

# Chapter 14

## Department Procurement Policies and Procedures

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# Chapter 14

## Department Procurement Policies and Procedures

### Overview

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#### Introduction

This chapter is designed to assist department staff involved in developing their department purchasing authority policies and procedures manual.

Unless otherwise stated, the information and samples provided should be viewed as tools that can be used to provide broad guidance in the purchasing authority policy and procedure development process.

This chapter is not intended to dictate the techniques that should be used since the details of the process should suit the individual department's purchasing authority being addressed, the stakeholders affected and the format and style standards established by the department policies, procedures and business needs.

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# Topic 1 – Purpose of Department Procurement Policies and Procedures

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## **14.1.0 Statutory requirement**

PCC sections 10333 and 12100 grants DGS the authority to delegate purchasing authority to departments based upon certain requirements as discussed in Chapter 1 of this manual. One critical requirement that best demonstrates a department's understanding of and its ability to manage and maintain a purchasing authority program is to establish and maintain current procurement policies and procedures in sufficient detail to support the department's approved purchasing authority for each type, category, and dollar threshold authorized by DGS.

Additionally, departments' purchasing authority policies and procedures must also provide instruction to department users on other related purchasing activities such as receiving goods and service, supplier payment, reporting contractor performance, reporting requirements and ensuring that departments contracting personnel are free from conflict of interest.

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## **14.1.1 Purpose**

The purpose of a department purchasing authority policy and procedure manual, hereafter referenced as a procurement manual, is to familiarize department employees (whether a buyer or a department employee involved in an aspect of the department's purchasing activities) with department purchasing practices in a clear, common understanding of goals, benefits and policies as well as what the department expects with regard to performance and conduct. The results provide an overall description of the department's purchasing program.

As stated throughout this manual, the PAM represents the minimum requirements for departments to obtain and maintain any type of purchasing authority. It addresses the statutes, regulations, policies, procedures and best practices applicable to all facets of statewide purchasing authority.

Consequently, although a department may use the PAM as the foundation or guide in developing their department procurement manual, it does not eliminate or substitute the requirement that the individual department's develop a procurement manual that identifies and communicates to personnel involved in department purchasing activities those policies and procedures that are specific to a department's internal processes.

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# Topic 1 – Purpose of Department Procurement Policies and Procedures, Continued

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## 14.1.2 Policy vs. procedure

A department procurement manual should include both purchasing policies and procedures. The policy section of the manual should discuss the purposes and objectives of the department’s purchasing program while the procedure section establishes and describes, using considerable detail, the internal procedures of the purchasing program.

In simple terms, policy is “what” the department does operationally, and procedures are “how” it intends to carry out that policy.

Definitions:

- Policy: A written statement that clearly indicates the position and values of the department on a given subject. It contains rules and tells one what to do.
- Procedure: A written set of instructions that describe the approved and recommended steps for a particular act or sequence of acts. It tells one how to perform a set of tasks in relationship to the department’s policies on conducting business.

Example #1:

Policy:

Pursuant to Executive Orders D-37-01 and D-43-01 the Department of Motor Vehicles shall aggressively pursue an annual 25 percent certified Small Business and 3 percent Disabled Veteran business Enterprise participation level in departmental purchasing activities.

Procedure:

Buyers will consult the department’s Small Business Advocate to assist in locating certified SB or DVBE suppliers prior to preparing any type of solicitation document.

The table below identifies common distinctions between policy and procedures:

<b>Policies</b>	<b>Procedures</b>
Widespread application	Narrow application
Changes less frequently	Prone to change
Usually expressed in broad terms	Often stated in detail
Statements of “what” and/or “why”	Statements of “how”, “when”, and/or sometime “who”
Answers major optional issue(s)	Describes in detail the process

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# Topic 1 – Purpose of Department Procurement Policies and Procedures, Continued

## 14.1.3 Benefits

A department procurement manual serves as a daily desktop manual to identify and instruct personnel on how to properly conduct a purchasing activity in accordance with the department’s authorized purchasing authority(ies) types, categories and dollar thresholds from the initial request through closing of an activity.

The procedure manual may also include procedures for how the department processes purchase requests that exceed the department’s purchasing authority but is within DGS/PD authority.

Example:

A procedure on how to prepare, route for signature and submit a DGS/PD purchase estimate.

Copies of the department procurement manual should be at the desk of each buyer and made available to all participants in the procurement process.

The table below presents some of the benefits that can be realized when a department develops its own procurement manual:

A department procurement manual provides for	That benefits the department by
Codes, regulations and requirements	<ul style="list-style-type: none"> <li>• Meeting the statutory requirement that departments have written policies and procedures specific to its authorized purchasing authority(ies).</li> <li>• Complying with purchasing authority requirements and ensuring the consistent quality of your department’s purchasing activities.</li> </ul>
Accountability	<ul style="list-style-type: none"> <li>• Providing clearly written procurement policies and procedures for both buyers and department customers that are held accountable for adherence to policies and procedures.</li> <li>• Identifying the players in the organization and their role in the procurement process.</li> <li>• Communicating your rules and expectations to participants in the procurement process as it relates to your purchasing authority.</li> </ul>
Ease of Access	<ul style="list-style-type: none"> <li>• Providing users with what is important and what isn’t important in conducting a purchasing activity.</li> <li>• Eliminating information overflow in establishing a single source for buyers and department users to make informed decisions within the parameters of their department’s authorized purchasing authority.</li> </ul>

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## Topic 1 – Purpose of Department Procurement Policies and Procedures, Continued

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### 14.1.3 Benefits (continued)

A department procurement manual provides for	That benefits the department by
Advantages	<ul style="list-style-type: none"> <li>• Providing further instructions beyond PAM that specifically address department procurement business practices.</li> <li>• Helping to make staff more effective, efficient and consistent in managing the challenges of the department’s procurement activities.</li> <li>• Providing standardized processes and improve overall workflow efficiency.</li> </ul>
Training	<ul style="list-style-type: none"> <li>• Instructing all levels of a department on how to conduct specific purchasing activities as it relates to a department’s authorized purchasing authority(ies).</li> <li>• Providing necessary information for new staff.</li> </ul>
Compliance reviews	<ul style="list-style-type: none"> <li>• Describing what to look for when conducting quality assurance reviews and how to evaluate results for compliance.</li> <li>• Supporting purchasing actions that may require clarification for a compliance finding.</li> <li>• Providing instruction on how the official procurement file is set up.</li> <li>• Explaining any exception that is outside of or in addition to PAM requirements.</li> <li>• Providing a resource for internal audit processes.</li> </ul>

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## Topic 2 – Characteristics of Good Policies and Procedures

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**14.2.0 Goal** The overall goal for any policy or procedure document is for the design to be simple, concise, easy to use and consistent. There is an unlimited amount of “important” items that could be included in a procurement manual. It is up to each department to determine what is most necessary and relevant for their individual purchasing program.

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**14.2.1 Degree of detail** The degree of detail in the procurement manual is dictated by the nature of the individual department’s purchasing authority. Although PAM addresses specific policies and procedures, a department’s procurement manual should be all encompassing.

Staff responsible for organizing or developing the procurement manual should obtain their department’s most current purchasing authority approval document (Part A), review PAM, Chapter 1 and Chapter 13 to determine what minimum requirements must be included in their department’s procurement manual.

**Note:** The PAM was written from the perspective that the procurement office performs most of the purchasing activity and is the main repository of all documentation impacting its purchasing authority program. If that is not true of your department, it is expected that the department’s procurement manual will address in detail any and all exceptions.

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**14.2.2 Key features** Key features of the department procurement manual are:

- Title page
- Table of contents for the entire manual
- A table of contents for each section of manual
- Introduction
- Simple numbering system – chapter, section, page, etc.
- Provide for a clear distinction in policies and types of purchasing authorities if the department holds both types of purchasing authority.
- Provide information on how updates to the manual will occur.
- Set a standard schedule to review and update the procurement manual at a frequency that supports your business processes and coincides with preparing the department’s purchasing authority renewal schedule.
- Provide information on the availability of the manual.
- Create a glossary of terms that may be unique to the department.  
**Note:** Procurement terminology and definitions should be consistent with the Cal-PCA glossary.
- Create an acronym list typical to the department terminology.
- Include in the procurement manual any applicable forms and instructions that are used or referenced in the procurement manual.

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## Topic 2 – Characteristics of Good Policies and Procedures, Continued

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### 14.2.3 Good policies

The policy portion of a department's procurement manual should discuss the purposes and objectives of the department's purchasing authority program. The policy section of the manual can take many forms dependent upon the size of the department.

A small department could include most of the significant policies that the department's buyers and users may need within a few pages. Whereas a large department may already have an established administrative manual(s) that may include procurement policies. In the latter case, the department has to determine how the applicable information will be made accessible to buyers and users.

Whatever the case, procurement manual developers should obtain and review their department format and style standards to ensure compliance with existing department requirements.

[Click](#) here to view a sample policy format.

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### 14.2.4 Good procedures

Good procedures establish and describe internal processes in sufficient detail to answer questions before they're asked. Consider the Who, What, Where, How and Why of writing theory.

Basically, a procedure section of a procurement manual prescribes all the step-by-step processes of each procurement approach within a given purchasing authority type from the origin of a user request (requisition) to the final conclusion of a project or disposition of an item. This follows a natural sequence of events from requesting an action through any post award activities. Internal procedures not only cover the procurement approach beginning to end but also should include how to maintain ethical relationships with contractors.

A good procedure section should also include topics such as:

- Stating normal lead times for different types of purchases, purchasing authority categories and their respective procurement approaches and include an emphasis that the lead times must be taken into account in planning for the receipt of goods and services
  - Purchasing entities organization structure
  - Signature authorization listing, who can sign what and when
  - Required approvals, both internal and external
  - Certification of availability of funds
  - Approval and payment of invoices
  - Receiving
  - Setting up official procurement files
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## Topic 2 – Characteristics of Good Policies and Procedures, Continued

**14.2.5 Writing style** Write procedures at a level of detail that is appropriate for the intended users. Procedures should include detailed, step-by-step instructions for completing each purchasing activity phase and simple enough for a new employee to understand.

The table below identifies some writing characteristics and considerations that should be taken into account when developing and writing procedures.

Writing characteristic	Considerations
Accuracy	<ul style="list-style-type: none"> <li>• Is the data current, complete, correct and relevant?</li> <li>• Is fact separated from opinion?</li> </ul>
Clarity	<ul style="list-style-type: none"> <li>• Documents must be easy to read and understandable</li> <li>• Do not assume the reader knows something</li> <li>• What is the most systematic approach to achieve the procedures objectives?</li> <li>• Is it assembled well?</li> <li>• Will personnel misunderstand or misinterpret the procedure?</li> <li>• What are the most common errors made or misunderstandings?</li> </ul>
Complete	<ul style="list-style-type: none"> <li>• Has assistance and input been obtained from all sources available?</li> <li>• Will the procedure provide enough information to ensure understanding? If not, what further information is needed?</li> </ul>
Concise	<ul style="list-style-type: none"> <li>• What specifically is required?</li> <li>• Be direct and to the point</li> <li>• Use active voice</li> <li>• Use short sentences and simple words</li> <li>• Check grammar and spelling</li> </ul>
Flowcharts and checklists	<ul style="list-style-type: none"> <li>• Flow charts and checklists can be handy tools to help get information organized and,</li> <li>• Assist in providing staff with a quick visual concept to the overall work flow.</li> <li>• Tends to provide a general overview of touch points that a document or process may pass through</li> <li>• Does not replace a procedure but complements the details of the procedure</li> </ul>

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## Topic 2 – Characteristics of Good Policies and Procedures, Continued

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### **14.2.6 Tips for a useful manual**

Preparing the department's procurement manual is probably the most time consuming portion of developing a quality purchasing authority program. The design should be determined by the department's needs and organization.

[Click](#) here to access a list of tips for developing a procurement manual.

[Click](#) here to access documentation used by PAMS in reviewing department's policies and procedures.

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