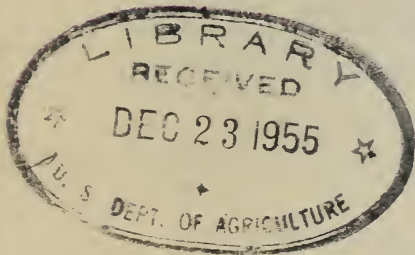


Small Purchase **PROCEDURES**

**KEEP THEM
SIMPLE!**



Planning Needs
Scheduling Requisitions
Petty Cash Purchases
Use of Standard Form 44
Blanket Purchase Arrangements
Local Term Contracts
Scheduling Payments
Small Shipment Methods

U. S. DEPARTMENT OF AGRICULTURE
Washington 25, D.C. 1954

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ORDER

RESOURCES

NUMBER



60
in

BOOK NUMBER

A280
Ag82

of these were
accomplished by use of simplified
field purchase order SF-44

OF THE TOTAL MONEY SPENT

98% was by orders
for more than \$10

2% was by orders
for \$10 or less

The above is taken from Department of Agriculture
statistics included in the 1953 Fiscal Year Report
on Procurement for Executive Agencies (GSA Form 33)

FOREWORD

It is common knowledge that the administrative cost of making and paying for a small purchase may far exceed the value of the item purchased. A purchase of a dozen wood screws for 15¢ may incur an administrative cost of \$5.00 if the procedures used for large scale procurements are followed. Since recent analyses indicate that 40% of the orders on commercial sources by this Department are for \$10 or less, it is obvious that continuing emphasis needs to be given to such orders as well as to the open market purchases over that amount.

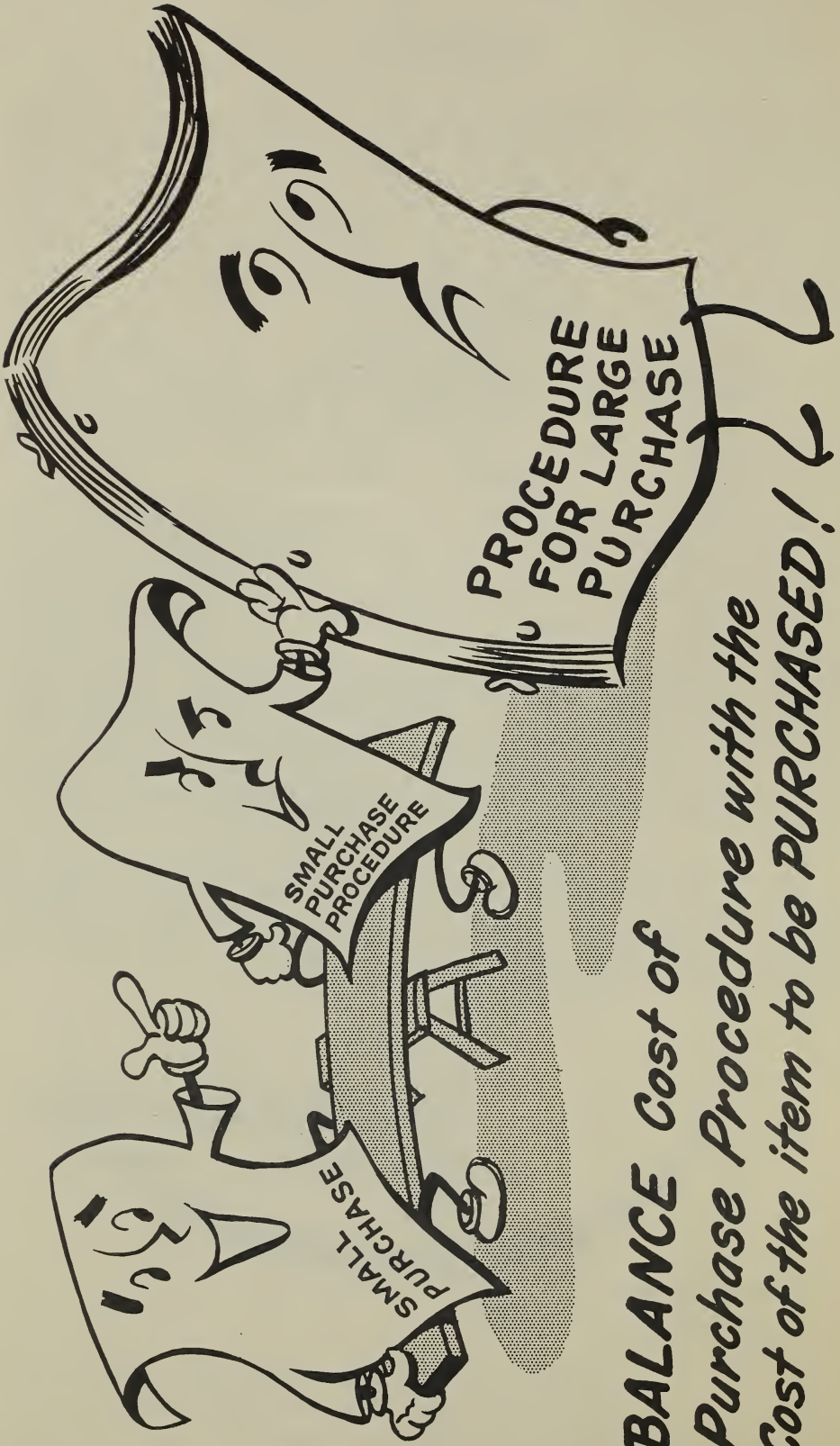
Proper planning and scheduling of supply requirements will do much to reduce the number of small purchases. However, notwithstanding the cost and nuisance aspect of the small order, it has a place in any efficient supply system if accomplished by an appropriate simplified method of purchase.

This pamphlet is designed to aid in avoiding unnecessary small purchases, and in reducing the cost of making small purchases whenever possible. No one procedure can be adapted to all purchases and thus eliminate unnecessary administrative costs--the purchaser must use judgment in applying the most appropriate method for the particular purchase. If agency procurement and accounting procedures are so patterned that simplified purchasing methods can be used whenever appropriate, and if training is given purchasers to enable them to recognize elements of the usual procurement process that may be eliminated or simplified in making the small purchase, the purchaser can be expected to exercise good judgment in making small purchases to the end that unnecessary administrative expense will be avoided.

The problem of making and paying for the small purchase in an economical way is one of long standing. That it still persists is evidence that it needs constant study to assure use of the most efficient purchasing procedures. Application of the techniques described herein should minimize the problem.



Ralph Roberts
Administrative Assistant Secretary



**BALANCE Cost of
Purchase Procedure with the
Cost of the item to be PURCHASED!**

PURCHASING PROCEDURES

Many of the administrative costs of making small purchases result from needless adherence to procedures designed to control and effect large purchases. The usual purchase procedure involves several or all of the following steps:

1. Determination of need
2. Specification of items
3. Preparation of requisition
4. Approval for purchase
5. Allocation of funds
6. Solicitation of quotations
7. Preparation of purchase order
8. Obligation of funds
9. Receipt and inspection
10. Invoice and voucher processes

In making the large purchase, each of these steps represents a distinct action often made by different individuals or offices. However, in making the small purchase, when appropriate authority is delegated to purchase and to obligate funds, and when the proper purchasing medium is used, all of these steps can often be accomplished simply and at one time by the purchaser. In order that full use of open market purchasing authorities and small purchase media may be made, agency budget, fiscal, and purchasing regulations should provide the flexibility necessary to use simplified small purchase procedures whenever practical.

Excessive documentation is to be avoided in making small purchases! Purchasing procedures should not impose needless restrictions on purchasing authority such as the requiring of written quotations in all cases or excessive solicitation of prices for small purchases. The purchaser has the responsibility, regardless of the manner of purchase or payment, of obtaining reasonable competition consistent with the purchase involved. The requirement of obtaining reasonable competition is met when the purchaser has in his possession a quotation for an article which meets the Government's needs and which in his judgment represents full value, all factors considered.

KEEP IT SIMPLE!

PLAN THE PURCHASING PROGRAM

Planning of the purchasing program should start with the budget, pick up momentum with the appropriation of funds, and be complete in all major respects before the start of any project, although in actual practice there are elements of planning that carry through the whole project or program. To be completely effective, purchasing plans must be a part of program planning and must be constantly reviewed to keep them geared to program developments. Purchasing plans should include a determination of; (1) the quantities and kinds of supplies required; (2) what is available from agency or other government stocks; (3) sources of supply such as excess property, government stocks, or commercial sources; (4) methods of supply such as the use of storage and issue warehouses, stocks at site of work, contracts, open market purchases; etc.

The method of handling small purchases should be planned in advance and include placement of purchase authorities and careful consideration of the use of simplified purchasing techniques such as cash payment, blanket purchase arrangements, Standard Form No. 44, etc. as described in the following pages. Only with careful advance planning can all purchasing be accomplished in the most efficient and economical manner and the number of small purchases kept to a minimum.

PLAN EVERY DETAIL OF THE PURCHASING PROGRAM

DO WE NEED CUPBOARD STOCKS LOCALLY?

DEVELOP BILLS OF MATERIAL FOR ALL CONSTRUCTION

WHAT IS AVAILABLE FROM EXCESS?

WE SHOULD TRY PETTY CASH FUNDS AT...

LET'S PROVIDE FOR PURCHASING AUTHORITY LOCALLY



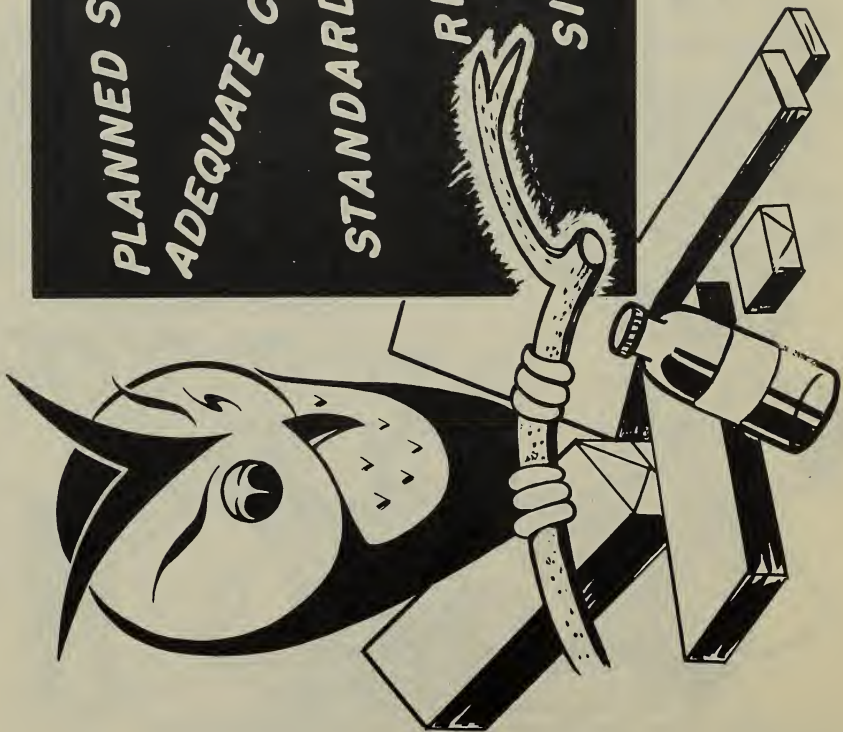
DELEGATE PURCHASING AUTHORITY

Needless restrictions on purchasing authority create overhead costs out of proportion to the value of the purchases involved. In the recent past, many controls on purchasing were imposed in order to prevent local purchases of "mandatory" items. However, sources of supply which are mandatory on Federal Agencies now provide at least a \$25 floor, or the equivalent in terms of minimum quantities, below which local open market purchases are permitted. These controls should be re-examined to make certain that only those restrictions of purchasing authority necessary to assure prudent expenditure of funds are imposed.

To enable the most effective use of simplified purchase procedures, the authority to make small purchases should be delegated to the extent practicable to those in charge at the site of work.



WISÉ procedural aids...



PLANNED STOCKS
DELEGATE AUTHORITY
ADEQUATE CONTROLS
NEEDS LISTS
STANDARDS
REQUISITION SCHEDULES
SIMPLIFIED PROCESSING

REQUISITIONING PRACTICES

An appreciable amount of the administrative costs of supply services is involved in the requisitioning processes. To lower these costs means reducing the number of requisitions, eliminating unnecessary processing, and providing simplified requisitioning methods.

Supply procedures should provide the flexibility necessary for handling minor requirements or making local field purchases without preparing a formal requisition. It sometimes happens that providing minor supplies or services involving the expenditure of only a few dollars or even a few cents requires the preparation of a requisition for administrative control purposes. Its review and approval, and other procedural steps, incur administrative expenses out of proportion to the value of the requested supplies or services. The need for requisitions as well as the procedures for processing necessary requisitions should be analyzed periodically to make certain that, as with any purchase document, only those controls necessary to assure prudent expenditure of funds are imposed.

Inventories of supplies at the site of work or other strategic locations should be planned so as to provide efficient supply service with a minimum of paper work. Requisitions are not ordinarily necessary for control of small cupboard stocks of supplies--self-service should be employed wherever feasible.

Establishing standards for common use items of supply is a recognized method of reducing the variety of items ordered and used. Standards may be adapted to requisitions by preprinting standard items on requisition forms where feasible. Preprinted requisition forms reduce the time of preparation and review.

When requisitions are necessary, schedules providing for their receipt on a periodic basis such as monthly, quarterly, or even annually, will result in a reduction of the number of requisitions and subsequent purchase orders. This will also enable the purchasing office to combine requisitions of various offices and provide volume purchasing benefits to the small user.

KEEP IT SIMPLE!

PURCHASING MEDIA

The following simplified small purchase methods have been prescribed to facilitate making the small purchase in the most efficient and economical manner. Use of these techniques will not only minimize paper work and administrative expense but will also aid in expediting payment.

THE STANDARD FORM 44, PURCHASE ORDER-INVOICE-VOUCHER method is designed for single payment purchases not in excess of applicable open market limitations and is principally used for those small purchases made away from an office. This form is a small pocket size book of purchase orders which are ordinarily prepared with pencil at the time the items are picked up from the vendor. Purchases made in this manner should not require the issuance of formal requisitions or the obtaining of prior authority for each purchase. Such additional documentation only nullifies the economies otherwise made possible.

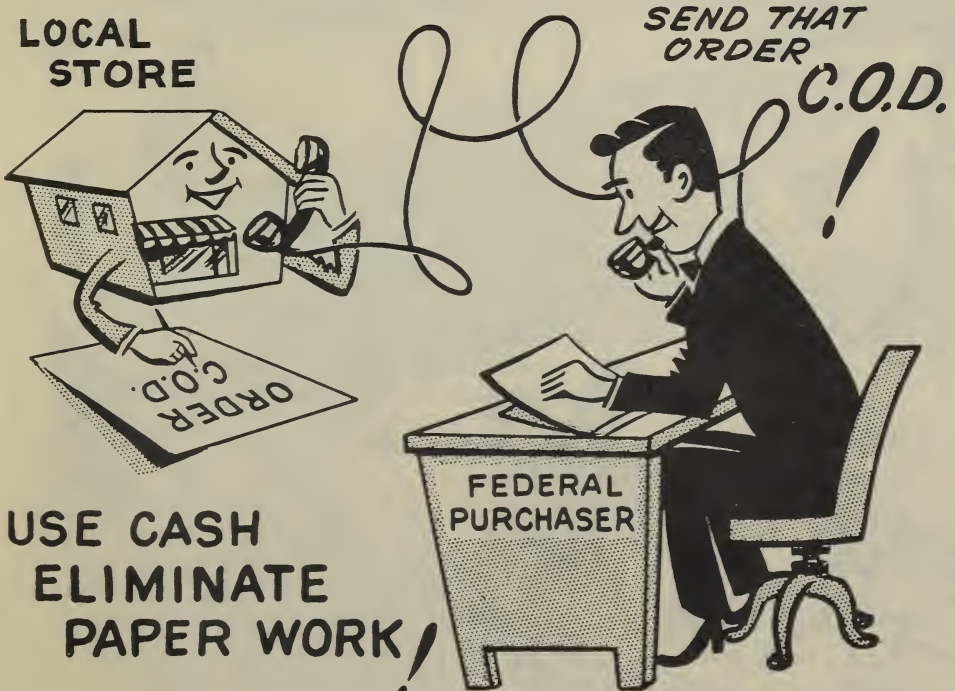
For instance, the person in charge at the site-of-work is usually the technician who knows what is needed and what substitutes are acceptable. Delegate to him the authority to make necessary small purchases and provide him with the Standard Form 44 purchase order. He can then make his selection over-the-counter, prepare the order, have it signed as an invoice, and be on his way to get the job done in less time than it would take to prepare a requisition on a central purchasing office.



THE CASH PAYMENT method permits direct payment upon delivery of the goods or services, other than personal. When used for local purchases, purchase orders are not necessary. Cash payments are usually advantageous for small purchases when (a) vendors are not equipped to bill agencies in accordance with normal business practices, (b) the supplies or services are needed at locations not served by a purchasing office, (c) established sources of issue are not conveniently accessible to the point of use, and (d) local credit arrangements and periodic billings by vendors are not practicable.

If small local purchases are only occasionally necessary, the individual can usually make payment from his personal funds and claim reimbursement on either his expense account (SF-1012) or reimbursement voucher (SF-1129).

When the volume of small purchases is sufficient, and delivery and other arrangements make it practical, an imprest cash fund should be established. The imprest cash fund method is particularly suitable for items such as postage stamps, transportation tokens or passes, taxi fares, repairs to equipment, perishable foodstuffs, parcel post or drayage, etc. It is essential, however, that the authority and custody of such funds be vested in the individuals whose needs are to be serviced or in individuals who are in the best position from an operating standpoint to serve these needs.

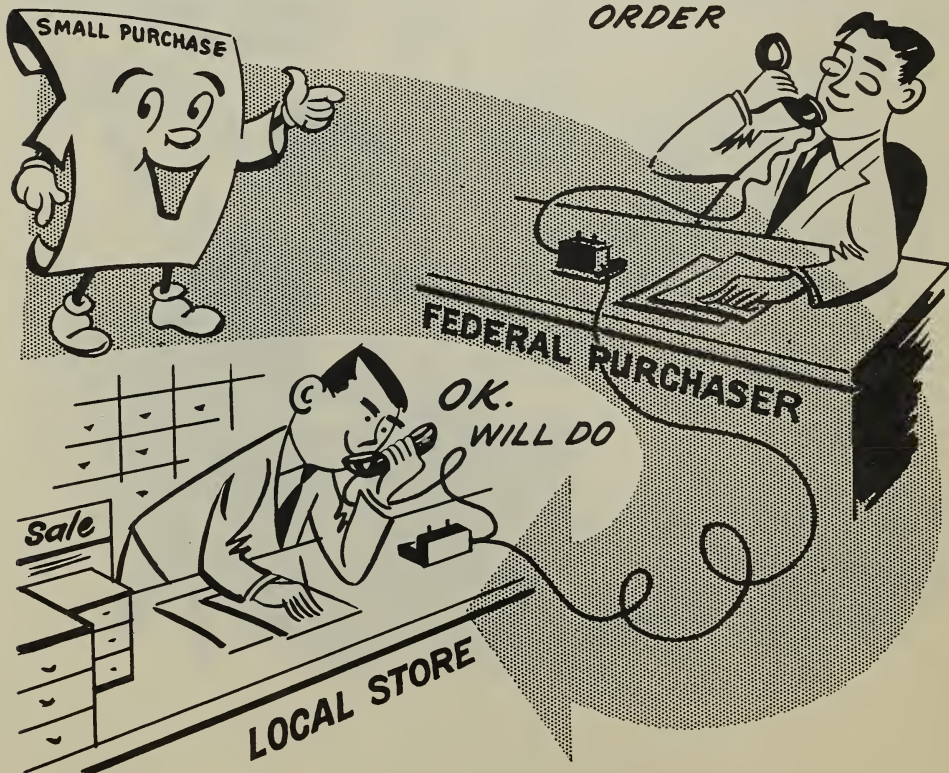


THE BLANKET PURCHASE ARRANGEMENT will facilitate purchasing with local vendors from whom numerous day-to-day small purchases are likely to be made in a given period of time and is primarily designed to reduce the amount of required documentation. Where many small purchases are made from the same vendor each month, establish a blanket purchase arrangement with him. This is about the same as opening a charge account except that it is limited by the maximum amount and time fixed by the agency. The blanket purchase arrangement may not be used to avoid the advertising requirements of Section 3709, Revised Statutes, applicable to purchases of known requirements.

Generally, a purchase order is issued for a definite period of time authorizing the vendor to supply the requirements of specified employees or offices. Such orders will specify the general nature of supplies or services to be covered and will terminate when either the stated dollar amount or time limit is reached. Each individual purchase need only be documented with the receipted sales slip. Billing can be arranged with the vendor at monthly or longer intervals and each periodic billing need only be supported with the receipted sales slips. IT'S THE GOVERNMENT WAY OF OPERATING A CHARGE ACCOUNT!!

**MAKE
BLANKET PURCHASE
ARRANGEMENTS**

**SEND 2 DOZ. BOLTS ETC.
CHARGE THIS ON OUR
BLANKET PURCHASE
ORDER**



LOCAL TERM CONTRACTS OR AGREEMENTS provide a means of meeting requirements of supplies and services not available from the normal agency supply channels. This method of supply is generally

used when the purchase requirement is such that competitive bidding offers price advantages or when it is economical to provide ordering offices with ready sources of supply. Such contracts, in addition to volume price benefits, would eliminate shopping expeditions or price solicitations for each purchase and simplify procurement processes by saving time and excessive paper work. Local term contracts are particularly suitable for such services as typewriter maintenance and repair, garage storage and service, meal service, etc.



Contracts under this method of supply generally provide for use by other Federal Agencies in the community or area. GSA and other Federal Agencies should be contacted to determine whether any term contracts already exist which could serve agency needs. Whenever practicable, the requirements of several offices in the same community or area should be combined and included in a single contract.

PERIODIC BILLING AND PAYMENT

When several open market purchases are ordinarily made from the same concern during a month, the vendor should be encouraged to make periodic billings, usually on a monthly basis, and thereby reduce the number of resulting invoices, vouchers and checks arising from numerous small purchases. Also, invoices should be combined and included on one monthly voucher to the maximum extent practicable. Certain business concerns are even receptive to quarterly and sometimes annual payments. An effort should be made to have the vendor agree to extend the time discounts to cover all purchases or invoices included on such periodic billing and payment arrangements.



*Let one Voucher carry
several Purchase orders*

SMALL SHIPMENTS

Ordinarily, Carrier's freight charges are proportionately larger for small shipments because of the minimum transportation charges in effect. These minimum charges are based on a minimum weight of 100 pounds; this means that the government is paying for shipping a full 100 pounds even though the shipment might actually weigh much less. By taking adequate steps to increase the average size of small shipments through consolidation or established shipping schedules, where feasible, agencies can effect economies in freight charges. At the same time, packing and handling expenses will be reduced and the amount of paper work minimized.

A study made several years ago by the Federal Supply Service indicated that the average minimum cost of processing Government bills of lading, including issuance and final disposition, was \$4 per document. The use of purchasing procedures that do not require processing Government bills of lading should therefore be studied. For instance, as a general rule, purchases should be made at "destination" prices. In those cases where it is not possible to make small purchases on this basis, arrangements may be made to have the vendor ship the items prepaid and include the shipping charge on his invoice as a separate item supported by the receipted transportation bill.

A reduction in the transportation charges as well as elimination of the administrative expense involved in using Government bills of lading can often times be effected by using parcel post as the means of making small shipments. On the basis of the above mentioned study, small shipments should generally be made by parcel post if the total cost of transportation via parcel post is not more than \$4 in excess of the cost of transportation by freight or express and the packages are otherwise within the applicable size and weight limitations. It is recognized, however, that such factors as lack of facilities for delivery of large packages to the post office, need for prompt delivery which might be provided by express, special handling, etc., may make it undesirable to use parcel post for all such shipments.

Using the wrong shipping method will result in needless administrative and transportation costs--be alert to shipping methods whereby transportation costs may be appreciably reduced.

SUMMARY

The procedures for simplifying small purchasing, as described herein, are the result of intensive studies of this problem by the Congress, the General Services Administration, the General Accounting Office, the Treasury Department and the agencies of this Department. Special attention is directed to the following statement from House Report No. 1224, 82nd Congress, 1st Session:

"The subcommittee is determined not to terminate its efforts in this field with the issuance of this report. There is much work to be done administratively in the implementation of these principles and recommendations. But this report should provide a basis for vast improvement in procurement procedures and tremendous savings of taxpayers' dollars. The heads of the military and civilian agencies of the Federal Government can and should take the necessary steps without delay. Additionally, and perhaps more important, administrative procedures and regulations throughout the Government should be streamlined to the greatest extent possible consistent with the retention of essential safeguards. The subcommittee is all too cognizant of past tendencies to destroy the effectiveness of progressive recommendations by complicated and hide-bound regulations. This must not happen in this instance."

Purchasing Officers should familiarize themselves with policies and procedures relating to the small purchase field and provide for utilization of simplified small purchase methods to the maximum extent practicable. For background on policies and procedures stated herein, the following source material should be reviewed:

House Report No. 1224, 82nd Congress, 1st Session (See B&F Memorandum No. 196, December 28, 1951)

GSA - TD - GAO Joint Regulations for Small Purchases Utilizing Imprest Funds, March 10, 1952

GSA Regulations, Title 1

USDA Administrative Regulations, Title 5

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This pamphlet was prepared in the Office of Budget and Finance. The Department of Agriculture participated in the development of these simplified procedures and many of the practices are in use by agencies of the Department. Agencies are encouraged to submit to the Division of Procurement and Property Management, Office of Budget and Finance, other simplified procedures which could be used to good advantage.

SIMPLIFIED *small Purchase*
Procedures — **KNOW**
THEM
BETTER!

