

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: Fiscal Affairs**

**NUMBER: 03.B.01**

**AREA: Purchasing**

**SUBJECT: Purchasing Guidelines**

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**1. PURPOSE**

1.1. It is the responsibility of each component university's Purchasing Department to organize and administer procurement of supplies, equipment and services for the University of Houston System in a manner that will result in the best value and price for the component university in conformance with established ethical practices. It is the responsibility of the Associate Vice Chancellor for Administration to notify all campuses, at least annually, of the requirement to include the necessary procurement language in all purchasing documents, including purchase orders and contracts. This administrative memorandum describes guidelines to ensure that this responsibility is met. Purchase orders are a particular type of contract. For information on contracts in general, refer to UH System Administrative Memorandum 03.A.05, Contract Administration.

**2. POLICY**

- 2.1. Each Purchasing Department is responsible for purchasing all supplies, materials, services or equipment and must follow monetary limits and procedures as set by General Services Commission (GSC). Subject to state rules and regulations, the Purchasing Department has final discretion and authority for vendor selection and award. The Purchasing Department is required to adhere to the GSC's policy regarding competitive bidding, but may consider other factors including quality, reliability, expected life span and compatibility with existing equipment. It is the responsibility of the component university Purchasing Departments to issue and maintain records of purchase orders.
- 2.2. Regardless of the source of funds or dollar level of purchase, each Purchasing Department and operating unit will purchase from state-certified Historically Underutilized Businesses (HUBs) to the fullest extent possible and will make a good faith effort to meet the GSC's goals for doing business with HUBs.

2.3. The GSC has delegated to the chief executive officers of all state agencies authority to make certain types of purchases. The Chancellor has delegated this authority to the component university Presidents. Each Purchasing Department has been delegated this responsibility by the respective CEO. These delegations are for the following:

- a. spot purchases,
- b. emergency purchases,
- c. purchases of services,
- d. purchases of supplies, materials, services or equipment for research in higher education,
- e. purchase with federal funds not in the State Treasury,
- f. purchases of perishable food items,
- g. purchases of books (direct book orders),
- h. purchases of fuel, oil and grease.
- i. distributor purchases.

### 3. STATE APPROPRIATED FUNDS

3.1. Expenditures of funds appropriated by the legislature from the General Revenue Fund and other funds deposited in the State Treasury can be made only in compliance with the rules and regulations of the GSC.

3.2. Competitive bidding, whether formal or informal, is not required if the purchase does not exceed \$2000.00.

3.3. Component universities may establish monetary limits up to a maximum of \$2000.00 for purchases, which may be permitted without the issuance of a formal purchase order or another type of formal contract. In addition, the following supplies and materials must be procured through the component university's Purchasing Department on purchase orders:

- a. items for which contracts have been awarded under the contract purchase procedure, unless the quantity purchased is less than the minimum quantity stated in the specific contract;
- b. any item required by statute to be purchased from a particular source; and

- c. scheduled items that have been designated for purchase by the GSC.
- 3.4. On purchases between \$2000.01 and \$10,000.00, an attempt must be made to obtain at least three informal bids by the component university's Purchasing Department. On purchases from \$10,000.01 to \$25,000, an attempt must be made to obtain a minimum of three formal, written, competitive bids and award made to the lowest and best bidder in accordance with standards set by the GSC.
- 3.5. Purchasing Commodities that exceed \$25,000 for non-State contract items and which, by state law, must be processed through the GSC, are sent out for bids by the GSC to bidders of record and those suggested by the component university's Purchasing Department. The requisitioning department may request that they be allowed to review the bids prior to the issuance of an order.

The GSC shall review the specifications and conditions of purchase of any supplies, materials, equipment or services. If the GSC finds that specifications and conditions of a purchase request have been drawn to describe a product which is proprietary to one vendor and does not include language which permits an equivalent product to be supplied, it shall require written justification of the requested specifications or conditions. The written justification shall:

- a. Specify the unique features or characteristics of the goods or services that are requested;
  - b. Briefly explain why the unique specifications restrict the requisition to one manufacturer or provider; and
  - c. State the reason or reasons why competing products are not satisfactory.
- 3.6. Purchasing Services, with a value of \$100,000 or greater, are to be prepared in the appropriate manner for a GSC Open Market requisition with complete specifications and sent to the GSC for review. The GSC may choose to process the requisition and issue the order accordingly, or, if there is no competitive advantage, delegate the purchase back to the agency. Commodity classes (and items) 905 through 992 are considered services.
  - 3.7. A component university may establish lower monetary limits for purchases than is provided by State policy.
  - 3.8. Large purchases may not be divided into small lot purchases in order to meet the specified dollar amounts.

4. EMERGENCY PURCHASES

- 4.1. A component university may provide for emergency purchases when a situation exists in which the requirement for goods and services is so severe that the component university will suffer operational or financial damage if the goods or services are not secured immediately. If the nature of the emergency permits, the needed goods or services should be requested through the component university's Purchasing Department. Each component university is responsible for issuing specific policy to be used as a guideline when the emergency is such that corrective action must be taken immediately.

5. PURCHASES FROM LOCAL FUNDS

- 5.1. Principles when making purchases involving the expenditure of non-state appropriated funds are as follows:
- a. To adhere to the general procurement requirements of quality goods and services at the best price and delivery possible;
  - b. To provide free and open competition when and wherever possible;
  - c. To abide by the general procurement standards of the Office of Management and Budget (OMB) Circular A-110 and its applicable attachments, when required;
  - d. To provide for sole source procurement; and
  - e. To exercise buyer discretion in the purchasing process; and
- 5.2. Each component is responsible for issuing specific policies and procedures relative to monetary limits for purchases involving expenditure of local funds.

6. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice Chancellor for Administration

Review: Every two years on or before May 1

7. APPROVAL

Approved: Randy Harris  
Vice Chancellor for Administration and Finance

Arthur K. Smith  
Chancellor

Date: July 27, 2001

8. INDEXING TERMS

Competitive bidding  
Purchasing  
Vouchers