

**ACADEMY OF NATURAL
SCIENCES**

**PURCHASING AND
PROCUREMENT POLICY**

Academy of Natural Sciences Purchasing Policy

Overview

This policy framework is intended to provide for the procurement of goods and services necessary to support the mission, goals, and objectives of The Academy of Natural Sciences, while ensuring that Academy resources are protected and maximized and that requirements of sponsoring agencies are met for sponsored research procurements. It is understood that the development of this policy will include an investment of time by the staff of the Academy. The diligence of the staff in following this policy is greatly appreciated and understood by the management of the Academy. This policy does not cover:

Business travel expenses (Those expenses are covered by the Academy's Travel and Business Policy)

Purchases for Gift Shop Inventory

Petty Cash reimbursements

The following are the basic premises of these purchasing guidelines.

- Support the Academy's primary goal of research and education in the most effective manner.
- Procure quality goods and services at the optimum price and delivery terms possible.
- Allow purchases and payments to be made and approved by those with direct knowledge of, and responsibility for, the transaction.
- Provide for free and open competition wherever possible.
- Allow for sole source justification where necessary and documented.

General Information

The Academy does not have a centralized purchasing and receiving operation. This means that each department that needs to procure goods or services in order to conduct its activities must insure that basic control procedures are observed. The controls mandated by the Academy are outlined in this policy statement.

The Academy's goal in every purchasing transaction is the best value possible; a combination of price, quality, reliability, service, and delivery terms. The Academy strives to procure all goods and services through the use of appropriate contracts, and terms and conditions to protect both buyer and seller. Acquisitions will be conducted on an open and competitive basis and without favoritism in order to obtain the maximum value for each expenditure. Interested suppliers will receive fair and impartial consideration. All business relationships will be conducted at arms-length.

Ethical business standards shall govern all procurement transactions. Academy personnel shall not solicit any gift or accept any significant gift from any supplier or prospective supplier. A 'significant gift' is defined as any item, service, favor, monies, credits, or discounts not available to others and/or which could influence purchasing decisions. Academy personnel may accept trivial items as a matter of courtesy, but may not solicit them. A supervisor may approve acceptance of gifts valued at over \$ 25; however, acceptance and receipt of gifts over \$ 25 in value must be disclosed to the Finance office to ensure compliance with the Academy's Code of Conduct. See "Ethics and Conduct Policies" for acceptable gifts.

I. Authority and Responsibility

The Academy has determined that purchasing and contracting decisions are effectively made by the end-user of the materials, supplies, equipment, or services. Authority and responsibility for various aspects of purchasing and contracting processes have been delegated to employees throughout the organization, promoting effective operations.

This approach requires that employees involved at every stage of the purchasing process take responsibility for understanding the Academy's policies and procedures regarding purchasing and vendor relations.

A. Department personnel are responsible for:

- 1) ascertaining needs,
- 2) researching vendors, (new vendors must not be on the Federal Government's debarred list-see below website in B-5).
Please note: it is the departments responsibility to check the vendors for debarment..
- 3) conducting price or cost analysis,
- 4) selecting a vendor,
- 5) initiating a Purchase Order,
- 6) tracking documents and paperwork flow,
- 7) ensuring the proper receipt of ordered goods or services.

The Academy recognizes that for the purchase of certain supplies, services, equipment, or construction, effective procurement may require that technical evaluation and preparation of specifications be delegated to a certain department or Academy personnel possessing particular technical skills or knowledge (i.e., the Information Technology department).

B. The Finance Office is responsible for:

- 1) determining the bona-fide business purpose of the transaction,
- 2) approving **every** purchase order request,
- 3) determining that adequate funding is available prior to committing to the purchase transaction,
- 4) ensuring compliance with Academy policy and applicable regulations regarding accounting standards requirements as related to the use of restricted funds, and the acquisition of regulated or controlled goods,
- 5) determining that a vendor chosen is not on the Federal Government's suspended or debarred listing (the Academy will not use any vendor on the Federal Government's suspended or debarred list for any purchases of goods or services) using the website <https://www.epls.gov/epls/search.do>
All new vendors before they are entered into the Libra system are checked by accounts payable and are checked annually by accounting to see if existing vendors have been debarred.
- 6) resolving disputes with vendors regarding payment,
- 7) monitoring and reconciling all purchase transactions using the financial system, procurement database tracking, and associated financial statements and reports.

C. Department managers, administrative directors, and Group supervisors are responsible for:

- 1) reviewing and approving reimbursement requests,
- 2) monitoring budgets,
- 3) ensuring compliance with Academy policy and applicable regulations regarding accounting standards requirements as related to the use of restricted funds and the acquisition of regulated or controlled goods.

Source Selection and Bidding

A. Competitive Bidding

It is generally recognized that the surest way to determine the best source is to conduct a competitive bid among potential suppliers. True competition requires comparing prices, terms, and conditions of equal or similar items. It is important to consider the criteria on which to determine the best source. Even when there is only one supplier of a specific item, bidding maintains a competitive environment. It is competition, either actual or perceived, which forces suppliers to keep their prices reasonable.

- For purchases of between \$ 2,500 and \$ 99,999: Competitive shopping shall be done at these dollar amounts. If no competitive bidding is done, a written quotation is required from the supplier of the goods or service as well as a note from the purchaser to the file justifying the sole-source procurement. Vendor quotes must itemize the price, the delivery charge, if any, payment terms and shipping costs. Notify the supplier that these items must be on the quote they send to you. Forward a copy of the selected quote with the Purchase Order form to the Finance office. If equipment leasing is an option, the purchaser is responsible for obtaining information necessary to evaluate leasing and buying options and determining the most cost beneficial method for procuring the equipment.
- For purchases of \$ 100,000 and above: The Academy is mandated by the federal government to document that the price is competitive or fair and the selected source is the best. A minimum of three documented bids or justification for sole sourcing is required for all purchases totaling more than \$ 99,999. In addition, a written cost or price analysis is required with the submission of the Purchase Order request. After source selection is made, a contract or statement from the vendor will be necessary certifying that the vendor is not suspended or debarred from receiving federal awards. The Finance office will attempt to confirm the vendor's contract or statement.

B. Small Business, Minority, and Women Vendors

The Academy is committed to promoting opportunities for small business, minority, and women vendors to participate in the Academy's purchasing of goods and services. Efforts should be made to:

- ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable,
- make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises,
- consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms, and women's business enterprises,
- encourage contracting with consortiums of small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually, and
- use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority-owned firms and women's business enterprises. Check the Academy's intranet to locate resources to assist in finding applicable vendors.

Processing Purchase Transactions

A. Academy Purchase Order

An Academy purchase order is required for all purchases of goods and services. Oral requisition/purchases are not considered valid purchases by the Academy.

1. For purchases less than \$ 1,000: Enter the purchase information into the on-line database. The database will provide you with a purchase order number. This number is to be provided to the vendor upon placing the order. Do not place your order until you have this purchase order number. Use this number to complete a purchase order form and send the yellow copy to Accounts Payable at the time you place the order. The pink copy should follow to Accounts Payable at the time you receive the product or the service is complete. Attach any available packing slip to the pink copy before sending it to Accounts Payable.
2. For purchases of \$ 1,000 and greater: All purchase orders for purchases of \$ 1,000 and greater will be issued through the Finance office. These purchase orders may not be generated and approved by any other department other than the Finance department.

Departments should allow adequate lead-time for the issuance of contracts, purchase orders, and the delivery of required materials or services. Lead times vary greatly and always depend upon availability from the selected source.

B. Purchase Order Process

1. The Academy will continue to use the three-part Purchase Order form. The three parts are colored as the top page, white; the second page, yellow; and the last page, pink. You will be given a supply of purchase orders to start. It is your responsibility to contact Finance when your supply is low so that you can obtain additional forms. The forms are not pre-printed with a purchase order number.
2. The Purchase Order form must be completed including the vendor's name and address: the proper ship-to information including the recipient's name, if applicable; the order date; the date required; the quantity and description of the items purchased or the description of the services to be performed; the dollar amounts for the item; the account coding for the purchases and the proper signature approvals. If the purchase requires competitive bidding documentation or a price and cost analysis due to the size and nature of the purchase, the documentation must accompany the purchase order form. All the information appearing on the Purchase Order form must be legible and all signatures must be legible and identifiable.
3. The completed Purchase Order form should be delivered to the Finance Office for all purchases \$ 1,000 and greater and placed in the bin to be approved. The Finance Office will create a bin for all Purchase Order forms. The forms will be stamped each day with the receipt date into the Finance Office.
4. The Budget Director and other Accounting staff will review the Purchase Order form requests. The review will be to determine if all the paperwork is completed properly and will also determine if the purchase is within the department's or project's budgeted funding. Purchase Order forms will be reviewed on Thursdays and Fridays of each week. This is to allow for Accounts Payable to process and post any invoices that are ready to be entered into the accounting system. After the system has been updated with the processed invoices and check requests, the Accounting staff can determine, through the system, the budgeted funds available.
5. If the purchase is approved, a Purchase Order number will be assigned to the purchase. The yellow copy of the Purchase Order will be retained in the Accounting department along with any required documentation supplied. The remaining two copies of the Purchase Order will be readied for return to you. At the end of the weekly review, you will be contacted via e-mail to inform you that approved Purchase Orders are ready for your pick-up. If the purchase is not approved, you will be contacted via e-mail with a brief explanation as to the reason why the purchase was not approved.
6. Accounting will enter all approved Purchase Orders into an Access database for tracking purposes.
7. Upon receipt of your approved Purchase Order, you may order the product or service. You should send the white copy of the purchase order to the vendor from whom you are purchasing the product or the service. This substantiates to the vendor that your purchase is approved.

8. Please retain the pink copy of the Purchase Order to use as a receiving document for the product or the service.

9. When a product is received, there should be a packing slip or a delivery ticket. Please review the items purchased for receipt of the correct product ordered, the correct quantity, and/or damages. If the product is not what was ordered, the quantity was not correct or it was damaged, please contact the vendor immediately for a resolution to the problem. If the delivery is correct, the packing slip or delivery ticket should be signed and dated by the purchaser. This should be attached to the pink copy of the Purchase Order and delivered to the Finance Office into the file noted Packing Slips. Attaching this slip or ticket to the pink copy of the Purchase Order will help Accounting to match the purchase to the yellow copy of the Purchase Order kept when the Purchase Order was approved.

10. If you receive an invoice from the vendor related to this purchase, it is no longer necessary to sign or approve this invoice if all the prior paperwork has been delivered to Finance. Just forward the invoice to Accounts Payable for processing. Accounting will match the invoice to the packing slip or delivery ticket you have supplied, update the Access database, and process payment to the vendor.

Approval Levels for Expenditures

Principal Investigator or Department Head	Up to \$ 2,500.00
Group Director or Vice President	\$ 2,500.01 to \$ 10,000.00
Vice President of Finance	\$ 10,000.01 to \$ 30,000.00
President	\$ 30,000.01 to \$ 50,000.00
Executive Committee or Finance Committee	\$ 50,000.01 and above

C. Blanket Purchase Orders

Blanket purchase orders are to be used only in specific, targeted circumstances (i.e., maintenance agreements). Blanket purchase orders should ONLY be used when the ordering department will:

- 1) purchase specified services or items, or categories of items from the same vendor, which are purchased and paid in a predictable manner during a specified time period, usually one year.
- 2) order standard materials or maintenance supplies, which require numerous shipments and/or payments.
- 3) obtain more favorable pricing through volume commitments.

Prices, freight terms, commodities and quantity must be established before the blanket purchase order is issued. Each year, 30 days prior to issuing a new blanket order for the upcoming fiscal year, the ordering department or buyer should review the requisitioned blanket purchase order for changes.

D. Credit Cards, Charge Accounts, Direct Billing

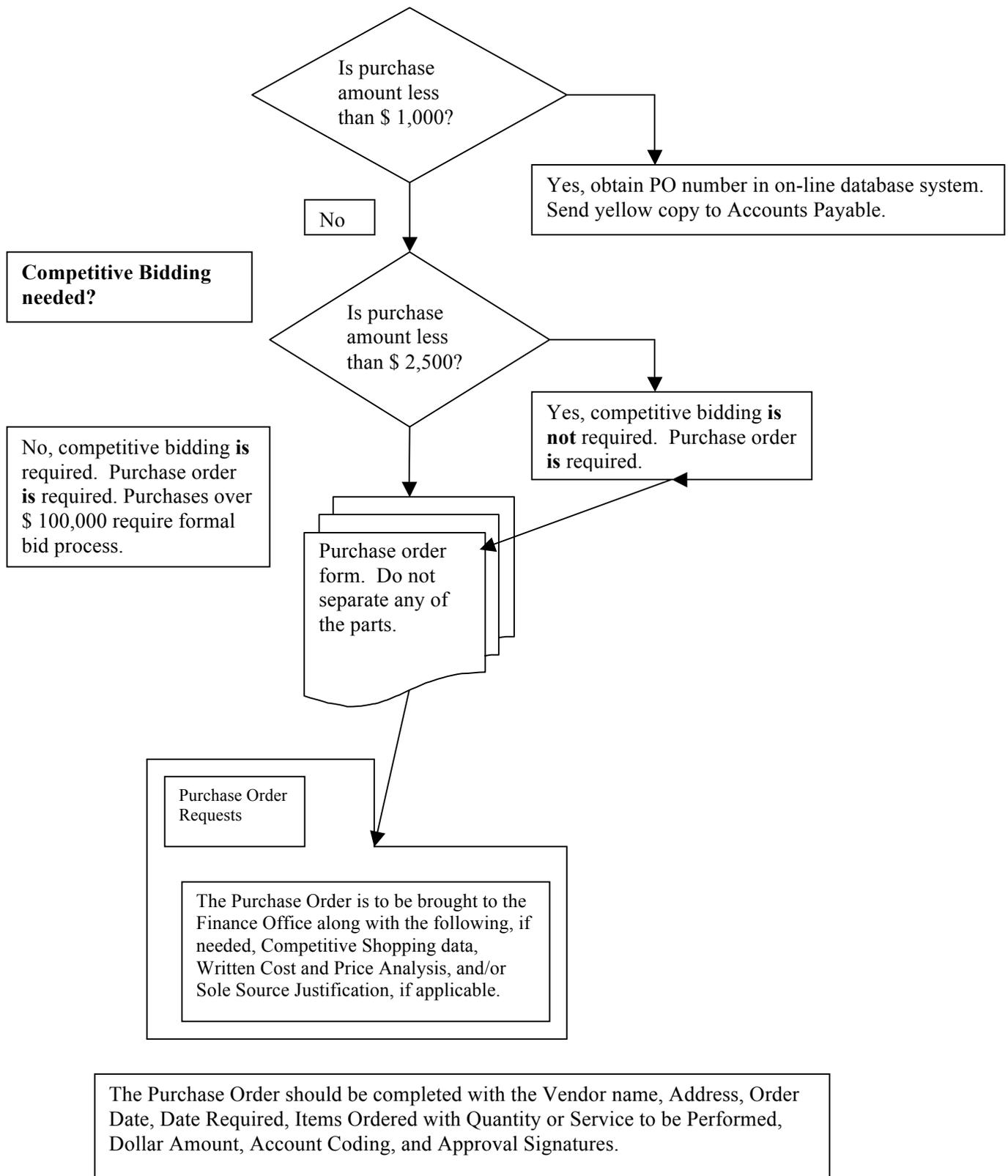
Departments are not authorized to establish credit cards, charge accounts, or direct billing accounts with vendors in the name of The Academy of Natural Sciences without working with the Finance Department. If a purchaser wishes to purchase goods or services from a vendor that does not currently have a trade account with the Academy, the purchaser should obtain a credit application form from the vendor and bring the form to Accounts Payable. Accounts Payable will complete the credit application and attempt to get a trade account established with the vendor. No Purchase Order request for this new vendor should be delivered to Finance until Accounts Payable has notified the purchaser that an account has been established with the vendor. American Express is the only corporate credit card used by the Academy. Applications for a card may be obtained from the Finance Department. The Group Director or Vice President of the individual's area must approve the application for a credit card and must also provide an explanation as to why the individual should receive the card.

E. Expense Reports and Check Requests

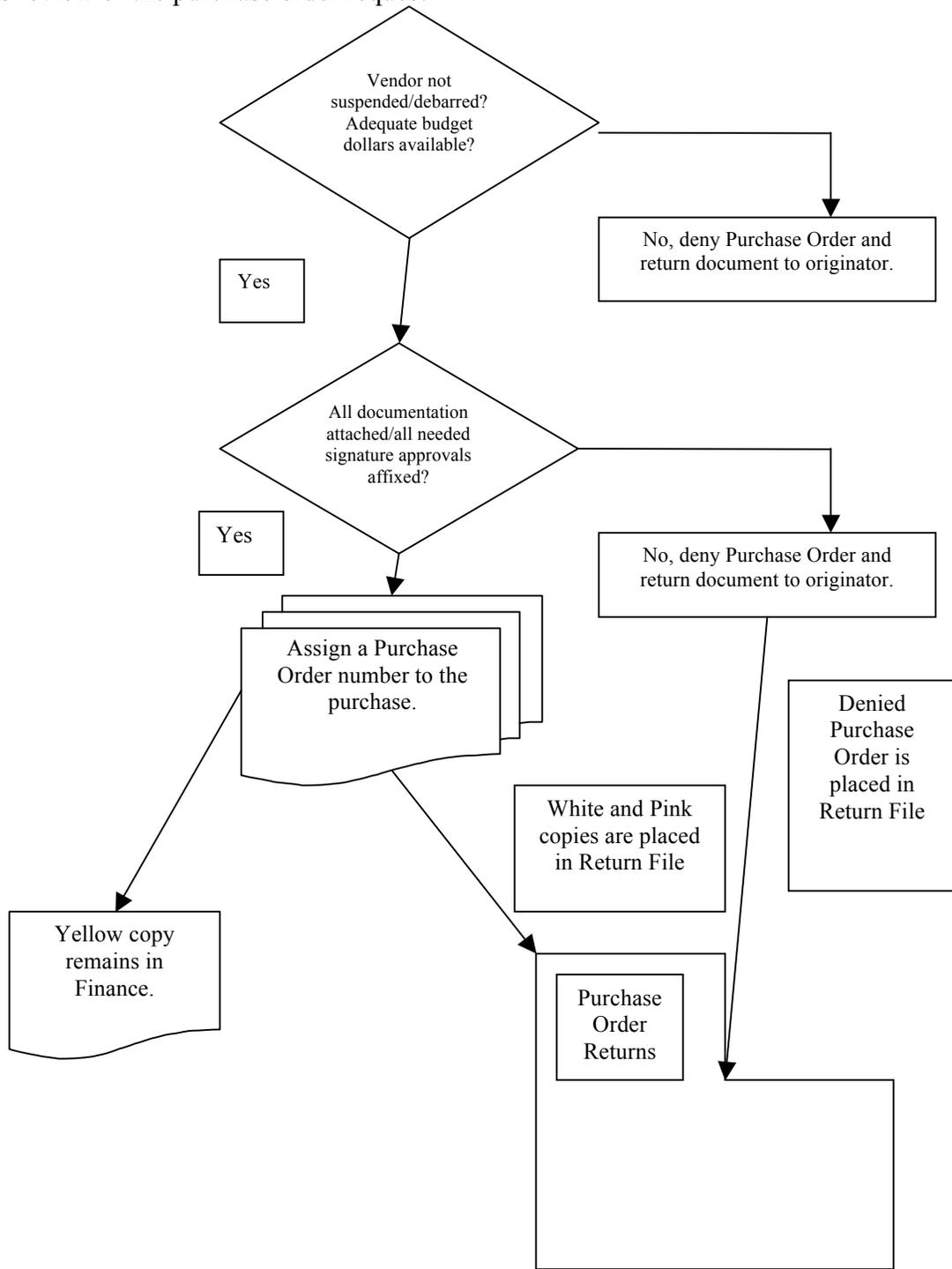
Expense report forms are used to authorize payment for expense reimbursement to Academy employees. Proof of payment and signatures of the purchaser and direct supervisor are required on documentation accompanying all requests for reimbursements. Accounts Payable will not provide reimbursement for any purchase until complete documentation is provided. Original itemized receipts issued by the vendor are required. Where original receipts are not available (such as for Web purchases), an original packing slip for goods along with an indication that the amount being reimbursed has been charged/paid by credit card, is required. **NO REIMBURSEMENTS WILL BE MADE TO EMPLOYEES WITHOUT PROOF OF PAYMENT.**

F. Payment

Every vendor's invoice is due for payment within some period of time after it is generated. This is normally computed as a number of days after the invoice date. The Academy's standard for payment of vendors' invoices is within 30 days of the invoice date. This is referred to as payment terms for "NET 30". The Academy must pay its obligations in a timely manner. Failure to comply with payment terms often leads to credit holds, stiffer payment terms, or higher prices on future purchases. A vendor may impose one or more of these actions on the entire Academy even if the object of dispute involves only one department within the Academy. Therefore, approved invoices must be forwarded to Accounts Payable for prompt payment. Accounts Payable does what is necessary to prevent any of the above from happening while acting within sound financial controls.



Finance Department's review of the purchase order request



The Finance Office will notify all Purchase Order originators that a Purchase Order is ready for pickup. If the Purchase Order is denied, there will be notification as to why attached to the Purchase Order. If the Purchase Order is approved, a number will be assigned. **At this time, and only at this time, should the goods be ordered or the services contracted.** Provide the white copy of the Purchase Order to the vendor and retain the pink copy.

APPENDIX 1

SOLE SOURCE JUSTIFICATION

Academy policy for purchase of goods and services requires competitive bids for purchases over \$2,500. However, in some circumstances competition cannot be obtained. If competition is not sought for a purchase over \$2,500, the department must provide a written sole source justification.

Competition may be waived if a purchase of goods or services over \$2,500 qualifies as:

- Personal or professional services
- Unique, proprietary, available only from a single source, or designated to be compatible with existing installation, facility, or location.

When you request a sole source justification, you need to consider the following:

- Reasonable price – Even though there may be good reason for a sole source, we enter into a purchase contract only after determining that we will be paying reasonable prices. Documented price comparisons, discounts off published price lists, buyer's knowledge of market, Fair Trade laws and other cost-price analyses determine if the price is reasonable.
- Brand or trade names – When you believe that only a specific brand, trade name, item, or proprietary service will properly satisfy your requirements, include a description of the technical features that make that product or service the only one that fulfills your needs.
- Extenuating circumstances – When the prime-sponsoring agency or governing law directs the purchase, or when unusual or compelling urgency for acquiring the goods or services precludes obtaining formal competition, the purchase may qualify for sole source justification.

To request a sole source justification, complete the Sole Source Justification Form that follows. Send the form with all other documentation regarding the purchase request to Accounting.

Sole Source Justification Form

This form helps both the department submitting a requisition and Accounting comply with policies requiring justification of a sole source in order to waive the requirement for competition for purchases in excess of \$2,500. Please use additional pages as necessary.

From : _____ Department: _____

We request a purchase order/subcontract agreement be issued to _____ in the amount of \$ _____, without obtaining competition.

Please answer the following questions:

1. Under which exception to the requirement for competition are you justifying this sole source? You may select one or more.
 - _____ personal or professional advice or expertise
 - _____ product or proprietary service is unique
 - _____ available from only one source
 - _____ designated to be compatible with existing

2. Please explain in detail how purchase of goods or services meets the above criteria for a valid Sole Source Justification. (For this question, price cannot be a part of the justification).

3. If the product or proprietary service is unique, list the most important features or performance specifications and explain why this supplier is the only possible source?

4. If designated to be compatible with existing, please describe the factors that determine the need for compatibility. Include an explanation of parts on hand, knowledge of existing system, trained staff, etc.

5. What information do you have on any competitive bids/quotes for these goods or services?

Signature: _____ Date: _____

Date: _____

To: _____

From: The Accounting Department

Your attached purchase order is not approved due to the following:

_____ There are not enough budget dollars available in the expense category _____. A budget transfer is needed in order for the purchase to be approved.

_____ The proper approval signatures are missing.

_____ The account coding for the purchase is missing or incomplete.

_____ The needed Competitive Data or Sole Source justification is missing (purchase is greater than \$ 2,500).

_____ The required written cost and price analysis is missing (purchase is greater than \$ 100,000).

If you correct the above within 24 hours and return the correct documentation to accounting, the purchase order will be re-reviewed. Otherwise, this purchase order will not be reviewed again until the next regularly scheduled review cycle.