

Policy 3201 General Purchasing

May 18, 2022 Update

Frequently Asked Questions

- **Why is this update important?**

This update implements a key internal control measure, specifically related to prohibition of transaction splitting.

Transaction Splitting

- **Does the prohibition on transaction splitting apply only to Purchase Orders (PO)s or also to other purchasing methods e.g., Purchasing Card (Pcard)?**

The purchasing policy update applies to all purchasing methods, including POs, Pcard, and Out-of-Pocket Expenses.

Information specific to Pcard can be found in [Policy 3215 Yale Purchasing Card](#).

- **I have a repeating purchase for goods from the same supplier (non-preferred supplier). Should I place individual POs for each purchase, or should I combine them?**

The purchases should be combined under one PO. The PO should reflect the full scope of anticipated purchase, including aggregate quantity, expected total amount and period of time.

In cases where the order quantity, dollar amount, or period of time are difficult to foresee, a PO for 1 year with an estimated annual value should be created at the beginning of the engagement.

Please reach out to Procurement for further guidance on capturing the full scope and/or assistance with negotiating a contract.

- **We purchase general services/consulting services for less than \$10,000 a year continuously. We use the same Supplier(s)/Consultant(s) and place new orders each year. Is that best practice?**

If it is known that the services are occurring every year, it is appropriate to put a contract in place to mitigate risk and protect the department/unit and Yale.

Please contact Procurement for assistance with negotiating a contract and determining the right contract length.

- **When would it be best practice to issue a Change Order to an existing PO instead of generating a new PO?**

Issuing a Change Order is appropriate when:

- Adding to the original scope.
- Extending the time and/or adding funds to complete the original scope.

Note: Change Orders should be limited in duration and value. They should reflect the original scope as closely as possible. Change Orders should **not** be used for year-on-year purchases.

Change Orders are NOT sent directly to Suppliers from Workday. It is the responsibility of the Requestor to document the changes to the original contract/PO and to communicate the changes to the Supplier.

- **When is it appropriate to create a new PO instead of issuing a Change Order?**

A new PO is appropriate to be created when:

- New scope is added (the supplier will deliver different goods/services).
- Significant change is made to the original scope.
- The original contract or scope has ended.
- It is required by the funding source (typically sponsored awards with requirements for annual PO(s) or matching of grant dates).
- The Chart of Accounts (COA)s change frequently and inconsistently.
- It is required by the supplier.

- **I have a purchase for services funded by multiple sources. Can I issue separate POs for each funding source?**

A single PO would be appropriate. Use the Workday functionality for including multiple COAs on the same PO.

- **My School has a Master Agreement with a Supplier that provides services for different programs. Each program is tracked individually. Can I issue separate POs?**

Separate POs can be issued if the services are for distinct, separate projects/programs. The Master Agreement should be attached to each PO along with individual Scopes of Work and other required documentation.

- **I have placed a PO for an equipment which costs less than \$10,000. I am making upgrades/add-ons to the equipment which, if added to the PO, would increase the amount over the \$10,000 threshold. How should I place subsequent orders?**

A Change Order should be issued with all required documentation. If the resulting PO total goes over the \$10,000 threshold, it will be subject to the required reviews and approvals.

Note: If the upgrades are significant in value and more than the original cost, considerations should be made on best approach. Please consult with Procurement.

- **I am buying a piece of equipment with 2 components – a tabletop (\$9,000) and a base (\$5,000). Is this considered one piece of equipment? If so, should I issue one PO and go through the additional approval process?**

Yes. This is one piece of equipment and should be purchased on one PO with all required documentation.

Note: If the 2 components are purchased from different Suppliers, Workday issues *separate POs* for each Supplier.

- **I am buying equipment and have received a quote with 3 elements:**
 1. **The equipment itself with installation and initial training.**
 2. **Warranty and maintenance.**
 3. **Continuous training services.**

Is it ok to create separate POs for each element?

Best practice is to create a single PO, however there are circumstances in which issuing separate POs would be ok. For example:

- If the supplier requires separate POs because different subsidiaries perform the services and manufacture the goods.
- Each element has a timeline that is disparate (more than a year) from the other elements and needs to be tracked separately.

Note: If issuing separate POs, the documentation attached to each PO should be reflective of all elements, their cost, and agreed-upon terms.

- **My department has a standing order with a food vendor for weekly meetings. We issue change orders to add money periodically, but it has been a few years now and the PO will exceed \$10,000. Should we create a new PO?**

Yes, a new PO should be created. The typical period for a standing order is 1 year.

Please reach out to Procurement for further guidance and/or any questions.