

# Policy and Procedure

**Policy Number:** 403Rev 5

**Date:** 8/6/98

**Revision Date:** 8/6/2000, 12/11/02, July 2010, October 3, 2011

**Division/Department:** Business Services

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**Subject:** Initiating and Processing Purchase Requisitions, Purchase Orders and Related Payments

**Authorities:** Delegated in pursuant to Minnesota Statutes 136F.581, 16A.15 &16A.124, MnSCU Policy 5.14 and Procedures 5.14.2 and 5.14.5 and Minnesota Management and Budget's Statewide Integrated Financial Tools (SWIFT).

**Purpose:** To permit employees of the college to purchase goods and services for the efficient operations of the college and to align PTC purchasing practice with state guidelines.

**Pine Technical College Code of Ethics:** State employees are covered by Minnesota Statutes Ch. 15.43, 43A.38, 43A.39 and MNSCU System Procedure 1C.0.1. They cover such topics as acceptance of gifts, conflicts of interest, and use of confidential information. Minnesota Statute 15.43 states that no employee of the State in direct contact with suppliers or potential suppliers to the State, or who may directly or indirectly influence a purchasing decision or contract by establishing specifications, testing purchased products, evaluating contracted services, or otherwise have official involvement in the purchasing or contracting process may have any financial interest or have any personal beneficial interest directly or indirectly in the contracts or purchase orders for goods or services used by or purchased for resale or furnished to the College or accept directly or indirectly from a person, firm, or corporation to which a contract or purchase order has been or may be awarded a rebate, gift, money, or anything of value other than items of nominal value. No such employee may further accept any promise, obligation, or contract for future reward. Textbooks, software, and other course materials authored by an employee of the Minnesota State Colleges and Universities may be used as required course material. Instructors may accept free samples of textbooks and related teaching materials.

**Policy:** All purchases of goods and services must be approved by the individual with the appropriate delegation of authority\* or designee **before** processing by Business Services. Furthermore, all computer hardware, software or parts thereof, require approval from the Chief Information Officer or designee. In addition, all furniture and/or changes to facilities require approval from the Physical Plant Supervisor.

Split or artificial division of purchase order or requisitions into small units for the purpose of avoiding any purchasing regulation or approval is strictly prohibited. This includes splitting purchasing card purchases to circumvent per transaction and per month transaction limits.

The purchase requisitions and orders must be entered in the MnSCU Accounting System. Funds will be encumbered using the specific accounting codes and vendor numbers. Timely payments are encouraged for the advantages of discounts and good relationships with vendors or suppliers of goods and services and to meet Minnesota Statute 16A.124 requirements.

**Delegation of Authority:** Employees authorized to approve purchases will have a Delegation of Authority on file identifying the department or costs centers and the purchasing levels assigned to them by their supervisor/manager and approved by the president of the college. Employees authorized by the Delegation of Authority on file to approve invoices are confirming that the goods and/or services received are acceptable as ordered.

**Unauthorized Purchases:** If an individual takes it upon him/herself to commit the college to any type of purchase obligation without the prior encumbrance of funds through the purchase requisition process, he/she may be held personally responsible for that obligation.

If funds are not encumbered prior to making a purchase of over \$100.00, a 16A.15 Form must be completed by the individual and approved by the president of the college. 16A.15 Form must be completed stating the reason why the obligation was incurred before funds were encumbered and what corrective action will be taken to prevent the problem in the future. This form is available on MnSCU's website: <http://www.finance.mnscu.edu/contracts-purchasing/contracts/forms/index.html>, select "16A.15 Form."

The \$100.00 threshold does not apply to contracts.

**Types of Purchases:** Consultant, professional or technical service purchases require a contract to be signed by the vendor and authorized PTC employees and must follow MnSCU Policy and Procedure 5.14.2.

Bid solicitation is not required for purchases from Minnesota Department of Administration master contracts, Office of Enterprise Technology master contracts or Minnesota State College and Universities master contracts or through cooperative purchase agreements listed on the system's official web site, <http://www.finance.mnscu.edu/contracts-purchasing/purchasing/cooperative/index.html>, and authorized for use by the colleges and universities. Although it is not mandatory to order goods or services from state contract vendors, it is desirable from the standpoint that prices may be lower than from other vendors. For the link and password to access the MMD contracts, please contact your department manager or Business Services.

**Purchasing-Card Purchase Orders:** Pine Technical College will encumber an estimated amount of funds based on the average use by the entire campus. Employees with the Delegation of Authority to have a PTC purchasing card must still follow PTC Policy 413 Purchase Credit Card Program and MnSCU Policy and Procedure 7.3.3 requirements. In addition, a special expense form must be approved by the president of the college or

designee and submitted to Business Services prior to the p-card purchase of food, meeting meals, gifts, or out-of-state travel. Furthermore, since funds are not encumbered by cost center, each department will be required to monitor purchasing card spending and ensure that its budget is not exceeded.

**Procedure and Responsibilities:**

- 1) A purchase cannot be made without submitting a material requisition form.
- 2) Requestor obtains a material requisition form from the Intranet.
- 3) Requestor completes the material requisition form to include:
  - a) Date
  - b) Cost center(s) to be charged
  - c) Vendor name and number if available, address, and contact phone and/or fax numbers; and other relevant information
    - i) New vendors need to be registered with the State’s financial accounting system, SWIFT, before funds can be encumbered. The requestor needs to provide these vendors information to either self-register or request the vendor to provide PTC with a W-9 and a Data Disclosure form.
      - For self-registration, an informational memorandum for vendors from SWIFT can be accessed here: <http://www.swift.state.mn.us/doc/spotlight/5-27-2011.pdf>. And the link for online vendor registration is: <http://www.mmd.admin.state.mn.us/mn02000.htm>.
      - If the vendor chooses to submit his W-9 and complete a Data Disclosure Form, a blank W-9 form can be accessed here: <http://www.irs.gov/pub/irs-pdf/fw9.pdf> and the Data Disclosure form is available on MnSCU’s website: <http://www.finance.mnscu.edu/contracts-purchasing/contracts/forms/index.html>, scroll down to “Data Disclosure Information Form”
  - d) Description, quantity, and price of the item(s) to be purchased
    - i) When the item to be purchased is related to an event also include the event name, date, location, and attendees
  - e) Name of requestor if different from authorized representative.
- 4) If services are being purchased, the requestor must follow MnSCU Policy and Procedure 5.14.2 and initiate the contract process.
- 5) If food, meeting meals, gifts, or out-of-state travel is requested, a Special Expense form – approved by the president of the college or designee – must be submitted with the requisition.
- 6) The requestor is responsible for placing the order once the purchase order has been issued. If the requestor has a tentative order/quote from the vendor, the requestor may indicate whether Business Services should confirm the order via fax or USPS.
  - a) If the requestor is using his/her purchase card when placing the order, he/she must follow PTC Policy 413 Purchase Credit Card Program and MnSCU Policy and Procedure 7.3.3.
- 7) If necessary based on his/her Delegation of Authority, requestor submits the completed requisition to the individual with the appropriate delegation of authority (DoA)\* or designee for approval. The DoA or designee reviews and forwards the approved

requisition to Business Services or returns the rejected requisition to the requestor with a brief explanation for the rejection.

- 8) The Business Manager or designee reviews the requisition forms reviews cost center(s) and assigns object code(s), and determines the availability of funds.
- 9) If the requisition form(s) are incomplete and/or if there are insufficient funds, the requisition form(s) are returned to the requestor.
- 10) The Business Manager or designee approves and forwards the requisition form(s) for data entry and processing in the accounting system. When the requisition form(s) have been processed, a purchase order is issued, and the order is placed based on the requestor's completion of the bottom half of the requisition-for-purchase form.
- 11) When the goods or services are received, the requestor confirms the receipt, signs and submits the delivery documents and packing slips Business Services.
- 12) Business Services matches the requisition form, purchase order, delivery documents, packing slips, contract if appropriate, and invoice; then obtains payment approval from the requestor.
  - a) If the requestor does not have the Delegation of Authority to approve invoices, then the invoice is submitted to the individual with DoA for approval.
- 13) Once invoice payment is approved, Business Services processes the payment in the accounting system.
- 14) Business Services maintains purchasing and payment records until audited and archives them as necessary.

Requestor must comply with the following purchasing requirements as defined in Minnesota Statutes Ch. 471.345, Uniform Municipal Contracting Law, or other authority granted in Minnesota Statutes Chapters 16A, 16B, and 16C and referred to in the following: (as copied from MnSCU Policy 5.14.5 Parts 2 through 12):

## **Part 2. Purchasing Authority.**

State colleges and universities have authority to make purchases up to \$100,000.00. Each college and university, in consultation with the Office of the Chancellor, shall develop procedures for making purchases.

Purchases over \$100,000.00 must be reviewed and approved by the vice chancellor-chief financial officer. Institutions must submit a memorandum explaining the need for the purchase, the proposed process to be used in selecting a vendor, estimated cost, and verify that funds are available for paying the vendor. The vice chancellor-chief financial officer will review the memorandum and respond in writing to the institution..

Purchasing contracts requiring vice chancellor-chief financial officer approval include consecutive single year contracts with the same vendor and contracts with amendments which when added together exceed \$100,000.00.

Purchasing contracts of any value with a term in excess of five years require approval by the vice chancellor-chief financial officer.

### **Part 3. Purchasing Contract Definition.**

Purchases must be prepared on forms approved by the Office of the Chancellor to assure that they include all state required contract language. Any modification of forms approved by the Office of the Chancellor or the use of a non-system office form requires the review by the system legal counsel and approval of the vice chancellor-chief financial officer. System legal counsel includes either the Minnesota State Colleges and Universities General Counsel or the Minnesota Attorney General's Office.

A purchasing contract means any agreement such as a purchase order or a field order entered into by the Office of the Chancellor, college or university for the sale or purchase of supplies, materials, equipment or the rental thereof. Throughout this document purchasing contracts will be referred to by using the terms purchasing and purchases.

### **Part 4. Purchasing Requirements.**

The Minnesota State Colleges and Universities are required to follow the purchasing requirements as defined in Minnesota Statutes Ch. 471.345, Uniform Municipal Contracting Law, or other authority granted in Minnesota Statutes Chapters 16A, 16B, and 16C and referred to in the following subparts. Pine Technical College is choosing to be more restrictive than the Minnesota State Colleges and Universities Board policies and have elected the following purchasing requirements which follows the Minnesota Colleges and Universities office of the Chancellor/System Office Purchasing Procedures (<http://www.finance.mnscu.edu/accounting/businessoffice/procedures/docs/purchasing-procedure.pdf>) – as copied below:

**Purchases under \$10,000.00** If a purchase is under \$10,000.00, vendors may be contacted for prices to complete a requisition form. At least two quotes should be obtained, if possible. Guidelines and a form for obtaining quotes from vendors is available on the website [www.finance.mnscu.edu/contracts-purchasing/purchasing/forms/index.html](http://www.finance.mnscu.edu/contracts-purchasing/purchasing/forms/index.html), Purchasing Forms directory, Quotation Guidelines Form, PUR002.

**Purchases from \$10,000.00 to \$25,000.00** Purchases may be made either upon sealed bids or by direct negotiation by obtaining two or more quotations and without advertising for bids. Quotations may be obtained by phone or fax and must have a specified date and time for submission. Telephone quotes must be followed up by a written quotation. The form to request bids can be found at [www.finance.mnscu.edu/contracts-purchasing/purchasing/forms/index.html](http://www.finance.mnscu.edu/contracts-purchasing/purchasing/forms/index.html).

**Purchases from \$25,000.00 TO \$100,000.00** Purchases from \$25,000.00 to \$100,000.00 require sealed bids through public notices in the State Register. Guidelines and forms regarding the bid process is available on the website, <http://www.finance.mnscu.edu/contracts-purchasing/purchasing/forms/index.html> under "Purchases over \$25,000.00". The document at the attached link shows the different dollar thresholds and bid quote/bid processes for different kinds of

purchases, <http://www.finance.mnscu.edu/contracts-purchasing/purchasing/index.html> under “Procurement dollar threshold table”.

**Purchases over \$100,000.00** All purchases over \$100,000.00 require the written approval of the Vice Chancellor-Chief Financial Officer. A Vice Chancellor Approval Request Form (SOF017) to obtain this approval is located at <http://www.finance.mnscu.edu/contracts-purchasing/index.html> under “Vice Chancellor Approval Request Form”.

**Purchases over \$100,000.00** All purchases over \$100,000.00 require sealed bids through public notice in the State Register and the vendor must have a Certificate of Compliance from the Minnesota Department of Human Rights. A sample of the Request for Bid form is available on the website, <http://www.finance.mnscu.edu/contracts-purchasing/purchasing/forms/index.html>.

**Section 1. Businesses with More than 40 Minnesota Employees.** Consistent with Minnesota Statutes Chapter 363A.36, vendors who intend to bid on any purchases or contracts exceeding \$100,000.00 and have had on any single working day in the previous twelve (12) months more than forty (40) full-time employees within Minnesota, must apply for a Certificate of Compliance from the Minnesota Department of Human Rights. Bids or proposals on purchases or contracts exceeding \$100,000.00 from vendors who have not applied for this certificate cannot be accepted. An award exceeding \$100,000.00 cannot be made to vendors who have not obtained this certificate.

**Section 2. Businesses with More than 40 Employees Outside Minnesota.** Consistent with Minnesota Statutes Chapter 363A.36, vendors who do not have more than forty (40) full-time employees in Minnesota, but who have had on any single working day in the previous twelve (12) months more than forty (40) full-time employees in the state in which their principal place of business is located, must have a Minnesota Certificate of Compliance or must certify that the business is in compliance with federal affirmative action requirements in order to receive a contract award exceeding \$100,000.00.

#### **Part 5. Encumbrance.**

Funds must be encumbered prior to making an obligation through an authorized employee certifying that the accounting system shows sufficient allotment or encumbrance balance in the fund, allotment, or appropriation to meet it. An expenditure or obligation authorized or incurred prior to encumbering funds is in violation of state law and ineligible for payment until made valid and is in violation of Minnesota Statutes Ch. 16A.15, Subd. 3. An employee authorizing or making the payment, or taking part in it, may be liable to the state for the amount paid. A knowing violation of Minnesota Statutes Ch. 16A.15, Subd. 3 is just cause for the employee's removal. The state cannot agree to indemnify third parties or hold them harmless (Minnesota Statutes Ch. 16A.138; Minn. Const. Art. XI, Sec. 1).

See Procedure 7.3.3 Credit Cards for requirements of credit card purchasing.

## **Part 6. Prepayment.**

Minnesota Statutes Ch.16A.41, Subd. 1, prohibits the Office of the Chancellor or a college or university from paying in advance. The Office of the Chancellor and colleges and universities can only make prepayments for software or software maintenance contracts for state-owned or leased computer equipment, sole source maintenance agreements, exhibit space, subscription fees for newspapers and magazines, registration fees where advance payment is required or advance payment discount is provided and the Library of Congress services.

## **Part 7. Solicitation of Bids.**

Sealed bids must be solicited by public notice through publishing a two week notice in an official newspaper(s). The official newspaper may be the State Register. Sealed bids also may be solicited by directly notifying prospective bidders not less than seven (7) days before the final date of submitting bids. This notice shall state the time and place of receiving bids and contain a brief description of the subject matter. A bid containing an alteration or erasure must be rejected unless the alteration or erasure is crossed out and the correction printed in ink or typewritten adjacent to it and initialed in ink by the person signing the bid. Bids must be sealed and when they are read, must be opened in public at the hour stated in the notice.

All sealed bids and quotations obtained shall be kept on file until audited, but not less than one year.

## **Part 8. Rental of Equipment under \$60,000.00**

If the amount of a contract for the rental of equipment is estimated to be \$60,000.00 or less, the contract may be made by direct negotiation by obtaining two or more quotations for the rental when possible and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations shall be kept on file until audited, but not less than one year.

## **Part 9. Computer Equipment.**

All vendor prepared software license agreements and maintenance agreements must be reviewed by the system legal counsel. System legal counsel must be contacted for all financing lease purchase agreements.

## **Part 10. Purchases from Targeted Group Businesses.**

Targeted group businesses are those meeting the definition in Minnesota Statutes Ch. 16C.16, Subd. 5. Purchasing practices will include provisions whenever practicable, for procurement from small targeted group and economically disadvantaged businesses as defined in Minnesota Statutes Ch. 471.345, Subd. 8. Targeted businesses are certified as such and a list is available from the Department of Administration.

**Part 12. Accountability.**

The chancellor for the Office of the Chancellor and the president of each college and university shall designate an employee who shall have overall responsibility for complying with state and federal laws, board policy, and system wide procedures for all purchases.

**Dissemination:** Managers will provide the policy to employees in their work areas. The policy will be available in the President's Office and on the College's website.

**Reviewed by Campus Roundtable:** October 3, 2011

**Reviewed by Faculty Shared Governance:** N/A

**Reviewed by Managers Meeting:** N/A

**Approved:**