

Basic Procurement Training

Office of Contracts & Procurement

Fiscal Year 2017



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AUTHORITY TO OBLIGATE

- Authority delegated by the Chancellor
- University business officers are authorized by the University to approve purchases up to \$15,000
- Authorized Purchasing Methods
 - Purchase order
 - Contract
 - Procurement card
- Authority to Sign Contracts
- Authority to Sign Software License Agreements



PURCHASING ETHICS

- Requirements
 - Maximum value per dollar of expenditure
 - No personal gifts or gratuities that might result in an obligation
 - Honesty in sales representation (i.e. pressure from sales people)
 - All qualified, reputable suppliers be given equal opportunity
 - No suppliers receive special consideration
- Ethics Considerations
 - Conflicts of Interest
 - Gifts
 - Self-Dealing
 - Purchases from Employees
 - Benefits for Performing Official Duties



PROCUREMENT PROCESS

- Define the Scope of Work
 - Description of good/service
 - Quantity needed
 - Quality of good/service
 - Date required
 - Estimated total cost
 - Criteria for evaluation
- Solicitation of Written Quote/Proposal
- Evaluation and Award
- Issuance of Purchase Order/Contract
- Delivery & Receipt
- Payment



Solicitation Method

The solicitation method is generally determined by the estimated dollar value of the product or service to be purchased. The following dollar thresholds apply:

Dollar Range		Solicitation Process
\$0	\$14,999.99	Competitive quotes are encouraged, but not required. A department may solicit a written quotation from a single source and issue a purchase order at the department's discretion with proper internal approval(s).
\$15,000	\$50,000	A department is required to obtain a minimum of three written quotes by mail, email or fax and submit them to Contracts & Procurement (CNP). A good-faith effort must be made to include a quote from a minority-owned and woman-owned business. An Exclusive Acquisition Justification (EAJ) may be used as appropriate if competitive products or services cannot meet required specifications.
\$50,000.01	+	Formal competitive solicitation by CNP may be required. When the expected value is expected to exceed \$50,000, departments should consult with CNP staff to determine the most appropriate procurement method. Exclusive Acquisition Justification (EAJ) may be used as appropriate if competitive products or services cannot meet required specifications.



SOLICITATION OF QUOTES

The following information should be included on the written quotes from suppliers:

- Date of quote and quote number
- Company name, address and contact information
- Contact information for person supplying the quote
- Part number and description of items(s)
- Pricing and lead time
- Payment terms
- FOB (Free on Board) – Point of Change of Ownership
 - Generally “Origin” or “Destination”
- Freight charges (if appropriate)
- Existing contract number (if appropriate)



PAYMENT TERMS

- Standard Terms
 - University refers to the payment terms of the Texas Prompt Payment Act as Net 30
 - Payment of full amount will be made within 30 days of receipt of the invoice or receipt of material or service, whichever is later, not from the date of the invoice.
- Contractor Travel Expenses
 - Contractor must submit receipts and expenses must be in compliance with Texas Comptroller travel expense guidelines
- Payment Term Exceptions
 - Early payment discounts (example: 2% 10; Net 30)
 - Allows for taking a 2% discount if payment is made within 10 days, otherwise full payment due within 30 days
 - Prepayments (including partial prepayments)
 - Progress or milestone payments (based on actual deliverables)
 - NOTE: Exceptions to University's standard payment terms require approval by CNP **prior** to issuing a purchase order or contract



FREIGHT

Cost of Shipping Goods to the University:

- Prepay & Allow
 - Supplier includes cost of shipping in cost of goods
- Prepay & Add
 - Supplier prepays freight & adds it to the invoice
 - Freight should be added as a separate line item on the purchase order
- University does not accept Cash on Delivery (COD) shipments

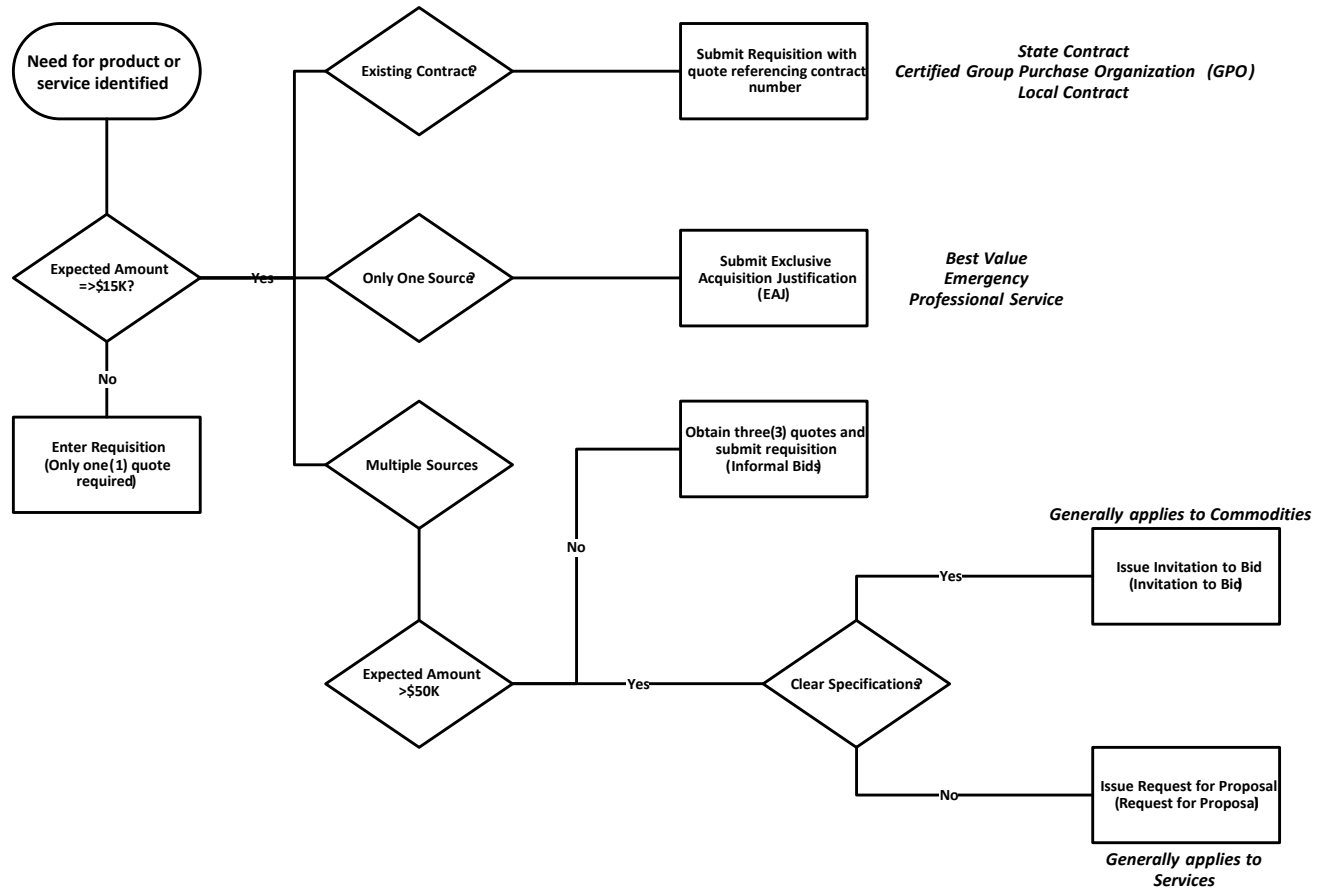


OWNERSHIP

- Free on Board (FOB) terms specify:
 - When the title passes from seller to University
 - Who is responsible for goods while in transit
 - Who is responsible for filing any freight claims
- FOB Destination
 - University-preferred
 - University takes ownership upon delivery & acceptance of the shipment
 - If the goods are lost/damaged in transit, replacement or freight claim resolution is supplier's responsibility
- FOB Origin (Shipping Point)
 - Not recommended, especially for the shipment of equipment or delicate items
 - University takes ownership when supplier releases goods to the carrier
 - If the goods are lost/damaged in transit, University is required to pay for the goods in full
 - University is responsible for filing any freight claims with freight carrier



Purchasing Process Decision Diagram



INFORMAL BIDS

For purchases with a value between \$15,000 and \$50,000

Guidelines:

- Department obtains at least three **written** quotes
- A “no bid” or “no response” is not an acceptable quote
- Confirm Freight, FOB, payment terms & lead time on all quote
- Department makes a good-faith effort to include a quote from certified HUB vendors
 - Minority-owned, Woman-owned
- Department creates requisition which routes to CNP after departmental/commodity approvals
- Award is generally based on price and delivery



FORMAL SOLICITATIONS

For purchases with a value greater than \$50,000

- Invitation to Bid (ITB)
 - Generally used for commodities, where specifications are very clear
 - Publically posted (generally 10-14 days)
 - Terms & Conditions generally standard language
 - Award based on best value criteria, but more heavily weighted toward price & delivery
- Request for Proposal (RFP)
 - Generally used for services, where requirements can be generally stated, but variation in supplier offerings exist
 - Publically posted (generally 3-4 weeks based upon complexity)
 - Terms & Conditions generally modified to address specific needs, generally results in negotiation
 - Award based upon best value criteria, with scoring done by department subject matter experts
- Request for Qualification (RFQ) – Used to qualify certain suppliers
- Request for Information (RFI) – Used to gather information in order to develop Scope of Work for an RFP



EXISTING CONTRACTS

- Advantage of using existing contracts:
 - Already competitively bid
 - PO/contract terms & conditions have been negotiated
- Regardless of the contract type:
 - Verify that the contract is still valid and has not expired
 - Verify that items and/or services being purchased are covered under the contract
 - Verify that the selected supplier is covered by the contract
 - Contract number should appear on the supplier's quote and be entered on the requisition



CERTIFIED STATE & GROUP PURCHASE CONTRACTS

- State:
 - Department of Information Resources (DIR)
 - Texas Comptroller of Public Accounts (TXMAS – Texas Multiple Award Schedule)

- Group Purchasing Organizations:
 - The University of Texas System Supply Chain Alliance
 - Purchasing Solutions Alliance (PSA)
 - E&I Cooperative Services, Inc.
 - Region 19 Allied States Cooperative
 - Texas Association of School Board (TASB) – “BuyBoard”
 - Premier Health Alliance, LP



Contract Value or PO Amount	Informal Bid	Formal Bid/Proposal (ITB/RFP)	Certified State Contract DIR/TXMAS/TPASS	Certified GPO (Alliance/Premier)	Certified GPO Other (See Page 2)	Exclusive Acquisition Justification (EAI)	BOR Approval Requirement	Reporting Requirement
<\$15,000	NA	NA	One (1)	One (1)	One (1)	NA	NA	Transparency Report
\$15,000 - \$50,000	Three (3)	NA	Three (3) ¹	One (1)	Three (3) ¹	One (1)	NA	Transparency Report
\$50,000 - \$1M	NA	ITB/RFP	Three (3) ¹	One (1)	Three (3) ¹	One (1)	NA	Transparency Report LBB Report (State Funds)
>\$1M	NA	ITB/RFP BOR Approval Required ²	Three (3) ¹ OBA Approval Required ² BOR Approval Required ²	Alliance - One (1) Premier – One (1) up to threshold below ² Premier – Three (3) above the threshold below ² OBA Approval Required ² BOR Approval Required ²	Three (3) ¹ OBA Approval Required ² BOR Approval Required ²	One (1) BOR Approval Required ²	Yes ²	Transparency Report LBB Report (IT or State Funds) BOR Quarterly Report

¹ Quote/Proposal Notes (Specific to State Contract & GPO Purchases other than Alliance)

- If only two suppliers in a category, document & proceed without further justification
- If only one supplier in a category:
 - EAI not required for Premier, E&I, State Contracts
 - All other GPO contracts:
 - Confirm & document that valid procurement was completed, or
 - Complete EAI
- Commodities {\$15K-\$50K} – Schools/Departments may obtain quotations {valid for 20 days}
- Commodities {>\$50K} – Purchasing obtains quotations {Schools/Departments provide specifications}
- Services {>\$15K} – Purchasing obtains proposals {Schools/Departments provide SOW}

² Board of Regent Approval Notes

- Submit to the UT System Office of Business Affairs (OBA)
 - State Contract, Other GPO: >\$1M
 - Alliance & Premier: Per thresholds below {Alliance submits for their contracts}
- Board of Regents Approval {Consent Agenda}
 - ITB/RFP/EAI: >\$1M with exceptions as identified in Regents Rule 10501
 - GPO/State Contracts: Per threshold below with exceptions as identified in Regents Rule 10501
- Group Purchase thresholds:
 - Tier I - \$1.0M {UTPB, UTRGV, UTT, UTHSCT}
 - Tier II - \$2.0M {UTA, UTD, UTEP, UTSA}
 - Tier III - \$3.0M {UTAUS, UTHSCH, UTHSCSA, UTMB, UTSWMC, UTMDA, UT System}



EXCLUSIVE ACQUISITION PURCHASES

- Most purchases are made on a competitive basis
- However, sometimes competition does not exist or it is in the University's best interest to use a product or service from a particular supplier
- Type of Exclusive Acquisitions
 - Proprietary/Best Value
 - Emergency Purchase
 - Professional Services
- Justification for Exclusive Acquisition required
 - Signed by request originator plus department administrative manager
 - Approved by CNP staff plus CNP Director



GENERAL INFORMATION

Today's Date:	July 28, 2015	Estimated Dollar Amount:	\$36,594.00
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Select anticipated contract type:

Business Contract
 Purchase Order (PO)
 Document ID #: 20PB4123456

CONTACT INFORMATION

DEPARTMENT INFORMATION		SUPPLIER INFORMATION	
Department Name:	Name of Department or Unit	Supplier Name:	Equipment Vendor, Inc.
Contact Name:	John Smith	Contact Name:	Mary Jones
Campus Phone:	512-471-1234	Phone:	512-123-4567
Email Address:	johnsmith@utexas.edu	Email Address:	mjones@equipmentvendor.com

TYPE OF JUSTIFICATION**Proprietary and Best Value:** (as defined in *Texas Education Code 51.9335 b*)

Only known supplier that meets your "definition of scope." (Complete sections A and B.)

Emergency:

A purchase for which delay would create a hazard to life, health, safety, welfare or property. (Complete sections A and C.)

Professional Services: (as defined in *Texas Government Code 2254.002, e.a.* Architects, Engineers, RNs, CPAs, Physicians, Land Surveyors, etc.)

Designated professional for which competitive bidding is not permitted. **Note:** To be used only when professional service providers have not been pre-qualified. (Complete sections A and D.)



SECTION A - GOODS/SERVICES INFORMATION

PRODUCT MAKE/MODEL OR SERVICE	Equipment Vendor Model No. XYZ123
DESCRIPTION OF REQUEST <i>Describe the good or service to be procured and how it meets your needs.</i>	A media filling system that is capable of accurately and independently pouring 35mm, 60mm, and 90mm petri dishes and 13mm, 16mm, 20mm, and 25mm culture tubes. This unit will allow our department to produce sufficient media to meet the needs of our clients.

SECTION B – PROPRIETARY AND BEST VALUE JUSTIFICATION

SPECIAL USE REQUIREMENTS (equipment only)	
<i>To be compatible with existing equipment:</i>	___ YES <u> X </u> NO
<i>For the repair, maintenance, or modification of existing equipment:</i>	___ YES <u> X </u> NO
<i>For use as spare or replacement equipment:</i>	___ YES <u> X </u> NO



<p>REQUIRED FEATURES</p> <p>List the specific feature(s) or characteristic(s) that are <i>required</i>, which are unique to the good or service provided by this supplier. Describe the importance of the unique feature(s) as it applies to the intended use and project goals. Describe how the selected supplier meets these requirements.</p>	<p>This unit has two unique features that are required by our department:</p> <ol style="list-style-type: none"> 1. Capable of independent culture tube preparation – without a pourer, these must be prepared using a machine operated by a handler which is then dependent on the skill and speed of the handler. 2. Capable of handling 35mm petri dishes – without a pourer, these must be poured by hand which is a time consuming process that carries contamination risks. <p>One of our primary functions is to provide media plates and tubes to the labs we serve. Having a system that is capable of hands-free operation is essential to producing the volume of media required in the allotted time frames.</p> <p>Equipment Vendor model XYZ123 meets all of the requirements.</p>
<p>EVALUATION OF OTHER SOURCES</p> <p>List other sources that were evaluated (including the names, manufacturers, model numbers, etc.) and state the reason they were found to be unsatisfactory for the intended use or in meeting project goals. (Attach copies of any quotes collected from other suppliers, if applicable.)</p>	<p>While researching automatic plate pourers, we looked at 3 other units that ultimately did not meet our requirements:</p> <ol style="list-style-type: none"> 1. Vendor B model ABC – not able to independently pour tubes or handle 35mm petri dishes. 2. Vendor C model DEF – able to independently pour tubes but not able to handle 35mm petri dishes. 3. Vendor D model XYZ – not able to independently pour tubes but able to handle 35mm petri dishes.
<p>RISK ELEMENTS</p> <p>Describe any substantial risks that could not be overcome if the product or service was procured from another supplier.</p>	<p>Without this unit, we are not able to handle 35mm plate requests. This is detrimental to the labs we serve. Also, we would be forced to pour culture tubes by hand which is a time consuming process. Given our increasing work load, we would not be able to fill all the orders requested by our clients.</p>



CONFLICT OF INTEREST STATEMENT

I, John Smith, the undersigned, hereby certify that the following statements are true and correct and that I understand and agree to be bound by the commitments contained herein. I am acting on my own accord and am not acting under duress. I am not currently employed by, nor am I receiving any compensation from, nor have I been the recipient of any present or future economic opportunity, employment, gift, loan, gratuity, special discount, trip, favor, or service in connection with this supplier in return for favorable consideration of this request.

Signature: John Smith Date: 7/28/15
(Primary User)

Title: Professor

(Note: Texas Government Code, Chapter 572, Subchapter C, Sec. 572.069 – CERTAIN EMPLOYMENT FOR FORMER STATE OFFICER OR EMPLOYEE RESTRICTED. A former state officer or employee of a state agency who during the period of state service or employment participated on behalf of a state agency in a procurement or contract negotiation involving a person may not accept employment from that person before the second anniversary of the date the officer's or employee's service or employment with the state agency ceased.)

DEPARTMENT APPROVAL – Dean/Chair/Business Officer*

By signing below, the department certifies that the information submitted on this form has been reviewed and this purchase has departmental approval. The final determination of approval shall be made by the Purchasing Office.

Signature: Jane Miller Date: 7/29/15
(Dean/Department Head/Business Officer)

Printed Name: Jane Miller
(Dean/Department Head/Business Officer)

Title: Department Chair

*Departmental approver must be senior to the primary user.

(Note: Texas Government Code Chapter 572, Subchapter C, Sec. 572.069 – CERTAIN EMPLOYMENT FOR FORMER STATE OFFICER OR EMPLOYEE RESTRICTED. A former state officer or employee of a state agency who during the period of state service or employment participated on behalf of a state agency in a procurement or contract negotiation involving a person may not accept employment from that person before the second anniversary of the date the officer's or employee's service or employment with the state agency ceased.)



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EMERGENCY PURCHASES

- Result of an unforeseen circumstance
- Requires immediate response to prevent financial or operational damage
 - Not failure to plan on the part of the requesting department
- Complete Sections A and C of Exclusive Acquisition Justification Form
 - Nature and cause of the emergency
 - Financial or operational damage and ongoing risk
 - Why the need was not or could not be anticipated
 - Reason and process used for selecting the supplier



SOFTWARE PURCHASES

- Software purchases generally require licensing agreements
 - Terms & Conditions are more complex than standard agreements
 - Terms are in favor of the software company and may be enforceable against both UT and the individual using the software
 - State requirements regarding software “accessibility” must be followed
 - Information security must be evaluated and addressed
- Office of Technology & Information Services (OTIS) manages evaluation and approval of software’s platform’s ability to meet accessibility requirements
 - If exceptions are required they must be approved prior to issuance of a purchase order or a contract
- Information Security Office manages review, evaluation and approval of software security
- NOTE: Software purchases require the above reviews and approvals regardless of dollar amounts
 - **Departments should not procure software via ProCard or enter into “Click-Thru” agreements without consulting Contracts & Procurement**



PURCHASE ORDER VERSUS CONTRACT

Purchase Order	Contract
Fixed delivery with established quantities generally to a single department	Multiple deliveries, often to multiple departments (or institutions) with variable quantities, but fixed item pricing
Standard terms & conditions normally acceptable	Requirements or risks not adequately addressed by standard terms & conditions
Term of agreement does not exceed current fiscal year	Term can exceed current fiscal year and agreements are often is for multiple years
Examples: Computer monitor, break room supplies, training class, pest service	Software implementation services, search firm services, data use agreements, branding & marketing services, consulting services

A common exception: Often there are long term contract agreements where individual purchase are made via purchase order.

Today's Business Solutions – Office Supplies

Dell – Computers

Grainger – Facilities Supplies



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ADDITIONAL RESOURCES

Visit the Contracts and Procurement website for further information:

- Staff directory
- Procedures
- Forms
- Guides
- Important Links
- Supplier Resources

<https://www.utsystem.edu/offices/contracts-and-procurement>



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