

Augustana College

Purchasing Policies

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1.0 OVERVIEW

In Authentically Augustana: A Strategic Plan for a Premier Liberal Arts College, Augustana College commits itself to conducting its affairs “in a manner befitting a good institutional citizen,” and includes among its specific goals the implementation of “best practices” in such areas as purchasing. While the following policies and procedures certainly do much to promote the best interests of the institution, they likewise represent a critical safeguard for those who engage in purchasing on Augustana’s behalf. These policies are intended to provide employees with a resource they can reference in ensuring the most effective processes for purchasing are shared by colleagues across the campus. Thank you for your attention to these important guidelines.

--Steve Bahls, President of Augustana College

1.1 Purchasing as a Resource

The Purchasing Office is your first and primary resource for all your buying needs and will team with you to create the best value for all your purchasing needs. We strive to promote the best practices of both centralized and de-centralized purchasing in order to contain costs and still make purchasing as easy as possible for you.

The Purchasing Office is located in the Business Office next to Human Resources in Sorensen Hall and can be reached at ext. 7617 www.augustana.edu/purchasing

2.0 Purchase Planning

2.1 Purchasing Authority

College Officers are authorized to expend money on behalf of the College. They are:

- President of the College
- General Counsel
- Vice President and Dean of the College
- Vice President of Enrollment, Communication, and Planning
- Vice President for Advancement
- Vice President and Dean of Students
- Vice President of Business and Finance

Delegated Authority

In addition to the above, the following are authorized to expend money on behalf of the College within these limits;

- The Director of Purchasing has been delegated authority to expend up to \$50,000.
- Budget Administrators, program chairs, and authorized designees may expend budgeted funds on behalf of the College up to \$5,000 before requiring additional approvals.

2.2 Approvals

All expenditures from departmental budgets require the advance approval of the department heads or individuals designated by the department heads. In the case of Grants and Contracts, the Principal Investigator must approve in advance.

Additional Approvals

The Director of Purchasing must also approve of any purchase when;

- It is budgeted and \$5,000 or higher
- It is over \$1,000, and not within (or will exceed) an approved budget

Expenditures equal to or greater than \$50,000 require approval and signing by a College Officer.

2.3 Contracts and Compliance

A contract is a binding agreement between two or more persons that is enforceable by law.

The Director of Purchasing must review and sign all contracts \$5,000 or greater prior to execution.

Contracts valued at \$50,000 or greater require approval and signing by the College President.

For construction projects, repair and maintenance contracts valued at \$50,000 or greater, approval and signing has been assigned to the Vice President of Finance

Though not an exhaustive list, examples of contracts at the College include;

- Purchase Orders
- Construction or Renovation Agreements
- On Call services
- Professional Services/Consulting Agreements
- Real Estate transactions
- Software/Music/Publications Licensing
- Maintenance/Service/Repair Agreements
- Equipment, auto, & other Leases and Rental Agreements
- Travel Services

Review, Approval, and Signatory authority

Between \$5,000 and \$50,000

All contracts greater than \$5,000 must first be reviewed and approved by the Purchasing Director before activating. The Director of Purchasing is authorized to sign contracts totaling up to \$50,000.

Unbudgeted or exceeding original budget

Any contracts requiring non-budgeted funding or funding greater than the budget amount originally approved for the project must be approved and signed by the Vice President of Business and Finance.

Legal Review

The General Counsel must also review and approve any contracts;

- Greater than \$25,000
- requiring performance or payment beyond an initial twelve (12) month term
- containing an evergreen clause (automatic renewal)
- containing indemnification language

Management and Filing

The Director of Purchasing is responsible for managing the central contract repository.

- Copies of contracts must be submitted to the Purchasing Office prior to Approval and Activation.
- Copies of contracts will be kept on file in the Business Office.

2.4 Conflict of Interest

"A "conflict of interest" exists when a person's private interest interferes in any way with the interests of the college. "Individuals covered by this policy are expressly prohibited from using their position to gain favorable or preferential access to vendors, investment advisors, or organizations for their own benefit."

"Acceptance of gifts in a business relationship can also result in a conflict of interest. No gift or entertainment should ever be accepted by a college employee, directly or indirectly through a family member or agent, unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff, and (5) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts that you are not certain are appropriate. Any gift given or received that is valued in excess of \$100 must be disclosed to the Office of the President."

"Conflicts of interest may not always be clear-cut, and any questions should be forwarded to the Office of the President or the General Counsel."

Full detail can be found in the [employee handbook](#) and the [conflict of interest policy for the Board of Trustees](#).

2.5 Purchasing Ethics

All employees who purchase for the College must adhere to the following standards and ethics.

1. Act always in the best interest of Augustana College in all transactions.
2. Conduct all business without bias, seeking to obtain the maximum value per dollar spent in all purchasing and bidding transactions, based on the total cost of ownership.

3. Promote positive relationships through courtesy and impartiality in all business dealings.
4. Promote trust through confidentiality of proprietary or sensitive information
5. Require honesty and ethical behavior in self and sales representatives.
6. Accept no gratuities, gifts or entertainment, where the purpose or outcome is to bias the purchasing process.
7. Enhance and promote professionalism by acquiring and maintaining current technical knowledge and the highest standard of ethical behavior.
8. Unless otherwise authorized by the Director of Purchasing, keep strictly confidential all information and quotation submitted by competing vendors.
9. Anticipate purchases sufficiently in advance to permit the purchase of goods and services in an efficient and effective manner.
10. Check and inspect all items purchased to insure that the goods or services meets specification and conforms to industry standards within 30 days of receipt so that adjustments can be made.

3.0 Acquisition of Goods and Services

There are two primary ways to purchase goods and services:

- Purchasing cards are used for most transactions valued at \$2,000 or less.
- The Datatel requisition system is required for goods valued at more than \$2,000 and Services greater than \$5,000.
- Though discouraged for day to day purchases, check requests may also be used on a limited basis for transactions which do not fit the above categories.
- Regardless of method use to purchase, receipts are required for all transactions.

NOTE: VERBAL ORDERS DO NOT CONSTITUTE A BINDING OBLIGATION:

Competitive pricing is encouraged for all purchases, however for purchases valued at \$5,000 or greater the College has adopted formalized Bid requirements, which are expected to be adhered to.

3.1 Purchasing Cards

We encourage departments to purchase goods costing \$2,000 or less, membership/subscription renewals, and travel related expenses on their Purchasing credit card (P-Card). If an employee desires a P-card, the program director should contact the Director of Purchasing.

Although it is very convenient to use the Purchasing Card it is still expected that purchasers will seek a competitive discount whenever possible.

Existing contracts can and should be used when possible and at a minimum provide the gauge to measure pricing from.

- Receipts should be held until statement arrives.
- The department should compare the receipts to the statements, reconcile online, and forward the receipts and the statement to the Accounts Payable Supervisor.
- No Requisition or Purchase Order is completed for items ordered on the P-card.

Please note that the P-card is not to be used for personal expenditures.

3.2 Requisitions and Purchase Orders

All goods equal to or greater than \$2,000 and services over \$5,000 must have a Requisition completed. If the supplier is not in the Requisition system, please contact the Purchasing Office to set up the new supplier (vendor).

Departments are not to issue Requisitions to the suppliers. The Requisition is an internal document and is intended to initiate the Purchase Order. The Datatel Requisition number will not be the same as the Purchase Order number.

The Purchase Order is the legal document that is required to form the contract to purchase. The Purchasing Office will issue all Purchase Orders to the suppliers and supply copies to the requesting department.

The College does not issue “for confirmation only” notices.

Requisitions greater than \$5000 should contain notes in the unprinted comments area denoting multiple bids were solicited, and include details as to vendors and prices.

Printing and other services which result in acquiring physical and tangible property are considered goods even though they are part of a service and require a requisition if greater than \$2,000.

The Purchasing Department is available to assist with identifying vendors and the bid process.

The following fields are required in the Requisition: Vendor, Item, Quantity, Purchase price, freight (include as a separate line item), and account number (15 digits).

3.3 Categories Exempt from Purchase Orders

Certain categories are exempt from the purchase order requirements

- Honoraria and fees for entertainers valued at less than \$2,000
- Fringe-benefit related expenditures
- Taxes and payments to governmental agencies
- Legal and audit fees

- Membership dues
- Insurance
- Utilities

Library, Bookstore, and Food Services purchases being made through their respective proprietary order systems are exempt from this requirement, provided such systems are a result of competitive solicitations, are approved, and current contract is on file in the Business Office.

4.0 Bidding Process

Augustana requires the bid process be followed for all purchases of goods or services within these guidelines. *(The Purchasing Office is available and willing to assist in any or all of this process.)*

It is the responsibility of the department chair or director to ensure an unbiased bid is secured by at least three (3) potential suppliers.

The following steps should be taken for all bids:

1. Need is determined and specifications which will best fulfill that need are identified and established.
2. An RRB, RFQ, RFP, (or similar bid document) is developed with the assistance of the Purchasing Office. A verbal or written request for quote may be used for bids less than \$25,000.
3. An unbiased evaluation system based on the “Criteria for award” (see below) should be established and communicated in the bid document.
4. At least three (3) qualified vendors are identified and bids are submitted. For bids less than \$25,000 if verbally requested, documentation is required detailing vendors contacted, date, and criteria and results of the evaluation selection process used.
5. Returned bids are reviewed using the evaluation system outlined in the bid document and vendor is selected.
6. A Purchase Order may be issued and/or contract signed (for services and Primary Vendor) and returned to the successful bidder.
7. Unsuccessful bidders are notified either verbally or in writing.

The bidding process consists of three (3) levels depending on the value of the purchase/contract:

Formal Written Bids

Formal written bids are used for goods or services over \$25,000 and primary vendor contracts exceeding \$25,000 annually. Formal written bids may come in the form of Requests for Bid (RFB), Request for Quote (RFQ), or Request for Proposal (RFP). The General Counsel and Director of Purchasing must review all contracts exceeding \$25,000 prior to execution.

Informal Bids

An informal bid process is used for goods or services over \$5000 but less than \$25,000, including Primary Supplier contracts not exceeding \$25,000 annually. A summary statement of the informal bid process must accompany all resulting contracts and must include information regarding the method of bids (e.g., written, telephone, in person, e-mail, and fax).

Negotiated Pricing Requests

Non competitive negotiations may be used to purchase goods or services when any of the following conditions exist:

- When goods or service is less than \$5,000, (including items under \$2,000 purchased with P-Card);
- When requestor can justify in writing that competition does not exist or would not be in the best interest of the college;
- Extending existing term of previously bid agreement or contract;
- When the item to be purchased is proprietary or sole source item (e.g. Dell computers, Scientific or other equipment manufactured by only one vendor and sold direct);
- When a purchase is of an emergency nature and it is impractical to seek competitive bids (“emergency” purchases should be as competitive as possible under the circumstances and an inquiry by the Purchasing Office may be requested with the department chair or director after the invoice is received to verify competitive pricing negotiation was attempted);
- For most P-Card purchases not bought through existing contracts or agreements;
- For any other compelling reason deemed in the best interest of the college. (An example might be when it would require extensive retraining or tooling to switch vendors for a given group of products like janitorial chemicals).

NOTE: Spot pricing verification will be performed routinely by the Purchasing Office and any pricing disparities will be discussed with the purchaser and his/her supervisor with recommendations as to appropriate methodologies. When negotiated method is used (other than when extending terms of a previously bid contract) competitive pricing should be sought unless the supplier or contractor used has an ongoing documented history of providing the best available price or unless the dollar value is so insignificant as to negate any potential savings.

Purchasing maintains a list of primary vendors and previously bid contracts. It is expected that these contracts be utilized first whenever possible unless better pricing can be obtained elsewhere, keeping in mind the value of time spent away from core activities while seeking other pricing.

It is not necessary to use the bid process when utilizing existing primary vendor contracts as the bid guidelines have already been followed and documented by the Purchasing Office in establishing these agreements.

Exceptions may exist which preclude issuing a bid; however, all such exceptions involving goods or services exceeding \$25,000 must be evaluated and approved by the Cabinet prior to purchase to ensure that forgoing the bid process is in the best interest of the College.

4.1 Emergency Purchase Competitive Bid Waiver Criteria

Competitive bids may be waived for Emergency repairs meeting the following criteria.

- Condition creates immediate threat to public health, welfare or safety.
- Condition is creating or will create an immediate environmental hazard
- Condition if not immediately corrected will cause significant economic loss.

Emergency purchases shall be made with as much competition as is practicable under the circumstances. A written determination of the basis for the emergency and for the selection of the particular contractor shall be submitted to Purchasing.

4.2 Bid Award Policy

Awards will be made to the bidder providing the best value to the College based on the total cost of ownership model, capability of the vendor in providing all requirements in the bid document, availability of funds, and other relevant factors. **(The Purchasing department can provide a customized tool to evaluate and award your bid based on this model)**

Primary Criteria

- Quality - should be the most suitable level needed to accomplish goals while minimizing College exposure to risk
- Service - should be the most suitable level needed to accomplish goals while minimizing College exposure to risk
- Delivery - should be in the manner and timeframe established in the bid, additional costs are included in the price evaluation
- Price - should be the most cost effective solution which meets the stated needs in the bid document; lowest price is not necessarily the final decision factor

Consistency multipliers can affect any or all of these measurable factors and when used, will be used unilaterally. Multipliers are generally used to equalize variances to specification to ensure fair comparison between bids. Example: one bid for paper is in 1000's, another in cases, and the third in reams. Multipliers would be used to equalize bids to the least common denominator, in this case reams of 250, for accurate comparison of pricing.

Secondary Criteria

- Past performance history
- Comfort level with supplier
- Size, age, capacity of firm
- Skill level of management team
- Specific expertise
- Corporate citizenship
 - Social responsibility
 - Environmental sensitivity
 - Community reinvestment
- Process factors
- Electronic technology
- Payment terms
- Company or industry-specific criteria

Any or all of these subjective criteria may be used and weighted according to importance. All criteria and weight factors used will be applied equally to all bids submitted.

Non Criteria:

The following are not considered in evaluating bids submitted to the College:

- Assistance in developing of specifications or other advisory services provided by the vendors such as demonstrating equipment. Although such assistance is valuable and appreciated by the college, it is an assumed cost of doing business and no preferential status can be given in return for such services. Payment expected for such must be negotiated in advance of receiving a bid.
- Female, minority, handicapped and small business status. Augustana College is an equal opportunity purchaser and this status is only used for statistical purposes. In the event where two bids are tied and otherwise equal in all other respects, this status might be taken into consideration for breaking the tie.
- Cash discounts offered for early payment, except in the case of tied bids.
- Alumni and friends of the college will not be given preferential status except in the case of tied bids.
- Friends of employees will not be given preferential status.

College donors

Donations to the college are tax deductible and are not considered in the bidding process. *This is not to be confused with special purchase grants, discounts, rebates, or limited offers provided through the manufacturer and available to all vendors capable of providing that item or service. These types of discounts directly affect price and should be noted in the bid by all vendors.*

4.3 Primary Vendor Status

Primary vendor status is given to vendors who provide a product or service frequently used by the College and which have been previously solicited and approved by the Director of Purchasing, by a formal or informal bid process.

Despite frequent use, evergreen clauses are discouraged with primary vendors.

These agreements are typically reviewed for adherence to contract requirements on an annual basis by the Purchasing Office and are re-bid upon termination of the contract terms.

4.4 Additional Contracts

Access to additional contracts is available through a multitude of consortiums and buying groups not affiliated with the College, but of which we are participants. These contracts have previously been bid by that agency using a comparable formalized bid process and if used represent acceptable fulfillment of the bid requirements above. Contact the Purchasing Office prior to making any solicitation to see if contracted pricing is available through one of these resources.

In addition to the above, the Purchasing Office maintains a listing of vendors who offer the College a discount off retail pricing, and who are already entered into our accounting system. Discounts are typically substantially less than those achieved through the bid process. These suppliers may be used as a backup supplier to existing contracts and for emergency needs under \$2,000.

4.5 Third Party Review

- The Office of Safety will be notified of all laser equipment and microwave purchases.
- The Office of Communication and Marketing will be notified of all printing orders handled outside the College.
- The Director of Information Technology Services will be notified of all software license purchases.
- The General Counsel / Director of Risk Management will be notified of all insurance purchases.

No purchases shall be made by the College from employees of the College or a business owned or controlled by an employee or in which an employee has a substantial interest without a clear statement from the requesting department that such purchases are unique and necessary. This statement will be directed from the requesting department to the Director of Purchasing and forwarded with a recommendation as to uniqueness and necessity to the appropriate Cabinet member for approval.

4.6 Accepting Materials and Services

Our **Central Receiving** department will **accept** the goods or services within Datatel when received. It is important that all goods are delivered and processed through Central Receiving.

If goods must be picked up at the supplier or direct delivered to the department, please notify the Central Receiving department so they can **accept** the goods.

4.7 Invoices

Invoices are to be mailed to the Accounts Payable office. The invoice will be sent to the departments for approval and should be returned promptly to the Accounts Payable office with department signature approval and the **15 digit** account number to be charged.

Before approving an invoice for goods or services which have been ordered on a Purchase Order, Central Receiving must be notified to accept the completed P.O. so Accounts Payable can pay the invoice.

NOTE The College may refuse to pay invoices for purchases that do not adhere to these policies. If already paid, the individual making the purchase in violation of this policy may be required to reimburse the College personally, and could be subject to disciplinary action up to and including discharge