

Policy Title: General Purchasing, Receipt of Materials, and Payment of Invoices

Policy Type: Finance/Administration **New/revised:** Revised

Old Policy #: 4:02:10:00, FP-4, FP-5

Approval level: Board of Trustees
 President
 Vice President
 Other (specify here)

Purpose: The purpose of this policy is the establishment of procedures for purchasing, receipt of materials, and payment of invoices.

Policy:

I. **General**

Purchases made with University funds must adhere to sound, ethical business practices. No financial commitment may be made by any employee of the University without specific written authority of the President. University officials authorized to approve purchases of goods and services must exercise prudent judgment when expending funds or determining if an expenditure is appropriate.

II. **Principles**

- A. The purchase must comply with this policy and the laws of the State of Tennessee for the purchase of goods and services.
- B. The purchase must support the mission and purpose of the University.
- C. The purchase must not be personal in nature.
- D. The amount expended should be reasonable.
- E. Employees of the University serve the interests of the State of Tennessee and must comply with the University Conflict of Interest Policy.
- F. The President of the University has delegated authority to the Associate Vice President for Procurement and Contract Services and the Purchasing Director to make purchase commitments. The President of the University has delegated authority to the Associate Vice President for Procurement and Contract Services to sign contracts for the University when they are associated with purchase orders. No employee has authority to make any purchase commitment, enter into any contract for goods or services, or otherwise take action with respect to third parties which may be construed as financially binding to the University except through the authority of Procurement and Contract Services, unless specifically authorized by other applicable University policy or in writing by the President. This policy applies to all expenditures of funds administered by the University, regardless of origin. This policy does not apply to agency funds set up with ETSU Business Financial Services.

- G. The ETSU Standard Bid Terms and Conditions and the ETSU Code of Ethics in Procurement and Contracting (Appendix A) are adopted as minimum standards in the procurement of goods and services.
- H. Except as specifically provided in other university policies and guidelines, authority pursuant to those policies shall not include the purchase or lease of real property, the purchase of insurance, or purchases for capital outlay projects from any fund source whatsoever.
- I. No employee of the University responsible for initiating or approving requisitions shall accept or receive, directly or indirectly, from any person, firm or corporation to whom any contract may be awarded, by rebate, gift or otherwise, any money or anything of value whatsoever, or any promise, obligation or contract for future awards or compensation. Whenever any contract/purchase order is awarded contrary to this provision, the contract/purchase order shall be void and of no effect, and if the violation was intentional, the employee responsible for the purchase shall be liable for any state funds paid contrary to this provision.

III. Definitions

- A. **Banner Finance System** - A computerized on-line system used to produce and maintain the University's financial records for the eBucs System. The Banner Finance System is the official system of record for all procurement transactions created in eBucs.
- B. **Conflict of Interest** - A conflict of interest occurs when the personal interests, financial or otherwise, of a person who owes a duty to the Board of Trustees or the University (all employees) actually or potentially diverge with the person's professional obligations to and the best interests of the Board of Trustees and University. It is a conflict of interest for any person or any company with whom such person is an officer, a director, or an equity owner of greater than 1% interest to bid on any public contract for products or services for a governmental entity if such person or a relative of such person is a member of a board or commission having responsibility for letting or approving such contract. For purposes of this section only, "relative" means spouse, parent, sibling, or child (T.C.A. § 12-3-106(b)(2003)). It is the policy of the University that no employee shall use his/her employment for personal benefit. Any appearance of favoritism or influence in doing business is prohibited.
- C. **Unlawful Employee Activities** - It is unlawful for any employee to bid on, sell, or offer for sale, any merchandise, equipment or material, or similar commodity, to the state of Tennessee or to have any interest in the selling of the same to the state during that person's term of employment and for six months thereafter (T.C.A. § 12-4-103). Disclosure of any such transaction by an employee or member of the employee's family or by a business in which an employee or member of the employee's family has any significant (more than 4%) ownership interest or for which an employee or employee family member serves as an officer is required by this policy. Family member includes the spouse and children (both dependent and non-dependent) of a person covered by this policy.
- D. **eBucs System** - A computerized electronic procurement (eProcurement) system used to manage the University's procurement process online. The eBucs application includes modules that address each step in the procurement process: shop and compare, create

requisition, requisition approval process, create and distribute purchase order, process invoices, and receipt management.

- E. Minority-Owned business - A continuing, independent, for-profit business which performs a commercially useful function and is at least 51% owned and controlled by one or more minority individuals who are impeded from normal entry into the economic mainstream because of past practices of discrimination based on race or ethnic background in accordance with the provisions of T.C.A. § 12-3-802.
- F. Non-Competitive Purchases and Contracts - Purchases and contracts made when items or services are unique and possess specific characteristics that can be filled by only one source.
- G. Procard - The procurement card program available for purchases of goods less than \$5,000.
- H. Service Disabled Veteran business - Tennessee service-disabled veteran means any person who served honorably on active duty in the Armed Forces of the United States with at least a twenty percent (20%) disability that is service-connected meaning that such disability was incurred or aggravated in the line of duty in the active military, naval or air service. "Tennessee service disabled veteran owned business" means a service disabled veteran owned business that is a continuing, independent, for profit business located in the state of Tennessee that performs a commercially useful function, and is at least 51% owned and controlled by one (1) or more service-disabled veterans in accordance with the provisions of T.C.A. § 12-3-802.
- I. Small business - A business which is independently owned and operated, in accordance with the provisions of T.C.A. § 12-3-802, and is not dominant in its field of operation.
- J. Surplus Property - Any University property such as movable equipment or supplies (not real property such as land or buildings) a department determines to be excess to its needs and for which the department has no foreseeable requirement.
- K. Woman - Owned business- A women-owned business that is a continuing, independent, for-profit business which performs a commercially useful function, and is at least 51% owned and controlled by one or more women; or, in the case of any publicly owned business, at least 51% of the stock of which is owned and controlled by one or more women and whose management and daily business operations are under the control of one or more women in accordance with the provisions of T.C.A. § 12-3-802.

IV. **Purchasing**

- A. Planning a Purchase - In preparation of the purchase of goods and services, a clear description of the requirements or specifications is the basis for assuring that departmental needs will be met. The approving authority from the ordering department must assure that funds have been appropriated and are available for the purchase of materials, supplies, equipment or services prior to award of a contract. The ordering department is responsible for determining that all items to be purchased are necessary.
- B. Purchase Requisition Procedures - Purchase requisitions should be submitted online by accessing the eBucs system. Purchase requisitions are submitted by the ordering department, approved by the appropriate officials and forwarded electronically to

Procurement and Contract Services for processing into a bid or a purchase order. C. The purchase requisition should include, but not be limited to the following:

1. Information describing the purpose of the acquisition, technical requirements, bidder qualifications, and any other information considered relevant to the goods or services being acquired. Whenever possible, all specifications for materials, supplies, equipment and services shall be worded or designed so as to permit open and competitive bidding.
2. The quantity or amount of articles or services required.
3. The estimated cost of goods or services.

D. Additional Purchasing Methods - In addition to the purchase requisition, other purchasing methods, such as the Procard and contract purchases may be available.

E. Competitive Bidding and Specifications - All purchases valued at \$10,000 or more shall be based upon the principles of competitive bidding except as provided herein.

Whenever possible, all specifications for materials, supplies, equipment and services shall be worded or designed so as to permit open and competitive bidding for the supplying of the articles, commodities or services to which they apply. Bid thresholds are set by the State of Tennessee to establish the minimum dollar amount for which any purchase of goods or services must be competitively bid. Currently the bid threshold is \$10,000.

F. Bidding is required when the total purchase amount is \$10,000 or more. A minimum of three bids is required when the total purchase amount is \$10,000 to \$50,000. Departmental personnel may contact sources of supply for quotes when the amount of the total purchase is \$10,000 but less than \$50,000. Procurement Services will assist in the development of specifications and provide capable suppliers upon request. Procurement Services is also available to obtain the bids. All bid information is to be attached as internal information on the purchase requisition in eBucs. If available, furnish with the purchase requisition such specifications, catalog pages, brochures, or other data as will provide an adequate basis for determining the quality and functional capabilities of the products being requested.

G. Procurement Services will issue bids for goods and services \$50,000 or more.

H. The University shall actively solicit bids from small, minority, service-disabled veteran, and woman-owned businesses in order to obtain a fair proportion of goods and services from such businesses, whenever possible.

I. Non-Competitive Purchases - Goods and services over the bid threshold may be procured without competitive bidding only if such purchases are justified in writing and approved by the President or Purchasing Director or designee.

J. Emergency Purchases - Requests for purchases of specific materials, supplies, equipment, or services may be made in the open market for immediate delivery only to meet bona fide emergencies arising from any unforeseen cause. The President or designee must approve all bona fide emergency purchase requests, and a written report on the circumstances of any such emergency justifying the purchase shall be prepared by the ordering department and maintained by the University. All emergency purchases shall, if practicable, be made on the basis of competitive bids.

- K. Contracts and Agreements - All contracts and agreements will be in conformance with ETSU policy Contracts and Signature Authority and other State requirements.
- L. Contracts \$250,000 and greater require approval by the President. Non-competitive contracts of \$250,000 or more and for a term greater than one (1) year require approval by the President, the Board of Trustees, and State of Tennessee Fiscal Review Committee. (Allow a minimum of 75 days prior to the effective date of the agreement).
- M. Prohibited Transactions - No personal items shall be purchased through the University or from funds of the University for any employee of the University or any relative of any employee. Personal gifts for employees cannot be purchased with university funds. Whenever any contract/purchase order is awarded to the contrary to this provision, the contract/purchase order shall be void and of no effect, and if the violation was intentional, the employee responsible for the purchase shall be liable for any state funds paid contrary to this provision.

V. Special Purchasing Considerations –

- A. Business Meals – The University may pay or reimburse properly documented meals when the primary purpose is a business discussion. Business meals generally include at least one non-university employee. However, occasional gatherings of University employees may also be reimbursed as business meals. Expenses may be incurred only for those individuals whose presence is necessary to the business discussion.
In addition to an itemized receipt, IRS rules on substantiation of business expenses require documentation of the time, date, place, specific topic of discussion and attendees at the meals. The documentation requirements apply to all on-campus or off-campus business meals, regardless of payment methods. Accordingly, all on-campus dining facilities require this documentation for all meals charged to departmental accounts.
Under no circumstances will alcohol expenditures be reimbursed. The University will deny reimbursement for meal expenses that lack documentation or a clear business purpose. Gatherings that are primarily social in nature do not qualify for payment or reimbursement as business meals.
- B. Faculty/Staff Recognition Events –
Institutional funds may be used to purchase food and non-alcoholic beverages for recognition, appreciation and/or retirement events. Expenses for these events must be reasonable. Recognition gifts and retirement plaques are allowable up to a reasonable value limit per employee/retiree recognized.

Commented [KKM1]: Suggest we use individual instead of employee

Commented [KKM2]: Taken from FP-21, sections III Business Meals and IV Faculty/Staff Recognition Events

V-VI. Procurement Cards -

- A. Procurement cards (Procards) are to be used only for authorized official institutional business.
- B. Procurement of goods or services shall be in compliance with this policy and the laws of the State of Tennessee.
- C. A complete record shall be maintained on each procurement transaction in order to provide a clear audit trail.

- D. The procurement card manual sets forth all processes and procedures for procurement card purchases to ensure that all transactions are in compliance with this policy and the laws of the State of Tennessee.
- E. Employee participation in the Procard program is considered a privilege and may be revoked at any time for abuse, inappropriate/fraudulent use, or for program mismanagement.

VI-VII. Examples of Purchases Not Allowed with University Funds -

- A. Gifts and flowers except for officially sponsored events and student activities
- B. Personal purchases for employees or students
 - 1. Professional license fees
 - 2. Memberships and license fees examples: civic organizations or professional organizations
 - 3. Subscriptions
 - 4. Purchases for office use examples: decorations for private offices, coffee pots, microwaves, tissues, food, drinks, cups, plates, etc.
- C. Employee **monetary** awards/rewards

Commented [KKM3]: Suggest adding this for clarification 8/22/17

VII-VIII. Allowed Transactions for Non-Employees with University Funds -

- A. Honoraria
- B. Token of appreciation for service rendered - \$50 or less per person
- C. Incentives/Rewards for participating in research studies, surveys, or projects, or for attending events
- D. Promotional items for give-away in order to promote departments and departmental programs
- E. Gift cards: Non-employee and non-resident alien research participant payments are limited to a maximum of \$50 per payment and a total payment of less than \$600 to any one research participant. The department must retain a copy of the research participant name, address, social security number and signature acknowledging receipt of the gift card. Department must be able to show that all the gift cards were distributed. These records are subject to audit by university and State Audit. A request to purchase gift cards should be sent to Accounts Payable for a check to be issued to the vendor. University Procards cannot be used to purchase gift cards.
- F. Cash payments: Non-employee and non-resident alien research participant payments are limited to a maximum of \$50 per payment and a total payment of less than \$600 to any one research participant. Any individual research participant payment over \$50 must be processed through Accounts Payable via a check to the individual research participant. Complete the **Cash Payment to Research Participants form** and return it to Financial Services before any funds can be distributed. Research participant name, social security number, address and signature acknowledging receipt of the cash must be obtained. Differing from the use of gift cards, the petty cash receipts are returned to the Bursars Office when the petty cash account is closed out at the end of a grant or when the fund is replenished. The receipts are retained in the Bursars vault and are subject to audit by university and State Audit. Note: Whether gift cards or cash are distributed, a method of securing cards or cash is needed.

~~VIII~~.IX. Receipt and Delivery of Materials -

- A. Central Receiving
 - 1. University Purchase Orders and Procard orders specify the location to which orders are to be delivered. University Purchase Orders will normally be delivered to Central Receiving. Procard orders may be delivered to Central Receiving or directly to the department.
 - 2. When deliveries are made to Central Receiving, employees of Central Receiving will:
 - a. Compare the number of cartons or packages with the shipping documents.
 - b. Inspect for visible damage; note damages on the shipping document and obtain the delivery driver's signature.
 - c. Compare the delivery to the purchasing information and make appropriate entries into the eBucs Purchasing System regarding purchase orders.
 - d. Prepare delivery documents.
 - e. Deliver the material or equipment to the appropriate department, and obtain a signature from the person accepting the delivery.
 - 3. To maintain a safe campus environment delivery trucks are generally limited to Central Receiving vehicles. Most deliveries of goods will be made to Central Receiving.
- B. When deliveries are made to the department, employees of the department will:
 - 1. Compare the material or equipment received with the ordering records immediately upon receipt for conformity as to the specifications and quantity. The date received, quantity and condition of the items should be noted on the ordering records.
 - 2. Report any deviation from specifications, shortages, damages, etc. to the purchasing agent in writing. The purchasing agent will initiate the communications with the vendor, except for apparent damage in transit, in which case the department should contact Central Receiving, who will file the proper claims with the vendor and shipper.
 - 3. Complete records on all receiving reports shall be maintained in order to provide a clear audit trail on the receipt of all purchases.

~~IX~~.X. Surplus Personal Property

- A. Surplus property is personal property (not real property such as land or buildings) owned by the University which has been determined by a department to be obsolete, outmoded, unusable or no longer needed for which future needs do not justify the cost of maintenance and/or storage.
- B. In some instances, other University departments may want to utilize personal property declared surplus to the needs of another department. Items may be transferred between departments or to surplus property for disposal by accessing the Central Receiving site.

~~X~~.XI. Payment of Invoices

- A. In order to make payment to an outside vendor, the Accounts Payable Section of the Procurement and Contract Services must have the original itemized invoice. Payments will not be made on a statement unless supported by itemized delivery tickets attached thereto. Invoices must not be approved and sent to Accounts Payable for payment until all of the items covered by the invoice have been received in good order. Some purchase order invoices will be received electronically through the eProcurement system.
- B. Vendors have the right to expect prompt payment by the University after delivery. Each department head is responsible to ensure that invoices are promptly processed for payment and a receipt is created through the eProcurement system when appropriate. Should an invoice not be within 30 days of receipt, the University may be required to pay interest on late payments which will be charged to the requisitioning department.

XI-XII. Departmental Responsibility in Processing Payments - There are three methods for making payments to vendors. The departmental responsibilities are detailed for each of the methods below.

- A. Pre-Approval of Invoices
 - 1. Purchases made by purchase order generally will not receive a copy of the invoice. The Accounts Payable Office will ensure that the material [or service](#) has been [received/receipted](#), and that the quantity and price on the invoice match that of the PO. Once this match has been established, the Accounts Payable Office will consider the invoice to be pre-approved and will make payment on the appropriate date.
 - 2. It is the department's responsibility to ensure that the material [or service](#) is as ordered and is in good working order. Creation of a receipt through the eProcurement system, signifies receipt and acceptance of the items [or service](#) on the invoice. Any problems with an item [or service](#) should be reported to Purchasing immediately. Purchasing will freeze the purchase order until the issue can be resolved. This procedure will not be used for the following types of invoices: subscriptions or copiers with varying charges to several departments.
- B. Invoices on which departmental approval is required
 - 1. The invoice must be compared to the notation made on the purchase order at the time of delivery to ensure that the material [or service](#) has been received (See paragraph I.B. above). At the same time the unit price must be verified.
 - 2. Extensions and additions on all invoices must be verified. If errors are noted, the purchasing department must be contacted for instructions in handling.
 - 3. The requisitioner must affix his/her signature of approval on the invoice. Initials, rubber stamp or other facsimile is not permitted. If the purchase order number does not appear on the invoice, it must be written in a conspicuous place. If the invoice is not covered by a purchase order [or contract](#), the index number to be charged must be indicated directly on the invoice.
- C. Payment for Procurement Card Transactions
 - 1. The department user will receive a monthly summary statement from the bank that issues the procurement card. Any discrepancies are handled

between the departmental purchaser and the vendors. If a particular transaction is in dispute, the departmental purchaser is to communicate directly with the bank. All procurement card records are to be maintained in the department.

2. Accounting will pay the bank on a monthly basis for all procurement card transactions, except those transactions in dispute.

XII-XIII. Approval of an Invoice for Payment -

- A. Approval of an invoice for payment certifies to Accounts Payable that:
 1. The merchandise or service has been received, is acceptable and is in conformity to the purchase order or contract,
 2. That the index charged is the proper one and that funds are available to cover the expenditure.

6/9/2017 – approved by the Board of Trustees.

EAST TENNESSEE STATE UNIVERSITY
CODE OF ETHICS IN PROCUREMENT AND CONTRACTING

I. The code of ethics was developed by East Tennessee State University, approved by the Board of Trustees, and shall be applicable to all ETSU employees who are primarily responsible for the purchase of goods or services for the institution.

A. Statement of Policy

1. Employees must discharge their duties and responsibilities fairly and impartially.
2. They also should maintain a standard of conduct that will inspire public confidence in the integrity of the institution.

B. General Standards of Ethical Conduct

1. Any attempt to realize personal gain through public employment, inconsistent with the responsible discharge of that public employment, is a breach of public trust.
2. Employees shall base all purchases on the principle of competitive bidding consistent with policies of the Board and the institution.
3. Employees shall grant all competitive bidders equal consideration, regard each transaction on its own merits, and foster and promote fair, ethical and legal trade practices.
4. Employees shall avoid misrepresentation and sharp practices, and demand honesty in sales representations whether offered through the medium of a verbal or written statement, an advertisement, or a sample of a product.
5. Employees shall be receptive to competent counsel from colleagues, and be willing to submit any major controversy through the appropriate appeals processes.
6. Employees shall accord prompt and courteous reception insofar as conditions permit to all who call on legitimate business missions.
7. Employees shall not use without consent the original designs developed by a vendor for competitive purposes.

C. Conflict of Interest

1. It shall be a breach of ethical standards for any employee, in the performance of his or her official duties, to participate directly or indirectly in any proceeding or application, request for ruling or other determination, claim or controversy, or other particular matter pertaining to any contract, or subcontract, and any solicitation or proposal thereof, in which to his or her knowledge:

- a. he or she or any member of his or her immediate family has a substantial financial interest; or
- b. a business or organization in which he or she or any member of his or her immediate family has a substantial financial interest as an officer, director, trustee, partner or employee, is a party; or
- c. any other person, business, or organization with whom he or she or a member of his or her immediate family is negotiating or has an agreement concerning prospective employment is a party.

2. The determination of whether a substantial financial interest exists shall be based upon the criteria identified in TBR Policy No. 1:02:03:10, Conflict of Interest.

3. Direct or indirect participation shall include but not be limited to involvement through decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing or in any other advisory capacity.

D. Gratuities

It shall be a breach of ethical standards for any employee or former employee to solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment, in connection with any decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling or other determination, claim or controversy, or other particular matter, pertaining to any contract or subcontract and any solicitation or proposal thereof. E. Contemporaneous Employment Prohibited

It shall be a breach of ethical standards for any employee who is involved in procurement to become or be, while such an employee, the employee of any party contracting with the particular governmental body by which the employee is employed.