

# CASE STUDY



## Item Master Cleanse Improves Vendor Relations and Diminishes Exposure



### Scenario

SpendMend was contracted to conduct an in-depth analysis of a large west coast Health System's item master. The Health System expressed concern that inaccuracies in item master tax flags were causing the System to remit sales and use (SUT) payments which were not due under the complex SUT regulations in California and Washington. Additionally incongruent vendor tax flags were creating delays in the payment cycle causing the Health System's vendors to threaten credit holds.

### Findings

SpendMend's analysis included over 250,000 items purchased in both California and Washington. Utilizing our vast database of the taxability of manufacturing item numbers, SpendMend was able to provide the correct tax code for each item citing the applicable state regulation which supported the SUT exemption. Our findings uncovered an error rate of 8% when the Health System's buyers would input the taxability of the item into the item master. Due to our extensive relationships with healthcare vendors, SpendMend was able to work directly with the Health System's largest distributor to eliminate differences in over 200 item master tax flags in order to bring the Health System current in payments to the distributor.

### Result

SpendMend was able to provide the Health System with accurate item masters for both California and Washington allowing the System to remit SUT with confidence and improving relations with their distributor. The project was extended further to include monthly files of the tax flags assigned to newly purchased item numbers for SpendMend's review. Additional educational sessions for the Health System's purchasing department was also provided explaining the state's applicable regulations and providing tips to reduce the complexity of assigning tax flags to items and services.



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