

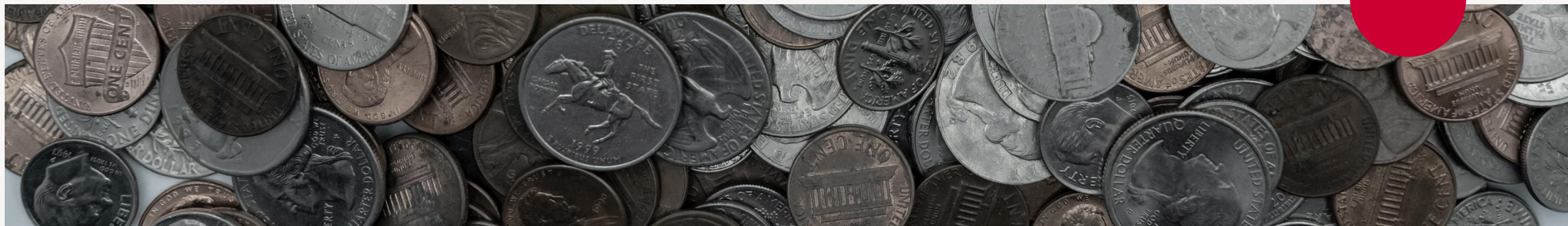


RUTGERS

Discretionary Spending

Managing Costs Now to Save for Our Future

October 2020



Goal

To reduce operating costs to meet Rutgers University budget challenges

As an institution, we must shift our mindset and condition ourselves to follow spend control rules and build financial shared discipline toward spend control. These guidelines were created judiciously for all Rutgers University departments, faculty and staff to:

- Exercise a continuous commitment to fiscally responsible spending.
- Use sound judgement to help maintain business operations and program that are financially sustainable
- Adhere to discretionary spending guidelines. Incur only necessary, appropriate and reasonable, expenditures for university's mission

Discretionary Spend Management - Overview

Spend Overview

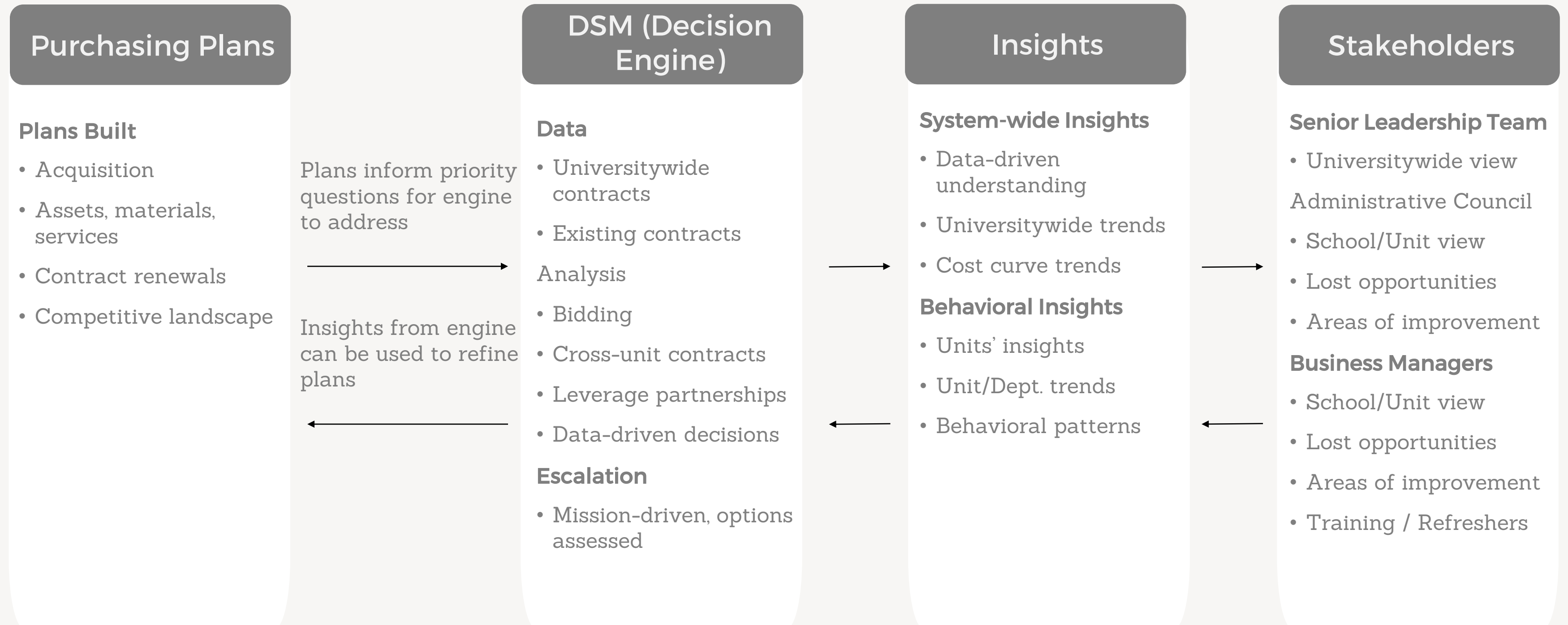
- Universitywide procurement spend for goods and services = \$2.2B (FY20)
- Discretionary spend = ~\$1B (FY20)

Objective – Bend the Spend Curve

- Develop a comprehensive spend control approach in collaboration with management
- Conducted detailed analysis of spend profiles, control environments, and current practices
- Identified several areas for improvement, including:
 - 25K check requests representing \$160M+ include a significant number of invoices without purchase orders (i.e. no prior formal approval)
 - \$100M in quick orders and non-catalog orders with limited oversight by department and University Procurement Services (UPS)
 - Multiple lost opportunities to leverage university contracts

Holistic and scalable macro-level approach that will incorporate inputs from business offices and is expected to evolve over time.

Creating Value at Scale Requires a Holistic Approach



Mobilized an agile UFA team to develop the framework.
Group to be expanded with Chancellor and other Finance representation.

Shared Responsibility

As a result of the current economic conditions, we, administrators and academics, have a joint responsibility to:



Come together to save costs to offset the loss in funding



Understand, uphold, and comply with policies and procedures



Help move the university toward a more fiscally-stable position for the upcoming years



Exercise more discipline for the benefit of the overall university community

FY20 Purchase Order Spend Analysis

Requisition by Form Type

All PO
• \$2.25B (100%)
• 220K PO (100%)

Quick Order
• \$53M (2%)
• 57K PO (26%)

Punch-Out
• \$40M (2%)
• 68K PO (31%)

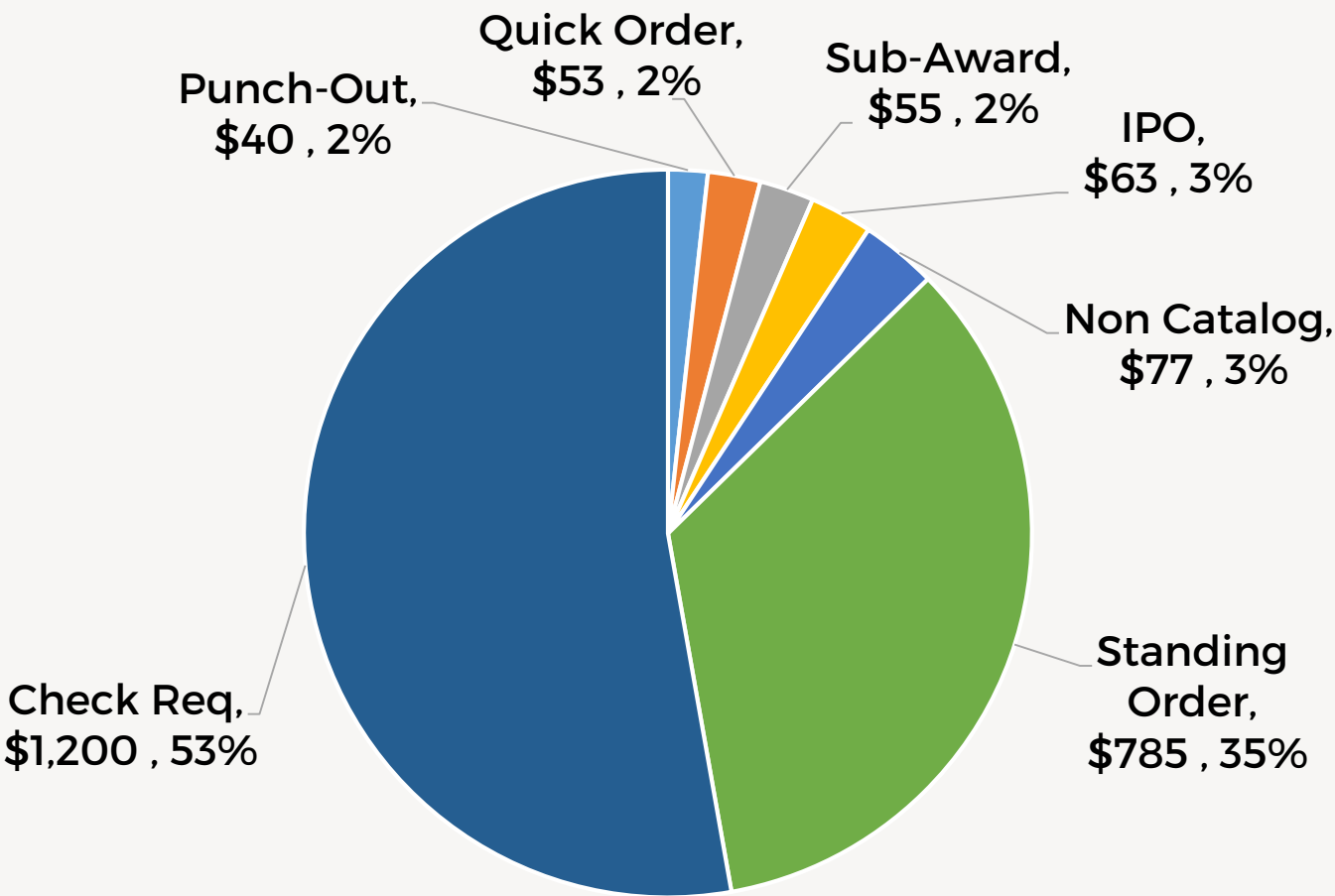
Check Request
• \$1.2B (53%)
• 37K PO (17%)

Non-Catalog
• \$77M (3%)
• 7K PO (3%)

Standing Order
• \$785M (35%)
• 30K PO (14%)

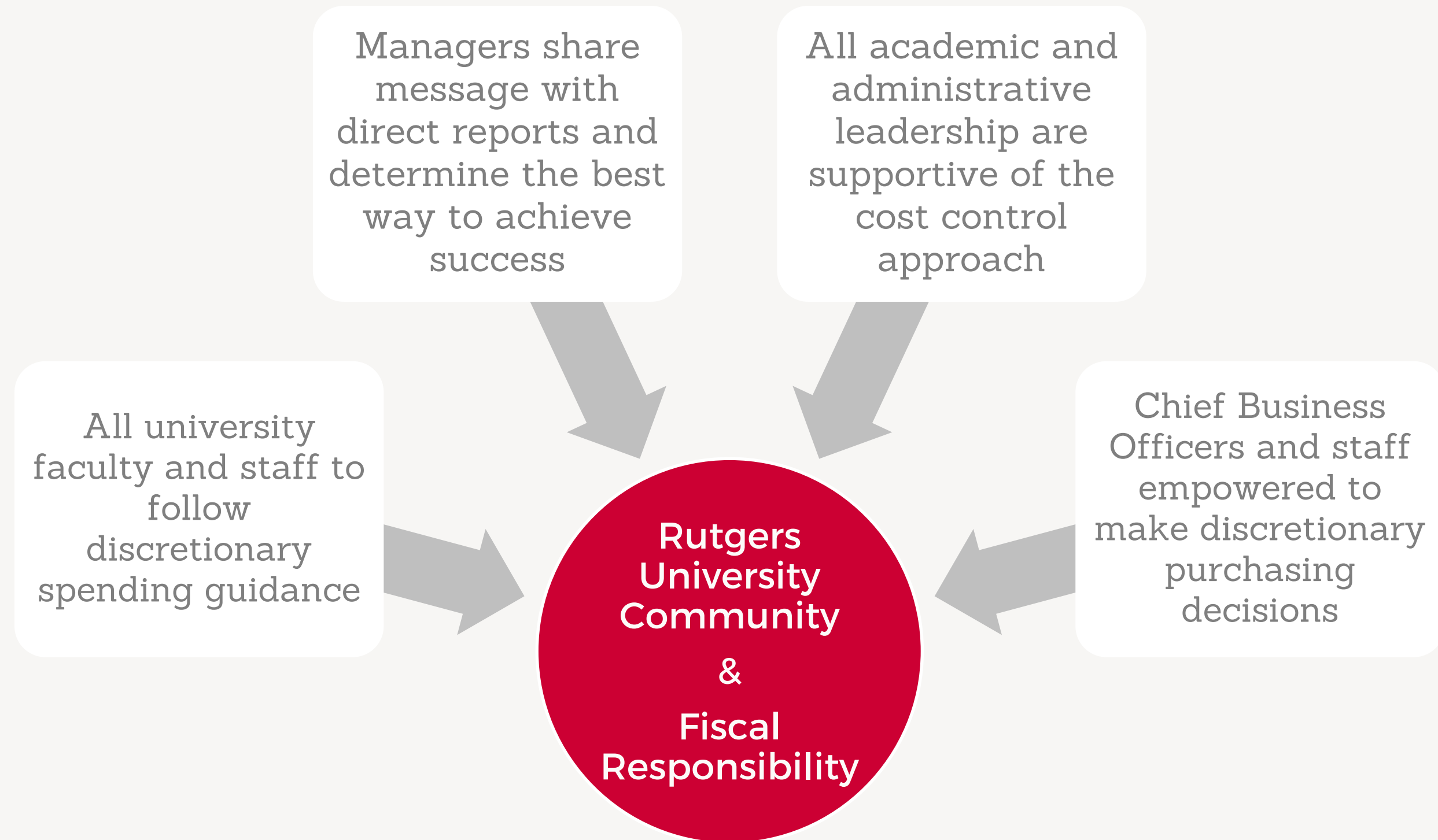
IPO
• \$63M (3%)
• 20K PO (9%)

Sub-Award
• \$55M (2%)
• 500 PO (1%)



TYPE	DESCRIPTION	OVERSIGHT
Quick Order	orders for goods under \$10,000	No UPS oversight
Punch-Out	orders from supplier catalogs	No UPS oversight
Check Request	non-sourceable 95%, sourceable 5%	UPS oversight
Non-Catalog	orders for goods over \$10K	UPS oversight
Standing Order	orders for blanket orders and services	UPS oversight
Internal Purchase Order (IPO)	internal purchases	No UPS oversight
Sub-Award	sub-award orders	No UPS oversight

Expectations

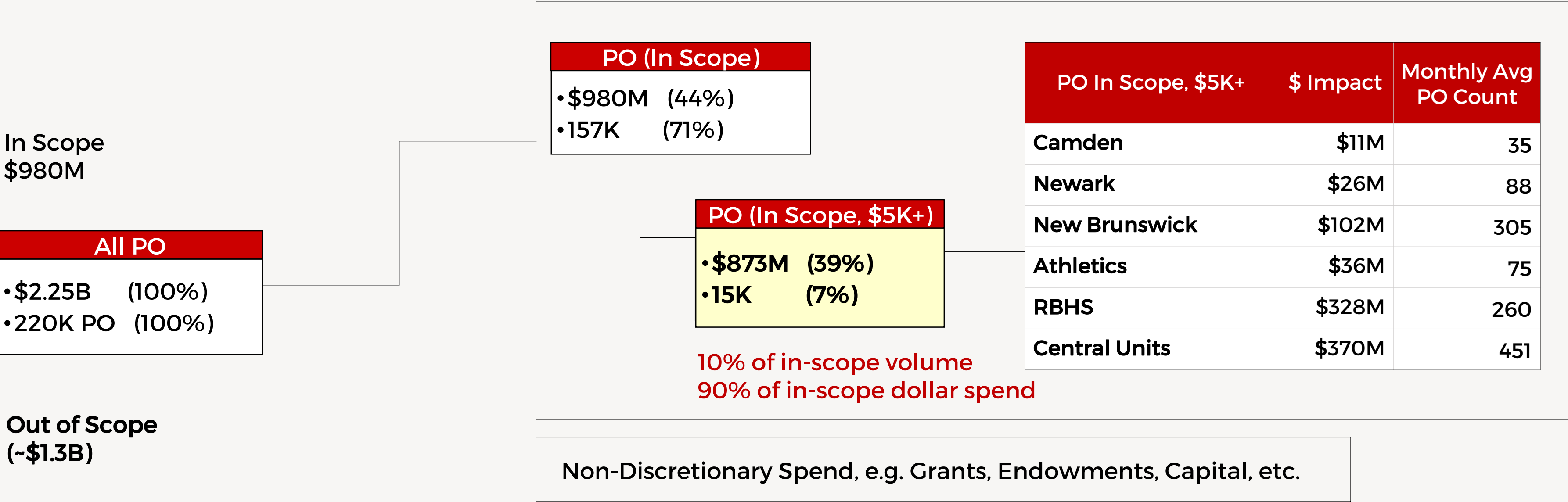


Chief Business Officers monitor spending

FY20 Purchase Order Spend Analysis (In-Scope for Additional Oversight)

In-Scope Criteria – Low volume for additional approval, but high dollar impact

- Exclude requisitions for endowment, grants, gift, cap projects (Project codes 5,6,7,8)
- Include requisitions for expense, internal purchase order natural accounts (Natural Account codes 5,6,7)
- Approve requisitions \$5,000 and above by Discretionary Spend approvers.



RU Marketplace Requisition Approval

Existing Approver

New DS Approver

FY20 \$2.2B	Requisition Type	Department Approval		UPS Purchasing Approval	UPS AP Approval	IPO Approval	Sub-Award Approval
\$53M 57K PO	Quick Orders	Dept. Approval	DS Approval				
\$40M 68K PO	Punch-out Orders	Dept. Approval	DS Approval				
\$1.2B 37K PO	Check Requests	Dept. Approval	DS Approval		AP Approval		
\$77M 7K PO	Non-Catalog Orders	Dept. Approval	DS Approval	Cat. Analyst Up to \$25K Sr. Buyer Up to \$50K Supervisor Up to \$150K CPO >\$150K			
\$785M 30K PO	Standing Orders						
\$63M 20K PO	IPO Orders	Dept. Approval	DS Approval			IPO Approval	
\$55M 500 PO	Sub-Award Request						Sub-A. Approval

RU Marketplace requisition approval with additional oversight

Definitions

Discretionary Spending

an expenditure that is not considered necessary, appropriate and/or reasonable, and can be avoided. This assessment is based on sound judgment by requestors, requisitioners and approvers within each unit to make fiscally responsible decisions about optional/non-essential purchases.

Non-Discretionary Spending

costs that are unavoidable, required for units to function, and/or must be incurred for mission-critical operations.

Elements to Consider

Requisitioners, Department Approvers, and Discretionary Spending Approvers need forethought when reviewing a request

Necessary

- Required to achieve the goals or outcomes of the essential program, project, or task
- Has a clear and direct academic, clinical, research, or business (central administration) purpose
- Needed to perform duties or responsibilities of a unit to meet safety, compliance, or professional standards

Appropriate

- Consistent with objectives of the essential program, project, or task
- Allowable under the terms and conditions of the funding source and/or applicable policies
- Suitable given the circumstances (relevant operations, processes, conditions)

Reasonable

- Comparable, most cost-conscious alternative selected and purchased through the best procurement method
- Not excessive in cost, quantity, and/or quality
- Not practical to forego or delay (entirely or partially) given the current economic state

Decision Process

Before buying a good or service, ask...

1) Is this necessary?

- Required for essential programs and projects
- Direct academic, clinical, research or business purpose
- Needed for safety, compliance or professional standards

No

Do not buy

Yes

2) Is this appropriate?

- Support the objectives of essential programs and projects
- Allowable under the terms of the funding source
- Suitable given the circumstances (operations, processes)

No

Do not buy

Yes

3) Is this reasonable?

Consider cost

- Comparable product
- Supplier alternative

Similar product

Surplus Inventory

Internal PO

Punch-out,
U-wide contract,
Existing supplier

Consider quantity

- Buy just enough
- Avoid surplus

Minimum quantity needed

Minimum returns due to excessive quantity

Minimum risks (abuse, theft, spoilage and obsolescence)

Consider when to buy

- Buy just in time
- Returnable

Can the purchase be delayed?

Yes

Delay

No

No impact to operations if foregone?

Yes

Re-consider

No

OK to Buy

Most Probable Discretionary Expenditure Categories

Supplies and Materials

Rent and Utilities

Recruiting

Services, including
Professional Services

Repairs and Maintenance

Capital Purchases, Additions,
and Improvements

Travel and Business
Expenses

Print and Publishing

Participant Support

Computer and Equipment

Telecommunications

Training Grants

Dining and Hospitality

Dues, Subscriptions,
and Licenses

Other and Miscellaneous

“How RU Saving?” Stories

“

“The [department’s] commitment... has resulted in existing agreements for core goods and services being negotiated or re-negotiated...”

Todd Slawsky
Business Manager
University Communications and Marketing



“We estimate the cost savings when we make the change [to multi-function networked printers] ... to be at least \$20,000 a month”

”

Maria Anderson
Vice Dean for Administration
School of Arts and Sciences

Policy Highlights

University Procurement Services (UPS) established [policies](#) and [procedures](#) to manage the purchasing process for goods and services

Contracts

- All contracts are reviewed and executed by UPS unless obtained via the appropriate signatory authority
- Purchase through appropriate university-wide contracts to take advantage of negotiated terms and conditions.

Bid Wavers

- Used for exceptions only, and will be reviewed and approved by UPS according to the policy.
- Obtaining two or more bids for competitive pricing is strongly recommended.

Blanket Purchase Orders

- A blanket PO should be requested in the current fiscal year and with a sound business reason.
- Requisitioners must monitor funding balances continuously to avoid overspending.

Punchout Catalog

- Purchase through the punchout catalogs in RU Marketplace is strongly recommended
- Items not listed in punchout catalogs can be obtained via a quote from the supplier to submit in punchout orders.

Policy Highlights

University Procurement Service Website: <https://procurementservices.rutgers.edu/>

Check Requests

- Refer to the Check Request Matrix for the type of payments processed via check request.
- Small dollar purchases should be paid via the department-issued purchase card (p-card).

Supplier Management

- Purchase from punchout suppliers, contracted suppliers, and existing suppliers in RU Marketplace before inviting a new supplier.
- New supplier invitations will be reviewed with additional due diligence before approval to support the overall sourcing strategy

Invoice Before Purchase Order

- A violation of UPS policy to create a purchase order after a purchase. RU Marketplace access privileges will be revoked for repeat offenders.
- Invoice submitted before a PO will be reviewed by the Chief Procurement Officer and communicated to Audit and Advisory Services for review.

Travel and Expenses

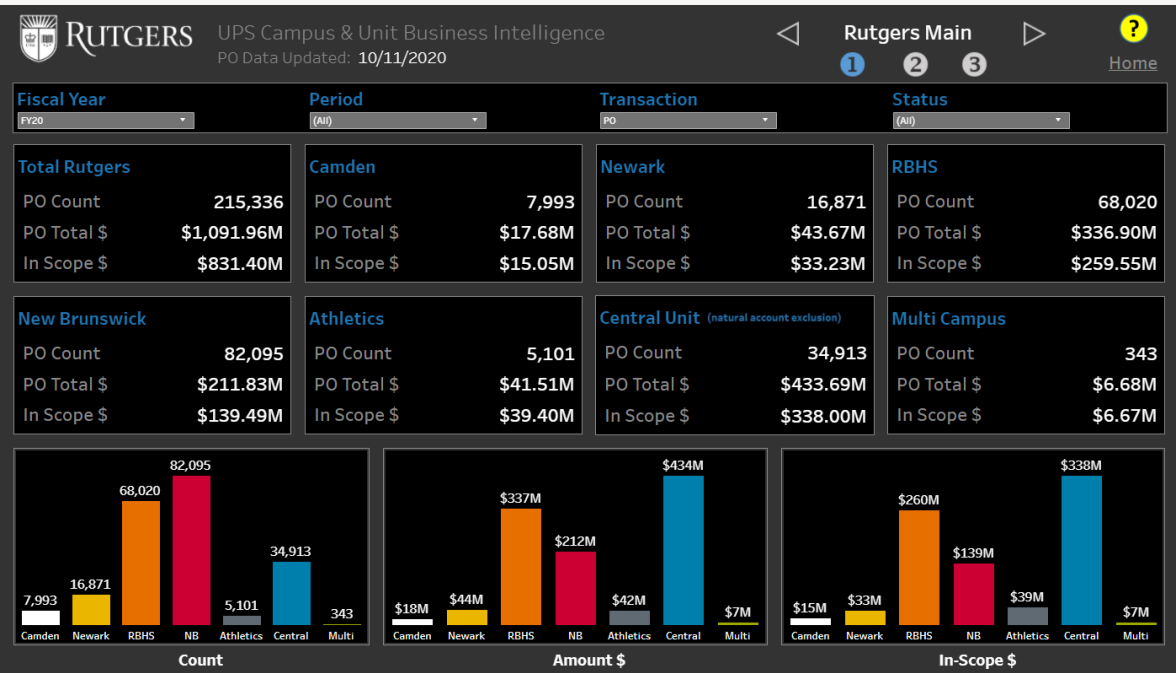
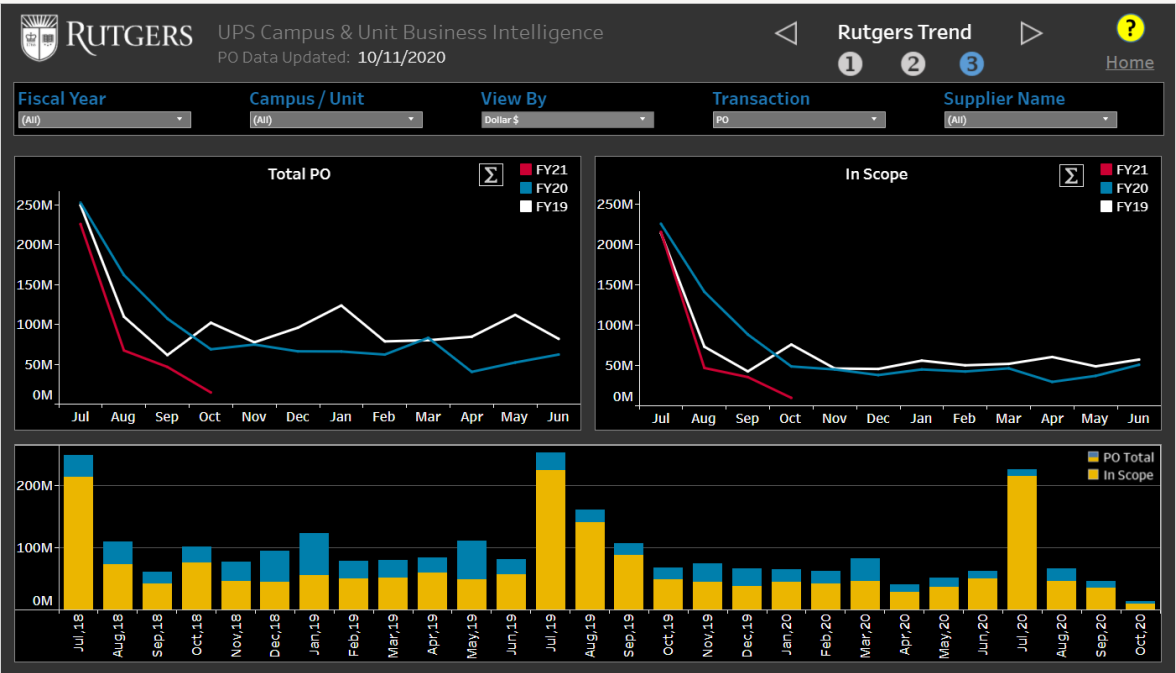
- Alternative means of communication should be used before travel is considered.
- All travel requires pre-approval via the Travel Exception Approval form.

Cost Saving Tips

- Opportunities for cost savings
 - Sales Tax
 - Utilities
 - Shipping
 - Go Paperless
 - Late/Cancellation Fees
 - Contracts/Agreements
 - Renewals
 - Blanket Purchase Orders
 - Unused Funds
 - Travel and Expense

Dashboards and Reports

- Dashboards and reports for university senior leaders and business managers
- Continuous monitoring total vs. discretionary spend at university and campus/unit levels
- Continuous monitoring requisitions not following the procurement policy
- Regular review meetings with senior leaders and business managers on spend trends



Resources

- Questions and suggestions related to discretionary spend, please email rusaving@rutgers.edu.
- Visit our website for Procurement policies and procedures, and discretionary spend information. <https://procurementservices.rutgers.edu>

