

## **FUNCTION OF THE PURCHASING DEPARTMENT**

Because we are accountable to the State of Texas, we are subject to many rules and regulations that are established by the State and Federal Governments, the Operating Procedures of TTUHSC, as well as the Rules and Regulations of the Board of Regents. It is the responsibility of the Purchasing Department to ensure that all purchases for goods and services are in compliance with statute and policies. Financial Systems Management is also responsible for overseeing the training of individuals who perform the purchasing function and for monitoring compliance with the established procedures.

While purchasing procedures must comply with rules and regulations, they must also accommodate the needs of the institution and recognize the mission of Texas Tech University Health Sciences Center. The needs of the various departments are as diverse as the individuals responsible for the purchasing function within each department. The diversity of the work that is being done at Texas Tech University Health Sciences Center, the rate of growth and the continual addition of programs provide a very real purchasing challenge.

In order to meet the challenge of providing the goods and services needed by each department in a timely manner, certain levels of purchasing responsibility have been delegated to the individual departments. All employees involved in the purchasing process for their departments are responsible for understanding the limits of their authority, as outlined within the Purchasing Manual, and for understanding the rules and policies which govern the purchasing process that is to be used to purchase the goods or services. Department Heads or Administrators are responsible for directing their employees who need purchasing training to Financial Systems Management to coordinate any needed training or refresher training.

Requisitioning departments do not have the authority to order products or services prior to obtaining a purchase order number or a contract number from the Office of Contracting, except as allowed by the Purchasing Card OP 72.15 or in the Direct Pay OP 72.03.

## **CODE OF ETHICS AND CONFLICT OF INTEREST**

State officials and employees are entrusted with protecting the safety and welfare of the public's trust. **All state officials and employees** should endeavor to pursue a course of conduct that does not raise suspicion among the public. Therefore, they shall avoid acts which are improper or give the appearance of impropriety. This conduct is particularly important for state purchasing personnel who are charged with the disposition of agency funds.

State purchasing personnel must adhere to the highest level of professionalism in discharging their official duties. The nature of purchasing functions makes it critical that everyone in the purchasing process remain independent and free from the perception of impropriety. Any erosion of public trust or any shadow of impropriety is detrimental to the integrity of the purchasing system. Therefore, with these principles in mind and in accordance with state law, the following policies and procedures should be adhered to by all TTUHSC employees, vendors, and potential vendors.

### **A TTUHSC employee may not:**

- Have an interest in, or in any manner be connected with a TTUHSC contract or bid for the purchase of goods or services including participating in work on a contract knowing that the employee, or member of their immediate family has an actual or potential financial interest in a contract including prospective employment
- Solicit or accept anything of value whether by gift, rebate, service or favor from a person to whom a TTUHSC contract may be awarded, directly or indirectly
- Contract for future reward or compensation from an actual or potential vendor in exchange for a promise or other obligation on a state contract
- Be employed by, or agree to work for, a vendor or potential vendor
- Knowingly disclose confidential information acquired in the course of one's official duties for personal gain
- Be employed in a "bona fide executive, administrative, or professional capacity" if the employee's spouse is an officer, manager, or paid consultant of a Texas trade association that contracts with the state.

### **Former or Retired Employees:**

A state agency may not enter into an employment contract with a former or retired employee of the agency before the first anniversary of the last date on which the individual was employed by the agency. The agency, however, is not

prohibited from entering into a professional services contract with a corporation, firm, or other business entity that employs a former or retired employee of the agency within one year of the employee's leaving the agency, provided that the former or retired employee does not perform services on projects for the corporation, firm, or other business entity that the employee worked on while employed by the agency.

**A Vendor or Potential Vendor May Not:**

- Offer, give, or otherwise agree to give an employee or an employee's relatives anything of value in exchange for a promise or other consideration in awarding a contract; or
- Be employed in a "bona fide executive, administrative, or professional capacity" in a state agency if they are an officer, employee, or paid consultant of a Texas trade association that contracts with TTUHSC.

**If a Violation Occurs:**

When an actual or potential violation of any ethical standard is discovered, the person or persons involved shall promptly file a written statement regarding the matter and request written instructions for the disposition of the matter from their immediate supervisor.

If an actual violation occurs or is not disclosed the employee involved may be reprimanded, suspended, or dismissed from employment. Any vendor or potential vendor that is determined to have acted unethically may be barred from receiving future contracts and/or have any existing contracts cancelled.

The TTUS electronic purchasing system known as "TechBuy" will routinely require all users of the system to acknowledge and accept the "Code of Ethics and Conflict of Interest" terms. Rejecting the terms of use that acknowledge this policy will disallow the use of TechBuy by the user/approver.

## **SPECIFICATION DEVELOPMENT**

The requisitioning department should clearly communicate the specifications and requirements for the commodity or service needed. A specification is a detailed description of a product or service that a user seeks to procure, and consequently, a description of what a bidder must offer to be considered for an award, or a vendor if awarded a contract, is required to supply. Specifications are the primary means of communicating the requirements expected of the product or services.

Specifications control the following procurement aspects:

- the quality of the product
- the amount of competition
- suitability of the product or service for the job
- the method of evaluation used in making an award and in determining the bid with the best value for the purchase

**Submit Competitive Specifications** based on the following guidelines:

Specifications should not limit or eliminate competition unless the proprietary component of the specification is justified. Specifications should incorporate a clear and accurate description of the goods or services to be procured. The specifications should be as flexible, simple and competitive as possible. This description should include:

- a statement setting minimum requirements;
- the specific features of the goods or services which must be met;
- language with additions, extensions of the order, escalations, etc.;
- dates of service or delivery terms for items being purchased, as required; minimum essential characteristics and standards of items or services to which they must conform if they are to satisfy their intended use; special clauses for funding purposes, as required;
- include any written data requirements, if necessary
- evaluation factors, which will be used in determining the successful bidder if other
- factors will be considered. (warranty information or other value added aspect of the goods or services)

### **Performance and Design Specifications**

Descriptions may include a statement regarding the qualitative nature of the purchase and should identify minimum essential characteristics and standards to

which the purchase must conform if it is to satisfy its intended use. "Performance" requirements should be identified. "Design" or "construction" specifications may be written where minimum mandatory design characteristics are appropriate.

**A bidder or contract participant may provide free technical assistance to a department. A department may not accept a bid or award a contract to a vendor who received compensation from the agency to participate in the preparation of the specifications or request for proposals on which the bid or contract is based.**

**Note: A requisitioning department may not expect a vendor to provide any service or item that was not requested in the bid specification.**

## PURCHASING METHODS AND PROCESSING GUIDELINES

### Procurement Method Selected

It is very important for TTUHSC employees to be knowledgeable about the different methods of procuring various good and services. It is also important to understand some basic rules and policies that relate to these purchasing methods to avoid rejection of a TechBuy requisition. A list of the purchase categories **that would not be processed on a requisition** and some basic guidelines are provided below. TTUHSC employees involved in the purchasing process are responsible for reviewing this manual and the operating policies referenced, and for contacting the Purchasing Office, the Purchasing Card team, or the Contracting Office if clarification or assistance is needed.

### Procurement Card Purchases – OP 72.15

Any purchase up to \$5,000.00 must be made with the Purchasing Card whenever the vendor accepts credit cards and the purchase is not otherwise prohibited or restricted in OP 72.15. Any purchase order request for less than \$5,000.00 must include the following statement: "The vendor provided on this purchase order does not accept the purchasing card and there is no other source that can provide an equivalent product at an equivalent price." This statement is subject to verification by Purchasing Department staff prior to issuing a purchase order number.

**However, large purchases may not be divided into smaller lot purchases in order to avoid the competitive process requirements. If needs can be anticipated (for example if same items are purchased multiple times throughout the year) the annual expenditure estimate would govern the purchasing process.**

Important Note: Employees making purchases with the procurement card are strongly encouraged to search "TechBuy" for contract suppliers prior to making any purchase with the procurement card. Please refer to the "Processing Guidelines" section of this manual for additional information.

**The purchasing card should be identified as the method of payment at the time the order is placed with the vendor.** The employee placing the order should not request that the vendor bill TTUHSC and after invoice is received, request the clearing of the vendors accounts receivable with the purchasing card. This is considered purchasing without authority and is in violation of institutional policies.

## Professional Services – (Expense Contracts)

Certain professional services that are anticipated to exceed \$10,000 are processed by the TTUHSC Contracting Office. These professional service categories may include medical professionals including optometrists and licensed or registered nurses, consultants and accountants. Other types of agreements that must be processed through the Contracting Office are listed below:

- Interagency Contracts (contracts between Texas State Agencies)
- Inter-local Agency Contracts (contracts between a Texas State Agency and another governmental entity)

The following procedure has been established for the submission of all expense contracts:

The training material for the TechBuy system is available at <http://webraider.ttuhscc.edu> > F&A Work Tools > Purchasing > TechBuy Information > TechBuy Training Documentation.

The TechBuy electronic purchasing system can be accessed at **Error! Hyperlink reference not valid.** System

1. When the contract manager/requisitioning department is ready to submit an *expense* contract, a TechBuy requisition must be completed.
2. Select "Contracting" for the Purchasing Category section of the requisition to process contracts by the Contracting Office.
3. An electronic copy of the contract should be attached in the "Internal Attachments" section of the requisition.
4. The quantity and unit must be applied as most appropriately applies to the terms of the contract. The dollar value of the requisition should be provided as the best estimate of the current fiscal year anticipated expense. A new requisition must be submitted each fiscal year for which the contract is active.
5. The routing sheet must be mailed to Contracting. The routing sheet must reference the TechBuy requisition number so that it can be matched to the correct requisition. The routing sheet must express an annual dollar value that is the best estimate of a full fiscal year anticipated expense.
6. The requisition will not be processed until all the required signatures have been obtained and the contract is distributed. All tracking and electronic notifications will be processed in the same manner as those requisitions processed by Purchasing.

7. The contract number will be provided when the routing process begins so that contract tracking will continue to be available in the Contracting database.
8. If annual expenditures for the types of agreements listed on page 5, paragraph (1) (b) does not exceed \$10,000.00, and the department does not desire to process a contract, a purchase order may be submitted PRIOR TO THE DATE SERVICES BEGIN. The purchase order must contain the following statement: "The fiscal year expenditures to this provider are not estimated to exceed \$10,000.00"

**A department does not have the authority to obligate the institution. Therefore, services are not to begin without a properly and fully executed contract, i.e., a contract that has been (1) submitted via the appropriate TTUHSC OP review and approval process, and (2) signed by the authorized signatories of each party to the contract. Requisitioning departments must submit the contract allowing sufficient lead time for the contracting process prior to the date services are needed. No invoice will be paid until the contract has been fully executed.**

**All income agreements must be submitted directly to the Contracting Office. A TechBuy requisition is not processed for income agreements.**

### **Direct Pay Purchases – OP 72.03**

Direct pay expenditures are those expenditures for which the department is allowed to process a document to initiate payment for products and/or services that have already been received, have occurred, or customarily require advance payment **and are specifically identified within HSC OP 72.03.**

The Direct Pay system can be accessed at **Error! Hyperlink reference not valid.** Work Tools > Purchasing > Direct Pay.

The Direct Pay categories are identified below:

- Memberships
- Food and Entertainment
- Awards, Gifts, and Prizes
- Donations
- Sponsorships
- Stipends
- Postage
- Certification, Accreditation, and Exam Fees
- Professional Licenses
- Participant/Patient Study Payment



- Legal Settlements (for use by Office of General Counsel only)
- Magazine Subscriptions
- Registrations
- Utilities
- Awards, Prizes, and Gifts must follow the guidelines of OP 72.03 (3)  
(c). Cash or cash equivalent awards/gifts are always taxable and are prohibited, as are non-cash awards/gifts unless they are of de minimis value (less than \$100.00) and are given infrequently. See OP 72.03 (3) (c) for specific guidelines.

**CASH EQUIVALENT GIFTS SUCH AS GIFT CERTIFICATES OR GIFT CARDS ARE STRICTLY PROHIBITED ON THE PURCHASING CARD. EXAMPLES OF CASH EQUIVALENT GIFT CERTIFICATES/CARDS WOULD BE FROM A MERCHANT SUCH AS WALMART, TARGET, K-MART, SEARS, ETC., OR A VISA/MASTERCARD/AMEX, ETC. GIFT CARD. IF A DEPARTMENT PURCHASES A CASH EQUIVALENT GIFT CERTIFICATE/CARD ON THE PURCHASING CARD, IMMEDIATE REIMBURSEMENT TO THE INSTITUTION WILL BE REQUIRED.**

**NON-CASH EQUIVALENT GIFT CERTIFICATES/CARDS WOULD BE FROM A MERCHANT SUCH AS RESTAURANTS, MOVIE THEATER, BOOKSTORES, ETC. THAT OFFER A LIMITED RANGE OF PRODUCTS.**

## GUIDELINES FOR PROCESSING TECHBUY REQUISITIONS

If after reviewing the section of this manual discussing Purchasing Methods and Processing Guidelines, you have determined that submitting a TechBuy requisition is the appropriate process for procuring the commodity or service that is required by your department, the following guidelines are provided to assist you in that process. These guidelines are not intended to provide detailed information on how to navigate the TechBuy electronic procurement system.

The training material for the TechBuy system is available at **Error! Hyperlink reference not valid.** Work Tools > Purchasing > TechBuy Information > TechBuy Training Documentation.

The TechBuy electronic purchasing system can be accessed at **Error! Hyperlink reference not valid.** System

Departments have been given the delegated authority to obtain quotes or bids for requests that will not exceed \$10,000.00. **However, departments may not place any order for products or services, except as allowed by section 1, paragraphs a, b, or c above. The obligation of the institution for those commodities and services for which the purchasing card cannot be used and are not covered in paragraphs 1(a) or 1(c) above will be made via the issuance of the purchase order by the TechBuy system. Purchase orders will be submitted to the vendor electronically via the TechBuy system. The ordering of products or services prior to the purchase order issuance is considered an obligation without authority.**

No employee, except those in Purchasing or Contracting who have express authority to do so, may sign a letter of intent, agreement, or contract. If a department chooses not to exercise the authority of obtaining quotes for any non-contract products or services for an order between \$5,000.00 and \$10,000.00, Purchasing will use the formal bid process to process the requisition. The department must allow at least a 3 week lead time for this process. The complexity of the purchase could require additional time.

### A. Determination of Bid Requirements

Because TTUHSC employees have the delegated authority to obtain informal quotes for purchase requests that will not exceed \$10,000.00 (including shipping), it is important to understand the bid requirements prior to making the decision to submit a TechBuy requisition.

**IMPORTANT NOTE:** There are many supplier contracts available to TTUHSC departments under which a purchase would not require bidding, regardless of the dollar amount of the requisition. These various types of contracts are discussed in the "Supplier Contracts" section of this manual.

A written vendor quotation is required on all requisitions regardless of the dollar amount unless the item(s) being purchased is included in an existing pricing contract that has previously been approved by the Purchasing Department. The requisitioning department should include a note in the Internal Notes section of the requisition that clearly identifies the applicable pricing contract by name and number.

The bid requirements are exhibited in the table below:

Total Amount of Purchase Request	Bid Requirements
\$0.00 to \$5,000	A TechBuy requisition is submitted when the item is prohibited on the purchasing card. Bids are not required but encouraged. A <b>Department must electronically attach a written vendor quote in the Internal Notes Section of the requisition.</b>
\$5,000 to \$10,000	Three (3) informal <b>responsive written quotes (defined in (3) below)</b> are required. Written quotes from HUB's are required. (See paragraph 2(b) below for HUB policy). The TechBuy requisition is submitted if the department obtained quotes. If the department wishes for Purchasing to obtain the quotes/bid, a note to this effect should be provided in the Internal Notes section of the requisition to avoid rejection or additional questions by Purchasing. If bids are not possible, the proprietary justification section of the Non-Catalog Form, HSC Standing Order Form or the Federal Equipment Purchase Form, whichever is applicable to the purchase, must be completed. . A written quote is required from the supplier even if approved as a proprietary purchase.
\$10,000 +	The competitive quote/bid process to be performed by Purchasing Department. The department must initiate the process by submitting a TechBuy requisition. If bids are not possible, the proprietary justification section of the Non-Catalog Form, HSC Standing Order Form or the Federal Equipment Purchase Form, whichever is

	applicable to the purchase, must be completed. Please refer to the Specifications Development section of this manual.

## **B. Historically Underutilized Business (HUB) Bid Requirements**

All purchase requests greater than \$5,000 require written quotes from at least three suppliers, including a minimum of two (2) quotes from Texas certified HUB businesses unless the proprietary purchase section of the appropriate TechBuy form is completed and approved by Purchasing. In the event the department is unable to locate a HUB vendor from the State of Texas Centralized Master Bidders List (**CMBL <http://www.tbpc.state.tx.us/cmbi/cmbihub.html>**); the department must provide written documentation of such.

## **C. Purchase of Contract Workforce – State Appropriated Funds Only (funds 6000- 6299)**

When state appropriated funds are being used to purchase the services of independent contractors, temporary workers supplied by staffing companies, contract workers, and consultants (includes speakers, temporary clerical staffing, and hardware and software maintenance) and the requirement is \$10,000 or more, requisitioning departments must: 1) conduct a cost benefit analysis of its current contract work force prior to hiring additional contract workers; 2) document why and how this fits into the department's staffing strategies.

This information is to be submitted on the "Contracted Services Cost /Benefit Analysis" form which can be found at [www.fiscal.ttuhsc.edu/purchasing](http://www.fiscal.ttuhsc.edu/purchasing). This form must be completed and electronically attached to the TechBuy Requisition in the Internal Attachments section of the requisition.

## **D. Independent Contractors**

When a TechBuy requisition is submitted to contract with individuals, the determination must be made regarding whether or not an employer/employee relationship exists. In order for Purchasing to gather the information necessary to make this determination, the submitter must complete the "Independent Contractor Questionnaire" form which can be found at [www.fiscal.ttuhsc.edu/purchasing](http://www.fiscal.ttuhsc.edu/purchasing). This form must be completed and electronically attached to the TechBuy Requisition in the Internal Attachments section of the requisition.

## E. Federal Equipment Purchase Approval

When the purchase request is for capitalized equipment to be purchased with federal grant funds, the "Federal Equipment Purchase Form" that is located within TechBuy under the "Forms" tab>Organization Forms>HSC>Federal Equipment Purchase Form must be completed.

## F. Additional Notes

1. Large purchases may not be divided into smaller lots in order to avoid the competitive process requirements. If needs can be anticipated (same items are purchased multiple times throughout the year) the annual expenditure estimate would govern the purchasing process.
2. When quotes/bids are obtained, the award may be split to incur maximum cost savings or to award a portion of the order to a HUB.
3. A "no bid" or "no response" from a supplier does not qualify as "responsive." Each request in excess of \$5,000 must have at least three (3) responsive quotes/bids. Failure to include at least three requires additional documentation from the submitter explaining the circumstances. If only one supplier can provide the product or service, the "Proprietary Purchase Justification portion of the Non-Catalog Form, Standing Order Form, or Federal Equipment Purchase Form" form, whichever is applicable to the purchase, must be completed.
4. Purchase orders will be submitted electronically to the supplier within the TechBuy purchasing system. **Departments should never submit copies of purchase orders to vendors or phone in orders to suppliers. Either of these actions will create a duplicate shipment since the TechBuy purchasing system electronically distributes purchase orders to the suppliers, when issued.**
5. Any information that departments need to convey to the Purchasing Department regarding a purchase request should be inserted in the "Internal Notes" section of the TechBuy requisition. This information does not pass to the supplier.
6. **Non-routine or unusual purchases** may require that the Purchasing Department obtain additional information from the department in order to insure compliance with policy and procedure and/or state or federal statute. Because it is virtually impossible to cover every possible type of purchase or situation in this manual, it is imperative that a submitting department understand the difference between a day to day operational expense and one that might be

considered unusual. Therefore, it is highly recommended that departments provide as much information as possible within the requisition. This will help avoid the rejection of requisitions in order to request additional information that may be needed before processing can occur.

For example, a requisition may be submitted for the rental of a hotel banquet room. This could be used for a seminar to provide continual medical education or it could be for a department event that would be considered food and entertainment. In this case, certain determinations have to be made for the proper coding and processing of the requisition. Some information the department can provide in the initial requisition might include:

- The purpose of the event
- The benefit to the Institution
- Whether the event was attended by departmental staff only or open to the entire Institution
- Was the event attended by non-employees
- The date of the event
- Who will attend the event

## SUPPLIER CONTRACTS

### TechBuy Contracts

Departments are strongly encouraged to search TechBuy for contract suppliers prior to making any purchase with the purchasing card. TechBuy provides access to many suppliers whose products and pricing are available for purchase through TechBuy. These contracts can be accessed in TechBuy under the "Product Search" tab and by selecting "All" under "Categories." A list of vendors whose online web sites (known as punch outs) are accessible through TechBuy by clicking on the company logo found in the "Product Search" section of TechBuy.

There are additional catalogs, known as "Science Catalogs" that have been activated and are specific to lab and research. A search of catalogs by supplier can be done in TechBuy by typing the supplier name in the search criteria within the Product Search section of TechBuy. If a "Science Catalog" exists, a list of products will be displayed and the supplier name will contain a symbol with this key – "Sci Cat."

### State of Texas Term Contracts

The Texas Procurement and Support Services (TPASS) establish term contracts by commodity/service codes as a supply source for user entities. Although subject to change, the current web site address to use to access and search items available on State Contract is:

[http://www.window.state.tx.us/procurement/cat\\_page/](http://www.window.state.tx.us/procurement/cat_page/).

If you are interested in using a state contract and have never done so before, you are encouraged to contact the Purchasing Department at 806-743-2190 for assistance in completing your TechBuy requisition.

Please note that the Statewide Purchasing Program is being replaced by TxSmartBuy program which is an online ordering application. This is currently being implemented. Should you have questions, please contact the Purchasing Department.

**Note: Purchasing will usually transmit the contract within 48 hours after receipt of a requisition. Processing time from the electronic system to the vendor will require additional time. It is expected that the vendor will receive most orders within a week from date of receipt by the Purchasing Department.**

The requisitioning department must include a note in the Internal Notes section of the requisition indicating that this is intended to be a TxSmartBuy State Contract Purchase.

If an urgent need exists for an item to be purchased on a state contract, the TechBuy requisition must include a statement to that effect in the Internal Notes section of the requisition.

### **Group Purchasing Program Contracts**

A group purchasing program is a program administered by a business entity that offers discount prices on goods and services to participants in the program. The Business entity will bid and or negotiate with a supplier on behalf of the program's members. TTUHSC is allowed by state statute to "acquire the good or service by the most cost-effective method of acquisition available, including group purchasing programs, state purchasing consortiums, or competitive sealed proposals.

TTUHSC is a member of several group purchasing programs. The following list is not intended to be all inclusive but contains the most commonly used programs by the institution at this time:

- Provista (previously known as Novation)
- Premier
- E&I Cooperative
- HCDE (Harris County Dept of Education)
- TCPN
- US Communities
- Buy Board

The list of suppliers and their products covered in group purchasing program contract, are so great in number that it is impossible to provide information broadly to the TTUHSC campuses. Therefore, it is strongly recommended that requisitioning departments contact the Purchasing Department if products or services are needed of a dollar amount that would require competition or if a department should simply want to verify that they are achieving the best price possible for the goods and services needed.



## MOVING EXPENSE REIMBURSEMENT

With appropriate department approval, TTUHSC will pay or reimburse reasonable deductible moving expenses as defined in IRS Publication 521.

Employees or departments requesting payment or reimbursement for moving expenses should read Publication 521 (<http://www.irs.gov/pub/irs-pdf/p521.pdf>) for important tax information, a list of allowable (deductible) and taxable (non-deductible) expenses, and examples.

Allowable expenses include:

- The cost of moving household goods and personal effects from the former home to the new home
- The cost of traveling for members of the household (including lodging, but not meals) from the former home to the new home
- The cost of storing household goods and personal effects within any period of 30 consecutive days after the move

Payment or reimbursement for any other moving costs (non-deductible expenses as defined in Publication 521) are exceptions that must be approved in writing by the appropriate Dean or Vice President, except that the President must approve exceptions for a Dean or a Vice President. Written approvals must clearly indicate the exception(s) requested and be submitted with the payment request.

Allowable payments or reimbursements are excluded from the employee's gross income and are processed on a TechBuy (SciQuest) "HSC Employee Moving Expense Reimbursement" form through Purchasing. Exceptions are included in the employee's gross income and are processed through Purchasing to Payroll on a Taxable Employee Compensation (TEC) form (Attachment B).

## Trade-Ins

A requisitioning department may own existing property and offer it as a trade-in on new property of the same general type when such exchanges are in the best interest of TTUHSC. However, a state agency may not trade in property that has been declared either surplus or salvage; such property must be disposed of under applicable state law. Trade-ins are not allowed on the state term contract.

Equipment may be purchased with a trade-in of equipment of a similar type if the following requirements are provided on the requisition:

- Describe the age, condition, make, model and serial number (if applicable) of the used equipment;
- Give a realistic estimate of the used equipment's value;
- State on the requisition "Less trade-in at State's option: to be picked up by the successful bidder where is, as is" (give a deadline time/date to remove trade-in);
- Show each trade-in allowance as an individual item;
- List the TTUHSC inventory tag number for each item if applicable.

If not considered as a trade-in, used equipment must be disposed of as surplus or salvage property. Used equipment to be released as a trade-in, is not to be released until the purchased equipment is received.

Trade-ins are not allowed on purchase orders for the lease or rental of equipment. Leased or rented equipment will not become the property of TTUHSC and therefore, trade-ins on these types of orders are not allowed.

Note: The property manager is responsible for reporting the pickup of tagged traded-in equipment. Refer to OP 63.10 for specific instructions.

## Used Equipment

As a general rule, a department should procure new equipment, but sometimes it is necessary or advantageous to purchase used, demonstrator, or remanufactured equipment. The most common reasons are:

- The inability to secure new equipment;
- The lack of adequate funds for new equipment; or
- Used equipment will satisfy the agency's need at a substantial savings.

**Purchases of used and demonstrator equipment are to be processed as follows:**

1. Written quotations must be obtained following the appropriate procedures applicable to the total purchase amount or a proprietary purchase justification must be completed, if applicable. If only one quote is received, submit a proprietary justification statement.
2. Provide a letter or signed statement from the supplier(s) guaranteeing quality and condition of the merchandise offered; it is strongly recommended, when possible, that the department request a warranty of at least one year that would make available service and parts for the equipment.
3. Provide a letter from an authorized person connected with the requisitioning department that:
  - (a) States the equipment has been personally examined, and
  - (b) describes the condition and value of the equipment;

The requisitioning department shall submit the above applicable items with the requisition. If the Purchasing Department determines that the purchase is appropriate, and the purchase is anticipated to exceed \$10,000.00, competitive bids will be solicited.

## LEASE OF SPACE

The following lease of space procedures will direct the lease or rental of clinic space, office space, classroom, or instructional space. Storage space (including mini-storage units) does not usually fall under this procedure, however, if the square footage exceeds 1000 square feet, or if the dollar value, or length of contract are deemed by Purchasing to be unusual or contain potential risks to the agency, a department may be required to comply with following guidelines in whole or in part.

A significant amount of lead time is required to obtain leased facilities. It is suggested that at least 120 days be allowed for competitive bidding and contract processing time to insure move in date when needed. All lease space must be bid unless the Director of Purchasing has approved a proprietary purchase request, in which case, the contract will be negotiated with the involvement of the Purchasing Department. All space leased by TTUHSC must be accessible by aged, persons with a disabilities and mobility-impaired persons. The occupying department will be responsible for paying for inspection of the space by a licensed inspector. The accessibility inspection is to be completed, and any deficiencies corrected prior to occupancy, except in unusual circumstances.

Any specification for lease space or facilities considered unduly restrictive must be justified in writing and approved by the Director of Purchasing.

Leases that cover a period in excess of four years must be approved by the Board of Regents prior to contracting with the Lessor. Time must be allowed for submission to the Board of Regents. For information regarding Board dates, call the Purchasing Department.

A new purchase order must be submitted each fiscal year. Lease contracts which are longer than one year, must be encumbered at the beginning of each fiscal year. A purchase order must be submitted annually for the purpose of encumbering the funds necessary for that fiscal year. An order is required as part of the original request package. Subsequent orders for annual payments must be forwarded to the Purchasing Office ninety (90) days prior to the end of each fiscal year.

State law prohibits payments for any unoccupied space. If it is anticipated that any currently leased space will be unoccupied for more than 30 days, the department should notify the Director of Purchasing. The Director of Purchasing will contact the lessor for possible renegotiation of lease payments.

Please contact the Purchasing department when the need for space is first identified; the following necessary forms will be provided at that time:

1. Lease of Space Routing Sheet
2. Lease of Space Bid Specifications
3. Lease of Space Contract

Lease of storage facilities that do not exceed 1,000 square feet may be processed by following the standard bid procedures. Those in excess of \$5,000 must be supported with informal competitive bids or a proprietary purchase justification form. A requisition must be submitted and a purchase order number assigned prior to move in.

## CONTRACT ADMINISTRATION

### **PURCHASING MUST BE NOTIFIED IF ANY OF THE SITUATIONS BELOW OCCUR ON ANY ORDER/CONTRACT**

**Reporting Supplier Performance**-When a requisitioning department first experiences a problem or difficulty with a supplier, the department should provide a written notification to the Purchasing Department. Purchasing will immediately contact the supplier to attempt an informal resolution to the problem. The Purchasing Department will follow state guidelines in resolving purchasing or contracts issues.

**Cancellation of Orders**-Items or orders may be canceled without the consent of the supplier due to failure to fulfill their contractual obligations. The requisitioning department should contact Purchasing for guidance if the supplier has failed to comply with the purchase order or contract terms. If cancellation is requested by the requisitioning department for some reason other than the fault of the supplier, the supplier's permission to cancel is necessary, and should be obtained in writing from the supplier.

**Shipments from Canceled Orders**-Requisitioning departments are not under any obligation to accept shipments from canceled orders. However, if it is in the department's best interest to accept the shipment; the order should then be reinstated by notifying Purchasing in writing. If the requisitioning department does not want the shipment, they should notify the supplier and handle it in the same manner they would any item not ordered.

**Shortages**-Any shortages of shipping containers, cartons, etc. are to be noted on the shipping document and the shipment accepted. Purchasing should be notified in writing of such shortages.

**Inspecting Merchandise**-When merchandise is being unpacked, uncrated, etc., it should be checked for concealed damages, shortages, and compliance with the purchase order's specifications. The carrier cannot be held responsible unless shipments are checked immediately upon arrival, and **written reports are made to the carrier within 15 days of receipt**. A copy of any notification to the supplier or the shipper should also be sent to Purchasing with the PO number referenced on the copy.

**Substitutions**- The purchasing department must approve any substitution of products prior to granting the authority to substitute to the supplier.

**Failure to Meet Specifications** - Notify the supplier in writing and request that the problem be corrected. A copy of all correspondence should be sent to Purchasing. Payment to the supplier should be withheld until the merchandise meets or exceeds all specifications, without exception.

**Inside Delivery**-Inside delivery must be specified in the specifications and must include the exact location and available access or access limitations. It is the sole responsibility of the supplier for making inside delivery and removal of packing materials. The freight company is not responsible. If a problem occurs, contact the supplier immediately.

### **Common Carrier Freight Terms Impact on Claims**

**Free on Board (F.O.B.) Terms**-These terms address the risk of loss between the buyer and seller. The terms do not address the freight charges. The standard terms and conditions provided to the supplier on every purchase order require that goods be shipped F.O.B Destination. If a requesting department is contacted by the supplier with a request to change the purchase order terms to F.O.B Origin, the department must defer the request to Purchasing. **No employee other than the Director or Assistant Managing Director of Purchasing has the authority to approve the change of any purchase order terms or conditions.**

**F.O.B. Destination**-Under the terms, the risk of loss to goods does not pass to TTUHSC until the goods are delivered to the stated destination and the department has accepted the shipment. If goods are damaged or not received, the supplier is responsible for re-shipping new goods at their expense.

**F.O.B. Origin**-The Purchasing Department does not normally recommend using "F.O.B. Origin." Under those terms, the risk of loss passes to TTUHSC when the carrier picks up the shipment from the supplier. The requisitioning department is responsible for the merchandise at that point. If the merchandise is damaged or lost in shipment, the department owes the supplier full payment. If there are damages or shortages, the department is responsible for filing any freight claim required to recover the cost of damage or loss. If goods must be replaced, a new order must be placed with the supplier at the department's expense.

## **LATE PAYMENTS**

**Payment Deadline-**A state agency's payment is overdue by the **31st** day after the later of the following:

- the date the agency received the goods;
- the date the supplier completed performing its services for the agency;
- the date the agency received a correct invoice for the goods and services.

**Liability for Interest-**If TTUHSC does not mail or electronically transmit a payment to a supplier or the supplier's financial institution by the applicable due date, TTUHSC is liable to the supplier for interest in compliance with the following provisions:

- HB2425 (78<sup>th</sup> Legislature, Regular Session) states that the interest rate on overdue payments will change each September 1<sup>st</sup> to equal the prime rate that was published the first workday of the previous July in the Wall Street Journal, plus 1%. Also, effective September 1, 2001, interest will not accrue on institutional funds until the interest amount exceeds \$5.00. The interest ceases to accrue on the date that TTUHSC mails or electronically transmits the payment to the supplier or the supplier's financial institution.

Effective September 1, 1999, the Comptroller's Office shall compute interest imposed on the state agencies for late payment. The interest will be paid at the time the payment is made on the principal. The Comptroller shall also submit the interest payment with the net amount due for goods and services. The Comptroller or a state agency may not require a supplier to petition, bill, or wait an additional day to receive the interest due.

**If a department recognizes any reason for which a payment should not be processed, the department is responsible for immediately notifying Payables. The following dispute procedures must be initiated.**

**Disputes between State Agencies and Suppliers** -If a state agency believes that an invoice from a supplier is erroneous (e.g. the invoice does not match the items ordered/received, is not understandable, or does not reference the corresponding order number, the agency's full name, number and delivery address), the agency must notify the supplier in writing by the **21st** day after receipt of the invoice. If a dispute between a state agency and supplier is resolved in the supplier's favor, the agency is liable to the supplier for interest on the invoice. This interest must be calculated from the original due date of the payment, as if no dispute ever existed. If a dispute between a state agency and a supplier is resolved in the agency's favor, the supplier must submit a corrected invoice to the agency.



**Note: A Department may not obligate the institution. Therefore, a purchase order must be issued prior to placing an order for commodities or services with a supplier. An invoice received with a purchase order request will be considered non-compliant. Purchasing will reject non-compliant requisitions submitted against state appropriated funds with a request for the requisitioning department to resubmit against local funds. Also, an invoice received by Accounts Payable that does not have an associated purchase order, that was issued prior to the date of the invoice/order shipment, will be considered non-compliant.**

**Note: If a department has instructed a supplier to bill directly to the department instead of the TTUHSC Payables Department, the requisitioning department is responsible for documenting the invoice by date stamp or other method, the date the invoice was received by the requisitioning department. The 30 day payment rule begins on the date and time first received by the agency. It is imperative that requisitioning departments approve and submit invoices to Accounts Payables as soon as possible to allow sufficient time for payment. Delays in forwarding the invoice for payment by the requisitioning department will cause late payment fees to be charged to the department.**

**It is recommended that requisitioning departments change the billing address on any account to reflect the following:**

**TTUHSC Payables Department, PO Box 5970, Lubbock, TX 79408.**

**Be sure that the supplier includes a PO number on each invoice.**

## EXPENDITURE LIMITATIONS AND PROHIBITIONS

Vehicles can only be purchased as allowed by HSC OP 72.11.

HEAF funds cannot be used for advance payments except for the library purchase of books and other published library materials.

State funds may not be expended for publicity or to direct attention to an individual officer or employee of state government. The expenditure of state funds for the purpose of maintaining a publicity office or department, employing an individual who has the title or duties of a public relations or press agent or pay a public relations agent or business is prohibited. Gov. Code Sec 2113.011

State appropriated funds may not be expended for alcoholic beverages. Gov. Code Sec. 2113.101

State appropriated funds may not be expended to contract for Audits except as specified in the General Appropriations Act Section 6-22.

State appropriated funds may not be used to compensate a lobbyist.

Memberships to be paid with State Appropriated funds cannot be processed by using the procurement card. When paying memberships with state appropriated funds, a membership must be processed in the electronic Direct Pay system which is accessible at **Error! Hyperlink reference not valid.** Work Tools > Purchasing > Direct Pay. The Purchasing Department must verify that the organization to be paid does not employ a lobbyist. If the organization to be paid does employ a lobbyist, the direct pay will be rejected for a funding change to local funds.

Before any membership to a professional organization may be paid, verification must be made that the organization is on the "Approved Membership List." The Approved Membership List can be accessed at <http://www.ttuhsu.edu/Admin/profsociety>. Ref: Gov. Code Chapter 2113.104

State funds may not be expended for political aid and legislative influence per the General Appropriation Act, Article IX, Section 6.24.

Expenditures for safety and service awards are limited to \$100.00 per award if purchased with appropriated funds. Please refer to TTUHSC OP's for additional policies related to employee awards. Gov. Code Sec 2113.201

Appropriated funds cannot be used to purchase, lease, or maintain a live or artificial indoor plant unless it is to be used for educational or research purposes. Gov. Code Sec. 2113.105

Appropriated funds cannot be expended for food or beverages not related to employee travel. This includes water and coffee.

Appropriated funds cannot be expended to lease private facilities for meetings, conferences, and administration of group examinations unless state facilities are not available when needed or are not adequate to accommodate the meeting, conference, or examination. Gov. Code 2113.106

Expenditures with appropriated funds are restricted when paying for certain types of publication cost. See Subtitle C, Title, 10, Government Code, Chapter 2113.107 for restrictions.

The General Appropriation Act prohibits a state agency from incurring obligations in excess of amounts lawfully appropriated by the Texas Legislature over the course of a biennium. Any contract which incurs obligations beyond the current appropriations must contain a "funding out" clause. If any excess obligation is incurred that violates the General Appropriation Act, the State Auditor shall certify the fact of the violation and the amount of over-obligation from the salary or other compensation due the responsible disbursing or requisitioning officer or employee, and apply the amount to the payment of the obligation. General Appropriations Act Article IX Sec 6.03

All lease or installment purchases with a principal value greater than \$250,000 or a term of more than five years must have prior written approval from the Bond Review Board submitted with the requisition. Gov Code Sec 1231

Employee Moving Expenses can be paid with state appropriated funds only if certain conditions exist per Gov Code Sec. 2113.204. Departments should contact the Purchasing Department prior to coordinating an employee move if state appropriated funds are to be used.

## PROCEDURES FOR PROCESSING NON COMPLIANT INVOICES

**Except as allowed by the Purchasing Card OP and the Direct Pay OP, the ordering of products or services prior to the purchase order being issued is considered an obligation without authority and a violation of the Purchasing Operating Policies.**

If an employee has obligated the institution without prior authority to do so, a notification will be sent to the employee who submitted the non-compliant requisition, as well as to the respective fund manager. A regular report non-compliant purchase will also be sent to the appropriate Vice President or Dean.

### **Non-Compliant Invoice Handling Procedure**

To submit a TechBuy requisition for a non-compliant purchase, the employee should complete the TechBuy "Non-Catalog form" and select "add and go to the cart" from the drop down menu. Before submitting the requisition, the following must be included: **(Note: Failure to provide the items listed below will cause the requisition to be rejected.)**

- 1. A completed Non-Compliance Form electronically attached to the requisition. This form can be found at the Purchasing Department website – [www.fiscal.ttuhsu.edu/purchasing](http://www.fiscal.ttuhsu.edu/purchasing). Purchasing will write the TechBuy Requisition (Req) number on the form once the Req is received with the form electronically attached.**
- 2. The statement "NON-COMPLIANT INVOICE" must appear in the internal notes section of the requisition.**

Once the requisition is processed and a purchase order number has been assigned, please record the PO number on the original invoice and send it to Accounts Payable. DO NOT send the invoice to Purchasing. **Invoices that are electronically attached to TechBuy requisitions are considered for documentation purposes only and will not be forwarded to Accounts Payable.**