

## CENTRAL SERVICES PROCEDURE – PURCHASING

### *UNAUTHORIZED PURCHASES - PROGRESSIVE CONTROL STEPS*

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**Purpose:** To ensure that purchases are made using Authorized Purchasing methods receiving appropriate approval and falling within district guidelines.

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**Definition:**

“Unauthorized Purchases” (UAP’s) are purchases that occur outside of authorized purchasing methods such as regular purchase orders, blanket purchase orders, and cash purchase orders. Some examples of UAP’s are as follows:

**Example #1:** A staff member places an order for merchandise (>\$100) directly with a vendor by phone or fax.

**Example #2:** A staff member uses personal funds to purchase merchandise (>\$100) and submits a receipt for reimbursement.

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**Why UAPs Are A Problem:**

**Lack of Internal Controls** – The approval process is an internal control for safeguarding district assets. Unauthorized purchases bypass this control.

**Increased Staff Costs/Decreased Efficiency** – Merchandise ordered without a purchase order is not easily identified in Receiving. Receiving staff must spend considerable time investigating whom the merchandise belongs to. Accounts Payable and department support staff also must spend significant amounts of time researching these transactions.

**Poor Vendor Relations** – Vendor payments are often delayed since no paperwork exists when Accounts Payable receives the vendor invoice. Accounts Payable cannot pay an invoice without an account number, authorizing signatures, and a purchase order.

**Higher Prices** – Departments will sometimes pay more for merchandise than they need to if the Purchasing Department is circumvented. One of the roles of Purchasing is to ensure that departments get merchandise for the lowest possible price.

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**Progressive Control Steps:**

The following progressive control steps will be initiated as UAP’s occur within a particular department.

1. The ***Purchasing Supervisor*** will e-mail the Responsibility Code Manager with copies to the Accounts Payable Supervisor and the Director of Purchasing advising them of the UAP. The transaction will be held until the Responsibility Code Manager provides an explanation regarding the UAP. Explanations are due within 5 business days.
2. The ***Director of Purchasing*** will e-mail the Responsibility Code Manager with copies to the Purchasing Supervisor, the Accounts Payable Supervisor, and the Controller. The transaction will be held until an explanation for the UAP, as well as preventative measures for the future,

are received from the Responsibility Code Manager. Responses are due within 5 business days.

3. The **Controller** will e-mail the Responsibility Code Manager with copies to the Purchasing Supervisor, Accounts Payable Supervisor, Director of Purchasing and Executive Vice Chancellor. **Merchandise or employee reimbursement will be refused. Merchandise already picked up, will be returned to the vendor.**

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**Tracking UAP's:**

The Purchasing Department will have responsibility for tracking UAP's and the associated Progressive Control Steps.

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**Special Circumstances:**

Requests for exceptions to authorized purchasing methods due to special circumstances should be e-mailed to the Controller for review **before the transaction occurs**. The Controller will respond promptly. If approved, a copy of the email approval should be attached to the transaction paperwork.

**Effective Date:** 01/2003

**Reviewed:** 02/2015

**Questions:** Sarah Schrader, Controller (X6527)