Purchasing Policy Update: Implementation of the Uniform Guidance Procurement Standard

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Finance Division
Agenda

1. Background and Timeline
2. Procurement Thresholds
3. Procurement Standards Overview
4. Updated Thresholds and Impacts
5. Related Updates
6. Questions
Background and Timeline

- **2002**: University Purchasing Policy went into effect
- **2017**: KPMG performance gap assessment on university policy
- **May 2018**: Internal policy go-live date
- **December 26, 2013**: OMB issues Uniform Guidance requirements
- **2017 - 2018**: Procurement services conducts internal review, solicits campus feedback, and proposes updated policy
- **July 1, 2018**: University must be in compliance with OMB UG requirements
Major Changes

- Procurement thresholds and standards
- Purchase method definitions
- Documented policies and procedures for procurement standards and conflicts of interest
- Adherence to and documentation of procurement procedures
OMB’s Stated Goals in Federal Register Notice

More effectively focus Federal Resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars in partnership with non-Federal stakeholders.

Strengthen oversight over Federal funds to reduce the risk of waste, fraud and abuse.

Deliver on the promise of a 21st Century government that is more efficient, effective and transparent.

Streamline guidance for Federal awards to ease administrative burden.
## Purchasing Methods

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchase Order</strong></td>
<td>Legally binding commercial documents. Completed by the buyer and approved via a designated workflow in Oracle.</td>
</tr>
<tr>
<td><strong>Purchasing Card (PCard)</strong></td>
<td>Credit card issued to authorized employees to make allowable purchases of goods and services on behalf of the university.</td>
</tr>
<tr>
<td><strong>Travel Card</strong></td>
<td>Departmental and individual credit cards issued by the university. Designed to simplify and streamline paying for business travel expenses.</td>
</tr>
<tr>
<td><strong>Expense Reimbursement (ER)</strong></td>
<td>Detailed log of expenses submitted to authorized approver for reimbursement, recording of expenses or reconciliation of an outstanding travel advance.</td>
</tr>
<tr>
<td><strong>Petty Cash</strong></td>
<td>Relatively small amount of cash kept at hand for making immediate payments. Should only be used as a last resort.</td>
</tr>
</tbody>
</table>
Action Plan for UG Procurement Compliance

• Modify policy, processes and systems to satisfy requirements

• Align university standards to satisfy new government requirements

• Streamline processes and systems to enhance compliance and realize efficiencies

• Grow Policy understanding and compliance through communication and training

• Enhance preferred supplier program and decrease administrative burden
Procurement Thresholds
## General Standards

<table>
<thead>
<tr>
<th>Documented Policies</th>
<th>Necessary</th>
<th>Full and Open Competition</th>
<th>Conflict of Interest</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizations must maintain a purchasing policy and document adherence to the policy</td>
<td>Purchases made are necessary for operations</td>
<td>Vendors given equal consideration</td>
<td>Buyers must disclose conflicts of interest upon completion of New Buyer Training and must re-certify annually</td>
<td>For purchases above micro-purchase threshold, buyers must:</td>
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<tr>
<td></td>
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<td></td>
<td>• Complete cost or price analysis</td>
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<td></td>
<td>• Explain why vendor was chosen</td>
</tr>
</tbody>
</table>
## Procurement Methods and Thresholds

<table>
<thead>
<tr>
<th>Procurement Standards 200.320</th>
<th>Proposed CMU Adoption Strategy</th>
<th>Business Impact</th>
<th>What does this mean for you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Procurement by <strong>micro-purchases</strong> is the acquisition of supplies/services where aggregate dollar amount does not exceed $3,000 ($2,000 for construction subject to Davis-Bacon Act)</td>
<td>No changes expected.</td>
<td>Certain PCards with prior purchasing limits of $2,499.99 could be increased to $2,999.99 at discretion of unit.</td>
<td>• PCard purchases capped at $2,999.99 regardless of purchase type/funding source (purchases ≥$3,000 must be made via PO)</td>
</tr>
<tr>
<td>• To extent practicable, entity must distribute micro-purchases equitably among qualified suppliers</td>
<td></td>
<td></td>
<td>• $2,499.99 cap on PCard purchase for equipment, furniture, fabricated equipment and services and software can be raised to $2,999.99</td>
</tr>
<tr>
<td>• Micro-purchases may be awarded without soliciting competitive quotations if entity considers price to be reasonable</td>
<td></td>
<td></td>
<td>• Existing PCard restrictions (e.g., hazardous materials, facility rentals) remain in place</td>
</tr>
</tbody>
</table>

Until PCard Guidelines are updated, current card policy remains in place. These guidelines will be considered in card policy update.
## Procurement Methods and Thresholds

### Procurement Standards 200.320
- Procurement by **small purchases** (>3,000, but <$150,000) are relatively simple and informal procurement methods utilized for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold ($150,000)

- If small purchase procedures are used, price or rate quotations must be obtained from adequate number of qualified sources

### Proposed CMU Adoption Strategy
- Existing limits for buyers to be evaluated by PS and department to ensure compliance with small purchases thresholds
- Elevate Preferred Supplier Program to facilitate ease of procurement and reduce administrative burden on small purchases
- PS to review POs to ensure compliance and minimize redundant procurements

### Business Impact
- PCard limits may be reduced to $2,999.99 to mitigate compliance risk
- Purchases previously made via PCard may require PO
- Compliance tracked and coaching to be implemented
- Procurement processing time could increase if rework is required

### What does this mean for you?
- Purchasing Checklist and Bid Summary Form is required for any purchase ≥$3000 made through a non-preferred supplier
- PS is first PO checkpoint to ensure checklist completed correctly

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*Procurement Standards 200.320*
## Procurement Methods and Thresholds

### Procurement Standards 200.320

Procurement by **sealed bids** (formal advertising) for items over $150,000 occur where bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price.

### Proposed CMU Adoption Strategy

- PS to execute or participate in sourcing events to ensure compliance
- Departments conducting sourcing events outside of PS will require formal memorandum of understanding

### Business Impact

Planning and early involvement of PS will be required to support compliance

### What does this mean for you?

- If you make a purchase ≥$150,000 using a sealed bid process, you must involve PS prior to the initiation of supplier communications
- PS can conduct a bid on your behalf (preferred) or offer professional guidance through purchasing process
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<td>- Procurement by <strong>competitive proposals</strong> for items over $150,000 is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded</td>
<td>- PS to execute or participate in sourcing events</td>
<td>- Planning and early involvement of PS required</td>
<td>- If making a purchase ≥$150,000 using a competitive proposal process, you must involve PS prior to the initiation of supplier communications</td>
</tr>
<tr>
<td>- Generally used when conditions are not appropriate for the use of sealed bids</td>
<td>- Departments conducting sourcing events outside of PS will require formal memorandum of understanding</td>
<td>- Criteria for awarding and scoring required to be known at the Request for Proposal (RFP) release and must be controlled through a scorecard process</td>
<td>- PS can conduct a bid on your behalf (preferred) or offer professional guidance through the purchasing process</td>
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Procurement Methods and Thresholds

**Procurement Standards 200.320**

Procurement by noncompetitive proposals occurs when only one source is proposed and may be used only when one or more of the following circumstances apply:

1. The item is available only from a single source;
2. The public exigency/emergency for the requirement will not permit a delay resulting from competitive solicitation;
3. The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
4. After solicitation of a number of sources, competition is determined inadequate.

**Proposed CMU Adoption Strategy**

Purchases can only be placed on a PO, where PS will be in the approval workflow for all noncompetitive (sole and single source) procurements to evaluate compliance.

**Business Impact**

- Departments required to provide sufficient level of detail to support the review of noncompetitive (sole and single source) procurements
- Adjustment to current campus practice, where individuals elect this option with little to no rationale

**What does this mean for you?**

PS will be a PO checkpoint to review the Purchasing Checklist and Bid Summary forms
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<td>• The non-Federal entity must maintain written standards of conduct covering <strong>conflicts of interest</strong> and governing the actions of its employees engaged in the selection, award and administration of contracts</td>
<td>• Enhanced definition of what constitutes a COI under Uniform Guidance incorporated into Policy</td>
<td>• Buyers required to certify COI when completing new buyer training to obtain a PCard and/or Oracle PO system access</td>
<td>• New buyers to complete form upon completion of Introduction to Purchasing training</td>
</tr>
<tr>
<td>• Standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity</td>
<td>• Process developed for Buyers to disclose any conflicts of interests (COI) with supplier</td>
<td>• Buyers required to re-certify COI annually to maintain purchasing authority</td>
<td>• Existing buyers required to complete Conflict of Interest disclosure form annually</td>
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<td></td>
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<td>• PS will review listed conflicts to see if action is needed</td>
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<td>• Officers, employees and agents of non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors/parties to subcontracts</td>
<td>• Gifts over $75 (annual cap of $300) may not be accepted from supplier</td>
<td>• Burden for approving and tracking any gift exceptions shifts from the departments to PS</td>
<td>• If a vendor offers a gift over $75, this must be disclosed to PS in writing to <a href="mailto:procurement-inbox@andrew.cmu.edu">procurement-inbox@andrew.cmu.edu</a>.</td>
</tr>
<tr>
<td>• Non-Federal entities may set standards for situations in which the financial interest is not substantial or gift is an unsolicited item of nominal value</td>
<td>• Exceptions require prior approval of PS through the submittal of a form for review</td>
<td>• Requests for exceptions will require formal documentation (form)</td>
<td>• PS will determine appropriateness of accepting the gift prior to a buyer accepting said gift</td>
</tr>
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<td>• Standards of conduct must provide for disciplinary actions to be applied for violations</td>
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### Related Updates

#### Updated Forms
- Purchasing Checklist and Bid Summary Form
- Buyer Actions Matrix
- Conflict of Interest Disclosure

#### Updated Training
- Introduction to Purchasing
- Purchasing Card Training
- Purchase Order Training

#### Updated Documentation
- Procurement Manual

> Updated forms, training, and documentation will be available on the Finance Forms page in May 2018 to coincide with policy go-live.
Questions