



**NORTHWESTERN  
UNIVERSITY**

**Responsible University Officials:**

Director of Purchasing

Controller

**Responsible Offices:**

Purchasing Resource Services

Controller's Office

**Origination Date:**

December 1, 2008

## **Purchasing Policy and Procedures**

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### **Policy Statement**

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Northwestern University (NU) supports sustaining and promoting a procurement environment based on the understanding that departments and schools are in the best position to determine what they need to run their programs, they are the experts. Policies, procedures, and processes are meant to reflect an environment that puts them in the best possible position to get the products and services they need in a timely and cost effective manner to effectively run their programs, while also making sure appropriate business processes are followed.

Purchasing Resource Services (PRS), which is part of University Services, is the single point of contact for all centralized procurement activities. PRS is considered the procurement expert at the University, setting the overall strategy regarding how purchases should be made, as well as strategically sourcing on behalf of the University. Accounts Payable, which is part of the Controller's Office, is the single point of contact for all centralized payment activities.

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### **Reason for Policy / Purpose**

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Considerable authority has been delegated to departments and schools to make purchasing decisions. This requires that employees involved at every step of the purchasing process take full responsibility for understanding the University's policies and procedures regarding purchasing and vendor relations. Purchasing decisions are business decisions made on behalf of the University and therefore should be made with the utmost consideration for what is in the best interest of the University. Purchases also need to be made in the most efficient and cost effective manner. Following policy and procedure ensures that appropriate business processes occur when dealing with outside vendors.

Department and school personnel who will be responsible for making purchases are expected to have appropriate security for their role (i.e. requestor, approver, etc.) and attend all associated training classes for those roles. Please visit the [Project Café website](#) at for specific training information.

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### **Who Approved this Policy**

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Senior Vice President of Business and Finance  
Associate Vice President, Financial Operations and Treasury  
Director of University Services

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### **Who Needs to Know this Policy**

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All employees involved in making purchasing decisions or approving purchases on behalf of their department or school.

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### **Website Address for this Policy**

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The Purchasing Policy and Procedures document is located on the [Purchasing Resource Services website](#). A list of all links referenced throughout this document are included on page 30 and 31.

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**Contacts**

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If you have any questions regarding Purchasing Policy and Procedures, you may contact Purchasing Resource Services at (847) 491-8120 or [purchasing@northwestern.edu](mailto:purchasing@northwestern.edu).

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**Definitions**

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Identified throughout this policy document.

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## Policy

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### A. INTRODUCTION

The University's goal for every purchasing transaction is to obtain the best value possible. Best value is determined by evaluating many factors (such as price, delivery capabilities, quality, past performance, training, financial stability, service capabilities, ease of ordering, payment, etc.) and selecting a vendor that offers the best combination of those factors.

The University strives to procure most goods and services through the use of contracts with appropriate terms and conditions to properly protect the department/school, University, and vendor. When bids are required by policy, they are to be conducted on an open and competitive basis and without favoritism, in order to maximize the best value to the department/school and University. Interested suppliers will receive fair and impartial consideration.

The University's procurement policy is intended to be consistent with the Generally Accepted Accounting Practices (GAAP), OMB Circular A-110, OMB Circular A-21 (CAS - Federal Cost Accounting Standards), and the Federal Acquisition Regulation (FAR). University departments/schools will ensure that each transaction is classified or defined as an allowable expenditure on a specific chart string. For sponsored programs, certain purchases may be unallowable.

### B. ROLE OF PURCHASING RESOURCE SERVICES (PRS)

Purchasing Resource Services (PRS) is the single point of contact for centralized procurement activities. The role of PRS is to help departments/schools make informed, best value purchasing decisions and help them secure the products and services they need in the most streamlined way, as well as assist departments/schools with all other purchasing related issues. The primary responsibilities of PRS are as follows:

Strategically source on behalf of the University by establishing contracts and agreements for use by all departments/schools based on formal, structured, and consistent processes.
Actively review spend reports (including P-Card) to look for new contracting opportunities
Conduct formal bid process and/or handle negotiations
Develop contract and secure appropriate signatures
Streamline the process to order from contracted vendors
Contract administration: <ul style="list-style-type: none"><li>○ Promote contracts to the University community</li><li>○ Enforce requirements of the contract</li><li>○ Resolve disputes</li><li>○ Review and analyze prices and price increase requests</li><li>○ Discuss and document changes</li></ul>
Maintain, interpret, and enforce purchasing policy
PRS reserves the right to review and question any purchasing transaction.
Approve purchases when central approval is required by policy
Assist with the bid process on behalf of departments/schools, at their request
Handle the dispatching of all Purchase Orders to vendors
Monitor fax server and intervene when necessary
Manually issue PO's when necessary
Support and maintain the iBuyNU Marketplace
Manage the process of enabling new vendor catalogs
Process changes to Purchase Orders, when requested by departments/schools
Manage the Supplier Diversity Program
Manage the process of pre-screening vendors for use by departments/schools
Work with the Office of General Counsel
Streamline the contract review process
Develop templates for use by departments/schools
Make sure contracts are appropriately reviewed and signed

### **C. AUTHORITY AND RESPONSIBILITY**

As stated above, the University maintains a procurement environment that delegates considerable decision making authority to departments/schools. These activities include:

- Determining which products and services they need to run their programs
- Initiating requisitions to Preferred Vendors that have contracts and agreements with the University
- Appropriately handle individual purchases less than \$25,000
- For purchases from non-Preferred Vendors of \$25,000 or more:
  - Solicit bids and prepare a [Bid Documentation Form \(BD-1\)](#), or
  - Substantiate purchase using the [Sole Source Justification Form \(SSJ-1\)](#), when appropriate.

Employees involved in the purchasing process take full responsibility for understanding the University's policies and procedures regarding purchasing and vendor relations. Purchasing decisions are business decisions made on behalf of the University and therefore should be made with the utmost consideration for what is in the best interest of the University.

If a department/school utilizes controlled substances, they are required to have all appropriate licenses from the Drug Enforcement Administration (DEA).

Segregation of duties and responsibilities in the purchasing process provides proper controls. As the dollar value and complexity of a purchase increases, so does the level of authority and responsibility required to obligate the University for a purchase. An example of segregation of duties within a department/school is as follows:

- Requester/end user (PI, lab assistant, department assistant, financial assistant, etc.):
  - Determine what they need
  - Determine whether the need can be fulfilled by a Preferred Vendor
  - Research vendors
  - Solicit prices
  - Analyze costs and assess other important factors (i.e. delivery, customer service, etc.)
  - Select a vendor
  - Initiate an electronic Requisition through the University's financial system (NUFinancials) or communicate needs to authorized requestor
  - Track documents and paperwork flow
  - Ensure the proper receipt of ordered goods or services
  - Enter electronic receipt documents into NUFinancials
- Approver (supervisor, business manager, lab manager, PI, etc.):
  - Validate the legitimate business purpose of the transaction
  - Determine whether the need can be fulfilled by a Preferred Vendor
  - Approve requisitions
  - Validate that adequate funding is available
  - Ensure compliance with University policy and applicable regulations regarding Cost Accounting Standards as related to the use of restricted funds and the acquisition of regulated or controlled goods
  - Negotiate and resolve disputes with vendors
  - Monitor and reconcile purchase transactions using the financial system and associated financial statements and reports
- Department chair, Dean, faculty supervisor, administrative department head, etc.:
  - Review and approve reimbursement requests and other special purchasing transactions
  - Approve requisitions, when necessary
  - Monitor budgets
  - Ensure compliance with University policy and applicable regulations regarding Cost Accounting Standards as related to the use of restricted funds and the acquisition of regulated or controlled goods

## D. ETHICS

Ethical business standards shall govern all procurement transactions. Infractions of University procurement policy are to be reported to PRS, the department chair, the NU Office for Audit and Advisory Services, and/or an Officer of the University. Disciplinary action for those violating ethical business standards will be taken in accordance with applicable University policy, up to and including the termination of employment.

University personnel shall not solicit a gift or accept a significant gift from any supplier or prospective supplier. A 'significant gift' is defined as any item, service, favor, monies, credits, or discounts not available to others which could influence purchasing decisions. University personnel may accept trivial items as a matter of courtesy, but may not solicit them. Acceptance of social invitations to occasional business meals, entertainment, and hospitality will be subject to prudent judgment as to whether the invitation places or appears to place the recipient under any obligation, the appropriateness of the occasion, frequency, and choice of facilities. Questions about the value of a gift or the appropriateness of an invitation should be referred to your supervisor to ensure compliance with the University's conflict of interest policy.

The University values its suppliers and assumes that vendors, in turn, value the University's business. No token or display of appreciation is necessary or encouraged. All vendors are asked to comply with University standards by not offering incentives, gifts, or services to individual personnel. For additional information see [Standards for Business Conduct](#).

Northwestern's reputation for impartiality and objectivity, as well as sound business practice, requires that employees not make decisions for the University if their personal economic interests are directly affected by the outcome. For further information, reference the [University Conflict of Interest Policy](#) for faculty and staff.

## E. SIGNATURE AUTHORITY

End users within departments/schools typically do NOT have the authority to sign ANY contracts or agreements with outside parties in the name of the University or one of its departments/schools.

- Contracts and agreements that need to be signed by the University MUST be reviewed by the Office of General Counsel (OGC). **OGC may also forward contracts and agreements for the purchase of products and services to PRS for review to make sure appropriate policies and procedures were followed in the selection of vendors. Accordingly, a Bid Documentation Form (BD-1) or Sole Source Justification Form (SSJ-1) should accompany the contract/agreement to be reviewed.** Once the contract/agreement is reviewed and approved, it will be forwarded to the appropriate officer of the University for signature. Below are the officers authorized to sign contracts and agreements on behalf of the University:
  - President
  - Provost
  - Senior Vice President or Vice President
- In some cases, the above officers may have expressly delegated limited signature authority in writing to another University employee or position. Certain Associate and Assistant Vice Presidents, Deans, Associate Provosts, and Directors have been delegated authority to execute contracts under \$25,000 per year. Check with your unit or department to determine if a particular person has been delegated authority, or the end user can contact OGC (see the [OGC website](#) for more information).

PRS and OGC work together to streamline the contract review and signature process. Any templates that have been created by PRS and OGC are located on the [PRS website](#).

## **F. INSURANCE REQUIREMENTS**

Northwestern has established minimum contractor's liability insurance requirements. Vendors that do business with the University are expected to meet these minimum requirements, which can be viewed on the [Risk Management website](#). Risk Management must review and approve any exceptions to the standard insurance requirements of the University.

## **G. PROCESSING PURCHASING TRANSACTIONS**

The purchase of most goods and services from outside vendors is to begin with the initiation of a Requisition in NUFinancials. **This shall occur at the time the product or service needs to be ordered, not when it is time to pay for the product or service.** A Requisition ID begins with the prefix REQ. A fully approved and budget checked Requisition is then automatically sourced into a Purchase Order that begins with the prefix PUR during normal batch processing (no manual intervention by PRS is necessary in most cases). The official Purchase Order is then sent to the vendor. This process occurs multiple times per day, and once the sourcing process runs, all purchase orders are then almost immediately dispatched to the vendors. This eliminates the need and perceived benefits associated with phone orders and blanket orders. The system provides an appropriate audit trail since all transactions are captured in the system specific to each individual purchase, putting the University in the best position to pay for purchases in a timely manner.

Starting with a Requisition ensures that an approved and official Purchase Order is issued. An official Purchase Order is the legal document that governs the transaction and properly protects the department/school and University. The terms and conditions specify each party's rights and obligations. Generally, a contract's terms and conditions are called into question only when a dispute arises. However, as the dollar amount of a transaction or the level of risk in the activity (such as potential for injury) increases, so does the likelihood for major disputes and, thus, the need to be appropriately protected.

Verbal purchases (i.e. phone orders) are not considered valid by the University, nor are purchase orders generated through internal department/school systems or means other than NUFinancials. Departments/schools that use these means to initiate purchases with outside vendors assume responsibility for such purchases at their own risk.

Departments/schools are also expected to follow all associated policies from the [Office of the Vice President for Research](#), when applicable.

## **H. BID PROCESS**

If there is no Preferred Vendor for the product or service needed or a Preferred Vendor does not meet the needs of the department/school, the University requires that bids be solicited from at least three vendors for all purchases of \$25,000 or more (please note that while bids are required for purchases of \$25,000 or more, it is recommended that bids be solicited for purchases of \$5,000 or more).

Departments/schools must consider annual or total multi-year spend for products or services needed on a regular or repetitive basis to determine whether a bid needs to be performed. It is not determined by the average monthly spend for a particular product or service (i.e. just because the monthly spend on a particular item may be less than \$25,000 does not exempt the department/school from having to solicit bids).

In addition, departments/schools should generally plan to have established contracts re-bid at least every three to five years. Some contracts can be longer, primarily those that require a significant on campus investment by the vendor.

The best way to determine which vendor a particular department/school should do business with is to make that decision based on a competitive solicitation among potential suppliers. It is a good business practice to make award decisions based on a best value evaluation. To do this, the department/school should consider a variety of factors in addition to price, such as delivery capabilities, quality, past performance, training, reporting capabilities, compliance with

specifications/requirements, financial stability, etc. The award should be made to the responsive and responsible bidder that offers the best combination of all of these factors.

Departments/schools have the following options:

- **Department/school can perform a competitive bid**

The following standard documents have been developed to assist departments/schools with the bid process and can be accessed from the [PRs website](#):

- Request for Quotation Bid Price Sheet Template
- PO Terms and Conditions

Once bids have been received, the [Bid Documentation Form \(BD-1\)](#), which can be accessed from the [PRs website](#) or the [NUPortal](#) must be completed for purchases of \$25,000 or more and attached to the Requisition. This form is to be used to summarize the primary factors considered in the award decision, how each vendor responded to those factors, and how the awarded vendor was selected and why.

PRs can also help train departments/schools how to appropriately conduct and manage the process of requesting quotes. **Departments/schools are strongly encouraged to include PRs in the procurement process for significant purchases or when a strategic relationship needs to be established with a vendor for a particular product or service.**

Remember to consult with the following departments for certain purchases:

- NUIT – technology and communications
- Facilities Management – construction and major renovation

- **Department/school can request that PRs perform a competitive bid or negotiate on their behalf**

The benefits associated with having PRs manage the procurement process for significant purchases or when a strategic relationship needs to be established include the following:

- PRs has established a formal, structured, and consistent process for conducting bids (which includes the use of several established templates). All documents have already been reviewed by the Office of General Counsel.
- PRs knows the purchasing process, key vendors in various industries, other customers (i.e. University contacts), methods for benchmarking prices to make sure the University is getting the best deal, and how to negotiate. PRs will also make sure the contract is appropriately reviewed by OGC and signed by an authorized person at the University.
- Department/school personnel will be involved throughout the entire process (i.e. to help define requirements, evaluate proposals, and select a vendor).
- PRs will hold these vendors accountable to make sure the expectations of the department/school are being met, resolve disputes, review changes, etc.

- **Department/school may determine that a Sole Source purchase is justified**

## **I. SOLE SOURCE**

Sole source means that a single vendor is uniquely qualified to meet the department/school's procurement objective. To be considered a sole source and therefore exempt from the bid process, one of the following conditions must be met:

- The actual product or service needed is the only one that will meet the department/school's need/requirement and it can only be purchased from one source (manufacturer or distributor).

- The product or service must match or be compatible with current equipment or services.
- The product needed is specifically required for use in conjunction with a grant or contract.
- The service needed is controlled/mandated by the local utility or government.
- Professional or artistic services.
- An unusual or compelling urgency exists.

If the needs of the department/school meets one of the above criteria, it can either negotiate with the vendor directly or can request that PRS negotiate with the vendor on their behalf. The [Sole Source Justification Form \(SSJ-1\)](#), which can be accessed from the [PRS website](#) or the [NUPortal](#), must be completed for purchases of \$25,000 or more and attached to the Requisition.

## J. REQUISITIONS

- There are two primary types of requisitions:

### 1. Catalog Requisition (iBuyNU purchases)

Catalog Requisitions are used to purchase from Preferred Vendors that are included in the iBuyNU Marketplace. (see paragraph AB.)

### 2. Non-Catalog Requisition

NUFinancials does not restrict your ability to order from any vendor. Non-catalog requisitions are to be used for purchases from non-preferred vendors as well as Preferred Vendors that are not enabled in iBuyNU. There is more manual entry required for these orders. Orders are generally dispatched by NU's fax server multiple times per day and invoices are sent by mail or fax to NU Accounts Payable.

- **Hold From Further Processing**

The primary use of 'Hold From Further Processing' is to allow departments/schools to indicate when they need to have a Purchase Order sent to a vendor in a way other than the default dispatch method in the vendor's profile in NUFinancials. By checking the 'Hold From Further Processing' box on the requisition and entering appropriate instructions in the 'comment' field, it allows PRS to change the dispatch method for that one order.

'Hold From Further Processing' should **not** be used to pay an invoice after the fact when a Purchase Order should have been issued and sent to the vendor at the beginning of the transaction. Exceptions will be granted on a very limited basis. If you have any questions about whether a particular payment is eligible to be processed in this manner, please contact PRS at 1-8120.

## K. SPECIAL REQUISITION TYPES

There are also three **Special Requisition** types. The appropriate box should be checked during the Requisition process **ONLY** when one of the following conditions is met:

### 1. **Blanket Order**

Blanket orders are to be used primarily to make payments for services that are provided on a regular and consistent basis, and in some cases for the regular delivery of a consistent quantity of product. Specific examples include:

- Equipment preventative maintenance (monthly payments)
- Garbage pick-up (department/school specific contract)
- Bottled waster service (same quantity each month)
- Facilities construction projects
- Rent, utilities

The underlying theme behind most blanket orders is that they are used to order and pay for on-going services or delivery of product when no individual ordering takes place. A contract/agreement should be in place that has been reviewed and approved by PRS and/or OGC (or a template created by PRS and OGC was used).

Blanket orders are not to be used as an open line of credit or to facilitate informal or phone orders (open account with no detail regarding each individual transaction). Blanket orders should also not be used as a way to simply manage your budget.

Blanket orders should be sent to the vendor, so they know the PO number to include on all invoices.

**Approval.** ALL blanket Purchase Order requests will be reviewed and must be approved by PRS, regardless of value. In addition, all changes to blanket orders will be processed by PRS.

The **Bid Documentation Form (BD-1)** or **Sole Source Justification Form (SSJ-1)** is required for blanket orders \$25,000 and above and those expected to reach \$25,000 or more during the fiscal year, unless a Preferred Vendor is used. The ordering department/school or requester should always check to see if the University has a Preferred Vendor for the items needed.

PRS has the right to question multiple blanket orders to the same vendor or blanket orders whose value is frequently increased.

**Annual Review.** Each year during July-August or thirty (30) days prior to issuing a new blanket order for the upcoming fiscal year, the ordering department/school or buyer should review the requisitioned blanket order for changes. Contact PRS early in the process for assistance.

## 2. Grant Subcontracts

A Grant Subcontract is an agreement written under the authority of, and consistent with, the terms and conditions of a prime award, and authorizes a portion of the research or substantive effort to be performed by another organization. This specifically refers to sponsored programs. These requisitions do NOT require PRS approval.

- Subcontracts are negotiated with the subcontractor through the Office for Sponsored Research (OSR).
- After the agreement is drawn up and signed by both the subcontractor and the Office for Sponsored Research, OSR will send the department/school a copy of the contract.
- A Requisition needs to be initiated (check the 'special Requisition type' box for GRANT SUBCONTRACT), which will be sourced into a Purchase Order but will not be sent to the subcontractor. Make sure that the contract period is within the start and close dates of the budget period of the sponsored program.

## 3. One Time Service

A 'One Time Service' requisition should be used for services when the actual amount that needs to be paid after completion of the project may differ from the original quote provided by the vendor that the Purchase Order was based on. By checking the 'One Time Service' box, it allows the department/school to receive by dollar amount, as opposed to by quantity.

This process can also be used for lengthy service projects that involve more than one invoice to be paid over several months, or if the project requires a deposit and then a second payment upon completion of the project. By checking the 'One Time Service' box, departments/schools can have a Purchase Order issued to the vendor for the full

estimated amount of the project and then several invoices/payments can be made against the Purchase Order.

The 'One Time Service' process is **NOT** to be used as a method to pay multiple invoices to a vendor when products are ordered. When products are being ordered, a standard Requisition needs to be created for each order that includes the specific details of what is being ordered (i.e. quantity, description, price), which will result in a purchase being sent to the vendor after it has been approved and budget checked.

#### **L. RECORD RETENTION**

Departments/schools must maintain copies of all documentation related to purchases in accordance with the University record retention guidelines, which are available on the [Audit and Advisory Services](#) web site. PRS reserves the right to request and review any document related to a particular purchase decision.

#### **M. APPROVALS/WORKFLOW**

A Requisition (REQ) must be initiated for purchases, which will then be sourced into a Purchase Order (PUR) and sent to the vendor once it has received all approvals and has been appropriately budget checked. An official Purchase Order also includes the signature of the Director of Purchasing. Below are some of the approvals that may be required, depending on the type of purchase:

- **Purchases Less Than \$25,000:**

Departments and schools have been delegated the authority to make purchases less than \$25,000 without requiring the approval of PRS. Departments/schools are expected to follow policy and are strongly encouraged to utilize Preferred Vendors whenever possible. It is recommended that departments/schools make decisions based on a competitive bid process for all purchases of \$5,000 or more, unless a Preferred Vendor is utilized.

Departments/schools may implement up to three internal approvals as follows:

- Level 1 – 0 to \$1,499
- Level 2 – \$1,500 to \$4,999
- Level 3 – \$5,000 or more

Please note that ALL requisitions for blanket purchase orders will require the approval of PRS, regardless of dollar value.

- **Purchases of \$25,000 or More:**

Requisitions of \$25,000 or more will require the approval of PRS. Either the [Bid Documentation Form \(BD-1\)](#) or [Sole Source Justification Form \(SSJ-1\)](#), which can be accessed from the [PRS website](#) or the [NUPortal](#), must be electronically attached to the Requisition. If the selected vendor's quote references terms and conditions, the quote and terms should also be electronically attached to the requisition. PRS reserves the right to request and review documentation related to the purchase, solicit additional bids, or conduct additional negotiations.

Requisitions to order products from Preferred Vendors through the iBuyNU Marketplace will NOT require PRS approval. Requisitions of \$25,000 or more to order products or services from Preferred Vendors that are not in the iBuyNU Marketplace will require PRS approval, however it is expected that these approvals will occur very quickly since all pricing and terms and conditions have already been established by PRS.

**PRS will not approve requisitions that do not comply with Purchasing Policy. Detailed information will be communicated to the department/school when a Requisition is not approved.**

- **Additional Special Approvals**

- **Restricted Commodities.** The purchase of certain commodities may require special steps and/or an additional electronic approval from the [Office of Research Safety](#) before it can be sourced into an official Purchase Order. When initiating the Requisition, the appropriate ACCOUNT CODE must be used so all appropriate approvals can be obtained. This applies to the following:

- Radioactive Materials

The Office of Research Safety will also monitor purchases of Respirators and Select Agents (Toxins) in a post audit fashion. Departments/schools **must** select the correct 'ship to' code when ordering the above commodities:

- RSA745CH for the Chicago campus
- RSA2145TE for the Evanston campus

A Purchase Order will not be issued until this approval is applied.

- **Purchases Using Grant/Sponsored Project Funds.** The purchase of products and services of \$2,500 or more using grant funds also require the approval of [Accounting Services for Research and Sponsored Projects](#). When initiating the Requisition, the appropriate ACCOUNT CODE must be used so all appropriate approvals can be obtained. A Purchase Order will not be issued until this approval is applied.

## **N. RECEIVING**

A Receipt is the department/school's way of indicating to Accounts Payable that the product has been received or the service has been provided and therefore the Purchase Order is approved for payment.

- A **three way match** is required for non-catalog orders (Purchase Order, invoice, and receipt).
  - Receipts must be entered as soon as possible after receiving the product or service to authorize payment. If a particular individual is not entering their receipts in a timely manner, the issue will be escalated within their department/school. If a department/school will not be entering a receipt right away (due to a dispute with the vendor, etc.), please notify Accounts Payable.
- A **two way match** for iBuyNU Marketplace (catalog) orders (Purchase Order, invoice).
  - It has been determined that a receipt will not be required for payment purposes for orders placed through iBuyNU, in order to streamline the payment process. The reasoning is that PRS has a formal relationship with these vendors. There is a contract that covers how things will be handled that PRS will enforce. PRS has much more leverage and the vendor has much more incentive to perform. Therefore, if there is a problem, PRS is in a much better position to resolve the problem. It is a much more productive use of time to deal with the rare exceptions when they arise as opposed to requiring a receipt for every order placed through the iBuyNU Marketplace.

## **O. INVOICING/PAYMENT**

A purchase transaction is complete only after the goods or services have been received and the supplier has been paid. When a Purchase Order is issued, the department/school assumes responsibility to make sure the vendor is paid within an appropriate period of time. By issuing a Purchase Order through NUFinancials in advance of the purchase, funds are properly encumbered and set-aside to pay these obligations. The encumbrance is not a contract, but ensures that the required funding is available. [Accounts Payable](#) pays invoices for the University including those for external vendor purchases, employee reimbursements, and payments to U.S. independent contractors.

- **Payment Processing**

**Vendors are instructed to send invoices directly to Accounts Payable for proper processing. This is the best way to ensure invoices are paid in a timely manner.**

- **Catalog Requisition (iBuyNU Marketplace purchases):**

- A receipt is not required.
- Invoices will be entered by Accounts Payable.
- Departments/schools can view electronic invoice information in NUFinancials, but in most cases no paper/scanned copies will exist.
- If a problem is identified after payment has been made, PRS can assist in resolving the dispute since all vendors included in iBuyNU have a contract with NU that was established or approved by PRS.

- **Non-Catalog Requisition:**

- The department/school will be required to enter a receipt in NUFinancials as soon as possible to authorize payment.
- Invoices will be entered by Accounts Payable.
- The department/school may request a scanned copy of the invoice from Accounts Payable which will be emailed.
- If after review of the invoice the receipt will not be entered (due to a dispute with the vendor, etc.), the department/school shall notify Accounts Payable.
- If the department/school needs assistance in resolving the dispute, contact PRS.

NU's preferred method for receiving invoices is mail. Invoices can also be faxed. At this time, only Preferred Vendors will be allowed to send their invoices to Accounts Payable via e-mail. Please note that many of the vendors included in the iBuyNU Marketplace will send their invoices to NU electronically.

In order to maintain a good payment record and to encourage the proper use of Purchase Orders, Accounts Payable will give the highest payment priority to original invoices supported by properly issued and approved Purchase Orders, and confirmation of receipt of goods and services. The goal for processing payments is within five (5) days of receipt and confirmation of properly completed paperwork in Accounts Payable.

- **Payment Terms & Penalties**

Every vendor's invoice is due for payment within some period of time after it is generated. This is normally computed as the number of days after the invoice is received. The University's standard for payment of vendor invoices is within thirty (30) days after receipt of the invoice. This is referred to as payment terms of 'NET 30.'

The University must pay its obligations in a timely manner. Failure to comply with payment terms often leads to:

- Credit hold, where a vendor refuses to fill any subsequent orders until the outstanding obligation has been paid.
- Less favorable terms, where a vendor charges a late payment penalty or even demands payment in advance.
- Higher prices on future purchases.

A vendor may impose one or more of the above actions on the entire University even if the dispute involves only one department/school within the University. The Accounts Payable department does what is necessary to prevent any of the above from happening while acting within sound financial controls. Departments/schools must ensure that purchases are properly accounted for in NUFinancials to enable the invoice to be paid once it is received by Accounts Payable.

- **The 90-day Rule**

All University expenditures and costs should be charged to their proper source of funds within 90 days of their occurrence. Expenditures and costs over 90 days will be posted only on an exception basis. Processing of all reimbursement requests, on both sponsored and non-sponsored accounts, should adhere to the 90-day rule. Departments/schools must use the 90 Day Exception Form to process transactions that are more than 90 days old.

- **Tolerance**

Requisitions should be initiated based on actual prices. However, the system does allow a reasonable tolerance, so payment can still be made when the Purchase Order and invoice don't match exactly. Below are the actual tolerances allowed in the system:

- 25% or \$100, whichever is lower

**P. OTHER ACCEPTABLE PROCUREMENT/PAYMENT METHODS**

The purchases of most goods and services by departments/schools should be handled by initiating a Requisition (either a catalog Requisition through *iBuyNU* or a non-catalog Requisition) in NUFinancials, which will result in the issuance of an official Purchase Order that is sent to the vendor and includes terms and conditions that protect the University. The also ensures that the purchase is appropriately approved and budget checked, and is the best way to make sure you are receiving the contract price (when purchasing through *iBuyNU*). However, there are instances where the issuance of an official Purchase Order is not practical or the transaction doesn't warrant the issuance of an official Purchase Order. The following alternative procurement methods are available:

**1. Procurement Card**

The Procurement Card is a very important component of the procurement strategy at NU. However, use of the procurement card is the exception, not the rule. Procurement cards are to be used on a limited basis, for a portion of your spend. It is not to be used for all purchases or as a way to avoid using NUFinancials. It is especially not to be used to order from vendors that are in *iBuyNU*. Individual limits can be set by departments/schools for each of their Procurement Card holders (both an amount per transaction limit as well as a monthly total limit). Specific examples of when the Procurement Card should be used include:

- Registration fees
- Subscriptions
- Membership dues
- Emergencies (products or services)
- Internet orders (only when item needed cannot be found from any other source)

Departments/schools are encouraged to use the Procurement Card for small dollar, low risk transactions (i.e. less than \$500) instead of having a Purchase Order issued, unless the items needed are available from a Preferred Vendor in the *iBuyNU* marketplace.

Contact the [Procurement Card Program](#), which is part of the Controller's Office, for more information about obtaining a Procurement Card.

**2. Online Voucher**

The Online Voucher process is a way to request payment for services when the transaction does not warrant the issuance of an official Purchase Order to a vendor, for direct-billed contracted services, for services for which it is the normal practice to pay in advance, and for certain special payments such as recurring or international. It is primarily a way to request a check. Specific examples include:

- Direct Payment Request (DPR)
  - Registration fees
  - Subscriptions
  - Membership dues
  - Repairs (unplanned, emergency)
  - Research subject fees
  - Hotel charges when hosting a conference or academic function
  - Payments to NU affiliated organizations (i.e. NMH, NMFF, etc.)

Please note that DPRs of \$25,000 or more will require the approval of PRS. Either the [Bid Documentation Form \(BD-1\)](#) or [Sole Source Justification Form \(SSJ-1\)](#) must be electronically attached.

- Contracted, direct-billed services from individuals or contract staffing agency fees (the Contracted Services Form should be attached)
- Visitor travel reimbursements

The Online Voucher process is **NOT** to be used as a method to pay invoices for products or services after the fact when a Purchase Order should have been issued and sent to the vendor at the beginning of the transaction. Occasionally, if a department or school has an invoice that needs to be paid when no purchase order exists, the Online Voucher process should be used. However, please note that this is a violation of policy. PRS and AP will monitor these exceptions to ascertain the frequency with which departments are using the Online Voucher process when the Requisition process should have been used. AP reserves the right to refuse approval of Online Vouchers from those departments that consistently refuse to use the proper purchasing method.

Please note that the following examples still require that departments/schools fill out the paper/hard copy DPR, which then need to be sent to Accounts Payable with all appropriate documentation:

- International check or wire payments
- Open or replenish a petty cash fund

#### **Q. POST AUDIT**

PRS is responsible for enforcing policy. Periodically, PRS will review reports of purchase orders issued below \$25,000 and Procurement Card transactions to look for new contracting opportunities, verify that policy is being followed, and to better assess when Preferred Vendors are not being utilized and why.

#### **R. TAX EXEMPT STATUS**

NU is a private, not for profit, nonsectarian, coeducational institution, created by Charter by the State of Illinois in 1851. The University is exempt from Sales Tax, Use Tax, Retailer's Occupation Tax, Service Occupation Tax (both state and local), and Service Use Tax in the State of Illinois.

- Use of University Illinois Tax Exempt Status. This tax exemption is to be used exclusively to make purchases for use by NU and is not for personal use by individuals, faculty, staff, or students. Any purchase by a student organization must be University related and paid for through University funds. Northwestern's tax-exempt status is a very serious issue and the integrity of how it is utilized must be protected, due to the potential for abuse. Misuse of the University's tax privileges could be detrimental to Northwestern's tax-exempt status.
- Exceptions. The University is NOT exempt from Food and Lodging Tax on hotel rooms and restaurant meals. Exceptions to this rule apply to catered type meetings and events, which fall under Sales and Use Tax. However, please note that the University is NOT exempt from other taxes associated with these types of events, such as City Tax, A/V Equipment Tax, Occupancy Tax, Entertainment Tax, etc.

- Sales and Use Taxes in Other States. As a non-profit educational institution, the University may also realize Sales and Use tax exemptions in several other states. This would apply to purchases for Northwestern offices located in another state or for events that are being planned in another state.

PRS keeps information related to Northwestern's tax-exempt status in Illinois, as well as several other states on file. If a department/school needs proof of Northwestern's tax-exempt status, please adhere to the following:

- An official Purchase Order should be issued to vendors for University purchases. It references the standard NU Purchase Order terms which includes tax-exempt information.
- An Illinois Tax Exempt One Time Use Letter is available on the [PRS website](#) for individual purchases that many vendors will accept, which includes appropriate approval information.
- PRS can send the official Illinois Tax-Exempt Certificate (or the official certificate from other states where NU is tax-exempt) directly to vendors that do not accept either of the above. PRS does not provide the official Illinois tax-exempt letter to departments/schools.

Reimbursement for Taxes. Since the University is exempt from paying Sales and Use Tax, these taxes are generally not reimbursable when an employee has extended personal funds for the purchase. A special exemption may be requested from the employee's Dean or Department Head, in cases where it can be clearly demonstrated that the purchase and payment of tax was unavoidable or an emergency. This should be rare.

## **S. ENFORCEMENT/CONSEQUENCES**

Employees must be authorized to commit the University's resources to a purchase. University faculty and staff are responsible for adherence to all sections of the policy. Examples of improper use of purchasing authority include:

- Stringing or splitting a large purchase into two or more smaller orders in order to avoid bid requirements and PRS approval.
- Using an inappropriate chart string or account code.
- Conflict of interest and/or poor ethical conduct.
- Not processing a purchase utilizing NUFInancials for each transaction (Requisition to Purchase Order process).
- Improper, misleading, or deceptive use of the Sole Source Justification or Bid Documentation Form or any related information.

Departments/schools, as well as individuals, will be subject to disciplinary action for failing to handle purchases according to policy and procedures. This may include:

- Elimination of delegated purchasing authority for the individual or department/school
- Employee may be recommended for discipline through Human Resources

## **T. PURCHASING ITEMS WITH UNIVERSITY NAME OR LOGO**

The University has exclusive rights to its name, logos, trademarks, songs, mottos and mascots and prohibits their unauthorized use. Vendors who manufacture and/or sell items imprinted with Northwestern indicia (to the public, Northwestern departments/schools, or student organizations) are required to be licensed by the University. Licensees operate under specific guidelines; all products and designs must be approved by the University Trademark Licensing Office, the items must include an "officially licensed" hangtag or label, and royalty reports must be submitted on a regular basis.

The Trademark Licensing Office can verify that the department/school's choice of vendor is licensed by the University. If the vendor is not licensed, the Trademark Licensing Office can assist the vendor in becoming licensed or provide the department/school with a list of licensed vendors. Creation, adoption and use of any NU indicia must conform to approved standards as authorized by the University.

Authorization for use by either the NU community or the public must be obtained through the [Trademark Licensing Office](http://www.northwestern.edu/userservices/reference_old/printing_trademark/trademark_licensing_old.html), who can be reached at (847) 491-3274. More information is at [http://www.northwestern.edu/userservices/reference\\_old/printing\\_trademark/trademark\\_licensing\\_old.html](http://www.northwestern.edu/userservices/reference_old/printing_trademark/trademark_licensing_old.html).

## **U. VEHICLE PURCHASES**

Use of motor vehicles by departments/schools is to be accomplished through the [University Motor Pool](#) of University Services at Northwestern University. PRS assists with the bidding process for most University vehicles, as well as coordinating the collection of crucial data for insurance (recorded by Risk Management), tax and inventory (recorded by Accounting Services), and environmental compliance obligations of NU. Your adherence to this policy will assure that PRS and the Motor Pool can coordinate bidding, record-keeping, and communication for all vehicles.

## **V. SUPPLIER DIVERSITY PROGRAM**

### **• Overview**

NU has created a [Supplier Diversity Program](#), which is managed by PRS, to support the President's Policy Statement on Supplier Diversity. The University is committed to developing mutually beneficial relationships with small, minority-owned, women-owned, disadvantaged, veteran owned, HUBzone, and local business enterprises. The Supplier Diversity Program is Northwestern's initiative to create opportunity for vendors to market their products to the University and to encourage University departments/schools to offer opportunities to such vendors. PRS administers the Program. A list of pre-qualified diverse vendors and other information is located on the [PRS website](#).

### **President's Policy Statement on Supplier Diversity**

*'NU is committed to the goal of enhancing economic opportunities for minority-owned, woman-owned, disadvantaged and local business enterprises. The University's dedication to quality undergraduate education, professional training and scholarly research is reliant upon the philosophy of prudent business principles, combined with enhanced opportunities. Its day-to-day challenge is to provide educational services with care and attention to customer service that is unparalleled in the higher education environment. Similar high standards will also be brought into action in efforts related to enhanced economic opportunity and participation by minority-owned, woman-owned, disadvantaged, and local business enterprises (M/W/D/LBE). Supplier Diversity should be an essential element in any development process, and NU will establish and implement a rigorous, progressive and innovative Supplier Diversity program that serves appropriate sectors of the community.'*

*It is the policy of NU not to discriminate against any person because of race, color, religion, national origin, sex, sexual orientation, marital status, age, disability, or veteran status and to take action to ensure that applicants and employees are treated fairly. The University will comply with all applicable federal, state, and local laws, ordinances, orders, and rulings governing equal employment opportunity. The University has adopted a policy of enhanced supplier diversity with respect to its own contracting and purchasing and will seek to assure that all of its contractors, subcontractors, and vendors abide by the spirit and intent of this policy statement. The University is committed to a comprehensive program of M/W/D/LBE business development. The University wants to ensure that maximum opportunities exist for such firms.'*

### **• Program Objectives**

- Create contracting opportunities for diverse vendors
- Develop partnerships between diverse vendors and University departments/schools that result in lasting business relationships
- Promote diversification of the University's contractor vendor base through increased opportunities for diverse vendors who have not worked directly or indirectly with the University
- Maintain a high standard of quality in all products and services provided
- Comply with Sponsored Program requirements regarding goal attainment of small business subcontracts

- **Forms**

The General Information Form is available on the [PRS website](#) for vendors to download and submit to PRS to be considered for the NU Supplier Diversity Program.

Facilities Management is the only department that uses the Supplier Diversity Subcontracting Plan Forms for vendor contract proposals. Facilities Management uses Form 100 to identify subcontracting plans and Form 300 to report actual spend at the end of the project. SF-294 and SF-295 forms are required for government contracts with small business subcontracts. These forms are submitted bi-annually on April 30 and October 31. PRS fills out the forms in conjunction with ASRSP. PRS supplies ASRSP with the breakdown of spending with small, small disadvantaged, woman-owned, HUBzone, Veteran Owned, and large businesses for each government contract. Forms are available from [ASRSP](#).

**AA. PREFERRED VENDORS**

Preferred Vendor relationships at Northwestern are established one of two ways:

- A **contract** is established based on the results of a formal competitive bid process managed by PRS. Current providers of these products/services on campus are among those invited to submit a proposal. The vendor(s) that are awarded contracts are determined to represent the best overall value to the University. Department/school representatives (some of your peers) are involved in the evaluation and decision making process.
- A **pricing agreement** is established based on a negotiation between PRS and the vendor. Typically these agreements are established because it has been determined to be in the best interest of the University to establish a relationship with these vendors. Some of the reasons are that there is a strong University preference for the product or service offered by a particular vendor, the product or service needed is proprietary, unique, or exclusive in nature, the individual amount per transaction may be very low, etc.

A list of Preferred Vendors is maintained on the [PRS website](#). Departments/schools are strongly encouraged to utilize Preferred Vendors for the following reasons:

- It is much easier to order from Preferred Vendors, especially those with catalogs enabled in the iBuyNU Marketplace. Departments/schools are not required to solicit other bids when choosing to utilize a Preferred Vendor because this activity has already been performed by PRS. The terms and conditions have also already been established.
- It has been determined that Preferred Vendors deliver the best overall value to the University based on price, delivery capabilities, quality, past performance, training, financial stability, ease of ordering, etc.
- Consolidation of usage drives up volume, which is what provides incentive for vendors to offer the best possible price to the University.
- The price on contract is the actual price departments/schools will pay (all savings are realized by the ordering departments/schools). If pricing is ever improved, everyone benefits.
- Service levels are higher because these vendors have more of a commitment to the University. The contract/agreement fosters a positive business relationship between NU and the vendor. PRS monitors the performance of Preferred Vendors to make sure they comply with the requirements of the contract or agreement. PRS has considerable leverage and is able to hold these vendors more accountable in order to make sure the products and services being provided meet the expectations of departments/schools and to resolve disputes.

**AB. iBUYNU MARKETPLACE**

The iBuyNU marketplace is a tool that provides departments/schools with the most streamlined, cost effective way to order from Preferred Vendors. It provides end users with a web based ordering experience. Departments/schools will be shopping on, in many cases, the vendor's actual website configured for NU. Orders can be dispatched electronically, invoices can be received by Accounts Payable electronically, PRS does not have to approve any requisitions for items purchased from vendors in the Marketplace, and many of these vendors will also be paid electronically.

iBuyNU is strategically managed by PRS. Only Preferred Vendors, those that PRS has established a contract or agreement with on behalf of the University, will be considered for enablement in iBuyNU. There are many factors that determine whether a particular vendor is enabled:

- If there are products needed that are not proprietary in nature (i.e. office supplies, furniture, computers, etc.), a bid must be conducted by PRS and a formal contract established with a vendor(s) before they will be considered for enablement in iBuyNU.
- If there is a particular proprietary-type vendor (i.e. research supplies) that departments/schools must purchase specialty products from, a formal pricing agreement will need to be negotiated with the vendor by PRS on behalf of the entire University before they will be considered for enablement in iBuyNU.
- Other things that will be considered are the number of transactions per year, total spend per year, number of departments/schools that need to use a particular vendor, etc.

Departments/schools must understand that the iBuyNU marketplace will continue to evolve as more contracts and agreements are established by PRS. It is the goal of PRS to eventually have catalogs in iBuyNU that meet most of the day-to-day needs of departments/schools. There will be some natural overlap (for example, toner cartridges may be available on contracts for office supplies and computer peripherals). There will also be some overlap when more than one contract is awarded for certain products as a result of a formal bid managed by PRS (such as computers and office furniture). However, for most products, such as general office supplies, there is no plan to enable more than one vendor.

If a particular contract that a department/school has established does not conflict with a PRS contract, it may be possible for PRS to review the process used and how the award decision was made to consider adopting it as a University-wide contract, which will then allow PRS to consider enablement of the contract in iBuyNU.

#### **AC. REQUESTING NEW VENDORS**

If a vendor needs to be added to NUFinancials, departments/schools must fill out the Vendor Add form. This form can be accessed on the [NUPortal](#). This process is administered by [Accounting Services](#), who will first verify whether the vendor already exists in the system and may also check several other sources (the Federal 'do not use' list, US Treasury, etc.) before deciding whether to add a vendor. A signed W-9 form must also be obtained from the vendor.

#### **AD. SHIP TO LOCATIONS**

Departments/schools are expected to select the appropriate 'ship to' code on each Requisition. There will be no ability to put a non-established ship to location on a Requisition. If a new 'ship to' location is needed, submit the [Ship To Request Form](#), which is available on the [NUPortal](#) and the [PRS website](#), to PRS.

#### **AE. ACCOUNTING/FINANCIAL INFORMATION**

Departments/schools are expected to utilize the correct chart string and account code for each line of the Requisition. This is extremely important in that work flow/approvals are in many cases determined by the chart string and account code utilized.

#### **AF. COMMODITY CATEGORIES**

Departments/schools are expected to select the most appropriate commodity category for each line included on a Requisition. This allows the University to properly analyze spend to look for future contracting and negotiating opportunities. If you are not sure which commodity category to utilize, contact PRS for assistance.

#### **AG. SHIPPING/FREIGHT TERMS**

F.O.B. Destination is the University standard, since it provides the most protection to the department/school and the University. It should be negotiated into all purchases whenever possible. F.O.B. Destination means that legal ownership of the good transfers when it reaches the buyer. Therefore, the seller pays all shipping costs and is also responsible for the goods during transit. F.O.B. Origin means that NU usually pays all shipping costs and legal ownership transfers

to NU when the goods leave the vendor's warehouse. As such, this can be of great risk to the department/school and the University. If a vendor requires F.O.B. Origin, the department/school should arrange for appropriate insurance coverage for the purchased goods through the shipping company that will be transporting and delivering the goods prior to shipment. Purchasing Resources Services and the Office of Risk Management can provide assistance when necessary.

Below are all of the various ways in which shipping/freight may be handled by a particular vendor. These methods are listed in order of preference for the University.

<b>Freight Terms</b>	<b>Customer Takes Title of Goods</b>	<b>Customer Responsibilities</b>	<b>Vendor Responsibilities</b>
F.O.B. Destination	At point of delivery		<ul style="list-style-type: none"> <li>• Pays freight</li> <li>• Owns goods in transit</li> <li>• Files claims (loss, damage, etc.)</li> </ul>
F.O.B. Destination, Freight Pre-paid and Added	At point of delivery	<ul style="list-style-type: none"> <li>• Freight added to invoice</li> </ul>	<ul style="list-style-type: none"> <li>• Pays freight</li> <li>• Owns goods in transit</li> <li>• Files claims (loss, damage, etc.)</li> </ul>
F.O.B. Destination, Freight Collect	At point of delivery	<ul style="list-style-type: none"> <li>• Pays freight</li> </ul>	<ul style="list-style-type: none"> <li>• Owns goods in transit</li> <li>• Files claims (loss, damage, etc.)</li> </ul>
F.O.B. Origin, Freight Pre-paid and Allowed	At shipping point or factory	<ul style="list-style-type: none"> <li>• Owns goods in transit</li> <li>• Files claims (loss, damage, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Pays freight</li> </ul>
F.O.B. Origin, Freight Pre-paid and Added	At shipping point or factory	<ul style="list-style-type: none"> <li>• Freight added to invoice</li> <li>• Owns goods in transit</li> <li>• Files claims (loss, damage, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Pays freight</li> </ul>
F.O.B. Origin	At shipping point or factory	<ul style="list-style-type: none"> <li>• Pays freight</li> <li>• Owns goods in transit</li> <li>• Files claims (loss, damage, etc.)</li> </ul>	

#### **AH. CUSTOMS**

The importing and exporting of goods are subject to the rules and regulations of U.S. Customs and may require special forms to be completed for entry. These forms should be submitted before the goods arrive in the United States.

Departments/schools should check the [PRS website](#) for contact information of the University's Preferred Vendor for customs clearance and freight forwarding services whenever a product is purchased that will be shipped from another country. The Preferred Vendor for customs clearance has been provided with NU's power of attorney by OGC to help streamline these deliveries. There is an additional cost associated with this service.

More information on import and export regulations can be found at <http://www.cbp.gov/> (see 'Commercial Importing Procedures and Requirements, Importing into the United States').

#### **AI. DISPATCHING OF PURCHASE ORDER TO VENDORS**

Purchase Orders WILL be sent to the vendor based on the dispatch method identified in their vendor profile within NUFInancials. Vendors can choose to receive their orders one of the following ways (please note that many of the vendors included in the iBuyNU Marketplace will receive their orders electronically):

- Fax
- Mail
- E-mail

## AJ. CHANGES

- **Requisitions.** Departments/schools can make their own changes to requisitions after submitting them for approval, as long as the Requisition has not been sourced into a Purchase Order and sent to the vendor. If some approvals have already occurred on the Requisition, workflow will start over.
- **Purchase Orders.** Changes that need to be made to Purchase Orders that have already been sourced and sent to the vendor can only be made by PRS. Departments/schools need to request PO changes using the Change Order Portal Form available on the [NUPortal](#), which will route to PRS for processing.
  - ChartField changes will not be sent to the vendor.
  - Changes that do affect what is being ordered (i.e. quantity, description, price, ship to, etc.) will be sent to the vendor in the form of a change order. If quantity needs to be increased, it is suggested that a new Requisition be initiated instead of changing the initial PO.

Purchase Orders that do not exactly match the invoice but are within tolerance will automatically close during normal batch processing. Therefore, a change order is NOT necessary.

## AK. PURCHASES FROM INTERNAL SERVICE UNITS

The University has elected to provide for the purchase of certain commodities and services through internal departments. Some of these units are listed under [University Services](#) and include Travel Services, Motor Pool, Laboratory Gas, Printing, Duplicating, internal moves on the Chicago campus, and Mail Services. Others include Facilities Management providing physical plant and architectural services and internal moves on the Evanston campus, as well as IT providing data and telecommunications services.

Advantages of using internal providers include eliminating purchase orders and checks, as well as fast turnaround of products and services. You are encouraged to consult with the providers of these services. You may also contact PRS for assistance in determining the appropriate department for your needs.

## AL. ENVIRONMENTAL AWARENESS

Environmental impact should be considered in purchasing decisions, when appropriate. NU encourages departments/schools to consider the use of products and services that impact the environment less than competing products, when it is a good best value decision to do so. A good best value decision based on a thorough total cost of ownership analysis considers the initial cost of the item as well as factors such as:

- **Energy Efficiency.** Purchase equipment that is Energy Star-rated (or, if there is no Energy Star rating, equipment that is highly energy efficient). Energy Star is a program helping businesses and individuals protect the environment through superior energy efficiency.
- **Shipping Materials.** Purchase products that are shipped in containers that are returnable or reusable and made from recycled content (i.e. cardboard boxes). Also request bulk packaging when multiple items are ordered for delivery at the same time.
- **Recycled Content.** Purchase products made with recycled content suitable for the intended use. Look for a high percentage of post consumer content. 'Post Consumer' is material that has served its intended purpose and has been discarded for disposal or recovery by a business or consumer. Other recycled content includes post industrial wastes which are by-products of a manufacturing process that would normally not be reused in the process.

- **Other.** Environmental performance of the supplier and/or producer should also be considered, such as waste prevention, waste reduction, pollution prevention, clean air and water programs, re-use of materials, minimization of scrap material, and any other green factory initiatives, etc. **The University strongly desires to minimize the amount of waste sent to landfills. Both the product purchased and the packaging materials associated with it should be minimized to prevent waste as much as possible.**

#### **AM. INTERNET ORDERS**

Ordering via the Internet, other than vendors in the *iBuyNU* Marketplace, presents increased risk and responsibility to those who transact University business with vendors over the Internet who accept only credit cards. Purchases over the internet should be minimized. Please abide by the following:

- Deal only with established, reputable vendors. Do not buy from unincorporated individuals or groups offering products or services.
- Require that the vendor accept an official University Purchase Order, which they can then reference on the invoice that is sent directly to Accounts Payable.
- Departments/schools can also utilize their Procurement Card.
- If the vendor will not accept a Purchase Order or Procurement Card, pre-payment can be requested along with the University Purchase Order. If pre-payment is used, a University Purchase Order may be set up and a check sent to the vendor along with the Purchase Order.
- If the vendor will not accept a Purchase Order, Procurement Card, or pre-payment, the purchaser must assess the value versus risk of advancing personal funds to purchase items for business use.
- Departments/schools choosing to order via the Internet should ensure that the vendor provides a secure Website for transmission of information.

#### **AN. PURCHASING GOODS THROUGH AUCTIONS**

In general, the University discourages the use of web auctions and auction houses as a means to make regular purchases of goods and services. Occasionally, however, hard to find or specialized items may become available for purchase through an auction process. For those cases, the University guidelines are outlined below:

- Make certain that the auction house/website offers protection against purchasing defective or erroneously described merchandise. For all auction purchases, the department/school should ensure that the auction house/website allows for refunds, if necessary, after a physical inspection of the goods received.
- The department/school should document and understand fully all warranties and other protections offered by the seller or auctioneer.
- Documentation needed for ALL auction purchases:
  - Description of the goods being purchased
  - Explanation of why the item needed to be purchased through an auction
  - Final cost
  - Copy of the purchase confirmation
  - List or market prices from other sellers of comparable items
  - Documentation describing all warranties
- For purchases through auction houses, contact the [Controller's Office](#) in advance to make arrangements for payment.
- For purchases on web based auction sites, the following alternatives should be used for payment:

- Use Procurement Card.
- For purchases less than \$25,000, a check can be requested from Accounts Payable using the Direct Payment Request Form.
- For purchases of \$25,000 or more, a requisition should be issued which will result in the issuance of a Purchase Order. The Single Source Justification Form (SSJ-1) Form must be attached to the requisition.

#### **AO. PREPAID AND PARTIAL PAYMENT PURCHASE ORDERS**

The use of pre-paid 'check-enclosed' purchase orders is discouraged and should be utilized very rarely. Such payments in advance of receipt of goods places the department/school and the University at risk of loss if these goods are not received as ordered, or in unsatisfactory condition.

However, occasionally a vendor refuses to accept a University Purchase Order without full or partial payment in advance. In order for a pre-payment to be considered, contact Accounts Payable or PRS. The Requisition must be accompanied by documentation explaining the reason for pre-payment. The dollar amounts must be correct and include any handling or shipping charges. Documentation verifying the prices, such as a quotation from the vendor, price list, vendor order form, or pro-forma invoice, must be provided. This documentation must also include evidence of the vendor's demand for pre-payment.

#### **AP. INCORRECT OR DAMAGED SHIPMENTS**

If a shipment is received with incorrect or damaged goods, the packing material, packing slip, and/or shipping ticket should be saved. These may be needed if the items have to be returned or exchanged with the vendor. Adhere to the following to ensure incorrect shipments are handled appropriately:

- The vendor's process should be followed to obtain proper authorization and shipping instructions.
- The department/school shall notify the vendor **immediately** in writing so that appropriate action may be taken such as issuing credit or providing a replacement.
- If the order has to be shipped back to the vendor, it should be packed in the original cartons.
- The department/school should also appropriately record this activity (i.e. number of items received, number of items returned, comments, etc.) in NUFinancials.
- PRS may be contacted to help settle any disputes or to negotiate a settlement.

#### **AQ. CREDITS**

Credits occur due to the receipt of defective merchandise, returned goods, discounts, or incorrect invoice payments. NUFinancials allows the University to apply credits from its vendors to accounts in much the same way invoice payments are made.

Unlike invoices, the application of credits is not simply a matter of verifying the facts on the memo and confirming that the subject goods or services have been rejected. Specific business and accounting questions may need to be resolved with the vendor before the credit is applied. Improperly applied credits are difficult to correct.

If a department/school believes it is entitled to a credit from a vendor or receives a credit memo that is deemed to be valid, the department/school should contact Accounts Payable for assistance. All credit memos shall be sent to Accounts Payable for processing.

#### **AR. DIRECT BILLING, HOUSE ACCOUNTS, CREDIT CARDS**

University departments/schools are not authorized to establish direct billing accounts, house accounts, or credit cards with vendors in the name of NU. Departments/schools are not authorized to accept offers for credit cards, charge accounts, or house accounts from vendors who increasingly send such advertisements to departments/schools. If a department/school has direct billing or house accounts with any vendors, the department/school must take steps to close these

accounts immediately. The recommendation of PRS is to send a letter via certified mail, Return Receipt Requested, to the vendor requesting that the account be closed.

Departments/schools shall conduct their business with vendors using the authorized procurement methods identified in this policy provided through the University financial system, NUFInancials. Departments/schools should not do business with vendors who will not accept the University Purchase Order as this violates University policy and exposes the University to unnecessary liability.

Only authorized University personnel may negotiate or set up credit agreements with vendors. Such requests should be routed to PRS, who in limited instances will authorize departments/schools to arrange direct billing with a vendor. Generally, PRS will not fill out vendor specific credit applications, however PRS will send standard credit information to vendors so a direct bill transaction can be established.

Exceptions should be rare. Examples include:

- **Lodging**

Direct billing of lodging to University departments/schools for guests of the University is discouraged. Guests should be encouraged to pay their own hotel bill and submit their receipts as part of their total trip settlement using the [Visitor's Expense Report](#). Direct billing has a greater potential to disconnect the costs associated with an individual traveler and the documentation of the costs associated with proving the business purpose of the travel. This is particularly important when justifying expenses for sponsored projects – where federal regulations greatly discourage direct billing. It is also important that in auditing for IRS purposes that demonstration can be made on behalf of the traveler being reimbursed that they were only reimbursed once for expenses incurred on a trip, or in the case of direct billing the hotel that they were in fact NOT reimbursed.

It is understood that when hosting conferences or academic functions, it is important as a courtesy to visitors for NU to arrange for a block of hotel rooms on their behalf; or to book a special function, conference room, or ballroom in advance through the department/school. If you have such circumstances locally, it is recommended you utilize a hotel that PRS has established a preferred relationship with. If it is in another city, coordinate the establishment of a direct bill relationship for the event with PRS.

When arranging for the direct billing of hotel stays for a guest of the University, the department/school should identify in advance what expenses they will cover and what expenses the individual is expected to pay. This should be communicated to the hotel using the Hotel Reservation Agreement Form available on the [Travel Services](#) website. Direct billing for individual lodging must also be in conformance with both the University's travel and entertainment policies.

- **Transportation (Limousine, Taxi)**

Similarly, direct billing arrangements for transportation (taxi or limousine services) for guests of the University is also discouraged. Guests should be encouraged to pay their own bill and submit a reimbursement request for taxi and limousine service on a Visitor Travel Reimbursement Form. In highly exceptional circumstances, arrangements may be made for direct billing.

The DPR/online voucher process should be followed to pay for the above exceptions (lodging, transportation), when appropriate. This form and all relevant receipts shall be sent to Accounts Payable for Processing.

## **AS. NON-TRAVEL REIMBURSEMENT**

- **Advancing Personal Funds**

Departments/schools should select vendors who accept University Purchase Orders. Individuals, as a general rule, should not advance their own funds to purchase supplies and services on behalf of the University. Purchases should be made through established

purchasing policy and procedures and the University should deal directly with vendors to arrange for the receipt of goods and the payment.

In limited instances the department/school or individual may pay for the item and be reimbursed. If it is necessary that an employee advance funds to purchase supplies or services for University business, the immediate supervisor must first authorize the purchase. The employee should request reimbursement by completing an Expense Report in NUFInancials via the NUPortal.

Occasionally, an individual purchases valuable equipment (e.g., personal computer, camera, or personal calendar systems) and seeks reimbursement for the purchase. This practice is inappropriate and the University makes no guarantee that it will authorize reimbursement. Individuals who take such action must understand that such equipment belongs to the University and should be properly recorded.

**Reimbursement for Taxes.** Since the University is exempt from paying Sales and Use Tax, these taxes are generally not reimbursable when an employee has extended personal funds for the purchase.

Refer to the [Travel Policies and Procedures](#) at for instructions on reimbursement for travel related expenditures.

- **Documentation Required**

Proof of payment and signatures of the purchaser and direct supervisor are required on documentation accompanying all requests for reimbursements. Accounts Payable will not provide reimbursement for any purchase until complete documentation is provided:

- The reimbursement request must be supported by the business purpose of the transaction.
- For all reimbursements except web purchases, the original itemized receipt issued by the vendor, the purchaser's signature, and the direct supervisor's signature are required:
  - If no receipt is available, and for payments made by check, also include the cancelled check (use checks only if the bank will provide copies of front and back).
  - Other clearly validated proof of payment, including written approval from the immediate supervisor verifying receipt of goods or services may be accepted.
- For all reimbursements of Web purchases, an original packing slip for goods, the purchaser's signature, and the direct supervisor's signature are required. The vendor must provide the following information on the packing slip:
  - Name and ship-to address of the purchaser
  - Itemized listing of goods purchased and received
  - Indication that the amount being reimbursed has been charged/paid by credit card
  - If any of this information is not provided by the vendor on the packing slip, additional documentation must be provided along with the reimbursement request:
    - A credit card statement showing the purchaser's name and the purchase amount for which reimbursement is requested. The purchaser must sign the credit card statement.
    - Other clearly validated proof of payment, including written approval from the immediate supervisor verifying receipt of goods or services may be accepted.
    - Web order forms completed online and printed from the Web do not constitute proof of payment. They represent the order form for the purchase and lack proof of receipt of goods and charging the recipient's credit card.

## **AT. CAPITAL EQUIPMENT / ASSET TRACKING**

- **Summary**

Capital Equipment is defined as property having a useful life of one year or more and a minimum acquisition cost of \$5,000 per unit. Screening of purchases may include review of the Surplus Property Exchange site to assure that no existing equipment is available to fill the need of the requester.

- **Inventory - \$5,000 or more**

Capital equipment with a cost of \$5,000 or more must be inventoried and controlled in accordance with University policy. See [Equipment Inventory](#) for more information.

- **Inventory - \$500 to \$4,999**

Because the threshold amount for capitalizing equipment is \$5,000, many highly desirable items such as personal computers, equipment and furniture are not being monitored. Therefore, the University has instituted a policy requiring all departments/schools to maintain an inventory of such assets with a purchase price between \$500 and \$5,000. The inventory should track the description, accounting, and location for each item in the inventory. The University's Property Control Coordinator will provide training, tags, and an Excel template to those departments/schools that request help setting up their inventories.

## **AU. BUY VERSUS LEASE**

Equipment should almost always be acquired by outright purchase. Circumstances may require the leasing of equipment to satisfy specific needs. The economic benefits of leasing versus buying must be determined before entering into any lease agreement. Third Party leases are especially discouraged.

Departments/schools should consult with the Budget Planning Office and their School Administrator to determine if equipment could be financed internally at a lower cost. Ultimately the University determines the qualified leasing vendors who will provide services to the University, and reserves the right to finance internally any such leases.

If it cannot be internally financed, departments/schools should then consult with PRS and the Office of General Counsel to make sure the University and department/school are appropriately protected regarding such things as guarantees, assignments, buy-out clauses, payment amount, interest rate, taxes, and other items. If sponsored project funds are involved in the acquisition of the equipment, it must first be determined that the source of funding allows for leasing.

Leasing may be advantageous if the total cost of a lease for the period of the equipment's life or the technological life is less than the purchase price. The total cost of the lease must be compared to the total cost of the purchase, taking into account such factors as equipment costs, maintenance costs, interest, taxes, and insurance.

## **AV. INSTALLMENT PURCHASES**

Equipment may be purchased on an installment basis over a period of time generally not to exceed five years. Requisitions for installment purchases must include a description of the item to be purchased and the number and dates of periodic payments. As with leases, care should be taken to provide contract protection for the University regarding guarantees, assignments, buy-out clauses, taxes, interest rate, and other items.

## **AW. PROPERTY DISPOSAL**

Complete information on [Asset Disposal](#) may be found at <http://www.northwestern.edu/equipment-inventory/>.

All merchandise purchased with University funds is the property of the University, and as such may be disposed of only in accordance with University policy. Complete an Equipment Disposal form when selling, transferring, or disposing of capital equipment. Questions concerning disposal of capital equipment should be directed to the Property Control Coordinator in Accounting Services.

Accounting Services for Research and Sponsored Programs (ASRSP) must approve the sale, trade, or other disposal of government-titled equipment.

**Computers.** Departments/schools shall reference instructions on the [NUIIT](#) website for disposal guidelines for computers. Departments/schools should also review information about the Computer Recycling Program and the Surplus Property Program on the [University Services website](#) when disposing of computers.

#### **AX. OTHER PROGRAMS MANAGED BY PRS OR UNIVERSITY SERVICES**

- **Personal Purchases through Preferred Vendors**

When conducting a bid or negotiating with a vendor, once an award decision is made, PRS will discuss the possibility of the Preferred Vendor extending special pricing for staff and students for personal use. University funds must not be used for the personal purchase of goods or services for employees. Understand that vendors are not obligated to do so. In addition, purchases from Preferred Vendors for personal use are also subject to sales tax. Personal purchase programs from Preferred Vendors are included on the [PRS website](#).

- **Surplus Property Exchange**

As a service to NU departments/schools, University Services maintains the Surplus Property Exchange Website which lists University surplus property and supplies available for sale at a fair market value as well as items wanted and items available at no cost. All transactions are the responsibility of the supplier and buyer, and NU expressly disclaims any warranty or guarantee of the quality or functionality of the items sold or of any other aspect of the item. All items are sold "as is" and "where is". The Surplus Property Exchange listing should especially be reviewed before equipment is purchased on a sponsored program to ensure the item is not available elsewhere in the University. The [Surplus Property Program](#) is located at <http://www.northwestern.edu/userservices/office/surplusproperty/index.html>.

- **WildCARD Advantage Program**

As a courtesy to Evanston vendors and NU employees and students, University Services offers a listing of discounts for personal use. Evanston vendors interested in offering a discount for goods or services to University employees and students may list this discount in the [WildCARD Advantage Program](#) directory found on the Web at <http://www.northwestern.edu/userservices/wildcard/index.html>. The list is not all-inclusive. University Services does not guarantee any of the discounts and is not liable for transactions between private parties.

#### **AY. INFORMATION COMMUNICATED TO VENDORS REGARDING PURCHASING POLICY**

Vendors are informed of the following with regards to Purchasing Policy:

- All purchases of goods and services from outside vendors are to be preceded by the issuance of an official Purchase Order generated by NU Financials that is then provided to the vendor. An official Purchase Order begins with the prefix PUR and includes the signature of the Director of Purchasing.
- All invoices should be sent directly to Accounts Payable. Invoices should not be sent until after the product has been shipped or the service has been performed and must reference the appropriate PUR number. Accounts Payable will make sure departments/schools receive a copy of invoices whenever their approval is required prior to payment.

- Vendor credit applications will not be filled out by Northwestern. If general information is needed, contact PRS.
- The term 'Preferred Vendor' at Northwestern is reserved only for those vendors that Purchasing Resource Services has established a formal contract or agreement with on behalf of the University.
- It is inappropriate for a vendor to make a donation of any sort to a department/school that may influence a future purchasing decision. In addition, Northwestern students and student organizations have no authority to commit the University to the purchase of any product or service.
- Purchasing Resource Services reserves the right to request a detailed spend report from any vendor registered in the Northwestern financial system. Requested reports must be provided in a timely manner.

The University reserves the right to withhold payment or inactivate the vendor in NUFInancials if they do not abide by the above.

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**Contact Information**

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**Jim Konrad, Director of Purchasing**

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**Links**

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<b>Departments:</b>	
Purchasing Resource Services	<a href="http://www.northwestern.edu/userservices/purchasing">http://www.northwestern.edu/userservices/purchasing</a>
University Services	<a href="http://www.northwestern.edu/userservices/">http://www.northwestern.edu/userservices/</a>
Controller	<a href="http://www.northwestern.edu/business-finance/controller.html">http://www.northwestern.edu/business-finance/controller.html</a>
Accounting Services	<a href="http://www.northwestern.edu/accounting-services/">http://www.northwestern.edu/accounting-services/</a>
Procurement Card	<a href="http://www.northwestern.edu/accounting-services/menu3.html">http://www.northwestern.edu/accounting-services/menu3.html</a>
Project Café	<a href="http://www.cafe.northwestern.edu/">http://www.cafe.northwestern.edu/</a>
NUPortal	<a href="http://www.nuportal.northwestern.edu">http://www.nuportal.northwestern.edu</a>
NU Office for Audit and Advisory Services	<a href="http://www.northwestern.edu/auditing/">http://www.northwestern.edu/auditing/</a>
Financial Operations and Treasury	<a href="http://www.northwestern.edu/business-finance/financial-operations.html">http://www.northwestern.edu/business-finance/financial-operations.html</a>
NUIT	<a href="http://www.it.northwestern.edu/">http://www.it.northwestern.edu/</a>
Trademark Licensing	<a href="http://www.northwestern.edu/userservices/reference_old/printing_trademark/trademark_licensing_old.html">http://www.northwestern.edu/userservices/reference_old/printing_trademark/trademark_licensing_old.html</a>
University Motor Pool	<a href="http://www.northwestern.edu/userservices/transportation/index.html">http://www.northwestern.edu/userservices/transportation/index.html</a>

ASRSP	<a href="http://www.northwestern.edu/asrsp/">http://www.northwestern.edu/asrsp/</a>
Risk Management	<a href="http://www.northwestern.edu/risk/">http://www.northwestern.edu/risk/</a>
Office of the Vice President for Research	<a href="http://www.research.northwestern.edu/policies/index.html">http://www.research.northwestern.edu/policies/index.html</a>
Office of Research Safety	<a href="http://www.research.northwestern.edu/ors/">http://www.research.northwestern.edu/ors/</a>
Office of General Counsel	<a href="http://www.northwestern.edu/general-counsel/">http://www.northwestern.edu/general-counsel/</a>
Capital Equipment Inventory	<a href="http://www.northwestern.edu/equipment-inventory/">http://www.northwestern.edu/equipment-inventory/</a>
Surplus Property	<a href="http://www.northwestern.edu/userservices/office/surplusproperty/index.html">http://www.northwestern.edu/userservices/office/surplusproperty/index.html</a>
WildCARD Advantage Program	<a href="http://www.northwestern.edu/userservices/wildcard/index.html">http://www.northwestern.edu/userservices/wildcard/index.html</a>
<b>Other Related Documents and Links:</b>	
Financial Policies and Procedures	<a href="http://www.northwestern.edu/finsys/ps/index.html">http://www.northwestern.edu/finsys/ps/index.html</a>
Conflict of Interest Policy	<a href="http://www.northwestern.edu/hr/policies/coip.html">http://www.northwestern.edu/hr/policies/coip.html</a>
Entertainment and Courtesy Guidelines	<a href="http://www.northwestern.edu/finsys/ps/policies/entertainment.pdf">http://www.northwestern.edu/finsys/ps/policies/entertainment.pdf</a>
Travel Policies and Procedures	<a href="http://www.northwestern.edu/finsys/ps/policies/travel.pdf">http://www.northwestern.edu/finsys/ps/policies/travel.pdf</a>
Standards for Business Conduct	<a href="http://www.northwestern.edu/auditing/how/standards.pdf">http://www.northwestern.edu/auditing/how/standards.pdf</a>
Import and Export Regulations	<a href="http://www.cbp.gov/">http://www.cbp.gov/</a>

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## Forms/Instructions

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Bid Documentation Form (BD-1)  
 Sole Source Justification Form (SSJ-1)  
 Illinois Tax Exempt One Time Use Letter  
 Change Order Request Portal Form  
 Vendor Add/Update Portal Form  
 Direct Payment Request Form  
 Hotel Reservation Agreement Form  
 Visitor's Expense Report  
 90 Day Exception Form  
 Ship To Request Form

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## Related Information and Documents

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[Purchasing Policy - Quick Reference Guide 12-1-2008](#)  
[Bid Documentation Form \(BD-1\)](#)  
[Sole Source Justification Form \(SSJ-1\)](#)

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## History/Revision Dates

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