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Purchasing Process

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PURPOSE:

- To create uniformity in policies and process throughout the entire company purchasing practices
- Department will have a complete understanding of status definitions and when to utilize them
- Utilize this SOP as a training tool for any new team members added to this department

RESPONSIBILITY OF:

The Director of Procurement is to implement and enforce this process. The Procurement Team must adhere to and not deviate from this SOP.

SECTION 1: WAITING PARTS

Waiting Parts, definition: The status assigned to a work order when parts need to be ordered or price-quoted. The model, pictures, serial numbers, part numbers, and any other pertinent information must be supplied by Technicians.

1. We review the call slip and process accordingly, if it can not be processed at that time, a priority is assigned to the work order as follows:
   - #2 Part numbers or more information are needed
   - #3 Part numbers supplied and verified, just need to be processed
   - #0 Procurement Department has not looked at the call slip yet
2. If the part numbers are in “notes” of the work order, or the part has been identified and the total is under $ NTE (based on contract and customer and business rule), the parts can be ordered immediately.
3. If the total work order total is over $ NTE, a quote needs to be generated.
   **All client sites should have NTE entered when applicable. **
4. Any parts that are not in “SAMPRO”, will require a inventory item be created in the system to identify the part for inventory and reordering purposes.
5. Parts will be sourced with a minimum of two vendors. We are looking for the best price, availability, and distance within needed shipping parameters.
6. When there is no sufficient information given to assure the proper part is ordered (model, serial#, photo etc.), and the techs have to go back to obtain more information, then the status is changed to **“re-schedule”**, an e-mail is sent to Dispatch and the Field Service Manager. The Technician should be contacted by phone or text.
7. Any part that is waiting on information from a Technician or Manufacturer, should have its status changed to “waiting paperwork”, and contact the techs right away by calling and then Email with Text message copy to the field service manager. If no

response is given, then the service manager will be con tacted and VP of service been copied. It is Field Service Managers' responsibility to follow-up and get answer for Procurement department.

SECTION 2: PARTS ORDERED

Parts Ordered, definition: When a purchase order (PO) has been created and sent to the supplier

1. Creating a Purchase Order (PO):
    - If not a quote, the Purchase Order is created through the "PO module".
    - If a quote, the Purchase Order will be created with the "Quote manager" in SAMPRO
2. Upon completion, the purchase order is then sent to the specific supplier via e-mail, fax or an on-line entry.
3. The ETA (Estimated Time of Arrival), must be entered on the work order. If the ETA is changed by the supplier, it is important to the entire process that this date is as accurate as possible and updated.
4. For core vendors, if the parts are in stock we will use ETA time: 19:00 PM to show there is less risk with the ETA date for advance scheduling purpose.
5. We will continue to measure Vendor performance and base on improvement we will add more vendors to the core vendor list.
6. If any Vendor get back to us with the ETA date, we will use their Date and use 19: 00 PM to show we are more certain with the date and hold vendor accountable for their promises.
7. We will use ETA time: 01:00 AM to show we are less certain of the ETA Date.
8. When we change ETA date to another date, if the updated Date is more than 2 business day away from the latest "WaitDisApprovl" schedule Date we do not need to send an Email to notify CS. If less than 2 business days, an email with be sent to LC@wearetheone.com.
9. Any parts that are back-ordered, requires an e-mail to be sent to the appropriate service department.

10. All subsequent updates to the ETA are to be entered into the scheduled date on the work order as requested/promised on the purchase order. Continued communication via e-mail is to be sent to the Service Department. The package tracking number should be entered into the “notes”, too.
11. On the rare occasion that the supplier is unable to give an ETA with a legitimate reason, post the ETA 5 days from the order date, enter a note on the work order and notify Service via e-mail.

SECTION 3: QUOTE APPROVED

Quote Approved, definition: When the customer “signs off” on a given quote, or when the total parts needed are under $NTE and can be ordered automatically.

1. A purchase order for the parts is created for the approved quote in the “Wizard”, or if the parts are in stock they can be pulled from inventory.
2. An approved quote that is under $NTE is marked as such in the system and ordered the same or following day.
3. Parts that are in stock must be pulled at the end of the day.

SECTION 4: ON BREAK

FOR NEW YORK AREA:

On Break, definition: Parts are designated as such when a job is canceled, a particular part(s) are not used on the job assigned, or the wrong part was ordered.

1. The **“On Break”** status can be entered on a work order by the Logistics Coordinator Department or the Procurement Department. A note must be added to the work order to outline why it has been marked “on break” and for what items by the person who puts it on break.
2. If the Parts Department adds a line **“On Break”**, the part is removed from the **call slip** and is entered into the Technician’s truck stock by the **“return to inventory button”.**
3. A note must go on the work order stating that the **“on break” parts** have been put into the truck inventory.

4. If replacement parts are needed, then the above procedure (1) for ordering parts is to be utilized.

5. Every week the Procurement Department must run an **“on break” report** for each division, by Technician. The Technicians, Service Managers and Field Service Managers must be notified of the job name, work order, and parts that have been put “on break” and need to be returned.

    - When technicians come in to a corporate facility or when a driver is scheduled to make a delivery to a tech, an updated “on break report” for that Tech should be run to assure that he gives back “ On Break” parts. The Team member checking the Technician, should also ask for any “on break” parts from the Technician.

6. When the part is returned, the “on break” line is removed from the work order and a note is added that the parts were returned to the warehouse.

7. The part must also be removed from the Technician’s truck stock and entered into the division’s “MAIN” stock location or “returns” location.

8. If the part needs to be returned to the supplier, the Return Specialist must request an **RMA (Return Merchandise Authorization),** from the vendor. Once the RMA is received, the part can be given to the warehouse for shipping and a credit PO is entered into the system.

    - Under no circumstance should the “on break” line be deleted if the part has not been returned to the Returns Department.

FOR OUTER MARKETS:

On Break- definition: Parts are designated as such when a job is canceled, a particular part(s) is not used on the job assigned, or the wrong part was ordered by purchasing and/or the Technician.

1. The “On Break” status can be entered on a work order by the Dispatch Department or the Procurement Department. A note must be added to the work order to outline why it has been marked “on break” and for what items by the person who puts it on break.

2. If the Parts Department adds a line “On Break”, the part is removed from the call slip and is entered into the Technician’s truck stock by the “return to inventory button”.

3. A note must go on the work order stating that the “on break” parts have been put into the truck inventory.

4. If replacement parts are needed, then the procurement department will take the necessary steps to re-order the correct parts.

5. Every week the Returns Department must run an **“on break”** report for each division, by Technician. The Technicians, Service Managers and Field Service Managers must be notified of the job name, work order, and parts that have been put “on break” and need to be returned.

   - The returns manager will contact the technician via phone or email regarding each “on break” work order, to confirm the location of the part (in their truck or at the local corporate facility).
   - If the part was purchased locally, the technician will be instructed to return the part to the local supply house and email a copy of the receipt to the returns manager. At this time, the returns manager will enter a Credit PO for the return.
   - If the part requires shipping to be returned, the returns manager will request an **RMA (Return Merchandise Authorization)**, from the vendor. The returns manager will also obtain a return shipping label from UPS. Both the RMA and shipping label will be sent to the technician, via email or the US Postal Service.
   - Once the documents are received, the technician will drop the part off at the local UPS store and notify the returns manager that the part has been returned.

6. At this time, the “on break” line is removed from the work order, and a Credit PO is created. A note should be added that the part was returned referencing the Credit PO number.

   - Under no circumstance should the “on break” line be deleted if the part has not been returned or restocked.

SECTION 5: PARTS NEEDED WARRANTY

1. When a request for service is received, the customer service team will ask the client if the equipment is under warranty as part of the call script.

2. The technician put in the notes with the model, serial number, part number and pictures to verify if the piece of equipment being worked on is in fact under warranty.

3. In certain situations, the technician may call the manufacturer direct to obtain authorization.
4. Once warranty info is verified, the procurement department will check stock in the warehouse for the needed part. If not in stock, the below procedure must be followed:
    a. Put the word WARRANTY or (WTY) in the PO Description of the Purchase Order and add the word WARRANTY in the part description
    b. Fill out a warranty tag with the following information: site name, call slip number, manufacturer. This tag will then be put into a folder in the Warehouse in the receiving area, in alphabetical order by site name.
    c. The parts dept. will type into the work requested field of the work order the following: “WARRANTY PARTS MUST BE RETURNED”.
    d. The tag will remain in the warehouse folder, until the part arrives and is received by the warehouse. At this time, the warehouse will attach the warranty tag to the part and add the techs name to the tag. The receiver will also remove the white copy of the tag and give it to the Warranty Dept.
    e. When the job is scheduled, the dispatcher will send a screen shot of the work order to the Technician and the Warranty Department notifying them when the job is scheduled to be done and reminding them that it is a warranty job and that the part must be returned.
    f. When the job is complete, the dispatcher or biller will move the call slip to the appropriate warranty board for billing. He/she will also add an “on break” line to ensure the part is returned to the office and add a note stating that the call slip is on break for warranty parts that need to be returned.
    g. Every afternoon “on break” reports will be run for any tech who will be receiving parts jobs. The on break report lists all parts that need to be returned, warranty or not, thereby increasing the efficiency of the return process.
    h. Field Technicians will organize their trucks daily grouping together all parts (warranty or not) that are required to be returned to the office.
5. If the part is found NOT to be under warranty, procurement will e-mail the corresponding service department to alert them of the fact and will then follow set process in this SOP for parts needed.

SECTION 6: WARRANTY BILLING & COLLECTIONS

PURPOSE: To explain the procedure of processing warranty invoices from job completion to payment from the manufacturer.

RESPONSIBILITY OF: The Warranty Manager

1. **Processing Invoices**
    - When a warranty job is completed, the status is changed to invoice ready and set to the appropriate Warranty board (i.e. ALSWTY, REFWTY, DC-WTY, etc).
    - The Field Technician is responsible to return all defective warranty parts to the respective warehouse
    - The Field Technician is responsible to submit pictures or completed forms as deemed necessary by the scope of work per the manufacturers guidelines by attaching them to the call slip or emailing them to the Warranty Manager
    - The Warranty Manager edits each call slip listed on each respective warranty board, specifically the work description, labor hours, travel, mileage, freight, parts, parts handling, as described in the contract and/or guidelines provided by each manufacturer. Once the editing is complete, the Warranty Manager posts the invoice
    - Once the invoice is posted, the warranty administrator will submit the invoice to the manufacturer as instructed, along with all necessary pictures and completed forms, via the mail, email or by logging onto to an online warranty site as specified by the manufacturer to upload all of the claim information
    - Invoicing will be done every day to strive for posting date within 48 hours of the work completion date
2. Processing Warranty Parts
    - All warranty parts are to be held in a staging area in the warehouse sorted by manufacturer.
    - Upon submitting the claim to the manufacturer, parts deemed necessary for return are to be shipped (at our expense) back to the factory for inspection. If an RMA number is required, the Warranty Manager is to obtain this number before

shipping the package. Once the part(s) have shipped, a copy of the packing slip with the UPS tracking number is to be scanned and attached to the call slip by the shipping dept.

- If a part is not required for return, it is to be held in the warehouse until the invoice has been paid in full by the manufacturer. Once an invoice has been paid, the defective part can be discarded
- Left over defective parts are to be reviewed on a monthly basis to check whether the invoice has been paid and processed with the accounting department

Branches

- The branches should hold all warranty parts at the warehouse sorted by manufacturer.
- The Warranty Manager will send an email to the Warehouse Manager if a part needs to be returned, supplying any necessary paperwork, RMA #s, and shipping information
- Once the warehouse ships the part, a copy of the packing slip with the UPS tracking number is to be scanned and attached to the call slip by the shipping dept.
- On a monthly basis, the warehouse manager may submit a list to the Warranty Administrator of any parts left over in the warehouse. The Warranty Administrator will check the payment status of the invoice and advise whether the part can be discarded

3. Collections

- The Warranty Manager is to print an accounts receivable report for each warranty A/R client monthly. Any invoices that are over 30 days past due are to be reviewed with the manufacturer.
- If more information is required by the manufacturer, the warranty manager is to provide the information within 10 business days.
- If a manufacturer refuses to pay for an invoice, or will not pay the full amount invoiced, the Warranty Manager should review the invoice for potential billing errors. If no errors are found, and the warranty manager deems the invoice

should be paid as is by the manufacturer, the Service Manager is to be alerted immediately.

SECTION 7: PURCHASING PROCEDURE WHEN USING COMPANY’S CREDIT CARD

When Techs go to supply house and buy parts to finish a job the same day.

- They must call into the Parts department and request a Blank PO before he goes.
- They must submit the receipt to Parts Department before they leave the supply house.

It is company’s policy that if the tech failed to send the receipts on time, he will not be allowed to buy anything on company’s credit card next time. And it is service managers’ responsibility to make sure their Techs are following the procedure.

SECTION 8: CREDIT PURCHASE ORDER PROCESS

PURPOSE:

- To outline the process of creating a credit purchase order
- To outline the process of ensuring that credit purchase orders are vouchered within 60 days of return

RESPONSIBILITY OF: The Return Manager

Section 1: Creating a Credit Purchase Order

- A credit purchase order is to be created when a part is returned and credit is due from the vendor
- If the part is still attached to the work order, a credit purchase order can be created from the work order
- The PO Description must say “Credit Due”.

- If the part has been transferred off the work order into another location, a new credit purchase order must be created, citing the location it is currently in as the location ID. In this scenario, the work order number and RMA number should be cited in the PO Description. In the work order, a note must be added citing the Credit Purchase Order number. The promised date is to be set for 30 days from the ship date or return date

Section 2: Following Up on Credit Purchase Order

- Weekly, the returns manager will run a report of all open credits purchase orders, filtered by the description of “Credit Due”.
- The responsible party will then follow up with the vendor for the pending credit that have not been received by the promised date.

Section 3: Accounting and Credit Purchase Orders

- When the accounts payable department is processing a check to pay a vendor, they will run the “Report Outstanding Credit PO” report for that vendor. This report will show any unvouchered credit purchase orders.
- If the vendor owes us an overdue credit (30 days from ship date), accounting will email the responsible party to follow up on the credit purchase order with the vendor. Accounting personnel can also inform the vendor receivable department that they are holding back payment on specific invoices because the parts were returned (to minimize risk of credit hold due to lack of communication) and credit has not been received.