UC Irvine
Purchasing Policies & Procedures

Training Module 1
Course Information

- Select underlined text (web link) to read additional information. Select the link below to try it out.

  [UC Policy BUS-43 Materiel Management](#)

- At the end of this course, your knowledge will be assessed through the Low Value e-Test.

- Successful completion of the Low Value e-Training and Low Value e-Test provides you with a **Low Value Purchase Authority** (LVPA).
Introduction

- The size and complexity of the University of California make it essential that uniform purchasing policies and procedures be established to:
  - Maintain best business practices
  - Serve the interests of departments campuswide

- **Low Value e-Training, Module 1**, provides an overview of acceptable buyer conduct that supports the University’s Procurement Mission.

- All employees are encouraged to master the knowledge and skills presented in this module in order to better serve our students, faculty, staff, and community.
Ethics and Purchasing Conduct

The University of California subscribes to the following ethical standards. These ethics apply to all UCI employees, including those who are authorized to purchase goods and services with a PALCard and/or a Kuali (KFS) Purchase Order.

Select the links to become familiar with these standards.

- [Principles and Standards of Ethical Supply Management Conduct](#)
- [Code of Ethics – National Association of Educational Procurement (NAEP)](#)
- [UCI Policy 707-10: Purchasing Policies and Procedures](#)
The University of California receives funding for its operating budget from the State of California and federal agencies.

As custodian of these funds, the University is committed to maintaining high standards of purchasing conduct to protect the interests of its taxpayers.

Employees have a duty to ensure that these funds are spent in a responsible and efficient manner.
Conflict of Interest – Basics

- The California Political Reform Act requires that all government and University employees disqualify themselves from participating in decisions in which they have a personal financial interest.

- For UCI employees, the basic definition of a Conflict of Interest refers to a situation in which outside financial interests, or other personal considerations, may compromise (or have the appearance of compromising) an employee’s actions or judgments in the administration, management, or performance of their professional activities.

- Conflict of interest occurs when an activity, such as purchasing, creates a conflict between employees’ personal interests and the interests of their employer.
Conflict of Interest – Basics (continued)

- University policy seeks to separate employees’ professional and private interests, therefore safeguarding the University and its employees against allegations of favoritism in the purchase of goods and services.

- As a representative of the University, employees must not influence another person to provide any benefit to themselves or persons with whom they have family, business, personal, or financial ties.

- Even though a conflict may not technically exist, University employees must avoid the appearance of a conflict.

- Whenever a potential conflict of interest arises, employees should notify the appropriate person for guidance, e.g. supervisor, department manager or Central Purchasing.
  - Related policies: [UC Conflict of Interest Code](#)
    - UC Policy BUS-43, Part 7
To reduce the chance of creating a Conflict of Interest, avoid:

- Engaging in outside business, or employment by an outside organization, which could interfere with, or encroach upon, an employee’s primary responsibility of loyalty to the goals of the University.

- Engaging in improper personal business with, or employment by, an organization that competes with, or is a supplier to, the University.

- **Examples include, but are not limited to**
  - Lending money to, or borrowing money from, a supplier.
  - Recommending or endorsing the product or service of another organization, such as a supplier of goods or services.
  - Owning or leasing any property with knowledge that the University has an active or potential interest therein.
  - Using the University’s name (unless authorized) to lend weight or prestige to sponsorship of a political party or cause.
Conflict of Interest – Independent Contractors / Consultants

California Public Contract Code – Section 10515-101518

- CA Public Contract Code regulates the use of independent contractors/consultants and imposes penalties on individuals or entities that violate restrictions in the following areas:
  
  ◦ Employees as Contractors - Purchasing, leasing or renting goods from University employees.
  
  ◦ Contracting with former University employees as independent contractors to perform work related to contracts that were planned, negotiated, or executed prior to their separation, or the employee was in a policy-making position involving the subject matter of the agreement.
  
  ◦ Awarding successor contracts or follow-on agreements to consultants, or other entities, based upon recommendations the employee provided to the University.

- Restrictions for Contracting with Independent Contractors / Consultants
Conflict of Interest – Employees as Contractors

- University employees (excluding those with teaching or research responsibilities) may not contract with any University department to provide goods or services as independent contractors. There are no exceptions.

- Departments requiring the services of an existing University employee should work with Human Resources, Academic Personnel, or Payroll to compensate an individual through the payroll system.

- University employees with teaching or research responsibilities may be exempted, however, they are still subject to University guidelines for Employee-Vendor Relationships, as well as Academic Personnel policy.

- Examples of Restrictions for Contracting with UC Faculty/Staff
Conflict of Interest – Former Employees as Contractors

Former employees cannot serve as independent contractors for:

- **Two years** from the date of separation to perform work related to contracts in which they engaged in any negotiations, transactions, planning, arrangements, or any part of the decision-making process relevant to the contract while employed in any capacity, by any University department.

- **One year** from the date of separation to perform work on a contract if they were employed by that department in a policy-making position in the same general subject area as that contract.

- Departments requiring the services of a retired University employee should consult with Human Resources.
Conflict of Interest – Successor Contracts

- Consultants who have performed work in the past for the University cannot participate on subsequent projects relating to the findings or recommendations they previously provided to the University.

- If you are planning to contract with a consultant, with the expectation that the same consultant could perform work related to the findings, this follow-on contract may not be allowable under California Public Contract Code.
  - For more information call (949) 824-6516 or email contracts@uci.edu.
Penalties for Violation

There are serious penalties, including criminal sanctions, for non-compliance with California Public Contract Code, Section 10515-10518. Penalties include:

- **Voided Contracts** – Every contract or other transaction entered into that is in violation becomes void.

- **Felony** – An officer or employee of the University, or a contractor to the University, who knowingly engages in a prohibited transaction, may be guilty of a felony.

- **Monetary Liability** – Persons convicted may be liable for monetary damages.

- **More Information** – Contact a [Buyer](mailto:Buyer) or [Nida Niravanah, UCI Risk Manager](mailto:Nida Niravanah, UCI Risk Manager), at (949) 824-6510.
Conflict of Interest – Employee-Vendor Relationship

- An employee-vendor relationship is one between a University employee and a proposed vendor that might create a conflict of interest. The relationship exists when University employees act as vendors to sell (or rent) goods or services to the University.

- Purchasing goods and services from the following is not allowed.
  - A near-relative of a University employee.
  - A business in which the near-relative of a University employee owns a 10% or greater interest, when the University employee has any influence over the purchasing decision.

- Near-Relatives are defined as:
  - Spouse, child, parent, brother or sister
  - Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law
  - Any “step” relative, e.g. stepmother, stepson, etc.
Conflict of Interest – Gifts and Gratuities

- A gratuity is defined as having monetary value.
- State and federal laws govern the acceptance of gifts and gratuities by University employees.
  - California Public Contract Code sets forth comprehensive rules designed to assure that government and University employees perform their duties in an impartial manner, free from any bias caused by their own financial interests.
- University Policy states that in accordance with state and federal law, University officers, employees, and near-relatives should not solicit, nor accept any personal favor, gift, gratuity, or offer of entertainment directly or indirectly from a supplier.
Employees must act with integrity and good judgment, and recognize that accepting personal gifts from suppliers may cause legitimate concerns about favoritism.

Employees may **not** accept:

- Tickets to athletic events
- Meals from sales representatives
- Trips paid for by suppliers
- Gifts of alcohol
- Discounts based on employment with the University
- Or other gifts and gratuities
Acceptance of the following is not considered a gift:

- Modest entertainment:
  - A meal or refreshment, in connection with attendance at professional meetings or events.
  - Meetings or events sponsored by industrial, technical, professional or educational associations.

- Nominal promotional materials offered by vendors to market their business, e.g. pen, mousepad, etc.

Report the offer or acceptance of a gift to your supervisor.

Your supervisor should consult with Central Purchasing to determine whether acceptance of the gift complies with University policies.
Conflict of Interest
Gifts and Gratuities (continued)

• Some faculty and staff are subject to additional requirements for financial disclosure and disqualification from making decisions on matters in which they have a financial interest.

• For additional information, refer to UCI Policy 700-09: Policies on Gifts, Gratuities and Conflict of Interest
Unauthorized Purchase

- **UC Policy BUS-43, Part 1, Section H** states that an individual who has not been delegated a Low Value Purchasing Authority (LVPA), who makes an unauthorized purchase of goods or services shall be responsible for payment of the charges incurred.

- Only employees who have completed Low Value training and testing are authorized to purchase goods and services through the delegation of a Low Value Purchase Authority (LVPA).
Separation of Duties

- Department employees who are authorized to purchase must be **different** from those employees that review and approve expenses.
  - Buyers may not review/approve charges for their own purchases.

- **UC Policy BUS-43, Part 6 (Procurement Card Program), Section D, 1, A** states PALCard-holders may not be their own Reconcilers, as this would not provide for a separation of duties.
Low Value Purchasing

- Employees who have completed Low Value e-Training and Low Value e-testing are delegated with a Low Value Purchase Authorization (LVPA).

- An LVPA delegation permits a departmental buyer to purchase goods and low risk services up to $5,000 per vendor, per day with a PALCard, or $5,000 per vendor, per day through a KFS Purchase Order.

- Processing a Purchase Order is generally a more costly process and not recommended for Low Value purchases when the vendor accepts credit card for payment.
Several **Purchasing Methods** are available for the purchase of Low Value goods and services. Below outlines the preferred method of purchasing.

- **UCIBuy**
  - Procure commonly purchased goods under UC or Local Agreements.
  - APO available for unrestricted commodities ≤ $5,000.

- **PALCard**
  - Unrestricted commodities ≤ $5,000.
  - Use the **Purchasing Methods Guide** to identify appropriate commodities.

- **KFS Requisition**
  - Supplier isn’t in UCIBuy.
  - Supplier doesn’t accept a PALCard.
  - Commodity is restricted or high value.
Low Value vs. High Value Purchasing

- **UCI Policy 707-10, A** states Departmental Buyers with a LVPA may purchase items, as indicated in the *Purchasing Methods Guide*.

- High value goods and services, or high risk goods and services with a low dollar value, may only be purchased by buyers in Central Purchasing.
  - See next slide for more information regarding services.

- Departments initiate a requisition in the Kuali Financial System (KFS). Commodity Code(s) determine routing to either a Departmental Buyer or a Central Purchasing Buyer.

- Buyers review, verify and authorize the purchase.

- Recommended course offerings for Departmental Buyers are available in the *UC Learning Center*. 
All requests for services must route through Central Purchasing due to the complexity of the commodity. Many details need to be negotiated. For example:

- Scope of work.
- Agreeable standard of completion.
- Time of service, e.g. day, week, etc.
- Deadline.
- Terms and conditions.
- Insurance.
- Transfer of rights (intellectual, property, etc.).

Central Purchasing has negotiated some local service agreements to expedite the request process, such as, photography, bus/transportation, shredding services, etc. A full list can be found by selecting the following link: [UCI Local Agreements](#).
On October 1, 2015, the UC Fair Wage/Fair Work Plan and California Senate Bill 854 (Prevailing Wage) launched.

**Summary of UC Fair Wage/Fair Work:** Minimum wage for both direct and service contract employees take effect in stages, as follows:
- October 1, 2015 = $13/hour
- October 1, 2016 = $14/hour
- October 1, 2017 = $15/hour

In addition, all contractors doing business with UC must comply with government and workplace laws and policies. Fair Wage/Fair Work does not apply if the agreement:
- Is only for the furnishing of goods.
- Involves services not performed on UC campuses, labs or medical centers.
- Involves services performed as part of a public works project with a wage determination at or above the UC Fair Wage.
- Involves services funded by an extramural award containing sponsor-mandated terms and conditions (federal, state or private foundation, research grants).
For service vendors that receive $100,000 or more annually, the supplier is required to provide an annual independent audit at the supplier’s expense to ensure compliance.

Select the following link to view more information regarding UCI Employees: Human Resources Communication.

Summary of Prevailing Wage: All workers employed on public works projects must be paid the prevailing wage set forth by the Department of Industrial Relations (DIR) according to the type of work and the location of the job. Public works applies to construction, alteration, demolition, repair work and installation and maintenance projects for a plant, building, structure, ground facility, utility system or real property over $1,000.

Central Purchasing must validate DIR Registration for public works prior to awarding the job.

Work cannot be awarded unless there is an approved Purchase Order or signed contract/agreement in place.
Strategic Sourcing

- Procurement Services in Office of the President (UCOP) develops and implements purchasing policies and strategies throughout the University system, including Strategic Sourcing agreements.

- Strategic Sourcing effectively manages the University’s supplier base by administering agreements that are used by all campuses and laboratories.

- Strategic Sourcing reduces the cost for goods and services, reduces order time, and maximizes the value and potential of key strategic supplier relations.

- Additional information about UCOP’s goals of standardizing agreements and procedures is available at UCOP Procurement Services.
Independent Contractor

- An independent contractor relationship exists when UC Irvine has the right to control only the end result (i.e. deliverables) of a service, but not the way/manner it is performed.

- University policies and guidelines for obtaining the services of an Independent Contractor are available in UC Policy BUS-77.

- When departments choose to retain an individual for services, other than through normal employment (i.e. payroll) procedures, they must ensure that no employer-employee relationship will exist with that individual. Refer to UC Policy BUS-43, Part 7.

- Persons from outside temporary employment agencies do not have an employer-employee relationship if they comply with IRS guidelines, and the primary relationship is with the agency rather than the individual.
Independent Contractor (continued)

- An Independent Contractor Pre-Hire Worksheet is available in ZotPortal – Business Contracts/Agreements, under Forms.

- An approved and fully executed Service Agreement and Purchase Order must be in place prior to the commencement of services or committing University funds.

- The originating office prepares a Requisition, which routes automatically through KFS to a Contract Analyst in Central Purchasing.

- Step-by-step information on how to create a Requisition for a Business Contract/Agreement is available in ZotPortal.
  - Requisition for Business Contracts/Agreements Training Guide
  - Business Contracts/Agreements Quick Reference Guide
Independent Consultant

- Independent consultants are a special type of independent contractor and, for University purposes, are treated somewhat differently than non-consultant independent contractors.

- Independent consultants are individuals or organizations paid by the University, although not as employees, who are of proven professional or technical competence and provide advice or perform services that the University does not control either in manner or result.

- An independent consultant relationship exists when UCI cannot control either the result of the service or the manner it is performed.

- For detailed information, select the following link: How to Process an Independent Consultant Agreement
Independent Consultant  (continued)

• Arrangements to secure the services of an independent consultant may be entered into only when services are so urgent, special, temporary, or highly technical that they cannot be performed economically or satisfactorily by existing University staff during the course of their normal responsibilities or duties.

• Refer to UC Policy BUS-34, Securing the Services of Independent Consultants.
  ◦ See section II for definitions.
  ◦ See section V for a complete list of general requirements.
Inventorial equipment at UCI is managed through the Capital Asset Management (CAM) system when it meets the following criteria:

- Owned by, or in the custody of, UCI
- Non-expendable
- Stand alone
- Useful life of one or more years
- Qualifies as tangible personal property (can be appraised for value)
- Has a purchase cost of $5,000 or more
Tracking and inventory of equipment are important functions because UCI must:

- Report equipment expenditures to federal, state and private funding agencies.
- Record inventory value and depreciation of equipment.
- Make records of equipment transactions available to UCI’s auditing agencies.

- **UCI Equipment Management and Inventory**
- **UCI Equipment Management Policies**
- **Buy Surplus Property through Peter’s Exchange**
- For more information contact **Capital Asset & Equipment Management**, (949) 824-6111.
Low Risk Services

- Low Risk Services are those in which:
  - A contract is not required.
  - Accidents are highly improbable.
  - If an accident occurred, only minor injuries or property damage would result.
  - Work is performed no more than six feet off the ground.
  - No construction, electrical work, or building modifications involved.
  - View the [Purchasing Methods Guide](#) to determine if a service is low risk and can be purchased with a PALCard or Low Value Purchase Order.
  - Issues exist such as intellectual property, copyright, terms and conditions, e.g. photography and videography services.
Low Risk Services (continued)

- Low Risk Services include:
  - Editing
  - Interpreters including ASL (American Sign Language)
  - Mail processing (outgoing)
  - Microfilming
  - Proofreading
  - Repair (computer and office equipment)
  - Transcription (non-sensitive documents per HIPAA, FERPA)

- Low risk services should be acquired using a PALCard whenever possible. For merchants that do not accept PALCard, a KFS Requisition/Purchase Order should be processed.
High Risk Services

High Risk Services are those that:

- Do not meet the definition of a Low Risk service.
- Are designated as ‘High Value Purchase Order’ or ‘Authorization by a Buyer’ in the Purchasing Methods Guide.
- May only be purchased by a buyer in Central Purchasing.
  - Departments need to process a KFS Requisition, which routes electronically to a buyer in Central Purchasing.
  - Buyers review the Purchase Order for accuracy. After the Purchase Order is approved, it is transmitted to the supplier.
Allowable Goods and Services

- Many goods and services can be purchased by Departmental Buyers.
  - These goods and services must be Low Value (up to $5,000 with a PALCard or a KFS Purchase Order) or Low Risk.
  - Departmental Buyers are held responsible for knowing which goods and services they are allowed to purchase with their LVPA (Low Value Purchase Authority).
  - If you are unsure about a pending purchase, contact Purchasing and Risk Services, Purchasing@uci.edu, PALCard@uci.edu, or (949) 824-4040, option 2 or 3.
Purchasing Methods Guide

Carefully review the Purchasing Methods Guide so that:

- You have a good understanding of allowable goods and services.
- You are able to make informative purchasing decisions.
- You are familiar with information needed to pass the Low Value e-Test and receive your LVPA (Low Value Purchase Authority).

### Purchasing Methods Guide

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Personal Purchases

- University employees shall **not** use University credit, purchasing power, facilities and services to purchase goods or services for themselves, other individuals, or non-University activities.

- **UC Policy BUS-43, Part 1: Purchase Transactions, Section J: Personal Purchases**
Professional buyers in Central Purchasing serve as models of frugality because they frequently request competitive quotes for high value or high risk goods and services.

The competitive bidding process is used to determine specifications, select a supplier, and define the terms and conditions of the purchase.

Competitive bids help to ensure goods and services are obtained as economically as possible and within acceptable standards of quality and service.

The University does not require departments to obtain competitive quotes for Low Value purchases ($5,000 or less); however, it is prudent practice for each buyer to obtain the best value for each dollar spent. Obtaining competitive quotes is, in many instances, part of that process.
Sole Source

- A sole source is defined as the only supplier available who is capable of meeting specified requirements of a product or service within a pre-determined time frame.

- When departments request a sole source for a purchase exceeding $10,000, a written justification must be submitted.

- The justification must describe the situation or technical reason for the sole source request. For example, a justification might state: “The supplier has existing artwork on file, or the supplier is the only source that can meet the delivery requirements.”

- Justifications may include, but are not limited to:
  - Additional components or parts needed to match existing equipment
  - Physical design requirements
  - Conformance with a University standard
  - Essential characteristics not found in items from other manufacturers
A reasonable price is not necessarily the lowest, but one that offers the best total value to the University.

Best total value consists of availability, delivery time, payment terms, quality, quantity, service, and other factors.

To obtain a reasonable price, use the following evaluation criteria:

- Conduct a cost comparison to similar purchases from other suppliers.
- Access a qualified individual’s knowledge about goods and/or services. Contact Central Purchasing for assistance.
Rebates

- Rebates are an incentive offered by suppliers to provide an additional discount to encourage the purchase of additional goods and/or services from that supplier.
  - For example, a supplier of laser printers offers a $75 rebate if a specific model is purchased within a specified time period.

- The manufacturer of the product provides a “rebate form” that must be completed by the buyer.

- When the rebate is received by the University department, it must be deposited to the same University account number that incurred the original debit.
Maintenance

- Maintenance is defined as the process of keeping equipment in a useable condition, or returning it to a usable condition when it fails. Examples include:
  - One-time repair service
  - Shredding service
  - Testing-diagnostic service

- Routine or scheduled maintenance agreements may qualify as KFS Recurring Payment Purchase Orders. Contact a Buyer in Central Purchasing for more information.
Small Business Program

- It is the policy of the University of California, consistent with State and Federal Law, to optimize opportunities with small businesses, and to give all responsive, responsible vendors a fair and equal opportunity to compete for campus business.

- The Small Business Act was created to help small and disadvantaged businesses compete in the marketplace. It also helps these companies gain access to federal and private procurement markets.

- Federally funded contracts in excess of $650k may be required to submit and operate under a Small Business Subcontracting Plan.

- Small businesses, like all potential suppliers to the University, should register in the Supplier Registration and Sourcing (SRS) system.
University buyers have a responsibility to support the goals of the Small Business Program by providing opportunities for small businesses to supply goods and services to University departments.

A Small Business Enterprise (SBE) is an independently owned and operated business, which is certified, or certifiable, as a small business from the Small Business Administration (SBA).

- An SBE *generally* has no more than 500 employees.

**SBA** is an independent federal agency whose mission is to provide aid, counsel, assistance, and to protect the interests of, small businesses in order to preserve free competitive enterprise and to maintain and strengthen the nation’s economy.

**UCI’s Small Business Program**
The University is committed to sustainable purchasing practices. In its efforts to request and purchase the most energy-efficient and least waste-producing products that meet its needs, the University relies on the expertise of UC’s Office of Sustainability.

Sustainability requirements are included in all University-wide Request for Proposals (RFPs), and may include criteria for:

- Energy Efficiency (such as ENERGY STAR® designations)
- Energy Conservation
- Packaging Reduction
- Reduced Paper Usage (including e-procurement, e-payment)
- Reduced Water Usage
- Responsible Shipping and Transportation Usage
- Trade-ins/Retrievals/Refurbishment of Used Products
- Use of Recycled and Recyclable Material (products, packaging, shipping materials)
- Waste Reduction
Thank you for completing Training Module 1

Proceed to Module 2