Unauthorized Purchases are a problem at the University. While it may be impossible to avoid them completely, UAF Procurement & Contract Services has taken several steps in the past few years to make the procurement process simpler and faster for University employees to use, thereby minimizing many of the main causes of unauthorized purchases. By using one of the approved procurement methods (ProCard, BPO, LPO), a department should be able to meet almost all of its small procurement needs. The excuse “There wasn’t time to get a PO” simply does not apply. If you have an urgent need that cannot be met by one of the approved methods, please call us—we will take care of you!

In this section, we will attempt to provide information which:
* defines unauthorized purchases
* explains some of the problems caused by them
* offers tips on how to avoid them
* advises what to do if you, or your department, make an unauthorized purchase

Occasionally, something goes wrong or slips through the cracks and, before you know it, you’ve received a bill for something and don’t have a way to pay it. It happens all the time (more frequently to some people than others!) What we hope to accomplish with the information presented here is to minimize the number of unauthorized purchases made by University employees. Some of you, hopefully, will pick up some information that may assist you in avoiding unauthorized purchases. Others of you, hopefully, will learn some of the ramifications of making unauthorized purchases and will be deterred from making them in the future.

What is an unauthorized purchase?

Basically, it is an expenditure or an obligation which commits the University financially that is made by an individual who lacks the authority to do so. The University of Alaska Procurement Manual contains a Definition of Unauthorized Purchases. (Link to file) Remember, if you enter into an agreement, either verbally or in writing, which obligates the University to pay for something, without first having a purchase order or some other means of paying for it in place, you are making an unauthorized purchase. This is a violation of University regulations, and in some cases, state or federal law.

Why is it important to avoid making unauthorized purchases?

* **It takes much longer for the vendor to receive payment:** Many vendors who do business with the University are small, local businesses. They rely on and expect prompt payment. When you make an unauthorized purchase, often payment is delayed days, weeks, or even months while the paperwork is being approved. This is not fair to the vendor and, occasionally, it can result in late fees or restrictions on our ability to do business with that vendor. If it is a vendor that many departments use, the actions of one department can impact the entire University.

* **There could be increased liability to the University:** When potentially dangerous items or services are purchased, it is important that these procurements be reviewed by Procurement for compliance with University regulations, applicable laws, insurance requirements and myriad other considerations. This is particularly important when dealing with contractual agreements. Such agreements require procurement review to ensure that the University’s interests are protected. They may also require review by General Counsel, Risk Management, or Human Resources, all of which review is coordinated by Procurement. If something goes wrong with an order or agreement and the
University becomes liable for damages, that liability could be passed on to the person who entered into the unauthorized agreement. Please don’t sign anything without checking with Procurement first!

* **You or your department may lose procurement privileges:** The Director of Procurement has the authority to suspend or revoke the procurement privileges of any department determined to be guilty of repeated unauthorized purchases or other procurement violations. This means the offending individual or department would lose the ability to use ProCard, LPO's, BPO's, or any of the other tools designed to make procurement easier for University personnel. For the specified duration, or permanently, all procurements, no matter how small or insignificant, would have to be entered to Procurement by purchase requisition, and, although we are usually pretty fast in processing PR’s, it could be a major inconvenience.

* **You may end up paying for the items or services yourself:** University regulations and procedures provide that an individual making an unauthorized purchase can be held personally liable for payment to a vendor if it is determined by the procurement officer and the chief financial officer that it is not in the University’s best interests to pay the bill. (See *Personal Financial Liability*).

* **Future funding for the University may be jeopardized:** Under the terms and conditions of most grants and contracts awarded to the University it is a requirement that the money be used in accordance with governing procurement regulations. The same goes for money budgeted to the University by the state. Sometimes federal law prevails, but in most cases the State of Alaska Procurement Code, AS 36.30 governs the University’s expenditures. Under AS 36.30, the University is responsible for establishing its own procurement policies and procedures and for ensuring that its employees follow them. The University is audited frequently by funding agencies to ensure, among other things, that these policies and procedures are being followed. Failure to comply with procurement regulations can result in material findings by the auditors and ultimately cause the University to lose funding and also jeopardize its ability to obtain future funding.

* **You could end up losing your job:** University regulations provide that the Chief Procurement Officer may issue procedures, guidelines and directives to govern University procurements. Failure to comply with the issuances of the CPO may be considered cause for disciplinary action, including dismissal. (See *UA Regulation R05.06.727*) Individuals who intentionally and/or repeatedly make unauthorized purchases may be subject to reprimand, disciplinary action, personal financial liability, and, ultimately, may be fired.

**What can I do to avoid making an unauthorized purchase?**

A few things you can do:

* **Just call us, we'll help.** If you need something immediately, give us a call. In many cases we can give you a PO number right over the phone. It will usually take less than 30 seconds to do and you will never have another unauthorized purchase--guaranteed!

* **Plan ahead!** (And help the other members of your department to plan ahead as well.) When a PR is sent to Procurement at the last minute, often there is not enough time for us to process it properly to ensure that a purchase order or contract is in place by the time it is needed. Don’t assume that because you entered a PR the procurement is complete.

* **Make sure a quote is just a quote.** It makes good sense to contact a vendor and obtain a quote for goods or services. However, you should always make sure the vendor understands that you are not placing an order unless you have a purchase order number or a call number, or unless you are using your ProCard. You shouldn't ever give a vendor a PR number to place an order.

* **Make certain a purchase order has been approved.** When you check FOIDOCH on BANNER, remember that a purchase order is not approved unless the Status Indicator reads (A). Even if a PO number has been assigned to your PR, it is not approved by the procurement officer until that (A) is visible. It is generally a good idea to check with the responsible procurement officer prior to using a PO number obtained from BANNER to place an order. This can help to avoid duplication of orders.
What do I do if I or my department makes an unauthorized purchase?

If you haven’t done so already, you will need to enter a purchase requisition as soon as possible. Generally, the backup required to approve an unauthorized purchase, in addition to any other backup, is a memo of explanation signed by your dean, director or department head. (See Ratification of Unauthorized Purchases) It is not acceptable to provide a memo written by an administrative assistant or end user unless the memo is forwarded through, and acknowledged by, the dean, director or department head, or unless the end user happens to be a dean, director or department head. Please remember: until you enter a PR and forward the necessary paperwork, the vendor cannot receive payment.