

## 2006 Business Planning

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### **Purchase Requisitions: To Automate or Not to Automate**

There are as many different purchasing processes as there are organizations. There are formal RFP and proposal processes, unsolicited salesmen calls and visits, phone calls to vendors, ordering from the web, going to the local office supply store. Then there are the methods of payment; receiving invoices in the mail, paying cash, using credit cards, both business and personal, local charge accounts.

And then it comes down to doing the accounting for all this. The headaches fall on the accounts payable clerk. Is it authorized? Who approves? Did we actually receive the goods or service? What account should be charged? You are buried under a myriad of forms and untold notes, memos, e-mails, phone calls, voice messages, to the purchasers, the managers and the vendors.

And probably the biggest issue is not knowing what you are committed to.

While the benefits of automating your purchasing process can be tremendous, is not something to be taken lightly. You can make the change easier by having good manual processes and controls in place before trying to automate. This is true regardless of what process you are trying to automate.

The basics of the automated requisition process include adding and maintaining suppliers, adding new requisitions, requisition approval workflow, requisition revisions and cancellations, converting requisitions to purchase orders, receiving process, invoice matching, and closing purchase orders and requisitions.

The benefits include:

- Knowing what you are committed to before the money is spent.  
With a good purchase requisition system, you can provide your encumbrance reporting not only to the purchase order level, but to the requisition level. This gives you more visibility to know where you stand against your budgets and grants.
- Reducing or eliminating the paperwork  
The cost of forms and paper is staggering, but pales to the cost of manpower in moving the paper, filing and archiving. In addition, the time wasted in waiting for paper approvals can cost in delays to projects, or increases in inventory because of time delays.
- Reducing the cost of your purchasing and accounts payable function  
The amount of knowledge and time it takes to create a purchase order and then to process the vendor's invoice is huge and affected by the lack of

knowledge in the subject of what's being purchased, not knowing prices and vendors.

- Controlling approved vendors  
By requiring the use of the automated purchase requisition process, you can require the use of the approved vendors that have been added to the system.<sup>1</sup>
- A greater deal of accountability  
Having a complete audit trail of submission, review, and approval, it is easier to determine who is purchasing what.

The challenges are:

- There are always exceptions  
You can't automate everything. And if you try, you will spend more time handling the exceptions than the rules. Set up processes for miscellaneous purchases, employee expense reports, capital expenditures.
- Training of the employees doing the requisitioning  
The employees need to know how to use the system to get the products and services they want and need, to know the accounts to charge for these goods and service so you don't charge the cost of pencils to capital projects.
- Security  
The employees must have limits to the access to the process, the vendors, and the accounts they can use. You also may have controls on who may set up suppliers.

In conclusion, automating your requisitioning process can be very rewarding to your organization, but if not planned correctly, or if you don't allow for the exceptions, it could cost more to automate than to leave the process manual. Put the controls in place in the manual process before you try to automate.