2012 Administrative Leadership Conference

Demystifying the Payment Process

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Workshop Presenter(s)

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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 polices 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
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 on 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)


• Purchasing questions:
  – Jill Menezes 206-6651
  – Beth Gorsich 206-6606

• Payable questions: Phone: 888-872-9953;
  e-mail: 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?