

Standard Practice Guide Policies

Procurement General Policies

507.01

Applies to: All Departments and Units of the University

I. PROCUREMENT

Procurement of goods and services for the university must be conducted in an open and competitive environment to ensure that prices paid are fair and reasonable and the selected supplier provides the best value to the University. Purchasing activities are conducted in Procurement Services as well as by academic and administrative departmental employees. Purchasing activities include obligations for proper transaction documentation, fiscal responsibility, ethical behavior, adherence to federal and state government regulations, and compliance with university by-laws and policies.

Diversity, equity, inclusion, and sustainability are values central to the university's mission. Procurement Services is committed to providing business opportunities to suppliers who help the university honor these values by connecting the campus community with diverse suppliers and building a pipeline of socially impactful supplier options to procure sustainable products and services.

For more information about procurement processes, departmental responsibilities, and best practices, visit the Procurement Services website (<https://procurement.umich.edu/>).

II. PROCUREMENT AUTHORITY

The procurement of goods and services is the responsibility of the Regents. Per Board of Regents Bylaws 3.07 (2)(d) (<https://regents.umich.edu/governance/bylaws/chapter-iii-business-management-finance-and-property/>), the Regents have delegated procurement responsibility to the Executive Vice President and Chief Financial Officer, who in turn has delegated this function to Procurement Services. Procurement Services is responsible for assisting university units in the procurement process and for overseeing all procurement activities. Through further, but more limited delegation of authority, detailed in SPG 601.24, Delegation of Authority to Bind the University to External Agreements on Business and Financial Matters (<https://spg.umich.edu/policy/601.24>), authorized department end users may commit funds on behalf of the university using a Purchase Order or purchasing card (PCard).

Department end users are not authorized to sign or change agreements; only those individuals given such authority in Table 1 – UM Business and Finance Authority Delegations (https://procurement.umich.edu/wp-content/uploads/2022/11/table_1-u-m_business_and_finance_authority_delegations.pdf) may do so. The university is not bound by, and does not recognize as binding, any promise or obligation made by an unauthorized person. Those signing external agreements or attempting to bind the university by any other means without authority may be subject to legal and disciplinary action, up to and including, termination.

The university requires special approval for and/or prohibits the purchase of certain goods and services identified in the restricted commodities table (<https://procurement.umich.edu/u-m-employees/purchasing>

/process-and-policies/ordering-restricted-purchases-special-approvals/). Special approval does not exempt a transaction from the remainder of the procurement policy, including the Competitive Bid Process. It is the university unit's responsibility to be aware of restrictions on the purchases of goods or services on the chart field combination being charged.

III. PURCHASING WITH SPONSORED FUNDS

Purchases using federal-sponsored funds must be made in accordance with Uniform Guidance (2CFR 200): The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>). Additional purchasing requirements needed to comply with the Uniform Guidance can be found on the Procurement Services website (<https://procurement.umich.edu/u-m-employees/procurement-with-research-and-sponsored-funds/>).

IV. TAXES

University purchases are not subject to Michigan sales and use taxes when used for educational and charitable purposes. Certain other states also honor this or have an equivalent rule. University employees with questions about a particular situation should contact the Tax Department.

V. FREEDOM OF INFORMATION ACT

As a public institution, the university is subject to the Freedom of Information Act (FOIA) ([http://www.legislature.mi.gov/\(S\(cxuiecwbpjihj0ycx24osbv1g\)\)/mileg.aspx?page=getobject&objectname=mcl-act-442-of-1976&queryid=11206835&highlight=](http://www.legislature.mi.gov/(S(cxuiecwbpjihj0ycx24osbv1g))/mileg.aspx?page=getobject&objectname=mcl-act-442-of-1976&queryid=11206835&highlight=)), which allows persons to inspect or receive a copy of certain public records. Procurement Services' documents, including but not limited to those issued or received in soliciting, evaluating, and awarding contracts, may be available to the public after the contract has been awarded. FOIA requests to receive procurement documentation can be submitted by following the procedures and guidelines listed on the U-M FOIA Office website (<https://foia.vpcomm.umich.edu/>).

VI. FINANCIAL CONTROLS

When designed as described in SPG 500.01, Fiscal Responsibilities (<https://spg.umich.edu/policy/500.01>), financial controls provide reasonable assurance of the effectiveness and efficiency of operations, compliance with laws and regulations, and reliability of financial reporting. Procurement internal controls focus on ordering, approving, receiving, and reconciling. Each university unit should have the appropriate policies and procedures in place to provide for adequate controls in each of these steps within the procurement process and must separate among two or more people the duties of these steps; whenever possible, there should be no direct reporting relationship among these individuals.

VII. EXPORT CONTROLS

Export Controls are federal laws that govern how technology, technical data, technical assistance, and items or materials are physically or electronically exported, shipped, transmitted, transferred, or shared from the U.S. to foreign countries, persons, or entities. These laws protect national security and U.S. foreign policy interests, prevent terrorism and the proliferation of weapons of mass destruction, and preserve U.S. economic competitiveness. Penalties for violating these laws can be severe, both for the individual and the university. For additional details visit the Research Ethics & Compliance website.

VIII. INFORMATION TECHNOLOGY

A. SECURITY AND PRIVACY

All university transactions for the acquisition of information technology or data goods and services are

required to contain language addressing security requirements as part of the transaction's governing terms and conditions; and, where required, undergo a privacy and security assessment to ensure compliance with the university's security program and governmental regulations.

Involve Procurement Services if the transaction includes providing access to sensitive institutional data classified as Restricted, High, or Moderate, including all data types regulated by federal or state law. Involve U-M Merchant Services (<https://finance.umich.edu/treasury/merchant-services>) if the transaction includes payment card information (PCI) and systems that process credit card transactions. Please see the ITS Safe Computing website (<https://safecomputing.umich.edu/>) for more information.

B. SOFTWARE

Limited delegation of authority is granted to department end-users to bind the university to contracts and agreements for software purchases or licensing. Software Procurement and Licensing Compliance (SPG 601.03-3) (<http://www.spg.umich.edu/policy/601.03-3>) is the authoritative source for information assurance protections related to software purchased from third parties.

C. ACCESSIBILITY

University units and employees have a responsibility to procure technology which is accessible for people with disabilities. Any transactions involving digital goods or information technology of any sort that have user-facing components or ramifications, require compliance with the Electronic and Information Technology (EIT) Accessibility (SPG 601.20) (<https://spg.umich.edu/policy/601.20>) which articulates the process that units and employees should follow when procuring technology.

IX. DONATIONS AND CONTRIBUTIONS

University resources are to be used to further the university's mission. Article IX, Section 18 of the Michigan Constitution ([https://www.legislature.mi.gov/\(S\(jl4rx5ec4e5bdudfhlh2yh\)\)/mileg.aspx?page=GetObject&objectname=mcl-Article-IX-18#:~:text=%C2%A7%2018%20State%20credit.&text=This%20section%20shall%20not%20be,employees%2C%20as%20provided%20by%20law.&text=Former%20Constitution%3A%20See%20Const.,1908%2C%20Art.](https://www.legislature.mi.gov/(S(jl4rx5ec4e5bdudfhlh2yh))/mileg.aspx?page=GetObject&objectname=mcl-Article-IX-18#:~:text=%C2%A7%2018%20State%20credit.&text=This%20section%20shall%20not%20be,employees%2C%20as%20provided%20by%20law.&text=Former%20Constitution%3A%20See%20Const.,1908%2C%20Art.)) has been interpreted as strictly limiting the donation of university resources to any person or entity. University employees with questions about whether a transaction constitutes a donation should direct questions to the University Controller (<https://finance.umich.edu/finops/recordretention/contact>). The University Controller must approve any donations.

X. ETHICAL CONDUCT

Care must be taken to avoid the intent and appearance of unethical practices in relationships, actions, and communications. All procurement activities conducted on behalf of the university must comply with the standards outlined in federal, state, and local laws; university policies; the University of Michigan Statement on Stewardship (<https://hr.umich.edu/about-uhr/statement-stewardship#:~:text=Stewardship%20entails%20heeding%20policies%20and,your%20campus%20or%20admin>) and Procurement Services procedures. For more information about the university's legislative and regulatory obligations, visit the university's Compliance Resource Center (<https://ogc.umich.edu/compliance-resource-center/>). Procurement Services Management is the ultimate decision maker on whether a procurement-related activity has the intent or appearance of unethical practice.

A. CONFLICTS OF INTEREST AND CONFLICTS OF COMMITMENT

Michigan Public Act 317 of 1968 ([http://www.legislature.mi.gov/\(S\(xhvaag3qep13mfl1da4uak5m\)\)/mileg.aspx?page=getObject&objectName=mcl-Act-317-of-1968](http://www.legislature.mi.gov/(S(xhvaag3qep13mfl1da4uak5m))/mileg.aspx?page=getObject&objectName=mcl-Act-317-of-1968)) prohibits university employees from soliciting, negotiating, renegotiating, approving, or otherwise representing the university or the

supplier affiliated with the university employee in transactions. In accordance with Michigan Public Act 317 of 1968, the university may not enter into a contract with any supplier affiliated with a university employee without first disclosing certain information to the Regents and receiving approval via a 2/3 vote of the Board of Regents. Contracts in violation of Michigan Public Act 317 of 1968 can be voided by the university.

University employees must promptly disclose in writing all actual or potential conflicts to a designated university official as actual or potential conflicts arise or are identified. Similarly, the designated official must disclose in writing all actual or potential conflicts to Procurement Services Management. If found to be significant, the conflicts must be eliminated or managed as described in SPG 201.65-1 Conflicts of Interests and Conflicts of Commitment (<https://spg.umich.edu/policy/201.65-1>). University employees who are unsure whether a conflict exists are encouraged to contact Procurement Services for help in determining whether disclosure is appropriate.

University employees should not make purchasing decisions or otherwise influence the university's decisions to do business with any supplier affiliated with the university employee, a relative of the university employee, or any other individual who would be perceived as a potential conflict.

When purchasing with federally sponsored funds additional Uniform Guidance conflict of interest requirements apply. These requirements can be found on the Procurement Services website.

B. GRATUITIES FROM SUPPLIERS

University employees should neither solicit nor accept money, loans, credits, entertainment, favors, services, or gifts from current or prospective suppliers. Such gratuities, even if of seemingly low value, can give rise to a conflict of interest or the appearance of a conflict of interest. In particular, university employees should never accept gratuities from a current or prospective supplier that has submitted or may submit a bid for a university contract for which a bid solicitation is being contemplated, developed, or actively accepting bids. If it is deemed necessary to visit a supplier site for a demonstration, the university pays all related expenses. Gratuities do not include benefits the university has negotiated for the benefit of the institution through a competitive bidding process, including but not limited to sign-on bonuses, scholarship funding, sponsorships, etc.

C. CONFIDENTIALITY

University employees must handle confidential or proprietary information with due care and proper consideration of ethical and legal ramifications and governmental regulations. University employees may not provide outside parties the prices, terms, or conditions quoted by other suppliers.

Procurement Services must pre-approve all communications with outside parties regarding potential or anticipated procurement-affiliated relationships.

XI. COMPETITIVE BID PROCESS

Competitive bidding is the process that allows the university to properly survey the marketplace and secure goods and services at fair and reasonable prices. It helps ensure that the university receives goods and services of the best value while also satisfying federal, state, and university requirements. Procurement Services is the authorized organization to conduct the competitive bid process and to decide on the appropriate method to ensure fair and reasonable pricing. Although Procurement Services conducts the competitive bid process, university units have responsibilities as well. Upon request, Procurement Services will assist university units with any of their responsibilities related to the competitive bid process.

A. PRICING THRESHOLDS

Small purchase transactions less than \$10,000 do not require a bid. Transactions between \$10,000

and less than \$50,000, Procurement Services will review the purchase request for compliance and best value. Transactions \$50,000 and above, except as outlined in the Sole Source Process, Procurement Services will conduct a formal and structured competitive bidding process.

All transactions of \$75,000 or greater made by the university's Architecture, Engineering and Construction (AEC) department for architectural, engineering, and construction services, and materials and equipment utilized in the execution of a construction project, are required to be competitively bid. Construction projects utilizing Federal funds require all transactions \$50,000 or greater to be competitively bid. Purchases from Internal Service Providers are exempt from this requirement since the transactions are internal to the university.

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B. VIOLATIONS

Splitting a transaction into smaller dollar amounts, delaying, staggering purchases, and using multiple staff members to purchase the same or related items to avoid the competitive bid process are serious policy violations. All transactions found to be in violation of the university's competitive bid process will be reported to the Regents as unauthorized purchases. Employees responsible for violating transaction(s) may be subject to disciplinary action up to and including termination.

XII. SOLE SOURCE PROCESS

The State of Michigan and federal government, our granting agencies, and other stakeholders expect the university to make purchases in an open and competitive environment and to ensure that the university receives fair and reasonable pricing. Here are some, but not all, situations in which a sole source process is in the best interest of the university:

- A. Proprietary materials and services; maintenance or service from OEM or authorized dealer.
- B. No substitutions are available to match existing hardware/equipment/services.
- C. A supplier is specified by name in an awarded contract or grant.
- D. A product or service is being procured due to an emergency.

When submitting a request to deviate from the standard competitive bid process, the university unit must complete the Sole Source Justification Form (<https://procurement.umich.edu/wp-content/uploads/2024/01/Fillable-Sole-Source-Justification.pdf>) and submit all necessary attachments. Procurement Services, under delegation of the Executive Vice President and Chief Financial Officer, will make the final assessment of the validity of a sole source justification. Completion of this form does not guarantee that Procurement Services will approve the request. Procurement Services will help the unit identify suppliers and facilitate a competitive bid process.

Units must not create or attempt to create sole source situations through delay or other manipulation of the procurement process. Procurement Services will work with units to determine whether a sole source situation exists and, in such cases, reserves the right to negotiate pricing or solicit additional information. For those non-competitive transactions, above the formal bid threshold of \$50,000, a report is developed for quarterly submission to the Board of Regents.

Notes

For details regarding procurement policies, please see Procurement Services website (<http://procurement.umich.edu/>). Email procurement.services@umich.edu (<http://mailto:procurement.services@umich.edu/>) or call 734-764-8212.

<http://procurement.umich.edu/buying/process-policies/using-sponsored-funds> (<http://procurement.umich.edu/buying/process-policies/using-sponsored-funds>)

File Attachments

Printable PDF of SPG Section 507.01, Procurement General Policies and Procedures - Effective through March 11, /501x01%20Procurement%20General%20Policies%20and%20Procedures%20_%20Standard%20Practice%20Guid

SPG Number: 507.01	Applies To: All Departments and Units of the University
Date Issued: December 1, 2004	Owner: Office of the Executive Vice President and Chief Financial Officer
Last Updated: March 12, 2024	Primary Contact: Procurement Services
Next Review Date: March 12, 2029	

Related Policies:

Conflicts of Interest and Conflicts of Commitment (</policy/201.65-1>)
Delegation of Authority to Bind the University to External Agreements on Business and Financial Matters (</policy/601.24>)
Departmental Record Retention for Business and Financial Records (</policy/604.01>)
Electronic and Information Technology Accessibility (</policy/601.20>)
External Entity Contracts for Central Administration Services or Resources (</policy/601.32>)
Fiscal Responsibilities (</policy/500.01>)
Imprest Cash Funds (</policy/507.02>)
Software Procurement and Licensing Compliance (</policy/601.03-3>)
Travel and Business Hosting Expense Policy (</policy/507.10-1>)

Related Links:

FOIA Office (<http://foia.vpcomm.umich.edu/>)
Tax Department (<http://www.finance.umich.edu/tax>)
Research Ethics & Compliance (<https://research-compliance.umich.edu/>)

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