

# ARCADIA UNIVERSITY



FOUNDED 1853

# **Finance & Administration In-Service Training Program**

Purchasing

September 2016

Presented by

Tony Zimba, Director of Purchasing & Contracts

# Agenda

- Setting the table
- Awareness theme
  - Make wise decisions
  - Follow institutional policies
  - Stay within budget
- Updates
  - Credit Cards
  - Purchasing
- Tools/tips to help you manage activities
  - Expense reports

# Basic Tools



Could you use all these tools?



# Authorized Ways to Purchase

- Purchase Order
  - Preferred method
  - Done in advance of the goods or services being requested
- University Credit Card
  - Primarily used for business travel and small purchases
  - Can be used for on-line purchases
- Personal Reimbursement
  - Reimbursed via check request or petty cash
  - Least desirable method

# Competitive Bidding

- 3 Quotes required for purchases in excess of \$5,000 in total. End users acquire quotes. Purchasing available to assist if needed.
- New grant regulations will require quotes using a lower limit of \$3,000.
- Use Sole Source Justification Form if needed.

# Helpful Tip

- “Clean” requests go through the fastest!
  - Reviews, coding, approvals obtained.
  - Supporting documents, quotes, attachments.
  - Budget dollars available.
  - Obtain W-9 if new vendor.
  - Include info on where to send the order. E-mail address is preferred and you are copied.



# Credit Card Update

- All updates are posted on the Purchasing webpages
- Credit Card Application & Change Request Form
- Credit Card Dispute Form
- Credit Card Fraud Information
- Training Guide for reference

# University-Issued Credit Cards

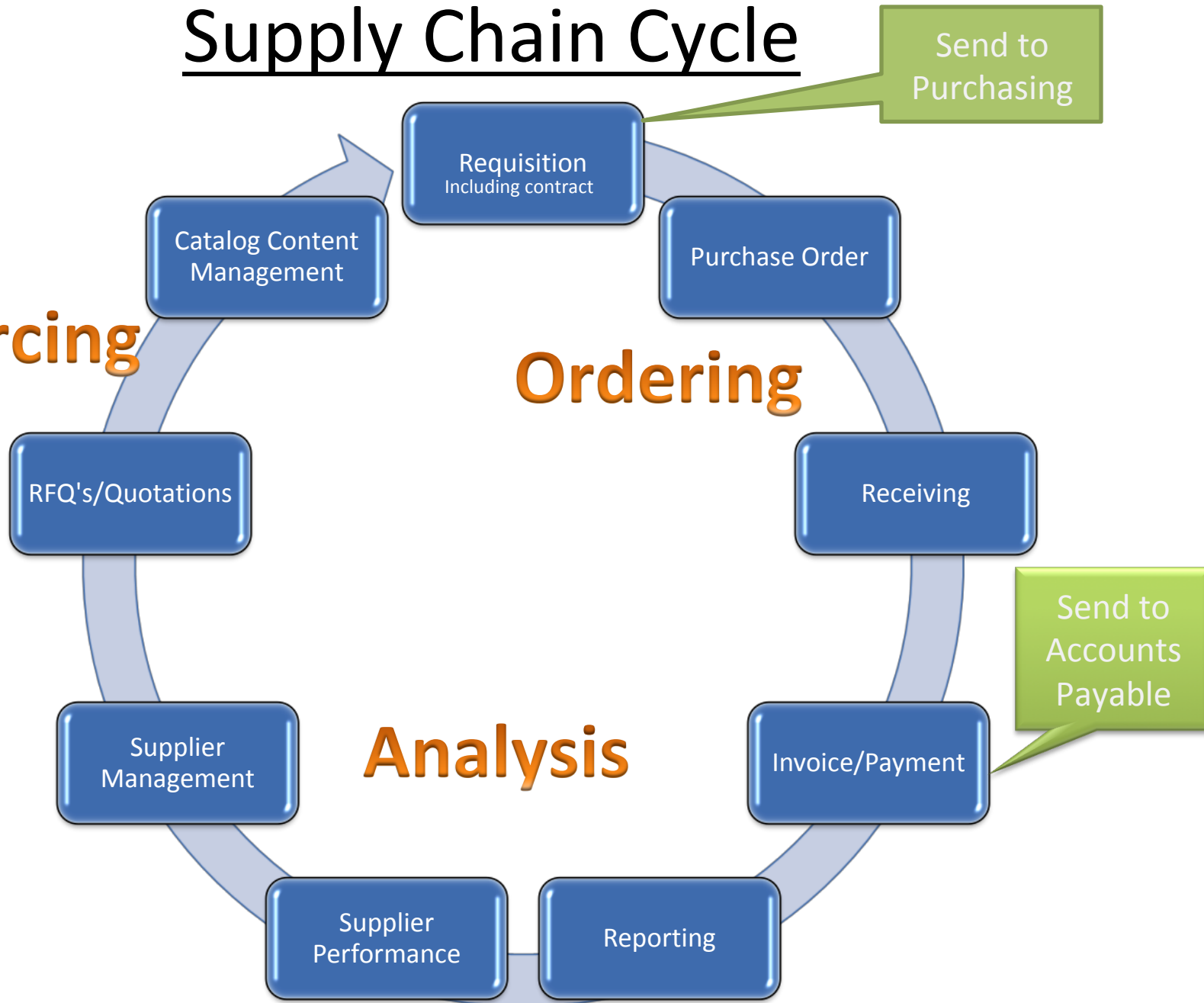
- Purpose – University travel, small incidental purchases, emergency situations. Comply with expense policy.
- Approximately 250 active cardholders, @\$3M annual spend, @18,000 annual transactions
- Expense allocation and approval process done monthly to reflect proper activity on your monthly reports for better decision making.
- Fraudulent activity is a constant challenge.
- Provide notice to PNC prior to traveling to avoid account being put on hold for suspicious activity.
- Watch how your transactions are processed. Rapid succession, same amount, same vendor will equal the appearance of fraud. The bank will shut down your card.

# Supply Chain Cycle

**Sourcing**

**Ordering**

**Analysis**



# Purchasing Process - The Purchase Order

- The Purchase Order is a legal obligation of the University.
- Only the University Purchasing department is authorized to issue purchase order numbers.
- The PO terms & conditions and the PO together is the agreement between the university and the authorized supplier.
- The purchase order does not pay a vendor.
  - Purchase Requisitions to Purchasing; Invoices/check requests to Accounts Payable
- Purchase order creates encumbrance against your budget.

# Purchasing Update

- Enterprise/National Car Rental Program
  - Emerald Club Membership
  - Visit the Purchasing website for information
  - <https://www.arcadia.edu/university/offices-facilities/finance-administrative-services/purchasing/car-rental-agreements>
- Housekeeping/Janitorial Services
  - Recent Changes:
    - The Arthur Jackson Company (Housekeeping Services)
    - Philip Rosenau Company (Janitorial Supplies)
    - Unifirst Corporation (Walkoff Entry Mats)
- Preferred Contracts/Contractors

# Some Preferred Contracts/Contractors

- PACC (Philadelphia Area Collegiate Cooperative)
  - Office Depot
  - Ready Refresh
  - Fisher Scientific
  - Airgas
  - Western Pest
  - First Student
  - David Thomas Tours – (Mention we are a PACC school when requesting quotes/reservations)
  - Rumsey Electric
  - Sherwin Williams
  - Laurab, Inc.
  - US Bedding
  - CDW-G
- E&I (Educational & Institutional Cooperative Services)
  - Enterprise/National Car Rental
  - B&H Photo-Video, Inc.
  - HireRight, Inc.
  - VWR International, Inc.
- CoStars (Commonwealth of PA Cooperative Purchasing Program)
  - AT&T cell phones
  - Carolina Biologicals
  - Dell
  - Integra One
- AICUP (Association of Independent Colleges & Universities of PA)
  - PNC Credit Card Program
  - Journey Ed
  - First American Education Finance

# Purchasing Update

## Encumbrances and Reports

- Only the purchase order creates an encumbrance.
- Provide notice to Purchasing if there is a residual balance remaining on a completed purchase order.
- E-mail or call us for encumbrance details.
- Purchasing will periodically review the open PO listing to keep the list current.
- Encumbrance does not equal accrual.
- Beware of the dreaded “double-encumbrance”.
- A few sample scenarios to demonstrate the relationship between encumbrances, actual expenses and reports.

## Encumbrance Scenarios

Scenario #1 - PO# Obtained and Applied	FY16 Budget	Encumbrance	YTD Actual	Remaining FY16 Budget	Comment
Approved Expense Budget	100,000			100,000	
\$40,000 purchase request - Purchase order issued	100,000	40,000		60,000	Purchase Approved; Immediate visibility on reports
\$40,000 invoice arrives requesting payment: What should happen: Invoice references the PO #	100,000		40,000	60,000	Encumbrance relieved and shown as YTD Actual
\$50,000 purchase request - Purchase order requested	100,000	50,000	40,000	10,000	Purchase Approved; Immediate visibility on reports
*** Department reports are available on-line and updated on a daily basis ***					

**Note: Same conditions as above except the PO was completed for \$38,000. There would be \$2,000 residual balance still encumbered that will need to be manually removed. Alert Purchasing when this occurs. We will manually remove the remaining encumbered balance to close the PO and release your budget dollars.**



## Encumbrance Scenarios

Scenario #2 - PO# Obtained but Not Applied	FY16 Budget	Encumbrance	YTD Actual	Remaining	Comment
				FY16 Budget	
Approved Expense Budget	100,000			100,000	
\$40,000 purchase request - Purchase order issued	100,000	40,000		60,000	Purchase Approved; Immediate visibility on reports
\$40,000 invoice arrives requesting payment: What can happen: Invoice does not reference the PO#; PO# not attached to invoice; PO# not written on invoice.	100,000	40,000	40,000	20,000	Double encumbrance situation; Bad information leads to bad decisions.
\$50,000 purchase request - Purchase order requested	100,000	90,000	40,000	(30,000)	Purchase Denied - Cannot proceed with purchase until corrective action is taken.
					Corrective action might include redistributing budget dollars from another source to cover this "deficit". Wrong decision that was based on inaccurate information. Proper decision is to release the encumbrance.
*** Department reports are available on-line and updated on a daily basis ***					

## Encumbrance Scenarios

				Remaining	
<b>Scenario #3 - PO# Not Obtained</b>	<u>FY16 Budget</u>	<u>Encumbrance</u>	<u>YTD Actual</u>	<u>FY16 Budget</u>	<u>Comment</u>
Approved Expense Budget	100,000			100,000	
\$40,000 purchase request - Purchase order not issued	100,000			100,000	Limited or no awareness of the purchase request; No visibility on reports. Proper available balance not reflected on reports until 30-60 or more days after purchase request.
\$70,000 purchase request - Purchase order requested	100,000	70,000		30,000	Purchase Approved; Immediate visibility on reports
\$40,000 invoice arrives requesting payment: What can happen: Invoice to be paid as a check request.	100,000	70,000	40,000	(10,000)	Overbudget - too late to take corrective action unless an alternate fund source can be appropriated to cover the deficit. If not, Deficit is Realized.
*** Department reports are available on-line and updated on a daily basis ***					

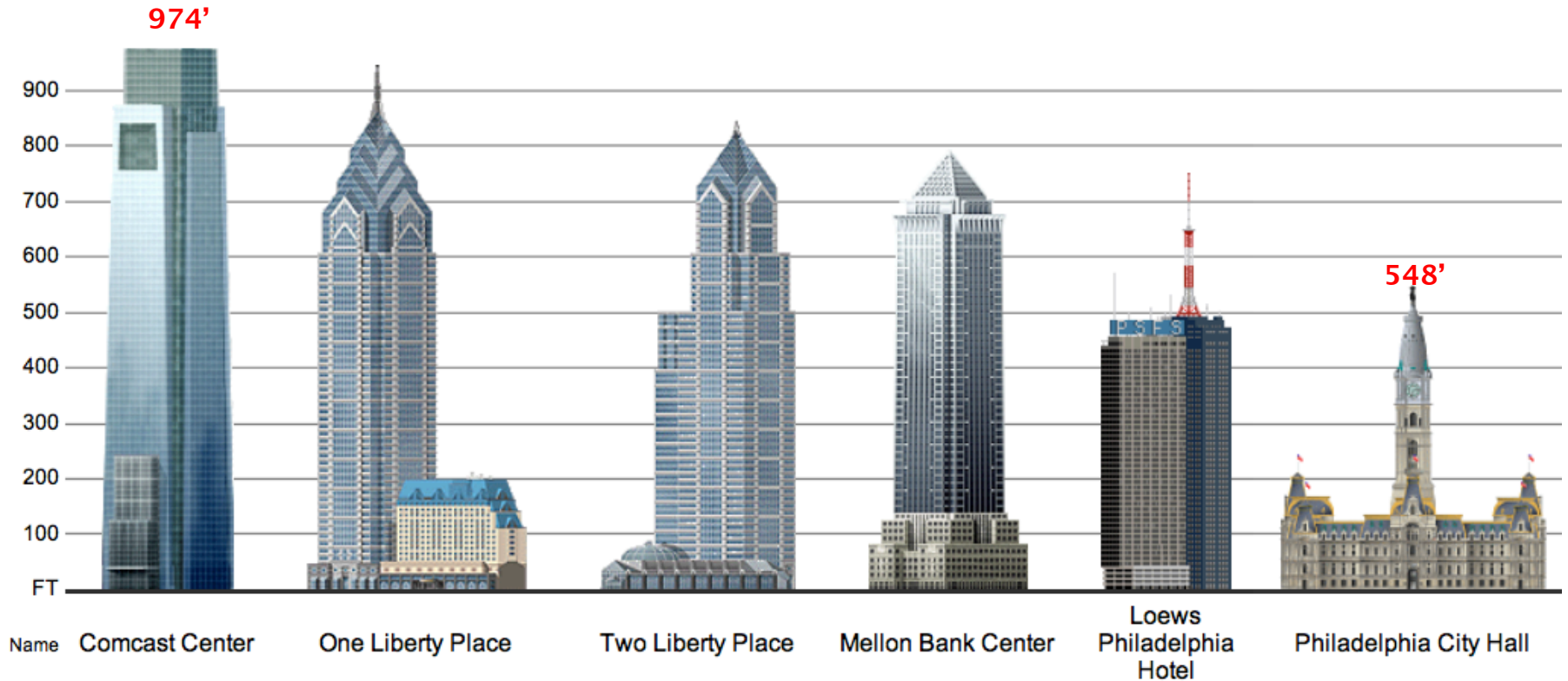
## Encumbrance Scenarios

Encumbrance Scenarios					
<b>Scenario #1 - PO# Obtained and Applied</b>	<u>FY16 Budget</u>	<u>Encumbrance</u>	<u>YTD Actual</u>	<u>Remaining FY16 Budget</u>	<u>Comment</u>
Approved Expense Budget	100,000			100,000	
\$40,000 purchase request - Purchase order issued	100,000	40,000		60,000	Purchase Approved; Immediate visibility on reports
\$40,000 invoice arrives requesting payment: What should happen: Invoice references the PO #	100,000		40,000	60,000	Encumbrance relieved and shown as YTD Actual
\$50,000 purchase request - Purchase order requested	100,000	50,000	40,000	10,000	Purchase Approved; Immediate visibility on reports
*** Department reports are available on-line and updated on a daily basis ***					
<b>Scenario #2 - PO# Obtained but Not Applied</b>	<u>FY16 Budget</u>	<u>Encumbrance</u>	<u>YTD Actual</u>	<u>Remaining FY16 Budget</u>	<u>Comment</u>
Approved Expense Budget	100,000			100,000	
\$40,000 purchase request - Purchase order issued	100,000	40,000		60,000	Purchase Approved; Immediate visibility on reports
\$40,000 invoice arrives requesting payment: What can happen: Invoice does not reference the PO#; PO# not attached to invoice; PO# not written on invoice.	100,000	40,000	40,000	20,000	Double encumbrance situation; Bad information leads to bad decisions.
\$50,000 purchase request - Purchase order requested	100,000	90,000	40,000	(30,000)	Purchase Denied - Cannot proceed with purchase until corrective action is taken.
					Corrective action might include redistributing budget dollars from another source to cover this "deficit". Wrong decision that was based on inaccurate information. Proper decision is to release the encumbrance.
*** Department reports are available on-line and updated on a daily basis ***					
<b>Scenario #3 - PO# Not Obtained</b>	<u>FY16 Budget</u>	<u>Encumbrance</u>	<u>YTD Actual</u>	<u>Remaining FY16 Budget</u>	<u>Comment</u>
Approved Expense Budget	100,000			100,000	
\$40,000 purchase request - Purchase order not issued	100,000			100,000	Limited or no awareness of the purchase request; No visibility on reports. Proper available balance not reflected on reports until 30-60 or more days after purchase request.
\$70,000 purchase request - Purchase order requested	100,000	70,000		30,000	Purchase Approved; Immediate visibility on reports
\$40,000 invoice arrives requesting payment: What can happen: Invoice to be paid as a check request.	100,000	70,000	40,000	(10,000)	Overbudget - too late to take corrective action unless an alternate fund source can be appropriated to cover the deficit. If not, Deficit is Realized.
*** Department reports are available on-line and updated on a daily basis ***					

# Awareness

- Look at your reports! Ask questions now so year end planning is smoother.
- An Encumbrance does not create an Accrual.
- Small things can add up, such as copy paper, trips to Home Depot or Lowes, Starbucks, stopping at Staples when we have a contract with Office Depot, Stockpiling toner cartridges, etc.

# Arcadia's Annual Copy Paper Consumption



*Annually, Arcadia consumes a stack of paper equal to....?*

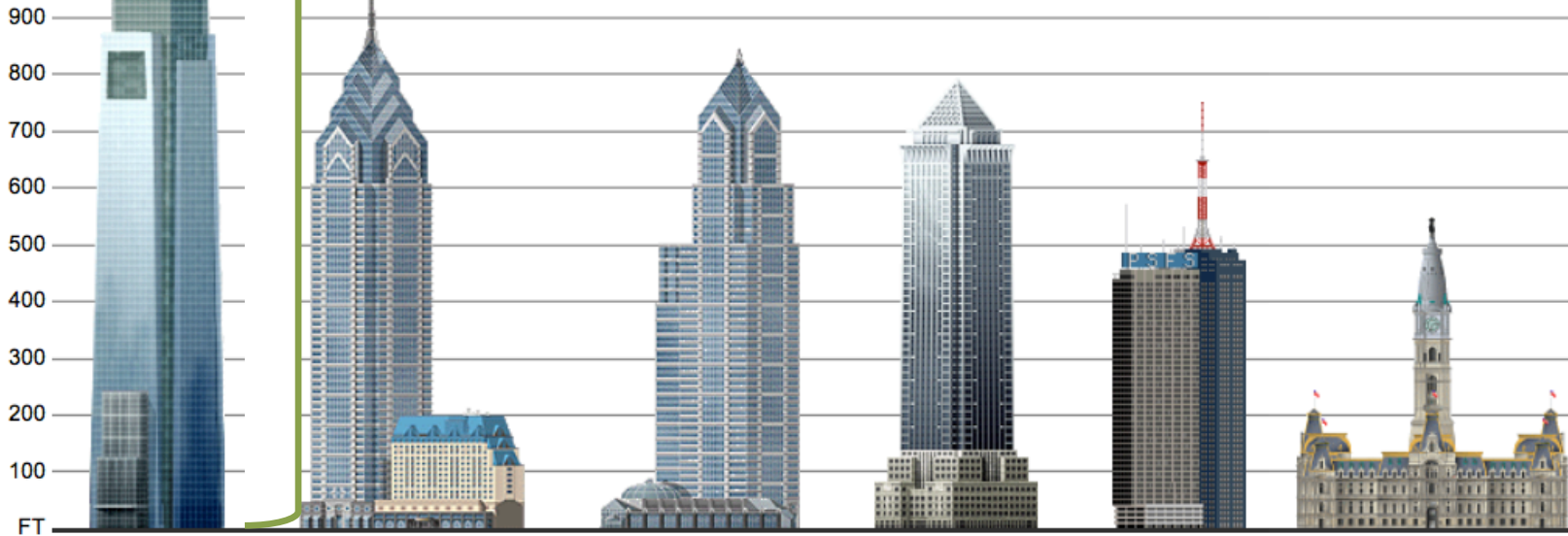
# Annual Office Paper Consumption (Copy Paper Only)

**2.14**  
**skyscrapers**  
**or**  
**.39 Miles**

☹ 6,255,000 sheets

☹ 1,251 cases

☹ 31.275 tons



Name Comcast Center

One Liberty Place

Two Liberty Place

Mellon Bank Center

Loews  
Philadelphia  
Hotel

Philadelphia City Hall

# Avoid Inventory Stockpiling

## Toner

- Don't stockpile laser toner unnecessarily
- Expiration and Obsolescence of cartridges
- Older printers particularly can break with no recourse to return toner
- Ties up dollars needlessly
- Laser toners for HP desktops

## Supplies

- Check and clean your closets and drawers
- Order supplies when needed and bundle for additional discounts (Office Depot orders of \$200 or more = additional POS 3% discount)
- Ink jet toners
- Office Depot offers next day delivery on most items

# Where to go for assistance?

- Budget entry and/or budget re-alignment questions – Carol Radle
- Purchase order or Encumbrance questions – Purchasing Dept (Jennifer Sudlow, Barbara Kulp or Tony Zimba)
- Credit cards or Intellilink system questions – Purchasing Dept (Alice Salvagno or Tony Zimba)
- Invoices or payment questions – Accounts Payable Dept (Kristen Glashoff or Ron Green)
- Departmental Reports – Scott Rosen



# Questions

- Your thoughts and questions?