

OAKLAND UNIVERSITY

ADMINISTRATIVE POLICIES AND PROCEDURES

1000 PROCUREMENT POLICY

SUBJECT: PROCUREMENT POLICY

NUMBER: 1000

AUTHORIZING BODY: PRESIDENT'S CABINET

RESPONSIBLE OFFICE: 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:

This policy describes the approved procurement and payment methods for purchasing goods and services.

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, Purchasing 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.
- **Batch Closure Form:** The form is used to close a Purchase Order if all services or goods have been received and an encumbrance remains on the Purchase Order. This includes closing the PO if the Purchase Order was paid using a P-Card.
- **Buyer:** A Purchasing department staff member who procures goods and services on behalf of the University.
- **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. 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, or P-Card. Departments would make payment by Payment Voucher if a P-Card cannot be used.
- **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:** An honorarium is a voluntary payment given to a professional for services that are not typically compensated, such as an occasional speaking engagement or guest lecture. It functions as a token of appreciation for a person's expertise or time. It's often a one-time payment and is generally considered taxable income for the recipient. This should not be an agreed up on amount with the individual performing services. If a fee is required by the performer/speaker, then it should not be considered as an honorarium and should be directed through the process for either a Services Agreement or Purchase Order.

- **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 Request" 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. A payment voucher should only be used if the supplier will not accept the P-Card.
- **Preferred Suppliers:** Contracts negotiated by the Purchasing department for best value and pricing to be used by departments. The list of preferred suppliers can be found on the Employee Resource Network. These suppliers should be the first choice of purchase.
- **Professional Services:** Professional Services are technical or unique functions performed by ICs 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 supplier committing the University to procure goods or services. A PO is the primary method of procurement for goods and services exceeding \$10,000 per transaction and also for items under \$10,000 that are excluded under Exhibit 1, Goods and Services with Special Procurement Requirements Table.
- **Purchase Order Adjustment (“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 PRs must have appropriate Purchasing Authority and Fund Signing Authority.
- **Purchasing Card (“P-Card”):** University credit card used for procurement of goods and services for which transactions are \$10,000 or less. Restrictions apply. See OU AP&P #1020 Purchasing Card Procedures. This is also the preferred method of payment for a Purchase Order.
- **Purchasing Authority:** Purchasing 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

Purchasing Authority by position, review the appendix in OU AP&P #410 Contracting and Employment Commitment Authority.

- **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 up to and including \$500. The \$500 is for the full reimbursement not per individual item.
- **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 suppliers.

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 and Direct Purchase– Up to \$10,000 for Goods

The P-Card is the preferred method of purchase for goods of \$10,000 or less unless prohibited by policy.

A Direct Purchase requires a quote for the goods and acceptance of the quote by the department. Direct Payment Purchases are paid using the PV or P-Card (where appropriate).

For goods with special requirements and for allowable Direct Purchases over \$10,000, see Exhibit 1, Goods and Services with Special Procurement Requirements Table.

2. Contracts – Up to \$10,000 for Services

Departments may procure certain services up to \$10,000 without a PO. Examples include the OLA approved service agreement, original contracts and agreements for ICs, consultants or performers, etc. If you are not using an OLA approved agreement, contact your assigned Buyer.

For services with special requirements, see Exhibit 1, Goods and Services with Special Procurement Requirements Table.

3. 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. 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. It is preferred that employees use the P-Card for these types of purchases to eliminate the need for a reimbursement.

For out-of-pocket expenses that will not be reimbursed, see Exhibit 1, Goods and Services with Special Procurement Requirements Table.

4. Purchase Requisition/Purchase Order– Required for Purchases Greater than \$10,000

Procurements greater than \$10,000 require a PR and a PO. For exceptions to this requirement, see Exhibit 1, Goods and Services with Special Procurement Requirements Table.

Types of Purchase Orders

1. Regular Purchase Order

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

2. Blanket Purchase Orders

A Blanket PO is a Contractual agreement that allows a set dollar amount to be spent throughout the fiscal year with a specified supplier. This is used when the exact

purchase of product and amount per invoice is not known. Blanket POs are not encumbered.

3. 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 supplier by itself is not justification for a sole source. A quotation should be requested from the sole source supplier, 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 your assigned Buyer, who will make a decision as to whether the sole source is appropriate.

4. 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 Buyer determines if a procurement qualifies for an emergency PO.

5. Purchase Order Adjustments (POA)

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

Adjustments to POs 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 supplier but Purchasing must process and approve any adjustments to POs.

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

Encumbered POs can be overspent by up to 15% (not to exceed \$1,000) to accommodate miscellaneous charges such as shipping and fuel surcharges. The 15% is not used for changes to the actual product quoted. Blanket POs must be adjusted by Purchasing if additional spend is required.

6. Preferred Supplier Purchases – May be used for goods and services up to \$100,000. Contact the Director or Purchasing to discuss amounts over \$100,000

The University may establish preferred supplier Purchase Orders with supplier for multiple departmental purchasing activities directly, thereby eliminating the requirement for bids at certain dollar values. See the Preferred Supplier Listing on the purchasing website for details related to each contract. Preferred Suppliers should be used as your first choice of purchase.

Purchases made through these suppliers 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. Refer to Exhibit 1 for the available payment methods.

All preferred supplier or direct billing arrangements must be established by Purchasing.

Bidding Requirements

1. Purchases up to and including \$10,000

There is no bidding requirement.

2. Purchases greater than \$10,000 up to and including \$50,000

Competitive bidding by Purchasing is not required for an individual purchase with an anticipated value, excluding shipping charges, of \$50,000 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, PV or P-Card statement.

Purchasing retains the right to obtain additional quotes, complete a Request for Proposal and make final selection for Contract award.

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

3. Purchases Greater than \$50,000 but less than \$100,000

Competitive bidding for purchases greater than \$50,000 but less than \$100,000 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. Purchasing retains the right to obtain additional bids and make final selection for Contract award.

4. Purchases of \$100,000 or Greater

Competitive sealed bids for purchases of \$100,000 or greater are required. 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. 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 Conflict 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.

The **Office of Legal Affairs and General Counsel** supplies all standard contract templates, which should be used as the preferred contracting method. If a supplier requests to use their own agreement or proposes modifications to an OLA-approved contract, please contact your assigned Buyer for guidance.

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.

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.

The purchasing method for software is a Purchase Order unless your UTS ticket says that UTS has approved the P-Card to be used for the purchase of the software.

If you have purchased your software on a Purchase Order, you may use the P-Card for the payment method.

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 University 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 Research Office. Purchasing reserves the right to debar a supplier from participating in the bid process for grant or Contract expenditures.

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 Tax Compliance and 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 an 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 a lost/missing receipt form with a copy of appropriate documentation including the appropriate approval.

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

P-Card

The P-Card is the preferred method of payment for all purchases unless prohibited by policy. Refer to OU AP&P #1020 Purchasing Card Procedures for information on the use of the P-Card.

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.

RPVs 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 for that fiscal year.

Departments are responsible for annual renewal of POs to ensure funds are available to support the RPV. Departments are also responsible for submitting a new RPV for each fiscal year for which the payment is to be continued.

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 (e.g., accounting distribution, remittance address or banking information) are needed on a recurring payment. This is done 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 is more than one payee,

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 other payments 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 Request" 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, attach the completed Honoraria Form and an event flyer to a PV to process payment. Because Honoraria are tokens of appreciation and not fees for services rendered, there will be no invoice or Contract for Honoraria. Honoraria are typically no more than \$1,000. Any travel costs should be combined into this payment instead of issuing a separate reimbursement request.

Payment Processing Approvals

Fund Signing Authority for payment processing is distinct from Purchasing Authority and Contracting Authority for procurement. Vouchers for already established and approved purchases (such as POs 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, must be signed by the person who has the appropriate level of Purchasing 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 Research Office must approve all grant fund payments before they will be processed.

New Supplier and Supplier 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 supplier information. Supplier information includes company or contractor name, "Pay To" (PT), "PO" address, contact information and Tax Identification Number.

When departments initiate procurement or payment processing for a new supplier, they must submit an IRS Form W-9 (found on the Accounts Payable website) to Purchasing or Accounts Payable, which includes IRS Form W-9 information fully completed and signed by the vendor. If the vendor's payment address differs from the address on the W-9 you will need to also submit documentation from the vendor to establish that address as a "Pay To" (PT) address.

Independent Contractors: To determine supplier status (employee or IC), complete the "Employee vs. Independent Contractor Classification Request" 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, Human Resources 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. ICs working on campus must provide a certificate of insurance and have an OU Standard Services agreement or a PO in force before work begins.

Foreign Suppliers: If the supplier 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 suppliers before work have 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	W-8 BEN-E
Agents of foreign payees	W-8 IMY
Individuals performing services	W-8 BEN (no treaty exemption)
Individuals performing services	8233 (claiming treaty exemption)

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

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

IRS Form W-8 BEN-E 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 suppliers.

Exceptions:

The Director of Purchasing 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 Director of Purchasing or Accounts Payable Manager will determine the necessary level of additional approval required when an exception is requested.

RELATED POLICIES AND FORMS:

- OU AP&P #200 Authorized Signers
- OU AP&P #210 Cash Receipts
- OU AP&P #212 Payment Card 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, Retiree, and Student - Notices and Floral Tributes
- OU AP&P #870 Software Regulations
- OU AP&P #1020 Purchasing Card Procedures
- OU AP&P #1050 Risk Management/Insurance Policies and Procedures

Forms:

- Visit Accounts Payable's website for all forms mentioned in this policy.
- Visit Purchasing's website for all forms mentioned in this policy.

APPENDIX:

Exhibit 1 - Goods and Services with Special Procurement Requirements

Exhibit 2 - Procurement Steps