Class Objectives

- Develop an awareness and understanding of the role of purchasing in the organization.
- Develop knowledge of the acquisition process.
- Describe and discuss contemporary issues in Higher Education purchasing.
Role of Purchasing

• Commercial vs. Consumer purchasing
• Management’s expectations
• Dual role of purchasing
Purchasing’s Responsibilities

- Purchasing
- Accounts Payable
- Receiving
- Stores
- Surplus
- Fixed Assets
- Risk Management
Organizational Structure

- Centralized
- Distributed
- Center-Led
- Hybrid
The Legal Aspects of Purchasing

Law of Agency:

The relationship that exists when one person (agent) acts for another person (principal) with the latter’s authority.
The Legal Aspects of Purchasing

Delegation of Authority:

- **Authority**
  The formal right to require actions of others or to act oneself.

- **Responsibility**
  Accountability for the performance of duties.
The Legal Aspects of Purchasing

Two Types of Authority:

- **Expressed Authority**
  Authority expressly granted by principle

- **Implied Authority**
  Authority not expressed, but normally required to conduct the agent’s duties
The Legal Aspects of Purchasing

Responsibilities of an agent:

- **Duty of Obedience**
  Follow the lawful instructions of the principal

- **Duty of Loyalty**
  No personal interest in a contract, obtain no gain from business transacted for the principal, cannot exceed authority
The Legal Aspects of Purchasing

Fiduciary Duty:

A fiduciary obligation exists when one person (principle) places special trust and confidence in another person (you, as an agent) to exercise discretion in acting on their behalf. The fiduciary has a duty to act in the best interests of the principle.
The Purchasing Process

Determine Need:

- Formal
- Informal
The Purchasing Process

Describe Need:

- Technical and descriptive requirements
- Requisition
- Specifications
- Sources of information
The Purchasing Process

Determine Sources of Supply:

- Internal sources
- Existing contracts
- External sources
- Sole source
The Purchasing Process

Solicit and Evaluate Offers:

- Determine method of purchase
- Informal
- Formal
The Purchasing Process

Select Vendor:

- Purchase order
- Contract
- Procurement card
- Payment voucher
The Purchasing Process

Receive and Inspect:

- Inspection
- Non-conforming
- Warranties
The Purchasing Process

Maintain Records:

- Complete transaction
- Surplus
Cooperative Purchasing

The combining of purchasing requirements of two or more entities to leverage the benefits of volume purchases and reduce administrative time and expenses.
Cooperative Purchasing

Types:

- Piggyback
- Group Purchasing Organizations (GPO)
- Joint solicitations
Ethics

- **Ethics**: A set of moral principles or values that define or direct us to the right choice.

- **Laws**: Rules of conduct or action prescribed or formally recognized as binding or enforced by a controlling authority.
Types of Unethical Behavior

- Gifts and gratuities
- Reciprocity
- Misuse of institutional property/time
- Misuse of confidential information
- Improper conduct during the purchasing process
Rationalizing Unethical Behavior

- Everybody does it
- It it’s legal, it’s ethical
- No one will ever know
Rules of Ethical Behavior

● Keep job and private life separate
● Keep relationship with suppliers in balance
● When in doubt, seek advise
Conflict of Interest

Definition – A situation in which a person or employee has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties.
Conflict of Interest

Key Elements:

- Private or personal interest
- Official duties
- Influences objectivity
Conflict of Interest

Examples:

- Self-dealing
- Accepting benefits
- Influence peddling
- Post employment
Handling Conflicts of Interest

● Always disclose
● Manage and mitigate the conflict
● Remove yourself