PROGRAM TITLE

PROCUREMENT OF MATERIALS AND SERVICES

PROCESS TITLE

Purchasing of Materials

1. SCOPE

This policies and procedures manual establishes policies, systems, procedures and controls on procurement of materials and supplies. All duties and responsibilities stated in this manual are not exclusive to the personnel’s designated responsibilities in this process title.

1. OBJECTIVES

* To ensure that purchases are properly authorized and done using proper procedures.
* To ensure that purchases of materials and supplies are ordered as necessary for the proper conduct of the business operations and are ordered from suitable, approved suppliers.
* To ensure that proper documentation is established in the purchasing process.
* To clearly define the duties and responsibilities of all personnel involved in this process title.

1. PERSONNEL INVOLVED
   1. User Department / Requisitioner
      1. Requests materials and supplies through the preparation of Materials / Services Procurement Requisition Form (MSPRF).
      2. Prepares the budget for office materials and supplies used in the department’s operations.
   2. Purchasing Staff
      1. Acknowledges the receipt of the MSPRF.
      2. Prepares the Purchase Order (PO) and signs the “Prepared by” portion.
      3. Forwards duly filled out PO to appropriate signatories for approval.
      4. Regularly monitors and follows-up undelivered orders from suppliers.
   3. Canvasser
      1. Performs canvassing of requested materials and supplies from at least three (3) suppliers.
      2. Inputs the canvassed items into the ABAS for the preparation of the Canvass Report (CR).
      3. Forwards duly filled out CR to the appropriate signatories for approval.
   4. Department Manager
      1. Verifies/notes the following documents: *(refer to* ***section V.I.1,*** *page 8)*

* MSPRF
* CR
* PO
  + 1. Approves the following documents: *(refer to* ***section V.I.1,*** *page 8)*
* MSPRF
* CR
* PO
  1. Department Supervisor
     1. Verifies/notes the following documents: *(refer to* ***section V.I.1,*** *page 8)*
* MSPRF
* CR
  + 1. Recommends PO to appropriate approving officer. *(refer to* ***section V.I.1,*** *page 8)*
  1. Vice President (VP) – Approves the MSPRF, CR and PO. *(refer to* ***section V.I.1,*** *page 8)*
  2. Senior VP / President – Approves the MSPRF, CR and PO. *(refer to* ***section V.I.1,*** *page 8)*

1. KEY TERMS
   1. *Emergency Requests* – This pertains to level of priority of the request wherein the procurement of the materials and supplies is deemed necessary to prevent loss of life, properties or stoppage of operations.
   2. *Free on Board (FOB) Shipping Point* – This means that the buyer takes ownership of goods being shipped to it by a supplier once the goods leave the supplier’s shipping dock. Since the buyer is undertaking the risks and rewards of ownership, which occurs at the point of departure from the supplier's shipping dock, the buyer should record an increase in its inventory.
   3. *FOB Destination* – This means that the buyer takes ownership of the goods being shipped to it by a supplier once the goods arrive at the buyer’s receiving dock (i.e. warehouse). The buyer should record an increase in its inventory at the point of arrival of the goods at its receiving dock.
2. POLICIES
   1. **General Policies**
      1. Proper segregation of duties should be considered and implemented. As a minimum requirement, “approval”, “custody”, and “recording” functions should be segregated. Thus, management should make sure that an employee is not allowed to perform these functions all on his own.
      2. Business forms shall be duly filled-out and signed by designated signatories. Any details/signatories which are not applicable must be duly indicated with “N/A”.
      3. Alterations, if any, in the business forms shall be duly countersigned.
   2. **Purchase Requisition**
      1. A Materials/Services Procurement Requisition Form (MSPRF) shall be prepared for purchases not covered by the Revolving Funds (RF).
      2. Materials and supplies should be requested initially to the Warehouse Department using the Materials Requisition Slip (MRS). However, if the materials are not available at the warehouse, the Warehouse Department shall request for the procurement of the requested items using the MSPRF.
      3. The MSPRF shall be sequentially numbered upon receipt of the request by the Purchasing Department.
      4. The level of priority of the request must be indicated in the MSPRF. Description as to the level of priority follows:

|  |  |
| --- | --- |
| **Priority** | **Time Needed from Date of Receipt of Request** |
| Emergency | Within 24 hours |
| Regular – High | Within 3 working days |
| Regular – Medium | Within 7 working days |
| Regular – Low | Within 10 working days |

Emergency pertains to a level of priority wherein the request is deemed necessary to prevent loss of, or danger of life and/or property, and/or stoppage of operations.

* + 1. Time frame for the processing of requisitions by Purchasing Department should not exceed at most ten (10) days from receipt of the said requisition.
    2. If requested items, after canvassing, reveal individual prices below P2,000 (maximum amount for RF disbursements), the request shall still be processed under PO process. However, the payment (APV) may be accumulated until the amount payable reaches the minimum requirement of P2,000 or upon arrival of the due date of the account. *(See Annex A)*
  1. **Sourcing and Accreditation of Suppliers**
     1. When available locally, materials and supplies shall be purchased from local suppliers, unless buying from a foreign supplier is more practical and economical to the Company. For materials and supplies sourced from foreign supplier, refer to process title *“Importation Procedures”*.
     2. Additional alternative sources for critical materials shall be identified by the Purchasing Department to ensure that the materials are readily available. They shall also assist in finding substitute materials for cost considerations.
     3. The criteria and procedures on the accreditation of the suppliers shall be under the responsibility of the Purchasing Department in coordination with the other departments for the examination of the technical and regulatory aspects of the supplies being provided. However, accreditation documents shall be kept by the Purchasing Department.
     4. Accreditation of suppliers shall be conducted at least once every three (3) years to update the supplier’s capability, reliability and financial information.
     5. New suppliers shall provide Supplier Accreditation Form and attach the necessary documents as stated in Requirement for Supplier Accreditation Form.
     6. If necessary and practicable, visitation and ocular inspection of the supplier’s place of business may be conducted. Moreover, interviews and surveys may be provided to the supplier’s existing customers for third party confirmation of the supplier’s quality of materials and supplies offered.
  2. **Canvassing**
     1. The manner of canvassing shall be as follows:

|  |  |
| --- | --- |
| **Requested Items** | **Manner of Canvass** |
| Below P10,000 | Verbal / Phone Canvass |
| P10,000 and above | Written Open Canvass |

1. *Verbal / Phone Canvass*

Canvass of prices may be done by taking quotations from suppliers through the phone. However, written quotation shall still be secured. Moreover, the canvasser shall note down the phone numbers of the suppliers in the Canvass Sheet for ready reference.

1. *Written Open Canvass*

Written quotations shall be solicited by the Purchasing Department from the suppliers.

* + 1. Quotations shall be taken only from accredited suppliers. If the items are not available from accredited suppliers or if it’s too costly, quotations may then be secured from other sources but such shall be justified.
    2. Prices of repeat orders shall be verified from the supplier. The canvasser shall confirm if the prices and terms offered by the supplier have not changed. Prices of repeat orders shall be valid for a period of 60 days until a new written canvass shall be prepared.
    3. The Purchasing Department shall endorse the selected quotation based on price, product quality, compliance to requisitioner’s technical specifications, timeliness of delivery and the suppliers’ after-sales services. The selected quotation shall be approved by the authorized approving officer *(refer to* ***section V.I.1,*** *page 8)*.
    4. Canvass shall be made for each item requested.
    5. In cases when purchases are awarded to a supplier that does not offer the least possible cost, justification should be indicated in the “Remarks” portion of the canvass report.
  1. **Specifications**
     1. Specification requirements should be clearly indicated by the requesting department/personnel. For highly technical products, the requesting department/personnel shall be consulted as to what to be purchased. If necessary, sample of the items requested may be provided. However, the Purchasing Department shall be responsible for the actual purchase of the item(s) based on an approved Purchase Order.
     2. The Purchasing Staff shall stick to the end user’s specifications. If the items requested are not available in the market or such is excessively expensive, the end user shall be informed outright. However, if the items requested are very important for the Department to operate and not to incur delay in operations, such matter shall be brought to the attention of the Vice President who shall make the final decision.
  2. **Mode of Purchase**
     1. *Bulk Purchase*

Bulk purchases refers to the purchase of materials, supplies and spare parts that are regularly used for operations at a volume.

* + 1. *Individual Purchase*

Individual purchase refers to the purchase of materials, supplies and spare parts as the need arises.

* + 1. *Negotiated Purchase*

Negotiated purchases involves the supply of a single order or one-time purchase. Purchases shall be negotiated only under the following cases:

1. *Requisitioned materials and supplies are sold by an exclusive distributor or manufacturer*

Purchases may be negotiated when the items are available only from an exclusive dealer or manufacturer who does not have sub-dealers for which there are no suitable substitute for such items.

1. *Failure of canvass*

Canvass is considered unsuccessful when the purchase is not awarded to a supplier after at least two (2) consecutive canvasses were made. This may be due to the excessive quotations, insufficiency of suppliers or when the materials do not conform with the end-user’s specifications.

1. *The items are urgently needed or the repair cannot be delayed.*

A purchase of materials and supplies may be negotiated when the items are needed for emergency that may involve loss of, or danger of life and/or property.

1. *Negotiated purchase is beneficial*

Purchases may be negotiated when it is most advantageous to the Company, as recommended by the Purchasing Department Head.

A continuous line of supply for a specified period may be negotiated with a supplier provided that product quality, timeliness of delivery, price and after-sales service meets the requirements of the Company. This shall be made at the recommendation of the Purchasing Department.

* + 1. *Contracted Purchase*

Purchases of materials, supplies and spare parts may be contracted when these shall be used for a specified duration or at a specified volume. A canvass from at least three (3) supplies may be taken to avail of the best terms and prices. These shall be recommended by the Department Manager and approved by the President.

* 1. **Purchase Order (PO)**
     1. When processing PO, Purchasing Staff must indicate whether the supplier is vatable, non-vatable, vat-exempt or zero-rated. By doing so, the Accounting and Finance Departments can determine the kind of payments needed for the processing of the payments.
     2. When processing PO, Purchasing Staff must indicate whether the supplier is subject to expanded withholding taxes to assist the Accounting Department in the processing of payment and BIR forms (i.e. BIR Form 2307).
     3. One PO shall be prepared for every supplier.
     4. POs shall be based on duly approved MSPRF and Canvass Report.
     5. The details of the PO, MSPRF, CR and the RR must be the same and with no deviations.
     6. PO must be pre-numbered and issued/printed sequentially.
     7. Cancelled PO forms shall be properly marked “CANCELLED” and all copies shall be attached thereto. These shall be filed together with the Purchasing Department’s filing of PO.
     8. Delivery terms must be clearly indicated in the PO. Furthermore, it must be clearly indicated if the delivery is FOB Shipping Point or FOB Destination. Moreover, the estimated time of delivery must be duly indicated in the PO.
     9. When the ordered goods are to be partially delivered as agreed with the supplier, this must be duly indicated in the PO and communicated with the Warehouse Department.
     10. If purchases are on account, the credit terms must be clearly stated in the PO.
     11. Suppliers shall be notified periodically regarding officers who are authorized to issue PO of specific commodity groups.
  2. **Monitoring**
     1. Analysis on cost trends shall be prepared by the Purchasing Department. They shall maintain the record and prepare reports on the following:
* List of all accredited suppliers, specifying their products and this is to be classified as active or inactive
* Historical price records, particularly on fast moving items
* List of alternative suppliers and substitute materials
* List of suppliers classified per commodity group
* Monthly Price Variance Report
* Supplier Performance Report, prepared annually, particularly for major suppliers
* Complete suppliers’ information (i.e. TIN, address, contact details, authorized representatives, etc.)
  + 1. The Economic Order Quantity and Reorder Point shall be determined by the Purchasing Department in coordination with the Warehouse Department.
    2. A monthly report shall be prepared by the Purchasing Department for all purchases that bypass standard procedures stated in this manual. A copy shall be furnished to the President and Senior Vice President (SVP) for evaluation.
  1. **Signing Authorities**
     1. Forms signing authority matrix follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Form** | **Amount Range** | **Prepared by** | **Verified by** | **Approved by** |
| Materials/Services Procurement Requisition Form (MSPRF) | P50,000 and below | Requisitioner | Department Supervisor | Department Manager |
| Above P50,000 to P150,000 | Requisitioner | Department Manager | Vice President |
| Above P150,000 | Requisitioner | Department Manager | SVP / President |
| Canvass Report (CR) | P50,000 and below | Canvasser | Purchasing Supervisor | Purchasing Manager |
| Above P50,000 to P150,000 | Canvasser | Purchasing Supervisor | Vice President |
| Above P150,000 | Canvasser | Purchasing Supervisor | SVP / President |
| Purchase Order (PO) | P50,000 and below | Purchasing Staff | Purchasing Supervisor | Purchasing Manager |
| Above P50,000 to P150,000 | Purchasing Staff | Purchasing Manager | Vice President |
| Above P150,000 | Purchasing Staff | Purchasing Manager | SVP / President |

* + 1. The Department Manager/Supervisor shall be construed as to whom the requisitioner is reporting to. However, managers of other departments may approve requests of other departments whenever the concerned department manager is not around provided that the concerned department manager shall communicate to the signing department manager prior to approval.
    2. In the absence of the SVP / President due to out of town trips or leave of absences, an authorized personnel may approve/sign the MSPRF, CR and PO with prior written approval from the SVP / President.
    3. All CRs which amount is higher than P100,000 must pass through and countersigned by the VP prior to its submission to the SVP / President’s office for approval.
    4. All CRs shall be confirmed and countersigned by the canvassing officer.

1. PROCEDURES

| Materials Requisition | | | |
| --- | --- | --- | --- |
| Step No. | Activity | Personnel  Involved | Business  Forms |
| 1 | Prepares the Materials/Services Procurement Requisition Form (MSPRF) in two (2) copies to formally request for materials and supplies.  Distribution of the MSPRF is as follows:  MSPRF 1 – Accounting Department  MSPRF 2 – Requisitioner | User Department / Requisitioner | Duly filled out MSPRF |
| 2 | Forwards the MSPRF to the appropriate verifying officer. | User Department / Requisitioner | Duly filled out MSPRF |
| 3 | Verifies the MSPRF. | Verifying Officer | Verified MSPRF |
| 4 | Forwards the verified MSPRF to the appropriate approving officer. | User Department / Requisitioner | Verified MSPRF |
| 5 | Approves the MSPRF. | Appropriate Approving Officer | Approved MSPRF |
| 6 | Forwards duly approved MSPRF to Purchasing Department for processing of request.  Files one copy of the MSPRF numerically. | User Department / Requisitioner | Approved MSPRF |

| Canvassing of Suppliers | | | |
| --- | --- | --- | --- |
| Step No. | Activity | Personnel  Involved | Business  Forms |
| 1 | Canvass of prices/quotations is conducted from at least three (3) suppliers.  After the canvass, a final choice is made as to where to purchase the products. The supplier that offers the right quality at the lowest costs possible shall be selected as the final choice. If the supplier with the lowest cost was not chosen, justification thereof should be indicated in the CR. | Canvasser |  |
| 2 | Input the details of the canvassed prices/quotations in the ABAS for the preparation of the Canvass Report (CR) in two (2) copies.  Distribution of the CR is as follows:  CR 1 – Accounting Department  CR 2 – Purchasing Department | Canvasser | CR |
| 3 | Forwards duly filled out Canvass Report to Purchasing Supervisor for verification. | Canvasser | Duly filled out CR |
| 4 | Verifies CR. | Purchasing Supervisor | Verified CR |
| 5 | Forwards duly verifies CR to the appropriate approving authority. | Canvasser | Verified CR |
| 6 | Approves CR.  If the CR is not approved, Canvasser either re-canvass from other supplies or comply with the conditions set by the approving officer. | *Refer to* ***section V.I.1,*** *page 8* | Approved CR |
| 7 | Forwards duly approved CR to Purchasing Staff for the preparation of the Purchase Order (PO).  Files one copy of the CR numerically. | Canvasser | Duly approved CR. |

| Purchase Order Preparation | | | |
| --- | --- | --- | --- |
| Step No. | Activity | Personnel  Involved | Business  Forms |
| 1 | Receives duly approved CR and prepares three (3) copies of the PO.  The PO shall be distributed as follows:  PO 1 – Supplier  PO 2 – Accounting Department  PO 3 – Purchasing Department | Purchasing Staff | Duly filled-out PO |
| 2 | Forwards duly filled-out PO to appropriate signatory for approval.  If purchase amounts to P5,000 and below, Purchasing Supervisor shall sign the “Noted by” portion of the PO. If the PO is above P5,000, the Purchasing Manager shall sign the “Noted by” portion of the PO. | Purchasing Staff | Duly filled-out PO |
| 3 | Approves the PO. | *Refer to* ***section V.I.1,*** *page 8* | Approved PO |
| 4 | Receives duly approved PO. | Purchasing Staff | Approved PO |
| 5 | Send one copy of the PO to the supplier and another copy to the Purchasing Department. | Purchasing Staff | Approved PO |
| 6 | Informs the Requisitioner of schedule of delivery. | Purchasing Staff | Approved PO |
| 7 | Receive advise from end-user of delivery of ordered materials and supplies. | Purchasing Staff | Approved PO |

1. FLOWCHARTS
   1. Purchase Requisition



* 1. Canvassing



* 1. Purchase Order



1. BUSINESS FORMS
   1. Materials/Services Procurement Requisition Form (MSPRF)



No. of Copies/color - 2

Explanation - this form is prepared to indicate request of materials and supplies by the user departments which are not covered by the Revolving Funds

Prepared by - Requisitioner

Verified by - Department Supervisor

Approved by - Department Manager

Distribution - MSPRF 1 - Initially to Purchasing Department then forwarded to Accounting Department (attached to the CkV)

MSPRF 2 - Requisitioner

* 1. Open Canvass



No. of Copies/color - 1

Explanation - this form is used to obtain written quotations from suppliers

Sent by - Canvasser

Data provided by - Service Provider

Distribution - Purchasing Department (file per supplier)

* 1. Canvass Report (CR)



No. of Copies/color - 2

Explanation - this form is used to indicate the details of the canvassed items from at least three (3) suppliers. The final choice of supplier is indicated in the CR

Prepared by - Canvasser

Verified by - Purchasing Supervisor

Approved by - *Refer to* ***section V.I.1,*** *page 8*

Distribution - CR 1 - Accounting Department (attached to the CkV)

CR 2 - Purchasing Department

* 1. Purchase Order



No. of Copies/color - 2

Explanation - This is used to place orders with suppliers. This will serve as the suppliers’ authority to deliver the ordered items to the Company

Prepared by - Purchasing Staff

Verified by - Purchasing Supervisor

Approved by - *Refer to* ***section V.I.1,*** *page 8*

Distribution - PO 1 - Supplier

PO 2 - Accounting Department (attached to the CkV)

PO 3 - Purchasing Department (filed numerically)

* 1. Supplier’s Database



No. of Copies/color - 1 (white)

Explanation - This is used to store the pertinent details of the Company’s suppliers for materials and services

Prepared by - Purchasing Staff

Distribution - Purchasing Department

* 1. Purchase Monitoring System



No. of Copies/color - 1

Explanation - This system is used to monitor the purchases by the Company

Prepared by - Purchasing Staff

Distribution - Purchasing Department

* 1. Supplier Accreditation Form





No. of Copies/color - 1

Explanation - This is used to store information of prospective suppliers for accreditation.

Checked by - Purchasing Staff

Verified by - Purchasing Supervisor

Approved by - Purchasing Manager

Distribution - Purchasing Department (filed together with other required documents for accreditation of supplier)

* 1. Requirements for Supplier Accreditation





No. of Copies/color - 1

Explanation - This is used to list all required documents to be submitted by prospective suppliers to be subjected to accreditation.

Distribution - Purchasing Department (filed together with the Supplier Accreditation Form)

1. EFFECTIVITY

This Policies and Procedures Manual shall take effect upon approval and shall supersede any memorandum/SOP inconsistent with this Policies and Procedures Manual. Any changes to the manual shall comply with the policies and procedures indicated in the process title *“Amendment of Manual”*.

**ANNEX**

ANNEX A

Processing of Requests with PO below P2,000

