



## 2012 Administrative Leadership Conference

# Demystifying the Payment Process

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# Workshop Presenter(s)

Sandra J Ehler  
Executive Director, University Payables  
[sehler@uillinois.edu](mailto:sehler@uillinois.edu)

Jim Martinie  
Director, University Payables  
[martini1@uillinois.edu](mailto:martini1@uillinois.edu)

Mike Bloechle  
Director, UIS Business Services  
[mbloe1@uillinois.edu](mailto:mbloe1@uillinois.edu)



# Please...

- Turn off cell phones.
- Avoid side conversations.
- Hold questions until the end of the presentation.
- Sign the attendance roster.
- Complete the evaluation at the end of the workshop.



# Workshop Objectives

- Understand the functionality of the procurement process, including the responsibilities of the unit needing to acquire goods or services, the Purchasing Office, and the University Payables Office (UPAY)
- Provide an awareness of how planning in advance can transform an administrative headache into a best business practice
- Provide information that assists you in following and understanding laws, regulations and University policies and procedures



# University Payables

- A centralized University Administrative (OBFS) unit responsible for:
  - Establishing and maintaining institutional vendor information in Banner for the purpose of issuing purchasing requisitions/orders and processing payments
  - Processing vendor invoice payments
  - Processing reimbursements to employees
  - Processing miscellaneous payments to non-employees
  - Administration of the University's Procurement Card (P-Card) and Travel Card (T-Card) programs
  - Issuing Form 1099-MISC information reporting forms



# University Payables

- .....while ensuring compliance with Federal, State, and University regulations and policies.
  - Internal Revenue Service
  - Office of Foreign Asset Control
  - Illinois Procurement Code
  - Illinois Higher Education Travel Control Board
  - OBFS Policies & Procedures Manual



# Purchasing

- A University Administrative (OBFS) unit responsible for:
  - Ensuring compliance with the Illinois Procurement Code, Higher Education Procurement Rules, Board of Trustees and State & Federal Regulations
  - Issuing purchase orders for the acquisition of goods and services for University operations
- Only Walter Knorr, Comptroller, or his designees may enter into contacts for the University.



# How to Purchase Goods & Services

- Determine correct method to use for the purchase
  - iBuy purchase requisition
    - Catalog orders
    - Non-catalog orders
  - Banner purchase requisition
  - P-Card
  - T-Card
  - Contract
  - RFP or Sealed Bid
  - Miscellaneous payment request--TEM





# Purchasing Methods

- **iBuy Purchase Requisitions** (*Vendor sends invoice directly to the University Invoice Processing Center*)
  - A web-based system for purchasing goods and services
  - Provides easy on-line access to vendor catalogs, requisitioning, approval, and tracking of purchase orders to vendors
  - Negotiated contract pricing reduces overall cost to units
  - Simplifies the purchasing process and reduces costs by offering intuitive, commodity-specific search capabilities
  - Electronic invoicing capabilities (w/unit acknowledgement >5K)– FY12 YTD savings of approximately \$110,000 in processing costs
  - Should ALWAYS be used when purchasing commodities offered by the on-line catalogs
  - Important for non-catalog orders: vendor's invoice price must match requisition/purchase order



# Purchasing Methods

- **Banner Purchase Requisitions** (*Vendor sends invoice directly to the University Invoice Processing Center*)
  - A web-based system for purchasing goods and services
  - On-line access for requisitioning, approval, and tracking of purchase orders to vendors
  - Allows for “receipt” of goods in Banner prior to invoice payment
  - Allows the use of standing orders for limited circumstances, such as payment for services invoiced monthly
  - Important: price on the requisition must match invoice price
  - Should NEVER be used when the commodity being purchased is available in an iBuy vendor catalog



# Purchasing Methods

- **P-Card**
  - A University-provided credit card issued to approved University employees for the purchase of authorized small dollar purchases
  - Limited to transactions under \$5,000
  - Eliminates the requisition, purchase order, invoice, and payment processes....and those related processing costs
  - Strict guidelines regarding prohibited and restricted purchases



# Purchasing Methods

- **T-Card**

- A University-provided credit card issued to approved University employees for the purchase of University business meals and travel-related expenses such as airfare, lodging, car rental, parking, transportation, etc.
- Reduces out-of-pocket expense for employees traveling on University business
- Strict guidelines regarding prohibited and restricted purchases



# Contracts

- Vendors shall not be paid for any goods that were received or services that were rendered before a contract was reduced to writing and signed by all necessary parties...30 ILCS 500/20-80, Section D.
- A purchase order is considered a contract document
- NO contract = NO payment



# Purchasing Methods

- **Contracts** – contract must be completed and signed by all parties **BEFORE** any goods are received or services performed.
- Two types of contracts:
  - Professional and Artistic (P&A) Services
    - Contract for Professional & Artistic Services Under \$5,000
  - University of Illinois Contract
    - Contract used for Professional & Artistic Services totaling \$5,000 or more in a fiscal year
    - Contract used for purchase of commodities, equipment, or general services totaling \$53,700 or more in a fiscal year



# Purchasing Methods

## (Contracts – P&A Services)

- Professional and Artistic Services (P&A) – services that are primarily intellectual or creative in nature
  - Qualified by education, experience, or technical ability
  - Does not include services that involve manual skills and labor (services involving manual skills and labor are purchased in the same manner as the purchase of goods)



# Purchasing Methods

## (Contracts – P&A cont.)

- Total fees for P&A Services amounting to **less than \$5,000** require a completed “Contract for Professional & Artistic Services Under \$5,000”
- **Contract must be executed before any service is performed.**
- Services are Non-Recurring and one time payments
- The vendor should send the invoice to your unit for processing a payment request in the Travel & Expense Management System (TEM)





# Purchasing Methods

## (Contracts – P&A cont.)

- Total fees for P&A Services amounting to **\$5,000 or more, but less than \$19,999** require a completed “University of Illinois Contract” **before** any service is performed.
  - Payment for services must not exceed \$19,999 for the fiscal year
    - Complete the “UIS Contract Approval/Routing Form (CARF)”
    - Submit the CARF and Contract Scope (Professional and Artistic Services Information Form-PASIF) form to UIS Purchasing Office.
    - Unit must issue purchase requisition.
    - Purchasing will prepare contract, and obtain University appropriate approvals and signatures for contract execution and issue a purchase order to the vendor.
    - A copy of the executed contract will be sent to the unit and the contractor
    - Vendor sends invoice(s) to the University Invoice Processing Center



# Purchasing Methods

## (Contracts – P&A cont.)

- Total fees for **P&A Services** amounting to **\$20,000 or more** must be handled through a State-mandated competitive selection process facilitated by the Purchasing Office using a formal Request for Proposal (RFP) process.
  - The following actions must be completed **before** any services are performed:
    - Complete and submit the “Professional and Artistic Services Information Form (PASIF)”, along with the CARF to the Purchasing Office for preparing the RFP (**Allow one to two months for completion of the RFP process**)
    - After selection of the vendor, a University of Illinois Contract is completed by Purchasing, the unit, and the selected vendor
    - Purchasing obtains appropriate University approval and signatures for contract execution and issues a purchase order to the vendor
    - Vendor sends invoice(s) to the University Invoice Processing Center



# Purchasing Methods

- Non P&A Contracts – Purchases of commodities, equipment, or general services equaling \$53,700 or more must be acquired using a sealed bid process
  - The following actions must be completed before goods are received or services performed
    - Submit scope of work, and recommended price structure to the Purchasing Office for bid processing
    - After selection of the vendor, a University of Illinois Contract is completed by Purchasing, the unit, and the selected vendor
    - Purchasing obtains appropriate University approval and signatures for contract execution and issues a purchase order to the vendor
    - Vendor sends invoice(s) to the University Invoice Processing Center



# Purchasing Methods

- **Cash purchases/miscellaneous payment requests**
  - No purchase order required
  - Limited to a maximum of \$499 unless listed on the Invoice Voucher Exception List (see hand-out)
  - Invoices to process payment to vendor or a reimbursement to an employee are submitted through the TEM system – vendor sends invoice directly to the requesting unit for processing; due to IRS reporting requirements, employees cannot be reimbursed for the purchase of any type of service
  - "Stringing" (making successive small purchases or payments to bypass the \$499 limitation or any other purchasing policy) is not permitted and in violation of the IL Procurement Code.



# Non-Conforming Orders

- The acquisition of goods or services without following the procedures in the preceding slides are considered “non-conforming”
- A non-conforming order is an after-the-fact purchase.
- Vendors shall not be paid for any goods that were received or services that were rendered before a contract was reduced to writing and signed by all necessary parties...30 ILCS 500/20-80, Section D.
- A purchase order is considered a contract document
- NO contract = NO payment
- Units need to ensure that all faculty and staff are aware of and abide by State of Illinois Procurement Code policies.



# Plan Before You Purchase

- Plan ahead
  - Success in getting what you want when you need it...and getting it paid for, is a result of good planning
  - Involve the Purchasing Office in the early stages of your planned procurement to ensure the purchase is made in accordance with University procurement policy and State regulations
  - As a public State institution, the University is accountable for the stewardship of funds supplied by taxpayers and donors
    - Individuals can be held personally responsible if an audit determines that purchases violate State procurement rules
    - Grant sponsorship can be revoked if procurement rules are violated using federal fund



# New Vendor Set-Up Procedures

- Vendor submits a completed Vendor Information Form
- University Payables performs several procedures to ensure the vendor can be used for University procurements
  - Validate Taxpayer Identification Number with the IRS database
  - Ensure the vendor is not named of the Federal Excluded Parties List
  - Ensure any noted conflict of interest is vetted and approved by University Administration
  - Ensure diversity vendors are properly identified during set-up
  - Ensure the vendor has a completed Board of Elections Certification on file
  - Establishes the vendor in Banner/iBuy; assigns vendor number



## “Do’s”

- Plan ahead
- Determine if acquisition can be obtained with a University contracted vendor (iBuy)
- Involve Purchasing early in the process for purchases requiring a University of Illinois contract
- Attend to transactions, such as receiving reports, and inquiries from Purchasing or University Payables in a timely manner
- Educate your unit on University policies and procedures and Federal and State regulations
- Plan ahead





# “Don’ts”

- Don’t engage in non-conforming purchases
- Don’t divide large purchases into a series of smaller purchases to circumvent purchasing regulations
- Don’t sign any contract, license, proposal, order confirmation, agreement, etc.



# Resources

- OBFS Web Site - [www.obfs.uillinois.edu](http://www.obfs.uillinois.edu)
- Business & Financial Services Policy & Procedure Manual - [www.obfs.uillinois.edu/manual/](http://www.obfs.uillinois.edu/manual/)
- Purchasing questions:
  - Jill Menezes 206-6651
  - Beth Gorsich 206-6606
- Payable questions: Phone: 888-872-9953;  
e-mail: [obfsupay@uillinois.edu](mailto:obfsupay@uillinois.edu)



# Workshop Summary

- All procurements for goods and services must follow University and State procedures **before** the goods are received or the services are performed
- **All** procurements for Professional & Artistic Services require a contract (type is dependent upon the total dollar amount of the services provided in a fiscal year)
- Procurements of commodities, equipment, and general services generally **always** require a purchase order and **may** require an RFP/bid process and University of Illinois contract (dependent upon the total dollar amount of the services provided in a fiscal year)



# Questions / Concerns?