

# **PURCHASING POLICY & PROCEDURES**

## **Low Value Purchasing Authority**

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### **I. References**

UC Business & Finance Bulletin BUS-43.

UC Merced Purchasing Policy and Procedures.

### **II. Purpose**

This procedure provides guidelines governing purchases under low-value purchasing authority delegated to individuals in operating units outside the Campus Purchasing Department. The delegation provides a convenient means of obtaining low-value supplies and services quickly.

### **III. Definitions**

The Low-Value Authorization is a limited purchasing authority delegated to operating units for the purchase of supplies or services that are not available from established agreements or campus service units.

Low-Value Purchases are supplies and services that do not exceed a cost of \$2,500.00 (for orders placed via PAC) and \$5,000.00 (for orders placed via Bruin Buy), per vendor, per day, per department, excluding transportation costs and excluding sales and/or use tax.

### **IV. General Policies**

The Purchasing Director may delegate low-value purchase authorization to individuals in operating units outside the Procurement organization.

Operating units must demonstrate, to the satisfaction of the Purchasing Director, that they have the capability to administer and control such delegated purchasing authority in compliance with University policy. A unit's capability to administer and control includes the ability to divide responsibility so that certification of receipt of purchases and review of charges to the departmental budget(s) are not done by the person to whom purchase authority was delegated.

In no instance shall the amount of low-value delegated purchase authority exceed \$5,000.00 per vendor, per day, per department.

The issuance of repeat orders on consecutive days to a vendor for the same or interconnecting material, or the issuance of multiple invoices by a vendor in order to circumvent this procedure, are prohibited and shall be cause for the withdrawal of delegated purchasing authority.

Items of supply, and services and repairs for which there is a repetitive requirement should be handled through the Purchasing department under campus-wide (local), restricted (department blanket) or System wide (Strategic Sourcing) agreements.

Every transaction under the low-value authorization must be recorded at the time of the commitment in accordance with the procedures described in Section V. All purchases made under delegated authority shall be in accordance with all existing University purchasing policies (see Business & Finance Bulletin BUS-43 and UC Merced Policy 700), including reasonableness of price.

Purchases and transactions not permitted under the low-value purchase authorization are:

- Construction
- Fabrication items
- Ethyl alcohol (except denatured)
- Firearms, ammunition and explosives
- Foreign purchases (Canada excluded)
- Furniture
- Goods or services from employees or near relatives of any University employees
- Independent consultants
- Inventorial items or items to be price adjusted to equipment.
- Laboratory and other animals
- Narcotics, dangerous drugs or controlled substances.

- On-site labor-related services of any kind (on-site includes University-owned, leased, or rented properties)
- Personal and Professional services
- Personal or theft-sensitive items, such as: stereos, TVs, VCRs, DVDs, cameras
- Personal or ornamental use items
- Personnel-type actions or services, including independent contractors
- Precious metals
- Prohibited/Restricted items/Special approval items (see Policy 700, Sections H & I)
- Radioactive material
- Reimbursements to UC Employees other than those with LVO delegations
- Rentals that exceed 31 days
- Services which require a signed vendor contract
- Travel & entertainment (meals, airfare, hotel, car rental)
- Vehicle/boats or real estate rentals/leases

Non-compliance with the provisions of this procedure shall be cause for the withdrawal of delegated purchasing authority.

## **V. Procedures**

### **1. Prequalification**

Departments shall solicit quotes and secure goods and services from pre-qualified vendors only. Pre-qualified vendors may be identified through the PAC system Vendor file listing (VCK).

In an instance where a vendor has not yet been pre-qualified, pre-qualification may be accomplished concurrently with the quotation and/or order placement process. Departments shall request a vendor to complete a Business Information form (available online at <http://bfs.ucmerced.edu/>) and the supplier shall provide a completed and signed W-9 form. After the information is provided, the department must do a request for vendor set-up (VCK) in the PAC system. After the vendor VCK is established, orders may be issued to the vendor.

### **2. Business Affirmative Action**

It is the Policy of the University of California, consistent with State and Federal law, to take affirmative action to optimize opportunities for

business contracting with small business enterprises, disabled veteran business enterprises and small disadvantaged business enterprises, in the areas of purchasing, construction, and design and other professional services provided to the University, and to ensure the placement of a fair proportion of business contracts with such enterprises.

Departments are strongly encouraged to utilize targeted firms to the maximum extent possible whenever such a firm can fulfill departmental needs at a reasonable price.

3. Environmental Stewardship

Departments shall strive to promote environmental stewardship consistent with University and campus sustainability policies and best practices through the procurement of environmentally–friendly products and services where practical.

4. Price Reasonableness

In all procurement transactions, the price paid by the University must be reasonable. Although the transactions under LVO program are of a low-dollar value, the possibility of unreasonable prices still exists.

Departments are encouraged to take all reasonable positive measures to ensure a price to be paid is reasonable. Several methods may be employed for this confirmation, such as:

- Utilization of a University Strategic Sourcing Agreement or local campus agreement.
- Use of competitive techniques; solicitation of several sources with award to the lowest priced vendor meeting requirements;
- Comparison of quoted price(s) to price(s) previously paid;
- Comparison of quoted prices to published catalog prices.

In the event it is determined a price or condition of purchase is not reasonable, negotiation may be used to obtain the desired result. All vendors shall be treated on a fair and equal basis without any indication of a price which must be met (a budgeted amount or estimate may be disclosed as appropriate), relative standing, identity of competition, or the content of other quotations or proposals.

5. Recordkeeping

Transactions issued under this LVO program must be documented sufficiently as to the manner in which a price was determined to be reasonable. This documentation must be adequate for proper audit of actions taken and methods used for price reasonableness determination.

Periodic appraisals will be conducted by Internal Audit or by an appropriate designee of the Purchasing Director to ensure compliance with the conditions of the delegation, and to provide a basis for adjusting or discontinuing the delegation to the department, as the findings indicate.

6. Source Selection

It is important to know not only that a price to be paid is reasonable, but also that the selection of the vendor was done with reason. Departments must document transactions as to the method of source selection.

7. Office of Record

The department is the Official Office of Record for department low-value orders and, if audited, will be required to show proof of documentation.

Documentation consists of:

- Internal requisition
- Quotation/competitive quote
- Vendor selection/Price reasonableness checklist (See Exhibit "1")
- Proof of delivery (packing and/or delivery slip)
- For internet purchases, copy of the confirmation screen

The department/unit must maintain a separation of duties between the purchasing function and bookkeeping function in accordance with BUS-43.

8. Roles and Responsibilities

a. Establishing Purchasing Authorization

RESPONSIBILITY

ACTION

Department

Maintains records of all department personnel permitted to purchase low-value goods or services with departmental funds.

Keeps DACSS/PAN tables updated to reflect authorized preparers and reviewers.

Purchasing Director

Establishes that UC Merced departments continue to demonstrate the ability to administer and control the low-value purchase delegation.

Provides activity information to campus departments.

Evaluates activity, and procedural compliance.  
Continues or discontinues individual delegation based on that evaluation.

b. Ordering Supplies, Repairs and Services under Low-Value Authorization

RESPONSIBILITY

ACTION

Department-  
Individual Preparer

Prepares an online Limited Value Order via the BruinBuy system to record each purchase.

Places order with vendor by fax, mail, or phone.

Vendor

Delivers requested goods or performs service.

Department-Individual  
(who did not place order)

Receives goods or services and notes receipt online or on LVO form.

Vendor

Sends invoice to Accounts Payable.

Accounts Payable

Receives invoice from vendor and matches to online order. Schedules invoice for payment.

Department-Individual  
(who did not place order)

Reviews DACSS/PAN messages and audits for receipt of order.