

Executive Board

(Systemwide Senate Review) Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

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Mary Gauvain
Telephone: (510) 987-0887
Email: mary.gauvain@ucop.edu

*Chair of the Assembly of the Academic Senate
Faculty Representative to the Regents
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200*

April 1, 2021

**SUSAN CARLSON, VICE PROVOST
ACADEMIC PERSONNEL**

Re: Revisions to Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Susan,

As requested, I distributed for systemwide Senate review the proposed revisions to Presidential Policy BFB-BUS-43 "Purchases of Goods and Services; Supply Chain Management." Nine Academic Senate divisions and two systemwide committees (UCORP and UCFW) submitted comments. These comments were discussed at Academic Council's March 31 meeting and are attached for your reference.

We understand that the revisions incorporate a new "Small Business First" program that requires UC to award all procurements valued between \$10,000 and \$250,000 annually to Small Businesses, minority-owned businesses, or Disabled Veteran Business Enterprises wherever practicable. It aligns with a new state law that allows the University to bypass the competitive bid process, so long as it obtains price quotations from two or more qualifying businesses.

We also understand that the revisions were issued as an interim policy in September 2020 with full compliance expected effective March 2021, to address the need to respond quickly to the pandemic's effects on small businesses. However, Council was dismayed that the policy – even if interim – was put in place before the Senate was able to weigh in. Council wonders whether its attention to the policy is pro forma, after the fact, and a breach of the spirit of shared governance.

In general, the Senate appreciates the intent of the policy to support small businesses during the pandemic, but we are unable to endorse the current version of the policy, given the numerous concerns and questions raised by reviewers across campuses.

The Senate is very concerned that the program will increase costs for the University and individual faculty, both in terms of the price of services and equipment procured through the program, and also in terms of the administrative overhead and new bureaucracy needed to implement it and maintain compliance. It is also unclear who is responsible for higher costs when equipment purchased from a small business exceeds that of a larger supplier. Council members speculated that it would likely have to come from other categories in the grant, which could affect their ability to carry out the project as funded. More generally, a new unfunded mandate is an unwelcome burden on campuses already struggling with deficits and budget cuts. We are also concerned that the certification process

will significantly extend lead-time on time-sensitive procurements, which will affect faculty members' and staff's administrative workload, ability to make purchases in a timely manner, and ability to conduct research. In fact, individual Council members have described instances in which the interim policy has already caused headaches, delays, increased reporting time, and costs by requiring them to demonstrate that a small business is not available for specific technical purchases. The quality control required for specialized technical equipment, which is typically available through established and larger manufacturers, would not be readily available in a small business, and the hours required to investigate and justify the purchase would create needless delay in the research. This is not an efficient use of time for faculty or other University staff. The policy should at a minimum allow exceptions for STEM and other faculty who need to purchase highly technical materials from specific sources.

Reviewers also observed the absence of data and analysis on the benefits of the program for small businesses and the California economy, and on the fiscal impacts of the program for UC. It would be helpful for the next version of the policy to include a cost-benefit analysis addressing these issues, and in particular, the number of UC purchases the policy will affect, and its projected impacts on costs, procurement timelines, and research.

We also found the policy to be unnecessarily complex and the definitions of "small business" "independently owned" business, "diverse" business, and others terms to lack sufficient detail. We encourage authors to eliminate ambiguities and simplify the policy to make it more accessible and understandable to a general University audience. We are also puzzled by the removal of the requirement of California domicile, which seems to contradict the goal of the program to generate growth in California small businesses; this change needs additional explanation and justification. We also note that the big-ticket expenditures on campus such as construction do not seem to be subject to the Small Business First requirement, so the workload burden is not evenly distributed across the general campus.

The Senate agrees that the University of California should support small, local businesses, and should encourage purchasing from them, but in ways that do not increase bureaucracy, workload, and costs. We think it may be more sensible and effective for policy to encourage and incentivize purchases from small businesses rather than mandate such a program across the system.

We appreciate the opportunity to comment and look forward to a more fully developed version of the policy that addresses our concerns. Please do not hesitate to contact me if you have additional questions.

Sincerely,



Mary Gauvain, Chair
Academic Council

cc: Procurement Services Special Programs Manager Lopez
Academic Council
Senate Division Chairs
Executive Director Baxter

Encl.



320 STEPHENS HALL
UNIVERSITY OF CALIFORNIA

March 23, 2021

MARY GAUVAIN
Chair, Academic Council

Subject: Systemwide Review of Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Chair Gauvain;

On March 15, 2021, the Council of the Berkeley Division (DIVCO) discussed the proposed Presidential policy titled, *BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management*. None of our committees chose to provide written comment.

Overall, the Berkeley Division can support these changes, which appear to have a positive intent. However, we are also very concerned about the length and complexity both of the document itself and the workload requirements it implies. We urge simplification. For example, in Part 3, Section C, there is a proposed requirement that all purchases of value between \$10K-250K must first be bid with a certified small business or disabled veteran business. While this is a laudable goal, this requirement could increase administrative overhead, delays, and bureaucracy for purchasing.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in blue ink, reading 'Jennifer Johnson-Hanks'.

Jennifer Johnson-Hanks
Professor of Demography and Sociology
Chair, Berkeley Division of the Academic Senate

cc: Ronald Cohen, Vice Chair, Berkeley Division of the Academic Senate
Jocelyn Surla Banaria, Executive Director, Berkeley Division of the Academic Senate



DAVIS DIVISION OF THE ACADEMIC SENATE
ONE SHIELDS AVENUE
DAVIS, CALIFORNIA 95616-8502
(530) 752-2220
academicsenate.ucdavis.edu

March 22, 2021

Mary Gauvain
Chair, Academic Council

RE: Proposed Revisions to Presidential Policy BFB-BUS-43 Purchases of Goods and Services;
Supply Chain Management

Dear Mary,

The proposed revisions to Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management were forwarded to all standing committees of the Davis Division of the Academic Senate. The Committee on Planning and Budget (CPB) responded.

While supportive of the policy's objective to support small businesses and reduce the pandemic's disproportionate economic impacts on them, CPB is concerned about the proposed implementation timeline and the potential for creating barriers in purchasing processes. Overall, CPB recommends a "thoughtful, progressive approach to increasing purchases from small business...with appropriate consultation with stakeholders on how to tailor policy to minimize negative outcomes."

CPB's additional comments are enclosed and relayed here for convenience:

- It is unclear how the policy will be implemented practically at the campus level. Purchasing from small businesses will likely create more work and therefore not be "practicable" as the policy states. In the past, Supply Chain Management offices may have discouraged such purchasing because of the extra work created. Additionally, working long-term with specific vendors may be important to aspects of a faculty's research. It may be necessary to incorporate exceptions for pre-existing relationships with vendors, but it is unclear how to do so without weakening the policy.
- These proposed revisions may have a greater impact on recently recruited faculty who may need to make purchases from startup funds to set up labs, etc. Having additional roadblocks in the procurement process can have a detrimental impact on a faculty member's ability to set up their research in a timely manner.
- The definition of what qualifies as a "small business" is not sufficient to ensure that small businesses that are entities or subsidiaries of larger corporations will not benefit from this policy. The phrase "independently owned" is vague and does not clarify the parameters that define "independence." For example, from a financial reporting perspective, a business entity would be "independent" if no other entity owned more than 50% of its shares. From a tax reporting perspective, a business entity would be "independent" if no other entity owned more

than 80% of its shares. Companies set up joint ventures, special purpose entities, and subsidiaries for various reasons. It is important to define “independently owned” in the document to minimize the possibility of “Big” business entities circumventing the “rule” to garner contracts meant for truly small businesses – businesses that operate as sole proprietorships, small partnerships, or corporations (LLC, Sub S, or C-corporations) whose shares are owned by individuals and not other corporations.

- It is unclear how many purchases, in aggregate, that this policy may affect. It would be helpful to have data on these purchases to understand the potential impact of this policy. In addition, it will be important to keep the bidding process open to all contractors while clearly stating that preference will be given to small businesses so that campuses can collect data on the cost of this initiative. The collection of these data will be critical to the long-term success of this program.
- This policy appears to conflict with existing policies, such as the Regents Policy 5402: Policy Generally Prohibiting Contracting for Services. As an example, if someone has a conference at the conference center for 200 people for two days, the food contract would likely be over the \$10,000 limit that would encourage small business contracts. However, the Regents Policy 5402 prohibits such contracting out for services. These two policies are thus diametrically opposed, at least for services. If one thinks about how much catering, just as an example, used to happen on campus that was provided by outside caterers, it is reasonable to believe that the downturn in small business expenditures by the UC is related to the prohibition of outside contracting for services established by Regents Policy 5402.

The Davis Division appreciates the opportunity to comment.

Sincerely,



Richard P. Tucker, Ph.D.
Chair, Davis Division of the Academic Senate
University of California, Davis

Enclosed: Davis Division Committee Responses

c: Hilary Baxter, Executive Director, Systemwide Academic Senate
Michael LaBriola, Assistant Director, Systemwide Academic Senate
Edwin M. Arevalo, Executive Director, Davis Division of the Academic Senate

March 11, 2021

Richard Tucker

Chair, Davis Division of the Academic Senate

RE: Presidential Policy BFB-BUS-43 Purchases of Goods and Services

The Committee on Planning and Budget (CPB) has reviewed and discussed the Proposed Revisions to Presidential Policy BFB-BUS-43 Purchases of Goods and Services. Overall, the CPB has concerns about the proposed implementation timeline and the detrimental impact these policy revisions may have in creating additional barriers in the purchasing process. The committee recommends instead that a thoughtful, progressive approach to increasing purchasing from small business would be better, with appropriate consultation with stakeholders on how to tailor policy to minimize negative outcomes.

CPB offers the following comments for additional consideration:

- While the committee supports the objective of the policy – to reduce the disproportionate impact that the economic crisis has had on small businesses – it is unclear how the policy will be implemented practically at the campus level. Purchasing from small businesses will likely create more work and therefore not be “practicable” as the policy states. In the past, Supply Chain Management offices may have discouraged such purchasing because of the extra work created. Additionally, working long-term with specific vendors may be important to aspects of a faculty’s research. It may be necessary to incorporate exceptions for pre-existing relationships with vendors, but it is unclear how to do so without weakening the policy.
- These proposed revisions may have a greater impact on recently recruited faculty who may need to make purchases from startup funds to set up labs, etc. Having additional roadblocks in the procurement process can have a detrimental impact on a faculty member’s ability to set up their research in a timely manner.
- The definition of what qualifies as a “small business” is not sufficient to ensure that small businesses that are entities or subsidiaries of larger corporations will not benefit from this policy. The phrase “independently owned” is vague and does not clarify the parameters that define “independence.” For example, from a financial reporting perspective, a business entity would be “independent” if no other entity owned more than 50% of its shares. From a tax reporting perspective, a business entity would be “independent” if no other entity owned more than 80% of its shares. Companies set up joint ventures, special purpose entities, and subsidiaries for various reasons. It is important to define “independently owned” in the document to minimize the possibility of “Big” business entities circumventing the “rule” to garner contracts meant for truly small businesses – businesses that operate as sole proprietorships, small partnerships, or corporations (LLC, Sub S, or C-corporations) whose shares are owned by individuals and not other corporations.
- It is unclear how many purchases, in aggregate, that this policy may affect. It would be helpful to have data on these purchases to understand the potential impact of this policy. In addition, it will be important to keep the bidding process open to all contractors while clearly stating that preference will be given to small businesses so that campuses can collect data on the cost of

this initiative. The collection of these data will be critical to the long-term success of this program.

- This policy appears to conflict with existing policies, such as the [Regents Policy 5402: Policy Generally Prohibiting Contracting for Services](#). As an example, if someone has a conference at the conference center for 200 people for two days, the food contract would likely be over the \$10,000 limit that would encourage small business contracts. However, the Regents Policy 5402 prohibits such contracting out for services. These two policies are thus diametrically opposed, at least for services. If one thinks about how much catering, just as an example, used to happen on campus that was provided by outside caterers, it is reasonable to believe that the downturn in small business expenditures by the UC is related to the prohibition of outside contracting for services established by Regents Policy 5402.

CPB appreciates the opportunity to comment.

March 19, 2021

Mary Gauvain, Chair
Academic Council

Re: Systemwide Review of Proposed Presidential Policy BFB-BUS-43

Dear Chair Gauvain,

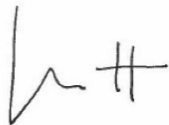
The proposed revision to Presidential Policy BFB-BUS-43 Purchases of Goods and Services: Supply Chain Management was reviewed by the Council on Planning and Budget. The Senate Cabinet endorsed CPB's comments at its meeting on March 16, 2021. Cabinet also had the opportunity to discuss the policy further; a summary of our Cabinet discussion is provided below.

Cabinet's discussion focused on the creation of the Small Business First Program. Members were not opposed to the Small Business First Program; it has a number of salient virtues. However, members raised concerns about the implementation of the program to date. These concerns include:

- No analysis was conducted to anticipate costs of executing this program across UC.
- Several members also expressed concern that the program was implemented prior to Senate review and comment.
- Members expressed concern about the process of proprietors self-certifying their small businesses and suggested that definitions and criteria be made more explicit to prevent abuse of the program.
- Members noted that if the goal of the program is to generate growth in California small businesses, and by extension, the California economy, the removal of the requirement of California domicile undermines the program intent and is counterproductive (II. Definitions, Small Business, Page 11).
- Members anticipate that the revisions will delay university business by adding yet another layer of approval for purchasing of equipment, and suggested that incentivizing purchases from small businesses may be more effective than mandating this across the system.

The Irvine Division appreciates the opportunity to comment.

Sincerely,



Jeffrey Barrett, Chair
Academic Senate, Irvine Division

Cc: Joanna Ho, Chair Elect-Secretary
Don Senear, CPB Chair
Kate Brigman, Executive Director
Gina Anzivino, Associate Director
Michelle Chen, CPB Analyst



March 11, 2021

JEFFREY BARRETT, CHAIR
ACADEMIC SENATE, IRVINE DIVISION

RE: Systemwide Review of Proposed Presidential Policy BFB-BUS-43

At its February 24, 2021 meeting, the Council on Planning and Budget (CPB) discussed the proposed revision to Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management.

This policy clarifies and expands upon existing policies that favor small businesses in the procurement of goods and services by the University. That which below applies to small businesses is also applicable to businesses owned by disabled veterans, the latter regardless of size.

Among its provisions are a more rigorous application of existing preferential treatment of small businesses. It establishes the principle that all purchases of goods and services in the range of \$10,000-\$250,000 be awarded to small businesses. It clarifies what is meant by a small business, program exceptions, and certifying agencies. The requirement that the business be domiciled in California is eliminated. The revisions also discuss when “competitive” bidding is required. It eliminates competitive bidding when the cost is less than \$100,000; when the cost is between \$100,000 and \$250,000, there is still no competitive bidding. However, two quotes must be obtained.

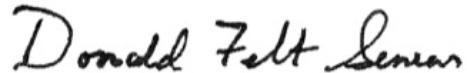
The Council offers the following comments:

- Justification for the policy is not convincing. Absent more thorough analysis, the statements alluding to the number of, and employment by, small businesses does not lead to a conclusion that supporting small businesses leads to more rapid economic growth in the state.
- If the goal of the program is to generate growth in California small business, and by extension, the California economy, the removal of the requirement of California domicile undermines the program intent and is counterproductive (II. Definitions, Small Business, Page 11).
- There is no acknowledgement that this policy may be costly to the University if small businesses have higher costs and prices than larger businesses. Although the Council recognizes the social good in the support of small businesses, absent appropriate cost analysis, including staff and faculty effort, members were not convinced that this is sufficient reason for the UC to distort its purchasing.
- The Council found that the proposed revisions would further delay university business by adding yet another layer of approval for purchasing of equipment.
- The term “self-certified small business” is vague and should be clarified (II. Definitions, Small Business, Page 11).
 - There is concern regarding undue administrative burden and whether the UC is sufficiently resourced to carry out the revisions. In particular, the procedures outlined for supplier diversity and federal planning and reporting must require extra administrative staff in order to adequately enforce procurement practices and establish outreach efforts (V. Procedures, Part 3: Supplier Diversity and Federal Planning and Reporting, A. Campus Programs, 1. Program Development and 2. Outreach Efforts Page 51-52).



- Members observed that the terms “when possible” (V. Procedures, Part 3: Supplier Diversity and Federal Planning and Reporting, A. Campus Programs, 1b Program Development) may be broadly applied for evasion and no action.
- Implementation by March 1, 2021 is clearly not possible, and any rapid implementation will be challenging without an established list of certified Small Business (SB) or Disabled Veteran Business Enterprise (DVBE).

On behalf of the Council,

A handwritten signature in black ink that reads "Donald Felt Senear". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Don Senear, Chair

CC: Kate Brigman, Executive Director, Academic Senate
Gina Anzivino, Assistant Director, Academic Senate
Michelle Chen, CPB Analyst

March 22, 2021

Mary Gauvain
Chair, UC Academic Senate

Re: (Systemwide Senate Review) Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services

Dear Chair Gauvain,

The Divisional Executive Board, councils, and committees appreciated the opportunity to review the proposed revision to BFB-BUS-43. Executive Board members applauded the well-intended underlying goal of the proposal. However, they were concerned that bureaucracy and compliance costs associated with this complex proposal will harm professors' research efforts.

Once again, we appreciate the opportunity to opine on this issue. As is the divisional practice, we have appended all of the committee responses we received prior to the deadline to submit our response.

Sincerely,



Shane White
Chair
UCLA Academic Senate

Encl.

Cc: Jody Kreiman, Vice Chair/Chair Elect, UCLA Academic Senate
Michael Meranze, Immediate Past Chair, UCLA Academic Senate
April de Stefano, Executive Director, UCLA Academic Senate

March 11, 2021

Shane White, Chair
Academic Senate

Re: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Chair White,

At its meeting on March 8, 2021, the Council on Planning and Budget (CPB) had an opportunity to review and discuss the Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management. Members offered the following comments.

Members noted that the proposed policy was implemented in April 2020; it is unclear whether comments would be taken into consideration since the policy has already gone into effect. Some members felt that this policy is an example of excessive bureaucracy. The policy itself is 66 pages long and 13 pages contain definitions. Members underscored the need for a more manageable and understandable process to have an effective impact, and were concerned about the additional training costs associated with implementing such a policy. While well-intentioned, such policies can add complexity and compliance costs, stifling innovation and reducing bureaucratic efficiency as they accumulate.

Thank you for the opportunity to review. If you have any questions for us, please do not hesitate to contact me at groeling@comm.ucla.edu or via the Council's analyst, Elizabeth Feller, at efeller@senate.ucla.edu.

Sincerely,



Tim Groeling, Chair
Council on Planning and Budget

cc: Jody Kreiman, Vice Chair/Chair-Elect, Academic Senate
Michael Meranze, Immediate Past Chair, Academic Senate
April de Stefano, Executive Director, Academic Senate
Elizabeth Feller, Principal Policy Analyst, Council on Planning and Budget
Members of the Council on Planning and Budget

February 22, 2021

**SHANE WHITE, CHAIR
ACADEMIC SENATE — LOS ANGELES DIVISION**

**Re: (Systemwide Senate Review) Proposed Presidential Policy BFB-BUS-43 Purchases of
Goods and Services; Supply Chain Management**

The Committee on Diversity, Equity, and Inclusion does not wish to opine on this issue.

Sincerely,

Richard A Yarborough, Chair
Committee on Diversity, Equity, and Inclusion

c: April De Stefano, Chief Administrative Officer
Academic Senate



OFFICE OF THE ACADEMIC SENATE
ROBIN DELUGAN, CHAIR, ACADEMIC SENATE
senatechair@ucmerced.edu

UNIVERSITY OF CALIFORNIA, MERCED
5200 NORTH LAKE ROAD
MERCED, CA 95343

March 23, 2021

To: Mary Gauvain, Chair, Academic Council

Re: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

The proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management was distributed for comment to the Merced Division Senate Committees and the School Executive Committees. The following committees offered several comments for consideration. Their comments, and Vice Chair Westerling's comments, are appended to this memo.

- Committee on Academic Planning and Resource Allocation (CAPRA)
- Committee on Research (CoR)
- Committee on Library and Scholarly Communication (LASC)

All three committees raised serious concerns.

One of CAPRA's main concerns is that the program requires new training and additional guidelines that can add to the complexity of purchasing and delay the progress of research projects. For waivers, the program requires to "clearly documents the steps taken and research completed to sufficiently justify an award to a non-SB, MB, or DVBE" which causes costly delay to faculty time and research projects. CAPRA believes there should be some consideration and priority given to the urgent cases when the timeliness of providing a service or product is important for conducting a research project. This case should be included as an example for cases that waiver is justified. CAPRA was also unclear whether faculty are required to purchase from a small business or whether they have the flexibility to choose the most cost-effective vendor. The committee asserted that overall, the policy would benefit from clarity and transparency on how the new requirements would impact faculty research.

CoR pointed out that the Small Business First policy requires that faculty obtain quotes from small businesses and disabled veteran businesses or enterprises, but also requires faculty to purchase from these SB and DVBE regardless of cost, quality or brand. Purchases supported by federally-funded grants are exempt, but state and start-up funds are not exempt. CoR is concerned that this policy significantly enhances the research burden on PIs as follows:

1. Increase costs: This will add unnecessary costs to research directly (forcing faculty to buy more expensive or lower quality items) and overhead (implementation).

2. Implementation issues: No comprehensive list exists making finding these SB and DVBE vendors more difficult.
3. Slows lead-time: The timeline for procurement is not a consideration and could significantly slow down research productivity

LASC stated that depending on how this policy is interpreted and implemented, it could have negative effects on the acquisition of library collection materials. Most collection materials are produced by and acquired from large businesses, such as university presses and commercial publishers. Similarly, most collection-related services, such as serials subscription management, are provided by large businesses. Thus, complying with this policy could place a significant administrative burden on the Library. LASC recommended consideration of how this proposed policy affects library procurement of collection materials. LASC also observed that the policy has a waiver process (III, Part 3.C.2). However, it is likely that the waiver process could be an unnecessary administrative burden on the library, since there are very few small businesses involved in publishing. Furthermore, if a waiver were denied then the Library would be denied the ability to acquire content in support of faculty research and teaching because of the characterization of the business supplying the content. Thus, LASC requested that Library collection purchases be exempt from this policy.

At its meeting on March 12, 2021, Divisional Council (DivCo) members supported these concerns from the three committees and expressed additional concerns about the increased prices, the difficult implementation process, and the onerous time constraints on faculty that would delay their research. Such delays cost a significant amount of money that the campus will not cover. A further complication is that a lot of equipment does not have a supplier that qualifies under this proposed policy which forces faculty to go through the exception process. This results in higher costs and makes the UC less competitive. This policy would place a burden on UCM's Purchasing infrastructure which is not working optimally to serve faculty research and teaching needs.

DivCo was unanimous in its strenuous opposition to the proposed Presidential Policy.

The Merced Division thanks you for the opportunity to comment on this proposed policy.

Sincerely,



Robin DeLugan
Chair, Divisional Council
UC Merced

CC: Divisional Council
Hilary Baxter, Executive Director, Systemwide Academic Senate
Michael LaBriola, Assistant Director, Systemwide Academic Senate
Senate Office



ACADEMIC SENATE, MERCED DIVISION
COMMITTEE ON ACADEMIC PLANNING AND RESOURCE ALLOCATION
PATTI LIWANG, CHAIR
pliwang@ucmerced.edu

UNIVERSITY OF CALIFORNIA, MERCED
5200 NORTH LAKE ROAD
MERCED, CA 95343

February 16, 2021

To: Robin DeLugan, Chair, Division Council

From: Patricia LiWang, Chair, Committee on Academic Planning and Resource Allocation
(CAPRA)

A handwritten signature in blue ink, appearing to read "Patricia LiWang", is placed next to the "From:" line.

Re: Proposed revisions to Presidential Policy UC-PS-20-0489-BUS-43 Purchases of Goods and Services;
Supply Chain Management

CAPRA has reviewed the proposed revisions to Presidential Policy UC-PS-20-0489-BUS-43 Purchases of Goods and Services; Supply Chain Management. CAPRA has several concerns that are listed below:

- The implementation of this proposed plan may be hindered by the other existing UC regulations. For example, the liability insurance requirement for certain purchases is so high that cannot be met by small business owners and only large companies can offer that limit of liability insurance.
- The program requires new training and additional guidelines that can add to the complexity of purchasing and delay the progress of research projects. For waivers, the program requires to "clearly documents the steps taken and research completed to sufficiently justify an award to a non SB, MB, or DVBE" which causes costly delay to faculty time and research project. There should be some consideration and priority given to the urgent cases when the timeliness of providing a service or product is important for conducting a research project. This case should be included as an example for cases that waiver is justified.
- The main purpose of purchasing is to support the students and faculty needs and requirements, especially when there is urgent need to purchase an item to meet certain deadlines or to avoid losing research money. The needs of faculty and students should get priority in urgent cases.
- Under "program exemptions", the "emergency" and "grant" are listed as a program exemption, but what will be considered as an emergency or grant is not defined.
- The program covers all purchases valued annually at \$10,000-\$250,000. It is not clear why and how this limit has been selected.

- It is unclear whether faculty are required to purchase from a small business or whether they have the flexibility to choose the most cost-effective vendor.
- Overall, the policy would benefit from clarity and transparency on how the new requirements would impact faculty research.
- We support the use of small businesses, but would like to see a policy that breaks down barriers (by being able to waive requirements that may be burdensome) to using small businesses (such as the first item above) rather than adding increased paperwork requirements.

We appreciate the opportunity to opine.

cc: Senate Office

UNIVERSITY OF CALIFORNIA, MERCED

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SANTA BARBARA • SANTA CRUZ

ACADEMIC SENATE, MERCED DIVISION
COMMITTEE ON RESEARCH
KARA MCCLOSKEY, CHAIR
kmcloskey@ucmerced.edu

UNIVERSITY OF CALIFORNIA, MERCED
5200 NORTH LAKE ROAD
MERCED, CA 95343

March 10, 2021

To: Robin DeLugan, Chair, Division Council

From: Kara McCloskey, Chair, Committee on Research (COR)

A handwritten signature in black ink, appearing to read "Kara McCloskey".

Re: Revised Memo - Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

CoR wishes to retract the original memo sent on this policy on February 16, 2021 (appended). Upon further review, I convey the following concerns with this policy:

Small business first policy requires that we get quotes from small business and disabled veteran businesses or enterprises, but also requires us to purchase from these SB and DVBE regardless of cost, quality or brand. Purchases supported by federally-funded grants are exempt, but state and start-up funds are not exempt. This policy significantly enhances the research burden on PIs and we should work hard to block any version of this mandate. This policy will:

1. Increase costs: This will add unnecessary costs to research directly (forcing us to buy more expensive or lower quality items) and overhead (implementation).
2. Implementation issues: No comprehensive list exists making finding these SB and DVBE vendors more difficult.
3. Slows lead-time: The timeline for procurement is not a consideration and could significantly slow down research productivity.

We appreciate the opportunity to opine.

cc: Senate Office

UNIVERSITY OF CALIFORNIA, MERCED

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SANTA BARBARA • SANTA CRUZ

ACADEMIC SENATE, MERCED DIVISION
COMMITTEE ON LIBRARY AND SCHOLARLY COMMUNICATIONS
MARIA DEPRANO, CHAIR
mdeprano@ucmerced.edu

UNIVERSITY OF CALIFORNIA, MERCED
5200 NORTH LAKE ROAD
MERCED, CA 95343

February 16, 2021

To: Robin DeLugan, Senate Chair

From: Maria DePrano, Chair, Committee on Library & Scholarly Communications (LASC) & LASC Committee Membership

Re: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

At its February 10 meeting, LASC reviewed the proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management, which emphasizes purchasing from small businesses where practicable.

Depending on how this policy is interpreted and implemented, it could have negative effects on the acquisition of library collection materials. Most collection materials are produced by and acquired from large businesses, such as university presses and commercial publishers. Similarly, most collection-related services, such as serials subscription management, are provided by large businesses. Thus, complying with this policy could place a significant administrative burden on the Library.

LASC recommends consideration of how this proposed policy affects library procurement of collection materials.

LASC observes that the policy has a waiver process (III, Part 3.C.2). However, it is likely that the waiver process could be an unnecessary administrative burden on the library, since there are very few small businesses involved in publishing. Furthermore, if a waiver were denied then the Library would be denied the ability to acquire content in support of faculty research and teaching because of the characterization of the business supplying the content.

Thus, LASC requests that Library collection purchases be exempt from this policy.

Thank you for the opportunity to opine.

Cc: LASC members
Senate Office

Comments provided by Professor Westerling, Vice Chair of the Academic Senate

- 1). The proposed policy effectively lowers the threshold for IT purchases above which restrictions on where a PI gets a quote from apply. This not only imposes additional monetary costs, but judging by past experience this will significantly increase the time it takes to process these purchases as well. We are already seeing unacceptable delays with severe impacts on our ability to perform on sponsored projects. The problem is especially acute for projects with a short turnaround time.
- 2). Some state agencies impose very strict conditions on reimbursement for budgeted equipment purchases. The proposal budget has to include a quote for the planned purchase (which of course has expired by the time the purchase is placed). Any cost above the budgeted amount is borne by the investigator or their campus... we are not allowed to invoice for costs greater than the original quote. This is already a substantial burden given the current inflation in costs for computer equipment. The proposed policy compounds the problem, making costs more difficult to predict. This is not only for existing grants that received quotes prior to the policy being implemented, but also because smaller vendors have less leverage with their supply chain.
- 3). The university is proposing to increase both costs and unpredictability of performance on competitive grants for the purposes of social policy, without accounting for the impact on research productivity and our competitiveness for these grants. The university should be providing monetary compensation for the increased costs. I would not argue for this if the requirement were imposed by the state and applied to everyone who competes for state funding, but this is not the case. UC faculty will be put at a disadvantage compared to proposers from non-UC institutions.
- 4). It's important to note that this policy works at cross purposes to UC Merced's objective to increase research spending in pursuit of R1 status. Not only does the proposed policy make us less competitive, but an easy response for PIs would simply be to partner with investigators at non-UC institutions and to route the funding for purchases through those institutions, in order to minimize potential costs and delays. It is essentially impossible for the UC system to prevent this kind of leakage, and it has the potential to directly impact research spending on this campus and across the UC system.



CHAIR, ACADEMIC SENATE
RIVERSIDE DIVISION
UNIVERSITY OFFICE BUILDING, RM 225

JASON STAJICH
PROFESSOR OF MICROBIOLOGY & PLANT
PATHOLOGY
RIVERSIDE, CA 92521-0217
TEL: (951) 827-6193
EMAIL: JASON.STAJICH@UCR.EDU

February 25, 2021

Mary Gauvain, Chair, Academic Council
1111 Franklin Street, 12th Floor
Oakland, CA 94607-5200

RE: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Chair Gauvain,

The Riverside Division discussed the Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management and I transmit the comments provided by the Senate committee review.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jason Stajich".


Jason Stajich
Professor of Microbiology & Plant Pathology and Chair of the Riverside Division

CC: Michael LaBriola, Assistant Director of the Academic Senate
Hilary Baxter, Executive Director of the Academic Senate
Cherysa Cortez, Executive Director of UCR Academic Senate

PLANNING & BUDGET

February 18, 2021

To: Jason Stajich, Chair
Riverside Division

From: Katherine Kinney, Chair 
Committee on Planning and Budget

RE: [Systemwide Review] Proposed Policy: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

The Committee on Planning & Budget (P&B) discussed the proposed Presidential Policy, BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management at their February 16, 2021 meeting and had a number of concerns.

While the goal of supporting small business was found by many committee members to be laudable, we have deep concerns about adding layers of policy directives and procedures to the purchasing process, which on the UCR campus is already seen as cumbersome at best. We are unconvinced that training and communication will mitigate the risk of delaying purchases related to research. Many research related purchases have highly specific requirement with limited options for vendors. The proposal appears tone deaf to the actual problems already posed by the cumbersome requirements on purchasing. One member reported that small vendors have in fact refused to do business with UCR because of the reporting requirements, which as another point out require a certain level of legal and administrative capability. One member believed this initiative contradicts the responsibility to use state funds efficiently, while others acknowledge the appropriateness of aligning purchasing practices with University values. However, no member of the committee found the process outlined here likely to serve the best interests of small business or the faculty and campus.



OFFICE OF THE ACADEMIC SENATE

9500 GILMAN DRIVE
LA JOLLA, CALIFORNIA
92093-0002
TELEPHONE: (858) 534-3640
FAX: (858) 534-4528

March 19, 2021

Professor Mary Gauvain
Chair, Academic Senate
University of California
VIA EMAIL

Re: Divisional Review of UC Presidential Policy BFB-BUS-43, Purchases of Goods and Services; Supply Chain Management

Dear Professor Gauvain,

The proposed revisions to UC Presidential Policy BFB-BUS-43, Purchases of Goods and Services; Supply Chain Management were distributed to San Diego Divisional Senate standing committees and discussed at the March 15, 2021 Divisional Senate Council meeting. Senate Council had no objections to the proposal.

The Council sees merit in the proposed policy, but there were a few areas where greater clarity is needed, such as the exclusion of Disadvantaged Business Enterprises (DBE) from several of the recommendations in Section III, and the lack of concrete targets and precise priorities across the different business classifications. It is unclear why Health Sciences' purchasing as well as construction bids are omitted from the policy. Prioritizing local small businesses, rather than only small businesses, may have a larger impact on the immediate community of each campus. In addition, including some description of geographical disadvantage (by zip code perhaps) for Economically Disadvantaged Individuals or DBEs would help identify businesses that are enhancing the local economic climate in underprivileged locations.

The responses from the Divisional Committee on Academic Information Technology, Committee on Diversity and Equity and the Committee on Planning and Budget are attached.

Sincerely,

A handwritten signature in black ink that reads "Steven Constable".

Steven Constable
Chair
San Diego Divisional Academic Senate

Attachments

cc: Tara Javidi, Vice Chair, San Diego Divisional Academic Senate
Ray Rodriguez, Director, San Diego Divisional Academic Senate
Hilary Baxter, Executive Director, UC Systemwide Academic Senate

March 15, 2021

PROFESSOR STEVEN CONSTABLE, Chair
Academic Senate, San Diego Division

SUBJECT: UC Presidential Policy BFB-BUS-43, Purchases of Goods and Services; Supply Chain Management

Dear Chair Constable,

At its March 11, 2021 meeting, the Committee on Academic Information Technology (CAIT) reviewed the UC Presidential Policy BFB-BUS-43, Purchases of Goods and Services; Supply Chain Management. From a CAIT perspective, this policy does not affect faculty research contracts and grants purchases. These are excluded from the policy revisions. It is also unlikely that the policy revisions would impact many IT purchases related to or initiated by faculty outside of research contracts and grants. Despite the research contract and grant exception and the likely small impact on remaining purchases related to faculty and IT, we still offer the following comments:

1. The policy uses an audit and compliance framework rather than a goals framework, which will make the cost of compliance and the administrative burden difficult and unhelpful, while not accomplishing much. In an initial review of health science areas outside of research grants, central procurement showed that no past procurements that would or could be awarded to small businesses. While the central university procurement office is working to ensure that if this policy were enacted, the administrative burden felt in departments across campus would be none to very little, CAIT would suggest that using an audit and compliance framework with the extensive exception process would be inferior to using a goals framework. UC San Diego has had a small business program and has achieved success (currently the university is at 18% of procurement to small businesses) using a goals framework. The policy and audit framework proposed is inappropriate and may increase administrative burdens for any faculty who may be affected.
2. Central procurement is focusing efforts in areas that can make a difference, particularly in housing and dining, and similar areas, and will also be pursuing how to improve outcomes in areas of construction, which would be meaningful for the San Diego community. Faculty-related IT purchases are expected to contribute little to the small business goals and the policy as written may not help UC San Diego reach its own small business goals.
3. We understand that central procurement and university leadership is working with UCOP and revising this policy to correct these and other defects not discussed with or relevant to CAIT. CAIT would recommend CAIT support additional efforts, if needed, to ensure this policy does not adversely affect faculty administrative workloads or negatively impact the quality of IT goods and services purchased.

Sincerely,

Ian Galton, Chair
Committee on Academic Information Technology

ACADEMIC SENATE: SAN DIEGO DIVISION
UCSD, LA JOLLA, CA 92093-0002
(858) 534-3640
FAX (858) 534-4528

cc: T. Javidi
J. Lucius
R. Rodriguez
B. Simon

March 1, 2021

STEVEN CONSTABLE, CHAIR
Academic Senate, San Diego Division

SUBJECT: BFB-BUS-43 Policy Purchases

The Committee on Diversity and Equity (CDE) discussed the BFB-BUS-43 Policy Purchases. In general, the committee sees merit in the proposed policy and endorses the revisions. However, there were a couple of areas in which greater clarity could be achieved.

The most important part is the apparent exclusion of DBE, as defined in Section II. Definitions, from the recommendations in, e.g., Section III, Part 1B1 where “awarded to Small Businesses or Disabled Veteran Business Enterprises wherever practicable” occurs. Similar omissions occur in Section III, Part 1C1, Section III, Part 3C1, Section III, Part 3C2, Section V, Part 3A1. This is particularly at odds with phrasing prior to these occurrences that read “small and diverse owned businesses”, “small, diverse and disadvantaged suppliers” or similar, in preambles that do not appear to be specific to the policy requirements, as per the above.

The committee was further concerned that the policy is imprecise with respect to priority across “small”, “diverse” and “disadvantaged” categories, or SB and DVBE and would like to see DBE be prioritized. The policy likewise lacks targets in most places and the committee would like to see something concrete as in Section V, Part 3A1 where 25% is mentioned as a specific target. Finally, it is of concern to the committee that Section V, Part 3A1 language “whenever these suppliers offer products and services that meet the University’s needs for competitive pricing and the quality of the products and services” could be used to undercut the entire policy. After all, if the DBE is providing the most competitive price that University employees would be violating the competitive cost principle by not using such business and suppliers. This could be resolved simply by eliminating this clause and providing a target for DBE awards or by specifying a percentage of the lowest bid that would be acceptable. It could also state that “University’s needs for diversity will be considered along with the University’s needs for competitive pricing and the quality of the products and services.”

The committee suggests that the definition on Economically Disadvantaged Individuals or DBE be modified to include some description of geographical disadvantage (by zip code perhaps) to potentially include businesses that are enhancing the local economic climate in underprivileged locations.

The committee was also unclear on why Health Sciences should be omitted from this policy and suggests that Health Sciences departments be included within these requirements.

Sincerely,

Jennifer Burney, Chair
Committee on Diversity & Equity

cc: T. Javidi

March 1, 2021

STEVEN CONSTABLE, CHAIR
Academic Senate, San Diego Division

SUBJECT: UC BFB-BUS-43 Policy Purchases

The Committee on Planning and Budget (CPB) discussed the UC BFB-BUS-43 Policy Purchases Revisions at its meeting on February 16, 2021. The policy was updated to include a new section outlining policy of UC's Small Business First Program. All other changes were minor updates to bring the rest of the policy in alignment with this new program. The committee has no objections to the policy revisions. A few questions were raised during the committee's discussion and they are shared here as recommendations to consider when implementing the program:

- Is it always standard procedure for UC to request only two bids for procurements? The policy mentions "Informal Competitive Quotation: Responsive price quotations from a minimum of three qualified suppliers, pg. 13"
- What about prioritizing not just small business but **local** small businesses? Would that be too narrow?
- Is only 25% of the bids in this program enough to make a positive impact?
- Why are construction and design bids exempt from this program? What if the bids are below the \$250,000 threshold?

Sincerely,

Kwai Ng, Chair
Committee on Planning & Budget

cc: T. Javidi



UC SANTA BARBARA

Academic Senate

Susannah Scott, Chair
Shasta Delp, Executive Director

1233 Girvetz Hall
Santa Barbara, CA 93106-3050
<http://www.senate.ucsb.edu>

March 23, 2021

To: Mary Gauvain, Chair
Academic Senate

From: Susannah Scott, Chair
Santa Barbara Division

A handwritten signature in black ink that reads "Susannah L. Scott".

Re: Systemwide Review of Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services and Supply Chain Management

The Santa Barbara Division distributed the Proposed Presidential Policy on Purchases of Goods and Services and Supply Chain Management to the Council on Planning and Budget and the Council on Research and Instructional Resources. Both responses are attached for Academic Council's consideration.

In short, while both groups admire the intention of directing University purchases toward the small business community, they raise significant concerns about the unfunded mandate associated with the proposed policy updates, the unsuitability of many highly technical purchases for small business procurement, the added complexity to what is characterized as an already onerous process, the potential impact on faculty and staff workload, and the rapid adoption schedule.

We thank you for the opportunity to opine.

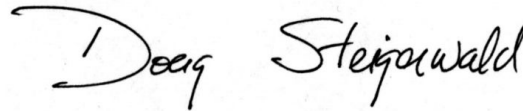
UNIVERSITY OF CALIFORNIA
ACADEMIC SENATE
SANTA BARBARA DIVISION
Council on Planning & Budget

March 15, 2021

To: Susannah Scott, Divisional Chair
UCSB Academic Senate

From: Douglas Steigerwald, Chair
Council on Planning & Budget

Re: Proposed Policy BFB-BUS-43 Purchase of Goods & Services



The Council on Planning & Budget (CPB) has reviewed the Proposed UC Presidential Policy on the Purchase of Goods and Services and Supply Chain Management (BFB-BUS-43).

The aim of the update to BFB-BUS-43 is to add UC's new Small Business First Program into BUS-43. Small Business First requires that all applicable purchases for UC campuses (excluding UC Health and Design & Construction) with the annual value of \$10,000-\$250,000 be awarded to a certified Small Business or Disabled Veterans Business Enterprise wherever practicable. There are exemptions for UC Health and Design and Construction as well as for other purchases made on federal contracts.

The CPB welcomes the university initiative to update this policy, particularly since the impact of the Covid-19 pandemic and the financial crisis on small businesses, often minority-owned, is disproportionately negative.

However, CPB is concerned that the implementation of these policy updates will place an additional workload on staff, who are already overburdened, without additional pay. Sufficient time away from existing duties will be required to allow for the new training stated in the policy and to implement and sustain the "regular outreach programs" recommended.

The stated timing as we read it is confusing. While full compliance is expected by March 1, 2021, and it is stated that a strong training plan has been put in place to meet that deadline, we are surprised to hear of this at this late stage. Also, the expectation of comments by April is inconsistent with full compliance being required by March 1.

Last, the new policy's anticipated effects are unclear. While it is true that the majority of small businesses are minority-owned, this policy seems to unintentionally shift focus away from minority-owned, or woman-owned, businesses in favor of small businesses in general; and away from California-owned businesses (removed as a location requirement). Given the policy's stated goals, it may be helpful to identify where and how much this change can be expected to


affect procurement decisions and whether they are consistent with the motives behind the change.

CPB in principle supports policy BFB-BUS-43 but before giving definitive approval, would need to see a cost-benefit analysis, details of the provisions for adequate staffing to allow for training and the additional workload and clarification of the time schedule.

cc: Shasta Delp, Academic Senate Executive Director

March 17, 2021

To: Susannah Scott, Divisional Chair
Academic Senate

From: Forrest Brewer, Chair 
Council on Research and Instructional Resources

Re: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

The Council on Research and Instructional Resources reviewed the proposed policy in its respective subcommittees, Committee on Instructional Technology (February 26, 2021), and Committee on Research Policy and Procedures and Committee on Library, Information and Instructional Resources (both on March 5, 2021).

This policy change marks a decided attempt to directly steer medium-scale purchases between \$10,000 and \$250,000 to certified small business and/or Disabled veteran owned small businesses. The policy is well motivated by evidence of direct gain to California finances from investments in local businesses, and some members are interested in supporting the goal of harnessing the power of UC investment to help small business. However, there are several flaws in the current iteration, both as an unfunded policy mandate and the rapid adoption schedule (prior to any Academic Senate response) which seems to fly in the face of shared governance.

The policy establishes a mandatory requirement for solicitation of quotes from a third party certified small or disabled veteran small business. Small or disabled veteran owned businesses that are not certified are not eligible for consideration. The certification process, for interested businesses, can take up to a month or more and significantly extend lead-time on time critical procurements.

While there are indeed thousands of small businesses listed in the recommended databases, the ability of the tools to search for specific expertise or instrumentation is extremely limited. More importantly, the types of purchases made on lab start-up funds, such as metrology and instrumentation devices, are typically best served by large diversified companies that have the capacity to absorb development costs and leverage international sales to keep acquisitions costs reasonable. In short, there are few opportunities for small businesses to create advanced instruments or services competitively. Thus, bids from certified small or disadvantaged companies are likely to be difficult to solicit and less cost effective.

There are already concessions in place for awarding to these businesses, in the form of bid process relief as provided by state and federal laws. Moving these carve-outs from optional to mandatory will inevitably reduce the investment the has made in strategic suppliers and result in artificially high pricing by small businesses once they realize they are shielded from competition. Across the system, this will directly affect tens of thousands of purchases where even a nominal 10% cost increase translates to tens of millions of dollars in a system already scrambling to cover numerous debts arising from extraordinary costs and a reduced tax base. This does not count the additional time spent filling and filing additional forms and the potential for greatly increased lead time. In practice, these issues will fall on junior PIs,

who in many ways are already the most burdened segment of the faculty, to perform basic research on state or start-up funds. They certainly do not need additional costs or regulations beyond the normal purchasing overhead. Many faculty feel that purchasing is already quite onerous at the University of California and to make it more so is to jeopardize recruitment and retention. Faculty are also concerned about the additional impacts to already overextended staff; this policy makes insufficient provisions for additional support in satisfying these new requirements. Given these issues, similar results could be obtained by collaborating with the third parties to simplify certification requirements and promote UC requirements and market interests. This would foster a real and direct benefit for local small businesses based on their ability to target UC-specific guidelines such as recyclable packaging, local calibration and service, and longer service and operation lifetimes. In such a case, justification of high initial costs can be made.

Finally, the Council questions the decision to exclude capital expenditures from these requirements. Construction spending is already heavily controlled by purchasing contracts and partnership with smaller local contractors could offer the university tangible savings in the procurement of furniture, fixtures and construction. Another suggested alternative is for the University to compensate such purchases by reducing related overhead costs up to 10% to incentivize rather than mandate the consideration of small business. Although the faculty generally admire the intentions of this program, they would advocate as more efficient a policy that incentivizes options rather than restricts them.

CC: Shasta Delp, Executive Director, Academic Senate



1156 HIGH STREET
SANTA CRUZ, CALIFORNIA 95064

Office of the Academic Senate
SANTA CRUZ DIVISION
125 CLARK KERR HALL
(831) 459 - 2086

March 22, 2021

MARY GAUVAIN, Chair
Academic Council

Re: Systemwide Review of Proposed Presidential Policy BFB-BUS-43

Dear Mary,

The Santa Cruz Division of the Academic Senate has completed its review of the proposed Presidential Policy BFB-BUS-43, the Committee on Planning and Budget (CPB) responding. CPB approved of the revisions overall, particularly the noted inclusion of the Small Business First Program, and voiced their support of this particular revision given how COVID-19 has had a disproportionate impact on minority owned businesses.

On behalf of the Santa Cruz Division, I thank you for the opportunity to opine on this systemwide policy.

Sincerely,

A handwritten signature in cursive script, reading "David Brundage", is shown within a rectangular border.

David Brundage, Chair
Santa Cruz Division of the Academic Senate

cc: Dard Neuman, Chair, Committee on Planning and Budget
Nico Orlandi, Chair, Committee on Faculty Welfare
Minghui Hu, Chair, Committee on Academic Freedom
Paul Roth, Chair, Committee on Research



UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
Shelley Halpain, Chair
Shalpain@ucsd.edu

Assembly of the Academic Senate
1111 Franklin Street, 12th
Oakland, CA 94607-5200

March 24, 2021

**MARY GAUVAIN, CHAIR
ACADEMIC COUNCIL**

RE: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Mary,

The University Committee on Faculty Welfare (UCFW) has discussed the Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management, and we have several comments. First, we question the small to large business ratio of 49% to 51%: how was this number derived, and what are the market data that support it? Second, greater guidance on the determination of a “small business” is needed: while the proposal references federal guidelines, it also allows for self-certification. Third, the new version omits the requirement that small businesses be domiciled in California, which seems to contradict one stated goal of the policy – to better support the California economy. Finally, the “cost of compliance” is omitted from consideration, leaving the campuses to face another unfunded mandate.

UCFW looks forward to reviewing a more thoroughly developed proposal.

Sincerely,

Shelley Halpain, UCFW Chair

Copy: UCFW
Hilary Baxter, Executive Director, Academic Senate
Robert Horwitz, Academic Council Vice Chair



UNIVERSITY COMMITTEE ON RESEARCH POLICY (UCORP)
Richard Desjardins, Chair
Email: desjardins@ucla.edu

University of California
Academic Senate
1111 Franklin Street, 12th Fl.
Oakland, California 94607

March 23, 2021

MARY GAUVAIN
CHAIR, ACADEMIC COUNCIL

RE: Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Mary,

The University Committee on Research Policy (UCORP) reviewed the proposed business and finance policy on Purchases of Goods and Services; Supply Chain Management (BFB-BUS-43) during its meeting on March 8, 2021.

This policy change marks a decided attempt to directly steer medium-scale purchases between \$10,000 and \$250,000 toward certified small business and/or disabled veteran owned small businesses. The policy is inspired by evidence of direct gain to California business (and tax revenue) from investments in local businesses, and harnessing the power of UC to help small businesses. However, there are several flaws in the current proposal, both as an unfunded policy mandate and the rapid adoption schedule (prior to any Academic Senate response) which seems to fly in the face of shared governance. These issues are:

- Requirements for certification of small businesses extends the potential lead-time
- Ignores the cost savings to the university from large company investment to cover products of limited general use, but of specific use to university research
- Potential to create “small-business” secondary suppliers essentially reselling large company products for profit
- Additional procurement effort on the part of PI’s currently burdened with constraints from federal and state purchasing rules as well as other UC policy mandates
- Exclusion of Capital expenditures (i.e. buildings, infrastructure and furnishings) which are as large a portion of general purchasing and for which many California small businesses already exist, but are locked out of the current system.

The policy establishes a mandatory requirement for solicitation of quotes from a third party certified small or disabled veteran small business. Small or disabled veteran owned businesses that are not certified are not eligible for consideration. The certification process, for interested businesses, can take up to a month or more and *significantly extend lead-time on time critical procurements*.

While there are indeed thousands of small businesses listed in the recommended databases, the ability of the tools to search for specific expertise or instrumentation is extremely limited. More

importantly, the types of purchases made on lab start-up funds, such as metrology and instrumentation devices, are typically best served by large diversified companies that have the capacity to absorb development costs and leverage international sales to keep acquisitions costs reasonable. In short, there are few opportunities for small businesses to create advanced instruments or services competitively. Thus, bids from certified small or disadvantaged companies are likely to be difficult to solicit and less cost effective.

There are already concessions in place for awarding to these businesses, in the form of bid process relief as provided by state and federal laws. Moving these carve-outs from optional to mandatory will inevitably reduce the investment the has made in strategic suppliers and result in artificially high pricing by small businesses once they realize they are shielded from competition. Across the system, this will directly affect tens of thousands of purchases where even a nominal 10% cost increase translates to tens of millions of dollars in a system already scrambling to cover numerous debts arising from extraordinary costs and a reduced tax base.

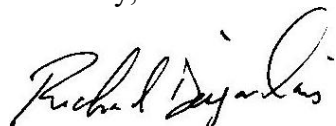
This additional cost does not count the additional time spent filling and filing additional forms and the potential for greatly increased lead time. In practice, these issues will fall on junior PIs setting up labs to perform basic research (capital projects, medical purchases and federally funded grants are excluded) on state or start-up funds who in many ways are the most burdened segment of the faculty. They certainly do not need additional costs or regulations beyond the normal purchasing overhead. ***Many faculty feel that purchasing is already quite onerous at the University of California and to make it more so is to jeopardize recruitment and retention.*** Faculty are also concerned about the additional impacts to already overextended staff; this policy makes insufficient provisions for additional support in satisfying these new requirements.

Given these issues, similar results could be obtained by collaborating with the third parties to simplify certification requirements and promote UC requirements and market interests. This would foster a real and direct benefit for local small businesses based on their ability to target UC-specific guidelines such as recyclable packaging, local calibration and service, and longer service and operation lifetimes. In such a case, justification of high initial costs can be made.

An additional point is related to the provision that excludes capital expenditures from these requirements. Construction spending is already heavily controlled by purchasing contracts and partnership with smaller local contractors could offer the university tangible savings in the procurement of furniture, fixtures and construction. A suggested alternative is for the University to compensate such purchases by reducing related overhead costs up to 10% to incentivize rather than mandate the consideration of small business.

Although the faculty generally admire the intentions of this program, they would advocate for a more efficient and economically-viable policy that incentivizes options rather than restricts them.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Desjardins". The signature is fluid and cursive, with a large initial "R" and "D".

Richard Desjardins
Chair, University Committee on Research Policy

March 22, 2021

Mary Gauvain
Chair, UC Academic Senate

Re: (Systemwide Senate Review) Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services

Dear Chair Gauvain,

The Divisional Executive Board, councils, and committees appreciated the opportunity to review the proposed revision to BFB-BUS-43. Executive Board members applauded the well-intended underlying goal of the proposal. However, they were concerned that bureaucracy and compliance costs associated with this complex proposal will harm professors' research efforts.

Once again, we appreciate the opportunity to opine on this issue. As is the divisional practice, we have appended all of the committee responses we received prior to the deadline to submit our response.

Sincerely,



Shane White
Chair
UCLA Academic Senate

Encl.

Cc: Jody Kreiman, Vice Chair/Chair Elect, UCLA Academic Senate
Michael Meranze, Immediate Past Chair, UCLA Academic Senate
April de Stefano, Executive Director, UCLA Academic Senate



BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Responsible Officer:	AVP – Chief Procurement Officer
Responsible Office:	PS – Procurement Services
Issuance Date:	4/21/2020
Effective Date:	4/21/2020
Last Review Date:	3/18/2020
Scope:	All Campuses, Medical Centers, Agriculture and Natural Resources and Lawrence Berkeley National Laboratory

Contact:	Office of the Chief Procurement
Title:	CPO Officer
Email:	ProcurementAdmin@ucop.edu
Phone:	(510) 987-0474

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I. POLICY SUMMARY

A. The procurement policies and procedures in this Bulletin are based upon:

1. California Public Contract Code, Part 2, Contracting by State Agencies, Chapter 2.1, University of California Competitive Bidding, Article 2, Materials, Goods, and Services (Public Contract Code Section 10507, et seq.)
2. The Bylaws and Policies of The Regents of the University of California; and

3. Policies issued by the President of the University.
- B. In addition, these policies and procedures provide for appropriate implementation of the policies and requirements of the funding agencies for federal contracts and grants, and other extramural agreements, which includes:
1. Recognition that the interests of the people of the State of California are paramount and that University Procurement/Supply Chain Management policies and practices should be developed to best serve those interests,
 2. Recognition that the basic purpose of Procurement/Supply Chain Management is to support the teaching, research, and public service missions of the University of California (University) in a cost effective manner,
 3. Continuing development and refinement of University procurement policies in accordance with good business judgment and normal business practice as applicable to the University's total operations, and
 4. The University is committed to maintaining high standards of performance based upon fair, ethical, and professional business practices. To further this end in the implementation of its purchasing policies and procedures, the University expects each Procurement/Supply Chain Director , and others authorized by the Procurement/Supply Chain Director to make purchases, to abide by the [Principles and Standards of Ethical Supply Management Conduct](#) of the [Institute for Supply Management \(ISM\)](#) and the Code of Ethics of the [National Association of Educational Procurement \(NAEP\)](#).

II. DEFINITIONS

Asian-Pacific Americans: United States citizens whose origins are in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territory of the Pacific Islands, (Republic of Palau), the Northern Mariana Islands, Laos, Kampuchea (Cambodia), Taiwan, Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Republic of the Marshall Islands, the Federated States of Micronesia, Macao, Hong Kong, Fiji, Tonga, Kiribati, Tuvalu, or Nauru.

Associate Vice President and Chief Procurement Officer: Office of the President Representative with facilitative, consultative, and coordinative oversight and responsibility for the Procurement/Supply Chain Management, Procurement Services, and Strategic Sourcing functions of the University and administrative responsibility for the management of the Office of the President Procurement Services Unit.

Best Value: The most advantageous balance of price, quality, service, performance, and other elements as defined by the University, achieved through methods in accordance with Public Contract Code Section 10507.8 and determined by objective performance criteria that may include price, features, long-term functionality, life-cycle costs, overall sustainability, required services, and the reduction of overall operating costs included in the proposal.

Best Value Agreement: An agreement entered into pursuant to the Best Value bid evaluation methodology.

Best Value Awardee(s): The lowest responsible bidder or bidders that are awarded an agreement for goods, materials, and/or services through the use of Best Value bid evaluation methodology.

Best Value Criteria: Criteria set forth in subdivision (d) of Public Contract Code Section 10507.8.

Bid Authorization Threshold: Any single Purchase Agreement or Purchase Order involving an estimated expenditure of more than \$100,000 annually for goods and/or services to be sold to one or more Locations.

Bidder: An entity (individual or an organization) that participates in a University formal bid process.

Cardholder: An individual who has been delegated written authority to use a procurement card by the campus Procurement/Supply Chain Director.

Card Program Authorized Signer: Individual(s) designated by the Chancellor or the VP of ANR (or his/her designee) to authorize issuance of procurement cards and to implement card limits and controls.

Card Program Reviewer / Approver: An individual(s) at a supervisory level who is responsible for reviewing and/or approving purchases made by the Cardholder. Reviewers may not be in a subordinate relationship to the cardholder. A review shall not be assigned transaction verification for more than 10 procurement cardholders. (See exception procedures noted in Section IV/Compliance/Responsibilities, Part F/Responsibility and Authority for the Procurement Card Program, Sub-Section 4/Reviewer).

Commodity Agreements: Primary and/or secondary strategically sourced agreements designated for supply of goods and/or services to the University that were awarded as a result of competitive bid process or negotiation. These agreements are for indefinite quantities during a period of time at firm prices or with an established basis for negotiated price changes.

Commodity Manager: A manager or buyer assigned responsibility on a University-wide basis for coordinating standards and specification development covering specific commodities, or groups of commodities. A Commodity Manager develops a commodity strategy and leads a team with representation from Locations on the development of the initiative plan, the research for developing product specifications, creation of the Request for Proposal documents, and then leads the team through the bidding and award processes. The Commodity Manager at the Office of the President also manages the resulting Systemwide agreement(s) on an ongoing basis.

Common Goods and Services: Standard commercial equipment, materials, supplies, and services readily obtainable through conventional commercial marketing channels.

Conditional Sales Contract: A written contract, executed by the University and the seller, containing the essential terms and conditions under which the University gets possession and the right to use the personal property, though the seller retains title to the property as its security until total payment is made, at which time title passes to the University of California.

Construction: Construction includes moving, demolishing, installing, building, altering, repairing or improving a structure, facility, road, other improvement, or system according to a plan or by a definite process. Construction consists of the application of any of these techniques to any physical plant facilities such as structures, utilities, excavations, landscaping, site improvements, drainage systems, and roads. Exterior and interior painting of new structures is a form of construction. All contracting associated with construction is governed by the UC Facilities Manual and the associated policies and templates therein. **Note:** For prevailing wage requirements only, construction also includes the following Moving Services:

- (a) assembly or disassembly of freestanding or affixed modular furniture systems,
- (b) affixing any good to real property,
- (c) certain wall attachments (beyond a typical picture hanging).

Consultant: A consultant is a supplier that provides primarily professional or technical advice. Generally, the University does not control either the manner of performance or the result of the services. Consultants are subject to restrictions in the Public Contract Code regarding follow-on contracts.

Criteria: Element(s) included in the qualitative and price/cost factors for bid evaluation.

Department of Industrial Relations (DIR): State of California agency that has the responsibility for ensuring that employers are administering Labor Law and Health and Safety regulations and guidelines in a compliant manner. Parent agency of the Division of Labor Standards Enforcement (DLSE) that grants Sheltered Workshop Licenses for Disabled Workers.

Delegation of Authority: In accordance with Personnel Policies for Staff Members (General Provisions), the authorities and responsibilities delegated to the Chancellor in this policy may be delegated to the Procurement/Supply Chain Directors

Director, Strategic Sourcing: Office of the President Representative with facilitative, consultative, and coordinative responsibility for the Procurement and administrative responsibility for the Strategic Sourcing Initiative in selected commodity categories.

Disabled Veteran: A veteran of the U.S. military, naval, or air service with a service connected disability who is a resident of California. To qualify as a veteran with a service connected disability, the person must be currently declared by the U.S. Department of Veterans Affairs to be 10% or more disabled as a result of service in the armed forces. (California Military and Veterans Code, Article 6, §999 et seq.)

Disabled Veteran Business Enterprise (DVBE): Business certification offered by the State of California Office of Small Business and DVBE Services (OSDS). To be certified as a DVBE firms must meet the following requirements: the business must be at least 51% owned by one or more disabled veterans; if a limited liability company, the business must be wholly owned by one or more disabled veterans; daily business operations must be managed and controlled by one or more disabled veterans.

Disadvantaged Business Enterprise (DBE): A business concern which is at least 51% owned by one or more socially and economically disadvantaged individuals or, in the case of any publicly owned business, at least 51% of the stock of which is owned by

such individuals and whose management and daily business operations are controlled by one or more of such individuals (includes MBE (Minority Business Enterprises) as well as WBE (Women's Business Enterprises). Like the other groups, this group advocates for policies that support small businesses and provide opportunities for small businesses, it provides technical and financing training, and it produces data on the successes/challenges of Small Disadvantaged Business Enterprises throughout the country. It also works to connect people with other programs, like the EPA Fair Share Objectives Program.

Business owners who certify that they are members of named groups (Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent-Asian Americans) are to be considered socially and economically disadvantaged.

Economically Disadvantaged Individuals: Socially disadvantaged individuals whose ability to compete in the free private enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area that are not socially disadvantaged.

Employee: Any individual who is presently employed by the University.

Employee – Supplier Relationship: A relationship in which:

1. An employee, acting alone, proposes for a consideration to lease or sell goods or to provide services to University of California departments; or
2. An employee who owns or controls more than 10% interest in any business which proposes for a consideration to lease or sell goods or to provide services to University of California departments; or
3. A former employee acting alone, proposes for a consideration to lease or sell goods or to provide services to University departments; or
4. The near relative of an employee, acting alone, proposes for a consideration to lease or sell goods or to provide services to University departments, when the employee has, in any connections with his or her University employment, any responsibility for or will be involved in any manner, in the department's decision to accomplish or approve the transactions; or
5. The near relative of an employee owns or controls more than a 10% interest in a business, which proposes for a consideration to lease or sell goods or to provide services to University departments, when the employee has, in any connection with his or her University employment, any responsibility for or will be involved in any manner in the department's decision to accomplish or approve the transactions.

Employee with Teaching or Research Responsibilities: An academic appointee who is engaged in teaching and/or research activities, and certain staff employees (e.g., Staff Research Associates) who may participate in teaching or research activities.

Escalation Authority: The individual to whom the Policy Exception Authority reports, or such individual's designee.

Executing Official: An individual who has the authority to purchase Goods and/or Services on behalf of the University.

External Financial Loan: Funds borrowed from external sources, such as banks, for the purpose of financing the purchase of personal property.

Factors: Individual qualitative criteria that the University determines to be important elements for evaluation of bids and successful agreement award(s).

Fair Share Objectives: A program developed by the Environmental Protection Agency, Fair Share sets aside a percentage of their procurement opportunities that are funded by the EPA financial assistance agreements. All EPA groups are to ensure that they are promoting contracting with MBEs and WBEs.

Fair Wage/Fair Work Services: Fair Wage/Fair Work Services include all services to be performed for the University at one or more UC Locations. Fair Wage/Fair Work services requirements do not apply to: (i) contracts funded by extramural awards containing sponsor-mandated terms and conditions, or (ii) endowment or investment property where the purpose is to generate income from the general public, except to the extent such property is used by the University in furtherance of its mission.

Federal Contracts and Grants: Extramural agreements which fund selected campus activities, and prime contracts governing Laboratory operations.

Former Employee: An individual who was retired or separated from the University, was dismissed, or was otherwise formerly employed by the University.

Formal Competitive Bidding: A set of documents issued publicly by Campus Procurement or qualified entity (e.g. GPO), inviting offers (bids, proposals or quotations) for the selection of suppliers, contractors or service providers to fulfill specific requirements.

Good Faith Efforts: Good Faith Efforts are required methods that all EPA financial assistance agreement recipients have the ability to compete for these EPA-funded assistance dollars. The six tenets that the program is built upon are called “The Six Good Faith Efforts.”

Historically Black College or University and Minority Institution (HBCU/MI): Colleges and universities that meet the requirements of 34 CFR-Section 608.2, as determined by the Secretary of Education. These Minority Institutions also meet the requirements of Section 1046(3) of the Higher Education Act of 1965 (20 U.S.C.- 1135d.5 (3)). The terms can also include Hispanic-Serving Institutions as defined in Section 316(b)(1) of such previously mentioned Act (20 U.S.C. 1059c(b)(1)).

HUBZONE (HUBZone) Business: Businesses with their primary location in historically underutilized business zones. These businesses, like many other Socially Disadvantaged Businesses are often able to participate in special programs related to business and marketing. Preferences in contracting sometimes go to these businesses since their owners are attempting to promote their businesses in areas with high-unemployment and low income, often located in economically distressed communities.

Incentive: Payment offered to the University by a supplier to provide additional consideration or compensation to encourage the purchase of goods and/or services from that supplier. Incentives include, but are not limited to: Gifts, whether monetary or free goods or services; cash or credits based on total purchases; and any other value-

added goods or services offered at no charge or at a substantially reduced cost to the University including provisions for research grants or fellows.

Indian Tribal Governments (Tribes) and Alaska Native Corporation (ANC): Indian tribal governments and Alaska Native Corporations (the Alaska equivalent of tribes) have the primary responsibility for promoting economic development. On the premise that it is both appropriate and necessary to use the federal government's massive procurement activity to help jump-start reservation economies, Congress has given Tribes and Alaska Native Corporations unique rights in the federal procurement process. These rights provide the federal agencies and federal contractors with strong incentives to contract with tribal and ANC firms.

Informal Competitive Quotation: Responsive price quotations from a minimum of three qualified suppliers.

Inventorial Equipment: Non-expendable, tangible personal property which has an acquisition cost of \$5,000* or more, is free-standing, is complete in itself, does not lose its identity when affixed or installed in other property, and has a normal life expectancy of one year or more. These property items are tagged and are controlled by Equipment Management at each location.

* See [Business and Finance Bulletin BUS-29/Management and Control of University Equipment](#) for full definition of *Governmental Inventorial Equipment*.

Laboratory: Lawrence Berkeley National Laboratory.

Location: A location is the Office of the President, or a University campus, medical center, Agriculture and Natural Resources site, or Laboratory.

Low-Value Purchase Authorization (LVPA): The authorization that may be granted by the Procurement/Supply Chain Directors to individuals in departments outside the purchasing department. Each such delegation of authority shall be in writing and shall contain written guidance adequate to ensure observance of good business practices and compliance with University purchasing policy. (See Section III Policy Text, Part 1/Purchase Transactions, Sub-Section I. Low-Value Purchases for the guidelines to be observed in administering Low-Value Purchase Authorizations.)

Maintenance: Maintenance is the upkeep of property, machinery, and facilities, including buildings, building and utility systems, roads, and grounds. Maintenance usually is characterized by its routine or recurring nature, the purpose of which is to keep facilities and systems in good working order. It consists of the preservation of buildings and grounds, other real property improvements and their components such as elevators, boilers, refrigerators, air conditioners, and other equipment which is a fixed part of a structure or a grounds installation (including coverings of floors, walls, and windows). It may include replacement of components and equipment if replacement is required on a routine or recurring basis, and if the work is not an upgrade or does not constitute replacement of greater than 50% of the replacement value of that system. Maintenance does not include the erection, construction, alteration, repair, or improvement of any University structure, building, road, or other improvement. Refer to Volume 6 of the UC Facilities Manual for applicable policies and definitions.

Native Americans: American Indians, Eskimos, Aleuts, and native Hawaiians.

Near Relative: The spouse, child, parent, brother, sister, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of a University employee, and step-relatives in the same relationship. *Near relative* also includes the domestic partner of a University employee and a relative of the domestic partner in one of the foregoing relationships.

Office of Small Business and DVBE Services (OSDS): The Office of Small Business and DVBE Services (OSDS) is the State of California's certifying agency that administers the small business, small business for the purpose of public works, and DVBE certification programs.

Personal Property: Any movable item subject to ownership; material, but not real property.

Personal Services: Technical or unique functions performed by a supplier that is distinctly qualified to render the services. Personal services are of a nature that the University would consider the supplier's experience, qualifications and skills to be more important than comparative cost when selecting a supplier. Examples of personal services include translation services, technical editing, technical appraisals, transaction valuation, coaching, interior decorating, and contracts with musicians, artists and others in the performing arts.

Policy Exception Authority: The Chief Procurement Officer for a non-UC Health Systemwide or Office of the President contract; the AVP, UC Health Procurement for a UC Health Systemwide contract; and otherwise by the Procurement/Supply Chain Director of the campus, medical center, or Laboratory.

Pool Purchase: A purchase transaction involving two or more Locations which provides that definite or guaranteed minimum quantities of specified items be purchased at fixed prices during a stated period. Pool purchases normally are made on a regularly scheduled basis one or more times a year.

Prevailing Wage: The Prevailing Wage is the specific wage rate set by the State of California Department of Industrial Relations for all workers on a Public Work according to the type of work and location. The Department also sets specific audit and reporting requirements encompassing production and retention of certified payroll. UC typically complies with these state requirements by policy. The federal government also establishes prevailing wage rates and reporting requirements applicable in certain instances utilizing federal funding. For federally funded services, UC will apply the more stringent prevailing wage requirements between federal and state law.

Price Schedules: Agreements designated as an optional vehicle for supply of goods or services to the University. Such agreements have not been competitively bid, and therefore are not to be used in lieu of securing competition for all purchases over the bid threshold of \$100,000 annually.

Procurement Card Program Administrator: An individual who is responsible for the day-to-day management and operation of the procurement card program at each Location.

Procurement Contract: A fully executed (signed by both parties) legally binding agreement for the procurement of goods and/or services by the University that defines performance standards, scope of work, and complex terms associated with the purchase of a good or service.

Procurement/Supply Chain Director: Location official responsible for Procurement or Supply Chain Management functions, which generally include purchasing, receiving, storehouse operations, and equipment management. This definition also includes designees of a Procurement/Supply Chain Director.

Procurement Leadership Council (PLC): The Procurement Leadership Council is a shared governance body composed of 11 voting members (the Systemwide CPO and the 10 Campus CPO/Procurement Directors) and 3 non-voting members from the Systemwide procurement function (Strategic Sourcing, Analytics & Systems, and the Program Management Office/Chief of Staff). The PLC exists to continuously improve UC supply chains through innovation and collaboration.

Professional Services: Highly specialized functions, typically of a technical nature, performed by a supplier that, with respect to the services to be rendered, most commonly a) has a professional license; b) is licensed by a regulatory body; and/or c) is able to obtain professional errors and omissions insurance. Professional services are of a nature that the University would consider the supplier's experience, qualifications and skills to be more important than comparative cost when selecting a supplier. Examples of professional services include medicine and related medical services, and legal, accounting, architectural, and engineering services.

Project: The erection, construction, alteration, repair, or improvement of any University structure, building, road, or other improvement that will exceed in cost, including labor and materials, a total of \$100,000.

Proprietary Products and Services: A product or service made and marketed by a supplier having the exclusive right to manufacture and sell.

Public Works Project: California law provides that a Public Work includes maintenance, construction, alteration, demolition, installation or repair work in excess of \$1,000, done under contract with a public agency and paid for in whole or part with public funds. UC typically complies with state prevailing wage requirements by policy.

Note: The following work is also typically considered a Public Work:

- (a) laying of carpet done under contract or under a building lease-maintenance contract.
- (b) renewable energy work performed on UC property in California is considered a Public Work if done under contract and more than 50% of the energy generated will be purchased by UC or the work is primarily intended to reduce UC's energy costs.
- (c) hauling of refuse from a Public Work site to an outside disposal location is considered a Public Work.

Purchase Agreement: See Procurement Contract.

Purchase Order: A commercial document issued on a University Purchase Order form (print or electronic) authorizing a supplier to furnish goods and/or services to the University according to the stated terms (descriptions, quantities, prices, payment

terms, and shipment/delivery dates). A Purchase Order forms a one-time contract when issued by the University and performed by the supplier; it is only valid for the purchases referenced on the Purchase Order.

Real Property: Land and/or improvements including affixed structures and any other building space or variant of these such as prefabricated structures, mobile or portable, or light tension structures. This definition includes temporary or permanent structures and improvements.

Reasonable Price: A price that does not exceed that which would be incurred by a prudent person in the conduct of a competitive business. Reasonable price can be established by market test, price or cost analysis, or the experience and judgment of the Procurement/Supply Chain Director. Such judgment considers total value to the University. There is value to the University in purchases which meet the University's needs, such as those involving quality, quantity, delivery and service. A reasonable price need not be the lowest price available, but is one which offers the highest total value to the University. For transactions above \$100,000, reasonable price is established through competition sufficient to ensure an adequate market test, or set by applicable law or regulation, or supported by an appropriate price or cost analysis.

Responsive Bidder Quotation: A quotation determined by the Procurement/Supply Chain Director to be in substantial conformance with the specifications, delivery requirements, and conditions prescribed in the request for quotation, free of material mistakes or errors.

Responsible Bidder: A bidder who has the capability in all respects to fully perform the contract requirements and whose integrity and reliability will assure good faith performance. Factors considered in evaluating responsibility may include: financial resources, past performance, delivery capability, experience, organization, personnel, technical skills, operations controls, equipment, and facilities.

Service: Labor performed for another; useful labor that may or may not produce a tangible commodity. Service includes, but is not limited to: bookstore operation; use of security guards; transportation; computer programming; clothing rental and cleaning; laundry; tests and analysis; film processing; janitorial work; window washing; rubbish and waste removal; and service and repairs to office equipment, transportation equipment, laboratory and medical equipment, and musical instruments. (See also Personal and Professional Services.)

Service-Disabled Veteran-Owned Small Business (SDVOSB): This program provides small business support to Service-Disabled Veterans. The program provides training, business resources for people with disabilities, counseling, assistance, networking opportunities, and financial assistance for those who qualify for a variety of loan and grant programs. Additionally, this program also connects Service-Disabled Veteran Small Business Owners to government contracting opportunities.

Small Business (SB): A Small Business is an independently owned and operated concern certified, certifiable, or self-certified as a small business by the Federal Small Business Administration (SBA), by applicable state or local government agencies (such

as the California Department of General Services Office of Small Business and DVBE Services) and other recognized certifying agencies or 'councils.

Small businesses are generally considered business organizations that are independently owned and operated, not dominant in their field of operation nationally, with principal offices located in the U.S. or its territories, depending on certifying agency and meet specified size standards to be considered small (these are variable spending on the council or agency offering certification). See Diverse Business Classifications by Government Source in Section VI. Related Information for additional definitions and resources related to Small Business and Supplier Diversity.

Small Business Administration (SBA): The United States Small Business Administration.

Small Business Officer: A University employee who is responsible for implementing the Small Business and/or Supplier Diversity Program at their Location. This employee may have another title and only do work on Small Business/Supplier Diversity as a portion of their responsibilities. This employee generally assists departments in preparing Small Business Subcontracting Plans, biannual federal e-SRS reporting on Subcontract Plans and in completing the final paperwork related to small business/diverse expenditures when the project is done. This employee also assists the Location in identifying small, local, diverse, disadvantaged, and disabled veteran-owned business entities for the purchase of goods and services. This employee may also have responsibility for filing annual Small Business Reports with Office of the President that are ultimately delivered to the California State Joint Legislative Budget Committee. A Small Business Officer may also go by the term, "Supplier Diversity Coordinator," or if they have other duties and their responsibilities related to small business only comprise half of their time, they may have another procurement-related title.

Small Business Enterprise (SBE): An independently owned and operated concern certified, or certifiable, as a small business by the Federal Small Business Administration (SBA). (A general rule of thumb is that a concern with not more than 500 employees may be considered a small business. Size standards by North American Industry Classification System (NAICS) may be found in FAR Section 19.102. The University may rely on written representation by the Supplier regarding its status).

Small Business Disadvantaged Business Concerns (SDB) 8(a): A small business development program that assists small and disadvantaged businesses in learning how to compete in the marketplace. This is a business assistance program. The firms must have at least 51% ownership by socially and economically disadvantaged individuals. The 8(a) program helps their businesses connect with business opportunities and government contracting.

Socially-Disadvantaged Individuals: Those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as members of a group without regard to their individual qualities.

Sole Source Goods and/or Services: Sole source goods and/or services are the only ones that will meet the University's needs because they are: a) unique; b) available from

only one source; or c) are designed to match others used in or furnished to a particular installation, facility or location. See [SSPR Form for detailed definitions](#).

Student Employee: An individual who is concurrently a student and a University employee. Student Employees are allowed to contract separately with the University to perform additional campus activities or engagements outside of the scope of their primary University employment per California Public Contract Code Section 10516.

Sub-Award: A collaborative research agreement issued by the University under a prime extramural contract/grant which contains special flow-down provisions for the subrecipient.

Subcontinent Asian Americans: United States citizens whose origins are in India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands, or Nepal.

Supplier: A Supplier is a service provider, contractor, vendor or other entity entering into a Contract or Subcontract directly or indirectly with UC.

Supplier Diversity Coordinator: See Small Business Officer.

Temporary/Supplementary Staffing Agency: An agency that provides temporary or supplementary staffing is defined as a firm that hires its own employees and assigns them to support or supplement a client's workforce in situations involving employee absences, temporary skill shortages, seasonal workloads, and special projects. In some instances, temporary jobs can also lead to permanent placements. A temporary or supplementary staffing firm may also supply employees to work on long-term assignments. Employees are recruited, screened, and assigned by the staffing firm.

UC Fair Wage: The UC Fair Wage shall equal \$13 per hour as of 10/1/15, \$14 per hour as of 10/1/16, and \$15 per hour as of 10/1/17.

UC Location: A UC Location is any location owned or leased by UC.

UC Template Documents: The University's template documents include terms, conditions and standard forms that may be used in agreements negotiated with UC, and may be found at the UCOP website for Procurement Services.

Unusual and Compelling Urgency: The only Supplier capable of meeting the University's needs due to an emergency that precludes conventional planning and processing.

Veteran-Owned Small Businesses (VOSB): Veteran-Owned Small Businesses are Vets who have returned home with the goal of starting their own small business. This office provides them assistance with getting started on their new business, training, networking opportunities, resources, and often financial assistance with getting started.

Women-Owned Business Enterprise (WBE): A business that is at least 51% owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

See ***Diverse Business Classifications by Government Source*** in Section VI. Related Information for additional definitions and resources related to Small Business and Supplier Diversity.

III. POLICY TEXT

Part 1: Purchase Transactions

Part 2: Strategic Sourcing Initiative

Part 3: Supplier Diversity and Federal Planning and Reporting

Part 4: Personal Property/Special Acquisition

Part 5: Employee-Supplier Relationships

Part 6: Procurement Card Program

Part 1: Purchase Transactions:

A. General Policy and Applicability

1. **Policy:** It is the practice of the University of California to meet its need for common goods, materials, and services at the lowest overall total cost or best value, as applicable, while affording the maximum opportunity practicable to those who wish to become suppliers to the University.
2. **General Applicability:** The policies and requirements set forth herein, and in other Procurement/Supply Chain Management issuances, shall apply to all Location purchasing activities, unless otherwise indicated or if the Laboratory is following federal policies and procedures.
3. **Applicability under Federal Contracts and Grants:** The policies and requirements in this Bulletin apply to purchases funded by federal agencies to the extent they are in conformance with applicable federal law, the standards identified in the Federal Acquisition Regulations (FAR) and Office of Management and Budget (OMB), and any applicable mandatory requirements or provisions imposed by federal awarding agencies. This policy applies to federal contract and grant funds for the acquisition of supplies, goods or services that support research.
4. **Classification for Federal Tax Purposes:** The University is committed to following applicable law regarding the classification of persons or entities providing services to the University, and specifically whether service providers should be employees rather than Suppliers. Before engaging Suppliers for services, Procurement/Supply Chain Directors will inquire whether the University user requesting the services has undertaken the necessary analysis in this regard and completed the required form. Such analysis shall be the responsibility of the requesting department following the guidelines and templates provided by Finance/HR. Completion of the required form must accompany the request for procurement action. See [UC Independent Contractor Guidelines for Federal Tax Purposes](#).
5. **Contracting Out for Services:** In any consideration to contract for services where University staff would be displaced, the University will support and approve contracting University work to non-University staff only when the decision is consistent with protecting the core teaching, research, service, and patient care functions of the individual campus or medical center; is in response to a demonstrated, sound business need; and minimizes to the extent possible

the impact on University staff. Such decisions are intended to be consistent Guidelines on Contracting for Services with the objectives of maintaining the University's relationships with the local business community and the quality of the work environment. Because consideration must be given to both the requirements and circumstances of the services involved and the overall benefit to the campus, these decisions will be made by the Chancellor or designated Vice Chancellor, with review by the Office of the President as appropriate and as described in these guidelines. Campuses and Medical Centers considering contracting for services by non-University staff must submit a completed "Formal Notice Pursuant to University Guidelines on Contracting for Services" for review and certification by the Office of Systemwide Human Resources and the Office of the Chief Financial Officer.

The Guidelines for Contracting Out for Services can be found at <https://policy.ucop.edu/doc/4000590/ContrServ>

6. **Procurement Contract vs. Purchase Order:** Procurement contracts and purchase orders look similar at first glance, but they have different purposes. Procurement contracts become legally binding documents when both parties sign, and they should be used for long term arrangements with suppliers. Procurement contracts may also be used for complex, highly sensitive procurements where risk must be minimized. Purchase orders are commercial documents used for individual, one time transactions and become legally binding only upon the acceptance or performance of the supplier. Purchase orders also are used to effect releases against an existing contract.
7. **Contract Duration:** The maximum duration of any UC contract to purchase goods and/or services, including the initial term and all amendments or extensions, shall not exceed ten years.
8. **Exceptions to Policy:** Exceptions to this policy must be approved by the appropriate Policy Exception Authority.

B. Common Goods, Materials, and Services \$100,000 or less Annually in Value:

1. **Governing Requirements:** Negotiation is allowed for agreements or transactions where the expenditures with the specific supplier do not exceed \$100,000 annually. Competition is sought if the Procurement/Supply Chain Director determines that the competition is necessary to develop a source, validate prices, or for other compelling business reasons. Negotiation may be used in conjunction with competitive quotations as well as in situations when competition is not obtainable or required. The University supports small businesses by leveraging a set-aside program that requires all procurements valued between \$10,000 - \$250,000 annually be awarded to Small Businesses or Disabled Veteran Business Enterprises wherever practicable. See Section III, Part 3, Subsection C. Small Business First below for more details.
2. **Conduct of Negotiations:** For a purchase not exceeding \$100,000, when it is advantageous to the University, all the necessary components of the order may be negotiated orally or in writing with one or more Suppliers. The number of

Suppliers with whom negotiations are carried on is the responsibility of the Procurement/Supply Chain Director and will generally depend upon the size and complexity of the purchase and market conditions.

3. **Purchase Agreements:** Purchase Agreements shall be in writing at a level determined appropriate by the Procurement/Supply Chain Director to protect the interests of the University. Generally, Procurement/Supply Chain Directors should use the most current version of the [UC Template Documents](https://www.ucop.edu/procurement-services/policies-forms/index.html), which may be found at <https://www.ucop.edu/procurement-services/policies-forms/index.html> to document these contracts for goods and/or services, and when they cannot, they must document the purchase file to reflect the reason for the exception.

C. Goods and Services over \$100,000 Annually in Value:

1. **General Requirements:** California Public Contract Code Section 10507 et seq. requires that all Purchase Agreements involving an expenditure of more than \$100,000 annually be competitively bid, unless an exception applies.
 - a. Notwithstanding the above, California Public Contract Code Section 10508.5 allows the UC to award a Purchase Agreement to a certified small business up to \$250,000 without being competitively bid, so long as the UC obtains price quotations from two or more certified small businesses. The University supports small businesses by leveraging a set-aside program that requires all procurements valued between \$10,000 - \$250,000 annually be awarded to Small Businesses or Disabled Veteran Business Enterprises wherever practicable. See Section III, Part 3, Subsection C. Small Business First below for more details.
2. **RFX Requirements:**
 - a. **Specifications:** These should contain descriptions which are adequate to obtain competition, will insure responsive quotations, will provide the same information to all competing suppliers and, to the fullest extent practicable, do not favor one brand, trade name, article, manufacturer, or supplier over others.
 - b. **Brand or Trade Names:** These should be used in specifications for descriptive purposes only. When it is believed that no other brand, trade name, item, or proprietary service will properly satisfy the needs of the University, specifications should include a description of the technical features necessary to determine if other available goods or services are equivalent to those specified.
 - c. **Date Needed:** This should provide a reasonable time to obtain competition, secure timely delivery, or obtain contract performance based on realistic schedules, thus avoiding payment of premium costs which may be required to meet abnormally short delivery or performance times.
 - d. **Verification of Needs:** Prior to the solicitation of a quotation, the Procurement/Supply Chain Director will determine that specification

requirements such as abnormally short delivery or performance times are reasonable and necessary.

3. Supplier Prequalification:

- a. Procurement/Supply Chain Directors must determine whether a bidder is a Responsible Bidder.
- b. Prospective bidders shall be required to provide relevant information as required to determine responsibility. Prequalification requirements shall be based upon factors relevant to determining responsibility and shall be commensurate with complexity, cost, risk, and time available. All potential bidders shall be given equal consideration in evaluating qualifications.
- c. The request for quotation or proposal (typically referred to as RFQ or RFP, or collectively, RFx) should specify whether information regarding qualifications should be submitted before or at the time of submission of the quote. Only quotations from bidders determined to be qualified will be evaluated.
- d. Prequalification may not be a conclusive determination of responsibility in a given transaction. On the basis of subsequent information, the Procurement/Supply Chain Director may determine that a prequalified bidder should be rejected or that a rejected bidder should be prequalified.
- e. Known suppliers with a current record of satisfactory performance and reliability may be considered prequalified for goods and services they have previously supplied.

4. Quotation Solicitation:

- a. **Competition:** Competition must be sought, as herein prescribed, for any transaction expected to involve an expenditure of more than \$100,000 annually for goods and/or services. Requirements shall not be artificially divided into separate transactions to avoid competition.

Subject to the requirements set forth in Article III, Part 1, Section A.3. herein, competition involving an expenditure of more than \$100,000 is not required for purchases of:

1. Personal Services
2. Professional Services
3. Goods or Services that constitute a Sole Source
4. Goods or Services procured through the Small Business First Program (See Section III, Part 3, Subsection C. Small Business First below for more details)

For federally funded transactions, check the applicable governing body (FAR Subpart 6.302 for Contracts, or OMB §200.320(f) for Grants and Cooperative Agreements) when documenting noncompetitive or sole sourced transactions. Each governing body has their own circumstances

under which the University may contract without providing for full and open competition.

- b. Public Access to RFx Information:** Formal RFx' s shall be sought by posting all RFx documents to the public where feasible and practicable. Such public availability includes but is not limited to:
- i. Utilizing University systems to push notices out to appropriate suppliers via e-mail and other types of system notifications;
 - ii. Posting an appropriate notice in a place readily accessible to suppliers (e.g. Systemwide and Location websites) who may be interested in submitting a quotation or bid;
 - iii. Periodically utilizing third-party organizations where applicable, to inform potential suppliers of the University's practices, and,
 - iv. Making an appropriate newspaper or trade journal announcement, when determined by the Procurement/Supply Chain Director to be in the University's best interests.

Procurement/Supply Chain Directors shall request RFx from potential bidders after public notification and from other prequalified bidders as determined by the Procurement/Supply Chain Director. If in the judgment of the Procurement/Supply Chain Director the RFx should be extended, all bidders shall be concurrently notified.

- c. Solicitation:** If public notification is not utilized, formal competition should be sought by as broad a solicitation of qualified potential bidders as the situation indicates. Such solicitation should be from at least three sources and may, in a limited market, include written inquiries to determine supplier interest and capability.
- d. Form and Content:** RFx responses should be obtained electronically or in writing by the Procurement/Supply Chain Director. All information necessary to prepare and submit RFx responses should be given equally to all suppliers solicited. The solicitation shall specify which evaluation method the University will use. If the award will be based on the Best Value method, the RFx should list the different factors or criteria to be considered in the evaluation. Although it is not mandatory to indicate how many points are possible per factor/criteria, the number of points as well as the standards for determining the range of points that may be awarded per factor/criteria should be established prior to quotation opening. The University should reserve the right to accept or reject quotations on each item separately, or the quotation as a whole, without further discussion.

5. Processing RFx Responses:

- a. Acceptance:** RFx responses shall be accepted if received no later than specified in the request. Late responses may be rejected and returned unless the delay is attributable to the University.

- b. Rejection:** The University is not required to accept any responses, and may reject all responses without providing an explanation, provided it has not already awarded a contract to one of the bidders or issued a notification to a bidder giving the bidder the opportunity to negotiate a contract (see Section III, D. 5.). All responses may be rejected when an award would not result in a reasonable price. Any quotation determined to be non-responsive, or which is from a bidder that is not Responsible, shall be rejected.
- c. Exceptions:** For goods or services required to be competitively bid, the University may not allow a bidder to correct an error, take an exception to a specification, or waive an irregularity if it gives that bidder a material advantage over other bidders.
- d. Quotations:** Bid documents are not opened publicly unless, in the judgment of the Procurement/Supply Chain Director, a public opening will be advantageous to the University.

6. Award of RFx:

- a. General Basis:** RFx shall be awarded according to one of the evaluation methods set forth herein. Should the apparent awardee refuse or fail to execute the tendered Purchase Agreement, it may be awarded successively to the next Responsible Bidder, and then to the third in the event of further refusal or failure.
- b. Lowest Responsible Bidder:** There are two approved methods of evaluating bids:
 - i. Cost alone
 - ii. Best Value

When using Best Value methods, quotations will typically be scored by an evaluation team and by the method defined in the bid/quotation documents. Points are assigned using a weighted formula consisting of two components: qualitative criteria, and financial criteria. The minimum weight for the financial component is 25%.

- c. Responsive Quotation:** In all bid evaluation methodologies, only those quotations which are Responsive may be considered for award. If any item in the quotation is deemed "mandatory" and the bidder does not provide information on the mandatory item or indicates it would not be able to comply with the mandatory item, that quotation is not Responsive.
- d. Reasonable Price:** Purchase Agreements for awarded RFx shall be entered into only after it has been determined by the Procurement/Supply Chain Director that prices to be paid are reasonable. Prices shall be considered reasonable when it has been determined by the Procurement/Supply Chain Director that competition secured has resulted in a reasonable market test, or when prices are set by applicable law or regulation. Lacking these assurances, reasonableness shall be

determined by appropriate price analysis.

Pricing techniques prescribed in federal regulations shall be utilized selectively in documenting price reasonableness, recognizing their fundamental soundness but taking into account the different character and scale of purchases for which such regulations have been developed. Per the requirements in FAR Subpart 15.4, Literal compliance with this article shall be required when contracting with federal contracts and grants funds. Documentation for price reasonableness justifications must be auditable and traceable; backup to the statement(s) are necessary.

- e. **Negotiation:** In some circumstances, it is not possible to specify all of the University's requirements, and some negotiation is allowed. The RFX should state that the lowest Responsible Bidder will be awarded the right to negotiate those requirements with the University. If the parties are unable to reach agreement, the University may go to the next lowest bidder if it wishes but it is not required to do so. The University holds the rights to negotiate with one or all bidders at its discretion or if it is in the best interest of the university.
- f. **Multiple Awards:** RFX may be awarded to multiple suppliers when the Procurement/Supply Chain Director determines that a single supplier may not be capable of fulfilling the University's needs. The University should expressly reserve the right to make multiple awards.
- g. **Notification:** At the end of the award process, the University should notify non-awarded bidders in writing that they were not selected.

7. Purchase Agreements:

- a. **Written Purchase Agreements:** Purchase Agreements should be in writing.
- b. **Inapplicability to Construction and Research Collaboration:** Authority may not be delegated to SCM/Procurement Officials to execute construction and research collaboration agreements, unless limited exception is granted.
- c. **Standard Documents:** Purchase Agreements should use the most current version of the [UC Template Documents](http://www.ucop.edu/procurement-services/policies-forms/index.html), which may be found at <http://www.ucop.edu/procurement-services/policies-forms/index.html>. No changes, deletions, exceptions, or additions may be made to the UC Template Documents, except those contemplated in the annotated version of the appropriate Template Document, without the approval of the Policy Exception Authority, or the Policy Exception Authority's delegate(s)), and, as the Policy Exception Authority deems appropriate, the input of the Office of General Counsel.
- d. **Special Documents:** Purchase Agreements for goods and services that support research and development work, sub-agreements for research, unusually complex or high-value items or services, or other unusual

requirements, may require the use of documents specially created for the purpose. Such Purchase Agreements should be entered into only in consultation with the Procurement/Supply Chain Director and if necessary approval as to form by the Office of General Counsel.

- e. **Extramural Agreement Provisions:** Use of the standard University Purchase Order and Terms and Conditions of Purchase is required for standard purchase orders and sub-contracts using federal contract and grant funds, but is inappropriate for issuing sub-awards for research.
- f. **Compliance:** Full compliance with all terms, conditions, and provisions of Purchase Agreements should be secured to the maximum extent practicable. Locations should institute appropriate controls to ensure University rights are not waived, or a Purchase Agreement breached, through inaction or faulty action.

8. Performance and Acceptance:

- a. **Changes:** After the execution of Purchase Agreements, required changes in quantities, specifications, or other terms should be negotiated in such manner as to ensure that the principle of competition is not violated and that any adjustments are equitable.
- b. **Receiving and Acceptance:** End user department is responsible for inspection of goods and services that should be conducted immediately upon receipt or performance (when practical) and reconciling discrepancies promptly.

Particular care should be taken in accepting complex products, such as high-technology equipment, and unusual services. Acceptance tests or other acceptance criteria should be agreed upon and fully set forth in Purchase Agreement documents. Unless otherwise provided, payment other than agreed progress payments should be withheld until final acceptance. In addition, to avoid unauthorized commitments, care should be taken to properly identify those persons authorized to represent the University and the supplier during performance and acceptance.

D. Exemptions from the Requirement to Competitively Bid Goods and Services:

- 1. **General Requirements:** The requirement for competitive bidding of goods and services with expenditures in excess of \$100,000 annually may not apply in the following circumstances:

- When the Procurement/Supply Chain Director determines that the goods and/or services are Sole Source Goods and/or Services,
- The Services are Professional Services or Personal Services,
- There is an Unusual or Compelling Urgency to obtain the goods or services,
- The procurement takes place through the Small Business First Program (see Section III, Part 3, Subsection C. below for more details)
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-federal entity (in the case of federally funded purchases only), or
- After solicitation of a number of sources, competition is determined inadequate.

However, Locations are strongly encouraged to seek competition even in cases where the goods and/or services are exempt from the requirement to competitively bid.

2. Governing Requirements: In addition to the requirements set forth in this Section, the requirements governing purchases of goods and services shall apply fully to purchases of goods and/or services that are exempt from the requirement to competitively bid.

3. Solicitation of Quotations (or Proposals):

- a. Pre-Solicitation Investigations:** Prior to soliciting quotations for goods and/or services that are exempt from the requirement to competitively bid, the Procurement/Supply Chain Director should develop sufficient information on available goods and services to:
- i. Permit reasonable consideration of alternatives and evaluation of any technical information required to determine that the product or service is exempt from competitive bidding;
 - ii. Assess the capabilities of potential suppliers;
 - iii. Aid in design work;
 - iv. Develop complex specifications;
 - v. Estimate prices/costs, and/or;
 - vi. Establish time for delivery or performance.

Care shall be taken to ensure that supplier effort is reasonable and that no commitments actual or implied are made.

- b. Specification Development:** Requirements should be adequately specified in accepted industry design, performance, or other definitive terms, to ensure there is a reasonable basis for securing quotations, forming a sound Purchase Agreement, and determining acceptability of goods or services furnished.

- c. **Form and Content:** Quotations should be secured or confirmed in writing. The basis upon which the quotation is to be made should be clearly established. All information necessary to prepare and submit quotations should be given to potential suppliers including appropriate provision for negotiation, and any instructions pertaining to confidentiality.
- d. **Documentation:** The Procurement/Supply Chain Directors must use the Source Selection & Price Reasonableness Form for documenting exceptions to competitively bidding goods and services. This document sets forth the facts and rationale justifying the use of other than full and open competition, in accordance with BUS-43 and state laws. The SSPR form can be found on the Procurement Services' website: [Procurement Forms](#)

4. Processing Quotations Received:

- a. **Rejection:** All quotations may be rejected when an award will not result in a reasonable price and/or terms. Quotations which the Procurement/Supply Chain Director determines lack technical merit, or will not otherwise reasonably satisfy the University's requirements may be rejected.
- b. **Exceptions, Irregularities, and Errors:** Exceptions taken in quotations, or irregularities or errors therein may be negotiated with or corrected by the bidder involved.

5. Awards of Purchase Contracts:

- a. **General Basis:** Purchase Agreements may be awarded after determination by the Procurement/Supply Chain Director that the bidder is Responsible and the quotation results in a reasonable price giving due consideration to overall price, delivery, technical merit, contract terms, and other relevant factors.
- b. **Negotiation of Reasonable Prices and Other Terms:** Reasonable prices and terms may be negotiated when determined appropriate by the Procurement/Supply Chain Director.

E. Purchase Limitations and Special Requirements:

1. Campus and Laboratory:

- a. **Office of the President Coordination:** Certain matters require coordination with the Office of the President consistent with its designated role in Procurement/Supply Chain Management and with Delegations of Authority to the EVP – Chief Financial Officer, the Chancellors, the Vice President of Agriculture and Natural Resources, and the Laboratory Director. These matters are:
 - i. Transactions subject to approval as exceeding delegated authority, exceptions to policy, or involving special commodities which require review prior to purchase.

- ii. Matters which should be reported to the President, such as sensitive policy issues, or potential or actual claims or disputes involving significantly large amounts.

Such coordination normally should occur through the Systemwide Office of Procurement Services. Information furnished for this purpose should be in such form and content as the Chancellor, the Vice President of Agriculture and Natural Resources, or Laboratory Director involved and the Executive Vice President - Chief Financial Officer (or designee) determine on a case-by- case basis.

b. Prevailing Wages on Public Works in Excess of \$1,000:

- i. *General Requirements:* University of California typically requires that prevailing wages be paid on all Public Works Maintenance projects in excess of \$1,000. Please see the UC Facilities Manual for requirements related to Public Works Construction projects. The California Labor Code provides that contractors may not bid on, or be awarded, a Public Work, or any portion thereof, unless registered with the California Department of Industrial Relations (“DIR”), though an exception exists regarding registration and filing of PWC-100s for maintenance contracts of \$15,000 or less. (NOTE: this is an exception for registration and University filings; it is NOT an exception for the payment of prevailing wage which is required on all contracts in excess of \$1,000.) This Policy applies to Public Works administered by Procurement Services. The UC Facilities Manual governs Public Works administered by Facilities Management.
- ii. *Exceptions to the Payment of Prevailing Wage:* Only the following types of maintenance are exempted from the payment of prevailing wage:
 - A. Exception 1: Janitorial or custodial services as routine, recurring, or usual in nature,
 - B. Exception 2: Protection of the sort provided by guards, watchmen, or other security forces, or
 - C. Exception 3: Landscape maintenance work by “sheltered workshops” where “sheltered workshops” are non-profit organizations licensed by the Chief of the California Department of Labor Standards Enforcement employing mentally and/or physically disabled workers.
- iii. *Award Procedures:* UC must: (1) include certain mandated language in UC’s solicitation and contracting documents; (2) verify that supplier is registered with the DIR;(3) determine the date of the prevailing wage determination applicable to the Public Work (i.e., date of award); (4) inform DIR of award by filing a PWC 100 form which can be located on the DIR website; (5) make available the prevailing wage schedule upon

request; and (6) take action upon receiving a report of a suspected prevailing wage violation.

- c. Temporary or Supplementary Staffing Agencies:** To ensure compliance with the Federal Patient Protection and Affordable Care Act, UC requires that all contracts with temporary or supplementary staffing agencies contain a provision substantially in the form of the Patient Protection and Affordable Care Act Employer Shared Responsibility article in the UC Terms and Conditions of Purchase.

d. Fair Wage/Fair Work:

- i. General Requirements: University of California requires that Suppliers of Fair Wage/Fair Work Services, including Suppliers of Public Works, pay their employees performing the Services no less than the UC Fair Wage.
- ii. Contracting Procedures: All contracts for UC Fair Wage/Fair Work Services must contain a provision substantially in the form of the UC Fair Wage/Fair Work Article in the UC Terms and Conditions of Purchase.
- iii. Exceptions: Any exceptions to this Policy must be approved by the Policy Exception Authority. The Fair Wage/Fair Work provision does not allow any exceptions after a contract has been signed with the sole case of when UC determines there is no other alternative provider within the required time frame. In such cases the Policy Exception Authority must document such approval in writing.
- iv. Audit: For Services that exceed \$100,000 annually and are not subject to prevailing wage requirements, Supplier will, a) at Supplier's expense, provide an annual independent audit performed by Supplier's independent auditor or independent internal audit department (<http://na.theiia.org/standards-guidance/topics/Pages/Independence-and-Objectivity.aspx>) in compliance with UC's required audit standards and procedures (<https://www.ucop.edu/procurement-services/policies-forms/fww-resources.html>), concerning Supplier's compliance with this provision, and b) ensure that in the case of a UC interim audit, its auditor makes available to UC its UC Fair Wage/Fair Work work papers for the most recently audited time period. Supplier agrees to provide UC with a UC Fair Wage/Fair Work certification annually, in a form acceptable to UC, no later than ninety days after each one year anniversary of the agreement's effective date, for the twelve months immediately preceding the anniversary date.

Please see the Fair Wage Fair Work FAQ's which contains answers to the most common questions related to Fair Wage Fair Work.

<https://www.ucop.edu/procurement-services/policies-forms/fww-resources.html>

- e. Alcohol, Drugs, Hazardous and Radioactive Materials:** Federal and

State laws and regulations govern the purchase, control and use of narcotics, dangerous drugs, ethyl alcohol, and radioactive and other hazardous materials. Each Location should establish appropriate procedures and controls to ensure compliance with these laws and regulations and with prudent practices in the industry. (See also other appropriate University policies; BUS-2, Tax-Free Alcohol Permits, Records, and Operations and BUS-50, Controlled Substances).

- f. **Product Recall:** To ensure prompt, effective reaction to notices of product recall by any manufacturer or supplier, each Location should establish a procedure that assigns responsibility for notifying the Location of the recall, and coordinating and documenting the return, repair, or destruction of the defective products.
- g. **Other Governing Requirements:** Certain requirements of Federal and State laws and regulations, and other authority govern purchases of items such as motor vehicles, protective items, uniforms, carpets, and items of foreign origin. They also deal with related matters such as clean air and water resources, employment of the disabled and non-segregated facilities. The Executive Vice President - Chief Financial Officer (or designee) shall furnish current complete information to each Location who in turn should establish appropriate procedures and controls to ensure compliance. *Letters of Intent:* At times it may be necessary for the Procurement/Supply Chain Director to issue a letter of intent in advance of a Purchase Order. Since the University may be legally bound, the letter is subject to the same restrictions and policy requirements as other purchase actions including, but not limited to, the requirements for competition, determination of reasonableness of price, and appropriate administrative approval.
- h. **Incentives:** In general, the Procurement/Supply Chain Director should negotiate quantity or payment discounts in lieu of Supplier incentive payments. However, for Purchase Orders or Purchase Agreements that contain incentive payments, the following procedure should be followed:
 - i. All incentives must be identified as such and listed in the Purchase Order or Purchase Agreement. The Procurement/Supply Chain Director should include the value of the incentive payment when determining price reasonableness.
 - ii. Incentives should be returned to the University as cash rather than credits to make additional purchases. If the Purchase Order or Purchase Agreement only provides for incentive credits, which is strongly discouraged, such credits held by suppliers should be minimized by utilizing them promptly to purchase needed goods and services for the University program or activity that generated the credit.
 - iii. Patronage and earned incentive checks should be made payable to The Regents of the University of California and remitted to the appropriate Location office as determined by Procurement Services at the Office of

the President, for Locations to use in support of Strategic Sourcing.

- iv. All incentives and discounts not reflected in the sales price, allowances, or similar payments received from Suppliers but that are based upon either the volume (sales, transactions, quantities, dollars, or any other similar measure) of goods and services directly provided by those Suppliers, or based upon prompt payment for goods and services directly provided by those Suppliers must be credited back in a timely manner to the Federal Sponsor or Federal flow-through source account/fund, or to the sponsoring or cognizant agency, that was directly charged or recharged for the original purchase from the Supplier.
- v. Use of incentives should be tracked and monitored by the University program or activity receiving the incentive.

2. Campuses Only:

- a. **Purchasing Goods that Require Installation:** The purchase of goods and its installation usually should be handled in a single contract with the installation contractor supplying the goods. The Purchase Agreement should be processed according to procedures set forth in the [University Facilities Manual](#) with appropriate provisions included to govern the goods being purchased.
- b. There may be instances where handling the purchase of goods and its installation as separate transactions is of benefit to the University. To determine whether or not separate transactions are advantageous to the University, the following factors should be considered:
 - i. Time, cost, and supplier requirements;
 - ii. Warranty issues; or
 - iii. Installation by UC craft labor (depending upon the dollar amount), or
 - iv. Whether or not the installation involves the erection, construction, alteration, repair, or improvement of any University structure; or whether or not the State of California requires a contractor to have an active, valid license in order to perform the work.
- c. Whenever an activity will cost more than \$50,000 and require a California Contractor's license, consult the [University Facilities Manual](#), [UCOP Construction Services](#), or [UCOP Facilities Management](#) to determine what type of Purchase Agreement, Purchase Order or Construction Contract is appropriate.
- d. **Building Alterations:** No Purchase Orders shall be placed for requests which involve alterations to buildings, or installations which affect the nature of a building, without approval by the campus Facilities Management Department.

F. Resolution of Controversies over the Solicitation or Award of a Contract:

- 1. **Authority of the Escalation Authority:** The Escalation Authority shall have

authority to resolve protests and other controversies of actual or prospective bidders regarding the solicitation or award of an agreement or contract.

2. **Filing of Protest:** Any actual or prospective bidder who has a complaint regarding the solicitation or award of an agreement should first attempt to resolve the grievance with the Buyer, Commodity Manager, Procurement/Supply Chain Director, or other University Contracting Officer involved in the transaction. If the controversy over the solicitation or award of an agreement cannot be resolved at this level, the complainant may file a protest with the Escalation Authority. A protest must be filed promptly and in any event within two calendar weeks after such complainant knows or should have known of the facts giving rise thereto. All protests must be in writing.
3. **Decision:** The Escalation Authority shall appoint one or more individuals to investigate the issues involved in the protest, analyze the findings, consult as appropriate with the Office of General Counsel, and promptly issue a decision in writing. A copy of that decision should be furnished to the aggrieved party and state the reasons for the action taken.
4. **Effect of a Protest:** In the event of a protest timely filed, the University should not proceed further with the solicitation or award involved until the protest is resolved or withdrawn unless the Escalation Authority consults with the Office of General Counsel and makes a written and adequately supported determination that continuation of the procurement is necessary to protect substantial interests of the University.
5. **Unresolved Controversies:** The Office of General Counsel should be consulted concerning potential or actual claims or disputes which cannot reasonably be settled in a fair and equitable manner through the administrative process described above.

G. Public Records Requests:

1. **Governing Requirements:** Third parties may request records relating to any University transaction. The Procurement/Supply Chain Director should immediately forward such requests to the Location's Public Records or Information Practices Coordinator, and work with that office in producing records as appropriate. Where records are requested during the course of a procurement process or after an RFP has been cancelled, Locations and Information Practices Coordinators should consult with the Office of General Counsel before releasing responsive records. In many circumstances, there are legal exemptions to protect records from disclosure during the period prior to final award.

H. Unauthorized Purchases:

1. **Responsibility:** An individual who has not been delegated purchasing authority who makes an unauthorized purchase of goods or services shall be responsible for payment of the charges incurred. At the discretion of the Location's Policy Exception Authority:

- a. The unauthorized individual may be required to pay either the full amount whenever the purchase is found to cover unneeded items or items whose purchase would not otherwise be authorized and the transaction cannot be canceled, or the amount of any cancellation charges incurred when cancellation can be arranged; or
- b. The unauthorized individual may be required to pay the difference between the charges such individual incurred and those the University may reasonably have incurred if the purchase had been properly executed.
- c. The unauthorized individual may be required to reimburse the University for unauthorized purchase of good or services.
- d. Reimbursement or payment of unauthorized purchases require policy exception by a location's policy exception authority and/or designee(s).

I. Low-Value Purchases:

- 1. **Policy:** Locations are encouraged to develop methods for reducing costs of executing low-value purchases. Such methods shall establish definite dollar limits of use and shall require compliance with basic purchasing policies and requirements.
- 2. **Low-Value Purchase Authorization:** Each Location determines its Low-Value Purchase Authorization limit amount. All purchases under this limit may be executed by Campus Personnel designated by each Department. The Campus Procurement Department is responsible for ensuring that training is available to all employees who will have this authorization to ensure observance of good business practices and compliance with University Purchasing Policy. The following shall be observed in administering Low-Value Purchase Authorization:

The amount the individual is authorized to spend shall not exceed the amount determined by the local Procurement Office, but shall not exceed \$10,000 per transaction (and an anticipated \$100,000 per supplier per year) with the following criteria:

- a. Individuals delegated such purchasing authority shall have a functional responsibility to the Procurement/Supply Chain Director who shall ensure that all purchasing policies and procedures are followed and that the individuals receive the training and instruction the Procurement/Supply Chain Director deems necessary so that activity is conducted in accordance with University policies;
- b. Purchases shall be limited to goods and services not available either through campus or Laboratory stores or through local or Strategic Sourcing Agreements, and to repairs not available internally or through established maintenance agreements;
- c. Transactions shall specifically prohibit purchases of goods determined inappropriate by the Procurement/Supply Chain Director. Examples are

inventorial equipment (Business and Finance Bulletin BUS- 29, Management and Control of University Equipment); specially controlled items such as ethyl alcohol (Business and Finance Bulletin BUS-2, Tax-Free Alcohol Permits, Records, and Operations); narcotics and dangerous drugs (Business and Finance Bulletin BUS 50, Controlled Substances Program Best Practices Guide); firearms, precious metals, explosives, and other hazardous materials; and Consulting Services;

- d. Transactions shall not be artificially divided to falsely create multiple small Purchase Orders under the authorization limit; and,
- e. Periodic appraisals shall be conducted by internal auditors cognizant of Procurement Policy or by an appropriate designee of the Procurement/Supply Chain Director to ensure proper performance under this authorization and to provide a basis for adjusting or discontinuing the authorization for specific individuals as the audit findings indicate.
- f. Check with your local Procurement Office for information regarding this section.

3. Purchasing Authority Outside of the Procurement Department: The Procurement/Supply Chain Director may provide additional delegated purchasing authority to individuals outside the Purchasing Department, under the following conditions:

- a. Qualifying departments shall have an historical level of purchase activity sufficient to ensure, in the judgment of the Procurement/Supply Chain Director that a higher level of authority will result in more cost effective procurement.
- b. Qualifying departments have prepared written procedures implementing the proposed delegation of increased authority, and these procedures have been approved by the Procurement/Supply Chain Director;
- c. Individuals delegated such additional purchasing authority have a functional responsibility to the Procurement/Supply Chain Director who shall ensure that all purchasing activity is conducted in accordance with University policies and procedures and that such individuals have had the training and instruction the Procurement/Supply Chain Director deems necessary to discharge the increased authority effectively;
- d. A functional reporting relationship is established when contracting duties are allocated a dedicated % effort on an individual's job description. Further, as a condition of the delegation, the individual will attend meetings and training sessions as required by the CPO or designee. The CPO or designee may periodically audit the individual's contracts and supporting documentation. If issues are noted, a corrective action plan may be developed with the individual's primary supervisor. If issues persist the individual's delegation will be revoked.

- e. The amount of additional authority shall not exceed the competitive bidding levels described in Section 1/Purchase Transactions, and,
 - f. Any such delegation shall specifically prohibit purchases of goods and services determined inappropriate by the Procurement/Supply Chain Director. Examples are inventorial equipment (Business and Finance Bulletin BUS 29, Management and Control of University Equipment); specially controlled items such as ethyl alcohol (Business and Finance Bulletin BUS 2, Tax-Free Alcohol Permits, Records, and Operations); narcotics and dangerous drugs (Business and Finance Bulletin BUS 50, Controlled Substances Program); firearms, precious metals, explosives, and other hazardous materials; and Professional Services, including Consulting Services.
4. **Exceptions:** The Procurement/Supply Chain Director may grant exceptions, on a single transaction basis in advance of purchase, as to dollar amount and items to be purchased when notified by the responsible official that an emergency situation exists.

J. Personal Purchases:

- 1. **Policy:** University credit, purchasing power, facilities, and services shall not be used to purchase goods or services for individuals or for non-University activities except where a University program has been approved by a University administrator with delegated authority with advice as appropriate from the Office of General Counsel.
- 2. **Discretionary Use:** Organizations and activities closely allied to or officially associated with the University (such as a faculty club or an ASUC organization) with the approval of the Chancellor may be permitted to purchase materials not subject to federal tax through the Location's Procurement/Supply Chain Management/Procurement Office.

K. Debarment:

- 1. The University may debar a Supplier from doing business with the University by providing the Supplier with written notice stating i) the reasons that the University intends to debar the Supplier; ii) the length of time for the intended debarment; and iii) the time frame in which the Supplier must respond if the Supplier disputes the University's rationale for debarment. The length of time for the intended debarment may vary according to the circumstance, but generally would be three years. The length of time for the Supplier to respond to the notice of intended debarment may vary according to the circumstance, but generally would be two weeks. The University will review any Supplier response to the debarment notice and inform the Supplier of the University's disposition of the matter. Locations are encouraged to consult with the Office of General Counsel in this regard.

Part 2: Strategic Sourcing Initiative: It is the policy of the University of California to seek to satisfy its needs at the lowest overall total cost with the optimal qualitative requirements fulfilled through planned, quantity purchasing. To this

end, regional and University-wide pool purchases, strategically sourced commodity agreements, and price schedules should be utilized to the maximum practicable extent.

A. Guidelines:

- 1. Economic Advantage:** The major emphasis of the Strategic Sourcing Initiative is economic benefit to the University. Both administrative cost avoidance (a reduction of internal administrative costs) and price avoidance (a reduction of the price increases of the commodity) should be considered in determining economic advantage.
- 2. Agreement Practicality:** Agreements should be established when either administrative cost avoidance and/or price avoidance can be achieved and the Responsible Official has determined that Location utilization and estimated dollar value are sufficient to justify the establishment of an agreement. The cost/price reductions should be greater than could be obtained by an individual campus and should exceed the cost of administering the agreement or the aggregate costs of individual campus purchase actions.
- 3. Goods and Service Acceptability:** Goods and services must be generally acceptable to the using departments or campuses, as determined by the Commodity Manager, based on information received from the Procurement/Supply Chain Directors.
- 4. Laboratory Participation:** The prime contracts which govern Laboratory operations require the use of certain government sources not generally available to the campuses. When agreements are cost effective and there is no conflict with federal requirements, Strategic Sourcing Agreements may be used by the Laboratory.

B. State Supply Schedules and Contracts:

- 1. Evaluation and Designation:** Commodity Managers shall evaluate state supply schedules and contracts and, with concurrence of participating campuses and the Director of Procurement/Supply Chain Management, designate those which prove to be advantageous as commodity agreements or price schedules. When so designated, California Multiple Award Schedules (CMAS) and contracts shall be utilized in accordance with this Bulletin.
- 2. Liaison with State Procurement Office:** The Associate Vice President and Chief Procurement Officer - Procurement Services may represent the University in its relations with the State Procurement Office, Department of General Services to secure mutually beneficial supply agreements. Reports and suggestions regarding state supply schedules or contracts shall be made to the Associate Vice President and Chief Procurement Officer-Procurement Services through the Commodity Managers.

Part 3: Supplier Diversity and Federal Planning and Reporting:

- A. Summary:** The mission of the University of California is to support teaching, research, and public services in a cost-effective manner which best serve the

interests of the people of California.

This section of the Policy describes the responsibilities and procedures that each University location must establish and maintain to ensure that no firm seeking to do business with the University shall be discriminated against on a basis prohibited by law or University policy (“prohibited basis”). This section of the Policy also describes the steps that the University takes to make a good faith effort to comply with all state and federal laws, regulations, and policies on non-discrimination.

B. Policy:

1. It is University of California policy that no firm seeking to do business with the University shall be discriminated against on a prohibited basis.
2. The University recognizes that it has a responsibility to provide procurement opportunities to a diverse supplier pool as stated in the “[Principles and Standards of Ethical Supply Management Conduct](#),” and the “[Principles of Sustainability and Social Responsibility](#),” which are standards of practice derived from [The Institute of Supply Management \(ISM\)](#) and the Code of Ethics of the [National Association of Educational Procurement \(NAEP\)](#).

Diversity and Inclusiveness — Supply Base. *Supply base diversity and inclusiveness refers to efforts to engage different categories of suppliers in sourcing processes and decisions.*

3. The University seeks to dedicate an appropriate portion of the University's business to small, diverse and disadvantaged businesses through outreach programs and supplier fairs, and is committed to maintaining the stated goals as required by:
 - a. The extramural funding requirements and,
 - b. The Subcontracting Plans for specific federal contracts.
4. As outlined in the University of California Contracts and Grants Manual, each Location is responsible for developing plans for their campus, medical center, or Laboratory. (Please see Section V, Procedures for more details about these requirements.) The University complies with applicable federal policies including the items listed in Section II/Definitions.

- C. Small Business First Program:** The University of California spends billions of dollars each year procuring goods and services. The UC Sustainable Practices Policy (<https://policy.ucop.edu/doc/3100155/SustainablePractices>) establishes the goal of awarding 25% Economically and Socially Responsible (EaSR) spend annually to small and diverse owned businesses. California Public Contract Code Section 10508.5 allows the University to award purchase agreements valued up to \$250,000 to a certified small business without being competitively bid, so long as the UC obtains price quotations from two or more certified small businesses. In support of these goals, the University has established the following Small Business First policy, effective as of September 1, 2020.

- 1. General Requirements:** For the purchase of goods and/or services valued between \$10,000 - \$250,000 annually, that cannot already be procured via existing strategically sourced agreements, the University must first seek to award these procurements to a certified Small Business (SB) or Disabled Veteran Business Enterprise (DVBE).

To purchase goods and/or services valued between \$10,000 - \$100,000 annually, the University must only obtain one (1) quote from either a certified Small Businesses or Disabled Veteran Business Enterprise. To purchase goods and/or services valued between \$100,000 - \$250,000 annually, the University must obtain at least two (2) quotes from certified Small Businesses or Disabled Veteran Business Enterprises.

No later than March 1, 2021, the University shall be in full compliance with this Small Business First policy.

Note: Any reference to certified Small Businesses includes certified Microbusinesses (MB).

Businesses must be certified by the California Department of General Services Office of Small Business and DVBE Services (OSDS) or other accepted certifying agency as listed on the Small Business First Program page (<https://www.ucop.edu/procurement-services/for-ucstaff/small-business-first/index.html>). The Small Business First program page outlines procedures for procuring goods and services through the program.

- 2. Small Business First Waiver:** There are instances where the procurement method described above may not be practicable, or when contracting with businesses other than a certified SB, MB or DVBE is justified. Examples include, but are not limited to:
 - a. Industries where at least two (2) SBs (including MBs) or two (2) DVBEs are not available, or
 - b. Business needs that dictate requirements that cannot be met by a SB, MB or DVBE.

For situations such as these, the Small Business First Waiver, located on the UCOP Procurement – Systemwide Forms & Documents page (<https://www.ucop.edu/procurement-services/policies-forms/index.html>), must be approved by the appropriate Policy Exception Authority, or their designee, prior to making a purchase or establishing a contract with a company that is not a SB, MB, or DVBE. Should the responsible purchasing individual determine that a waiver to this policy will need to be requested, it is advised that they contact their campuses Small Business Officer prior to releasing a solicitation or requesting a quote to ensure that all reasonable efforts have otherwise been taken to make an award to an SB, MB or DVBE, and that the subsequent waiver includes proper justification for the request.

Waivers must clearly document the steps taken and research completed to sufficiently justify an award to a non SB, MB, or DVBE. Waivers must be

maintained in the relevant procurement file which is subject to audit for compliance with this policy and must also be maintained per standard University retention policy.

3. **Program Exemptions:** The following purchase and/or agreement types are exempt from the Small Business First policy and do not require a waiver: interagency, federal government, research sub-awards, local government, higher education institutions, concessions, revenue/reimbursement contracts, medical and patient care, statutorily exempt, policy exempt, emergency, local assistance/subvention, and proprietary contracts.

The Small Business First program does not apply to circumstances where Federal, grant, court decision, or court order requirements dictate how funds can be expended.

All contracting associated with construction is governed by the UC Facilities Manual and the associated policies and templates therein.

4. **Governing Requirements:** All other University, State, and Federal requirements governing the purchase of goods and services will apply to the Small Business First Program.

Part 4: Personal Property/Special Acquisitions: This part of the Policy describes factors to be considered and requirements to be met in acquisitions, or leases or Conditional Sales Contracts, of personal property by the University. University acquisitions of personal property by external financial loans to The Regents are covered by Capital Markets Finance guidelines.

A. Governing Requirements:

1. **Availability of Funds:** Personal property shall be acquired only when there is an established fund source or The Regents' approval has been secured. When funds are available for only a limited time, such as State funds appropriated on an annual basis, contracts for acquisitions shall provide for cancellation and return of property should funds not continue to be available. In no case shall the general credit of The Regents be pledged as security.
2. **Contract Period:** Acquisition of personal property by any method defined herein should provide for a contract period that is equal to, or less than, the useful life indicated in the University Useful Life Schedule available from campus Equipment Management units or the office of the Director-Procurement/Supply Chain Management.
3. **Capital Markets Finance:**
 - a. Capital Markets Finance shall approve, prior to award, the rate or interest factor in leases greater than \$50,000, and shall be responsible for conducting the tax due diligence for all tax-exempt leases.
4. **Policy Compliance:** Contracts for acquiring personal property by any method defined herein shall be entered into only when, pursuant to University policy, requirements for competition have been met, any negotiations have been conducted according to established guidelines, rates or prices to be paid are

determined by the Procurement/Supply Chain Director or designee to be reasonable in the particular circumstances, and approval as to form has been secured as necessary.

- 5. University-wide Acquisitions:** When an office of University-wide Administration initiates an acquisition of the type defined herein, the procedures established by the campus at which the particular program is headquartered shall be followed. If the procedures established by the campus indicate that such acquisition must be approved by the Chancellor, then the President, for his/her staff, or members of the President's Cabinet, for their respective staffs, must approve the acquisition.

- B. Reimbursement Declaration:** Whenever the University intends to make an expenditure of capital funds and repay the expenditure at a later date by entering into a lease-purchase or similar agreement, it must execute and file a Declaration of Official Intent of The Regents of the University of California to Reimburse Certain Expenditures from proceeds of Taxable or Tax-Exempt Indebtedness.

If a campus anticipates that an expenditure of capital funds will later be converted to a lease or similar agreement, the procedures outlined in the Delegation of Authority-Declaration of Intent to Reimburse Capital Expenditures from Proceeds of Indebtedness (DA 2055), must be followed.

- C. Reports:** Locations must report to the Assistant Vice President, Financial Services and Controls, all personal property acquisitions funded by lease-purchase agreements or Conditional Sales Contracts for inclusion in the University's Financial Position Report.

Part 5: Employee-Supplier Relationships:

- A. Purpose:** This Part 5 sets forth special limitations and requirements covering acquisition of goods or services by the University, when the transaction involves an employee-Supplier relationship, as opposed to an employer-employee relationship (as defined above in Section II). Employer-employee relationships are governed by appropriate Human Resource rules, including [Personnel Policy 82 - Conflict of Interest](#).

B. Basic Policies:

- 1. Separation of Interests:** It is the policy of the University to keep separate an employee's University and private interests, and to safeguard the University of California and its employees from charges of favoritism in the acquisition of goods and services.
- 2. Conflict of Interest:** [The California Political Reform Act](#) and [California Government Code Section 81000-81016](#) prohibit an employee from making or participating in the making of a decision if there is a financial conflict of interest. Requirements governing such decision making are set forth in the [University Conflict of Interest Code](#) and must be observed when the University purchases goods and services.

3. Restrictions on Purchases/Leases/Contracts: The following rules apply when there is an employee-Supplier relationship (as defined above in Section II):

- a. Employee:** No purchase or lease of goods or contract for services may be made with a University employee who has an employee-Supplier relationship, as defined in Section II, above. However, the University may enter into a contract for goods or services with an employee who has teaching or research responsibilities, or a student employee, provided that i) the Procurement/Supply Chain Director (or designee) has made a specific determination that the goods or services are not available either from commercial sources or from within the University.
- b. Former Employee:** The University may not purchase or lease goods from or contract for services with any former employee who has an employee-Supplier relationship as defined in Section II, above, including one who has had teaching or research responsibilities, when:
 - i. Less than two years' time has elapsed since the individual separated from University employment, and the individual had been engaged in any of the negotiations, transactions, planning, arrangements, or any part of the decision-making process relevant to the contract during the period of employment; or
 - ii. Less than one year's time has elapsed since the individual separated from University employment, and the individual had been employed by a department in a policy-making position in the same general subject area as the proposed contract.

Notwithstanding the foregoing provisions of paragraphs i. and ii., the University may enter into a contract for *services* with a *retiree* immediately following retirement if the retiree did not participate in any way while serving as an employee, in the making of the contract for services. The post-employment restrictions in paragraphs i. and ii., however, apply to any former University of California employee, including a retiree, who proposes to sell or lease goods to the University.

- c. Near Relative:** Near Relative: It is University policy to separate an employee's University and private interests, and to safeguard the University and its employees against charges of favoritism in the purchase of goods and services. The University may purchase or lease goods from, or purchase services with the near relative of *any* employee, provided that the Procurement/Supply Chain Director or designee has made a specific determination that the goods or services are not available from the University's own facilities, and that the employee: does not have, or has not had any responsibility for, or will be involved in any manner, in the department's decision to accomplish or approve the transaction(s); and, does not have a personal financial interest in the transaction, or does not own or control more than a 10% interest in the business which proposes to lease or sell goods or to provide services to the University.

4. **Inspection and Verification of Supplier Status:** Whenever it becomes necessary to ensure an understanding of the facts presented, the Policy Exception Authority (or designee) must inspect the business premises and records of a prospective employee-Supplier or a near-relative Supplier.
5. **Exceptions:** Within constraints imposed by the Political Reform Act and Public Contract Code §§10515 et seq., each Executing Official or designee is delegated authority to approve exceptions to this Policy under unusual or extenuating circumstances.

C. Certification Requirement:

1. **Circumstances Requiring Certification:** A University of California employee, former employee, or the near relative of an employee must submit a written and signed certification conforming to the requirements of Section III B. and C. with any quotation or proposal to the University.
2. **Contents:** The certification statement must:
 - a. Indicate the University department(s) and position(s) of the employee-Supplier. In addition, a former employee must state the date of his or her separation from the University.
 - b. Disclose the employee's, former employee's or employee's near-relative's financial interest in the proposal.
 - c. Specify the employee's and/or near relative's relationship to or financial interest in any business entity involved in making the quotation or proposal.
 - d. Indicate whether the employee has any responsibility for or will be involved in any manner in the departmental decision to accomplish or approve the transaction. In the case of a former employee, indicate whether the employee had any responsibility for or was involved in any manner in the departmental decision to accomplish or approve the transaction.
 - e. Certify that no University time, material, equipment, or facilities have been or will be used in connection with any resulting Purchase Order or contract.

Part 6: Procurement Card Program: This part of the Policy sets forth basic policies and requirements for the University Procurement Card Program.

- A. Scope:** This part of the Policy applies to all procurement related activities associated with the University procurement card program.

This part of the Policy does not apply to the Laboratory. A separate policy governs the procurement card program for the Laboratory.

- B. Policy:** The University of California will ensure that transactions under its procurement card program are supported by adequate policies, procedures, and management controls to guard against fraud, waste, or abuse and the incurrence of unallowable costs under federal contracts and grants.

The Procurement Services Department at the Office of the President serves as a central clearinghouse for general information regarding the implementation of a procurement card system at the campuses. Prior to implementing such a system, the Chancellor or the VP of ANR (or designee pursuant to BUS-49/Policy for Handling Cash and Cash Equivalents) must submit to Procurement Services Department and the Office of the Chief Investment Officer, a written request listing the names of specific individuals who will be designated as Authorized Signers for that campus.

All other details for implementing procurement card services, such as establishing individual cards and determining expenditure limits, reporting requirements, and data transmissions, may be negotiated directly between the campus and the issuing bank, according to the needs of the campus.

C. General Information:

- 1. Procurement Card Program:** A procurement card is a credit card authorized by the University of California to designated employees to enable the timely purchase of low value goods or services. The card is routinely accepted by merchants who accept VISA or MasterCard for payment. The card is a corporate (e.g., University) liability card, issued to an employee only for University purposes. Its use is subject to strict cardholder purchasing controls (outlined in section V. 6.C.), which cannot be exceeded without authorization. Settlement is executed electronically on the settlement date providing the opportunity for the University to eliminate costs for processing Purchase Orders, Supplier invoices and for issuing checks, for each Supplier.

The University's procurement card program is managed by each campus' purchasing unit, in consultation with the campus Controller.

- 2. Designation of an Administrator:** At each University Location the Card Program Manager will designate an Administrator to be responsible for monitoring compliance with policies and procedures; to be the liaison between the issuing bank and the Procurement Services Department at the Office of the President and to oversee the Location Procurement Card Program.

D. Specific Transactional Responsibilities and Separation of Duties:

- 1. Separation of Duties:** The duties of individuals who are authorized to make purchases with a procurement card shall be separated to ensure that the items ordered were received and that the purchase are appropriate as follows:
 - a.** A Reviewer (who should be at a supervisory level) other than the person placing an order shall certify that the items ordered were received. If the purchasing unit is too small to provide an independent confirmation of receipt, an individual from an outside unit may perform this step.
 - b.** An individual other than the person who places an order shall periodically perform an administrative review of selected purchase documents to verify that the expenditures listed on the daily procurement card transaction report are supported by the required internal documentation (see Section

III. D. 3 below). In order to ensure that the verification of expenditures is an entirely independent process, this person should not be the subordinate of any procurement cardholder. In general, this means that department heads and Management Services Officers cannot be issued a procurement card.

2. **Source Documentation:** Source documentation from the Supplier shall provide enough detail to allow verification of all expenditures listed on the daily transaction report.
 - a. **Purchases Made in Person:** To document purchases made in person, the cardholder shall provide a credit card slip (customer copy) or cash register tape, signed by the cardholder. If the purchased merchandise is not itemized on the signed document, at the time of the sale, the purchaser shall request and obtain a cash register tape or a manual itemized receipt from the Supplier (unless the purchaser is aware that the line item detail will be provided automatically as part of the transaction record generated by the Supplier).
 - b. **Mail, Telephone, or Internet Orders:** To document mail, telephone, or internet orders, the department shall obtain pricing/billing information on a document that accompanies the shipment of items (e.g., a packing slip). Such a document must provide enough information, as specified above, to allow verification of the items purchased.
3. **Internal Reviews:** As part of the review process, a department shall perform the following internal reviews (see Section V. Procedures, Part 6, B, below for more details related to the procedures mentioned below).
 - a. Administrative Review of Documentation
 - b. Verification of Procurement Card Expenditures
4. **Improper Use of a Procurement Card:** Written procedures for preventing, investigating, and reporting unauthorized use of procurement cards shall be developed by the purchasing offices for use by departments. These procedures shall be approved by the Controller or Office of Record prior to implementation of the procurement card program. The procedures shall include the requirement, as outlined in this Bulletin, that a procurement cardholder or unauthorized individual who makes an improper purchase with a card will be responsible for payment of the charge, at the discretion of the Location Policy Exception Authority.

To establish that a particular expenditure was improperly made, a department must complete the appropriate documentation, mark it File Copy Only – Credit Must Be Issued, and forward a copy to the Location purchasing unit. The Location may approve a transmission method that does not involve sending a paper copy to the purchasing unit. The original documentation may be retained in the department or a central office as designated by the Controller or Office of Record.

- 5. Sanctions:** Each Location shall establish guidelines for appropriate sanctions to address any abuse or misuse of procurement cards by cardholders or reviewers. All sanctions must be carried out in a timely manner.

Sanctions will be imposed for any unallowable cost, fraud, waste or abuse, or any other serious or chronic misuse of a procurement card by a cardholder or reviewer. Any suspected fraud, waste, or abuse must be immediately referred to the appropriate campus security and/or Internal Audit organization for appropriate action.

Improper use of a procurement card by an employee may be grounds for disciplinary action and shall result in cancellation of the individual's card.

- 6. Retention of Documentation:** Records will be retained for as long as designated in the [UC Records Retention Schedule](#). All records pertaining to pending, foreseeable or ongoing litigation; an investigation, an ongoing audit, or a request for records, cannot be destroyed until these actions have been completed or resolved. These records will be maintained according to the University's Records Management Program and instructions from legal counsel.

Documentation Exceptions: The Administrator of the Procurement Card Program will maintain a file of all policy exceptions made including a brief description of why the exception was necessary. This documentation will be available to the Controller and the Office of Ethics, Compliance, and Audit Services upon request.

IV. COMPLIANCE/RESPONSIBILITIES

Part 1: Purchase Transactions

Part 2: Strategic Sourcing Initiative

Part 3: Supplier Diversity and Federal Planning and Reporting

Part 4: Employee-Supplier Relationships

Part 5: Procurement Card Program

Part 1: Responsibility and Authority for the Purchase of Goods and Service/ Purchase Transactions:

A. Responsibility:

- 1. Campus, ANR and Laboratory:** Each Chancellor, the Vice President of Agriculture and Natural Resources, and the Laboratory Director is responsible for purchasing and providing the goods and services required in a manner consistent with this Bulletin and with the following requirements.
 - a. Strategic Sourcing Initiative:** Further the principal objective of the Strategic Sourcing Initiative which is to maximize the economies of scale in purchasing quantities where needs can properly be met through use of University-wide and regional pool purchases, commodity agreements, and price schedules.
 - b. Cost Effectiveness:** Institute programs dealing with standardization, value and cost analysis, utilization of items excess to others, simplification

in purchases of low-cost items, and such other matters as may encourage receipt of the most favorable prices, terms, and conditions, which will result in the lowest overall cost consistent with need.

- c. Solicitation of Supplier and Service Contractor Interest:** Stimulate interest in becoming a supplier to the University through means such as participating in trade fairs and other business meetings, distributing brochures describing campus or Laboratory needs and listing whom to contact and, as appropriate, utilizing newspaper and trade journal notices periodically to invite inquiries.
- d. Purchase Transactions:** Ensure in awards of Purchase Agreements that the requirements for competition have been met, any negotiations have been conducted according to established guidelines, and prices to be paid are reasonable in the particular circumstances.
- e. Procedures and Controls:** Develop and maintain written procedures and controls that implement University purchasing policies.
- f. Equal Opportunity in Business:** Make every effort to ensure that all persons, regardless of race, religion, sex, color, ethnicity, national origin and other protected characteristics, have equal access to Purchase Orders, Purchase Agreements, and other business opportunities with the University.
- g. Laboratory Compliance:** The procurement systems employed by the Laboratory negotiated with and approved by the Department of Energy (DOE) under the management contracts between DOE and the University. Approved policies and procedures supporting this DOE-approved system are included in the Laboratory Procurement Policy and Standard Practices Manual published and maintained by the University of California Laboratory Management Office. The obligation of federal funds will be accomplished employing such policies and procedures.

Each Procurement/Supply Chain Director is expected to actively contribute to the further development and refinement of this Bulletin and these requirements by encouraging consultation and concerted efforts with colleagues throughout the University, including all Locations.

- 2. The Office of the President:** The role of the Office of the President in Procurement/Supply Chain Management/ Procurement Services is to recommend and develop policies, monitor compliance, provide effective coordination and counsel, administer the Strategic Sourcing Initiative, maintain the CALCODE (the coding system for equipment management), represent the University with external agencies, analyze proposed State and Federal regulations, formulate long-range planning, conduct special studies as needed, and staff task forces and cross-functional work groups. To this end, the Associate Vice President and UCOP Chief Procurement Officer shall be responsible in the following areas:
 - a. Strategic Sourcing:** Manage and Administer the Strategic Sourcing

Initiative.

- b. Purchase Agreements and Related Documents:** Provide staff support for maintenance of standard terms and conditions of Strategic Sourcing Systemwide Agreements and Price Schedules and some of the UCOP Agreements and their related documents, document development, and in interactions with the Office of General Counsel as required.
- c. Regents' Agenda Items:** Work in tandem with the Office of the CFO to prepare required Regents' agenda items and submit them through the Office of the President to secure approval of Purchase Agreements and related documents that exceed the authority of the President.
- d. Program Management:** Manage initiatives and programs that assist the University in becoming a premier institution known for its Procurement Excellence.
- e. Policy:** Develop and refine University Procurement Policies, including the procedures in this Bulletin, in collaboration with campus and Laboratory colleagues.
- f. Limitations on Authority:** Compile and distribute to the Locations all current, relevant information available on limitations on authority to execute purchase contracts and related documents imposed by State or Federal law or other relevant provisions.
- g. Re-delegation of Purchasing Authority:** Grant re-delegation of purchasing authority to other than the Procurement/Supply Chain Director for the purchase of goods and services and, within their area of jurisdiction, to other than the Librarian, as it pertains to the purchases of books and periodicals.
- h. Liaison:** Maintain liaison with State and Federal agencies relating to Procurement/Supply Chain Management/ Procurement activities, analyze pending legislation and new regulations for potential impact on the University, disseminate relevant information, and consult with University colleagues on other governmental matters of interest.
- i. Reporting to the State of California:** Collect and analyze data related to Small Business Utilization and complete the Annual Small Business Utilization Report which is submitted annually to the Governor's Office.
- j. Policy Compliance:** Monitor, in conjunction with the Office of Ethics, Compliance & Audit Services, compliance with the procedures in this Bulletin, provide guidance in policy interpretation, and recommend to responsible officials corrective action when indicated.

B. Authority:

- 1. Authority of the Regents:** The California Constitution vests in The Regents full powers of organization and governance of the University, subject only to certain limited legislative controls. One such control is California Public Contract

Code Sections 10507, et seq. Thus, those authorized through the delegation process to commit the University may do so only when the requirements for competition, as set forth herein, have been met.

2. **Authority of the President:** Bylaw 30 delegates to the President the authority to administer the day to day central and/or system-wide functions to the University, except those activities within the responsibility of the Principal Officers. This includes executing on behalf of the Corporation all contracts and other documents necessary in the exercise of the President's duties.:
 - a. **Liability:** Agreements by which the University assumes liability for conduct of persons other than University officers, agents, employees, students, invitees, and guests. The President has broad authority to enter into contracts, including those where the University agrees to provide express contractual indemnification in circumstances where it is deemed necessary by the President, in consultation with the General Counsel, to indemnify non-University persons who have agreed at the University's request to serve as advisors on operational matters for conduct within the scope of their role as advisors,
 - b. **Delegations to Chancellors, Laboratory Director and the VP of ANR:** The President has delegated authority to Chancellors per Bylaw 31, Laboratory Director, and the VP of ANR to execute Purchase Agreements for goods and services, and the additional provisions of the Presidential Delegation of Authority DA 2100.

Part 2: Responsibility and Authority for Strategic Sourcing Initiative:

- A. **The Associate Vice President and UCOP Chief Procurement Officer:** Has overall responsibility for the management of the Strategic Sourcing Initiative and the outcomes of this program. The Associate Vice President and Chief Procurement Officer develops long-range plans, determining which commodities the University will bid out and in what order. Collaboratively with the Procurement Leadership Council, the Associate Vice President and Chief Procurement Officer ensures the successful execution of this program and the implementation of the resulting Systemwide Agreements for goods and services. The Associate Vice President and Chief Procurement Officer has full authority, delegated to him/her by the Executive Vice President and Chief Financial Officer, for signatory rights for all Office of the President and Systemwide Agreements, including agreements for goods and services.
- E. **The Strategic Sourcing Director** Has overall responsibility for the successful execution of the Strategic Sourcing Initiative and the resulting Systemwide Agreements. Although the Director cannot sign these Agreements, the Director has the responsibility to review them thoroughly before having the Associate Vice President and Chief Procurement Officer sign them. The Responsible Procurement Authority has signature authority for departmental expenses, University Subawards, and may be requested to be the officer to sign other agreements in the Associate Vice President and Chief Procurement Officer's absence. The Director is responsible for all budgetary tasks and documents for

the Procurement Services Department. The Director is also responsible for supervising the Commodity Managers, providing feedback and performance management, as well as hiring and disciplining staff as necessary. The Director provides input to the Procurement Services Staff regarding questions related to Strategic Sourcing Agreements, Price Schedule Agreements, Commodity Planning, and Procurement-related questions.

Part 3: Responsibility and Authority for Supplier Diversity and Federal Planning and Reporting:

- A. Implementation of the Policy:** The Procurement/Supply Chain Directors at all Locations are responsible for the implementation of this Policy.
- B. Revisions to the Policy:** The Executive Vice President-Chief Financial Officer owns this Policy and has the authority to interpret and implement changes to the Policy.
- C. Campus Responsible Parties:**
 - 1. The Escalation Authority (or the comparable position):** The primary campus/medical center leader with delegated responsibility for the administration of policies related to small business and supplier diversity.
 - 2. Location Reporting Requirements:** Each Location will also maintain and collect the data and provide it to the Office of the President, Procurement Services Office annually or as necessary, to report to the Federal Government and the State of California.
 - 3. The Procurement Services Office:** Procurement Services Office in the University's Office of the President will work with the Locations' Procurement/Supply Chain Director or their designees to give guidance for the implementation of the Policy and the collection of the Small Business and Supplier Diversity procurement data.

Part 4: Responsibility and Authority for Employee-Supplier Relationships:

- A. Approvals:** The required certification for Employee-Supplier Relationships, C. Certification Requirement) must be submitted to the Location's Procurement/Supply Chain Director or designee. When the work involves an intercampus or Laboratory transaction, the certification must be submitted to the Procurement/Supply Chain Director at the Location where the requirement originates. In addition, a re-certification is to be submitted prior to the extension/renewal of the terms of a contract. The Procurement/Supply Chain Director is responsible for notifying the submitting department of approvals or denials of requests involving employee-Supplier relationships.

Part 5: Responsibility and Authority for Procurement Card Program:

- A. Campus Controller or Office of Record:**
 - 1. Approve campus guidelines for use of a Procurement Card as a payment mechanism;

2. Approve procedures for preventing and investigating and reporting unauthorized use of Procurement Card;
3. Approve requests to issue Procurement Cards to central purchasing unit employees;
4. Approve requests to issue Procurement Cards to non-University employees;
5. Approve procedures for annual self-assessment by the Purchasing Unit or other business unit.

B. Procurement Card Manager:

1. Oversee the Procurement Card Program;
2. Formally authorize new cardholders to commit funds for the University in accordance with this policy's provisions regarding Low Value Purchases;
3. Plan and provide for regularly scheduled audits, reviews, and/or oversight;
4. Approve spending limits;
5. Ensure that sanctions are imposed for the abuse or misuse of a Procurement Card by a cardholder or reviewer;
6. Cooperate with investigations of suspected fraud, waste, or abuse;
7. Ensure adherence with the requirements of the Procurement Card Program;
8. Approve more than ten (10) cardholders per reviewer; and
9. Approve exception to reviewer reporting relationship.

C. Procurement Card Administrator: The Administrator (or other individual approved by the Controller) shall:

1. Administer the Procurement Card Program consistent with this section of this Bulletin;
2. Interface with the Procurement Card Issuing Bank;
3. Develop and conduct mandatory initial and refresher Procurement Card training for Procurement Card holders and reviewers;
4. Process and approve requests for issuance of new Procurement Cards;
5. Maintain an up-to-date listing of all authorized cardholders, their Delegations of Authority, and their respective reviewers;
6. Monitor departmental reconciliation activity and unresolved disputers;
7. Report discrepancies to the Procurement Unit Manager and recommend appropriate sanctions;
8. Verify that proper incentive amounts are received under the University program with the Procurement Card Issuing Bank;
9. Perform periodic reconciliation of bank statements and financial systems;

10. Ensure the Procurement Cards are cancelled and surrendered by the cardholder upon termination of a cardholder's need or termination of employment; and

11. Cooperate with investigations of suspected fraud, waste, or abuse.

D. Reviewer: The Reviewer shall:

1. Successfully complete mandatory initial and annual refresher training;
2. Review on a timely basis, documentation related to all purchase and approve all cardholder transactions to confirm appropriateness and receipt of the goods and services ordered;
3. Notify the Procurement Card Administrator or Procurement Unit Manager of any cardholder non-compliance.
4. Cooperate with investigations of suspected fraud, waste, or abuse; and
5. Take or recommend corrective action in cases where Procurement Cards have been used inappropriately, including disciplinary action.

E. Cardholder: The Cardholder shall:

1. Successfully complete mandatory new cardholder and annual refresher training;
2. Sign a Cardholder Agreement form that includes cardholder requirements associated with proper use of the Procurement Card;
3. Comply with campus policies, procedures, and program updates related to the use of Procurement Cards, including limitations on transaction limits, monthly and/or annual spending limits, and prohibited items;
4. Cooperate with investigation of suspected fraud, waste, or abuse.
5. Obtain proper documentation associated with Procurement Card transactions;
6. Reconcile the statement of account on a timely basis; and
7. Promptly process all Procurement Card transactions including prompt resolution of merchant and bank disputes.

V. PROCEDURES

Part I: Purchase Transactions

Part 2: Strategic Sourcing Initiative

Part 3: Supplier Diversity and Federal Planning and Reporting

Part 4: Procurement Card Program

Part 1: Purchase Transactions

- A. Policy Compliance:** Pool Purchase Orders, commodity agreements, and price schedules shall be established only when, pursuant to University policy, requirements for competition have been met, any negotiations have been conducted according to established guidelines, prices to be paid are reasonable

in the particular circumstances, and approval as to form has been secured as necessary.

- B. Required Use:** Items covered by Pool Purchase Orders shall not be purchased from other sources, unless the exception involves special delivery requirements, or there are substantial differences in specifications which preclude the use of the contract source. Such exceptions shall be approved by the campus Procurement/Supply Chain Director. Exceptions on any basis other than the above circumstances shall be approved by the Commodity Manager.
- C. Exception Reports:** Purchases from other than pool Purchase Order suppliers or commodity agreement sources shall be reported to the Commodity Manager. Such reports shall include copies of the purchase action.
- D. Availability of Funds:** Pool Purchase Orders shall be entered into only when the Commodity Manager has been assured that funds are available to cover the definite or guaranteed minimum quantities to be ordered.
- E. Unsatisfactory Performance:** Unsatisfactory, unusual, or significant supplier or product performance deficiencies shall be reported promptly to the Commodity Manager involved so that appropriate, timely action may be taken to correct the deficiency.
- F. University Price Schedules:** Such arrangements may be entered into to take advantage of special discounts on proprietary products or when a commodity agreement is not practical. When not established through the required competitive process, prices shall be reasonable and such agreements shall not be used in lieu of soliciting competition

Part 2: Strategic Sourcing Initiative:

A. Program Management:

- 1. Associate Vice President and Chief Procurement Officer of Procurement Services, University of California Office of the President:**
 - a) Working with the Executive Vice President-Chief Finance Officer, the Associate Vice President and Chief Procurement Officer is responsible for developing an overall strategy which addresses overall University needs in terms of savings, pricing, operational efficiencies, and continuous improvement:
 - i. Ensure that these factors are considered when developing the departmental strategic plan;
 - ii. Ensure the commodities providing the maximum savings to the University be developed as projects early in the Strategic Plan; and
 - iii. Consider Location needs in all planning for the department:
 - A. In customer service;
 - B. In the timing of Strategic Sourcing Initiatives
 - C. In Location staffing needs, and the needs of all Location

Stakeholder Groups;

- D. In the identification of those items for inclusion in the program that are purchased by multiple Locations;
 - E. In sufficient quantities that an economic advantage can be gained by creating a Strategic Sourcing Initiative.
 - F. In the review of all goods and services purchased by the University to leverage non-traditional concepts and cost-savings ideas to provide maximum benefit to the University.
- b) Analyze usage data from all Locations to identify needs, trends, and potential opportunities. Guide the Commodity Managers and Commodity Teams to a positive outcome for the University. Review the business trends quarterly to determine options for additional opportunities for savings to the University.
 - c) Work closely with colleagues at other institutions to develop strategies and find opportunities for collaboration. Determine if collaboration with other higher education institutions, medical institutions, or group purchasing organizations to leverage immediate savings until a Strategic Sourcing Initiative is able to be scheduled and executed.
 - d) Develop a strategy using the needs of the Location customers, collected data, marketplace conditions, and historical industry information to determine the best approach to leverage the University's purchasing power to gain the best advantage in terms of customer service, quality, and price.
 - e) Market the Strategic Sourcing concept to Senior Management within the University, colleagues in other industries, other higher education and medical colleagues, and the supplier community. Brainstorm with these groups as appropriate for creative ideas where partnership opportunities exist for Strategic Sourcing Initiatives.
 - f) Lead the Team, both at the Office of the President and at all Locations in knowledge of current market conditions as they pertain to all commodities, and keep everyone informed of significant developments which could affect consolidated purchasing, marketplace conditions, and availability of product.
 - g) In carrying out the above responsibilities, the Associate Vice President and Chief Procurement Officer shall collaborate with and secure assistance from, as appropriate, the Director of Strategic Sourcing, Commodity Managers, Procurement/Supply Chain Directors, Small Business Coordinators, Location Stakeholder Groups, Subject Matter Experts (SME's) and other knowledgeable persons.
- 2. Director of Strategic Sourcing/University of California Office of the President:** The Director of Strategic Sourcing, when assigned responsibility for

specific staff supervision as well as specific commodity groups by the Associate Vice President and Chief Procurement Officer, shall:

- a. Work with the Associate Vice President and Chief Procurement Officer to develop an overall strategy which addresses customer service needs of the Locations, commodities that need to be addressed, timing to go out to bid on these commodities, Commodity Manager assignment of projects, and supervision of the Commodity Managers on their projects.
- b. Identify those items for inclusion in the program which are purchased by multiple Locations in sufficient quantities that an economic advantage can be gained by creating a Strategic Sourcing Initiative.
- c. Develop specifications and standards through value analysis and consultation with Subject Matter Experts (SME's), as appropriate and secure usage data from those Locations which expect to participate in the Strategic Sourcing Initiative. Review the analysis of the Commodity Managers to determine that it is accurate and reflects the needs of the University.
- d. Determine if there are opportunities to develop agreements with other higher education institutions, other medical institutions, or group purchasing organizations to leverage immediate savings until a Strategic Sourcing Initiative is able to be scheduled and executed.
- e. Develop a strategy using the needs of the Location Customers, collected data, marketplace conditions, and historical industry information to determine the best approach to leverage the University's purchasing power to gain the best advantage in terms of customer service, quality, and price.
- f. Solicit quotations; prepare and execute resulting Systemwide Strategic Sourcing Initiative RFP and a commodity agreement or price schedule where appropriate; review quarterly usage reports from agreement suppliers or internal polling of the Locations; and monitor overall Systemwide compliance to the agreement. Determine methodologies to address maverick spend at Locations by leveraging Procurement/Supply Chain Directors, Procurement Departments, Strategic Sourcing Units, and Stakeholder Groups. Utilize supplier support to assist in making contacts at Locations and to convert customers to the Strategically Sourced Agreements.
- g. Review and evaluate existing consolidated purchase arrangements for expansion or modification, and schedule advantageous purchases and renewal of commodity agreements and price schedules in a timely manner consistent with work schedules.
- h. Maintain up-to-date knowledge of current market conditions as they pertain to assigned commodities, and keep the campuses and Laboratory informed of significant developments which could affect consolidated purchasing, marketplace conditions, and availability of product.

- i. Determine the sustainability issues related to the specific commodity and how to integrate sustainable products, energy savings, water savings, and reuse or recycling opportunities into every Strategic Sourcing Initiative.
 - j. In carrying out the above responsibilities, the Director of Strategic Sourcing shall consult with and secure assistance from, as appropriate, the Associate Vice President and Chief Procurement Officer, Procurement/Supply Chain Directors, Commodity Managers, Buyers, Small Business Coordinators, Location Stakeholder Groups and Subject Matter Experts (SME's) and other knowledgeable persons.
- 3. **Commodity Manager, Procurement Services/University of California Office of the President:** The Commodity Manager, when assigned responsibility for specific commodities or groups of commodities by the Director of Strategic Sourcing, shall:
 - a. Identify those items for inclusion in the program which are purchased by multiple Locations in sufficient quantities that an economic advantage can be gained by creating a Strategic Sourcing Initiative.
 - b. Develop specifications and standards through value analysis and consultation with Subject Matter Experts (SME's), as appropriate and secure usage data from those Locations which expect to participate in the Strategic Sourcing Initiative.
 - c. Develop a strategy using the needs of the Location Customers, collected data, marketplace conditions, and historical industry information to determine the best approach to leverage the University's purchasing power to gain the best advantage in terms of customer service, quality, and price.
 - d. Solicit quotations; lead Systemwide Strategic Sourcing Initiatives and prepare and execute resulting commodity agreements or price schedules where appropriate; review quarterly usage reports from agreement suppliers or internal polling of the Locations; and monitor overall Systemwide compliance to the agreements. Determine methodologies to address maverick spend at Locations by leveraging Purchasing/Procurement Departments, Strategic Sourcing Units, and Stakeholder Groups. Utilize supplier support to assist in making contacts at Locations and to convert Customers to the Strategically Sourced Agreements.
 - e. Review and evaluate existing consolidated purchase arrangements for expansion or modification, and schedule advantageous purchases and renewal of commodity agreements and price schedules in a timely manner consistent with work schedules.
 - f. Maintain up-to-date knowledge of current market conditions as they pertain to assigned commodities, and keep other campuses and the Laboratory informed of significant developments which could affect

- g.** Determine the sustainability issues related to the specific commodity and how to integrate sustainable products, energy savings, water savings, and reuse or recycling opportunities into every Strategic Sourcing Initiative.
- h.** In carrying out the above responsibilities, the Commodity Manager shall consult with and secure assistance from, as appropriate, other the Director of Strategic Sourcing, Procurement/Supply Chain Directors, Small Business Coordinators, Location Stakeholder Groups and SME's and other knowledgeable persons.

Part 3: Supplier Diversity and Federal Planning and Reporting:

- 1. Program Development:** The University supports the use of small, diverse, and disadvantaged suppliers whenever these suppliers offer products and services that meet the University's needs for competitive pricing and the quality of the products and services. Existing policy establishes the goal of awarding 25% Economically and Socially Responsible (EaSR) spend annually to small and diverse owned businesses. See UC Sustainable Practices Policy (<https://policy.ucop.edu/doc/3100155/SustainablePractices>) for more details. In order to support the University's supply base diversity goals Locations are strongly encouraged to:

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2. Outreach Efforts: Each Location shall develop and implement effective outreach programs to ensure equal opportunity in business contracting. Such programs shall:

- a. Create awareness in the small, diverse, and disadvantaged supplier communities, of contracting opportunities available from the University.
- b. Direct efforts to develop potential new purchasing relationships with small, diverse, and disadvantaged suppliers. Efforts may include: regular and active searches for small, diverse, and disadvantaged suppliers; determination of whether or not small, diverse, and disadvantaged suppliers can be used for the purchase of particular goods and services as needed by departments; encourage small, diverse, and disadvantaged supplier participation through trial purchases, product pilot testing, the arrangement of supplier orientation visits, and by other means at various Locations, so that these suppliers can learn about University procurement practices, bidding processes, business models, and contractual agreement implementation; increase competitive opportunities for small, diverse, and disadvantaged business providers by allowing adequate time to respond to the bid requirements.
- c. Obtain written representation (either/or federal and state) from suppliers regarding their status as a small, diverse, or disadvantaged supplier (see Section VI. Related Information – Diverse Business Classifications by Government Source for links to all classification types).
- d. Maintain contact with small, diverse, and disadvantaged suppliers to ensure their inclusion in University procurement opportunities. These contacts could include small business fairs, meetings with key University staff, and seminars applicable to small and local business providers about how to best work with the University.
- e. Respond to studies or surveys that may be conducted by the Small Business Administration or other related agencies so that information about the University's bidding and procurement practices are distributed to the appropriate suppliers.

3. University of California Small Business Plans: The Campus Small Business Officer or Supplier Diversity Coordinator in collaboration with the originating department and the Contracts and Grants/ Sponsored Projects Office are responsible for the development of the Small Business Plan and its goals. The University department receiving the award is responsible for seeking to meet their supplier diversity goals established in the plan.

B. Campus Reporting/Management of Plans and Reporting for Federal Contracts of Subcontracts Exceeding \$700,000: The University recognizes its obligation with regard to extramural contracts and grants by incorporating the requirements of all relevant statutes, Executive Orders, and regulations into its procurement activities.

1. **Small Business Subcontracting Plan Requirements:** Federal solicitations, contracts and subcontracts to the University exceeding \$700,000 and expected to have subcontracting opportunities will usually require that the University prepare a Small Business Subcontracting Plan. The Campus Small Business Officer or Supplier Diversity Coordinator in collaboration with the originating department and the Contracts and Grant/Sponsored Projects Office are responsible for the development of the Small Business Subcontracting Plan.

The plan must include the total percentages and dollar amounts to be spent with both large and small businesses for materials and supplies, equipment over \$5,000, and travel. This plan is either requested at the time that an initial proposal is submitted or it can be requested when the funding has been awarded. Once approved by the federal agency awarding the funding, the Subcontracting Plan goals become a contractual obligation which the Principal Investigator must make a good faith effort to achieve.

Principal Investigators and Contract Administrators must provide the following documentation to the designated Campus Small Business Officer or Supplier Diversity Coordinator when potential small business spend for materials and supplies, equipment over \$5,000, and/or travel exists:

- a. Agency proposal or award number,
 - b. Title of proposal or award,
 - c. The Statement of Work,
 - d. High-level budget information,
 - e. A worksheet detailing totals for materials and supplies, equipment over \$5,000, and travel be purchased from suppliers, and
 - f. The Small Business Plan Worksheet describing materials and supplies, equipment over \$5,000, and travel that can be purchased from small businesses, the dollar amounts for these items, and names of small businesses from which they can be purchased.
2. **Good Faith Effort - Locating Small Business Sources:** Each Principal Investigator (PI) of a federally funded contract containing a Small Business Subcontracting Plan approved by the awarding federal agency must encourage maximum participation by the types of small businesses in the plan for which they set specific percentages and dollar amounts. To do so, they must work with their support staff to:
 - a. **Reasonable Effort:** Make every reasonable effort to find additional small business entities which have the classification types set in the goals and which can meet the technical specifications required for the project. Such efforts include working with the designated Campus person assigned to Supplier Diversity, contacting the federal agency to get a list of approved small business suppliers, and by using the [SBA Small Business Dynamic Search Database](#). Alternate data bases from third party suppliers that

some Locations have access to may also be utilized as an alternative to the SBA Small Business Dynamic Search Database.

- b. Supplier Contacts:** Contact small, diverse, and disadvantaged, suppliers when soliciting prospective suppliers via Requests for Information, Quotation, or Proposal for the project.
 - c. Required Documentation:** Document in writing in the project's records on an ongoing basis any failure to purchase from small suppliers as stated in the Small Business Subcontracting Plan. Report these reasons to the Supplier Diversity Program Coordinator in writing in advance of the April 1 and October 1 federal reporting dates.
 - d. Other Assistance:** Notify the Small Business or Diversity Supplier Coordinator to assist in finding other appropriate small businesses. The Small Business or Diversity Supplier Coordinator must also include the reason for zero utilization, whenever a federal report is filed with the federal agency.
- 3. Post Award Small Business Program Re-Representation:** If [FAR Part 52.219 - Small Business Programs Provisions and Clauses](#) is included in the contract and the conditions in the clause for re-representation are met, the designated employee must:
 - a.** Require the contractor that represented itself as a small business concern prior to award of the contract re-represent its size status via its registration in the federal System for Award Management and using the corresponding North American Industry Classification System code, or via a separate certification containing this information; and
 - b.** Permit a contractor that represented itself as other than a small business concern prior to award to re-represent its size status.
- 4. Data Collection and Reporting Requirements:** Locations must monitor and report the extent of small business participation in their federal funded contracts exceeding \$700,000, when a Small Business Subcontracting Plan has been approved by taking the following actions:
 - a.** Require each prospective small business to certify whether it is a small business with one or several of the government classification types or self-certify (for all others) on the Federal Central Contractor Registration.
 - b.** Accurately track the participation by small businesses (by classification type) in terms of the total value of Purchase Orders placed in that classification during each fiscal year.
 - c.** Report utilization to the appropriate federal agencies as required.
- 5. Report Types and Reporting Periods:**
 - a. Individual Subcontracting Report (ISR):** This report collects prime contractor and subcontractor subcontract award data for specific Federal Government agencies (see b. ii. and b. iii.). **This is the former SF-294**

Report.

Designated staff at each campus must file an *Individual Subcontracting Federal Report (ISR)* for each contract or sub-contract in the [Electronic Subcontracting Reporting System \(eSRS\)](#) to the appropriate federal agency in the following reporting periods:

- i. October 1st of the prior year through March 31th of the current year (six months)/due by April 30th and;
- ii. October 1st of the prior year through September 30th of the current year (fiscal year)/ due October 31st;
- iii. A final [ISR](#) is completed within 30 days of the expiration date of the contract or sub- contract.

- b. **Summary Subcontracting Report (SSR):** This report provides an annual summary of subcontracts awarded by prime and subcontractors for a specific Federal Government agency that required an Individual Subcontracting Plan for the previous fiscal year.

Designated staff must also file a [Summary Subcontracting Report/SSR](#) with each federal agency when the Campus:

- i. Holds one or more contracts or subcontracts over \$700,000 and,
- ii. Is required to report subcontracts awarded to Small Business (SB), Small Disadvantaged Business (SDB), Women-Owned Small Business (WOSB), HUBZone Small Business (HUBZone SB), and Veteran-Owned Small Business (VOSB), Service-Disabled Veteran- Owned Small Business (SDVOSB), ANCs and Tribes concerns under a Subcontracting Plan with the Federal government, and
- iii. Is required to report subcontract awards for Historically Black Colleges and Universities (HBCUs), Minority Institutions (MI), for the Department of Defense (DOD), the National Aeronautics and Space Administration (NASA), and the Coast Guard, and
- iv. Also has reporting periods for civilian agencies [non-Department of Defense (DOD) or NASA)], annual submission:
 - a) October 1st of the prior year through September 30th of the current year (fiscal year)/due October 31st.
 - b) For contracts with the Department of Defense and the National Aeronautics and Space Administration twice per year (same as for *ISR*'s above):
 - 1) October 1st of the prior year through March 31st of the current year (six months)/due by April 30th, and,
 - 2) October 1st of the prior year through September 30th of the current year (fiscal year)/ due October 31st.

- c. **Small Disadvantaged Business Report: Disadvantaged Status and**

Reporting; If a [Small Disadvantaged Business \(SDB\)](#) goal was included in the Small Business Subcontracting Plan, per [FAR 52-219-25 Small Disadvantaged Business Participation](#) the University must report on the participation of SDB concerns at contract completion or as provided in the terms and conditions of the contract.

- d. **[Failure to Make a Good Effort–Liquidated Damages: FAR 52.219-16](#)** deals with Liquidated Damages and a “Failure to make a good effort to comply with the subcontracting plan” which means a willful or intentional failure to perform-or- willful or intentional action to frustrate the plan in accordance with the requirements of the subcontracting plan approved by a federal agency.

Federal agencies measure performance toward the Small Business Subcontracting goals by applying the percentage goals to the total actual subcontracting dollars or, if a commercial plan is involved, to the pro-rata share of actual subcontracting dollars attributable to government contracts covered by the commercial plan.

If the Small Business Subcontracting Plan goals have not been met by the contract completion or in the case of the commercial plan, at fiscal year close for which the plan is applicable, the Federal Contracting Officer will determine if the Contractor has failed to make a good faith effort to comply with the Subcontracting Plan. The Contracting Officer will give the Campus written notice specifying the failure and permitting the campus on behalf of the UC Regents, to demonstrate the Good Faith Effort that has been made and to discuss the situation with the federal agency. A failure to respond to the notice may be taken as an admission that a valid explanation does not exist.

If the Contracting Officer has considered all pertinent data and finds that the campus or the Regents did fail to make a good faith effort, the Officer shall issue a final decision to that effect and require the Campus on behalf of the Regents to pay the Federal Government liquidated damages for the difference between the proposed goals and the actual dollars spent.

- e. **[Defense Federal Acquisition Regulations \(DFARS\)](#):** In addition to the FAR regulations, the Defense Federal Acquisition Regulations (DFARS) develop and maintain acquisition rules and guidance to facilitate purchasing staff as they acquire the goods and services required for [Department of Defense](#) contracts. These regulations apply whenever the University has a DOD research contract exceeding \$650,000 and requires the use of small businesses.
- f. **Campus Reporting to the Environmental Protection Agency Grant Awards with Fair Share Objectives-Title 40/Protection of the Environment, Chapter 1, Subchapter B, Part 35/Participation by Disadvantaged Business Enterprises:**

Federal Disadvantaged Business Enterprise (DBE) provisions affect procurement actions under EPA financial assistance agreements/grants.

The Environmental Protection Agency requires a Disadvantaged Business Enterprise Rule and Program provision in the Terms and Conditions of the grant agreement. The University departments holding these contracts and grants are required to make a good faith effort to achieve the requirements as stated.

The key functional components of the EPA Disadvantaged Business Enterprise Rule and Program are the following:

- i. DBE Overview Fact Sheet;
- ii. Fair Share Objectives;
- iii. Six Good Faith Efforts and Contract Administration Requirements;
- iv. MBE/WBE Reporting; and
- v. MBE/WBE Certification.

- 6. Office of the President - Procurement Services Department Required Reporting-State of California Small Business Report:** The University of California complies with all reporting requirements issued by the State of California. During the month of September the Office of the President - Procurement Services Small Business Coordinator collects purchasing, design, and construction small business data from campuses, medical centers, Agriculture and Natural Resources, and the Laboratory. The Coordinator then prepares the annual Small Business Utilization report for the California Governor's Office.

Part 4: Procurement Card Program:

A. General Information:

- 1. Instructions to Cardholders:** The Procurement Card Administrator, in coordination with the campus Controller, will provide mandatory training for cardholders and reviewers, regarding the use of the procurement card consistent with these procedures. Instructions will include:
 - a.** Procedures to ensure the appropriateness of the transaction and to prevent fraud, waste or abuse (e.g., controls requiring each purchase or class of purchases to be reviewed and approved in advance and/or subsequent to the transaction by a designated independent reviewing or approving official);
 - b.** Procedures requiring that invoices, packing lists, or other documentation identifying the items or services received are reviewed and approved by the cardholder and the designated reviewer. These controls will provide confirmation as to appropriate billing and receipt of the ordered item or service, and that the ordered and received items or services are the same as those requested;

- c. Spending limits for each transaction, spending limits for each day and each billing cycle, established by the Procurement Card Administrator and approved by the campus Controller;
 - d. Compliance with account and fund guidelines and approval processes as set forth in the University of California Accounting Manual;
 - e. Identification of goods and services that cardholders are authorized to purchase;
 - f. Identification of goods and services that cardholders are not authorized to purchase; and
 - g. Information regarding the need to comply with Sales and Use Tax requirements.
- 2. Applying for a Procurement Card:** Each application for a procurement card must be submitted by the proposed cardholder's unit to the Procurement Card Administrator. The application must be endorsed by the Chief Administrative Officer, Dean or designee of the unit. The request will indicate who will serve as the cardholder's reviewer(s). The format for such a request will be established by the Procurement Card Administrator.

The cardholder and reviewer will be required to complete procurement card training prior to issuance of a procurement card.

- 3. Reporting:** To provide timely controls over purchasing activities, the bank's procurement card system provides a daily transaction report, or electronic data, which lists each transaction necessary to properly manage and control the program. Various other reports are available at the close of each cycle, including a merchant summary which contains information that can be used to negotiate volume discounts with Suppliers. Sales tax; customer codes, e.g., job number, cost center; 1099 data; and minority Supplier information are captured automatically at the point of sale when a transaction occurs, *if the merchant is equipped to record such (level 3) data*. (NOTE: This data may not be adequate if a merchant is a level 1 or 2 merchant). To ensure sales or use taxes are paid when a Supplier does not collect the appropriate taxes, the campus should have a procedure to ensure that taxes are properly accrued for payment to the state.

Each card will be assigned a default accounting charge string. When the actual charge is imported, campus procedures may allow the charge to be processed using that string, or require that an alternative accounting string be used to record the transaction.

- 4. Source Documentation:** The cardholder must obtain source documentation from the Supplier, regardless of the manner in which the order was placed, (i.e. internet, phone, mail, fax, or in person), that is sufficient in detail to allow the reviewer to verify the items purchased.

Each campus will utilize the detailed procedures for defining acceptable forms of documentation outlined in this Policy (see also the UC Sales & Use Tax Manual).

B. Administrative Review:

- 1. Department Review:** The responsibilities of a cardholder, who is authorized to make purchases with a procurement card, must be separate from the individual assigned to conduct an administrative review of the purchase.
 - a. Department reviewers shall perform an independent administrative review of all purchase transactions for cardholders that are assigned to them.
 - b. If the department is too small to assign a reviewer, a reviewer from an outside department may be assigned.
 - c. The administrative review ensures that the following requirements are met:
 - i. The expenditure was properly authorized;
 - ii. The expenditure is described in sufficient detail on at least one document (web/email confirmation, Supplier invoice, packing slip, receipt, etc.); "miscellaneous supplies" is not sufficient;
 - iii. There is evidence that the items sold by the Supplier were actually received;
 - iv. The expenditure is appropriate, both in general terms and with regard to the specific fund source used. Although administrative personnel are not expected to understand exactly what technical items are to be used for, they should be able to identify questionable expenditures such as computer game software, inappropriate furniture, pet food supplies not relevant to experiments, and the like;
 - v. The document must be signed and dated, electronically or on paper, by the reviewer to indicate that an administrative review was performed.
 - vi. The review must be conducted in a defined period of time, based on individual campus requirements.
- 2. Program Review:** The purchasing unit will perform an administrative review of departmental purchase transactions to ensure program requirements are met. This review may be done on a sampling basis at the discretion of the campus. Each campus shall establish procedures for self-assessment to review the effectiveness of campus procurement policies and procedures.

The procedures, written by the purchasing unit and approved by the campus Controller, shall describe the types and frequency of reviews, sampling methodology to be used, and data retention requirements. Such assessments may include the following elements:

 - a. Review of a statistical sample of cardholder records (source documentation) to determine compliance with local procurement card policies and procedures.
 - b. System edits data mining, and/or visual inspection of transaction records to identify questionable transactions, sufficiency of purchase descriptions

and transaction amounts, potentially unallowable costs, purchases of restricted items, split transactions, or potential fraud, waste or abuse.

- c. Ensure reviewers perform an administrative review of all purchase transactions within the defined period of time.
- d. Documentation of corrective action taken.

C. Detailed Procedures: In most cases, procurement card procedures should parallel a department's established procedures for acquisition and procurement of low-value purchases. However, to prevent fraud or misuse of such cards, each department shall establish additional control procedures as follows:

1. **Card Controls:** The individual whose name appears on a card is responsible for protecting that card and is accountable for all purchases made using that card number. The cardholder may not share their procurement card or number with any other person. To safeguard against the unauthorized use of the card, all orders placed using a card should be made only by the cardholder. Although the cardholder is subject to disciplinary action if the card is misused, liability for procurement card charges resides with the University, not the cardholder.

Before issuance of a card, each cardholder shall be required to sign a statement acknowledging receipt of the card and agreeing to be bound by the terms and conditions of University procurement card use.

2. **Cardholder Limits:** Each campus shall institute the following point-of-sale controls to impose additional purchasing limits on each cardholder:
 - a. Dollar limit per transaction;
 - b. Total dollar amount allowed per day; and
 - c. Total dollar amount allowed per cycle.
3. **Merchant Category Restrictions:** Cardholders may be restricted from purchasing certain items or services. Each campus may set restrictions by assigning a group of permitted Merchant Category Codes (MCC) to each cardholder. Permitted Supplier types are checked automatically at the point of sale using codes based on North American Industry Classification System (NAICS) designations. For example, a campus could exclude purchases from Suppliers of controlled substances, or radioactive materials.
4. **Department Cards:** No campus may issue a single procurement card for use by multiple employees.
5. **Convenience Checks:** No campus may request or use checks provided by the issuing bank for charges against a University procurement card.
6. **Issuance of Procurement Cards to Purchasing Unit Employees:** Purchasing cards may be issued to employees within the central purchasing unit, if the use thereof is supported by a specific business need and guidelines for use are implemented. The campus Controller shall approve all requests to issue procurement cards to central purchasing unit employees.

- 7. Issuance of Procurement Cards to Non-University Employees:** Cards shall be issued only to University faculty and staff. Any exceptions must be approved by the campus Controller. Upon approval, these individuals must complete the same training required as University employees, prior to receiving a procurement card or assuming their role.
- 8. Cardholder Authorization and Approving Official Designation:** At the time a card is authorized, the Procurement Card Administrator must formally:
 - a. Authorize a specific cardholder to commit funds for the University, and identify the individual spending limits imposed by the campus.
 - b. Maintain records documenting cardholder and reviewer assignments.
- 9. Disputes:** Each cardholder shall be responsible for promptly resolving all disputed transactions with the issuing bank and the merchant. Cardholders must formally notify the issuing bank and the Procurement Card Administrator within 60 days (or within a shorter period if specified by individual campus procedures) of disputed transactions appearing on the cardholder's account statement. Although the Procurement Card Administrator will track the disputed transaction to attempt resolution, the cardholder remains responsible for pursuing the matter to resolution.
- 10. Payment Mechanism:** Each purchasing unit may implement guidelines for use of a procurement card as a payment mechanism, which are subject to the approval of the campus Controller. This may include use of the purchasing card as the payment mechanism for e-procurement systems, use of a purchasing card to pay ongoing or recurring charges (i.e. cell phone or bottled water) and use of ghost accounts (where no physical card is issued) for payments to a specific Supplier.
- 11. Procurement Card User Population:** Each campus shall determine the number of procurement cards required to meet operational requirements, while also assuring adequate training, certification, audit, assessment, and supervision of the procurement card user population.
- 12. Training:** Each cardholder and reviewer must complete training prior to receiving a procurement card or assuming their role. Upon completion of training, the cardholder must sign an agreement stating he/she acknowledges and understands the requirements associated with the proper use of the card.
 - a. New Cardholder Training:** Training for proposed cardholders will include:
 - i. Review of local policies and procedures regarding procurement card usage;
 - ii. Restrictions and prohibitions regarding use of the procurement card (e.g., unallowable costs, restricted items, split orders, dollar spending limitations, participation in promotional programs that result in personal gain);
 - iii. Ramifications for misuse or abuse of the procurement card;

- iv. Dispute resolution and importance of timely resolution;
- v. The need to safeguard the procurement card at all times;
- vi. Reporting a lost or stolen procurement card or compromised account number;
- vii. Documentation requirements (e.g., requests and approvals, invoices, receipts, packing lists, or other documentation confirming billing and receipt, etc.) and document retention requirements;
- viii. Procedures for the administrative review of each purchase transaction;
- ix. Sales and Use Tax requirements;
- x. Source and Supplier restrictions;
- xi. Property management considerations (e.g., pre-approvals, restrictions and prohibitions, tagging, etc.);
- xii. Role of the Reviewer;
- xiii. Methods of oversight and types of reviews;
- xiv. Sanctions for noncompliance with policies and procedures; and
- xv. Proper procedures for surrendering procurement cards upon transfer to a new department, termination of employment or retirement.

Part 5: Refresher Training: Cardholders and reviewers are required to complete refresher training annually.

VI. RELATED INFORMATION

[California Public Contract Code Division 2 - General Provisions, Part 2, Contracting by State Agencies, Chapter 2.1, University of California Competitive Bidding](#)

[Article 2 - Materials, Goods, and Services \(§§10507.5-10510\)](#)

[Article 4 - Conflict of Interest \(§§10515-10518\)](#)

[Article 5, Remedies and Penalties \(10520-10526\)](#)

[California Labor Code Part 7, Public Works and Public Agencies, Chapter 1, Public Works and Public Agencies, Article 2: Wages \(§§ 1770, 1771, 1773, and 1776\)](#)

[Regents Bylaw 12, Composition and Powers](#)

[Regents Bylaw 30, President of the University](#)

[Regents Policy on Procurement of Foreign-Made Equipment, Materials, or Supplies Produced by Forced, Convict, or Indentured Labor](#)

[Policy on HIPAA Business Associates](#)

[IS-3 Electronic Information Security](#)

[University Guidelines on Contracting for Services and Formal Notice](#)

[Policy to Ensure Equal Opportunity in University Business Contracting](#)

[Policy Regarding Employee-Vendor Relationships](#)

[Administrative Guidelines on the Procurement of Foreign-Made Equipment, Materials, or Supplies. Produced by Forced, Convict, or Indentured Labor](#)

[Sustainable Practices Policy](#)

[Sustainable Procurement Guidelines](#)

[University Facilities Manual](#)

[Business and Finance Bulletin BUS-2, Tax-Free Alcohol Permits, Records, and Operations](#)

[Business and Finance Bulletin BUS-29, Management and Control of University Equipment](#)

[Business and Finance Bulletin BUS-38, Disposition of Excess Property and Transfer of University-Owned Property](#)

[Business and Finance Bulletin BUS-50/Controlled Substances Program](#)

[Business and Finance Bulletin BUS-54, Operating Guidelines for University Supply Inventories](#)

[Business and Finance Bulletin BUS-56, Procurement/ Supply Chain Management: Purchases from Entities Violating State or Federal Water or Air Pollution Laws](#)

[Business and Finance Bulletin BUS-63, Insurance Requirements - Certificates of Insurance](#)

[Business and Finance Bulletin BUS-81, Insurance Programs](#)

Additional Resources for Small and Diverse Businesses:

Diverse Business Classifications by Governmental Source

TERM	SOURCE
Small Business (SB)	<u>State of California Department of General Services (DGS) Procurement Division, Small Business Eligibility Requirements.</u>
Disadvantaged Business Enterprise (DBE)	Proposition 209 modified the California Constitution to make contracting on the basis of race and gender unconstitutional. This proposition was upheld by the <u>Ninth Circuit Court of Appeals case, Monterey Mechanical</u> that determined MBE/WBE contracting was unconstitutional. <u>The effect on Public Contract Code Section 10115.15</u> was to leave the DVBE program intact. Therefore, such businesses are considered Disadvantaged Business Enterprises.
Disabled Veteran Business Enterprise (DVBE)	<u>https://www.dgs.ca.gov/PD/Services/Page-Content/Procurement-Division-Services-List-Folder/Certify-or-Re-apply-as-Small-Business-Disabled-Veteran-Business-Enterprise</u>

TERM	SOURCE
<u>Code of Federal Regulations (CFR)</u>	
Title 13 Code of Federal Regulations (CFR) – Small Business Administration	
<u>Federal Regulations (FAR)</u>	
i. FAR Part 19 - Small Business Programs	
ii. FAR Part 52.219 - Small Business Programs Provisions and Clauses	
Small Business (SB)	U.S. Small Business Administration (SBA)
Small Disadvantaged Business (SDB) 8(a)	U.S. Small Business Administration (SBA) 8(a) Business Development Program
HUBZone	U.S. Small Business Administration (SBA) Office of the HUBZone Program
Service-Disabled Veteran-Owned Small Business (SDVOSB)	U.S. Small Business Administration (SBA) Veteran-Owned Businesses
Veteran Owned Small Business (VOSB)	U.S. Small Business Administration (SBA) Veteran-Owned Businesses
Historically Black Colleges/Minority Institutions (HBCU/MI)	DFARS Notice of Historically Black College or University and Minority Institution Set-Aside (1994)
Alaska Native Corporations (ANC)	U.S. Small Business Administration 8(a) Business Development (BD) Program for Alaskan Native Corporation-Owned Concerns
<u>Environmental Protection Agency (EPA)</u>	
Disadvantaged Business Enterprise (DBE)	Environmental Protection Agency (EPA) Disadvantaged Business Enterprise (DBE) Program (Includes Minority Business Enterprise (MBE) and Women Business Enterprise(WBE))
Fair Share Objectives	Environmental Protection Agency (EPA) Fair Share Objectives
Good Faith Efforts	Environmental Protection Agency (EPA) Good Faith Efforts

VII. FREQUENTLY ASKED QUESTIONS

Not applicable.

VIII. REVISION HISTORY

April 21, 2020: This policy was revised to: 1) update the definitions of procurement contract, purchase order, and purchase agreement in Section II: Definitions and 2) add language on when to use a procurement contract or purchase order in Section III, Part 1: Purchase Transactions.

December 20, 2019: Technical revision, December 20, 2019: replaced the inaccurate information found in Section III, Part 6, D.6: Retention of Documentation with the approved standard policy language on Records Retention Schedule Information.

April 12, 2019: This Policy was updated on April 12, 2019 to: 1) update the terminology relating to Procurement/Supply Chain Manager to Procurement/Supply Chain Director; 2) update the definitions relating to formal competitive bidding from issued publicly by UC to issued publicly by Campus Procurement or qualified entity (e.g. GPO); 3) update the definitions relating to informal competitive quotation by removing submitted in accordance with solicitation from the Procurement/Supply Chain Manager, Commodity Manager or Buyer; 4) update the definitions relating to Small Business Officer to include biannual federal e-SRS reporting on Subcontract plans; 5) add a policy relating to negotiating with bidders; 6) update the exemption from the requirement to competitively bid goods and services section to include usage of the source selection & price reasonableness form; 7) update the unauthorized purchases section to include reimbursement or payment of unauthorized purchases require policy exception authority and/or designee(s); 8) update low value purchases section by removing shall apply to granted additional purchasing authority; 9) update low value purchases section by adding definition of functional reporting; 10) update low value purchases section by adding the amount of additional authority; 11) update procurement card program section by adding or office of record; 12)) update procurement card program section by adding the retention of documentation to seven years after award close out or end of project research; 13) changed the title of responsible procurement authority section to strategic sourcing director; 14) changed the campus controller section to campus controller or office of record; 15) added the \$250,000 small business purchase threshold in the supplier diversity and federal planning and reporting section and 16) generally update the Policy's language and make it consistent.

November 17, 2017: This Policy was updated on November 17 2017 to: 1) update the definitions relating to exceptions from the requirement to competitively goods and/or services contracts for more than \$100,000 annually; 2) encourage competition even when an exception applies, and require documentation of the decision to apply an exception; 3) require approval when the University's template documents are not used; 4) provide that Locations and their Public Records or Information Practices Coordinators should consult with the Office of General Counsel if they receive Public Records Act requests during the course of a procurement process or after an RFP is cancelled; 5) add a policy relating to debarring suppliers; 6) update the dollar threshold applicable to Prevailing Wage Services; 7) limit the circumstances under which "after the fact" Fair Wage/Fair Work exceptions may be approved; 8) provide that contract duration (including the initial term plus all amendments or renewals) may not exceed ten years unless an exception to policy is approved; 9) provide that price may not have less than a 25% weight when the Best Value evaluation method is used; 10) update provisions pertaining to leases; 11) increase the low-value purchase ceiling for individual purchases from \$5,000 per transaction, to \$10,000; 12) update language applicable to purchases that are federally funded; 13) generally update the Policy's language and make it consistent; and 14) eliminate most hyperlinks.

This Policy was remediated in accordance with Web Content Accessibility Guidelines (WCAG) 2.0.

October 19, 2016: Revision to update the Fair Wage/Fair Work policy that is applied to services performed at locations owned or leased by UC, including certain endowment or

investment properties, annual audit requirement will not apply to Fair Wage/Fair Work services that are subject to State of California prevailing wage law, since these service providers are already highly regulated by the Department of Industrial Relations, effective October 19, 2016.

October 1, 2015: Revision to BUS-43 Procurement/ Supply Chain Management to address the Affordable Care Act, Prevailing Wage Legislation, and the Fair Wage/Fair Work Initiative, effective October 1, 2015.

April 10, 2014: Revision to BUS-43/Procurement/ Supply Chain Management to address some legal changes, to remove the attachments to this Policy which are all now residing on the home department's websites, and to update links, professional titles, and references, April 10, 2014.

February 1, 2013: Addition of policy and procedure related to the passage of SB 1280 (adding Public Contract Code 10507.8) and update some of the language in the Policy, February 1, 2013.

July 1, 2012: Revision to BUS-43/Procurement/ Supply Chain Management to put the Policy into the standard University of California template effective July 1, 2012.

July 7, 2011: Revision to BUS-43/Procurement/ Supply Chain Management

June 12, 2011: Revision to BUS-43/Procurement/ Supply Chain Management

December 15, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

November 10, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

October 1, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

August 10, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

May 7, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

April 15, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

March 31, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

December 10, 2008: Revision to BUS-43/Procurement/ Supply Chain Management

August 6, 2007: Revision to BUS-43/Procurement/ Supply Chain Management

May 15, 2007: Revision to BUS-43/Procurement/ Supply Chain Management

March 23, 2006: Revision to BUS-43/Procurement/ Supply Chain Management

June 24, 2005: Revision to BUS-43/Procurement/ Supply Chain Management

August 5, 2004: Revision to BUS-43/Procurement/ Supply Chain Management

February 5, 2004: Revision to BUS-43/Procurement/ Supply Chain Management

May 31, 2000: Revision to BUS-43/Procurement/ Supply Chain Management

August 1, 1999: Revision to BUS-43/Procurement/ Supply Chain Management



BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Responsible Officer:	AVP – Chief Procurement Officer
Responsible Office:	PS – Procurement Services
Issuance Date:	4/21/2020
Effective Date:	4/21/2020
Last Review Date:	3/18/2020
Scope:	All Campuses, Medical Centers, Agriculture and Natural Resources and Lawrence Berkeley National Laboratory

Contact:	Office of the Chief Procurement
Title:	CPO Officer
Email:	ProcurementAdmin@ucop.edu
Phone:	(510) 987-0474

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I. POLICY SUMMARY

A. The procurement policies and procedures in this Bulletin are based upon:

1. California Public Contract Code, Part 2, Contracting by State Agencies, Chapter 2.1, University of California Competitive Bidding, Article 2, Materials, Goods, and Services (Public Contract Code Section 10507, et seq.)
2. The Bylaws and Policies of The Regents of the University of California; and

3. Policies issued by the President of the University.
- B. In addition, these policies and procedures provide for appropriate implementation of the policies and requirements of the funding agencies for federal contracts and grants, and other extramural agreements, which includes:
1. Recognition that the interests of the people of the State of California are paramount and that University Procurement/Supply Chain Management policies and practices should be developed to best serve those interests,
 2. Recognition that the basic purpose of Procurement/Supply Chain Management is to support the teaching, research, and public service missions of the University of California (University) in a cost effective manner,
 3. Continuing development and refinement of University procurement policies in accordance with good business judgment and normal business practice as applicable to the University's total operations, and
 4. The University is committed to maintaining high standards of performance based upon fair, ethical, and professional business practices. To further this end in the implementation of its purchasing policies and procedures, the University expects each Procurement/Supply Chain Director , and others authorized by the Procurement/Supply Chain Director to make purchases, to abide by the [Principles and Standards of Ethical Supply Management Conduct](#) of the [Institute for Supply Management \(ISM\)](#) and the Code of Ethics of the [National Association of Educational Procurement \(NAEP\)](#).

II. DEFINITIONS

Asian-Pacific Americans: United States citizens whose origins are in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territory of the Pacific Islands, (Republic of Palau), the Northern Mariana Islands, Laos, Kampuchea (Cambodia), Taiwan, Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Republic of the Marshall Islands, the Federated States of Micronesia, Macao, Hong Kong, Fiji, Tonga, Kiribati, Tuvalu, or Nauru.

Associate Vice President and Chief Procurement Officer: Office of the President Representative with facilitative, consultative, and coordinative oversight and responsibility for the Procurement/Supply Chain Management, Procurement Services, and Strategic Sourcing functions of the University and administrative responsibility for the management of the Office of the President Procurement Services Unit.

Best Value: The most advantageous balance of price, quality, service, performance, and other elements as defined by the University, achieved through methods in accordance with Public Contract Code Section 10507.8 and determined by objective performance criteria that may include price, features, long-term functionality, life-cycle costs, overall sustainability, required services, and the reduction of overall operating costs included in the proposal.

Best Value Agreement: An agreement entered into pursuant to the Best Value bid evaluation methodology.

Best Value Awardee(s): The lowest responsible bidder or bidders that are awarded an agreement for goods, materials, and/or services through the use of Best Value bid evaluation methodology.

Best Value Criteria: Criteria set forth in subdivision (d) of Public Contract Code Section 10507.8.

Bid Authorization Threshold: Any single Purchase Agreement or Purchase Order involving an estimated expenditure of more than \$100,000 annually for goods and/or services to be sold to one or more Locations.

Bidder: An entity (individual or an organization) that participates in a University formal bid process.

Cardholder: An individual who has been delegated written authority to use a procurement card by the campus Procurement/Supply Chain Director.

Card Program Authorized Signer: Individual(s) designated by the Chancellor or the VP of ANR (or his/her designee) to authorize issuance of procurement cards and to implement card limits and controls.

Card Program Reviewer / Approver: An individual(s) at a supervisory level who is responsible for reviewing and/or approving purchases made by the Cardholder. Reviewers may not be in a subordinate relationship to the cardholder. A review shall not be assigned transaction verification for more than 10 procurement cardholders. (See exception procedures noted in Section IV/Compliance/Responsibilities, Part F/Responsibility and Authority for the Procurement Card Program, Sub-Section 4/Reviewer).

Commodity Agreements: Primary and/or secondary strategically sourced agreements designated for supply of goods and/or services to the University that were awarded as a result of competitive bid process or negotiation. These agreements are for indefinite quantities during a period of time at firm prices or with an established basis for negotiated price changes.

Commodity Manager: A manager or buyer assigned responsibility on a University-wide basis for coordinating standards and specification development covering specific commodities, or groups of commodities. A Commodity Manager develops a commodity strategy and leads a team with representation from Locations on the development of the initiative plan, the research for developing product specifications, creation of the Request for Proposal documents, and then leads the team through the bidding and award processes. The Commodity Manager at the Office of the President also manages the resulting Systemwide agreement(s) on an ongoing basis.

Common Goods and Services: Standard commercial equipment, materials, supplies, and services readily obtainable through conventional commercial marketing channels.

Conditional Sales Contract: A written contract, executed by the University and the seller, containing the essential terms and conditions under which the University gets possession and the right to use the personal property, though the seller retains title to the property as its security until total payment is made, at which time title passes to the University of California.

Construction: Construction includes moving, demolishing, installing, building, altering, repairing or improving a structure, facility, road, other improvement, or system according to a plan or by a definite process. Construction consists of the application of any of these techniques to any physical plant facilities such as structures, utilities, excavations, landscaping, site improvements, drainage systems, and roads. Exterior and interior painting of new structures is a form of construction. All contracting associated with construction is governed by the UC Facilities Manual and the associated policies and templates therein. **Note:** For prevailing wage requirements only, construction also includes the following Moving Services:

- (a) assembly or disassembly of freestanding or affixed modular furniture systems,
- (b) affixing any good to real property,
- (c) certain wall attachments (beyond a typical picture hanging).

Consultant: A consultant is a supplier that provides primarily professional or technical advice. Generally, the University does not control either the manner of performance or the result of the services. Consultants are subject to restrictions in the Public Contract Code regarding follow-on contracts.

Criteria: Element(s) included in the qualitative and price/cost factors for bid evaluation.

Department of Industrial Relations (DIR): State of California agency that has the responsibility for ensuring that employers are administering Labor Law and Health and Safety regulations and guidelines in a compliant manner. Parent agency of the Division of Labor Standards Enforcement (DLSE) that grants Sheltered Workshop Licenses for Disabled Workers.

Delegation of Authority: In accordance with Personnel Policies for Staff Members (General Provisions), the authorities and responsibilities delegated to the Chancellor in this policy may be delegated to the Procurement/Supply Chain Directors

Director, Strategic Sourcing: Office of the President Representative with facilitative, consultative, and coordinative responsibility for the Procurement and administrative responsibility for the Strategic Sourcing Initiative in selected commodity categories.

Disabled Veteran: A veteran of the U.S. military, naval, or air service with a service connected disability who is a resident of ~~the United States~~ California. To qualify as a veteran with a service connected disability, the person must be currently declared by the U.S. Department of Veterans Affairs to be 10% or more disabled as a result of service in the armed forces. (California Military and Veterans Code, Article 6, §999 et seq.)

Disabled Veteran Business Enterprise (DVBE): Business certification offered by the State of California Office of Small Business and DVBE Services (OSDS). To be certified as a DVBE firms must meet the following requirements: Athe business ~~that must be~~ at least 51% owned by one or more disabled veterans; if a limited liability company, the business must be wholly owned by one or more disabled veterans; or, in the case of any publicly owned business, at least 51% of the stock of which is owned by such individuals and whose management and daily business operations must be managed areand controlled by one or more ~~of such individuals~~ disabled veterans.

Disadvantaged Business Enterprise (DBE): A business concern which is at least 51% owned by one or more socially and economically disadvantaged individuals or, in the case of any publicly owned business, at least 51% of the stock of which is owned by such individuals and whose management and daily business operations are controlled by one or more of such individuals (includes MBE (Minority Business Enterprises) as well as WBE (Women's Business Enterprises). Like the other groups, this group advocates for policies that support small businesses and provide opportunities for small businesses, it provides technical and financing training, and it produces data on the successes/challenges of Small Disadvantaged Business Enterprises throughout the country. It also works to connect people with other programs, like the EPA Fair Share Objectives Program.

Business owners who certify that they are members of named groups (Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent-Asian Americans) are to be considered socially and economically disadvantaged.

Economically Disadvantaged Individuals: Socially disadvantaged individuals whose ability to compete in the free private enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area that are not socially disadvantaged.

Employee: Any individual who is presently employed by the University.

Employee – Supplier Relationship: A relationship in which:

1. An employee, acting alone, proposes for a consideration to lease or sell goods or to provide services to University of California departments; or
2. An employee who owns or controls more than 10% interest in any business which proposes for a consideration to lease or sell goods or to provide services to University of California departments; or
3. A former employee acting alone, proposes for a consideration to lease or sell goods or to provide services to University departments; or
4. The near relative of an employee, acting alone, proposes for a consideration to lease or sell goods or to provide services to University departments, when the employee has, in any connections with his or her University employment, any responsibility for or will be involved in any manner, in the department's decision to accomplish or approve the transactions; or
5. The near relative of an employee owns or controls more than a 10% interest in a business, which proposes for a consideration to lease or sell goods or to provide services to University departments, when the employee has, in any connection with his or her University employment, any responsibility for or will be involved in any manner in the department's decision to accomplish or approve the transactions.

Employee with Teaching or Research Responsibilities: An academic appointee who is engaged in teaching and/or research activities, and certain staff employees (e.g., Staff Research Associates) who may participate in teaching or research activities.

Escalation Authority: The individual to whom the Policy Exception Authority reports, or such individual's designee.

Executing Official: An individual who has the authority to purchase Goods and/or Services on behalf of the University.

External Financial Loan: Funds borrowed from external sources, such as banks, for the purpose of financing the purchase of personal property.

Factors: Individual qualitative criteria that the University determines to be important elements for evaluation of bids and successful agreement award(s).

Fair Share Objectives: A program developed by the Environmental Protection Agency, Fair Share sets aside a percentage of their procurement opportunities that are funded by the EPA financial assistance agreements. All EPA groups are to ensure that they are promoting contracting with MBEs and WBEs.

Fair Wage/Fair Work Services: Fair Wage/Fair Work Services include all services to be performed for the University at one or more UC Locations. Fair Wage/Fair Work services requirements do not apply to: (i) contracts funded by extramural awards containing sponsor-mandated terms and conditions, or (ii) endowment or investment property where the purpose is to generate income from the general public, except to the extent such property is used by the University in furtherance of its mission.

Federal Contracts and Grants: Extramural agreements which fund selected campus activities, and prime contracts governing Laboratory operations.

Former Employee: An individual who was retired or separated from the University, was dismissed, or was otherwise formerly employed by the University.

Formal Competitive Bidding: A set of documents issued publicly by Campus Procurement or qualified entity (e.g. GPO), inviting offers (bids, proposals or quotations) for the selection of suppliers, contractors or service providers to fulfill specific requirements.

Good Faith Efforts: Good Faith Efforts are required methods that all EPA financial assistant agreement recipients have the ability to compete for these EPA-funded assistance dollars. The six tenets that the program is built upon are called “The Six Good Faith Efforts.”

Historically Black College or University and Minority Institution (HBCU/MI): Colleges and universities that meet the requirements of 34 CFR-Section 608.2, as determined by the Secretary of Education. These Minority Institutions also meet the requirements of Section 1046(3) of the Higher Education Act of 1965 (20 U.S.C.-1135d.5 (3)). The terms can also include Hispanic-Serving Institutions as defined in Section 316(b)(1) of such previously mentioned Act (20 U.S.C. 1059c(b)(1)).

HUBZONE (HUBZone) Business: Businesses with their primary location in historically underutilized business zones. These businesses, like many other Socially Disadvantaged Businesses are often able to participate in special programs related to business and marketing. Preferences in contracting sometimes go to these businesses since their owners are attempting to promote their businesses in areas with high-unemployment and low income, often located in economically distressed communities.

Incentive: Payment offered to the University by a supplier to provide additional consideration or compensation to encourage the purchase of goods and/or services

from that supplier. Incentives include, but are not limited to: Gifts, whether monetary or free goods or services; cash or credits based on total purchases; and any other value-added goods or services offered at no charge or at a substantially reduced cost to the University including provisions for research grants or fellows.

Indian Tribal Governments (Tribes) and Alaska Native Corporation (ANC): Indian tribal governments and Alaska Native Corporations (the Alaska equivalent of tribes) have the primary responsibility for promoting economic development. On the premise that it is both appropriate and necessary to use the federal government's massive procurement activity to help jump-start reservation economies, Congress has given Tribes and Alaska Native Corporations unique rights in the federal procurement process. These rights provide the federal agencies and federal contractors with strong incentives to contract with tribal and ANC firms.

Informal Competitive Quotation: Responsive price quotations from a minimum of three qualified suppliers.

Inventorial Equipment: Non-expendable, tangible personal property which has an acquisition cost of \$5,000* or more, is free-standing, is complete in itself, does not lose its identity when affixed or installed in other property, and has a normal life expectancy of one year or more. These property items are tagged and are controlled by Equipment Management at each location.

* See [Business and Finance Bulletin BUS-29/Management and Control of University Equipment](#) for full definition of *Governmental Inventorial Equipment*.

Laboratory: Lawrence Berkeley National Laboratory.

Location: A location is the Office of the President, or a University campus, medical center, Agriculture and Natural Resources site, or Laboratory.

Low-Value Purchase Authorization (LVPA): The authorization that may be granted by the Procurement/Supply Chain Directors to individuals in departments outside the purchasing department. Each such delegation of authority shall be in writing and shall contain written guidance adequate to ensure observance of good business practices and compliance with University purchasing policy. (See Section III Policy Text, Part 1/Purchase Transactions, Sub-Section I. Low-Value Purchases for the guidelines to be observed in administering Low-Value Purchase Authorizations.)

Maintenance: Maintenance is the upkeep of property, machinery, and facilities, including buildings, building and utility systems, roads, and grounds. Maintenance usually is characterized by its routine or recurring nature, the purpose of which is to keep facilities and systems in good working order. It consists of the preservation of buildings and grounds, other real property improvements and their components such as elevators, boilers, refrigerators, air conditioners, and other equipment which is a fixed part of a structure or a grounds installation (including coverings of floors, walls, and windows). It may include replacement of components and equipment if replacement is required on a routine or recurring basis, and if the work is not an upgrade or does not constitute replacement of greater than 50% of the replacement value of that system. Maintenance does not include the erection, construction, alteration, repair, or

improvement of any University structure, building, road, or other improvement. Refer to Volume 6 of the UC Facilities Manual for applicable policies and definitions.

Native Americans: American Indians, Eskimos, Aleuts, and native Hawaiians.

Near Relative: The spouse, child, parent, brother, sister, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of a University employee, and step-relatives in the same relationship. *Near relative* also includes the domestic partner of a University employee and a relative of the domestic partner in one of the foregoing relationships.

Office of Small Business and DVBE Services (OSDS): The Office of Small Business and DVBE Services (OSDS) is the State of California's certifying agency that administers the small business, small business for the purpose of public works, and DVBE certification programs.

Personal Property: Any movable item subject to ownership; material, but not real property.

Personal Services: Technical or unique functions performed by a supplier that is distinctly qualified to render the services. Personal services are of a nature that the University would consider the supplier's experience, qualifications and skills to be more important than comparative cost when selecting a supplier. Examples of personal services include translation services, technical editing, technical appraisals, transaction valuation, coaching, interior decorating, and contracts with musicians, artists and others in the performing arts.

Policy Exception Authority: The Chief Procurement Officer for a non-UC Health Systemwide or Office of the President contract; the AVP, UC Health Procurement for a UC Health Systemwide contract; and otherwise by the Procurement/Supply Chain Director of the campus, medical center, or Laboratory.

Pool Purchase: A purchase transaction involving two or more Locations which provides that definite or guaranteed minimum quantities of specified items be purchased at fixed prices during a stated period. Pool purchases normally are made on a regularly scheduled basis one or more times a year.

Prevailing Wage: The Prevailing Wage is the specific wage rate set by the State of California Department of Industrial Relations for all workers on a Public Work according to the type of work and location. The Department also sets specific audit and reporting requirements encompassing production and retention of certified payroll. UC typically complies with these state requirements by policy. The federal government also establishes prevailing wage rates and reporting requirements applicable in certain instances utilizing federal funding. For federally funded services, UC will apply the more stringent prevailing wage requirements between federal and state law.

Price Schedules: Agreements designated as an optional vehicle for supply of goods or services to the University. Such agreements have not been competitively bid, and therefore are not to be used in lieu of securing competition for all purchases over the bid threshold of \$100,000 annually.

Procurement Card Program Administrator: An individual who is responsible for the day-to-day management and operation of the procurement card program at each Location.

Procurement Contract: A fully executed (signed by both parties) legally binding agreement for the procurement of goods and/or services by the University that defines performance standards, scope of work, and complex terms associated with the purchase of a good or service.

Procurement/Supply Chain Director: Location official responsible for Procurement or Supply Chain Management functions, which generally include purchasing, receiving, storehouse operations, and equipment management. This definition also includes designees of a Procurement/Supply Chain Director.

Procurement Leadership Council (PLC): The Procurement Leadership Council is a shared governance body composed of 11 voting members (the Systemwide CPO and the 10 Campus CPO/Procurement Directors) and 3 non-voting members from the Systemwide procurement function (Strategic Sourcing, Analytics & Systems, and the Program Management Office/Chief of Staff). The PLC exists to continuously improve UC supply chains through innovation and collaboration.

Professional Services: Highly specialized functions, typically of a technical nature, performed by a supplier that, with respect to the services to be rendered, most commonly a) has a professional license; b) is licensed by a regulatory body; and/or c) is able to obtain professional errors and omissions insurance. Professional services are of a nature that the University would consider the supplier's experience, qualifications and skills to be more important than comparative cost when selecting a supplier. Examples of professional services include medicine and related medical services, and legal, accounting, architectural, and engineering services.

Project: The erection, construction, alteration, repair, or improvement of any University structure, building, road, or other improvement that will exceed in cost, including labor and materials, a total of \$100,000.

Proprietary Products and Services: A product or service made and marketed by a supplier having the exclusive right to manufacture and sell.

Public Works Project: California law provides that a Public Work includes maintenance, construction, alteration, demolition, installation or repair work in excess of \$1,000, done under contract with a public agency and paid for in whole or part with public funds. UC typically complies with state prevailing wage requirements by policy. Note: The following work is also typically considered a Public Work:

- (a) laying of carpet done under contract or under a building lease-maintenance contract.
- (b) renewable energy work performed on UC property in California is considered a Public Work if done under contract and more than 50% of the energy generated will be purchased by UC or the work is primarily intended to reduce UC's energy costs.
- (c) hauling of refuse from a Public Work site to an outside disposal location is considered a Public Work.

Purchase Agreement: See Procurement Contract.

Purchase Order: A commercial document issued on a University Purchase Order form (print or electronic) authorizing a supplier to furnish goods and/or services to the University according to the stated terms (descriptions, quantities, prices, payment terms, and shipment/delivery dates). A Purchase Order forms a one-time contract when issued by the University and performed by the supplier; it is only valid for the purchases referenced on the Purchase Order.

Real Property: Land and/or improvements including affixed structures and any other building space or variant of these such as prefabricated structures, mobile or portable, or light tension structures. This definition includes temporary or permanent structures and improvements.

Reasonable Price: A price that does not exceed that which would be incurred by a prudent person in the conduct of a competitive business. Reasonable price can be established by market test, price or cost analysis, or the experience and judgment of the Procurement/Supply Chain Director. Such judgment considers total value to the University. There is value to the University in purchases which meet the University's needs, such as those involving quality, quantity, delivery and service. A reasonable price need not be the lowest price available, but is one which offers the highest total value to the University. For transactions above \$100,000, reasonable price is established through competition sufficient to ensure an adequate market test, or set by applicable law or regulation, or supported by an appropriate price or cost analysis.

Responsive Bidder Quotation: A quotation determined by the Procurement/Supply Chain Director to be in substantial conformance with the specifications, delivery requirements, and conditions prescribed in the request for quotation, free of material mistakes or errors.

Responsible Bidder: A bidder who has the capability in all respects to fully perform the contract requirements and whose integrity and reliability will assure good faith performance. Factors considered in evaluating responsibility may include: financial resources, past performance, delivery capability, experience, organization, personnel, technical skills, operations controls, equipment, and facilities.

Service: Labor performed for another; useful labor that may or may not produce a tangible commodity. Service includes, but is not limited to: bookstore operation; use of security guards; transportation; computer programming; clothing rental and cleaning; laundry; tests and analysis; film processing; janitorial work; window washing; rubbish and waste removal; and service and repairs to office equipment, transportation equipment, laboratory and medical equipment, and musical instruments. (See also Personal and Professional Services.)

Service-Disabled Veteran-Owned Small Business (SDVOSB): This program provides small business support to Service-Disabled Veterans. The program provides training, business resources for people with disabilities, counseling, assistance, networking opportunities, and financial assistance for those who qualify for a variety of loan and grant programs. Additionally, this program also connects Service-Disabled Veteran Small Business Owners to government contracting opportunities.

Small Business (SB): A Small Business ~~Enterprise~~ is an independently owned and operated concern certified, ~~or~~ certifiable, or self-certified as a small business by the Federal Small Business Administration (SBA), by applicable state or local government agencies (such as the California Department of General Services Office of Small Business ~~&and DVBE Services-Disabled Veteran Business Enterprise~~) and other recognized certifying agencies or 'councils.

Small businesses are generally considered business organizations that are independently owned and operated, not dominant in their field of operation nationally, their-with principal offices ~~are~~ located in California-the U.S. or its territories, depending on certifying agency and meet specified size standards to be considered small (these are variable depending on the council or agency offering certification). See Diverse Business Classifications by Government Source in Section VI. Related Information for additional definitions and resources related to Small Business and Supplier Diversity~~whose owners are domiciled in California and then have either 100 or fewer employees, \$14,000,000 or less in gross receipts, a manufacturer with 100 or fewer employees, or a micro-business (a Small Business with less than \$3,500,000 in gross receipts).~~

Small Business Administration (SBA): The United States Small Business Administration.

Small Business Officer: A University employee who is responsible for implementing the Small Business and/or Supplier Diversity Program at their Location. This employee may have another title and only do work on Small Business/Supplier Diversity as a portion of their responsibilities. This employee generally assists departments in preparing Small Business Subcontracting Plans, biannual federal e-SRS reporting on Subcontract Plans and in completing the final paperwork related to small business/diverse expenditures when the project is done. ~~This~~ employeeSBO also assists the campus-Location in identifying small, local, diverse, disadvantaged, and ~~D~~disabled ~~v~~Veteran-oOwned business entities for the purchase of goods and services. This employee may also have responsibility for filing annual Small Business Reports with Office of the President that are ultimately delivered to the California State Joint Legislative Budget CommitteeGovernor's Office. A Small Business Officer may also go by the term, "Supplier Diversity Coordinator," or if they have other duties and their responsibilities related to ~~S~~small ~~B~~business only comprise half of their time, they may have another procurement-related title.

Small Business Enterprise (SBE): An independently owned and operated concern certified, or certifiable, as a small business by the Federal Small Business Administration (SBA). (A general rule of thumb is that a concern with not more than 500 employees may be considered a small business. Size standards by North American Industry Classification System (NAICS) may be found in FAR Section 19.102. The University may rely on written representation by the Supplier regarding its status).

Small Business Disadvantaged Business Concerns (SDB) 8(a): A small business development program that assists small and disadvantaged businesses in learning how to compete in the marketplace. This is a business assistance program. The firms must have at least 51% ownership by socially and economically disadvantaged individuals.

The 8(a) program helps their businesses connect with business opportunities and government contracting.

Socially-Disadvantaged Individuals: Those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as members of a group without regard to their individual qualities.

Sole Source Goods and/or Services: Sole source goods and/or services are the only ones that will meet the University's needs because they are: a) unique; b) available from only one source; or c) are designed to match others used in or furnished to a particular installation, facility or location. See [Reference SSPR Form for detailed definitions.](#)

Student Employee: An individual who is concurrently a student and a University employee. Student Employees are allowed to contract separately with the University to perform additional campus activities or engagements outside of the scope of their primary University employment per California Public Contract Code Section 10516.

Sub-Award: A collaborative research agreement issued by the University under a prime extramural contract/grant which contains special flow-down provisions for the subrecipient.

Subcontinent Asian Americans: United States citizens whose origins are in India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands, or Nepal.

Supplier: A Supplier is a service provider, contractor, vendor or other entity entering into a Contract or Subcontract directly or indirectly with UC.

Supplier Diversity Coordinator: See Small Business ~~Coordinator~~Officer.

Temporary/Supplementary Staffing Agency: An agency that provides temporary or supplementary staffing is defined as a firm that hires its own employees and assigns them to support or supplement a client's workforce in situations involving employee absences, temporary skill shortages, seasonal workloads, and special projects. In some instances, temporary jobs can also lead to permanent placements. A temporary or supplementary staffing firm may also supply employees to work on long-term assignments. Employees are recruited, screened, and assigned by the staffing firm.

UC Fair Wage: The UC Fair Wage shall equal \$13 per hour as of 10/1/15, \$14 per hour as of 10/1/16, and \$15 per hour as of 10/1/17.

UC Location: A UC Location is any location owned or leased by UC.

UC Template Documents: The University's template documents include terms, conditions and standard forms that may be used in agreements negotiated with UC, and may be found at the UCOP website for Procurement Services.

Unusual and Compelling Urgency: The only Supplier capable of meeting the University's needs due to an emergency that precludes conventional planning and processing.

Veteran-Owned Small Businesses (VOSB): Veteran-Owned Small Businesses are Vets who have returned home with the goal of starting their own small business. This office provides them assistance with getting started on their new business, training, networking opportunities, resources, and often financial assistance with getting started.

Women-Owned Business Enterprise (WBE): A business that is at least 51% owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

See ***Small Diverse Business Classifications by Government Source*** in Section VI. Related Information for additional definitions and resources related to Small Business and Supplier Diversity.

III. POLICY TEXT

Part I: Purchase Transactions

Part 2: Strategic Sourcing Initiative

Part 3: Supplier Diversity and Federal Planning and Reporting

Part 4: Personal Property/Special Acquisition

Part 5: Employee-Supplier Relationships

Part 6: Procurement Card Program

Part 1: Purchase Transactions:

A. General Policy and Applicability

1. **Policy:** It is the practice of the University of California to meet its need for common goods, materials, and services at the lowest overall total cost or best value, as applicable, while affording the maximum opportunity practicable to those who wish to become suppliers to the University.
2. **General Applicability:** The policies and requirements set forth herein, and in other Procurement/Supply Chain Management issuances, shall apply to all Location purchasing activities, unless otherwise indicated or if the Laboratory is following federal policies and procedures.
3. **Applicability under Federal Contracts and Grants:** The policies and requirements in this Bulletin apply to purchases funded by federal agencies to the extent they are in conformance with applicable federal law, the standards identified in the Federal Acquisition Regulations (FAR) and Office of Management and Budget (OMB), and any applicable mandatory requirements or provisions imposed by federal awarding agencies. This policy applies to federal contract and grant funds for the acquisition of supplies, goods or services that support research.
4. **Classification for Federal Tax Purposes:** The University is committed to following applicable law regarding the classification of persons or entities providing services to the University, and specifically whether service providers should be employees rather than Suppliers. Before engaging Suppliers for services, Procurement/Supply Chain Directors will inquire whether the University user requesting the services has undertaken the necessary analysis in this regard and completed the required form. Such analysis shall be the responsibility of the requesting department following the guidelines and templates provided by Finance/HR. Completion of the required form must

accompany the request for procurement action. See [UC Independent Contractor Guidelines for Federal Tax Purposes](#).

5. **Contracting Out for Services:** In any consideration to contract for services where University staff would be displaced, the University will support and approve contracting University work to non-University staff only when the decision is consistent with protecting the core teaching, research, service, and patient care functions of the individual campus or medical center; is in response to a demonstrated, sound business need; and minimizes to the extent possible the impact on University staff. Such decisions are intended to be consistent Guidelines on Contracting for Services with the objectives of maintaining the University's relationships with the local business community and the quality of the work environment. Because consideration must be given to both the requirements and circumstances of the services involved and the overall benefit to the campus, these decisions will be made by the Chancellor or designated Vice Chancellor, with review by the Office of the President as appropriate and as described in these guidelines. Campuses and Medical Centers considering contracting for services by non-University staff must submit a completed "Formal Notice Pursuant to University Guidelines on Contracting for Services" for review and certification by the Office of Systemwide Human Resources and the Office of the Chief Financial Officer.

The Guidelines for Contracting Out for Services can be found at <https://policy.ucop.edu/doc/4000590/ContrServ>

6. **Procurement Contract vs. Purchase Order:** Procurement contracts and purchase orders look similar at first glance, but they have different purposes. Procurement contracts become legally binding documents when both parties sign, and they should be used for long term arrangements with suppliers. Procurement contracts may also be used for complex, highly sensitive procurements where risk must be minimized. Purchase orders are commercial documents used for individual, one time transactions and become legally binding only upon the acceptance or performance of the supplier. Purchase orders also are used to effect releases against an existing contract.
7. **Contract Duration:** The maximum duration of any UC contract to purchase goods and/or services, including the initial term and all amendments or extensions, shall not exceed ten years.
8. **Exceptions to Policy:** Exceptions to this policy must be approved by the appropriate Policy Exception Authority.

B. Common Goods, Materials, and Services \$100,000 or less Annually in Value:

1. **Governing Requirements:** Negotiation is allowed for agreements or transactions where the expenditures with the specific supplier do not exceed \$100,000 annually. Competition is sought if the Procurement/Supply Chain Director determines that the competition is necessary to develop a source, validate prices, or for other compelling business reasons. Negotiation may be used in conjunction with competitive quotations as well as in situations when

competition is not obtainable or required. The University supports small businesses by leveraging a set-aside program that requires all procurements valued between \$10,000 - \$250,000 annually be awarded to Small Businesses or Disabled Veteran Business Enterprises wherever practicable. See Section III, Part 3, Subsection C. Small Business First below for more details.

2. **Conduct of Negotiations:** For a purchase not exceeding \$100,000, when it is advantageous to the University, all the necessary components of the order may be negotiated orally or in writing with one or more Suppliers. The number of Suppliers with whom negotiations are carried on is the responsibility of the Procurement/Supply Chain Director and will generally depend upon the size and complexity of the purchase and market conditions.
3. **Purchase Agreements:** Purchase Agreements shall be in writing at a level determined appropriate by the Procurement/Supply Chain Director to protect the interests of the University. Generally, Procurement/Supply Chain Directors should use the most current version of the [UC Template Documents](https://www.ucop.edu/procurement-services/policies-forms/index.html), which may be found at <https://www.ucop.edu/procurement-services/policies-forms/index.html> to document these contracts for goods and/or services, and when they cannot, they must document the purchase file to reflect the reason for the exception.

C. Goods and Services over \$100,000 Annually in Value:

1. **General Requirements:** California Public Contract Code Section 10507 et seq. requires that all Purchase Agreements involving an expenditure of more than \$100,000 annually be competitively bid, unless an exception applies.
 - a. Notwithstanding the above, California Public Contract Code Section 10508.5 allows the UC to award a Purchase Agreement to a certified small business up to \$250,000 without being competitively bid, so long as the UC obtains price quotations from two or more certified small businesses. The University supports small businesses by leveraging a set-aside program that requires all procurements valued between \$10,000 - \$250,000 annually be awarded to Small Businesses or Disabled Veteran Business Enterprises wherever practicable. See Section III, Part 3, Subsection C. Small Business First below for more details.
2. **RFx Requirements:**
 - a. **Specifications:** These should contain descriptions which are adequate to obtain competition, will insure responsive quotations, will provide the same information to all competing suppliers and, to the fullest extent practicable, do not favor one brand, trade name, article, manufacturer, or supplier over others.
 - b. **Brand or Trade Names:** These should be used in specifications for descriptive purposes only. When it is believed that no other brand, trade name, item, or proprietary service will properly satisfy the needs of the University, specifications should include a description of the technical features necessary to determine if other available goods or services are

equivalent to those specified.

- c. **Date Needed:** This should provide a reasonable time to obtain competition, secure timely delivery, or obtain contract performance based on realistic schedules, thus avoiding payment of premium costs which may be required to meet abnormally short delivery or performance times.
- d. **Verification of Needs:** Prior to the solicitation of a quotation, the Procurement/Supply Chain Director will determine that specification requirements such as abnormally short delivery or performance times are reasonable and necessary.

3. Supplier Prequalification:

- a. Procurement/Supply Chain Directors must determine whether a bidder is a Responsible Bidder.
- b. Prospective bidders shall be required to provide relevant information as required to determine responsibility. Prequalification requirements shall be based upon factors relevant to determining responsibility and shall be commensurate with complexity, cost, risk, and time available. All potential bidders shall be given equal consideration in evaluating qualifications.
- c. The request for quotation or proposal (typically referred to as RFQ or RFP, or collectively, RFx) should specify whether information regarding qualifications should be submitted before or at the time of submission of the quote. Only quotations from bidders determined to be qualified will be evaluated.
- d. Prequalification may not be a conclusive determination of responsibility in a given transaction. On the basis of subsequent information, the Procurement/Supply Chain Director may determine that a prequalified bidder should be rejected or that a rejected bidder should be prequalified.
- e. Known suppliers with a current record of satisfactory performance and reliability may be considered prequalified for goods and services they have previously supplied.

4. Quotation Solicitation:

- a. **Competition:** Competition must be sought, as herein prescribed, for any transaction expected to involve an expenditure of more than \$100,000 annually for goods and/or services. Requirements shall not be artificially divided into separate transactions to avoid competition.

Subject to the requirements set forth in Article III, Part 1, Section A.3. herein, competition involving an expenditure of more than \$100,000 is not required for purchases of:

- 1. Personal Services
- 2. Professional Services
- 3. Goods or Services that constitute a Sole Source

3.4. Goods or Services procured through the Small Business First Program (See Section III, Part 3, Subsection C. Small Business First below for more details)

For federally funded transactions, check the applicable governing body (FAR Subpart 6.302 for Contracts, or OMB §200.320(f) for Grants and Cooperative Agreements) when documenting noncompetitive or sole sourced transactions. Each governing body has their own circumstances under which the University may contract without providing for full and open competition.

- b. Public Access to RFx Information:** Formal RFx' s shall be sought by posting all RFx documents to the public where feasible and practicable. Such public availability includes but is not limited to:
- i. Utilizing University systems to push notices out to appropriate suppliers via e-mail and other types of system notifications;
 - ii. Posting an appropriate notice in a place readily accessible to suppliers (e.g. Systemwide and Location websites) who may be interested in submitting a quotation or bid;
 - iii. Periodically utilizing third-party organizations where applicable, to inform potential suppliers of the University's practices, and,
 - iv. Making an appropriate newspaper or trade journal announcement, when determined by the Procurement/Supply Chain Director to be in the University's best interests.

Procurement/Supply Chain Directors shall request RFx from potential bidders after public notification and from other prequalified bidders as determined by the Procurement/Supply Chain Director. If in the judgment of the Procurement/Supply Chain Director the RFx should be extended, all bidders shall be concurrently notified.

- c. Solicitation:** If public notification is not utilized, formal competition should be sought by as broad a solicitation of qualified potential bidders as the situation indicates. Such solicitation should be from at least three sources and may, in a limited market, include written inquiries to determine supplier interest and capability.
- d. Form and Content:** RFx responses should be obtained electronically or in writing by the Procurement/Supply Chain Director. All information necessary to prepare and submit RFx responses should be given equally to all suppliers solicited. The solicitation shall specify which evaluation method the University will use. If the award will be based on the Best Value method, the RFx should list the different factors or criteria to be considered in the evaluation. Although it is not mandatory to indicate how many points are possible per factor/criteria, the number of points as well as the standards for determining the range of points that may be awarded per factor/criteria should be established prior to quotation opening. The

University should reserve the right to accept or reject quotations on each item separately, or the quotation as a whole, without further discussion.

5. Processing RFx Responses:

- a. **Acceptance:** RFx responses shall be accepted if received no later than specified in the request. Late responses may be rejected and returned unless the delay is attributable to the University.
- b. **Rejection:** The University is not required to accept any responses, and may reject all responses without providing an explanation, provided it has not already awarded a contract to one of the bidders or issued a notification to a bidder giving the bidder the opportunity to negotiate a contract (see Section III, D. 5.). All responses may be rejected when an award would not result in a reasonable price. Any quotation determined to be non-responsive, or which is from a bidder that is not Responsible, shall be rejected.
- c. **Exceptions:** For goods or services required to be competitively bid, the University may not allow a bidder to correct an error, take an exception to a specification, or waive an irregularity if it gives that bidder a material advantage over other bidders.
- d. **Quotations:** Bid documents are not opened publicly unless, in the judgment of the Procurement/Supply Chain Director, a public opening will be advantageous to the University.

6. Award of RFx:

- a. **General Basis:** RFx shall be awarded according to one of the evaluation methods set forth herein. Should the apparent awardee refuse or fail to execute the tendered Purchase Agreement, it may be awarded successively to the next Responsible Bidder, and then to the third in the event of further refusal or failure.
- b. **Lowest Responsible Bidder:** There are two approved methods of evaluating bids:

- i. Cost alone
- ii. Best Value

When using Best Value methods, quotations will typically be scored by an evaluation team and by the method defined in the bid/quotation documents. Points are assigned using a weighted formula consisting of two components: qualitative criteria, and financial criteria. The minimum weight for the financial component is 25%.

- c. **Responsive Quotation:** In all bid evaluation methodologies, only those quotations which are Responsive may be considered for award. If any item in the quotation is deemed "mandatory" and the bidder does not provide information on the mandatory item or indicates it would not be able to comply with the mandatory item, that quotation is not Responsive.

- d. **Reasonable Price:** Purchase Agreements for awarded RFx shall be entered into only after it has been determined by the Procurement/Supply Chain Director that prices to be paid are reasonable. Prices shall be considered reasonable when it has been determined by the Procurement/Supply Chain Director that competition secured has resulted in a reasonable market test, or when prices are set by applicable law or regulation. Lacking these assurances, reasonableness shall be determined by appropriate price analysis.

Pricing techniques prescribed in federal regulations shall be utilized selectively in documenting price reasonableness, recognizing their fundamental soundness but taking into account the different character and scale of purchases for which such regulations have been developed. Per the requirements in FAR Subpart 15.4, Literal compliance with this article shall be required when contracting with federal contracts and grants funds. Documentation for price reasonableness justifications must be auditable and traceable; backup to the statement(s) are necessary.

- e. **Negotiation:** In some circumstances, it is not possible to specify all of the University's requirements, and some negotiation is allowed. The RFx should state that the lowest Responsible Bidder will be awarded the right to negotiate those requirements with the University. If the parties are unable to reach agreement, the University may go to the next lowest bidder if it wishes but it is not required to do so. The University holds the rights to negotiate with one or all bidders at its discretion or if it is in the best interest of the university.
- f. **Multiple Awards:** RFx may be awarded to multiple suppliers when the Procurement/Supply Chain Director determines that a single supplier may not be capable of fulfilling the University's needs. The University should expressly reserve the right to make multiple awards.
- g. **Notification:** At the end of the award process, the University should notify non-awarded bidders in writing that they were not selected.

7. Purchase Agreements:

- a. **Written Purchase Agreements:** Purchase Agreements should be in writing.
- b. **Inapplicability to Construction and Research Collaboration:** Authority may not be delegated to SCM/Procurement Officials to execute construction and research collaboration agreements, unless limited exception is granted.
- c. **Standard Documents:** Purchase Agreements should use the most current version of the [UC Template Documents](http://www.ucop.edu/procurement-services/policies-forms/index.html), which may be found at <http://www.ucop.edu/procurement-services/policies-forms/index.html>. No changes, deletions, exceptions, or additions may be made to the UC Template Documents, except those contemplated in the annotated version of the appropriate Template Document, without the approval of the Policy

Exception Authority, or the Policy Exception Authority's delegee(s)), and, as the Policy Exception Authority deems appropriate, the input of the Office of General Counsel.

- d. **Special Documents:** Purchase Agreements for goods and services that support research and development work, sub-agreements for research, unusually complex or high-value items or services, or other unusual requirements, may require the use of documents specially created for the purpose. Such Purchase Agreements should be entered into only in consultation with the Procurement/Supply Chain Director and if necessary approval as to form by the Office of General Counsel.
- e. **Extramural Agreement Provisions:** Use of the standard University Purchase Order and Terms and Conditions of Purchase is required for standard purchase orders and sub-contracts using federal contract and grant funds, but is inappropriate for issuing sub-awards for research.
- f. **Compliance:** Full compliance with all terms, conditions, and provisions of Purchase Agreements should be secured to the maximum extent practicable. Locations should institute appropriate controls to ensure University rights are not waived, or a Purchase Agreement breached, through inaction or faulty action.

8. Performance and Acceptance:

- a. **Changes:** After the execution of Purchase Agreements, required changes in quantities, specifications, or other terms should be negotiated in such manner as to ensure that the principle of competition is not violated and that any adjustments are equitable.
- b. **Receiving and Acceptance:** End user department is responsible for inspection of goods and services that should be conducted immediately upon receipt or performance (when practical) and reconciling discrepancies promptly.

Particular care should be taken in accepting complex products, such as high-technology equipment, and unusual services. Acceptance tests or other acceptance criteria should be agreed upon and fully set forth in Purchase Agreement documents. Unless otherwise provided, payment other than agreed progress payments should be withheld until final acceptance. In addition, to avoid unauthorized commitments, care should be taken to properly identify those persons authorized to represent the University and the supplier during performance and acceptance.

D. Exemptions from the Requirement to Competitively Bid Goods and Services:

- 1. **General Requirements:** The requirement for competitive bidding of goods and services with expenditures in excess of \$100,000 annually may not apply in the following circumstances:

- ~~W~~hen the Procurement/Supply Chain Director determines that the goods and/or services are Sole Source Goods and/or Services,
- ~~T~~he Services are Professional Services or Personal Services,
- ~~T~~here is an Unusual or Compelling Urgency to obtain the goods or services,
- The procurement takes place through the Small Business First Program (see Section III, Part 3, Subsection C. below for more details)
- ~~For (in the case of federally funded purchases only) the federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-federal entity~~ (in the case of federally funded purchases only), or;
- ~~or~~ After solicitation of a number of sources, competition is determined inadequate.

However, Locations are strongly encouraged to seek competition even in cases where the goods and/or services are exempt from the requirement to competitively bid.

2. **Governing Requirements:** In addition to the requirements set forth in this Section, the requirements governing purchases of goods and services shall apply fully to purchases of goods and/or services that are exempt from the requirement to competitively bid.
3. **Solicitation of Quotations (or Proposals):**
 - a. **Pre-Solicitation Investigations:** Prior to soliciting quotations for goods and/or services that are exempt from the requirement to competitively bid, the Procurement/Supply Chain Director should develop sufficient information on available goods and services to:
 - i. Permit reasonable consideration of alternatives and evaluation of any technical information required to determine that the product or service is exempt from competitive bidding;
 - ii. Assess the capabilities of potential suppliers;
 - iii. Aid in design work;
 - iv. Develop complex specifications;
 - v. Estimate prices/costs, and/or;
 - vi. Establish time for delivery or performance.Care shall be taken to ensure that supplier effort is reasonable and that no commitments actual or implied are made.
 - b. **Specification Development:** Requirements should be adequately specified in accepted industry design, performance, or other definitive terms, to ensure there is a reasonable basis for securing quotations, forming a sound Purchase Agreement, and determining acceptability of

goods or services furnished.

- c. **Form and Content:** Quotations should be secured or confirmed in writing. The basis upon which the quotation is to be made should be clearly established. All information necessary to prepare and submit quotations should be given to potential suppliers including appropriate provision for negotiation, and any instructions pertaining to confidentiality.
- d. **Documentation:** The Procurement/Supply Chain Directors must use the Source Selection & Price Reasonableness Form for documenting exceptions to competitively bidding goods and services. This document sets forth the facts and rationale justifying the use of other than full and open competition, in accordance with BUS-43 and state laws. The SS&PR form can be found on the Procurement Services' website.
<https://www.ucop.edu/procurement-services/policies-forms/federal-funds-files/source-selection-price-reason-form-2-1-19.pdf>

4. Processing Quotations Received:

- a. **Rejection:** All quotations may be rejected when an award will not result in a reasonable price and/or terms. Quotations which the Procurement/Supply Chain Director determines lack technical merit, or will not otherwise reasonably satisfy the University's requirements may be rejected.
- b. **Exceptions, Irregularities, and Errors:** Exceptions taken in quotations, or irregularities or errors therein may be negotiated with or corrected by the bidder involved.

5. Awards of Purchase Contracts:

- a. **General Basis:** Purchase Agreements may be awarded after determination by the Procurement/Supply Chain Director that the bidder is Responsible and the quotation results in a reasonable price giving due consideration to overall price, delivery, technical merit, contract terms, and other relevant factors.
- b. **Negotiation of Reasonable Prices and Other Terms:** Reasonable prices and terms may be negotiated when determined appropriate by the Procurement/Supply Chain Director.

E. Purchase Limitations and Special Requirements:

1. Campus and Laboratory:

- a. **Office of the President Coordination:** Certain matters require coordination with the Office of the President consistent with its designated role in Procurement/Supply Chain Management and with Delegations of Authority to the EVP – Chief Financial Officer, the Chancellors, the Vice President of Agriculture and Natural Resources, and the Laboratory Director. These matters are:
 - i. Transactions subject to approval as exceeding delegated authority,

exceptions to policy, or involving special commodities which require review prior to purchase.

- ii. Matters which should be reported to the President, such as sensitive policy issues, or potential or actual claims or disputes involving significantly large amounts.

Such coordination normally should occur through the Systemwide Office of Procurement Services. Information furnished for this purpose should be in such form and content as the Chancellor, the Vice President of Agriculture and Natural Resources, or Laboratory Director involved and the Executive Vice President - Chief Financial Officer (or designee) determine on a case-by- case basis.

b. Prevailing Wages on Public Works in Excess of \$1,000:

- i. *General Requirements:* University of California typically requires that prevailing wages be paid on all Public Works Maintenance projects in excess of \$1,000. Please see the UC Facilities Manual for requirements related to Public Works Construction projects. The California Labor Code provides that contractors may not bid on, or be awarded, a Public Work, or any portion thereof, unless registered with the California Department of Industrial Relations (“DIR”), though an exception exists regarding registration and filing of PWC-100s for maintenance contracts of \$15,000 or less. (NOTE: this is an exception for registration and University filings; it is NOT an exception for the payment of prevailing wage which is required on all contracts in excess of \$1,000.) This Policy applies to Public Works administered by Procurement Services. The UC Facilities Manual governs Public Works administered by Facilities Management.
- ii. *Exceptions to the Payment of Prevailing Wage:* Only the following types of maintenance are exempted from the payment of prevailing wage:
 - A. Exception 1: Janitorial or custodial services as routine, recurring, or usual in nature,
 - B. Exception 2: Protection of the sort provided by guards, watchmen, or other security forces, or
 - C. Exception 3: Landscape maintenance work by “sheltered workshops” where “sheltered workshops” are non-profit organizations licensed by the Chief of the California Department of Labor Standards Enforcement employing mentally and/or physically disabled workers.
- iii. *Award Procedures:* UC must: (1) include certain mandated language in UC’s solicitation and contracting documents; (2) verify that supplier is registered with the DIR;(3) determine the date of the prevailing wage determination applicable to the Public Work (i.e., date of award); (4)

inform DIR of award by filing a PWC 100 form which can be located on the DIR website; (5) make available the prevailing wage schedule upon request; and (6) take action upon receiving a report of a suspected prevailing wage violation.

c. Temporary or Supplementary Staffing Agencies: To ensure compliance with the Federal Patient Protection and Affordable Care Act, UC requires that all contracts with temporary or supplementary staffing agencies contain a provision substantially in the form of the Patient Protection and Affordable Care Act Employer Shared Responsibility article in the UC Terms and Conditions of Purchase.

d. Fair Wage/Fair Work:

- i. General Requirements: University of California requires that Suppliers of Fair Wage/Fair Work Services, including Suppliers of Public Works, pay their employees performing the Services no less than the UC Fair Wage.
- ii. Contracting Procedures: All contracts for UC Fair Wage/Fair Work Services must contain a provision substantially in the form of the UC Fair Wage/Fair Work Article in the UC Terms and Conditions of Purchase.
- iii. Exceptions: Any exceptions to this Policy must be approved by the Policy Exception Authority. The Fair Wage/Fair Work provision does not allow any exceptions after a contract has been signed with the sole case of when UC determines there is no other alternative provider within the required time frame. In such cases the Policy Exception Authority must document such approval in writing.
- iv. Audit: For Services that exceed \$100,000 annually and are not subject to prevailing wage requirements, Supplier will, a) at Supplier's expense, provide an annual independent audit performed by Supplier's independent auditor or independent internal audit department (<http://na.theiia.org/standards-guidance/topics/Pages/Independence-and-Objectivity.aspx>) in compliance with UC's required audit standards and procedures (<https://www.ucop.edu/procurement-services/policies-forms/fwfw-resources.html>), concerning Supplier's compliance with this provision, and b) ensure that in the case of a UC interim audit, its auditor makes available to UC its UC Fair Wage/Fair Work work papers for the most recently audited time period. Supplier agrees to provide UC with a UC Fair Wage/Fair Work certification annually, in a form acceptable to UC, no later than ninety days after each one year anniversary of the agreement's effective date, for the twelve months immediately preceding the anniversary date.

Please see the Fair Wage Fair Work FAQ's which contains answers to the most common questions related to Fair Wage Fair Work.

<https://www.ucop.edu/procurement-services/policies-forms/fwfw-resources.html>

- e. **Alcohol, Drugs, Hazardous and Radioactive Materials:** Federal and State laws and regulations govern the purchase, control and use of narcotics, dangerous drugs, ethyl alcohol, and radioactive and other hazardous materials. Each Location should establish appropriate procedures and controls to ensure compliance with these laws and regulations and with prudent practices in the industry. (See also other appropriate University policies; BUS-2, Tax-Free Alcohol Permits, Records, and Operations and BUS-50, Controlled Substances).
- f. **Product Recall:** To ensure prompt, effective reaction to notices of product recall by any manufacturer or supplier, each Location should establish a procedure that assigns responsibility for notifying the Location of the recall, and coordinating and documenting the return, repair, or destruction of the defective products.
- g. **Other Governing Requirements:** Certain requirements of Federal and State laws and regulations, and other authority govern purchases of items such as motor vehicles, protective items, uniforms, carpets, and items of foreign origin. They also deal with related matters such as clean air and water resources, employment of the disabled and non-segregated facilities. The Executive Vice President - Chief Financial Officer (or designee) shall furnish current complete information to each Location who in turn should establish appropriate procedures and controls to ensure compliance. *Letters of Intent:* At times it may be necessary for the Procurement/Supply Chain Director to issue a letter of intent in advance of a Purchase Order. Since the University may be legally bound, the letter is subject to the same restrictions and policy requirements as other purchase actions including, but not limited to, the requirements for competition, determination of reasonableness of price, and appropriate administrative approval.
- h. **Incentives:** In general, the Procurement/Supply Chain Director should negotiate quantity or payment discounts in lieu of Supplier incentive payments. However, for Purchase Orders or Purchase Agreements that contain incentive payments, the following procedure should be followed:
 - i. All incentives must be identified as such and listed in the Purchase Order or Purchase Agreement. The Procurement/Supply Chain Director should include the value of the incentive payment when determining price reasonableness.
 - ii. Incentives should be returned to the University as cash rather than credits to make additional purchases. If the Purchase Order or Purchase Agreement only provides for incentive credits, which is strongly discouraged, such credits held by suppliers should be minimized by utilizing them promptly to purchase needed goods and services for the University program or activity that generated the credit.

- iii. Patronage and earned incentive checks should be made payable to The Regents of the University of California and remitted to the appropriate Location office as determined by Procurement Services at the Office of the President, for Locations to use in support of Strategic Sourcing.
- iv. All incentives and discounts not reflected in the sales price, allowances, or similar payments received from Suppliers but that are based upon either the volume (sales, transactions, quantities, dollars, or any other similar measure) of goods and services directly provided by those Suppliers, or based upon prompt payment for goods and services directly provided by those Suppliers must be credited back in a timely manner to the Federal Sponsor or Federal flow-through source account/fund, or to the sponsoring or cognizant agency, that was directly charged or recharged for the original purchase from the Supplier.
- v. Use of incentives should be tracked and monitored by the University program or activity receiving the incentive.

2. Campuses Only:

- a. **Purchasing Goods that Require Installation:** The purchase of goods and its installation usually should be handled in a single contract with the installation contractor supplying the goods. The Purchase Agreement should be processed according to procedures set forth in the [University Facilities Manual](#) with appropriate provisions included to govern the goods being purchased.
- b. There may be instances where handling the purchase of goods and its installation as separate transactions is of benefit to the University. To determine whether or not separate transactions are advantageous to the University, the following factors should be considered:
 - i. Time, cost, and supplier requirements;
 - ii. Warranty issues; or
 - iii. Installation by UC craft labor (depending upon the dollar amount), or
 - iv. Whether or not the installation involves the erection, construction, alteration, repair, or improvement of any University structure; or whether or not the State of California requires a contractor to have an active, valid license in order to perform the work.
- c. Whenever an activity will cost more than \$50,000 and require a California Contractor's license, consult the [University Facilities Manual](#), [UCOP Construction Services](#), or [UCOP Facilities Management](#) to determine what type of Purchase Agreement, Purchase Order or Construction Contract is appropriate.
- d. **Building Alterations:** No Purchase Orders shall be placed for requests which involve alterations to buildings, or installations which affect the nature of a building, without approval by the campus Facilities Management Department.

F. Resolution of Controversies over the Solicitation or Award of a Contract:

- 1. Authority of the Escalation Authority:** The Escalation Authority shall have authority to resolve protests and other controversies of actual or prospective bidders regarding the solicitation or award of an agreement or contract.
- 2. Filing of Protest:** Any actual or prospective bidder who has a complaint regarding the solicitation or award of an agreement should first attempt to resolve the grievance with the Buyer, Commodity Manager, Procurement/Supply Chain Director, or other University Contracting Officer involved in the transaction. If the controversy over the solicitation or award of an agreement cannot be resolved at this level, the complainant may file a protest with the Escalation Authority. A protest must be filed promptly and in any event within two calendar weeks after such complainant knows or should have known of the facts giving rise thereto. All protests must be in writing.
- 3. Decision:** The Escalation Authority shall appoint one or more individuals to investigate the issues involved in the protest, analyze the findings, consult as appropriate with the Office of General Counsel, and promptly issue a decision in writing. A copy of that decision should be furnished to the aggrieved party and state the reasons for the action taken.
- 4. Effect of a Protest:** In the event of a protest timely filed, the University should not proceed further with the solicitation or award involved until the protest is resolved or withdrawn unless the Escalation Authority consults with the Office of General Counsel and makes a written and adequately supported determination that continuation of the procurement is necessary to protect substantial interests of the University.
- 5. Unresolved Controversies:** The Office of General Counsel should be consulted concerning potential or actual claims or disputes which cannot reasonably be settled in a fair and equitable manner through the administrative process described above.

G. Public Records Requests:

- 1. Governing Requirements:** Third parties may request records relating to any University transaction. The Procurement/Supply Chain Director should immediately forward such requests to the Location's Public Records or Information Practices Coordinator, and work with that office in producing records as appropriate. Where records are requested during the course of a procurement process or after an RFP has been cancelled, Locations and Information Practices Coordinators should consult with the Office of General Counsel before releasing responsive records. In many circumstances, there are legal exemptions to protect records from disclosure during the period prior to final award.

H. Unauthorized Purchases:

- 1. Responsibility:** An individual who has not been delegated purchasing authority who makes an unauthorized purchase of goods or services shall be responsible

for payment of the charges incurred. At the discretion of the Location's Policy Exception Authority:

- a. The unauthorized individual may be required to pay either the full amount whenever the purchase is found to cover unneeded items or items whose purchase would not otherwise be authorized and the transaction cannot be canceled, or the amount of any cancellation charges incurred when cancellation can be arranged; or
- b. The unauthorized individual may be required to pay the difference between the charges such individual incurred and those the University may reasonably have incurred if the purchase had been properly executed.
- c. The unauthorized individual may be required to reimburse the University for unauthorized purchase of good or services.
- d. Reimbursement or payment of unauthorized purchases require policy exception by a location's policy exception authority and/or designee(s).

I. Low-Value Purchases:

1. **Policy:** Locations are encouraged to develop methods for reducing costs of executing low-value purchases. Such methods shall establish definite dollar limits of use and shall require compliance with basic purchasing policies and requirements.
2. **Low-Value Purchase Authorization:** Each Location determines its Low-Value Purchase Authorization limit amount. All purchases under this limit may be executed by Campus Personnel designated by each Department. The Campus Procurement Department is responsible for ensuring that training is available to all employees who will have this authorization to ensure observance of good business practices and compliance with University Purchasing Policy. The following shall be observed in administering Low-Value Purchase Authorization:

The amount the individual is authorized to spend shall not exceed the amount determined by the local Procurement Office, but shall not exceed \$10,000 per transaction (and an anticipated \$100,000 per supplier per year) with the following criteria:

- a. Individuals delegated such purchasing authority shall have a functional responsibility to the Procurement/Supply Chain Director who shall ensure that all purchasing policies and procedures are followed and that the individuals receive the training and instruction the Procurement/Supply Chain Director deems necessary so that activity is conducted in accordance with University policies;
- b. Purchases shall be limited to goods and services not available either through campus or Laboratory stores or through local or Strategic Sourcing Agreements, and to repairs not available internally or through established maintenance agreements;

- c. Transactions shall specifically prohibit purchases of goods determined inappropriate by the Procurement/Supply Chain Director. Examples are inventorial equipment (Business and Finance Bulletin BUS- 29, Management and Control of University Equipment); specially controlled items such as ethyl alcohol (Business and Finance Bulletin BUS-2, Tax-Free Alcohol Permits, Records, and Operations); narcotics and dangerous drugs (Business and Finance Bulletin BUS 50, Controlled Substances Program Best Practices Guide); firearms, precious metals, explosives, and other hazardous materials; and Consulting Services;
 - d. Transactions shall not be artificially divided to falsely create multiple small Purchase Orders under the authorization limit; and,
 - e. Periodic appraisals shall be conducted by internal auditors cognizant of Procurement Policy or by an appropriate designee of the Procurement/Supply Chain Director to ensure proper performance under this authorization and to provide a basis for adjusting or discontinuing the authorization for specific individuals as the audit findings indicate.
 - f. Check with your local Procurement Office for information regarding this section.
- 3. Purchasing Authority Outside of the Procurement Department:** The Procurement/Supply Chain Director may provide additional delegated purchasing authority to individuals outside the Purchasing Department, under the following conditions:
- a. Qualifying departments shall have an historical level of purchase activity sufficient to ensure, in the judgment of the Procurement/Supply Chain Director that a higher level of authority will result in more cost effective procurement.
 - b. Qualifying departments have prepared written procedures implementing the proposed delegation of increased authority, and these procedures have been approved by the Procurement/Supply Chain Director;
 - c. Individuals delegated such additional purchasing authority have a functional responsibility to the Procurement/Supply Chain Director who shall ensure that all purchasing activity is conducted in accordance with University policies and procedures and that such individuals have had the training and instruction the Procurement/Supply Chain Director deems necessary to discharge the increased authority effectively;
 - d. A functional reporting relationship is established when contracting duties are allocated a dedicated % effort on an individual's job description. Further, as a condition of the delegation, the individual will attend meetings and training sessions as required by the CPO or designee. The CPO or designee may periodically audit the individual's contracts and supporting documentation. If issues are noted, a corrective action plan may be developed with the individual's primary supervisor. If issues persist the individual's delegation will be revoked.

- e. The amount of additional authority shall not exceed the competitive bidding levels described in Section 1/Purchase Transactions, and,
 - f. Any such delegation shall specifically prohibit purchases of goods and services determined inappropriate by the Procurement/Supply Chain Director. Examples are inventorial equipment (Business and Finance Bulletin BUS 29, Management and Control of University Equipment); specially controlled items such as ethyl alcohol (Business and Finance Bulletin BUS 2, Tax-Free Alcohol Permits, Records, and Operations); narcotics and dangerous drugs (Business and Finance Bulletin BUS 50, Controlled Substances Program); firearms, precious metals, explosives, and other hazardous materials; and Professional Services, including Consulting Services.
4. **Exceptions:** The Procurement/Supply Chain Director may grant exceptions, on a single transaction basis in advance of purchase, as to dollar amount and items to be purchased when notified by the responsible official that an emergency situation exists.

J. Personal Purchases:

- 1. **Policy:** University credit, purchasing power, facilities, and services shall not be used to purchase goods or services for individuals or for non-University activities except where a University program has been approved by a University administrator with delegated authority with advice as appropriate from the Office of General Counsel.
- 2. **Discretionary Use:** Organizations and activities closely allied to or officially associated with the University (such as a faculty club or an ASUC organization) with the approval of the Chancellor may be permitted to purchase materials not subject to federal tax through the Location's Procurement/Supply Chain Management/Procurement Office.

K. Debarment:

- 1. The University may debar a Supplier from doing business with the University by providing the Supplier with written notice stating i) the reasons that the University intends to debar the Supplier; ii) the length of time for the intended debarment; and iii) the time frame in which the Supplier must respond if the Supplier disputes the University's rationale for debarment. The length of time for the intended debarment may vary according to the circumstance, but generally would be three years. The length of time for the Supplier to respond to the notice of intended debarment may vary according to the circumstance, but generally would be two weeks. The University will review any Supplier response to the debarment notice and inform the Supplier of the University's disposition of the matter. Locations are encouraged to consult with the Office of General Counsel in this regard.

Part 2: Strategic Sourcing Initiative: It is the policy of the University of California to seek to satisfy its needs at the lowest overall total cost with the optimal qualitative requirements fulfilled through planned, quantity purchasing. To this

end, regional and University-wide pool purchases, strategically sourced commodity agreements, and price schedules should be utilized to the maximum practicable extent.

A. Guidelines:

1. **Economic Advantage:** The major emphasis of the Strategic Sourcing Initiative is economic benefit to the University. Both administrative cost avoidance (a reduction of internal administrative costs) and price avoidance (a reduction of the price increases of the commodity) should be considered in determining economic advantage.
2. **Agreement Practicality:** Agreements should be established when either administrative cost avoidance and/or price avoidance can be achieved and the Responsible Official has determined that Location utilization and estimated dollar value are sufficient to justify the establishment of an agreement. The cost/price reductions should be greater than could be obtained by an individual campus and should exceed the cost of administering the agreement or the aggregate costs of individual campus purchase actions.
3. **Goods and Service Acceptability:** Goods and services must be generally acceptable to the using departments or campuses, as determined by the Commodity Manager, based on information received from the Procurement/Supply Chain Directors.
4. **Laboratory Participation:** The prime contracts which govern Laboratory operations require the use of certain government sources not generally available to the campuses. When agreements are cost effective and there is no conflict with federal requirements, Strategic Sourcing Agreements may be used by the Laboratory.

B. State Supply Schedules and Contracts:

1. **Evaluation and Designation:** Commodity Managers shall evaluate state supply schedules and contracts and, with concurrence of participating campuses and the Director of Procurement/Supply Chain Management, designate those which prove to be advantageous as commodity agreements or price schedules. When so designated, California Multiple Award Schedules (CMAS) and contracts shall be utilized in accordance with this Bulletin.
2. **Liaison with State Procurement Office:** The Associate Vice President and Chief Procurement Officer - Procurement Services may represent the University in its relations with the State Procurement Office, Department of General Services to secure mutually beneficial supply agreements. Reports and suggestions regarding state supply schedules or contracts shall be made to the Associate Vice President and Chief Procurement Officer-Procurement Services through the Commodity Managers.

Part 3: Supplier Diversity and Federal Planning and Reporting:

- A. Summary:** The mission of the University of California is to support teaching, research, and public services in a cost-effective manner which best serve the

interests of the people of California.

This section of the Policy describes the responsibilities and procedures that each University location must establish and maintain to ensure that no firm seeking to do business with the University shall be discriminated against on a basis prohibited by law or University policy (“prohibited basis”). This section of the Policy also describes the steps that the University takes to make a good faith effort to comply with all state and federal laws, regulations, and policies on non-discrimination.

B. Policy:

1. It is University of California policy that no firm seeking to do business with the University shall be discriminated against on a prohibited basis.
2. The University recognizes that it has a responsibility to provide procurement opportunities to a diverse supplier pool as stated in the “[Principles and Standards of Ethical Supply Management Conduct](#),” and the “[Principles of Sustainability and Social Responsibility](#),” which are standards of practice derived from [The Institute of Supply Management \(ISM\)](#) and the Code of Ethics of the [National Association of Educational Procurement \(NAEP\)](#).

Diversity and Inclusiveness — Supply Base. *Supply base diversity and inclusiveness refers to efforts to engage different categories of suppliers in sourcing processes and decisions.*

3. The University seeks to dedicate an appropriate portion of the University's business to small, diverse and disadvantaged businesses through outreach programs and supplier fairs, and is committed to maintaining the stated goals as required by:
 - a. The extramural funding requirements and,
 - b. The Subcontracting Plans for specific federal contracts.
4. As outlined in the University of California Contracts and Grants Manual, each Location is responsible for developing plans for their campus, medical center, or Laboratory. (Please see Section V, Procedures for more details about these requirements.) The University complies with applicable federal policies including the items listed in Section II/Definitions.

C. Small Business First Program: The University of California spends billions of dollars each year procuring goods and services. The UC Sustainable Practices Policy (<https://policy.ucop.edu/doc/3100155/SustainablePractices>) establishes the goal of awarding 25% Economically and Socially Responsible (EaSR) spend annually to small and diverse owned businesses. California Public Contract Code Section 10508.5 allows the University to award purchase agreements valued up to \$250,000 to a certified small business without being competitively bid, so long as the UC obtains price quotations from two or more certified small businesses. In support of these goals, the University has established the following Small Business First policy, effective as of September 1, 2020.

1. General Requirements: For the purchase of goods and/or services valued between \$10,000 - \$250,000 annually, that cannot already be procured via existing strategically sourced agreements, the University must first seek to award these procurements to a certified Small Business (SB) or Disabled Veteran Business Enterprise (DVBE).

To purchase goods and/or services valued between \$10,000 - \$100,000 annually, the University must only obtain one (1) quote from either a certified Small Businesses or Disabled Veteran Business Enterprise. To purchase goods and/or services valued between \$100,000 - \$250,000 annually, the University must obtain at least two (2) quotes from certified Small Businesses or Disabled Veteran Business Enterprises.

No later than March 1, 2021, the University shall be in full compliance with this Small Business First policy.

Note: Any reference to certified Small Businesses includes certified Microbusinesses (MB).

Businesses must be certified by the California Department of General Services Office of Small Business and DVBE Services (OSDS) or other accepted certifying agency as listed on the Small Business First Program page (<https://www.ucop.edu/procurement-services/for-ucstaff/small-business-first/index.html>). The Small Business First program page outlines procedures for procuring goods and services through the program.

2. Small Business First Waiver: There are instances where the procurement method described above may not be practicable, or when contracting with businesses other than a certified SB, MB or DVBE is justified. Examples include, but are not limited to:

- a. Industries where at least two (2) SBs (including MBs) or two (2) DVBEs are not available, or
- b. Business needs that dictate requirements that cannot be met by a SB, MB or DVBE.

For situations such as these, the Small Business First Waiver, located on the UCOP Procurement – Systemwide Forms & Documents page (<https://www.ucop.edu/procurement-services/policies-forms/index.html>), must be approved by the appropriate Policy Exception Authority, or their designee, prior to making a purchase or establishing a contract with a company that is not a SB, MB, or DVBE. Should the responsible purchasing individual determine that a waiver to this policy will need to be requested, it is advised that they contact their campuses Small Business Officer prior to releasing a solicitation or requesting a quote to ensure that all reasonable efforts have otherwise been taken to make an award to an SB, MB or DVBE, and that the subsequent waiver includes proper justification for the request.

Waivers must clearly document the steps taken and research completed to sufficiently justify an award to a non SB, MB, or DVBE. Waivers must be

maintained in the relevant procurement file which is subject to audit for compliance with this policy and must also be maintained per standard University retention policy.

- 3. Program Exemptions:** The following purchase and/or agreement types are exempt from the Small Business First policy and do not require a waiver: interagency, federal government, research sub-awards, local government, higher education institutions, concessions, revenue/reimbursement contracts, medical and patient care, statutorily exempt, policy exempt, emergency, local assistance/subvention, and proprietary contracts.

The Small Business First program does not apply to circumstances where Federal, grant, court decision, or court order requirements dictate how funds can be expended.

All contracting associated with construction is governed by the UC Facilities Manual and the associated policies and templates therein.

- 4. Governing Requirements:** All other University, State, and Federal requirements governing the purchase of goods and services will apply to the Small Business First Program.

Part 4: Personal Property/Special Acquisitions: This part of the Policy describes factors to be considered and requirements to be met in acquisitions, or leases or Conditional Sales Contracts, of personal property by the University. University acquisitions of personal property by external financial loans to The Regents are covered by Capital Markets Finance guidelines.

A. Governing Requirements:

- 1. Availability of Funds:** Personal property shall be acquired only when there is an established fund source or The Regents' approval has been secured. When funds are available for only a limited time, such as State funds appropriated on an annual basis, contracts for acquisitions shall provide for cancellation and return of property should funds not continue to be available. In no case shall the general credit of The Regents be pledged as security.
- 2. Contract Period:** Acquisition of personal property by any method defined herein should provide for a contract period that is equal to, or less than, the useful life indicated in the University Useful Life Schedule available from campus Equipment Management units or the office of the Director-Procurement/Supply Chain Management.
- 3. Capital Markets Finance:**
 - a. Capital Markets Finance shall approve, prior to award, the rate or interest factor in leases greater than \$50,000, and shall be responsible for conducting the tax due diligence for all tax-exempt leases.
- 4. Policy Compliance:** Contracts for acquiring personal property by any method defined herein shall be entered into only when, pursuant to University policy,

requirements for competition have been met, any negotiations have been conducted according to established guidelines, rates or prices to be paid are determined by the Procurement/Supply Chain Director or designee to be reasonable in the particular circumstances, and approval as to form has been secured as necessary.

- 5. University-wide Acquisitions:** When an office of University-wide Administration initiates an acquisition of the type defined herein, the procedures established by the campus at which the particular program is headquartered shall be followed. If the procedures established by the campus indicate that such acquisition must be approved by the Chancellor, then the President, for his/her staff, or members of the President's Cabinet, for their respective staffs, must approve the acquisition.

- B. Reimbursement Declaration:** Whenever the University intends to make an expenditure of capital funds and repay the expenditure at a later date by entering into a lease-purchase or similar agreement, it must execute and file a Declaration of Official Intent of The Regents of the University of California to Reimburse Certain Expenditures from proceeds of Taxable or Tax-Exempt Indebtedness.

If a campus anticipates that an expenditure of capital funds will later be converted to a lease or similar agreement, the procedures outlined in the Delegation of Authority-Declaration of Intent to Reimburse Capital Expenditures from Proceeds of Indebtedness (DA 2055), must be followed.

- C. Reports:** Locations must report to the Assistant Vice President, Financial Services and Controls, all personal property acquisitions funded by lease-purchase agreements or Conditional Sales Contracts for inclusion in the University's Financial Position Report.

Part 5: Employee-Supplier Relationships:

- A. Purpose:** This Part 5 sets forth special limitations and requirements covering acquisition of goods or services by the University, when the transaction involves an employee-Supplier relationship, as opposed to an employer-employee relationship (as defined above in Section II). Employer-employee relationships are governed by appropriate Human Resource rules, including [Personnel Policy 82 - Conflict of Interest](#).

B. Basic Policies:

- 1. Separation of Interests:** It is the policy of the University to keep separate an employee's University and private interests, and to safeguard the University of California and its employees from charges of favoritism in the acquisition of goods and services.
- 2. Conflict of Interest:** [The California Political Reform Act](#) and [California Government Code Section 81000-81016](#) prohibit an employee from making or participating in the making of a decision if there is a financial conflict of interest. Requirements governing such decision making are set forth in the [University](#)

[Conflict of Interest Code](#) and must be observed when the University purchases goods and services.

- 3. Restrictions on Purchases/Leases/Contracts:** The following rules apply when there is an employee-Supplier relationship (as defined above in Section II):
- a. Employee:** No purchase or lease of goods or contract for services may be made with a University employee who has an employee-Supplier relationship, as defined in Section II, above. However, the University may enter into a contract for goods or services with an employee who has teaching or research responsibilities, or a student employee, provided that i) the Procurement/Supply Chain Director (or designee) has made a specific determination that the goods or services are not available either from commercial sources or from within the University.
 - b. Former Employee:** The University may not purchase or lease goods from or contract for services with any former employee who has an employee-Supplier relationship as defined in Section II, above, including one who has had teaching or research responsibilities, when:
 - i. Less than two years' time has elapsed since the individual separated from University employment, and the individual had been engaged in any of the negotiations, transactions, planning, arrangements, or any part of the decision-making process relevant to the contract during the period of employment; or
 - ii. Less than one year's time has elapsed since the individual separated from University employment, and the individual had been employed by a department in a policy-making position in the same general subject area as the proposed contract.

Notwithstanding the foregoing provisions of paragraphs i. and ii., the University may enter into a contract for *services* with a *retiree* immediately following retirement if the retiree did not participate in any way while serving as an employee, in the making of the contract for services. The post-employment restrictions in paragraphs i. and ii., however, apply to any former University of California employee, including a retiree, who proposes to sell or lease goods to the University.
 - c. Near Relative:** Near Relative: It is University policy to separate an employee's University and private interests, and to safeguard the University and its employees against charges of favoritism in the purchase of goods and services. The University may purchase or lease goods from, or purchase services with the near relative of *any* employee, provided that the Procurement/Supply Chain Director or designee has made a specific determination that the goods or services are not available from the University's own facilities, and that the employee: does not have, or has not had any responsibility for, or will be involved in any manner, in the department's decision to accomplish or approve the transaction(s); and,

does not have a personal financial interest in the transaction, or does not own or control more than a 10% interest in the business which proposes to lease or sell goods or to provide services to the University.

4. **Inspection and Verification of Supplier Status:** Whenever it becomes necessary to ensure an understanding of the facts presented, the Policy Exception Authority (or designee) must inspect the business premises and records of a prospective employee-Supplier or a near-relative Supplier.
5. **Exceptions:** Within constraints imposed by the Political Reform Act and Public Contract Code §§10515 et seq., each Executing Official or designee is delegated authority to approve exceptions to this Policy under unusual or extenuating circumstances.

C. Certification Requirement:

1. **Circumstances Requiring Certification:** A University of California employee, former employee, or the near relative of an employee must submit a written and signed certification conforming to the requirements of Section III B. and C. with any quotation or proposal to the University.
2. **Contents:** The certification statement must:
 - a. Indicate the University department(s) and position(s) of the employee-Supplier. In addition, a former employee must state the date of his or her separation from the University.
 - b. Disclose the employee's, former employee's or employee's near-relative's financial interest in the proposal.
 - c. Specify the employee's and/or near relative's relationship to or financial interest in any business entity involved in making the quotation or proposal.
 - d. Indicate whether the employee has any responsibility for or will be involved in any manner in the departmental decision to accomplish or approve the transaction. In the case of a former employee, indicate whether the employee had any responsibility for or was involved in any manner in the departmental decision to accomplish or approve the transaction.
 - e. Certify that no University time, material, equipment, or facilities have been or will be used in connection with any resulting Purchase Order or contract.

Part 6: Procurement Card Program: This part of the Policy sets forth basic policies and requirements for the University Procurement Card Program.

- A. Scope:** This part of the Policy applies to all procurement related activities associated with the University procurement card program.

This part of the Policy does not apply to the Laboratory. A separate policy governs the procurement card program for the Laboratory.

- B. Policy:** The University of California will ensure that transactions under its procurement card program are supported by adequate policies, procedures, and management controls to guard against fraud, waste, or abuse and the incurrence of unallowable costs under federal contracts and grants.

The Procurement Services Department at the Office of the President serves as a central clearinghouse for general information regarding the implementation of a procurement card system at the campuses. Prior to implementing such a system, the Chancellor or the VP of ANR (or designee pursuant to BUS-49/Policy for Handling Cash and Cash Equivalents) must submit to Procurement Services Department and the Office of the Chief Investment Officer, a written request listing the names of specific individuals who will be designated as Authorized Signers for that campus.

All other details for implementing procurement card services, such as establishing individual cards and determining expenditure limits, reporting requirements, and data transmissions, may be negotiated directly between the campus and the issuing bank, according to the needs of the campus.

C. General Information:

- 1. Procurement Card Program:** A procurement card is a credit card authorized by the University of California to designated employees to enable the timely purchase of low value goods or services. The card is routinely accepted by merchants who accept VISA or MasterCard for payment. The card is a corporate (e.g., University) liability card, issued to an employee only for University purposes. Its use is subject to strict cardholder purchasing controls (outlined in section V. 6.C.), which cannot be exceeded without authorization. Settlement is executed electronically on the settlement date providing the opportunity for the University to eliminate costs for processing Purchase Orders, Supplier invoices and for issuing checks, for each Supplier.

The University's procurement card program is managed by each campus' purchasing unit, in consultation with the campus Controller.

- 2. Designation of an Administrator:** At each University Location the Card Program Manager will designate an Administrator to be responsible for monitoring compliance with policies and procedures; to be the liaison between the issuing bank and the Procurement Services Department at the Office of the President and to oversee the Location Procurement Card Program.

D. Specific Transactional Responsibilities and Separation of Duties:

- 1. Separation of Duties:** The duties of individuals who are authorized to make purchases with a procurement card shall be separated to ensure that the items ordered were received and that the purchase are appropriate as follows:
- a. A Reviewer (who should be at a supervisory level) other than the person placing an order shall certify that the items ordered were received. If the purchasing unit is too small to provide an independent confirmation of receipt, an individual from an outside unit may perform this step.

- To establish that a particular expenditure was improperly made, a department must complete the appropriate documentation, mark it File Copy Only – Credit Must Be Issued, and forward a copy to the Location purchasing unit. The Location may approve a transmission method that does not involve sending a

paper copy to the purchasing unit. The original documentation may be retained in the department or a central office as designated by the Controller or Office of Record.

5. **Sanctions:** Each Location shall establish guidelines for appropriate sanctions to address any abuse or misuse of procurement cards by cardholders or reviewers. All sanctions must be carried out in a timely manner.

Sanctions will be imposed for any unallowable cost, fraud, waste or abuse, or any other serious or chronic misuse of a procurement card by a cardholder or reviewer. Any suspected fraud, waste, or abuse must be immediately referred to the appropriate campus security and/or Internal Audit organization for appropriate action.

Improper use of a procurement card by an employee may be grounds for disciplinary action and shall result in cancellation of the individual's card.

6. **Retention of Documentation:** Records will be retained for as long as designated in the [UC Records Retention Schedule](#). All records pertaining to pending, foreseeable or ongoing litigation; an investigation, an ongoing audit, or a request for records, cannot be destroyed until these actions have been completed or resolved. These records will be maintained according to the University's Records Management Program and instructions from legal counsel.

Documentation Exceptions: The Administrator of the Procurement Card Program will maintain a file of all policy exceptions made including a brief description of why the exception was necessary. This documentation will be available to the Controller and the Office of Ethics, Compliance, and Audit Services upon request.

IV. COMPLIANCE/RESPONSIBILITIES

Part 1: Purchase Transactions

Part 2: Strategic Sourcing Initiative

Part 3: Supplier Diversity and Federal Planning and Reporting

Part 4: Employee-Supplier Relationships

Part 5: Procurement Card Program

Part 1: Responsibility and Authority for the Purchase of Goods and Service/ Purchase Transactions:

A. Responsibility:

1. **Campus, ANR and Laboratory:** Each Chancellor, the Vice President of Agriculture and Natural Resources, and the Laboratory Director is responsible for purchasing and providing the goods and services required in a manner consistent with this Bulletin and with the following requirements.
 - a. **Strategic Sourcing Initiative:** Further the principal objective of the Strategic Sourcing Initiative which is to maximize the economies of scale in purchasing quantities where needs can properly be met through use of University-wide and regional pool purchases, commodity agreements, and

price schedules.

- b. Cost Effectiveness:** Institute programs dealing with standardization, value and cost analysis, utilization of items excess to others, simplification in purchases of low-cost items, and such other matters as may encourage receipt of the most favorable prices, terms, and conditions, which will result in the lowest overall cost consistent with need.
- c. Solicitation of Supplier and Service Contractor Interest:** Stimulate interest in becoming a supplier to the University through means such as participating in trade fairs and other business meetings, distributing brochures describing campus or Laboratory needs and listing whom to contact and, as appropriate, utilizing newspaper and trade journal notices periodically to invite inquiries.
- d. Purchase Transactions:** Ensure in awards of Purchase Agreements that the requirements for competition have been met, any negotiations have been conducted according to established guidelines, and prices to be paid are reasonable in the particular circumstances.
- e. Procedures and Controls:** Develop and maintain written procedures and controls that implement University purchasing policies.
- f. Equal Opportunity in Business:** Make every effort to ensure that all persons, regardless of race, religion, sex, color, ethnicity, national origin and other protected characteristics, have equal access to Purchase Orders, Purchase Agreements, and other business opportunities with the University.
- g. Laboratory Compliance:** The procurement systems employed by the Laboratory negotiated with and approved by the Department of Energy (DOE) under the management contracts between DOE and the University. Approved policies and procedures supporting this DOE-approved system are included in the Laboratory Procurement Policy and Standard Practices Manual published and maintained by the University of California Laboratory Management Office. The obligation of federal funds will be accomplished employing such policies and procedures.

Each Procurement/Supply Chain Director is expected to actively contribute to the further development and refinement of this Bulletin and these requirements by encouraging consultation and concerted efforts with colleagues throughout the University, including all Locations.

- 2. The Office of the President:** The role of the Office of the President in Procurement/Supply Chain Management/ Procurement Services is to recommend and develop policies, monitor compliance, provide effective coordination and counsel, administer the Strategic Sourcing Initiative, maintain the CALCODE (the coding system for equipment management), represent the University with external agencies, analyze proposed State and Federal regulations, formulate long-range planning, conduct special studies as needed, and staff task forces and cross-functional work groups. To this end, the

Associate Vice President and UCOP Chief Procurement Officer shall be responsible in the following areas:

- a. **Strategic Sourcing:** Manage and Administer the Strategic Sourcing Initiative.
- b. **Purchase Agreements and Related Documents:** Provide staff support for maintenance of standard terms and conditions of Strategic Sourcing Systemwide Agreements and Price Schedules and some of the UCOP Agreements and their related documents, document development, and in interactions with the Office of General Counsel as required.
- c. **Regents' Agenda Items:** Work in tandem with the Office of the CFO to prepare required Regents' agenda items and submit them through the Office of the President to secure approval of Purchase Agreements and related documents that exceed the authority of the President.
- d. **Program Management:** Manage initiatives and programs that assist the University in becoming a premier institution known for its Procurement Excellence.
- e. **Policy:** Develop and refine University Procurement Policies, including the procedures in this Bulletin, in collaboration with campus and Laboratory colleagues.
- f. **Limitations on Authority:** Compile and distribute to the Locations all current, relevant information available on limitations on authority to execute purchase contracts and related documents imposed by State or Federal law or other relevant provisions.
- g. **Re-delegation of Purchasing Authority:** Grant re-delegation of purchasing authority to other than the Procurement/Supply Chain Director for the purchase of goods and services and, within their area of jurisdiction, to other than the Librarian, as it pertains to the purchases of books and periodicals.
- h. **Liaison:** Maintain liaison with State and Federal agencies relating to Procurement/Supply Chain Management/ Procurement activities, analyze pending legislation and new regulations for potential impact on the University, disseminate relevant information, and consult with University colleagues on other governmental matters of interest.
- i. **Reporting to the State of California:** Collect and analyze data related to Small Business Utilization and complete the Annual Small Business Utilization Report which is submitted annually to the Governor's Office.
- j. **Policy Compliance:** Monitor, in conjunction with the Office of Ethics, Compliance & Audit Services, compliance with the procedures in this Bulletin, provide guidance in policy interpretation, and recommend to responsible officials corrective action when indicated.

B. Authority:

1. **Authority of the Regents:** The California Constitution vests in The Regents full powers of organization and governance of the University, subject only to certain limited legislative controls. One such control is California Public Contract Code Sections 10507, et seq. Thus, those authorized through the delegation process to commit the University may do so only when the requirements for competition, as set forth herein, have been met.
2. **Authority of the President:** Bylaw 30 delegates to the President the authority to administer the day to day central and/or system-wide functions to the University, except those activities within the responsibility of the Principal Officers. This includes executing on behalf of the Corporation all contracts and other documents necessary in the exercise of the President's duties.:
 - a. **Liability:** Agreements by which the University assumes liability for conduct of persons other than University officers, agents, employees, students, invitees, and guests. The President has broad authority to enter into contracts, including those where the University agrees to provide express contractual indemnification in circumstances where it is deemed necessary by the President, in consultation with the General Counsel, to indemnify non-University persons who have agreed at the University's request to serve as advisors on operational matters for conduct within the scope of their role as advisors,
 - b. **Delegations to Chancellors, Laboratory Director and the VP of ANR:** The President has delegated authority to Chancellors per Bylaw 31, Laboratory Director, and the VP of ANR to execute Purchase Agreements for goods and services, and the additional provisions of the Presidential Delegation of Authority DA 2100.

Part 2: Responsibility and Authority for Strategic Sourcing Initiative:

- A. **The Associate Vice President and UCOP Chief Procurement Officer:** Has overall responsibility for the management of the Strategic Sourcing Initiative and the outcomes of this program. The Associate Vice President and Chief Procurement Officer develops long-range plans, determining which commodities the University will bid out and in what order. Collaboratively with the Procurement Leadership Council, the Associate Vice President and Chief Procurement Officer ensures the successful execution of this program and the implementation of the resulting Systemwide Agreements for goods and services. The Associate Vice President and Chief Procurement Officer has full authority, delegated to him/her by the Executive Vice President and Chief Financial Officer, for signatory rights for all Office of the President and Systemwide Agreements, including agreements for goods and services.
- E. **The Strategic Sourcing Director** Has overall responsibility for the successful execution of the Strategic Sourcing Initiative and the resulting Systemwide Agreements. Although the Director cannot sign these Agreements, the Director has the responsibility to review them thoroughly before having the Associate Vice President and Chief Procurement Officer sign them. The Responsible Procurement Authority has signature authority for departmental expenses,

University Subawards, and may be requested to be the officer to sign other agreements in the Associate Vice President and Chief Procurement Officer's absence. The Director is responsible for all budgetary tasks and documents for the Procurement Services Department. The Director is also responsible for supervising the Commodity Managers, providing feedback and performance management, as well as hiring and disciplining staff as necessary. The Director provides input to the Procurement Services Staff regarding questions related to Strategic Sourcing Agreements, Price Schedule Agreements, Commodity Planning, and Procurement-related questions.

Part 3: Responsibility and Authority for Supplier Diversity and Federal Planning and Reporting:

- A. Implementation of the Policy:** The Procurement/Supply Chain Directors at all Locations are responsible for the implementation of this Policy.
- B. Revisions to the Policy:** The Executive Vice President-Chief Financial Officer owns this Policy and has the authority to interpret and implement changes to the Policy.
- C. Campus Responsible Parties:**
 - 1. The Escalation Authority (or the comparable position):** The primary campus/medical center leader with delegated responsibility for the administration of policies related to small business and supplier diversity.
 - 2. Location Reporting Requirements:** Each Location will also maintain and collect the data and provide it to the Office of the President, Procurement Services Office annually or as necessary, to report to the Federal Government and the State of California.
 - 3. The Procurement Services Office:** Procurement Services Office in the University's Office of the President will work with the Locations' Procurement/Supply Chain Director or their designees to give guidance for the implementation of the Policy and the collection of the Small Business and Supplier Diversity procurement data.

Part 4: Responsibility and Authority for Employee-Supplier Relationships:

- A. Approvals:** The required certification for Employee-Supplier Relationships, C. Certification Requirement) must be submitted to the Location's Procurement/Supply Chain Director or designee. When the work involves an intercampus or Laboratory transaction, the certification must be submitted to the Procurement/Supply Chain Director at the Location where the requirement originates. In addition, a re-certification is to be submitted prior to the extension/renewal of the terms of a contract. The Procurement/Supply Chain Director is responsible for notifying the submitting department of approvals or denials of requests involving employee-Supplier relationships.

Part 5: Responsibility and Authority for Procurement Card Program:

- A. Campus Controller or Office of Record:**

1. Approve campus guidelines for use of a Procurement Card as a payment mechanism;
2. Approve procedures for preventing and investigating and reporting unauthorized use of Procurement Card;
3. Approve requests to issue Procurement Cards to central purchasing unit employees;
4. Approve requests to issue Procurement Cards to non-University employees;
5. Approve procedures for annual self-assessment by the Purchasing Unit or other business unit.

B. Procurement Card Manager:

1. Oversee the Procurement Card Program;
2. Formally authorize new cardholders to commit funds for the University in accordance with this policy's provisions regarding Low Value Purchases;
3. Plan and provide for regularly scheduled audits, reviews, and/or oversight;
4. Approve spending limits;
5. Ensure that sanctions are imposed for the abuse or misuse of a Procurement Card by a cardholder or reviewer;
6. Cooperate with investigations of suspected fraud, waste, or abuse;
7. Ensure adherence with the requirements of the Procurement Card Program;
8. Approve more than ten (10) cardholders per reviewer; and
9. Approve exception to reviewer reporting relationship.

C. Procurement Card Administrator: The Administrator (or other individual approved by the Controller) shall:

1. Administer the Procurement Card Program consistent with this section of this Bulletin;
2. Interface with the Procurement Card Issuing Bank;
3. Develop and conduct mandatory initial and refresher Procurement Card training for Procurement Card holders and reviewers;
4. Process and approve requests for issuance of new Procurement Cards;
5. Maintain an up-to-date listing of all authorized cardholders, their Delegations of Authority, and their respective reviewers;
6. Monitor departmental reconciliation activity and unresolved disputers;
7. Report discrepancies to the Procurement Unit Manager and recommend appropriate sanctions;
8. Verify that proper incentive amounts are received under the University program with the Procurement Card Issuing Bank;

9. Perform periodic reconciliation of bank statements and financial systems;
10. Ensure the Procurement Cards are cancelled and surrendered by the cardholder upon termination of a cardholder's need or termination of employment; and
11. Cooperate with investigations of suspected fraud, waste, or abuse.

D. Reviewer: The Reviewer shall:

1. Successfully complete mandatory initial and annual refresher training;
2. Review on a timely basis, documentation related to all purchase and approve all cardholder transactions to confirm appropriateness and receipt of the goods and services ordered;
3. Notify the Procurement Card Administrator or Procurement Unit Manager of any cardholder non-compliance.
4. Cooperate with investigations of suspected fraud, waste, or abuse; and
5. Take or recommend corrective action in cases where Procurement Cards have been used inappropriately, including disciplinary action.

E. Cardholder: The Cardholder shall:

1. Successfully complete mandatory new cardholder and annual refresher training;
2. Sign a Cardholder Agreement form that includes cardholder requirements associated with proper use of the Procurement Card;
3. Comply with campus policies, procedures, and program updates related to the use of Procurement Cards, including limitations on transaction limits, monthly and/or annual spending limits, and prohibited items;
4. Cooperate with investigation of suspected fraud, waste, or abuse.
5. Obtain proper documentation associated with Procurement Card transactions;
6. Reconcile the statement of account on a timely basis; and
7. Promptly process all Procurement Card transactions including prompt resolution of merchant and bank disputes.

V. PROCEDURES

Part I: Purchase Transactions

Part 2: Strategic Sourcing Initiative

Part 3: Supplier Diversity and Federal Planning and Reporting

Part 4: Procurement Card Program

Part 1: Purchase Transactions

- A. Policy Compliance:** Pool Purchase Orders, commodity agreements, and price schedules shall be established only when, pursuant to University policy,

requirements for competition have been met, any negotiations have been conducted according to established guidelines, prices to be paid are reasonable in the particular circumstances, and approval as to form has been secured as necessary.

- B. Required Use:** Items covered by Pool Purchase Orders shall not be purchased from other sources, unless the exception involves special delivery requirements, or there are substantial differences in specifications which preclude the use of the contract source. Such exceptions shall be approved by the campus Procurement/Supply Chain Director. Exceptions on any basis other than the above circumstances shall be approved by the Commodity Manager.
- C. Exception Reports:** Purchases from other than pool Purchase Order suppliers or commodity agreement sources shall be reported to the Commodity Manager. Such reports shall include copies of the purchase action.
- D. Availability of Funds:** Pool Purchase Orders shall be entered into only when the Commodity Manager has been assured that funds are available to cover the definite or guaranteed minimum quantities to be ordered.
- E. Unsatisfactory Performance:** Unsatisfactory, unusual, or significant supplier or product performance deficiencies shall be reported promptly to the Commodity Manager involved so that appropriate, timely action may be taken to correct the deficiency.
- F. University Price Schedules:** Such arrangements may be entered into to take advantage of special discounts on proprietary products or when a commodity agreement is not practical. When not established through the required competitive process, prices shall be reasonable and such agreements shall not be used in lieu of soliciting competition

Part 2: Strategic Sourcing Initiative:

A. Program Management:

1. Associate Vice President and Chief Procurement Officer of Procurement Services, University of California Office of the President:

- a) Working with the Executive Vice President-Chief Finance Officer, the Associate Vice President and Chief Procurement Officer is responsible for developing an overall strategy which addresses overall University needs in terms of savings, pricing, operational efficiencies, and continuous improvement:
 - i. Ensure that these factors are considered when developing the departmental strategic plan;
 - ii. Ensure the commodities providing the maximum savings to the University be developed as projects early in the Strategic Plan; and
 - iii. Consider Location needs in all planning for the department:
 - A. In customer service;

- B. In the timing of Strategic Sourcing Initiatives
 - C. In Location staffing needs, and the needs of all Location Stakeholder Groups;
 - D. In the identification of those items for inclusion in the program that are purchased by multiple Locations;
 - E. In sufficient quantities that an economic advantage can be gained by creating a Strategic Sourcing Initiative.
 - F. In the review of all goods and services purchased by the University to leverage non-traditional concepts and cost-savings ideas to provide maximum benefit to the University.
- b) Analyze usage data from all Locations to identify needs, trends, and potential opportunities. Guide the Commodity Managers and Commodity Teams to a positive outcome for the University. Review the business trends quarterly to determine options for additional opportunities for savings to the University.
 - c) Work closely with colleagues at other institutions to develop strategies and find opportunities for collaboration. Determine if collaboration with other higher education institutions, medical institutions, or group purchasing organizations to leverage immediate savings until a Strategic Sourcing Initiative is able to be scheduled and executed.
 - d) Develop a strategy using the needs of the Location customers, collected data, marketplace conditions, and historical industry information to determine the best approach to leverage the University's purchasing power to gain the best advantage in terms of customer service, quality, and price.
 - e) Market the Strategic Sourcing concept to Senior Management within the University, colleagues in other industries, other higher education and medical colleagues, and the supplier community. Brainstorm with these groups as appropriate for creative ideas where partnership opportunities exist for Strategic Sourcing Initiatives.
 - f) Lead the Team, both at the Office of the President and at all Locations in knowledge of current market conditions as they pertain to all commodities, and keep everyone informed of significant developments which could affect consolidated purchasing, marketplace conditions, and availability of product.
 - g) In carrying out the above responsibilities, the Associate Vice President and Chief Procurement Officer shall collaborate with and secure assistance from, as appropriate, the Director of Strategic Sourcing, Commodity Managers, Procurement/Supply Chain Directors, Small Business Coordinators, Location Stakeholder Groups, Subject Matter Experts (SME's) and other knowledgeable persons.

2. Director of Strategic Sourcing/University of California Office of the

President: The Director of Strategic Sourcing, when assigned responsibility for specific staff supervision as well as specific commodity groups by the Associate Vice President and Chief Procurement Officer, shall:

- a. Work with the Associate Vice President and Chief Procurement Officer to develop an overall strategy which addresses customer service needs of the Locations, commodities that need to be addressed, timing to go out to bid on these commodities, Commodity Manager assignment of projects, and supervision of the Commodity Managers on their projects.
- b. Identify those items for inclusion in the program which are purchased by multiple Locations in sufficient quantities that an economic advantage can be gained by creating a Strategic Sourcing Initiative.
- c. Develop specifications and standards through value analysis and consultation with Subject Matter Experts (SME's), as appropriate and secure usage data from those Locations which expect to participate in the Strategic Sourcing Initiative. Review the analysis of the Commodity Managers to determine that it is accurate and reflects the needs of the University.
- d. Determine if there are opportunities to develop agreements with other higher education institutions, other medical institutions, or group purchasing organizations to leverage immediate savings until a Strategic Sourcing Initiative is able to be scheduled and executed.
- e. Develop a strategy using the needs of the Location Customers, collected data, marketplace conditions, and historical industry information to determine the best approach to leverage the University's purchasing power to gain the best advantage in terms of customer service, quality, and price.
- f. Solicit quotations; prepare and execute resulting Systemwide Strategic Sourcing Initiative RFP and a commodity agreement or price schedule where appropriate; review quarterly usage reports from agreement suppliers or internal polling of the Locations; and monitor overall Systemwide compliance to the agreement. Determine methodologies to address maverick spend at Locations by leveraging Procurement/Supply Chain Directors, Procurement Departments, Strategic Sourcing Units, and Stakeholder Groups. Utilize supplier support to assist in making contacts at Locations and to convert customers to the Strategically Sourced Agreements.
- g. Review and evaluate existing consolidated purchase arrangements for expansion or modification, and schedule advantageous purchases and renewal of commodity agreements and price schedules in a timely manner consistent with work schedules.
- h. Maintain up-to-date knowledge of current market conditions as they pertain to assigned commodities, and keep the campuses and Laboratory

informed of significant developments which could affect consolidated purchasing, marketplace conditions, and availability of product.

- i. Determine the sustainability issues related to the specific commodity and how to integrate sustainable products, energy savings, water savings, and reuse or recycling opportunities into every Strategic Sourcing Initiative.
- j. In carrying out the above responsibilities, the Director of Strategic Sourcing shall consult with and secure assistance from, as appropriate, the Associate Vice President and Chief Procurement Officer, Procurement/Supply Chain Directors, Commodity Managers, Buyers, Small Business Coordinators, Location Stakeholder Groups and Subject Matter Experts (SME's) and other knowledgeable persons.

3. Commodity Manager, Procurement Services/University of California

Office of the President: The Commodity Manager, when assigned responsibility for specific commodities or groups of commodities by the Director of Strategic Sourcing, shall:

- a. Identify those items for inclusion in the program which are purchased by multiple Locations in sufficient quantities that an economic advantage can be gained by creating a Strategic Sourcing Initiative.
- b. Develop specifications and standards through value analysis and consultation with Subject Matter Experts (SME's), as appropriate and secure usage data from those Locations which expect to participate in the Strategic Sourcing Initiative.
- c. Develop a strategy using the needs of the Location Customers, collected data, marketplace conditions, and historical industry information to determine the best approach to leverage the University's purchasing power to gain the best advantage in terms of customer service, quality, and price.
- d. Solicit quotations; lead Systemwide Strategic Sourcing Initiatives and prepare and execute resulting commodity agreements or price schedules where appropriate; review quarterly usage reports from agreement suppliers or internal polling of the Locations; and monitor overall Systemwide compliance to the agreements. Determine methodologies to address maverick spend at Locations by leveraging Purchasing/Procurement Departments, Strategic Sourcing Units, and Stakeholder Groups. Utilize supplier support to assist in making contacts at Locations and to convert Customers to the Strategically Sourced Agreements.
- e. Review and evaluate existing consolidated purchase arrangements for expansion or modification, and schedule advantageous purchases and renewal of commodity agreements and price schedules in a timely manner consistent with work schedules.

- f. Maintain up-to-date knowledge of current market conditions as they pertain to assigned commodities, and keep other campuses and the Laboratory informed of significant developments which could affect consolidated purchasing, marketplace conditions, and availability of product.
 - g. Determine the sustainability issues related to the specific commodity and how to integrate sustainable products, energy savings, water savings, and reuse or recycling opportunities into every Strategic Sourcing Initiative.
 - h. In carrying out the above responsibilities, the Commodity Manager shall consult with and secure assistance from, as appropriate, other the Director of Strategic Sourcing, Procurement/Supply Chain Directors, Small Business Coordinators, Location Stakeholder Groups and SME's and other knowledgeable persons.
4. **Laboratory Participation:** The prime contracts which govern Laboratory operations require the use of certain government sources not generally available to the campuses. When agreements are cost effective and there is no conflict with federal requirements, Strategic Sourcing agreements may be used by the Laboratory.

Part 3: Supplier Diversity and Federal Planning and Reporting:

A. Campus Programs:

1. **Program Development:** The University supports the use of small, diverse, and disadvantaged suppliers whenever these suppliers offer products and services that meet the University's needs for competitive pricing and the quality of the products and services. ~~The University has not set specific goals for procurement from any classification of business.~~ Existing policy establishes the goal of awarding 25% Economically and Socially Responsible (EaSR) spend annually to small and diverse owned businesses. See UC Sustainable Practices Policy (<https://policy.ucop.edu/doc/3100155/SustainablePractices>) for more details. In order to support the University's supply base diversity goals ~~Campuses~~Locations are strongly encouraged to:
- a. Make a concerted effort to target and solicit responses from small, diverse, and disadvantaged suppliers in all Requests for Information, Quotation, or Proposal.
 - b. When possible, purchase goods and services from small, diverse, and disadvantaged suppliers that are a University of California contracted supplier as part of strategically sourced agreements awarded through a competitive bid process.
 - c. In order to support these goals, the University requires wherever practicable the purchase of goods and services from small, diverse, and disadvantaged suppliers ~~Small Business (SB) or Disabled Veteran Business Enterprise (DVBE) suppliers~~ Small Business (SB) or Disabled Veteran Business Enterprise (DVBE) suppliers for commodities and services where strategically sourced agreements do not exist, and for amounts not

exceeding the \$250,000 small business purchase threshold as identified in Section III, Part ~~43~~, Subsection C. Small Business First Program~~4~~. above.

2. **Outreach Efforts:** Each Location shall develop and implement effective outreach programs to ensure equal opportunity in business contracting. Such programs shall:
 - a. Create awareness in the small, diverse, and disadvantaged supplier communities, of contracting opportunities available from the University.
 - ~~b.~~ Direct efforts to develop potential new purchasing relationships with small, diverse, and disadvantaged suppliers. Efforts may include: regular and active
 - ~~b.~~ Obtain written representation (either/or federal and state) from suppliers regarding their status as a small, diverse, or disadvantaged supplier (see Section VI/Related Information for links to all classification types).
sSearches for small, diverse, and disadvantaged suppliers; ~~and verify their certification. Check the SBA Dynamic Small Business Search Database. Check the California Certification Website for State of California-certified businesses. Ddeterminatione of~~ whether or not small, diverse, and disadvantaged suppliers can be used for the purchase of particular goods and services as needed by departments; ~~;-~~ eEncourage small, diverse, and disadvantaged supplier participation through trial purchases, product pilot testing, the arrangement of sSupplier orientation visits, and by other means at various Locations, so that these suppliers can learn about University procurement practices, bidding processes, business models, and contractual agreement implementation; ~~;-~~ iIncrease competitive opportunities for small, diverse, and disadvantaged business providers by allowing adequate time to respond to the bid requirements.
 - c. Obtain written representation (either/or federal and state) from suppliers regarding their status as a small, diverse, or disadvantaged supplier (see Section VI. Related Information – Diverse Business Classifications by Government Source for links to all classification types).
 - d. Maintain contact with small, diverse, and disadvantaged suppliers to ensure their inclusion in University procurement opportunities. These contacts could include small business fairs, meetings with key University staff, and seminars applicable to small and local business providers about how to best work with the University.
 - e. Respond to studies or surveys that may be conducted by the Small Business Administration or other related agencies so that information about the University's bidding and procurement practices are distributed to the appropriate suppliers.
3. **University of California Small Business Plans:** The Campus Small Business Officer or Supplier Diversity Coordinator in collaboration with the originating department and the Contracts and Grants/ Sponsored Projects Office are responsible for the development of the Small Business Plan and its

goals. The University department receiving the award is responsible for seeking to meet their supplier diversity goals established in the plan.

B. Campus Reporting/Management of Plans and Reporting for Federal Contracts of Subcontracts Exceeding \$700,000: The University recognizes its obligation with regard to extramural contracts and grants by incorporating the requirements of all relevant statutes, Executive Orders, and regulations into its procurement activities.

1. Small Business Subcontracting Plan Requirements: Federal solicitations, contracts and subcontracts to the University exceeding \$700,000 and expected to have subcontracting opportunities will usually require that the University prepare a Small Business Subcontracting Plan. The Campus Small Business Officer or Supplier Diversity Coordinator in collaboration with the originating department and the Contracts and Grant/Sponsored Projects Office are responsible for the development of the Small Business Subcontracting Plan.

The plan must include the total percentages and dollar amounts to be spent with both large and small businesses for materials and supplies, equipment over \$5,000, and travel. This plan is either requested at the time that an initial proposal is submitted or it can be requested when the funding has been awarded. Once approved by the federal agency awarding the funding, the Subcontracting Plan goals become a contractual obligation which the Principal Investigator must make a good faith effort to achieve.

Principal Investigators and Contract Administrators must provide the following documentation to the designated Campus Small Business Officer or Supplier Diversity Coordinator when potential small business spend for materials and supplies, equipment over \$5,000, and/or travel exists:

- a. Agency proposal or award number,
- b. Title of proposal or award,
- c. The Statement of Work,
- d. High-level budget information,
- e. A worksheet detailing totals for materials and supplies, equipment over \$5,000, and travel be purchased from suppliers, and
- f. The Small Business Plan Worksheet describing materials and supplies, equipment over \$5,000, and travel that can be purchased from small businesses, the dollar amounts for these items, and names of small businesses from which they can be purchased.

2. Good Faith Effort - Locating Small Business Sources: Each Principal Investigator (PI) of a federally funded contract containing a Small Business Subcontracting Plan approved by the awarding federal agency must encourage maximum participation by the types of small businesses in the plan for which they set specific percentages and dollar amounts. To do so, they must work with their support staff to:

- a. Reasonable Effort:** Make every reasonable effort to find additional small business entities which have the classification types set in the goals and which can meet the technical specifications required for the project. Such efforts include working with the designated Campus person assigned to Supplier Diversity, contacting the federal agency to get a list of approved small business suppliers, and by using the [SBA Small Business Dynamic Search Database](#). Alternate data bases from third party suppliers that some Locations have access to may also be utilized as an alternative to the SBA Small Business Dynamic Search Database.
 - b. Supplier Contacts:** Contact small, diverse, and disadvantaged, suppliers when soliciting prospective suppliers via Requests for Information, Quotation, or Proposal for the project.
 - c. Required Documentation:** Document in writing in the project's records on an ongoing basis any failure to purchase from small suppliers as stated in the Small Business Subcontracting Plan. Report these reasons to the Supplier Diversity Program Coordinator in writing in advance of the April 1 and October 1 federal reporting dates.
 - d. Other Assistance:** Notify the Small Business or Diversity Supplier Coordinator to assist in finding other appropriate small businesses. The Small Business or Diversity Supplier Coordinator must also include the reason for zero utilization, whenever a federal report is filed with the federal agency.
- 3. Post Award Small Business Program Re-Representation:** If [FAR Part 52.219 - Small Business Programs Provisions and Clauses](#) is included in the contract and the conditions in the clause for re-representation are met, the designated employee must:
 - a.** Require the contractor that represented itself as a small business concern prior to award of the contract re-represent its size status via its registration in the federal System for Award Management and using the corresponding North American Industry Classification System code, or via a separate certification containing this information; and
 - b.** Permit a contractor that represented itself as other than a small business concern prior to award to re-represent its size status.
- 4. Data Collection and Reporting Requirements:** Locations must monitor and report the extent of small business participation in their federal funded contracts exceeding \$700,000, when a Small Business Subcontracting Plan has been approved by taking the following actions:
 - a.** Require each prospective small business to certify whether it is a small business with one or several of the government classification types or self-certify (for all others) on the Federal Central Contractor Registration.

- b. Accurately track the participation by small businesses (by classification type) in terms of the total value of Purchase Orders placed in that classification during each fiscal year.
- c. Report utilization to the appropriate federal agencies as required.

5. Report Types and Reporting Periods:

- a. **Individual Subcontracting Report (ISR)**: This report collects prime contractor and subcontractor subcontract award data for specific Federal Government agencies (see b. ii. and b. iii.). **This is the former SF-294 Report.**

Designated staff at each campus must file an *Individual Subcontracting Federal Report (ISR)* for each contract or sub-contract in the [Electronic Subcontracting Reporting System \(eSRS\)](#) to the appropriate federal agency in the following reporting periods:

- i. October 1st of the prior year through March 31th of the current year (six months)/due by April 30th and;
- ii. October 1st of the prior year through September 30th of the current year (fiscal year)/ due October 31st;
- iii. A final [ISR](#) is completed within 30 days of the expiration date of the contract or sub- contract.

- b. **Summary Subcontracting Report (SSR)**: This report provides an annual summary of subcontracts awarded by prime and subcontractors for a specific Federal Government agency that required an Individual Subcontracting Plan for the previous fiscal year.

Designated staff must also file a [Summary Subcontracting Report/SSR](#) with each federal agency when the Campus:

- i. Holds one or more contracts or subcontracts over \$700,000 and,
- ii. Is required to report subcontracts awarded to Small Business (SB), Small Disadvantaged Business (SDB), Women-Owned Small Business (WOSB), HUBZone Small Business (HUBZone SB), and Veteran-Owned Small Business (VOSB), Service-Disabled Veteran- Owned Small Business (SDVOSB), ANCs and Tribes concerns under a Subcontracting Plan with the Federal government, and
- iii. Is required to report subcontract awards for Historically Black Colleges and Universities (HBCUs), Minority Institutions (MI), for the Department of Defense (DOD), the National Aeronautics and Space Administration (NASA), and the Coast Guard, and
- iv. Also has reporting periods for civilian agencies [non-Department of Defense (DOD) or NASA], annual submission:
 - a) October 1st of the prior year through September 30th of the current year (fiscal year)/due October 31st.

- b) For contracts with the Department of Defense and the National Aeronautics and Space Administration twice per year (same as for *ISR's* above):
 - 1) October 1st of the prior year through March 31st of the current year (six months)/due by April 30th, and,
 - 2) October 1st of the prior year through September 30th of the current year (fiscal year)/ due October 31st.
- c. **Small Disadvantaged Business Report: Disadvantaged Status and Reporting**; If a [Small Disadvantaged Business \(SDB\)](#) goal was included in the Small Business Subcontracting Plan, per [FAR 52-219-25 Small Disadvantaged Business Participation](#) the University must report on the participation of SDB concerns at contract completion or as provided in the terms and conditions of the contract.
- d. **Failure to Make a Good Effort–Liquidated Damages: FAR 52.219-16** deals with Liquidated Damages and a “Failure to make a good effort to comply with the subcontracting plan” which means a willful or intentional failure to perform-or- willful or intentional action to frustrate the plan in accordance with the requirements of the subcontracting plan approved by a federal agency.

Federal agencies measure performance toward the Small Business Subcontracting goals by applying the percentage goals to the total actual subcontracting dollars or, if a commercial plan is involved, to the pro-rata share of actual subcontracting dollars attributable to government contracts covered by the commercial plan.

If the Small Business Subcontracting Plan goals have not been met by the contract completion or in the case of the commercial plan, at fiscal year close for which the plan is applicable, the Federal Contracting Officer will determine if the Contractor has failed to make a good faith effort to comply with the Subcontracting Plan. The Contracting Officer will give the Campus written notice specifying the failure and permitting the campus on behalf of the UC Regents, to demonstrate the Good Faith Effort that has been made and to discuss the situation with the federal agency. A failure to respond to the notice may be taken as an admission that a valid explanation does not exist.

If the Contracting Officer has considered all pertinent data and finds that the campus or the Regents did fail to make a good faith effort, the Officer shall issue a final decision to that effect and require the Campus on behalf of the Regents to pay the Federal Government liquidated damages for the difference between the proposed goals and the actual dollars spent.
- e. **Defense Federal Acquisition Regulations (DFARS)**: In addition to the FAR regulations, the Defense Federal Acquisition Regulations (DFARS) develop and maintain acquisition rules and guidance to facilitate purchasing staff as they acquire the goods and services required for

[Department of Defense](#) contracts. These regulations apply whenever the University has a DOD research contract exceeding \$650,000 and requires the use of small businesses.

f. Campus Reporting to the Environmental Protection Agency Grant Awards with Fair Share Objectives-Title 40/Protection of the Environment, Chapter 1, Subchapter B, Part 35/Participation by Disadvantaged Business Enterprises:

Federal Disadvantaged Business Enterprise (DBE) provisions affect procurement actions under EPA financial assistance agreements/grants.

The Environmental Protection Agency requires a Disadvantaged Business Enterprise Rule and Program provision in the Terms and Conditions of the grant agreement. The University departments holding these contracts and grants are required to make a good faith effort to achieve the requirements as stated.

The key functional components of the EPA Disadvantaged Business Enterprise Rule and Program are the following:

- i. DBE Overview Fact Sheet;
- ii. Fair Share Objectives;
- iii. Six Good Faith Efforts and Contract Administration Requirements;
- iv. MBE/WBE Reporting; and
- v. MBE/WBE Certification.

6. Office of the President - Procurement Services Department Required Reporting-State of California Small Business Report: The University of California complies with all reporting requirements issued by the State of California. During the month of September the Office of the President - Procurement Services Small Business Coordinator collects purchasing, design, and construction small business data from campuses, medical centers, Agriculture and Natural Resources, and the Laboratory. The Coordinator then prepares the annual Small Business Utilization report for the California Governor's Office.

Part 4: Procurement Card Program:

A. General Information:

- 1. Instructions to Cardholders:** The Procurement Card Administrator, in coordination with the campus Controller, will provide mandatory training for cardholders and reviewers, regarding the use of the procurement card consistent with these procedures. Instructions will include:
 - a.** Procedures to ensure the appropriateness of the transaction and to prevent fraud, waste or abuse (e.g., controls requiring each purchase or class of purchases to be reviewed and approved in advance and/or

subsequent to the transaction by a designated independent reviewing or approving official);

- b. Procedures requiring that invoices, packing lists, or other documentation identifying the items or services received are reviewed and approved by the cardholder and the designated reviewer. These controls will provide confirmation as to appropriate billing and receipt of the ordered item or service, and that the ordered and received items or services are the same as those requested;
 - c. Spending limits for each transaction, spending limits for each day and each billing cycle, established by the Procurement Card Administrator and approved by the campus Controller;
 - d. Compliance with account and fund guidelines and approval processes as set forth in the University of California Accounting Manual;
 - e. Identification of goods and services that cardholders are authorized to purchase;
 - f. Identification of goods and services that cardholders are not authorized to purchase; and
 - g. Information regarding the need to comply with Sales and Use Tax requirements.
- 2. Applying for a Procurement Card:** Each application for a procurement card must be submitted by the proposed cardholder's unit to the Procurement Card Administrator. The application must be endorsed by the Chief Administrative Officer, Dean or designee of the unit. The request will indicate who will serve as the cardholder's reviewer(s). The format for such a request will be established by the Procurement Card Administrator.
- The cardholder and reviewer will be required to complete procurement card training prior to issuance of a procurement card.
- 3. Reporting:** To provide timely controls over purchasing activities, the bank's procurement card system provides a daily transaction report, or electronic data, which lists each transaction necessary to properly manage and control the program. Various other reports are available at the close of each cycle, including a merchant summary which contains information that can be used to negotiate volume discounts with Suppliers. Sales tax; customer codes, e.g., job number, cost center; 1099 data; and minority Supplier information are captured automatically at the point of sale when a transaction occurs, *if the merchant is equipped to record such (level 3) data*. (NOTE: This data may not be adequate if a merchant is a level 1 or 2 merchant). To ensure sales or use taxes are paid when a Supplier does not collect the appropriate taxes, the campus should have a procedure to ensure that taxes are properly accrued for payment to the state.
- Each card will be assigned a default accounting charge string. When the actual charge is imported, campus procedures may allow the charge to be processed

using that string, or require that an alternative accounting string be used to record the transaction.

- 4. Source Documentation:** The cardholder must obtain source documentation from the Supplier, regardless of the manner in which the order was placed, (i.e. internet, phone, mail, fax, or in person), that is sufficient in detail to allow the reviewer to verify the items purchased.

Each campus will utilize the detailed procedures for defining acceptable forms of documentation outlined in this Policy (see also the UC Sales & Use Tax Manual).

B. Administrative Review:

- 1. Department Review:** The responsibilities of a cardholder, who is authorized to make purchases with a procurement card, must be separate from the individual assigned to conduct an administrative review of the purchase.
 - a.** Department reviewers shall perform an independent administrative review of all purchase transactions for cardholders that are assigned to them.
 - b.** If the department is too small to assign a reviewer, a reviewer from an outside department may be assigned.
 - c.** The administrative review ensures that the following requirements are met:
 - i.** The expenditure was properly authorized;
 - ii.** The expenditure is described in sufficient detail on at least one document (web/email confirmation, Supplier invoice, packing slip, receipt, etc.); "miscellaneous supplies" is not sufficient;
 - iii.** There is evidence that the items sold by the Supplier were actually received;
 - iv.** The expenditure is appropriate, both in general terms and with regard to the specific fund source used. Although administrative personnel are not expected to understand exactly what technical items are to be used for, they should be able to identify questionable expenditures such as computer game software, inappropriate furniture, pet food supplies not relevant to experiments, and the like;
 - v.** The document must be signed and dated, electronically or on paper, by the reviewer to indicate that an administrative review was performed.
 - vi.** The review must be conducted in a defined period of time, based on individual campus requirements.
- 2. Program Review:** The purchasing unit will perform an administrative review of departmental purchase transactions to ensure program requirements are met. This review may be done on a sampling basis at the discretion of the campus. Each campus shall establish procedures for self-assessment to review the effectiveness of campus procurement policies and procedures.

The procedures, written by the purchasing unit and approved by the campus Controller, shall describe the types and frequency of reviews, sampling methodology to be used, and data retention requirements. Such assessments may include the following elements:

- a. Review of a statistical sample of cardholder records (source documentation) to determine compliance with local procurement card policies and procedures.
- b. System edits data mining, and/or visual inspection of transaction records to identify questionable transactions, sufficiency of purchase descriptions and transaction amounts, potentially unallowable costs, purchases of restricted items, split transactions, or potential fraud, waste or abuse.
- c. Ensure reviewers perform an administrative review of all purchase transactions within the defined period of time.
- d. Documentation of corrective action taken.

C. Detailed Procedures: In most cases, procurement card procedures should parallel a department's established procedures for acquisition and procurement of low-value purchases. However, to prevent fraud or misuse of such cards, each department shall establish additional control procedures as follows:

1. **Card Controls:** The individual whose name appears on a card is responsible for protecting that card and is accountable for all purchases made using that card number. The cardholder may not share their procurement card or number with any other person. To safeguard against the unauthorized use of the card, all orders placed using a card should be made only by the cardholder. Although the cardholder is subject to disciplinary action if the card is misused, liability for procurement card charges resides with the University, not the cardholder.

Before issuance of a card, each cardholder shall be required to sign a statement acknowledging receipt of the card and agreeing to be bound by the terms and conditions of University procurement card use.

2. **Cardholder Limits:** Each campus shall institute the following point-of-sale controls to impose additional purchasing limits on each cardholder:

- a. Dollar limit per transaction;
- b. Total dollar amount allowed per day; and
- c. Total dollar amount allowed per cycle.

3. **Merchant Category Restrictions:** Cardholders may be restricted from purchasing certain items or services. Each campus may set restrictions by assigning a group of permitted Merchant Category Codes (MCC) to each cardholder. Permitted Supplier types are checked automatically at the point of sale using codes based on North American Industry Classification System (NAICS) designations. For example, a campus could exclude purchases from Suppliers of controlled substances, or radioactive materials.

- 4. Department Cards:** No campus may issue a single procurement card for use by multiple employees.
- 5. Convenience Checks:** No campus may request or use checks provided by the issuing bank for charges against a University procurement card.
- 6. Issuance of Procurement Cards to Purchasing Unit Employees:**
Purchasing cards may be issued to employees within the central purchasing unit, if the use thereof is supported by a specific business need and guidelines for use are implemented. The campus Controller shall approve all requests to issue procurement cards to central purchasing unit employees.
- 7. Issuance of Procurement Cards to Non-University Employees:** Cards shall be issued only to University faculty and staff. Any exceptions must be approved by the campus Controller. Upon approval, these individuals must complete the same training required as University employees, prior to receiving a procurement card or assuming their role.
- 8. Cardholder Authorization and Approving Official Designation:** At the time a card is authorized, the Procurement Card Administrator must formally:
 - a. Authorize a specific cardholder to commit funds for the University, and identify the individual spending limits imposed by the campus.
 - b. Maintain records documenting cardholder and reviewer assignments.
- 9. Disputes:** Each cardholder shall be responsible for promptly resolving all disputed transactions with the issuing bank and the merchant. Cardholders must formally notify the issuing bank and the Procurement Card Administrator within 60 days (or within a shorter period if specified by individual campus procedures) of disputed transactions appearing on the cardholder's account statement. Although the Procurement Card Administrator will track the disputed transaction to attempt resolution, the cardholder remains responsible for pursuing the matter to resolution.
- 10. Payment Mechanism:** Each purchasing unit may implement guidelines for use of a procurement card as a payment mechanism, which are subject to the approval of the campus Controller. This may include use of the purchasing card as the payment mechanism for e-procurement systems, use of a purchasing card to pay ongoing or recurring charges (i.e. cell phone or bottled water) and use of ghost accounts (where no physical card is issued) for payments to a specific Supplier.
- 11. Procurement Card User Population:** Each campus shall determine the number of procurement cards required to meet operational requirements, while also assuring adequate training, certification, audit, assessment, and supervision of the procurement card user population.
- 12. Training:** Each cardholder and reviewer must complete training prior to receiving a procurement card or assuming their role. Upon completion of training, the cardholder must sign an agreement stating he/she acknowledges and understands the requirements associated with the proper use of the card.

a. New Cardholder Training: Training for proposed cardholders will include:

- i. Review of local policies and procedures regarding procurement card usage;
- ii. Restrictions and prohibitions regarding use of the procurement card (e.g., unallowable costs, restricted items, split orders, dollar spending limitations, participation in promotional programs that result in personal gain);
- iii. Ramifications for misuse or abuse of the procurement card;
- iv. Dispute resolution and importance of timely resolution;
- v. The need to safeguard the procurement card at all times;
- vi. Reporting a lost or stolen procurement card or compromised account number;
- vii. Documentation requirements (e.g., requests and approvals, invoices, receipts, packing lists, or other documentation confirming billing and receipt, etc.) and document retention requirements;
- viii. Procedures for the administrative review of each purchase transaction;
- ix. Sales and Use Tax requirements;
- x. Source and Supplier restrictions;
- xi. Property management considerations (e.g., pre-approvals, restrictions and prohibitions, tagging, etc.);
- xii. Role of the Reviewer;
- xiii. Methods of oversight and types of reviews;
- xiv. Sanctions for noncompliance with policies and procedures; and
- xv. Proper procedures for surrendering procurement cards upon transfer to a new department, termination of employment or retirement.

Part 5: Refresher Training: Cardholders and reviewers are required to complete refresher training annually.

VI. RELATED INFORMATION

[California Public Contract Code Division 2 - General Provisions, Part 2, Contracting by State Agencies, Chapter 2.1, University of California Competitive Bidding](#)

[Article 2 - Materials, Goods, and Services \(§§10507.5-10510\)](#)

[Article 4 - Conflict of Interest \(§§10515-10518\)](#)

[Article 5, Remedies and Penalties \(10520-10526\)](#)

[California Labor Code Part 7, Public Works and Public Agencies, Chapter 1, Public Works and Public Agencies, Article 2: Wages \(§§ 1770, 1771, 1773, and 1776\)](#)

[Regents Bylaw 12, Composition and Powers](#)

[Regents Bylaw 30, President of the University](#)

[Regents Policy on Procurement of Foreign-Made Equipment, Materials, or Supplies Produced by Forced, Convict, or Indentured Labor](#)

[Policy on HIPAA Business Associates](#)

[IS-3 Electronic Information Security](#)

[University Guidelines on Contracting for Services and Formal Notice](#)

[Policy to Ensure Equal Opportunity in University Business Contracting](#)

[Policy Regarding Employee-Vendor Relationships](#)

[Administrative Guidelines on the Procurement of Foreign-Made Equipment, Materials, or Supplies. Produced by Forced, Convict, or Indentured Labor](#)

[Sustainable Practices Policy](#)

[Sustainable Procurement Guidelines](#)

[University Facilities Manual](#)

[Business and Finance Bulletin BUS-2, Tax-Free Alcohol Permits, Records, and Operations](#)

[Business and Finance Bulletin BUS-29, Management and Control of University Equipment](#)

[Business and Finance Bulletin BUS-38, Disposition of Excess Property and Transfer of University-Owned Property](#)

[Business and Finance Bulletin BUS-50/Controlled Substances Program](#)

[Business and Finance Bulletin BUS-54, Operating Guidelines for University Supply Inventories](#)

[Business and Finance Bulletin BUS-56, Procurement/ Supply Chain Management: Purchases from Entities Violating State or Federal Water or Air Pollution Laws](#)

[Business and Finance Bulletin BUS-63, Insurance Requirements - Certificates of Insurance](#)

[Business and Finance Bulletin BUS-81, Insurance Programs](#)

Additional Resources for Small and Diverse Businesses:

~~Other definitions relevant to small business and supplier diversity business classification include the following links:~~

~~Small Diverse~~ Business Classifications by Governmental Source

TERM	SOURCE
Small Business (SB)	<u>State of California Department of General Services (DGS) Procurement Division, Small Business Eligibility Requirements.</u>

TERM	SOURCE
Disadvantaged Business Enterprise (DBE)	Proposition 209 modified the California Constitution to make contracting on the basis of race and gender unconstitutional. This proposition was upheld by the Ninth Circuit Court of Appeals case, Monterey Mechanical that determined MBE/WBE contracting was unconstitutional. The effect on Public Contract Code Section 10115.15 was to leave the DVBE program intact. Therefore, such businesses are considered Disadvantaged Business Enterprises.
Disabled Veteran Business Enterprise (DVBE)	State of California Department of General Services (DGS) Procurement Division Disabled Veteran Business Enterprise (DVBE) Certification Eligibility Requirements
<u>Code of Federal Regulations (CFR)</u>	
Title 13 Code of Federal Regulations (CFR) – Small Business Administration	
<u>Federal Regulations (FAR)</u>	
i. FAR Part 19 - Small Business Programs	
ii. FAR Part 52.219 - Small Business Programs Provisions and Clauses	
Small Business (SB)	U.S. Small Business Administration (SBA)
Small Disadvantaged Business (SDB) 8(a)	U.S. Small Business Administration (SBA) 8(a) Business Development Program
HUBZone	U.S. Small Business Administration (SBA) Office of the HUBZone Program
Service-Disabled Veteran-Owned Small Business (SDVOSB)	U.S. Small Business Administration (SBA) Veteran-Owned Businesses
Veteran Owned Small Business (VOSB)	U.S. Small Business Administration (SBA) Veteran-Owned Businesses
Historically Black Colleges/Minority Institutions (HBCU/MI)	DFARS Notice of Historically Black College or University and Minority Institution Set-Aside (1994)
Alaska Native Corporations (ANC)	U.S. Small Business Administration 8(a) Business Development (BD) Program for Alaskan Native Corporation-Owned Concerns
<u>Environmental Protection Agency (EPA)</u>	
Disadvantaged Business Enterprise (DBE)	Environmental Protection Agency (EPA) Disadvantaged Business Enterprise (DBE) Program (Includes Minority Business Enterprise (MBE) and Women Business Enterprise(WBE))
Fair Share Objectives	Environmental Protection Agency (EPA) Fair Share Objectives
Good Faith Efforts	Environmental Protection Agency (EPA) Good Faith Efforts

VII. FREQUENTLY ASKED QUESTIONS

Not applicable.

VIII. REVISION HISTORY

April 21, 2020: This policy was revised to: 1) update the definitions of procurement contract, purchase order, and purchase agreement in Section II: Definitions and 2) add language on when to use a procurement contract or purchase order in Section III, Part 1: Purchase Transactions.

December 20, 2019: Technical revision, December 20, 2019: replaced the inaccurate information found in Section III, Part 6, D.6: Retention of Documentation with the approved standard policy language on Records Retention Schedule Information.

April 12, 2019: This Policy was updated on April 12, 2019 to: 1) update the terminology relating to Procurement/Supply Chain Manager to Procurement/Supply Chain Director; 2) update the definitions relating to formal competitive bidding from issued publicly by UC to issued publicly by Campus Procurement or qualified entity (e.g. GPO); 3) update the definitions relating to informal competitive quotation by removing submitted in accordance with solicitation from the Procurement/Supply Chain Manager, Commodity Manager or Buyer; 4) update the definitions relating to Small Business Officer to include biannual federal e-SRS reporting on Subcontract plans; 5) add a policy relating to negotiating with bidders; 6) update the exemption from the requirement to competitively bid goods and services section to include usage of the source selection & price reasonableness form; 7) update the unauthorized purchases section to include reimbursement or payment of unauthorized purchases require policy exception authority and/or designee(s); 8) update low value purchases section by removing shall apply to granted additional purchasing authority; 9) update low value purchases section by adding definition of functional reporting; 10) update low value purchases section by adding the amount of additional authority; 11) update procurement card program section by adding or office of record; 12)) update procurement card program section by adding the retention of documentation to seven years after award close out or end of project research; 13) changed the title of responsible procurement authority section to strategic sourcing director; 14) changed the campus controller section to campus controller or office of record; 15) added the \$250,000 small business purchase threshold in the supplier diversity and federal planning and reporting section and 16) generally update the Policy's language and make it consistent.

November 17, 2017: This Policy was updated on November 17 2017 to: 1) update the definitions relating to exceptions from the requirement to competitively goods and/or services contracts for more than \$100,000 annually; 2) encourage competition even when an exception applies, and require documentation of the decision to apply an exception; 3) require approval when the University's template documents are not used; 4) provide that Locations and their Public Records or Information Practices Coordinators should consult with the Office of General Counsel if they receive Public Records Act requests during the course of a procurement process or after an RFP is cancelled; 5) add a policy relating to debarring suppliers; 6) update the dollar threshold applicable to Prevailing Wage Services; 7) limit the circumstances under which "after the fact" Fair Wage/Fair Work exceptions may be approved; 8) provide that contract duration (including the initial term plus all amendments or renewals) may not exceed ten years unless an exception to policy is approved; 9) provide that price may not have less than

a 25% weight when the Best Value evaluation method is used; 10) update provisions pertaining to leases; 11) increase the low-value purchase ceiling for individual purchases from \$5,000 per transaction, to \$10,000; 12) update language applicable to purchases that are federally funded; 13) generally update the Policy's language and make it consistent; and 14) eliminate most hyperlinks.

This Policy was remediated in accordance with Web Content Accessibility Guidelines (WCAG) 2.0.

October 19, 2016: Revision to update the Fair Wage/Fair Work policy that is applied to services performed at locations owned or leased by UC, including certain endowment or investment properties, annual audit requirement will not apply to Fair Wage/Fair Work services that are subject to State of California prevailing wage law, since these service providers are already highly regulated by the Department of Industrial Relations, effective October 19, 2016.

October 1, 2015: Revision to BUS-43 Procurement/ Supply Chain Management to address the Affordable Care Act, Prevailing Wage Legislation, and the Fair Wage/Fair Work Initiative, effective October 1, 2015.

April 10, 2014: Revision to BUS-43/Procurement/ Supply Chain Management to address some legal changes, to remove the attachments to this Policy which are all now residing on the home department's websites, and to update links, professional titles, and references, April 10, 2014.

February 1, 2013: Addition of policy and procedure related to the passage of SB 1280 (adding Public Contract Code 10507.8) and update some of the language in the Policy, February 1, 2013.

July 1, 2012: Revision to BUS-43/Procurement/ Supply Chain Management to put the Policy into the standard University of California template effective July 1, 2012.

July 7, 2011: Revision to BUS-43/Procurement/ Supply Chain Management

June 12, 2011: Revision to BUS-43/Procurement/ Supply Chain Management

December 15, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

November 10, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

October 1, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

August 10, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

May 7, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

April 15, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

March 31, 2010: Revision to BUS-43/Procurement/ Supply Chain Management

December 10, 2008: Revision to BUS-43/Procurement/ Supply Chain Management

August 6, 2007: Revision to BUS-43/Procurement/ Supply Chain Management

May 15, 2007: Revision to BUS-43/Procurement/ Supply Chain Management

March 23, 2006: Revision to BUS-43/Procurement/ Supply Chain Management

University of California – Policy BFB-BUS-43

BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

June 24, 2005: Revision to BUS-43/Procurement/ Supply Chain Management

August 5, 2004: Revision to BUS-43/Procurement/ Supply Chain Management

February 5, 2004: Revision to BUS-43/Procurement/ Supply Chain Management

May 31, 2000: Revision to BUS-43/Procurement/ Supply Chain Management

August 1, 1999: Revision to BUS-43/Procurement/ Supply Chain Management

UNIVERSITY
OF
CALIFORNIA

UC PROCUREMENT

January 15, 2021

CHANCELLORS
ACADEMIC COUNCIL CHAIR GAUVAIN
LABORATORY DIRECTOR WITHERELL
ANR VICE PRESIDENT HUMISTON

Re: Systemwide Review of Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Colleagues:

Enclosed for systemwide review are proposed revisions to Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management.

UC Systemwide Procurement, in consultation with UC campus Supply Chain Management and Procurement staff, has developed an update to BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management. This update will add UC's new Small Business First Program into BUS-43. Small Business First requires that all applicable purchases for UC campuses (excluding UC Health and Design & Construction) with the annual value of \$10,000-\$250,000 be awarded to small businesses wherever practicable. The new policy outlines key exemptions from the program along with all necessary definitions and policy requirements to support compliance.

UC's new Small Business First Program will change the way the University does business and bring procurement practices further in line with our overall mission and values. This has become increasingly imperative as the global pandemic and economic environment is having a disproportional negative impact on small business.

Small businesses are the engine of our State's economy given that 99.8% of California businesses are small and employ 48.8% of California's private workforce.¹ For every \$100 spent at a small business, approximately \$68 stays in California.² Contracting with and procuring from small and diverse businesses, creates and sustains jobs that strengthen our economy.

UC is the third largest employer in the State, supports 1 in 46 of all California jobs and contributes \$32.8B annually to gross state product. UC can be a leader in the state's economic recovery as we grapple with a global pandemic, economic downturn, and increasing environmental impacts to our local/global communities. We can leverage our purchasing power to offer equitable opportunities and access to small and diverse businesses which have historically faced systematic barriers to doing business with UC, and have been especially impacted by COVID-19.

It is critical that UC works quickly to make meaningful change in our procurement practices as the rate of small business closures nationwide, especially minority-owned small business closures, has skyrocketed. UC Santa Cruz research reports that from February to mid-April, 440,000 of the 1 million African American owned businesses in the nation have closed for good – a 41% reduction in just two and a half

¹ [Small Business Profile, U.S. Small Business Administration, 2018](#)

² [SB/DVBE First Policy, California Department of General Services, 2020](#)

January 15, 2021

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months. Likewise, 32% of LatinX businesses and 26% of Asian owned businesses have permanently closed.³ As of September 2020, the number of Small Businesses that remain closed in San Francisco was approximately 49%, which is almost double the national median.⁴ Statewide, as of November 25th 2020, the number of small businesses open decreased by 30.7% compared to January 2020.⁵

Furthermore, UC's spend with small businesses has steadily declined over time with current systemwide performance at 8.73% in FY19-20, down from over 10% two years prior.

We believe it imperative that UC immediately extends a lifeline to our small business community. The implementation of UC's Small Business First Program is a key step in providing this support, and thus was introduced to the Board of Regents at their meeting on September 17, 2020. Further recognizing its importance, President Drake has issued an interim policy approval to facilitate application of the Small Business First Program as quickly as possible.

SUMMARY OF DEVELOPMENT PROCESS AND ACTIONS

Development Process

- May-June, 2020:
 - Reviewed set-aside program best practices (including LA Metro SB Prime program and State of CA SB/DVBE First program)
 - Held internal stakeholder discussions (UC campus procurement, Small Business Officers, Procurement Leadership Council, Procurement Policy and Legal Documents teams, etc.)
 - Consulted with UC Small Business Advisory Council
 - Provided analysis and recommendations based on review of current processes and gap analysis
 - Developed program and policy strategy and framework
- July-December, 2020
 - Developed DRAFT policy update, implementation guidance, and resource material (including waiver form) based on feedback from internal stakeholders and Small Business Advisory Council
 - Previewed program with Regents at September Board of Regents meeting
 - Developed program brand and marketing strategy
 - Developed communication/training plan and associated material
 - Presented webinar on new policy to local procurement teams
 - Received formal interim policy approval from President Drake

Sections Changed

Policy revisions were made to the following sections:

- II. DEFINITIONS
- III. POLICY TEXT
 - Part 1: Purchase Transactions, subparts B-D
 - Part 3: Supplier Diversity and Federal Planning and Reporting)
- V. PROCEDURES (Part 3: Supplier Diversity and Federal Planning and Reporting)
- VI. RELATED INFORMATION (Additional Resources for Small and Diverse Businesses)

³ [Fairlie/National Bureau of Economic Research, June 2020](#)

⁴ [World Economic Forum, October 2020](#)

⁵ [Opportunity Insights, 2020](#)

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Primarily policy was updated to include new section outlining policy of UC's Small Business First Program. All other changes were minor updates to bring rest of policy in alignment with this new program.

Key Policy Issues Addressed

- Implementation Timing – this program is being established rapidly in response to COVID-19 impacts on small businesses. However, this rapid approach (program effective date September 1st, 2020) was concerning for many campus procurement operations due to the required process changes, training and communication needed to implement this program. In response, the policy has been clarified to include a requirement that full compliance be achieved no later than March 1st, 2021. This clarification on when full compliance with the program is required gave all sites a long lead time for implementation.
- Potential Barriers to Program Compliance by UC Departments such as research – this program will cover all purchases valued annually at \$10,000-\$250,000. Purchases made with a value below \$100,000 typically do not require much direct involvement by campus central procurement operations, meaning these requisitions for purchase typically come in to Procurement after supplier selection, quotation solicitation, etc. This creates difficulties for procurement offices to enforce this policy prior to the buying department already engaging suppliers. This policy change impacts hundreds of UC employees and changes the overall purchasing process for transactions valued at \$250,000 or less.
 - These program impacts are being mitigated via a strong training and communication plan to coincide with the long lead time for full policy compliance. A robust implementation toolkit is being developed for the program which campuses can directly leverage. Guidance for waivers and policy exceptions have also been developed.


Systemwide Review

Systemwide review is a public review distributed to the Chancellors, the Chair of the Academic Council, the Director of the Lawrence Berkeley National Laboratory, and the Vice President of Agriculture and Natural Resources requesting that they inform the general University community, especially affected employees, about policy proposals. Systemwide review also includes a mandatory, 90-day full Senate review.

Employees should be afforded the opportunity to review and comment on the draft policy. Attached is a Model Communication which may be used to inform non-exclusively represented employees about these proposals. The Labor Relations Office at the Office of the President is responsible for informing the bargaining units representing union membership about policy proposals.

We would appreciate receiving your comments no later than **April 15, 2021**. Please send your comments or questions to Stephanie Lopez at Stephanie.Lopez@ucop.edu.

Sincerely,
DocuSigned by:


11E90FA0769254CE
William Cooper

Associate Vice President & Chief Procurement Officer

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Enclosures:

- 1) Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management (clean copy)
- 2) Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management (redline copy)
- 3) Model Communication

cc: President Drake

Provost and Executive Vice President Brown

Executive Vice Chancellors/Provosts

Executive Vice President and Chief Operating Officer Nava

Senior Vice President Bustamante

Vice President and Vice Provost Gullatt

Interim Vice President Lloyd

Vice President Maldonado

Vice Provost Carlson

Deputy General Counsel Woodall

Vice Provosts/Vice Chancellors of Academic Affairs/Personnel

Assistant Vice Provosts/Assistant Vice Chancellors/Directors – Academic Personnel

Associate Vice Provost Lee

Executive Director Baxter

Executive Director Chester

Executive Director and Chief of Staff Henderson

Chief of Staff and Chief Policy Advisor Kao

Chief of Staff Levintov

Chief of Staff Peterson

Director Grant

Director Sykes

Manager Crosson

Special Programs Manager Lopez

Manager Smith

Analyst Durrin

Policy Advisory Committee