MEMORANDUM

To: Board of Regents

From: Board Office

Subject: Revisions to Policy Manual

Date: July 8, 2002

Recommended Actions:

Approve the proposed revised version of §7.04—“Purchasing”.

Executive Summary:

Revision of the Policy Manual is proceeding steadily

Activity to Date:

The Board Office and Regent institutions have been in the process of reviewing the Board of Regents Policy Manual, formerly the Procedural Guide, for more than a year.

- The Board approved a revised version of Chapter V—“Equal Opportunity” in January 2002.
- Chapter II—“Meetings” and Chapter IV—“Personnel” were approved by the Board in March 2002.
- Revised versions of §4.04— “Appointment of Presidents, Superintendents, and Executive Director” and §4.11— “Employment and Supervision of Immediate Family Members” were approved by the Board in April 2002.
- Chapter III—“Board Office” and Chapter VI—“Academic Policies and Procedures” were submitted for Board review in March 2002 and were approved in April (with the exception of §6.03 and 6.04.)
- A revised version of Chapter I—“Board of Regents” was approved in May.
- Chapter VI—“Academic Policies and Procedures” was resubmitted for Board approval in May, after minor revision to §§6.03 and 6.04.
- Chapter VIII—“Charges and Fees”, §§4.37— “Regent Employees Representing the Board of Regents and the Regent Enterprise”, §4.38— “Regent Employees Serving on State Committees as Regent Employees” were submitted for Board approval in June, after initial review at the Board’s May meeting.
- §1.07(A)(2)(b) was approved in June, following an amendment to include a community college president as a representative on the Committee on Educational Coordination.
§7.04—"Purchasing" was initially submitted for Board review in May. The institutions raised significant issues, some relating to the MGT study on purchasing. A meeting was held with institutional purchasing officials and Board Office staff to work through these issues and a revised version is now submitted for Board approval.

Future Submissions:
The contents of Chapter VII — "Business Procedures" and Chapter IX — "Property and Facilities" of the Policy Manual are undergoing substantial modification. Because of the number of areas addressed in Chapters VII and IX that are also a component of the Regent Organizational Review, subsections will be brought to the Board for approval as they are completed.

The Policy Manual has not been revised for several years. This revision process is also timely in light of the review and revision of the Iowa Administrative Code (IAC), as required by the Governor’s Executive Orders No. 8-11.

- The review of the Policy Manual has focused on consistency with state and federal laws, with policies and practices of the Board of Regents, elimination of redundancy with the Iowa Administrative Code (IAC), and compliance with the requirement of Iowa Code (IC) Chapter 17A: Iowa Administrative Procedures Act.

Strategic Plan:
Revision relates to Quality and Accountability

Revision of the Policy Manual is consistent with the Board of Regent’s Strategic Plan, KRA 1.1.0.0, Quality. More specifically this revision relates to KRA 4.0.0.0, Accountability, and particularly to Objective 4.2.0.0—to improve the operational effectiveness and efficiency of the institutions.

Background:

Sections for Board approval:
- Attachment 1 describes the changes made to §7.04—"Purchasing" since the Board reviewed a proposed draft in May 2002. Changes are shown by striking current language and underscoring proposed new language.
- Attachment 2 describes the proposed revised version of §7.04—"Purchasing".

Highlight of Changes to Purchasing Section
- Redundancy with the IAC was eliminated and language was clarified, notably in the Targeted Small Business and Conflict of Interest sections.
• Professional Services section was added to comply with the Accountable Government Act.
• After further consultation with institutional officials, the threshold for professional service contracts was retained at the current Board policy level of $25,000.
• Surplus Property Disposal was deleted and moved to another section in Chapter VII.
• All sections were restructured and reorganized for better flow.

Analysis:

• Review of the Policy Manual is needed to ensure that it is consistent with state and federal law.
• The review process involves consultation among the institutions, Board Office, and the Office of the Attorney General.
• The Board has final authority to approve changes in the Policy Manual and will review the work of the institutions, Board Office, and Office of the Attorney General and make recommendations for further changes as it sees fit.
• The process of review and revision is anticipated to be completed by the end of calendar year 2002.

Recommendation: As the revision of §7.04 of the Policy Manual is consistent with state and federal law, the proposed recommendation appears appropriate.

[Signatures]

Kayla A.J. Stratton
Approved: Gregory S. Nichols

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The Regents affirm that the best interests of the state of Iowa and the Regent institutions are served through implementation of a fully competitive purchasing system.

A. Authority

1. The Board of Regents is authorized by statute to contract for goods, services, and capital improvements. (I.C.§18.3 and Chapter 262) Capital improvements are also addressed in Chapter 9.

2. The Board delegates this authority in certain circumstances to approve agreements and contracts for all goods and services purchased by the institution, except for capital improvements, fire protection, legal services, and engineers. (IAC 681-8.2[3])

3. The code excludes the Board of Regents from using the Department of General Services for printing. (I.C. §§18.29 and 18.49)

4. Remedies for breach of contract shall be in accordance with the Iowa Code, Chapter 554.

B Organization and Responsibilities

1. The Board of Regents shall establish policies and maintain oversight of all procurement functions. The Board Office and institutions shall meet regularly to insure coordination of purchasing policies and procedures.

2. Equipment, furnishings, supplies Goods and services are purchased by the chief business officer of each institution, acting through the institutional purchasing director, on the basis of quotations when practical and feasible, with exceptions noted in this chapter competitive procedures. Such purchases need not be reported to or approved by the Board of Regents, provided that the chief business officer has determined that there is no unusual circumstance which requires the special attention of the Board, and provided the purchase does not involve a lease which must be approved or reported.

Policies related to capital projects, including bidding, bid security, selection of architects/engineers for Regent institutions are in Chapter IX of this Policy Manual.

3. Each Regent institution, through a central purchasing authority institutional purchasing department, shall be responsible for purchasing supplies, equipment, Goods, and services. Institutions may delegate purchasing responsibility to departments. Low dollar procurement authority may also be delegated to institutional
4. Each Regent institution shall establish a purchasing procedure for goods and services.

5. Each Regent institution shall maintain a purchasing policy and procedure document.

6. Each Regent institution shall be custodian of its purchasing records, including but not limited to purchase requisitions, requests for quotations, purchase orders, vendor correspondence and related documents and shall maintain such records in accordance with applicable state law.

67. ISU will process purchases of $5,000 or more for the special schools.

58. Under the Iowa Code and The Iowa Administrative Code allows vendors to may only charge a maximum interest of 1% per month in some situations when a claim remains unpaid after 60 days. This does not apply to claims against the state under Chapters 25 and 669 or claims paid with federal funds. (I.C. §421.40 and IAC 681-8.2(4))


Code of Ethics

10. Regent institutions shall adhere to the professional ethics embodied in the code of the National Association of Educational Buyers.

81. Employees, officers, and members of the Board of Regents shall comply with the I.C. Chapter 68B, "Conflicts of Interest of Public Officers and Employees" and Regents Conflict of Interest Policy (L.A.C. 681-8.9).

a. Board of Regent institutions shall take appropriate steps to notify employees, vendors, and suppliers of Regent policy on conflict of interest.

b. This policy shall be incorporated in the operations manual of Regent institutions, along with any other provisions relating to the subject of an explanatory or more specific or restrictive character.

12. Definitions:

a. Moveable equipment is defined as any moveable property valued at an acquisition cost of at least $2,000 as per this chapter of this Policy Manual which is identifiable, and is not a replacement part, and is of a use, size, and/or shape that permits the attachment of university inventory control numbers has a useful life of one year or more.

Fixed equipment is defined as permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, kitchen
cabinets, laboratory casework, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location. Fixed equipment, which is part of a capital project, is exempt from the requirements of the following subsections.

b. Equipment purchases are subject to the following review procedures prior to the issuance of a purchase order or any other purchase commitment by the institution.

1) Equipment with a unit cost of less than $250,000 or a total purchase cost less than $500,000, will be purchased by the chief business officer of each institution, acting through the institutional purchasing agent, as outlined in Section B of this Policy Manual.

2) Equipment with a unit cost greater than $250,000 or a total purchase cost of $500,000 to $1,000,000 will be submitted to the Board Office for approval. The Executive Director will notify the Board of such actions. At the discretion of the Executive Director, the equipment purchase may be submitted to the Board for approval.

3) Equipment costing more than $1,000,000 will be submitted to the Board for approval.

c. The Executive Director may approve emergency purchases which exceed $1,000,000 to be followed by Board notification. Emergency purchases are defined in Section D6, IAC 681-8.9(4).

d. Any request submitted to the Board Office for approval pursuant to sections 2(b) and 2(c) of this policy will include the following information regarding the equipment to be purchased.

1) Description of the equipment.

2) Justification of the need for the equipment.

3) Any known alternatives to the equipment proposed.

4) Estimated cost and source of funding.
C. Qualified Suppliers Vendors of Goods and Services

1. Each institutional purchasing officer-department shall maintain a master list of prospective suppliers and utilize this list to request, when practical and feasible, three or more quotations for each item to be purchased. This list is a resource to be used at the discretion of the Purchasing director.

2. Any person, agency, or firm wishing to supply materials-goods or services in a category may request, in writing, that its name be added to the institutional master list. The name is added to the institutional master list if, in the professional judgment of the purchasing officer-director, the addition would aid in fostering a competitive situation. The purchasing officer-director may require the requesting party to furnish information on qualifications to supply the item(s) indicated and financial responsibility prior to determining whether to add a vendor’s name to the institution’s master list.

3. Third party bid subscription services, who themselves do not supply goods or services utilized by Regent institutions, are not approved vendors. The institutions need not add these bid services to their institutional master list of suppliers, nor provide electronic access for downloading copies of bids, if access is reserved for approved vendors. Third party bid subscription services and non-approved vendors may request copies of bids under public records statutes. Institutions providing copies may charge a reasonable fee to cover the costs including, but not limited to, copying, labor, and postage. The opportunity to receive copies may be suspended should reimbursement of such costs not be made promptly. (I.C. §§ 22.3 – 22.4)

34. Nonresponsive and Nonresponsible SuppliersVendors. Once a supplier is added to the master list, the name shall not be removed from the list by an institution except for good and sufficient reasons. Such reasons shall include, but not be limited to, the following:

a. Repeated delivery Delivery of commodities-goods and services that do not comply with specifications;

b. Repeated failure Failure to deliver within the specified time;

c. Refusal to deliver after making submitting a quotation, bid, or proposal and after receiving an order;

d. Repeated withdrawal Withdrawal of quotations, bids, or proposals prior to the placing of an order;

e. Failure to have qualified service available in the area to set up, check out, or instruct personnel in use of equipment-goods or failure to have parts to service equipment-goods, if a part of the agreement or warranty, written or implied;

f. Bankruptcy or other evidence of insolvency, or any other fact which might cause substantial doubt about the supplier’s ability to continue as a responsible source and fulfill obligations;
g. Failure to comply with the Regent Equal Employment Opportunity Policy;
   Removal shall be on recommendation of the Regent Compliance Officer;

h. Illegal purchasing practices;

i. Repeated failure Failure to respond to requests for prices;

j. No longer in business;

k. No bids or orders issued in the last consecutive two-year period; or

l. Failure to timely cure one or more noncompliant deliveries;

m. Removal from an institutional master list of another Regent institution.

4. Except for removal under items i, j, or k above, names of suppliers removed shall be
   sent to the Board Office with cause noted. An interinstitutional list shall be maintained
   and circulated by the Board Office.

54. Removal for cause is not to exceed three years, except upon specific authorization of
    the Board. Reinstatement requires application to the institution.

6. Once institutional procedures have been exhausted, a vendor may appeal removal
   through a written request to the executive director once institutional procedures have
   been exhausted. The executive director shall establish a review procedure for such
   requests and make recommendations to the Board.

D. Vendor Appeal Procedures

1. Vendor appeal procedures are currently under revision and will be moved to the Iowa
   Administrative Code, revised in concert with the capital procedures. When Chapter 9
   is presented for Board approval, this section will be updated.

Vendors

a. A vendor who wishes to appeal removal from a Regent institution's qualified
   vendor list shall, initially, attempt to resolve the issue at the institutional level.

b. If the vendor is dissatisfied with the institution's response, the vendor may notify
   the executive director in writing of the vendor's dissatisfaction and request Board
   Office assistance.

c. Complainants are required to exhaust administrative remedies at the institutional
   level before making a written request for review to the executive director.

Board Office
ea. The executive director or designee may then take steps to assist the vendor and the institution in resolving the issue(s).

db. If the issue(s) remain(s) unresolved, the executive director, at the request of the vendor, may docket the matter for review by the Board. Any complaints from vendors received by Board members shall be referred to the Board of Regents Office for investigation. Results of the investigation shall be sent to each Board member. The vendor’s written request and supporting information shall also be sent to the institution involved and that institution shall file a written response with the Board Office supporting the institution’s position.

ec. If the complaint is docketed, the executive director will prepare a recommendation for the Board to consider. If the complaint is docketed, the results of the investigation shall constitute the basis of the executive director’s recommendation. If the complaint is not docketed, the results of the investigation shall be sent to each Board member.

A copy of the recommendation with notice of the date, time, and place of the meeting for which the matter has been docketed shall be sent to the vendor and the institution within a reasonable time. The recommendation and the Board action shall constitute a final report.—(Board of Regents Minutes June 20-21, 1984, pp. 726-727)

Institutional

Copies of any written complaints received by the institution shall also be sent to the Board of Regents Office if there are interinstitutional implications.

Vendor Complaint Investigation Procedures

Vendor complaint investigation procedures shall follow those procedures established for vendor appeals (8.03F) of removal from Regent institutions qualified vendor lists.

DE.

Competitive Conditions

The following policies establish the competitive conditions under which Regent institutions shall operate.

1. Competitive Procedures. Each purchasing officer, director, or chief business officer manager shall be responsible for establishing procedures to ensure that goods and services are competitively bid selected, when practicable and feasible. Written bids are required for purchases, which are expected to exceed $10,000 at the universities and $5,000 at the special schools regardless of the funding source. Bid solicitations and evaluations Competitive selection may incorporate multiple criteria of award, with awards made to the based on bidder whose proposal provides the best value as determined by the institution/purchasing department.
Negotiated, noncompetitive, and sole source purchases are recognized by the Regents as proper procurement procedures in appropriate circumstances where the public will be served. With appropriate institutional review, both competitive negotiation and noncompetitive negotiation processes may replace written competitive bidding when the purchase is anticipated to exceed $10,000. Regent institutions shall justify the use of negotiated, noncompetitive, and sole source purchasing procedures upon request.

2. **Bidding.** Purchasing officers shall use two

   a. **Two types of bid solicitations, either formal or informal shall be used.** The determination of which type of bid to be used shall be at the discretion of the institutional purchasing authority/department, except as otherwise provided by law or administrative rule.

   1) **Formal Sealed Bid.** Public notice is required for formal sealed bidding with a bid opening at a specified place on a scheduled day and at a scheduled time. Sealed bids will be publicly opened and read at the date and time specified in the written notice, unless otherwise indicated in the bid documents.

   2) **Informal Quotation.** This is a request for prices or quotations that is mailed, faxed, communicated by telephone, emailed or otherwise delivered electronically by the institutional purchasing department with due date and time noted. There is no public reading of bids or quotations.

      Institutional purchasing offices/department shall provide an opportunity for qualified prospective suppliers/vendors to prepare timely bids or quotations.

   3) Bids or quotations are tabulated in the purchasing department. A buyer either makes the award decision or consults with the requesting department for assistance in the decision, particularly when alternate products are offered by bidders.

   4) The names of the bidders and the amounts bid shall be supplied to any person upon request after the opening of the bids and as soon as the evaluation of the bids is completed and the award is made. Information will not be released in situations in which the release would provide a competitive advantage to any of the bidders. The name of the successful bidder shall be supplied to any person upon request after the award has been made.

   5) Nothing contained in these conditions shall be construed to mean that the lowest priced goods or inferior or substandard goods must be purchased. The Regent institutions are to purchase goods at the lowest cost consistent with the quality and service required.
6) Should a buyer recommend an award to other than the low compliant and responsible bidder, a review of the recommendation shall be conducted by the institutional purchasing director or his/her designee. It shall be the responsibility of the chief business officer or his/her designee to monitor the low bid rejections. The purchasing director shall review bid activity on a quarterly basis.

b. Withdrawal of Bids. Bids may be withdrawn prior to the time set for receipt of bids. Bids shall not be withdrawn after that time, except as noted herein, without penalty.

Only in the event of an obvious and documented error where it would be a manifest injustice to require the vendor to perform, can a vendor withdraw a bid after the time set for receipt of bids. Such withdrawal of bids can be done only upon the recommendation of the institution under procedures approved by the executive director.

c. Procedure for Withdrawal of Bids

1) A request to withdraw a bid shall be provided in writing to the chief institutional purchasing officer-director or designee of the institution taking such bids.

2) A vendor is required to provide written documentation of any alleged error.

3) Each request for withdrawal will be considered on its own merit.

4) An investigation into the request of the vendor to withdraw a bid shall be carried out by the chief institutional purchasing officer-director or designee, who shall then report and make recommendation for action to the chief business officer of the institution.

5) A request for withdrawal of bids shall be made part of the vendor’s record.

6) Any future request for bid withdrawal by the same vendor may be cause for removal from all Regent institutions’ bid lists as an indication of a nonresponsible supplier vendor.

d. Bid Security. Regent institutions are encouraged to use bid security as an incentive to suppliers/vendors to enter into contractual requirements. Regent institutions shall cooperate in establishing a common set of conditions under which bid security is appropriate.

e. Common Conditions for Use and Reporting of Bid Security
1) Bid security shall be used in cases where the purchasing agent or director determines there is a need to protect the interest of the institution. The need for bid security may, in part, be determined by the size of the proposed purchase, the item or items being bid, the competitive conditions surrounding the purchase, and the history of such purchases, including general reliability of vendors being requested to bid a particular purchase.

2) From time to time occasionally, it may be appropriate to require bid security from prospective buyers.

Bid security, when utilized for purchasing, shall follow bid security requirements as set forth in the IAC 681-8.6(2 & 4).

53. **Sole Source Purchases.** The Regents recognize that in some instances scientific, mechanical, and technical equipment or supplies or services may be required which are obtainable only from a sole source. This occurs when: a) there is only one person or firm that can provide the requirement; or b) no other known person or firm is available with an equivalent service or supply.

64. **Emergency Purchases.** The Regents recognize that in some emergency situations the taking of competitive bids or quotations is not feasible or possible. In such situations the requirements to do so may be waived. An emergency includes: a) when life will be endangered; b) property will be destroyed; or c) other specific instances to be approved by the Board Office. Emergency purchases are defined in IAC 681-8.9(4).

75. **Iowa Prison Industries.** Iowa Code documents instances where Regent institutions are exempt from being required to purchase products purchased by Iowa Prison Industries unless the exceptions in the Iowa Code apply. I.C. §904.808 Nothing herein shall require Regent institutions to procure items from Iowa Prison Industries when such items are purchased from Targeted Small Businesses.

86. **Iowa Products and Labor.** All state agencies shall use those products produced within the state of Iowa, when they are of a quality reasonably suited to the purpose intended, and can be secured without additional cost over foreign products or products of other states. (I.C. §§73.1 and 18.6)

It is the policy of the Board of Regents, State of Iowa to provide contract opportunities to targeted small businesses. All laws and rules pertaining to solicitations, bid evaluations, contract awards, and other procurement matters apply to targeted small businesses. This rule is intended to implement I.C., §§73.15—73.21, (IAC 681-7.7, Regent Policy Manual §5.05)

9. Exclusive Franchises. All purchases of equipment, furnishings, and supplies for which an exclusive franchise is granted, such as laundry equipment including for residence system facilities, vending machines, beverage contracts, and coin-operated equipment are subject to the receipt of bids or quotations.

8. Professional Service Contracts.

a) "Professional Service Agreements are contracts for unique, technical and/or infrequent functions performed by an independent contractor qualified by education, experience and/or technical ability to provide services. In most cases these services are of a specific project nature, and are not a continuing, on-going responsibility of the institution. The services rendered are predominately intellectual in character even though the contractor may not be required to be licensed. Professional service agreements may be with partnerships, firms or corporations as well as with individuals. Examples of professionals who provide professional services include but are not limited to: doctors, accountants, software programmers, real estate appraisers, nurses, guest artists, guest entertainers, guest lecturers, guest musicians, guest performers and guest speakers.

b) Selection of a Provider. Professional service agreements for greater than $40,000,000 must be selected through a competitive Request for Proposal (RFP) process unless the service is a sole source purchase that is appropriately documented. The $40,000,000 threshold is not based on a one-time cost, but rather on a cumulative cost for on-going services under the terms of the project engagement. Professional service agreements, which are less than $40,000,000 over the course of service, may be entered into without using the required competitive bidding process. Total payment to a professional services provider for services provided to any one university department may not exceed $25,000 in a fiscal year, unless subject to competitive bidding or review and approval by the institutional purchasing department. Selection of a professional service provider shall be based on a variety of criteria including, but not limited to, demonstrated competence, knowledge, references and unique qualifications to perform the services, in addition to offering a fair and reasonable price that is consistent with current market conditions. Additional criteria may be used as appropriate to the circumstances.

c) Contract Provider Accountability. Work requirements should clearly define all performance objectives, work expectations and project milestones, and hold the contractor accountable for successful completion of the resultant agreement.
Requirements may include, but not be limited to, reports, training sessions, assessments, evaluations or other tangible services.

d) Provisions to be in the Terms and Conditions for Professional Service Agreements. The following terms and conditions of all professional service agreements must be addressed:

1. Performance Requirements. Performance requirements should be precise and written in such a way that it can easily be determined if and when the contractor has successfully fulfilled his/her obligations under the Agreement. Consequences for noncompliance such as non-payment and/or termination of the contract must also be defined. Scheduled due dates that specify milestone targets must be clearly identified and may include, but not be limited to, regular meetings scheduled to evaluate progress, identification of problem areas to determine actions to be taken to resolve any concerns, dates for formal written reports, required oral progress reports, and contract monitoring requirements.

2. Period of Performance. The resultant agreement must specify a start date and a completion date. While there may be exceptions, in most circumstances an end date to the agreement will be required. If an end date cannot be determined, a maximum time limit or maximum number of hours must be stated. Agreements with organizations are typically written for a specific term of successive years. In some instances, these agreements are annually renewable. Other provisions of an agreement may include a renewal clause beyond the original term of the agreement. Extended term agreements for individuals are discouraged.

3. Compensation and Payment. Compensation and payment terms include elements relating to cost and payment, such as maximum cost, (i.e. not to exceed cost), cost per deliverable, hourly rates for individuals providing services, number of hours required, allowable expenses and total authorized for expenses, payment and invoicing procedures. Compensation and payment terms should also include a statement as to whether the Regent institution will pay expenses incurred by the contractor and if so, which ones. Such expenses may include, but not be limited to, airfare (economy or coach class), lodging and subsistence necessary during periods of required travel; expenses incurred during travel for telephone, copying and postage, and private vehicle mileage. If other types of expenses are allowed, they must be clearly defined.

4. Performance Monitoring. The institution shall monitor the compliance with the terms and conditions of the agreement and applicable laws and regulations.

5. Provision of Liability. The contractor shall be required to show proof of insurance coverage and workers compensation in compliance with statutory requirements, in the form of a Certificate of Insurance specified by the institution.
11. **Purchase of Insurance**

Purchase of insurance and risk management guidelines will be addressed in subsequent revisions to this chapter.

F. **Specifications and Standards**

1. Consistent with the Board's purchasing policies and procedures, institutions, when establishing standards and specifications and size of orders for products, equipment goods and services, shall give due consideration to the ability of Iowa businesses to compete in bidding for those products, equipment goods or services. The institutions shall continue to observe the goals of quality and economy in purchasing while meeting the needs of the institutions.

2. Specifications shall be prepared to assure that they do not restrict or preclude competition.

3. All requests for bids and proposals for materials, products, supplies, equipment, goods and services and other needed articles to be purchased at public expense shall, whenever possible and practical, be made in general terms addressing functional and be general specifications rather than be-brand, trade name, or other individual mark. Brand names and numbers, when used, are for reference purposes and indicate the character or quality desired. If brand names are used, the specifications shall contain an "or equal" or "or acceptable alternate" clause. The chief institutional purchasing official-director shall determine what is an acceptable alternate.

3. Recognition is also given to standardization and compatibility requirements which should be maintained for purposes of economies in replacement and maintenance.

4. **When practical and feasible** Life cycle cost and energy efficiency shall be included in the criteria used by institutions under the Board of Regents in developing standards and specifications for purchasing energy consuming products. Life cycle cost means the expected total cost of ownership during the life of a product. (I.C. §18.3) Institutional procedures may identify the parameters for which energy consuming products are subject to this section.

"Preference shall be given to purchasing American-made products and purchases from American-based businesses if the life cycle costs are comparable to those products of foreign businesses which most adequately fulfill the institution's need." (I.C. §18.3)

Iowa Code addresses purchasing paper and other recycled products. (I.C. §18.18)

5. **Standard terms and conditions**, contained on requests for bids, quotations, and purchase orders, are intended to ensure that all the basic considerations relevant to the agreement are covered. For purposes of internal consistency all Regent institutions shall standardize general terms, and conditions, and titles of procurement
documents which are attached or affixed on purchase orders and bid solicitations. Such terms and conditions shall including, but not be limited to, exclusive agreements between parties, acceptance agreements between parties, acceptance conditions, guarantees and warranties, rights of inspection, termination, and listing of specific federal regulations.

G. Inspection and Testing

1. When practical and feasible, Regent institutions should test and evaluate all supplies, materials, and equipment goods.

2. Product association testing reports, independent research laboratories or governmental testing reports may be utilized in evaluation criteria.

3. An inspection of goods shall be performed at time of receipt and/or use.

H. Cooperative Purchasing

1. Regent institutions are encouraged to exchange price information, supplier/vendor lists, bidder histories, and standard specifications and to implement interinstitutional purchasing arrangements wherever practical and feasible so that maximum value can be obtained.

2. Regent institutions are encouraged to participate in interagency cooperative purchasing agreements. It is the Regents' intent that such cooperative purchasing continue to provide the lowest competitive price consistent with quality and service requirements of Regent institutions.

3. Regent institutions are encouraged to purchase from state central purchasing contracts if it is in the best interest of the institution.

4. State agencies, by prior agreement, may purchase items through Regent institutions providing that such purchases shall not jeopardize educational discounts accruing to Regent institutions.

5. Regent institutions are encouraged to participate in interinstitutional cooperatives with other universities, health care organizations, and similar affinity groups to gain better prices and choices.

I. Review and Documentation Reporting

1. Prior to awarding a grant or purchase of service contract to a private agency, Regent institutions shall obtain from the auditor of state or the auditor's designee a certification stating that the grantee or contractor has an accounting system adequate to effect compliance with the terms and conditions of the grant or contract. The certification shall include an evaluation of internal controls in the accounting system to
determine whether the system provides reliable information and promotes efficient operation of the agency. (I.C. § 11.36)

A private agency awarded a grant or purchase of service contract by or through the Governor or a state agency shall submit to the audit required by this section prior to the actual transfer of funds and shall pay for the audit under I.C. Chapter 11. The auditor of state may accept an audit report by an independent certified public accountant as evidence of adequacy. To the extent possible, the auditor of state shall use existing records on file in the auditor's office to make a determination of adequacy.

An annual report on purchasing, including purchases from Regent employees, shall be submitted by each institution to the Board Office. A joint report shall be docketed for Board information annually.

3. A report on purchases from Regent employees shall be submitted by each institution as part of the institution's annual purchasing report to the Board.

J. Surplus Property Disposal

Note: This section will be included in a different section of Chapter VII, Business Procedures.
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The Regents affirm that the best interests of the state of Iowa and the Regent institutions are served through implementation of a fully competitive purchasing system.

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1. The Board of Regents is authorized by statute to contract for goods, services, and capital improvements. (I.C.§18.3 and Chapter 262) Capital improvements are addressed in Chapter 9.

2. The Board delegates authority to approve agreements and contracts for all goods and services purchased by the institution, except for capital improvements, fire protection, legal services, and engineers. (IAC 681-8.2[3])

4. Remedies for breach of contract shall be in accordance with I.C. Chapter 554.

B. Organization and Responsibilities

1. The Board of Regents shall establish policies and maintain oversight of all procurement functions. The Board Office and institutions shall meet regularly to insure coordination of purchasing policies and procedures.

2. Goods and services are purchased by the chief business officer of each institution, acting through the institutional purchasing director, on the basis of competitive procedures. Such purchases need not be reported to or approved by the Board of Regents, provided that the chief business officer has determined that there is no unusual circumstance which requires the special attention of the Board, and provided the purchase does not involve a lease which must be approved or reported.

Policies related to capital projects, including bidding, bid security, selection of architects/engineers for Regent institutions are in Chapter IX of this Policy Manual.

3. Each Regent institution, through an institutional purchasing department, shall be responsible for purchasing goods and services. Institutions may delegate purchasing responsibility to departments. Low dollar procurement authority may also be delegated to institutional units through the use of credit cards or other appropriate procurement instruments, consistent with prudent, contemporary business and audit practices.

4. Each Regent institution shall establish a purchasing procedure for goods and services.

5. Each Regent institution shall maintain a purchasing policy and procedure document.

6. Each Regent institution shall be custodian of its purchasing records, including but not limited to purchase requisitions, requests for quotations, purchase orders, vendor correspondence and related documents and shall maintain such records in accordance with applicable law.
7. ISU will process purchases of $5,000 or more for the special schools.

8. Under the Iowa Code and the Iowa Administrative Code vendors may only charge a maximum interest of 1% per month in some situations when a claim remains unpaid after 60 days. This does not apply to claims against the state under Chapters 25 and 669 or claims paid with federal funds. (I.C. §421.40 and IAC 681-8.2[4])


10. Regent institutions shall adhere to the professional ethics embodied in the code of the National Association of Educational Buyers.

11. Employees, officers, and members of the Board of Regents shall comply with the I.C. Chapter 68B, "Conflicts of Interest of Public Officers and Employees" and Regents Conflict of Interest Policy (I.A.C. 681-8.9).

   a. Board of Regent institutions shall take appropriate steps to notify employees, vendors, and suppliers of Regent policy on conflict of interest.

   b. This policy shall be incorporated in the operations manual of Regent institutions, along with any other provisions relating to the subject of an explanatory or more specific or restrictive character.

12. Definitions:

   a. Moveable equipment is defined as any moveable property valued at a unit acquisition cost of at least $2,000 which is identifiable, is not a replacement part, and has a useful life of one year or more.

   Fixed equipment is defined as permanently affixed-installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, kitchen cabinets, laboratory casework, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location. Fixed equipment, which is part of a capital project, is exempt from the requirements of the following subsections.

   b. Equipment purchases are subject to the following review procedures prior to the issuance of a purchase order or any other purchase commitment by the institution.

      1) Equipment with a unit cost of less than $250,000 or a total purchase cost less than $500,000, will be purchased by the chief business officer of each institution, acting through the institutional purchasing agent, as outlined in Section B of this Policy Manual.

      2) Equipment with a unit cost greater than $250,000 or a total purchase cost of $500,000 to $1,000,000 will be submitted to the Board Office for approval. The Executive Director will notify the Board of such actions. At the discretion
of the Executive Director, the equipment purchase may be submitted to the Board for approval.

3) Equipment costing more than $1,000,000 will be submitted to the Board for approval.

c. The Executive Director may approve emergency purchases which exceed $1,000,000 to be followed by Board ratification. Emergency purchases are defined in IAC 681-8.9(4).

d. Any request submitted to the Board Office for approval pursuant to sections 2(b) and 2(c) of this policy will include the following information regarding the equipment to be purchased.

1) Description of the equipment.

2) Justification of the need for the equipment.

3) Any known alternatives to the equipment proposed.

4) Estimated cost and source of funding.

C. Qualified Vendors of Goods and Services

1. Each institutional purchasing department shall maintain a master list of prospective suppliers. This list is a resource to be used at the discretion of the Purchasing director.

2. Any person, agency, or firm wishing to supply goods or services in a category may request, in writing, that its name be added to the institutional master list. The name is added to the institutional master list if, in the professional judgment of the purchasing director, the addition would aid in fostering a competitive situation. The purchasing director may require the requesting party to furnish information on qualifications to supply the item(s) indicated and financial responsibility prior to determining whether to add a vendor's name to the institution's master list.

3. Third party bid subscription services, who themselves do not supply goods or services utilized by Regent institutions, are not approved vendors. The institutions need not add these bid services to their institutional master list of suppliers, nor provide electronic access for downloading copies of bids, if access is reserved for approved vendors. Third party bid subscription services and non-approved vendors may request copies of bids under public records statutes. Institutions providing copies may charge a reasonable fee to cover the costs including, but not limited to, copying, labor, and postage. The opportunity to receive copies may be suspended should reimbursement of such costs not be made promptly. (I.C. §§ 22.3 – 22.4)
4. Nonresponsive and Nonresponsible Vendors. Once a supplier is added to the master list, the name shall not be removed from the list by an institution except for good and sufficient reasons. Such reasons shall include, but not be limited to, the following:

   a. Delivery of goods and services that do not comply with specifications;
   b. Failure to deliver within the specified time;
   c. Refusal to deliver after submitting a quotation, bid, or proposal and after receiving an order;
   d. Withdrawal of quotations, bids, or proposals prior to the placing of an order;
   e. Failure to have qualified service available in the area to set up, check out, or instruct personnel in use of goods or failure to have parts to service goods, if a part of the agreement or warranty, written or implied;
   f. Bankruptcy or other evidence of insolvency, or any other fact which might cause substantial doubt about the supplier's ability to continue as a responsible source and fulfill obligations;
   g. Failure to comply with the Regent Equal Employment Opportunity Policy;
      h. Illegal purchasing practices;
   i. Failure to respond to requests for prices;
   j. No longer in business;
   k. No bids or orders issued in the last consecutive two-year period;
   l. Failure to timely cure one or more noncompliant deliveries;
   m. Removal from an institutional master list of another Regent institution.

5. Removal for cause is not to exceed three years, except upon specific authorization of the Board. Reinstatement requires application to the institution.

D. Vendor Appeal Procedures

1. Vendor appeal procedures are currently under revision and will be updated later.

Vendors

   a. A vendor who wishes to appeal removal from a Regent institution's qualified vendor list shall, initially, attempt to resolve the issue at the institutional level.
   b. If the vendor is dissatisfied with the institution's response, the vendor may notify the executive director in writing of the vendor's dissatisfaction and request Board Office assistance.
c. Complainants are required to exhaust administrative remedies at the institutional level before making a written request for review to the executive director.

Board Office

a. The executive director or designee may then take steps to assist the vendor and the institution in resolving the issue(s).

b. If the issue(s) remain(s) unresolved, the executive director, at the request of the vendor, may docket the matter for review by the Board. Any complaints from vendors received by Board members shall be referred to the Board of Regents Office for investigation. Results of the investigation shall be sent to each Board member. The vendor’s written request and supporting information shall also be sent to the institution involved and that institution shall file a written response with the Board Office supporting the institution’s position.

c. If the complaint is docketed, the executive director will prepare a recommendation for the Board to consider. If the complaint is docketed, the results of the investigation shall constitute the basis of the executive director’s recommendation. If the complaint is not docketed, the results of the investigation shall be sent to each Board member.

A copy of the recommendation with notice of the date, time, and place of the meeting for which the matter has been docketed shall be sent to the vendor and the institution within a reasonable time. The recommendation and the Board action shall constitute a final report.

Institutional

Copies of any written complaints received by the institution shall also be sent to the Board of Regents Office if there are interinstitutional implications.

E. Competitive Conditions

The following policies establish the competitive conditions under which Regent institutions shall operate.

1. Competitive Procedures. Each purchasing director or chief business officer shall be responsible for establishing procedures to ensure that goods and services are competitively selected. Written bids are required for purchases, which are expected to exceed $10,000. Competitive selection may incorporate multiple criteria of award, with awards made based on bidder whose proposal provides the best value as determined by the institution/purchasing department.

Negotiated, noncompetitive, and sole source purchases are recognized by the Regents as proper procurement procedures in appropriate circumstances where the public will be served. With appropriate institutional review, both competitive negotiation and noncompetitive negotiation processes may replace written competitive bidding when the purchase is anticipated to exceed $10,000. Regent institutions shall justify the use of negotiated, noncompetitive, and sole source purchasing procedures upon request.
2. **Bidding.**

   a. Two types of bid solicitations, either formal or informal shall be used. The determination of which type of bid to be used shall be at the discretion of the institutional purchasing department, except as otherwise provided by law or administrative rule.

   1) **Formal Sealed Bid.** Public notice is required for formal sealed bidding with a bid opening at a specified place on a scheduled day and at a scheduled time. Sealed bids will be publicly opened and read at the date and time specified in the written notice, unless otherwise indicated in the bid documents.

   2) **Informal Quotation.** This is a request for prices or quotations that is mailed, faxed, communicated by telephone, emailed or otherwise delivered electronically by the institutional purchasing department with due date and time noted. There is no public reading of bids or quotations.

   Institutional purchasing departments shall provide an opportunity for qualified prospective vendors to prepare timely bids or quotations.

   3) Bids or quotations are tabulated in the purchasing department. A buyer either makes the award decision or consults with the requesting department for assistance in the decision, particularly when alternate products are offered by bidders.

   4) The names of the bidders and the amounts bid shall be supplied to any person upon request after the opening of the bids and as soon as the evaluation of the bids is completed and the award is made. Information will not be released in situations in which the release would provide a competitive advantage to any of the bidders.

   5) Nothing contained in these conditions shall be construed to mean that the lowest priced goods or inferior or substandard goods must be purchased. The Regent institutions are to purchase goods at the lowest cost consistent with the quality and service required.

   6) Should a buyer recommend an award to other than the low compliant and responsible bidder, a review of the recommendation shall be conducted by the institutional purchasing director or designee. It shall be the responsibility of the chief business officer or his/her designee to monitor the low bid rejections.

   b. **Withdrawal of Bids.** Bids may be withdrawn prior to the time set for receipt of bids. Bids shall not be withdrawn after that time, except as noted herein, without penalty.

   Only in the event of an obvious and documented error where it would be a manifest injustice to require the vendor to perform, can a vendor withdraw a bid after the time set for receipt of bids. Such withdrawal of bids can be done only upon the recommendation of the institution under procedures approved by the executive director.
c. Procedure for Withdrawal of Bids

1) A request to withdraw a bid shall be provided in writing to the institutional purchasing director or designee of the institution taking such bids.

2) A vendor is required to provide written documentation of any alleged error.

3) Each request for withdrawal will be considered on its own merit.

4) An investigation into the request of the vendor to withdraw a bid shall be carried out by the institutional purchasing director or designee.

5) A request for withdrawal of bids shall be made part of the vendor's record.

6) Any future request for bid withdrawal by the same vendor may be cause for removal from all Regent institutions' bid lists as an indication of a nonresponsible vendor.

d. Bid Security. Regent institutions have discretion to use bid security as an incentive to vendors to enter into contractual requirements.

e. Common Conditions for Use of Bid Security

1) Bid security shall be used in cases where the purchasing director determines there is a need to protect the interest of the institution. The need for bid security may, in part, be determined by the size of the proposed purchase, the item or items being bid, the competitive conditions surrounding the purchase, and the history of such purchases, including general reliability of vendors being requested to bid a particular purchase.

2) Occasionally, it may be appropriate to require bid security from prospective buyers.

Bid security, when utilized for purchasing, shall follow bid security requirements as set forth in the IAC 681-8.6(2 & 4).

3. **Sole Source Purchases.** The Regents recognize that in some instances scientific, mechanical, and technical equipment or supplies or services may be required which are obtainable only from a sole source.

4. **Emergency Purchases.** The Regents recognize that in some emergency situations the taking of competitive bids or quotations is not feasible or possible. In such situations the requirements to do so may be waived. Emergency purchases are defined in IAC 681-8.9(4).

5. **Iowa Prison Industries.** Regent institutions are encouraged to purchase products produced by Iowa Prison Industries unless the exceptions in the Iowa Code apply. I.C. §904.808 Nothing herein shall require Regent institutions to procure items from Iowa Prison Industries when such items are purchased from Targeted Small Businesses.

6. **Iowa Products and Labor.** All state agencies shall use those products produced within the state of Iowa, when they are of a quality reasonably suited to the purpose
intended, and can be secured without additional cost over foreign products or products of other states. (I.C. §§73.1 and 18.6)


It is the policy of the Board of Regents, State of Iowa to provide contract opportunities to targeted small businesses. All laws and rules pertaining to solicitations, bid evaluations, contract awards, and other procurement matters apply to targeted small businesses. (IAC 681-7.7, Regent Policy Manual §5.05)

8. Professional Service Contracts.

a) "Professional Service Agreements are contracts for unique, technical and/or infrequent functions performed by an independent contractor qualified by education, experience and/or technical ability to provide services. In most cases these services are of a specific project nature, and are not a continuing, on-going responsibility of the institution. The services rendered are predominately intellectual in character even though the contractor may not be required to be licensed. Professional service agreements may be with partnerships, firms or corporations as well as with individuals.

b) Selection of a Provider. Professional service agreements for greater than $25,000 must be selected through a competitive Request for Proposal (RFP) process unless the service is a sole source purchase that is appropriately documented. The $25,000 threshold is not based on a one-time cost, but rather on a cumulative cost for on-going services under the terms of the project engagement. Professional service agreements, which are less than $25,000 over the course of service, may be entered into without using the required competitive bidding process. Total payment to a professional services provider for services provided to any one university department may not exceed $25,000 in a fiscal year, unless subject to competitive bidding or review and approval by the institutional purchasing department. Selection of a professional service provider shall be based on a variety of criteria including, but not limited to, demonstrated competence, knowledge, references and unique qualifications to perform the services, in addition to offering a fair and reasonable price that is consistent with current market conditions. Additional criteria may be used as appropriate to the circumstances.

c) Provider Accountability. Work requirements should clearly define all performance objectives, work expectations and project milestones, and hold the contractor accountable for successful completion of the resultant agreement. Requirements may include, but not be limited to, reports, training sessions, assessments, evaluations or other tangible services.

d) Provisions of Professional Service Agreements. The following terms and conditions must be addressed:

1) Performance Requirements. Performance requirements should be precise and written in such a way that it can easily be determined if and when the contractor has successfully fulfilled his/her obligations under the Agreement. Consequences for noncompliance such as non-payment and/or termination of the contract must also be defined. Scheduled due dates that specify milestone targets must be clearly identified and may include, but not be limited to, regular meetings scheduled to evaluate progress, identification of problem areas to determine
actions to be taken to resolve any concerns, dates for formal written reports, required oral progress reports, and contract monitoring requirements.

2) Period of Performance. The resultant agreement must specify a start date and a completion date. While there may be exceptions, in most circumstances an end date to the agreement will be required. If an end date cannot be determined, a maximum time limit or maximum number of hours must be stated. Agreements with organizations are typically written for a specific term of successive years. In some instances, these agreements are annually renewable. Other provisions of an agreement may include a renewal clause beyond the original term of the agreement. Extended term agreements for individuals are discouraged.

3) Compensation and Payment. Compensation and payment terms include elements relating to cost and payment, such as maximum cost, (i.e. not to exceed cost), cost per deliverable, hourly rates for individuals providing services, number of hours required, allowable expenses and total authorized for expenses, payment and invoicing procedures. Compensation and payment terms should also include a statement as to whether the Regent institution will pay expenses incurred by the contractor and if so, which ones. Such expenses may include, but not be limited to, airfare (economy or coach class), lodging and subsistence necessary during periods of required travel; expenses incurred during travel for telephone, copying and postage, and private vehicle mileage. If other types of expenses are allowed, they must be clearly defined.

4) Performance Monitoring. The institution shall monitor the compliance with the terms and conditions of the agreement and applicable laws and regulations.

5) Provision of Liability. The provider may be required to show proof of insurance coverage and workers compensation in compliance with statutory requirements, in the form specified by the institution.

F. Specifications and Standards

1. Consistent with the Board's purchasing policies and procedures, institutions, when establishing standards and specifications and size of orders for goods and services, shall give due consideration to the ability of Iowa businesses to compete in bidding for those goods or services. The institutions shall continue to observe the goals of quality and economy in purchasing while meeting the needs of the institutions.

2. Specifications shall be prepared to assure that they do not restrict or preclude competition.

3. All requests for bids and proposals for goods and services and other needed articles to be purchased at public expense shall, whenever possible and practical, be made in general terms addressing functional specifications rather than brand, trade name, or other individual mark. Brand names and numbers, when used, are for reference purposes and indicate the character or quality desired. If brand names are used, the specifications shall contain an “or equal” or “or acceptable alternate” clause. The institutional purchasing director shall determine what is an acceptable alternate.
3. Recognition is also given to standardization and compatibility requirements which should be maintained for purposes of economies in replacement and maintenance.

4. Life cycle cost and energy efficiency shall be included in the criteria used by institutions under the Board of Regents in developing standards and specifications for purchasing energy consuming products. Life cycle cost means the expected total cost of ownership during the life of a product. (I.C. §18.3) Institutional procedures may identify the parameters for which energy consuming products are subject to this section.

"Preference shall be given to purchasing American-made products and purchases from American-based businesses if the life cycle costs are comparable to those products of foreign businesses which most adequately fulfill the institution's need." (I.C. §18.3)

Iowa Code addresses purchasing paper and other recycled products. (I.C. §18.18)

5. Standard terms and conditions, contained on requests for bids, quotations, and purchase orders, are intended to ensure that all the basic considerations relevant to the agreement are covered. For purposes of internal consistency all Regent institutions shall standardize general terms and conditions on purchase orders and bid solicitations. Such terms and conditions shall include, but not be limited to, exclusive agreements between parties, acceptance agreements between parties, acceptance conditions, guarantees and warranties, rights of inspection, termination, and listing of specific federal regulations.

G. Inspection and Testing

1. When practical and feasible, Regent institutions should test and evaluate all goods.

2. Product association testing reports, independent research laboratories or governmental testing reports may be utilized in evaluation criteria.

3. An inspection of goods shall be performed at time of receipt and/or use.

H. Cooperative Purchasing

1. Regent institutions are encouraged to exchange price information, vendor lists, bidder histories, and standard specifications and to implement interinstitutional purchasing arrangements wherever practical and feasible so that maximum value can be obtained.

2. Regent institutions are encouraged to participate in interagency cooperative purchasing agreements. It is the Regents' intent that such cooperative purchasing continue to provide the lowest competitive price consistent with quality and service requirements of Regent institutions.

3. Regent institutions may purchase from state central purchasing contracts if it is in the best interest of the institution.
4. State agencies, by prior agreement, may purchase items through Regent institutions providing that such purchases shall not jeopardize educational discounts accruing to Regent institutions.

5. Regent institutions are encouraged to participate in interinstitutional cooperatives with other universities, health care organizations, and similar affinity groups to gain better prices and choices.

I. Reporting

An annual report on purchasing, including purchases from Regent employees, shall be submitted by each institution to the Board Office. A joint report shall be docketed for Board information annually.

Note: This section will be included in a different section of Chapter VII, Business Procedures.