



Plant Operations
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Ann Arbor, MI 48109-1002
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PROCUREMENT POLICY FOR PLANT OPERATIONS

Plant Operations requires that all purchases are in compliance with SPG 507.1, Purchasing Policy and Procedures. <http://spg.umich.edu/pdf/507.01.pdf>

Each transaction must begin with a Materials Order Form.

http://www.plant.bf.umich.edu/pmms/forms/Materials_order_form.pdf

http://www.plant.bf.umich.edu/pmms/forms/Hospital_Materials_order_form.pdf

Methods of Procurement

Designated staff within the units can procure materials and services from:

- **Internal service units,**
<http://www.procurement.umich.edu/internalserviceproviders.html>
- **Strategic suppliers and University contract suppliers,**
http://www.procurement.umich.edu/ucontracts_list.php
- **Purchase Orders** within MPathways, for all transactions \$5000 and under.
- **Purchasing Cards**
http://www.plant.bf.umich.edu/director/PDF/Policy_Guide.pdf#page=30

Methods of Procurement - Continued

Internal Service Units

Purchases of materials or services from internal service units require a short code, work request string and a delivery location. The billing to your department is completed with a service unit billing, which will appear on your statement of activity for the period the transaction was billed. There are no transaction limits when purchasing from an internal service unit. The purchaser must provide their name.

Strategic Suppliers

Strategic supplier contracts are set up for university wide use and are generally in place for 3 to 5 years with contracted pricing. Purchases are made using your department short code and work request string, i.e., example:

099999-2008;;;00001C1441980. The purchaser must provide their name.

You must provide a delivery location to receive the materials and a signature is required when product is delivered. Orders can be placed by telephone, fax or in person. Some strategic suppliers have online catalogs in Marketsite; orders can be placed electronically, and are dispatched via ePro Req and purchase order to the supplier. Products and services may be requested, up to \$25,000 per transaction, from strategic suppliers. Transactions are service unit billed to the department and will appear on your statement of activity. **Reference your unit specific guidelines. See your Foreman or Supervisor for unit specific requirements.**

University Contracts

University contracts differ from strategic contracts. Purchases from these suppliers cannot be made using a short code; you must create an ePro Req to build the purchase order to initiate the transaction. The work request string must be populated in the Dept Ref Field of the ePro Req; this will ensure that the correct work request is charged. Billing from these suppliers is by invoice. It is important that the work request string appear on the invoice. The purchaser must provide their name.

Purchase Orders

Purchase orders are used for one time or "spot buys." An ePro Req must be created before a purchase order can be produced. The work request string must be populated in the Dept Ref Field of the ePro Req. Billing from the supplier is by invoice. It is important that the work request string appear on the invoice.

Methods of Procurement - Continued

Purchasing Cards

A purchase can be completed using a Purchasing Card if the supplier does not accept purchase orders. If the Purchasing Card is used to complete the buy, an email must be sent to the Material Acquisition Manager. The Material Acquisitions Manager will notify Procurement Services regarding suppliers that do not accept purchase orders. Always reference the Plant Operations Purchasing Card Policy, and the Purchasing Card Roles and Responsibilities documents before using your purchasing card to complete a transaction. All purchases made with the purchasing card with a value of **\$500 or higher** will require a Foreman or Supervisor's signature of pre-approval. In an emergent purchase situation, equivalent post purchase notification is required.

Note:

- **All purchases which include labor must be made with Purchase Orders and must go through Procurement Services.**
- **In an emergent situation the Purchasing Card may be used to complete a purchase. An email is also required to the Material Acquisitions Manager for follow up.**

Authorized Purchasers

Purchasers

Purchasers are designated staff with authorization to procure goods and services \$5000 and under, having met all unit, shop, and department specific approvals and guidelines. **Note: All purchases which include labor must be made with Purchase Orders and must go through Procurement Services.**

There are two types of purchasers:

- Type I Purchasers have the authorization to place orders directly with internal service providers, strategic suppliers, and use the PCard (if they are a cardholder, as described in the Plant Operations PCard Policy Guidelines). **Examples:** Tradespersons and Foreman. If there is a need to issue a purchase order, these purchasers will be directed to staff authorized to create ePro Req's.
- Type II Purchasers have the authorization to place orders directly with internal service providers, strategic and contract suppliers, create ePro Req's and use the PCard (if they are a cardholder, as described in the Plant Operations PCard Policy Guidelines). **Examples:** Work Control Coordinators, Order Specialists, or other identified positions within the unit. Type II Purchasers have been authorized by an M1 Form to access MPathways for order placement; build ePro Req's, and purchase orders. They can also access Marketsite to build electronic orders for dispatch via ePro Req and purchase order to strategic suppliers.

<http://www.procurement.umich.edu/mmarketsite.html>

All purchasers are authorized to place orders \$5000 and under, with the exception of strategic supplier orders; the University's allowable limit is \$25,000 per transaction. **Reference your unit specific guidelines. See your Foreman or Supervisor for unit specific requirements.**

Method of Payment

Service Unit Billings

Internal Service Providers will service unit bill the short code used to place the order.

Strategic Suppliers will service unit bill the short code used to place the order. Billing will include the work request string, item description, and the name of the purchaser. Monthly summary billings are received for all orders placed in Central Accounts Payable for e-Billing processing.

Strategic supplier packing slips must be retained by the unit to be reconciled with the Statement of Activity's service unit billing charges.

Invoice Payments

Note: Invoices from Vendors should be sent directly to units and should include a contact person's name. Failure on the Vendor's part to direct an invoice to a contact person's name will result in delayed payments. All invoices that end up being routed to PPAPPO will also be forwarded to the units for handling.

University Contract suppliers will submit invoices for payment to the Plant Payroll and Accounts Payable Office (**PPAPO**) for processing. Invoices received by PPAPPO will be routed to the appropriate unit for review and approval to pay. Invoices returned to PPAPPO for processing must reference the work request string (example: MAINTSUPP-2008;M2100SUPP4444), must be signed with an okay to pay, must have a signed packing slip attached; as verification of receipt, and must have a valid purchase order number.

Original invoices should be submitted for payment processing. If there is a need to pay the supplier from a fax copy of the original invoice, Internal Audit requires that the following appear on the face of the fax copy, "Okay to pay from fax copy," accompanied by the signature of the person authorizing the payment; this process is an exception and not to be considered the "normal practice."

Incomplete invoices (not signed, no packing slip, or other noted missing information) **will not** be processed. They will be returned to the unit for correction/completion.

Vouchers are created by payables staff and checks are dispatched to pay the supplier.

Invoice Payments – Continued

Purchase Orders – Suppliers will submit invoices for payment to the Plant Payroll and Accounts Payable Office (**PPAPO**) for processing. Invoices received by PPAPO will be routed to the appropriate unit for review and approval to pay. Invoices returned to PPAPO for processing must reference the work request string (example: MAINTSUPP-2008;M2100SUPP4444), must be signed with an “**Okay to Pay**”, must have a signed packing slip attached as verification of receipt, and must have a valid purchase order number. Original invoices should be submitted for payment processing.

If there is a need to pay the supplier from a fax copy of the original invoice, Internal Audit requires that the following appear on the face of the fax copy, “Okay to pay from fax copy,” accompanied by the signature of the person authorizing

the payment; this process is an exception and not to be considered the "normal practice."

Incomplete invoices (not signed, no packing slip, or other noted missing information) **will not** be processed. They will be returned to the unit for correction/completion. Vouchers are created by payables staff and checks are dispatched to pay the supplier.

Purchasing Card transactions are reconciled online (reference the Plant Operations Purchasing Card Policy, Purchasing Card Roles and Responsibilities, and Step-by-Step procedures documents). These transactions are service unit billed.

Packing slips accompanying purchases made using the purchasing card must be retained by the unit to be reconciled with the Statement of Activity’s service unit billing charges.

General Note: It is expected that invoices are processed upon receipt within the unit or department. Timely payments are dependent upon timely processing of invoices. The expectation is that the invoice(s) are processed and returned to PPAPO within three business days after receipt.

Deliveries

All deliveries require a signature upon receipt. The unit receiving the shipment must open the package and verify the contents against the packing slip. The packing slip must be retained within the unit to be attached to the invoice for payment processing and for verification against the charges on the statement of activity; for audit purposes.

Verification of cartons received will occur for **all** deliveries at the Kipke Drive Receiving Dock. The packages will remain unopened. Verification of carton contents must occur within the unit. Receiving dock staff will request signatures for cartons delivered to the unit. A copy of the packing slip will be kept on file at the receiving dock.

Deliveries are allowed at job sites. Delivery personnel must obtain signatures from the persons receiving the items. The signer must verify that the items received match the packing slip. The unit must retain the packing slip. Reference section: *Method of Payment*.

GLOSSARY

ePro Req: electronic Procurement Requisition. An online requisition for materials or services created within MPathways. An approved ePro Req will build into a Purchase Order for dispatch to the supplier. Departments can approve ePro Req's up to and including \$5000. All transactions over \$5000 require Procurement Services approval and review for processing.

Internal Service Provider: A department within the University providing a service to other internal departments, i.e. Printing Services, Copy Centers, Moving and Trucking, Recycling. Departments are billed for services via service unit billing. Transactions require a short code for billing purposes. If Plant Operations is using this method of procurement a work request will be required with the short code. You **do not** need an ePro Req (online requisition) to complete the transaction with an internal service provider.

Strategic Contract: A University wide contract negotiated to be in place for 3-5 years providing materials or services at agreed upon pricing. Pricing is loaded into a database that is matched against the suppliers billing file for price verification. Any pricing greater than what has been loaded into the database will require corrections from the supplier before payment to the supplier is made. Departments are billed via service unit billing. Price increases require prior review and approval by purchasing before they are implemented. You **do not** need an ePro Req (online requisition) to complete the transaction with a strategic contract supplier.

University Contract: University contracts are usually negotiated on behalf of a department or group of departments for materials or services. Pricing is negotiated. The terms of the contract can be in place for 1-5 years. ePro Req's (online requisition) are created in MPathways to procure from these suppliers; invoices are received for payment processing. Price increases require prior review and approval by purchasing.

Purchasing Card: A University issued Mastercard credit card to be used to procure conference registrations, subscriptions, dues/memberships, travel and hosting. Supplies can be procured up to \$5000 per transaction. Departments may have specific guidelines for use. Refer to the Plant Operations Purchasing Card Policy.

Plant Operations discourages use of the Purchasing Card for materials and supplies unless the supplier will not accept a purchase order or an emergency situation exists.