
PROCUREMENT AND DISBURSEMENT SYSTEMS

PROCUREMENT AND DISBURSEMENTS (PURCHASING AND ACCOUNTS PAYABLE)

SUMMARY

The Office of Purchasing Services and the Accounts Payable section of the Controller's Office provide procurement services and disbursement services to the University community. The primary function of the Office of Purchasing Services is to provide purchasing services and assistance to every University department and program. The procurement system's goals are to achieve open, competitive, and cost-effective buying, while adhering to external funding source requirements for bidding, documentation and reporting, and timely payment to vendors for services and goods purchased. Disbursements, including checks, foreign drafts, wire transfers, and electronic funds transfer transactions, are processed by the Accounts Payable section of the Controller's Office. Payment instructions are communicated through various internal electronic systems or directly by University administrative staff. All payments require approval by appropriate University employees who have authority over the budgets being charged. Only reasonable and necessary expenditures in support of the University's mission are permitted. Employees may not procure goods or services for personal benefit through University channels, regardless of whether the University is reimbursed for such purchases.

SELECTING A PROCUREMENT METHOD

The University allows a variety of procurement methods. Purchases can be accomplished in more than one way. There are advantages and disadvantages associated with each method that should be considered along with the business needs of the department. For example, office supplies may be purchased with a purchase order, the procurement card, a coded invoice, petty cash, an M&S form at a campus supply store, or as an employee reimbursement. Although a quick turnaround on payment is usually a necessity, it is also critical that the University is legally protected when making disbursements for products and services. An advantage of the standard purchase order is the fact that it is a legally binding document containing language that protects the interests of the University when vendor disputes arise. Use of the procurement card provides similar protection.

All purchases must have appropriate review and authorization. Departments may not execute contracts with vendors; only the director of Purchasing is authorized to sign contracts on behalf of the University. Departments may, however, execute the standard Contract for Services Rendered by Independent Contractors (Form B-33). Contact the Customer Service unit of the Accounts Payable department for assistance with selection of a procurement method, and for quick payment turnaround in emergencies.

METHODS OF PROCUREMENT

JHU Procurement Card

- \$2,500 limit per transaction.
- Billing and payment automatically completed by Accounts Payable.
- "Cardholder Agreement," which sets forth responsibilities and authorizations, signed by user.
- Non-sponsored account number (FUND-AREA-ORGN-OBJT) linked to the card in initial setup as a default account.
- Transactions are approved by the designated administrator, via the JHU EASY system, before the monthly sweep date.
- EASY system allows changes to the account number, object code, and allocation of cost among budgets.

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- Acceptable procurement card purchases:
 - office supplies/laboratory supplies
 - postage & delivery services (UPS, FedEx)
 - housekeeping/maintenance supplies
 - computer supplies/software
 - dues and subscriptions
 - conference/seminar registrations
 - publications/reprints
 - equipment repairs
- Cardholder agrees to maintain receipts and packing slips in a filing system for access by internal or external auditors.
- All procurement card transactions are posted to expenditure statements in the following month after departmental approval via the EASY system.
- Cardholder takes responsibility for settling disputes directly with the merchant and/or issuing bank customer service unit.

Purchase Requests/Purchase Orders

- Departmental personnel complete a purchase request to initiate the procurement process.
- Purchase requests must be preauthorized by the appropriate financial authority, depending on the funding source of the transaction.
- Preapprovals must be obtained for the following types of purchase requests:
 - All procurement of animals for research must be reviewed and approved by the Animal Care and Use Committee. An active and approved animal protocol number is required for all animal purchases.
 - Radioactive materials must be requested through the Radiation Control Unit in East Baltimore or the Radiation Safety Office on the Homewood campus.
 - All space heaters and refrigerators used in laboratories need approval from the Office of Health, Safety and Environment (HSE). Other small appliances, such as microwaves and refrigerators used for non-laboratory purposes, may be purchased without approval from HSE. Contact HSE for guidance.
 - Biological safety cabinets, clean air benches, and HEPA filter-containing equipment need approval from the Biosafety Division of HSE.
 - Flammable material storage cabinets need HSE approval.
 - Renovations and construction projects up to \$75,000 must have the approval of the unit facilities director. Contact General Accounting for guidance.
 - The unit facilities director approves additional services provided by design consultants and construction change orders. The value of additional services must fall within the total approved project budget.
 - Renovation and construction projects over \$75,000 require a specific selection process and bid award for construction services to be conducted by the unit facilities director. Additional approvals are required. Purchase orders are not used; however, the director of Purchasing endorses the contract. All University construction projects require the establishment of a University capital account. Contact General Accounting for guidance.
 - A signed contract is required before the work of a consultant or contractor begins on renovation and construction projects.

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- Purchase requests are sent to the Office of Purchasing Services for creation of purchase orders.
- Purchase requests may be submitted on the electronic system "REQN" or on paper forms.
- Purchasing staff selects vendor and places order.
- All purchases over \$2,500 are made on the basis of competitive bidding.
- To select a specific vendor, a written justification memo is required for the sole source procurement.
- Invoices directed to Accounts Payable by the vendor are paid based on the purchase order number stated on the vendor invoice.

Departmental Confirming Purchase Orders (DCPOs)

University personnel have authority to order supplies and services directly from vendors where the total cost of the order is less than \$2,500.

- The purchase order number must be provided to the vendor so the vendor can submit the invoice directly to Accounts Payable for payment.
- Purchase requests must be sent to the Office of Purchasing Services for creation of purchase orders to ensure prompt payments to the vendors.
 - Mark purchase request clearly as a "DCPO."
 - Purchase requests may be submitted on the electronic system "REQN" or on paper forms.
 - The vendor invoices Accounts Payable directly and payment is made based on the purchase order number stated on the vendor invoice.

Coded Invoices

- Original invoices are required; no copies, faxes, or payments from statements are permitted.
- No purchase order is created.
 - Contracts must be reviewed and approved by the Office of Purchasing Services.
 - Departmental personnel are responsible to ensure that procurement of goods and services is performed within established University guidelines related to competitive bidding and that all necessary additional approvals are obtained.
 - Invoices over \$1,000 must bear a detailed explanation of the purpose of goods and/or services procured.
- University departmental personnel deal directly with the vendor to arrange delivery of goods and services.
- University departmental personnel arrange for the vendors to be paid by Accounts Payable.
 - Departmental personnel obtain an invoice from the vendor.
 - Mark the invoice with FUND-AREA-ORGN-SUFFIX.
 - Original signature of a University employee indicating approval is required.
 - Invoices of \$1,000 or greater require two signatures.
- Invoices are forwarded to Accounts Payable for processing by the departments.

Check Requests

- A check requisition form may be prepared and sent to Accounts Payable for processing when an invoice is not available.
- University employees may be reimbursed for approved, necessary, and reasonable expenditures.

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- Appropriate receipts or other documentation should be attached to the check requisition form along with a detailed explanation.
- Two signatures of University employees, other than the payee, are required.

TYPES OF DISBURSEMENTS

Cash

A petty cash account provides a mechanism to disburse cash for consumable office supplies, local travel, and payments to research participants. Cash disbursements appear in monthly expenditure statements and in the online Account Inquiry System (AINQ) as part of replenishment checks payable to the petty cash custodian. Limitations and requirements are explained in the Petty Cash Guide. See Sources for Policy at the end of this section.

Checks

University checks are generated by the mainframe computer daily. Because each check number is preceded by a "B," they are referred to as "B" checks. Checks appear in monthly expenditure statements and are online in AINQ under the Transaction ID column as "MWB123456." For internal control purposes, checks are normally mailed directly to vendors. When business circumstances require it, checks may be returned to departments for further handling or picked up at the Controller's Office cash accounting window. Mark these instructions clearly on the check requisition or invoice. Vendors may not pick up checks. Do not request Accounts Payable to "call when ready." High volume and multistep processes make these courtesy calls impractical. Check online systems in AINQ to determine when a check has been processed.

Foreign Drafts

Foreign drafts in foreign currencies can be prepared by Accounts Payable. Use the Foreign Currency Check Request form which may be downloaded from the Controller's Office Web site. Transactions appear in monthly expenditure statements and online in AINQ under the Transaction ID column as "MWC123456" in U.S. dollar amounts. The description references the draft number "CRS123456."

Electronic Funds Transfers

Employee reimbursements for travel, travel advances, and other reimbursements are paid via direct deposit. The banking information used for these reimbursements is identical to the banking information used for payroll direct deposit. Remittance advices are mailed to employees' home addresses. Employees who are paid via check will also receive reimbursements via check. All travel-related questions can be discussed with the Travel Unit of Accounts Payable. All questions regarding medical/dental and dependent care reimbursements should be directed to the Office of Benefits Administration.

Wire Transfers

When a wire transfer is necessary, the check requisition or invoice should be clearly marked and accompanied by a three-part wire transfer form and sent to Accounts Payable. The documentation is reviewed for completeness, reasonableness, and accuracy by Accounts Payable and hand delivered to the Treasurer's Office where the wire transfer is processed. Once a tracking number has been established, Accounts Payable records the wire transfer.

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Foreign wire transfer transaction reference numbers begin with “F” and domestic wire transfer transaction reference numbers begin with “W.”

INTERNAL CONTROLS

OBJECTIVES

- Expenses charged are reasonable and support the basic missions of the University: education, research, and public service
- Expenses are legitimate and meet restrictions of applicable funding sources
- Expenses are coded to proper object codes and unallowable charges are separately designated
- Departmental confirming purchase order (DCPO) processing is completed promptly and accurately

RISKS

- Misappropriation of funds
- Loss of sponsored funding
- Disallowance of costs
- Non-compliance with federal regulations
- Delay of future funding
- Delay of delivery of goods and services
- Delay of payments to vendors
- Jeopardized relationships with vendors
- Jeopardized credit standing of the University

AUDIT CHECKLIST

	Does the department obtain competitive prices for purchases where applicable?
	Does the department use JHU “Select Vendors” when possible to take advantage of discounts?
	Do transactions bear evidence of approval, with the correct number of signatures, in accordance with University policy?
	If a departmental confirming purchase order (DCPO) has been placed, has the purchase request been forwarded immediately to the Office of Purchasing Services?
	Are departmental staff submitting invoices to Accounts Payable to allow sufficient processing lead time to meet vendor payment deadlines?
	Are vendors submitting invoices directly to Accounts Payable for purchase order payments?
	Are purchase receipts and other necessary documentation retained by the department’s authorized verifier to support purchases made using the JHU Procurement Card?
	Have transactions for purchases made using the JHU Procurement Card been electronically approved each month in the EASY system by the authorized verifier?
	Have expenditure statements or online systems been reviewed for accuracy of encumbrances and payments made?

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SOURCES FOR POLICY

Administrative Bulletin (<http://www.controller.jhu.edu/admbull.htm>)
Business Travel and Expense Guide, sections relating to business meals, entertainment, hospitality, courtesies, and other functions
(<http://128.220.185.18/images/Travel/titlepg.htm>)
DCPO Guidelines (http://www.jhu.edu/~purchasing/DCPO/DCPO_main.html)
Independent Contractors and Consultant Guide
(<http://128.220.185.18/images/Indepcon/Titlepg.htm>)
Object Code Guide (<http://www.controller.jhu.edu/objguide.htm>)
Petty Cash Guide (<http://128.220.185.18/images/Pettycash/Titlepg.htm>)
Procurement Card Policies and Procedures Guide
(<http://www.jhu.edu/~purchasing/Easy.html>)
Purchasing Guidelines (<http://www.jhu.edu/~purchasing/policies.html>)
REQN Guide (<http://www.jhu.edu/~purchasing/reqn/index.html>)
Safety Policy Manual (<http://jhuniverse.jhu.edu/~safety/manuals/univ.txt>)

RESOURCES FOR ASSISTANCE

Accounts Payable, Office of the Controller, 410-516-6688
Administrative Policy Training Program Courses, 410-516-6800
Comparative Medicine, 410-955-3273
General Accounting, 410-516-8153
Office of Animal Services, 410-955-3713
Office of Health, Safety and Environment, East Baltimore, 410-955-5918
Office of Health, Safety and Environment, Homewood, 410-516-8798
Office of Purchasing Services, 410-516-8383
Oncology Center Animal Services, 410-955-2073
Radiation Control Unit, East Baltimore, 410-955-3712
Radiation Safety Office, Homewood, 410-516-7308

FORMS ON THE WEB

Check Requisition (B-32) (<http://www.controller.jhu.edu/uforms/B-32-fr.pdf>)
Foreign Currency Check Request/Conversion
(<http://www.controller.jhu.edu/uforms/Forcurr.pdf>)