UC DAVIS
Supply Chain Management

Unauthorized Purchasing
SCM Purchasing Community of Practice Meeting
February 22, 2022

Today's Presenter and Subject Matter Experts

- Presenter:
 - Jim Hewlett, Communications and Training Analyst, Supply Chain Management

- Subject Matter Experts:
  - Mike Morgan, Director of Procurement
  - Steven Kobayashi, Associate Director - Procurement & Business Contracts
  - Mike Kuhner, Director of Business & Financial Services, Supply Chain Management
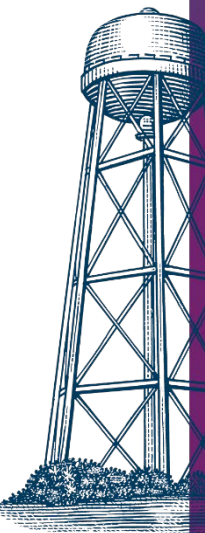
Welcome!

- We're glad to virtually see you again at our first SCM Purchasing Community of Practice meeting for 2022!

- These meetings provide an opportunity for Supply Chain Management to disseminate important information that should be shared with others in your department who also perform administrative functions.

- These meetings also provide an opportunity for you to ask questions, and share your experiences and best practices.
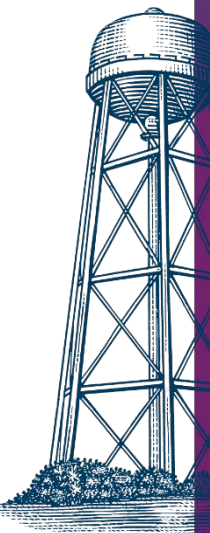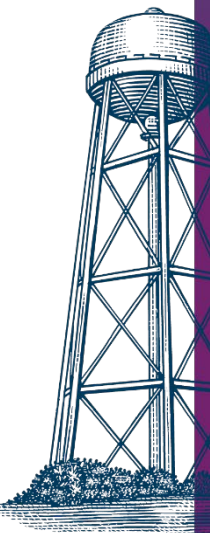
Engage with Us!

- As we present today's material, please feel free to send questions in chat to Crystal O'Hara. We will periodically check in to answer any questions.

- There will also be time at the end of the presentation to ask additional questions.

- Please keep your microphone off (muted) during the presentation.

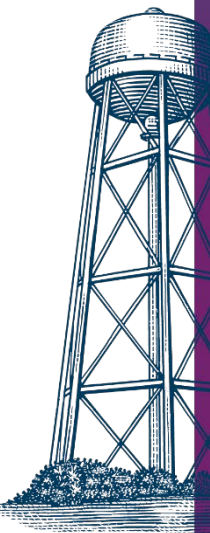- Copy of today's PowerPoint will be sent out after today's meeting.
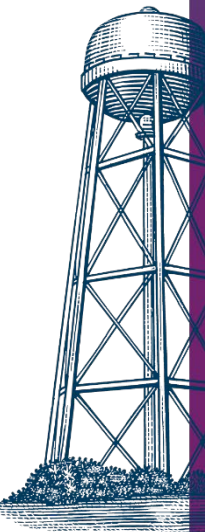
Today's Topic: Unauthorized Purchasing

- First, We'll start with some definitions.

- Then, we'll look at some examples of unauthorized purchasing.

- Next, we'll highlight the impacts of unauthorized purchasing.

- Finally, we'll look at ways that departments can avoid unauthorized purchasing and what to do if it occurs in your department.
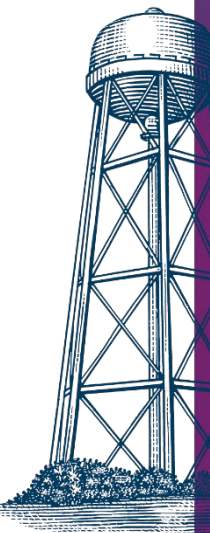
Special Considerations

- Some of you may be working with staff or faculty that do not fully understand the impacts of unauthorized purchasing, or frequently purchase out of pocket and then ask you to process their reimbursement.

- We realize that most of you are not using unauthorized purchasing methods, but we are asking that you share this information with your department in business meetings, or in other formats that can help reduce any instances of unauthorized purchasing.
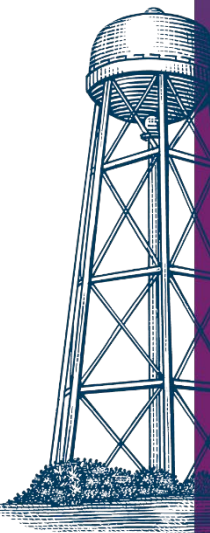
Special Considerations

- If you notice that unauthorized purchasing is a prevalent issue in your department, please reach out to Mike Morgan and Steven Kobayashi for assistance.

- Our goal is to provide viable alternatives that can ensure your departmental purchasing can be completed as efficiently as possible, while following all applicable policies and program guidelines.
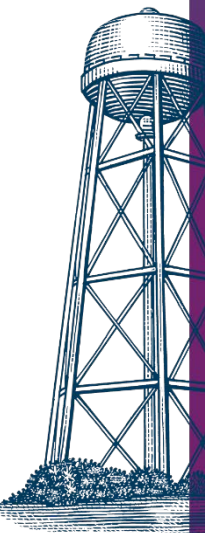
Personal Purchases

- Our discussion today focuses on unauthorized purchasing. But, we also want to take a moment to discuss personal purchases, which are also unauthorized and **never allowed**.

- An example of a personal purchase is a coffee maker that will be used by an individual staff member. The item itself is not inappropriate, *it is the **intended purpose** of the purchase that makes it inappropriate and against policy*.
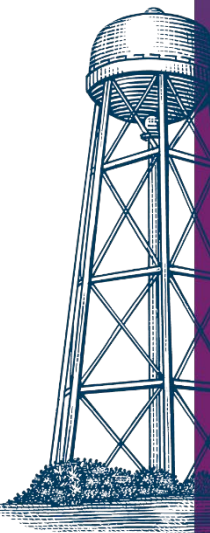
Personal Purposes

- Every university purchase must support one of the business purposes of the university:

  - Teaching

  - Research

  - Public Service

  - Patient Care

- Every purchase request must clearly identify the **business purpose** of the requested goods/services.

Personal Purchases: How to Address?

- Any instance of personal purchasing is to be repaid to the UC regents by the person who made the purchase.

- There must also be documentation indicating what steps are being taken within the department to ensure that the personal purchasing will not occur again (e.g., training, etc.).
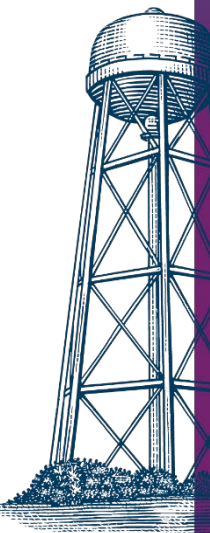
Unauthorized Purchases

- Now we will turn our attention to Unauthorized Purchasing, and how this is defined by the university.
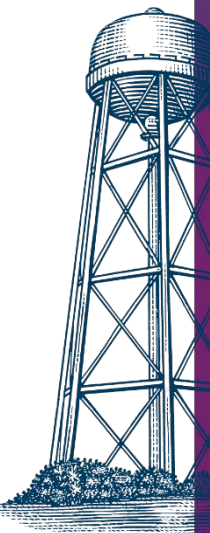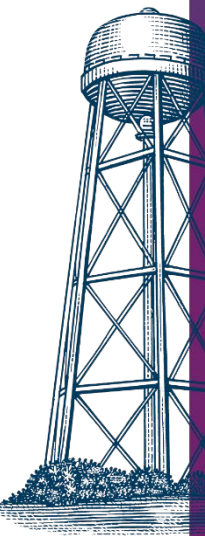
Unauthorized Purchases

- An **unauthorized** purchase is one where the requested good or service is appropriate, HOWEVER, the **purchasing method** is inappropriate or otherwise against policy.

- An unauthorized purchase is one where a purchase is made on behalf of the university without the appropriate approvals being secured **prior to** the purchase.

  - At a minimum, an approval is required for each purchase from a fiscal officer or account delegate assigned to the account to be charged for the purchase.

  - Depending on the cost of the purchase and type of purchase (restricted goods and most services), an approval is also required from a buyer in Procurement & Contracting Services or other units (e.g., Safety Services, etc.).
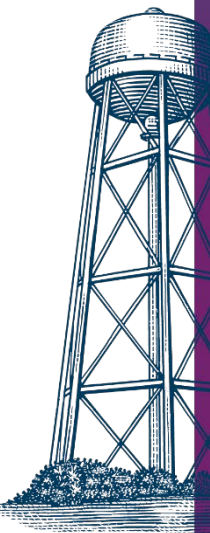
Examples of Unauthorized Purchases

- Employee purchasing a new computer for their office on a personal credit card

- Supplier doing repair work for a department without having an official Purchase Order established first

- Making a purchase with a university Travel Card or Procurement Card without securing pre-approval from appropriate approver(s)

- In each of the examples above, required approvals were not secured prior to the transaction taking place.
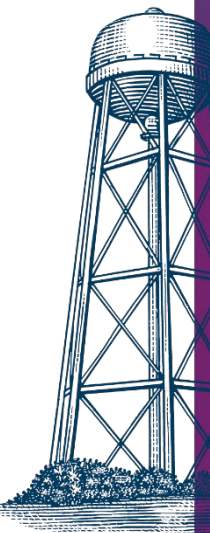
Unauthorized Service Agreements

- Although the focus of today's presentation is on unauthorized purchasing, *please note that the pre-approval and documentation process applies to other agreements as well.*

- For example, a Revenue Agreement, where a department will be providing goods or services to an outside agency/customer, must be documented and fully approved on a KFS Purchase Agreement BEFORE the provision of goods or services can begin.
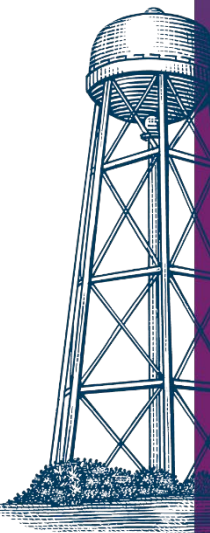
Problems with Unauthorized Purchasing

- Spending more than what would have been spent, had university purchasing agreements been utilized

- Missing out on extended warranty and/or other service coverage from outside suppliers with university agreements

- Equipment non-compliance or non-compatibility with existing equipment/systems

- Work assignment challenges: time spent by staff/faculty purchasing instead of completing assigned teaching/research

- Potential for fraudulent purchasing

Impacts of Unauthorized Purchases

- Loss of future funding to the university; many funding agencies have specific guidelines for how purchases are to be made and from whom
  - This loss of funding can impact ALL UC Davis departments, in addition to the one where the unauthorized purchasing occurred.

- Potential for lawsuits, if accident occurs while service or repair is performed, and required insurance is not carried by outside supplier
  - Minor roof repair at Bay Area golf course turns into major lawsuit…vendor did not have appropriate level of general liability insurance
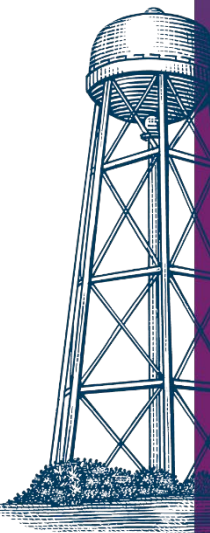
Authorized Methods (in order of preference)

- **AggieBuy:** 45+ catalogs where you can purchase equipment and supplies in a variety of categories, including but not limited to, scientific, medical, computers, office, janitorial, furniture, and so much more!

- **Procurement Card:** Used to purchase supplies not available in AggieBuy up to the delegated amount of $9,999.99.

- **Kuali Financial System (KFS):** Appropriate when AggieBuy does not have desired items and when requesting most services purchases.
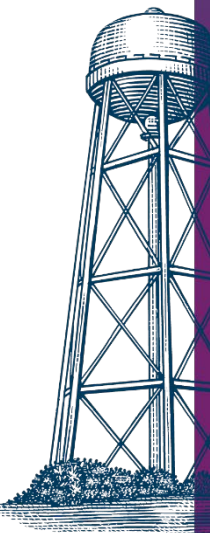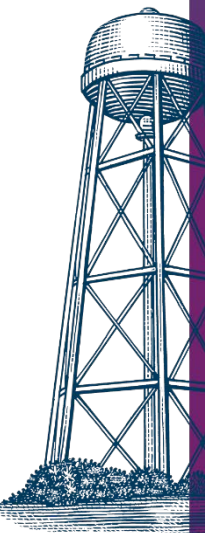
How to Manage Unauthorized Purchases

- Educate. Share the information with the person who made an unauthorized purchase.

- Decide how to handle.

  - Your department has the right to reject a reimbursement request for an unauthorized purchase.

  - If you decide to approve the reimbursement request, keep in mind that the university has the *right to only reimburse the cost of what would have been paid, had an appropriate purchasing method been followed*.

Reimbursing Unauthorized Purchases

- Create a reimbursement request using AggieTravel, <u>Report Type 9, Professional Expenses</u>.

- Supporting documentation (receipt) must be attached to the AggieTravel report.

- A note must also be added indicating what steps are being taken to ensure that an unauthorized purchase does not occur again.

- If the dollar amount of the reimbursement request exceeds $500.00, a completed and signed **<u>Confirming Order Justification form</u>** must be attached to the AggieTravel report.

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Learn More

- AggieBuy: https://supplychain.ucdavis.edu/procure-contract/aggiebuy

  - AggieBuy Help Desk: ab-help@ucdavis.edu

- Procurement Card: https://supplychain.ucdavis.edu/pay-purchase/p-card

- KFS: https://financeandbusiness.ucdavis.edu/systems/kuali/docs/purchasing

  - KFS Help Desk: fishelp@ucdavis.edu

- Unauthorized Purchasing Guidelines: https://supplychain.ucdavis.edu/procure-contract/guidelines/unauthorized-purchase
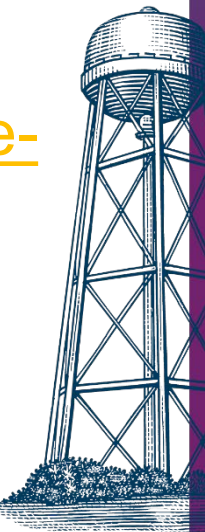
Thanks for your time!

- Any questions?