

Policy Analysis: Purchasing #2.21 - 01/2010

Policy Objective:

To ensure that all university funded purchases are authorized and in compliance with the Ohio Revised Code, the Ohio Administrative Code and The Ohio State University's Board of Trustees resolutions.

Applies To:

All staff in the Purchasing Department and any person who makes a purchase of goods or services on behalf of The Ohio State University.

Explicit Policy Requirements: (Items for which non-compliance will result in a policy Exception):

The following items are explicitly defined in the policy and should be considered as policy requirements; items which if not followed, will result in policy "exceptions."

Ref #	Description	Page	Para
1	<ul style="list-style-type: none">The authority to purchase goods and services on behalf of the university (not to exceed \$5,000) can be delegated to a designated buyer of a college or vice presidential area, by the director of purchasing, subject to certain responsibilities and restrictions.	1	I.C
2	<ul style="list-style-type: none">Any negotiation or transaction for purchases of a personal nature is prohibited.The Purchasing Department is obligated to question requisitioned items that seem to be of a personal nature or an inappropriate expense against university funds.Conflict of interest in the purchasing process is to be avoided.Questionable purchasing situations are referred by the Purchasing Department to the Office of Legal Affairs.	1, 2	II.A. II.B. II.C. II.D.
3	<ul style="list-style-type: none">All Purchasing Department staff, and any other individual authorized to conduct purchasing activities, must adhere to the principles and standards of the Ohio Ethics law.It is prohibited for any university employee to accept any gratuities, premiums or other incentives of a substantial value.The university subscribes to the National Association of Educational Procurement (NAEP) code of ethics which states that each employee involved in the expenditure of public funds is held to the highest degree of public trust.	2	III.A. III.B. III.C.
4	<ul style="list-style-type: none">Buy American - the university is required to give first consideration to goods that are mined or produced in the United States.The Ohio Revised Code Section 125.09 and the Ohio Administrative Code Section 123:5-1-32 defines the Buy American requirements.	3	IV.A.1. IV.A

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5	<ul style="list-style-type: none"> • Buy Ohio - the university is required to participate in the Buy Ohio Program, defined by the Ohio Revised Code Section 125.11 and the Ohio Administrative Code Section 123.5 1-26 • Current “border states” include Michigan, Indiana, Kentucky, New York, and Pennsylvania. • The OSU Bid Certification Form is used to determine if a bidder qualifies for the Buy Ohio Program. 	3,4	IV.B.1 IV.B.3. IV.B.4.
6	<ul style="list-style-type: none"> • Possitivity (formerly Ohio Industry for the Handicapped) - section 4115.35 of the Ohio Revised Code directs that any instrumentality of the state utilize a qualified non-profit state agency for the purchase of products and/or services which are available from a work center employing persons with disabilities. 	4	IV.C.1.
7	<ul style="list-style-type: none"> • Ohio Penal Industries (OPI)- section 5147.07 of the Ohio Revised Code directs that any instrumentality of the state utilize the Department of Rehabilitation and Corrections for the purchase of products available from state correctional and penal institutions. 	4	IV.C.2.
8	<ul style="list-style-type: none"> • The university has a goal consistent with the state of Ohio’s mandate to purchase 15% of its goods and services from state of Ohio certified minority vendors. 	4	IV.D.
9	<ul style="list-style-type: none"> • A capital improvement is a project that is substantially architectural. Capital improvements can include, but are not limited to, goods or services such as furniture, laboratory equipment or software • Capital improvement projects involving new or remodeled buildings require review by Facilities Operations and Development and the Purchasing Department 	4	IV.E.1. IV.E.2.
10	<ul style="list-style-type: none"> • All individuals providing services to the university must be paid directly by the university and appropriately identified as an employee or independent contractor. Purchase orders are not issued to university employees. • Departments should complete the <u>Documentation Form for Non-Employee Work Arrangements</u> to determine if an individual is an independent contractor or an employee. 	5	IV.F.1. IV.F.2.

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11	<ul style="list-style-type: none"> Purchases that Require Special Review and Approvals <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; color: red;">CATEGORY</th> <th style="text-align: center; color: red;">APPROVING DEPARTMENT/OFFICE</th> </tr> </thead> <tbody> <tr> <td>Advertising (classified advertising up to \$5,000)</td> <td>University Marketing Communications</td> </tr> <tr> <td>Aircraft</td> <td>Business Operations</td> </tr> <tr> <td>Alcohol</td> <td>Appropriate Dean, Chair or Vice President</td> </tr> <tr> <td>Auditing & Accounting Services</td> <td>Internal Audit</td> </tr> <tr> <td>Master Equipment Lease</td> <td>Office of Financial Services</td> </tr> <tr> <td>Gas Cylinders (Hospital & Lab Gases)</td> <td>Purchasing</td> </tr> <tr> <td>Insurance, Liability (non-medical)</td> <td>Business & Finance – Risk Management Coordinator</td> </tr> <tr> <td>Letterhead</td> <td>University Marketing Communications</td> </tr> <tr> <td>Off-Campus Leased Space</td> <td>Planning and Real Estate</td> </tr> <tr> <td>Office Equipment (copiers)</td> <td>Purchasing</td> </tr> <tr> <td>Painting Services & Renovations involving Painting Services</td> <td>Purchasing</td> </tr> <tr> <td>Portable and Mobile Radio Equipment</td> <td>Public Safety</td> </tr> <tr> <td>Radioactive Material</td> <td>Environmental Health and Safety</td> </tr> <tr> <td>Repair, Renovation and Construction</td> <td>Facilities Operations and Development</td> </tr> <tr> <td>Satellite Dishes/Antennae</td> <td>Facilities Operations and Development</td> </tr> <tr> <td>Security Alarm Systems</td> <td>Public Safety</td> </tr> <tr> <td>Signage(Interior and Exterior Building)</td> <td>Facilities Operations and Development</td> </tr> <tr> <td>Telephone, Pager Equipment & Supplies</td> <td>Information Technology</td> </tr> <tr> <td>Vehicles</td> <td>Transportation and Parking Services</td> </tr> <tr> <td>Vending Services</td> <td>Purchasing</td> </tr> <tr> <td>Video Production over \$5,000</td> <td>University Marketing Communications</td> </tr> <tr> <td>Weapons, Ammunition or Explosives</td> <td>Public Safety</td> </tr> </tbody> </table>	CATEGORY	APPROVING DEPARTMENT/OFFICE	Advertising (classified advertising up to \$5,000)	University Marketing Communications	Aircraft	Business Operations	Alcohol	Appropriate Dean, Chair or Vice President	Auditing & Accounting Services	Internal Audit	Master Equipment Lease	Office of Financial Services	Gas Cylinders (Hospital & Lab Gases)	Purchasing	Insurance, Liability (non-medical)	Business & Finance – Risk Management Coordinator	Letterhead	University Marketing Communications	Off-Campus Leased Space	Planning and Real Estate	Office Equipment (copiers)	Purchasing	Painting Services & Renovations involving Painting Services	Purchasing	Portable and Mobile Radio Equipment	Public Safety	Radioactive Material	Environmental Health and Safety	Repair, Renovation and Construction	Facilities Operations and Development	Satellite Dishes/Antennae	Facilities Operations and Development	Security Alarm Systems	Public Safety	Signage(Interior and Exterior Building)	Facilities Operations and Development	Telephone, Pager Equipment & Supplies	Information Technology	Vehicles	Transportation and Parking Services	Vending Services	Purchasing	Video Production over \$5,000	University Marketing Communications	Weapons, Ammunition or Explosives	Public Safety	5	IV.G.
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12	<ul style="list-style-type: none"> • When a purchase order includes a trade-in of equipment, a credit value is included in the purchase order total. • The value of the credit is deducted from the cost of the new equipment and so noted on the order. • Purchase orders that include the trade-in of equipment must include the equipment serial number, model number and OSU inventory number of the trade-in. • Trade-in information should be submitted to the office of Equipment Inventory by the equipment owner and removed from inventory records. 	6	IV.H.1. IV.H.2. IV.H.3. IV.H.5.
13	<ul style="list-style-type: none"> • The purchasing Department, in conjunction with Transportation & Parking Services, coordinates the lease or purchase of vehicles • An approved <u>Vehicle Acquisition Form</u> and an approved requisition should be submitted to the Purchasing Department for each purchased or leased vehicle requested. 	6	IV.I.1. IV. I. 2.
14	<ul style="list-style-type: none"> • All requests for the installation of vending equipment and concession service should be directed to the Purchasing Department vending services coordinator. 	6	IV.J.1.
15	<ul style="list-style-type: none"> • The university regulates and controls the use of its name and other identifying marks in advertising conducted by suppliers that provide goods or services to the university. • Requests by any person or business to use the university's name or other identifying marks must be forwarded to the director of trademark and licensing services for approval. 	7	IV.K.1. IV.K.2.
16	<ul style="list-style-type: none"> • Shipments from international sources are cleared by the university's contracted customs broker who works with the United States Customs Office. 	7	IV.L.1.
17	<ul style="list-style-type: none"> • A gift-in-kind is any non-cash, tangible gift given to the university. A gift-in-kinds is sometimes offered by a supplier in conjunction with a purchase from that supplier. • Departments must report all offers for gifts-in-kind to the Office of University Development to begin the gift credit process. 	7	IV.M.1. IV.M.2.
18	<ul style="list-style-type: none"> • Equipment may be financed using various types of lease transactions. For the purposes of determining bidding thresholds, an equipment lease is considered a service and a lease/purchase is considered goods. The Master Lease, administered through the University Office of Financial Services, provides low interest rates for equipment purchases valued at \$10,000 or more. 	7	IV.N.

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19	<ul style="list-style-type: none"> • The Senior Vice President for Business and Finance may approve requests to waive the competitive bid process for certain purchases. • Sole Source: A sole source justification exists if the required goods or services are only available from one supplier. • Emergency: The goods or services are needed to correct or prevent an emergency health, environmental or safety hazard, to provide for the completion of special or time sensitive events; and/or for emergency repair or replacement of existing equipment essential for daily operations. • Economic: Responsible economic procurement relieves the university of potential additional expenses that would result from not making the purchase; use of another supplier would result in incompatibility with existing conditions, use of another supplier would require considerable training, time and money to evaluate; the goods or services are being used in ongoing long-term projects; and or/or the product or service offered is at a substantial discount below current market conditions and price structures. 	7,8	IV.O. 1. IV.O.2.a. IV.O.2.b. IV.O.2.c.
20	<ul style="list-style-type: none"> • Specific products for resale to the general public by the university may be purchased without competitive bidding in those instances where customer and brand preferences are recognized and incorporated in the rationale for waiver of the competitive bid process. • In addition, there are several <u>Board of Trustees resolutions</u> in place to allow for purchases of unique requirements without competitive bidding (examples include: artwork, blood and performers). 	8	IV.O.3. IV.O.4.
21	<ul style="list-style-type: none"> • Building Maintenance and repair may include changes in walls, doors, electrical, plumbing, heating, venting, air conditioning systems , site work, etc. • Requisitions for building maintenance and repair or similar projects are processed after review and approval by Facilities Operations and Development. • Chapter 4115 of the Ohio Revised Code relating to the payment of prevailing wage rates on public improvements states that prevailing wages must be paid on projects of \$22,166.00 or more. Sections 4115.0 through 4115.99 require that prevailing wage information be furnished to The Ohio State University, Office of Prevailing Wage Coordinator, Facilities Operations and Development. 	8	IV.P.1. IV.P.2. IV.P.3.
22	<ul style="list-style-type: none"> • A purchase order must be issued prior to the purchase occurring or the purchase is classified as an After-the-Fact purchase • All After-the-Fact Purchase Orders must follow the Exception policy within the Expenditures policy. 	9	IV.Q.1. IV.Q.2.
23	<ul style="list-style-type: none"> • Delegated Buying Authority (Authorization) - The authority to purchase goods and services on behalf of the university (not to exceed \$5,000) can be delegated to a designated buyer in units outside the Purchasing Department. This designation, authorized by the college/vice presidential area senior officer, and approved by the director of purchasing, is subject to certain responsibilities and 	9	I.A.

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	restrictions.		
24	<ul style="list-style-type: none"> Procurement Methods – The following chart describes the methods available to purchase goods and services at The Ohio State University: 	10	II.

Method	Purpose	Considerations
Purchases from eStores & Internal Suppliers		
eStores MarketPlace	University's preferred method for purchases from internal and external suppliers	<ul style="list-style-type: none"> Not subject to bid limits since all products and services are under contract. May be used for purchases from sponsored programs administered through the Research Foundation
100W (Paper forms to be eliminated as of March 1, 2011)	Used for purchases from internal suppliers not in the eStores MarketPlace	<ul style="list-style-type: none"> May be used for purchases from sponsored programs administered through the Research Foundation Business purpose must be indicated on the 100W. Receipt of purchase must be documented.
Small Dollar Purchases from External Suppliers		
Purchasing Card (PCard)	<ul style="list-style-type: none"> Used for small dollar purchases of goods and limited travel services Limited to \$1,000/transaction and \$5,000/month. 	Refer to <u>Policy #2.23 Purchasing Card, Travel Card, Group/Extended Travel Card</u> , for details regarding this procurement method.
Travel Card	<ul style="list-style-type: none"> Issued to frequent travelers for the purchase of certain travel services. Limited to \$1,000/transaction and \$5,000/month. 	Refer to <u>Policy #2.23 Purchasing Card, Travel Card, Group/Extended Travel Card</u> , for details regarding this procurement method.
Large Dollar Purchases from External Suppliers		
Purchase Order	Used for purchases of goods and services not in the eStores MarketPlace and in excess of the Purchasing Card and Travel Card dollar limits	Subject to bid limits of \$25,000 for goods and \$50,000 for services including planned purchases that will cumulatively reach or exceed these totals during a fiscal year.
Blanket Purchase Order	Used for emergency or recurring purchases of a specific service or	<ul style="list-style-type: none"> Each release against a blanket purchase order must

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	commodity when the quantity or frequency of delivery cannot be fully determined at the time of purchase order is initiated.	be documented on the university's standard <u>Blanket Purchase Order Release Form</u> <ul style="list-style-type: none">• Subject to bid limits of \$25,000 for goods and \$50,000 for services including planned purchases that will cumulatively reach or exceed these totals during a fiscal year.
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Summary of Potential Policy Exceptions:

- Items of a personal nature are purchased with University funds.
- Conflict of Interest exists.
- Items being purchased are not questioned if they seem to be personal or inappropriate expenses.
- Individuals authorized to conduct purchasing activities do not adhere to the principles and standards of the Ohio Ethics law.
- University employees are accepting gratuities, premiums, or other incentives of a substantial value.
- Individuals authorized to conduct purchasing activities are not giving first consideration to goods that are mined or produced in the United States.
- Individuals authorized to conduct purchasing activities are not giving first consideration to goods that are mined or produced in Ohio.
- The University is not conducting business with work centers who employ persons with disabilities and/or state correctional and penal institutions.
- Sufficient minority vendors not being used.
- Waiver of competitive bidding is not being used appropriately (used to circumvent the bidding process).
- Capital improvement projects involving new or remodeled buildings are not being reviewed by Facilities Operations and Development and Purchasing.
- Individuals are not correctly identified as employees or independent contractors.
- Departments are not completing the Documentation Form for Non-Employee Work Arrangements to determine if individuals are independent contractors or employees.
- Purchase orders are issued to employees.
- Purchases determined to require special review and approvals are not being reviewed and/or approved prior to purchase.
- Purchases that include trade-ins do not have the purchase price reduced by the trade-in value.
- Purchase orders that include the trade-in of equipment do not have all required information included on the PO.
- Approved Vehicle Acquisition Forms and requisitions are not on file for purchased or leased vehicles.

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- Requests for the installation of vending equipment/concession services were not directed to the Purchasing department for approval.
- Requests to use the University's name or other identifying marks were not forwarded to the director of Trademark & Licensing Services for approval.
- Gift-in-kind offers are not reported to the Office of University Development for gift processing.
- Bidding waivers are being issued for purchases that do not fall under one of the three waiver requirements: sole source, emergency, economic.
- Requisitions for building maintenance and repair are processed without FOD review and approval.
- Public improvement projects over \$22,166 are not in compliance with prevailing wage regulations.
- Too many after-the-fact purchase orders are being processed.
- Procurement methods not being followed

Policy Areas of Potential Student Life Interpretations and/or Follow-up with Business & Finance:

The following items potential areas of policy interpretation, left to the discretion of Student Life:

Ref #	Description	Page	Para
1	<ul style="list-style-type: none">• If a vendor sends a quote and with the quote, includes terms and conditions and a signature block for an OSU official to sign, and if the purchase is for less than \$5,000, is it appropriate for a delegated buyer to go ahead and establish a direct line purchase order? Or should the buyer enter a requisition and let Purchasing complete the purchase order/contract? We want to make sure that we are customer focused and provide the quickest support, but at the same time, make sure that we are doing the right things right. The MOU for the Delegation of Purchasing Authority specifically prohibits a College/VP area and its Buyers from using their delegated purchasing authority for purchases that require legal review and/or separate contractual documentation and university signature. The sample quotation/documentation you provided would clearly invoke this prohibition.		Ask BuFi
2	<ul style="list-style-type: none">• How do we determine what constitutes incentives of a substantial value?	2	III.B.

Areas of Consideration for Defining as "Reasonable" in the ICS:

N/A – Refer to other policy analysis (Expenditures, Travel, PCard/Travel/GET Card)

Potential Training Topics:

- Institutional Data Policy
- Business Responsibilities

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- Business Expenditures
- Understand & Prevent Fraud
- Internal Controls
- Buying 101 (Recommended)
- PCard Policy Overview
- PCard Travel & GET Card Holder
- Purchasing Card Manager
- PCard Reallocator
- Requisition 1
- Requisition 2
- Requisition 3
- Purchase Order 1
- Purchase Order 2
- Procurement Inquiry and Approval (Recommended)
- Procurement and Payment Process (Recommended)
- Managing OSU Records (Recommended)