Purchasing and Payment
Policy Related Procedures

Please note that the information in this document is every bit as important as the information in the [Purchasing and Payment Policy](). Faculty and staff are expected to adhere to these procedures whenever possible.

A.   DETERMINATION OF NEED/SELECTING A VENDOR

If a department/school needs to engage with a vendor that is not a Preferred vendor, the following factors should be considered prior to selection:

- **Preferred Vendors.** Preferred Vendor Contracts are established by PPS for products and services needed by Northwestern departments/schools on a regular basis. Contracts are established based on the results of a formal competitive bid and/or negotiation process that involves representatives from across campus. Bidders determined to represent the best value to Northwestern become Preferred Vendors (based on price, delivery capabilities, quality, past performance, training, financial stability, ease of ordering, etc.). Departments/schools are strongly encouraged to utilize Preferred Vendors because they have been determined to represent the best overall value to Northwestern.

    A [Preferred Vendor List]() is maintained on the [PPS website](). Also, visit the [PPS website]() for more information on the [benefits of using Preferred Vendors]().

- **iBuyNU.** iBuyNU is a tool that was implemented to streamline the entire purchase-to-pay process and should be used whenever possible. It provides end-users with a web-based ordering experience for many Preferred Vendors, and is integrated with NUFinancials. iBuyNU currently includes catalogs representing millions of items that may be needed on a day-to-day basis, all of which reflect competitive discounted pricing, often delivered within 1-2 business days at no additional cost, and no sales tax is charged. POs are dispatched electronically several times a day, invoices are received electronically, workflow is streamlined, and Vendors are paid electronically.

    Visit the [PPS website]() for more information about [iBuyNU]().

- **Purchases from Internal Service Units.** Northwestern has elected to provide for the purchase of certain commodities and services through internal departments. Departments/schools should consider use of such programs before looking for an outside Vendor. Examples are [HR Workplace Learning](), [Global Marketing](), [IT]() (audio-visual systems integration, video production and event support), and [Procurement related programs]() (such as Travel Services, Laboratory Gas and Dry Ice, Duplicating, Mail services, etc.). Advantages of using internal providers include eliminating POs and checks (costs are direct charged to a chart string), as well as fast turnaround of products and services.

- **Surplus Property Exchange.** PPS maintains a virtual Surplus Property Exchange Website which lists University surplus property and supplies available for sale at a fair market value as well as items available or wanted at no cost. All transactions are the responsibility of the seller and buyer, and Northwestern expressly disclaims any warranty or guarantee of the quality or functionality of the items. 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 project to ensure the item is not available elsewhere in Northwestern. Visit the [Surplus Property Program website]() for more information.

- **Supplier Local Presence.** It is the policy of Northwestern to contribute to the establishment, preservation, and strengthening of small business enterprises (SBE) and local (Evanston) business enterprises (LBE). Northwestern encourages University departments/schools to offer opportunities to such Vendors.

- **Environmental Awareness.** Environmental impact should be considered in purchasing decisions, when appropriate. Northwestern encourages departments/schools to consider the use of products and services that impact the environment less than competing products, when it is a best value decision to do so. Things to consider are total cost of ownership, energy efficiency (Energy Star equipment rating), shipping materials, landfill contribution, recycled content, 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.
  Visit the SustainNU Website for more information on Northwestern's strategic sustainability plan.

- **Freight Terms. DDP (Delivered Duty Paid, Incoterms 2020)** is the Northwestern standard delivery requirement, since it provides the most protection to the department/school and Northwestern. It should be negotiated into all purchases whenever possible. DDP means that legal ownership of the item transfers when it reaches the buyer. Therefore, the seller pays all shipping costs and is also responsible for the goods during transit.
  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. PPS and the Office of Risk Management can provide assistance when necessary.
  Visit the PPS website for more information on Shipping Terms.

B.   IT REQUIREMENTS FOR SYSTEMS AND SOFTWARE

- **Service Provider Security Assessment.** Northwestern contracts with many Information Technology Vendors or Service Providers to assist with its information processing needs. In those instances where University data is shared with a Service Provider, or captured by a Service Provider on behalf of Northwestern, Northwestern requires these potential Service Providers to complete a Security Assessment. Departments/schools with specific questions should contact NUIT's Information Security Office.**Data Protection Standards.** Northwestern has an obligation to protect data commensurate with a variety internal policies and standards, as well as external contractual and regulatory requirements. This includes University data being shared, as well as non-University data Northwestern is obligated to protect. If any data is deemed sensitive or higher (Level 2 data classification or higher), appropriate security controls must be in place. Specific questions concerning what controls should be in place should contact NUIT's Information Security Office.

- **Digital Accessibility.** NU's Digital Accessibility Policy requires that those responsible for procuring digital content for Northwestern seek to ensure that contracts with suppliers include language holding suppliers accountable for conforming to the most updated version of The Worldwide Web Consortium's Web Content Accessibility Guidelines (WCAG). Those procuring digital content must exercise due diligence to include such provisions in contracts with suppliers, and, when conformance with WCAG is not possible, develop an equally effective alternative access plan (EEAAP), which shall be promptly submitted to the NU Office of Equity. Please follow Northwestern's Accessible Purchasing Process for guidance on determining a product's accessibility and writing EEEAAPs. Departments/schools with specific questions should contact the NU Office of Equity.

- **Web Services.** IT systems implemented at Northwestern shall have a set of documented web API's through which other Northwestern systems may execute create, read, update, and delete operations. If the system has development tools through which Northwestern may modify the functionality or processing of the system then Northwestern must be able to modify the system to process inbound and develop outbound web API's independently of vendor resources. Northwestern IT supports the following integration options: Event-Driven Messaging, Web APIs, Custom Point-to-Point Integrations, and ETL Tools.

- **Web SSO.** The system shall integrate with Northwestern's Web single sign-on (Web SSO) system, and current OpenAM version. Vendor software must make use of one of the following methods for integration – Support current Northwestern SAML version, utilize current OpenAM policy agent, or use the currently implemented OpenAM REST API.

- **Multi-Factor Authentication.** Northwestern maintains a multi-factor authentication (MFA) environment that uses Duo Security's (https://duo.com/) MFA system. Applications that follow the above SSO guidelines (OpenAM agent or SAML) can integrate with Duo for MFA with no additional effort; Duo MFA integration has been built into Northwestern's OpenAM and SAML environments.

- **Data Ownership and Availability.** In the contract, Northwestern retains the sole right and ownership to all University data provided to a vendor. Data will be returned provided by the vendor to Northwestern upon request. At termination of a contract, all Northwestern data will be deleted from vendor sources.

- **Regulatory Requirements.** When dealing with data that falls under regulatory requirements, the data must be classified and stored in accordance with those applicable requirements, and as specified in the Data Classification Policy, and associated Data Classification and Data Protection Standards. These documents cover such regulatory requirements as:

  - HIPAA
  - FERPA
  - FSA/DoEd Compliance.
  - GLBA Compliance.
  - Privacy regulations (e.g., GDPR, PIPL, Biometric Information Privacy Act)
  - CMMC Compliance.
  - FISMA Compliance.
  - Contractual Compliance.

C.   USE OF NUFINANCIALS - PURCHASING

Upon conclusion of the bid process, determination of a sole source, and/or establishment of a contract, purchase and payment must be accomplished using NUFinancials.

- **Requesting New Vendors be Added to NUFinancials**

  If a Vendor needs to be added to NUFinancials, departments/schools must fill out the Vendor Add form, which can be accessed on the NUPortal. This process is administered by the Vendor File Management. They will verify whether the Vendor already exists in the system and check several sources to make sure the Vendor is in good standing with various Government agencies (Federal 'do not use', debarred, excluded parties lists, etc.) before adding a Vendor to NUFinancials. For more information related to what is required to add a Vendor to NUFInancials, visit the Vendor File Management web page.

- **Requisitions.**

  The purchase of most goods and services from outside Vendors begins by initiating a Requisition (REQ) 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.

Starting with a Requisition ensures that an approved and official Purchase Order (PUR) is issued. An official PO includes Northwestern's standard terms and conditions, specifying each party's rights and obligations, and is the legal document that governs the transaction and minimizes risk to the department/school and University. It is especially important when there is no formal contract governing the purchase. Vendors need to agree to Northwestern's standard PO terms and conditions. If a Vendor submits their standard terms and conditions with a quote, they must be reviewed and approved by OGC before a PO is issued.

Verbal purchases (i.e. phone orders) are not considered valid by Northwestern, nor are unofficial POs generated through internal department/school systems or means other than NUFinancials.

o 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 iBuyNU.
2. **Non-Catalog Requisition.** NUFinancials does not restrict your ability to order from any registered Vendor. Non-catalog requisitions are used to purchase from non-preferred Vendors as well as Preferred Vendors not in iBuyNU. There is more manual entry required (quantity, description, price, etc.).

o The following information must be used when entering a requisition:

▪ **Accounting/Financial Information (Chart String).** 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.

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

▪ **Ship To Location.** 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 to PPS, which is available on the NUPortal and PPS website.

o **Special Requisition Types.** There are three **Special Requisition** types. The appropriate box should be checked during Step 1 of the Requisition process **ONLY** when one of the following conditions is met:

▪ **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. The underlying theme behind most blanket orders is that they are used to 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 PPS and/or OGC unless a Preferred Vendor is being 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.

The blanket order number should be communicated to the Vendor, so they know the PO number to include on all invoices.

▪ **Subcontracts.** A subcontract is an agreement written under the authority of, and consistent with, the terms and conditions of a prime sponsored program, and authorizes a portion of the research or substantive effort to be performed by another organization. These requisitions do NOT require PPS approval.

Subcontracts are negotiated through Sponsored Research (SR).

After the agreement is fully executed, SR will send the department/school a copy of the contract.

A requisition must be initiated (check the 'special Requisition type' box for GRANT SUBCONTRACT), which will be sourced into a PO but will not be sent to the subcontractor. Make sure the contract period is within the start and close dates of the budget period of the sponsored program.

- **Receive by Dollar Amount.** A 'Receive by Dollar Amount' requisition should primarily ONLY be used for 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 'Receive by Dollar Amount' box, departments/schools can have a PO issued to the Vendor for the total amount of the project and more than one invoice/payment can be made against the PO even though the quantity on the PO is only one.

  The 'Receive by Dollar Amount' 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.

o **Hold From Further Processing.** The primary use of 'Hold From Further Processing' is to allow departments/schools to indicate when they occasionally need to have a PO 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 PPS to change the dispatch method for that one order. This can occasionally be used to suppress the PO from being sent to the Vendor.

'Hold From Further Processing' should **not** to be used to pay an invoice after the fact when a PO should have been issued and sent to the Vendor at the beginning of the transaction. Exceptions will be granted on a very limited basis.

- **Dispatching PO to Vendor.** A fully approved and budget checked Requisition is then automatically sourced into a PO that is then automatically sent to the Vendor within two hours, based on the dispatch method identified in their Vendor profile in NUFinancials (please note that most Vendors included in iBuyNU receive orders electronically).

- **Receiving.** A Receipt is the department/school's way of indicating to AP that the product has been received or the service has been provided and therefore the PO is approved for payment.

o A **three way match** (PO, invoice, and receipt) is required for the following:

  - Non-catalog orders of $5,000 or more.
  - All blanket and receive by dollar amount purchase orders, regardless of dollar amount.

To authorize payment, receipts must be entered as soon as possible after receiving the product or service. 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 AP. A receipt should NOT be entered at the time the PO is issued prior to actually receiving the product or service as this may enable payment to the Vendor prematurely.

o A **two way match** (PO, invoice) is required for the following:

  - **iBuyNU Marketplace (catalog) orders.** A receipt is not required for orders placed through iBuyNU in order to streamline the payment process. The reason is because PPS has a formal contractual relationship with these Vendors that covers how things will be

handled, which is enforced by PPS. PPS has leverage and the Vendor has more incentive to perform as required by the Contract. Therefore, PPS is in a much better position to resolve problems when they do arise. It is a more productive use of time to deal with the rare exceptions as opposed to requiring a receipt for every order placed through iBuyNU.

- **Non-catalog orders less than $5,000.** It has been determined that a receipt will not be required for orders less than $5,000 because they are very low risk transactions and this streamlines the payment process. If an invoice for a PO under $5,000 should not be paid, contact AP immediately to have the voucher put on hold.

- **Changes to Purchase Orders.** Changes that need to be made to Purchase Orders that have already been dispatched to the supplier can be made directly to the Purchase Order via Add/Update PO in NUFinancials. Changes made to a PO via Add/Update PO may be routed for approval. Requests to close or cancel a Purchase Order or line on a Purchase Order should be made via the Change Order My Forms. The My Forms can be found in NUFinancials under Employee Self-Service.

D. 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/return 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.
- PPS may be contacted to help settle any disputes or to negotiate a settlement.

E. CUSTOMS CLEARANCE

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 PPS website for contact information of Northwestern's Preferred Vendor for customs clearance and freight forwarding services whenever a product is purchased that will be shipped from another country.

F. BUY VERSUS LEASE

Equipment should almost always be acquired by outright purchase. If leasing is determined to be appropriate, departments/schools should consult with the Budget Planning Office and their School Administrator to determine if equipment should be leased or could be financed internally at a lower cost.

If it cannot be internally financed, departments/schools should then consult with PPS and OGC to make sure Northwestern 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.

G. 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 Northwestern regarding guarantees, assignments, buy-out clauses, taxes, interest rate, and other items.

H.   PREPAID AND PARTIAL PAYMENT PURCHASE ORDERS

The use of pre-paid 'check-enclosed' POs is discouraged and should be utilized very rarely. Such payments in advance of receipt of goods places the department/school and Northwestern 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 PO without full or partial payment in advance. In order for a pre-payment to be considered, contact AP or PPS. 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.

I.   INTERNET ORDERS

Ordering via the Internet presents increased risk and responsibility to those who transact University business with Vendors over the Internet who accept only credit cards. Staff should first determine whether the product needed is available from a Northwestern Preferred Vendor and purchased through iBuyNU. Purchases on the internet should be minimized. When necessary, please abide by the following:

- Deal only with established, reputable Vendors. Do not buy from unincorporated individuals or groups offering products or services.

- Departments/schools should use a Corporate Card.

- If the Corporate Card is not used, see if the Vendor will accept an official University PO, which they can then reference on the invoice that is sent directly to AP.

- If the Vendor will not accept a PO or Corporate Card, pre-payment can be requested using the on-line voucher process.

- If the Vendor will not accept a PO, Corporate 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.

- PPS acknowledges that there are times when Amazon may be the best option for hard to find items or items not available from Preferred Vendors. Northwestern has a Business Prime account to support the use of Amazon when necessary. To use Amazon for occasional Northwestern purchases, access the Amazon catalog in iBuyNU whenever possible. Purchases from Amazon through iBuyNU include free 2 day shipping on most items, and no sales tax will be charged. Also, please note the following:
  - o Departments/schools cannot have an account with Amazon that is used for both personal purchases and business purchases.
  - o If you have a personal prime account that you use for business purchases, Northwestern will not pay for the membership cost.
  - o If you cannot find the item you want to purchase from the Amazon catalog in iBuyNU, it is likely because comparable items are available from other Preferred Vendors catalogs.

J.   MEMBERSHIP CLUBS

Use of membership clubs (such as Sam's and Costco) is discouraged for the following reasons:

- **Potential for abuse.** Often the membership is held in the individual's name. When Vendors allow someone to make a purchase on behalf of Northwestern using our tax exempt certificate, it exposes Northwestern to considerable risk because of the possibility for individuals to make tax exempt personal purchases. This type of abuse could affect our tax exempt status in Illinois. Our tax exempt status is worth millions of dollars annually to Northwestern and simply cannot be put at risk in order to save a few dollars on snacks, etc. Retailers are instructed to only accept our tax exempt certificate if a PO is issued or a Corporate Card is used.

- **Taxes.** If the membership card is registered to Northwestern, sometimes these entities allow purchases to be made tax free, other times they do not. When the entity does not allow the purchase to be tax exempt, the individual often expects to be reimbursed for the taxes, which is against University policy. We are a tax exempt organization and appropriate University purchases need to be made tax-free.

- **Perceived savings.** Departments/schools indicate cost savings as their reason for buying from these entities. However, they never take into account lost productivity associated with the time it takes to actually go to the store. If they spend two hours out of their work day shopping at these stores, that is obviously time that could have been spent doing other work, and it is therefore a real cost that needs to be taken into account. Also, often this is handled as a reimbursement, which takes time and effort on behalf of others at Northwestern, and the reimbursement often includes mileage.

- **Risk.** Northwestern is exposed to a considerable amount of risk when an employee travels to one of these stores during their normal workday.

- **Products available.** The wide variety of products available at these entities is problematic. Going to the store to buy snacks for a meeting is one thing. However, there will always be the temptation to buy other items as well. Office supplies, computers, furniture, etc. that may not comply with University policy or department standards could be purchased. These are all things that Northwestern has contracts for, and our e-procurement system (iBuyNU) makes it easy to order many of these items and have them delivered directly to your office.

All of the above are why Preferred Vendor contracts are established based on the results of a formal competitive bid process/negotiation, which minimizes all of the above risks.

Northwestern does not reimburse faculty and staff for membership costs associated with clubs such as Sam's, Costco, and Amazon.

K.   AUCTIONS AND PURCHASING OF USED ITEMS

In general, Northwestern discourages the use of web auctions and auction houses as a means to make regular purchases of goods and services. Departments/schools should also use caution when purchasing used items. Occasionally, however, hard-to-find or specialized items may become available for purchase through an auction process or on the used market. For those cases, Northwestern guidelines are outlined below:

- Make certain that the place of purchase offers protection against purchasing defective or erroneously described merchandise. The department/school should ensure that the place of purchase 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, if any, by the seller.

- Documentation needed for ALL auction purchases and the purchase of used items:

- Description of the goods being purchased.

- Explanation of why the item needed to be purchased through an auction or why a used item was needed.

- Final cost.

- Copy of the purchase confirmation.

- List or market price from other sellers of comparable items, or fair market value of used items.

- Documentation describing all warranties.

- For purchases through auction houses, contact the Controller's Office in advance to make arrangements for payment. Visit the Office of the Controller website for more information.

- For purchases on web based auction sites or the purchase of used items, the following alternatives should be used for payment:

  o Use Corporate Card.

  o For purchases less than $25,000, request a check using the On-Line voucher process.

  o For purchases of $25,000 or more, a requisition should be issued so a PO is issued. The Purchasing Decision Documentation Form (PPD) must be attached to the requisition.