

2018

# PROCUREMENT POLICY



# PROCUREMENT POLICY AND PROCEDURE

## 1. Introduction:

In an effort to institutionalize best procurement practices YMCA has designed procurement policies and procedures to ensure timely, efficient and economical procurement, within the guidelines of its institutional practices. These procedures are established to make sure that procurement of supplies, materials, expendable property, equipment and services are obtained in an efficient manner and in compliance with the provisions of standardized and applicable statutes. Unless otherwise stated, this policy and other procedures will apply to all procurement related to the below;

- a. Funding source: An exception is granted when funding agency and YMCA's procurement practices are not compatible. In such situations, YMCA will negotiate with the donor or funding agency to accommodate some of its procurement policy measures in order to avoid non compliance issues. However, YMCA will also exert efforts to comply with some of the procurement policies and requirements of the funding agency or donor as necessary.
- b. Office Location: Procurement requirements will remain the same for both Monrovia and field offices regardless of whether the procurement is done in Monrovia or field based offices;
- c. Currency of payment and method of payment - YMCA Procurement can be done in both US dollars and Liberian dollars depending on the approved currency of a budget of a particular project/program or support line.
- d. Expense Report: Receipts for any expenditure made should indicate the currency. Additionally, the current exchange rate at time of procurement should be clearly indicated at the top right of receipt if cash expended is Liberian dollars.

## 2.0 Objectives

YMCA procurement policy applies to all purchase of goods and services. It is designed to meet the following objectives:

- To ensure that procurement of goods and services comply with requisitions, authorization and budget approvals;
- To institutionalize procurement systems for proper accountability of all purchases;
- To ensure that purchases are carried out in a cost effective manner;

- To institutionalize a control system that will facilitate speedy procurement and tracking measures to prevent fraud and financial loss to YMCA in any way.

### **3.0 Procurement Responsibilities:**

The members of the YMCA senior management team at the national headquarter and field levels have the overall responsibility for implementing these policies in their respective offices and locations with oversight supervision of the Finance & Administrative Director and National General Secretary. The Finance and Administrative Director has the responsibility to recommend to the National General Secretary, an update of the procurement procedure and policy of YMCA on periodic basis and the establishment of a committee to update the procurement policy as well as communicating of any change to all staff concerned in the Monrovia and field offices.

### **4.0 Procurement Contract:**

The procurement contract is an instrument designed and used for the acquisition, by purchase, lease or barter of property or services for the direct benefit of YMCA or for the use of the contractor or sub-contractor. Such instrument is explained and binding through the signing of contracts or subcontract agreements. Whenever YMCA requires technical or professional services or wish to purchase, lease or barter property or services, it will issue either a contract or sub contract through an agreement as applicable.

When services are provided as stated above, the requesting officer should complete a 'Service completion form' signed by him/her and also by his or her supervisor to ascertain satisfactory performance of tasks by contractor or consultant before any payment is authorized or made.

### **5.0 Code of Conduct:**

YMCA will institutionalize a policy that will guide employees and ensure adherence to a procurement code of conduct to avoid conflict of interest relating to actions or relationships with perspective vendors and contractors or consultants. This code of conduct is specified as seen below:

- a. A YMCA staff shall not engage in any conduct that will result in a potential conflict of interest. Any staff is known to be in a potential conflict of interest, when any action by him or her

whether isolated, recurring or continuous is to his or her direct financial advantage or to the advantage of his/her spouse, parent or child.

- b. No YMCA staff shall participate in the selection, final choice, or management of a contract if a real or apparent conflict of interest would be involved. Such a conflict of interest would arise when any employee or member of his or her family, his or her partner, or an organization to which any of the parties affiliate has financial or other interest in the selection process and/or contract.
- c. A YMCA staff shall not jeopardize the interest of YMCA or influence a decision for procurement because of receipt of gift as gratitude or because of favor, or anything of monetary value from a vendor, contractors, or parties of program

**Punitive Action:** As appropriate YMCA's Senior Management Team (SMT) will be responsible to determine disciplinary actions that will be imposed for any violation of code of conduct relating to procurement.

## **6.0 Quotations and Competitive Bid analysis:**

Quotations should be sought from two (2) or three (3) vendors depending on the total cost of the items to be procured.

The requesting staff will present a purchase request to his or her supervisor for review and initial approval.

The supervisor will further seek final authorization from the National General Secretary for procurement of goods or services.

Quotations should be sought for items which total cost is US\$50.00 or above.

Obtaining of 2 quotations: Quotations should be sought for items which total cost is not less than US\$50.00 and not more than US\$250.00

Obtaining of 3 quotations: Quotations should be sought for items which total cost is above US\$250.00

Proper authorization from the National General Secretary or line

manager must be sought for purchase orders and petty cash as applicable before the order is raised from a supplier.

Following the final authorization for procurement, the requesting staff will submit the approved purchase request to the Procurement Officer for him/her to obtain quotations and process purchase through a desk-bidding process. Afterwards, Items procured will be inspected by the requesting Section in order to make sure that specification and quality of requested items are ascertained.

Single sourcing purchases may be allowed when items or services fall under the following categories;

- Urgently required. Thus, upon documentary evidence that no other source exists for the immediate purchase.
- When the transaction is recurrent for which the price is same as the previous price and evidently unilaterally.
- When there is documented evidence that there is no other vendor providing such goods or services in the given locality or country.
- When the cost of the item is in the range of US\$1.00 to US\$49.00

Quotations should be analyzed in consultation with the user department and procurement committee as applicable in order to select the most suitable supplier based on quality and best quotes

Official purchase orders should be raised for values above fifty **US dollars (US \$ 50.00)**. Values below the above can be treated as petty cash to be paid through invoice entry.

Quotes can be obtained as verbal quotes or written quotes as specified below:

*Written Quotes:* Procurement unit must ensure that there is application of two quotes for purchases over US\$50.00.

*Use of competitive Bids:* YMCA will obtain competitive bids to the extent that it is practical and in accordance with good business practices. Consequently, the below guidelines have been established:

- a. From US \$1.00 to US\$49.00, obtain verbal quotes from at least two vendors. This purchase can be made through petty cash request.
- b. From US \$50.00 to US\$250.00 obtain written quotes from at least two vendors. This purchase has to be made through check requisition & payment.

- c. From US\$251.00 to US\$4,999.00, obtain written quotes from at least three vendors and preferably more whenever necessary. This purchase has to be made through purchase order followed by payment through check requisition after delivery of materials and receipt of payment invoice from vendor.
- d. From US\$5,000 and above, obtain written quotes from at least three vendors locally. However, the National General Secretary at this point can decide to obtain quotes from dealers abroad and either do an order or purchase locally.
- e. In the case where a procurement request is valued at more than US\$10,000.00, the National General Secretary shall establish a staff procurement committee to facilitate such procurement.

Additionally, YMCA will comply with any special competitive bidding requirements levied by a funding agency or donor.

## **7.0 Procurement Records:**

YMCA will maintain a procurement filing system for each procurement instrument generated. The accountant opens, updates and keeps a separate file for each procurement action of assets and materials. The procurement sections and field offices shall also maintain a procurement filing system as well as a register that will provide the following information:

- The procurement identification number, type, purpose specification and date of each procurement action.
- Signed copy of each procurement instrument.
- All amendments to the procurements
- Copies of proformas
- Copies of all bids and offers
- All purchase specifications including delivery requirements
- A price or cost analysis that was the basis for the award of price or cost
- As applicable, written justification as to why sole source or minimum competition was used.
- A written explanation as to why the winning contractor was selected and upon completion of the contract, written comments regarding the quality of the vendor's services, as well as guidance and recommendations regarding potential future works.

## 8.0 Pre-Numbered Purchase Orders (POs)

YMCA will use purchase orders to procure large quantities of office supplies and equipment. Purchases will be made for vendors offering the best value in price, support service, and delivery procedures. Additionally, POs may be used to procure services when it is deemed appropriate to set a fixed price for a service in which there is clearly defined output. These services may include: designers or printers for publications, photocopying, translating, computer specialists and repair, construction workers or maintenance contractors.

- a) **The PO will be used to:** Assure that prior to authorization a requisition has been obtained; proper documentation provided, description and pricing of goods or services are required; and identify that appropriate accounting codes are applied. All competitive sources should be given an equal opportunity to provide goods or services under a PO.
  - a. **YMCA will not use POs for :** Consultant services and subcontracts; travel advances and reimbursements; monthly or periodic bills such as telephone bills, utilities, equipment, leases, photocopy, maintenance, or items paid from petty cash.
  - b. **Preparing a PO:** This is the responsibility of the procurement officer in collaboration with the Finance offices in Monrovia or the field offices. The PO should clearly describe the items being purchased, the estimated purchase amount, the appropriate cost center and the purpose of purchase. For example - " Purchase of a pack of pen for Y's Men workshop in Lofa County (Oct. 2-6, 2009)" would be more complete information.
  - c. The Procurement Officer in Monrovia will be the assigned person responsible for the POs and copies can be obtained from him or her. A form will provide at least a minimum of the following information:
    - I. Basic vendor payee information
    - II. PO number and date
    - III. Detailed information concerning the specific item(s) to be purchased, i.e., quantity, number of units, catalog number, cost per item, total cost, or services to be provided, e.g., number of training days.
    - IV. The estimated delivery date
    - V. The estimated cost or the exact total cost (if known)

must be completed.

- VI. The nature of, or reason for the expense, e.g., for a particular conference or project etc.
  - VII. The name of the person initiating the purchase
  - VIII. The expense code and other fiscal information identifying where to charge the expense (cost center)
  - IX. The signature of finance department certifying availability of funds
  - X. Payment instruments; i.e., Reimburse, Vendor Way bill, Check Needed Date, Return Check To.
  - XI. If a check is needed by a certain date, that should be indicated.
  - XII. Contract provisions: - The appropriate contract provisions shall be attached.
- d. **Accounting Information:** The relevant Accountant must designate the proper account code to ensure that proper funding source is charged. The "proper account code" refers to the section and program and general ledger account (GLA) codes. The chart of accounts contains all coding information. If the items on a PO need to be allocated to more than one account code list all account codes with their corresponding cost amount.
- e. **Authorizing a PO:** It is the responsibility of the person preparing the PO to obtain the necessary authorizing signature(s) as mentioned above.
- f. **Fiscal Responsibilities – Paying the Vendor:** To process the vendor's invoice for payment, the preparer of the PO shall document and report receipt of the goods or completion of the services to the accounting department for payment. This requires attaching to the PO, documents such as invoices, receipts, packing slips and copies of correspondences or reports etc. Where appropriate, vendors should be asked to include the PO number on their invoices. The Finance section is responsible for effecting payment in accordance with the authorization and the payment terms agreed upon in the PO. The financial files shall contain:
- i. A copy of the PO;
  - ii. A copy of the contractor's invoice;
  - iii. A copy approval records by YMCA in agreement to pay invoice(s)



h) *Control of Pre-Numbered Purchase order Forms:* Pre-Numbered Purchase Order forms should be maintained in each field office. All POs are sequentially numbered, kept in a locked file and accounted for on a quarterly basis. POs that are unusable for any reason should not be discarded, but rather marked void and returned.

## 1. **Payments:**

Payment to suppliers or service contractors should be based on duly approved; suppliers invoice, official purchase orders and goods received note (GRN) and certificate of service when services are consumed. Advance or prepayment payments will be sanctioned when both buyer and supplier consent to that. Payments for utilities, fuel consumption and vehicle servicing will be reviewed and signed off by the National General Secretary who will then pass on same to the Procurement Officer for direct payment without recourse to official purchase orders. Payments should be effected when the items concerned are one-off items and where accredited suppliers are absent.

All procurement transactions conducted will be regulated by YMCA's policies and code of conduct. Any actual or perceived conflict of interest by any party involved in procuring items must be disclosed to one's immediate boss.

## **9.0 Basic Guidelines**

Step 1: Staff should discuss the need for items with their supervisors and heads of sections and programs.

The requesting staff section or program shall make their requests to the head of the section. A special professional advice, if necessary, shall be sought from Procurement authorizing parties. A special professional or technical specification should be provided by head of the team or section ordering item. The authorizing parties shall comprise of the national General Secretary, the Finance & Administrative Director and head of the section ordering items.

Step 2: Once the head of a section deems it necessary, the staff can raise a supply request. The staff can raise a supply request if items are available in stock.

Step 3: Items will be supplied once authorized. In a situation where

items requested on supply issued forms are not available in stock, the procurement officer will raise purchase requisitions for such items or for regular items to be procured on a monthly basis. The procurement Officer will prepare the purchase requisition form and the head of the department initiating the purchase will authorize a purchase by signing the form. Purchase requisitions are necessary for all items excluding services (which will be requested by filling a service request form, different from that of goods) with exception of tax, utilities and personal expenses. Thus, a purchase requisition form will be filled by user departments taking into account, but not limited to the following;

- a. Requesting staff
- b. Requesting Department,
- c. Date,
- d. Description,
- e. Quantity,
- f. Requested by,
- g. Approving authority
- h. Budgeted Amount,
- i. Expected Delivery Date
- j. Actual Delivery Date.

On the other hand, the request for services calls for the filling in of a form called 'service request form'. The information needed broadly include;

- (a) Requester details,
- (b) Service categorization,
- (c) Service details,
- (d) Authorization

Step 4: Approve purchase/service requests: - The requesting officer upon filling the purchase/service requisition forms seeks approval from the head of department or his/her delegated authority. Selection is made by the Finance & Administrative Director and the National General Secretary approves.

Step 5: Request for quotation: - The Procurement Officer will request for quotations for all items on purchase requisition. For repetitive or re-current purchases, it is obvious to procure from the previous supplier. It is best practice to find alternative suppliers in the market before placing order from previous supplier. On the other hand, invite quotations from three (3) suppliers if available for transactions. The YMCA will also enter into supply contracts with vendors for recurrent purchases to avoid repetitive processes.

Step 6: Analyze quotations (Bids Analysis): - The procurement Officer receives and analyze quotations in consultation with the user department and other interested parties to select the most suitable supplier based on the best quotes and quality of products. In the case of a purchase with value over US\$10,000.00, the final selection is left to the Procurement Committee. The best quote includes quality, delivery date, conformance to specification and price. Quotes on fixed assets and technical items should be referred to the requesting officer to ascertain the correctness of the specifications before a choice of the appropriate supplier is made. The selected supplier should be invited for discount negotiation if possible and where appropriate.

Step 7: Raise official purchase order: - The Procurement officer will raise official purchase order on the selected supplier. This will be done on a form for endorsement by the Finance & Administrative Director and the National General Secretary.

Purchase orders will be raised for expenses above fifty US dollars (US\$50.00) and values below this threshold will be treated as petty cash purchases to be approved by Finance & Administrative Director or National General Secretary.

Step 8: Item delivery & stocking

Step 9: Once the items are delivered, a goods received note (GRN) should be prepared.

*Goods receipt:* A good receipt note should be filled in all instances for goods received under which official purchase order was raised. The information needed on the goods received note (GRN) include the following;

(a.) Supplier's name, (b) Supplier's invoice number, (c) Order reference number, (d) Date of delivery, (e) Waybill number, (f) Description, (g) Quantity, (h) Unit price, (i) Amount, (j) Authorization.

\*\*\*\* For services, a service completion form will be prepared by the user department as evidence of satisfactory performance and recommendation to pay. The information on the service completion form will be a brief description of the service and signature of authority.

\*\*\*\* Goods return: - when items received do not meet specifications, they are rejected and returned without accepting them. Where such items are accepted and if the fault is considered a minor one and there

is a critical need for such items, the approval of the departmental head must be obtained. However, if items are already accepted into the store in error, a goods return/issue slip is printed and issued when returning such goods by stating the original PO.

## **10.0 Support Documents**

The following support documents are used in relation to policies and procedures of procurement.

### **Attachments (Procurement forms)**

- A) Purchase Requisition/Service Request
- B) Request for Quotation
- C) Bid Evaluation (evaluation of costs/prices)/Check requisition for cash payment
- D) Bid Evaluation (evaluation of costs/prices)/Official Purchase order for item delivery
- E) Official Purchase Order/Check requisition
- F) Goods Received Note (GRN)/ Work/Service complete/Certificate

## **B. INVENTORY CONTROL**

YMCA has re-engineered its inventory control system to include transparent and accounting measures to track supplies/stock in and supplies issued out of the store or supply room. It tracks usage of items procured with company's money. YMCA will ensure a monthly inventory record of all items received in store and that the receipt of the items into YMCA headquarter or field offices is verified by goods received note.

*Goods Entry:* Purchased goods must be thoroughly inspected by an independent third party who should prepare the goods received note (GRN) as evidence of inspection and receipt. This should not include services such as consultancy, taxes, utilities and personal expenses. Heads of Section are also to certify the quality of services rendered by contractors by signing as evidence of the service rendered as satisfactory.

*Goods Return:* When items received do not meet specifications, they are rejected and returned without accepting them. Where such items are accepted and if the fault is considered a minor one and there is a critical need for such items, the approval of the section head must be

obtained. However, if items are already accepted into the store in error, a goods return/issue slip is printed and issued when returning such goods by stating the original PO (Purchase order).

The Procurement Officer will do the following to facilitate a smooth inventory process

- Stock goods properly on shelf.
- Set items up in a 1<sup>st</sup> in 1 out basis.
- Distribute older stock first
- If damage occurs, make record and dispose of items.

*A Stock Control:*

Stock is money. A stock control is as important as financial accounting system. YMCA will ensure that its Procurement Officer updates the stock control record regularly to ensure the following:

- Make sure that all goods enter and leave supply room with a document and signature.
- Make sure that supply is issued only upon receipt of an authorized supply request /receipt form.
- Update stock record monthly as required.
- Ensure that documents are numbered for easy tracking
- Record more information rather than less to avoid problems entering necessary data.
- Keep separate track of stock used by administration and operations.
- Submit monthly stock report

*b) Supply request/issue:*

The Finance and Administrative section will ensure the following:

- Efficient use of supply request or issue forms. These are forms used to authorize removal of goods from stock for use by staff.
- Complete the issue section of supply request form for every material/goods that will be removed from stock.
- Ensure that all supply request forms are signed by authorized staff before issuing goods from stock.
- Number forms and file

*c) Supply Use/Stock Report:*

Stock report is essential to monitor levels of stock and predicting when to order. YMCA will compile stock report every month depending on

volume and rate of stock movement.

YMCA's stock report will include the following:

- Quantity in stock at the time of last report.
- Quantity received according to GRN.
- Quality issued according to supply issue form.
- Remaining goods in stock.

Additionally, the Procurement Officer will track and prepare a monthly report on supply use and stock:

- Goods received
- Supply request/receipt
- Stock report reconciliation

*D) Stock Reconciliation Report:*

YMCA will complete a monthly Stock Reconciliation report which checks and reports on stock and as to whether stock is accurate. This is confirmed by doing physical count of items in stock and checking against items issued.

Another purpose of completing a monthly stock reconciliation report is because it will allow the Management of YMCA to:

- Confirm that control procedures are followed.
- Receive accounts on monthly stock use against expense

YMCA's stock reconciliation report also includes the following:

- Quantity in stock according to goods received note (GRN) or stock report
- Quantity in stock after physical count
- Numerical discrepancies between two or more figures (if any)
- Comments/ suggestions

**Attachments: See *Procurement forms***