

State of Vermont
Department of Finance and Management

Financial Process:	Purchasing	Issue Date:	March 2007
		Number:	BP-07.01
Topic:	Internal Control - Best Practices	Revision Date:	April 2007
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Objective

Departments are responsible for developing and maintaining procurement processes that are in compliance with all laws, administrative requirements, and ethical standards pertaining to purchasing. Departments are responsible for conducting the purchasing function in a manner which results in the most effective and efficient use of state funds.

Risks

- Unauthorized, unnecessary, or fraudulent purchases
- Improper charges to departmental budgets
- Excessive costs incurred
- Payments made for items or services not provided
- Goods purchased for personal use

Definition

Purchasing is the process of procuring quality good and services, delivered in a timely manner, at the most cost-effective price from reliable sources.

Best Practices Include

- ❖ Written procedures exist for the purchasing function. Procedures should address procurement strategies and administrative requirements, employee's authorization levels to initiate/execute purchases, contract requirements, receiving and verification of goods & services, and payment processing and approval.
[Documentation]
- ❖ No one employee should have complete control over the entire purchasing function. The responsibilities for purchasing, receiving, and approving payments for goods and services should be assigned among different employees.
[Separation of Duties]
- ❖ Departments comply with the requirements of the Agency of Administration's [Bulletin 3.5: Contracting Procedures](#).
[Compliance]

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- ❖ Departments comply with all policies and procedures established by the Dept. of Buildings and General Services' (BGS) Purchasing & Contract Administration Division. [refer to: [BGS: Purchasing & Contract Administration](#)] [Compliance]
- ❖ Departments comply with the requirements, thresholds, and limitations of applicable [Blanket Delegations of Authority \(BDAs\)](#) as issued by BGS. [Authority & Compliance]
- ❖ Purchases should be made by a competitive process, even when not expressly required, to ensure a prudent and efficient use of state funds. [Documentation]
- ❖ Purchases, regardless of funding source, are made from vendors who are not suspended or debarred from the federal procurement process; this is a requirement for purchases in excess of \$25,000 and for all grant and contractual agreements per the Dept. of Finance & Management's [Policy #1: Suspension and Debarment](#). [Compliance]
- ❖ Requisitions for goods and services are initiated and approved by authorized individuals. [Authorization & Approval]
- ❖ Purchase orders are based on valid, approved requests and are properly executed as to price, quantity, and vendor. [Documentation & Approval]
- ❖ Verify goods and services received agree with contract/purchase order terms. [Verification]
- ❖ Received goods are secured in a safe location and inspected for quality and condition. [Safeguarding of Assets]
- ❖ Invoices are matched with purchase orders and receiving reports before approval for payment. [Reconciliation]
- ❖ Review invoices for accuracy by comparing charges (e.g. quantity, price, etc.) to amounts indicated in purchase orders, contracts, or other source documents. [Verification]
- ❖ Periodically compare recent purchases to financial and fixed asset/inventory records (if applicable) to ensure the accuracy and completeness of the transaction. [Monitoring & Reconciliation]

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- ❖ All purchases should be for necessary goods and services to support the department's mission and programs and in accordance with established budgetary guidelines.
[Authorization]
- ❖ Employees involved in the purchasing function should not use their position to receive any type of personal benefit from any vendor or contractor, and, any potential conflict of interest should be disclosed to an appropriate supervisor or manager.
[Compliance]
- ❖ Claims are filed promptly for damaged or sub-standard goods.
[Documentation & Safeguarding of Assets]

VISION Related Best Practices

- ❖ Departments comply with the requirements of [VISION Procedure #3: Purchase Orders](#).
[Compliance]
- ❖ When canceling or reconciling purchase orders (or requisitions) in VISION 8.8 the box "Update Budget Date Equal to Accounting Date" must be checked so that any action taken does not post to a closed period.
[Reconciliation & Compliance]
- ❖ All contracts must be entered in VISION to obtain a contract number, regardless of dollar amount.
[Compliance]
- ❖ When entering a contract in VISION 8.8 de-select the "Corporate Contract" box on the main Contract page (*and enter the appropriate business unit information*) to prevent other departments from entering purchase orders against this contract. (**Note:** Departments with contracts that serve multiple PO business units should leave the "Corporate Contract" box checked.)
[Monitoring & Reconciliation]
- ❖ Evaluate the effectiveness and efficiency of using a [Purchasing Card](#) and/or [Petty Cash](#) fund in addition to the standard VISION accounts payable process.
[Authorization & Monitoring]

Notices

- These best practices are intended to support the internal control framework as presented in the [Internal Control Standards: A Guide for Managers](#).
- In consideration of these best practices, the objective should be on adherence and not on rationalizing ways and means for circumvention.
- Nothing in this document shall limit or supersede any applicable Federal or State laws, statutes, bulletins, or regulations.