1140
Basic Purchasing Policies
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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

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

Solicit Offers:
- Determine method of purchase
  - Informal/Formal
  - RFQ/RFP

Evaluate Offers:
- Best Value
- Lowest Cost
- Total Cost of Ownership

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

SUMMARY-VALUE PROPOSITION
- Fiscal Responsibility
- Compliance
- Industry Practices
- Ethics

QUESTIONS?
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

Rationalizing Unethical Behavior

- Everybody does 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 advice

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

QUESTIONS?