Procurement Training 101

Presented by ASU Materials Management

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Mission Statement

The Purchasing Office’s objective is to procure goods and services to support the educational and research requirements of the University.
General Info ...

- Golden Rule of Purchasing: You must have funds encumbered prior to having a service and/or good delivered to ASU.
  - Purchase Orders must be approved and issued before the service or merchandise is received. Invoices are not appropriate documentation to create an online requisition (we need quotes). After the fact orders are NOT permitted per state and ASU policies.
  - If an exact cost is not available for a service request, a requisition can still be created with an estimated cost just so that we have an encumbrance in place prior to the service being provided.
General Info ...

• Funds for the University come from federal (grants), state, and local levels. The fund source determines what rules/reporting requirements must be followed.

• Specific requirements on certain goods and/or services may require additional approval and documentation.

• A current vendor list is posted on the ASU Purchasing website: http://www.angelo.edu/services/purchasing/hubinfo.php

• The two primary methods of purchasing goods and/or services are by Purchase Order or Procurement Card (p-card).
General Info: Forms

- Ramport: Work Life Tab, Administrative Forms Access
General Info: Forms

- Ramport, Work Life Tab, Fiscal Forms

Examples of Forms you Might Need:
- ASU Justification of Proprietary Purchase
- Pro-card Application
- Pro-card Transaction Log
- Paper Requisition
- Invitation for Bid
- Bid Tabulation
- Request for Proposal
Procurement Conflict of Interest and Code of Ethics

• All employees must follow OP 02.09 Conflict of Interest and Commitment and OP 52.02 Ethics Standards and Conduct Policy when procuring goods or services.

• ASU employees shall act impartially and not give preferential treatment to any private or public organization or individual while procuring goods or services.

• The procurement of goods or services for personal use and/or for personal resale are strictly prohibited.

• An employee shall not receive, attempt to receive, nor intend to receive at any time any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service from any vendor in connection with any bid, proposal, qualification request, purchase, payment, or contract.

• If any conflict of interest occurs or is perceived to have occurred during the procurement of goods and services, the employee shall remove him/herself from the process and disclose the relationship to his/her direct supervisor and to the director of purchasing & travel. The director of purchasing & travel shall review the procurement of goods or services with the purchasing conflict of interest committee to determine if procurement is allowable.

• Procurement of goods or services that result in a personal benefit for any officer, faculty, staff, or student are a violation and may result in additional disciplinary action.
Policy for Purchasing and Contracting Office Staff

In addition to the Procurement Conflict of Interest and Code of Ethics for all staff, Purchasing and Contracting Office staff members shall also adhere to the following policies:

• Staff members shall disclose annually any relations they may have that would cause a conflict of interest in performing their duties. If such conflict exists, the staff member shall remove himself/herself from any procurement in which there might be a conflict.

• Staff members shall at all times keep their supervisors notified of any conflicts and any changes in the status of a conflict.

• Staff members must disclose to their supervisor any confidential information in which there would be a private interest or personal gain.

• Staff members may not authorize any purchase order, contract, or payment with any vendor in which there would be a conflict of interest or private interest or personal gain.
Steps to Buying & Paying ...

• Recognize a Need for a Good or Service
  • Do market research at the department level or contact the Purchasing Office for assistance.
  • Depending on the estimated cost from market research, proceed with the purchase based on the established purchasing thresholds:
    • Retain quotes per purchasing thresholds and submit a Requisition; if market research indicates expense is over $5,000, contact Purchasing Office to determine solicitation method to use:
      o Invitation for Bids (IFB) - The IFB uses the competitive sealed Bid method. This method is used when requirements are clearly defined, Negotiations are not necessary and price is the major determining factor for selection.
Steps to Buying & Paying ...

- Request for Proposal (RFP) – Used when competitive sealed bidding is not practicable or advantageous, such as when factors other than price are to be considered or when objective criteria cannot be defined. One of the key differences between an IFB and an RFP is that Negotiations are allowed in an RFP. Discussions are allowed with Proposers and best and final offers are solicited. More information on developing an RFP will be covered in the Contract Management Training module.

- Request for Qualifications (RFQ) – Generally used to select a provider of Professional Services under the Texas Government Code, Chapter 2254, Professional Services Procurement Act. Selection and award to Respondents is based solely on demonstrated competence to perform the Services; and for a fair and reasonable price. § 2254.003. Price is negotiated after the Institution has made a selection based on Qualifications.
Steps to Buying & Paying ...

- Request for Information (RFI) - Requests for Information are used primarily as a planning tool. The RFI is an optional method that may be used to gather information when an Institution does not have the necessary information to prepare a complete and accurate Solicitation document. RFIs are used to identify industry standards, best practices, potential performance measures, or to generally ascertain the level of interest of prospective Respondents. A preliminary Solicitation document which provides an initial description of the program objectives and Scope of Work usually accompanies an RFI.
Steps to Buying & Paying ...

- Request for Quote (Quotes) – A Bid method utilized in the informal Bid process, as determined by the Institution’s chief Procurement officer, to obtain quotations from potential Contractors for the purchase of Goods or Services. Quotes are obtained for small dollar transactions and shall be governed by the Purchase Order terms and conditions.
Steps to Buying & Paying ...

• Quick summary of purchasing steps:
  • Requisition becomes a PO approved by Purchasing Department
  • Good or Service received.
  • Good or service is Receipted
  • Invoice is Paid by Accounts Payable
  • Encumbrance is closed.
Market Research & Quotes:

- After recognizing a need for a good or service, departments must conduct Market Research. Market research is the gathering and studying of data relating to the good or service, price estimates, analysis of vendor quality, etc. For items under $25,000, departments may collect Quotes from vendors. Quotes should provide information for the purchasing department to accurately issue a Purchase Order (PO).

- Quotes help protect the buyer (requires vendor to honor what was promised.)
- Serves as a legal promise along with a PO.
- Quotes should be current when submitted attached to a Requisition (i.e. quotes usually have an expiration date, such as 30-90 days since issued.)
- Quotes should include all shipping & handling, current address of vendor, be tax exempt, and vendor should acknowledge that they will accept a Purchase Order (i.e. payment in net 30 days.)
- Purchases of $5000 to $24,999 require quotes from at least 2 Historically Underutilized Business (HUB) vendors.
  - Contact the Purchasing Office, and the staff will be happy to run a list of HUB vendors for your purchase.
Procurement Spending Thresholds

- **Formal Bids:** Over $40,000 Formal solicitation responses will be obtained by the Purchasing Office on procurements in excess of $40,000 that do not conform with one of the other procurement types listed in this OP.

- **Informal Bids:** $15,000.01 - $40,000 Three informal competitive solicitation responses (bids or quotes) are required, with two being from certified HUBs. The Invitation to Bid form or an approved modified version is the preferred method to solicit vendor responses (contact the Purchasing Office for assistance). If one or more non-responsive solicitation response(s) are received from the HUB vendors, then solicit, at a minimum, three HUB vendors.

- **Vendor of Choice:** $0 - $15,000 Only one solicitation (bid or quote) is required; however, requisitioning departments are encouraged to obtain more than one bid. Purchases from a historically underutilized business (HUB) are encouraged to the fullest extent possible.
“Best Value”

- Goods or services are purchased for the University that qualify as “Best Value.” Per Section 51.9335 of the Education Code: In determining what is the best value to an institution of higher education, the institution shall consider:

  - the purchase price;
  - the reputation of the vendor and of the vendor’s goods or services;
  - the quality of the vendor’s goods or services;
  - the extent to which the goods or services meet the institution’s needs;
  - the vendor’s past relationship with the institution;
HUB Vendors

A Historically Underutilized Business or HUB is:

• is a for-profit entity that has not exceeded the size standards prescribed by 34 TAC §20.23, and has its principal place of business in Texas, and

• is at least 51% owned by an Asian Pacific American, Black American, Hispanic American, Native American, American woman and/or Service Disabled Veteran, who reside in Texas and actively participate in the control, operations and management of the entity's affairs.

• Certified and registered with the Texas Comptroller as a HUB vendor and listed on the HUB directory.

• State Agencies and Higher Education are required by the Comptroller to assist HUBs by promoting and increasing procurement opportunities by demonstrating a good faith effort for HUB vendors to include them in the bidding process.
HUB Vendors

• ASU must submit a semi-annual and annual HUB performance/compliance report to the Texas Comptroller.

• Contact the purchasing office for a current list of HUB vendors for your purchase(s).
  • Lists of Tom Green County and Texas HUBS are updated quarterly and posted on the ASU Purchasing website:
    • [http://www.angelo.edu/services/purchasing/Vendor%20Lists.html](http://www.angelo.edu/services/purchasing/Vendor%20Lists.html)
Pop Quiz

1. _______________ serves as a legal promise along with a PO.

2. First step in the buying process is:
   1. Collecting quotes
   2. Recognizing A Need for a Good/Service
   3. Contacting Purchasing Department
   4. Submitting a Requisition

3. Best Value is based only on price.
   1. True
   2. False

4. $5000 to $24,999 is a ___________ bid and requires 3 quotes (minimum) – 2 must be from HUBS.

5. To get a list of current HUBS, you can contact
   1. College of Business
   2. Governor’s Office
   3. Purchasing Department at ASU
   4. Dr. May’s office

As with any State Entity – there are always **EXCEPTIONS** to the Rules!

1. State Term Contracts
2. Cooperative Group Purchases
3. Proprietary or Sole Source Purchases
4. Emergency Purchases
5. Exempt Purchases
State Term Contracts Awarded by TX Procurement & Support Services (TPASS)

- Texas Procurement and Support Services, or TPASS, awards state contracts for frequently used items. [http://www.window.state.tx.us/procurement/contracts/](http://www.window.state.tx.us/procurement/contracts/)

- **TxSmartBuy**: Index of competitively awarded term contracts with related terms and conditions, items, pricing and awarded vendors — purchased through the TxSmartBuy Ordering System.
  - Anything with a 900+ number under the contract number column is considered a SERVICE.

- **DIR**: Information Technology and Services hardware and software contracts competitively awarded by the Department of Information Resources.

- **TXMAS**: Texas contracts set up for state agency use that were originally awarded by General Services Administration's (GSA) Federal Supply Service or another state government entity, as authorized by Texas Government Code, Chapter 2155.

- If you want to use a Term Contract, you MUST indicate this on your Requisition with the contract number.
Cooperative Group Purchases

- Cooperative or “Co-ops” are profit or not-for-profit businesses that competitively bid and award to national vendors in accordance with the purchasing procedures (i.e. you don’t have to go out for bid.) Co-ops offer a variety of goods or services; however, several are specialized, such as only having Medical Equipment, Technology, etc.

- A list of current Co-ops is available via the ASU Purchasing Dept. Page: http://www.angelo.edu/services/purchasing/links.php

If you want to use a Co-op Contract, you MUST indicate this on your Requisition with the contract number.
Proprietary or Sole Source Purchases

• Proprietary or Sole Source Purchases are the most commonly misunderstood items in Purchasing. Just because a vendor says that they are a sole source does not make it true. Per the Texas Comptroller, Purchasing Agents must due their due diligence to prove that goods or services provided by a vendor claiming sole source status adhere to the following:

  ▪ A product or service is available from only one vendor. If a reseller or a comparable good or service is available, then the vendor is NOT a sole source.

  ▪ If a vendor holds a patent or copyright for a particular product then they could be considered a sole source.

  ▪ Price is not a determining factor in a sole-source purchase.

• If you want to claim sole source status for a vendor, please fill out the “ASU Justification for Proprietary Purchase” form on Ramport and email to the Purchasing Director. Please attach pdf copies of all market research and documentation. The Purchasing Director will have final decision on the sole-source status of a vendor.
Emergency Purchases

• **Definition:** A purchase of goods or services so badly needed that the University will suffer financial or operational damage unless they are secured immediately. Often a result from unforeseeable circumstances and may require an immediate response to avert an actual or potential public threat, an emergency purchase is only justified to prevent loss of life, health, safety, welfare or property.

• For example: a broken sewer line on campus would be considered an emergency purchase. Other examples include: fire, flood, and/or terrorist attack.

• Competition may not be precluded and normal purchasing procedures are not necessarily followed; however, should attempt to use contracted or HUB vendors if possible.

• *Lack of planning or loss of funds at the end of the fiscal year does NOT constitute an emergency.*
Emergency Purchases

- A written justification will be submitted to the purchasing office with procurement card information and/or requisition(s) – the financial manager’s signature is required per department documenting his/her approval.

- Justification will include the following:
  - Reason for the emergency
  - Financial or operational damage/risk possible to ASU
  - Why standard procedures could not be used to obtain the products/services
    - Ex: after 5 p.m. and repair shop that ASU usually uses was closed
  - Reason and process used for selecting a vendor
Exempt Purchases

- Exempt purchases are exempt from the competitive bidding process. They include:
  - Classified advertisements
  - Conference Expenses
  - Direct Publications: direct subscriptions, videos, software packages purchased from the developer
  - Exhibit Space
  - Freight
  - Hotel & Conference Rooms
  - Internal Repairs
  - Inter-Agency Purchases
  - Lecturers/guest speakers (not for continuous engagements)
  - Legislative Information Services
  - Membership fees & dues
  - Moving expenses (employee)
  - Newspaper & magazine subscriptions directly from publisher
  - Registration fees and associated books & materials
  - Student Travel (except aircraft charter)
  - Purchases from federal agencies
  - Purchases from TDCJ
  - Purchases from TIBH
  - Utilities
Pop Quiz

1. Lack of planning constitutes an emergency purchase.
   1. True
   2. False

2. Cooperative purchases have to be bid out.
   1. True
   2. False

3. If a comparable good or service is available, the item is not a sole source purchase.
   1. True
   2. False

4. If you want to use a term or co-op contract, you must indicate this on your:
   1. Paperwork filed in your desk
   2. Requisition for good or service
   3. Email to the Comptroller of Public Accounts
   4. All of the above

5. ________________ is the most misunderstood type of purchase.

Answers: 1. False 2. False 3. True 4. Requisition for good or service 5. Proprietary or sole source
Overview of the Purchase Order Process:

**BEFORE SUBMITTING A REQUISITION – YOU MUST ENSURE YOUR VENDOR WILL TAKE A PURCHASE ORDER AS A FORM OF PAYMENT AND THEY UNDERSTAND PAYMENT WILL BE IN NET 30 DAYS.**

**Requisitions:** Requisitions are submitted electronically by the requestor for approval by the Budget Authority and Purchasing Office. A requisition (or REQ) is the process for requesting permission to purchase goods or services. All known details should be provided on REQs & the vendor’s W9 must be sent to the purchasing dept. to add the vendor in our payment system. Once all approvals are obtained and any issues resolved, an authorized Purchasing staff member will convert the REQ into a Purchase Order.
Overview of the Purchase Order Process:

**Purchase Orders:** Purchase Orders (or PO) are binding business contracts which commit funds on behalf of the University. The PO is the process for formally placing the order with the vendor. Without the official PO, the University is not obligated to make a payment to a vendor.

It is a state requirement that funds must be encumbered prior to getting a good or service. Issuing the PO encumbers the funds for ASU.

The PO provides the correct shipping and invoicing addresses for the University to the vendor. The PO is payable to vendors when goods/services are rendered and all terms & conditions are followed. Payment is in NET 30 days per the State Comptroller.
Overview of the Purchase Order Process:

**Vendor Contracts:** Vendor contracts require additional review by the Contracting Office. The Contracting Office:

- the appropriate signature authority is included on the contracts
- all Terms & Conditions and/or “legal language” of the contracts are acceptable for ASU
- Examples of vendor contracts are:
  - Between ASU and paid speakers, entertainers, etc.
  - Between ASU and software licensing groups, janitorial services, and/or clinical fellowships for students with local hospitals
Procurement Cards (p-cards)

• Procurement Cards will be reviewed in a separate required training module.

• Procurement card training is now required every two years to maintain use of the procurement card for ASU purchases.
  ▪ Anyone that has signature authority on a procurement card is required to take the training.
Wrap up ...

- The two primary methods of purchasing goods and/or services are by Purchase Order or Procurement Card (p-card).
- Officers, faculty, and staff (‘employees’) of ASU may not have direct or indirect interests in purchasing (i.e. a conflict of interest).
- Procurement Spending Thresholds: formal, informal and vendor of choice
- Best Value is based on: the purchase price; the reputation of the vendor and of the vendor’s goods or services; the quality of the vendor’s goods or services; the extent to which the goods or services meet the institution’s needs; the vendor’s past relationship with the institution
- A HUB vendor is: at least 51% owned by an Asian Pacific American, Black American, Hispanic American, Native American, American woman and/or Service Disabled Veteran, who reside in Texas and actively participate in the control, operations and management of the entity’s affairs.
- “Co-ops” are profit or not-for-profit businesses that competitively bid and award to national vendors in accordance with the purchasing procedures (i.e. you don’t have to go out for bid.)
Wrap up ...

- The two primary methods of purchasing goods and/or services are by Purchase Order or Procurement Card (p-card).

- Sole source: A product or service is available from only one vendor. If a reseller or a comparable good or service is available, then the vendor is NOT a sole source.
  - If a vendor holds a patent or copyright for a particular product then they could be considered a sole source.
  - Must fill out an ASU Justification for Proprietary Purchase for approval.

- Emergency Purchase: A purchase of goods or services so badly needed that the University will suffer financial or operational damage unless they are secured immediately. Often a result from unforeseeable circumstances and may require an immediate response to avert an actual or potential public threat, an emergency purchase is only justified to prevent loss of life, health, safety, welfare or property.

- Before submitting a requisition, you must ensure your vendor will take a Purchase order as a form of payment and they understand payment will be in Net 30 days.
Certificate of Completion

____________________________________
(please print name)

has completed the mandatory
Procurement 101 training
on __________________ (date).

Please email your certificate to jamie.huff@angelo.edu
or fax to the purchasing office at 325-942-2010