

Procurement Office Easy User's Guide

- **Bidding Requirements**

As a public university and a member of the Pennsylvania State System of Higher Education (PASSHE) certain bidding requirements are either mandated or have been adopted as good business practice. Under ACT 57, Pennsylvania law dictates that bids will be solicited for all purchases exceeding ten thousand dollars (\$10,000).

While this external requirement is closely followed, internal guidelines suggest that bids should be sought at varying levels under the \$10,000.00 limitation. This action is dependent upon the dollar value involved, the desires of requesting party (ies), and the procurement staff's abilities to add value to the purchasing process by reducing the cost of the item to the department.

The bidding process, whether verbal, faxed, written, or conducted through a formal sealed bid procedure is necessary not only to secure the best possible price, but to ascertain other details which may or may not influence the decision to purchase the commodity or service from a particular supplier. Delivery time frames are established, shipping details are clearly defined, and rules clearly set as a part of the bidding process. This procedure leaves no room for misinterpretation and is an integral part of the procurement operation. For these reasons alone, value is added to the process.

Exceptions to Competitive Bidding:

Competitive bidding will not be solicited for commodities or services purchased from commonwealth contracts, commonwealth warehouse, State System of Higher Education contracts, through public agencies such as Pennsylvania Industries for the Blind and Handicapped (PIBH), or other commonwealth agencies.

Sole source procurement will be considered if one of the following conditions exists:

1. Only a single vendor is capable of providing the goods, service, or construction item.
2. It is clearly not feasible to award the contract for goods or services on a competitive basis (e.g., services for guest lecturers, artists, and musicians).
3. A federal or state statute or regulation exempts the award of the contract from the competitive process.
4. The services involve the repair, modification, or calibration of equipment, and they are to be performed only by the manufacturer of the equipment (or an authorized dealer), provided that the contracting officer determines that bidding is not appropriate under the circumstances.
5. The contract for supplies or services is in the best interest of the commonwealth.

A Sole Source Contract Certification form, obtained through the Procurement Office, must be completed by the requisitioner and submitted to Procurement for consideration. If the sole source procurement is approved locally, the contracting officer will submit the form to university legal counsel. Legal counsel will either approve or disapprove the certification and return it to the contracting officer for further processing.

- **Commodity and Service Purchases**

Any tangible object is considered to be a commodity and acquired with a Purchase Order (PO) and/or Purchasing Card (PCard). Services are considered to be an intangible product and are procured through a Service Purchase Contract. Services include, but are not limited to, services provided by speakers, conference/workshop site providers, repairs to equipment, etcetera.

- **Signature Requirements**

Primarily, there are two types of documents that can be created from a requisition that require signatures:

1. Purchase Order Contract
2. Service Purchase Contract

Signature requirements for a **Purchase Order** contract fall within the realm of University management. Purchase Orders will be signed by the requisitioner, Director and/or Chair, and Dean and/or Vice President. Additionally, computer equipment, and in some cases, audio visual equipment specifications need to concur with standards as set by IT. Also, all furniture and any equipment requests requiring the use of University utilities or possible structural modifications must be reviewed by and have prior approval from the Facilities Department to ensure compatibility and conformity with University standards for such equipment.

Exceptions: APR's that fall under the budgetary authority of the Provost and Vice President for Finance & Administration only need to be signed by the requisitioner and the Director when the total amount of the APR is **equal to or less than** established departmental Purchasing Card limits.

Signature requirements for a **Service Purchase Contract** are much more complex and would first require the signature of the contractor. Once the contract is returned to the Procurement Office, the Director of Procurement and/or the Vice President for Finance & Administration are required to sign the contract. It is usually dependent upon the dollar value involved. The Service Purchase Contract is then mailed to University Legal Counsel for review and signature.

- a. If the contract total is less than \$20,000.00, Legal Counsel will make the final approval and will return the contract to the University.
- b. If the contract total is equal to or greater than \$20,000.00, it must also go to the Office of Attorney General for approval before return to the University.
- c. If the contract total is equal to or greater than \$500,000.00, the contract must also be approved by the Commonwealth's General Legal Counsel before return to the University.

Regardless of request, whether for a commodity or service, bidding limits are still enforced. However, the biggest problem with a service contract involves time limits. Even if the service requested is simple in nature - - getting the correct signatures in place **BEFORE** the services commence is imperative.

The final signatory on any service contract, the Attorney General and/or his/her designee will **NOT** sign any contract if the services have already been completed. Without this signature, we have no legal avenue to pay for the services that were provided, as this is an unauthorized purchase contracted outside the confines of the approved purchasing process. This leaves the original requestor liable for payment or forces the contractor to initiate legal action through the court system seeking payment for services provided.

- **The Do's and Don'ts of Procurement**

An "**After-the-Fact**" purchase transaction is a purchase that has been made by a faculty or staff member without prior issuance of an approved purchase order/contract or use of a Purchasing Card, and then, an attempt is made to initiate a purchase order/contract after-the-fact in order to pay the supplier invoice. Such transactions violate Lock Haven University Procurement Policy.

After-the-Fact purchase transactions create significant payment and supplier relationship problems for Lock Haven University. In many cases, these transactions:

1. Place Lock Haven University at financial risk and result in higher than necessary costs paid for products and services
2. Create unnecessary administrative effort within the procurement department and other administrative offices
3. Violate purchasing policies
4. Lack competitive bids for transactions with an aggregate dollar value of \$10,000 or more
5. Result in supplier contracts with unfavorable terms and conditions signed by unauthorized Lock Haven University personnel
6. Could result in duplicate payments to the supplier

If you initiated a transaction that created an After-the-Fact supplier invoice, it must be processed via a **Settlement & Release Form**.

An **“Unauthorized Purchase”** is a purchase made outside of the authorized procurement processes. Examples of unauthorized purchases include but are not limited to:

1. Employee purchases supplies for the office, writing a personal check for the purchase;
2. Employee calls a supplier and places an order for supplies without prior issuance of a purchase order or use of a Purchasing Card;
3. Employee purchases a new computer for the office using a personal credit card;
4. Employee signs a supplier contract for services or supplies.

In all four cases above, the employee made a purchase (committed funds) on behalf of Lock Haven University without securing the appropriate approvals **first** and use of a Lock Haven University authorized purchasing method. The purchased items may be appropriate for business use; however, approvals for all purchases must be secured **before** the purchase is authorized through issuance of a purchase order, contract or use of a Purchasing Card.

Factors to consider with unauthorized purchases include the costs of processing invoices and checks, personnel time, and any travel involved to make such a purchase. Many times, these costs offset the perceived savings in the purchase price. Following Lock Haven University authorized buying methods ensures that all approvals are properly documented and also ensures that Lock Haven University receives the best price.

The appropriate utilization of Lock Haven University authorized buying methods should be used to satisfy all purchase requirements. If there is a unique requirement that may require special handling, contact the Procurement Department for advice or assistance.

SPECIFICATIONS:

Regardless of the request, there are several things which can be done to ease the process for all of us. Providing the detailed specifications certainly erases the need for additional telephone calls, comparisons of data, confirmation of requirements, etc.; all of which delay processing. Keep in mind that specifications are fundamental to good purchasing methods. While you may know exactly what you have in mind, if these thoughts are not clearly conveyed on the requisition it may increase the amount of time it takes for your goods or services to be received.

Specifying brand names, model numbers, catalog numbers with descriptions and/or reorder numbers is **EXTREMELY** important. Requisitions containing only vague descriptions or only a number will not be accepted and the requisition will be returned to the requesting individual for additional information. Any background material already gathered is also a big help for the Procurement staff. However, it is important that the requestor, refrain from soliciting bids for any required item. It is critical that the bidding process preserves the integrity of the procedure to ensure legality and the use of only ethical and professional practices by all concerned.

TIME FRAMES:

While it is certainly recognized that emergency situations do arise, it is important to understand that while the Procurement staff attends to one emergency, another requestor must wait

regardless of the timeliness of their cushion. As soon as you are aware of an upcoming project, give us a call as soon as possible; most likely we will be able to relieve you of some work and cut out some redundancy. Allowing us to do what we do best provides more time for you to do what you do best.

True emergencies do happen, so, by all means, please contact us and the staff will help you as much as possible. On the other hand, please take steps to insure that emergency requests are held to a minimum. The Procurement staff provides service to many taskmasters, serving over 135 +/- departments plus all grant projects; therefore, we appreciate your patience and will offer whatever help is possible.

Emergency Procurement:

Emergency procurement will only be considered when a threat to public health, welfare, or safety exists. Under no circumstances will poor planning be considered an "emergency."

When possible, three (3) bids will be obtained through telephone, fax, or electronic mail. An Emergency Contract Certification form will be completed by the contracting officer, approved by the Director of Procurement, and attached to the contract for legal review and approval. Legal will be notified as early as possible in the process.

- ***Guidelines for Purchasing Commodities***

Under \$10,000

Process a requisition (APR) at least three weeks before commodity is needed. Bids will be solicited if we believe we can save you money by doing so.

\$10,000 and over

Process a requisition (APR) at least six weeks before commodity is needed. Sealed bids are required for purchases with a value of \$10,000 or more.

- ***Guidelines for Purchasing Services***

\$5,000 and under

Process a Service Purchase Contract Request Form at least two weeks before the service is needed. Procurement will create a Service Purchase Contract (SPC). A fully approved SPC must be in effect **BEFORE** the services commence. SPCs **\$5,000 and under** do **NOT** require approval by the university's legal counsel. However, the university cannot pay for services that do not have an SPC in place before the start of the service. Bids will be solicited if we believe we can save you money by doing so.

\$5,000 to \$10,000

Process a Service Purchase Contract Request Form at least six weeks before the service is needed. Procurement will create a Service Purchase Contract (SPC). NOTE: A fully approved SPC must be in effect **BEFORE** the services commence. SPCs require approval by the university's legal counsel. Drafting the SPC and getting legal council approval adds two weeks or more to the purchasing process. The university cannot pay for services that do not have an SPC in place before the start of the service. Bids will be solicited if we believe we can save you money by doing so.

\$10,000 and over

Process a Service Purchase Contract Request Form with complete bid specifications at least six weeks before service is needed. Please be sure to provide the names and addresses of at least three potential contractors who can provide the service being bid. Sealed bids are required for purchases with a value of \$10,000 or more and require Office of Attorney General review and approval prior to the start of the service.