/Combination of Both

• How is Your Agency Structured?
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

Why is it important?

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

Pop Quiz #2

• What is the average % of increased costs of a typical “Maverick Purchase”? 
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

Why can’t we do “it” this way?

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

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
How can you reduce or eliminate it?

- Management “Buy in”
  - Executive Management
  - Purchasing Management
  - Finance
  - Counsel
- Review Purchases
- Enforce Policy
  - Willingly to take corrective action
  - Develop Standards
- Training & Education
  - Formal
    - Classroom
  - Informal
    - Whenever you “touch” your customers
      - Phone conversations or impromptu meetings
        - Include Purchasing Staff
  - Newsletter
    - Department, Agency
  - Communications/Emails

Examples

- Office Supplies
  - User spent $6,765.56
  - Would have paid $4,504.95 if used Corporate Express
    - OVERPAID $2,260.61 (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

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......