Procurement Procedures

Procurement Services (PS)
4.0 Supplier Selection

4.1 General

Concept

All Suppliers to Carnegie Mellon must meet certain general requirements. Suppliers must be considered to be qualified or meet qualification standards to provide required materials or services at minimum risk to the University considering price reasonableness, quality for the particular purpose, acceptance of reasonable terms and conditions of sale, delivery performance, and ethical business practices.

4.2 Preferred Supplier Program

A Preferred Supplier is one that has completed a formalized selection process operated by PS or FMS, and has been chosen by the University as a supplier who can provide products, materials and/or services that are in the best interests of the University as related to quality of products, materials and/or services; length of contract; advantageous pricing; payment methodologies; delivery practices/performance; supplier operational support and services; ethical business practices; and social and community support. Additionally, a single or sole source may be identified as a Preferred Supplier as long as PS can provide adequate and complete justification for the designation.

A Preferred Supplier must agree to sign an agreement/contract which identifies all the terms and conditions under which the agreement/contract will operate, including allowing the University to retain the right to bid on individual requirements of $50,000 or more.

Non-Preferred Suppliers may be used with the understanding that a) the probability of the best deals are with Preferred Suppliers due to volume discounts, b) transactions which exceed the competitive threshold of $5,000 [$2,500 for federally funded acquisitions] require added steps by the buyer to justify and properly document the order, and c) buyers must negotiate the applicable sales terms and conditions with the supplier along with the method of order and payment (Oracle Purchase Order versus Web-ordering versus Procurement Card).
4.3 **Sole/Single Source Purchases**

**Definitions**

**Sole source:** the term used to designate that there is only one supplier that exists that is capable of providing a particular item or service.

**Single source:** the term used to designate that even though a product or service is available from various sources, it must, for specific and justifiable reasons, be purchased from one specified supplier.

Buyers are required to substantiate the reason for a sole/single source purchase from a non-Preferred Supplier by providing a written explanation on the Purchasing Checklist and Bid Summary Form. For Preferred Suppliers, PS or FMS will administer the selection process and complete the Purchasing Checklist and Bid Summary Form.

Should a departmental buyer wish to add a supplier(s) to the Preferred Supplier Directory, a Commodity Manager in PS will work with the Buyer to ensure the process and any written rationale meets federal guidelines. This may include suggesting alternate suppliers or products, soliciting competitive bids, and documenting price reasonability.

4.4 **Bid Solicitation**

In order to obtain the best possible pricing and to remain compliant under OMB Circular A-110, FAR regulations and University policies, competitive bidding must be conducted to the maximum extent practicable, as follows:

**Less than $5,000 for University and non-federal funding, $2,500 for federal funding:** The purchase of goods and services by a buyer should be made by contacting Preferred Suppliers first, but may be made directly from any responsible supplier (within the guidelines of this manual) of his/her choice. If a non-Preferred Supplier is chosen, the Buyer has an obligation to always determine and secure reasonable prices on behalf of the University and its funding sources.
Equal to or Greater than $5,000 for University and non-federal funding, $2,500 for federal funding: A minimum of three (3) competitive quotations (two if approved by Procurement Services), or a documented attempt to obtain three (3) quotations, are required when obtaining goods and services from non-Preferred Suppliers. A **Purchasing Checklist and Bid Summary Form** must be submitted to PS.

Equal to or Greater than $10,000: A minimum of three (3) written competitive quotations (two if approved by PS), or a documented attempt to obtain three (3) written quotations, are required when obtaining goods and services from non-Preferred Suppliers.

Greater than $100,000: Any bid solicitations where an individual order is expected to exceed $100,000 must be conducted with the assistance of PS, or FMS if a facilities-related procurement, because of the additional requirements a) for obtaining certain certifications or meeting certain code requirements, b) for proper documentation of the competitive or non-competitive nature of the transaction, and c) for proper determination of price reasonableness.

Bid solicitation can be a team effort between PS, FMS and the buyer, or the buyer can run the competitive process him/herself within the appropriate dollar limitations.

It is the responsibility of the buyer to have defined requirements regarding quantity, delivery dates, technical or performance specifications and/or scope of work.

It is the responsibility of PS or CDFD/FMS to maintain a centralized repository of all required documentation on cost, price, source selection and competitive processes. When using non-Preferred Suppliers, once the buyer has obtained competitive quotations/proposals that information shall be documented on the Purchasing Checklist and Bid Summary Form (as required), and should accompany the completed procurement package upon submittal to PS or CDFD/FMS for approval and/or retention purposes.

The types of solicitation that can be used are:

**Request for Quote (RFQ):** A method used in selecting a supplier by which suppliers provide price, quantity and delivery factors for a set period of time for identified items or services.
Request for Proposal (RFP): A method used to assist the University in gathering information and ascertaining supplier’s intentions regarding products and/or services that contain some unknown elements, without making a commitment until the best source is identified, the specification is finalized, and a contract has been negotiated.

Request for Information (RFI): A method used on an informal basis to gather information on a product, service or supplier.

Exceptions from Bidding

Preferred Supplier: If a Preferred Supplier Agreement is in place, the source selection process was conducted prior to the initiation of the Preferred Supplier relationship. Further competition during the term of that agreement is not required, unless the buyer has knowledge of substantial changes in the marketplace for that commodity.

State Contract Items and Competitively Bid Items from Member Cooperatives: Items that can be purchased under a Commonwealth of Pennsylvania state contract (COSTARS) or under competitively bid contracts through a Cooperative in which the University is a member (US Communities, E&I), may, at the discretion of a Commodity Manager, be exempt from competitive bidding requirements, since competitive bidding was conducted at the time the State or Cooperative contract was awarded.

Sole Source Purchases: If competition is determined to not be feasible due to the sole source nature of a product/service or supplier, and the order equals or exceeds $5,000 [$2,500 for general items and $2,000 for construction-related items under federal funding], a written sourcing justification and a determination of price reasonableness is required prior to the commitment being made.

Single Source Purchases: If competition is determined to not be feasible due to a single source nature of an item, service or supplier, and the order equals or exceeds $5,000 [$2,500 for general items and $2,000 for construction-related items under federal funding], a written sourcing justification and a determination of price reasonableness are required prior to the commitment being made.

Sponsor-owned Items Controlled by CM: Goods/equipment that will be controlled by CM, but are purchased with sponsor funds and will remain the property of the sponsor, shall be purchased according to the provisions of the sponsor agreement.
4.5 Supplier Qualification

Carnegie Mellon will only conduct business with reputable and stable suppliers who are capable of providing the goods and services required. US suppliers must provide either a Federal Identification number or a Social Security number and sufficiently complete a Supplier Information Form indicating business size, type, NAICS number, classification, and product/services line(s), and a W-9 (domestic) form. Foreign suppliers must provide unique identifiers as are deemed appropriate by PS and the foreign branch campus senior administrators, and must sufficiently complete a Supplier Information Form indicating business size, type, NAICS number, classification, and product/services line(s), and the appropriate W-8 (foreign) form. Failure to provide such information may necessitate the locating of a different supplier to satisfy the requirement.

PS will ensure that Preferred Suppliers do not appear in the U.S. Government Lists of Parties Excluded from Federal Procurement or Non-Procurement Programs. Buyers are responsible for this debarment verification when non-Preferred Suppliers are used on federal government grants, cooperative agreements or contracts where the order will exceed $30,000 (ref: www.epls.gov for a current listing). A written certification from the supplier is required (ref: Supplier Certification Form).

To qualify suppliers, PS may obtain a Dun and Bradstreet or other business financial and background informational reports to determine the financial stability and acceptableness of suppliers who require significant pre-payments or with whom Carnegie Mellon has no previous experience. PS will also work to develop new suppliers by inspecting products and facilities. The expertise of the campus community will be utilized to ensure that suppliers can achieve technical requirements. Supplier files maintained by PS may also contain historical experience information. PS will review Preferred Suppliers periodically and compare with Dun and Bradstreet and other ratings to ensure the continued stability of those suppliers.

The University must select suppliers who offer the greatest total value for the products and services purchased.

The University will employ techniques to develop small, small disadvantaged, small women-owned, small veteran-owned, small disabled veteran-owned and small HUBZone businesses capable of providing the products and services needed by the Institution.

PS and buyers must request that all suppliers complete either a Domestic or International Supplier Information Form and either a W-8 (foreign) or W-9 (domestic), as required, tax withholding form in order to obtain full and proper
information and to enter the supplier into the automated Oracle payment system. Those identifying themselves as Small Business Administration certified suppliers must be verified as such by PS or the Buyer by accessing the Small Business Administration's database - Central Contractor Registration (CCR) – **www.ccr.gov**.

### 4.6 Supplier Suspension/ Removal from Bidder’s List

Carnegie Mellon will suspend or remove a supplier from the solicitation process if any of the following causes occur on one or more Procurement Card transactions, purchase orders, Web-orders or contracts:

- Unsatisfactory performance (i.e., poor performance, delivery or default on one or more Procurement Card transactions, purchase orders or contracts, including any provision of contract terms, for construction service or products/services, including but not limited to over-shipments, under-shipments, providing damaged or defective goods, making unauthorized substitutions, billing errors, unallowable billings, service deficiencies, or poor workmanship) unless the unsatisfactory performance is caused by acts beyond the control of the business, such as acts of God, acts of war, terrorism, fires, or strikes (force majeure).

- Conviction of the business or an officer or principal shareholder for commission of a criminal offense in connection with obtaining, attempting to obtain or performing a contract or subcontract.

- Violation of anti-trust or other laws or statutes including those relating to the submission of bids.

- Bankruptcy or pending bankruptcy of the supplier.

- Unethical practices or violation of Carnegie Mellon’s policies (including misrepresentation of certifications).

- Inclusion on the US Government Lists of Parties Excluded from Federal Procurement or Non-Procurement Programs.
The Director of PS has the authority to suspend a business, for cause, from participating in the University’s solicitation process or in University business.

In order for a supplier to modify or shorten the suspension period, supporting documentation must be submitted to the Director, PS, including but not limited to:

▪ Bona fide change in ownership and management of the business

▪ Elimination or mitigation of the cause for which the suspension was imposed

Upon termination or expiration of the suspension period, the supplier shall be eligible to participate in the bidding process or receive University business.

If a supplier is suspended a second time for the same cause, permanent suspension may result.

Delivery Issues or Failure to Perform

Further steps required in instances of delivery or performance problems are:

▪ It is the responsibility of the requesting department experiencing dissatisfaction with the supplier performance to notify PS, in writing, of the complaint.

▪ PS will review the facts through discussions with the requesting department to determine the appropriate course of action.

▪ The requesting department may be required to provide specific details and reasons for dissatisfaction, in writing.