

How to Use This Handbook

Everyday, purchasing agents across the country spend their state or local government unit's tax dollars to purchase the goods and services necessary to operate the government. Taxpayer scrutiny plays an important role in keeping the purchasing process running both effectively and efficiently and, as a result, purchasing directors keep a close eye on spending and are conscious of making prudent purchasing decisions. Purchasing agents need to focus on establishing cost-savings as a priority in all of their policies and procedures and on exercising tight control over the acquisition and disposal of equipment.

Because purchasing officers must account to the public, they are required also to abide by specific codes of ethics and practices that are particular to state and local governments and conform to certain articles in the Uniform Commercial Code. In addition to these limiting factors, public purchasing officials have historically had little access to comprehensive training.

Working within the constraints of this environment can make the purchasing manager's job especially challenging. The purpose of this handbook is to provide the purchasing manager with a guide that addresses a comprehensive set of recommended purchasing practices — from setting up the purchasing function to establishing cost-saving priorities, from taking the basic purchasing steps to managing both inventory and warehouse effectively.

HOW THIS HANDBOOK IS ORGANIZED

This book has six chapters, each covering a specific challenge to the purchasing agent.

Chapter 1: Setting Up the Purchasing and Materials Management Program

The first chapter discusses all the elements necessary to establish an effective purchasing function. It covers personnel issues, laws and regulations, the benefits of centralized purchasing, and ethical standards.

Chapter 2: Identifying Cost-Saving Purchasing Priorities

In order to buy goods and services and to effectively manage inventory and fixed-asset management systems, governmental purchasing departments should have effective purchasing procedures in

place. Local governments should carefully craft procedures with the purpose in mind of achieving the cost-saving priorities. These priorities are the focus of Chapter 2 and include:

- Plan and schedule operations proactively.
- Prepare cost-effective specifications.
- Make effective purchasing decisions.
- Choose the right vendor for the job.
- Use appropriate technology.
- Promote a healthy competitive environment.
- Evaluate the effectiveness of the purchasing and materials management program.

Chapter 3: Understanding the Basic Purchasing Cycle

The third chapter discusses the basic steps in the normal purchasing cycle of goods or materials, from the IFB (invitation to bid), to evaluating the bid, to preparing the purchase order, to making payment.

Chapter 4: Purchasing Services and Other Nonroutine Purchasing Activities

In Chapter 4 we discuss the four steps to take in purchasing services. The process involved in contracting for services differs from the routine materials purchasing cycle. The four stages include preparing the bid document, negotiating the contract, preparing the contract, and administering the contract. This chapter also addresses these other nonroutine purchasing activities: cooperative purchasing, volume purchasing, emergency purchasing, sole source purchasing, and petty cash fund purchasing.

Chapter 5: Establishing, Operating, and Maintaining a Fixed-Asset Inventory System

All local governments, regardless of size and political makeup, should have a fixed-asset inventory system that records the acquisition, use, and disposal of fixed assets. Fixed assets are tangible assets of significant worth having a useful life beyond one year. You need to determine

what “significant value” means in your community and this definition should be included in your purchasing regulations. Chapter 5 focuses on accounting, recordkeeping, and inventory systems for fixed assets.

Chapter 6: Developing Inventory Control and Management Procedures

Depending on their size, local governments have varying needs regarding the utilization of inventories. Large governments usually have several inventories that they maintain. Very small governments, on the other hand, might keep only a small amount of equipment and supplies on hand and go to local vendors regularly to buy equipment and supplies as needed. Chapter 6 discusses how both large and small government units can effectively manage inventory and the warehouse.

Appendixes

This section is designed to provide the purchasing officer with reference and support materials for the purchasing function. The documents described here may be found on the accompanying CD.

Manual on CD

This manual is accompanied by a CD that contains files for each chapter, as well as the charts, sample forms, checklists, and other documents that a purchasing officer may use in the course of performing his or her duties and responsibilities. All appendix material can also be found on the CD. The user guide is on the CD.