



Highlights of [GAO-04-870](#), a report to the Committee on Governmental Affairs, U.S. Senate, and the Committee on Government Reform, House of Representatives

## Why GAO Did This Study

“Spend analysis” is a tool that provides knowledge about who are the buyers, who are the suppliers, how much is being spent for what goods and services, and where are the opportunities to leverage buying power. Private sector companies are using spend analysis as a foundation for employing a strategic approach to procurement.

Recognizing the potential in government purchasing, GAO examined if the departments of Agriculture, Health and Human Services (HHS), Justice, Transportation, and Veterans Affairs are using spend analysis to take a strategic approach. GAO assessed (1) if agencies use spend analysis to obtain knowledge to improve procurement of goods and services and (2) how agencies’ practices compare to leading companies best practices.

## What GAO Recommends

This report includes recommendations to help Veterans Affairs, Agriculture, and HHS adopt the full range of spend analysis best practices. This report also includes recommendations intended to help Justice and Transportation step up the process of gaining knowledge of their spending to take a more strategic approach to procurement. GAO received written and oral comments on a draft of this report. The agencies generally agreed with GAO’s findings and recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-04-870](http://www.gao.gov/cgi-bin/getrpt?GAO-04-870).

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Cooper at (202) 512-4841 or [cooperd@gao.gov](mailto:cooperd@gao.gov).

## BEST PRACTICES

# Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement

## What GAO Found

Taking a strategic approach to procurement involves a range of activities—from using spend analysis to taking an enterprisewide approach to buying goods and services. Three of the five surveyed agencies have begun to use spend analysis to obtain knowledge and improve their spending for goods and services. Veterans Affairs’ success in using spend analysis and a strategic approach to pharmaceutical procurement helped save \$394 million in 2003. Currently, agency teams are organizing medical-equipment and supplies purchase data to develop national contracts to save an estimated \$82 million a year. Spend analysis is being used by HHS to support strategic sourcing of office-related equipment and supplies through discount agreements with major vendors that could save an estimated \$9.5 million per year. Agriculture used a 2001 spend analysis to negotiate a discount agreement for office supplies that yielded savings of \$1.8 million to date and is identifying more such opportunities. Agriculture is also modernizing its acquisition system to develop automated data-mining, spend analysis, and reporting capabilities to support future opportunities. The departments of Justice and Transportation have not yet used spend analyses to support a more strategic approach to procurement.

Veterans Affairs, HHS, and Agriculture have made good progress using spend analysis to improve their procurements, and they have adopted some elements of a strategic approach. Implementing spend analysis is challenging and can take time, and the agencies have not yet adopted the full range of private sector best practices. (See table.) Fully adopting the supporting structure, process, and role changes that companies institute would enable these agencies to move away from a fragmented procurement process and determine how effective they are in using spend analysis to achieve significant savings.

### Spend Analysis: Key Processes

- 1 Automation:** Data automatically compiled.
- 2 Extraction:** Essential data culled from accounts payable and other internal systems.
- 3 Supplemental information:** Additional data sought from other internal and external sources.
- 4 Organization:** Review data to ensure accuracy and completeness; organize data into logical, comprehensive commodity and supplier categories.
- 5 Analysis and strategic goals:** Using standard reporting and analytical tools, data analyzed on a continual basis to support decisions on strategic-sourcing and procurement management in areas such as cost cutting, streamlining operations, and reducing the number of suppliers. Scope generally covers an organization’s entire spending.

Source: GAO analysis.