Purchasing template for [Company Name]

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# The objective of Purchasing policy



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| Tip: Define the objective of the purchasing policy here. Sample text below... |

The role of the purchasing policy is to define standard methods and procedures for the Company to purchase products and services from different vendors.

This policy covers all expenses for the company including items like taxes, payroll payments, etc. Nonvendor payments are defined as exceptions in the policy and proper procedures are defined to manage these payments.

Compliance with this policy is mandatory for all employees. Noncompliance with this policy could lead to action including termination of employment. The purchasing department is responsible for maintaining and implementing the processes defined in this policy. For any suggestions and feedback, please reach out to policyowner@yourcompany.com

# Role of Purchasing Department



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| Tip: If you have a purchasing department, then define their role or engagement rules. Sample text below... |

The role of the purchasing department to help the organization get the best value for the product and services we purchase, reduce cost, reduce supply risk, and enabling stakeholders to reach their business goals.

The Purchasing department is responsible for running the vendor selection process by working with different stakeholders. The purchasing department would be the main point of contact for the suppliers during the vendor evaluation and selection process.

Purchasing will coordinate the activities, schedule, and scoring of the vendor responses by working with both internal and external stakeholders

# Vendor setup and onboarding process



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| Tip: Here you define the process of setting new vendors. Sample text below... |

All new vendors should be vetted by the purchasing department to ensure that they meet various predefined criteria for vendor selection.

If required, an evaluation should be conducted by inviting multiple vendors to bid and then selecting the best value match vendor for the company.

Please note that this process is applicable to standard vendors. There are exceptions that would not be vetted by the purchasing department. Those exceptions include

1. Taxes

2. Interest and bank payments

3. Government payments.

All vendor setup requests should be sent to the A/P department with supporting documents (include a link to the supporting documents) like w-9 form, the reason for the request, etc..

*All requests must be approved by the immediate manager and the approval should be attached to the vendor setup request.*

All requests for setting up new vendors should be sent to vendorsetup@yourcompany.com {In case you don’t have an electronic process for receiving vendor requests}

# Contract signing Authority



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| Tip: This section defines who can sign a vendor contract in your company |

The contract signing authority is defined based on the Total Contract Value (TCV) of the contract being signed. A TCV is calculated by taking the annual committed amount X number of contract years.

For example, if you are committing $100,00 for 3 years, then the total contract value is $300,000.

Following is the list of people who can sign the vendor contracts and their approval authority based on the TCV of the contract.

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| **Title** | **Signing Authority limit ($)** |
| Purchasing Manager | Up to $10,000 |
| Director Purchasing | Up to $250,000 |
| CFO | Up to $1,000,000 |
| CEO | Up to $2,000,000 |
| Board | Greater than $2,000,000 |

# Purchasing authority levels



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| Tip: This section defines how a purchase request should be authorized |

Purchasing authority levels specify what amount is authorized at what level of the organization before the payment can be made to the supplier. This is applicable to both purchase orders and other expenses / Invoice payments (without a purchase order).

All purchases must be approved at the appropriate level based on the total amount of the requisition. The following matrix provides authorization limits based on job titles.

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| **Title** | **Approval limit ($)** |
| Manager | Up to $5,000 |
| Sr. Manager | Up to $10,000 |
| Director | Up to $100,000 |
| Vice President | Up to $500,000 |
| CFO | Up to $1,000,000 |
| COO | Up to $5,000,000 |
| CEO | Up to $10,000,000 |

# Delegation of authority



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| Tip: Give your employees clear instructions on how to delegate approval authority |

Delegation of authority section provides guidelines on how an approver can delegate their approval authority levels to someone else.

A delegation of authority can be temporary – for example, you are going on vacation, or it could be a permanent delegation of authority, for example, an executive permanently delegates the approval authority to her executive admin.

{Define your delegation process and how your employees can submit a delegation request and to whom.}

# Purchasing process and accepted norms

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| Tip: A clear process guidelines for employees to purchase goods and services |

{use this section to clearly define how employees can purchase products, the sample provided below}

**Requisition process**

To purchase a product or service, you need to submit a requisition.

A requisition can be submitted using our online purchasing system (ProcureDesk). When submitting the requisition, you can pick items from preferred vendors through the catalog process.

In case you need to purchase something new, get 3 bids from different vendors and submit that along with the requisition.

**Approval process**

Each requisition must be approved as per the purchasing authority levels defined in Section 5.

**Purchase order process**

After the review, the purchasing team will send the purchase order to the vendor.

# Invoicing process and guidelines



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| Tip: Clearly define the process for employees so that they can communicate to vendors on how to submit an invoice |

This section outlines the process which the vendors need to follow to submit the invoices. The same is applicable to internal users too, in case they need to submit a request for payments or other invoices where a purchase order is not applicable.

{Define the process here}

In general, there are two approaches to submit invoices

1. Send it to an email box – for example, ap@yourcompany.com . Having a simple email makes it easy for everyone to remember the email address. When your employees are communicating with your vendors, they can ask them to send the invoices to this email address.

2. If you have an e-invoicing solution, then you want to encourage your vendors to use the e-invoicing solution to submit the invoices. There are many benefits of e-invoicing, some of which we have covered in different procure-to-pay use cases.

# Competitive bidding



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| Tip: Provide guidelines to your employer on how to get the best value for your company. |

This section provides guidelines for employees to secure their own competitive bids from multiple suppliers.

It is not always important to pick the cheapest vendor but you should evaluate the best value based on the quality of the product and the price you are paying.

{You can set up thresholds under which the employees can get their own bids. Following is just a sample language}

If the total value of the purchase is <$10,000, then you must have 2 written bids to get a competitive price. The bids should be attached to your requisition along with the rationale to select the vendor.

For a purchase where the total value exceeds $10,000, a formal request for the proposal process should be followed and it should be run by the procurement department.

{In case you don’t have a procurement department, you can replace that with a finance/operations equivalent team}

# Ethical purchasing and conflict of Interest



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| Tip: Provide examples of conflict of interest for your employees to better understand this subject. |

A conflict of interest a situation in which the concerns or aims of two different parties are incompatible. In other words, if the person making the purchasing decision is somehow going to benefit from the purchase transaction, then there is a conflict of interest.

The following is an example of conflict of interest.

Bob is the head of engineering and he is looking for a vendor to provide machined parts as per company specifications. He calls a company “Machine Parts Inc” which is owned by his brother in law and decides to purchase parts from him. That is a conflict of interest.

In case of a conflict of interest, you should inform the VP of your department with a clear explanation of why doing business with this vendor is in the best interest of the company.

# Supplier diversity



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| Tip: Provide guidelines on how your employees can purchase from diverse suppliers |

As a good corporate citizen, our company is committed to promoting diverse suppliers.

Diverse suppliers include but not limited to the following

1. Small Business – SBE
2. Small Disadvantaged business – SDM
3. Women-owned business – WBE
4. Minority-owned business – MBE
5. Veteran owned business – VOBE

{In case you promote supplier diversity, then mention how suppliers can register and how they can do business with you. It could be as simple as - send an email to supplierdiversity@yourcompany.com}