

Ep. 106 Show Me the Money: Managing the Federal Spend

Hey John Gilroy here. Tom Cruise is famous for saying show me the money. We got a different time in the studio today. Tom vo Sheldon Cooper going to talk about the federal budget and show me the money better music Manny?

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Welcome to the federal tech podcast where industry leaders share insights on innovation for the focus on reducing cost and improving security for federal technology. If you like the federal tech podcast, please support us by giving us a rating and review on Apple podcast.

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Welcome to the federal tech podcast. My name is John Gilroy and I will be your moderator. I've done over 1000 interviews, I've been to your hundreds and hundreds of tech companies. And usually if you had a word cloud, that thing optimized would pop in optimize speed optimized storage, optimized this optimize software development. And I rarely use the word optimized when it comes to spending money. I mean, you can't buy storage unless you spend money somehow. And so I wanted to bring Tom into the studio today and and talk about his company CEO UPA and what it means for helping the federal government making this big digital transformation. And that's the phrase that pays his digital transformation. But he can't do it. If you got to optimize your resources in the cloud, you should optimize your spend going to the cloud. Our guest is Tombow shell from Koopa. He is officially the vice president federal program office. And he's got a lot of experience in this and we could talk about how the federal government can optimize their spend. So tell you Tom Cruise to Tom Bucha. Which time are you today?

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Today? I'm Tom Woods show. I don't know anything like Tom Cruise? You know, so I don't get those benefits. How are you this morning, John?

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Good, good. Optimize. I think that's the focus here to optimizing spending. And when we did the prep call for this, I took some notes and I look at my notes. And I go, Oh, that must have written something down. Because we talked about the GSA and and using cards for spending and and the GSA spends is number \$4 billion on these cards. Is that right?

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That's correct. When we're talking about cards, we're talking about P cards. So these are basically the credit cards the government uses for small dollar Spence. And yes, it's public information. The GSA spends over \$4 billion on those cards, and they get associated credit rebates back for that as well.



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Yeah. And what a rebate with a \$4 billion sign. How is that managed? Is that? How do you structure the spend like that? I mean, how are they doing it now?

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Well, you know, the way P cards are managed, there's a person in the office that's responsible for the card, they have training on what they can use, how it can be used, etc. So somebody wants to buy something, let's say you need a new laptop. So they go to the P card holder and say, Hey, I need a new laptop, the P Card Holder says, Okay, we're going to authorize that \$1,500 to go buy a new laptop, and we're gonna put it on the card. So they contact CD W, example CD W government, they put an order in for the laptop and it's paid on that card. That's as simple as it works just that way. Now, the P card holder is responsible for making sure that that repurchase meets all the rules. But the key thing that we're going to talk about today is that is an after the fact spend or reactive spend versus a proactive spend. And when I say proactive spend saying hey, I want to spend something, has it gone through approvals? Do we have a contract to buy something like that at a contracted price, etc, one use a P card, it's more of a, it's a reactive span is saying, hey, I want to buy this, it fits the requirements for me to be able to purchase it on a pay card, but then I'm responding to that expense after it's made, not before it's made.

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Is that called a managed spend, is that the term used

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managed spend would be the proactive spend. So management is is the looking at it and saying, Hey, can I get a better deal on this because I have a contract in place. Or I have suppliers that have agreed to provide this for me. For uniformity purposes, those kinds of things. When you think of a P card, or you know, the reactive type spend is like hey, I need something I'm gonna go out on Amazon, I'm gonna buy it right. Yeah, nobody's I haven't talked to anybody except the fact that it is under the threshold that I'm available to buy. So I buy something off Amazon, I don't have to talk to my wife about it. But if I want to go out and spend you know, 1000 \$2,000 I better talk to my wife about it, or I'm going to be in trouble. when the bill comes in. My

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little brain works like this. Well, the copier needs toner, I'm gonna get my P card and get some toner bang physical comes in the door. That's tricky. However, now what we see happening is we see people buying services like that and we see individuals acquiring services that may not the people in the information technology may not be aware of. So you have some rogue activities taking place and This is like, you know, I, the image I have now is like a volcano in the lava coming like, Whoa, we're out of control here. I mean, that's got to be an issue in many agencies. Yeah,

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I'll give you an example of what would what we would classify as a rogue spent. And it's a service. So I need some some maintenance work done. All right, I'm going to use the odd example of there's some bushes around the building need to be trimmed. So I need a landscaper to do that work. Well, the agency has a contract with a landscaper, but my brother in law does landscaping as well. So I'm going to contract my brother in law to come



in trim the bushes. Nothing wrong with that, it gives me a good price for it. And I suppose given the P card to pay for that, well, what I don't know, I didn't know that there was a contract in place for a maintenance company that would have come in and done that for half the price, my brother in law changed or charged for it. So that's what we mean by rogue spend is I'm spending something without the knowledge of how I could have saved money for that purchase. what the end result of managing rogue spend is, is that by having those savings, I can then repurpose that those monies for other programs in the agencies. So if I'm buying something for \$10, when I could have bought it for eight, that means I have \$2, I can put on another program, that's simply by changing it from broke spend to manage spend, it doesn't stop the spend, because it's a valid thing. I need those bushes trimmed. That's a valid expense. But it's how the expense is managed, or you want to say optimized, is that I optimize the span by using it against the contract that I had. And I still gave the user the same ability to get that material or get that service. Simply, you know, it didn't become complex. There is

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a podcast in town called Feds at the edge. And he talked about edge computing. He talked about FEMA militaria and all kinds of edge. Now we're talking about edge computing. We're talking edge storage and artificial intelligence applied to the edge. What about John Gilroy? And I'm working for BLM and I'm in Utah somewhere. And I just get out that credit card and how do you control someone remotely got to make sure that they abide by the rules to make it proactive instead of reactive? I guess as I was phrasing, I guess, yeah,

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that's that's the way. So well, let's let's break Koopa down or the federal government down and how Koopa applies to two big areas. There's two ways the government spends money. One is what's called a complex acquisition. And the other is a simplistic acquisition. What we've been talking about so far with P cards is the simplest acquisition, how can I buy something that is under the minimum purchase threshold? I can buy it easily, right? So that guy out in Utah that's looking at this, how do they make sure that they're aware of the contracts where I can get these services? Well, what Cooper can do from that is we present a catalog. So someone goes into COPPA, they say I'm looking for Landscape Services, and I'm looking for Landscape Services at this location. We know all the contracts that are out there, all the line items that are in the contract, so the pricing that's available, and we present it up to them and they go, okay, that's the one I want. Now, that has taken that spend and said, Okay, I'm now putting it against a contract versus I'm just finding whoever can do the service and paying them. And now I can put it through an approval process that says, Hey, it's \$5,000, get your manager to sign off on \$5,000. And it goes to that workflow. And the person comes in does the work and gets paid. So that's what we mean by having a manage spend. And that's the simplistic side of it. So you want to the rowspan happens there. Because it's easy for me to just say go up to Amazon versus Amazon business, which is providing reduced prices to the government, I go to my personal Amazon site, I look up something and then I use the P card to pay for it versus going up to the Amazon government site. Amazon knows now knows that this was bought. So that's going volume against the contract, which manages discounts that the government gets all of those things and key off the moment you have managed spend. So you get a better price. You get awareness of the spend. And those spends that are not on contract that don't have something available. I now get visibility into what am I spending what am I buying? And maybe I need to go get a contract for those materials because I'm getting a lot of that being purchased. That's the visibility into it is I get to see what is being spent, where it's being spent, how much I'm spending on it. And then I can start looking at what supply As I can get, give me a reduced price, produce a spending on that or a savings on that. And then those that savings gives me funds that



I can repurpose for other agency efforts. And that's really the key because you know, we were talking about GSA with \$4 billion worth of spend on P cards, now just run the numbers on that, if you could optimize just 25% of that \$1 billion. And you say, by optimizing it, turning it into proactive spend, save 10%, that's a lot of money that you can put into other programs that otherwise you wouldn't have been able to. And you still purchase the same products, materials and services. But I don't

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think this is just a problem in the federal government. See, oh, UPA Coupa deals all kinds of commercial organizations as well. It just seems to be an activity that takes place with larger organizations. I work for Lockheed Martin, for a while I work for another big company called Exxon for a while, it just is something that just, it's something that happens over a period of time, and people just assume it. And I think, I think maybe the best example, this was with COVID, when people had to do something quick, and all of a sudden, they go to something else. And all of a sudden, old Tom looks at John's budget from 2020. He goes, Well, what did you do here? Yeah, exactly. If there had been ahead of time, we'd have some construction to it.

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Well, you know, the COVID in the PPE is a prime example of this. People were buying PPE wherever they could get it, they didn't know that contracts had been set up to provide this material. And just simple awareness of that those contracts were there, they would have been able to order off the contracts, they still would have gotten the same material, they would have got the approved materials, versus I just went out and I bought something. And that gets into some of that complex spin, you know, the complex Bend has to be done under RFP. So you've got to do requirements gathering, you have to understand what you're going to buy. And then it's going to be issued out and vendors are going to come in with that. So understanding what you want to buy, you know, what are all the aspects of it? What are the requirements that are going to get go into it? How are you going to evaluate that once the RFPs come in, and you're looking at vendors, that's another area that Koopa can help with, as well. So we can manage, we can go across the spectrum, as you said, in corporate America, just simply applying the business rules for someone to buy something, making sure that the right approvals happen at the right levels. So hey, you're a director in the company, you're approved to buy anything up to \$700, you buy it, you've said I want it, it gets approved. You want to buy something that's \$10,000? Well, your manager has approval, you want to buy something that's \$50,000, your vice president and your manager both have their proven, it's simple things like that, yeah, that help manage where the money goes, to make sure that you're spending it as optimally as possible. Koopa has seen across the corporate America, huge savings, just by having that visibility into the spend, and knowing where you want to put an additional contract in or go negotiate rates on an existing contract, because you have that visibility into it. And we can do the same thing for the federal government.

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I do know the podcasts on satellites and space and and interviewing a woman from the White House strategy office with satellites is a big topic in this town. And NASA. I think it has some innovation. I did some research on this. There's something called the The NASA acquisition innovation Launchpad. So are you familiar with this as this looks like a reaction to try manage spend as well,

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that's what it is. And we've been talking to them about bringing Koopa into it, it's the exact same thing. They're looking at that and saying, how do we get visibility into this? How do we manage it, not control it, but manage it to make sure that we're buying the right products at the right price through the right contract vehicles?

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If it seems if you look at 135 different federal agencies, maybe each one of them has a culture of acquisition that may or not be open to I don't want to use the word reform, but maybe a better word called improvements. So what's the pushback you get Tom, when you walk into Progressive Insurance in Ohio, and say, Hi, I'm Tom from COPPA, let's look at your expense. I mean, is it a lot of pushback there? People say we've always done it this way, or what's the normal obstacle that comes in with introducing your service? Well,

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when you get in, in any organization, so but we'll talk about corporate America, when you're coming into it, the pushback, you really don't get it? Because you're talking to the business level, the C level of the organization, they're looking at where their funds go, especially if it's a public company, they need to respond back to Wall Street. So they're looking to spend every dollar as efficiently as they possibly can. So you have the upper level organization that is saying, Okay, we want to bring Koopa in, bring this business spend management application and so that we can see how we're spending our money. And we can then optimize it for high efficiency. When it gets to the users. What the user see once coop is implemented is that, hey, it's easier for me to find and buy something, I don't have to try to what is the complex process, I can do guided buying, hey, I want to buy this. Okay, here's where you can buy it from, here's the prices you can buy it from. Okay, I want that. Here's who has to approve it. Okay, I see that John needs to approve my expense, I want to buy it click and everything flows through. So from a user, they go from a, I don't know what the process is, or I've learned it. So that is my value to the company, as I know, are complex internal processes, to something that, hey, it's easy, it's open for you to go buy things. Very similar, saying I just want to go up, I'm gonna look on Amazon. Well, instead of Amazon, I see Amazon, Office Depot, Staples as three choices and CW as a fourth choice for me to say, Well, where do I want to buy from? Well, I really don't see. I'm not picking each one where I would go to each website and look and say, What's the price? Everything comes up and says, What do you want to buy? Well, I want to buy a ream of paper, here's all the places you can buy a ream of paper, here's the preferred location, here's the preferred price, you say, but I need special paper. So I'm going to buy this other ream, not the generic green. But that is all invisible. It's just one catalog to you. I look through it, I buy it, I'm done. So the so that we don't get the pushback from the users, we actually get high adoption from the users because it makes their lives easier.

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And the world of software, all kinds of innovation taking place. You mentioned the word artificial intelligence, there's probably 50 products in the last 50 minutes, I don't know, 50 days for sure. And so when it comes to acquisition, how does Koopa keep up with all the stuff that's out there that's available? I just, I'm sure if you go to Google and type in artificial intelligence, you get page after page after page. So yeah, so how do you keep up with the new trends and new developments? Well, actually,

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artificial intelligence, something has been built into Cooper from day one. And we're



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turning the tables, isn't it? But we

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are and we're, we're moving forward and taking strong advantage of it. Consider this Koopa with all these companies that are buying things through Kupo, we have visibility into that span, that's one of the things we get an agreement from the company is we can see what they're buying and who they're buying it from. So we have over a trillion dollars worth of spend going through Koopa every year. Now looking at that, we can genericized that. And I'll use the concept of the ream of paper. Yep, we've got 1000 corporations that buy paper for their printers. So we're not looking at what does Exxon buy, we're looking at what do these 1000 companies buy? Who are they buying it from? What prices are they buying it from? And we can then provide that information back to the other companies that say, Hey, did you know instead of spending \$3 arraign, you can get it from this supplier for 250 Urim. It's that kind of information that we're able to do is just simply making people aware of an overall spend, what the categories of what the pricings are on it, so they know where they are, hey, I negotiated a bad contract, I'm spending \$1 More for this than I need to. And that's a high use commodity by hat by just renegotiating that contract or going to a different supplier, I just found money for the corporation to use someplace else, you know,

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I would imagine that an agency might contact ce o UPA COPPA. And there's got to be a case study of before after I'm sure we can show this is an organization of state government of Colorado. And this is a situation before and it's almost like, I'm using the soft shopper agents on Amazon, you know, hey, don't pay much us. So it's almost like a shopper agent. So so what this enables you to do so if you can save money just on the product itself, and all of a sudden save on encouraging people to use a contracted, you know, procurement activities. This would total up to money that can help in the end, the agency reach its mission, which is the whole the shining light here from everyone listening to this podcast is helping the agency reach the mission. What's the what's the optimization? How do you optimize that budget if your budget of \$100 how do you optimize that? And my daughter Brittany can take \$100 on machines for fly to Spain and back. I cost 100 bucks to go downtown, but some people just have no ability to do that. And I think if you phrase it as help your agency reach its mission, all of a sudden, everything falls in line. Yeah.

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And one of the things that Koopa does is we interact with our prospective customers, we will do a business study with them, where we, they provide us their actual business spend data. So information they have today. And we look at that, and we run it through and say, if that spend, has been run through Koopa, here's the savings that you can realize from it. And very honestly, we've had customers that have come back and looked at it and said, You guys are way too optimistic. That's no way could we save that kind of money for it. And we can go back and show here's actual customers that have implemented Koopa that have realized this, and even with some of these studies that we've done, we go, okay, so we're optimistic about it, if we cut that in half, so with just 50% of what we're projecting, will that work for you? And they go, Well, that's still huge savings. Yes, that would work for us. So we got

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a cue though I started off few the Show Me the Money. This is what they're saying to you, Tom. And you're showing them how you heard you go from taco shell to Tom Cruise. Yeah.

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And then we go one step beyond that, as we say, we take that business case, and put those metrics into the system that they can now measure themselves against what we said they would be able to achieve. And they can see that a fact we are seeing that savings or that optimization of spent, they can measure it so they have milestones to work against and report against all that. Those are the things that are missing with the current systems and especially in the federal government. A lot of these systems are homegrown, you know, they were their custom built, they've been patched and they they're just there so it's time you know, for them to move out into this new world and businessman has been management is the fourth leg in the enterprise stool. You have your ERP you have your HR system, you have your payroll system, well business spend, the spending of the money is the fourth leg in the in the stool of the major systems that you run an organization with. Oh, great.

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That's a great angle we have today on implementing some of the digital transformation that I drone on about endlessly. Well, unfortunately, Tom, we're running out of time here. You have been listening to the fiddle tech podcast with John Gilroy. If you want more information about the company, its ce o upa.com. They have case studies there and all kinds of information about it. Like thank my guest Tombow shell vice president federal program office for Koopa cotpa.

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Thank you, John. It's been a wonderful time.

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