

# **TABLE OF CONTENTS**

<b>I. Purchasing System</b>	<b>Page 2</b>
Why do we have a purchasing system?	
<b>II. Request for Purchase Order (RPO)</b>	<b>Page 3</b>
How do I initiate the purchasing process?	
<b>III. Purchase Order</b>	<b>Page 5</b>
How does the College place an order?	
<b>IV. Invoice</b>	<b>Page 7</b>
How does the College pay for the order?	
How is my account charged?	
<b>V. Special Circumstances</b>	<b>Page 8</b>
What about blanket purchase orders?	
How do I cancel an order?	
Is there money to pay for my order?	
Can I get petty cash?	
How do I receive a travel advance?	
How do I report my expenses?	
How can I get reimbursed for out-of-pocket expenses?	
How can I reimburse a non-Knox employee?	
<b>VI. Summary</b>	<b>Page 10</b>

# **I. PURCHASING SYSTEM**

Knox College's purchasing system is comprised of a number of parts. All members of the College community participate in this system in one way or another. This manual is an explanation of the components of this system. It explains the procedures that should be followed and what documents are necessary.

All purchases from external vendors, with the exception of those items noted in this manual, must be reviewed and processed by the Purchasing Department. The primary aim of the purchasing system is the acquisition of goods and services pertinent to the educational institution. Inherent in this goal is the belief that the College should get the best quality products for the best price. A purchasing system ensures that department budgets are protected when purchases are made from external vendors. Proper records help track purchases and assure that proper accounts are charged; they allow budget managers to monitor and control the use of funds.

If an individual makes a purchase without proper approval, the College maintains no obligation for payment to the vendor. Therefore, individuals making unauthorized purchases should be aware that improperly ordered goods and services may become their obligation to pay. The institution will closely scrutinize all transactions made without proper authorization. Approval to reimburse an unauthorized purchase requires the signature of the appropriate Vice President. Because Knox College is a tax-exempt institution, any sales tax paid through an unauthorized purchase will not be reimbursed. Use of these procedures by all employees will help to ensure that College obligations are paid on a timely basis. It is with these facts in mind that this manual is produced.

## **II. REQUEST FOR PURCHASE ORDER (RPO)**

### **SUMMARY STEPS:**

- An RPO is prepared by a designated buyer
- Proper signatures are added to the RPO
- Completed RPO is submitted to Purchasing Department

Before any goods or services are purchased, a **Request for Purchase (RPO)** should be submitted (**see Exhibit 1**). This document is to be completed by the individual who generates a request for goods or services. The RPO should contain all necessary information including:

- department name
- expense account number
- date of RPO
- date that goods are wanted
- suggested vendor name and address
- description and specification of item(s), quantity & estimated cost
- proper signature approval

A “disposition of order” section is available on the RPO so the requester can indicate how the College should convey the order to the vendor. Orders can be faxed, mailed or returned to the originator to best expedite the order.

"Proper signature approval" means:

- A. An individual who is a "designated buyer" (see section III) makes the request and signs the RPO.
- B. The department chair responsible for the particular budget approves the RPO. (In most academic departments, the department chair is the only designated buyer. In these cases, the RPO would be signed by the department chair alone.)
- C. All RPO's over \$5,000 must have a written or verbal approval from the appropriate Vice President of the department in which the purchase is being charged.

The RPO form is prepared in duplicate with the originating department keeping the yellow copy and forwarding the white copy, with proper signature approvals, to the Director of Purchasing. Keeping the yellow copy of the RPO in the originating department allows the Purchasing Department to verify specifications with your department, and also to inform you if there are major changes in specifications and pricing.

A RPO form is for **internal** use and is never intended to be sent to a vendor. It is prepared **before** the obligation is made, not afterwards.

### **III. PURCHASE ORDER**

#### **SUMMARY STEPS:**

- Completed RPO is forwarded to the Purchasing Department
- Purchasing Department places order by issuing Purchase Order to vendor
- The proper account is encumbered for the amount of the purchase

The **purchase order** is the legal and binding document the College issues to a vendor for goods or services. Most purchases will be handled with a standard purchase order (**see Exhibit 2**) which is issued as a result of a completed RPO.

Each department should have one or two individuals in their area who are familiar with purchasing procedures to act as a **designated buyer**.<sup>\*</sup> This individual will review all paperwork, make sure that all required information has been obtained, and verify that funds for the purchase are available by checking budget totals.

When all information is complete, the RPO should be forwarded to the Purchasing Department. If everything is in order, the Director of Purchasing authorizes and issues a purchase order. Vendors are asked to cooperate by requiring a purchase order number for any college purchase. Please remind your vendors to include this number on all invoices. The Purchasing Department will be happy to seek out vendors and obtain costs if requested. In such cases, the originator or designated buyer will be contacted and asked to approve the order before it is placed.

At the time the purchase order is issued to the vendor, the proper accounts are **encumbered** for the amount of the purchase. An encumbrance shows the

---

<sup>\*</sup> The Purchasing Department has the responsibility to maintain a list of designated buyers for each department. The Designated Buyer will be appointed by the appropriate Vice President. For most academic departments, the department chair serves as the Designated Buyer. If you have questions concerning designated buyers, contact the Director of Purchasing.

amount set aside to make a purchase before the bill is actually paid. Encumbrances help budget managers know how much of their budgets have been committed and how much is available for other uses.

The Purchasing Department will forward a copy of the completed purchase order to the originator. This green copy is for departmental use and should be maintained to acknowledge receipt of goods or services.

**Maintenance and Service Contracts:** Purchase Orders are required for all annual maintenance and service contracts. RPO's should be submitted to cover the full term of the contract for the fiscal year. In this case a yearly Purchase Order will be initiated so that expenses will be encumbered for the entire year.

*Note: In some cases vendors work on a cash basis only. Under these circumstances and pending approval, a check enclosed purchase order will be issued.*

## **IV. INVOICE**

### **SUMMARY STEPS:**

- Vendor sends invoice to Business Office
- Business Office forwards invoice to your designated buyer
- Designated buyer reports inaccuracies to Purchasing Department
- Purchasing Department reconciles differences
- Proper account and signature authority is added to approved invoice
- Invoice is forwarded to Accounts Payable/Loans Coordinator
- Accounts Payable/Loans Coordinator issues check

An **invoice (see Exhibit 3)** is provided by a vendor to confirm the contents and conditions of a particular order made by the College. **PLEASE DO NOT ASK VENDORS TO SEND INVOICES TO YOU OR YOUR DEPARTMENT.** All invoices from vendors should be routed directly to the Business Office, Campus Box 147. Invoices will then be forwarded to the named designated buyer.

Upon receipt of the vendor's invoice from the Business Office, the designated buyer will match the packing slip (if available), RPO and pink copy of the purchase order to the invoice. This matching is done as verification of receipt and for payment approval. Any differences that occur during the matching process should be communicated to the Purchasing Department. Purchasing will then follow up, reconcile differences and make necessary changes (contacting the vendor, CARS update, etc.).

Approved invoices should be noted with an expense account number and authorized signature and immediately forwarded to the Accounts Payable Loans Coordinator. It is from the Accounts Payable area that a check will be issued for payment. All invoices must be submitted to the Business Office by 10:00 on the Monday of the same week checks are run in order to receive a check on Friday. Checks are run every two weeks. After this point, if the originator has a question regarding the invoice, it should be directed to the Accounts Payable Loans Coordinator.

## V. SPECIAL CIRCUMSTANCES

**1. Blanket Purchase Orders:** A blanket purchase order is used for the repetitive buying of goods and services from one vendor over a defined period of time. Blanket PO's are issued only in unique circumstances and require the authorization of the appropriate Vice President. Most blanket purchase orders will be approved for only a three-month period (July-Sept., Oct.-Dec., Jan.-Mar., April-June).

**2. Canceled Orders:** If an order needs to be canceled, the Purchasing Department should be informed immediately. The Purchasing Department will notify the vendor by phone, if possible, and then follow up with written documentation of the canceled order.

**3. Budget:** It is the responsibility of the designated buyer, department head and/or the appropriate Vice President to verify that departmental funds are available before forwarding an RPO to the Purchasing Department.

**4. Petty Cash:** At times it may be necessary to have cash for an **emergency** purchase. Therefore, a petty cash fund has been approved for the following departments: Business Office, Admissions, Library, Theatre, Development, and Food Service. In emergency cases, a **Petty Cash Form** is used (**see Exhibit 4A, and 4B**). Petty cash is limited to purchases of \$50 or less. To receive petty cash, complete the required information on the form which includes an itemized use list, expense account to be charged and authorized signature(s). **It is the originator's responsibility to bring back receipts for all petty cash purchases along with any unused cash.** Petty cash receipts should be submitted within seven days of receipt of cash. A second petty cash advance will not be issued to an individual with outstanding receipts past seven days. Petty cash can also be used to reimburse individuals for out-of-pocket College expenses. The procedure for reimbursement is the same as outlined above. Each department must submit both exhibits 4A and 4B, along with all original receipts, to the Accounts Payable Loans Coordinator in order to reimburse their petty cash fund.

**5. Travel Advance:** The **Request for Travel Advance Form (see Exhibit 5)** must be completed prior to receiving cash to be used for College travel. The travel advance form must be submitted to the Business Office by 10:00 am on Monday in order to receive a check on Friday of the same week checks are printed. The travel advance form should include travel information, amount of advance requested and proper expense account charges and signatures. An RPO form and/or purchase order will not be required when using this form. All travel advances must be reconciled by submitting a completed Travel Expense Envelope (see below). Failure to complete this form within 30 days of advance will result in the Business Office charging your personal account for the expense.

**6. Travel Expense Envelope:** Reimbursements for travel can be obtained by completing a **Travel Expense Envelope (see Exhibit 6)**. Note that it is necessary to include detailed receipts for expenses. If you have lost a receipt, you must fill out the **Missing Receipt Form (see Exhibit 9)**. If a travel advance was received prior to travel, complete the appropriate section of the Travel Expense Envelope. Travel expense envelopes should be completed within 30 days of travel. An RPO form and/or purchase order will not be required when using this form. Upon completion, forward the envelope to the Business Office for processing.

**7. Reimbursement:** At times, a Knox College employee may find it necessary to purchase an item for College use with out-of-pocket funds. In such cases, approved expenses will be reimbursed. To receive a reimbursement, please complete an RPO form. This form should include your name, expense account to be charged, items purchased (along with detailed receipts) and include authorized signatures. Forms containing only the requester's signature will not be processed.

**8. Special Payments to Individuals:** Examples of special payments to individuals, including non-Knox employees, are: honoraria, stipends, fees to sports officials and awards to prize winners. In order to make payment to these individuals, it is necessary to complete a **Check Requisition Form (see Exhibit 7)**. This form should contain the name and address of person(s) to be paid, expense account to be charged and have authorized signatures. In

addition to the Check Requisition Form, a **W-9 form (see Exhibit 8)** must be completed and signed by the person to be paid. The W-9 form **must** be on file in the Business Office before the check will be released.

**9. Bills Not Requiring Purchase Orders:** Examples of these bills are power, phone, cable, water, postal services, and check requisitions associated with payroll.

**10. Other Exceptions:** The Library has its own purchasing system which allows them to create and maintain their own purchase orders. However, this system does not communicate with the college's purchasing system. Therefore, the Library duplicates the purchase order through the college's purchasing system.

## **VI. SUMMARY**

### **What makes the purchasing system work effectively?**

YOU DO! First, follow the procedures outlined in this manual.

Second, submit requests in a timely manner so the Purchasing Department has an opportunity to make decisions that will benefit you and the institution. For the system to work, it is necessary to have your full cooperation.

Finally, understand that all circumstances and particular questions cannot be answered by this manual. Ask questions of the Purchasing Department or the Business Office before you take action. You may find it will save both you and the institution time and money.

While these procedures may seem cumbersome, it is relatively simple if you remember that there are five ways for you to use College funds to acquire goods and services:

1. Purchase Order
2. Petty Cash
3. Travel Advance
4. Reimbursement of out-of-pocket expenses
5. Special Payments