1. Procurement methods at MSU

A. Purchase Orders
   1. A Purchase Order (PO) is a type of contract. For well-defined purchases it may be all that is required. Purchase Orders are to be completed in advance of commitments being made to suppliers or goods being received.
   2. Purchase Orders are generated from requisitions which route through workflow approval in advance of Purchasing’s receipt. Accurate accounting and object code assignments are critical on requisitions as these pass through to the Purchase Order and payment.
   3. Purchase Orders are typically used for complex purchases, purchases that exceed the dollar limit for use of a strategic contracts or the Pcard, or for restricted purchases.
   4. Complex purchases often require additional contractual documents.
   5. Purchasing handles the process of contract review and signature.
   6. <$10,000 do not require competitive bidding, though depending upon the item other restrictions or approvals may apply
   7. >$9,999 require competitive bidding or written single/sole source justification
   8. >$15,000 PO with corresponding Professional Services Contract (PSC) requires written single/sole source justification
   9. >$50,000 require a sealed bid process

B. Strategic Contracts
   1. Strategic Contracts are university-wide contracts with pricing that has typically been determined via competitive bid or participation in a consortia based leveraging a collective volume of purchases.
   2. Benefits of Strategic Contracts
      A. Ease of use via University Stores, Open Orders, Computer Stores, or Pcard depending upon the terms of the contract
      B. Consistent pricing, terms and conditions, and product quality that can be benchmarked through the life of the contract to ensure we are getting the best price based upon our volume
      C. Additional services are often built into the contract
   3. When to use a Strategic Contract
      A. Strategic Contracts are to be utilized whenever the needed items are available on such a contract.
      B. Non-compliance with strategic contracts can negatively impact MSU’s ability to leverage volume in future contractual endeavors.
      C. Suppliers who have not won a strategic contract have a vested interest in diluting the concentration of spend on that contract.
   4. Strategic Contracts can be found at [http://usd.msu.edu/purchasing/contracts/index.html](http://usd.msu.edu/purchasing/contracts/index.html)
   5. University Stores and Open Orders are the areas responsible for distributing supplies available via strategic contracts.
      A. University Stores stocks and distributes items used in high volume across the campus.
      B. Open Orders manages the non-stock strategic contract activity via an on-line requisitioning process available at the Non-Stock Ordering link in EBS.
      C. Pcard purchases-dollar limit of $2,500 per transaction with variable monthly limits established
1. The Pcard is the recommended procurement method for low-dollar purchase transactions for items unavailable through strategic contracts, University Stores, Computer Stores or Open Orders.
2. Pcard is a cost effective means to procure goods for business purposes.
3. MSU has an easy to use reallocation feature in KFS for Pcard transactions, reducing the need for multiple cards.
4. The approval process includes the cardholder and fiscal officer as part of KFS workflow.
5. Pcard activity on RC accounts
   A. Receipts must be submitted for all expenses.
   B. Invoice must include dates of service and signature.
   C. The department/PI should verify that consultant expenses comply with agency and university restrictions.
   D. Receipts must be submitted for all expenses.
   E. Invoice must include dates of service and signature.
   F. The department/PI should verify that consultant expenses comply with agency and university restrictions.
6. P-CARD Expense transfers to RC accounts
   A. CGA approval is not required for transfers that use the PCDO document.
   B. For expenses within 90 days, P-Card expenses should be transferred to a RC account via a Distribution of Income and Expense document.
   C. All transfers over 90 days, as well as RC to RC account transfers, must be processed as a General Error Correction.
   D. All supporting documentation should be attached to the transfer or accessible from the original expense document.

Keys to a Successful Purchase

A. Needs identification: the purchasing process starts with the identification of a need. Once this occurs, determining the appropriate process can be achieved through a phone call, email or conversation.
B. Early involvement of Purchasing is highly recommended for complex purchases, restricted purchases, purchases involving a conflict of interest, or purchases exceeding $10,000.
C. Purchasing can provide guidance on the best procurement method and process to follow based upon your need.

3. Quotations, Competitive Solicitations (Requests for Information, Proposal, and Quotation)
   A. Budgetary Quotations
      1. A budgetary quotation is defined as a quotation obtained by a campus end user as a means to identify the cost of a purchase transaction for internal approval processes or budgetary purposes. While these can be forwarded to Purchasing with the requisition, most times they are not the final quotation used to complete the purchase transaction.
      2. Typically budgetary quotations do not identify or contain all of the necessary information for the buyer to complete or execute the purchase order without further discussion with the supplier.
3. Purchasing can also obtain budgetary quotations on behalf of departments.

B. Final Quotations
1. For purchases over $9,999 Purchasing is required to seek competitive quotations, if available. At a minimum, Purchasing must obtain a current quotation from the supplier that meets all of the requirements for MSU.

2. Examples of elements Purchasing seeks from suppliers:
   A. favorable shipping terms
   B. favorable payment terms
   C. identification of any additional support or product costs not identified
   D. ensuring compliance with insurance requirements
   E. import or export compliance
   F. additional terms that may attach depending upon the funding source or item purchased

C. Competitive Solicitations
1. Competitive solicitations are official requests for information, quotation, or proposal. They are issued by Purchasing in collaboration with the end user department.

2. Solicitations issued by Purchasing can be used as a basis for further negotiation, contract development, and final award.

3. For items >$9,999 competitive solicitations are to be obtained by Purchasing as are final quotations for single or sole source purchases.

4. Types of competitive solicitations
   A. Request for Information (RFI)
      1. A Request for Information (RFI) is typically performed when a user has a need but there is limited knowledge about the product or service, the market or available supplier pool.
      2. The RFI is a tool to assist in better formulating requirements and in better assessing a market. Typically the next step following an RFI is a Request for Proposal.

   B. Request for Proposal (RFP)
      1. A Request for Proposal (RFP) is typically performed for large, complex purchases such as major equipment, software, professional services, or consulting services.
      2. The RFP is a tool that allows MSU to obtain supplier qualifications, explicit information regarding the supplier’s ability to meet defined requirements, pricing information, and the supplier’s ability to accept MSU’s terms and conditions.

   C. Request for Quotation (RFQ)
      1. A Request for Quotation (RFQ) is typically performed for purchases of a less complex nature where items can be clearly identified by a product code and clear item description. Generally speaking RFQs are used for standard commodity or product purchases with limited associated risk.
      2. The RFQ is a tool that allows MSU to obtain and validate that items are being acquired at the best market price available.

   D. Sealed Bid:
1. A Sealed Bid is a competitive bid for which a firm receipt date and time is defined when the bids will be opened in a public forum which suppliers are invited to attend. The pricing is read aloud as are offered alternates.
2. With the exception of construction bids which contain strict submittal instructions, most competitive solicitations require further review prior to award. While the bids are opened and read aloud, awards may not be determined at the time of the bid opening.

5. Post Solicitation Activities
   A. The buyer receives the supplier offers, contacts the department or sends them to the department electronically.
   B. Depending upon the complexity of the offers, the buyer should provide a detailed analysis within 1 week with oddities in offers identified.
   C. Following review by the department and buyer, consultation regarding next steps occurs. These may include scheduling of supplier presentations, obtaining clarifications from suppliers, or it may go right to negotiation and awarding the purchase order. In all cases, Purchasing acts as the conduit between the department and supplier until the award is issued.
   D. Following award, Purchasing is available for assistance.

4. Single and Sole Source Purchases
   A. MSU’s Purchasing Policy allows for single and sole source justification in the absence of adequate or qualified competition.
   B. The justification process is the means by which the lack of competition is documented.
   C. Single and sole source justifications are to be issued in a memo, letter or email format with an identifiable sender who is responsible for the transaction. Typically these are principal investigators, supervisors, department heads, chairs or deans.
   D. Single Source Justifications
      1. Single source purchases are those where multiple suppliers or products exist, but only one will meet the stated requirements. Determination of single sourcing typically involves an evaluation process and consideration of other potential sources prior to determination of a single source purchase.
      2. The single source justification is to address the unique characteristics of the purchase that restrict it to a single supplier.
   E. Sole Source Justifications
      1. A sole source purchase is one in which no alternatives exist for the item or service required and the source indicated is the only source available world-wide for the item or service.
      2. The sole source justification is to address the unique characteristics of the purchase to demonstrate that the identified supplier is the only available supplier in the world who can meet the identified need.
5. **Contract Review, Signature Authority, and Final Award**
   A. Contract Review—in situations requiring a separate contract signature, Purchasing reviews contracts for business issues and routes them to the Office of the General Counsel for legal review. When all issues are identified, Purchasing then negotiates the various elements with the suppliers to an acceptable outcome. Additional reviews coordinated by Purchasing may include Risk Management, Environmental Health and Safety, Contract and Grant Administration, Office of Export Control, Conflict of Interest Office, Office of Sponsored Programs.

   B. Signature Authority
   1. Signature authority is the authority an individual has to make external commitments on behalf of the university. These commitments include, but are not limited to contract, agreements, software licenses, etc.
   2. At MSU, signature authority is delegated by the Board of Trustees and President Simon. (see Exhibit 1)
   3. Delegated authority is limited to a few key individuals and the Purchasing staff.
   4. Deans, Directors, Chairpersons, and Principal Investigators do not have authority to sign contracts.
   5. Individuals who make external commitments without signature authority, may face serious consequences.

   C. Final award of a contract occurs when all contract documents have been completed. Until a final award is made the contract is not complete. Final awards are usually issued by Purchasing.

6. **Freedom of Information Requests**
   A. As a public institution, MSU is subject to the Michigan Freedom of Information Act (FOIA).
   B. Purchasing receives requests from suppliers routinely and provides information regarding purchase decisions.
   C. Purchasing provides information to the Freedom of Information Act Office when requested and refers suppliers to this office when requests appear to be of an onerous nature.
   D. All purchase transactions are subject to the Freedom of Information Act.

7. **Conflicts of Interest in Procurement**
   A. Conflict of Interest Policies
   1. The university’s conflict of interest policy for faculty is located at [http://vprgs.msu.edu/announcement/msu-conflict-interest-policy](http://vprgs.msu.edu/announcement/msu-conflict-interest-policy).
   2. The staff policy is located at [http://www.hr.msu.edu/documents/ss_employee_handbook/ordinances_policies/contracts.htm](http://www.hr.msu.edu/documents/ss_employee_handbook/ordinances_policies/contracts.htm).
   3. MSU employees are considered as public servants and are subject to State of Michigan Laws regarding contracts with public servants, as well as MSU policy. See Exhibit 2.

   B. All potential conflicts of interest in procurement are to be disclosed to the Director of University Services or the Assistant Director of University Services-Procurement for review, handling and guidance.
C. Prior to setting up new suppliers in the system, Purchasing obtains a Supplier Conflict of Interest Attestation that assists Purchasing in identifying potential conflicts of interest and determining the appropriate action prior to supplier set up.

D. Conflict of Interest suppliers are now be flagged by Purchasing in the financial system allowing greater visibility, transparency, and improved ability to manage conflicts of interest in procurement.

E. MSU employees are to be encouraged to disclose potential conflicts of interest prior to entering into any business arrangements with an MSU department. Employees are defined as any individual who receives pay from MSU. The conflict of interest policies apply to regular, part time, temporary and on-call employees.

F. Conflicts of interest in procurement require full due diligence and a recommendation from Purchasing to seek Board of Trustees approval.

8. Purchasing and Sponsored Research

A. Compliance with MSU policies and procedures as well as the terms of any accepted contract or grant is critical in ensuring future work. MSU is audited by a number of agencies whose findings can impact future contract and grant work.

B. Equipment and items required for research should be acquired as soon as they are identified as needed for the research. Delaying purchases until the end of the contract or grant period may jeopardize the procurement of the items against the contract or grant account.

C. Orders that include a line item that exceeds $5,000 on accounts with an RC prefix, will automatically route to CGA for approval after Purchasing approval and prior to printing of the purchase order.

D. Prior to submitting a requisition for an expenditure on a contract or grant account it is advisable that the end date of the account and corresponding contract or grant be checked to ensure funding is available.

E. Purchases against contract or grant accounts may have special requirements such as subcontracting plans or defined budgetary items.

F. Federally funded contracts and grants have different requirements for purchases than do corporately sponsored research purchases. These requirements are typically referred to as Flow-downs and they are terms and conditions that apply to MSU and pass through to our suppliers. By merit of accepting the funding for the research, MSU and its suppliers are required to adhere to the flow-down terms and conditions.

G. Purchasing’s Diversity Coordinator provides assistance in the development of Small Business Subcontracting Plans

1. Small Business Subcontracting plans may be part of the process for applying for a contract or grant.

2. They are a means by which the government ascertains that entities they are issuing contracts that are compliant with the requirements for the federal granting or contracting agency.

3. These plans require that the university department, in concert with Purchasing, commit to realistic percentages for procuring goods and services from a variety of small business entities.
4. Percentages required for a subcontracting plan may vary depending upon the agency and federal auditing body.
5. The contract or grant applicant (MSU) is required to explain any reduced percentage goals for targeted small business types identified by the agency as part of the subcontracting plan.
6. Explanations for source identification must be provided. The granting agency will want to know how MSU determined the percentages included in the plan.

9. **Professional Service Contracts**

   A. The Professional Services Contract (PSC) is used in situations where a department requires the professional services of an independent contractor.

   B. The PSC and corresponding Purchase Order are to be completed in advance of securing the services.

   C. PSCs are typically used with individuals providing a professional service not otherwise available in the university.

   D. PSCs are used when services are anticipated to exceed $600.00. If services are less than $600.00 a Disbursement Voucher (DV) may be used and payment issued through the Controller’s Office.

   E. PSCs are not to be used for product purchases, building trades, custodial services, or printing.

   F. Non-Resident Alien PSCs are processed by the Controller’s Office.

   G. PSC’s on RC accounts must include the following information.

      1. PSC’s on RC accounts must include the following information.
      2. Rate Justification.
      3. Distinction between services and expenses.
      4. Some agencies have maximum consultant rates:
         - Dept. of Justice: $450/day
         - National Science Foundation: $521/day (Executive Schedule Level IV Federal employee)
         - Other agencies have various maximums.
      5. Receipts must be submitted for all expenses.
      6. Invoice must include dates of service and signature.
      7. The department/PI should verify that consultant expenses comply with agency and university restrictions.