

## CHAPTER 5

# PROCUREMENT

### SCOPE

*This chapter is a brief summary of State of Indiana purchasing rules and regulations, as established by the Indiana Department of Administration (IDOA). Further regulations are included in Indiana Administrative Code (IAC), Title 25 and specific current purchasing regulations are detailed in the IDOA's Delegation of Purchasing Authority Program (DPAP) manual, which is available at [www.in.gov/idoa](http://www.in.gov/idoa) on the Procurement>Procurement Training subpage.*

### Table of Contents

5.1	STATUTORY AUTHORITY.....	2
5.2	ACCOUNTING THEORY.....	2
5.2.1	Encumbrances.....	2
5.2.2	Capital Asset Purchases .....	3
5.2.2.1	Leasing Capital Assets .....	3
5.2.2.2	Expiration of Lease .....	3
5.3	INTERNAL CONTROLS.....	3
5.3.1	Segregation of Duties .....	3
5.3.2	Routing for Purchase Approvals.....	4
5.4	BUSINESS PROCESSES/STATE OF INDIANA POLICY .....	4
5.4.1	Purchasing from State Resources .....	4
5.4.1.1	Quantity Purchase Agreement (QPA) .....	4
5.4.1.2	IN ARF.....	5
5.4.1.3	PEN Products.....	5
5.4.1.4	Exceptions to State Resource Purchasing .....	5
5.4.1.5	Other General Procurement Regulations.....	5
5.4.1.6	Purchase and Payment Processes .....	6
5.4.1.7	Requisition .....	6

5.4.1.8	Multi-year Contracts/Leases .....	6
5.4.1.9	Request for Quote.....	6
5.4.1.10	Purchase Order .....	6
5.4.1.11	Receipt of Product.....	6
5.4.1.12	Payment Processing (for ePro Purchases).....	7
5.4.1.13	Payment Processing (for non ePro Purchases).....	7
5.4.1.14	Other Items of Note .....	7
5.4.2	Purchasing using Special Disbursement Officer Account .....	7
5.4.3	Purchasing using Procurement card or Travel Card .....	7

## 5.1 STATUTORY AUTHORITY

IC 5-22-2-24, **“Purchase”**, states: (a) "Purchase" includes buy, procure, rent, lease, or otherwise acquire. (b) The term includes the following activities: (1) Description of requirements. (2) Solicitation or selection of sources. (3) Preparation and award of contract. (4) All phases of contract administration. (5) All functions that pertain to purchasing.

IC 5-22-2-25, **“Purchasing agency”**, states: “Purchasing agency” means a governmental body that is authorized to enter into contracts by this article, rules adopted under this article, or by another law.

IC 4-13-1.3 delegates to the Department of Administration the authority and responsibility for purchasing of all supplies and services for state agencies under IC 5-22, including adoption and maintenance of purchasing regulations. Specific purchasing regulations are included in Indiana Administrative Code (IAC), Title 25 ([www.in.gov/legislative/iac/](http://www.in.gov/legislative/iac/)).

## 5.2 ACCOUNTING THEORY

### 5.2.1 Encumbrances

By entering desired purchases into the eProcurement (ePro) module of PeopleSoft Financials, pre-encumbrances will be established when a requisition is approved. Pre-encumbrances will be automatically converted to encumbrances when the related purchase order has been budget checked and approved. Thus, as the encumbrance process sets aside appropriated funds for a specific expenditure, overspending of appropriations is prevented. Outstanding encumbrances should be periodically reviewed to determine whether still in effect; if not, the outstanding encumbrance balance should be liquidated, thus freeing the related funds for future expenditures.

The total amount on a vendor contract should be encumbered on a purchase order, including amounts to be paid in future years, unless a specific exception is granted by the State Budget Agency (SBA) and the Comptroller (See 5.4.1.8).

### **5.2.2 Capital Asset Purchases**

Purchasing capital assets through ePro is required for several reasons, one of which is that required asset information will be included throughout the process which will enable the asset to be automatically included in the State's capital asset system. Inclusion of all capital assets is a vital component of the State's financial reporting and public accountability. Through volume purchasing, more value for the dollar with ePro purchasing will result in a higher level of accountability for tax dollars.

#### **5.2.2.1 Leasing Capital Assets**

When processing an asset lease through ePro, it is required that, in the PO process, a checkbox be selected to indicate a lease transaction. All lease documents will be assessed through PeopleSoft by the Comptroller Finance staff to determine whether the lease qualifies as a "capital lease". Generally accepted accounting principles require that assets under capital leases be considered as an owned asset and depreciated as such. Operating leases, on the other hand, are expensed as lease payments are made. The Lease Guide for ePro and Purchasing users, available from the IDOA website ([www.in.gov/idoa](http://www.in.gov/idoa)) under the subpage Procurement>Procurement Training>Procurement PeopleSoft Guides>Additional Purchase Order Documents should be followed.

#### **5.2.2.2 Expiration of Lease**

At the end of the lease period for capital assets, the Comptroller Finance staff will terminate the lease in PeopleSoft and send a message to the agency asset staff that, if the agency is keeping the asset for future use, they need to enter the asset as a Basic Add. See Chapter 08 Capital Asset Accounting for details on accounting for these entries.

## **5.3 INTERNAL CONTROLS**

### **5.3.1 Segregation of Duties**

If one individual is responsible for the requisition, purchasing, and receiving functions, fictitious or unauthorized purchases can be made. This may result in the theft of goods and possibly payment for unauthorized purchases.

Roles approved by the Financial Policy Group and set up by GMIS are designed to reduce the risk of collusion and unauthorized purchasing to a relatively low level. It is recommended that the various ePro roles be assigned to separate individuals. The basic underlying rule is "no one should be able to approve their own work." Also, no one can obtain a 'working' role without completing the applicable training.

General rules for approval roles are:

- It is highly recommended that an approver complete the training for related modules.
- An approver should not approve their own work.
- An Approver should be at a higher level of authority than the originator; if this is not possible, should be at the same level, but in a different department.
- An Approver should never be at a lower level of authority than the originator.
- An Approver should be knowledgeable about the process/purchase in order to authorize.
- An Approver is ultimately responsible for all entries in the transaction, including chart fields and accounting entries.

An employee who has been designated as Procurement Agent/Buyer for an agency after satisfactorily completing applicable IDOA courses may be assigned to Requisition, RFP, and PO roles if the following conditions are met:

- Requisitioner records Requestor (if different) and requisition is approved by 1) ProcAgent and; 2) FISCAL (see role names below).
- PO is then to be approved by the agency Head Procurement Agent or IDOA (if applicable).

The following are definitions of ePro entry and approval roles:

- SOI\_Ag\_Proc\_Agent – Procurement Agent – Delegated by IDOA; if more than one, a Head Procurement Agent is determined.
- SOI\_Ag\_Fiscal – Fiscal approver – Usually CFO or director of accounting department – must have knowledge of accounting rules, chart of accounts, etc.

NO ONE should hold both of the above roles. Agency designated “SOI\_ePro\_Buyer” can hold the SOI\_Ag\_Proc\_Agent role.

Additional levels may be added, as requested by agency, for certain types or cost of purchases.

### **5.3.2 Routing for Purchase Approvals**

The ePro system will automatically route requisitions through the approval system as required for each type of purchase. Approvals may be required of the Commission on Public Records (ICPR), the Office of Technology (IOT), or the Department of Administration (IDOA) Procurement Division, Motor Pool, Budget Agency, PEN Products and/or IN-ARF. Necessary budget checks will be processed automatically prior to agency supervisory approvals.

## **5.4 BUSINESS PROCESSES/STATE OF INDIANA POLICY**

### **5.4.1 Purchasing from State Resources**

Regardless of the type or dollar amount of any purchase, products or services available from the three sources in this section must be purchased from these sources or as directed/approved by IDOA Procurement

#### **5.4.1.1 Quantity Purchase Agreement (QPA)**

QPA contracts for repetitively purchased items are negotiated by the IDOA Procurement Division only, resulting from a competitive solicitation process designed for cost savings through volume purchasing. See the list of current QPA contracts at [www.in.gov/idoa/2449.htm](http://www.in.gov/idoa/2449.htm).

#### **5.4.1.2 IN ARF**

---

As provided by IC 5-22-13, work centers provide guaranteed products and services to state agencies and local governments while benefiting persons with disabilities. The IN-ARF catalog is available at [www.abilityin.org](http://www.abilityin.org).

#### **5.4.1.3 PEN Products**

---

Established by the Indiana Department of Correction as provided by IC 5-22-11, a variety of products and services are offered by PEN Products, including office furniture and supplies. The PEN Products catalog may be viewed at [www.in.gov/idoa/2470.htm](http://www.in.gov/idoa/2470.htm)

#### **5.4.1.4 Exceptions to State Resource Purchasing**

---

Exceptions may be made if:

- An emergency exists.
- Only one source meets the agency's reasonable requirements.
- Purchase of data processing contract or license agreements for software.
- The agency's functional requirements can't be met by the product or service available from the State Resource.
- See IC 5-22-10 for further exceptions.

Potential cost savings must also be considered. If there is potentially a significant cost savings to buy outside of a QPA or other State Resources, an exception may be requested from IDOA Procurement. See additional information for this in the IDOA's Delegation of Purchasing Authority Program (DPAP) manual, available at [www.in.gov/idoa](http://www.in.gov/idoa) on the Procurement Training subpage.

#### **5.4.1.5 Other General Procurement Regulations**

---

All purchases, regardless of amount, must be in concurrence with current IDOA procurement regulations. A few general guidelines are:

- One time purchases of less than \$500 may be made without soliciting competition. The requirement to purchase from a QPA, PEN Products, or Ability Indiana is applicable regardless of purchase dollar amount.
- Commodity purchases of \$500 to \$5,000 require informal quotes; although for quotes above \$2,500, the vendor must sign a quote package containing State Terms and Conditions.
- Procurement Contracts of \$500 to \$2,500 require informal quotes. Procurement Contract purchases over \$2,500 require formal solicitation.
- Purchases of \$5,000 to \$75,000 require formal written quotes (agency handles within their delegation).

- Purchases \$75,000 and above must be solicited, awarded, and processed by the IDOA Procurement Division.

Specific rules on obtaining quotes for commodities, contracts and printing are in the DPAP Manual, available at [www.in.gov/idoa](http://www.in.gov/idoa) under the Procurement Training subpage.

#### **5.4.1.6 Purchase and Payment Processes**

---

As explained in 5.2, **Accounting Theory**, if purchases are processed through ePro, funds will be automatically encumbered for specific purchases. Also, most accounting information will be automatically pulled from requisition to purchase order to receiver to voucher entry, eliminating the necessity to re-enter such information.

#### **5.4.1.7 Requisition**

---

Requisitions can be processed through the ePro system by selecting from a large array of products and vendors. The requisition request will be budget checked and routed to appropriate persons for approval. If a requisition is entered by staff other than the person requesting the purchase, the “on behalf of” option should be noted. The person requesting the purchase is known as the “Requestor”.

#### **5.4.1.8 Multi-year Contracts/Leases**

---

All contracts and commitments must be entered in the PeopleSoft financial system in order to create an encumbrance for the funds committed. For contracts (or leases) spanning more than one fiscal year, all years should be accounted for in the initial requisition by using a separate line for each fiscal year.

#### **5.4.1.9 Request for Quote**

---

If quotes are required to be processed by the agency and the ePro requisition is developed through the quote process, complete ready-to-mail, fax (or e-mail) request for quote forms can be produced in the system.

#### **5.4.1.10 Purchase Order**

---

After a requisition and/or quote is processed in ePro and approved through all required channels, a purchase order should be processed in a similar manner. If desired, a copy of the PO can then be printed for the agency’s records and the receiving department. A copy should be mailed, faxed, or e-mailed to the vendor.

#### **5.4.1.11 Receipt of Product**

---

When the product is received, a Receiver should record details of the receipt in ePro. The Receiver should be independent of both the purchasing and the payable process. If this person is unable to make the system entry, he/she should note on the bill of lading the quantity received and date received. After signing the bill of lading, he/she should send this paperwork to a person designated to make the system entry on their behalf. All such paperwork, or a copy, should be retained in the agency files.

#### **5.4.1.12 Payment Processing (for ePro Purchases)**

After receipt of the commodity or service, receiving information, including the date received, must be entered into the receiver. When the invoice is received and the receiver information is pulled to AP, the invoice date and accounting date should be entered in AP and a transmittal form printed. Attach the vendor's invoice to the transmittal form and send it to the Comptroller's office for payment processing.

#### **5.4.1.13 Payment Processing (for non ePro Purchases)**

For non-PO purchases, all applicable information must be entered directly into the PeopleSoft Accounts Payable module and an online voucher printed. Backup documentation should be attached to the online voucher and sent to the Comptroller's office for payment.

Complete details on payment processing are included in Chapter 6, **Accounting for Expenses, Expenditures**.

#### **5.4.1.14 Other Items of Note**

Any procurement requiring another agency's approval will automatically be routed to that agency for approval through PeopleSoft.

Signed receivers (packing slips) and other documentation must be retained at the agency for audit purposes and to comply with retention schedules.

Agencies are responsible for complying with all requirements established by the Department of Administration relative to this program. Agencies are subject to periodic assessments by Procurement Division staff and audits by the State Board of Accounts.

Contact the Department of Administration's Procurement Division with any questions regarding the Delegation of Purchasing Authority Program.

### **5.4.2 Purchasing using Special Disbursement Officer Account**

Outside bank accounts are permissible for certain small and non-repetitive purchases, through a Special Disbursing Officer (SDO) account. Procedures for use of these accounts are in Chapter 6 **Accounting for Expenses, Expenditures**.

### **5.4.3 Purchasing using Procurement card or Travel Card**

A Procurement Card (PCard) or Travel Card (TCard) can be obtained through the IDOA. The PCard is to be used for purchases similar to the SDO account, including emergency purchases. The TCard is intended to relieve state employees from having to pay allowable travel expenses from personal funds.

If an entity, whether or not in the executive branch of government, chooses to utilize a State controlled procurement or travel card, the entity must follow all applicable policies and procedures for the use of the card as prescribed herein and in the Procurement Card User Manual maintained by IDOA.

*If funds are not accounted for on the PeopleSoft accounting system, payment cannot be made by the Comptroller and a State procurement card SHALL NOT be utilized for a purchase.*

*Updated procedures and regulations for obtaining and using these cards are at [www.in.gov/idoa](http://www.in.gov/idoa) under the Purchasing and Travel Card Program subpage.*

*Backup documentation for purchases using the SDO account, PCard, or TCard must be retained at the agency for audit.*