

**PURCHASING POLICY MANUAL**  
**Revised June 1, 2005**

**SECTION 4 - RELATED POLICIES:**

**POLICY TITLE: PERSONAL SERVICES CONTRACT**

1. Personal Service Contracts are normally drawn for services which are not available within the University or from other state agencies, and therefore, must be provided by an independent contractor. An independent contractor relationship exists when the employer does not exercise or have the right to exercise control or direction over the manner in which the services are performed.
2. Personal Service Contracts are usually drawn for legal, audit, medical, auction, appraisal, consulting and other miscellaneous services when not available through sealed bid procedures. The contract must contain a fixed fee or fee schedule and a specific description of what expenses, if any, will be allowed. If projected costs are not firm, the contract may be established on a "NOT TO EXCEED" basis.
3. Commodities, equipment, and biddable services are not to be included as a part of a personal services contract.
4. Upon determination by the department that an outside contractor is necessary, the appropriate contract procedure is dictated by the amount of the negotiated expenditure.
5. The University should not be responsible for Social Security contributions for the contractor.

**POLICY TITLE: HOW TO PROCESS A PERSONAL SERVICE CONTRACT UP TO \$10,000**

1. A formal contract must be drawn up between the University and the individual or firm, detailing exactly what services are to be provided, when they are to take place, how they are to be invoiced, what expenses will be allowed and any other pertinent contractual information.
2. The contract must be signed by the department and the contractor and submitted to Purchasing, with a purchase requisition at least one week prior to commencement of services.
3. The Purchasing Department will file an informational copy of the contract with the Legislative Research Commission Contract Review Committee prior to the effective date of the Contract. KRS 45A.700
4. Purchasing will issue a purchase order, which shall be the department's and contractor's notification that work may commence.

Care should be taken to define any and all allowable expenses and fees or they will not be allowed.

**Personal Services  
Contract Form (PSC)**

[http://access.nku.edu/purchasing/forms/Personal\\_Service\\_Contract.pdf](http://access.nku.edu/purchasing/forms/Personal_Service_Contract.pdf)

**Proof of Necessity  
Form (PON)**

<http://access.nku.edu/purchasing/forms/PON.pdf>

**POLICY TITLE: HOW TO PROCESS A PERSONAL SERVICES CONTRACT EXCEEDING \$10,000.00**

Kentucky Revised Statutes KRS 45A.695 (3,4,&5) require the University to issue a "Request For Proposals" (RFP) describing the services required, data to be submitted by offerors and the relative importance of particular qualifications, for any personal services contract that cannot be considered a single source. The RFP may be issued by the department in a format acceptable to Purchasing, with responses and evaluations performed by the department, or Purchasing will perform or assist in this function on behalf of the department. In either case, the rationale for selecting successful contractor must be submitted, in writing, with the completed contract and Proof of Necessity form.

**Department:**

1. a. Prepares, issues and evaluates responses to RFP as described above or  
b. Prepares single source justification describing why service cannot be obtained from any other provider.
2. Completes in its entirety a "Proof of Necessity Form" (PON). Departments are urged to respond concisely to every question on this form, as this is the justification for not utilizing existing personnel for the service.
3. Completes in its entirety, a standard personal services contract form and secures the signature of the second party (contractor). Form must be signed by the individual who will monitor contractor's performance.
4. Forwards contract, RFP folder, and proof of necessity forms to Purchasing with a Purchase Requisition signed by the budget unit administrator.

**Purchasing:**

1. Prepares LRC transmittal form and forwards PON and contract to the Legislative Research Commission in Frankfort.
2. Notifies the department if someone needs to appear before the LRC's Personal Service Contract Review Sub-Committee to discuss the contract.
3. Notifies the department when the contract has been approved and the contractor may begin work by issuing a Purchase Order.

**Department:**

1. Audits contractor's invoice to ensure services have been performed and itemized expenses are allowable under contract and have been incurred.
2. Upon completion of work, contacts the Purchasing Department to authorize payment with signed invoice attached.

**General Information:**

1. All changed orders must be submitted to LRC on an amendment/extension form.

2. Contract dates may not cross biennial fiscal years, nor exceed the stated dates for work to be performed without submission and approval of a contract extension form.
3. Care should be taken to define any and all allowable expenses and fees on the face of the contract or they will not be paid.
4. The LRC Sub-Committee meets on the 2nd Tuesday of every month. Contracts and PON forms must be submitted to Purchasing at least seven days prior to the end of the month.
5. Upon completion of a draft of the PON and Contract, personnel in the Purchasing Office are available to review for form and content prior to forwarding to the Contractor for signature. This may eliminate unnecessary delays if changes have to be made before forwarding to LRC in Frankfort.
6. All Personal Service Contracts are subject to the recommended fee schedule published by the Legislature Research Commission (LRC). Rates offered or paid shall not exceed the applicable rate unless specifically authorized for good cause.
7. Some types of Personal Service Contracts require special review and approval such as:
  - a. Contracts for legal services require an approval from the Attorney General's office and a Governor's Executive Order to be in compliance with KRS 12.210 regardless of amount.
  - b. Contracts for architectural and engineering service must be processed and secured through the Department of Facilities Management, Finance and Administration Cabinet.

**Personal Services Contract Form (PSC)**      [http://access.nku.edu/purchasing/forms/Personal\\_Service\\_Contract.pdf](http://access.nku.edu/purchasing/forms/Personal_Service_Contract.pdf)

**Proof of Necessity Form (PON)**      <http://access.nku.edu/purchasing/forms/PON.pdf>

**Request for Proposal (RFP) For Personal Services Contract Form (PSC)**      [http://access.nku.edu/purchasing/forms/rfp\\_for\\_psc.pdf](http://access.nku.edu/purchasing/forms/rfp_for_psc.pdf)

**POLICY TITLE: MEMORANDUM OF AGREEMENT**

A Memorandum of Agreement (MOA) may be used instead of a Personal Service Contract only when the agreement or contract meets the following criteria.

When the contract or agreement is:

- a. between a State University and a political subdivision, or
- b. between a State Agency and another State Agency, or
- c. between a State Agency and a non-profit corporation and use of a non-profit corporation is specified by the terms of a federal law, federal regulation, or a federal grant.

If there is no need for encumbrance of funds, a Memorandum of Agreement may be made for the time length of the contract does not necessarily have to correspond to fiscal years, and payment will be made by straight disbursement. Otherwise, the contract or agreement must be limited to the fiscal year, but may provide the University with an option to extend or renew, and payment will be made by liquidating against encumbrance.

The contract or agreement shall contain a provision that the University may cancel the contract or agreement at any time for cause and may cancel without cause on thirty (30) days' written notice.

If the contract calls for a start-up payment or an advance payment, the contract must be accompanied by a letter from the Attorney General stating that said payment would be legal within the context and conditions of that specific contract.

Each contract or agreement shall be forwarded to the Department of Purchasing with a cover sheet that lists the account number, period of contract, vendor, project scope, project cost, and source of funds.

The Department of Purchasing assigns each Memorandum of Agreement or Program Administration Contract an "MUR" number which shall be shown on receiving reports and payment documents submitted to the Department of Accounts.

**Memorandum of Agreement Form (MOA)**                      [http://access.nku.edu/purchasing/forms/memorandum\\_of\\_agreement.pdf](http://access.nku.edu/purchasing/forms/memorandum_of_agreement.pdf)

**Proof of Necessity Form (PON)**                      <http://access.nku.edu/purchasing/forms/PON.pdf>

**POLICY TITLE: USED EQUIPMENT**

1. Pre-Owned, reconditioned, and demonstrator-type equipment and products may sometimes meet the needs of the University when available at current and fair market prices. Value analysis may also determine that "factory-seconds" products can meet this criterion.
2. The University may elect to purchase this type equipment or product provided a written determination is filed outlining the following:
  - a. The purchase is fully justified.
  - b. It is of proven value to the University.
  - c. Bona fide statements of the condition of the materials are included.
  - d. Independent appraisals may be required. Complete description, age, model number, serial number, manufacturer, and accessories must also be included.
3. The Department of Purchasing shall review such requests, and if they are determined to be in the best interest of the University, with purchase cost(s) reasonable, the Director of Purchasing may issue the authority for a single-source purchase or offer an alternative.
4. In every circumstance, the University shall attempt to negotiate a minimum 30 to 60 day warranty and/or return provision if the equipment or products are not in the condition as represented.
5. Agreements will not be confirmed until a letter of authorization, from the Director of Purchasing or a Purchase Order is received in the department.

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**POLICY TITLE: EQUIPMENT TRADE IN**

1. A letter of justification from the Department Chairman must be submitted to the Director of Purchasing prior to any trade-in/purchase with the requisition for the replacement item. Complete data on the trade-in property should be given along with its general condition, location name and description, inventory number, and estimated value. Departments must state the reason why they feel the disposal should be effected. Finally, a description of the item to be purchased with the trade-in must be furnished.
3. The Purchasing Department will review the request and obtain other necessary approvals if required.
4. The justification, if approved, will be returned to the department.
5. A copy of the release and a copy of the Purchase Order will be returned to the Department upon award of contract.
6. The department assumes full responsibility for contacting inventory control to adjust all necessary records.

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**POLICY TITLE: LEASE/RENTALS - EQUIPMENT**

1. General

All equipment requirements which are contemplated for lease or rental and are not otherwise covered by an established contract must be thoroughly evaluated on the basis of need, economy, and the best interest of the University. Lease/Purchase financing may be negotiated with the manufacturer of the equipment, however, whenever possible, financing should be bid and awarded on a competitive basis.

2. Restrictions

Lease-rental plans will not be formalized for the intended purpose of circumventing the requirements of competitive bidding and normal purchasing procedures, or obtaining exclusive products to avoid open market competition.

3. Post Contract Agreements

Unless contractually provided, the University shall not enter into nor sign any further agreements, leases, company orders, or any other documents to complete or initiate the term and conditions of a contract already in effect, and awarded via bid and/or proposal. Any such "post-contract" signed agreements shall be considered non-binding breach of contract.

4. Authorized Signatures

The Director of Purchasing or his/her authorized agents are the only authorized signing agents for the University in all Purchasing transactions. Any person who signs documents, other than the above, is personally liable.

5. Waivers

When in the best interest of the University, the Purchasing Department reserves the right to waive this policy.

**POLICY TITLE: WORKS OF ART FOR MUSEUM**

1. The University shall be authorized to purchase or otherwise acquire from any source works of art, and to sell, trade, or otherwise dispose of, according to terms determined to be fair and just, and will promote the purpose of the museum without the necessity of complying with bid requirements. The curator, or other employee of the university responsible for the operation of the museum shall prepare an inventory of all works of art and artifacts belonging to the museum, and shall maintain records of all acquisitions and disposition of works of art and artifacts of the museum, and shall file annually with the office of inventory control a revised inventory of such works of art and artifacts and file with the Purchasing Department for insurance purposes.

KRS 45A.050 (2A)

**POLICY TITLE: PURCHASES BY EMPLOYEES**

1. Employees of the University may not purchase items through the University's contracts for personal use unless the contract was established specifically for sale of a particular commodity to the Faculty, Staff and Students of the University.
2. Employees who purchase from "Special Contracts," which have been designed for and approved by the Administration for personal purchases, will be liable for taxes.
3. Employees who violate the above policy may be subject to the penalties assigned by KRS Chapter 45.

**POLICY TITLE: LOAN OF EQUIPMENT**

1. The purpose of this policy is to restrict and control the loan of equipment and materials.
2. The Department Head is responsible for the maintenance of the Inventory assigned to his/her area of responsibility. Therefore, the Department Head is responsible for the maintenance of this policy.
3. The policy of the University is to prohibit the loan or use of any materials, equipment, tools, computers, cameras or other items which are the property of the University for use off campus without the written consent of the Department Head.
  - a. The Department Head shall retain a copy of the Loan Form on file in his/her office for audit purposes.
  - b. Employee should have the original form with the equipment for proof of loan.
  - c. A copy of the form shall be sent to the Inventory for his/her suspense file until notification is made that the item has been returned to campus.
4. The Department Head should be aware that items belonging to the University are not covered by insurance when they leave the campus.

**POLICY TITLE: PURCHASE OF CARDS AND DECORATIONS**

1. Departments that violate purchasing policies or otherwise act outside their authority do not obligate the University.
2. State funds shall not be used to purchase or mail Christmas cards or decorations for offices.
3. State appropriated funds may be used to purchase decorations for Institutional lobbies and dining rooms only.

**POLICY TITLE: UNIVERSITY MOVING SERVICES**

1. The Physical Plant Department is responsible for approved moves within their capability. Their phone number is (859)572-5660.
2. The University may obtain the services of commercial moving firms for moves that cannot be handled by the Physical Plant Department when the total estimated cost does not exceed Five Thousand Dollars (\$5,000). A minimum of three (3) quotations should be solicited. Prices should be obtained from at least (3) qualified commercial movers on a firm lump sum basis and a Purchase Order issued accordingly, with all bids attached. This policy number should be indicated on the order as a special authority.
3. When the estimated total cost exceeds Five Thousand Dollars (\$5,000), the University should advertise for bids on their Invitation to Bid Form and leave out for approximately ten (10) days. Bids should be requested from all qualified bidders in the area.

**POLICY TITLE: PETTY CASH FUNDS TO PURCHASE SMALL ITEMS THAT CANNOT BE PURCHASED THROUGH REGULAR PURCHASING PROCEDURES**

Petty Cash Funds "not to exceed established amount" (except with special approval of the Director of Procurement Services) are permitted for purchases in which cash payment is necessary. Such funds may be established at the request of the proposed Custodian. When permitted, these funds are authorized for the following purposes.

1. Postage.
2. Freight and Express. Expenses for incoming freight and express shall not in any instance be paid when shipping instructions were F.O.B. Agency. An explanation must be made to show purpose for each payment.
3. Governmental Publications.
4. Local market purchases of supplies, materials, or fees, not to exceed \$50.00, the established amount per purchase.

In lieu of a Petty Cash Fund, the Custodian may reimburse out-of-pocket expenses by designated employees directly to such individuals within the limits established for Petty Cash Funds. All such reimbursements must be based upon original invoice and completed Petty Cash Voucher from the firm to which payment was made. Sales tax cannot be reimbursed as the University is tax exempt from such tax. Procurement Services will furnish this exemption number to the vendor upon request.

All purchases of this type go against the budget of the person who makes the purchases and when dollar limits are exceeded, the individual making the purchase is liable.

Purchases shall not split or parceled over a period of time to evade the provisions of this section or applicable regulations. If purchases are so split or parceled, the Custodian is liable for the amount authorized to be expended.

**Methods for reimbursement:**

<b>less than \$10.00 via petty cash voucher</b>	<b>greater than \$10.00 but not to exceed \$50.00</b>
<ul style="list-style-type: none"> <li>• original invoice and completed <a href="#">petty cash form</a> to be taken to the Bursar (AC 235)</li> <li>• for food items/meals a completed <a href="#">Meals and Entertainment Form</a> must also accompany the original invoice</li> <li>• reimbursements for food or other non office/business related products will require Procurement Services approval</li> </ul>	<ul style="list-style-type: none"> <li>• original invoice and completion of requisition or a parked document, if using Foundation funds, in SAP</li> <li>• for food items/meals a completed <a href="#">Meals and Entertainment Form</a> must also accompany the original invoice and be sent to Accounts Payable (AC 611)</li> <li>• funds will be reimbursed to you in the same manner you currently receive any other payments from the university (payroll, travel, etc.)</li> </ul>

[KRS 45A.650](#)

**POLICY TITLE: FORCE ACCOUNTS**

1. KRS 56.491 states that no State Agency has the power or authority to make plans and specifications, advertise for bid, let contracts or incur any financing commitments, either in the way of a charge against public funds or in the way of negotiations for issuance of Revenue Bonds, for any Capital Construction, alteration, reconstruction, or major repair of any building or other structure, or sewage disposal or water supply systems, requiring the expenditure of more than \$250,000 without first securing the approval of the Department of Finance.
2. Agencies may perform their own work if the amount of the project including the cost of labor, does not exceed \$250,000. However, all materials and supplies for the project must be secured by competitive bid or existing price contract through the Department of Purchasing.
3. Projects shall not be artificially divided to qualify as a force account project.

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KRS 56.491 (5)

KRS 164A.585 (4)



**POLICY TITLE:    STARCH-BASED PLASTIC GARBAGE CAN LINERS**

The University shall purchase starch-based biodegradable products or containers. Effective January 1, 1991, a minimum of fifteen percent (15%) of the purchases of garbage can liners by the University shall be starch-based plastic garbage can liners. The percentage shall increase by five percent (5%) annually until fifty percent (50%) of the purchase of the garbage can liners are purchases of starch-based plastic garbage can liners.

KRS 45A.610

**POLICY TITLE: PURCHASE OF HEATERS, FANS, AND COFFEE POTS**

1. A system of authorization and approval is an important element of internal control. This policy defines the requirement for department heads or other designated individuals to approve miscellaneous purchases prior to submission to Procurement Services. This policy applies to, but is not limited to, the items listed below:
  - a. Heaters
  - b. Fans
  - c. Coffee Pots
2. If the above purchase is approved by Facilities Management, it is expected that the purchasing procedures, which govern all commodities, will be followed.
3. The University is not obligated to pay for any unauthorized purchase.

KRS 45A.100