Financial Administrator
Development Program

Procurement-Goods and Services

January 15, 2015
Kimberly Kokenakes-Director, University Services
Purchasing is one of several units within University Services. These units work collaboratively as a single, integrated supply chain organization.

<table>
<thead>
<tr>
<th>Purchasing</th>
<th>Logistics</th>
<th>Capital Asset Management</th>
<th>Accounts Payable</th>
<th>University Stores</th>
<th>Mail Services</th>
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2
PURCHASING’S ROLE

Purchasing is a support unit with responsibility for the execution of external commitments for goods and services on behalf of campus departments.

**Objectives**

- Be responsive
- Protect MSU from foreseeable procurement risk
- Ensure MSU requirements are met
- Be responsible stewards of the university’s resources
PURCHASING ACTIVITIES

- Analysis
- Bidding
- Collaboration
- Conflict of Interest
- Contract Management
- Contract negotiation and signature
- Cost Containment and Savings
- Import Compliance
- Pcard Administration
- Professional Service Contracts
- Regulatory and Policy Compliance
- Strategic Sourcing
- Sourcing
- Small Business Subcontracting Plans
- Supplier Diversity
- Supplier Management
- Sustainability
- Vendor Maintenance in KFS
PROCUREMENT AND PAYMENT METHODS

Customer/End User

Purchase Order

Strategic Contract Release

Supplier

Disbursement Voucher

Pcard
MSU HAS A NUMBER OF STRATEGIC ALLIANCES and CONTRACTS

- Committee on Institutional Cooperation Purchasing Consortium (CICPC)
- The Big 10
- Educational and Institutional Cooperative (E & I)
- State of Michigan-MIDeal contract participation
- Michigan Life Sciences Purchasing Consortium (MLSPC)
- Provista
- Novation
- US Communities

Alliances allow us to obtain goods at the best price
STRATEGIC CONTRACTS

When do I use a strategic contract?
Whenever the needed items are available on one
Why should I use strategic contracts?
Because it saves MSU money and time
STRATEGIC CONTRACT EXAMPLES

• Office Max Contract-this is a CICPC agreement

• VWR and Fisher Scientific Contracts-these are CICPC agreements

• Dell Computer-MSU strategic contract with orders issued by the Computer Store

• Airgas Great Lakes-MSU strategic contract for cylinder gases

• Passageways Travel-MSU strategic contract

• National and Enterprise Car Rental Agreement-Big 10 contract

For a list of available contracts visit http://usd.msu.edu/university-stores/open-orders/supplier-list.asp.
CASE STUDY-STRATEGIC CONTRACT CONUNDRUM!

A faculty person needs to order $15,000 worth of Dell computing equipment for use in their research. Their grant proposal indicates a local company as the supplier. This is on a Federal grant ending in 2 weeks.

• The faculty person is frustrated with the buyer who directs them to the Computer Store and will not issue a purchase order to the local company.

• The faculty person believes the Computer Store is receiving a mark-up and doesn’t want to pay the mark-up although the items are less costly going through the Computer Store.
1. Including a particular supplier as part of a grant proposal means that only that supplier can be used to obtain the product or service.

A. True
B. False
C. It depends on what is being provided
2. Does the grant ending in 2 weeks drive the decision to use a local supplier rather than a strategic contract?

A. Yes
B. No
C. Maybe
3. Is an internal service fee or mark up a valid reason not to use the strategic contract?

A. Yes
B. No
4. How would you advise the faculty person?
   A. To not worry about the strategic contract, use the company you want and split the purchase into 4 or 5 Pcard transactions, and do it over a couple of days
   B. To work with the Computer Store to place the order against the strategic contract. It may not use up all of the money but we won’t pay more than we should.
   C. That you will call Purchasing and make them issue the order to the local supplier.
   D. That waiting until 2 weeks prior to the grant ending is not the best way to ensure receipt of equipment needed for their research.
   E. B and D
HOW WE CAN HELP

• Sourcing

• Budgetary v. Final Quotations

• RFI, RFP, Sealed Bid, RFQ

• Single and Sole Source Justifications

• Contract Review, Signature, Award

• Freedom of Information Requests
SIGNATURE AUTHORITY

• Signature authority is the authority an individual has to make external commitments on behalf of the university. These commitments include, but are not limited to contract, agreements, software licenses, etc.

• At MSU, signature authority is delegated by the Board of Trustees and President Simon.

• Delegation is limited to a few key individuals and the Purchasing staff.

• Deans, Directors, Chairpersons, and Principal Investigators do not have authority to sign contracts.

• Individuals who make external commitments without signature authority, may face serious consequences.
ETHICAL CONDUCT AND CONFLICTS OF INTEREST IN PROCUREMENT

• MSU employees are considered as public servants and are subject to State of Michigan Laws regarding contracts with public servants, as well as MSU policy.

• MSU defines a conflict of interest as:

  A conflict of interest exists when an employee's financial interests or other opportunities for personal benefit may compromise, or reasonably appear to compromise, the independence of judgment with which the employee performs his/her responsibilities at the University.

• Recent audit findings
KEYS TO MANAGING CONFLICTS

Positive Outcomes

- Disclosure
- Perception
- Exercising good judgment
WHAT IS A CONFLICT OF INTEREST?

Conflicts of Interest in procurement may include the following:

- Soliciting business from MSU for a company you have an interest in.
- Soliciting business from MSU for a relative’s company [link](http://vprgs.msu.edu/sites/default/files/COI%20Town%20Hall%20Presentation%20-%20Summer%202012_1.pdf) – see page 16 for definition of relative.
- Accepting gifts or gratuities from a supplier.
- Developing an external relationship with a supplier your unit does business with.
MSU’S REVIEW AND APPROVAL PROCESS FOR A PROCUREMENT
CONFLICT OF INTEREST

1. Conflict Identified
2. Conflict Disclosed to Purchasing
3. Purchasing determines availability through other sources or options
   - Item or Service available through other sources at better price
     - Procure through alternate source
   - Service Offered - Explore HR options
     - Project Pay or other HR payment used
   - Conflict of Interest Source Determined as best option
     - Purchasing provides Conflict of interest Officer with support confirming as best option
     - Conflict of Interest Officer prepares documentation for Board of Trustees Approval
     - Board of Trustees Approval Obtained
     - Purchase is completed to Conflict of Interest Company

Note: each situation is a unique action and other safeguards also exist
Case Study-It’s All in the Game!

At a public institution, Department A purchases $300,000 annually from We Take Care of You, Inc. We Take Care of You has been providing the goods to Department A for 10 years. Purchasing has been working with Department A for years to bid out the goods they use. Each attempt to identify and quantify use of goods needed is met with a discussion of “volumes and items change with our needs so we can’t really provide estimated quantities.”

The purchasing agent hears that the individual in Department A who places routine orders with We Take Care of You has repeatedly accepted tickets to professional sporting events, occasional box tickets, etc., and has an external relationship with the company’s owner. It is also considered an accepted practice by staff in Department A to accept tickets, food, and other items since they aren’t the Purchasing Department and other people in the industry do the same.
1. Is this a conflict of interest situation?

A. Yes

B. No
2. Does it matter that the individual accepting the tickets and engaging in an external relationship is not a Purchasing Department employee?

A. Yes
B. No
3. What risks do you see associated with this activity and identified behavior?

A. The university could have a reputational risk based on the conduct of the employee
B. The tickets could be viewed as a bribe to get orders
C. The university could be paying more than market rate for goods from Company X
D. A and C
E. All of the above
4. What should the Purchasing Agent do with the information?

A. Ignore it- it is hearsay  
B. Report it on the MSU hotline-1-800-763-0764  
C. Report it to their supervisor  
D. Report it to Internal Audit  
E. B, C, and D
5. Is there a way to gracefully accept supplier offerings on behalf of the institution and put them to different use than personal enjoyment?

A. Yes
B. No
C. Maybe
Purchase Order Volume and Completion Time by Dollar Range

- Number of Orders Processed
- Average Days to Complete Orders

FY 2011-12 Orders Processed
FY 2012-13 Orders Processed
FY 2013-14 Orders Processed
FY 2011-12 Completion Time
FY 2012-13 Completion Time
FY 2013-14 Completion Time
Purchasing Cumulative Cost Savings Comparison by Fiscal Year

Cumulative Savings and Avoidance in Millions

FY2011-12 | FY2012-13 | FY2013-14 | FY2014-15 | GOAL

Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun

Cumulative

Savings

FY2011-12: $0
FY2012-13: $1
FY2013-14: $2
FY2014-15: $3.3M
GOAL: $7.8M

FY2011-12: $0
FY2012-13: $1
FY2013-14: $3.3M
FY2014-15: $7.8M
FY2014-15 YTD University Services Generated Savings for MSU Departments by Functional Area

- Purchasing, $1,708,903
- Mail Services, $765,282
- Accounts Payable, $14,915
COMING ATTRACTION!

E-Procurement/E-Settlement Solution

• Shopping cart technology
• KFS Workflow
• Electronic Order Delivery for many items

• Anticipated Timeline
  • Implementation process is underway
  • Pilot planned for May 2015
Basic E-procurement Process

1. **Fill and Complete Shopping Cart**
2. **Information sent to KFS to populate requisition**
3. **Requisition routes for workflow**
4. **Requisition meets criteria for automated purchase order delivery**
5. **Automated purchase order created**
6. **Purchase Order Delivered to Supplier via portal**
7. **Supplier Receives and Fills Order**
8. **Supplier Submits Invoice via Esettlement**
9. **Electronic Match**
10. **Supplier Paid**
## Key Contacts for University Services

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Email</th>
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</tr>
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<tbody>
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</tr>
</tbody>
</table>

Additional contacts available at [http://usd.msu.edu/common/staff-directory.html#Administration](http://usd.msu.edu/common/staff-directory.html#Administration)
LINKS TO THE MANUAL OF BUSINESS PROCEDURE

Section 270 (Purchasing)  http://usd.msu.edu/purchasing/about/mbp-270.html

Section 271 (P-Card)  http://usd.msu.edu/purchasing/purchasing-card/mbp-271.html

Section 76 (PSC)  http://usd.msu.edu/accounts-payable/about/mbp-76.html

Section 74 (Accounts Payable)  http://usd.msu.edu/accounts-payable/about/mbp-74.html

Section 325 (Mail Services)  http://usd.msu.edu/mail-services/about/mbp-325.html

Section 224 (CAM)  http://usd.msu.edu/capital-asset-management/mbp/mbp.html