



NORTHWESTERN
UNIVERSITY

Responsible University Officials:

Executive Vice President
Vice President of Financial Operations
and Treasurer

Responsible Offices:

Procurement and Payment Services

Origination Date:

December 1, 2008

Purchasing and Payment Policy and Procedures

Policy Statement

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

Procurement and Payment Services (PPS), which is part of Financial Operations, is the single point of contact for all centralized procurement and payment activities. Purchasing and Payment Services is considered the procurement expert at NU, setting the overall strategy regarding how purchases and payments should be made. Procurement and Payment Services consists of Vendor File Management, Purchasing, e-Procurement, Accounts Payable, Procurement Card, e-Payment, and Business Diversity.

Reason for Policy / Purpose

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

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

Who Approved this Policy

Executive Vice President
Vice President of Financial Operations and Treasurer

Who Needs to Know this Policy

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

Website Address for this Policy

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

Contacts

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

Definitions

- AP – Accounts Payable
- ASRSP - Accounting Services for Research and Sponsored Programs
- FFRA - Finance, Facilities, and Research Administration
- FM – Facilities Management
- iBuyNU – iBuyNU Marketplace
- ITB – Invitation to Bid
- NU – Northwestern University
- OGC – Office of General Counsel
- P-Card – Procurement Card
- PO – Purchase Order
- PPS – Procurement and Payment Services

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A. INTRODUCTION

NU's goal for every purchasing transaction is to obtain the best value possible. NU strives to procure most goods and services through the use of contracts that have appropriate terms and conditions to properly protect the department/school, University, and vendor. When bids are required by policy, they are to be conducted on an open and competitive basis and without favoritism. Interested suppliers will receive fair and impartial consideration.

Northwestern has implemented the Uniform Guidance Procurement Standards for purchases on sponsored programs, which will be applied to all sponsored programs, including cost share. This is in accordance with government regulations 2 CFR 200.317-326. The primary goals of these procurement standards are to increase reuse of existing equipment and supplies, increase competition when purchasing equipment and supplies, and to minimize sole sources. University departments/schools will ensure that each transaction is classified or defined as an allowable expenditure on a specific chart string. For sponsored programs, certain purchases may be unallowable.

B. ROLE OF PROCUREMENT AND PAYMENT SERVICES

Procurement and Payment Services (PPS) is the single point of contact for centralized procurement activities. Their role is to help departments/schools make informed, best value purchasing decisions, and to make sure products and services are purchased and paid for in the most streamlined way, as well as assist departments/schools with all other purchasing and payment related issues. The primary responsibilities of PPS are as follows:

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

C. AUTHORITY AND RESPONSIBILITY

As stated above, NU maintains a procurement environment that delegates considerable decision making authority to departments/schools. Employees involved in the purchasing process take full responsibility for understanding NU's policies and procedures regarding purchasing and vendor relations. Purchasing decisions are business decisions made on behalf of NU and therefore should be made with the utmost consideration for what is in the best interest of NU.

Segregation of duties and responsibilities in the purchasing process provides proper controls. As the dollar value and complexity of a purchase increases, so does the level of authority and responsibility required to obligate NU for a purchase. ([see Paragraph UU](#))

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

D. ETHICS

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

University personnel shall not solicit or accept a significant gift from a supplier or prospective supplier. A 'significant gift' is defined as an item, service, favor, monies, credits, or discounts not available to others which could influence purchasing decisions, and also may include the payment of travel costs for NU personnel to visit a vendor's location (airfare, hotel, etc.). University personnel may accept trivial items as a matter of courtesy, but may not solicit them. Acceptance of social invitations to occasional business meals, entertainment, and hospitality will be subject to prudent judgment as to whether the invitation places or appears to place the recipient under any obligation, the appropriateness of the occasion, frequency, and choice of facilities. Questions about the value of a gift or appropriateness of an invitation should be referred to your supervisor or the COI committee to ensure compliance with NU's conflict of interest policy. For additional information see [Standards for Business Conduct](#).

It is also inappropriate for end users to make purchasing decisions based on marketing strategies by vendors that provide gifts or gift cards which could benefit them personally. Often the pricing offered, as well as future pricing, is much higher than pricing available from Preferred Vendors. If a gift or gift card is received, it is the property of NU.

- **Conflict of Interest (COI)**

It is the policy of Northwestern that its employees conduct the affairs of the University in accordance with the highest ethical, legal, and moral standards. An employee must not be in a position to make a decision for the University if his or her personal, professional, or economic interests (or those of his or her immediate and extended family member) may be directly influenced or affected by the outcome. A COI attestation will be required when requesting that a new vendor be added to NU Financials, for purchases of \$25,000 or more (unless sponsored dollars are being used, see Paragraph G), and annually through Human Resources. Refer to the [NU Conflict of Interest Policy](#) for more information.

E. DETERMINATION OF NEED/SELECTING A VENDOR

When a department/school needs to purchase a product or service, there are numerous considerations that must be taken into account prior to selecting a vendor:

- **Preferred Vendors.** Departments/schools should first check to see if a Preferred Vendor Contract exists that they could use. Preferred Vendor Contracts are established by PPS for products and services needed by NU departments/schools on a regular basis. Contracts are established based on the results of a formal competitive bid/negotiation process that involves representatives from across campus. Bidders determined to represent the best value to NU become Preferred Vendors (based on price, delivery capabilities, quality, past performance, training, financial stability, ease of ordering, etc.). Departments/schools are strongly

encouraged to utilize Preferred Vendors because they have been determined to represent the best overall value to NU. ([see Paragraph OO](#))

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

- **Collaboration Requirements.** Departments/schools must work with the following departments for the project types indicated below:
 - [Facilities Management](#) – construction and major renovation
 - [University Services Motor Pool](#) - vehicles
 - [NUIT](#) – technology and communications
- **Purchases from Internal Service Units.** NU has elected to provide for the purchase of certain commodities and services through internal departments. Departments/schools should consider use of such programs before looking for an outside vendor. Examples are [HR Workplace Learning](#) and [University Services](#) (including Travel Services, Motor Pool, Laboratory Gas and Dry Ice, Duplicating, Mail services, etc.). Advantages of using internal providers include eliminating POs and checks (costs are direct charged to a chart string), as well as fast turnaround of products and services.
- **Freight Terms.** F.O.B. Destination is the NU standard delivery requirement, since it provides the most protection to the department/school and NU. It should be negotiated into all purchases whenever possible. F.O.B. Destination means that legal ownership of the item transfers when it reaches the buyer. Therefore, the seller pays all shipping costs and is also responsible for the goods during transit. ([see Paragraph VV](#))
- **Insurance Requirements.** NU has established minimum contractor liability insurance requirements. Risk Management must review and approve any exceptions to the standard insurance requirements of NU. PPS will coordinate the assessment of insurance coverage when PPS is handling the ITB. Departments/schools with specific questions should contact [Risk Management](#).
- **Service Provider Security Assessment.** NU contracts with many Information Technology vendors or Service Providers to assist with its information processing needs. In those instances where University data is shared with a Service Provider, or captured by a Service Provider on behalf of NU, NU requires these potential Service Providers to complete a Security Assessment. Departments/schools with specific questions should contact [NUIT's Information and System Security/Compliance office](#).
- **PCI Compliance.** Contractors (TPSPs – Third Party Service Providers) are required to abide by the requirements of the Payment Card Industry Data Security Standard (PCI DSS, Version 3.0). PCI DSS applies to all entities involved in payment card processing, including merchants, processors, financial institutions, and service providers, as well as all other entities that store, process, or transmit card holder data and/or sensitive authentication data. Departments/schools with specific questions should contact [Treasury Operations](#).
- **Technology/Web Accessibility.** NU is committed to purchasing products and solutions that meet the applicable standards of Web Content Accessibility Guidelines (WCAG) 2.0 Level AA. Departments/ schools with specific questions should contact [NUIT Consulting and Project Management Office](#).
- **Export Controls.** Vendors are responsible for complying with all applicable export control regulations. Any such export-controlled items, equipment, or information MUST be properly

handled and labeled by the Vendor as part of the Vendor's responsibilities under the law. The burden shall be on the Vendor to prevent such export-controlled information from being improperly disclosed to NU and if necessary, the Vendor shall obtain the appropriate license or approval from the relevant authorities or shall invoke an available exception, exemption, or exclusion before disclosing any export-controlled materials to NU. Departments/schools with specific questions should contact the [Office of Export Controls Compliance](#).

- **Business Diversity.** Business diversity should be considered in purchasing decisions, when appropriate. This Program is NU's initiative to create opportunities for vendors reflecting economic and cultural diversity to market their products to NU and to encourage University departments/schools to offer opportunities to such vendors. This includes small business enterprises (SBE), minority-owned business enterprises (MBE), woman-owned business enterprises (WBE), and local (Evanston) business enterprises (LBE). ([see Paragraph CC](#))
- **Environmental Awareness.** Environmental impact should be considered in purchasing decisions, when appropriate. NU encourages departments/schools to consider the use of products and services that impact the environment less than competing products, when it is a best value decision to do so. Things to consider are total cost of ownership, energy efficiency (Energy Star equipment rating), shipping materials, landfill contribution, recycled content, waste prevention, waste reduction, pollution prevention, clean air and water programs, re-use of materials, minimization of scrap material, and any other green factory initiatives, etc. ([see Paragraph GG](#))
- **Buy versus Lease.** Equipment should almost always be acquired by outright purchase. Circumstances may require the leasing of equipment to satisfy specific needs. The economic benefits of leasing versus buying must be determined and documented before entering into any lease agreement. Third Party leases are especially discouraged. ([see Paragraph DD](#))

F. **CONDUCTING A BID**

If there is no Preferred Vendor for the product or service needed, bids must be solicited from at least three vendors for purchases of \$25,000 or more, unless sponsored dollars are being used (see Paragraph G below). A structured process should be utilized that involves formal definition of requirements, standard Northwestern terms and conditions, description of the process and how the award decision will be made, etc. Award decisions should be made to the vendor representing the best overall value to NU. ([see Paragraph BB](#))

When bids need to be solicited, departments/schools have the following options:

- Department/school can perform a competitive bid.
- Department/school can request that PPS conduct a competitive bid/negotiation on their behalf.

Please note that departments/schools are strongly encouraged to involve PPS in the procurement process for significant purchases or when a strategic relationship needs to be established with a vendor for a particular product or service. **PPS will coordinate the inclusion and assessment of all of the factors and considerations identified in Paragraph E above when PPS is handling the bid process**). If a department or school would like to request assistance with the ITB process, they should contact PPS at (847) 491-8120 or purchasing@northwestern.edu.

Please note that the total intended obligation (estimated total value of the contract or project) must be considered when determining whether a competitive bid needs to be performed.

G. **SPONSORED DOLLARS SPENDING**

Northwestern University has implemented the Uniform Guidance Procurement Standards for purchases on sponsored programs, which will be applied to all sponsored programs, including cost share. This is in accordance with government regulations [2 CFR 200.317-326](#). The primary goals of these procurement standards are to increase reuse of existing equipment and supplies, increase competition when purchasing equipment and supplies, and to minimize sole sources. To assist departments with the transition to the new standards, please note the following:

- Multiple bids must be solicited by departments and schools for purchases of \$10,000 or more, which is the micro-purchase threshold currently set at \$10,000 per the Federal FY2017 National Defense Authorization Act (NDAA), whenever possible *when sponsored funds are being used*, unless the product/service is purchased from a [Northwestern Preferred Vendor](#). The [Purchasing Decision Documentation \(PDD\)](#) must be completed, which will result in the creation of one of the following forms:

- Bid Summary Form
- Sole Source Justification Form

The appropriate form and all quotes must be attached to the requisition or payment request in NUFinancials.

- Purchases must be reasonable, allocable, and allowable.
- Bids for purchases of \$250,000 or more (currently set per the FY2018 NDAA) using sponsored funds will be formally conducted by PPS.
- Accounting Services for Research and Sponsored Programs (ASRSP) approves transactions of \$5,000 or more for sponsored programs. The [Charging Sponsored Projects Cost Allowability Guide](#) illustrates the criteria for charging expenses under Uniform Guidance.
- Procurement and Payment Services (PPS) will continue to be the final approver for all requisitions of \$25,000 or more.
- A cost transfer for equipment and purchases of \$10,000 or more from non-sponsored to sponsored chart strings must also have documentation that multiple bids were received or it is an approved [sole source](#) to be eligible for transfer. Documentation will need to be attached.

H. SOLE SOURCE

If there is no ability to solicit multiple bids, departments/schools must demonstrate that the purchase from a particular vendor is sufficiently justified as a sole source. Sole source means that a single vendor is uniquely qualified to meet the department/school's procurement objective. To be considered a sole source and therefore exempt from the bid process, one of the following conditions must be met:

- The actual product or service needed is the only one that will meet the department/school's need/requirement and it can only be purchased from one source (manufacturer or distributor).
- The product or service must match or be compatible with current equipment or services.
- The product needed is specifically required for use in conjunction with a grant or contract.
- The service needed is controlled/mandated by the local utility or government.
- Artistic services.
- An unusual or compelling urgency exists.

If the need meets one of the above criteria, the department/school can either negotiate with the vendor directly or can request that PPS negotiate with the vendor on its behalf. **All factors identified in Paragraph E above need to be considered.**

I. SIGNATURE AUTHORITY

Upon selection of a vendor, a contract may be necessary. Please note that end users within departments/schools typically do NOT have the authority to sign ANY contracts or agreements with outside parties in the name of NU or one of its departments/schools. PPS will coordinate the contract review and signature process with OGC when PPS is handling the ITB.

- Contracts and agreements that need to be signed by NU **MUST** be sent to the OGC for review. **OGC may also forward contracts and agreements for the purchase of products and services to PPS for review to make sure appropriate policies and procedures were**

followed in the selection of vendors. Once the contract/agreement is reviewed and approved, it will be forwarded to the appropriate officer of NU for signature. Below are the officers authorized to sign contracts and agreements on behalf of NU:

- President
- Provost
- Executive Vice President or Vice President

In some cases, OGC or the above officers may have expressly delegated limited signature authority in writing to another University employee or position. Certain Associate and Assistant Vice Presidents, Deans, Associate Provosts, and Directors have been delegated authority to execute contracts. Check with your unit or department to determine if a particular person has been delegated authority, or contact OGC (see the [OGC website](#) for more information).

- Also, please note that hotel booking, restaurant reservations, and catering agreements do not need to be reviewed by OGC. However, any such agreements still require review and signature by an authorized Northwestern University signatory. Non-Preferred Vendors will still need to provide evidence of insurance. Forms are available on the Policies and Forms page under OGC Forms & Templates.

J. USE OF NUFINANCIALS

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

- **Requisitions.** The purchase of most goods and services from outside vendors begins by initiating a Requisition in NUFinancials. **This shall occur at the time the product or service needs to be ordered, not when it is time to pay for the product or service.** (*see Paragraph TT*)

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

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

- **Hold From Further Processing**

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

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

All 'Hold From Further Processing' requisitions will be reviewed and approved by PPS before they are sourced into a PO. Requisitions that are submitted without the required comments will be sent back to the requester and those submitted that do not comply with the above will not be approved.

- **Approvals/Workflow.** All requisitions require at least one approval. A PO will not be issued until all applicable approvals have been applied.
 - Departments/schools can require up to three internal levels of approval.

- Requisitions of \$25,000 or more will require the approval of PPS. Either a [Bid Documentation Form \(BD-1\)](#) or [Sole Source Justification Form \(SSJ-1\)](#), which can be accessed from the [PPS website](#) or the [NUPortal](#), must be electronically attached to the Requisition. The selected vendor's quote should also be electronically attached to the requisition. PPS reserves the right to request and review documentation related to the purchase, solicit additional bids, or conduct additional negotiations.
- **Additional Special Approvals**
 - **Restricted Commodities.** The purchase of **Radioactive Materials** requires special steps and/or an additional electronic approval from the [Office of Research Safety](#) before they can be ordered. When initiating the Requisition, the appropriate ACCOUNT CODE for Radioactive Materials must be used so all appropriate approvals can be obtained. The Office of Research Safety will also monitor purchases of Respirators and Select Agents (Toxins) in a post-audit fashion. Departments/schools **must** select the correct 'ship to' code when ordering the above commodities:
 - RSA745CH for the Chicago campus
 - RSA2145TE for the Evanston campus
 - **Purchases Using Grant/Sponsored Project Funds.** The purchase of products and services of \$5,000 or more using grant funds also requires the approval of [Accounting Services for Research and Sponsored Projects \(ASRSP\)](#).
- **Dispatching PO to Vendor.** Once all approvals have been applied, the PO will be issued and sent to the vendor within two hours based on the dispatch method identified in their vendor profile in NUFinancials (please note that most vendors included in iBuyNU receive orders electronically).
- **Receiving.** A Receipt is the department/school's way of indicating that the product has been received or service has been provided and therefore the PO is approved for payment. To authorize payment, receipts must be entered as soon as possible after receiving the product or service. Please note that iBuyNU orders will not require a receipt to authorize payment. ([see Paragraph RR](#))
- **Invoicing/Payment.** A purchasing transaction is complete only after the goods or services have been received and the supplier has been paid. When a PO is issued, the department/school assumes responsibility to make sure the vendor is paid within an appropriate period of time. Vendors are instructed to send invoices directly to AP for proper processing. This is the best way to ensure invoices are paid in a timely manner. ([see Paragraph LL](#))
 - **The 90-day Rule.** All University expenditures and costs should be charged to their proper source of funds within 90 days of their occurrence. Expenditures and costs over 90 days will be posted only on an exception basis. Processing of all reimbursement requests, on both sponsored and non-sponsored accounts, should adhere to the 90-day rule. The 90 Day Exception Form must be used to process transactions that are more than 90 days old.
- **Changes to Purchase Orders.** Changes that need to be made to POs that have already been sent to the vendor can be initiated by departments/schools by submitting a Purchase Order Change (POC) request through the POC Request Center in NUFinancials. All change order requests will be routed to PPS for review and approval. PPS will route certain requests through the same workflow that new requisitions go through when appropriate. PO changes will be sent to the vendor when appropriate.

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

K. TAX EXEMPT STATUS

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

- **NU's Illinois Tax Exempt Status.** This is to be used exclusively to make purchases for use by NU and is not for personal use by individuals, faculty, staff, or students. NU's tax-exempt status is a very serious issue and the integrity of how it is utilized must be protected, due to the potential for abuse. Misuse of NU's tax privileges could be detrimental to NU's tax-exempt status. Any purchase by a student organization must be University-related and paid for with University funds.

Please note that vendors are advised to primarily only accept official forms of payment from NU, such as a formal PO (check or electronic payment) or an NU P-Card. Vendors should rarely accept non-NU forms of payment (such as cash, personal check, or personal credit card). Vendors also should NOT establish accounts in the name of NU when non-NU forms of payment are being used.

- **Exceptions.** NU is NOT exempt from Food and Lodging Tax on hotel rooms and restaurant meals. Exceptions to this rule apply to catered type meetings and events, which fall under Sales and Use Tax. However, please note that NU is NOT exempt from other taxes associated with these types of events, such as City Tax, A/V Equipment Tax, Occupancy Tax, Entertainment Tax, etc.
- **Sales and Use Taxes in Other States.** As a non-profit educational institution, NU may also realize Sales and Use tax exemptions in several other states. This would apply to purchases for NU offices located in another state or for events that are being planned in another state.

L. PURCHASING ITEMS WITH UNIVERSITY NAME OR LOGO

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

M. VEHICLE PURCHASES

Use of motor vehicles by departments/schools is to be accomplished through the Motor Pool, which is part of University Services. Your adherence to this policy will assure that PPS and the Motor Pool can coordinate bidding, record-keeping, and communication for all vehicles. More information is available on the [Motor Pool website](#).

N. INTERNET ORDERS

Ordering via the Internet presents increased risk and responsibility to those who transact University business with vendors over the Internet who accept only credit cards. Purchases over the internet should be minimized. ([see Paragraph JJ](#))

O. ADVANCING PERSONAL FUNDS

Departments/schools should select vendors who accept University POs or P-Card. Individuals, as a general rule, should not advance their own funds to purchase supplies and services on behalf of NU. Purchases should be made through established purchasing policy and procedures. In limited instances the department/school or individual may need to pay for an item and be reimbursed. If it is necessary that an employee advance funds to purchase supplies or services for University business, the immediate supervisor must first authorize the purchase. The employee should request reimbursement by completing an Expense Report in NUFinancials. ([see Paragraph NN](#))

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

P. NON-PURCHASE ORDER TRANSACTIONS

As indicated earlier, the purchase of most goods and services from outside vendors is to be preceded by the issuance of an official PO generated by NUFinancials that is then sent to the vendor. However, NU has identified some exceptions for certain transaction types that are considered low dollar and low risk, where a formal PO may not be as necessary. Please see the [Alternative \(Non-Purchase Order\) Payment Guidelines](#). If you do not see the product or service listed that you are planning to purchase, then a requisition needs to be initiated so an official PO can be sent to the vendor (as described above). Below is more detail on the alternative procurement and payment methods available:

- **Procurement Card**

The P-Card is a very important component of the overall procurement strategy at NU. However, use of the P-Card is the exception, not the rule. P-Cards are to be used on a limited basis, for a portion of your spend. It is not to be used for all purchases or as a way to avoid using NUFinancials. The P-Card should NOT be used to order from vendors that are in iBuyNU. Departments/schools are encouraged to use the P-Card for small dollar, low risk transactions. Visit the [Procurement Card Program website](#) for more information.

- **Online Voucher**

The Online Voucher process in NUFinancials should be used to request payment for services when the transaction does not warrant the issuance of an official PO to a vendor, for direct-billed contracted services, services for which it is the normal practice to pay in advance, and for certain special payments such as recurring or international. It is primarily a way to request a check. Online Vouchers of \$25,000 or more will require PPS approval. Either the [Bid Documentation Form \(BD-1\)](#) or [Sole Source Justification Form \(SSJ-1\)](#) must be electronically attached. Specific types are:

- Direct Payment Request (DPR). Registration fees, subscriptions, membership dues, emergency repairs, rent, payments to NU affiliates, etc.
- Contracted, direct-billed services from individuals or contract staffing agency fees (the Contracted Services Form should be attached).
- Visitor travel reimbursements

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

Q. RECORD RETENTION

Departments/schools must maintain copies of all documentation related to purchases in accordance with NU record retention policy, which is available on the University Policies web site. PPS reserves the right to request and review any document related to a particular purchase decision.

R. PROPERTY OWNERSHIP AND PROPER DISPOSAL

All merchandise purchased with University funds is the property of NU, and as such may be disposed of only in accordance with University policy. Questions concerning disposal of capital equipment should be directed to the Property Control Coordinator in Accounting Services. Complete information can be found on the [Capital Equipment Disposal website](#).

S. HOUSE ACCOUNTS, CREDIT CARDS, AND DIRECT BILLING

Departments/schools are not authorized to establish house accounts or credit cards in the name of NU. Departments/schools are not authorized to accept offers for credit cards, charge accounts, or house accounts from vendors who increasingly send such advertisements to departments/schools. If a department/school has house accounts or open lines of credit with any vendors, they must take steps to close these accounts immediately. Direct Billing arrangements should be rare. The online voucher process should be followed to pay for these exceptions, when appropriate. Examples include:

- **Lodging.** Please note that rooms at preferred local hotels can be booked for guests using NU's on-line travel provider, Orbitz, using the guest traveler functionality. This allows the costs to be charged directly to the identified chart string with appropriate restrictions. When arranging for the direct billing of hotel stays for a guest of NU, the department/school should identify in advance what expenses they will cover and what expenses the individual is expected to pay. All other direct billing of lodging to University departments/schools for guests of NU is discouraged. Guests should be encouraged to pay their own hotel bill and submit their receipts as part of their total trip settlement using the [Visitor's Expense Report](#).

It is understood that when hosting conferences or academic functions, it is important as a courtesy to visitors for NU to arrange for a block of hotel rooms on their behalf; or to book a special function, conference room, or ballroom in advance through the department/school. If you have such circumstances locally, it is recommended you utilize a hotel with which PPS has established a preferred relationship with. If it is in another city, coordinate the establishment of a direct bill relationship for the event with PPS and make sure the agreement is reviewed and approved by OGC. See NU's [Travel, Entertainment, and Courtesy Policies](#) for additional information.

- **Ground Transportation.** Similarly, direct billing arrangements for ground transportation (taxi or car service) for guests of NU is also discouraged. Guests should be encouraged to pay their own bill and submit a reimbursement request for transportation services on a [Visitor's Expense Report](#).

T. CONFIDENTIALITY

ALL information exchanged between a Vendor and Northwestern throughout the procurement to payment process is CONFIDENTIAL and shall remain the property of Northwestern University. No information (copies of bids, correspondence, contracts, etc.) is to be released to individuals or organizations outside of the University without the expressed permission of PPS, OGC, and University Relations.

U. POST AUDIT

PPS is responsible for enforcing policy. Periodically, PPS will review reports of POs and Online Vouchers below \$25,000, as well as P-Card transactions to look for new contracting opportunities, verify that policy is being followed, and to better assess when Preferred Vendors are not being utilized and why.

V. POLICY ENFORCEMENT/CONSEQUENCES

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

- Stringing or splitting a large purchase into two or more smaller orders in order to avoid bid requirements and required approvals.

- Using an inappropriate chart string or account code.
- Conflict of interest and/or poor ethical conduct.
- Not processing a purchase utilizing NUFinancials (Requisition to PO process).
- Improper, misleading, or deceptive use of the Sole Source Justification or Bid Documentation Form or any related information.

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

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

AA. AUCTIONS AND PURCHASING OF USED ITEMS

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

- Make certain that the place of purchase offers protection against purchasing defective or erroneously described merchandise. The department/school should ensure that the place of purchase allows for refunds, if necessary, after a physical inspection of the goods received.
- The department/school should document and understand fully all warranties and other protections offered, if any, by the seller.
- Documentation needed for ALL auction purchases and the purchase of used items:
 - Description of the goods being purchased.
 - Explanation of why the item needed to be purchased through an auction or why a used item was needed.
 - Final cost.
 - Copy of the purchase confirmation.
 - List or market price from other sellers of comparable items, or fair market value of used items.
 - Documentation describing all warranties.
- For purchases through auction houses, contact the Controller's Office in advance to make arrangements for payment. Visit the [Office of the Controller website](#) for more information.
- For purchases on web based auction sites or the purchase of used items, the following alternatives should be used for payment:
 - Use P-Card.
 - For purchases less than \$25,000, request a check using the On-Line voucher process.
 - For purchases of \$25,000 or more, a requisition should be issued so a PO is issued. The Sole Source Justification Form (SSJ-1) Form must be attached to the requisition.

BB. BID PROCESS

When a department or school needs to purchase a product or service, they should first check to see if PPS has established a Preferred Vendor contract that they could use. If there is no Preferred Vendor for the product or service needed, bids must be solicited from at least three vendors for purchases of \$25,000 or more (unless sponsored dollars are being used, see Paragraph G).

The best way to determine which vendor to do business with is to make that decision based on a competitive solicitation among potential suppliers. It is a good business practice to make award decisions based on a best value assessment of their quote or proposal (taking into account a variety of factors in addition to price, such as delivery capabilities, quality, past performance, training, reporting capabilities, compliance with specifications/requirements, financial stability, etc.). The award should be made to the responsive and responsible bidder that offers the best combination of all of these factors.

Departments/schools must consider the total intended obligation (estimated total value of the contract or project) for products or services needed on a regular or repetitive basis to determine whether a bid needs to be performed (i.e. just because the monthly spend on a particular category of product or service may be less than \$25,000 does not exempt the need to solicit competitive bids and establish a Contract).

In addition, Contracts should generally be re-bid at least every five years. Some contracts can be longer, primarily those that require a significant on campus investment by the vendor.

For bid solicitations, departments/schools have the following options:

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

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

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

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

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

- **Department/school can request that PPS conduct a competitive bid/negotiation on their behalf**

If a department or school would like to request assistance with the ITB process, they should contact PPS at (847) 491-8120 or purchasing@northwestern.edu. The benefits associated with having PPS manage the procurement process for significant purchases or establishment of a strategic vendor relationship include the following:

- PPS has established a formal, structured, and consistent process for conducting bids (which includes the use of several established templates). All documents have already been reviewed by the Office of General Counsel (OGC).
- PPS has considerable experience managing the purchasing process, key vendors in various industries, other customers (i.e. University contacts for references or possible joint purchasing opportunities), methods for benchmarking prices to make sure NU is getting the best deal, consortium contracts available to NU, and how to negotiate. PPS will also make sure the contract is appropriately reviewed by OGC and signed by an authorized person at NU.
- PPS will partner with department/school personnel throughout the entire process (i.e. to define requirements, evaluate proposals, and select a vendor).
- Current vendors providing products and services to NU will be invited to submit a proposal.
- PPS will hold these vendors accountable to make sure the expectations of the department/school are being met, resolve disputes, review changes, etc.

- **Department/school determines that a Sole Source purchase is justified** ([see Paragraph F](#))

CC. BUSINESS DIVERSITY PROGRAM

NU has created a [Business Diversity Program](#), which is managed by PPS, to support the University's Policy Statement on Business Diversity. NU is committed to developing mutually beneficial relationships with small, minority-owned, women-owned, disadvantaged, veteran-owned, HUBzone, and local business enterprises. The Program is NU's initiative to create opportunity for vendors to market their products to NU and encourage University departments/schools to offer opportunities to such vendors. The diversity classification of NU Preferred Vendors is included on the Preferred Vendor matrix on the [PPS website](#). PPS also maintains a list of other diverse vendors for consideration. Please contact PPS for more information.

- **Program Objectives**

- Present ITB and contracting opportunities to diverse vendors
- Develop partnerships between diverse vendors and University departments/schools that result in lasting business relationships
- Promote diversification of NU's contractor base
- Maintain a high standard of quality in all products and services provided
- Comply with Sponsored Program requirements regarding goals of small business subcontracts

- **Forms**

- The PPS Vendor Registration Form is available on the PPS website for vendors to download and submit to PPS to be considered for the NU Business Diversity Program.
- PPS facilitates the reporting of diverse subcontractor spend on construction projects. FM is the only department that uses the Business Diversity Subcontracting Forms. Vendors are required to fill out Form 1 (FM Supplier Diversity Plan) with their quote, which reflects their best ESTIMATE regarding services to be subcontracted. Form 2 (FM Supplier Diversity Actual Utilization Report) is used to report ACTUAL subcontracted spend during the project.
- PPS also assists in the creation of Small Business Subcontracting Plans for inclusion in grant proposals. A final proposed budget is necessary to create a subcontracting plan. Please allow five business days for creation of a subcontracting plan. For more information, contact PPS.
- PPS also coordinates the reporting of spend associated with Small Business Plans. Form SF-294 and SF-295 are required for government contracts with small business subcontracts. These reports are submitted bi-annually on April 30 and October 31. PPS fills out the forms in conjunction with ASRSP. Completed forms are available from ASRSP.

DD. BUY VERSUS LEASE PROCESS

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

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

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

EE. CAPITAL EQUIPMENT/ASSET TRACKING

Capital Equipment is defined as property having a useful life of one year or more and a minimum acquisition cost of \$5,000 per unit. See [Capital Equipment Policy](#) for more information.

FF. CUSTOMS

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

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

GG. ENVIRONMENTAL AWARENESS

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

- **Energy Efficiency.** Purchase equipment that is Energy Star-rated (or, if there is no Energy Star rating, equipment that is highly energy efficient). Energy Star is a program helping businesses and individuals protect the environment through superior energy efficiency.
- **Shipping Materials.** Purchase products that are shipped in containers that are returnable or reusable and made from recycled content (i.e. cardboard boxes). Also request bulk packaging when multiple items are ordered for delivery at the same time.
- **Recycled Content.** Purchase products made with recycled content suitable for the intended use. Look for a high percentage of post-consumer content. 'Post-Consumer' content is material that has served its intended purpose and has been discarded for disposal or recovery by a business or consumer. Other recycled content includes post-industrial wastes which are by-products of a manufacturing process that would normally not be reused in the process.
- **Other.** Environmental performance of the supplier and/or producer should also be considered, such as waste prevention, waste reduction, pollution prevention, clean air and water programs, re-use of materials, minimization of scrap material, and any other green factory initiatives, etc. **NU strongly desires to minimize the amount of waste sent to landfills. Both the product purchased and the packaging materials associated with it should be minimized to prevent waste as much as possible.**

HH. IBYNU MARKETPLACE

iBuyNU is a tool that provides departments/schools with the most streamlined, cost effective way to order from Preferred Vendors. It provides end users with a web based ordering experience. Departments/schools will be shopping on, in many cases, the vendor's actual website configured according to the NU contract. POs are dispatched several times a day (in most cases electronically), invoices can be received electronically, PPS does not have to approve iBuyNU requisitions, and vendors are paid electronically.

iBuyNU is strategically managed by PPS. Only Preferred Vendors, those that PPS has established a contract or agreement with on behalf of NU, will be considered for enablement in iBuyNU.

Departments/schools must understand that iBuyNU will continue to evolve as more contracts and agreements are established by PPS. Also, sometimes the vendor and catalog for a particular product will change since Preferred Vendor Contracts are generally re-bid every five years. It is the goal of PPS to eventually have catalogs in iBuyNU that meet most of the day-to-day needs of departments/schools. There will be some natural overlap (for example, toner cartridges may be available on contracts for office supplies and computer peripherals). Sometimes more than one contract will be awarded because it was decided that variety and choice was important (such as computers and office furniture). However, for most products, such as general office supplies, there is no plan to enable more than one vendor at a time.

II. INCORRECT OR DAMAGED SHIPMENTS

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

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

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

JJ. **INTERNET ORDER PROCESSING**

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

- Deal only with established, reputable vendors. Do not buy from unincorporated individuals or groups offering products or services.
- Departments/schools should use a P-Card.
- If the P-Card is not used, see if the vendor will accept an official University PO, which they can then reference on the invoice that is sent directly to AP.
- If the vendor will not accept a PO or P-Card, pre-payment can be requested using the on-line voucher process.
- If the vendor will not accept a PO, P-Card, or pre-payment, the purchaser must assess the value versus risk of advancing personal funds to purchase items for business use.
- Departments/schools choosing to order via the Internet should ensure that the vendor provides a secure Website for transmission of information.

Some of the same risks identified in Paragraph LL, Membership Clubs apply to ordering on the internet.

KK. **INSTALLMENT PURCHASES**

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

LL. **INVOICING/PAYMENT**

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

- **Payment Processing.** Vendors are instructed to send invoices directly to AP for proper processing. This is the best way to ensure invoices are paid in a timely manner.
 - **Catalog Requisition (iBuyNU Marketplace purchases):**
 - Invoices are submitted electronically by the vendor and automatically imported into NUFinancials.
 - A receipt is not required; payment is made if the PO and invoice match.
 - Departments/schools can view electronic invoice information in NUFinancials or iBuyNU, but in most cases no paper/scanned copies will exist.
 - If a problem is identified after payment has been made, PPS can assist in resolving the dispute since all vendors included in iBuyNU have a contract with NU that was established or approved by PPS.
 - **Non-Catalog Requisition:**

- Invoices are sent to and entered into NUFinancials by AP.
- The department/school will be required to enter a receipt in NUFinancials upon receipt of the goods or services to authorize payment (PO's under \$500 do not require a receipt).
- The department/school can view a scanned copy of the invoice in NUFinancials.
- If after review of the invoice the receipt will not be entered (due to a dispute with the vendor, etc.), the department/school shall notify AP.
- If the department/school needs assistance in resolving the dispute, contact PPS.

Invoices can be sent to AP via email at invoices@northwestern.edu. Invoices can also be mailed or faxed. Please note that most of the vendors included in iBuyNU will send their invoices to NU electronically.

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

- **Electronic Payments.** NU is moving away from making payments via paper check and we are strongly encouraging vendors and suppliers to accept electronic payments. Below are the two options:
 - ***ACH payments.*** NU has chosen the PaymodeX service through Bank of America for this efficient form of payment. There is no cost or fee to the vendor of any kind resulting from the acceptance of an ACH payment from NU via PaymodeX. This allows NU to directly deposit invoice payments into the vendor's bank account along with complete remittance information that can be accessed at any time.
 - ***Credit Card.*** NU has chosen Bank of America's ePayables solution for this efficient form of payment. Under this option, the vendor will keep a Visa card number on file (if they are unable to keep the card number on file they can elect to receive the card account information with each payment via secure email). Vendors invoice NU as usual and once approved, an electronic remittance advice will be sent to the company via email (or fax) along with approval to charge the card for the authorized net amount. Standard credit card fees will apply. The remittance advice will include statement-type information such as invoice number, date, and invoice amount.

Payment Terms & Penalties. Every vendor's invoice is due for payment within some period of time after it is generated. This is normally computed as the number of days after the invoice is received. NU's standard for payment of vendor invoices is within thirty (30) days after receipt of the invoice. This is referred to as payment terms of 'NET 30.' NU must pay its obligations in a timely manner. Failure to comply with payment terms often leads to:

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

A vendor may impose one or more of the above actions on the entire University even if the dispute involves only one department/school within NU. The AP department does what is necessary to prevent any of the above from happening while acting within sound financial controls. Departments/schools must ensure that purchases are properly accounted for in NUFinancials, invoices are sent to Account Payable, and receipts are entered to facilitate the invoice being paid in a timely manner.

- **Tolerance.** Requisitions should be initiated based on actual prices. However, the system does allow a reasonable tolerance, so payment can still be made when the PO and invoice don't match exactly. The tolerance allowed in NUFinancials is **25% or \$100, whichever is lower.**

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

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

If a department/school believes it is entitled to a credit from a vendor or receives a credit memo that is deemed to be valid, the department/school should contact AP for assistance. All credit memos shall be sent to AP for processing. Credits on items ordered through iBuyNU are generally handled electronically.

MM. MEMBERSHIP CLUBS

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

- **Potential for abuse.** Often the membership is held in the individual's name. When vendors allow someone to make a purchase on behalf of NU using our tax exempt certificate, it exposes NU to considerable risk because of the possibility for individuals to make tax exempt personal purchases. This type of abuse could affect our tax exempt status in Illinois. Our tax exempt status is worth millions of dollars annually to NU and simply cannot be put at risk in order to save a few dollars on snacks, etc. Retailers are instructed to only accept our tax exempt certificate if a PO is issued or a P-Card is used.
- **Taxes.** If the membership card is registered to NU, sometimes these entities allow purchases to be made tax free, other times they do not. When the entity does not allow the purchase to be tax exempt, the individual often expects to be reimbursed for the taxes, which is against University policy. We are a tax exempt organization and appropriate University purchases need to be made tax-free.
- **Perceived savings.** Departments/schools indicate cost savings as their reason for buying from these entities. However, they never take into account lost productivity associated with the time it takes to actually go to the store. If they spend two hours out of their work day shopping at these stores, that is obviously time that could have been spent doing other work, and it is therefore a real cost that needs to be taken into account. Also, often this is handled as a reimbursement, which takes time and effort on behalf of others at NU, and the reimbursement often includes mileage.
- **Risk.** NU is exposed to a considerable amount of risk when an employee travels to one of these stores during their normal workday.
- **Products available.** The wide variety of products available at these entities is problematic. Going to the store to buy snacks for a meeting is one thing. However, there will always be the temptation to buy other items as well. Office supplies, computers, furniture, etc. that may not comply with University policy or department standards could be purchased. These are all things that NU has contracts for, and our e-procurement system (iBuyNU) makes it easy to order many of these items and have them delivered directly to your office.

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

NN. NON-TRAVEL REIMBURSEMENT

- **Advancing Personal Funds**

Individuals, as a general rule, should not advance their own funds to purchase supplies and services on behalf of NU. If it is necessary that an employee advance funds to purchase supplies or services for University business, the immediate supervisor must first authorize the purchase. The employee should request reimbursement by completing an Expense Report in NUFinancials.

Refer to the [Travel, Entertainment, and Courtesy Policies](#) for instructions on reimbursement for travel related expenditures.

- **Documentation Required**

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

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

OO. **PREFERRED VENDORS**

Preferred Vendor Contracts are established by PPS for products and services needed by NU departments/schools on a regular basis. These relationships are established one of two ways:

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

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

- It is much easier to order from, process invoices, and pay Preferred Vendors, especially those with catalogs enabled in iBuyNU. Departments/schools are not required to solicit other bids when

choosing to utilize a Preferred Vendor because this activity has already been performed by PPS. The terms and conditions have also already been established.

- It has been determined that Preferred Vendors deliver the best overall value to NU based on price, delivery capabilities, quality, past performance, training, financial stability, ease of ordering, etc.
- Consolidation of usage allows us to leverage NU's total spend, which is what provides incentive for vendors to offer the best possible price to NU.
- The price on contract is the actual price departments/schools will pay (all savings are realized by the ordering departments/schools). If pricing is ever improved, everyone benefits.
- Service levels are higher because these vendors have more of a commitment to NU. The contract fosters a positive business relationship between NU and the vendor. PPS monitors their performance to make sure they comply with the requirements of the contract. PPS has considerable leverage and is able to hold these vendors more accountable in order to make sure the products and services being provided meet the expectations of departments/schools and to resolve disputes.
- Occasionally, PPS may choose to establish a Preferred Vendor contract based on an agreement established by a consortium that NU is a member. Also, if a contract that a department/ school has established does not conflict with a PPS contract, it may be possible for PPS to review the process used and how the award decision was made and adopt it as a University-wide Preferred Vendor contract, which will then allow PPS to consider enablement of the contract in iBuyNU.
- Please note that determination of Preferred Vendors by PPS is not vendor-name-driven. PPS identifies products and services that NU needs by analyzing spend and soliciting feedback from departments/schools. A thorough bid process/negotiation is conducted, proposals are solicited from numerous vendors (including those that are currently doing business with NU), and bidders determined to represent the best value to NU become Preferred Vendors. There is an expectation that departments/schools take advantage of using Preferred Vendors. Vendors not awarded contracts will not be Preferred Vendors and therefore are not eligible for inclusion in iBuyNU.

PP. PREPAID AND PARTIAL PAYMENT PURCHASE ORDERS

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

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

QQ. PROCUREMENT RELATED PROGRAMS MANAGED BY PPS AND UNIVERSITY SERVICES

- **Personal Purchases from Preferred Vendors.** When conducting a bid or negotiating with a vendor, once an award decision is made, PPS will discuss the possibility of the Preferred Vendor extending special pricing for faculty, staff, and students for personal use. Understand that vendors are not obligated to do so. In addition, purchases from Preferred Vendors for personal use are also subject to sales tax. Personal purchase programs from Preferred Vendors are included on the [PPS website](#).
- **WildCARD Advantage Program.** As a courtesy to local businesses and WildCARD holders, University Services offers a listing of discounts for personal use. Businesses interested in offering a discount for goods or services to University employees and students may submit an application to list the proposed discount in the [WildCARD Advantage Program directory](#). University Services does not guarantee any of the discounts and is not liable for transactions between private parties.

RR. RECEIVING

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

- A **three way match** (PO, invoice, and receipt) is required for non-catalog orders of \$500 or more.
 - To authorize payment, receipts must be entered as soon as possible after receiving the product or service. If a particular individual is not entering their receipts in a timely manner, the issue will be escalated within their department/school. If a department/school will not be entering a receipt right away (due to a dispute with the vendor, etc.), please notify AP. A receipt should NOT be entered at the time the PO is issued prior to actually receiving the product or service as this may enable payment to the vendor prematurely.
- A **two way match** (PO, invoice) is required for the following:
 - **iBuyNU Marketplace (catalog) orders.** A receipt is not required for orders placed through iBuyNU in order to streamline the payment process. The reason is because PPS has a formal contractual relationship with these vendors that covers how things will be handled, which is enforced by PPS. PPS has leverage and the vendor has more incentive to perform as required by the Contract. Therefore, PPS is in a much better position to resolve problems when they do arise. It is a more productive use of time to deal with the rare exceptions as opposed to requiring a receipt for every order placed through iBuyNU.
 - **Non-catalog orders less than \$500.** It has been determined that a receipt will not be required for orders less than \$500 because they are very low risk transactions and this streamlines the payment process. If an invoice for a PO under \$500 should not be paid, contact AP immediately to have the voucher put on hold.

SS. REQUESTING NEW VENDORS

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

Vendors disqualified by NU. Vendors may also be prevented from doing business with NU when evidence of improper conduct exists. This includes, but is not limited to fraud, collusion, attempts to improperly influence a bid, indictment of the bidder/contractor, previous performance issues, etc. Contact PPS if you have questions about vendors that have been disqualified from consideration.

TT. REQUISITIONS

A Requisition ID begins with the prefix REQ. A fully approved and budget checked Requisition is then automatically sourced into a PO that begins with the prefix PUR during normal batch processing (no manual intervention by PPS is necessary in most cases). The official PO is then automatically sent to the vendor. This process occurs multiple times per day and eliminates the need and perceived benefits associated with phone orders and blanket orders. The system provides an appropriate audit trail since all transactions are captured in the system specific to each individual purchase, putting NU in the best position to pay for purchases in a timely manner.

- There are two primary types of requisitions:
 - **Catalog Requisition (iBuyNU purchases)**

Catalog Requisitions are used to purchase from Preferred Vendors that are included in iBuyNU.

- **Non-Catalog Requisition**

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

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

- **Accounting/Financial Information (Chart String)**. Departments/schools are expected to utilize the correct chart string and account code for each line of the Requisition. This is extremely important in that work flow/approvals are in many cases determined by the chart string and account code utilized.
- **Commodity Category**. Departments/schools are expected to select the most appropriate commodity category for each line included on a Requisition. This allows NU to properly analyze spend to look for future contracting and negotiating opportunities. If you are not sure which commodity category to utilize, contact PPS for assistance.
- **Ship To Location**. Departments/schools are expected to select the appropriate 'ship to' code on each Requisition. There will be no ability to put a non-established ship to location on a Requisition. If a new 'ship to' location is needed, submit the [Ship To Request Form](#) to PPS, which is available on the [NUPortal](#) and [PPS website](#).

UU. SEGREGATION OF DUTIES

Segregation of duties and responsibilities in the purchasing process provides proper controls. An example of segregation of duties within a department/school is as follows:

- Requester/end user (PI, lab assistant, department assistant, financial assistant, etc.):
 - Determine what is needed
 - Determine whether the need can be fulfilled by a Preferred Vendor
 - If there is no Preferred Vendor, research vendors
 - Solicit prices
 - Analyze costs and assess other important factors (i.e. delivery, customer service, etc.)
 - Select a vendor
 - Initiate a Requisition in NUFinancials or communicate needs to authorized requester
 - Obtain, prepare, and track necessary documents and paperwork flow
 - Ensure the proper receipt of ordered goods or services
 - Enter electronic receipt documents into NUFinancials
- Approver (supervisor, business manager, lab manager, PI, etc.):
 - Validate the legitimate business purpose of the transaction
 - Determine whether the need can be fulfilled by a Preferred Vendor
 - Validate that adequate funding is available
 - Ensure compliance with University policy and applicable regulations regarding Cost Accounting Standards related to the use of restricted funds and the acquisition of regulated or controlled goods
 - Approve requisitions
 - Negotiate and resolve disputes with vendors (PPS can assist)
 - Monitor and reconcile purchase transactions using the financial system and associated financial statements and reports
- Department chair, Dean, faculty supervisor, administrative department head, etc.:
 - Review and approve reimbursement requests for individuals they supervise
 - Approve requisitions and special purchasing transactions, when necessary
 - Monitor budgets
 - Ensure compliance with University policy and applicable regulations regarding Cost Accounting Standards related to the use of restricted funds and acquisition of regulated or controlled goods

VV. SHIPPING/FREIGHT TERMS

F.O.B. Destination is the NU standard, since it provides the most protection to the department/school and NU. It should be negotiated into all purchases whenever possible. Below are all of the various ways in which shipping/freight may be handled by a particular vendor. If a vendor requires F.O.B. Origin, the department/school should arrange for appropriate insurance coverage for the purchased goods through the shipping company that will be transporting and delivering the goods prior to shipment. PPS and the [Office of Risk Management](#) can provide assistance when necessary. All freight term methods are listed below in order of preference to NU:

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

WW. SPECIAL REQUISITION TYPES

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

1. **Blanket Order**

Blanket orders are to be used primarily to make payments for services that are provided on a regular and consistent basis, and in some cases for the regular delivery of a consistent quantity of product. The underlying theme behind most blanket orders is that they are used to pay for on-going services or delivery of product when no individual ordering takes place. A contract/agreement should be in place that has been reviewed and approved by PPS and/or OGC unless a Preferred Vendor is being used. Specific examples include:

- o Equipment preventative maintenance (monthly payments)
- o Bottled water service (same quantity each month)
- o Rent, utilities

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

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

Approval. ALL blanket POs will be reviewed and must be approved by PPS, regardless of value.

The **Bid Documentation Form (BD-1)** or **Sole Source Justification Form (SSJ-1)** is required for blanket orders \$25,000 and above and those expected to reach \$25,000 or more during the

fiscal year, unless a Preferred Vendor is used. PPS has the right to question multiple blanket orders to the same vendor or blanket orders whose value is frequently increased.

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

2. **Grant Subcontracts**

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

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

3. **Receive by Dollar Amount**

A 'Receive by Dollar Amount' requisition should primarily ONLY be used for service projects that involve more than one invoice to be paid over several months, or if the project requires a deposit and then a second payment upon completion of the project. By checking the 'Receive by Dollar Amount' box, departments/schools can have a PO issued to the vendor for the total amount of the project and more than one invoice/payment can be made against the PO even though the quantity on the PO is only one.

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

XX. SURPLUS PROPERTY EXCHANGE

As a service to NU departments/schools, PPS maintains a virtual Surplus Property Exchange Website which lists University surplus property and supplies available for sale at a fair market value as well as items available or wanted at no cost. All transactions are the responsibility of the supplier and buyer, and NU expressly disclaims any warranty or guarantee of the quality or functionality of the items. All items are sold "as is" and "where is". The Surplus Property Exchange listing should especially be reviewed before equipment is purchased on a sponsored program to ensure the item is not available elsewhere in NU. Visit the [Surplus Property Program website](#) for more information.

YY. TAX EXEMPT CREDENTIALS

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

- An official PO should be issued to vendors for University purchases. It includes the standard NU PO terms and includes tax-exempt information.
- An Illinois Tax Exempt One Time Use Letter is available on the [PPS website](#) for individual purchases that many vendors will accept, which includes appropriate approval information.

- PPS can send the official Illinois Tax-Exempt Certificate (or the official certificate from other states where NU is tax-exempt) directly to vendors that do not accept either of the above. PPS does not provide the official Illinois tax-exempt letter to departments/schools.

ZZ. VENDOR CODE OF CONDUCT

It is important that vendors doing business with Northwestern adhere to policy as well, which is why we are making departments/schools aware of the Code of Conduct to which vendors are expected to adhere to:

- All purchases of goods and services from outside vendors are to be preceded by the issuance of an official PO generated by NUFinancials that is then provided to the vendor. An official PO begins with the prefix PUR and includes the signature of the Director.
- All invoices should be sent directly to AP. Invoices should not be sent until after the product has been shipped or the service has been performed and must reference the appropriate PUR number. AP will make sure departments/schools receive a copy of invoices whenever their approval is required prior to payment.
- The term 'Preferred Vendor' at NU is reserved only for those vendors that PPS has established a formal contract or agreement with on behalf of NU.
- The appropriate way to conduct business with NU is to call and schedule an appointment prior to visiting a particular department or school.
- Vendor credit applications should not be filled out. If general information is needed by a vendor, contact PPS.
- NU values its suppliers and assumes that vendors, in turn, value NU's business. No token or display of appreciation is necessary or encouraged. All vendors are asked to comply with University standards by not offering incentives, gifts, or services to individual personnel. It is also inappropriate for a vendor to make a donation of any sort to a department/school or individual that may influence a future purchasing decision.
- NU students and student organizations have no authority to commit NU to the purchase of any product or service.
- PPS strongly discourages significant marketing efforts directed at departments/schools by non-preferred vendors where a Preferred Vendor Contract already exists.
- As a private, not-for-profit, coeducational institution, NU is exempt from Sales Tax, Use Tax, Retailer's Occupation Tax, Service Occupation Tax (both state and local), and Service Use Tax in the State of Illinois.
- Vendors shall only accept official forms of payment from NU for purchases, such as a check, electronic payment, or a NU P-Card. Vendors should not accept a non-NU form of payment (such as cash, personal check, or personal credit card).
- PPS reserves the right to utilize third party benchmarking services when analyzing proposals and quotes submitted by vendors.
- PPS reserves the right to request a detailed spend report from any vendor registered in the NU financial system. Requested reports must be provided in a timely manner.

NU reserves the right to withhold payment, inactivate the vendor in NUFinancials, and debar a vendor from doing business with NU in the future if they do not abide by NU policies.

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Forms/Instructions

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

Links

Departments, Related Documents, and Program Links:

Accounting Services	http://www.northwestern.edu/controller/accounting-services/
Accounts Payable	http://www.northwestern.edu/controller/accounts-payable/index.html
ASRSP	http://www.northwestern.edu/asrsp/
Controller	http://www.northwestern.edu/controller/
FFRA	http://ffra.northwestern.edu/
Financial Operations	http://www.northwestern.edu/financial-operations/
NUIT	http://www.it.northwestern.edu/
Office for Audit and Advisory Services	http://www.northwestern.edu/audit-and-advisory/
Office for Export Controls Compliance	http://exports.northwestern.edu/policies
Office of General Counsel	http://www.northwestern.edu/general-counsel/index.html
Office for Research	http://www.research.northwestern.edu/
Office of Research Safety	http://www.research.northwestern.edu/ors/
Purchasing Resource Services	http://www.northwestern.edu/userservices/purchasing/index.html
Risk Management	http://www.northwestern.edu/risk/
Travel	http://www.northwestern.edu/userservices/travel/
Treasury	http://www.northwestern.edu/controller/treasury-operations/
University Services	http://www.northwestern.edu/userservices/

Other Related Documents and Program Links:

Conflict of Interest Policy	http://www.northwestern.edu/coi/policy/core_coi_policy.pdf
Equipment Inventory	http://www.northwestern.edu/controller/accounting-services/equipment-inventory/
Motor Pool	http://www.northwestern.edu/userservices/transportation/motorpool/
Northwestern Policies	http://policies.northwestern.edu/
NUFinancial Training	http://ffra.northwestern.edu/training/
NU Portal	https://nuportal.northwestern.edu/
Procurement Card	http://www.northwestern.edu/controller/accounting-services/procard/
Purchasing and Payment Policy	http://www.northwestern.edu/userservices/purchasing/policy.pdf
Purchasing to Payment Training	http://www.northwestern.edu/hr/workplace-learning/course-view.html?HRD715
Standards for Business Conduct	http://policies.northwestern.edu/standards/
Surplus Property	http://www.northwestern.edu/userservices/office/surplusproperty/
Trademark Licensing	http://www.northwestern.edu/userservices/printing_trademark/trademark_licensing/index.html
Travel, Entertainment, and Courtesy Policy	http://www.northwestern.edu/financial-operations/policies-procedures/policies/travel.pdf
WildCARD Advantage Program	http://www.northwestern.edu/userservices/wildcard/advantage_discounts/index.html

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