

## Spending Policies and Procedures

[Procurement and Payment Services](#) assists in procuring much of the University's higher cost (more than \$3,000) equipment, materials, supplies and services; is responsible for paying the University's bills and travel expenses; and monitors all university expenditures for compliance with applicable laws, regulations, and policies.

Procurement and Payment Services is committed to meeting the needs of the University and its departments and to making sure that state and federal laws and University regulations are followed. Laws regarding the use of public funds are very specific, so it is important that University procedures be carefully followed. **All expenditures must be institutionally prudent and directly benefit Auburn University.** The University will assume no liability for the payment of purchases which were not made through approved purchasing procedures. Auburn University has elected to utilize the available grace period for the implementation of the procurement standards contained in the Uniform Guidance, 2 CFR 200.317-326. Prior to the final implementation date of these standards, Auburn University's procurement policies shall be interpreted in a manner which continues to comply with all other applicable Alabama state laws, federal laws, regulations, and guidelines.

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### 1. Key Terms

**Bid:** A formal offer made by suppliers after [Procurement and Payment Services](#) has issued a Request for Bid (RFB) or a Request for Proposal (RFP). If the University accepts a bid, it can then become a contract. The Alabama Competitive Bid Law requires that purchases of \$15,000 or more be based on competitive, formal, sealed bids. Bids are opened and publicly read aloud and become a matter of public record after the award of a contract (PO).

**Change Order:** A written modification or addition to a purchase order which amends the originally issued PO in some way (source of funding, add or deleting items, canceling the order). The need for processing the Change Orders must be fully documented, reviewed and approved by PPS and issued to the applicable vendor in writing BEFORE the vendor can take action on it.

**Contract:** 1) A legally enforceable promise; 2) a relationship, a legal obligation resulting from the parties' agreement to mutual consideration; 3) an agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit known as consideration. Since the law of contracts is at the heart of most business dealings, it is one of the three or four most significant areas of legal concern and can involve variations on circumstances and complexities.

**Delegated Signature Authority:** In order to carry out the day-to-day business of Auburn University, the President delegates signature authority to certain departments and individuals occupying unique positions at the University. Those departments/individuals are said to have "delegated signature authority". Signing documents without such delegated signature authority can result in personal liability and/or risk to the University.

**Emergency: Failure to anticipate or plan for a need is not considered an emergency.** For Procurement and Payment Services purposes, an emergency is a circumstance in which damage to University facilities, personnel or serious damage to University programs will result if prompt action is not taken. Emergency Purchase Orders are considered on their individual merits. They will be processed as emergencies only when Procurement and Payment Services determines that it is necessary, based on your written explanation. If approved, Procurement and Payment Services personnel will either place the PO by phone or issue you a PO number to use in placing the order.

**Encumbered Purchase Order:** A Purchase Order for which departmental funds have been specifically set aside by account number.

**Invoice:** An original, itemized bill which includes a description and unit price of the items purchased, an invoice number, invoice date, vendor name and address for remittance.

**Lease-Purchase:** A lease that actually represents the purchase and/or financing of equipment. Contact Procurement and Payment Services (4-7771) or Controller/Financial Reporting (4-5588) for assistance in determining if a transaction constitutes a lease-purchase.

**Multiple Vendor Voucher - BO 55-02:** A voucher used to pay more than one recipient for like payments (e.g., refunds, stipends, etc.).

**On-Campus Supplier:** Any University department that provides goods or services to other AU departments. Most such suppliers process charges through the Direct Charge system. PO's are usually not required. If the supplier doesn't direct charge, they will issue an invoice to the department who then prepares an ITV. Submit contract and grant related ITV's to Contracts and Grants Accounting and all others to Financial Reporting for processing.

**Proprietary item:** is a related term for an item produced exclusively by one firm. (For example, Coca-Cola.)

**Purchasing Card:** The Visa credit card is available to AU employees for small dollar purchases (generally under \$3,000) through the University Purchasing Card Program. See the [Purchasing Card](#) section for details.

**[Purchase Change Order Request Form:](#)** A form which requests modification to a contract or purchase order.

**Purchase Order (PO):** The form that Procurement and Payment Services generates and sends to a vendor which formally states all terms and conditions of a proposed transaction as submitted by the department on a Purchase Requisition. Each Purchase Order reflects the unique PO number assigned to that purchase.

**Purchase Requisition (PR):** The online form that a department sends to Procurement and Payment Services (electronically via Banner) which describes the requested materials or services and is the basis for the PO issued by Procurement and Payment Services.

**Quotation (or Quote):** A quotation or quote is provided by a seller to a prospective buyer. It is a specific statement of price, terms of sale, and description of the goods or services which the seller offers. The Request for Quotation (RFQ) is used by Procurement and Payment Services to obtain less- formal oral or written offers from vendors. These are used for purchases of less than \$15,000 which do not involve official advertising or sealed bids.

**Request for Bid (RFB):** A request by Procurement and Payment Services to potential suppliers (vendors) for a bid on goods or services to be purchased.

**Request for Proposal (RFP):** A competitive vehicle used by buyers to purchase goods and services where requirements are not often clear or easily specified, allowing suppliers to question and interpret what is being requested. The proposal is the supplier's interpretation of the buyer's solution to its needs. Lowest price is not necessarily the determining criteria.

**Sealed Bid:** A vendor offer submitted in response to a Request for Bid (RFB) or a Request for Proposal (RFP) issued by Procurement & Payment Services for the purchase of goods or services. By law, such bids are submitted in sealed envelopes which must be opened and read aloud in a public setting at the time, day and location specified in the RFB/RFP document.

**Single (or Sole) Source Purchase:** An item that can only be purchased from one supplier because of its unique character. Few purchases fit this definition. Proprietary item is a related term for an item produced exclusively by one firm. (For example, Coca-Cola.) [Sole Source Justification](#) forms are available online.

**eTravel Voucher:** A standard, electronic University form prepared by the department to process request for reimbursement of travel expenses for AU employees.

**Travel Expense Voucher BO 55-05:** A standard University form prepared by the department to process a request for reimbursement of travel expenses for non-University travelers and potential employees.

**Vendor:** One who sells something; a "seller" or supplier.

**eVendor Voucher:** A standard, electronic University form which the department prepares and processes to request payment to a vendor.

**Vendor Voucher - BO 55-01:** A standard University form which the department prepares and processes to request payment to a vendor made by wire transfer.

## 2. Contract Signature Authority Policy

In order to carry on the day-to-day business of Auburn University, it is necessary for the President to delegate signature authority to certain departments and individuals occupying unique positions at the University. The table shown below reflects the approved delegated signature authority for most documents which typically result in some financial obligation or consequence for Auburn University. Please keep in mind that outside specific delegated signature authority, no individual has the authority to commit Auburn University contractually to goods and services, leased space, sponsored agreements and other types of agreements.

The departments and/or positions listed have the final authority to sign and obligate the University; however, University policies and processes may dictate various levels of internal review and signature before final signature. Please note that the University may enter into various other types of agreements not specifically listed. If your position does not have specific authority to enter into some contractual agreement with an outside party, you should pursue the appropriate signature with the department/position listed which most closely resembles the type of contract/agreement at issue. Proceeding to sign without authority could result in personal liability and present risks for the University.

**Table 1: Contract Signature Authority by Document Type**

Type	Final Signature authority*
Advertising contracts	PPS
Assignment of Rights agreements	VPR
Athletic event contracts (game contract/settlements, broadcast contracts)	Athletic Director
Large and Small Public Works construction contracts per Alabama Code Title 39	AVP Facilities
Owner-Architect Agreements	AVP Facilities

Professional Services Contracts for facility studies, design, or construction related services, such as testing, surveying, or other assessment services.	PPS and AVP Facilities Joint Signature
Professional Service Purchase Orders for facility design or construction related services.	PPS and AVP Facilities Joint Signature
Contracts related to research, research compliance, sponsored projects, or technology transfer	VPR
Contracts not otherwise defined that impose a financial obligation on the University	PPS
Contracts related to the financial management of the University	Executive Vice President
Contracts which impose a financial obligation on the University	Executive Vice President with appropriate reviews
Credit Card Merchant Agreements	Cash Management
Documents as delegated by the President	General Counsel
Employment contracts	President
Entertainment contracts	PPS
Equipment rental agreements > \$3,000	PPS
Equipment rental agreements < or = \$3,000	Department Head/Dean
Finance Agreements pertaining to the purchase of goods	PPS
Gift agreements	VP Development
Hotel contracts	PPS
Insurance applications	RMS
Insurance contract renewals and/or changes (after bid process)	RMS
Insurance recovery releases	RMS
International affiliate agreements	Provost and/or President
Invention agreements	VPR
Leases	PPS
Licenses of Auburn owned technologies	VPR

Maintenance agreements	PPS
Material transfer agreements	VPR
OJI claims	RMS
Patent agreements	VPR
Professional Service Contracts	PPS
Proof of loss statements	RMS
Purchase Orders	PPS (limited signature for purchases delegated to Buyers)
Residency/Preceptorship agreement	Provost
Royalty sharing agreements	VPR
Settlements	RMS (w/approval of EVP and dual signature of General Counsel)
Facility Service Contracts (Custodial, refuse, and pest control services, etc.)	PPS, with coordination with Facilities Management
Software licenses > \$3,000	PPS
Software licenses < or = \$3,000 for department	Department Head/Dean
Space rental agreements	PPS
Sponsored Contracts	VPR **
Sponsored Grants	VPR **
Sponsored Loan agreements	VPR **
Sponsored Memoranda of understanding	VPR **
Sponsored Non disclosure agreements	VPR
Sponsored Agreements related to Auburn owned technologies	VPR
Sponsored Teaming agreements	VPR **
Start-up company agreements	VPR **
State Board of Adjustment claims	Delegated by Executive Vice President
Third party financing agreements that pertain to the purchase of goods	PPS

Vehicle acquisition (including application for title)	PPS
Vehicle disposal (including bill of sale; title)	Property Services

**PPS** - Procurement & Payment Services

**VPR** - Vice President for Research

**RMS** - Risk Management & Safety

*\*Department/position listed represents the final signature obligating the university. Other reviews and signatures as policy dictates may be necessary before the final authority approves.*

*\*\*Coordinate with PPS as appropriate*

### 3. Vendor Disclosure Statement

In compliance with Alabama State Law Act 2001-955, Section 4(a) (1), (2) and (3), Auburn University requires the disclosure of certain information regarding vendors and their relationships with AU.

Vendors should be advised that in submitting their bid, contract, proposal, or grant they affirm under oath that no such relationships exist. If such a relationship does exist and the intended or actual contract value exceeds \$5000, they should print and complete a detailed [Vendor Disclosure Statement](#) and submit it to [Procurement and Payment Services](#). Forms may also be acquired by contacting [Procurement and Payment Services](#) at 334-844-7771.

In the case of competitive bids, this disclosure is only required from the winning bidder. Contracts will not be awarded to any person who refuses to disclose the required information if such relationships exist. Departments should be aware that this law applies to ALL vendors with whom a contract exceeds \$5000 including those on PSC's.

### 4. Types of University Expenditures

Each type of expenditure is handled differently. These include:

- Purchases which do not need a Purchase Order - generally purchases under \$3,000.
- Purchases which require a departmental Purchase Requisition and the creation of a Purchase Order:
  1. Generally purchases over \$3,000 ([See List of Exceptions](#))
  2. Purchases for which funds are to be encumbered.
  3. Purchases that require bids (generally \$15,000 or more or on state contracts).
- Purchases from departmental petty cash.
- Travel expenses paid on a travel voucher. ([See Travel Policy](#))
- Professional services
- Stipends



## 5. How to Process a Payment

### Preparing Payment

All payments should be processed through the eVendor Voucher system with the following exceptions:

- Wire transfer/books only transactions
- One-time payments for interview expenses
- Research participant payments less than \$200
- Payments requiring original receipts
- General ledger transactions

For the payment exceptions noted above prepare a typed [Vendor Voucher - BO 55-01](#) that reflects:

- Vendor name, address, and vendor number
- FOAP and amount distribution
- Description/Explanation
- Authorizing signature and date
- Attach all available support documentation

Forward the vendor voucher with backup documentation to Procurement and Payment Services.

For all other vendor payments, an electronic voucher should be completed. Instruction and demos are available by accessing the following link:

<https://iss.auburn.edu/dokuwiki/doku.php?id=public:vendorvoucher>

If the information on the invoice differs from that on the PO, Banner will not be able to process the payment. You must obtain either a corrected invoice from the vendor or process a PCO if the variance is due to an item substitution or upgrade, before submitting for payment.

If the amount on the invoice differs from the amount on the PO, obtain a corrected invoice from the vendor before submitting for payment. If the vendor refuses to correct the invoice for a bid item, the invoice can be adjusted (per bid terms).

### Other Payment Information

1. Departmental approvals are always required. The original or electronic signature on the voucher/invoice indicates that the quality and quantity of goods or services were received as ordered and that the department has approved the payment for processing.
2. A scanned PDF version of the original vendor invoice should be attached to the electronic voucher. Originals must be retained by the department for one rolling calendar year.
3. AU is exempt by law from paying sales tax within the state of Alabama. Sales tax reflected on invoices in error should be deducted prior to payment.

1. Invoices reflecting discounts should be submitted for payment in a timely manner.
2. All invoices should be paid within 30 days. A current statement from the vendor verifying that the invoice remains unpaid must be attached to invoices that are 90+ days old. An explanation from the department as to why the voucher is being sent late should also be attached.
3. AU does not pay late charges, penalties or finance charges.
4. Vendor numbers should be denoted on all payment documents. Vendor Numbers are available via Banner Admin (FTMVEND or FTIIDEN) or Banner SSB via the search feature on the electronic voucher.

If a vendor number is not reflected on Banner, direct the vendor to register as a vendor via the [AU Vendor Center \(http://vendor.auburnuniversity.net\)](http://vendor.auburnuniversity.net).

5. All vouchers, invoices, and Purchasing Card reconciliations are audited in Procurement and Payment Services prior to being approved for payment. If, for some reason, the document cannot be approved and processed without further action from the department, the document will be returned to the department for correction.
6. Unless a Procurement and Payment Services Supervisor approves an exception, all payments are either mailed to the vendor or traveler or direct deposited into their bank account.

## **6. Purchases that Do Not Require a Purchase Order (PO)**

Some purchases may be made directly by the department and do not require a PO.

**Note:** If a vendor requires a Purchase Order for any purchase or if the department desires a PO, follow standard procedures for sending a Requisition through Procurement and Payment Services.

**Purchases of less than \$3,000 usually do not require a Purchase Order.**

There are several methods for obtaining goods under \$3,000:

1. Purchasing Card
2. Departmental petty cash (\$100 limit per invoice)
3. Department billed by vendor
4. PO with department billed by vendor
5. Payments on maintenance contracts totaling less than \$3,000 annually

**Purchases of goods and/or services should never be made with personal funds. Any such purchase will not be reimbursed.**

Although their costs may exceed \$3,000, **the following items also do not require a PO:**

- Advertisements (Position advertisements require AA/EEO or Human Resources approval)
- Freight Paid to Vendors
- Insurance Premiums (Requires Risk Management Approval)
- Legal and Audit Fees
- Legal Settlements
- Lodging ([See Travel Policies and Procedures](#))
- Manuscripts, books, maps, pamphlets
- Maps or photographs from a federal agency
- Memberships
- Notary Public Fees/Bonds
- Periodicals, technical reports
- Postage and Post Office box rental
- Pre-recorded audio and video tape
- Routine purchases from AU Departments (Direct Charges)
- Registration
- Reprint charges and page charges for research/scholarly papers
- Utilities

*Contact Procurement and Payment Services (844-7771) for guidance on the documentation required for computer software upgrades, licenses and certifications.*

## **Purchasing Card**

The Auburn University Purchasing Card is issued directly to employees for their use in making departmental purchases. The card allows departments to make purchases quickly, accurately and with less paperwork than through the use of a Vendor Voucher.

**The card may be used only for official University business and only in accordance with University policies and procedures. While the University is directly billed for purchases, the cardholder is responsible for all purchases made to the card. Misuse of the card will lead to disciplinary and/or legal action.**

The Purchasing Card program is available to all University departments, with the card actually issued to an employee. All applicants will be required to complete a [Purchasing Card Cardholder Application Form- BO 99-10](#), an on-line training session, and a written Purchasing Card test before obtaining the card. Although the card is issued in the name of the employee, your personal credit history will, in no way, be affected by the Purchasing Card.

Once your application has been processed, your card will be sent to the Program Administrator, [Debbie Griggs](#). She will e-mail you the link for the on-line training and written test. The card will be issued to you at the completion of this mandatory session upon presentation of your photo ID.

The Purchasing Card may be used for purchases that do not require Purchase Orders including purchases under \$3,000, subscriptions, institutional memberships, and orders from warehouse facilities. Use of the card is not, however, intended to replace the bid process where that process is appropriate. Cardholders should be aware of and sensitive to the **State Bid Law** and contact Procurement and Payment Services for assistance when it is expected that an aggregate of \$15,000 or more of one commodity will be purchased during the fiscal year. In many cases, Procurement and Payment Services can also be of service in negotiating discounts or more favorable pricing on lower dollar purchases.

The Purchasing Card **cannot** be used for: professional services; certain travel related expenses, cash advances; capital items; controlled substances; and animals.

Transactions for more than \$3,000 will be rejected at the point of sale. In addition, each card also has a monthly spending limit established when the card is issued. Expenditures should also comply with applicable state, University, and grant or contract restrictions.

### **Use of the Card**

1. Use the card to make the purchase. Inform vendor of tax exempt status before making purchase. Obtain itemized receipts or other documentation.
2. Note on the receipt the FOAP to be charged.
3. Turn in receipts to the designated departmental bookkeeper.
4. Transactions are reconciled monthly in the SSB Purchasing Card system.
5. Procurement and Payment Services makes payment to the card provider.

*The cardholder should review the charges reflected in Banner SSB for accuracy. For more information on the reconciliation process, contact Procurement and Payment Services (844-7771).*

### **Lost or Stolen Cards**

*If your Purchasing Card is lost or stolen, immediately contact Auburn University's card provider & Debbie Griggs at 844-7771.*

### **Employment Termination/Card Expiration**

Employee Cardholders who are leaving employment of the University should complete the [Purchasing Card Maintenance Form - \(BO 99-11\)](#) to close/delete the account, cut their card in half and return it (taped to the Purchasing Card Maintenance Form) to department designee or supervisor. The department will send both the card and form to the Program Administrator. To insure that the account is immediately cancelled, the cardholder should also call Auburn University's card provider to cancel the account.

Cards automatically expire and are renewed every three years. Replacement cards will be sent to the Program Administrator for distribution.

## **Small Purchases - Using Petty Cash**

Although other methods are in place to handle small purchases, some small, miscellaneous emergency purchases may be necessary using departmental petty cash. **Purchases should never be made with personal funds.**

Since Auburn University is exempt by law from paying sales tax, the University will not reimburse sales tax. Inform the vendor of this exemption before making your purchase.

Departmental petty cash may be used for emergency purchases of up to \$100.

To replenish departmental Petty Cash, the department prepares a vendor voucher made payable to the department's petty cash custodian. Attach the original, itemized receipts and petty cash tickets for all purchases for which the department has not yet been reimbursed. The voucher packet is submitted to Procurement and Payment Services for audit and check production. Upon receipt of the reimbursement check, the petty cash custodian cashes the check and replaces the cash in the petty cash box.

At all times, the departmental petty cash box should contain cash and receipts which together total the amount issued to open the petty cash fund. The custodian is personally liable for any funds that cannot be accounted for.

### **Maintenance Contracts Costing < or = to \$3,000 Annually**

A Purchase Order (PO) is not required for routine maintenance contracts (i.e., printers, PC's) if the annual cost of the contract is less than or equal to \$3,000 and payment can be made via a Purchasing Card. If the annual cost of the maintenance contract exceeds \$3,000, a PO must be processed and payment will reference the PO established for that contract. Regardless of the dollar amount of the maintenance agreement, the contract must be reviewed and approved by PPS.

## **7. Purchase Order (PO) vs. Professional Service Contract (PSC) vs. Subcontract**

The decision about whether to use a Purchase Order (PO) or Professional Service Contract (PSC) depends on what is being purchased or contracted for.

In general, the purchase of a product that either exceeds \$3,000 or is < \$3,000 but for which the department desires to have the funds encumbered should be procured using a Purchase Requisition (PR) and Purchase Order (PO). Trade services (those that require parts and labor) should also be obtained via a PO. Examples of Trade Services would include: plumbers, electricians, repair & maintenance providers/jobbers, roofers, tree trimmers, auto mechanics, and security systems/Wackenhut/Pinkerton.

In contrast, contracting for professional services such as attorneys, auditors, architects, and consultants requires use of a Professional Service Contract (PSC). There are certain services for which an additional, more comprehensive contract is presented for processing. In those situations, the PSC

is not intended to replace the detailed contract but rather to be used as an approval vehicle in addition to the detailed contract. In addition, in most cases where the intended cost of the service is projected to exceed \$15,000 in one fiscal year, a more detailed contract may be appropriate. In addition to the signatures required on the PSC, the more detailed contract must be approved and signed by Procurement & Payment Services.

In rare cases where there is a need to encumber funds for a professional service, both the PSC and PO procedures must be followed. The only exceptions to this requirement are professional services related to construction contracts (see Procurement and Payment Services for guidance).

### **Tax Implications**

In addition to the information reflected both above and below, there are IRS guidelines that determine whether a service provider should be considered an employee or an independent contractor. For AU, this determination is made by Procurement and Payment Services based on information provided by AU departments on the PSC and Form IC. Because the IRS penalties for incorrectly classifying individuals as independent contractors can be severe, it is critical that great care be taken by the department to accurately complete both forms. For more information, see either the Spending Policy or the Travel Policy and related links.

The IRS requires that all payments for services (both trade and professional; including parts and materials) be reported to them annually on IRS Form 1099's. Since accurate account coding enable the University to ensure accurate IRS reporting, the Business Office relies on AU departments to accurately code all transactions.

	<u>Purchase Order (PO)</u>	<u>Professional Service Contract (PSC)</u>	<u>Sub-Agreement</u>
<b>Type of product/service</b>	<p>Any product purchase; trade services. A dealer, distributor, merchant or other seller providing goods or services that are necessary for supporting University programs, including those auxiliary to research on approved sponsored programs. For the performance of repetitive tests or activities requiring little or no discretionary judgment on the part of the provider with a fixed rate of compensation.</p> <p>Examples of trade services: Plumbers, electricians, R&amp;M providers/jobbers, roofers, tree trimmers, auto mechanics, security systems/Pinkerton guards</p>	<p>All professional services, individuals who provide special knowledge or advice necessary for the project. The contractor is responsible for accomplishing the work called for in the contract and will not be supervised or controlled by the University.</p> <p>Examples of professional services: attorneys/legal fees, consultants, architects, speakers, performing artists/musicians, medical service/doctors, outside law enforcement/security</p>	<p>Activities performed involve a substantive portion of the work effort of the project with a specific scope of work to conduct in conjunction with the proposed project. The PI is accountable for their course of study as well as for following federal guidelines.</p> <p>Examples of costs: labor, employee benefits, materials and supplies, travel, equipment, subcontracts, consultants, other direct costs, and indirect costs; non-construction activities.</p>
<b>When use is required</b>	Purchases/trade services > or = \$3,000	<p>&gt; \$600 yearly regardless of whether a more detailed contract exists</p> <p>Services &gt;\$15,000 a more detailed contract may be appropriate</p>	A sub-recipient is an organization that expends awarded funds received from pass-through entity to carry out a sponsored program.
<b>Optional uses</b>	Purchases/services, < \$3,000 that need to be encumbered		

\*On major construction jobs, architects and contractors could be engaged with bid contract and PO as supporting documentation...no need for an additional PSC.

Learn more about [Sub-Awards Definitions](#).

## 8. Purchases Involving \$15,000 or More

Alabama law mandates that there be public competition for purchases involving \$15,000 or more. Therefore, competitive, sealed bids are required if the item needed is not already covered on an existing University contract. Because of the competitive bid requirement, this process can take 40 or more days to complete; therefore advanced planning is required for such purchases. The process may take significantly longer if user review of bids is delayed.

**Purchases involving \$15,000 or more cannot be divided into smaller purchases in an effort to circumvent the Alabama Competitive Bid Law.** For example, multiple copies of the same item should be grouped into one requisition. When buying equipment, the department is responsible for ensuring that suitable equipment is not available for use elsewhere on campus.

The department should contact [Procurement and Payment Services](#) for guidance prior to preparing the Purchase Requisition required to initiate the purchasing process.

### Selection of Source of Supply

Procurement and Payment Services is responsible for contracting with the best supply sources for the University. Procurement and Payment Services Buying staff are constantly seeking to expand the number of potential vendors, so your suggestions on vendors are always welcome. All qualified vendors will be considered as sources of supply, with Procurement and Payment Services retaining final responsibility for the selection of the vendor.

### Specifications

Specifications are the requirements which establish which product or service will best meet your needs. Preparing specifications for purchases is the joint responsibility of your department and the Procurement and Payment Services Buying staff. The PPS Buying staff will outline the terms and conditions; your department will provide the technical or performance specifications. You should work with PPS to develop evaluation criteria.

Specifications should define the quality of the item that is required, noting whether a lesser or higher grade is acceptable.

Specifications should not be unduly restrictive and should assist in the competitive process. They should be fair and equitable and not be prejudicial for or against a specific supplier.

If a vendor assists in developing product specifications, that vendor must be excluded from bidding on those items.

"Acceptable Substitute" may be used to set specification standards. If using "brand name or equal," identify the distinct features which will meet those criteria.

See "[Sole Source Purchases](#)" for exceptions to this policy.



## Replacement Parts

Replacement parts through original equipment manufacturers are often priced higher than parts from other sources. If the quality and service meet your needs at a lower price, consider substitute replacement parts instead of original manufacturers' replacement parts.

Procurement and Payment Services can help you obtain information on suppliers of replacement parts as well as other assistance in obtaining or evaluating replacement items.

## Installation Requirements for Purchased Equipment

It is the responsibility of the requesting department to determine all requirements for installing new equipment. When there are special needs for utilities, floor-loading capacity, or building accessibility, the department should work closely with the Facilities Division before submitting the requisition. Installation requirements and any arrangements made with Facilities Division should be noted on the requisition.

## Lease-Purchase or Installment Payments for Equipment

Capital equipment may be purchased on an installment or Lease Purchase basis. Unless authorized by Procurement & Payment Services, the payment period cannot exceed five years. Purchase Requisitions for such items must include a description of the item and the desired number and dates of annual payments.

It is the department's responsibility to determine whether lease-purchase or outright purchase is the most economical and practical option. **Documentation supporting the cost analysis should be kept on file in the department.**

Procurement and Payment Services will process requests for bids, including financing. If the vendor cannot provide financing at an acceptable interest rate, Procurement and Payment Services may seek financing from a third-party. If financed by a third party, payments will be made to the third party by the department.

If there is a possibility that the equipment might be "bought out" before the end of the installment contact, the agreement should indicate the buy-out terms and conditions as well as any penalties for early payment.

## Sole Source Items

Sometimes an item is available from only one source. It might be something such as a specific part, equipment manufactured by only one manufacturer, or original art. When you wish to make such an acquisition, you must complete a [Justification for Sole Source Purchase Form](#), denote the Purchase Requisition number on the Justification form; have form approved by PI and department head and forward it to Procurement and Payment Services for review.

The Assistant Director of Procurement Services will review your documentation to determine whether to waive the requirements. Your written justification should describe the technical characteristics of the item as well as why those characteristics are essential and cannot be obtained from another source. In the case of Sole Source Purchases, Procurement and Payment Services may negotiate the purchase, in an effort to obtain the best possible price, terms and delivery. If the item exceeds \$15,000 or more an RFB may be issued to formally obtain pricing information.

### **Trading-In University Property**

There are only two methods for disposing of University property: through trade-in on replacement equipment or by disposal by sale or transfer through Property Services. For additional information on the disposal procedures, see the [Property Services](#) section of the University Policies and Procedures manual.

If equipment is no longer in practical use, it may be traded in on the purchase of equipment of the same general nature. It should not be traded if the trade-in offer is substantially less than the current market value.

When submitting a Purchase Requisition involving a trade-in, the requisition should list the equipment to be traded, a full description, condition, current location, and AU property control number.

Purchases involving \$15,000 or more are subject to the bid law even if the net payment amount after trade is less than \$15,000.

### **Campus-Wide Contracts**

The University regularly contracts with suppliers to provide computers, office supplies, cut paper, copiers, copier paper and other materials at a volume discount. Information on bids and state contracts may be obtained from Procurement and Payment Services or via the [Procurement & Payment Services](#) web site.

### **Contract Time Span**

Generally contracts will not be extended beyond a fiscal year except for maintenance contracts. A contract may, however, be extended up to five years when the Executive Director of Procurement and Payment Services finds it advantageous to do so.

Funds in state appropriated accounts are not obligated beyond the end of the fiscal year. Funds for Sponsored Program Accounts are not obligated beyond the expiration date of a grant or contract.

## 9. Purchase Order Changes (PCO)

A purchase order is a binding contract between the University and the vendor. It cannot be modified or canceled unilaterally. When changes in purchase orders and contracts are required due to price changes or other necessary modifications, the request should be made to Procurement and Payment Services on a [Purchase Change Order Request Form - BO 50-07](#). It should include an explanation of the requested change and must be signed by the department head.

If Procurement and Payment Services approves the change, they will notify the vendor to execute the change.

PCO's should be sent to Procurement and Payment Services as the department becomes aware of the need for a change to the PO. Generally, vendors will agree to cancellation requests if the items have not yet been shipped. The department may be held responsible for material shipped by a vendor or costs incurred prior to cancellation of fabricated items. In addition, the vendor may require the department to pay restocking fees.

Procurement and Payment Services has sole authority to make changes to existing Purchase Orders or requests.

[Print Purchase Change Order Request Form - BO 50-07](#)

## 10. Other Procurement Related Issues

### Code of Ethics

Any University employee involved in purchasing goods or services must fully comply with the National Association of Educational Procurement (NAEP) Code of Ethics which includes the following:

1. Priority will be given to the objectives and policies of Auburn University.
2. Seek maximum value for all expenditures.
3. Do not accept any personal gifts or gratuities.
4. Give each supplier fair and equal consideration, within the parameters of law and University Policy.
5. Foster ethical trade practices and conduct business honestly and with good faith. Demand the same standards from suppliers.

Contact [Procurement & Payment Services](#) at 844-7771 for a complete list.

### Conflict of Interest

Any University employee involved in procuring goods or services must not make purchases from a vendor with whom he/she has a significant financial interest.

## **Debarred/Suspended Vendors**

Auburn University does not conduct business with vendors or individuals who have been debarred, suspended, or declared ineligible as defined in the Federal Acquisition Regulation (FAR 48 C.F.R Ch 1 Subpart 9.4).

## **Preferred Vendor Contracts**

Preferred Vendor Contracts are negotiated by PPS in an effort to assist AU departments with procuring the items they need at competitive prices in an effort to save budget dollars. The Preferred vendors have been very forthcoming with financial incentives to AU including volume rebates, signing bonuses, and scholarship dollars...all of which greatly benefit the University. PPS focused on consolidating spending to secure discounted pricing with vendors so that campus departments do not have to spend their time "shopping around" but rather concentrating on advancing the efforts of their mission.

Because the preferred Vendor Contracts are based on the bid process and negotiated with the best interest of AU as a whole in mind, AU Departments should make all purchases from the Preferred Vendor for the commodities negotiated in these contracts.

Information about each Preferred Vendor Contract can be found at:

[www.auburn.edu/pps/contracts.html](http://www.auburn.edu/pps/contracts.html).

## **Freight**

When making any purchase which will require shipping - you should have an understanding of whether shipping charges are to be paid by the supplier or the department. Your Purchase Requisition should include the approximate costs of charges to be paid by the department. When possible, avoid paying freight by specifying FOB Auburn.

## **Freight Terms**

***Destination*** - This term indicates that the University assumes responsibility for goods only when they have been delivered in satisfactory condition.

***Shipping Point*** - The University assumes responsibility for the goods when they have been delivered to a common carrier. It does not waive the University's rights to refuse the goods if they are not in an acceptable condition.

***Prepaid*** - The shipper pays for delivery.

***Prepaid/Add to Invoice*** - The University pays for delivery. The shipper will pay costs and then bill the University. The cost will either be included on the invoice with purchased items or billed separately.

**Collect** - The University pays the carrier directly for shipping costs.

**Delivered/Installed** - The vendor pays delivery costs and installs the goods.  
Other terms may specify the method of shipment, the common carrier, and the responsible party.

### **Payment of Freight**

Freight charges should be coded the same as the item purchased.

### **Purchases of Animals**

All live vertebrate animals at Auburn University must be covered or permitted by an approved Animal Subjects Review Form from our AU Institutional Animal Care and Use Committee (IACUC). That form is commonly called an Animal Protocol and it specifies the kind and number of animals that are authorized and how they can be used. A copy of the signature page of that form must be forwarded to PPS. Animals can be ordered by the Principal Investigator (PI) until they reach their protocol limit. Since feeder fish are live vertebrate animals they would have to be covered on a protocol as well to insure their proper care and number used.

### **Purchases of Used Equipment**

Used equipment of suitable quality may be purchased when it saves money.

A requisition for used equipment should state that:

- The requester has inspected the equipment;
- The equipment is in suitable condition;
- The University's best interests will be served by the purchase of this equipment.

Procurement and Payment Services is responsible for assuring that the purchase price is reasonable.

Competitive bidding is to be used when used equipment costs exceed \$15,000.

### **Purchases of Radioactive Materials**

The Radiation Safety Office is responsible for approving all purchases of radioactive materials, processing all radioactive materials received on campus and overseeing the handling of all radioactive materials.

Departmental personnel involved in the purchase of radioactive materials should be familiar with the Radiation Safety Manual prepared by the Radiation Safety committee.

### **Purchases of Government Surplus**

Contact [Procurement & Payment Services](#) for information and guidance.

## **Prepayment of Purchase Orders and Contracts**

It is generally the policy of the University not to pay for an item before it is received. Prepayment of purchases is made only with the approval of the Executive Director of Procurement and Payment Services.

Exceptions are:

- Subscriptions, as required.
- Institutional memberships.
- Registration fees for conferences and official meetings.
- State Surplus Property (requires a PO).

Performance bonds or other guarantees may be required in such instances.

To process a request for prepayment, prepare a vendor voucher and attach all available support documentation. Attach a memo requesting a prepay exception and route to Procurement and Payment Services for approval.

## **Working with Vendors**

Any price quotations you receive from vendors are considered informal and for information purposes only. Only Procurement and Payment Services can obtain formal and binding bids/quotes. If you simply need pricing or other information, you may use the Request for Information form (available from [Procurement & Payment Services](#)) or informal means such as catalogues or telephone calls.

On many occasions, the information provided to you by the vendor may contain terms or language that the University cannot comply with. Procurement and Payment Services will insure that our terms and conditions are formalized with the vendor.

Do not commit to a purchase verbally or in writing until it has been authorized following standard purchasing procedures. If the purchase is greater than \$3,000 and you have obtained an informal quotation from sales representatives, denote the Purchase Requisition number on it and forward it to Procurement and Payment Services.

Some unethical vendors will ship unordered merchandise and then send a bill. Inform Procurement and Payment Services of any questionable billings.

**Note:** If you have complaints about vendors, contact Procurement and Payment Services (844-7771) for assistance.

## **Loaner or Demonstrator Equipment**

Procurement and Payment Services should be notified when "loaner" or "demonstrator" equipment is left on campus by a sales representative or a vendor. **Retaining such equipment is not a commitment to buy.**

Procurement and Payment Services should be informed whenever a vendor wishes to demonstrate a product on campus. Before accepting demonstration equipment, the recipient should notify [Procurement & Payment Services](#). A copy of the form should be filed with both University Risk Management and Property Services; otherwise the University assumes no responsibility for the equipment.

Those using the equipment shouldn't tell the vendor that the loan of demonstration equipment will lead to a purchase. Even when equipment has been loaned, it will not affect competitive bidding or other normal purchasing procedures. If the vendor who has loaned equipment is the successful bidder, new equipment must be supplied unless Procurement and Payment Services and the user accept the loaned equipment at a negotiated lower price.

Unless special arrangements are made with the Executive Director of Procurement and Payment Services, all moving, installation and other associated costs for demonstration or loaner equipment are the responsibility of the vendor. Any costs to the University should be included on a requisition attached to the Equipment on Loan form.

## **Opportunities for Small Businesses**

Since the University is committed to developing its Small, Minority, and Disadvantaged Business suppliers, Procurement and Payment Services will actively seek the participation of such suppliers.

Procurement and Payment Services will aid by instituting procedures which enhance the program and advising University personnel about the program. University personnel who prepare requisitions should be familiar with this policy and cooperate with Procurement and Payment Services in making opportunities available.

*For more information about this program, contact Procurement & Payment Services at 844-7771.*

## **Customs Brokers**

Shipments from outside the United States must clear U.S. customs. Contact [Procurement & Payment Services](#) for information on the customs broker which the University uses. The broker will arrange for the shipment to clear customs and be forwarded to the University. Payment of the brokerage fee is the responsibility of the ordering department.

## **Receiving Shipments Directly From Customs**

When a shipment does not go through a customs broker, it is the responsibility of the ordering department to clear the shipment through customs and arrange handling and transportation.

## **Receipt of Merchandise**

To obtain cash discounts and maintain credibility with vendors, invoices must be paid promptly.

Partial shipments generally require partial payment. An original invoice should be used to acknowledge and pay for partial shipment.

If you require that all shipping be completed before any payment is made, indicate that on the Purchase Requisition so that it can be included in the bid specifications.

## **Damaged, Short, Missing or Duplicate Shipments**

The ordering department should quickly inspect all shipments received and report any damage or other irregularities.

Claims filed for obvious damage are generally settled at full value. Claims for concealed damage are generally settled for less than full value. Uninsured losses or losses caused by delayed damage reports will be borne by the ordering department.

Procurement and Payment Services can assist you upon request.

## **When Damage is Noted at Time of Delivery**

1. Record damage on the freight bill and obtain the signature of the delivering carrier.
2. Open shipment to inspect damage. Note damage on a Damage Report and send a copy of that report to Procurement and Payment Services.
3. Notify the freight company and request inspection.
4. Send copy of inspection report to Procurement and Payment Services and recommend repair or reorder.
5. Procurement and Payment Services will contact you to confirm repair or reorder.
6. Send the repair or reorder requisition to Procurement and Payment Services.
7. Procurement and Payment Services will order repair or reorder.
8. File claim. If shipment is FOB-Destination, send documentation to shipper for filing claim.

Maintain suspense file until claim is resolved.

If replacement is made, find out what the shipper or freight company wants to have done with the damaged material.



### **When Damage is Discovered after Delivery**

1. Notify vendor and hold material and packing for vendor to pick up.
2. Prepare damage report and send copy to Procurement and Payment Services.
3. Request inspection by the freight company.
4. Follow procedures outlined in previous section.

### **Shortages or Missing Items Discovered by Ordering Department**

Notify vendor of shortages or missing items. Send copies of all packing slips or other documentation to vendor.

### **Over-shipments or Duplicate Shipments Discovered By Ordering Department**

1. Notify Procurement and Payment Services and obtain directions as to proper disposition. If required, prepare shipment for return.
2. Procurement and Payment Services will notify vendor and resolve the problem.
3. The Vendor will arrange to have the material picked up.

### **Return of Merchandise**

If what has been delivered meets the Purchase Order specifications, the vendor is not obligated to accept the return. If there is a restocking charge, that charge is the responsibility of the requisitioning department.

The department has the option of requesting that the vendor issue the department a refund check rather than a credit memo. If a credit memo is received for returned merchandise, forward to Procurement and Payment Services, with the corresponding invoice. Include information on PO number, FOAP and the reason for return. The credit memo will be entered into the accounting system, so that your University FOAP can be credited. If a refund check is received, it should be clearly marked as a refund and deposited into the FOAP from which the original purchase was charged. The original payment check number should be noted on the collection report with a copy of the collection report sent to Procurement and Payment Services.

### **Payment Errors**

PPS should be made aware of all payment errors to properly track and resolve with the vendor. Resolution should involve either a refund or issuance of a credit memo by the vendor.

## **11. Use of Funds**

All expenditures must be prudent and directly benefit Auburn University. Documentation as to this benefit should be made available, regardless of the types of funds (e.g., gift, state, Auburn University

Foundation) used to pay expenditures. In addition, only purchases for business purposes are allowed. Purchases of items for personal gain and/or the purchase of items expressly prohibited by the State (e.g., alcoholic beverages, gifts) are not allowed. Below are some expenditures which are frequently questioned and may require special attention. Please note that contract or grant restrictions may be more stringent than those imposed by the State and the University. When spending contract or grant funds, it is the responsibility of the Principal Investigator to make sure that all expenditures are made in accordance with all restrictions.

**Athletic Tickets** may be furnished using University funds only when there is a direct and specific benefit to Auburn University and may only be made from Foundation or Alumni funds.

If tickets are purchased for fund-raising purposes, charge them to the appropriate Development FOAP.

Vouchers for athletic tickets must be **personally** signed by the appropriate dean. The signature cannot be delegated.

**Business Cards and Invitations to Business Functions** may be made using University accounts. Business card designs must be approved by the Office of Communications and Marketing prior to ordering.

**Chamber of Commerce Dues** may only be paid from Foundation or Alumni funds.

**Coffee Break Supplies** are considered personal and may not be purchased with University funds. Supplies for business meetings may be purchased with University funds (with written support).

### **Development Costs**

The Deans constituency accounts in each college and school, represented by unique Banner Organization codes, are established to ensure that costs incurred by Auburn University for development are appropriately accounted for by segregating those costs.

All development costs paid via Auburn University must be allowable under AU Spending Policies and be properly coded to the constituency account using Program code 4010, Constituency/Fund Raising expense. Examples of development costs allowable per AU Spending Policies include printing costs, TES, office supplies, phone, furnishings, postage, and professional services for fund raising, and such expenses. Those costs that cannot be charged to the Deans AU constituency accounts include alcohol, entertainment costs, and other costs not allowed by Auburn University policies. In addition, purchases over \$3,000 made without first obtaining a Purchase Order when required by AU policy and purchases equal to or greater than the \$15,000 bid threshold which have not been subject to bid may not be paid with the constituency account.

Allowable expenses incurred by AU for development should only be charged to the Deans constituency account and are not allowable expenses when charged to other Banner AU Fund-Organization combinations.

**Donations** are generally not allowable. A Foundation FOAP may be used in special circumstances. Contact the AU Foundation for additional information.

**Entertainment expenses:** In general, only retirement receptions may be paid from a University FOAP. If University benefit criteria are met, such activities as Secretary's Day, and seasonal social events may be paid using Foundation funds.

**First Aid Kits** for Departmental Offices may be charged to University funds.

**Gifts, Cards, and Flowers:** Only flowers that are used for decorative purposes at official University functions may be charged to University funds. Other flowers or cards must be purchased from Foundation or Alumni funds. Gifts must be charged to Foundation or Alumni funds.

**Institutional Memberships** may be paid from any appropriate source of University funds (70650).

**Individual Memberships** requires supervisor's approval and may be paid from University funds in limited circumstances where there is a direct and documented benefit to the University (70655).

**Non-University Course Fees, Examinations, and Professional Certifications** may be paid from any University funds at the discretion of the dean, director or department head if they are directly related to the job **but not required to obtain the position**. Provide documentation of their benefit to the University.

Some license renewals may be allowed if integral to the job. Memo of justification from the Dean or Department Head is required.

Sabbatical Expenses are allowable only when specifically associated with **research which directly benefits Auburn University** as authorized by the department head and is fully supported by written documentation.

### **Contract and Grant Restrictions**

Restrictions imposed by a grantor or contractor may be more stringent than those imposed by the State and University. It is the responsibility of the Principal Investigator to make sure that all expenditures are made in accordance with State and University restrictions, as well as meeting all conditions imposed by the granting or contracting agency.

When differences exist between AU and contract/grant policies/provisions, the more restrictive of the policies prevails.

### **Purchases of Equipment**

Consideration should be given to purchases of products and services that are: metrically-measured; conserve natural resources, protect the environment, and are energy efficient; and, where practical, may be obtained through small, minority and/or women-owned businesses. (OMB Circular A-110).

Avoid requesting items that are available from other departments or may be obtained through Surplus Property.

### **Uniform Purchases**

Based on apparel guidelines set forth by the Internal Revenue Service (IRS) only clothing items that comply with the following can be purchased using university funds:

- The employee must wear the clothes as a condition of employment, i.e. for identification purposes, for safety, or as protective clothing.
- The clothes are not suitable for everyday wear.
- The University retains protective clothing and outerwear after termination of employment.

**Prior approval from PPS must be obtained before making apparel purchases.**

*Questions concerning the appropriateness of any expenditure of University funds should be directed to [Procurement & Payment Services](#) (844-7771).*

## **12. Policy for the Purchase of Food and Business Related Entertainment**

Including Guest meals, Business meals, Receptions, Gifts, and Flowers

These policies and procedures reflect Auburn University policies for entertainment related expenses. The Auburn University Foundation (AUF) also has policies established by AUF for the use of AUF funds in similar circumstances. Readers should contact AUF for specific and/or additional information about AUF policies and procedures.

### **General**

It is understood that the business of the University requires some expenditures of an entertainment nature. However, it is the intent of this policy to place this activity in the proper perspective, to prevent abuses and to issue requirements for these expenditures. In all cases, there must be a clear, documented, business purpose for the event/expenditure that indicates the event's benefit to the University. This policy is intended to be neither all-inclusive nor to address every situation which may arise. Questions about specific situations not addressed in this policy and/or policy clarifications should be addressed to [Procurement & Payment Services](#) 844-7771.

In general, State laws and regulations expressly prohibit the University from spending University funds on: alcohol; spouse meal and travel expenses; tickets to athletic and cultural events; and expenses associated with social events.

Except for meals and refreshments incidental to business meetings as authorized by the Alabama Attorney General's 1989 ruling or meals per Alabama travel regulations (covered in the travel policy), the State Examiner's office considers food and beverages for employees to be personal in nature and therefore unallowable costs. This applies to costs incurred on all University funds, including departmental funds, gift funds and/or sponsored funds.

From an IRS perspective, for meals and entertainment to qualify as a business expense, they must be **ordinary** and **necessary** and not lavish and/or extravagant and must be directly related to or associated with the University's mission. In addition, an AU employee must be present at the meal/event for it to meet the IRS business expense regulations. Because the IRS imposes strict substantiation/documentation requirements on such expenditures, the University must be able to provide the following documentation on such expenses:

- Amount
- Date, time, and place
- Business purpose served by the expenditure
- Business relationship to the University of each person in attendance
- Full agenda which includes time and location of the meeting

### **Sponsored Agreements**

Federal regulations indicate that, in general, meals charged to sponsored agreements are unallowable. For a meal to qualify as an allowable expense, it must be integral to the conduct of the sponsored project. **Keep in mind that simply scheduling a meeting at mealtime does not automatically make that meal integral to the project.** In addition, OMB Uniform Guidance, which dictates Federal cost principles for educational institutions, requires that the type of expenses addressed in this policy be captured separately as they are generally considered unallowable. Therefore appropriately coding such expenditures is required. Questions and/or policy clarification related to meal and entertainment charges on sponsored agreements should be directed to Contracts and Grants Accounting, 844-4847.

In addition, as with all contract or grant funds expenditures, it is the responsibility of the Principal Investigator to insure that all expenditures are made in accordance with all applicable contract or grant restrictions. In considering incurring expenses such as those addressed in this policy, PI's should keep in mind that the more restrictive policy/contract terms or budget (AU vs. contract/grant) will prevail. Thus, if the contract terms are more liberal than AU policy, the more restrictive policy (AU) will be enforced.

### **Types of Meals**

Expenses for meals other than those incurred while on travel status can fall into two broad categories: business meals and guest meals. By definition, **business meals** would include meals provided during business meetings involving the following: only University employees; persons being compensated by AU via a professional service (PSC) or other contract; meals served during/associated with advisory council type meetings; meals at AU hosted/sponsored conferences/meetings/seminars; and meals provided to students while on campus or traveling in conjunction with executive degree programs. Conversely, **guest meals** are those provided to distinguished guests, interviewees and persons visiting AU as non-paid guests accompanied by an AU employee host. For information on travel related meal reimbursement policies, see the [AU Travel Policy](#).

## BusinessMeals

Meals and refreshments incidental to a business meeting that involve **substantive** business discussions and include primarily only AU employees may be provided if, for reasons of continuity, the meeting extends through a traditional meal time period. Such business meals should be infrequent and should generally be served at the meeting site. **AU will pay/reimburse actual\* expenses up to \$15/breakfast, \$20/lunch, \$40/dinner per person for business meals.**

Documentation requesting payment/reimbursement of business meals must include **all** of the following:

- Guest list of all in attendance that denotes each participant's association with AU
- Itemized bill (credit card receipt only is **not** sufficient)
- Detailed statement of the business purpose
- Full agenda which includes time and location of the meeting

*\*Includes related expenses, i.e. service charge, deliver, linens, paper products, condiments, etc.*

## Guest Meals

Guest meals are defined as those meals provided during the course of AU business when at least one non-AU employee is present. There must be a documented business purpose (must meet IRS ordinary and necessary criteria) and need for business to extend into a traditional meal time period. The cost of the meal must be reasonable, not lavish or extravagant, and the number of AU employees present to entertain the guest should be kept to a minimum. The expenses for spouses in attendance and/or alcohol served **cannot** be charged to University funds. **Guest meals are limited to actual expenses up to a total of \$75/day per guest.**

Meals served during interview situations, for guest lecturers, visiting scholars and other distinguished guests of the University are considered guest meals and are limited to **actual expenses up to \$75/day per person**. The number of University employees participating should be kept to a minimum. If more than three employees are in attendance, a letter of justification signed by the dean or department head should be attached.

Documentation requesting payment/reimbursement of guest meals must include **all** of the following:

- Guest list of all in attendance that denotes each participant's association with AU
- Itemized bill (credit card receipt only will **not** be sufficient)
- Detailed statement of the business purpose
- Full agenda which includes time of the meeting

## Receptions

Expenses associated with Retirement Receptions may be paid using University accounts. Departments choosing to host a meal rather than a reception for a retiring employee may **not** use University funds to do so. It is expected that there will be only one retirement function per retiring employee.

Meals and/or receptions for employees leaving the University who are not retiring are considered personal in nature and may not be paid using University funds. Additionally, welcome receptions for new employees are not allowed. Expenses for receptions honoring visiting distinguished guests of the University may be paid for using University funds as long as IRS regulations are met i.e. business purpose, reasonable, ordinary and necessary.

Documentation requesting payment/reimbursement for receptions must include **all** of the following:

- Itemized bill (credit card receipt only is **not** sufficient)
- Detailed statement of the business purpose

### **Coffee Break & Refreshment Supplies**

Supplies for coffee breaks, office refreshments, etc...are considered personal and may not be purchased with University funds. Refreshments for business meetings which meet the business purpose test may be purchased using University funds if documentation supporting the business nature of the purchase and subsequent use is provided.

### **Other Functions**

Expenses associated with seasonal gatherings/meals, birthday/wedding/baby celebrations, non-retirement employee departures and social gatherings (even if for morale building purposes) are considered to be personal in nature and may not be paid using University funds.

### **Meal Guidelines**

It is the responsibility of the department to insure that a meal is allowed before going forward with planning. If in doubt, please contact PPS for guidance. Expenses for meals that do not meet the Attorney General's ruling and/or the IRS standards for documentation; or expenses in the excess of the allowed maximums are the responsibility of the individual who incurs the expense.

The following guidelines are offered to help determine what meals can and cannot be paid. **This list is not all-inclusive.**

### **Business Meals Allowed**

Meals and refreshments "incidental" to formal, internal on-campus meetings, where the primary purpose is to conduct official AU business are considered allowed Business Meals. When the meal is incidental it is expected that the group will continue through the agenda with little or no interruption. Box lunches, refreshments, or similar inexpensive meals may be provided for the sake of continuity.

Note: Simply planning a meeting at mealtime does not make the meal integral to the meeting. If employees leave their normal business activities to go to a restaurant for a meal, the presumption will be the primary purpose was to eat rather than to conduct business, even if business was discussed, and these meals will not be reimbursed.

## **Un-allowed Business Meals**

Un-allowed Business Meals include **(this list is not all inclusive)**:

- Meals held prior or subsequent to a business function/meeting
- Meals provided during a departmental social function in celebration of an event or holiday
- Meals provided to promote fellowship among constituents, including introduction of new staff, departmental award ceremonies, Christmas parties, and other “end of year” functions.

## **Allowed Guest Entertainment**

Entertainment of official guests is typically undertaken by Administrators, Deans, Department heads or senior faculty members. For policy purposes, guests include perspective job candidates, non-compensated visiting lecturers, foreign visitors, or representatives of research organizations. The number of AU employees accompanying the guest is limited to those directly involved with the purpose of the guest on campus. Lavish or extravagant costs will not be reimbursed.

## **Un-allowed Guest Entertainment**

Un-allowed Guest Entertainment expenses include:

- AU Employee spouse meals.
- Alcohol, bartender fees, green fees, boat rentals, private club dues or civic group functions.
- Social functions, holiday parties, tickets to athletic events.

## **Conferences, Workshops, Seminars**

Expenses associated with Conferences, Workshops, and Seminars are allowed if supported by registration fees and/or funds collected from outside sources. Voucher must note the expenses are covered by an outside income source. Registration fees and/or funds collected from outside sources may be used to purchase food for meals and/or breaks which are an integral component of the function. If not supported by income, payment requires assurance through appropriate documentation that the function is essential to the operation of the University and meals/refreshments are incidental and not the primary purpose of the function.



## **Retreats**

In limited circumstances retreats for AU employees may be allowed. A statement of the purpose, including the benefits to the university must be clearly indicated and understood by anyone outside the department reviewing the voucher. In most cases these should be held on campus. In cases where AU main campus is not the home base of most of the employees attending the retreat, a central off-campus location may be used. The following documentation is required:

- Approval in writing by the appropriate Dean must be obtained prior to any commitment of funds.
- Explanation of the business purpose/benefit to AU
- Approximate number of participants and their relationship to the unit
- Identification of the planned locations and dates
- Detailed budget of all costs associated with the retreat, including funding sources

Note: Travel costs associated with retreats are considered by law to be employee travel expenses and fall subject to the AU travel per diem policies. Therefore the sum of associated costs (even if they were paid directly to a vendor), divided by the number of participants must not exceed the per diem amount that would otherwise have been due these individuals. All lodging and meal reimbursement requests must be submitted together for review. *The only exceptions are class materials and the fee for a conference room in which hold the group sessions.*

## **Flowers, Invitations & Greeting Cards**

Flowers purchased for decorative purposes for official AU business functions may be paid for using University funds. Flowers for any other purpose including corsage/boutonnieres for retirement functions, flowers for ill/deceased AU employees/donors/friends etc...may not be purchased with University funds.

The cost of printing and mailing invitations to official AU business functions including retirement receptions may be paid using University funds. The cost of greeting and/or seasonal cards may not be charged to University funds.

## **Gifts, Plaques & Framing**

Gifts, or anything that might be perceived as a gift, including items given as a thank you for services provided, etc...cannot be purchased using University funds.

Plaques and/or framed artwork purchased for permanent display on a University owned building wall, may be charged to University funds. All others may NOT be charged to University funds unless awarded through a documented competitive process. Written criteria for award and the selection process must be provided with reimbursement/payment request.

## **Donations**

Donations cannot be made by the University to any outside agency/institution or other group. The Foundation is also prohibited by law from supporting the charitable activities of non-profit organizations other than AU.

## Student Functions

The following may be paid using State Funds:

1. Year-end banquets/functions honoring the accomplishments of student activity fee supported groups.  
Functions **must be** held on campus.
2. Year-end plaques/awards for the elected leaders of student activity fee supported groups (based on the fact that these leaders competed for their positions earlier in the year.)
3. Meals/food served at official AU student functions like those sponsored by the UPC.  
Functions **must be** held on campus.
4. Meals/food served during a meeting held during a traditional meal hour. Official AU business (as supported by an agenda) must be conducted to qualify; function cannot be merely a social event.

## Student Field Trips

AU funds can be used for student field trips **only** if:

1. The trip is an integral part of the lesson plan in a course for academic credit -or-
2. The student is paying a fee (above and beyond normal tuition fees) to participate in the trip.

## 13. Payments of Scholarships, Fellowships, and Stipends

Because of IRS reporting requirements, it is important that correct terms be used in processing payments for Fellowships, Stipends, Scholarships, and Awards.

**Scholarships** are payments to undergraduates enrolled at Auburn University. They are processed by Student Financial Services.

**Fellowships** are payments to students who are candidates for advanced degrees at Auburn University and are intended to cover expenses such as tuition, books, related fees, and room and/or board.

Fellowship payments can only be made on either established fellowship accounts or specified contract and grant accounts and must be paid through the student's Bursar account.

**Stipends** are payments to people who are **not** University students or employees. They are used to pay participant expenses or as payment for participating in a University program.

Stipend payments use account code 70515 and must be supported by the statement of purpose and the description of the program. Individuals receiving stipends need to register on the Procurement and Payment Services' [Vendor Center](#).

**Fellowships, scholarships, awards and stipends may not be used as payment for any form of services. Any payment for services rendered (except independent contractors) must be processed through Payroll.**

When making payments to several recipients in the same program, it is preferred that you use a [Multiple Vendor Voucher - BO 55-02](#) and include several recipients, although you may opt to use one voucher for each recipient. Clearly indicate why payment is being made. Checks will be mailed to recipients' residences.

## **14. Awards**

**Awards** are given only through competitive processes. Award payment requests should include:

1. Proof that this is a documented awards program, including documentation on the competitive procedures and the qualification and selection criteria.
2. The Vendor Voucher should include the date on which the checks will be awarded, the amount of the award, and the signature of the department head or dean, as required.

If the award is for an AU employee, use account code 70450. The amount of the award will be shown on the W-2 form as "other income". If the award is for a non-AU employee, use account code 70455. Such awards will be included on an IRS 1099 form. Awards to students must be approved by Student Financial Services with payments typically made via the student's BR account. Non-faculty service awards are awarded through the HR employee recognition program.

## **15. Independent Contractors (Payment of Non-University Personnel for Professional Services)**

A [Professional Services Contract - BO 55-20](#) is used when the services of firms or individuals **outside the University** are required to undertake a project requiring that individual's or organization's expertise. The contractor is responsible for accomplishing the work called for in the contract and will not be supervised or controlled by the University.

Because departments frequently have trouble determining when it is appropriate to obtain services through a PSC rather than through a purchase requisition (PR)/purchase order (PO), we've developed a document providing guidance. Read more on [PO vs. PSC vs. Subcontract](#).

Because independent contractors are not employees of the University, neither they nor their work is covered by AU's insurance. Some types of service require specific types and levels of insurance. Those service providers must provide written proof of that insurance to us. Please contact [Risk Management & Safety](#) at 844-4870 for additional guidance on this issue.

**A Professional Services Contract may not be used with anyone who is a current University employee or with anyone who will become an AU employee in the foreseeable future. In most cases retired/former employees will also not meet the IRS regulations to qualify as an independent contractor with AU.**

**This procedure should not bypass University employment policies or provide a service that is available through existing University resources.** Any payment to a University employee for personal services must be made through the University payroll system.

IRS standards strictly limit who may be classified as an independent contractor. [Independent Contractor \(IC\) Form - IC 99-01](#) can assist you in determining whether a person providing services should be classified as an employee or an independent contractor. Read more about [IRS Guidelines for Independent Contractors/Employees](#) (excerpted from [IRS Publication 15-A](#)). A Form IC must be completed and submitted for PPS approval for only those Independent Contractors who are individuals or sole proprietors. The Form IC is not required for companies providing services to AU.

### **Professional Services < \$600**

Departments engaging an independent contractor where the yearly aggregate of payments to that contractor will be < \$600 are not required to process a PSC for that engagement. In those cases, the form IC must still be completed and attached to all payment vouchers for those services.

**Upon review of the Form IC, if PPS determines that the relationship does not comply with IRS guidelines regarding independent contractor vs. employee status, the voucher will be returned to the department for payment through the payroll system.**

Questions regarding Independent Contractor status should be routed to PPS.

### **Professional Services ≥ \$600**

A [Professional Services Contract \(PSC\) - BO 55-20](#) and [Independent Contractor \(IC\) Form - IC 99-01](#) (individuals only) must be completed and approved by Procurement and Payment Services **prior to the beginning of the service** and will be used to support the payment after the services are completed. Purchase orders are not used. Both the Professional Services Contract and all payments must reflect the information as provided during the vendor registration. A single PSC may be submitted to cover recurring small dollar PSC related payments during the course of one fiscal year.

In cases where the intended cost of the service is projected to exceed \$15,000 in one fiscal year, a more detailed/comprehensive contract may be appropriate. If the contract exceeds \$10,000, Vice Presidential approval is required.

The contract must include the name of the company or individual; the AU Vendor; the mailing address; the amount of the fee; the nature of the services; a notation of applicable expenses; and the date of services. Payee information on the voucher and professional services contract must be consistent with that on vendor record.

## **PSC Payments**

Travel expenses and professional service fees should be submitted by the contractor on a signed, itemized statement for preparation of an eVendor Voucher by the department. Reference the Procurement and Payment Services assigned PSC number on each PSC payment voucher.

A copy of the Professional Services Contract, (if applicable) any relevant correspondence, with a signed statement of travel expenses and Form IC, (if applicable) must be attached to the reimbursement voucher. Travel expenses should be itemized. Receipts are required for commercial transportation, lodging, and meals.

Authorized transportation expenses will be reimbursed following standard University guidelines. Subsistence expenses will be reimbursed on the basis of actual expenses.

## **Vendor Disclosure**

In compliance with Alabama State Law Act 2001-955, Section 4(a)(1), (2) and (3), Auburn University requires the disclosure of certain information regarding vendors and their relationships with AU.

Vendors should be advised that in submitting their bid, contract, proposal, or grant they affirm under oath that no such relationships exist. If such a relationship does exist and the intended or actual contract value exceeds \$5000, they should print and complete a detailed [Vendor Disclosure Statement](#) and submit it to [Procurement & Payment Services](#). Forms may also be acquired by contacting [Procurement & Payment Services](#) at 334-844-7771.

In the case of competitive bids, this disclosure is only required from the winning bidder. Contracts will not be awarded to any person who refuses to disclose the required information if such relationships exist. Departments should be aware that this law applies to ALL vendors with whom a contract exceeds \$5000 including those on PSC's.

## **16. Honorariums**

An Honorarium is a payment given to a distinguished/official guest of the University in order to help defray their costs of traveling to AU. **It may not be used to pay professional services.**

When an honorarium is paid, the lump sum payment includes all travel expenses. No additional requests for reimbursement of travel expenses can be submitted. The guest must register at the [AU Vendor Center](#) to receive payment. The department should submit an eVendor Voucher to Procurement and Payment Services for payment processing.

The voucher should include the following:

- The guest's name
- The guest's vendor number
- The guest's title or position
- The purpose of the visit
- The date of the visit
- The amount of the honorarium
- Mailing address
- A copy of any agreements or correspondence with the visitor which confirm this information.

The voucher must be approved by the appropriate Dean.

At the end of the calendar year, Procurement and Payment Services will provide the visitor with an IRS Form 1099 (Other Income Statement).

## **17. Research Participant Funds**

Research Participant Funds, payments to human subjects/research participants, must be approved by the Institutional Review Board (responsible for the approval of human subject research). The IRB's written approval letter must be presented to PPS with any request for funds to pay those subjects.

Generally, subject/participant payments are processed on a multiple vendor voucher and made by check. In rare cases the IRB may determine that an alternate form of payment (cash, gift card) is required. Additionally, there may be cases where payment to a small percentage of participants through a random drawing can be justified. Such drawing incentives must be randomly designed with responsibility for oversight resting with the Principal Investigator. In either case, a request for exception, including the IRB approval of such, must be forwarded to PPS for review and approval before the study begins.

If the subject/participant will receive \$200 or less, they do not have to register through the AU Vendor Center, but the PI will have to obtain and attach a completed W-9 form to the voucher for payment. The W-9 requirement will be waived if the payment is \$50 or less. If the subject/participant will receive more than \$200, they must register via the AU Vendor Center.