DEPARTMENT OF CORRECTIONS

Policy Number: **104.300**
Title: **Purchasing**
Effective Date: **8/6/19**

PURPOSE: To purchase goods or services needed for department operations in compliance with Minnesota statutes and Minnesota Department of Administration purchasing rules.

APPLICABILITY: Agency-wide

DEFINITIONS:
Authority for local purchase (ALP) – under Minn. Stat. § 16B.04, the Commissioner of Administration is granted authority to supervise, control, and approve all state contracts and purchasing. The Department of Administration grants purchasing authority to other state agency personnel upon completion and certification of purchasing training. Authority is granted by individual for up to $10,000, $25,000 or $50,000 total cost based on agency-level approval and training completed.

Blanket purchase order – purchase order that establishes an encumbrance for multiple, often repetitive purchases (e.g., monthly utility services, garbage hauling contracts, oil changes, food purchases, etc.). Blanket purchase orders remain subject to all purchasing rules, but enhance operational efficiency by allowing for purchases without having a purchase order processed for each instance. Blanket purchase orders are usually established at the beginning of the fiscal year anticipating the costs of a specified product or service need for the year.

Chapter 16A violation – when goods or services are obtained prior to obtaining a purchase order or fully executed contract (see Policy 104.305, "Purchasing Violations").

Contract – any written instrument or electronic document containing the elements of offer, acceptance, and consideration to which an agency is a party, including an amendment to or extension of a contract.

A. Exclusive contracts must be used when purchasing specific products or services.
B. Non-exclusive contracts are available for agency use, but do not prohibit purchases from other vendors.
C. Professional/technical (P/T) services contracts are for services that are primarily intellectual, and which usually do not involve supplying goods or materials. The end product may be a report or the completion of a task (see Policy 104.303, "Professional and Technical Services Contracts and Other Agreements").

Creator – an employee who starts the process of requesting a purchase via the electronic inter office request (EIOR).

Electronic inter office request (EIOR) – DOC software application used for initiating purchases of goods, services, or materials needed for operations.

Emergency purchase – expedited purchase due to extraordinary conditions that pose an imminent threat to life or state property. Follow-up written documentation is required for audit purposes and must be submitted to the Office of State Procurement (OSP). See Request for Emergency Authorization Form (attached)

Encumbrance – a set amount of funding set aside in an operating account for a specific obligation such as a purchase order.

Equity Select – procurement method that allows for the direct selection of a certified targeted group, economically-disadvantaged, or a veteran-owned business, up to a total dollar value of $25,000. (Minn. Stat. § 16C.16, subds. 6, 6a, and 7.)

Immediate need – situation not meeting the definition of an emergency, but requiring immediate action in order to maintain safety, productivity, security, or ongoing operations.

Normal purchasing area – geographic area in which a purchase can be made that must not have a material effect on the price of the product or the delivery time.

Proprietary item – the only item that can perform a function or satisfy a need, which may be a specific make, model, type, material, etc. See No Substitute Justification Form (attached)

Purchase order – document detailing the quantity, price, terms and conditions of a specific purchase, which creates the encumbrance required by Minn. Stat. § 16A.15.

Purchased service – (also termed "non-professional/technical service") work that is primarily physical in nature involving repairs, cleaning, pest control, laundry, etc.

Purchasing card – a credit card authorized by the Department of Administration to individuals, with purchase limitations set up for specific purposes (see Policy 104.301, "Use of Purchasing Cards").

Purchasing Director – supervisor for all DOC buyers and liaison between DOC and OSP.

Purchasing violation – failure to follow State of Minnesota purchasing rules (including Minn. Stat. Chapters 16A and 16C; see Policy 104.305, "Purchasing Violations").

Rush – using a date of less than 14 days on an EIOR for immediately needed supplies.

Single source purchase – an acquisition where, after a search, only one supplier is determined to be reasonably available for the required product, service, or construction item. See Single Source Justification Form (attached)

Specifications – descriptive information in an EIOR containing technical information and the descriptive requirements of the product requested.

Targeted group/economically disadvantaged /veteran owned (TG/ED/VO) vendor – businesses or individuals granted bidding preferences by Minn. Stat. § 16C, certified by the Department of Administration to meet the qualifications established for small businesses, businesses wholly owned and operated by women, veterans, specified minority groups members, or persons with physical disabilities.

Total cost – total purchase amount including installation, training, freight, etc. (excluding tax).

PROCEDURES:

A. General

1. Per Minn. Stat. § 16B.04, purchases must comply with the rules established by the Department of Administration, Office of State Procurement (OSP).

2. Per Minn. Stat. §§ 16A.15 and 16C, a purchase order or an encumbrance must be fully executed and encumbered prior to obtaining goods, services, or having work performed under a professional/technical contract.

3. Identification of the type of purchase needed – the agency buyer provides requested assistance.
   a) State commodity contract and MINNCOR contracts – see Procedure B.

   b) Equity Select, direct selection from a targeted group, economically-disadvantaged, or a veteran-owned (TG/ED/VO) vendor up to $25,000 – see Procedure C.

   b) Goods or services, less than $5,000.01 total cost – see Procedure D.

   c) Goods or services, $5,000.01-$10,000.00 total cost – see Procedure E.

   d) Goods or services, $10,000.01-$50,000.00 total cost – see Procedure F.

   e) All purchases exceeding $50,000.00 total cost – see Procedure G (also see Policy 104.330, "Professional and Technical Services Contracts and Other Agreements").

   f) Blanket purchase orders – see Procedure H.

   g) Purchasing card use – see Procedure I.

   h) Immediate need – see Procedure L.

   i) Emergency purchase – see Procedure K.

4. The DOC purchasing request system must maintain all requests visible for 15 months, including any necessary special approvals, and the requests are then archived and available through special search indefinitely.

B. State commodity contract and MINNCOR contract
   1. These sources must be used for all products or services they provide.
      a) Products and services exclusive to a state contract must be purchased through the vendor awarded the state contract.
      b) (Limited exceptions may exist. Consult with an authority-for-local-purchase (ALP) certified buyer.)

   2. May be purchased without a dollar limit, subject to the terms and conditions of the contract vendor.

   3. Staff must complete an electronic inter-office request (EIOR) (see Procedure J).

C. Equity Select purchasing at $25,000 or less

The Equity Select procurement method allows the direct selection of a TG/ED/VO business for the purchase of good, services, professional/technical services, and construction, up to $25,000, without the need for a competitive solicitation process.

1. Prior to using this method, consult with an ALP-certified buyer.

2. Generally, this method applies only to non-contract purchases.

3. When procuring services, the same service certification rules apply as for other methods of procurement – see Procedure E or F, below.

D. Goods, services, and construction repair/replacement projects purchased at less than $5,000.01 total cost (when not available from state contract sources)

1. Requires a minimum of one price quote.
   a) Staff must contact a certified TG/ED/VO vendor when one is reasonably available.
   b) More than one price quote is encouraged so the state benefits from competition in bidding.
   c) The agency buyer provides assistance as needed.

2. Construction projects or repair/replacement related requests require buyer consultation prior to initiation of the project.

3. A price quote can be obtained via telephone, facsimile, in writing, by e-mail, via website, or at the transaction in a retail store. The buyer, creator, or end user must obtain a firm price before an order can be issued.

4. Staff must attach a written quote of information to the EIOR or document it in the "notes" area (see Procedure J).

5. For all service contracts, before services are performed, the buyer must obtain a copy of the endorsement or certificate of insurance from the contractor or contractor's insurer.

6. A purchase can be expedited via use of a purchasing card, if available (see Procedure I).

E. Goods, services, and construction repair/replacement projects at a total cost from $5,000.01 to $10,000.00

1. A minimum of two quotes are required with a minimum of one quote from a TG/ED/VO vendor, if one is reasonably available. The agency buyer provides assistance as needed.

2. Construction projects or repair/replacement related requests require buyer consultation prior to initiation of the project.

3. Price quotes can be obtained via telephone, facsimile, e-mail, website, or in writing. The buyer, creator, or end user must obtain the low bid in writing

4. If the purchase is a service (non-construction), staff must complete a Service Contract Certification form (attached) for services not included on the Services Contract Certification List (attached). The agency buyer provides assistance as needed.

5. For all construction and service type contracts, before services are performed, the buyer must obtain a copy of the endorsement or certificates of insurance from the contractor or contractor's insurer.

6. If a very specific product is needed due to compatibility or interface requirements, attach a completed No Substitute Justification form (attached) to the EIOR.
   a) If goods or services are only available from one source, staff must attach a completed Single Source Justification form to the EIOR.
   b) The agency buyer provides assistance as needed.

7. Staff must attach quotes and appropriate forms to the EIOR (see Procedure J).

F. Goods, services, and construction repair/replacement projects at a total cost from $10,000.01 to $50,000.00

1. Competitive bidding requiring a minimum of three solicitations is necessary in most cases. A minimum of one solicitation must be from a certified TG/ED/VO vendor if one is available. This process must be completed by a buyer.

2. Construction projects or repair/replacement related requests require buyer consultation prior to initiation of the project.

3. The completed EIOR must include detailed specifications such as design, dimensions, weights, compositions, performance standards, and expectations of the vendor.

4. If a very specific product is needed due to compatibility or interface requirements, staff must attach a completed No Substitute Justification form to the EIOR.
   a) If the goods or services are available from only one source, staff must attached a completed Single Source Justification form to the EIOR.
   b) The agency buyer provides assistance as needed.

5. If requesting a service (non-construction), staff must attach a completed Service Contract Certification form for services not included on the Service Contract Certification List (attached). The agency buyer provides assistance as needed.

6. For all service contracts (including construction), before services are performed, the buyer must obtain a copy of the endorsement or certificates of insurance from the contractor or contractor's insurer. After the receipt of the insurance document, the buyer retains a copy, but must forward a copy to accounts payable to be filed with the purchase order.

7. The buyer must retain all associated documents with each strategic sourcing event in accordance with the financial services retention schedule.

G. All purchases exceeding $50,000.00 in total cost

1. All purchases exceeding $50,000 in total cost must be submitted to the OSP for processing. To allow for processing time, the EIOR should be submitted a minimum of six to eight weeks in advance of the need, and prior to year-end deadlines published by OSP.

2. OSP acquisition specialists solicit bids and award the contract.

3. The EIOR must include detailed product specifications such as design, dimensions, weights, compositions, performance standards, and expectations of the vendor, including special security requirements or restrictions.

4. If a very specific product is needed due to compatibility or interface requirements, staff must attach a completed No Substitute Justification form to the EIOR. If goods or services are available from only one source, staff must attach a completed Single Source Justification form to the EIOR.

5. If requesting a service (non-construction), staff must attach a completed Service Contract Certification form for services not included on the Service Contract Certification List. The agency buyer provides assistance as needed.

H. Blanket purchase orders

1. Blanket purchase orders encumber funds for estimated annual needs, eliminating multiple orders to the same vendor.

2. Blanket purchase orders may not be used to circumvent purchasing rules or department policies.

3. Consult with a buyer or the finance department before completing a blanket purchase order in EIOR (see Procedure J).

I. Purchasing card use

1. Purchasing cards are issued to trained and authorized individuals and may only be used by that individual.

2. Individuals authorized to use a state purchasing card may expedite the purchasing process by placing orders directly with vendors (see Policy 104.301, "Use of Purchasing Cards").

J. Electronic inter-office request (EIOR)

1. Prior to creating an EIOR, the facility safety administrator must:
   a) Be consulted to consider flammability and toxicity characteristics, commercial grade ratings, safety ratings and features, and appropriate ergonomic choices of facility furnishing purchases (refer to Policy 105.150, “Right to Know Program,” Policy 105.112, “Occupational Ergonomics,” and Policy 105.160, “Fire Prevention and Laundry Safety”).
   b) Determine the need for, and complete a hazard assessment of, any new equipment as necessary; and
   c) Approve the request to purchase items outlined in Procedure J.2., below.

2. Safety administrator review is required for purchases involving:
   a) New safety-related training;
   b) Development of new safety procedures (e.g., lockout/tagout, confined space entry, lasers, x-rays.);
   c) The satisfaction of Department of Health, Environmental Protection Agency, State Fire Marshal, Occupational Safety and Health Administration (OSHA), or Minnesota Pollution Control Agency (PCA) inspection or audit findings;
   d) The introduction of a new chemical into a facility or operation;
   e) Personal protective equipment; and

f) Facility furnishings and appliances, including such examples as fans, portable space heaters, coffee pots, toasters, pizza ovens, microwaves, etc.

3. Staff must create an EIOR, including all required information:
   a) Make, model, product number, manufacturer, ISBN, catalog number, or other specific identifier;
   b) Description/specifications/special instructions (include material safety data sheets, if applicable);
   c) Quantity;
   d) Cost per item;
   e) Date needed (if less than 14 days, staff must provide an explanation);
   f) Requestor phone number;
   g) Vendor information (complete address, phone number, fax number, and contact person);
   h) Where the quote was obtained;
   i) The contract number, for purchases from state commodity contracts;
   j) Estimated or actual shipping costs;
   k) The reason for the purchase;
   l) Special instructions (note in the EIOR when there is an immediate need, special delivery, or unique requirements); and
   m) All required documents (attach to EIOR).

4. Special purchasing rules to consider when purchasing:
   a) State commodity contract and MINNCOR contracts must be used if the products are exclusive to these sources.
   b) When purchasing software or computer hardware, staff must work with information technology (IT) to create/obtain a quote and attach the quote to the EIOR.
      (1) Purchasing software or computer hardware requires IT approval – see Policy 105.205, "Computerized Information Resources Security."
      (2) MNIT Enterprise Physical and Environmental Security Standard requires sanitization of any electronic device with a storage media upon disposal.
      (3) Cell phones must be sent to office services at central office; staff must work with the IT unit on all other electronic devices.
   c) If available, recycled materials must be purchased.
   d) TG/ED/VO vendors receive a preference in bid awards.
   e) Utilities and single source suppliers do not require competitive bids.
      (1) However, in order to obtain a price commitment, the State of Minnesota requires a quote confirmed in writing.
      (2) Single source suppliers must also be advertised on OSP's website for purchases exceeding $10,000.
   f) Cellular phones – see Policy 104.470, "Mobile Communication Devices."
   g) For certain services (non-construction), a Service Contract Certification form must be completed. Refer to Services Contract Certification List to determine if required.
   h) For all service contracts, before services are performed the buyer must obtain a copy of the endorsement or certificates of insurance from the contractor or contractor's insurer.
   i) Construction projects or repair/replacement-related requests require buyer consultation prior to initiation.

j) Safety purchases must be approved by the facility safety administrator prior to the EIOR creation.
k) Special equipment and project type EIORs must be approved according to guidelines established by facility management.

5. Staff must send the EIOR to first level approver (supervisor) for approval.

6. If approved, the first level approver updates and sends the EIOR to the fund approver (budget manager) for approval. The following special approvals are required:
   a) IT approval is required for all purchases involving computers, computer related equipment or peripherals, software, computer service contracts, and audio visual equipment and supplies.
   b) Financial services approval is required for any vehicle purchase.

7. The fund approver (budget manager) confirms the accuracy of funding information and fund availability, updates, and sends the EIOR for further processing.

8. The buyer initiates the purchasing process and must:
   a) Include vendor quotes, as required;
   b) Complete all applicable forms;
   c) Communicate major changes from the original EIOR to the creator, first level approver/fund approver, as appropriate; and
   d) Obtain extra approvals when necessary.

9. The buyer completes the purchase according to ALP authority.
   a) For normal purchases (excluding the solicitation process and extraordinary circumstances), the process is completed within five business days after receipt of the EIOR.
   b) Purchases over $50,000.00 could take eight weeks or more to process and conferences up to three months (refer to Procedure H).

9. The buyer/designee distributes a copy of the purchase order to accounts payable, receiving, and the vendor. All associated paper purchasing documents are maintained in financial services in accordance with the financial services record retention schedule.

K. Emergency purchases
1. When there is an imminent threat to life or state property (e.g., fires, tornadoes, riots, accidents, etc.) and urgent action is required, normal purchasing procedures are suspended until the emergency is concluded.
   a) The threat must be real, not perceived or anticipated, and goods and services must be obtained immediately to preserve life and property.
   b) If possible, the commissioner or designee should contact the OSP director or acquisitions manager to declare the emergency, and to communicate its conclusion.

2. When time permits, staff must contact the agency purchasing director or an agency buyer.
   a) Staff from financial services must contact OSP at (651)201-2400 or (651)201-2446 or via e-mail to report the emergency.
   b) The OSP director or acquisitions manager may declare an emergency.
   c) Once reported, an Acquisitions Request for Emergency Authorization form (attached) is prepared using signature blocks A and B.

3. When time does not allow for the prior emergency authorization by OSP, the commissioner or designee may declare an emergency.
   a) The declaration must be documented in writing and the requestor must process an Acquisitions Request for Emergency Authorization form using signature blocks A and C.
   b) The form is submitted to the agency purchasing director as soon as possible.

4. Upon completion of the emergency, a follow-up report must be written and distributed to the warden/unit manager, finance director, and the purchasing director unless the total purchases were under $5,000.
   a) The report must include details of the emergency situation, actions taken, and the cost of goods and/or services purchased.
   b) Additional information should include such examples as a copy of an incident report (if applicable), all internal e-mail correspondence, purchase order, and vendor invoice.
   c) The purchasing director must forward all documentation to the OSP director or acquisitions manager.
   d) Copies of the completed form and follow-up report must be kept in the purchasing file and attached to all applicable purchase orders.

L. Immediate need purchases
1. When a purchase is required to maintain productivity, security or ongoing operations (e.g., heating, ventilation and air condition (HVAC) repairs that are urgent, but not life-threatening), the individual or agency buyer may make an expedited purchase. Lack of planning is not a legitimate reason for declaring a purchase to be an immediate need.

2. If during regular business hours, normal purchasing steps are followed but the buyer acts on the purchase as a priority.

3. Outside of regular business hours, the individual may make the purchase.
   a) The buyer must be notified of the purchase via e-mail or voicemail.
   b) An EIOR must be completed on the next business day.
   c) Failure to follow these steps results in a purchasing violation.

4. Another expedited purchase option may include using a purchasing card, if available.

M. Receipt of goods or completion of services
1. Goods ordered are verified upon receipt.
   a) Upon delivery of goods, receiving personnel confirm that a valid purchase order exists.
   b) The receiving staff person or the requestor (as determined by operation) verifies that the items received match the items ordered.
   c) The receiving staff person or the requestor (as determined by operation) forwards a signed and dated packing slip or other documentation of the items received to accounts payable.
   d) Accounts payable maintains the receipt of goods and/or acknowledgement of receipt with the invoice and payment detail in accordance with financial services record retention schedule.

e) The requestor must inform accounts payable regarding damaged goods, missing items, items being returned, and other issues affecting proper payment.

2. Damages
The DOC designee (as determined by operation) must notify the vendor regarding any damaged goods and obtain a return authorization number.

3. Incomplete or incorrect orders
The DOC designee (as determined by operation) must notify the vendor.

4. Missing orders
The DOC designee (as determined by operation) contacts the vendor regarding missing orders that exceed a reasonable delivery time.

5. Completion of services
For purchase of services, the requestor must note on the invoice/bill/statement that the bill is "okay to pay," sign, date, and forward to accounts payable.

N. Canceling purchase orders and returning goods

1. Purchase order cancellations or returns must be immediately communicated to the buyer.

2. Buyers must notify the vendor of the cancellation or return.

3. The buyer cancels the purchase order in the statewide integrated financial tools (SWIFT) and forwards the cancellation to the requestor.

4. Returned orders may incur additional charges or a restocking fee. The buyer must communicate with the budget manager, who makes a decision regarding acceptance or return of the order.

O. Purchasing violations

1. Violations of Minn. Stat. §§ 16A, 16B and 16C, State of Minnesota local purchasing authority or purchasing guidelines must be documented with corrective action taken.

2. Purchase orders must not be generated following a violation until a completed Purchasing Violation form (attached) is attached to the EIOR or submitted to the buyer (see Policy 104.305, "Purchasing Violations").

P. Vendor performance problems

1. Staff identifying a vendor performance issue must communicate concerns directly with the vendor and notify the buyer, documenting problems and attempts at resolution.

2. If the vendor performance issue is not resolved, staff must work with the buyer to complete a Vendor Performance Report (attached).

3. Upon completion of the Vendor Performance Report, staff must forward the report to the buyer for final review. The buyer distributes the report to the vendor and the customer and vendor services division of OSP.

INTERNAL CONTROLS:

A. All associated paper purchasing and payment documents are maintained in financial services in accordance with the financial services record retention schedule.

B. A record of all purchasing requests, including necessary special approvals, is maintained in EIOR. Records are visible online for 15 months and held indefinitely for special searching.

C. Buyers retain all strategic sourcing event documents in accordance with financial services retention schedule.

ACA STANDARDS: 4-4038, 1-ABC-1B-12, 2-CO-1B-09

REFERENCES: Minn. Stat. §§ 16A.15; 16B.04; 16C.02 through 16C.29
Department of Administration "Authority for Local Purchase Manual"
MNIT Enterprise Physical and Environmental Security Standard
Electronic Inter Office Request (EIOR)
Policy 104.301, "Use of Purchasing Cards"
Policy 104.305, "Purchasing Violations"
Policy 104.303, "Professional and Technical Services Contracts and Other Agreements"
Policy 105.205, "Computerized Information Resources Security"
Policy 105.150, "Right to Know Program"
Policy 105.112, "Occupational Ergonomics"
Policy 104.470, "Mobile Communications Devices"
Policy 105.160, "Fire Prevention and Laundry Safety"

REPLACES: Policy 104.300, "Purchasing,"11/7/17.
All facility policies, memos, or other communications whether verbal, written, or transmitted by electronic means regarding this topic.

ATTACHMENTS: Single Source Justification form (Department of Administration Form)
No Substitute Justification form (Department of Administration Form)
Service Contract Certification form (Department of Administration Form)
Services Contract Certification List (104.300E or for staff who wish to access through iShare)
IT Request for Quote form (104.300F or for staff who wish to access through iShare)
Direct Pay Permit (Department of Revenue Form)
Vendor Performance Report (Department of Administration Form)
Purchasing Violation form (104.305A)
Acquisitions Request for Emergency Authorization form (Department of Administration Form)

APPROVED BY:
Deputy Commissioner, Community Services
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