



UPDATING MSU

Procurement Services

Summary

Procurement Services seeks to move beyond a compliance function. The Update MSU Procurement Services working group has developed recommendations for enhancing communications, processes and the user experience. These enhancements will achieve efficiencies and financial savings without compromising vendor quality and service.

Prepared Spring 2015

UPdating Procurement Services

April 2015

1 WORKING GROUP GOAL

Develop recommendations for enhancing MSU's procurement communications, processes and user experience to achieve efficiencies and financial savings without compromising vendor quality and service.

2 WORKING GROUP MEMBERSHIP

Joseph Atwood - Professor, Agricultural Economics
Charles Boyer - Vice President and Dean, College of Agriculture
Christina Fournier - Financial Manager, University Business Services
Laura Humberger - Associate Vice President, Financial Services
Yves Idzerda - Department Head and Professor, Physics
Jerry Sheehan - Chief Information Officer, Information Technology Center
Leslie Taylor - Legal Counsel, President's Office

Advised by Terry Leist, Vice President for Administration and Finance
Staff Support- Brian O'Connor, Director of Procurement Services

3 METHODOLOGY

3.1 INITIAL CONVERSATIONS

The working group members each solicited input from constituents, and brought their own varied background and perspectives to the team. The group began by airing any concerns expressed by their constituents. In clarifying the intent and goals of the group, three themes emerged: 1) that needs specific to research or academic purposes must continue to be met, 2) that communications regarding the availability of commodity goods and services as well as specific goods and services should be improved, and 3) that vendor quality and service must remain high, without adding additional layers of bureaucracy to internal processes.

3.2 DATA ANALYSIS

Staff provided a comprehensive summary of all University spend for one fiscal year (see Appendix A). An analysis of high-dollar spend categories was performed by funding source and expense type, to direct efforts toward the highest-impact areas. Additionally, an external review firm, Strategic Resource Management (SRM), had been engaged by the Procurement staff recently, and their preliminary

recommendations and findings were reviewed as well (see Appendix B). Preliminary recommendations were developed relating to office supplies, communications, print-related expenditures, and software-related purchases.

3.3 FEEDBACK

Preliminary recommendations were presented to constituents and a focus group, to determine the feasibility of recommendations. Response was positive and enthusiastic. Real dollar savings, as well as time and effort savings, are expected to be realized upon the implementation of recommendations.

3.4 RECOMMENDATIONS

The collaborative process described above resulted in the following recommendations:

1. Design and implement a “How Do I Buy?” Webpage
2. Embark on Office Supply Savings Campaign
3. Complete A Print Management Study
4. Leverage software purchases

4 RECOMMENDATIONS

4.1 DESIGN AND IMPLEMENT A “HOW DO I BUY?” WEBPAGE

The Procurement Services office has focused on ensuring compliance with state procurement law, which only requires formal bid processes for purchases above \$5,000. Purchasers did not indicate a concern or lack of guidance for expenditures falling above the \$5,000 threshold, presumably due to the well-established, published procedures that must be followed to maintain compliance for purchases at that level. However, the working group and constituent purchasers reported a lack of available guidance with respect to procuring items under \$5,000. Because the Procurement office had not been charged with bringing low-dollar purchases under its purview, the working group identified this as a guidance gap. This lack of guidance has resulted in faculty and staff spending needless time searching for the most cost-effective solution, and perhaps missing out on pre-negotiated state contracts that often carry better shipping, insurance, price and other terms.

During the review of various spend categories (see Appendix A), it was noted that goods with large dollar spend (lab and office supplies, office equipment maintenance, computer equipment/software, travel) consist of a high volume of low-dollar purchases for which very little cohesive guidance is available to purchasers.

Procurement staff located a variety of university web pages that provide guidance to purchasers through an interactive website. User-friendly menus direct the purchaser to guidance for the most economical or responsive vendor (sometimes through pre-negotiated contracts), list approvals that may need to be garnered prior to purchase, and provide other helpful information regarding the purchase. The working group recommends developing the same sort of guidance for MSU purchasers to save time and money.

A focus group was solicited to provide input to the working group, and is currently in the process of suggesting prioritization for the first items to be listed on the “How Do I Buy?” website. A template was developed by University Communications in March 2015; page drafts have been supplied by the Procurement staff, in collaboration with the campus focus group. When complete, the “How Do I Buy?” website will provide much-needed guidance for frequently purchased items, provide information for purchasers to make informed decisions, and result in time and money savings for purchasers.

4.2 EMBARK ON OFFICE SUPPLY SAVINGS CAMPAIGN

SRM performed a comprehensive data analysis of office supply spend. Vendors offering a significant discount as compared with list price make up a significant portion of university spend. However, an approximately equal amount of spend is with vendors offering only half the discount. It is estimated that savings in all departments combined will amount to a minimum of \$156,000, and could double that, after a concerted education and training campaign is implemented. Along with an internal campaign, other vendors will be approached to negotiate a similar list price discount. The most cost-effective vendors will be highlighted on the “How Do I Buy?” website, to ensure that purchasers have more information to guide their purchases.

Driving spend to a cost-effective vendor, but one that is not able to provide the service, quality, or selection purchasers need, will not be successful. SRM and Procurement Services will kick off this campaign with a survey of identified office supply purchasers to gain an understanding of their choice of suppliers including their level of satisfaction with current suppliers, whether they are using discounted contracts, and any pain points or obstacles encountered. Feedback from the campus users will be critical during the campaign, and ensuring that the vendors maintain a high level of service, quality and selection will be a primary focus.

4.3 COMPLETE A PRINT MANAGEMENT STUDY

Significant funds are expended on copiers, printers, and the related maintenance expenses—toners, maintenance agreements, and paper. SRM has recommended a print management study, which will inventory the printers, copiers, scanners on campus and assist in determining how much we are expending for all purchase, lease, operating and maintenance expenses. The Bozeman School District recently embarked on such a project, and is pleased with the results. The results of the study will assist in determining whether it would be beneficial to bid all print/copy and related maintenance services to one (or a handful of) vendors to achieve reduced costs and improved service levels.

4.4 LEVERAGE SOFTWARE PURCHASES

A significant number of software purchases are made each year—many by individual faculty and staff who lack information as to whether or not someone on campus already owns a license or whether there is the potential to use a group/site license. Communication regarding software needs and an inventory of the licenses currently in existence is recommended to improve communications and reduce costs. As information becomes available it will be included on the “How Do I Buy?” website. Strategies regarding preparation of a software inventory and collaboration techniques will be requested of the Information Technology center.

5 ASSESSMENT

To ensure that the desired goals are reached, assessment of processes and costs will be performed and compared with the current state. A timeline for each of the projects is estimated below:

- ✓ Focus groups will be asked to give feedback regarding the success of the “How Do I Buy?” website, which will be functioning in pilot form during the month of May.
- ✓ SRM has already measured office supply spend, and will be re-measuring success periodically. Those measurements will be provided to the working group.
- ✓ Funds expended for printing/copying/scanning will be measured both before and after changes implemented as a result of the print management study. This is expected to be a longer-term process, targeted within the next 18 months.
- ✓ Satisfaction with software information will be queried through focus groups.

APPENDIX A - University Spend, Fiscal Year 2014

MSU Bozeman
Operating Expenses (Banner/SABHRS)
FY 2014

Sum of Gasb report amount											
	Bozeman										Bozeman Total
	4A	4B	4C	4D	4E	4H	4J	4K	4N		
	Current Unrestricted - MSU	Designated - MSU	Restricted Spon Prog - MSU	Auxiliary - MSU	Loan - MSU	Unexpended Plant - MSU	Renewal/Repl acement - MSU	Retrmt of Indebtedness - MSU	Restricted - MSU		
Operating expenses											
Compensation	94,304,318	18,178,078	30,583,408	14,805,292		52,663	(1,217)		2,723,667	160,646,208	
Benefits	30,371,023	5,125,593	8,695,617	5,342,221		23,362	170		599,637	50,157,623	
Contracted Services	2,776,438	6,923,132	20,282,642	4,044,441	19,935	1,958,004	2,664,947	626,297	475,143	39,770,978	
Communications	1,119,987	1,206,783	317,430	281,152		118,908	48,761		105,120	3,198,141	
Travel	1,632,667	4,124,199	3,092,936	160,287		11,361	493		509,404	9,531,348	
Rent	3,395,122	2,660,825	481,467	354,505		2,286	1,317		40,843	6,936,364	
Maintenance	5,117,758	1,521,660	312,821	2,860,751		2,677,774	13,280,161		58,087	25,829,014	
Scholarships and Fellowships	19,642,621	3,024,458	2,852,121	2,700					21,586,862	47,108,762	
Supplies	7,368,969	4,618,654	4,545,703	7,283,220		2,146,784	1,249,194		891,070	28,103,595	
Utilities	3,409,651	7,922,744	77,982	2,808,008			269		7,203	14,225,858	
Other Expenses	1,861,207	5,926,123	17,373,042	1,861,147	223,560	241,584	134,402	21,378	634,281	28,276,725	
Cost of Sales	192	7,812,706	9,338	602,938					1,940	8,427,115	
Capital	768,712	795,539	1,866,041	93,867		11,294,718	2,427,016		147,153	17,393,046	
Operating expenses Total	171,768,665	69,840,494	90,490,550	40,500,530	243,495	18,527,444	19,805,514	647,675	27,780,411	439,604,778	

Note-- included in fund types 4H and 4J are expenditures related to building construction and renovation. While all those costs should be coded to "Capital" they are often coded to maintenance, which is why the \$13 million of expenses in the maintenance category is high.

MSU Bozeman Operating Expenses (Banner/SABHRS)

Maintenance Expense Detail

2014

(blank)

Sum of Gasb report amount		Bozeman									Bozeman Total
		4A Current Unrestricted - MSU	4B Designated - MSU	4C Restricted Spon Prog - MSU	4D Auxiliary - MSU	4E Loan - MSU	4H Unexpended Plant - MSU	4J Renewal/Repl acement - MSU	4K Retrmt of Indebtedness - MSU	4N Restricted - MSU	
Operating expenses											
	Buildings & Grounds	'62701	4,743,222	701,791	20,831	2,526,662	2,511,944	13,267,325		29,271	23,801,047
	Office Equipment	'62704	341,070	630,551	239,861	157,194	160,330	8,520		15,253	1,552,779
	Vehicles-Passenger	'62706	25,600	129,655	29,520	47,178		3,751		8,134	243,839
	Repairs & Maintenance-General	'62799	1,382	2,087		64,543		565			68,577
	Snow Removal	'62755				65,175					65,175
	Maintenance Contracts	'62750	6,400	47,569	(199)		5,500				59,270
	Farm Equipment	'627071		8,834	22,807					5,430	37,071
	Athletic & Recreational Equipme	'62748		964							964
	Fence Materials	'62734	367								367
	Vehicles - Passenger Mntn Trade	'62706T		209							209
	Laboratory Equipment	'62713	(283)								(283)
	Maintenance Total		5,117,758	1,521,660	312,821	2,860,751	2,677,774	13,280,161		58,087	25,829,014

Note-- maintenance expense in Fund Types 4H and 4J include expenses related to building construction and renovation.

MSU Bozeman Operating Expenses (Banner/SABHRS)
Supplies Expense Detail
2014

Sum of Gasb report amount

		Bozeman									Bozeman
		4A	4B	4C	4D	4E	4H	4J	4K	4N	Total
		Current	Designated	Restricted	Auxiliary	Loan	Unexpended	Renewal/Repl	Retrmt of	Restricted	
		Unrestricted -	MSU	Spon Prog -	MSU	MSU	Plant -	acement -	Indebtedness -	MSU	
		MSU	MSU	MSU	MSU	MSU	MSU	MSU	MSU	MSU	
Operating expenses											
Books & Reference Materials	'62225	4,723,813	79,493	8,574	8,008		405			5,044	4,825,337
Laboratory Supplies	'62208	96,011	942,490	2,638,796			72,724	29,559		73,742	3,853,322
Computer Equipment <\$5,000	'62245	455,454	431,200	337,410	145,566		691,461	412,357		90,122	2,563,570
Minor Office Equipment (\$1000-	'62238	255,606	451,053	502,743	77,618		416,837	353,267		38,678	2,095,803
Minor Equipment	'62210	175,605	439,246	213,622	196,128		471,733	395,801		36,501	1,928,635
Meat	'62251				1,541,750						1,541,750
Office Supplies	'62290	552,933	341,604	99,841	121,872		58,681	764		120,920	1,296,613
Grocery	'62264	315	732	1,144	1,238,526					147	1,240,865
Minor Software <\$100,000	'62249	109,756	142,556	120,401	92,664		405,716	21,530		132,851	1,025,474
Educational Supplies	'62204	458,738	277,360	143,520	29,100		21,693			39,811	970,221
Food - Frozen	'6220F				555,112						555,112
Janitorial Supplies	'62295	174,082	10,976	(6)	363,216			60		3,652	551,980
Laboratory Supplies - Animals	'62208A	246	275,847	115,529			544				392,167
Food - Fresh Produce	'622FP				391,165						391,165
Gasoline	'62216	35,465	143,502	60,145	60,391		509			9,969	309,981
Medical & Hospital Supplies	'62209	1,852	83,480	2,360	216,124		2,024			86	305,926
Athletic & Recreational Supplies	'62202		109,106								300,483
Food - Dairy Solids	'622DS				255,727						255,727
Food - Cheese	'622CH				254,288						254,288
General Supplies	'62299	60,544	57,235	5,028	90,639		2,308	16,034		12,488	244,276
Kitchen Supplies	'62259				243,347						243,347
Clothing & Personal Supplies	'62203	12,300	186,877		3,094					36,789	239,060
Chemicals	'62244	22,045	96,108	92,052	7,897					4,303	222,405
Food - Dairy Fluids	'622DF				215,952						215,952
Food - Processed Produce	'622PP				214,547						214,547
Photo Reproduction Supplies	'62212	95,548	79,969	20,647	6,185		2,005			7,557	211,911
Publication	'62293	16,228	50,242	84,655						11,901	163,026
Food - Misc Canned/Bottled Bev	'622MB				158,931						158,931
Housekeeping Supplies	'62206				152,182						152,182
Food - Misc Fountain Beverages	'622MF				136,723						136,723
Shop Supplies & Tools	'62229	27,820	88,827	769						4,097	121,512
Food - Coffee	'622CF				103,784						103,784
Food - Eggs	'6220E				101,988						101,988
Program Expense	'62280	5,405	30,294	39,116	15,791			79		10,859	101,544
Agricultural Supplies	'62201	638	66,788	25,973	2,350					2,606	98,354
Food Supplies	'62205	215	65,390		10,135		146				75,885
Bakery	'62254				67,827						67,827
Beverages	'62278	29,134	28,710	(7)	2,276			3		2,252	62,368
Shoes	'62247		48,491							2,449	50,940
Food - Candy	'6220C				42,472						42,472
Food - Snacks	'622SN				41,886						41,886
Professional Supplies	'62213	29,170	897	113	464			(3,250)		400	27,793
Clothing & Personal - Coaches	'62203C		733								27,720
Food - Sodas Fountain	'622SF				27,526						27,526
Costumes/Scenery/Scripts	'62269	3,054	5,223	3,677						15,080	27,034
Food - Spices	'622SP				24,494						24,494
Diesel Fuel	'62242	19	10,681	11,604						1,592	23,895
Feed Supplement	'62281		12,230	9,895						1,455	23,580
Ammunition	'62221	22,394	200								22,594
Promotional Aids	'62255		22,342								22,342
Safety & Security Supplies	'62232	727	5,076		52			15,878			21,734
Fertilizer	'62287		9,562	5,559	832					1,200	17,153
General - Supplies - Trade Out	'62299T		16,786								16,786
Building & Grounds Materials	'62227	3,824	3,056		912			7,111			14,904
Weed Control	'62243		11,003	2,304							13,307
Laundry Supplies	'62257		8,824		75						8,899
Minor Tools & Equip<1000 Vide	'62210V		7,320							240	7,560
Photo & Reproduction Recruiting	'62212R		7,087								7,087
Food - Consumables-Flowers	'6225F				6,718						6,718
Drug Supplies	'62222		6,475								6,475
Alcohol for Cooking Supplies	'622AL				5,710						5,710
Inventory Adjustment	'62855		(45,838)		50,741						4,902
Minor Software - Recruiting	'62249R		4,637								4,637
Hay	'62285			196						4,400	4,596
Minor Tools & Equip<1000 Gam	'62210G		3,140								3,140
Minor Equip \$1000-4999 - Athle	'62238A									1,513	1,513
Clothing & Personal Sup Tourny	'62203X		513								513
Minor Software<5000 Game Day	'62249G		499								499
Printing Supplies	'62214		424	(1)							423
Food - Administrative Fee	'622AF		8		349						357
Athletic & Recreational Tourny	'62202X		83								83
Food - Soda Canned/Bottled	'622SC				74						74
Office Supplies Recruiting	'62290R		66								66
Vehicular Supplies	'62215		52								52
Grain	'62283			46							46
Inspection & Field Supplies	'62240	30									30
Red Meat	'62279				13						13
Pork	'62292			(0)							(0)
Supplies Total		7,368,969	4,618,654	4,545,703	7,283,220		2,146,784	1,249,194		891,070	28,103,595

APPENDIX B



PROVIDING PROCUREMENT SOLUTIONS
For



Presented By:

Mr. Patrick Goodwin

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Confidential

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August 28, 2014

Table of Contents

1. Office Supplies
2. Status Report

Cost Savings Plan Preliminary Strategy Overview



Office Supplies

CSP # 4881

Presented by Strategic Resource Management, Inc.

To

Montana State University

August 28, 2014

CONFIDENTIAL

1. EXPENDITURES

Montana State University (MSU) expenditure was established from the 2014 AP report provided by Brian O'Conner. The Office Supply Annualized expenditure is as follows:

Supplier	2014 Fiscal Year Expense
Staples	\$ 435,237.00
OfficeMax	\$ 87,562.00
Simply Office Supplies	\$ 110,343.00
360 Office Supplies	\$ 255,934.64
Victory	\$ 43,594.61
All other maverick spend	\$ 1,066,916.75
25% reduction due to miscoding	\$ (266,729.19)
Total Expense	\$ 1,732,858.81

2. CURRENT STRUCTURE

MSU utilizes the eMarket portal to access the WSCA-NASPO pricing from Staples and OfficeMax. The portal directs the user to the Staples and OfficeMax website where the appropriate discounts are applied to the order. Based on the accounts payable data provided, **35%** of the office supply purchases are going through the eMarket portal and **27%** through Simply Office Supply, 360 Office Solutions and

Victory. The remaining **38%** are being purchased from over 100 different suppliers. Currently, there is not a periodic reporting system to monitor spend that does not occur through the eMarket portal.

3. SRM PROCESS

In phase one, SRM will audit the WSCA-NASPO pricing to validate MSU’s actual discounts received under these programs and to determine if the contract price is being applied to all Pcard purchases. In phase two, SRM will evaluate each WSCA-NASPO agreement to determine which office supply program provides maximum savings. In phase three, SRM will develop and implement the overall strategy to streamline purchases through the eMarket portal which will include purchasing program policies, end user program education and training. In phase four, SRM will track the savings on a monthly basis.

4. ASSUMPTIONS

Most locations are generally satisfied with Staples and OfficeMax’s performance and product quality. MSU would support a consolidation office supply providers that would provide optimal cost savings potential while meeting MSU’s quality and service standards.

5. SAVINGS ESTIMATE

Given the above criteria, SRM Benchmarks estimates annual savings as follow:

Supplier	2014 Fiscal Year Expense	Manufacture Discount %	Manufacture List Price Extended	Manufacture Discount %	Proposed Expense	Savings	Savings %
Staples	\$ 435,237.00	70%	\$ 1,450,790.00	70%	\$ 435,237.00	\$ -	0%
OfficeMax	\$ 87,562.00	70%	\$ 291,873.33	70%	\$ 87,562.00	\$ -	0%
Simply Office Supplies (37% discount)	\$ 110,343.00	37%	\$ 175,147.62	70%	\$ 52,544.29	\$ 57,798.71	52%
360 Office Supplies	\$ 255,934.64	37%	\$ 406,245.46	70%	\$ 121,873.64	\$ 134,061.00	52%
Victory	\$ 43,594.61	37%	\$ 69,197.79	70%	\$ 20,759.34	\$ 22,835.27	52%
All other maverick spend	\$ 1,066,916.75	37%	\$ 1,693,518.65	70%	\$ 508,055.60	\$ 558,861.15	52%
25% reduction due to miscoding	\$ (266,729.19)	37%	\$ (423,379.66)	70%	\$ (127,013.90)	\$ (139,715.29)	52%
Total Expense	\$ 1,732,858.81		\$ 3,663,393.19		\$ 1,099,017.96	\$ 633,840.85	37%

Expenditure
\$1,732,858

Savings Range
\$156,460 – \$633,841

Percent Savings Range
9% - 52%

6. SAVINGS MEASUREMENT METHODOLOGY

Savings will be calculated by measuring the compliance of the program. SRM will evaluate the Office Supplies Accounts Payable report each month to determine the percentage of office supplies expenditures that have transitioned to the WSCA-NASPO program.

7. ACTION PLAN – Major Steps

Upon approval of the adoption agreement, MSU and/or SRM will complete the following actions:

1. Develop strategy to decrease maverick spend in decentralized environment.
2. Contact Staples and/or Office Max to communicate strategy.
3. Direct supplier compliance training effort.
4. Guide the compliance campaign from central procurement.
5. Setup system to track compliance.
6. Track compliance.
7. Track savings for three (3) years.

8. SUPPLIER SENSITIVITIES

No supplier sensitivities have been disclosed to SRM.