The Procurement Process

Chapter 1
The Procurement Process

Section Objectives

At the end of this chapter, you should have an understanding of:

- The purchasing process in general
- The benefits provided by the PRISM Purchasing system
- The PRISM Purchasing Hierarchy
- PRISM Purchasing Tools
- The requisitioning and purchasing process
Purchasing Process Overview

Purchasing Process Tasks

- Define Need
- Select Vendor
- Determine Cost
- Establish Delivery Terms
- Establish Payment Terms
- Select Purchasing Method
- Place Order

Define Need

- Provide the following information for the purchase of Goods
  - Description
  - Part #
  - Size
  - Color
  - Unit of Measure (UOM)
  - Quantity
  - Price
  - Bill of Material

- Provide the following information for the purchase of Services
  - Detailed information on the scope of work
  - Detailed technical/material specifications, engineering drawings and bill of materials
  - Contract/Agreement-type language
Select Vendor

If you need help in selecting a vendor, use any of the following resources.

- Check the Contracted Suppliers list found on the Budget & Controller website
  - Enter the Budget & Controller URL: http://www.bc.pitt.edu
  - Click on the Purchasing link
  - Click on Contracted Suppliers

- Contact Purchasing Services Department at (412) 624-6648

- Request assistance through the Budget & Controller website
  - Enter the Budget & Controller URL: http://www.bc.pitt.edu
  - Click on the Purchasing link
  - Click on the Inquiries link
  - Click in the circle in front of Other
  - Enter the information requested on the form
  - Click on the Submit button to submit the request online

- Provide opportunities for Disadvantaged Business Enterprises (DBE) when possible
Purchasing Process Overview

Determine Cost

Objective is to achieve the best quality and service at the lowest Total Cost of Ownership

- Product Price
- Delivery Costs
  
  Purchasing Services usually requires University suppliers to accept the following delivery terms:
  - FOB-Destination: Supplier is responsible for the goods until they arrive at the University
  - Prepaid and Add: If the supplier price does not include shipping, then shipping costs can be added to the invoice.
  Supplier should be made aware of this information when the order is placed
- Maintenance Fees
- Administrative Costs

To strive for the lowest Cost of Ownership:

- Check to see if the products or services have pre-negotiated University pricing
- Compare vendor quotes
- Ask about hidden costs
  - Packaging
  - Delivery Costs
  - Additional Service Charges
  - Restocking Fees
  - Taxes
Establish Delivery Terms

- **Ownership**

  - **FOB Destination**: Owned by vendor until the University receives the product, which means supplier assumes the risk during shipment

  **FOB Shipping Point**: University assumes ownership of product in transit

  **FOB Destination** is the preferred option for the University

- **Need-By Date**

- **Shipping Instructions**

  - Preference is to have products shipped direct to your facility

  - Ship valuable items, such as computers, to Central Receiving for package inspection and security purposes

Establish Payment Terms

- **Establish Payment Terms**

  - Standard Terms: 2/20, Net 30

- **Specify exact price of item**

- Include shipping *only if* you know the exact charges and the supplier is not including these charges in the price of the goods

  - Speeds payment to the supplier

  - Reduces invoice processing time
Purchasing Process Overview

Select Purchasing Method

University offers the following tools for purchasing:

- PRISM System
- PantherBuy
- PCard
- Disbursement Request

PRISM System

- Integrated *Purchasing, Payment and Accounting* system
- Shows a full representation of the University’s obligations since there is a mechanism to record all types of purchasing transactions
- Features the capability to enter online *Purchase Orders* and automatically fax them to the supplier through the PRISM Fax Server located in *Purchasing Services*
- Features the capability to view *Invoicing* information for a *Purchase Order*
- Features the capability to enter online *Purchase Requisitions*, track their progress through the system, and automatically have them forwarded to *Purchasing Services*
- Provides *Purchasing Services* more time to focus on high-dollar, highly-complex purchases since many purchases can be handled at the department level
PRISM Purchasing Tools

Purchase Orders

Goods
- Purchase ≤ $5,000
- Vendor must be established in the PRISM system
- University’s Standard Terms and Conditions must apply

Services (Contract)
- Purchase ≤ $5,000
- University’s Standard Terms and Conditions must apply
- Sample contracts available on the Purchasing Services website

Requisitions

Goods
- Purchase > $5,000
- Competitive Bids or Directed Source Letter required on any purchase > $5,000
- Requestor needs help selecting proper item, supplier, etc
- Exceptions to the University’s Standard Terms and Conditions must be approved by Purchasing Services

Services
- Purchase > $5,000
- Exceptions to the University’s Standard Terms and Conditions must be approved by Purchasing Services
Online Requisitions

If you are on PRISM, you must submit electronic requisitions for all allowable transactions

- Process is quicker/more efficient
- You can track the progress through the system

Paper requisitions are still required for the following transactions
- Alcohol
- Animals
- Controlled Substance
- Radioactive Materials
- Leases for Equipment
- Services Provided by University Departments
PRISM Approval Hierarchy

Each department has a purchasing approval hierarchy in PRISM

- Position in hierarchy determines user access to *Purchase Orders* and *Requisitions*
- PRISM associates an approval dollar limit with each *User*
- *Purchase Orders* and *Requisitions* are electronically routed for approval
- There are a maximum of two approval levels in the PRISM hierarchy
PRISM Purchasing Approvals Chart

Purchasing Approvals Chart

<table>
<thead>
<tr>
<th></th>
<th>PCard</th>
<th>Requisition for Goods or Services</th>
<th>PO for Goods</th>
<th>PO for Services</th>
<th>Paper Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Purchaser Level I</td>
<td>&lt;= $2,000</td>
<td>&lt;= $500</td>
<td>&lt;= $500</td>
<td>&lt;= $500</td>
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<tr>
<td>Approver Level II</td>
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<tr>
<td>Approver Level III</td>
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<td>&lt;= $5,000</td>
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</tr>
<tr>
<td>Purchasing Services</td>
<td>&lt;= $2,000</td>
<td>NA</td>
<td>Any Amount</td>
<td>Any Amount</td>
<td>Must enter into PRISM</td>
</tr>
</tbody>
</table>

Department Purchaser (Level I) may approve purchases within the $500 limit for either Goods or Services without pre-approval.

Department Business Manager (Level II) may approve purchases within the $5,000 limit for either Goods or Services.

Department Director, Chair, Dean (Level III) may approve purchases up to $5,000 for Goods or Services, and >$5,000 Requisitions.

Department Business Managers can access detailed, on-demand reports of all purchases made against their accounts.
PRISM Requisition Process

Requisition Process

1. Establish Budgets in GL
2. Enter Requisition
3. Approve & Forward Requisition to Purchasing
4. Requisition allocated to Buyers by Commodity or Campus
5. Buyers may issue a RFQ (Request for Quote) to help identify the best source
6. Purchasing Services sources the product or service and issues a PO
7. Department verifies receipt of purchases over $5,000; Payment Processing pays vendor
PRISM Purchase Order Process

Purchase Order Process

Establish Budgets in GL

Enter a Purchase Order

Verify PO Information

Approve the PO

Transmit the PO to the Vendor

Verify receipt of purchase (Purchase > $5,000)

*Payment Processing* matches invoice to Purchase Order

Actual expense is recorded

*Payment Processing* pays Vendor
PRISM Payment Process

PRISM Payment Process:  Invoices

- Invoices are processed centrally by *Payment Processing*
- Invoices processed against orders placed through PRISM require a Purchase Order number
- *Payment Processing requires a Receipt Confirmation*, prior to payment, for any purchase > $5,000
- Check runs occur several times each week
- *Notice of Invoice Discrepancy* (NOID) is sent to the *User* for corrective action if there is a problem with a Purchase Order
Additional Purchasing Tools

PCard

- VISA credit card, administered through PNC Bank, and issued to an individual for business-related purchases in the department

- Used to order:
  - From vendors that are not on the PRISM system
  - For emergency purchases
  - For purchases <= $2,000

- There are transaction, daily and monthly dollar limits, as well as some commodity restrictions

- Purchases can be made:
  - In-person
  - By phone
  - By fax
  - Over the Web

- All PCard purchases are posted to a single (32-digit) GL account number, which is established when a person applies for the PCard

- PCard holders maintain a log, recording each purchase

- Charges are redistributed to the proper GL account, if necessary

- Information links to the PRISM system

- Charges appear on the level reports
Additional Purchasing Tools

PantherBuy

- Allows the purchase of goods over the Internet through selected suppliers’ catalogs

- Costs may be distributed among the multiple University accounts at the time of purchase

- System transmits orders by fax, e-mail or XML automatically

- Order confirmation notices sent via e-mail

Disbursement Request

- Used for commodities such as medical/drug licenses, professional services, honoraria, consultants

- Requires department approval and is submitted to Payment Processing

- Payment Processing issues a check directly to the payee unless the Controller has approved a written request from the Account Administrator for a justifiable exception to this policy
Accounting for Purchases

PRISM
- Various accounting entries are automatically created by PRISM during the Payment process
- Entries are reflected on the Monthly Level Reports

PCard
- Actual expenses are recorded daily

Disbursements
- Actual expenses are recorded when the invoice is entered and validated in PRISM