



University Policy: Procurement & Contracts Policy and Guidelines

Policy Category: Financial Policies

Subject: Procurement & Contracts Policy and Guidelines.

Office Responsible for Review of this Policy: Office of Finance and Treasurer, Procurement & Contracts Department.

Procedures:

Related University Policies: [Accounts Payable Policies](#), [Data Classification Policy](#), [Relocation Reimbursement Policy](#), [Social Responsibility - Statement of Principles](#), [Sustainable Purchasing Policy](#), [Travel Policy](#).

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I. MISSION STATEMENT

To deliver measurable value to our customers in support of their business or educational goals by identifying, selecting and facilitating the acquisition of required materials and services while complying with all applicable Federal, District and local regulations. We achieve this through providing timely and creative sourcing solutions while assuring that customer requirements and standards are met. Additionally, we aspire to the implementation of industry best practices to enhance effectiveness, efficiency and controls.

II. OVERVIEW

The Procurement and Contracts Department (PCD) is the central purchasing and contracts authority for American University. PCD is a department under the auspices of the Vice President of Finance and Treasurer's Office and is co-located within that department's Controllers Office along with Accounts Payable and Accounting. PCD is responsible for managing the procurement and contracts processes on a University-wide basis, including purchase orders, contracts and any other legal agreements associated with the acquisition of goods and services that support AU's educational, research and business initiatives. **Each member of PCD is assigned commodities based on their expertise; this enables the PCD staff to maintain a proactive, accountable and team-oriented relationship with faculty, staff, student, strategic suppliers and the local community.**

III. PURCHASING AND CONTRACTS TERMS (Definitions)

ACKNOWLEDGEMENT – A confirmation either directly by a Supplier or indirectly by a Supplier's performance that the terms of a Purchase Order or Contract are agreeable.

BLANKET PURCHASE ORDER (BO OR BPO) – Should be used for repetitive purchases from one supplier of goods or services which may include multiple shipments or instances of service.

COLLEAGUE – The enterprise financial system used by American University. Formerly Datatel and now owned by Ellucian.

CONSORTIUM – Two or more independent organizations that join together for the purpose of combining their individual requirements for purchased materials, services, and capital goods to leverage more value-added pricing, service, and technology from their external suppliers than could be obtained if each firm purchased goods and services alone.

CONTRACT – An agreement between two parties containing all the terms and conditions of that arrangement including an offer, acceptance, consideration and a legal means.

INVOICE – Legal request for payment.

NON-DISCLOSURE AGREEMENT (NDA) – Can be a unilateral or bilateral legal contract between at least two parties which outlines confidential material, knowledge, or

information the parties wish to share with one another for certain purposes, but wish to restrict access to or by third parties. An NDA creates a relationship between the parties to protect any type of confidential and proprietary information or trade secrets. An NDA protects nonpublic business information.

PACKING SLIP – Acknowledgement from supplier describing the items and quantities shipped.

PCARD – The Purchasing Card used by American University for small dollar and high transaction volume purchases. There are two seamless components to the Pcard - the traditional purchasing card and the travel card.

PREFERRED SUPPLIER – A supplier who has been chosen based on special pricing, or other competitive bidding (like through a consortium) or other justification.

PREPAYMENT – When a good or service is paid for in ADVANCE of the goods or services actually being received or rendered.

PRIME CONTRACTOR – Main party responsible for a contract. Works directly with the owner of a project or job and has full responsibility for its completion. A prime contractor undertakes to perform a complete contract, and may employ (and manage) one or more subcontractors to carry out specific parts of the contract. The prime contractor may also be referred to as the main contractor.

PROFESSIONAL SERVICES AGREEMENT (PSA) – An offer and acceptance in writing between two parties to provide professional or management consulting services such as administration, designing, translation, develop reports, or technical advice.

PROPOSAL – the act of offering or suggesting something for acceptance, adoption, or performance.

PURCHASE AGREEMENT or PURCHASE ORDER (PO) – A PO is a commercial document issued by a buyer to a seller and is used to control the purchasing of products and services from external suppliers. It indicates the types, quantities, and agreed prices for products or services the seller will provide to the buyer. Sending a purchase order to a supplier constitutes a legal offer to buy products or services. Acceptance of a purchase order by a seller usually forms a contract between the buyer and seller. No contract exists until the purchase order is accepted. An American University Purchase Order may also include General Terms and Conditions, Supplemental Terms and Conditions, Specifications, Drawings and Change Orders.

PURCHASE REQUISITION or PURCHASE REQUEST (PR) – A precise document generated by an internal or external department to notify the purchasing department of items it needs to order including the quantity and the time frame the items are needed. It may also contain the authorization to proceed with the purchase.

QUOTE – A proposal showing line itemed pricing.

REQUEST FOR INFORMATION (RFI) – A solicitation requesting additional information about a service or product.

REQUEST FOR PROPOSAL (RFP) – A solicitation requesting proposals as to how the supplier would address the need identified in the RFP and the price that will be charged. Price is not always the determining factor.

REQUEST FOR QUOTE (RFQ) – A solicitation requesting a price to provide a specific item or service.

REQUISITION DATE – The date the requisition is entered by the requisitioner.

REQUISITIONER – An individual within a department who is requesting a purchase.

RISK MANAGEMENT – The management process by which the university protects assets and reduces financial, operational, technological, and reputational risks. Here is a list of most common examples of [Managed Risk](#).

RMAP (Risk Management Action Plan) A way for project managers to identify, analyze, plan, and control potential risks.

SCOPE OF WORK (SOW) – A detailed description of the product or service being requested. The SOW may also be considered a proposal.

SINGLE SOURCE – Multiple sources of supply exist, but for specific reasons the item or service must be purchased from a specified supplier.

SOLE SOURCE – Only one supplier is CAPABLE of providing an item or service, and therefore it is not possible to obtain competitive bids.

STATEMENT – List of outstanding invoices containing debits and credits provided by the supplier of items or services ordered by or on behalf of American University. A Statement is not an invoice and Accounts Payable (A/P) will not generate a payment to a supplier based on a Statement.

STIPEND – Payment to an employee or student for additional services or to defray expenses. Not to be used for vendors or other non-AU entities.

STRATEGIC SUPPLIER – A supplier(s) who through a competitive bid process has been chosen by the University to essentially be an exclusive supplier of AU and should be used in place of all other suppliers like WB Mason for Office Supplies.

SUBCONTRACTOR – A contractor working under a "prime" contractor.

VENDOR – A supplier of goods and services.

IV. ROLES & RESPONSIBILITIES

When purchasing goods and services, it is important to understand the two distinct roles that exist in the centralized purchasing environment at American University:

A. PCD's role:

The Director of Procurements and Contracts has the ultimate authority to purchase goods and services for the University. The Director can delegate to departments the authority to buy certain goods and services. PCD's Responsibilities include:

- Provide appropriate training and documentation
- Develop strategy, policy, procedures and systems
- Negotiate corporate purchasing agreements
- Review Strategic and Preferred Suppliers [link](#) for performance and customer satisfaction
- Manage the relationship with the Purchasing Card provider
- Support benchmarking across schools
- Offer assistance with any purchase
- Offer consultation and advice to the University community and Schools in good purchasing practices
- Purchase Order Turnaround- Procurement & Contracts target a 48 hour turnaround for two-thirds of the Purchase Requests to issue Purchase Orders if sufficient information is clearly stated on the Purchase Requisition and has been competitively bid or justified adequately.

B. Departmental Budget Manager's role:

A department budget manager has the ultimate responsibility for a school or department's budget. PCD should be notified of any unauthorized purchases of materials, supplies, services, and repairs when these goods and services are of the following type:

- Exceed \$1,000 including tax, freight, and handling charges
- Have not been competitively bid or justified and are over \$5,000 net, a Strategic Supplier has not been used and not subject to the higher bid thresholds as outlined above in section V.
- Are considered capital equipment (over \$5,000 and useful life of 2 years)
- Are restricted budget items
- Require a signed contract
- Require labor on University premises
- Professional Service Agreement (PSA) over \$10,000 OR PSAs under \$10,000 and have material changes to the PSA.

V. WHAT'S THE BEST WAY TO PURCHASE AT AU AND WHAT SHOULD I BE AWARE OF?

There are five keys to success for a good working knowledge of the procurement process at American University. Understanding and complying with these principles will enable you to be a good steward with the University's resources.

A. Signature Authority (Who can buy?)

PCD was established to ensure all purchasing activities are carried out in accordance with all applicable laws, directives from the Board of Trustees and sound business practices. Below are the Signature Authority rules:

- Only PCD has the authority to enter into a contract or lease, or to obligate the University in any way unless: (1) the Trustees have specifically authorized an individual to do so in writing, or (2) those in the Office of the President or the Office of the Vice President of Finance & Treasury, which includes the Director of Procurements and Contracts, have delegated purchasing authority to specific individuals for a specific term, purchase or purpose.
- [PSAs](#) under \$10,000 may be signed by a University Division Head (Vice President, Dean or Officers) or their designee.
- Some suppliers may also require accompanying terms, conditions, agreements or forms. In all cases these documents are to be reviewed and signed by PCD; however, they may also be co-signed by an appropriate representative of the using departments as allowed by PCD and legal counsel.
- All documents without an authorized University signature will be considered invalid and not binding upon the University.
- Federal and District law provides that individuals who do not have delegated authority, and who enter into unauthorized agreements, may be held personally responsible for the cost of the goods or services purchased. Accordingly, any, and all, vendor forms of agreement, such as quotations, proposals, contracts, leases, letters of intent, memorandums of agreement, and any other document containing or referring to a supplier's or the University's terms and conditions, must be sent to PCD for review and signature.
- Procurement and Contracts has a checklist of basic agreement requirements as well as standard University contracts and [contract guidelines](#) for reference to a variety of typical business situations.
- A properly executed Purchase Order constitutes an authorized contract that is binding on both the University and the vendor.

SIGNATURE AUTHORIZATION FOR CONTRACTS

Contract Value

PSA < \$10,000**	Division Head (VP, Dean or Officer's or their designee)
<= \$100,000	Director of Procurement and Contracts & Controller
\$101,000 - \$250,000	Assistant VP Finance
\$250,001 - \$500,000	CFO, VP Finance & Treasurer
Above \$500,000	President must approve
Above \$5,000,000	Reported to President & Board of Trustees

** There must be no changes to the AU PSA or PSA Work Made for Hire terms and conditions. Additionally, the supplier must be active in Colleague; otherwise the PSA or PSA Work Made For Hire must be signed by PCD

B. Unapproved Departmental Expenses (What can't you buy?)

University funds may only be used for purchasing items that are not restricted University expenditures. The VP of Finance & Treasurers Office has clearly identified those departmental expense categories prohibited under [Restricted Commodities](#).

C. Authorized Methods of Procurement (How can you get it?)

There are seven authorized methods for procuring goods and services at the University. Each of the below listed procurement methods follow specific approval workflows link and has its own strengths:

1. Purchase Order

The primary tool for acquiring all necessary goods or services is Colleague. The purchasing system of the University is a module of the Colleague system. More can be found under the Definitions Section and below.

2. E-Procurement.

E-procurement is the business-to-business purchase of supplies and services over the Internet. Typically, e-procurement Web sites are marketplaces allowing qualified and registered users to look for goods and services. A more complete implementation of E-procurement is currently being assessed to be integrated into Colleague providing a true purchase to pay process. Office supplies, travel and other e-procurement links like [Grainger.com](#), [WB Mason](#), [CDWG.com](#), and [World Travel](#) can be accessed through the referenced links.

3. AU Visa Purchasing Card

The PCard is a bank-issued credit card which allows authorized cardholders the ability to purchase materials and some services needed for the operation of their departments directly from a supplier. The PCard is a combination of two programs—a [PCard Program](#) and a [Travel Program](#). The PCard is designed to save time and effort from filling out requisitions, processing purchase orders, and reconciling checks with invoices. It will improve the efficiency of processing low dollar purchases from any supplier that accepts the VISA credit card. Many of the suppliers who AU currently does business with by purchase order, will accept a credit card for purchases. The AU Visa Purchasing Card (PCard) should be used whenever possible for purchases under \$1000. Do not use the PCard for services provided on campus for which the supplier should have insurance and should indemnify AU.

4. Invoices under \$1,000 and no managed risk

Invoices under \$1,000 using an active supplier in Colleague can be presented to Accounts Payable (A/P) for direct payment assuming there is no managed risk. Invoices over \$1,000 require individuals to follow the [Purchase Order process](#). An exception to this rule is around prepayments which require a requisition in Colleague. Due to nature of these payments, invoices may not be directly presented to Accounts Payable.

5. Travel Agent

The University's travel agent is World Travel. Please visit the [travel portal](#) for more details.

6. Campus Retail Purchase Order

The Campus Retail Purchase Order can be found [here](#) and may be used at the following locations: Book Store, Eagle's Nest, Campus Dining and the UPS Store. Not to be used for Aramark Catering.

7. Contracts

Contracts are further defined in the section [below](#) labelled "Establishing a Contractual Relationship".

Certain goods and services require a purchase order, others do not. The table below defines these:

Exempted from a Purchase Order	Purchase Order or Blanket Purchase Order REQUIRED
<ol style="list-style-type: none"> 1. University approved and authorized contracts where only one payment is required 2. Landline phone bills 3. Fuel for campus vehicles 4. Legal, Audit and Tax Preparation fees 5. Library subscriptions & books supported by contracts 6. Insurance purchased through risk management or Student Health Organization 7. Independent Contractor Agreements (PSAs & PSA Work for Hire) 8. Business Cards from AU Strategic Supplier (use WB Mason only) 9. Cell phones 10. Building or real property leases 11. A student or group off-site event not sponsored by the University 12. Postage 13. Accreditation Fees 14. Tuition, Registration and Fees for other Universities 15. Facilities inventory – small equipment purchases under \$1,000 16. DC treasurer and/or local government checks 	<ol style="list-style-type: none"> 1. Equipment considered Fixed Assets over \$5,000 with a useful life of at least 2 years 2. Purchases over \$1,000 not allowed on Pcard and not exempted by strategic and preferred supplier website link 3. Household Relocation/Moves paid directly to a moving company 4. Suppliers that require a PO

<p>17. Payments to or on behalf of University officers or employees for salaries, fringe benefits, or reimbursements</p> <p>18. Treasury operations</p> <p>19. Employee related expenses (household moves not paid directly by AU to a moving company directly)</p>	
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D. Strategic Supplier Selection and types of suppliers (Where can you get it quickly and easily and what suppliers should be used?)

There are five different types of suppliers as defined below:

- **Strategic Supplier** – The University has established a number of long-term, competitively awarded **Strategic Supplier partnerships** for the supply of goods and services to the University. These agreements are competitively negotiated to streamline the purchasing process for commonly purchased items and to achieve the best value for the University by consolidating expenditures with fewer suppliers. All faculty and staff should use Strategic Supplier agreements wherever possible. The University actively manages these relationships through regular meetings with suppliers, measurement of key performance indicators and the follow up of any complaints. University faculty and staff are encouraged to report any concerns relating to pricing or service to PCD for investigation and action.
- **Preferred Supplier** – Additional **Preferred Supplier relationships** are also available through consortium and other contracts. These contracts should be used if Strategic Suppliers are not able to source the goods and services in question.
- **Active Supplier** –
 - Currently in the Colleague System and tagged as active.
 - No negotiated discounts or special pricing are known to exist with this supplier through the Office of Finance.
 - Has a W9 or W8, if not based in the United States, on file.
- **Inactive Supplier** –
 - Currently in the Colleague System and tagged as inactive.
 - No negotiated discounts or special pricing are known to exist with this supplier through the Office of Finance.
 - Supplier has been inactivated because the supplier has not been used for two (2) or more years and/or PCD, AP or General Counsel has designated them as such. Additionally, the supplier does not have a current or existing W9 or W8 on file.
- **New Supplier-**
 - Currently not in the Colleague System and no competitive or special pricing is known to exist with this supplier.
 - A W9 or W8 and additional justification will be needed to add this type of supplier to Colleague system.

Both Strategic and Preferred Suppliers are active supplier types in the Colleague system. PCD maintains an [AU Strategic & Preferred Supplier List](#) which establishes relationships that leverage the University's buying power and maximizes supplier strengths leading to overall cost savings. **Existing strategic or preferred suppliers should be used before any new suppliers unless there is a compelling business reason to use a new supplier.**

There are two primary components to setting up a Strategic Supplier relationship.

1. Establishing a contractual agreement

- Analyze spend (dollars/number of transactions)
- Talk to / Partner with departments and schools to define how their needs are or are not being met and what requirements are needed
- Establish evaluation committee and decide on criteria for award
- Issue formal Invitation to Bid (using templates created by PCD)
 - Evaluate proposals
 - Conduct best and final offer/final negotiation
 - Enter into formal negotiation with sole source suppliers
- Award contract/agreement based on a best-value decision
 - Consider price, delivery capabilities, quality, past performance, training, reporting, compliance with specifications/requirements, customer service, financial stability and other relevant factors.

2. Administering the relationship

- Monitor supplier performance and service levels
- Solicit feedback from departments and schools
- Change and update product offerings to better meet needs
- Validate that prices being charged are correct and consistent
- Monitor industry information/AU spend information and negotiate improved pricing, when appropriate
- Meet with both existing and new contractors and analyze data in order to continually improve contracts and performance.

Furthermore, the best practices of any contractual relationship should include the following at a minimum:

- Clear and concise description of the goods or services to be purchased
- Specific pricing of each good and service
- Valid signatures based on the signature authority outlined in section V.1.
- Vendor justification and pricing justification as noted and defined in the Competitive Bid and Sole Source Justification Form
- Appropriate approvals (not signatures for the contract) from the University sponsor of the contract
- Service Level Agreements are required when at least ONE (1) of the following conditions apply:
 - Contract value of greater than \$250,000 per year

- A critical service is being provided to the University in which case an uptime or performance level guarantee should be agreed upon (for example, 99% uptime outside of scheduled maintenance windows).

Service Levels should be monitored and enforced based on internal IT reporting mechanisms, or if absent, a supplier reporting mechanism that is consistent, independently verifiable and reliable. If an SLA is breached, the breach procedures should include at a minimum partial fee reimbursement based on failure to meet those established service levels. PCD will work with OIT and other business owners and applicable parties in the University to identify and manage the criticality of each application to the University. Finally, PCD will assess any managed risk that might compromise the University.

A Strategic Supplier relationship does not exist if it is not defined on the following [list](#). Please notify PCD if you feel or know of missing relationships. The Office of Finance and Treasurer has final determination if a supplier is strategic, preferred or neither.

E. Required Documentation (What must be bid/how should it be justified?)

All University purchases must be made in accordance with these University Procurement and Contract Policies and Guidelines regardless of the source of funds. A standard set of bid and justification procedures are required to properly document all purchases to comply with applicable Federal, District and University requirements.

This documentation shall include:

- Providing a complete background/history of the order;
- Supporting the decision to choose one supplier over another; and
- Furnishing essential facts in the event of a dispute by a supplier including benchmarking the costs or pricing of the purchase.

Towards these goals, the following procedures must be followed in order to establish the documentation required for any and all purchases and contracts-

1. Competitive Bidding

Bids must be solicited whenever goods and services can be purchased from multiple sources to promote competitive bidding. However, prior to soliciting competitive bids, the requestor should check the [PCD Strategic & Preferred Supplier](#) to determine if the required product or service is available from an existing supplier. The benefit of using an existing Strategic or Preferred Supplier is that the competitive bidding process to secure the least total cost has already been completed by working with PCD. The University's competitive bidding requirement is waived when a purchase with an aggregate value of \$5,000 or more is made from a Strategic Partnership Supplier. For example, the competitive bidding requirement is waived for any purchase made from [WB Mason](#), the University's office supplier.

For all other purchases where a Strategic Supplier is not utilized, quotations are recommended for requirements totaling **\$5,000.00 or less** in value. A minimum of three

written quotations are required for requests totaling **\$5,000.01** or more. Those items considered sole/ single source or proprietary must be properly justified and confirmed by PCD to waive the competitive bid requirement. Quotations for requirements over **\$5,000.01** must be in written form. All pricing and other information furnished by the supplier during the competitive bidding process must remain confidential.

When requesting formal quotations from potential suppliers, PCD is required to secure terms and conditions that are favorable to the University and their department. Please note any “agreement” between the University and a supplier is not bound and valid until PCD has issued a valid Purchase Order for the goods and services OR has signed off on a valid contract with favorable terms and conditions for the University.

The following exceptions to the \$5,000 competitive bid thresholds apply –

- i. Instances where the \$5,000 competitive bid threshold may already be satisfied, such as competitive bids awarded within the last year (12 months) AND at the level of the current purchase OR lower if it is clearly defined at the bid timeframe that a longer duration is intended, usually not more than three years (36 months).
- ii. Instances where the \$5,000 competitive bid threshold does not apply because a higher bid threshold has been established:
 - a) The Office of Sponsored Programs sub-awards where the service or equipment is specifically identified in the grant or contract and under \$25,000;
 - b) Office Furniture purchases over \$10,000;
 - c) Construction contracts over \$25,000.
 - d) An existing Strategic Supplier relationship is already in place and listed [here](#)

All purchases over \$25,000 must go through a formal bid process and, except as identified above, PCD must be involved in the entire RFP process.

2. Justification (how should it be explained) – Sole or single source justification.

A *sole source* purchase is one where there is only one supplier CAPABLE of providing an item or service, and therefore it is not possible to obtain competitive bids.

A *single source* purchase is one where there are multiple sources of supply, but for specific reasons the item or service must be purchased from a specified supplier. Purchase transactions exceeding **\$5,000.00** in total value may not require bidding if in fact all of the following apply:

1. The requisitioning department has completed the Competitive Bid and [Sole Source Justification Form](#).
2. PCD has reviewed the sole/single source for its validity and applicability.

PCD may deny a single/sole source submittal, especially if a competitive source or active supplier is currently in Colleague. In order to waive the competitive bidding requirement, the faculty or staff member requesting the exemption must provide PCD with a detailed written explanation as to why competitively bidding the product or service would be

impracticable and the cost charged by the supplier is reasonable and customary or compelling. Such requests should include specific technical requirements of the product or service and supportable evidence that due diligence has been performed in an objective market analysis. PCD reserves the right to negotiate pricing or to solicit additional information and remains the final authority on all procurement decisions.

Examples of waving the competitive bidding requirement include:

- Equipment for which there is no comparable or competitive product
- A component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer and/or a manufacturer's distributor
- An item where compatibility is the overriding consideration, such as computer operating software enhancements for an existing system
- A supply, equipment, part, service or supplier that, due to technically constraining factors associated with scientific research, are needed to ensure the fairness and validity of the underlying research
- Repair/replacement parts for sole source or manufacturer-specific and warranted equipment
- Continuation of an existing contract when work is so closely related to that of the uncompleted basic contract that it would not be feasible to consider another potential contractor

To what extent should a business owner (department) be involved in a competitive bid?

For all purchases or solicitations over \$5,000, PCD staff members are available to provide assistance to faculty and staff and are required to represent the University in a formal solicitation for competitive bids. By contacting PCD before you are ready to solicit bids for a desired product or service, you can take advantage of our professional purchasing experience, capabilities, and technology to help realize the least total cost and/or best value for the desired product and service.

For faculty and staff interested in soliciting quotations directly from external suppliers under \$25,000 where there is no strategic supplier already in place, we offer the following guidelines when soliciting quotations from potential bidders:

- Each potential bidder must receive the same information and business requirements. Be as specific as possible with requirements. Include manufacturer name and part number if available, a complete description of desired product(s) and/or services, the delivery location and required-by date.
- A copy of the relevant American University Terms and Conditions should be referenced with all valid AU PO's ([see section 8 below](#)).
- Obtain at least three quotations from competent sources of supply.
- Provide a contact name, phone number and e-mail address for suppliers that may have questions regarding the request or requirements.
- Clearly define bid submission instructions and submittal date and time.

AT NO TIME SHOULD ONE SUPPLIER'S PROPRIETARY INFORMATION BE SHARED WITH ANOTHER SUPPLIER. Please remember to allow sufficient time (usually 2-3 weeks for complex requests) for the supplier to respond to a Request For

Quotation, Request For Proposals or Request For Information. Please contact PCD for more information on formal requests and any templates you may need assistance managing.

Once bids have been received from the suppliers, analyze the proposals to determine which supplier is able to meet all business and delivery requirements, at the least total cost. Contact PCD if help is required to assess each proposal to determine which represents the best value to the University. No proposals should be signed by end users. Typically, PCD will issue a Purchase Order and attach an unsigned proposal for pricing and description information only. Procurement and Contracts has templates for the above RFP/Q/I documents. Please contact PCD for further information.

See Competitive Bid and [Sole Source Justification Form](#).

Please note that PCD must be involved with all competitive bids over \$25,000 from reviewing the RFP to developing the final contract with the supplier and all processes during the sourcing process.

VI. PURCHASE ORDER TYPES

Standard- A Purchase Order (PO) clearly identifies a supplier to which the scope of particular goods and services are purchased. At minimum it should include the supplier's name, date of the PO, date of delivery, manufacturer, model number, description of item(s), quantity and line items pricing information and be signed by an authorized buyer within AU. A reference to the acceptable Terms and Conditions to the Purchase order and an unsigned proposal or Statement of Work by the supplier should be adequate for most Purchase order requirements at AU.

Blanket Purchase Order (BPO) – A special type of purchase order that should be used for repetitive purchases from one supplier of goods or services which may include multiple shipments or instances of service. They also include all subcontracts through the Office of Sponsored Programs; as well as volume discounts (and/or commitments); multiple payments; leasing office equipment; maintenance agreements for goods; and other mutually agreed upon uses. BPOs should include:

- The period of performance or length of the BPO
- Clear indication of the purpose of the blanket, for example for copier leases please include: serial number, model and location of machine
- Not To Exceed amount for the blanket
- Scope of goods or services to be included
- Person authorized to issue purchases against the blanket
- Contact person for supplier including name and **email address**

After a BPO is issued, the department is responsible for the following:

- Placing the order to the company using the Blanket Purchase order number as reference
- Arranging delivery
- Receiving and approving the invoice forwarded by Accounts Payable according to the following:

- The correct blanket Purchase order # must be clearly visible on the invoice.
- Name of end user and department should be clearly visible on the invoice.

At the end of the period of performance or when funds are all used up, all BPOs will be closed. **Change orders to existing BPOs should only occur when adding no more than 20% of the original value of the BPO.**

Prepayment – When a good or service is paid for in ADVANCE of when they are actually received or rendered. Typically, AU contracts with suppliers using net terms or payment AFTER services are rendered. Occasionally though, a situation may arise when a check must be presented upon receipt of goods, or prior to receiving the items ordered or services rendered. To request a prepayment, the PR, must clearly state that payment must be made in advance and any supporting documentation should be attached (like an order form, quote, proforma bill). Typically postage, conference or subscriptions, or other one-time, up-front purchases are included in this category. Also see direct pay of invoices above.

Change Orders – To request a change order to a previously issued PO, a new PR or appropriately authorized email, from the requesting department, is required in addition to the original PO number, PR number, and supplier if handy. Upon receipt of this authorization, PCD will contact the supplier to make the necessary changes. If the order can be changed, a modification to the original Purchase order will be issued. In the event the item has already shipped, PCD will communicate the alternatives available to the end user. Change orders should not exceed 20% of the original value of the order or task.

VII. **REQUIRED INFORMATION FOR SUBMITTAL OF A PROPERLY APPROVED PURCHASE REQUISITION AND EXPEDITING PROCESSING OF A PURCHASE ORDER**

A purchase requisition authorizes the use of funds on an account and can only be submitted by someone authorized on the account.

After your requisition has been submitted it may go to your department's budget manager for final authorization.

Once the requisition has been approved it is routed through Colleague to PCD to be processed. You may suggest a supplier on the requisition but only PCD has the authorization to commit funds over \$1,000.

ALL completed online purchase requisitions through Colleague should contain the following information:

- Ship to Address – All deliveries should be shipped to American University indicating the location on campus or off that the equipment should be shipped. The default shipping location is: 4400 Massachusetts Ave. N.W., Washington, DC 20016, Central Receiving.
- Supplier Name and Address – Include the supplier's complete address and the name of the person with whom the order is to be placed. This information is helpful if the order needs

to be changed or there is a problem with the order. It is also helpful to have the name of person responsible for generating the Purchase Order in case there is a discrepancy between the price the supplier quoted and the amount on the invoice.

- Purchase Requisition Number – Before a valid AU Purchase Order Number can be issued, an online Purchase Requisition will need to be created in Colleague. Once the PR has been approved, the AU buyer will issue a PO. The PR number should always be referenced and it should be a unique number. A PR number is the one reference point common to the requisitioner and PCD and is an effective tool for tracking the status of the requisition on its path to a PO.
- Date Requested – Be as specific as possible. Avoid using ASAP, Urgent or Immediately. Vague instructions like these leave the actual delivery date up to PCD and the supplier.
- Invoice Coding – For non-PO invoices, requisitioners should indicate the General Ledger number, (department, sub-department, expense class, type of funds, and ledger e.g. 10-xxxxxx-52118-00000) to which the purchase is being charged. This information is required, along with a legible signature, for accurately completing the appropriate payment voucher and for monitoring departmental budgets. The approver MUST be an approver in Colleague.
- Description of the goods or services on the Purchase Requisition – The order should be described in as much detail as space permits, use the non-printed comments section for additional information for the PCD staff and the printed comments section for comments to be considered for the PO itself. Specify exact quantity, manufacturer name and model number, description of the product or service, and price. A record of the quoted price is helpful for comparison with other prices.
- Required backup documents must be forwarded to the appropriate PCD buyer through pcd@american.edu or by email.

Roles & Responsibilities of PCD, OIT, and Business owners/applicable parties when entering into any contractual agreement:

	PCD	OIT	Business Owner	General Counsel
SLA requirements	x	x	x	x
Develop an RMAP	x		x	
Contract's checklist	x	x	x	
Regulatory Guidelines	x	x		x
Software Security	x	x		

PCD and General Counsel’s Office maintain over 150 standardized contracts, one of which should meet your needs. Please contact either office for more information.

The most often used form of contract is the PSA or Professional Services Agreement. There is also a Work Made for Hire version which should be used when the deliverables of the professional are to be owned by AU.

VIII. PURCHASE ORDER TERMS AND CONDITIONS

The [American University General Terms and Conditions](#) and the Purchase Order shall constitute the complete and exclusive statement of the “Agreement” between the University and the supplier with respect to the purchase of any goods. To the extent that supplier terms and conditions conflict with the American University’s Terms and Conditions, the latter shall control. Moreover, the [American University General Services Terms and Conditions](#) shall govern the purchase of Services for the University.

IX. UNAUTHORIZED PURCHASES

Procurement Authority may only be delegated by PCD. An individual who has not been delegated procurement authority who makes an unauthorized purchase of goods or services may be held personally responsible for payment of the charges incurred. This determination will be made at the discretion of the Office of Finance and Treasury, the President, PCD Director or the Controller:

The unauthorized individual shall be required to pay either the full amount whenever the purchase is found to be for 1. Non-business related purposes; 2. unneeded items; or 3. items whose purchase would not otherwise be authorized and the transaction cannot be canceled, or the amount of any cancellation charges incurred when cancellation can be arranged. The unauthorized individual shall be required to pay the difference between the charges such individual incurred and those AU would be reasonably expected to have incurred whenever the purchase is otherwise found to have been authorized.

X. PERSONAL PURCHASES

PCD will not facilitate or approve any transaction for purchases of a personal nature. Requisitions and vouchers containing items which appear to be of a personal nature will be questioned by PCD and will be returned to the requisitioner if the purchase is inappropriate.

XI. SALES TAX

The University is exempt from the District of Columbia and certain state’s and commonwealth’s sales tax. Other taxes such as entertainment tax, luxury tax, property tax and excise taxes are not exempt. Upon request, PCD will furnish a copy of the University's tax exemption certificate with the Purchase Order. PCD maintains a list of each state (as well as the District of Columbia) where the University holds a [sales tax exemption](#). Please contact PCD with any questions regarding taxes and their applicability.

XII. ON-SITE WORK / INSURANCE REQUIREMENTS

Outside organizations are required to provide evidence of commercial general liability insurance and to name the University as an additional insured on the organization's insurance policy in order to be permitted to conduct business on University property. All such arrangements require a written contract or Purchase Order with the University. PCD works with the Office of Risk Management to ensure that proper insurance requirements are in place before any on-site work begins. Refer to the [Risk Management website](#) for more details.

XIII. CONFLICTS OF INTEREST

Employees of American University who act on its behalf have an obligation to avoid activities or situations which may result in a conflict of interest or the appearance of conflict of interest.

Employees must not use their University positions to influence outside organizations or individuals for the direct financial, personal or professional benefit of themselves, members of their families or others with whom there is a personal relationship.

XIV. GIFTS AND GRATUITIES

In order to avoid a conflict of interest or the appearance of a conflict of interest, at no time should an employee solicit or accept gifts from a supplier or contractor or from a potential supplier or contractor. Ordinary business courtesies, such as payment for a modest lunch are acceptable. Gifts which are promotional items without significant value (less than \$25.00), and which are distributed routinely by the supplier to clients, are also acceptable. All gifts or "free" items received in conjunction with a purchase are perceived to be University property. As such, they must either be used within the department or forwarded to surplus property. Gratuities or gifts of money to a University employee cannot be accepted at any time.

XV. CAPITAL EQUIPMENT

The University policy is to capitalize all equipment, either moveable or fixed, with a unit acquisition cost of \$5,000 or greater and a useful life of two years or more. Acquisition value includes the cost of the equipment and any associated costs incurred to make the equipment usable for the purpose for which it was intended, including installation costs. PCD affixes bar coded tags to the asset equipment prior to delivery to the end user. In some cases, PCD issues bar coded tags to the asset's owner for affixing to the equipment. .

XVI. SURPLUS

Items departments no longer use must be turned over to the Surplus Program so the University capital asset records can be updated and the items can be redistributed to other departments, sold, donated, or scrapped. PCD manages this program to ensure the University acquisition, funding and disposal regulations are met. If you have any questions regarding Surplus Management please email surplus@american.edu.

XVII. SMALL BUSINESS DEVELOPMENT

PCD actively works to support the University's commitment to provide equal opportunities through contracting and individual order opportunities for small businesses. Purchasing makes every effort to ensure the University includes the maximum practical number of small businesses in the competitive bidding process in compliance with local, district and federal laws and regulations. PCD seeks appropriate opportunities for local, small, and disadvantaged business participation through the development mutually beneficial business relationships, while also educating the University community about American's requirements in this area.

PCD seeks businesses which are Certified by The District of Columbia Department of Small and Local Business Development.

XVIII. SUSTAINABLE PURCHASE

American University is committed to providing a safe and healthful environment for its employees, students and visitors and managing the University in an environmentally sustainable and responsible manner. PCD works with the Sustainability Department to encourage the use of products that minimize adverse environmental and health effects and take into consideration costs associated with full product life cycles.

Please see the following [link](#) for more information or contact the [Office of Sustainability](#).

XIX. STATEMENT ON SOCIAL RESPONSIBILITY

PCD supports the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act"), which focuses on reforming US financial regulation, and was signed into law on July 21, 2010. Section 1502 of the Act imposes reporting requirements on US companies regarding their use of certain "conflict minerals." This section of the Act was intended to address Congressional concerns related to the exploitation and trade of conflict minerals originating in the Democratic Republic of the Congo and adjoining countries. Such purchases, by US companies, would help finance the conflict, characterized by extreme levels of violence, in the Eastern Democratic Republic of the Congo and perpetuate a continuing humanitarian crisis. In an effort to enhance transparency in the minerals supply chain, Section 1502 and subsequent regulations require publicly traded manufacturers in the US to report what due diligence efforts they are taking to rid their supply chains of metals sourced from conflict-sustaining mines and areas within the Democratic Republic of the Congo and adjoining countries.

American University recognizes the humanitarian crisis in the Eastern Democratic Republic of the Congo by supporting the intent of the legislation through the purchase of conflict-free electronic products from contracted electronic suppliers in compliance with the reporting requirements of Section 1502. In the future American University will offer preference to those suppliers who have made a commitment to conflict-free supply chains when such information as required by Section 1502 is available and when quality and cost performance is equal or superior.

XX. FACULTY & STAFF RELOCATION SERVICE

Human Resources, in conjunction with PCD, provide a comprehensive program for new University faculty and staff relocating to the Washington D.C. area. For more information please contact [Human Resources](#).

XXI. HOSTED SOFTWARE (CLOUD) TECHNOLOGY SOLUTIONS

All hosted software contracts must include the following concerning information on contractual requirements related to any software hosted (cloud) technology solutions:

- data management (assurance that confidentiality, integrity and availability requirements are met for particular service, if applicable)
- data ownership, security and privacy requirements (breach notification & termination, if applicable)
- data storage locations (e.g., whether data can be transferred cross-border, if applicable)

- regulatory guidance
- restrictions as defined by the University
- security assessments, where confidential data, as defined by University Data Classification Policy, is stored or processed

For more information on security or data questions, please contact PCD or Information Security at [Security.american.edu](https://www.american.edu/security).

XXII. EQUIPMENT MAINTENANCE AND SERVICE AGREEMENTS

Computers, scientific, diagnostic and testing equipment, hardware, software, and other facilities and specialized equipment require on-going periodic maintenance after warranties expire. One of the primary benefits of negotiating a service agreement with the manufacturer is that the manufacturer has ready access to the parts and factory trained personnel required to maintain or repair the equipment.

New Equipment – If the equipment purchase is a one-time buy, service and maintenance requirements should be addressed in the bid or during negotiations with the supplier. In evaluating RFQs and RFPs, costs for service and maintenance should always be considered as part of the total price of the equipment. The LIFE CYCLE COST of the equipment includes purchase price for the equipment and the cost of service/maintenance extended over the useful life of the equipment – usually more than three (3) years. If the equipment will be rented or leased, the service coverage offered as part of the rent/lease program should be reviewed for adequacy.

Developing Service/Maintenance Agreement Requirements for New or Previously Purchased Equipment including any cloud software solutions – Fully describe the scope of the work to avoid any misunderstandings or unsatisfactory levels of service. Terms and conditions that should be agreed upon between the buyer and supplier include:

- working hours
- labor
- included services (what the supplier is obligated to do) and service levels
- excluded services (what the supplier is not obligated to do)
- warranty
- included parts
- excluded parts
- Service Level Agreement including response times and performance uptime guarantees to understand what will happen if response times are not met
- loaner equipment
- and appropriate insurance coverage

AU has standard terms and conditions available for review by the supplier. If a PCD agent (buyer) feels additional services might be required or if the terms and conditions require amending, the buyer should negotiate these elements with the supplier before the service/maintenance agreement is signed. PCD agent (buyer) should also try to negotiate shipping terms in case the equipment needs to be returned to the manufacturer for repairs. AU is a tax exempt entity and should not be charged sales and as applicable use tax.

Some typical questions Procurement Asks before procuring Maintenance Services –

Installation – Who will be responsible? What does it include and what does it not include? If the installation will be performed by the supplier's personnel, make sure the supplier has adequate general liability insurance and worker's compensation insurance, or other specific insurance, say malpractice insurance for a doctor's services. Can personnel install the equipment? How long will installation take? Is installation a separate cost or included (F.O.B. Installed).

Training – Is training available for end users? Where will it take place? How many hours are included in training? Is training included in the purchase price? Is a user's manual included; complete with parts list and schematic, and in English? Will the supplier provide on-going technical assistance if needed? How many individuals may take the class at the agreed upon rate?

Acceptance – The equipment is expected to conform to certain performance specifications and should be tested before the buyer/end user authorizes payment to the supplier.

Warranties – Warranties should begin from the date of acceptance of installation and training. They are typically 90 days for software and 1 year for hardware and services, usually by manufacturer but could be by distributor. The equipment should be operational and personnel fully trained. The buyer should avoid taking partial shipments and risk warranties on components expiring at different times. If the equipment is to be stored, arrange with the supplier for an extended warranty or have the supplier activate the warranty after the equipment has been installed and tested. Otherwise, the warranty may expire before the equipment is up and running. Buyers may find an extended preventative maintenance agreement more cost effective than whatever discount terms the supplier is offering.

Payment Terms – Net 30 is the standard payment term used within the industry and should be the minimum terms agreed to for payment from AU to any supplier. Net terms of longer than 30 days are advantageous to AU and will be secured if possible. Deposits and other arrangements within Net 30, like 2%Net10, are not considered standard and will be renegotiated if not known at the time the supplier has been hired.

XXIII. RECEIVING PURCHASES

1. Deliveries must be made directly to the location specified on the Purchase Order. All packaging should be carefully examined for any visible evidence of damage, particularly if the purchase is fragile or costly.
2. For all fixed asset deliveries routed through Central Receiving, the date the order was received, the name of the supplier, the quantity received the Purchase Order number, serial number, manufacturer's model number and back order information if available will be noted in Colleague. The receiving and Purchase Order information will be checked against the invoice to make sure that the quantities received are the same as the quantities being invoiced.
3. Damaged Shipments – Shipments should only be refused in the case where the contents are leaking which could result in contamination. The supplier should be notified immediately that the order is refused due to a leak resulting from damage. Always obtain and record the name of

the person you are speaking with along with the date, time and notes regarding the call. Damaged shipments should be refused only if they are totally destroyed and if the broken contents would cause contamination. If the shipment is refused, the supplier or shipper could dispose of the shipment, making it very difficult for the buyer or end user to initiate a successful claim. Any damage to the package, no matter how slight, should be noted on the carrier's and receiver's delivery receipt. If the shipper is unwilling to wait while the contents of the package are inspected, the receiver should note on the delivery receipt that the condition of the contents is unknown. If concealed damage is discovered during unpacking, stop unpacking, notify Central Receiving, and request an immediate inspection. Save damaged packaging and cartons for Central Receiving.

4. **Shortages** – Shortages on a shipment is not to be confused with a backorder. A shortage is when the quantity shipped on the packing list does not match the actual count in the package(s) (Ex. Packing shows 5 items shipped, 0 items back ordered and you only find 4 in the box, this is a shortage). When a shortage is noticed, keep all packaging and documentation and immediately contact Central Receiving via pcd@american.edu. A backorder will be noted on the packing list (Example– Packing list shows 5 ordered, 3 shipped, 2 back ordered).
5. **Initiating a Claim to the Supplier** – PCD should be notified immediately by email at pcd@american.edu, within ten (10) business days of receipt of the damaged merchandise. A formal claim letter initiated by PCD will include the following:
 - describe the damage
 - give the date the shipment was received
 - include a copy of the delivery receipt with the shipper's signature and the receiver's description of the damage
 - provide the name of the supplier
 - include a written estimate from the supplier of the costs to replace or repair the damaged items
 - provide a copy of the supplier's original invoice
 - provide copies of all correspondence pertaining to the claim
 - should acknowledge the claim within thirty (30) days and offer a settlement within one hundred (120) days.

Returning Goods to the Supplier – Goods should not be returned without first notifying the supplier and the buyer in PCD via pcd@american.edu. Most suppliers require the buyer to obtain a return authorization number and have procedures as to how and when a return shipment should be made.

XXIV. INVOICE PROCESSING

Please see the Accounts Payable website for more information at <http://www.american.edu/finance/controller/Accounts-Payable.cfm>, call Accounts Payable at x 2840 or email accountspayable@american.edu. All invoices sent to A/P must include a valid AU PO number, OR a department name and contact to accept the invoice.

XXV. EMPLOYEE REIMBURSEMENT EXPENSE OR TRAVEL EXPENSES

Please see the [Accounts Payable](#) site for further information.

XXVI. DEPARTMENT FORMS

Form Name	Description	Contacts
Virginia Tax Exempt Form	This form is American University's tax exemption certificate for Virginia. A copy of this form can be provided to suppliers to verify American University's tax exemption status.	pcd@american.edu
Maryland Tax Exempt Form	This form is American University's tax exemption certificate for Maryland. A copy of this form can be provided to suppliers to verify American University's tax exemption status.	pcd@american.edu
District of Columbia Tax Exempt Form	This form is American University's tax exemption certificate for the District of Columbia. A copy of this form can be provided to suppliers to verify American University's tax exemption status.	pcd@american.edu
New Jersey Tax Exempt Form	This form is American University's tax exemption certificate for New Jersey. A copy of this form can be provided to suppliers to verify American University's tax exemption status.	pcd@american.edu
New York Tax Exempt Form	This form is American University's tax exemption certificate for New York. A copy of this form can be provided to suppliers to verify American University's tax exemption status.	pcd@american.edu
Competitive Bid & Sole Source Justification Form	This form is used to justify a single OR sole source of competitive bid by low bid or best value.	Director of Procurement & Contracts
Supplier Capabilities Form	This form should be used to assess a supplier's capabilities. This type of supplier is typically new to the AU finance system.	pcd@american.edu
Visa Purchasing Card Application	This form is used to obtain the University's Purchasing Card.	Pcard Administrator
WB Mason Printing Application	This form is used to register with the University's Strategic office supplier to meet all printing needs.	Print Buyer
WB Mason User Application	This form is used to register with the University's Strategic office supply supplier.	Office Supplies Administrator
W-9 Form	IRS required form to ensure compliance with information reporting requirements. Every payee must have substantiated tax information before any payment will be issued.	pcd@american.edu
W-8 Form	IRS required form to ensure compliance with information reporting requirements. Every payee must have substantiated tax information before any payment will be issued. This form is for non-US entities.	pcd@american.edu

XXVII. EFFECTIVE DATE

Created December 21, 2007

Revised May 25, 2010

Revised May 1, 2013

Revised February 11, 2014

XXVIII. SIGNATURE, DATE AND APPROVAL

This policy needs to be signed by the appropriate officer (listed below) before it is considered approved.

Approved:



Interim CFO, Vice President and Treasurer

Date Approved: *June 1, 2014*