

Direct Purchase (DP) and Direct Purchase Order (DPO) Policies and procedures

Policy Statement

Direct Purchase (DP) and Direct Purchase Orders (DPO's) enable individual departments and units to purchase goods and services directly with a value of \$2,000 or less without prior approval or processing through the Procurement Services Department. This will provide faster procurement services to the departments and units for low-value goods and services and will utilize the Procurement Services Department for more value-added and strategic procurement functions. Goods and services procured through a DPO or DP are for AUC business use only not for personal use.

- Direct Purchase (DP) for goods and services with a value of \$500 or less per invoice.
- Direct Purchase Orders (DPO) for goods and services with a value from \$501 to \$2000 per order.

Reason for Policy/Purpose

There are some types of acquisitions for which the procedures of the procurement office are neither required nor appropriate. The purpose of this policy is to streamline the procurement process for such types of acquisitions and to ensure that AUC obtains the best value for its expenditures while ensuring that all procurement processes abide by the highest level of institutional and personal integrity.

Who Approved This Policy

Dr. Gordon Handke, VP for Finance & Chief Financial Officer

Who Needs to Know This Policy

All AUC Schools, Departments, Administrative offices, Programs, Faculty, and Staff.

Web Address for this Policy

AUC Policies: <https://www.aucegypt.edu/about/university-policies>

Contacts

Responsible University Official: Mr.Hesham Abdel Raouf

Responsible University Office: Controller Office

If you have any questions or concerns relative to either policy or procedures, you may

1. Call Mr.Hesham Abdel Raouf – Accounts Payable Director at Ext: 2336

Or send an e-mail to hesham_r@aucegypt.edu

2. Call Mr.Hossam Abou El Soud – Principal Accountant , Vendor’s Accounts & Contracts

At Ext: 1578 or send an e-mail to hossamsoud@aucegypt.edu

3. For all related SAP issues, please refer to [DPO user manual \(Appendix A\)](#) or [DPO Video Tutorial](#) as a guide includes all details, steps and how to use all related SAP transactions in the DPO process.

Or call Mr.Hesham Mousa at Ext: 3530 or send an e-mail to hmosa@aucegypt.edu

Definitions

Terms	Definition as it relates to this policy
DP	Direct Purchase
DPO	Direct Purchase Order

Policy/Procedures

[General Guidelines for Direct Purchase \(DP\) and Direct Purchase Order \(DPO\)](#)

Excluded goods and services under DP and DPO:

- Imported non-educational items, as well as hazardous/restricted items that need prior government approval (e.g. NTRA, Pharmaceutical authority, National security, Laser Institute).
- Stamps.
- Stock items available at AUC main stores unless the stock item quantity is not sufficient and there is no Purchase Requisition (PR) in place for re-ordering.
- Fixed asset equipment and furniture.

- Used equipment or trade-in items.
- Contracted Services.
- Government goods and services (electricity, gas, water, work permits, licenses, etc.).

Department control:

The purchase of specialized goods and services fall under the control of the respective department such as:

- IT hardware and software requests are processed through the IT department.
- Construction goods and materials requests are processed through the construction department.
- Printed items are processed through AUC Printing Services.

Exceptions to these specialized purchases require the approval of the respective department.

Direct purchases from international vendors are allowed subject to the following restrictions:

- The purchased item is not subject to customs.
- The purchase process is in compliance with the direct purchase rules and limits.
- Approved purchases include subscriptions with international scientific, research, and educational organizations.

Direct Purchase for US\$ 500 or less per invoice

- There are some types of acquisitions for which purchase orders are neither required nor appropriate. The following rules and procedures apply to such purchases of goods and services.
 - **Items authorized for direct acquisition:**
 - All operational goods and services with an estimated price not to exceed \$500.00 per invoice.
 - Goods and services obtained from AUC internal outlets (bookstore, press, food outlets, etc.)
 - Newspapers advertisements.
 - Goods and services required for emergency or urgent situations. For such cases a full explanation and justification are required from the requisitioning department explaining the reason(s) for the emergency or urgent situation. The head of the requesting department is responsible for submitting the explanation in writing and signing off.

Direct purchase criteria:

- Requesting department may not purchase computers, furniture, or any other capital assets.
 - Requesting department may not split an order into multiple small orders to avoid the unauthorized limit or to avoid the limits of withholding income taxes.
 - Requesting department may not make an unauthorized purchase and create the required documents after-the-fact. Such action will constitute admission of violation of authorized price limits.
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- **Operating procedures to purchase goods and services with a value of US\$ 500 or less:**

If the purchases meet the criteria as noted above, the requesting department may use a direct purchase method in accordance with the following steps:

1. The requisitioning department contacts the approved vendor directly for the purchase of goods and services, and receipt of the invoice, after obtaining signed written approval by the department head certifying that:
 - The needed items are for AUC business purposes.
 - The needed items do not include prohibited items (hazardous/restricted).
 - The needed items are in compliance with the direct purchase rules and limits.
2. If a department wishes to have a new vendor approved, the Department Decision Support Manager must obtain the following documentation from the vendor and submit it to the Controller's Office for approval to be included on the SAP master vendor list:
 - Copy of the vendor commercial registry.
 - Copy of the vendor tax ID.
 - Vendor's bank information.
3. The requesting department upon receiving the goods or services, reviews the ordered goods, confirms the quantity, condition and compliance with the requested specifications, and prepares and signs the receiving documents. The receiving document along with the invoice are submitted to the Department Decision Support Manager.
4. The Department Decision Support Manager makes a fund reservation on the SAP financial system and prepares a payment request form for signing and approval by the head of the requesting department.
5. The Department Decision Support Manager upon receipt of the approved payment request form forwards the form along with the following documents to the Accounts Payable Unit , Controller's Office:-

- The original invoice.
 - The goods received note signed by the authorized officer (as applicable).
 - The payment request form with the fund reservation number.
 - The justification letter in case of an emergency or urgent case request.
6. The payment is processed by the Accounts Payable Unit within 5 working days.
7. Finally, it is important to note that invoices equaling EGP 300 or more are subject to withholding income tax. This tax is withheld from the net invoice amount excluding any other taxes at the following rates based on Income Tax Law # 91 of 2005.

	Tax rate
• Supplies	1%
• Services	3%

Direct Purchase Orders for US\$ 501 to 2000 per order

The requesting department Decision Support Manager is responsible for all Direct Purchase Order prerequisites and requirements.

Direct Purchase order criteria:

Direct Purchase Orders need to comply with the following conditions:

- Order splitting is strictly forbidden i.e. Cost Centers cannot split an order into multiple small orders to avoid the \$2,000 limit.
- Vendor invoices may cover one or more Direct Purchase Order(s) with the total amount not exceeding USD 2,000.
- Full documentation of selected vendor is required prior to placing a Direct PO, otherwise, it will be considered as an unauthorized purchase and will be revoked.
- Spare parts or materials covered by agreements or contracts are not eligible for Direct PO.
- Staff or faculty can use a Direct PO for reimbursement of goods and services purchased with personal funds provided the goods and services fall within the Direct PO guidelines and limits.

Operating procedures to purchase goods and services with a value of US\$ 501 to \$ 2,000:

The Requesting Department validates and ensures that prior to starting the Direct Purchase process all the prerequisites listed below are in place:

1. The store officer in the requesting department/unit must ensure that the needed items are not available in the AUC main store or department store.
2. The Head of requesting Department approves that:
 - The requested items are for AUC business purposes.
 - The requested items do not breach the list of prohibited categories (included in the policy document) excluded from direct purchase orders.
3. If a department wishes to have a new vendor approved, the Department Decision Support Manager must obtain the following documentation from the vendor and submit it to the Controller's Office for approval for approval to be included on the SAP master vendor list:
 - Copy of the vendor commercial registry.
 - Copy of the vendor tax ID.
 - Vendor's bank information.
4. The Requesting Department submits the purchasing request on the SAP Procurement System as outlined in Appendix A, Direct Purchase Order Process Manual, and as summarized below:
 - The requesting Department Decision Support Manager releases the PO to the vendor after securing the signature of the head of the requesting department and ensuring its compliance with this policy.
 - If the cost is to be charged to an external funded grant, the Grants Accounts Office approves the Purchase Requisition to confirm the cost is funded from an external grant.
 - Upon the receipt of the goods or services, the Requesting Department submits the following documents directly to the requesting Department Decision Support Manager within the department/unit to start processing the payment:
 - a. Completed Direct PO Form generated from the SAP Procurement System.
 - b. Original detailed invoice.
 - c. A proof of receipt of the goods or service.
 - The requesting Department Decision Support Manager will review the above documents and ensure its compliance with this policy, and prepares the relevant payment request.
 - This payment request is signed by the Head of the requesting department.

- Upon the requesting Department Decision Support Manager releasing the documents to the Controller's Office, the payment is processed by the Accounts Payable Section within 5 working days.
- The procedures and rules for the reimbursement for staff/faculty for direct purchases are the same as the DP or DPO policies and procedures based on the goods/services value limits.
- Invoices equaling EGP 300 or more are subject to withholding income tax. This tax is withheld from the net invoice amount excluding any other taxes at the following rates based on Income Tax Law # 91 of 2005.

	Tax rate
- Supplies	1%
- Services	3%

Monitoring and Compliance

- In case there is no Department Decision Support Manager or store officer in the requesting department/unit, the head of the requesting department assigns a full time employee for their tasks and responsibilities. This action should be documented by email or official letter. Meanwhile, the Controller's Office will review and control all documents to make sure that all documents are eligible for the DPO policies and procedures. If the submitted documents contain any kind of violations, the Controller's Office has the right to revoke processing of these documents.
- The Controller's Office will create a report every 3 months for the DPO transactions and share this report with the Procurement Office with any recommendations of repetitive vendors, materials or any kind of policy violation that may need to be considered by the procurement office and/or escalated to Internal Audit for review.
- A semi-annual review will be performed in order to monitor the application of this policy, to see if any amendment is required in addition this review will help AUC administration to measure that all purchases are processed in compliance with AUC polices.

Forms/Instructions

Relevant information can be found at (<http://www.aucegypt.edu/about/university-policies>)

Related Information (<http://www.aucegypt.edu/about/university-policies>)

Financial Polices, General Guidelines

History/Revision Dates

Origination Date: November, 2019

Last Amended Date: November, 2019

Next Review Date: June, 2020

This document will be revised and supplemented, as required, to meet new needs and conditions. Revised pages will be sent to all holders who are responsible for keeping the manual current.

An important part of this updating process depends on the constructive comments, information, and suggestions received from you, the users. Your comments are highly appreciated.