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OVERVIEW

The Harvard University Procurement Guide is a resource for faculty, staff and students who plan or make acquisitions of products, equipment, supplies and/or services with funds held in the custody of the University. This includes purchases made with a Purchasing Card (PCard), purchase orders, and payment requests generated via the Harvard Crimson Online Marketplace (HCOM), petty cash or electronic commerce, as well as purchases of goods and services which are purchased with personal funds and later reimbursed.

At Harvard University, many buying decisions are made by faculty and staff in the schools and departments. The University expects these individuals to make sound purchasing and contracting decisions that will ensure the continued and efficient operation of the University.

The Strategic Procurement department exists to help maximize the value of every procurement dollar. One way we do this is by establishing vendor partnerships for major commodities. These partnerships have been negotiated by Strategic Procurement with the cooperation of the faculties using the full benefit of the University’s considerable buying power.

By ordering from the Vendor Partners whenever possible, you receive the best value for your dollar through a combination of competitive pricing, effective service, and appropriate quality. In return for this best value, it is expected that most spending will be directed to Vendor Partners. The current partnerships available to you are located on the Vendor Partners page.

Through purchasing decisions, University controlled funds are committed and the buyer is assuring the University that you:

- identified a legitimate need for your purchase
- competitively bid or negotiated your purchases, when appropriate
- met Federal procurement requirements
- complied with the Conflict of Interest and Code of Ethics
- selected qualified vendors
- dealt with vendors professionally
- received and inspected your purchases
- sourced minority and women-owned vendors
- sourced local vendors
- met documentation requirements to support your purchase
- will process your invoices promptly

Note that some departments have very comprehensive purchasing procedures. You should be familiar with these procedures and adapt the guidelines presented to the requirements of your individual departments when necessary. Harvard receives substantial research funding from Federal agencies and is obligated to comply with federal and grant requirements. For more information on federally funded purchases see Section VII: Federal Procurement Requirements.
SECTION I: CONFLICT OF INTEREST, CODE OF ETHICS, PERSONAL PURCHASES

CONFLICT OF INTEREST

Individuals serving the University shall at all times act in a manner consistent with their fiduciary responsibilities to the University and shall exercise particular care that no detriment to the University results from conflicts between their interests and those of the University.

An individual is considered to have a conflict of interest when the individual, or any of his Family or Associates

(i) has an existing or potential financial or other interest which impairs or might appear to impair the individual's independence of judgment in the discharge of responsibilities to the University, or

(ii) may receive a material, financial or other benefit from knowledge of information confidential to the University. The "Family" of an individual includes his or her spouse, parents, siblings, children and, if living in the same household, other relatives.

An "Associate" of an individual includes any person, trust, organization, or enterprise of, in, or with which, the individual or any member of his or her Family

(i) is a director, officer, employee, member, partner, or trustee, or

(ii) has a financial interest that enables him or her, acting alone or in conjunction with others, to exercise control or influence policy significantly, or

(iii) has any other material association.

If an individual believes that he or she may have a conflict of interest, the individual shall promptly and fully disclose the conflict to his or her supervisor and shall refrain from participating in any way in the matter to which the conflict relates until the conflict question has been resolved. In some cases, it may be determined that, after full disclosure to those concerned, the University's interests are best served by participation by the individual despite the conflict.

CODE OF ETHICS

Individuals purchasing goods and services on behalf of Harvard University should conduct business in a manner that is consistent with the educational and research goals of the University. Purchasing activities should be conducted in a professional manner. Purchasing decisions should be made on reasonable assessments of quality, service, competitive pricing, and technical qualifications.
Efforts should be made to maintain positive and professional relations with vendors. **Business should be conducted in good faith and disputes resolved quickly and equitably.** Vendors doing business with the University should be held to standards promoting sound and ethical business practices.

**Procurement decisions should be made with integrity and objectivity, free from any personal considerations or benefits.**

**PERSONAL PURCHASES**

A Harvard University purchase order and the University's tax exempt number cannot be used legitimately for personal purchases. Inappropriate use of Harvard’s tax exempt number could jeopardize the University's tax exempt status.
SECTION II: BUYING AT HARVARD

THE ROLE OF STRATEGIC PROCUREMENT

The mission of Strategic Procurement is to:

Deliver procurement services and support to the Harvard University community that furthers the strategic objectives of the schools and administrative organizations. Improve the aggregate bottom line of the University by:

- Providing ethical, professional, and effective purchasing services and support
- Leveraging University buying power through supplier management, contract negotiation, adoption of technologies, and collaborative buying
- Supporting the University’s commitments to supplier diversity, the local business community, and the environment

HOW STRATEGIC PROCUREMENT WORKS WITH THE VENDOR COMMUNITY:

Strategic Procurement works with the vendor community on several different levels depending upon:

- Overall University expenditures
- Prevalence of spend throughout the Harvard community
- Recognized opportunity for leveraged buying
- Perceived risk factors
- User request or interest
- Other considerations, including Minority- or Women-owned status of the vendor

[Note that in some cases, vendor bases are largely controlled by Harvard groups outside the Strategic Procurement Department (e.g. food service vendors by Dining Services; periodical vendors by Harvard libraries)].

Strategic Procurement also targets vendors for inclusion in the Harvard Crimson Online Marketplace (HCOM). HCOM is Harvard’s comprehensive procure-to-pay solution where users request, approve and receive goods and services from many of Harvard’s partner, preferred and Harvard pricing vendors.

BEST VALUE VS. BEST PRICE
The best price does not always reflect the best value. The “best value” can be determined by evaluating the factors listed below. Any or all of these may be taken under consideration prior to committing to a significant/complex purchase.

- The price of the product or service
- Provisions for on-going maintenance (e.g. life cycle costing)
- Quality of the product or service, or its technical competency
- Reliability of delivery and implementation schedules
- Warranties, guarantees and return policy
- Supplier financial stability
- Industry and program experience
- Prior record of supplier performance
- Supplier expertise with engagements of similar scope and complexity
- Proven development methodologies and tools
- Innovative use of current technologies and quality results

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LEVERAGING HARVARD’S SPEND

Harvard is best able to maximize the impact of its purchasing dollars when it positions itself as a “favored customer” with a selected group of suppliers. The University is less likely to enjoy special consideration from a vendor when purchases are distributed among many of their competitors for the same or similar products. When Harvard expenditures are viewed in the aggregate (vs. by individual schools or departments), Harvard can command better pricing and higher service levels for all. Focusing on fewer suppliers can provide additional advantages by lowering processing costs and transportation fees. Campus traffic can be reduced for positive environmental benefits and consolidating spend could lead to the ability to identify products that are appropriate for standardization, based on volume. By using vendors found in the HCOM Marketplace for a significant number of purchases, you are increasing Harvard’s leverage—providing Strategic Procurement an opportunity to negotiate improved pricing and additional supplier benefits

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MARKET BASKET APPROACH

Relationships with vendors that sell supplies and consumables are often created using the “market basket” approach. With the assistance of the supplier, frequently purchased and/or highest dollar value items are identified and “net” prices are established. The balance of the product line which is bought less often is addressed
via a “discount from published list price”. The net priced items typically account for the largest percentage of overall University volume (either dollar or quantity) with that supplier.

The “market basket” is reviewed annually to check that the product mix is relevant and appropriate. When using this method, department purchasers may find specific items available from other suppliers at lower price points at any given time. But, the investment in employee time and effort required to explore these options may actually result in a higher overall cost to the University.

Strategic Procurement regularly benchmarks against competitors and educational group purchasing organizations to help ensure that pricing is on target. Periodic analysis of selected Harvard departments’ spending has indicated that the best pricing and long term value is achieved using the market basket model.

By using the HCOM Marketplace, staff will be able to maximize the value of the market basket model with a selected group of suppliers.

VENDOR DEFINITIONS

Vendor Partners

- Products/services provided impact a large section of the community with significant spend.
- The selection process involves a comprehensive RFP (Request for Proposal) process, coordinated by Strategic Procurement, involving stakeholders from around the University.
- A University contract is developed in collaboration with the OGC.
- Strategic Procurement manages, measures, and monitors the vendor's activity on campus through regular meetings and reporting.
- Strategic Procurement and the vendor partner actively seek opportunities to add value and reduce costs.
- Strategic Procurement works to keep apprised of shifting market factors and the competitive market place in the commodity the vendors represent. Vendors may be subject to benchmarking and auditing.
- Stakeholders may meet periodically to review the status of the relationship and provide feedback.
- **Examples include:** office supplies, office furniture, copiers, express mail, temporary help, data shredding services, security guard services, general laboratory supplies

Preferred/Suggested Vendors

- The selection process generally involves an RFP, usually with input from a group of interested stakeholders.
• A University contract is developed in collaboration with the OGC.
• Often, the commodity areas addressed are more specialized and action may be initiated by request from user groups.
• The opportunity for saving by leveraging expenditures may not be as strong as with the vendor partner group since University-wide expenditures are typically less.
• The Strategic Procurement team maintains contact with the vendor to obtain selected reporting information and to assure the relationship continues to deliver value.
• **Examples include:** lab coat laundry services, coffee services, moving services, liquid helium

**Harvard Pricing Vendors**

• Strategic Procurement actively initiates negotiations with the vendor.
• The goal is to achieve “most favored customer” pricing, in part, based on University-wide expenditures.
• Pricing is consistent and University-wide, under the same conditions of sale.
• Vendors that participate in GPOs [Group Purchasing Organizations] (e.g. the Massachusetts Higher Education Consortium) may extend special pricing to Harvard based on the volume participation of all the GPO’s members, including Harvard (e.g. Whalen’s Moving is a consortium-based price agreement).
• This group of vendors may be used to fill specific or proprietary needs, are routinely used by the Harvard community, and the options for shifting spend to a competitive supplier may be limited.
• **Examples include:** laboratory suppliers supporting research, international courier services, medical waste disposal

For the full list of the nearly 200 vendors with which the University currently has contractual agreements, as well as the effective dates, contract type, and payment terms, see the [Strategic Procurement Website](#). The spreadsheet also notes the 20 vendors currently offering early payment term discounts to the University.

If your unit regularly does business with a vendor that it not included on the current University-wide vendor contract list, and you would like the Office of Strategic Procurement to consider adding this vendor to the list and/or to the HCOM system, please contact the Procurement office at procurement@harvard.edu.

**Minority/Woman Owned Vendors**

• See [Minority and Women-Owned Business Enterprise Program](#)
• In cases where minority/women owned supplier is available to meet a targeted need, Strategic Procurement may work with the vendor to develop a program specific to Harvard and highlight it to the University community.
• **Examples include:** pipette calibration services, courier services, remanufactured toner
HCOM AND HARVARD PARTNER, PREFERRED & HARVARD PRICING VENDORS

Many of the vendors included in the above categories are found in the HCOM Marketplace. The Marketplace provides access to these vendors with pre-established, preferred Harvard pricing for goods and services. Harvard staff can easily select items from these vendors, place them in the electronic Shopping Cart, checkout the cart and create a requisition for purchase. HCOM automatically generates a purchase order upon requisition approval, which is then automatically transmitted to the vendor for fulfillment. Invoices are directed to Accounts Payable. Once a staff member confirms receipt of the items in HCOM, the invoice is matched if correct and paid by central AP. HCOM saves you and Harvard time and money with a streamlined procure-to-pay process, introduces systemic controls to ensure accuracy of payments, and provides an easy way to take full advantage of the agreements negotiated between Strategic Procurement and vendor partners, preferred vendors and Harvard pricing vendors.

For instruction on how to shop with vendors in the HCOM Marketplace, see the Harvard Training Portal, Harvard’s Learning Management System. Once at Eureka, select Financials, then HCOM.

MINORITY- AND WOMEN-OWNED BUSINESS ENTERPRISE PROGRAM

Historically, Harvard has championed the principle of Equal Opportunity. The University continues to make efforts to promote diversity throughout the student and employee populations as well as increase the level of participation by minority- and women-owned business enterprises (MWBEs) in the University’s procurement process. Harvard seeks to create a climate that encourages minority- and women-owned business enterprises to compete for University business, and it strives to eliminate potential obstacles to MWBE participation in University purchasing activities.

Members of the Harvard community with purchasing responsibilities should create a climate that encourages minority- and women-owned business enterprises to compete for University business, including working to eliminate barriers that might impede their participation in University purchasing activities.

The Harvard University Strategic Procurement Department supports Harvard’s Minority- and Women-Owned Business Enterprise Program by:

- Establishing minority and women-owned business engagement goals for each major commodity group and each contract manager
- Maintaining vendor MWBE status and certification records
- Including MWBE status considerations in sourcing templates
- Providing outreach and educational events for MWBE firms
- Identifying qualified MWBEs for the University community, and by
- Participating in local and regional MWBE vendor fairs
Additionally, Harvard University maintains its commitment to the minority business community through its association with the Greater New England Minority Supplier Development Council (GNEMSDC).

Buyers interested in learning more about the Minority- and Women-Owned Business Enterprise Program should contact Strategic Procurement at 617-495-4441.

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**HCOM AND WOMEN AND MINORITY-OWNED BUSINESSES**

HCOM provides an easy way to identify items purchased from a woman or minority-owned business. Vendors meeting these criteria will have these icons: , for small business or woman owed businesses, respectively. This may assist with the purchasing process, particularly if sponsored purchases have compliance requirements.
SECTION III: PURCHASING PROCEDURES

PURCHASE ORDERS

The purchase order is the accepted business standard for transmitting ordering information to a supplier. The purchase order can be used for tracking purchases, for providing a record of the order, for checking the price quoted by the vendor with the price on the invoice, and for comparing items originally ordered with items received and invoiced.

Note that in the HCOM Marketplace, order fields are automatically populated with all necessary purchase order information when a user places an order. Required delivery date and the ship to address can be edited by the purchaser.

Purchase orders generally contain the following information:

1. Purchase Order Date

   The date the order is placed with the vendor.

2. Purchase Order Number

   The purchase order form may reference a purchase order number. A purchase order number is the one reference point common to the requisitioner, departmental purchasing, and the vendor, and is an effective tool for tracking the purchase from the ordering through payment processes.

3. Required Delivery Date

   Be as specific as possible. Avoid using ASAP, Urgent or Immediately. These instructions leave the actual delivery date up to the vendor.

4. Supplier Name and Address

   Include the supplier's complete address and the name of the person with whom the order was placed, if possible. This information is helpful if the order needs to be changed or if additional follow-up is required.

5. Ship to Address
Provide the vendor with a complete address. Include the school or faculty, street and city address, department and/or sub department, laboratory, room number, and the name of the person receiving the order.

6. Bill to Address

If the vendor is sending the invoice to the same address as the Ship To address write "same as Ship To" in the space provided for the billing address. If the billing address is different, provide the vendor with the complete address, including the name of the person to whom the bill should be sent.

7. Payment Terms

Net 30

Net 30 is a standard term which most businesses and municipalities (federal, state and local) use in the United States. Net 30 means that Harvard (the Buyer) will pay the Seller in full on or before the 30th calendar day (including weekends and holidays) from when the Goods were dispatched (shipped) by the Seller or the Services were fully provided. Transit time should be included when counting the days, i.e. a purchase in transit for 7 days before receipt has just 23 additional days until payment is due to the Seller. The invoice date should be the day the goods were shipped (or services provided) and the invoice should be mailed promptly by the Seller. Any requested deviation from the Net 30 payment term should result in discussion/negotiation with the Seller to receive credit for early payment-e.g. “2% 10, net 30” indicates that a 2% discount can be taken by Harvard (the Buyer) if payment is received by the Seller, in full, within 10 days of the dispatch of the goods or completion of the service. An example: “$1,000 @ 2/10 net 30” is printed on an invoice, Harvard can take a 2% discount ($1000 x .02 = $20) and make a payment of $980 within 10 days. Oracle, Harvard’s financial system, automatically subtracts 2% if the Seller is established in the vendor database with early payment discount terms.

Note that if discount terms are not met, full payment will revert to 30 days.

Be aware these payment terms do not apply to individuals or individuals receiving payments as independent contractors.

8. F.O.B. (Freight on Board) Point

This is the point in time at which the customer (Harvard) legally owns the merchandise. Basically, there are two F.O.B. options: Destination and Origin (also referred to as Ship Point). Always try to negotiate F.O.B. Destination (the Harvard office, lab, receiving dock, etc.), especially if the merchandise is fragile and/or expensive. If the item is damaged in transit, the vendor is responsible for the condition of the merchandise and must initiate any damage claims.

If the F.O.B. Point is Origin or Ship Point, the customer (Harvard) owns the merchandise when it leaves the vendor's plant or warehouse and is responsible for filing a damage claim against the carrier. Contact Harvard's Insurance Department (495-8668) to obtain adequate transit insurance or request it from the vendor.
Delivery charges and method of payment (Freight Terms) should be determined when the order is placed. The vendor may pay transportation and insurance directly to the carrier and then itemize these charges on your invoice (Pre-Pay and Add).

9. Harvard 33 Digit Code/Contract or Grant Number (HCOM-A)

The record of this number on the purchase order form may assist in department record keeping.

10. Body of the Purchase Order

Specify exact quantity, catalogue number, description, and price. A record of the quoted price is helpful for comparison with the invoice.

The order should be described in as much detail as space permits. For example, inside delivery and installation information should be found here, particularly if furniture or a large piece of equipment is being delivered and installed. If delivery and installation have not been arranged with the vendor beforehand, the equipment or furniture may be delivered only as far as a receiving dock or the steps of the building. Be sure to measure elevators/doorways for accessibility. Renting a crane to hoist the equipment or furniture through the window can substantially increase the cost of the item.

Notes to Supplier can also be used for this purpose or to specify any other additional information that would be helpful for the vendor to effectively process the order. For example, “Contact Buyer 24 hours prior to delivery at the number listed above” could be included in the Notes to Supplier field.

11. Other

Harvard University standard purchase order terms and conditions and tax exemption certificates can be found at the Strategic Procurement website.

Purchases made with Federal funds require vendors to adhere to additional requirements- EEO and Civil Rights, fair wage standards, anti-kickback and debarment regulations, etc. Attachment A lists these terms and conditions and should be included with the standard purchase order terms and conditions for federally funded purchases.

12. Confirming/Original Orders (paper purchase orders, only)
To avoid duplicate shipments, a purchase order should indicate whether the order is confirming (the order has already been placed with the vendor by phone, by fax or in person or by other means) or the order is original (the purchase order is the only vehicle used to transmit the order to the vendor).

PURCHASE ORDER GUIDELINES

All departments are responsible for managing their own procurement records. Departments are responsible for reviewing the content of their purchase orders, correctly communicating the orders to the vendors and maintaining systems that comply with Federal procurement regulations.

A purchase order is a contract between you (Harvard) and the vendor. The Statute of Limitations on contracts can be as long as SIX years. Departments should make arrangements to maintain a purchase order history electronically, on fiche, or by filing hard copies of the orders for a period of seven years. (The extra year ensures that the document is retained for six calendar years after the date of the document). Purchase orders should be destroyed after seven years unless:

a. they are the subject of a dispute or litigation, or
b. they are the subject of an audit by the IRS or other governmental agency.

You may want to consider providing a copy of the purchase order to the vendor if:

- The order is an original order (has not been phoned or faxed to the vendor)
- The purchase order is for capital equipment
- The purchase order is a blanket or standing order
- The vendor or the requisitioner has requested it be mailed

HCOM REQUISITIONS AND PURCHASE ORDERS

HCOM creates requisitions when the user submits a Shopping Cart with goods and services and generates a PO (or Payment Request) when the purchases are approved by one or more individuals with appropriate authorization. There are three different types of HCOM Requisitions:

1. **Marketplace Order** (also known as a “Punchout Request” or a “Catalog Request”): A Marketplace order is placed with one of Harvard’s vendors directly in the HCOM Marketplace. When a user shops for items from a Marketplace vendor, the user identifies the quantity of items needed and submits the items to a Shopping Cart. The
user then checks out the cart in HCOM, and a requisition is created. Depending on the amount and type of order, the requisition may require no approval, or it may require many levels of approval. Once the requisition has received all required approvals, a purchase order is automatically generated and transmitted electronically to the vendor for fulfillment.

2. **Non-Catalog Request**: A Non-Catalog Request is created when a good, service or required supplier is unavailable in the Marketplace. A Non-Catalog Request can be created for a one-time order of goods or services, as well as for a Recurring Order (see the HCOM Standing Order section below for more information). When using a Non-Catalog Request, the local unit takes all responsibility for researching pricing, item details and obtaining the quote from the vendor prior to creating a Non-Catalog Request.

When creating a Non-Catalog Request, the Item Description is manually input into HCOM by the school/unit creating the request. **The Item Description(s) should correspond with the quote received from the Vendor as closely as possible, so the Purchase Order will match the invoice when it is received by Accounts Payable.** Failure to input this information accurately will result in delay in processing the invoice. When the requisition has received all required approvals, the purchase order is generated. The staff member is responsible for calling, faxing, mailing or emailing this order to the vendor.

- For a one-time order for goods, the staff member can call, fax, mail or email the order. The invoice remit-to address will be Accounts Payable.
- For a one-time order for services (or for an HCOM Recurring Order), the staff member must **change** the remit-to address from Accounts Payable to that of the local unit. The local unit will review the invoice for accuracy, receive the order in the system, and then forward the invoice to Accounts Payable for payment.

3. **Payment Request**: A Payment request is created when there is a need to initiate a payment to non-Harvard employees or for certain administrative transactions such as bank and wire drafts. See the Procurement Matrix for examples of the types of transactions that should be used with a Payment Request. The user will have access to the invoice or other appropriate documentation, and will create the Payment Request in HCOM. The user will then forward the documentation through the HCOM approval process, and once the final approval has been received, send the invoice with the Payment Request number clearly noted on it, and all other appropriate documentation to Accounts Payable for payment.

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**HCOM REQUISITION AND PURCHASE ORDER GUIDELINES**

**HCOM-CREATING REQUISITIONS**

**1.1 Business Purpose**

The shoppers and approvers are responsible for ensuring that the appropriate level of detail is provided in the designated fields in HCOM to support a valid business purpose.

**1.2 High Risk Confidential Information (HRCI)**

Shoppers and approvers should not attach documents that contain [HRCI data](#) or enter HRCI data in free form text fields. Please note that Accounts Payable does not pre-audit invoices for confidential information. If a vendor invoice may contain confidential data, Shoppers should notify the vendor to mail the invoice to the local unit. Shoppers should then remove any confidential data before forwarding the invoice to AP.
1.3 Payment Request
Payment request may be submitted for direct payment to non-employees and other direct payments that cannot be made using the PCard (See below). Shoppers and Approvers are responsible for ensuring that a payment request is the appropriate payment method as defined in the purchasing matrix, prior to initiating and approving the transaction.

1.4 PCard & Corporate Card
The University's PCard is issued to employees at the request of tubs and local units in accordance with the University's PCard policy. The intent of the card is to streamline the purchase of and payment for certain commodities by reducing disbursements of petty cash, payment requests, employee reimbursements and the processing costs associated with these transactions.

The University's PCard and Corporate card should not be used to transact with vendors enabled within the HCOM Marketplace. For a complete, current list of enabled vendors, while in the Marketplace on the main Shop page, click on the link marked Browse: Suppliers.

1.5 “After the fact” Purchase Order
To ensure consistent use of purchase orders and appropriate controls, “After the Fact” purchase orders are not allowed. “After the Fact” purchase orders are those defined as purchase orders created upon receipt of the invoice. Implementation of HCOM requires a purchase order be created for all goods and services except those payments that are appropriate for processing via the Payment Request. Purchase orders should not be created at the time the invoice is received.

APPROVING REQUISITIONS

2.1 Self Approval Threshold
Generally, it is not a recommended best practice for individuals to approve transactions where they are also the purchaser or preparer (“self-approval”); or where their direct or indirect supervisor is the purchaser or preparer. In some units, strict separation of duties may be impractical. In these cases, units should work with their tub finance office and/or RMAS to assess the risks and if necessary, develop an alternative means of review and approval (e.g., approval by tub finance office, tub finance office monitoring of spending, etc.).” The local unit has the discretion to set the threshold to $0 for Approvers. Self-approval for sponsored awards is highly discouraged.

2.2 Approval Thresholds
University approval thresholds are defined by the Office of the Controller. School financial offices are responsible for assigning approval thresholds to individuals. The shopper is responsible for selecting the appropriate approver(s). All purchases greater than 250k will require approval by the Office of the Controller.

2.3 Delegation of Approval Authority
Approvers have the ability to systemically delegate their approval authority to an appropriate resource in their absence (Vacation Rule) or to share the workload (Shared Worklist). The initial approver is accountable for delegating approval authority to the appropriate individual, and for the decisions made by their delegate.
MAINTAINING PURCHASE ORDERS

3.1 PO Edit, Close, and Cancel

Who Can Edit, Close, and Cancel Purchase Orders?

PO Edit and Cancel is a Central System Administration only function and is not available to Schools or departments. A process has been developed to expedite requests for any changes or deletions of purchase orders. Changes can be made through the UIS Help Desk by calling 496-2001 or email at uis_helpdesk@harvard.edu.

What Types of PO Edits are not allowed?

Account Coding Changes are not allowed after a requisition has been approved and a PO has been generated. Changes should be made by processing a journal entry through the GL and the invoice number should be included in the description. For Sponsored Funds, the Cost Transfer Policy (CTP) will apply to transactions that have been posted to the general ledger.

PO Edit is not permitted for Marketplace orders, but these orders can still be Closed or Canceled. When electronic invoicing is available in HCOM, PO Edits will not be allowed for HCOM Marketplace orders.

STANDING PURCHASE ORDERS

From time to time, buyers will use standing or blanket purchase orders for commodities such as office or laboratory supplies. Some buyers feel these terms are interchangeable. However, these types of purchase orders are, in fact, different.

A Standing Order is used when the buyer and the vendor have agreed on:

- a fixed price
- specific goods
- specific delivery schedule

For example, the vendor will deliver three cases of copy paper, at $30 per case, to the Biology Department every Wednesday, effective July 1, 2010 - June 30, 2011. The delivery should occur automatically, once the order is placed. A Standing Order usually covers a period of one year. At the end of the year, a new purchase order number should be obtained and a new purchase order generated. If unused funds remain on the old purchase order, it should be Closed.

HCOM RECURRING ORDER
There are differences between the Standing Order definition above and what is considered in HCOM to be a “Recurring Order”. An HCOM Recurring Order is a single or multiline Purchase Order created by Facilities and/or a Financial Manager for pre-negotiated services where payments are made throughout the fiscal year against a static account code. This means that in HCOM:

- Recurring Orders are sent for services only
- While more than one 33-digit number can be used to create the Standing Order, the account coding cannot change while invoices are received against the order
- The Recurring Order should not be placed for longer than a single fiscal year

In HCOM, a Recurring Order is created via a Non-Catalog Request. As with all Non-Catalog Requests:

- The school/unit is responsible for researching pricing, item details and obtaining the quote from the vendor prior to creating a Non-Catalog Request. See the section on Advanced Purchasing Practices in this manual for some helpful information concerning this topic.
- In a Non-Catalog Request, the Item Description is manually input into HCOM by the school/unit creating the request. It is imperative that the Item Description(s) match the quote received from the Vendor as close as possible, so the Purchase Order will be matched to the invoice when the invoice is received by Accounts Payable. Failure to input this information accurately will result in an Invoice Hold.

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**BLANKET PURCHASE ORDERS (NOT IN HCOM)**

A Blanket Order is used when the buyer knows he will be ordering a variety of items, but has not determined specific quantities or delivery dates at the time the order is created. The order should include:

- a description or catalogue number of the items the buyer anticipates ordering
- the price or percentage of discount the buyer and vendor agree upon
- estimated quantities, if possible
- effective dates of the order

The buyer should include a "not to exceed" dollar value for individual order releases and the total amount of the purchase order. The order is delivered on request and the buyer should provide the vendor with a list of people authorized to request deliveries. A Blanket Order usually extends for a period of one year. At the end of the year, a new purchase order number should be obtained and a new purchase order generated.

At this time, Blanket Orders are currently not permitted in HCOM.

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**INVOICE PROCESSING (NOT IN HCOM)**

1. When using a system other than HCOM (see information below), information on invoice processing can be located in the Harvard Training Portal.
2. Departments and faculties are responsible for processing their own invoices. It is important to communicate a complete billing address to the vendor at the time the order is placed either via a purchase order, telephone, or fax. Strategic Procurement should not be used as a "Bill to" address.

3. All departments are urged to pay their invoices promptly. Delaying payment to a vendor can result in the vendor placing the University on credit hold. Eventually the University will pay higher prices to offset the vendor’s collection costs.

4. Invoices should be sent by the departments to Accounts Payable (1033 Massachusetts Avenue, Cambridge, MA 02138) for processing, not to Strategic Procurement.

**INVOICE PROCESSING IN HCOM**

1. For HCOM Marketplace orders, the purchase order is automatically generated and transmitted to the vendor (excludes non-catalog). The invoice will designate a specific Accounts Payable PO Box as the remit-to address. The vendor will send the invoices directly to Accounts Payable (excluding services, as mentioned previously). Once a staff member acknowledges the receipt of goods in HCOM (only required for purchase orders of $2,500 or more), and AP successfully matches the price, quantity, and description of all items on the invoice, AP will pay the invoice.

2. In the case of an HCOM Non-Catalog Order, the staff member creates the Requisition and the Purchase Order is generated upon approval. The staff member is then required to send the Purchase Order directly to the vendor, either by phone, email or fax.
   
   a. In case of a one-time order for goods, the vendor will send the invoice directly to Accounts Payable as indicated in the Bill To section of the Purchase Order.
   
   b. In the case of a one-time order for services or for an HCOM Recurring Order, the shopper must instruct the vendor to send the invoice directly to the local unit. The local unit will review the invoice, complete receiving (if required), and forward it to Accounts Payable for processing.

3. In the case of a Payment Request, the local unit will already have access to an invoice and/or other appropriate documentation. Once the Payment Request has been processed and approved in HCOM, the user will clearly state the Payment request number on the invoice and forward the invoice and all supporting documentation (containing no confidential data) to Accounts Payable for processing.

**INVOICE HOLD RESOLUTION PROCESS**

When an invoice is received at AP and entered into Oracle, the system attempts to validate the invoice for payment. In order to validate, each line item must successfully pass a three-way match between purchase order, invoice and receiving (if Purchase order is $2,500.00 or over).

When one or more line items cannot be validated, the system places the entire invoice in hold status and payment is withheld. Accounts Payable then initiates a hold resolution process, outreaching to the shopper or final approver of the purchase order in order to resolve the hold and process payment timely and accurately.

Types of Holds:

1. **Receiving**: An invoice for a Purchase Order of $2,500 or more arrives in Central AP and is processed, but electronic receipt for one or more invoice line items is not yet complete.
2. **Quantity Ordered**: An invoice bills for a line item at a higher quantity than the quantity ordered or received on the purchase order.

3. **Price (Max Tolerance)**: An invoice bills for a line item at an amount over the pricing tolerance established by Financial Administration’s Office of the Controller. Pricing overages within the tolerance are not placed on hold. For HCOM Marketplace orders with pricing overages, AP processes an internal debit memo to reduce the invoice payment to the guaranteed pricing listed on the purchase order, which releases the price hold.

Roles of AP and Local Departments in Resolving Holds:

When an invoice is placed on hold, AP informs the department by emailing a hold notification. Receiving hold notifications are issued to the shopper. Quantity Billed and Price hold notifications are issued to the final approver. Based on the hold type, the department responds to the email accordingly to resolve the hold. Resolutions typically involve either completion of the receiving process, agreement to pay the vendor for a price or quantity overage, or refusal to pay the vendor for a price or quantity overage. When responding to hold notifications, it is the responsibility of the final approver to review hold details, outreach to the Shopper, vendor, or others as needed for clarification, and to then advise AP on payment in a timely manner. Accounts Payable will attempt to contact the department three times to resolve a hold. After three attempts, hold resolution will be escalated to the TUB’s local finance office.

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**TAXES AND EXEMPTIONS**

1. Harvard University is exempt from Massachusetts State Sales Tax. Harvard’s tax exempt number is E042103580.

2. A vendor doing business with the University for the first time will request a copy of the University’s Massachusetts tax exempt certificate. Vendors doing business with the University on a regular basis will request a copy of this form annually for their own records.

3. Copies of the Massachusetts tax exempt certificate can also be obtained from Strategic Procurement (495-4441). This form can be copied as needed.

4. Harvard’s purchases are also tax exempt in a number of other states. Departments purchasing goods or services from other states for use in that state should contact 617-496-5224 to see if the University is exempt from the sales tax in that state.

5. Goods and services purchased from out-of-state vendors for delivery and use in Massachusetts are exempt from sales tax if they are used in the conduct of the University’s exempt enterprise, i.e. education and research.

6. The University is not exempt from the Room Tax levied by hotels, motels and inns in Massachusetts or any other state or city charging room tax.

7. Massachusetts Meals Tax. The University is exempt from Mass Meals Tax if all of the following conditions are met:
the meals are for students, employees, or guests of the University,
the meals are used in the conduct of the University's exempt enterprise, i.e. education and research,
the University is billed directly by the outside caterer, restaurant, or hotel,
the University pays the entire bill directly,
no amount is paid by the consumers of the meal, and
the vendor takes from the University a properly completed Exempt Purchaser Certificate (Form ST-5), keeps a record of the price of each separate sale, the name of the purchaser, the date of each separate sale, and the number of the University's Exempt Purchaser Certificate.

A copy of this form is also available from Strategic Procurement at 495-4441.

Employees, students, and guests who purchase meals themselves are not exempt even if they are on University business. However, University Students purchasing meals in University-operated dining facilities are exempt from Mass Meals Tax. Students may be asked for evidence (i.e. ID cards) of their student status.

CREDIT APPLICATIONS AND CREDIT AND TRADE REFERENCES

• If requested by the vendor, a Credit Application must be completed and signed by a department that chooses to do business with a company that does not have this information on file.

• Credit and Trade references provides facts that can be used to complete these applications. In some cases, the vendor will accept this form with a copy of the University's Massachusetts sales tax exemption certificate (ST-2) located on the Strategic Procurement homepage in lieu of the application.

• The University does not authorize departments to apply for and use department or specialty store charge cards.

SECTION IV: GENERAL GUIDELINES ON PURCHASING PRACTICES

PHYSICAL RECEIPT OF GOODS

Deliveries can be made directly to the end user's office, lab, receiving dock, or any other location specified on the purchase order. All packaging should be carefully examined for any visible evidence of damage, particularly if the purchase is fragile or costly. The person 'receiving' the purchase should make a note of the date the order was received, the name of the vendor, the quantity received, and the purchase order number. The receiving and purchase order information can be checked against the invoice to make sure that the quantities received are the same as the quantities being invoiced.
1. Damaged Shipments and Shortages

Under Interstate Commerce Commission regulations, damaged shipments cannot be refused unless totally destroyed or unless the broken contents would cause contamination. If the shipment is refused, the vendor or shipper could dispose of the shipment, making it very difficult for the buyer or end user to initiate a successful claim. Any damage to the package, no matter how slight, should be noted on the carrier’s and receiver’s delivery receipt. If the shipper is unwilling to wait while the contents of the package are inspected, the receiver should note on the delivery receipt that the condition of the contents is unknown. If concealed damage is discovered during unpacking, stop unpacking, notify the shipper, and request an immediate inspection. Save damaged packaging and cartons for the shipper’s claims inspector and, if possible, photograph the damaged shipment.

2. Initiating a Claim

The shipper's main office should be notified in writing within 15 days of receipt of the damaged merchandise. The formal claim letter should:

- describe the damage
- give the date the shipment was received
- include a copy of the delivery receipt with the shipper’s signature and the receiver's description of the damage
- provide the name of the vendor
- include a written estimate from the vendor of the costs to replace or repair the damaged items
- provide a copy of the vendor’s original invoice
- provide copies of all correspondence pertaining to the claim

The Interstate Commerce Commission requires the shipper to acknowledge the claim within 30 days and to offer a settlement within 120 days. When terms are F.O.B. Destination, the buyer or end user should notify the vendor immediately so that the vendor can file a claim.

3. Returning Goods to the Vendor

Goods should not be returned without first notifying the vendor. Some vendors require the buyer to obtain a return authorization number and have procedures as to how and when a return shipment should be made. Some vendors may also charge a restocking fee to offset the cost of returning the item to inventory. The buyer or end user should keep a record of the name of the individual authorizing the return, the authorization number and date, notes of any conversations with the vendor authorizing the return, the date the shipment was returned, the name of the carrier, and the vendor's complete address and the name of the individual receiving the returned goods. If
the item being returned is expensive or fragile, it should be insured. Contact the Harvard University Insurance Department (495-8668) for adequate insurance.

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**RECEIVING IN HCOM**

HCOM provides a way to electronically acknowledge receipt of goods and services in the system. Electronic receiving allows a department to:

- Provide payment control for high dollar purchases by ensuring vendor payments are issued only after the department has received the item in the system.
- Provide an audit trail of the receipts entered in HCOM (the electronic HCOM receipt and associated history (e.g., amount received, receipt date) is an acceptable form of proof of receipt in the case of an audit in compliance with 2CFR200 Uniform Guidance. This practice can be applied to any order in the system, but is only required for purchase orders of $2,500 or more).
- Improve the process of receiving credit for items that need to be returned to Suppliers.
- Store as much information as possible on all your purchases within a single location.

Receivers should follow the appropriate business practice for their tub as it relates to entering receipt information in HCOM. For example, while HCOM does not require packing slip information to be entered along with receipt information, local business process may dictate entering or uploading this information at the time of goods receipt.

For more information on how to receive in HCOM, please see https://trainingportal.harvard.edu/ and search for HCOM.

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**HCOM FOUNDATIONAL PRACTICES - RECEIVING**

4. Receiving

- Receipt acknowledgement in HCOM is required for all Purchase Orders of $2,500 or more once physical receipt of the good or service is confirmed. Invoices will not be paid for these orders until receiving is completed in HCOM. While optional in the system, it is not necessary for any purchase order under $2,500.

**If required, receipt acknowledgement in HCOM should occur at the time of physical receipt of purchased goods, or receipt of invoice for services.**

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**MANAGING VENDOR RELATIONSHIPS**

1. Maintaining good relations with a vendor should be as important to a buyer as getting the best price. A good buyer-seller relationship is a partnership, a win-win situation over the long run. **A vendor who is treated with courtesy, honesty, and fairness will deliver a quality product at the best price, will provide good service, and will be responsive to emergency situations and special requests. A responsive vendor makes a buyer 'look good'.**
2. There is also a public relations aspect to purchasing that should not be overlooked. An organization's public image can be a valuable asset. A vendor who is treated equitably and professionally is likely to communicate his positive experiences with your organization to his associates.

3. Guidelines for Successful Vendor Relationships:

- Use established vendor partnerships to best leverage the collective University volume, to consolidate orders, and to reduce administrative processing costs. You will receive outstanding prices and excellent service.
- Be fair. Give all qualified vendors an equal opportunity to compete for business.
- Maintain integrity. A vendor’s pricing is confidential and should never be shared with another vendor for any reason.
- Be honest. Never inflate requirements to obtain better pricing. Negotiate in good faith. Don’t change the requirements and expect the vendor to hold his pricing.
- Be ethical. Procurement decisions should be made objectively, free from any personal considerations or benefits.
- Be courteous. A buyer should make an effort to receive sales persons to the extent that his or her work schedule permits.
- Be reasonable. A vendor is entitled to a fair profit.
- **Pay promptly.** The purchase order you issue to the vendor is your promise to pay for goods and services in a timely manner (usually within 30 days of the invoice date). When vendors expend additional resources for debt collection, it becomes more expensive to do business with Harvard and this is reflected in higher prices and lower service levels for all.

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**HOW TO MANAGE A VENDOR ISSUE**

Suggested guidelines for resolving equipment failure issues with a vendor:

- Draft a letter to the vendor on department letterhead.
- Provide specific information on the original purchase – date of purchase, PO number, amount of purchase, department account number with vendor, model number and description, invoice number, etc.
- Mention any applicable warranty.
- Indicate that the instrument or other item has not performed to specification and outline the steps you have taken to get it working properly. Emphasize the amount of time spent and impact on on-going operations. Be as specific as possible with service dates, problems, outcomes etc.
• Recap any promises made prior to the purchase regarding modifications to the instrument’s functionality. When and by whom these commitments were made would also be important. Anything you have in writing, or any actions you know the vendor has taken on your behalf, may serve to strengthen your position.

• Discuss what you will accept as a satisfactory resolution to the problem, be it a refund, replacement or other. (Unless otherwise negotiated, your alternatives for this are often found in the vendor terms and conditions generally found on the reverse side of the vendor quotation – you may want to look at these and see what the vendor believes you are entitled to).

• You may be able to leverage the University’s spend, supporting the argument that Harvard is a good and important customer. Contact Strategic Procurement for information on Harvard annual expenditures for the supplier in question.

• Set a date. Indicate that you are hopeful that the vendor will contact you (provide name and phone/email) by this date in order to work out a mutually agreeable resolution to this problem. However, if this does not occur, tell them you plan to forward the information to Harvard’s Office of the General Counsel for possible further action. (If this becomes necessary and the dollar value of the potential loss is substantial, collect all you have on the purchase and involve the OGC).

• If you have already been in contact with the local sales representative (not the service personnel) and he/she has not offered to make adequate restitution, you can direct the letter to the regional Vice President of Sales or the highest ranking company officer you can identify.

• Send the letter registered mail, return receipt requested, and CC the Director of Strategic Procurement.

SECTION V: ADVANCED PURCHASING PRACTICES

HOW TO SELECT QUALIFIED VENDORS

Vendor selection and evaluation is a process that can take some time and energy depending on the product or service, but is well worth the effort when the vendor chosen is competitively priced and responsive to the needs of the University.

1. The first step in selecting vendors is often research, particularly if the product or service has not been purchased before. There are a number of tools available for this initial phase:

   • Use library and web references such as the Thomas Register.
   • Consult the Yellow Pages for local suppliers.
   • Consult trade publications, directories, vendor catalogues, and professional journals.
   • Talk to salespersons.
   • Talk to colleagues in other institutions who might have purchased a similar product or service.
2. Once a list of potential vendors has been developed, begin **evaluating each supplier's capabilities**. In some cases, obtaining a [Dun & Bradstreet](https://www.dnb.com) financial report ("running a D&B") is a good place to start. However, a D&B contains only publicly available information or information that the vendor chooses to provide. Some D&Bs also include brief profiles of key management personnel and historical information on the company. Buyers can also check with local [Better Business Bureaus](https://www.bbb.org).


3. There are a number of **guidelines for vendor selection**:
   - Investigate a vendor's financial stability.
   - Check bank references.
   - If time permits and the supplier is a public corporation, obtain a current annual report.
   - Find out how long the vendor has been in business.
   - Find out who are the vendor's primary customers and ask for and check references.
   - Tour the vendor's facilities, if possible.
   - Does the facility appear prosperous?
   - Does the vendor use state-of-the-art technology?
   - Is the vendor really interested in doing business with the University?

*Vendor partners have been pre-qualified.*

4. These steps should narrow the field to the three to five vendors who will be **asked to bid** on the particular product or service.

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**PREPARING AND EVALUATING A BID**

Bidding goods and services is a useful process for several reasons. The bidding process:

- allows the buyer to "comparison shop" for the best pricing and service
- allows the buyer to make an informed and objective choice among potential vendors
- encourages competition among vendors
- gives the buyer a standard for comparing price, quality, and service
• gives the buyer a list of qualified vendors for future bids

NOTE: Depending on the commodity, educational pricing, based on GSA (General Services Administration) pricing may be available. When a vendor offers GSA pricing or educational pricing based on GSA pricing, it is typically competitive.

The bid process begins with the buyer developing a set of specifications or objectives. The buyer must do some homework, and be able to define the requirements exactly. The buyer can consult colleagues, technical personnel, trade manuals, and vendors for assistance in developing specifications. The buyer then communicates the requirements to the selected vendors by a written Request for Quotation (RFQ) or a Request for Proposal (RFP).

1. The RFQ process is designed to identify the vendor who can meet the buyer’s requirements for the best price. The RFQ should be used for bidding familiar, standard items. Price, delivery and inventory are usually the most important elements of the RFQ. The RFQ should contain ALL the information necessary for the vendor to submit a valid quote:
   • The product(s) should be described in detail.
   • Specifications should be clear, concise and complete.
   • Quantity, quality requirements, packaging, F.O.B. point, payment terms, and warranty, delivery and inventory requirements should all be included in the RFQ.

2. An RFP should be used for bidding services such as consulting, advertising, publication, maintenance, and computer programming. The RFP usually begins with a statement of purpose or goals and objectives - what the buyer hopes to accomplish. The RFP:
   • should clearly define an acceptable level of performance for the vendor and a definite time frame for achieving this goal
   • should ask the vendor to describe the qualifications of those individuals who may be involved in implementing the goals and objectives of the RFP
   • should ask for all of the information contained in an RFQ (see above) but also can ask for input from the vendors. The vendors might be asked how they would meet a specific objective, what unique contributions they would make toward achieving the goals outlined in the proposal, and what alternative proposals they would offer. The vendors might also be asked to solve specific problems concerning time constraints, new technology, or on-the-job training for end users. "How" is as important as "how much".

3. Tips on preparing a bid (RFQ or RFP):
   • The buyer needs sufficient time to prepare a good bid and the vendors need sufficient time to respond (two to four weeks).
• All vendors should receive **identical** copies of the RFQ or RFP and any subsequent changes in the bid specification.

• Specify a deadline for submitting all bids. If the deadline is extended for one vendor, it must be extended for all.

• All vendors should be notified in writing if the bid specifications change. If the changes are substantial, it may be necessary to extend the submission deadline. All vendors should be notified of the extension in writing.

• If the buyer receives a number of questions about the bid, the buyer should consider holding a **pre-bid conference**. The buyer will have an opportunity to clarify the RFQ or RFP for all the vendors and no vendor will have the unfair advantage of additional information.

• When the bids are received, the buyer should sign, date and indicate the time that each is received. All competitive bids are confidential and should never be used as a bargaining tool.

4. Tips on Evaluating bids:

• Take the time to review the bids carefully.

• Narrow the field by determining which vendors are "responsive". A "responsive" bid provides ALL the information asked for and addresses ALL the issues in the RFQ or RFP. Eliminate bidders who are unresponsive.

• Look carefully at proposed prices. Be wary of a vendor who substantially underbids his competitors. He may be "low-balling" to win the bid but the quality of his product could suffer or he might be unable to meet the delivery requirements. A substantially lower price might also indicate that the vendor has misunderstood or misinterpreted the requirements.

• If appropriate, obtain and evaluate samples.

• If the bidding is close, ask for extended warranties (if appropriate) and compare prices.

• Consider the vendors' past performances, after-sale support and services, technology, and the creativity used to meet the buyer's requirements or objectives.

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**NEGOTIATION TECHNIQUES**

Negotiating successfully takes skill and practice and should result in a win - win situation for both the buyer and the seller. For individuals who regularly negotiate with vendors and other organizations, it may be appropriate to pursue training and/or membership in one or more appropriate professional societies. As guidelines, good negotiators:

• do their homework

• clearly understand their requirements and objectives
- develop strategies
- never lose sight of their goals
- know where they can afford to compromise and where they cannot
- make sure their negotiating teams have whatever expertise (technical, financial, legal) is needed to increase the chances for a successful settlement
- make an effort to anticipate the vendor's strategy and to determine what the vendor hopes to gain from the negotiation process.

**When to Negotiate**

Buyers should negotiate when:

- the purchase involves a significant amount of money or represents an on-going effort
- the number of vendors available are too few to competitively bid the purchase (the buyer can't be sure of getting a fair price)
- new technologies or processes are involved for which selling prices haven't been determined yet
- the vendor must make a substantial financial investment in equipment, technology or other resources
- not enough time is available to competitively bid the purchase

**Negotiation Strategies**

Whenever possible, the buyers should:

- negotiate on their own "turf". The physical environment should be pleasant, well ventilated and lighted.
- prepare an agenda and brief the members of the negotiating team beforehand so that their strategy isn't compromised
- never lose sight of the target - what should be gained from the negotiation
- have confidence in their facts and figures. Never use information that could be questioned or proven inaccurate.
- negotiate only with vendor representatives who are empowered to make concessions
- leave plenty of room to maneuver. The greater the initial demands, the greater the probability for success.
- not be afraid to be silent. Silence can be an effective negotiating tool. If the vendor fears he is losing the business, he may talk himself into offering more and better concessions than expected.
- call a recess or lunch break if negotiations break down.
- always withhold something for concession in return for a point the vendor is willing to concede
• always be fair. The vendor is entitled to a reasonable profit - one that allows him to stay in business for the long-run.

Negotiation Strategies to Avoid

Buyers:

• shouldn't reveal their strategies too early into the negotiation process
• should avoid getting so bogged down in details that the overall objectives are lost
• should never try to prove the vendor wrong. Leave the vendor room to retreat gracefully from a stated position.
• should avoid displays of temper, frustration and anger that can handicap the negotiation process and logical thinking.
• should not communicate anything to the vendor that reduces bargaining power, for example: "You're our only source." "We have $21K budgeted for this purchase." "I have to have it now." etc. Be intelligent and cautious.

EQUIPMENT MAINTENANCE AND SERVICE AGREEMENTS

Computers, scientific, diagnostic and testing equipment, and other specialized equipment require on-going periodic maintenance after warranties expire. One of the primary benefits of negotiating a service/maintenance agreement with the manufacturer is that the manufacturer has ready access to the parts and factory trained personnel required to maintain or repair the equipment.

New Equipment

If the equipment purchase is a 'one time' buy, service and maintenance requirements should be addressed in the bid or during negotiations with the vendor. In evaluating RFQs and RFPs, costs for service and maintenance should always be considered as part of the total price of the equipment. The LIFE CYCLE COST of the equipment includes purchase price for the equipment and the cost of service/maintenance extended over the useful life of the equipment - about 7 to 10 years. If the equipment will be rented or leased, the buyer should carefully review the service coverage offered as part of the rent/lease program for adequacy.

Developing Service/Maintenance Agreements for New or Previously Purchased Equipment
Buyers negotiating equipment maintenance/service agreements should fully describe the scope of the work to avoid any misunderstandings or unsatisfactory levels of service. Terms and conditions that should be agreed upon between the buyer and vendor include working hours, labor, excluded services (what the vendor is not obligated to do), warranty, excluded parts, response time, loaner equipment, and appropriate insurance coverage. Vendors usually have standard terms and conditions available for review by the buyer. If the buyer feels additional services might be required or if the terms and conditions require amending, the buyer should negotiate these elements with the vendor before the service/maintenance agreement is signed. The buyer should also try to negotiate shipping terms in case the equipment needs to be returned to the manufacturer for repairs.

Equipment that can be serviced under a common agreement should be grouped and identified by model number and manufacturer. If a number of pieces of equipment need servicing, the vendor might be willing to extend a quantity discount. The buyer should request information from individual manufacturers on standard maintenance agreements and what, if any, policy the manufacturer has on maintaining another manufacturer’s equipment. The buyer and vendor should develop a mutually agreeable maintenance schedule so that the equipment will be available and accessible for servicing.

If time permits, the buyer should look at the cost of obtaining a third-party firm to handle repairs and maintenance versus the original equipment manufacturer (OEM). Service representatives from the OEM may have to travel some distance to repair your equipment - travel time the buyer will have to pay for.

Sometimes, a third-party firm will be able to handle service and repair requirements for a lower rate because the service representatives are closer. However, the buyer must be confident that this firm can obtain the parts and personnel needed to service and repair the equipment.

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**PURCHASING CAPITAL EQUIPMENT**

A Capital Equipment purchase is equal to or greater than $5,000 and has a useful life span of two or more years.

For information on fixed assets and capitalizing equipment purchases, call the Office of Fixed Asset Accounting at 617-495-3766.

**Lease or Buy**

Equipment purchases usually involve a substantial financial commitment - the purchase price of the equipment and the cost to service and repair it. Before purchasing the equipment, the buyer should determine whether or not a short term lease will satisfy the needs of the end user and whether or not a similar piece of equipment exists on campus, is available, and will satisfy the needs of the end user. If the buyer decides to lease the equipment, provisions should be made for upgrading the equipment, if needed.
Making the Buy

Once the decision has been made to purchase the equipment, the buyer should prepare the specifications, select the vendors, and develop the RFQ or RFP. If the equipment is standard and requires no modifications, the buyer can use the RFQ format (Preparing and Evaluating a Bid). If the equipment requires specific modifications, the buyer should use the RFP format and clearly define the specifications and the scope of the work to be performed.

Guidelines for Shipping Capital Equipment

Negotiate the F.O.B. Point. If the terms are F.O.B. Destination, the vendor is legally responsible for the equipment until it is delivered to the specified location and, if the equipment is damaged in transit, is also responsible for filing the freight claim. If the terms are F.O.B. Origin, Harvard is legally responsible for the equipment in transit from the vendor’s warehouse or dock. Harvard would file a freight claim if the equipment is damaged in transit. When the F.O.B point is Origin, the equipment should be insured for full replacement value through the Harvard University Insurance Office (495-8668) or by the vendor.

Other Issues to Address Before Purchasing Capital Equipment:

- **Physical Site Preparation**
  Does the receiving site have any limitations such as truck size, weight, or accessibility? Have provisions been made to remove old equipment, if necessary? Can the floor structurally support the equipment? Are freight elevators available and will the equipment fit? (Take the time to measure doorways and elevators.) Are electrical connections in place and compatible? Will the new equipment interface with existing equipment and how will this be accomplished? Request that the vendor give notification 24-48 hours before delivery.

- **Installation**
  Who will be responsible? What does it include? If the installation will be performed by the vendor’s personnel, make sure the vendor has adequate liability and worker’s compensation insurance. Can University personnel install the equipment? How long will installation take? Is installation a separate cost or included (F.O.B. Installed).

- **Training**
  Is training available for end users? Where will it take place? How long will it take? Is training included in the purchase price? Is a user’s manual included; complete with parts list and schematic, and in English? Will the vendor provide on-going technical assistance if needed?

- **Acceptance**
The equipment is expected to conform to certain performance specifications and should be tested before the buyer/end user authorizes payment to the vendor.

- **Warranties**
  Warranties should begin from the date of installation and training. The equipment should be operational and personnel fully trained. The buyer should avoid taking partial shipments and risk warranties on components expiring at different times. If the equipment is to be stored, arrange with the vendor for an extended warranty or have the vendor activate the warranty after the equipment has been installed and tested. Otherwise, the warranty may expire before the equipment is up and running. Buyers may find an extended preventative maintenance agreement more cost effective than whatever discount terms the vendor is offering.

- **Service and Maintenance**
  See [Equipment Maintenance and Service Agreements](above)

- **Payment Terms**
  Negotiate payment terms with the vendor and specify the terms on the purchase order. Occasionally, vendors will request a partial payment when the order is placed, another payment when the order is shipped, and final payment when the equipment is accepted. Progress payments are typically made if the equipment is expensive or has been customized to the end user's specifications.

- **Vendor Terms and Conditions of Sale**
  Buyers should pay particular attention to the fine print on the vendor’s written quotation. Some items may be negotiable, some are not. Review the order cancellation policies carefully. Penalties for cancellation can involve a substantial portion of the purchase price - particularly if the equipment has already been customized to meet very specific requirements.

- **Foreign Import**
  Contact the Harvard University customs broker for information on required forms and duty charges. [http://internal.procurement.harvard.edu/customs-broker](http://internal.procurement.harvard.edu/customs-broker). To apply for duty free entry for scientific equipment, see [Duty-free entry for Scientific Equipment](above).

- **Bonds**
  If the equipment is complex, customized, and expensive, the buyer may require a **Bid Bond**, which binds the vendor to his offer (the vendor’s quotation or proposal) to sell the equipment; a **Supply Bond**, which guarantees delivery of the equipment and is used primarily for customized equipment or components; or a **Performance Bond**, which guarantees that the vendor will deliver and install the equipment according to a specified schedule. Most common equipment purchases do not require bonds.
SECTION VI: SPECIAL SITUATIONS

PURCHASING RADIOISOTOPES

See https://www.ehs.harvard.edu/services/radiation-protection for information on requirements for purchasing radioisotopes at Harvard.

PURCHASING TAX-FREE ALCOHOL


2. Alcohol Usage Procedures: Alcohol must be stored in locked cabinets. Only one or two individuals in each area can be authorized to dispense alcohol. Records must be kept by authorized dispensers and contain the following documentation:
   - the amount and date of each shipment,
   - the names of persons requisitioning alcohol,
   - the amount of alcohol dispensed, and
   - the results of the monthly tabulation (the quantity of alcohol on hand at the beginning of the month plus any shipments received minus the alcohol used is the physical balance on hand at the end of the month).

   At the end of each month a physical inventory must be taken and compared with the recorded balance. Any loss or gain must be noted and the results converted to "proof" gallons. Strategic Procurement coordinates the monthly reconciliation for alcohol purchased under the Cambridge area permit only (excluding the Chemical Laboratories).

3. Tax-Free Alcohol Annual Survey. In January of each year, Strategic Procurement surveys annual alcohol usage by each of the tax-free permit areas. Strategic Procurement sends forms from the TTB to the authorized dispensers in each area. Each area must record the monthly data described above for the previous year on the form and return it to Strategic Procurement. These records must be available for inspection at any time by the Bureau of TTB.

PURCHASING CONTROLLED SUBSTANCES

See https://www.ehs.harvard.edu/laboratories
for information on requirements for purchasing controlled substances at Harvard.

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### PURCHASING NEEDLES AND SYRINGES

**FOR NON-HUMAN, NON-ANIMAL INJECTION - RESEARCH PURPOSES**

Effective September 18, 2006, the Massachusetts Department of Public Health, Division of Food and Drugs no longer issues Massachusetts Controlled Substances Registrations (MCSP) to obtain needles and syringes. A copy of the amended regulation can be found [here](#).

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### DUTY-FREE ENTRY FOR SCIENTIFIC EQUIPMENT

- the scientific instruments and apparatus must be used exclusively for educational purposes and scientific research, and
- the scientific instrument or apparatus, or its equivalent, is not manufactured in the United States.

If the equipment arrives at Customs before duty-free entry has been approved, or if no Request for Duty-Free Entry was made prior to the purchase, the applicant can request a delay of liquidation (Customs classifies the equipment and assesses duty). A delay of liquidation is usually granted for up to 180 days, but may be extended.

If the equipment has been received, classified and assessed, and the duty paid, a Request for Duty-Free Entry application can still be filed. This application must be filed within ninety days from the date of liquidation.

- Some categories of scientific equipment can be imported duty-free by educational institutions under certain conditions.
- A Request for Duty-Free Application should be completed and filed with the United States Customs before placing the order with the vendor. If Customs approves the duty-free purchase, the purchase order must be issued to the vendor within sixty days.
- Duty on scientific equipment is usually substantial. Departments should **apply for duty-free entry well in advance of making the purchase**. If duty must be paid, then departments can budget accordingly; before funds may be committed elsewhere.
- The customs broker for Harvard University is:

  DHL Danzas AEI  
  500 Rutherford Ave.  
  Charlestown, MA 02129  
  Phone: 617 886-6652
SECTION VII: FEDERAL PROCUREMENT REQUIREMENTS

OVERVIEW OF FEDERAL PROCUREMENT REQUIREMENTS

Harvard University receives significant funding from Federal sources and is required to comply with the Federal Acquisitions Regulation (FAR) for purchases with these funds. These purchases are reviewed for compliance with the Federal Acquisition Regulation and the Office of Management and Budget Circular A-110. Departments are required to retain back-up documentation, such as bids, quotes, and cost/price analyses on file for Federal auditors.

Required documentation for federally funded purchases can include purchase orders, invoices, copies of competitive quotes or proposals, justification for sole source selection, and cost/price analysis. Typically, these documentation requirements can be met by completing the Vendor Justification Form and by retaining copies of quotes and proposals in department files. **The Vendor Justification Form must be used for documenting all purchase orders $5,000 and over made with Federal funds.** If however, at the time of purchase, the shipping cost is unknown and the purchase price is under $5000, a Vendor Justification Form is not required. Section A and Section B of the Vendor Justification Form cover vendor selection justification. Section C covers cost/price analysis requirements.

Any questions concerning Federal procurement regulations should be directed to (617) 495-5401.

PURCHASING WITH CONTRACT FUNDS

THE FEDERAL ACQUISITION REGULATION

Identifying Contract Funds

A buyer making purchases with contract funds is required to adhere to the Federal Acquisition Regulation (FAR). To verify the type of funding (grant or contract) check the type of award specified in the Action Memo from the Office for Sponsored Programs (OSP). The Action Memo notifies the Principal Investigator that his/her research has been funded and that Harvard has established a new account for the project. A line item at the bottom of the Action Memo, Award Type, specifies the type of funding. Example: Award Type: Federal Contract. If the buyer does not have access to the Action Memo, he/she should contact the Principal Investigator or the contract or department administrator.
Small Purchase Procedures

Harvard University requires that any purchase order over $5,000 (20% of the small dollar purchase threshold of $25,000) comply with Competition and Price Reasonableness procedures.

Competitive Bidding for Contracts

Harvard University requires competitive bidding and documentation for every purchase order $5,000 and over. Buyers are expected to promote competition and ensure advantageous pricing by soliciting bids from a minimum of three vendors and to select the **lowest bidder able to meet the requirements**. Quotations can be solicited orally, with the exception of construction contracts over $2,000. The buyer should record the bid/quote results on Section A of the Vendor Justification Form (VJF) and retain copies of written bids/quotations in department files for audit purposes. If the buyer receives only one quote/bid in response to his Request for Quotation / Request for Proposal, indicate the bidder on Section A and complete cost/price analysis Section C of the VJF.

Non-Competitive Vendor Selection: SELECTED and SOLE SOURCES

Occasionally, a buyer is unable or chooses not to competitively bid his requirements. These situations involve selected or sole sources. A **selected source**: alternative vendors exist in the competitive market, but the buyer chooses a particular vendor because of technical requirements (precision, reliability) or past performance by other vendors (poor service, availability of parts). A **sole source**: no other vendor capable of fully meeting the requirements exists. The buyer should complete Section B and Section C of the Vendor Justification Form for selected or sole source purchases. **Sole sources should be the exception, not the rule.**

Cost/Price Analysis for Contracts

Harvard University also requires documentation verifying that the purchase price is **fair and reasonable**. The buyer must provide documentation of cost/price analysis for all non-competitive purchase orders $5,000 and over. Documentation can be based on the price of previous and similar purchases, current price lists, catalogues, advertisements, and negotiated pricing agreements (including vendor partnerships). Section C of the Vendor Justification Form lists cost/price analysis options. The buyer should check all that apply.

Using the Vendor Justification Form for Contract-Funded Purchases

Instructions for completing the VJF are on the form itself. However, to summarize:

- Record competitive bids on Section A.
• Record selected or sole source justification on Section B.
• Check cost/price analysis options on Section C.

The completed Vendor Justification Form must be kept on file (electronically for HCOM orders) for general audit purposes. If progress payments of $5,000 and over are being made, these payments are addressed by the original VJF. These transactions are subject to post-audit and it may be necessary for departments to produce completed Vendor Justification Forms. Do not send VJFs to Strategic Procurement.

PURCHASING WITH GRANT FUNDS

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-110

NOTE: Read Overview of Federal Procurement Requirements before continuing.

Identifying Grant Funds:

A buyer making purchases with grant funds is required to adhere to OMB Circular A-110. Circular A-110 explains administrative requirements for colleges, universities, hospitals, and other non-profit organizations with federally funded grants and agreements. Attachment O of A-110 deals specifically with Procurement. Harvard identifies Federal funds by assigning an account code to each contract and grant/agreement. To verify type of funding (grant or contract) check the type of award specified in the Action Memo from OSP. The Action Memo notifies the Principal Investigator that his/her research has been funded and that Harvard has established a new account for the project. A line item at the bottom of the Action Memo, Award Type, specifies the type of funding. Example: Award Type: Federal Grant. If the buyer does not have access to the Award Memo, he/she should contact the Principal Investigator, or the contract or department administrator.

Grant Purchases $10,000 and Over:

For these purchases, Harvard University requires:

• basis for vendor selection
• justification for selected source or sole source purchases, and
• basis for the price of the purchase
If the buyer competitively bids the purchase, **Section A** of the Vendor Justification Form should be completed. If the vendor is a **selected source** (alternative vendors exist but the buyer chooses a particular vendor based on technical requirements or past performance by the other vendors) or **sole source** (no other vendor capable of meeting the requirements exists), the buyer should complete **Section B** and **Section C** (cost/price analysis) of the Vendor Justification Form. **Sole sources should be the exception, not the rule.**

**Grant Purchases $5,000 - $9,999:**

Harvard University requires cost / price analysis for every purchase at or above this level. For each purchase of $5,000 - $9,999, the buyer must complete **Section C** (Cost / Price Analysis) of the Vendor Justification Form. **Vendor selection justification (Section A or Section B) is not required for Grant Purchases under $10,000.**

**Grant purchases under $5,000:**

Harvard University requires some form of price or cost analysis be made for every purchase to ensure a fair and reasonable price. Buyers are not required to complete a Vendor Justification Form for purchase orders under $5,000. Nevertheless, buyers should make an effort to use and verify Harvard discounts, check market prices, review past purchase orders for similar items, and demonstrate good business practices.

**Using the Vendor Justification Form for Grant-Funded Purchases:**

Instructions for completing the VJF are on the form itself. However, to summarize:

- Complete **Section A or B** and **Section C** for purchase orders $10,000 and over.
- Complete **Section C** for all purchase orders $5,000 and over.

**QUICK REFERENCE REGARDING THE VJF:**

- The VJF must be completed for purchases of greater than or equal to $5,000 made with federal funds. This regulation applies to funding from all federal contracting and granting agencies.
- A VJF is not required for purchases under $5,000; however, some form of price or cost analysis should be completed.
- The $5,000 requirement refers to the total of the purchase order, not price per item.
- Do not send your VJFs to Strategic Procurement. Retain the form locally for general audit purposes.
- Freight costs are considered part of the purchase price and must be included in the total cost of the item(s), even if these costs increase the purchase order to $5,000 or over.
- The VJF should be signed by an individual with knowledge of the vendor selection process and rationale.
- Interdepartmental billings do not require a VJF.
- If you are making progress payments greater than or equal to $5,000, the progress payments are addressed by the original VJF.
• The $5,000 requirement applies to any and all purchases of goods or services, regardless of the form of payment. It includes invoiced transactions, PCard transactions, and reimbursements.
• If the scope of a grant or contract requires an individual to spend time outside the U.S. and goods and/or services are purchased abroad, it is still necessary to abide by federal procurement regulations as outlined in the VJF.
• The VJF is not required for sub-agreement transactions when Harvard is the prime grantee institution. Any required supporting documentation should be held by the sponsoring institution.
• Users of the Harvard Crimson Online Marketplace (HCOM) may complete the VJF online. In these cases, there is no need to retain a paper copy.

Note that in HCOM, a user can immediately access and complete the Vendor Justification Form for sponsored purchases.

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SUBCONTRACTING PLANS FOR SMALL AND SMALL DISADVANTAGED BUSINESSES

1. The Subcontracting Plan

The Federal Acquisition Regulation (52.219-9) requires a Subcontracting Plan for Small and Small Disadvantaged Businesses for each contract $500,000 and over, unless other arrangements are made during contract award. When these plans are required, prime contractors, such as Harvard, agree to purchase a percentage of the supplies and services required for the performance of the contract from small and minority businesses. Some Federal agencies set specific goals. Most rely on the prime contractor to make a "good faith effort." The Subcontracting Plan specifies:

• which items / commodities will be purchased from small and minority businesses,
• the total dollars to be spent each with small and minority businesses, and
• the percentage of total dollars budgeted for supplies and services that these purchases represent.

When required, the Subcontracting Plan is submitted by the Principal Investigator with his/her research proposal and budget. Once the award has been made, the Subcontracting Plan becomes part of the contract and the Principal Investigator is expected to meet the goals set in the Plan.

2. Principal Investigators, contract administrators, and buyers should be familiar with the Definitions of Small, Small Disadvantaged, and Women-Owned Businesses.

A Small Business:
generally has fewer than 500 employees including affiliates, is independently owned and operated, and is not dominant in its field of operation.
A Small Disadvantaged Business:

is a small business concern which is at least 51% owned, managed, and operated on a daily basis by a member of a definable minority group. Definable minority groups include African Americans, Hispanic Americans, Asian Americans, Native Americans, Native Hawaiians, Inuit, and Asian-Pacific Americans.

A Women-Owned Business:

is a small business concern which is at least 51% owned, managed, and operated on a daily basis by a woman / women who is a United States citizen. Women-Owned businesses are not considered disadvantaged, unless owned by a woman who is also a member of a definable minority group.

3. Preparing a Subcontracting Plan

The Office for Sponsored Programs notifies the Principal Investigator when a plan is required and whether or not the contracting agency has set specific goals. In either case, the plan must set separate goals for small and small disadvantaged businesses. Strategic Procurement is available to assist the Primary Investigator with the identification of vendors that meet specific minority, women owned, small business or other requirements.

4. The Subcontracting Plan Form

Once subcontracting opportunities have been identified and dollars and percentage goals calculated, this information is entered on a Subcontracting Plan form. Some contracting agencies provide these forms. The National Institute of Health (NIH), for instance, will not accept a subcontracting plan that is not on an NIH form. However, most agencies are flexible as long as the required information is included. The Subcontracting Plan form is modeled on the NIH form and generally accepted by federal contracting agencies. The completed Subcontracting Plan must be signed by the individual submitting it and sent to the contracting agency for approval.

5. Subcontracting Plan Reporting - Form 294

The contracting agency requires the Principal Investigator to complete online semi-annual reporting charting his/her progress in meeting subcontracting goals. The Office of Sponsored Programs, along with Strategic Procurement, coordinates the reporting with the Principal Investigator(s). Buyers should be alerted to subcontracting goals and should identify small and minority businesses at the start of the contract since it is difficult to meet goals after the money has been spent. Failure to demonstrate a "good faith effort" can result in the prime contractor being assessed liquidated damages. The completed form must indicate the name of the administrator of the plan.
6. EPA Grant/Cooperative Agreement Requirements - Form 5700-52A

University recipients of EPA grants and cooperative agreements are required to set a Fair Share goal. The Principal Investigator must report his progress annually to the EPA on Form 5700-52A. This form is available from the EPA and can be copied. Form 5700-52A

Regardless of the dollar value of a project awarded a Grant, the Federal State Revolving Fund (SRF) Grant Program requires that any prime contracts or subcontracts for services, construction, goods, or equipment procured by a Grantee to implement the project funded from the Grant must contain the applicable Federal Fair Share Minority and Women-Owned Business Enterprises (M / WBE) Utilization Goals.

Strategic Procurement is available to assist the Principal Investigator with the identification of vendors that meet specific minority, women owned, small business or other requirements.

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DEBARMENT

Debarment occurs when a vendor is prohibited from doing business with the Federal government. A vendor is debarred for serious criminal offenses such as embezzlement, theft, forgery, bribery, and other offenses indicating a lack of business integrity. Depending on the specific cause, the length of the debarment can be anywhere from three years to indefinitely.

Purchases Over $25k

The Federal Acquisition Regulation, FAR 52.209-5, requires that Harvard obtain written certification from vendors prior to making a financial commitment for purchases over $25,000 made with Federal funds that they have not been debarred (prohibited) from doing business with the Federal Government. A prime contractor such as Harvard, who knowingly does business with a debarred vendor, risks having Federal contracts terminated.

Vendor Review

To ensure no federal purchases were made from debarred vendors, beginning in 2008, the Strategic Procurement Department engaged a third-party service provider to conduct a retroactive annual review of Harvard's active vendor files.

Purchases Under $25k

Verification of debarment status for vendors receiving purchase orders or commitments under $25,000 should be performed by the schools and/or departments via a review of the Excluded Parties List (EPL) database, https://www.epls.gov/epls/search.do. Schools can choose to review the EPL database for these purchases, but it is not required by University policy.
If the schools and/or departments do not check vendor debarment status for federal purchases under $25,000 prior to purchase, they will be solely responsible for the timely removal from federal awards of any charges from vendors identified as debarred during Harvard’s annual debarment review process. This provision requires journaling corrected transactions to the school and/or department’s own unrestricted funds. The Office of Sponsored Programs does not absorb these charges centrally.

Certification Requirements

The buyer making the purchase is required to obtain a signed Debarment Certification Form from the vendor prior to making a purchase commitment. Typically, this is done as part of a quotation process or immediately prior to placing the order. The vendor can email, mail, or fax the completed form to the buyer. The signed debarment certification form should be retained locally along with the VJF for audit purposes.

Although the General Services Administration maintains the Excluded Parties List System (EPLS) identifying debarred vendors, it is not sufficient for purchasers to reference this list as a means of certifying that a vendor is not debarred. Since the FAR requires that a written certification be obtained from the vendor, the EPLS should be used only as a reference.

If progress payments greater than or equal to $25,000 will be made, all progress payments are addressed by the original debarment form.

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SPONSORED PURCHASES IN HCOM

1. Approval is required for all sponsored purchases, regardless of amount.
2. The Vendor Justification Form can be accessed within HCOM, and completed at the time of order.
3. Information about the Debarment Form can be found in HCOM with a link to the form in ABLE.