

## ***General Policy - Purchasing***

### **Policy:**

All purchases of supplies, materials, and equipment which encumber College funds shall be properly authorized, documented, and processed. They shall be obtained at the best value, and in a timely manner, while maintaining fairness to vendors, and abiding by state law.

1. Purchases \$2,499 and below: These purchases do NOT require a purchase order. When feasible, informal quotes or proposals should be solicited from more than one vendor. BSC employees, authorized by their respective department, can make single item purchases  $\leq$  \$2,499 on a BSC Purchase Card. See BSC's "*Purchase Card Policies and User Guide*". Purchases under \$2,499 not made on a Purchase Card must be paid via a *Request for Payment* form which can be obtained from Accounts Payable.
2. Single item purchases \$2,500 - \$25,000: Solicit no fewer than three vendors to submit oral or written informal bids or proposals. If three bids cannot be received, written justification must be provided (e.g., "only two known vendors" or "contacted three vendors, only two responded").
3. Purchases over \$25,000: Coordinate with BSC's Purchasing Coordinator to solicit formal, sealed bids. As many sources as possible should be solicited, and a minimum of two weeks should be allowed for accepting bids. Specific times and dates for bid opening must be defined. The person in charge of purchasing shall have the discretion to shorten the two week time period when, in that person's judgment, it would be advantageous to do so.

### **Regulations & Exceptions:**

#### **Consulting, Contracting, Insurance:**

Consulting or other contract services and insurance estimated at less than \$100,000 shall be purchased by negotiation, telephone or informal written quote or proposal. When feasible, more than one vendor should be requested to submit prices to ensure appropriate competition. Consulting or other contract services or insurance estimated at \$100,000 or more must be purchased through a formal request for proposal process that includes procedures for identifying eligible vendors, developing a comprehensive requirements document, specifying unique needs,

negotiating mutually acceptable contract terms, and listing minimum proposal requirements. Payments for services may be made only according to a written contract.

**Construction & Building Improvements:**

Reasonable steps shall be taken to ensure that North Dakota companies have an opportunity to compete for contracts or submit bids.

1. Construction projects under \$2,000 shall be made by telephone quote or a negotiated price.
2. Construction projects between \$2,000 and \$100,000 shall be contracted by written quotes or proposals. A minimum of five (5) working days should be allowed for a response.
3. Building improvement and construction contracts estimated to exceed \$100,000 must be advertised and procured through a formal competitive sealed procurement process using plans, drawings, and specifications done by an architect or engineer, except as otherwise provided by law.
4. Authorization to proceed with an improvement for which the cost exceeds \$250,000 must be approved by the State Board of Higher Education.

**Sole Source Purchases:**

Items which do NOT require competitive bidding are those items possessing unique characteristics or properties, which because of those peculiarities, are essential to the conduct of particular research projects or instructional endeavors or sole source services. Purchases of an item or service under this exception are permitted only when a “*Sole Source Purchase Justification*” form, obtained from Accounting Services, has been completed and submitted to the Controller.

**Leases:**

Only the Executive Vice President and Associate Vice President for Finance and Operations have the authority to commit BSC to leases of equipment or personal property. Prior to acquisition of an asset as the result of a lease agreement or other debt financing arrangement, Accounting Services shall prepare a written analysis documenting the decision to acquire the use of the asset. All lease agreements concerning equipment or personal property must include the following:

1. An adequate description of the parties which identifies the lessor or seller and names the institution as the lessee or buyer.
2. A complete description of the property subject to the lease, including appropriate procedures for acceptance by the institution after delivery and inspection.
3. A statement of the estimated purchase price (fair value) of the leased property on the date of the lease, the total amount of payments to be paid by the institution for the leased

property, the date that the payment or payments are due, the periodic payment amounts, the interest rate used by the lessor, estimated economic life of the property and the office and address to which the payment(s) shall be mailed.

4. A statement of the term of the lease, with definite beginning and ending dates and the options each party has, if any, for termination of the agreement prior to the end of the term. Whenever the term is proposed to continue into a future biennium, the agreement must provide the institution with the right to terminate the agreement in the event of legislative non-appropriation of essential funds.

## **Purchasing Procedures:**

### **Purchase Order Process:**

The purchase order process is used for single item purchases over \$2,500. Exceptions are subscriptions, various services, registration fees, etc.

1. Purchase Requisition: Each purchase starts with a properly completed and approved *Purchase Requisition* form obtained from Accounting Services.
2. Purchase Order: Once the requisition has been returned to Accounts Payable, it will be entered and a Purchase Order (PO) will be generated. The PO will be sent via email to the buyer. The buyer is then authorized to order the product.
3. Receiving Report: A Receiving Report and Fixed Assets Inventory Document & inventory tag (if required) is sent to the requesting department to verify the quantity and price of the product received. The department supervisor signs the receiving report, attaches the invoice, and submits it to Accounts Payable for payment. **DO NOT PAY A PURCHASE ORDER WITH A REQUEST FOR PAYMENT.**

In summary: A **Purchase Order** is generated from the information provided on the **Purchase Requisition Form**. A **Receiving Report** and **Fixed Assets Inventory Document & inventory tag** (if required) is sent to the requesting department with further instructions.

### **Things to Remember When Requisitioning:**

1. Accuracy and neatness are important. A single wrong letter or number can make a vast difference.
2. Be as specific as possible and avoid generalities. Manufacturer, model number, size, part number, quantity, and unit of packaging are vital for a correct purchase order.
3. All employees who have an actual or potential conflict of interest associated with a purchase must file a "*Financial Interests Disclosure Statement*" form with Accounting Services. No employee shall participate in selecting, awarding, or administering purchases,

if he/she (or immediate family members) has a financial or other interest in a firm of a prospective contractor/supplier.

4. It is not acceptable to have invoices dated earlier than the purchase order.
5. Emergency purchases will be allowed on a Request for Payment, but those departments that tend to have ongoing crisis situations will have their purchasing reviewed and the information forwarded to the Executive Vice President of the College.

### **Payment Procedure:**

1. Payment for goods can be accomplished only upon receipt of an original invoice and completed receiving report. The invoice must show the purchase order number, description of item purchased, and correct pricing. If part of an order is being paid, an original invoice and a copy of the receiving report must be submitted for processing. **NOTE! Bismarck State College is sales tax exempt and vendors shall be reminded not to add sales tax on the invoice.**
2. All invoices shall be charged and mailed to Bismarck State College, PO Box 5587, Bismarck, ND 58506-5587. No other headings or addresses are acceptable.
3. Upon receipt of the invoice and receiving report, the Controller or his/her designee will audit and route the invoices to determine whether the merchandise has been received and properly billed. Statements are not acceptable as a supporting document for payment.
4. After this determination, payment vouchers are prepared, checks drawn, and disbursements made.

### **Miscellaneous:**

1. Year End Purchasing - All departments should have their purchase requisitions completed by June 1<sup>st</sup>.
2. Any so called "free gifts", valued at \$25 or more, acquired during vendor promotions are property of the institution. These items should be turned over to the Associate Vice President of Finance and Operations as soon as they are received.
3. It is prudent to periodically "shop around" for prices particularly if you have been using one vendor exclusively for awhile.
4. Most office supplies can be purchased through Central Purchasing at the Capitol for 2% over cost.

### **Reference:**

SBHE Policy 803.1 -- Purchasing Procedures

## **History of This Policy:**

First policy draft November 1979.

Revisions - November 17, 1979; February 1, 1982; December 30, 1985; January 3, 1986; July 1, 1987; October 17, 1988; June 1, 1990; November 14, 1991; June 4, 1993; August 9, 1994; January 1, 1997; August 12, 1997; November 9, 2001; January 7, 2003; April 19, 2004; January 29, 2009.