

Purchasing



UNIVERSITY OF
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Purchasing — Learning Objectives

By completing **Purchasing**, including the self-test questions and interactive exercises within each lesson and the end-of-lesson quizzes, you will gain knowledge and skills that will help you understand the purchasing process in a government.

Lesson 1 — Introduction to Public Purchasing

There are numerous good reasons for a government to have a sound purchasing system in place. The first is to ensure that the government buys competitively, meaning that vendors and contractors have an equal opportunity to compete for a share of the government's requirements. Competition has the ability to yield a lower price, better quality, or a combination called "best value." The laws, regulations, and procedures that govern the process exist to prevent corruption. The entire procurement process must be open, or public, to ensure integrity. A sound purchasing system is also a good mechanism to prevent abuse and waste in government spending. The most important reason is to obtain the best value for each tax dollar spent, the most "bang for the buck." A sound and fair purchasing operation is best achieved by locating the purchasing function in one location or with one person.

Learning Objectives:

- Identify the reasons for a government to have a sound purchasing system
- Recall the functions and goals of purchasing
- Define the characteristics of a quality purchasing staff

Lesson 2 — Purchasing Organization

Every government is different, yet they have many similarities. This holds true for the purchasing organization in your agency. Whether large or small, governments must follow laws, regulations, policies, and procedures. In this lesson, we will study these legal aspects and we will look at the structure of the purchasing organization. By lesson's end, you will come to better understand your own.

Learning Objectives:

- Identify the advantages of centralized versus decentralized purchasing systems
- Recall the importance of authority and responsibility in the purchasing function
- Identify the laws, rules, and regulations when purchasing with state and federal funds
- Recall the components of local ordinances and regulations



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Lesson 3 — *The Purchasing Process: Request for Supplies, Equipment, and Services*

There are universal dynamics that every purchasing office shares with other purchasing offices. These include many of the same steps in the process, the need for soundly written specifications, some form of requisitions and purchase orders, delivery, and receipt. Whether procuring a good or a service, your purchasing process is very similar to the one at another agency across the United States.

Learning Objectives:

- Recall the steps of the purchasing process
- Identify the importance of writing specifications
- Define the process of issuing the requisition and purchase order
- Recall important aspects of delivery and receipt of goods
- Identify the importance of identifying capital assets as part of the purchasing process

Lesson 4 — *The Purchasing Process: Competitive Sealed Bids and Proposals*

Why should the public sector be concerned about purchasing competitively? Governments need to be cognizant of **how** they buy as well as **what** they buy for several reasons. 1) Everything a government does is open to public scrutiny 2) Purchasing competitively ensures the best buy for the jurisdiction 3) Vendors and contractors have an equal opportunity to compete in the process and, 4) the competitive process helps ensure integrity.

Learning Objectives:

- Identify the competitive sealed bidding process
- List options for selecting sources for supplies
- Recall the characteristics of bid documents
- Define the process for awarding bid
- Recall the differences between a competitive sealed bid and competitive sealed proposal, and the combination of the two (multi-step or two-step bidding).

Lesson 5 — *The Purchasing Process: Additional Purchasing Methods*

In this lesson, we will look at all of the procurement methods other than formal sealed bids and proposals. They include informal, smaller dollar procurements, emergency and sole source purchases, and procurement methods employed by user departments.

Learning Objectives:

- Recall when informal bidding methods are permitted
- Define how to perform a telephone quote
- Identify circumstances in which an emergency purchase should be allowed
- Recall situations in which sole source purchases should be allowed
- Identify when term contracts may be advantageous
- Recall purchasing methods employed by user departments

Lesson 6 — *The Purchasing Process: Receiving, Inspection, Payment and Disposal*

Continuing on with the procurement cycle, we have looked at how solicitations are drafted, decisions about the method of procurement are made, and how market responses are received. Having actually purchased something, we now need to examine how to receive and process it, as well as how to dispose of it when its useful life has passed.

Learning Objectives:

- Recall the receiving process including the importance of inspection
- Identify the invoice payment process
- Recall the process for disposal of a government's capital assets

Lesson 7 — Accounts Payable and the Purchasing Process

Procurement is an essential government function. Payments to the private sector for goods and services are the second largest expenditure for governments. These expenditures flow through the government procurement system and interface with the accounting system. Their volume, in both number of transactions and total dollar amount, is huge. The purpose of this lesson is to describe how purchasing documents impact accounting and budgeting.

Learning Objectives:

- Recall how requisitions are used in the purchasing process
- Define the entries to the accounting ledger for purchase orders
- Recall how direct pays differ from the purchase order process
- Identify the entries to the ledger required for petty cash

Lesson 8 — Purchasing Documentation and Records

People often say that public sector purchasing operates in a fishbowl. Like other governmental and educational functions, everything is open to public scrutiny and transparency. Purchasing is particularly vulnerable because it expends taxpayer dollars. Citizens are concerned about what is being purchased and how much it costs. Vendors and contractors are concerned with how and to whom the contract is awarded. In addition, elected officials are pressured by constituents, particularly the local vendors, who claim they are being treated unfairly because too many dollars are being spent outside of the jurisdiction. In this lesson, we will look at standard documentation and retention requirements.

Learning Objectives:

- Recall required documentation for the purchasing process
- Identify levels of authority in the purchasing process
- Recall purchasing documents required for retention
- Identify time requirements for records retention

Lesson 9 — Other Purchasing Issues

In this lesson, we will review cooperative purchasing and preference programs. Preference programs continue to be a part of local purchasing ordinances, usually against the protests of the very same purchasing departments who must enforce them; and we'll look at warehousing as part of the purchasing function.

Learning Objectives:

- Identify benefits of cooperative purchasing
- Recall characteristics of various preference programs
- Define requirements for a successful warehouse program

Lesson 10 — Purchasing Ethics

Purchasing is one of the few areas of government highly affected by the dollar and opportunity for gain. Perception is the key element in every procurement; how an item is purchased or a service obtained is as important as what is acquired. Executing the purchasing process according to established written procedures is critical. Divergence from procedure creates the opportunity for suspicion and distrust.

Learning Objectives:

- Recall the purchasing ethics related to vendor relationships
- Identify employee ethics relating to purchasing goods under contract prices
- Recall guidelines for dealing with the media
- Identify examples of purchasing crime

Lesson 11 — *Internal Controls*

An effective system of internal control can prevent or detect mistakes made by employees. Just as important, if not more so, an effective system of internal control can prevent or detect fraud and abuse. In fact, many of us think of internal control relating only to detecting fraud. However, that is far from the truth. An effective system of internal control allows managers to meet their objectives – whether those objectives are to run an effective and efficient government, to produce reliable financial information, or to comply with laws and regulations. Oftentimes, the infusion of internal controls in our day-to-day operational activities precludes their recognition as an internal control activity.

Learning Objectives:

- Identify the two major internal control models for governmental entities
- Define internal controls and internal control system
- Recall the importance of internal controls as it relates to the purchasing process

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