MSU Procurement

Purchase Order (PO) Overview

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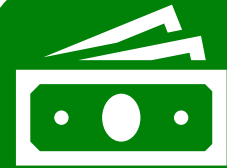
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What is a purchase order (PO)?

A purchase order is a contract between Michigan State University (MSU) and a supplier who will provide specific goods and/or services to MSU.
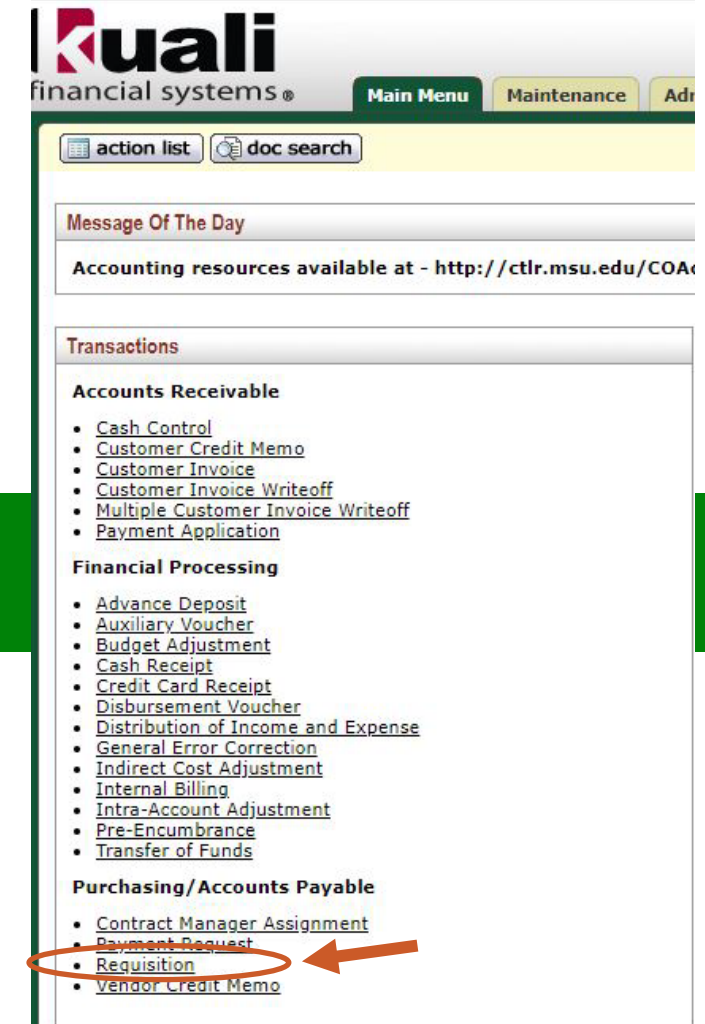
POs are the Kuali Financial System (KFS) output of an approved requisition, including updates made by the contract manager (Procurement buyer).
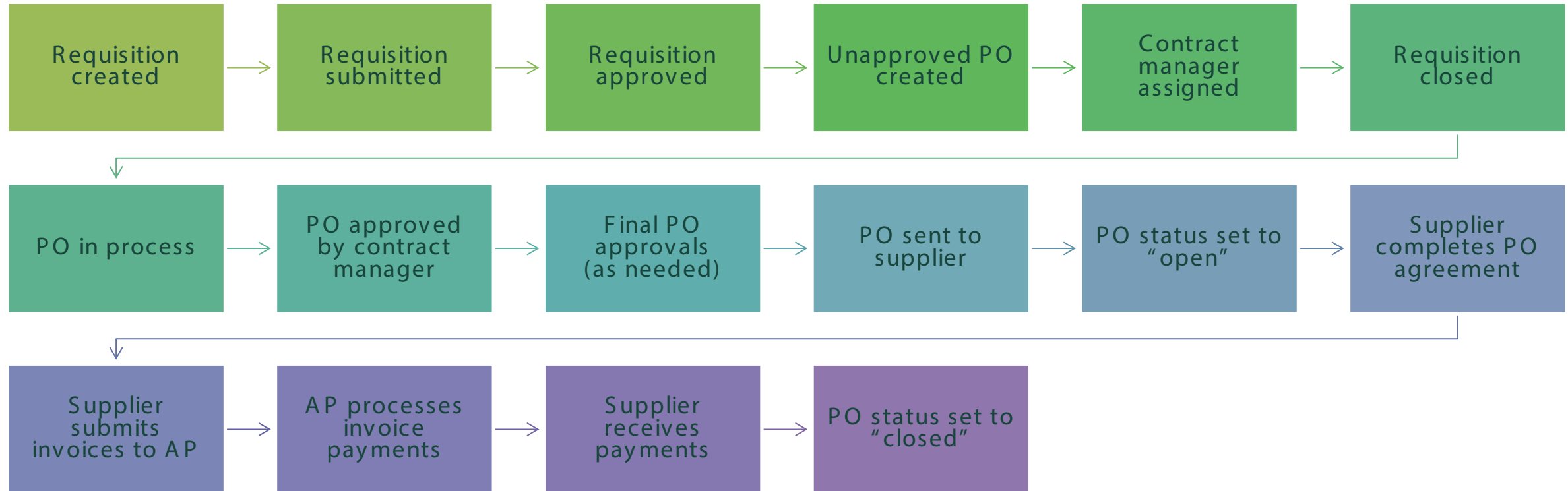
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Getting started

Once a need for goods or services has been identified, a requisition is submitted in KFS.

Learn more about processing requisitions

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Requisition to PO workflow

| Requisition created | → | Requisition submitted | → | Requisition approved | → | Unapproved PO created | → | Contract manager assigned | → | Requisition closed |

| PO in process | → | PO approved by contract manager | → | Final PO approvals (as needed) | → | PO sent to supplier | → | PO status set to "open" | → | Supplier completes PO agreement |

| Supplier submits invoices to AP | → | AP processes invoice payments | → | Supplier receives payments | → | PO status set to "closed" |

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Requisition created

- At any point during the creation of a requisition, the initiator has the option of saving the document for completion at a later time.

- An initiator can submit a requisition with complete information or limited information dependent upon unit workflow setup.

- Requisitions for a repeat purchase can also be copied and created from a previous requisition for the purpose of saving time.

Note: Upon requisition submission, the initiator is unable to edit the document.

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STEP 1

Requisition submitted

- MSU employee submits a requisition through KFS to request the purchase of equipment, materials, supplies, or services from an off-campus source.

- The requisition specifies the appropriate account number(s) to be charged and authorizes Procurement to issue a PO up to the designated amount stated on the requisition.

- Notes do not transfer over from the requisition to the PO.

Purchases made from Spartan Marketplace, University Stores, shop.msu.edu, and other internal sources do not require a requisition to be submitted.

STEP 2

Requisition submitted

- You can recommend a preferred supplier on the requisition.

- Requisitions may contain MSU-defined sensitive items. Using the Notes and Attachments, users can request that Procurement mark the requisition and/or PO as sensitive data.

  - Only the initiator, fiscal officer, Procurement team, Accounts Payable (AP) team, and other workgroups with the proper authority will have access to eDocs marked as sensitive data.

  - Sensitive data can usually be grouped into four categories: weapons, ammunition, animals, and radioactive material.

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STEP 2

Requisition approved

- The account fiscal officer (FO) approves the requisition in KFS, authorizing the account to be used for payment of the requested goods or services.

STEP 3

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Unapproved PO created

- Once the requisition is approved, a PO is created in KFS. The status of the PO is set to unapproved.
- The PO fields are primarily filled from the requisition.

STEP 4

Unapproved PO created

- The PO eDoc is comprised of several tabs.
  - **Document overview**: general information such as total amount of PO, contract manager, and status changes.
  - **Delivery**: receiving address provided to supplier, including delivery instructions.
  - **Vendor**: supplier information such as name and address, as well as payment terms and method of selection.
  - **Stipulations**: Terms and Conditions and any other pertinent details specific to the PO.
  - **Items**: what was ordered, accounting string(s), and grand total of order.
  - **Capital asset**: only completed if PO involves purchase of a capital asset and will include asset type and cost.
  - **Payment information**: payment arrangements with supplier and scheduled payments.

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STEP 4

Unapproved PO created

- The PO eDoc is comprised of several tabs.
    - **Additional institutional info**: user details from the requisition and supplier PO delivery info.
    - **Quote**: status of bids including suppliers solicited.
    - **Account summary**: detailed account breakdown and charges associated with each account on PO.
    - **View related documents**: find related eDocs such as the original requisition and payment requests.
    - **View payment history**: date, amount, and status of payments made to the supplier.

Document Overview	▶ show
Delivery	▶ show
Vendor	▶ show
Stipulations	▶ show
Items	▶ show
Capital Asset	▶ show
Payment Information	▶ show
Additional Institutional Info	▶ show
Quote	▶ show
Account Summary	▶ show
View Related Documents	▶ show
View Payment History	▶ show
General Ledger Pending Entries	▶ show
Notes and Attachments	▶ show
Ad Hoc Recipients	▶ show
Route Log	▶ show

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STEP 4

Contract manager assigned

- A buyer from the Procurement team will be assigned to each PO as a contract manager.

- The contract manager's name is in the eDoc under the Document Overview.

- You can contact your contract manager about changes to the PO by adding notes and attachments in KFS and sending a notification to the contract manager.

  - For urgent requests, contact Procurement directly at 517-355-0357.

Under certain conditions specified by business rules, fully approved requisitions may become automatic purchase orders (APOs), needing no additional processing by a contract manager. A supplier contract, which contains a dollar limit allowing the APO function, must be selected on the requisition.

STEP 5

Requisition closed

- Now that the PO has been created and has an assigned contract manager, KFS closes the requisition.

- The requisition can still be accessed in KFS, but can no longer be edited.

Requisition Doc Status: Closed

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STEP 6

PO in process

- The contract manager, using information provided in the requisition, processes the PO.

- Common PO Statuses

  - In process/unapproved: KFS generates an unapproved PO automatically after a contract manager is assigned to the approved requisition.

  - Open: after all necessary approvals during workflow have been granted, the PO reaches open status. The PO is transmitted to the supplier, and payments can now be made.

  - Closed: a PO can reach closed status by either the Accounts Payable processor or by a contract manager manually closing it, or if all items have been paid.

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STEP 7

PO in process

- If a preferred supplier is not provided as part of the requisition or the PO requires a bidding process, the contract manager will solicit suppliers.
  - <$25,000 do not require competitive bidding, though depending upon the item other restrictions or approvals may apply
  - ≥$25,000 require competitive bidding or written justification
    - In order for bids to be valid, competitive solicitations must be performed with Procurement staff involvement.
    - Sole source and single source purchases are allowable only when the competitive process is impractical or when substitutes have been deemed unacceptable through a documented product evaluation process. All requests for sole source and single source purchases must include a detailed, objective, and technical justification outlining the rationale for exception to the competitive solicitation process.
  - ≥$250,000 require a sealed bid process

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STEP 7

PO in process

- The contract manager performs a variety of actions on a PO, which may create new eDocs in KFS; however, the PO number remains the same across all eDocs.

- PO actions:
  - Amendment (POA): change or modify open PO with no pending payments.
  - Re-transmit (PORT): re-transmit the entire PO or selected line items.
  - Void (POV): cancels a PO (disencumbering funds); can only be used on a PO that has no payments made against it.
  - Close (POC): closes out remaining items and disencumbers outstanding funds.
  - Re-open (POR): reopens prematurely closed PO and re-encumbers available funds.
  - Payment hold (POH): stops all new payments from processing against a PO.
  - Remove payment hold (PORH): refreshes status to open so payments can be made.
  - Split (POSP): in-process PO contains items from multiple suppliers.

STEP 7

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PO approved by contract manager

- After a supplier is selected and any bidding processes have finished, the contract manager approves the PO, representing the Procurement department's approval.

- The printed .PDF version of the PO becomes available through the Doc Viewer application.

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STEP 8

Final PO approvals (as needed)

- Commodities: certain item classifications require special approval. For example, radioactive commodities will route to Environmental Health and Safety (EHS) for approval.

- CGA: POs using a Contract and Grants account number are routed to a CGA Reviewer for approval.

- Foreign vendors: if the selected supplier is a foreign vendor, the PO will route to the Tax Manager workgroup for review and approval.

- Employees: if the selected supplier is an MSU employee, the PO will route to the Tax Manager workgroup for review and approval.

- Budget: POs are not routed to Budget Reviewers as MSU does not validate available funds on accounts.

Note: The reviewers indicated above can only approve or disapprove the PO, they are not able to edit it.

STEP 9

PO sent to supplier

- When a contract manager approves the PO, it may or may not be transmitted immediately upon approval, depending on the other approvals needed.

- The contract manager will transmit the PO to the supplier after all necessary approvals have processed.

STEP 10

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PO status set to "open"

- Once the PO is considered open, payments can be made to the supplier.

STEP 11

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Supplier completes PO agreement

- At this point in the PO workflow, the supplier is completing the work agreement.

STEP 12

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Supplier submits invoice to AP

- Depending on agreement terms, the supplier submits invoices to Accounts Payable (AP) for payment as work is completed or at the conclusion of the project.

- For fastest payment processing, suppliers should email invoices directly to AP at MSUPAY@msu.edu.

  - Each invoice should be a separate PDF file attached to an email (only one invoice per email).

  - Send an original email—do not forward from another email.

  - In the email subject line, include the PO number and the supplier name (e.g., PO#345678 James Company)

Invoices can also be faxed to (517) 884-6189 or mailed to:
MSU Accounts Payable
166 Service Rd., Room 103
East Lansing, MI 48824

STEP 13

AP processes invoice payments

- AP typically processes invoices within one week of receipt, and then a payment request (PREQ) is created in KFS against the PO. The PREQ is routed to the account FO for approval.

- When the PREQ is approved, it's routed to the pre-disbursement processor (PDP) for payment.

Payment Auto-Approval: If the FO (or delegate) does not act on the PREQ within five days of the create date, the financial system will auto approve. However, special circumstances may override the auto-approval, such as construction or complex purchases. Departments can also request the auto-approval function be removed by adding a note to the original requisition.

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STEP 14

Supplier receives payments

- Payment is sent to the supplier.

- Suppliers are encouraged to enroll in Paymode-X®, a service offered by Bank of America Merrill Lynch, to receive electronic payment rather than printed checks.

Benefits of Paymode-X®
- Saves time and money
- Robust reporting
- Multiple layers of security

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STEP 15

PO status set to "close"

- When all the conditions specified by the PO have been satisfied, the status is changed to closed, and the process is complete.

- Financial document preparers can close their own purchase orders—once payment has been made—without Procurement staff involvement. Closing a purchase order indicates that all encumbrances should be removed and no further payment can be made against the PO. <u>View instructions for closing a PO in KFS</u>.

STEP 16

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Reminders

- A purchase order is a contract between MSU and a supplier who will provide specific goods and/or services to MSU.

- Purchases made from Spartan Marketplace, University Stores, shop.msu.edu, and other internal sources do not require a requisition to be submitted.

- Much of the information found in the PO will be pulled from the original requisition—so be thorough!

- Suppliers should send invoices to Accounts Payable directly.

- Employees can close POs once payment has been made, removing all encumbrances.

Any documents associated with the PO can be found in the View Related Documents tab.

The View Payment History tab shows detailed information about any payments that have been made against the PO.

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Manual of Business Procedures

74 INVOICE PROCESSING

76 INDEPENDENT CONTRACTORS

220 UNIVERSITY STORES AND LOGISTICS DIST.

224 CAPITAL ASSET MANAGEMENT

270 PROCUREMENT

271 PCARD

320 LEASE PURCHASE AGREEMENTS

325 MAIL AND POSTAGE CHARGES

MBP: ctlr.msu.edu/combp/ or upl.msu.edu/mbp

Thank you!

Questions? Contact us!
(517) 355-0357
upl.msu.edu

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