

Memo to: UH-Downtown/PS Holders
From: Dr. Juan Sánchez Muñoz, President
Subject: Procurement - General

UH-Downtown/PS 05.C.01
Issue No. 6
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1. PURPOSE

This document outlines the general powers and responsibilities of the University of Houston-Downtown (UHD) Purchasing Department and the general guidelines and limits for procurement actions from outside vendors applicable to all University of Houston-Downtown funds.

2. DEFINITIONS

- 2.1 Comptroller of Public Accounts: The state of Texas agency with authority and responsibility for regulating procurement activities for all state agencies.
- 2.2 Higher Education Assistance Fund (HEAF): Funds appropriated separately by the State of Texas Legislature to support specified capital expenditures within higher education institutions. HEAF funds also include proceeds from the sale of bonds collateralized with HEAF funds. This term may refer to “HEAF treasury funds” or to “HEAF bond funds.”
 - 2.2.1 HEAF Treasury Funds: Those funds expended by the university and reimbursed from the state HEAF appropriation.
 - 2.2.2 HEAF Bond Funds: Those funds secured by HEAF Treasury Funds that are obtained through bonds issued in accordance with Article VII, Section 17 of the Texas Constitution.
 - 2.2.3 Tangible Assets: For HEAF guidelines, assets that are intended for use in current or future operations and not for the purpose of resale. Tangible Assets are relatively long lived, have physical substance, and provide measurable future benefit to the university. “Relatively long lived” means a useful life greater than one year.
- 2.3 Local (Non-State) Funds: The term that generally refers to those funds under the general authority of the university; i.e., Non-State Funds. For the purposes of this policy, this includes all university funds except State Funds. (While this general category includes sponsored project funds, in each case where they are more restrictive, the restrictions of the particular funding agency supersede university guidelines for Local/Non-State Funds.)
- 2.4 Open Market Purchase: Purchases from State Funds for non-state contract items that must by state law be processed through the Comptroller of Public Accounts and placed on the [Electronic State Business Daily \(ESBD\)](#) website; i.e. \$25,000 and over.

- 2.5 Spot Purchase: Purchases from State Funds of \$24,999.99 or less placed by the Purchasing Department or purchases made by university authorized departmental personnel of \$5,000 or less with non-federal funds and \$3,000 or less on federal funds.
- 2.6 State Contract: A contract awarded by the Comptroller of Public Accounts in order to establish a source of supply of items used in volume by a majority of the state agencies. Term contracts are awarded when the prices for goods are firm for the duration of the contract or when they are adjusted upward or downward under defined conditions. Contracts are based on estimated quantities needed over a period of time specified by the Comptroller of Public Accounts (usually 12 months).
- 2.7 State Funds: Funds appropriated by the legislature from the General Revenue Fund or other funds in the State Treasury. The latter includes, but is not limited to, HEAF and locally collected funds in the State Treasury.
- 2.8 Federal Funds: All funds receive directly or indirectly from a federal government agency. Please refer to the University of Houston-Downtown [fund codes](#), which include federal funds, for more information.

3. POLICY

- 3.1 UHD procurement policies and practices are subject to the restrictions of [SAM 03.A.01, Expenditures of all Funds Administered by the University of Houston System](#), [SAM 03.B.01, Purchasing Guidelines](#), [SAM 03.B.02, Contracting with Historically Underutilized Businesses \(HUBs\)](#), State of Texas [Comptroller of Public Accounts](#) (CPA) regulations, and all state and federal purchasing laws and regulations.
 - 3.1.1 The Purchasing Department is required to adhere to the CPA's policies regarding competitive bidding, competitive sealed proposals, group purchasing programs, and open market contracts. The Purchasing Department may consider other factors including quality, reliability, expected life span, and compatibility with existing equipment.
 - 3.1.2 In determining best quality, reliability, expected life span, and compatibility, the institution shall consider:
 - Purchase price and delivery.
 - Reputation of the vendor and of the vendor's goods or services.
 - Quality of the vendor's goods or services.
 - Extent to which the goods or services meet the institution's needs.
 - The vendor's past relationship with the institution.

- Impact on the ability of the institution to comply with laws and rules relating to Historically Underutilized Businesses (HUBs) and to the procurement of goods and services from persons with disabilities.
- Total long-term cost to the institution of acquiring vendor's goods, materials, and supplies.
- Any other relevant factor that a private business entity would consider in selecting a vendor.
- Use of material in construction or repair to real property that is not proprietary to a single vendor, unless the university provides written justification in the request for bids for use of the unique material specified.
- Vendor's proposal must meet the requirements of the institution's solicitation document, and a vendor proposal that is non-responsive to the criteria set forth in the institution's solicitation document(s) shall be rejected.

3.2 The CPA has delegated to the chief executive officers of all state agencies the procurement authority for that agency, within certain limits. The University of Houston System Chancellor has delegated this authority to the university presidents, who in turn have delegated the authority to the university Purchasing Departments.

3.2.1 The UHD Purchasing Department has been delegated the authority and the responsibility for purchasing goods and services subject to limitations set by the CPA.

3.2.2 It is the responsibility of the Purchasing Department to organize and administer procurement services in a manner that will result in the greatest good for the university and will conform to established institutional policies and procedures and to standards of ethics and good business practices.

3.2.3 Public accountability and sound business practice demand that each college, division, and department use prudent judgment on each procurement decision to ensure that all purchases are reasonable and necessary and to avoid the purchase of unnecessary goods and services.

3.2.4 Regardless of the source of funds or dollar level of purchase, each Purchasing Department and operating unit will purchase from state-certified Historically Underutilized Businesses (HUBs) to the fullest extent possible and will make a good faith effort to meet the component's goals for doing business with HUBs.

- 3.2.5 Purchase orders are not intended to be used strictly as a payment tool; therefore, the purchase must be created prior to the commitment or obligation. Purchase requisitions submitted after the commitment has been made/or after the goods or services are received will constitute non-compliance.

4. PROCEDURES

- 4.1 Delegation of procurement authority to the Purchasing Department includes the following types of purchases, which in many cases are covered by separate UHD Policy Statements:
 - 4.1.1 Spot Purchases - competitive and sole source
 - 4.1.2 Emergency purchases
 - 4.1.3 Purchases of standardized services – competitive and sole source (those services sold routinely to the public which can be clearly defined)
 - 4.1.4 Purchases of supplies, materials, services, and equipment for research in higher education
 - 4.1.5 Purchases with federal funds not in the State Treasury
 - 4.1.6 Purchases of perishable food items
 - 4.1.7 Purchases of books (direct book orders)
 - 4.1.8 Purchases of fuel, oil, and grease
 - 4.1.9 Distributor purchases
- 4.2 With the exception of expenditures exempted by the CPA, which are processed directly through the Accounts Payable Department on State of Texas Purchase Vouchers, all purchases from outside vendors of more than \$3,000 per transaction with federal funds or more than \$5,000 per transaction, including freight and delivery charges, with all other funds (i.e. non-federal funds), must be processed through the Purchasing Department. It is the responsibility of the certifying signature to ensure that all proper guidelines are followed and State Contracts are used where applicable.
 - 4.2.1 A requisition (and purchase order) is required for all expenditure contracts (more than \$0) to facilitate required state reporting.
- 4.3 Commitments incurred against any UHD funds must be based upon the guidelines of the UHD procurement and expenditure policies and procedures and other university guidelines. Obligations incurred by any UHD employee contrary to these purchasing guidelines become personal obligations of the employee.

- 4.4 With the limited exceptions allowed in [Verifying Requisitions](#) or those defined in [Emergency Purchase Orders, PS 05.C.05](#), there will be no confirming purchase orders approved and processed by the Purchasing Department.
- 4.5 Every expenditure request must be certified by the appropriate signature authority for the department, college, or division for which that expenditure is requested. Requests not meeting the approval standards and other guidelines contained in this document and in other related UHD policies and procedures will be rejected and returned to the department with the reason noted.
- 4.6 In addition to the authorized certifying signature, certain additional approvals may be required when purchasing specialized items or using sponsored project funds.
- 4.7 The CPA contracts annually for the state on many items. Regarding State Contracts, the following guidelines apply:
 - 4.7.1 The State Contract must be used and the item purchased through the Purchasing Department when using State Funds.
 - 4.7.2 The State Contract is optional when using Local Funds.
- 4.8 The CPA requires that on purchase requests where specifications and conditions for any materials, supplies, equipment, or services have been drawn to describe a product that is proprietary to one vendor and does not include language that permits an equivalent product to be supplied, written justification of the requested specifications or conditions must be furnished (regardless of fund source). ([Proprietary/Sole Source Justification](#))
- 4.9 Federal guidelines require that unit cost information be developed and provided with each procurement, wherever possible.
- 4.10 To comply with federal requirements, in addition to the quotation and bidding process, a formal "cost and price analysis" must be furnished on each purchase of \$25,000 or more. This analysis involves a written review of the basic facts related to each cost element to determine and illustrate reasonableness, allocability, and allowability. The detailed process related to this requirement is outlined in the [State of Texas Procurement Manual](#).
- 4.11 Federal guidelines require excluding from the bid process any vendor who assist in the development or drafting of specifications, requirements, statements of work, etc. for that procurement.
- 4.12 Preference shall be given to procurement of products containing recycled materials to the extent practicable and economically feasible.

- 4.13 Every procurement document must include a benefit statement clearly defining the purpose of the purchase and its benefit to the university (in the case of those funded from sponsored project funds, the benefit to the specific sponsored project).
- 4.14 Monetary limits for purchases have been set as follows:
- 4.14.1 On purchases of \$3,000 or less per transaction with federal funds and \$5,000 or less with all other funds (i.e. non-federal funds) there is no bidding requirement
 - 4.14.2 On purchases from \$3,000.01 to \$24,999.99 with federal funds and \$5,000.01 to \$24,999.99 with all other funds (i.e. non-federal funds), the Purchasing Department must obtain three informal quotes.
 - 4.14.3 On purchases of \$25,000 and over the Purchasing Department must obtain formal, written bids and advertise on the Electronic State Business Daily (ESBD) and to those suggested by the university Purchasing Department. The requisitioning department reviews the bids prior to the issuance of an order.
- 4.15 Any exception to this or any UHD procurement policy will be addressed on its individual merits by the Vice President for Administration and Finance.

STATE APPROPRIATED FUNDS PROCEDURES

- 4.16 Expenditures of funds appropriated by the legislature from the General Revenue Fund and other funds deposited in the State Treasury can be made only in compliance with the rules and regulations of the CPA.
- 4.17 State of Texas laws and regulations restrict purchases of certain items from state-appropriated funds. These items include:
- 4.17.1 Purchase of food or beverages for employees or visitors, other than as allowed under travel guidelines
 - 4.17.2 Other entertainment expenses
 - 4.17.3 Purchase, rental, or maintenance of decorative plants
 - 4.17.4 Expenditure for support of alumni organizations or activities
 - 4.17.5 Purchase of aircraft
 - 4.17.6 Rental payments or toll charges on telephones for which numbers are unavailable from telephone information operators
 - 4.17.7 Judgments obtained from the State of Texas against the University of Houston System, except where specifically provided in the appropriations bill

- 4.17.8 Premiums on insurance policies covering claims arising under the [Texas Tort Claims Act](#)
- 4.17.9 Research of any type until the University of Houston System has adopted and filed with the [Legislative Budget Board](#) a policy which clearly establishes and protects the property rights of the state with regard to any patentable product, process, or idea that might result from such research
- 4.17.10 Honorariums
- 4.17.11 State Auditor for audit services performed where there is a specific authorizing determination by the State Auditor
- 4.17.12 Gifts and other expenditures of a personal nature, other than expenditures for employee service awards and/or safety awards not exceeding \$50 per award
- 4.17.13 Expenditures related to operation of an athletic department
- 4.17.14 Expenditures related to operation of an auxiliary enterprise
- 4.17.15 Payment of salaries to any employee who consumes alcoholic beverages while on the job
- 4.17.16 Purchase, rental, or cleaning of caps, gowns, and other items related to commencement
- 4.17.17 Personal moving expenses
- 4.17.18 Reimbursements for student travel or related student expenses
- 4.17.19 Purchase, operation, and maintenance of passenger cars and other vehicles designed for passenger transportation, unless the Governor's [Budget, Planning, and Policy Office](#) and the [Legislative Budget Board](#) are notified prior to acquisition
- 4.18 HEAF monies may be used as follows (except where the expenditures are associated with student housing, intercollegiate athletics, auxiliary enterprises, other non-educational and general facilities or programs, or require advance payments):
 - 4.18.1 Acquiring land with or without permanent improvements
 - 4.18.2 Constructing and equipping buildings and other permanent improvements
 - 4.18.3 Major repair or rehabilitation of buildings or other permanent improvements

- 4.18.4 Acquisition of capital equipment, library books, and library equipment
- 4.18.5 Issuance of bonds to finance 4.18.1, 4.18.2, or 4.18.3, with certain specified limitations
- 4.18.6 Payment of debt service for bonds issued under Article VII, Section 17 of the Texas Constitutions to finance any of the above with the exception of “4.18.4” or to refund bonds or notes issued under Article VII, Section 17 of the Texas Constitution or prior law
- 4.18.7 HEAF treasury funds, however, are subject to state expenditure procedures and restrictions. Expenditures are, therefore, requested on state vouchers and made through the State Comptroller on state warrants.
 - a. HEAF bond funds are subject to local expenditure procedures and restrictions.
- 4.18.8 Advanced payments are not allowed from HEAF funds.
- 4.18.9 The following is a listing of HEAF restrictions. This list is not intended to be comprehensive but includes common restrictions. No exceptions will be made to these procedures to ensure compliance with Higher Education Assistance Funds expenditure intent. Contact Purchasing Agent for questions not addressed below:
 - a. HEAF purchases coordinated through the UHS office of Facilities Planning and Construction are subject to UHS FP&C guidelines.
 - b. Office supplies cannot be paid using HEAF funds.
 - c. Maintenance agreements and extended warranties not purchased as part of the original acquisition cannot be paid using HEAF funds.
 - d. Maintenance, minor repairs, and operating expenses cannot be paid with HEAF funds.
 - e. Property insurance cannot be paid with HEAF funds.
 - f. Systems which in normal usage could be moved from building to building or from room to room are not defined as permanent improvements.
 - g. Appropriated HEAF funds cannot be used for the full cost of renovations, construction, and improvements for joint use activities. For example, an

area used for both E&G and Auxiliary functions. HEAF funds may be used only for the proportional share of the E&G activity.

- h. HEAF funds cannot be used for the purpose of constructing, equipping, repairing, or rehabilitating buildings or other permanent improvements that are to be used for auxiliary functions.
- i. HEAF appropriated funds cannot be used as partial payment for the acquisition of capital equipment to be used for both E&G and auxiliary purposes.
- j. Without the approval of the legislature, HEAF funds cannot be expended for acquiring land, with or without permanent improvements, for a branch of campus or educational center that is not a separate degree-granting institution created by general law.

4.18.10 The use of HEAF funds for the purchase of upgrades to existing Tangible Assets, which may or may not have been originally capitalized, is allowable providing all of the following conditions are met:

- a. The upgrade cannot be a replacement part or repair
- b. The upgrade must add new or additional functionality
- c. The upgrade must have a useful life that exceeds one year

NON-STATE (LOCAL) FUNDS PROCEDURES

4.19 University-controlled, Non-State Funds may be expended to provide for expedient procurement of goods and services necessary to support UHD mission, goals, and objectives. Non-State Funds allow for a broader level of buyer discretion in the purchasing process. The following shall apply to the use of Non-State Funds:

4.19.1 Free and open competition when and where possible shall be provided.

4.19.2 The procurement standards of the [Uniform Administrative Requirements \(Circular A-81\)](#) and any applicable attachments shall be met, when required.

ADDITIONAL PROCUREMENT RESTRICTIONS

4.20 In addition to previously described restrictions, no UHD funds from any source shall be used for:

4.20.1 Political aid (as defined in the current appropriations bill).

4.20.2 Fees for outside legal counsel, unless specifically provided in writing by the Office of the Attorney General.

4.20.3 Entertainment or discretionary expenditures prohibited under [SAM 03.A.02, Entertainment Expenditures.](#)

4.21 Expense reimbursements must be submitted no more than sixty (60) days after the expense has been incurred.

5. EXHIBITS

There are no exhibits associated with this policy.

6. REVIEW PROCESS

Responsible Party (Reviewing): Purchasing Coordinator

Review: Every three years on or before August 1st.

Signed original on file in Employment Services and Operations.

7. POLICY HISTORY

Issue #1: 11/01/99

Issue #2: 10/15/01

Issue #3: 08/12/10

Issue #4: 11/19/14

Issue #5: 03/09/15

8. REFERENCES

[UHD Fund Codes](#)

[UH System Administrative Memoranda 03.A.01](#)

[UH System Administrative Memoranda 03.A.02](#)

[UH System Administrative Memoranda 03.B.01](#)

[UH System Administrative Memoranda 03.B.02](#)

[Verifying Requisitions](#)

[PS 05.C.02](#)

[PS 05.C.05](#)

[State of Texas Procurement Manual](#)

[Texas Tort Claims Act IRS Publication 463 Treasury Regulation Section 1.162-2](#)

[Texas Government Code Chapter 660](#)

[Uniform Administrative Requirements \(Circular A-81\)](#)