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## **PURCHASING MANUAL**

**SECTION: POLICIES** 

FORWARD PAGE NO.: 1 OF 2

#### I. PURPOSE

To establish policies for the maintenance and distribution of the policies and procedures relating to the purchasing functions.

#### II. INTRODUCTION

This manual is designed to explain and facilitate the understanding of the Purchasing functions, policies and procedures. The policy statements contained in this manual represent the basic intentions and goals of the University. They represent the permanent foundation upon which the University operates.

This manual has been prepared to provide information and direction to the various departments of the University. Its primary purpose is to communicate policies and give guidance to buying personnel, personnel assigned to the purchasing function, and others with delegated purchasing authority.

The manual will be revised and supplemented, as required, to meet new needs and conditions. An important part of this updating process depends on the constructive comments, information, and suggestions received from you, the users. Your comments are encouraged.

#### III. RESPONSIBILITY

It is the responsibility of all who have been delegated the authority to commit University funds through the purchasing functions to adhere to the policies contained in this manual.

#### IV. OBJECTIVES

The overall goal is to maintain at all times, and under all conditions a continuous supply of goods and services necessary to support the operation of the University. Purchasing gives prime consideration to the University's interests while seeking to maintain and further long-term, mutually profitable ethical supplier relationships. Some segments of this responsibility are:

- 1. *ENSURE* the uninterrupted delivery of acceptable quality of goods and services, at the right time and price.
- 2. *DEVELOP* reliable alternate sources of supply to meet the University's requirements.
- 3. TREAT all prices and technical information submitted by suppliers as confidential in order to preserve a good business reputation and obtain competitive prices.
- 4. *COMPLY*, in all respects, with the antitrust laws, and with all other applicable laws without qualification or evasion.
- 5. *PURCHASE* materials and services for the University's use at the maximum end-use value per dollar spent.
- 6. RESOLVE complaints on all purchased goods and services.
- 7. *PROVIDE* leadership in the standardization of materials, supplies, equipment, service and procedures.
- 8. PROVIDE leadership for the management of inventories of purchased goods so as to meet the use requirements of the University's departments at the lowest possible cost.
- 9. *DISPOSE* of, to the best advantage, all material and equipment declared to be surplus or obsolete.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

DEFINITIONS PAGE NO.: 1 OF 2

#### I. PURPOSE

The following definition guidelines are provided to ensure continuity of purpose and understanding of the following policies and procedures.

#### II. DEFINITIONS

Hereunder appear definitions of terms that are used in this manual and with which the reader may not be familiar:

**Bid** – is a formal procedure to obtain competitive prices from vendors.

Negotiation – is a procedure for awarding contracts without formal bidding.

**Policy -** A managerial statement about what will be done in support of the goals and objectives of the University, often strategic in nature and broad in scope.

Policies, as referred to in this manual, are decisions made by the University Administration for the purpose of giving information and direction. Policies establish basic philosophies and climate and determine the major values upon which the purchasing functions must operate.

**Procedure -** An operation statement about how the objectives described in policies will be met. They are detailed descriptions of specific activities and narrow in scope.

Procedures are the prescribed means of accomplishing policy. Their intent is to provide the University personnel with the guidelines and, where appropriate, the specific action sequences to ensure uniformity, compliance, and control of all policy related activities.

**Procurement -** The acquisition of personal property and non-personal services by such means as, purchasing, renting, leasing, contracting, etc.

**Purchasing -** Identification and recognition of the real need for goods and services in the University, and the assurance of satisfaction of those needs at the lowest

possible cost, consistent with the best quality of goods required. Purchasing reflects the dual role of service department and profit maker by serving as the primary contact between the various functions of the University and its suppliers.

**Personal Property -** means all expendable and non-expendable property except land and buildings.

Request for Proposal - is a procedure to solicit prices from vendors.

**Service Contracts** - Service contracts are those providing for services to be rendered to the University, by individuals or organizations, under which:

- (1) The University does not directly supervise the manner of performance of the work and, in case of organizations, does not reserve the right of selection or dismissal of individual employees; and
- (2) The services are of such nature that;
  - (a) They are not usually performed by the University's employees; or
  - (b) They may be more practicably and economically procured by contract.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

**OBJECTIVES AND RESPONSIBILITIES** 

#### I. PURPOSE

In order for the University to maintain its position, it is imperative that we continually strive to balance cost, delivery, and quality in every area of our activities operations. A large cost element is purchased equipment, supplies and services. These costs provide an excellent opportunity for cost reduction and control.

It is mandatory in purchasing that the responsibility for buying supplies and services be assigned to a group of people skilled in negotiating, value analysis, and other purchasing techniques.

Their primary responsibility is to provide for the purchase of materials, and services with the objectives that they will be available at the time, place, quantity, quality, and price consistent with the needs of the departments. This balancing of several factors is critical to the competitive success of the University.

#### II. OBJECTIVE

The Purchasing Department is responsible for the selection of sources of supply and the negotiation and administration of purchase orders and contracts. Its objective is to ensure the timely delivery of products of the quality required by departments and at prices that are competitive.

To achieve this overall objective, the responsibilities, authorities, and controls set forth in this policy, and related policies, must be adhered to by all employees.

#### III. SCOPE

This policy applies to all purchase and purchase-related documents prepared or processed within the University.

#### IV. RESPONSIBILITIES

A. Only those persons to whom authority has specifically been delegated by the University Administration may commit University funds for equipment, materials, supplies, and services.

**PAGE NO.: 1 OF 3** 

- B. The Director of Purchasing and the University Buyers have the responsibility for the procurement of all goods and services, and to either provide the service for such procurement or give functional directions to others delegated the authority to perform such services.
- C. Purchasing has the responsibility for obligating the University and for making the final determination of sources of supply, quantities purchased, delivery schedules, and price negotiations, except where others are so authorized by the Purchasing Department. These decisions will be made in conjunction with other departments as appropriate.
- D. Purchasing is responsible for initiating and maintaining effective and professional relationships with suppliers, actual and potential.
- E. Purchasing is to serve as the exclusive channel through which all requests regarding prices and products are handled. The Purchasing Department will conduct all correspondence with vendors involving prices or quotations. In cases where technical details are necessary the using department may correspond with suppliers regarding technical issues. In such cases, the Purchasing Department should be provided with copies of all such correspondence; it may also reserve the right to obtain a second opinion from an outside expert. Close communication and co-ordination between Purchasing and the using department must occur.
- F. All negotiations are to be handled by the appropriate purchasing personnel within their delegated authority.
- G. When suppliers' sales representatives make personal sales calls, they are to be directed to call on the appropriate purchasing staff at that time.
- H. All employees involved in purchasing activities will work to maintain and enhance the University's image by their personal conduct and methods of doing business.
- I. All employees engaged in purchasing activities would recognize and practice good public relations by giving all callers and visitors, courteous treatment.
- J. Supplier selection and products purchased are to meet the basic policies and standard practices of the University.
- K. Purchasing personnel are to seek to obtain and purchase all goods at the lowest possible total end-use cost, considering the guidelines of prices, service, quality, and delivery.
- L. The Purchasing Department is to assume full authority to question the quality, and kind of material or/supplies asked for, in order that the best interests of the University may be observed.
- M. Purchasing personnel are to inform ordering departments whenever the quantity or specifications of the items ordered are inconsistent with sound purchasing practices or market conditions.
- N. Purchasing personnel will work to establish and to encourage punctual delivery of specified goods and services in correct quantities.
- O. Purchasing personnel will negotiate the return of rejected equipment or supplies to suppliers.
- P. The Director of Purchasing is to advise the Vice President for Finance and Treasurer of market conditions and changes significant to the University's long and short-term interests.

- Q. In cases of extreme emergency direct purchases from local vendors are authorized on the understanding that the Department Head assumes full personal responsibility, that the aggregate value of such items does not exceed \$250.00 and that subsequent justification in writing will be made to the Director of Purchasing.
- R. All items delivered to requesting departments are for use on University premises. Under no circumstances shall items be removed from campus without written approval first having been obtained from the Department Head responsible for the area concerned. A copy of such approval shall be forwarded to the Purchasing Department.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

ETHICAL PRACTICES

PAGE NO. 1 of 2

#### I. Purpose

To provide guidelines to all personnel involved in contract negotiations.

#### II. Scope

This policy applies to all University personnel.

#### III. Responsibility

The manager of Purchasing and materials control has responsibility of ensuring that all contract negotiations conducted on behalf of the University by any employees of the University are consistent and within the policy and procedure practices contained in this manual.

As part of his/her responsibility, the Director of Purchasing and materials control will develop appropriate checklist to serve participants in the negotiation process. Checklist topics may include basis for award, blanket purchase orders, contracts and agreements, negotiations, specifications, prospective vendors, terms and conditions, and using department requirements.

Policy - "Negotiations", provides guidelines for all procurement negotiations that are to be considered part of this policy.

#### IV. General

A contract is a bilateral agreement entered into by the buyer and the supplier. For a contract to be legal and enforceable, both an offer and an acceptance, in identical terms, are required.

The purpose of negotiation is to bring into existence a contract that is clear, concise complete and in the best interest of all parties to the agreement. It is in this spirit that company employees should enter into negotiation.

It must be remembered that contract negotiations are conducted with individual vendors and take place prior to the final selection and award of contract. Thus prudence and good judgment need to be exercised during the negotiation process.

Any questions or concern as to the proper decor or stance to be observed should be brought to the attention of the Director of Purchasing.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

UNAUTHORIZED COMMITMENTS PAGE NO.: 1 OF 1

#### I. PURPOSE

To establish a policy that describes an unauthorized purchase and explains the procedure for dealing with such purchases.

#### II. SCOPE

An unauthorized commitment occurs when an end-user has already acquired goods or services without the benefit of a pre-approved Purchase Order Requisition. Such after-the-fact payment authorizations require detailed written explanations signed by the end-user's Dean, Director or Department Head. Once received, this written documentation is placed in the purchase order file (for audit purposes) and provided to the appropriate purchasing authority for consideration to approve payment.

The written documentation should include the following:

- 1. Signature by the department's Dean, Director, or Department Head explaining
  - a. The circumstances that led to the unauthorized commitment outside the normal purchasing channels.
  - b. Why it is in the best interest of the University to pay for these goods/services.
  - c. What will be done to preclude the recurrence of similar unauthorized commitments?
- 2. When reply is received, memo will be reviewed to ensure that above questions have been answered.
- 3. Consideration will then be made if payment of this commitment is appropriate.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

#### **GIFTS AND GRATUITIES**

PAGE NO. 1 of 2

#### I. Purpose

The purpose of this policy is to provide guidance to employees engaged in the purchasing function concerning the receiving of gifts and/or gratuities.

### II. Scope

This policy applies to all employees.

#### III. General

It is the responsibility of the Director of Purchasing to ensure that personnel involved in the purchasing function:

- 1. Read and understand all relevant policy and procedure bulletins when first employed.
- **2.** Annually review and discuss all relevant policy and procedure bulletins to ensure that their understanding is current and clear.
  - a) No University employee shall accept gifts, personal loans, entertainment or other special considerations from individuals or business organizations doing business with the University.
  - b) Loans are not to be accepted from an individual or organization having prospective dealings with the University unless such individual or organizations is in the business of making loans to individuals.
- c) No employee shall permit any influence, which could conflict with the best interest of the University, or prejudice the University reputation.
- d) Association with supplier representatives at luncheons, dinners, or business organization meetings are helpful in establishing better business understanding, and is neither questionable nor unethical, provided the buyer keeps himself free of obligations. To ensure this, our purchasing

- personnel are expected to act as hosts on occasion, and such efforts are to be a part of their operating expenses.
- e) The responsibility for adherence to this policy is a joint one. Individuals who represent the University must be beyond challenge or reproach in every business transaction, and not allow them to be put into a position where their judgments can be influenced.
- f) Any employee who is offered or receives such payments or gifts of more than nominal value shall refuse it or return it to the giver in a tactful and dignified manner, advising the giver of his University's policy prohibiting its acceptance.
- g) Any employee not complying with this policy shall be subjected to appropriate disciplinary action.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

VENDOR SELECTION PAGE NO.: 1 OF 3

#### I. PURPOSE

To provide guidelines to all personnel involved in purchasing for their departments.

#### II. SCOPE

This policy applies to all the University departments and units.

#### III. INTERNAL SOURCES

Before proceeding with any requisition for the external procurement of goods and services first check carefully to ensure that your needs cannot be satisfied from within the University. There are three major sources of internal supply:

#### 1. Interdepartmental transfer of assets

Any department/unit possessing personal property surplus to its foreseeable requirements should forward them to the University's Receiving Department. Any personal property considered potentially of use to other departments will be stored.

#### 2. Auxiliary Enterprises and Service Departments

Office Services is equipped to handle all normal printing, design and duplicating requirements subject to capacity and equipment constraints. Food Services are able to cater for the requirements of all normal social functions on or off campus. Departments must solicit quotes from Food Services before entertaining any catering from an outside source.

No goods or services will be procured externally which can be supplied from any of the above sources. Direct orders will not be placed with external vendors and will not be accepted for reimbursement unless internal sources confirm in writing their inability to supply requirements within the specified time and quality.

#### 3. Printing and Duplicating Services

#### **Printing and Duplicating Policy Statement**

All printing jobs must be processed through the University's print shop and duplicating centers through Office Services. Exceptions to this policy can be authorized if:

- No printing facility or materials are available in the print shop to meet the required production.
- The print shop cannot carry the job within the time required.

All printed material distributed outside the University must be approved by Marketing Services for content and layout.

#### Copyright Policy

Please note that University policy permits only the making of one photocopy of a chapter from a book or an article from a journal (regardless of internal or external sources.) A single photocopy of an entire book or journal or multiple copies of a chapter or article will require the permission of the copyright holder which can be obtained in writing through the offices of the AUC Press.

#### IV External Sources

The selection of vendors is the responsibility of the Buyer and requires a consideration of several factors. In making the selection, Buyer will coordinate closely with departments to obtain adequate and reasonable specifications. Whenever possible, identification of brand names, or sufficient detail, should be obtained to ensure that the order will be correctly filled.

Buyers should endeavor to place orders with regard to the dependability and service record of the vendor, the nature of the guaranty and warranty of the product, its price, and quality. Positive efforts shall be made to utilize small businesses, minority-owned firms, and women's business enterprises. Preference (no priority is intended) should be given to the following types of vendors, providing this involves no sacrifices in quality, service or price:

- 1. Suppliers who are developing new and improved products or equipment, or designing and developing a special product for the University's exclusive use.
- 2. Suppliers with adequate financial strength who also have a reputation for adhering to specifications and delivery schedules.

It should be noted that in some cases departments may be acting as their own purchasing departments, directly requesting bids from suppliers for commodities, comparing prices, and then instructing the Purchasing Department whom to pay when the purchasing decision has been taken.

While departments are normally free, subject to budget limitations, to choose specific brands, models, and equipment configurations and may, if they wish, recommend specific suppliers, it is the role of the Purchasing Department on behalf of the University to solicit bids, negotiate prices, and issue purchase orders to suppliers. Whenever a department or unit recommends a specific vendor or brand the Purchasing Department will not purchase from other sources without first having reviewed the alternative option with the department or unit concerned. If no agreement can be reached the matter may be referred to the Vice President of Finance and Treasurer for final adjudication. Execution of deals already arranged by departments and units will not be accepted.

If ill-considered commitments continue to be made then the department;

- 1. May face a situation where the University will refuse to pay for the goods on the basis that it has made no contractual commitment
- 2. The offending vendor, who persists in supplying goods without a properly authorized purchase order from the Purchasing Department, may be placed on a list of firms with whom the University refuses to do business.

#### V GENERAL

As a general Policy no University Purchase Orders will be awarded to University employees or relatives of University employees.

#### VI STATE CONTRACTS

Existing **NEW YORK STATE CONTRACTS** for commonly used equipment and materials will be utilized, unless it can be clearly demonstrated that an alternative purchase action would be in the best interest of the University.

#### VII SOLE SOURCE PURCHASES

The user department must justify all sole source purchases. Competitive purchase actions can result in both better pricing and better quality alternatives. Whenever possible, a competitive purchase process will be followed. Sole Source justification must be supplied by the user Department and may include:

- 1. Compatibility or standardization with existing commodities
- 2. Special design requirements that are needed and are available only from a single source.
- 3. A specific commodity that has only one manufacturer or supplier.

4. A specific commodity that has been proven over time to be the most economical, dependable or serviceable.

Any decision to purchase a commodity as a "sole source" basis, except for the procurement of spare parts and components for existing commodities, shall be documented and shall be supported by a statement justifying that such procurement is advisable and necessary.

The Buyer will then review and approve if appropriate.

# Long Island University PURCHASING MANUAL

#### **SECTION: POLICIES**

#### Title: VENDOR OBLIGATION PAGE NO. 1 of 1

#### I. PURPOSE

It is the purpose of this policy to state the basic policy concerning vendor obligation to the University.

#### II. SCOPE

This policy applies to all purchase transactions conducted in behalf of the University.

#### III. GENERAL

Suppliers are expected to fulfill these basic responsibilities:

- 1. To handle all written and personal communications with the University through Purchasing unless instructed by Purchasing, for technical reasons, to do otherwise; in which case Purchasing is to receive copies of all correspondence and be kept informed of any oral communications.
- 2. To negotiate purchasing contracts and all sales with the Purchasing Department only.
- 3. To conduct negotiations ethically, without attempts to influence through offering valuable personal gifts or entertainment.
- 4. To make available through Purchasing or other designated company representatives, all available technical, engineering, systems, procedures, services and ideas that might improve the company's present or future use of supplier's products and services.
- 5. To advise Purchasing or other authorized personnel of any new products as soon as such information is available.
- 6. To suggest ways and means of conducting joint efforts in research and development that might be of benefit to both parties.
- 7. To inform Purchasing of changes in economic or other conditions that might affect purchasing or operating decisions.
- 8. To inquire through the Director of Purchasing for further information concerned with selling products to the University.

# Long Island University PURCHASING MANUAL

#### **SECTION: POLICIES**

#### Title: VENDOR RELATIONS PAGE NO.1 of 1

#### I. PURPOSE

It is the purpose of this policy to state the basic business practices that should be demonstrated concerning vendor relations.

#### II. SCOPE

This policy applies to all purchase transactions.

#### III. GENERAL

It is our policy to maintain and practice the highest possible standards of business ethics, professional courtesy and competence in all of our dealings. At all times, applicable laws must be scrupulously observed. In this regard, the following should be observed when dealing with suppliers and their representatives:

- 1. Accord prompt and courteous reception, as well as fair and equal treatment, to all suppliers and their representatives.
- 2. Provide equal opportunity for all suppliers to make price and specification quotations.
- 3. Guarantee the confidentiality of all specifications and price quotations made by vendors.
- 4. Decline to take advantage of seller's errors, and show consideration for seller's difficulties by cooperating with him whenever possible.
- 5. Avoid putting seller to unnecessary expense or inconvenience on returned goods.
- 6. Explain as clearly and fully as possible to suppliers the reason for our rejection of their bids/proposals.
- 7. Remain scrupulously free from obligations to any supplier.
- 8. Keep informed about sources of supply, methods, services and materials, and encourage their testing.
- 9. Keep suppliers informed about company products and methods.
- 10. If, for any reason, one supplier is permitted to requote, his competitors will be given the same opportunity. Requoting should be restricted to an absolute minimum.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

#### **PAGE NO.: 1 OF 1**

#### I. PURPOSE

Identify the confidential nature of purchasing and purchasing-related transactions.

#### II. SCOPE

This policy applies to all company employees.

#### III. General

It is recognized that most of the transactions relating to Purchasing are of a confidential nature-especially with regard to our vendors and their competitors.

It is considered unethical as well as damaging to the University's competitive position to allow University-proprietary information about one vendor's quotation to pass to another vendor. This possibility is discussed in this manual under Policy, "Vendor Relations", where the other less direct methods, which should be considered; overheard phone calls, documents on desks during vendor interviews, and conversations between Buyers within hearing distance of vendors in other offices are some examples. An awareness of this sort of situation should be created so that it may be avoided.

Passage of pricing information from an employee of the University to an employee of a competitor is not only unethical, but is likely to be in violation of one or more of the various antitrust laws and should be scrupulously avoided. See Policy, "Antitrust Laws", for additional details.

All files within the Purchasing Department are to be maintained in an up-to-date and confidential manner.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

Title: CONFLICT OF INTEREST PAGE NO.: 1 OF 2

#### I. Purpose

The purpose of this policy is to provide guidance to employees engaged in any aspect of the purchasing function concerning the avoidance of conflict of interest.

#### II. Scope

This policy applies to all employees who participate in any phase of the purchasing process.

#### III. General

Employees engaged in the purchasing function are expected to be free of interest or relationships that are actually or potentially inimical or detrimental to the best commercial transaction involving the University. Employees shall not engage or participate in any commercial transaction involving the University, its affiliates, divisions or subsidies in which they have a significant undisclosed financial interest.

Any employee engaged in purchasing who has assumed, or is about to assume, a financial or other outside business relationship that might involve a conflict of interest, must immediately inform the supervisor of the circumstances involved. This information is to be reviewed at an appropriate level for decision on whether a conflict of interest is present and, if so, what course of action is to be taken. In this connection, a conflict of interest exists where an employee:

- 1. Has an outside interest that materially encroaches on time or attention, which should be devoted to the affairs of the University.
- 2. Has a direct or indirect interest in or relationship with an outsider that is inherently unethical or that might be implied or construed to be,
- 3. Make possible personal gain due to the employee's ability to influence dealings,
- 4. Render the employee partial toward the outsider for personal reasons, or
- 5. Otherwise inhibit the impartiality of the employee's business judgment,
- 6. Place the employee or the University in an equivocal, embarrassing, or ethically questionable position; reflecting on the integrity of the University.
- 7. Takes personal advantage of an opportunity that properly belongs to the University.
- 8. Uses University property without approval.
- 9. Discloses University proprietary information to unauthorized persons.

# Long Island University PURCHASING MANUAL

#### **SECTION: POLICIES**

#### Title: VENDOR VISITATIONS PAGE NO. 1 of 1

#### I. PURPOSE

To establish policy governing vendor visitations.

#### II. SCOPE

This policy applies to vendor visitations at all company facilities.

#### III. GENERAL

Vendors shall be received in a friendly and courteous manner during all hours designated for vendor visitations. At this time, vendors shall be welcome during any regular business hours, but because of variations in workload and personnel, it is recognized that vendor visitation hours may change from time to time. In the event that a change is to be made, vendors will be advised as soon as possible and vendors will be accommodated for a reasonable period thereafter. Additionally, accommodation shall always be given to out-of-town vendors regardless of time.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

BIDS PAGE NO.: 1 OF 4

#### I. PURPOSE

To establish a policy to solicit competitive bidding practices.

#### II. SCOPE

This policy applies to transactions on material and/or services and covered by a contractual agreement.

For material and/or services with an estimated unit price \$5,000.00 and not covered by a contractual agreement, see Policy "Requests for Proposals or Quotations".

#### III. RESPONSIBILITIES

The Director of Purchasing has the responsibility for maintaining a uniform set of procedures and forms to serve the bid process. Consideration should include the need for mechanisms for vendor notification, bid analysis and summary, bid bonds, bidder mailing list applications, competitive invitations, instructions to bidders, policy statement of bid award.

#### IV. AWARD PROCEDURE

Purchases of non-proprietary commodities are normally satisfied through a formal bidding process.

There are two types of competitive bids:

Request for Proposal – where the Purchasing and/or Requisitioning Department are not sure of the exact specifications of a desired item, or the exact specifics of a service to be performed. Vendors are invited to make proposals based upon a brief description or outline. The purchasing and requisitioning departments then negotiate with the vendors to determine which proposal best satisfies the University's requirements.

**Limited Competitive Bids** – where the University invites bids from qualified vendors on its approved vendor list. New vendors may contact the Purchasing Department at any time to pursue their inclusion on the approved vendor list.

The successful bid will normally be the lowest bid that meets all specifications and terms. Exceptions to this general principle must be clearly documented and adequate justification provided whenever the lowest bid is not selected; see policy "Award other Than Low Bid".

If two or more bids are identical in price and other conditions the decision may be taken to divide the order between them.

When only one bid is received that is responsive to the University's requirements, the Director of Purchasing may accept such bid;

- If he/she feels that the price is reasonable and all conditions have been met in the offer and,
- The requesting department sees no clear benefit in repeating the bid process.

When the successful bidder has been selected all other bidders will be so notified.

The following factors in combination, not necessarily listed in their order of importance, will be considered in reviewing bids and awarding contracts:

- Prices
- Bidder's previous record of performance and service
- Ability of bidder to render satisfactory service in this instance
- Availability of bidder's representative to call upon and consult with our using departments
- Quality and conformance to specifications

The University reserves the right to reject any and all bids, waive informalities and to contract as the best interests of the company may require.

#### V. GENERAL

- A. Bid requests should be typed using a standard form whenever possible. Complete information should be provided including, but not limited to, quantity, description, delivery requirement, special terms and conditions, drawings, specifications, date information required, etc. If replies are to conform to certain format, this should be spelled out. Buyer must be thorough and attempt to remove all known variables.
- **B.** A minimum of three suppliers is acceptable, providing the Buyer is familiar with the market and prices of the material in question. In the case of proprietary items, more than one price is often not possible and should be so noted on the requisition.
- **C.** Buyer, when obtaining bids, should keep in mind other segments of the company that may be able to provide the desired material or services. If there are any questions, contact the Director of Purchasing.
- **D.** Bids will be solicited only from vendors whom the Buyer knows are qualified or can be qualified to meet all requirements. Maintenance of an Approved Vendor List is advisable but not mandatory. Examination of the financial

- condition of a company, its ability to perform, and its facilities should be part of the criteria for an acceptable vendor.
- **E.** The requisitioner should provide answers to technical questions arising during the bidding process. The Buyer must coordinate the reply and ensure all potential suppliers are provided the same information.
- F. After all bids have been received and examined for completeness, a summary sheet is to be prepared noting all the pertinent data and discrepancies. Determination of the low bidder and award of the order will be made by the Buyer only after all aspects including preference of the requisitioner have been considered.
  - The information gathered will be kept with the purchase order as backup documentation. In cases of bids for estimating purposes, a copy of each bid response is to be sent to the requisitioner along with the bid summary sheet.
- **G.** A Buyer will not reveal to a vendor at <u>any time</u> the prices quoted or paid.
- **H.** In order to ensure that vendors contacted have responded to a bid request, Buyers will identify on the requisition all vendors solicited, and responses.
- I. It is a good practice to notify unsuccessful vendors that the bid has been closed and awarded. It is not necessary to note the name of the successful bidder.
- J. Unless a specific exception has been obtained from the Director of Purchasing, bids shall not be solicited from, nor any order placed with, any company that:
  - 1. Is owned, controlled or actively influenced by a company employee or immediate relative of said employee.
  - **2.** Employs in a management, consulting or sales capacity any person who is a company employee.
  - **3.** Employs in any capacity a company employee who is in a position to influence the selection of, or conduct business with, such supplier.
- **K.** When circumstances warrant the solicitation of competitive bids inappropriate, the Buyer shall document the facts on the reverse side of the purchase requisition and obtain the specific approval of the Director of Purchasing.

Any problems of interpretation should be referred to the Director of Purchasing.

# Long Island University

## **PURCHASING MANUAL**

#### **SECTION: POLICIES**

#### AWARD OTHER THAN LOW BID

#### I. PURPOSE

To establish criteria to award purchase orders or contracts to other than the lowest bid.

**PAGE NO.: 1 OF 1** 

#### II. SCOPE

This procedure applies to all procurements.

#### III. PROCEDURE

It is recognized that the primary objective of the Purchasing Department is the timely acquisition of goods and services at the lowest total cost. The elements of total cost in addition to basic price include transportation, storage, service, technical assistance, and willingness to stock material for the University's requirements, afterhours availability, and compatible and correct invoicing. The assigned staff/committee evaluate each of these and other criteria to decide which proposal represents greatest value or lowest total cost to the University. Since several of these decisions are subjective, it is important that the reasoning employed in reaching such decisions be carefully documented. In the event that the assigned staff/committee decides to award the order or the contract to a supplier whose price is not low, the assigned personnel shall:

- 1. Make a spreadsheet listing all objective elements of the decision;
- 2. Write a brief explanation of those factors that lead to the decision to award to other than the low bidder,
- 3. Have both the spreadsheet and the explanation reviewed and approved by the Director of Purchasing, prior to placement of the order.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

Title: CONTRACT FORMATION PAGE NO.: 1 OF 2

#### I. Purpose

To provide some familiarization of contract formation to all purchasing personnel.

#### II. Scope

This policy applies to all University personnel.

#### III. General

Printed or written forms and documents perform important business functions. Their correct use assures maximum clarity in communications and provides legal protection for all parties.

Written documents are usually either standard printed forms for specific categories of situations, or individually tailored writings designed by authorized personnel. In many cases vendors will insist on using their own forms. Documents must be selected carefully in order to achieve the desired end results of the total transaction.

Purchasing personnel are responsible for acquainting themselves with the standard forms. They must be familiar with all conditions printed on University acceptance forms and on our vendors' forms as well. Questions or doubts about the relationships being created by use of a form, or the writing on it, should be addressed to the Director of Purchasing.

Contracting methods commonly require written documents covering some of the steps of single transaction; they represent the most common types of writings:

- Purchasing Orders
- Letters of intent from the company
- Formal Contracts
- Purchase Order Acknowledgments
- Purchase Order Change Notice
- Blanket Orders

#### IV. Purchase Orders

A purchase order is a legal document governed by the Law of Contracts and the Uniform Commercial Code of Law (UCC). The purchase order is available to any authorized person. Its use is recommended but is not mandatory.

The purchase order constitutes the final agreement between the vendor and the company. It may be either an offer to buy an acceptance of an offer to sell, or a confirmation of a verbal agreement between the company and the supplier. Usually it is an instrument in an offer to buy, and when formal acceptance is received from the vendor it becomes a legal contract. As a legal contract, the purchase order gives the vendor authority to ship and to invoice the ordered goods and, thereby, becomes the company's commitment for the amount and value of those goods.

When we issue a purchase order as an acceptance of the vendor's offer, a contractual relationship arises immediately; otherwise our purchase order constitutes an offer to create a contractual relationship, which can be completed either by the vendor's acknowledgement or acceptance.

#### V. Preparation of Purchase Orders

As a major requirement, the purchase order must contain precise and clear description of the elements in the order, the term of the purchase, the time, manner and place of delivery. All of the following information is necessary when preparing a purchase order:

- Name and address of the vendor
- Requisition number
- Location of requisitioning department
- The budget account number
- Date of order
- F.O.B. information and discount terms
- Manner of shipment
- Address (where to ship goods)
- Description of goods, quantity per item, price per unit
- Quantity per item, price per unit
- Date goods are required
- Confirmation, if applicable
- Signature of the person authorized to approve the order.

In preparing a purchase order, the following points require special attention:

- 1. Price A purchase order should state the price, or refer to a price quotation or agreement on which the price is based. There may be certain exceptions in the case of small items purchased locally, etc.
- 2. Terms The purchase order should show the appropriate discounts and the payment terms.

- 3. F.O.B. The F.O.B. point and freight terms should be stated clearly.
- 4. Delivery Requirements The documents should show the date materials are to be at the destination, and should not use expressions such as "rush", "as soon as possible," or "urgent"
- 5. Signatures The Director Of Purchasing

# Long Island University PURCHASING MANUAL

#### **SECTION: POLICIES**

#### Title: REQUEST FOR PROPOSALS OR QUOTATIONS PAGE NO.1 of 3

#### I. PURPOSE

Provide procedures to solicit competitive prices.

#### II. SCOPE

This procedure applies to purchases of goods and services with an estimated price of \$5,000.00 and over.

#### III. RESPONSIBILITIES

The Director of Purchasing has authority, in consultation with the requisitioning department, to select the successful quotation.

#### IV. GENERAL

The Buyers are responsible for obtaining quotations on material and/or services that are expected to exceed \$5,000.00. This shall be done for both estimating purposes and purchases. A price check will be made on expenditures less than \$5,000.00 when buying unfamiliar materials.

#### A. Types of Quotations

- 1. Verbal. Verbal quotations will be obtained for purchases of standard or non-complex material with an estimated unit price between \$500.00 and \$5,000.00. Prices are to be recorded on a quotation sheet that will serve as backup documentation after the order is placed. The quotation sheet will be attached to the original requisition/purchase order.
- 2. Written. Written requests for quotation will be sent to vendors under the following conditions:
  - a. All capital equipment purchases.
  - b. Non-standard conditions, requirements, instructions etc.
  - c. Any occasion where more permanent documentation is advisable. Written quotations should be typed using, whenever possible, the "Request for Proposal" form.
     Complete information should be provided including, but not

limited to, quantity, description, delivery requirement, special conditions, drawings, specifications, date information required, etc. If replies are to conform to certain format, this should be spelled out. Buyer must be thorough and attempt to remove all known variables.

- B. The Buyer, when purchasing materials and/or services requiring written requests for proposal, will solicit prices from three or more vendors. A minimum of two suppliers is acceptable for verbal requests, providing the Buyer is familiar with the market and prices of the material in question. In the case of proprietary items, more than one price is often not possible and should be noted on the requisition.
- C. Buyer, when obtaining quotations, should keep in mind other segments of the University that may be able to provide the desired material or services. If there are any questions, contact the Director of Purchasing.
- D. Quotations will be solicited only from vendors whom the Buyer knows are qualified or can be qualified to meet all requirements. Maintenance of an Approved Vendor List is advisable, but not mandatory. Examination of the financial condition of a company, its ability to perform, and facilities should be part of the criteria for an acceptable vendor.
- E. Answers to technical questions arising during the quotation period should be provided by the requisitioner. The Buyer should coordinate the reply and ensure all potential suppliers are provided the same information.
- F. After all quotations have been received and examined for completeness, a summary sheet is to be prepared noting all the pertinent data and discrepancies. Determination of the low bidder and award of the order will be made by the Buyer only after all aspects including preference of the requisitioner have been considered.
  - The information gathered will be kept with the purchase order as backup documentation. In cases of quotations for estimating purposes, a copy of each quotation is to be sent to the requisitioner along with the quotation summary sheet.
- G. A Buyer will not reveal to a vendor at <u>any time</u> the prices quoted or paid.
- H. In order to ensure that vendors contacted have responded to a request for quotation, Buyers will identify on the requisition all vendors solicited and responses.
- I. It is a good practice to notify unsuccessful vendors that the quotations have been closed and contract awarded.
- J. Unless a specific exception has been obtained from the Director of Purchasing, quotations shall not be solicited from, nor any order placed with, a company that:
  - 1. Is owned, controlled or actively influenced by any company employee or immediate relative of said employee.
  - 2. Employs in a management, consulting or sales capacity any person who is a company employee.
  - 3. Employs in any capacity a company employee who is in a position to influence the selection of, or conduct business with, such supplier.

K. When circumstances warrant the solicitation of quotation inappropriate, the Buyer shall document the facts on the reverse side of the purchase requisition and obtain the specific approval of the Director of Purchasing. Any problems of interpretation should be referred to the Director of Purchasing.

#### V. AWARD PROCEDURE

The final selection of the successful vendor is governed by the following same general principles that apply to competitive bids:

- A. Purchasing staff, when purchasing goods or services requiring written requests for quotations, will solicit prices from three or more suppliers. A minimum of two suppliers is acceptable for verbal requests, providing that the Purchasing representative is familiar with the market and prices of the item in question. In case of proprietary items, more than one price is often not possible and should be so noted on the requisition.
- B. Quotations will be solicited only from suppliers whom Purchasing knows are qualified or can be qualified to meet all requirements. Maintenance of an approved supplier list is advisable. Examination of the financial condition of a supplier, his ability to perform, and his facilities should be part of the criteria for an acceptable supplier.
- C. The requisitioner should provide answers to technical questions arising during the quotation period. Purchasing must coordinate the reply and ensure that all potential suppliers are provided the same information.
- D. After all quotations have been received and examined for completeness, a summary sheet is to be prepared noting all the pertinent data and discrepancies. Determination of the low bidder and award of the order will be made by **PURCHASING ONLY** after all aspects, including preference of the requisitioner, have been considered. The information gathered will be kept with the purchase order as backup documentation. In cases of quotations for estimating purposes, a copy of each quotation is to be sent to the requisitioner along with the quotation summary sheet.
- E. Employees will not reveal to a supplier at any time the prices quoted or paid.
- F. In order to ensure that suppliers contacted have responded to a request for quotation, the assigned staff will identify on the requisition all suppliers solicited and responses.
- G. It is a good practice to notify unsuccessful suppliers that the quotations have been closed and a contract awarded.
- H. Unless a specific exception has been obtained from the Vice President for Finance/Treasurer, quotations shall not be solicited from, nor any order placed with, any company that:
  - 1. Is owned, controlled, or actively influenced by an immediate relative of an employee engaged in purchasing.

- 2. Employs in management, consulting, or sales capacity any person who is a University employee;
- 3. Employs in any capacity a University employee who is in a position to influence the selection of, or conduct business with, such supplier.
- I. When circumstances warrant that the solicitation of competitive bids is inappropriate, the assigned purchasing staff shall document the facts and obtain the specific approval of the Director of Purchasing. Any problems of interpretation should be referred to the Director of Purchasing.

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

Title: REQUISITON REVIEW POLICY PAGE NO.1 of 2

#### I. PURPOSE

To establish the authority to review requests and determine sources.

#### II. SCOPE

This policy applies to all purchases.

#### III. POLICY

One of the responsibilities vested in the Director of Purchasing is the responsibility to "arrange for the purchase of materials, supplies and services with the objective that they will be available at the proper time, in the proper place, in quantity, quality and price consistent with the needs of the University." It is vital to the performance of this duty that the Buyers, hereafter referred to as Purchasing, have authority to review purchase requests, specifications and suggested sources.

It shall be the policy, therefore, that Purchasing shall have the responsibility and authority to review specifications and sources within the following guidelines:

- A. The user and Purchasing shall be jointly responsible for developing a list of acceptable vendors of a specific product or service whenever necessary, with the user being responsible for the technical aspects of the evaluation and Purchasing being responsible for the financial and service aspects. Once a list of acceptable vendors has been established, Purchasing shall be solely responsible for selection of a vendor from that list who best can respond to the requirements of each particular order.
- B. It shall be the responsibility of Purchasing to review the specifications of each purchase requisition. This review shall include, but not be limited to:
  - 1. Requests for "sole source" purchases.
  - 2. Requests for goods of a quality that seem to be greater than required.
  - 3. Requests for goods of a quality that seem to be less than required.
  - 4. Requests whose material seems inconsistent with the requirement.
  - 5. Requests that do not conform to University standards.
  - 6. Requests without proper authorization.

Buyers shall not materially alter specifications without discussion with requisitioner.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

TITLE: NEGOTIATIONS PAGE NO.1 of 4

#### I. PURPOSE

This policy provides the guidelines to be used in all procurement negotiations.

#### II. SCOPE

This procedure applies to purchases of goods and services that are ordered frequently by various departments. When the frequent purchases become apparent then the Purchasing Department shall obtain a negotiated price.

#### III. RESPONSIBILITIES

The Director of Purchasing has authority, in consultation with the requisitioning department, to conduct negotiations with vendors to solicit competitive negotiated pricing based on the combined volume of all requisitioning departments. The Director of Purchasing also has the authority to select the successful vendor based on these negotiations.

#### IV. GENERAL

Subject to the approval limits set out in this Manual the Director of Purchasing is authorized to negotiate directly with vendors for the supply of the following types of goods.

- 1. Items effectively subject to monopoly or which are sold through a highly restricted number of vendors.
- 2. Items required with great urgency where time does not permit execution of all the steps required in competitive bids. In all such cases the requesting department must justify the urgency in writing to the Purchasing Department.
- 3. Items, normally replacement parts, for systems where it is desirable for purchase to be made from the original system supplier.
- 4. The product is to be designed and/or produced according to unique specifications.
- 5. Active price competition is lacking among an adequate number of able and willing suppliers.
- 6. Specifications are vague and indefinite.
- 7. Procurement is to extend over a long period of time.
- 8. Several design or specification changes are anticipated.
- 9. Larger future requirements are anticipated.
- 10. The procurement is sizeable and involves a strong possibility of multiple awards.
- 11. The procurement involves a substantial initial investment by the supplier, or an extended period of preparation and/or engineering.
- 12. The quotation procedure of establishing fair and reasonable prices is subject to doubt.

Whenever doubts are raised, or could arise, as to the necessity or manner of negotiating, purchasing personnel are advised to seek assistance and advice from people with the requisite skills and experience in negotiating.

#### II. NEGOTIATION QUESTIONS

The following checklist questions will help guide purchasing personnel in the majority of situations. Some of the questions will only apply infrequently in limited circumstances. The questions are grouped by subject area:

#### A. Buyer's Knowledge of What He/She is Buying

- 1. Have the drawings and uses of parts or materials been reviewed?
- **B.** Proposed Sources—Suppliers and Materials
  - 1. Are quotations being secured from an adequate number of sources?
  - 2. Are there alternate materials or sources?

#### C. Financial Responsibility

- 1. Has the supplier's financial and credit responsibility been considered in the light of the work to be performed?
- 2. Does he seem over-extended by current commitments?
- 3. Have his cash-flow needs been reviewed?

#### D. Facilities

- 1. Do suppliers have sufficient areas and equipment to perform in accordance with our deliver schedule?
- 2. Is it known exactly what operations the supplier intends to subcontract?
- 3. Is the bidder's proposed subcontracting advantageous to us, the buyer?
- 4. Does the supplier demonstrate ability to control his own subcontracting?

#### E. Performance

- 1. Are the proposed sources accustomed to manufacturing this item or similar items?
- 2. Do they demonstrate, on the strength of past performance, ability to meet this schedule?
- 3. Do their past rejection experiences demonstrate ability to meet test and quality requirements?
- 4. Is a performance bond advisable?
- 5. Is a penalty clause advisable?
- 6. Should you obtain the right to use or acquire tooling, designs and/or materials to manufacture this item, in case of default?

#### F. Tooling

- 1. Is special tooling being purchased separately?
- 2. Are there any mating or interchangeability problems requiring special action?
- 3. Is it advisable to have tooling coded with our code numbers?
- 4. Have we distinguished between special tooling required for the contract and facility items?

#### G. Patents, Royalties and Development

- 1. Is this a patented item?
- 2. Can the article be reproduced through other sources without infringing on patent rights?
- 3. Are research and development costs set up as a separate item, so that future procurements will not be affected?
- 4. Does the Buyer have the right to acquire any patents resulting from research and development?

#### H. Planning and Scheduling

- 1. Has the supplier's proposed sequence of work or operations been analyzed?
- 2. Are all necessary activities included?
- 3. Has the supplier established realistic control points and flow times, by activity or operation, consistent with the demands of this contract?
- 4. Has he balanced loads among activities so that production will proceed without delay?
- 5. Are there any special handling, packaging or shipping requirements that may delay delivery?
- 6. Are spares involved, and are they allowed for in the supplier's plans and schedules?

#### I. Technical Requirements

- 1. Are all inspection, test and engineering requirements fully understood?
- 2. Is the item adequately described on the blueprints, specifications, purchase order, etc. so that no doubt exists as to what is ordered?
- 3. Are there any special test or quality control requirements the supplier must meet? Does he fully understand them, and does he have the time, facilities and know-how to comply?

#### J. Ethical Considerations

1. Are the negotiations being conducted according to the requisite high ethical standards?

An "original" cost-cutting method developed by one supplier should not be exposed to the supplier's competition, nor should we reveal terms and prices to get another supplier to make a more advantageous agreement.

# Long Island University PURCHASING MANUAL

**Section: POLICIES** 

Title: PRICE VALIDATION PAGE NO. 1 of 2

I. PURPOSE

Price validation is an integral part of the purchasing process. It is the purpose of this policy to provide guidelines to buying personnel when effecting purchases.

#### II. SCOPE

This policy applies to all purchases.

#### III. GENERAL

It is the basic responsibility of all purchasing personnel to validate the <u>reasonableness</u> of all prices paid for goods and services. The preferred method is to conduct price analysis (the comparison of prices) when the quotations received are normally competitive. When price analysis cannot be performed, Buyers are to use cost analysis (an examination of elemental cost data within each quotation.)

To assure satisfaction of our needs at the lowest possible cost consistent with the best quality, service and delivery of required goods, the following factors should be considered in analyzing cost:

- A. Cost Factors
  - 1. Initial purchase price
  - 2. F.O.B. point
  - 3. Cash Terms
  - 4. Transportation costs
  - 5. Lead time
  - 6. Inventory cost
  - 7. Quality control
  - 8. Packaging and handling cost
  - 9. Financial
- B. How to Break Down Quoted Prices—Elements of Cost Analysis
  - 1. Direct Cost-----Cost of Materials

Startup/Setup Costs Direct Labor

2.	Indirect CostsProduction	Equipment and Facilities,
	Indirect Labor	
3.	Overhead CostsBurden	
4.	G&ACost of Sales	
5.	ProfitMargin of Profit	
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Purchasing personnel are expected to be well informed about company needs and price/cost information pertinent to the goods and services required to meet those needs. The price validation process should include an examination of total costs and not simply the purchase price.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

INSPECTIONS AND DEFECTS

PAGE NO.1 of 3

I. Purpose

This policy is to provide guidance needed to properly inspect and process any defects discovered during or after inspection.

#### II. Scope

This policy applies to all employees.

#### III. General

Although inspection of goods received is not a function of Purchasing, the Buyer should be informed of any negative results of inspection so that appropriate action can be taken with the vendor.

#### IV. Specifications and Quality

Accurate specifications help to assure receipt of proper quality and service. Quality buying involves buying supplies, materials, goods or services of a grade sufficient to fulfill, but not exceed, the requirement for which the goods are intended. Purchasing attempts to secure the best quality for the intended purpose, and is expected to secure the best quality for the intended purpose, and is expected to work with other departments to obtain adequate specifications that are:

- 1. Simple, clear and exact so that a supplier cannot evade any provisions, capable of being checked, including a description of the inspection methods to be used, where applicable.
- 2. Reasonable in tolerances.
- **3.** Capable of being met by several bidders.
- **4.** Flexible, to encourage vendors to suggest cost-saving alternatives or substitutes.

#### V. Responsibilities

The Buyer is responsible for ensuring that specifications are sufficient to allow receiving and/or user to inspect goods upon receipt.

#### VI. Defective Equipment

#### General

Rights to recover losses and damages suffered as a result of defective equipment, materials and workmanship exist at the outset, either by operation of law, or by reason express contract provisions. Our rights may arise by operation of law in the following ways:

1. Warranties created by law rather than by expression of the parties.

- 2. Negligence on the part of the supplier or manufacture of a component part.
- **3.** Violation of an express statutory duty.

#### Acceptance of Goods

According to the Uniform Commercial Code (UCC), acceptance occurs when the Buyer:

- 1. After a reasonable opportunity to inspect the goods signifies to the seller that the goods are conforming, or that he will take or retain them in spite of their non-conformity; or
- 2. Fails to make an effective rejection...,but such acceptance does not occur until the Buyer has had a reasonable opportunity to inspect them...:

Purchasing personnel should realize that the seller relies on the Buyer's timely actions to constitute either acceptance or rejection, and time may become "of the essence" in the Buyer's chance to reject non-conforming goods.

#### Buyer's Revocation of Acceptance

Under certain circumstances the Buyer is additionally protected by being allowed to revoke his acceptance of goods in whole, or in part if their non-conformity substantially impairs their value to him, where he has accepted them:

- 1. "on the reasonable assumption that its non-conformance would be cured, and it has not been reasonably cured; or
- 2. without discovery of such non-conformity if his acceptance was reasonably induced either by the difficulty of discovery before acceptance, or by the seller's assurances."

Such revocation of an earlier acceptance must occur within a reasonable time after the Buyer discovers or should have discovered the reason for its impairment to him. Furthermore, no such revocation is effective until the Buyer notifies the seller.

#### Time of Delivery

Legal problems frequently arise in connection with questions of delivery time. The Buyer may be able to avoid some or most delivery problems by specifying in the written agreement or purchase order the delivery dates required. Some companies use a specific provision in the purchase order permitting cancellation or refusal of shipment if the delivery is not made as specified.

Under the UCC it is clear that if no time is provided in the agreement, the seller is required to deliver within a "reasonable" time. "Reasonable time" depends on all of the pertinent circumstances of the transaction, including the seller's knowledge of the Buyer's delivery requirements, plus prior dealings and practices between the Buyer and seller.

# Long Island University

### **PURCHASING MANUAL**

**SECTION: POLICIES** 

TITLE: MATERIAL RETURNED TO VENDOR PAGE NO.1 of 1

#### I. PURPOSE

To establish a policy for effecting the return of materials.

#### II. SCOPE

This policy applies to the return of materials for any reason.

#### III. GENERAL

Occasionally it becomes necessary to return materials ordered because the goods are no longer required, excess material was ordered or the material as received is not acceptable.

#### A. Requestor

The requestor is responsible for the identification and return to Receiving of all items requiring return. The requestor will prepare a purchase requisition identifying each item to be returned. The original purchase order number will be identified as well as the original vendor. The purchase requisition will be returned via fax to Purchasing.

#### B. Receiving

The receiving warehouseman will verify the items, properly care for the items, and notify the Purchasing Department.

#### C. Buyer

The Buyer will negotiate the return of the item. Any re-stocking charges or other damages due the vendor will be charged to the account number originally cited.

If a negotiated return can be made, the receiving warehouseman will be provided appropriate instructions. The Buyer will work with the user to determine where to debit or credit any costs.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

Title: VENDOR SAMPLES PAGE NO.1 of 1

#### I. PURPOSE

To establish procedure for the handling of vendor samples.

#### II. SCOPE

This procedure applies to all employees.

#### III. PROCEDURE

When vendors <u>offer</u> samples for evaluation, they will be accepted only under the following conditions:

- 1. The product is one that is of a type presently in use or is of potential use to the University. Samples of goods not likely to be purchased are not to be accepted.
- 2. The quantity or size of the sample is relatively small and of low value. The object of a sample is the examination of its fitness for our service—note to provide an inventory of the material.
- 3. Any chemicals offered as vendor samples shall not be accepted unless accompanied by an OSHA Product Safety Data Sheet.
- 4. If vendor samples are accepted, they shall be promptly conveyed to the appropriate shop or department for testing. The vendor is entitled to a prompt evaluation of his sample, and he shall be accorded this.

## LONG ISLAND UNIVERSITY

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

Title: STANDARIZATION OF MATERIAL PURCHASES PAGE NO. 1 of 1

#### I. PURPOSE

To provide guidance for the standardization of purchased materials.

#### II. SCOPE

This policy applies to all purchases.

#### III. GENERAL

Standardization of all supplies, materials and equipment is to be achieved whenever possible. University-wide effort and support to consolidate requirements in standard commodities, i.e., chemicals, lubricants, office supplies, printing, vehicles, furniture, etc., allows the purchase of useful materials and supplies on a University-wide basis and thereby optimizes cost reductions.

Purchasing will be responsible for the establishment and maintenance of a Standards Manual. The Standards Manual will contain copies of all approved equipment, materials and supply standards.

It is basic policy and intent to achieve standardization through attrition. Consideration must be given to cost of installation and operating commitments when replacing non-standard items.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

Title: USE OF UNIVERSITY'S LOGO PAGE NO. 1 of 1

#### I. PURPOSE

The purpose of this policy is to ensure the proper use and design of the University logo and to ensure that all copyrights that may apply are properly and adequately protected.

#### II. SCOPE

This policy applies to all employees.

#### III. RESPONSIBILITY

The designing or ordering of material that includes the use of the University's name or logo must be approved by the Department of Marketing Services.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: POLICIES** 

Title: WORK ON UNIVERSITY PREMISES PAGE NO. 1 of 1

#### I. PURPOSE

The purpose of this policy is to ensure that the University is properly protected when suppliers work on University premises.

#### II. SCOPE

This policy applies to all supplier activities.

#### III. GENERAL

Work on University premises by other than University employees is not to start prior to the supplier's acceptance of the "indemnification and hold harmless" clause or agreement contained in the standard insurance form. The Vice President of Finance and Treasurer will be requested to review and approve any changes to the said agreement prior to acceptance by the University.

## Long Island University

## **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

Title: PURCHASING PROCEDURES MANUAL PAGE NO. 1 of 1

#### I. <u>PURPOSE</u>

To establish uniform procedures for the procurement of material and services that are consistent with the policies of the University.

#### II. SCOPE

These procedures apply to all material and service procurements and related activities.

#### III. <u>RESPONSIBILITY</u>

It is the individual responsibility of each employee involved in the procurement process to understand the policies; upon which these procedures are based, and the meaning and intent of the procedures themselves.

If there are any questions or concerns relative to either the policies or procedures, or the ability of the employee to respond effectively to the requirements of the procedures, then it is the responsibility of the employee to bring such matters to the attention of the Director of Purchasing.

The fundamental purpose of these procedures is not to restrict the effectiveness of the individuals involved in procurement, but to provide a foundation for effective, consistent and complete consideration of all aspects of the task with the expected result being a positive, professional relationship between the employees of the University and the suppliers who serve the University.

# Long Island University

### **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

Title: CHOOSING A VENDOR PAGE NO. 1 of 1

#### I. <u>PURPOSE</u>

II. To establish criteria to award contracts to other than the low bidder.

#### III. SCOPE

This procedure applies to all procurements.

#### IV. PROCEDURE

It is recognized that the primary objective of the Purchasing Department is the timely acquisition at the lowest total cost. Elements of total cost in addition to basic price include transportation, storage, service, technical assistance, willingness to stock material for our requirements, after-hours availability and compatible and correct invoicing. The Buyer must evaluate each of these and other criteria to decide which proposal represents greatest value or lowest total cost to the University. Since several of these decisions are subjective, it is important that the reasoning employed in reaching such decisions be carefully documented. In the event that a Buyer decides to award a contract to a vendor whose price is not low, the Buyer shall:

- 1. Write a brief explanation of those factors that lead to the decision to award to other than the low bidder.
- 2. Have the explanation reviewed and approved by the Director of Purchasing, prior to placement of the order.

# Long Island University PURCHASING MANUAL

**SECTION: PROCEDURES** 

<u>Title: REQUISITION-PREPARATION PROCEDURES PAGE NO. 1 of 7</u>

#### I. PURPOSE

To provide detailed instructions for completing a purchase requisition.

#### II. SCOPE

This procedure applies to all purchase requisitions.

#### III. <u>GENERAL</u>

Following are detailed procedures to be followed when implementing a request for purchase of materials, supplies, services, etc.

The approved purchase requisition form is to be forwarded to the Purchasing Department for processing transactions.

The purchase requisition is designed to contain all of the necessary information and signatures relevant to the processing of the procurement within the University. The completion of the purchase requisition by the Buyer also serves to create the formal purchase order that is the contractual commitment between the supplier and company.

# IV. REQUISITIONER INSTRUCTIONS FOR COMPLETING REQUISITION

A. <u>Date Required</u>—Specific date items requested are needed.

Avoid the use of the term ASAP (as soon as possible). Always estimate or project a specific preferred date the material is to be delivered. This consideration will assist the Buyer to determine priorities regarding delivery requirements. Always allocate as much lead-time as practical by determining your needs as far as possible in advance. This allows the Buyer adequate time to receive competitive bids and to purchase in the best and most efficient manner for the University.

Denote "Emergency" or "Rush" in the requisition delivery date block only when relevant and needs the required prompt action or priority of purchase.

The requisition originator is responsible for scheduling materials in sufficient time to allow Purchasing to transact and arrange material shipments in the most cost-efficient means possible.

- B. <u>Ship To</u>—Specific location that shipment is to be delivered including, name of building, room number and telephone number.
- C. <u>Ship Via-Transportation</u> or freight carrier to be determined by the Purchasing Department.
- D. <u>F.O.B.</u>-Specific delivery point to which vendor assumes shipping and handling expense as quoted in agreed purchase price.

#### F.O.B. terms include:

- 1. F.O.B. destination
- 2. F.O.B. shipping point, freight prepaid and allowed.
- 3. F.O.B. shipping point, freight allowed
- 4. F.O.B. shipping point, freight prepaid and charged
- 5. F.O.B. shipping point

Large freight shipments should be carefully examined to determine the most efficient mode of transportation.

E. <u>Terms</u>- Specific agreed payment terms. Buyer is to determine prompt payment discount prior to award.

Block must be coded with one of the following codes:

- 1. Net 30 days
- 2. Payable first of the month
- 3. Net 10 days
- 4. 2% 10 days
- 5. 1% 10 days
- F. <u>Account</u> The requisitioning department will include proper budget codes to properly distribute costs to proper cost center. Questions concerning proper budget numbers should be directed to the Budget Department.
- G. <u>Purchase Order Number</u> Assigned by Purchasing Department only. A record of all purchase order numbers issued is maintained by the Purchasing Department.
- H. <u>Vendor Number</u> Specific number assigned by University Center to identify a specific vendor. The Buyer or requisitioning department is responsible for inserting the vendor number.
- I. <u>Vendor</u> Name and address of vendor to be entered by the Requisitioning Department. Also, indicate name of vendor contact or representative where applicable. Zip code, telephone, fax, and email should also be indicated.
- J. <u>Suggested Vendor</u> The requestor's suggested or known source or vendor.
- K. <u>Inventory Number</u> The University Center assigns a number to any item that needs to be included in inventory.
- L. Quantity Ordered Specific quantity to be purchased and delivered.
- M. <u>Unit of Purchase</u> Specific quantity and unit of measure criteria are important and should be entered in the unit of measure section for each item ordered.

Where no specific quantity and unit of measure applies, use "lot" as the unit of measure.

Symbol Defin	<u>ition</u>	Symbol Definition	
Bar	Barrel	M	Thousand
Btl	Bottle	Mo	Month
Bg	Bag	Oz	Ounce
Bx	Box	MF	Per 1000ft
C	Hundred	Pc	Piece
Cd	Card	Pd	Pad
CF	Cubic Foot	Pkg	Package
Ci	Cubic Inch	Pr	Pair
Cs	Case	Pt	Pint
Cw	Hundred Weig	ht Qt	Quart
Cy	Cubic Yard	Rl	Roll
Dm	Dram	Rm	Ream

Dz	Dozen	Sf	Square Foot
Ea	Each	Si	Square Inch
Ft	Foot	Sp	Spool
Ga	Gallon	St	Set
Gr	Gram	Sy	Square Yard
Gr	Gross	Tu	Tube
Hf	Hundred feet	Tn	Ton
In	Inch	Un	Unit
Kg	Kilogram	Wk	Week
Lg	Length	Yd	Yard
Lf	Linear Foot	Yr	Year

- N. Part Number/Description Specific description of items ordered includes model numbers, amps, voltage, hp, brand, size, catalog reference, color, equivalent substitute data, dimensions, etc. DO NOT GENERALIZE!
   Use specific descriptions. If equivalent substitute is allowable, specify (i.e. or equal) after applicable commodity description.
- O. <u>Estimated Delivery Date</u> Negotiated delivery date that vendor will perform.
- P. <u>List/Discount</u> List price and discount allowed.
- Q. Net Unit Price Price agreed to between Buyer and vendor.
- R. <u>Total Billed Price</u> Actual extended value. Quantity received times invoiced or agreed price.
- S. <u>Submitted By</u> Name of individual submitting the requisition.
- T. <u>Approved By</u> Signature of individual authorized to approve expenditure of funds.
- U. <u>Remarks</u> Special Notes: Indicate pertinent details of request, i.e., to be installed on plant boiler, model number, serial number; to replace worn unit; spare unit; cleaning; FDA, sole source; etc. Communicate any information assisting Purchasing and possible vendors to determine application for material or service requested. Special shipping instructions, i.e., ship air, rail, etc.
- V. <u>Requisition/Purchase Order Distribution</u> The originator of the purchase order requisition retains the green and gold copies. The green copy is the departmental copy. The gold copy is the "receiving report" and should be forwarded to the Accounts Payable Department to authorize payment to the vendor upon receipt of order. Receiving gets the yellow copy. Purchasing keeps the pink copy.
- W. <u>Buyer supplies</u> The Industry Code, and indicates if insurance certificate is required and if item is to be included in inventory .

# Long Island University

## **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

### Title: APPROVAL REQUIREMENTS FOR REQUISTIONS PAGE NO. 1 of 1

### I. <u>PURPOSE</u>

To define authority for the approval of purchase requisitions.

#### II. SCOPE

This procedure applies to all purchase requisition.

#### III. APPROVALS

Purchase requisitions must be approved by the appropriate individual (Department Head and/or Dean or Provost depending upon budget account number) prior to the issuance of any purchase order.

All supplies, materials, and capital equipment are requisitioned by the user Department through the Purchasing Department via the Budget Office.

The Budget Office approves the requisition relative to the availability of funds.

If funds are not available, the requisition is returned to the department with an appropriate note.

# Long Island University PURCHASING MANUAL

**SECTION: PROCEDURES** 

Title: SMALL ORDER PROCESSING PAGE NO. 1 of 1

#### I. PURPOSE

Provide procedures concerning small dollar amount purchases.

#### II. SCOPE

This procedure applies to the purchase of goods with a total estimated value of \$250.

#### III. RESPONSIBILITIES

Many small dollar amount purchases are prepaid. The responsibility for this determination lies with the Budget Department.

#### IV. GENERAL

Requisitions are approved in the Budget Department. If the order is under \$250 and meets certain prerequisites, the order is prepaid.

Prepaid orders are not processed as purchase orders. The check is sent with the requisition and an explanation to the vendor that this requisition should be considered as an authorization to purchase.

Departments do not get a copy of this transaction. It is the responsibility of the requisitioning department to tell Purchasing if the goods ordered are not delivered. In this situation the Purchasing Department will follow-up on the order.

# Long Island University

### **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

Title: CHANGE ORDERS PAGE NO. 1 of 1

#### I. PURPOSE

To establish change order procedures.

#### II. SCOPE

This procedure applies to all change orders.

#### III. PROCEDURE

Change orders concerning quantity or price on orders whose total value is less than 10% of the order may be verbal. All change orders affecting orders whose value is greater than 10% and all changes regarding specifications regardless of value shall be written.

For written change orders, the following procedures should be followed:

- 1. The Requisitioning Department must submit a written memo to the Purchasing Department stating very specifically the change to the order. The same approvals shall be required for each change order as was required for the original order. The original purchase order number shall be cited and the change orders shall be numbered sequentially. (Change Order #1, #2, etc.)
- 2. A written confirmation shall be sent to the vendor using the formal purchase order form.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

Title: BLANKET PURCHASE ORDERS PAGE NO. 1 of 2

#### I. PURPOSE

The purpose of this procedure is to define how and when to use blanket purchase orders.

#### II. SCOPE

This procedure applies to the use of all blanket purchase orders.

#### III. GENERAL

Blanket purchase orders are to be used when the University will:

- 1. Purchase repetitive, specified services or items, or categories of items from the same vendor over a period of one year or less, or on a monthly basis.
- 2. Order standard materials or maintenance supplies that require numerous shipments.
- 3. Enable the buyer to obtain more favorable pricing through volume commitments.

Blanket purchase orders generally should not be used when:

- 1. No benefit will derive over and above a regular purchase order.
- 2. Prices are unknown at ordering time, or subject to change later without notice. There are certain exceptions when small item purchases are being made locally.
- 3. Quality of vendor or services is questionable.
- 4. Control over company expenditures would be weakened significantly.

A blanket purchase order is prepared using the formal purchase order form and shall include the following information:

- 1. The period to be covered (not to exceed one year).
- 2. A cancellation clause.
- 3. Items and/or categories of items included.
- 4. Maximum quantities, if any.
- 5. Prices and pricing arrangements
- 6. Terms and billing arrangements.
- 7. Personnel authorized to issue order releases.

#### V. APPROVALS

In all cases, blanket purchase orders must have the approval of the Department Chairman and the Director of Purchasing <u>prior</u> to its actual placement.

#### IV. PRICING

Price, F.O.B. terms and quantity are customarily established before issuance of the blanket purchase order. Specified quantities result in a contract for that quantity. Occasionally where an order is intended to cover <u>any item</u> handled by the supplier, neither commodity price nor quantity is covered. Instead of the exact price, the manner or method of computing price should be agreed upon at the time the blanket purchase order is drawn. When quantities are not specified, the blanket purchase order is usually not a legally binding contract for an amount, unless legal requirements are met by inserting one of the following types of clauses:

l. "Total requirements estimated at(pcs, tons or pound	s)	۱.
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2.	"Approximately	_%of our requirements."
3.	"Total quantity not to exceed	(pcs,tons or pounds)."

#### V. ANNUAL REVIEW

All blanket purchase orders are automatically closed at the end of each fiscal year. During the months of July and August, the Requisitioning Department must submit all blanket purchase order requisitions for the coming fiscal year, with the appropriate approvals, to the Purchasing Department for review.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

Title: BIDS OR QUOTATIONS- PROCESSING PAGE NO.1 of 2

#### I. PURPOSE

To define procedures for Buyers to process Requests for Quotations.

#### II. SCOPE

This procedure applies to all purchases when bids or quotations are required.

#### III. GENERAL

Price quotes will be administered by the Purchasing Department based on information submitted by the requisitioning department.

Competitive bidding is employed to ensure responsive, reasonable and firm proposals. Generally three or more qualified suppliers will be solicited. Exceptions are made only in unique situations where such a bidding process would result in no apparent benefit to the University.

This procedure outlines the process of securing verbal or written quotations prior to the selection of a source.

- A. In accordance with University purchasing policy, requests for quotation will not be solicited from prospective suppliers unless it is intended that an order shall be placed with the vendor if that vendor is responsive and responsible.
  - 1. To the extent possible, investigations or informal surveys will be made prior to solicitations of quotations to determine if prospective suppliers have the required resources and satisfactory performance experience.
  - 2. Quotations are solicited only after a decision is made to procure items or, in special cases, when solicitation of quotations is authorized prior to decision if such action best serves the interests of the University (i.e., special project).
  - 3. The solicitation of quotations in connection with new business ventures or in any other circumstances where a firm requirement does not exist, the Buyer shall make clear to prospective suppliers the intent of the request.
- B. Supplier quotations must be in response to a request from Purchasing; unsolicited bids will not be considered.
- C. Where a supplier is given the opportunity to re-bid, all competing suppliers must also be given an equitable opportunity to re-bid. Those conditions in which it is in the University's best interest to allow re-bidding include, but are not limited to, changes in requirements or changes in the state of the art.
- D. It is imperative that the supplier knows that:
  - 1. Pre-contract discussions and agreements are preliminary;
  - 2. Any agreements reached are tentative;
  - 3. The University assumes no contract obligation to the supplier until a formal purchase order or letter agreement is executed, or authorization to proceed is given by the Buyer;
  - 4. The University is not under any obligation to procure the items for which the negotiations are conducted, and any cost incurred by the supplier prior to the placing of the order is at the supplier's expense unless otherwise greed to in advance by the Buyer and the supplier.

The Request for Quotation form will be used wherever possible. Utilization of this method will provide vital necessary documentation and efficient communication pertinent to competitive transactions.

The quote number will be cross-referenced to the final purchase order number. All communications or correspondence relative to each project must reference the quotation number.

The Purchasing Department copy of the quote request will be filed with the pink copy (Accounts Payable) of the purchase order.

# Long Island University PURCHASING MANUAL

**SECTION: PROCEDURES** 

Title: BIDS AND QUOTATIONS-EVALUATION PAGE NO. 1 of 3

#### I. <u>PURPOSE</u>

The purpose of this procedure is to provide basic guidance for evaluating vendors' bids, quotes or proposals.

#### II. SCOPE

This procedure applies to all purchases.

#### III. PROCEDURE

#### A. Evaluating the Bids

Once the bids are received, they must be evaluated to determine which vendor will be given the order.

If the products offered by each of the bidding vendors were of equal quality, if each vendor promised the same delivery date and if there were no other considerations, the order would go to the low bidder. However, all these factors are seldom equal and many orders are, therefore, placed with other than the low bidder for good reasons. No set formula can be devised that can be applied to all products, for all orders. The quality and delivery requirements will vary for different products and for different uses. The delivery requirements may vary for different orders as well. For these reasons, the act of selecting the bid which best suits the need of the University is one that requires judgment and experience.

#### B. Weighing the Importance of Delivery, Quality and Price

In many cases the relative importance of delivery, quality and price have already been established and documented on a prior order. In such cases the available information should be reviewed to establish that it is still current and relevant to the procurement at hand.

If the information is current and relevant, use it as a basis for award. If the information is not current but is relevant, then update the information and use it as a basis for award.

If the information is not relevant to the procurement, then perform a weighted-point evaluation:

- 1. Establish a point-count range for each factor that is important to the procurement, such as adherence to delivery schedule, action on delays, facilities to accomplish, financial strength, quality of work, cost breakdown, etc.
- 2. Establish a relative weight value for each of the factors in relationship to its individual importance to the procurement as a whole. For example, if there are only two factors to be considered and they are of equal importance, their relative weight value is 50% each.
- 3. Evaluate each vendor bid, quotation or proposal and assign a point count to it for each factor being considered.
- 4. Multiply the vendor's individual factor point counts by the appropriate weighting factor and add the results to establish the vendor's weighted point total.
- 5. Use the results of the weighted-point evaluation in conjunction with other available information to make the award.

#### C. Other considerations

Other factors may affect the decision as to which bidder will receive the order. When present, they can be important. Some of the more common factors are:

- 1. The University wishes to maintain alternative sources of supply. In these cases, the alternative vendor will usually be the second "best" determined by the method of evaluating bids. The use of alternative sources for this purpose and the volume of purchase to be procured from each vendor involved should be reviewed.
- 2. If an order is being placed with a new vendor, the Buyer may be reluctant to rely entirely on an untried supplier. The Buyer may, therefore, split the order between the new vendor and a vendor previously used to assure that at least the minimum quantity required is available if the new vendor cannot deliver acceptable goods.
- 3. One vendor, not the "lowest" or "best" as determined from the evaluation of bids, might have given the University significant technical assistance in developing a new material or process. Most companies will recognize that such a vendor has a right to recover the cost of this service. Often the first order for the new material is given to that vendor; however, subsequent requirements are competitively bid or quoted.
- 4. Special consideration might be given to local vendors to maintain community goodwill. Again, their delivery schedule, quality and price should be comparable to the "best" vendor.

# Long Island University

## **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

Title: CONTRACTING PROGRAM PAGE NO. 1 of 14

#### I. PURPOSE

The purpose of this procedure is to establish an annual contracting program.

#### II. SCOPE

This procedure applies to all blanket purchase orders and annual contracts.

#### III. PROGRAM OBJECTIVES

The primary objectives of the contracting program are:

- 1. Continuation of supply.
- 2. Maintenance of good vendor relations.
- 3. Minimum purchase price.
- 4. Local vendor stock.
- 5. Direct orders by participating departments.
- 6. Compliance with University policies.
- 7. User-oriented agreements.
- 8. Simplified administrative processes and procedures
- 9. Maximum cooperation and communication between all parties.

#### IV. GENERAL

The following statements are intended to provide basic guidance to the Buyer in preparing, negotiating, evaluating and administrating the contracting program.

The success of the program depends on the level of communication and cooperation that we can develop between the participating departments. Therefore, the prompt submission of information about items used, forecasted usage and existing vendors is the key. If the information is incomplete or inaccurate, the program will fail. Secondly, the Buyer's thoroughness, imagination and understanding are critical elements. Finally, once a contract is established, it must be used. Buyers should report difficulties immediately so that corrective action may be taken.

#### **Specification**

- Be complete—use descriptions common to the trade.
- Use federal and/or University standards whenever possible.
- If a brand name and model are used, try to qualify more than one brand.

#### **Delivery**

- Specify each desired delivery point. Be precise.

#### Ordering

- Orders will be placed per each individual department.
- Require each order to reference group contract.

#### Rejection

- Identify procedures for rejection of nonconforming goods.
- Cost-to-return (vendor expense).

#### Identification

 Instruct vendor to include both contract number and specific release order number on all invoices, packing lists, shipping material, instructions, manual, etc.

#### **Warranties**

- Ask the vendor to provide expressed warranties.
- Do not waive implied warranties (merchantability, fitness, infringement or title) without the permission of the Director of Purchasing.
- Include other warranties normal to specific trade.

#### Termination

- Provide for termination of contract in event of breach by vendor.

#### **Quality Standards**

- Identify the standards of quality and what they represent.
- Be precise.
- Leave no loopholes

#### Nondiscrimination

- Include required nondiscrimination clause.

#### Law

- Identify laws of state as controlling laws.

#### Term of Contract

- First contract should have a 12-month term.
- Establish an option to extend for an additional year or two. Depends on market practice and ability to identify price escalation technique. (As experience is gained, it may be advantageous to have longer terms.)

#### Trade Discounts

- Ask vendor to identify specific discount percentages. When applicable, strive for a single discount rate if possible.

#### <u>Samples</u>

- If samples are required, as vendor to provide at no expense. Indicate they will be returned or purchased after evaluation.

#### **Packing**

- Ensure all packing, special handling, wrapping, containers, etc. are included in offer and evaluation.

#### **Payments**

- Have all payments made by mail.
- Payment in 30 days.
- Negotiate prompt payment, discounts, if normal in trade.

#### Shipping

- A critical element
- If local outlets in each area, try for F.O.B. destination, shipping costs prepaid.

#### **Pricing**

- Try for firm fixed price agreement for term of agreement with maximum percent of increase for option year.
- If not in the University's interest, try for firm price adjustment.
  - identify base price
  - Method to request adjustment by vendor
  - Period to evaluate
  - Method to effect adjustment
    - Effective date
    - Notification to other
  - Stay away from:
    - Cost plus pricing
    - Price at time of delivery
- Formula may be acceptable; however, have it reviewed by the Vice President for Finance and Treasurer.
- Ensure price reductions are based on meeting completion and/or reduced costs.

#### Evaluation

- Define your evaluation criteria prior to issuing the proposal/bid/quote
- Ensure vendors know what will and what will not be negotiated before submission of quote.
- Do what you say.
- Be fair to ALL.

#### Related Items

- Obtain a specific price for each item included in the schedule.
- Ask the vendor to provide either a catalog or price list with an appropriate discount schedule for other related items.

#### Agreement Form

- Try to use the University's purchase order standard form for agreement terms and conditions.
- If vendor insists on his own, ensure complete review by University counsel.

#### Catalogs/Price Lists

- Include a requirement for the vendor to provide necessary technical information, catalogs and other price lists to all participants.

#### V. Group Contracting Program

The following procedures are intended to provide a uniform method of effecting the communications and participation between participating departments.

#### **Steps**

- A. Assignment of product or commodity to one Buyer.
- B. Buyer becomes familiar with commodity, the market, price trends, methods of distribution, trade practices, availability, grade, class and other related information.
- C. Obtain specific information from participating departments. Identify items, usages, forecast, current supplier(s), prices, delivery requirements (both location and time), ordering method, vendor inventory requirement, invoicing procedures and other necessary data.
- D. Compile information and data. Use guidelines and establish the following:
- 1. Target results
  - a. Pricing
  - b. Delivery
  - c. Quality
  - d. Contract duration (term)
  - e. Ordering Method
  - f. Invoicing procedures
  - g. Terms of payment

- h. Vendor inventory requirement, if any inspection and acceptance criteria
- i. Continuity of supply
- j. Method of product allocation, if appropriate
- k. Evaluation criteria for selecting vendor

#### 2. Prepare proposal/bid/quote

- a. Understand requirements of all departments. If in doubt or buyer does not understand data provided by other departments, obtain clarification.
- b. Evaluate all information submitted for accuracy and completeness. Return incomplete data to requestor immediately.
- c. Plan key events and dates for proposal/bid/quote preparation, release, submission, evaluation, negotiation, review and award of final agreement.
- d. Decide on the number and sources (vendors) to solicit. Current suppliers should be allowed an opportunity to review our combined requirement and respond.
- e. Prepare specifications, schedules and other proposal/bid/quote documentation.

The documentation to be included in the proposal/bid/quote will vary depending on the products being purchased and the marketplace. The documentation should include:

- Instruction to vendors for submitting offer
- Procedures
  - 1. Responding to proposal/bid/quote
  - 2. Future negotiations
  - 3. Evaluating criteria
  - 4. Ordering/invoices/etc
  - 5. Delivery instructions
- Specifications and schedules of items
- Agreement provisions
- Desired warranties/guarantees
- f. Issue proposal/bid/quote to selected vendors. Send copies to all participants.
- g. Vendor conference. A conference with individual vendors may be beneficial, especially since the resulting contract may be for complex items and/or the potential vendors may not understand the total group's requirements.
- h. Receive proposal/bid/quote from vendor. Evaluate results. Identify areas for further negotiations.
- i. Negotiate with vendor(s) and reach tentative agreement.
- Write final agreement and transmit to Director of Purchasing for review and approval. Send copies to other participants for their review and approval.
- k. Receive approved agreement and execute.

- l. Send copies of agreement to all participants with appropriate instructions.
- m. Monitor the use of the contract and resolve any problems.

The following pages contain useful forms and checklists for your convenience.

#### SUPPLIER EVALUATION FORM

SUPPLIER	DA	ГЕ		_				
PRODUCTS	BY			_				
	1							<del></del>
		ALW	AYS	USU	ALLY	SELI	OOM	NEVER
		6	5	4	3	2	1	0
Is experienced in our standards								
Is sincere in desire to serve		•						
Has competitive prices		-						
Delivers at quoted prices								
Has technical ability								
Anticipates our requirements								
Will stock special items								

Supplies catalogs/technical data		
Is helpful in emergencies		
Regularly solicits our business		
Supplies quotations promptly	 	 
Has 24-hour availability		
Handles rejections promptly		 
Keeps promises		
Delivers on schedule		
Delivers per instructions		
Has adequate delivery service		
Maintains good records		
Closes order quantities accurately		
Packages properly		
Invoices correctly		
Total number of checks No. checks X Point Value TOTAL SCORE		
Closes order quantities accurately  Packages properly  Invoices correctly  Total number of checks No. checks X Point Value		

#### Instructions

- 1. Evaluate supplier on each question and check answers.
- 2. Count the number of checks in each column
- 3. Multiply number of checks by the column value.
- 4. Add the point values to obtain total score

#### PROPOSAL RATING MATRIX VENDOR NAMES FACTORS PRICE 1. OVERALL APPLICABLE PRODUCT LINE 2. FRANCHISE EXCLUSIVES INVENTORY POSITION 3. 4. FINANICIAL SOUNDNESS MEAN TIME TO DELIVERY 6. DELIVERY PROMISED 7. TECHNICAL SERVICES 8. SPECIAL SERVICES 9. OBSOLETE INVENTORY PROPOSAL 10. SPECIAL INVENTORY PROPOSAL OVERALL VENDOR RANKING

#### TERMS AND CONDITIONS CHECKLIST

- 1. Purchase order is exclusive agreement
- 2. Conditions of acceptance
- 3. Packaging and crating charges
- 4. Payment of invoices
- 5. Guarantees and Warranties
- 6. Time is of the essence in performance
- 7. Buyer to be held harmless in the event of patent and copyright infringement
- 8. Compliance with purchase order specifications
- 9. Right of change of order by Buyer
- 10. Right of inspection by Buyer and Department
- 11. Disposition of rejected material and rights of Buyer
- 12. Disclosure information
- 13. Conditions of use, protection, and liability for Buyer's material.

- 14. Rights of Buyer to discoveries and developments arising from research and development work
- 15. Default
- 16. Termination
- 17. Conformance by Seller with legislation
- 18. Order of precedence of documents, and terms and conditions
- 19. Assignments
- 20. Listing of specific applicable regulations
- 21. Limitations on subcontracting
- 22. Limitations on liability of Buyer
- 23. Quantity tolerance on over/under shipments

# Long Island University

### **PURCHASING MANUAL**

**SECTION: PROCEDURES** 

Title: CONTRACTS PAGE NO. 1 of 6

#### I. PURPOSE

To establish the structure and content of contracts.

#### II. SCOPE

Applies to all contract procurements.

#### III. PROCEDURE

To the extent possible, all procurements of materials and services are to be obtained using the formal purchase order or the blanket purchase order.

The contract types listed below with their major subject content are to be used as appropriate and are to be issued under a formal purchase order. Any terms and conditions not covered by the formal purchase order are to be included in the contract.

The Vice President of Finance and Treasurer must review all contracts.

#### **A.** Construction

- The Statement of Intent
- Specifications
- Drawings and Schedule
- Insurance
- Terms
- Warranty
- Responsibility
- Permits
- Licenses
- Inspections
- Subcontractors
- Performance Bonds

#### **B.** Lease Agreement for Property

- Leasee and Leasor Identification
- Description of Property
- Location of Property
- Lease Payment
- Terms
- Lease or Warranty

#### C. Lease Agreement for Equipment

- Description of Equipment
- Terms of Lease Payments
- Purchase or Option Renewal
- Delivery, Maintenance and other Special Charges
- Conditions or Restrictions on Use

#### **D.** On-Call Service

- Identification and Location of Equipment to be Serviced
- Period of Service
- Movement or Modification of Equipment
- Responsibility of Supplier
- Service Charges

- Notice and Response to Notice

#### **E**. Professional Services

- Party's Identification
- Services to be Rendered
- Inventions
- Proprietary Information
- Consultant's Representation
- Period of Agreement

#### IV. Checklist for the Preparation of Contracts

#### **A.** The Necessity for a Contract and its Completeness

- **1.** Is it necessary to have a contract?
  - a. Does it lower our cost?
  - **b.** Does it reduce our inventory?
  - **c.** Does it assure us of delivery in case of shortages?
  - **d.** Is it with the manufacturer or the distributor?
  - **e.** What are the disadvantages of not having a contract?
- 2. Have negotiations been completed?
- **3.** Are the essential elements of the contract settled?
- 4. Is there a chance of vagueness or ambiguity in terms or language of the contract?
- **5.** Is the contracting parties, their agents or representatives competent and authorized to bind the company?

#### **B.** Description of Goods and Services

- 1. Is the material, equipment or service clearly described in writing in the:
  - **a.** Blueprints
  - **b.** Specifications
  - c. Purchase Order
  - d. Other written memorandum
- **2.** Are the specifications complete?
- **3.** Is the quantity clearly defined?
- **4.** Are there any limitations on quantity per period of time?
- **5.** Will the supplier furnish drawings? If so, are such drawings subject to buyer's approval?
- **6.** Will the supplier install equipment? If so, is the charge satisfactory?
- 7. What services will the supplier furnish, such as training in usage and maintenance of equipment, instruction manuals, parts manuals, etc.?

#### **C.** Price and Payment Terms

- 1. What is the initial purchase price?
- 2. Is the price definite? If not, is the method for ascertaining the price clear?
- **3.** Is the price subject to adjustment?
  - a. Does price adjustment work both ways?
  - **b.** Is adjustment limited to change in price?
  - **c.** Is the date of price basis stated?
  - **d.** What is the length of time for advance notification of price adjustment?
  - **e.** Is there an escape clause on price increases?
  - f. Is there escape clauses when a supplier's competitor quotes lower prices and the present supplier is unable to meet them?
- 4. Is the payment schedule satisfactory?
- **5.** Are the cash terms satisfactory?
- **6.** Does the contract lend itself to price/cost analysis?

#### **D.** Packaging, Delivery and Insurance Factors

- 1. Is the delivery schedule satisfactory?
- 2. Are the "times for delivery" terms definite? (Does "reasonable time," in particular circumstances have a certain meaning according to prior dealings or practices between the Buyer and Seller?)
- **3.** Is the mode of delivery satisfactory
- **4.** Is the packaging satisfactory?
- **5.** Who bears the risk of loss if it occurs before delivery to the Buyer?

#### **E**. Time and Termination Factors

- 1. What period of time does the contract cover? (One two, three years?)
- **2.** Are the provisions for termination by either party clearly stated and satisfactory?
- 3. Are there clauses pertaining to thirty-, sixty-, ninety-day advance notice, prior to termination date, that the contract will not be renewed? (If not, are we subjected to automatic renewal for a specified period of time? If so, these should be avoided.)

#### F. Performance Guarantees and Warranties of Quality

- 1. Would it be advisable to insert a liquidated damage clause?
- **2.** Would it be advisable to ask for a performance bond?
- 3. Would it be advisable to get a Dun and Bradstreet reports on the supplier?
- 4. Is the Buyer protected against negligence of the supplier's employees?
- **5.** Is the supplier's insurance protection adequate? (Will he furnish a Certificate of Insurance?)
- **6.** Does the supplier guarantee performance?

- 7. Does the supplier guarantee quality?
- 8. Does the supplier guarantee the equipment for at least one-year from start-up date against defects of design, materials, workmanship, etc.?
- **9.** Are inspection, test and engineering requirements fully understood by both parties?
- **10.** Is there an express written warranty by the Seller that the goods will conform to the description, promise, model or sample?
- 11. Are there any provisions for cancellations or cure if the goods do not meet the specifications?
- **12.** Does the written contract contain clauses by the Seller limiting or modifying Seller's warranties?
- **13.** Does the contract provide for a percentage of rejection, or for tolerances or variances?

#### **G.** <u>Legal Requirements</u>

- 1. Does the contract meet all legal requirements?
  - **a.** Federal, state or local laws.
  - **b.** Ethical and/or business standards of practice.
  - **c.** ICC regulations.
  - **d.** FTC regulations.
- 2. Does the patent protection appear adequate?

# LONG ISLAND UNIVERSITY

# PURCHASING MANUAL