

Memo to: UH-Downtown/PS Holders
From: Max Castillo
Subject: Procurement - General

UH-Downtown/PS 05.C.01
Issue No. 2
Effective date: 10/15/01
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1. PURPOSE

This PS outlines the general powers and responsibilities of the University of Houston – Downtown (UHD) Purchasing Department and the general guidelines and limits for procurement actions from outside vendors applicable to all University of Houston - Downtown funds.

2. DEFINITIONS

2.1 General Services Commission (formerly the State Purchasing and General Services Commission): The state of Texas agency with authority and responsibility for regulating procurement activities for all state agencies.

2.2 Higher Education Assistance Fund (HEAF): Funds appropriated separately by the State of Texas Legislature to support specified capital expenditures within higher education institutions. HEAF funds also include proceeds from the sale of bonds collateralized with HEAF funds.

2.3 Local (Non-State) Funds: The term that generally refers to those funds under the general authority of the university; i.e., non-state funds. For the purposes of this policy, this includes all University funds except state funds (While this general category includes sponsored project funds, in each case where they are more restrictive, the restrictions of the particular funding agency supersede university guidelines for local/non-state funds.).

2.4 Open Market Purchase: Purchases from state funds for non-state contract items that must by state law be processed through the General Services Commission and placed on the Texas Market Place web site; i.e. over \$25,000.

2.5 Spot Purchase: Purchases from state funds of less than \$25,000 placed by the Purchasing Department or purchases made by University authorized departmental personnel of less than \$5,000 regardless of fund source.

2.6 State Contract: A contract awarded by the General Services Commission in order to establish a source a supply of items used in volume by a majority of the state agencies. Term contracts are awarded when the prices for goods are firm for the duration of the contract or when they are adjusted upward or downward under defined conditions. Contracts are based on estimated quantities needed over a period of time specified by the Commission (usually 12 months).

2.7 State Funds: Funds appropriated by the legislature from the General Revenue Fund or other funds in the State Treasury. The latter includes, but is not limited to, HEAF, and locally collected funds in the State Treasury.

3. POLICY/PROCEDURES

3.1 UHD procurement policies and practices are subject to the restrictions of University of Houston System Administrative Memoranda 03.A.01, 03.B.01, and 03.B.02; State of Texas General Services Commission regulations; and all state and federal purchasing laws and regulations.

3.1.2 The Purchasing Department is required to adhere to the Commission's policies regarding competitive

bidding but may consider other factors including quality, reliability, expected life span, and compatibility with existing equipment.

3.2 The General Services Commission has delegated to the chief executive officers of all state agencies the procurement authority for that agency, within certain limits. The University of Houston System Chancellor has delegated this authority to the University presidents, who in turn have delegated the authority to the University purchasing departments.

3.2.1 The UHD Purchasing Department has been delegated the authority and the responsibility for purchasing supplies, materials, services, and equipment subject to limitations set by the General Services Commission.

3.2.2 It is the responsibility of the Purchasing Department to organize and administer procurement services in a manner that will result in the greatest good for the University and will conform to established institutional policies and procedures and to standards of ethics and good business practices.

3.2.3 Public accountability and sound business practice demand that each college, division, and department use prudent judgment on each procurement decision to ensure that all purchases are reasonable and necessary and to avoid the purchase of unnecessary items.

4.1 Delegation of procurement authority to the Purchasing Department includes the following types of purchases, which in many cases are covered by separate UHD Policy Statements:

4.1.0 Spot purchases - competitive and sole source.

4.1.2 Emergency purchases.

4.1.3 Purchases of standardized services – competitive and sole source (those services sold routinely to the public which can be clearly defined).

4.1.4 Purchases of supplies, materials, services, and equipment for research in higher education.

4.1.5 Purchases with federal funds not in the State Treasury.

4.1.6 Purchases of perishable food items.

4.1.7 Purchases of books (direct book orders).

4.1.8 Purchases of fuel, oil, and grease.

4.1.9 Distributor purchases.

4.2 With the exception of expenditures exempted by the General Services Commission which are processed directly through the Accounts Payable Department on State of Texas Purchase Vouchers (refer to A/P policy), all purchases from outside vendors of \$5,000 or more, regardless of fund source, must be processed through the Purchasing Department. It is the responsibility of the certifying signature to ensure that all proper guidelines are followed and state contracts are used where applicable.

4.3 Commitments incurred against any UHD funds must be based upon the guidelines of the UHD procurement and expenditure policies and procedures and

other University guidelines. Obligations incurred by any UHD employee contrary to these purchasing guidelines become personal obligations of the employee.

4.4 With the limited exceptions allowed as “verifying Requisitions” (Exhibit A) or as emergency purchase orders PS (05.C.05), there will be no confirming purchase orders approved and processed by the Purchasing Department.

4.5 Every expenditure request must be certified by the appropriate signature authority for the department, college, or division for which that expenditure is requested. An updated list of authorized signatories is to be maintained by all processing departments/colleges/divisions. Requests not meeting the approval standards and other guidelines contained in this document and in other related UHD policies and procedures will be rejected and returned to the department, with the reason noted (See PS 05.A.02).

4.6 In addition to the authorized certifying signature, certain additional approvals may be required when purchasing specialized items or using sponsored project funds (See PS 05.A.02).

4.7 The General Services Commission contracts annually for the state on many items. Regarding state contracts, the following guidelines apply:

4.7.1 The state contract must be used and the item purchased through the Purchasing Department when using state funds.

4.7.2 The state contract is optional when using local funds.

4.8 The General Services Commission requires that on purchase requests where specifications and conditions for any materials, supplies, equipment, or services have been drawn to describe a product that is proprietary to one vendor and does not include language that permits an equivalent product to be supplied, written justification of the requested specifications or conditions must be furnished (regardless of fund source). (See Sole Source Purchases, PS 05.C.06.)

4.9 Federal guidelines require that unit cost information be developed and provided with each procurement, wherever possible.

4.10 To comply with federal requirements, in addition to the quotation and bidding process, a formal "cost and price analysis" must be furnished on each purchase of \$25,000 or more. This analysis involves a written review of the basic facts related to each cost element to determine and illustrate reasonableness, allocability, and allowability. The detailed process related to this requirement is outlined in an available procedure manual.

4.11 Federal guidelines require excluding from the bid process any vendor whom assist in the development or drafting of specifications, requirements, statements of work, etc. for that procurement.

4.12 Preference shall be given to procurement of products containing recycled materials to the extent practicable and economically feasible.

4.13 Every procurement document must include a benefit statement clearly defining the purpose of the purchase and its benefit to the university (in the case of those funded from sponsored project funds, the benefit to the specific sponsored project).

4.14 Any exception to this or any UHD procurement policy will be addressed on its individual merits by the Vice President for Administration.

STATE APPROPRIATED FUNDS

4.15 Expenditures of funds appropriated by the legislature from the General Revenue Fund and other funds deposited in the State Treasury can be made only in compliance with the rules and regulations of the General Services Commission.

4.16 Competitive bidding, whether formal or informal, is not required for purchases of less than \$5,000, except for printing.

4.17 The Purchasing Department is required to obtain three informal telephone quotations on all purchases from \$5,000 to \$14,999.99 using state funds.

4.18 On purchases from \$15,000 to \$24,999.99 using state funds, a minimum of three formal, written, competitive bids must be obtained and the award made to the lowest and best bidder in accordance with standards set by the General Services Commission.

4.19 Purchases of more than \$25,000 for non-state contract items and that by state law must be processed through the General Services Commission, advertised on the Texas Market Place web site, and bid sent to vendors listed on the Centralized Masters Bidders List (CMBL) and to those suggested by the University Purchasing Department. The requisitioning department may request that they be allowed to review the bids prior to the issuance of an order.

4.20 State of Texas laws and regulations restrict purchases of certain items from state-appropriated funds. These items include:

4.20.1 Purchase of food or beverages for employees or visitors, other than as allowed under travel guidelines.

4.20.2 Other entertainment expenses.

4.20.3 Purchase, rental, or maintenance of decorative plants.

4.20.4 Expenditure for support of alumni organizations or activities.

4.20.5 Purchase of aircraft.

4.20.6 Rental payments or toll charges on telephones for which numbers are unavailable from telephone information operators.

4.20.7 Judgments obtained from the State of Texas against the University of Houston System, except where specifically provided in the appropriations bill.

4.20.8 Premiums on insurance policies covering claims arising under the Texas Tort Claims Act.

4.20.9 Research of any type until the University of Houston System has adopted and filed with the Legislative Budget Board a policy which clearly establishes and protects the property rights of the state with regard to any patentable product, process, or idea that might result from such research.

4.20.10 Honorariums.

4.20.11 State Auditor for audit services performed where there is a specific authorizing determination by the State Auditor.

4.20.12 Gifts and other expenditures of a personal nature, other than expenditures for employee service awards and/or safety awards not exceeding \$50 per award.

4.20.13 Expenditures related to operation of an athletic department.

4.20.14 Expenditures related to operation of an auxiliary enterprise.

4.20.15 Payment of salaries to any employee who consumes alcoholic beverages while on the job.

4.20.16 Purchase, rental, or cleaning of caps, gowns, and other items related to commencement.

4.20.17 Personal moving expenses.

4.20.18 Reimbursements for student travel or related student expenses.

4.20.19 Purchase, operation, and maintenance of passenger cars and other vehicles designed for passenger transportation, unless the Governor's Budget and Planning Office and the Legislative Budget Board is notified prior to acquisition.

4.21 HEAF monies may be used as follows (except where the expenditures are associated with student housing, intercollegiate athletics, auxiliary enterprises, or other non-Educational and General facilities or programs; or require advance payments):

4.21.1 Acquiring land with or without permanent improvements.

4.21.2 Constructing and equipping buildings and other permanent improvements.

4.21.3 Major repair or rehabilitation of buildings or other permanent improvements.

4.21.4 Acquisition of capital equipment, library books, and library equipment.

4.21.5 Issuance of bonds to finance (1), (2), or (3), with certain specified limitations.

NON-STATE (LOCAL) FUNDS

4.22 University-controlled, non-state funds may be expended to provide for expedient procurement of goods and services necessary to support UHD mission, goals, and objectives. Non-state funds allow for a broader level of buyer discretion in the purchasing process, including allowances for sole source procurement. The following shall apply to the use of non-state funds:

4.22.1 The general guidelines of purchasing quality goods and services at the best price and delivery possible shall be followed.

4.22.2 Free and open competition when and where possible shall be provided.

4.22.3 The procurement standards of the Office of Management and Budget (OMB) Circulars A-110 and A-21 and its applicable attachments shall be met, when required.

4.23 Monetary limits for purchases involving expenditure of local and state funds have been set as follows:

4.23.1 On purchases of \$4,999.99 or less, there is no bidding requirement.

4.23.2 On purchases from \$5,000 to \$14,999.99, the Purchasing Department must obtain three informal, telephone quotations.

4.23.3 On purchases of \$15,000 to \$24,999.99 the Purchasing Department must obtain at least three formal, written bids.

4.23.4 On purchases \$25,000 and over the Purchasing Department must obtain at least three formal, written bids and advertise on the Texas Market Place web site.

ADDITIONAL PROCUREMENT RESTRICTIONS

4.24 In addition to previously described restrictions, no UHD funds from any source shall be used for:

4.24.1 Political aid (as defined in the current appropriations bill).

4.24.2 Fees for outside legal counsel, unless specifically provided in writing by the Office of the Attorney General.

4.24.3 Entertainment or discretionary expenditures prohibited under UHS AMS 03.A.02.

5 REVIEW AND RESPONSIBILITY

Responsible Party (Reviewing): Purchasing Manager

Review: Biennial

President

Policy History

Issue #1: 11/01/99

Verifying Requisitions

The following transactions may be submitted to the Purchasing Department as "Verifying Requisitions" following the purchase. The Purchasing Department as needed may add other transactions qualifying as Verifying Requisitions. Purchases from the General Services Commission, Surplus Property Division: Regular faculty or staff employees may make purchases not exceeding \$1,500 from the General Services Commission (GSC), Surplus Property Division at 8611 Wallisville Road (Larger purchases require prior written approval of the Purchasing Department.). The faculty or staff employee presents UHD identification to the Agency, makes the selection, and provides signature and printed name for items selected. The Agency invoices the University monthly. The department charging the purchase(s) submits a purchase requisition noting "Verifying" to the Purchasing Department within ten (10) working days.

State Contract for Binding, Rebinding, and Repair of Printed Monographs/Books, Serials, Pamphlets, Reports, Original Manuscripts, and Theses: The State recognizes that the nature and extent of the work required cannot be determined at the time the requisition is placed. Department processes purchase requisition-noting "Verifying."

Purchases under the "Freezer Program": After extensive review and approval by the Purchasing Department, a scientific vendor may be authorized to place a dispenser (freezer) on campus to provide an on-site supply of enzymes to the scientific community. Purchases are made by submission of a purchase requisition indicating "Verifying."

Emergency Situations Requiring Immediate Action Arising After Normal Duty Hours: Emergency situations have to be documented when a situation exists where the requirement for goods and services is so severe that there would be measurable financial loss or loss of operational capability of the University. A Verifying Requisition must be submitted to the Purchasing Department within 10 working days, together with a complete justification which includes at a minimum answers to the following questions: Why was the situation an emergency? Why could it not have been anticipated and corrective action processed following standard UHD policies and procedures? What loss would the University have suffered if the emergency procurement had not been taken?

Internal Repairs: State term for repairs the extent and cost of which cannot be determined until the equipment or component is disassembled and evaluated

Gas Cylinder Demurrage: Life expectancy of the contents of a gas cylinder cannot be predetermined.

Library Purchases From: Houston Area Research Library Consortium (HARLIC). In accordance with HARLIC policy, payment will be processed by Houston consortium members after receipt of a HARLIC invoice.