ADMINISTRATIVE POLICIES AND PROCEDURES

SUBJECT: PROCUREMENT

NUMBER: 1000

AUTHORIZING BODY: PRESIDENT'S CABINET

RESPONSIBLE OFFICE: VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

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RATIONALE: To offer structure and guidance for the procurement of goods and services by the Oakland University ("University") community and to provide internal control procedures for the commitment of University Funds for such procurement activities

POLICY: Procurement of goods or services through the commitment of University Funds may be transacted via six methods:

1. Purchasing Card ("P-Card")
2. Small Order Purchase Orders ("SOP")
3. Direct Purchase
4. Reimbursement
5. Purchase Requisition/Purchase Order
6. Preferred Provider

All procurement transactions must be in compliance with the supporting procedures and requirements for this policy. No procurement shall be divided for the purpose of circumventing the requirements of this policy.

Each University department and employee is responsible for ensuring that purchases support the mission of the department and the University. Departments must ensure that purchases are fiscally responsible, within budget or funding constraints, and adhere to all other policies and procedures and applicable laws and regulations. Employees are responsible for confirming their authority to make purchases by validating Fund Signing Authority, Commitment Authority and Contracting Authority as outlined in the definitions below.

SCOPE AND APPLICABILITY: All University departments and employees must adhere to this policy when making purchases on behalf of the University using University Funds.

DEFINITIONS:

Account Number: The accounting designation used to indicate the type of expenditure.

Buyer: A Purchasing department staff member who procures goods and services on behalf of the University.

Commitment Authority: Commitment Authority is based on the dollar amount of the procurement transaction. All methods of procurement must be approved by the person in the position authorized to commit the full dollar amount. Additionally, funding must be available to cover the cost of the purchase. To determine your Commitment Authority by position, review Exhibit 1 Commitment Authority.

Contract: A formal agreement between the University and an outside party.

Contracting Authority: Only certain employees are authorized to sign specific kinds of Contracts on behalf of the University. Contracting Authority is delegated in writing and records of Contracting Authority are maintained by the Office of Legal Affairs. For more information, see OU AP&P #410 Contracting and Employment Commitment Authority.

Direct Purchase: A method of purchase to be used for items that may be paid directly from an invoice rather than being purchased on a PO, SOP or P-Card.

Executive Officer: President or Vice-President.

Fund Number: The accounting designation used to indicate the funding source for the procurement/purchase.

Fund Signing Authority: Each payment authorization must be signed by an authorized fund signer. Departments must authorize signers by completing signature cards and submitting those signature cards to the Accounts Payable department. For more information, see OU AP&P #200 Authorized Signers.

Honoraria: Honoraria are typically only paid to academics of distinction discussing scholarly works who are not charging a fee. If a fee is required by the performer/speaker, then it is not an

honorarium and payment should be handled through either a Payment Voucher or Purchase Order. An honorarium is paid at the discretion of the University and the value is not related to the performance of services.

Independent Contractor (IC): The IRS considers most individuals receiving compensation from the University to be employees and requires that they be paid through Payroll. An individual doing work for the University may be considered an IC (i.e., paid through Accounts Payable) if certain criteria are met. To determine if a person falls under IC status, complete the "Employee vs. Independent Contractor Classification Checklist" per OU AP&P #262 Tax Classification: Independent Contractor Versus Employee.

Payment Voucher (PV): Final form required to process payments for Direct Purchases, Purchase Orders, Reimbursements and Honoraria.

Preferred Provider Agreements: Agreements negotiated by the Purchasing department or by educational cooperatives for best value and pricing to be used by departments. In some cases, these agreements have alternative payment methods – see the http://www.oakland.edu/purchasing/ website for more information.

Professional Services: Professional Services are infrequent, technical, or unique functions performed by IC's or consultants whose occupation is the rendering of such services. A Professional Services Contract may be made with a partnership, firm, corporation, or individual.

Purchase Order(PO): A Contract issued by the Purchasing department to a vendor committing the University to procure goods or services. A PO is the primary method of procurement for goods and services exceeding $5,000 per transaction and also for items under $5,000 that are excluded under the SOP, P-Card or PV requirements.

Purchase OrderAdjustment (POA): A document initiated by the originating department and sent to Purchasing to make a change to an existing PO.

Purchase Requisition (PR): A document from the originating department, authorizing the Purchasing department to procure goods or services. Persons authorizing PR's must have appropriate Commitment Authority and Fund Signing Authority.

Purchasing Card (P-Card): University credit card used for procurement of goods and services for which transactions are $5,000 or less. Restrictions apply. See OU AP&P #1020 Purchasing Card Procedures.

Recurring Payment Voucher (RPV): Allows the Accounts Payable department to establish the automatic monthly payment of an invoice such as for lease payments. All leases or other financing arrangements must be approved by the Treasury Management Office.

Reimbursement: A method of repayment to employees for necessary out-of-pocket expenditures in amounts up to and including $500.

Small Order Purchase Order(SOP): A method of procurement for goods and services for transactions of $5,000 or less, subject to the restrictions noted in the Small Order Purchase section of this policy as well as Exhibit 3, Goods and Services with Special Payment Requirements. SOPs are documented on pre-numbered forms available through Purchasing.

University Funds: Funds available for spending from any of the University's fund groups, or money held by the University in its bank accounts.

University Purchasing Department (Purchasing): The University department responsible for procurement of goods and services. It is Purchasing's responsibility to handle all aspects of the procurement process, including identifying and developing sources; assisting departments in developing specifications; soliciting bids, quotations and proposals; negotiating Contracts; and interacting with vendors.

PROCEDURES:

Available Procurement Methods

Exhibit 2 outlines the basic steps for procurement based on dollar amount and type of purchase. The chart is a guideline; be sure to read all relevant policy sections before making purchases.

1. P-Card – Up to $5,000

The P-Card program enables employees to make small dollar procurements similar to those allowed under the SOP. The program is designed to make procurements easier and more convenient by reducing the use of departmental petty cash, personal funds, and SOP's for University expenditures and is the preferred method of purchase for items of $5,000 or less unless prohibited by policy. Refer to OU AP&P #1020 Purchasing Card Procedures for information on the use of the P-Card.

See Exhibit 3, Goods and Services with Special Procurement Requirements Table.

2. SOP - Up to $5,000

The Small Order Purchase process is designed to allow departments to obtain goods and certain services, except where prohibited, directly from vendors when the total does not exceed $5,000 (excluding freight), particularly when the vendor does not accept the P-Card. Procurement using the SOP is handled entirely by the originating department.

Total cost of all goods must be billed on one invoice. If there are shipping costs, the vendor agrees to prepay those costs and include them in the invoice total so the University will not receive a separate invoice from a freight company. Fund Signing Authority must be on file in Accounts Payable.

See Exhibit 3, Goods and Services with Special Procurement Requirements Table.

3. Direct Purchases

Departments may procure certain services up to $5,000 without a PO or an SOP. For allowable Direct Purchases over $5,000, see Exhibit 3, Goods and Services with Special Procurement Requirements Table.

Direct Payment Purchases are paid using the PV. Original Contracts and agreements for IC's, consultants or performers should be attached to the PV. For goods and services with special requirements, see Exhibit 3, Goods and Services with Special Procurement Requirements Table.

4. Reimbursement

Reimbursements of out-of-pocket employee expenditures of $500 or less to pay University obligations and departmental petty cash purchases (see OU AP&P #266 Petty Cash Funds) are processed on the PV. The total amount of any individual transaction may not exceed $500 (petty cash $200). Purchases may not be split for purposes of circumventing the $500 per transaction maximum. Original itemized receipt/proof of payment required.

Reimbursements will only be paid to employees via direct deposit. Reimbursements for employees who are not set up to receive Reimbursements from Accounts Payable via direct deposit will be held until they are set up.

For out-of-pocket expenses that will not be reimbursed, see Exhibit 3, Goods and Services with Special Procurement Requirements Table.

5. Purchase Requisition/Purchase Order– Required for Purchases Greater than $5,000

Procurements greater than $5,000 are performed by Purchasing and require a PR and a PO. For exceptions to this requirement, see Exhibit 3, Goods and Services with Special Procurement Requirements Table.

Types of Purchase Orders

Regular Purchase Order

A Regular PO is a Contractual agreement with a vendor for a product or service at a set dollar amount. Regular PO's are encumbered, meaning that the departmental funds for the purchase become unavailable to spend even before payment to the vendor is processed.

Blanket Purchase Orders

A Blanket PO is a Contractual agreement that allows a set dollar amount to be spent in multiple payments throughout the fiscal year with a specified vendor. Blanket PO's are not encumbered.

Sole Source Purchase Order

Sole source procurement must be thoroughly documented and supported using the Sole Source Justification form on the Purchasing website. Previous satisfactory experience with a vendor by itself is not justification for a sole source. A quotation should be requested from the sole source vendor, not letting them know it is a sole source situation. When possible, further negotiation of price, delivery, and terms should be done to reduce the overall cost. Submit a University Sole Source Justification form to the Purchasing Manager or Buyer, who will make a decision as to whether the sole source is appropriate.

Emergency Purchase Order

Emergency procurement may be made if the following condition(s) exists:

- There exists a threat to health and safety.
- There is an occurrence of an unforeseen or unanticipated urgent event.
- There is a threat of loss of critical services if immediate action is not taken.

The Purchasing Manager or Buyer determines if procurement qualifies for an emergency PO.

Purchase OrderAdjustments (POA)

A POA form is required when there is a change in the criteria after the initial PO has been issued.

Adjustments to PO's should be requested through a POA Form and should include the reason for the change, including details such as prices, quantities, returns, exchanges, additions or deletions.

Departments can discuss changes with the vendor but Purchasing must process and approve any adjustments to PO's.

POA's should not be processed for price increases over and above a quoted price as the vendor is obligated to honor their quoted prices. Please contact Purchasing if you are unsure if a price change should be accepted.

Encumbered PO's can be overspent by up to 15% (not to exceed $1,000) to accommodate miscellaneous charges such as shipping and fuel surcharges as well as minor adjustments in quantity, but not price. Blanket PO's must be adjusted by Purchasing if additional spend is required.

6. Preferred Provider Purchases – May be used for goods and services of any amount

The University may establish accounts with vendors that bill Accounts Payable for multiple departmental purchasing activities directly, thereby eliminating the requirement for departments to submit monthly paperwork for payment processing. Examples of these types of accounts would be the preferred office supply vendor, the campus bookstore, rental cars and some hotels.

Purchases made through these vendors must be legitimate business expenditures. Supervisors and managers must periodically review statements documenting departmental spending through these accounts to ensure that purchases support the mission of the department and adhere to approved University Administrative Policies and Procedures.

All preferred vendor or direct billing arrangements must be established by Purchasing. See Preferred Provider list at www.oakland.edu/purchasing.

Bidding Requirements:

Purchases up to and including $2,500

There is no bidding requirement.

Purchases greater than $2,500 up to and including $10,000

Competitive bidding by Purchasing is not required for an individual purchase with an anticipated value, excluding shipping charges, of $10,000 or less; however, the requesting department must investigate and obtain pricing from at least **two** sources to ensure that it is making sound, economical purchases. Faxed, e-mailed, original written quotes or verbal quotes that are transcribed to paper by the requesting department are acceptable. Attach proof of pricing to PR, SOP, PV or P-Card statement.

Purchasing retains the right to obtain additional quotes and make final selection for Contract award. Purchasing will perform spot audits throughout the year on purchases up to and including $10,000. If such audits reveal that pricing was not optimum, Purchasing will alert the department and will assist it in strategies to achieve better economic pricing in the future. Problems that persist may result in rescinded departmental authority to obtain quotes up to and including $10,000 until purchasing improvements are in place.

A department can request that Purchasing obtain competitive quotations on any procurement transaction.

Purchases Greater than $10,000 but less than $50,000

Competitive bidding for purchases greater than $10,000 but less than $50,000 is required. Purchasing will request at least three (3) competitive bids or quotes. Procurement transactions in this category must be processed by Purchasing.

The University is not bound to accept the lowest bid but can accept the most responsive and responsible bid that is determined to be in the best interest of the University. If a department does not agree to the lowest bid, a written justification must be sent to the respective Buyer for his/her approval. Purchasing retains the right to obtain additional bids and make final selection for Contract award.

Purchases of $50,000 or Greater

Competitive sealed bids for purchases of $50,000 or greater are required and Purchasing will request at least three (3) competitive bids or quotes. Procurement transactions in this category must be processed by Purchasing. Purchasing will determine the best competitive sealed bid process for each purchase on a case-by-case basis.

The University is not bound to accept the lowest bid but can accept the most responsive and responsible bid that is determined to be in the best interest of the University. If a department does not agree to the lowest bid, a written justification must be sent to the respective Buyer in the Purchasing department for his/her approval. Purchasing retains the right to obtain additional bids.

Specific Procurement Requirements:

University employees should not have a personal financial interest in transactions with the University. Recognizing, however, that such interests may be unavoidable, there should be full disclosure of any such **conflict of interest** in advance of the transaction, and special approval of the transaction is required as set forth in the OU AP&P #406 Conflicts of Interest Policy. Purchasing is required to delay the processing of any requisition that appears to be in violation of the Conflicts of Interest Policy until the question of conflict of interests has been resolved at the appropriate University level.

All Contracts, agreements, licenses, IC agreements, performance agreements, etc. must be reviewed by the **Office of Legal Affairs** prior to execution unless a pre-approved standard document is available and the OU terms and conditions are unaltered.

Purchases that may require **insurance** to protect the University from loss must be reviewed by University Risk Management, regardless of whether or not a PO is required. See OU AP&P #1050 Risk Management/Insurance.

No software purchases can be made on a P-card without UTS review and approval. Before securing **software purchases**, please refer to the Campus Software section of the University Technology Services website as well as OU AP&P #870 Software Regulations and OU AP&P #1000 Procurement.

All **building repairs, upgrades, alterations, and renovations**, including plans, must be approved by Facilities Management, regardless of the funding source or work force.

All purchases involving **banking or financing** of any kind, including leases, must be reviewed by

the Treasury Management Office.

All agreements or purchases that involve **receiving payment** must be reviewed by the Controller's Office. See OU AP&P #210 Cash Receipts and OU AP&P #212 Bankcard Information Security Requirements.

Communication intended for external audiences (all media) must be pre-approved in writing by Communications & Marketing.

All **non-payroll payments to students or on behalf of students**, except for Reimbursements, must be approved by the Financial Aid Office. All payments for work (including graduate student stipends) must be paid through payroll.

All **grant expenditures** must be approved by Office of Research Administration. Purchasing reserves the right to debar a vendor from participating in the bid process for grant or Contract expenditures exceeding $25,000.

All **floral tributes** for death or illness of a staff member (or staff member's family) are requested through University Human Resources (staff) or Academic Human Resources (faculty) and handled by the President's Office per OU AP&P #455 Death of Faculty, Staff and Retiree and Floral Tributes.

All payments to **foreign entities** require special documentation and must be reviewed by Accounts Payable prior to securing procurement.

Payment Processing:

Required Documentation

Original paperwork including itemized receipts, invoices, packing slips to confirm that the goods have been received (or confirmation signature), and original Contracts, if applicable, are required for payment processing. If a faxed or emailed invoice is your original, it will be accepted as original if the invoice contains a distinct invoice number to ensure that there will be no duplicate payments. If original documentation is unavailable, please complete an Lost/Missing Receipt Form with a copy of appropriate documentation.

All payment forms may be found on the Accounts Payable website.

Recurring Payment Voucher ("RPV")

Departments may choose to prepare an RPV for payments that occur at regularly scheduled intervals and where the payee, payment amount, and accounting distribution remain constant.

RPV's may be used for both PO and non-PO payments. Examples include rent, leases, maintenance agreements, or other payments paid on a monthly basis. Once the recurring

payment is established, the departments will no longer be required to submit additional vouchers for each monthly payment. Departments are responsible for annual renewal of PO's to ensure funds are available to support the RPV.

Individual departments using the RPV will be responsible for ensuring that duplicate payments associated with recurring payments are not submitted. Departments are also responsible for notifying Accounts Payable if changes, such as accounting distribution or remittance address, are needed on a recurring payment by submitting an RPV with a checkmark next to "Revision".

Multiple Check Voucher

Multiple Check Voucher is the form used to process similar payments to multiple payees, resulting in a separate check for each payee.

Departments are to prepare a Multiple Check Voucher when ALL of the following apply:

- There are three or more payees,
- The University did not issue a PO,
- Payment to each payee is for exactly the same reason, and
- The charge is to the same Fund Number and Account Number.

Generally, departments use this voucher for payments such as refunds or Honoraria that will be going to a large number of individuals.

Honoraria

If your speaker charges a fee, IC payment procedures must be followed (see IC below). Honoraria are typically only paid to academics of distinction discussing scholarly works who are not charging a fee. Complete the "Employee vs. Independent Contractor Classification Checklist" per OU AP&P #262 Tax Classification: Independent Contractor Versus Employee before the visitor arrives to receive a determination on whether your speaker can be paid through the Honoraria process.

Once the Accounting Office has approved the payee for Honoraria, complete the Honoraria Form and attach an event flyer to a PV to process payment. Because Honoraria are tokens of appreciation and not fees or services rendered, there will be no invoice or Contract for Honoraria. Honoraria are typically no more than $1,000.

Payment Processing Approvals

Fund Signing Authority for payment processing is distinct from Commitment Authority for procurement. Vouchers for already established and approved purchases (such as PO's and Contractual agreements) must be signed by the fund signer taking responsibility for the current

transaction. Typically, this will be the department business manager or department head.

Vouchers without prior authority, such as SOP's and PV's, must be signed by the person who has the appropriate level of Commitment Authority and Fund Signing Authority. Multiple approvals may be required as in the case of purchases charged to grant funds, software license purchases, and purchases requiring the review of Risk Management (see OU AP&P #1050 Risk Management/Insurance).

The Office of Research Administration must approve all grant fund payments before they will be processed.

New Vendor and Vendor Maintenance

The procurement system allows for many types of purchasing and payment transactions to be handled by the operating department. Therefore, departments must be responsible for assisting Accounts Payable and Purchasing in maintaining accurate and up-to-date vendor information. Vendor information includes company or Contractor name, "Pay To" (PT) and "PO" address, contact information and Tax Identification Number.

When departments initiate procurement or payment processing for a new vendor, they must submit an IRS Form W-9 or Substitute W-9/Vendor Maintenance Form (found on the Accounts Payable website) to Purchasing or Accounts Payable, which includes IRS Form W-9 information.

Independent Contractors: To determine vendor status (employee or IC), complete the "Employee vs. Independent Contractor Classification Checklist" per OU AP&P #262 Tax Classification: Independent Contractor Versus Employee and submit to the Accounting Office for approval before the person begins work. If the person is found to be an employee instead of an IC, University Human Resources or Academic Human Resoources must verify the person on the federal employment database no later than three (3) days after the person begins work or the University will be in violation of federal law. IC's working on campus must provide certificate of insurance and have an OU Standard Services agreement or a PO in force before work begins.

Foreign Vendors: If the vendor is a non-U.S. person or company, use the chart below as a guideline when choosing which form to request from that payee. Foreign individuals coming to the University should also fill out the International Visitors Payment Information Form and provide a copy of their visa. Contact Accounts Payable for more information on paying foreign vendors before work has begun or goods are received to ensure that there are no issues at time of payment.

Foreign Payee	IRS Form Required
Business entities, Universities, Organizations	W8-BEN
Agents of foreign payees	W8-IMY
Individuals performing services	W8-BEN (no treaty exemption)
Individuals performing services	8233 (claiming treaty exemption)

Original W-8 or 8233 with vendors original signature required for payments for services provided in the US.

Payments to foreign vendors for services provided in the US are subject to 30% federal withholding unless the vendor is eligible for a US tax treaty exemption and the vendor has a US tax number (EIN or SSN).

IRS Form W8-BEN and 8233 as well as the International Visitors Payment Information Form can be downloaded from the Accounts Payable website.

Contact Accounts Payable or Purchasing with questions on establishing new vendors.

Exceptions:

The Purchasing Manager or Accounts Payable Manager each have the authority to approve or deny exceptions as deemed appropriate while maintaining the integrity of the policy. The minimum requirement for approval of any exception is a memo from the requestor which provides an explanation of the exception including a signature from the requestor's direct supervisor. The Purchasing Manager or Accounts Payable Manager will determine the necessary level of additional approval required when an exception is requested.

RELATED POLICIES AND FORMS:

Policies:

OU AP&P #200 Authorized Signers

OU AP&P #210 Cash Receipts

OU AP&P #212 Bankcard Information Security Requirements

OU AP&P #262 Tax Classification: Independent Contractor Versus Employee

OU AP&P #266 Petty Cash Funds

OU AP&P #406 Conflicts of Interest Policy

OU AP&P #410 Contracting and Employment Commitment Authority

OU AP&P #455 Death of Faculty, Staff and Retiree and Floral Tributes

OU AP&P #870 Software Regulations

OU AP&P #1000 Procurement

OU AP&P #1020 Purchasing Card Procedures

OU AP&P #1050 Risk Management/Insurance Policies and Procedures

Forms:

Multiple Check Voucher

Purchase Order

Purchase Requisition

Purchase OrderAdjustment Form

Recurring Payment Voucher

Small Order Purchase Form

Payment Voucher

Substitute W-9/Vendor Maintenance Form

IRS Form W-8BEN

IRS Form W-9

IRS Form 8233

International Visitors Payment Information Form

Lost/Missing Receipt Form

Honoraria Form

APPENDIX:

Exhibit 1

Exhibit 2

Exhibit 3

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