



Massey University

**Procurement Procedures
Finance Operations**

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1. Purchasing Procedures

1.1 Introduction

The University purchases a variety of goods and services, ranging in scope from major contracts relating to building acquisition and maintenance, significant purchases in the IT area and routine but extensive office supplies and College specific purchases.

This document, which should be read in conjunction with the Procurement Policy located at <http://policyguide.massey.ac.nz> in the “Policies” section, sets out the procedures to be followed by staff in complying with the University's procurement policy.

1.2 Procurement in excess of \$100,000

The University policy for all procurement expected to have a total cost in excess of \$100,000, is for the procurement to be undertaken using an open tender. Please refer to the Tender Process Procedures at located at <http://policyguide.massey.ac.nz> in the “Procedures” section.

2. Procurement Planning and Processes

2.1 The Planning Process

The planning phase is one of the most important phases in the procurement life cycle. It is during this phase that the budget centre carries out its research, thinking and planning – the outcome of which establishes the process for the procurement.

This phase is also very important from the supplier's perspective. During the planning phase the budget centre looks to understand the market in terms of potential suppliers and solutions. During this period suppliers can engage in open dialogue with the university as they look to build that market understanding and formulate their requirements. The budget centre may not openly advise the market of its procurement needs during this phase, so suppliers will need to continue to gather their “market intelligence” through normal channels.

(a) Identifying the Need

The identification of the need involves the broad identification of what is required. As part of this process, the budget centre will identify stakeholders, may carry out some stakeholder analysis or surveys, and undertake spend and demand analysis. Following this activity the budget centre will have some preliminary views on the required services and solutions.

(b) Market Research

Where the budget centre undertaking the procurement does not have comprehensive knowledge of the market, it will undertake an appropriate level of market research to ensure a good business case is prepared and the decision on the selected procurement methodology is made in an informed manner. The various procurement methodologies that may be used are further discussed in *Section 2.2* below. This market research is often conducted at an informal level and involves sourcing information from the suppliers, other users of the same goods or services, specialist market analysts, professional organisations etc. However, in some cases the budget centre is looking for a more detailed understanding of the supplier market and the range of solutions and technologies that might be available. In these cases it may issue a formal Request for Information (RFI). Note the RFI is a request for information only, and is not a procurement method. An RFI template is available at <http://policyguide.massey.ac.nz> in the “Related Documents” section.

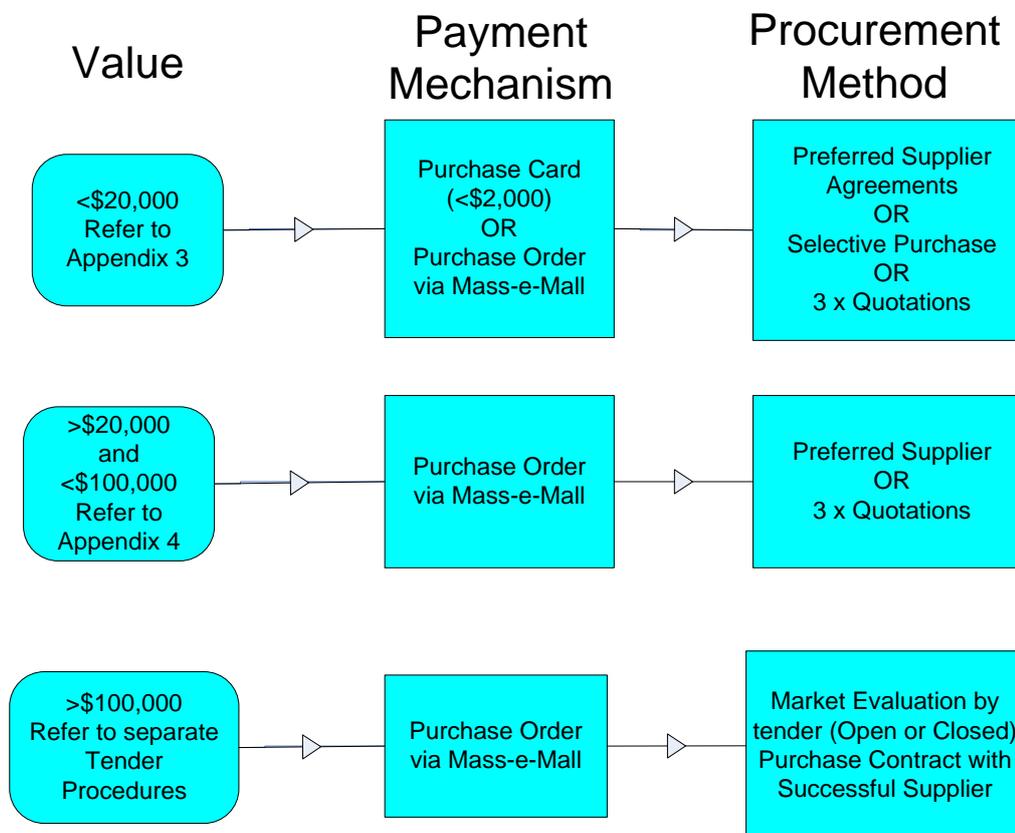
2.2 Identifying the Correct Procurement Process

The diagram below models the University's preferred procurement method by value of purchase. It provides a systematic basis for determining the appropriate procurement method to apply in a given situation.

The application of particular procurement methods matches the Delegations Policy and Delegations Document.

Note that

- The amounts stated reflect the estimated total price of the contract;
- These guidelines are a minimum only;
- Where the procurement is considered to be of a sensitive nature, staff should err on the side of caution and use the more rigorous procurement process at the next level.
- A purchase should only proceed where an appropriate financial authority is in place.



The four main Procurement Methods identified are further outlined below:

- Preferred Supplier Agreements (Section 2.3)
- Quotations from suitable suppliers (Section 2.4)
- Selective Purchases from pre Qualified Suppliers (Section 2.5)

2.3 Preferred Supplier Agreements

Preferred Supplier Agreements are arrangements negotiated to maximise the University's ability to leverage price and conditions through contracts for supply.

Preferred Supplier Agreements are contracts for supply of goods or services for which often a set price has been negotiated for supply over a defined period. Delivery and payment terms are also negotiated to match the University's periodic needs for the goods or service.

Preferred Supplier Agreements provide an opportunity for substantial cost savings for the University in the procurement of goods or services that are used widely across the campus. The savings are generated through the pricing economies that may be realised, the efficiencies in procurement through aggregating volume, and through having a consolidated tendering process that accommodates the different requirements across campuses.

Preferred Supplier Agreements are to be used where available, as the negotiation of price and supply has already been carried out. The upfront costs in time and money have been expended to save future time and cost for the University.

If a Preferred Supplier Agreement does not exist, then the process whereby quotations are requested and received is the preferred method of procurement for the University for purchases over \$2,000.

The current Preferred Supplier Agreement Register is available at <http://policyguide.massey.ac.nz> in the "Related Documents" section.

2.3.1 Process to Establish a Preferred Supplier Agreement

Preferred Supplier Agreements are established by:

- Identifying the likely quantity of a particular good or service required across the campuses;
- Establishing the current spend across campuses for that good or service;
- Advising the Procurement & Insurance Office who will assist you with the process;
- Preparing and distributing a Request for Quotation (either open or closed, depending on the number of potential suppliers);
- Evaluating quotations received against a pre-defined set of criteria;
- Selecting the most appropriate tenderer and negotiating a contract for price, supply and distribution;

Recording information in the Preferred Supplier Agreement Register which is available at <http://policyguide.massey.ac.nz> in the "Related Documents" section.

-
- Promulgating information about the Preferred Supplier Agreement to those involved in purchasing for the University;
- Monitoring the Preferred Supplier Agreement's effectiveness through a Post Implementation Review.

2.3.2 Single Suppliers

A single supplier is one with whom the University has negotiated an exclusive procurement contract such that all of the University's procurement of a particular good or service will be provided by the supplier. For example:

- (i) Travel

The University has a mandatory travel supplier, Orbit Corporate Travel. Travel that is booked through any other agent will not be approved.

Refer to the Travel Policy for full information about this. It is available at <http://policyguide.massey.ac.nz> in the "Policies" section.

2.4 Quotations

Telephone and Internet quotes are the preferred method to be used for purchases valued between \$2,000 and \$20,000 where a Preferred Supplier Agreement is not in place. However for purchases between \$2,000 and \$20,000 it is acceptable to adopt the Selective Purchases Method (Section 2.4)

For purchases between \$20,000 and \$100,000 a price survey should be undertaken with the results confirmed in writing or by email. Clear criteria need to be developed so as to allow bids or proposals to be appraised, and so the lowest cost option should not be automatically accepted. Quality, availability and the conditions of the purchase and supply of goods, services or support also need to be considered in making the final purchasing decision.

Telephone quotes are obtained by asking suppliers over the phone to quote a price and other conditions of supply. Internet quotes are obtained by emailing suppliers to provide a quote and conditions of supply over the Internet.

(b) Procedures for the Use of Telephone and Internet Quotes

Telephone and Internet quotation is an economic and efficient approach for procurement of standard items and items of low value, generally in small quantities. It is a quick and convenient way of exploring the market and determining availability, price and terms of supply.

- To ensure the integrity of the process, key evaluation criteria should be established beforehand.
- At least three quotes should be obtained unless there are an insufficient number of adequate suppliers to achieve this.
- A record should be kept of the suppliers invited to quote as well as the price and other conditions quoted. Responses from vendors need to be confirmed in writing – email is adequate.
- Adequate documentation should be held regarding the selection of the approved supplier.

The chosen telephone or Internet quote will be followed by the issue of a Mass-e-Mall purchase order and may result in the University entering in to a formal contract.

2.5 Selective Purchases from Pre-qualified Suppliers

Procurement is selective or pre-qualified when it is made from a supplier without having invited competing quotes from any other supplier and is an acceptable procurement method for purchases under \$20,000.

Sometimes the cost of tendering for goods or services can exceed the benefits of the tendering process. For this reason the procurement guidelines provide sufficient flexibility to use an alternative procurement approach such as selective purchase. Where a departure is made from the standard procurement procedures as set out in this guide, adequate documentation should be held outlining the rationale for the approach and evidence of the approvals at appropriate levels.

A selective purchase may be justified:

- Where the goods or services required are available from only one source. This fact should be adequately attested to.
- Where the costs of conducting a tender may be out of proportion to the value of the purchase or the benefits to be gained.
- When the University knows that only one supplier has the capacity to deliver at the time required.
- Where standardisation or compatibility with existing equipment or services is essential.
- Where a supplier has special knowledge or where a special relationship exists between the supplier and purchaser, e.g. consultants with knowledge of the University through previous assignments.
- Where there is a legal requirement or directive to use one supplier.

Justification for selective purchasing should be re-examined at regular intervals, as it may have the effect that:

- The most competitive price and terms are not obtained;
- The best source of supply is not found;
- Potential suppliers, whether known or unknown, will not be given equal chance to compete for the business.

Before deciding to confer the benefit of selective procurement on a supplier, adequate steps should be taken to ensure the supplier's suitability, the results of which should all be

put on record. These steps should include (with the supplier's consent) obtaining references that attest to the standards of the supplier's past performance.

The decision to make a selective purchase should be made by the person with appropriate authority to do so, supported by the appropriate documentation outlining the rationale for the decision.

A selective purchase will require a Purchase Order and may require a contract to be entered into with the supplier.

2.6 Procurement using Research Grant Monies

The single, preferred or selective supplier agreements in place in the University apply to Research Grants

- Travel carried out for the purposes of furthering research will be purchased through the University's designated travel agent, Orbit Corporate Travel.
- Any computer equipment and software required for the purposes of research will be procured through the preferred supplier agreements in place for these goods. Ownership of these goods remains with the University when the research is completed or the grant has been expended.

2.7 Specification of Purchase

A specification needs to be clear, concise, comprehensive and accurate. Otherwise the product or service may not be shown to meet the University's needs.

The specification of what is to be bought must address two broad subjects:

- The business/functional requirements of the product/service; what it is expected to do, and by when;
- The characteristics of the product/service, e.g. by reference to any recognised industry standards. The physical characteristics should include:
 - Technical requirements;
 - Operational requirements;
 - Performance standards;
 - Quality assurance requirements.

The specification should be drawn up so that it does not exclude alternative products or alternative suppliers from consideration. Specifying what is to be bought only in terms of a brand name or a particular supplier's product is not acceptable. If the product/service is only available from one supplier, whether because of expertise or because they are the sole producer, this fact should be attested to by someone responsible with the requisite knowledge and be supported by any available evidence (Selective Procurement).

2.8 Evaluation

- Suppliers quotations should be evaluated against selection criteria which have been disclosed, in broad categories at least, in the tender documents. Suppliers' claims should be checked, particularly regarding standards and quality assurance, domestic servicing and through-life support, and environmental impact from production, use and disposal.
- Applicable customs duties, taxes and levies must be taken into account in the pricing of imported goods. A customs broker or the New Zealand Customs Service will be able to advise if the goods are subject to duty.
- Staff should also be alert to the possibility of low-priced tenders involving dumped or subsidised imports which unfairly compete with New Zealand products and could be subject to an application for trade remedies under the Dumping and Countervailing Duties Act 1988. For advice in such cases, the Trade Remedies Group of the Ministry of Economic Development should be contacted.

- Adequate records of the evaluation process and the reasons for final decisions must be kept. The University is accountable for purchasing decisions and may be required to provide information about them in cases of queries raised by unsuccessful tenderers and complaints investigations by the Ministry of Economic Development or the Auditor-General, or requests under the Official Information Act, for example.

2.9 Environmental and Sustainability Issues

- The Government has adopted a National Efficiency and Conservation strategy and a New Zealand Waste Strategy. These set national targets for increased efficiency in energy and resource use in all sectors of society. The university is expected to take account of these Strategies and targets in their procurement in ways that are consistent with the value for money and other policy and good practice considerations set out in these procedures.
- Procurement managers and staff should familiarise themselves with environmental quality assurance schemes which are increasingly available to help simplify procurement decisions in this complex area. By including environmental accreditation among their criteria for evaluating suppliers' bids, the University can help to improve the market for environmentally friendly and energy-efficient goods and services. Accreditation may be based on life cycle analysis (production, use and disposal) such as the Government-endorsed Environmental Choice New Zealand, on single resource use such as energy efficiency labelling of appliances, or on sustainable management practice such as the ISO 14000 series. Links to these resources are available from the Govt₃ website. www.mfe.govt.nz/issues/sustainable-industry/govt3/
- The Government has also set up Govt₃, a set of strategies to examine sustainability issues affecting procurement within government. Recommendations have been made in relation to electrical fittings and paper, with further work proceeding on vehicles and buildings. Where possible the university should adopt the recommendations approved by Govt₃. Refer to the Govt₃ website, noted above, for further information
- Information sent to suppliers should include a statement of the University's approach to compliance with the Government's environmental policies. Consideration should be given to developing appropriate standard clauses for tender and contract documentation. These could include requests for documentation on environmental impacts such as accreditations obtained, sustainable production practices, energy efficiency, recycled content, durability and reuse options, hazardous material content, and end-of-life disposal provisions. Unless specifically requested, such resource impact information is not likely to be included in offers to supply.

2.10 Supplier complaints

- Purchasing staff should give fair and objective consideration to complaints from domestic suppliers that they have not been given full, fair and reasonable opportunity, or from foreign suppliers that they have been discriminated against. Unresolved complaints may be investigated by the Ministry of Economic Development (Regulatory and Competition Policy Branch) in consultation with the University. If necessary the Ministry will report to relevant Ministers with recommendations on appropriate action. The Auditor-General may also investigate complaints of unfair treatment or mismanagement. Purchasing staff should take care not to let a previous genuine and reasonable (even if mistaken) complaint prejudice their fair treatment of the supplier concerned in future.

2.11 Safeguarding the University

(i) Seeking Legal Advice

If in doubt about the appropriate course of action at any point of the tender process, the University's Procurement and Insurance Manager should be consulted. The Procurement and Insurance Manager will arrange for engagement of legal counsel as required.

(ii) Negotiating the Contract

The need to keep the other party at arm's length does not end with the selection of a preferred tenderer. It is important to maintain an appropriate distance when negotiating the contract with the preferred tenderer.

- Post-tender negotiations are an effective risk management tool. Their primary objective should be to:
 - test the understandings and underlying assumptions which have influenced a tenderer in preparing its costings; and
 - achieve cost reductions through operational refinements or enhancements.
- Negotiations should not focus solely on reducing bottom line costs.
- The University should negotiate first with the preferred tenderer. If the outcome is unsatisfactory, it should then negotiate with the next highest ranked tenderer, and so on down the list until a satisfactory outcome is achieved.
- Purchasing staff should ensure that:
 - they conduct all negotiations ethically;
 - they do not potentially disadvantage other tenderers by negotiating an agreement which is materially different in scope from what was proposed in the tender documents;
 - a negotiated agreement is sustainable and does not compromise quality; and
 - where possible, key decisions can be made at the negotiation.

When negotiating a contract, staff need to be aware of the University's bargaining position and ensure that nothing compromises that. The acceptance of gifts and hospitality at this stage of the process could impact the University's bargaining position, so care must be taken.

(iii) Awarding a Contract

The decision to award a contract is to be taken in accordance with the University's policies for exercising authority to commit expenditure.

The person who has the authority to enter into a contract on behalf of the University needs to satisfy themselves before doing so that all relevant criteria and procedures have been complied with.

(iv) Conditions of Contract

The conditions of contract for supply will differ according to the nature and circumstances of what is being procured. Negotiation, signing and management of all contracts must adhere with University Contract Management policy and procedures, and contract signing delegations.

The University's standard contract template must be adhered to as a minimum. It is available at <http://policyguide.massey.ac.nz>

The drafting of a contract in accordance with the conditions set out in the tender documents requires careful wording and where the template is varied or unsuitable, advice is to be obtained from the Procurement and Insurance Manager who will engage University's legal counsel as appropriate.

(v) Monitoring Supplier Performance

Where the goods and services to be delivered are developed over a period of time, it is important that key project milestones are established and specified in the contract. Where the contract is for a service relationship such as outsourcing, then it is equally important that levels of service performance are established at the beginning of the contract period.

The project milestones should provide key performance criteria by which the University can monitor and evaluate the progress made by the supplier to deliver the product/service to the required standard (cost, timeframe and quality standards).

The results of the ongoing monitoring are to be recorded and signed off. The person(s) monitoring should obtain sufficient evidence of the likelihood of the key targets being met in time, cost and quality. Documentation of the reviews should briefly describe the nature of the evidence obtained, and include an opinion on the likelihood of targets being met and whether or not action will be necessary to bring performance back on target. Where there is a change in the scope of the project (such as cost) approval needs to be sought from the person with the appropriate authority.

2.12 Code of Ethics for Staff involved in a Procurement Process

The standard of behaviour for staff involved in the procurement process is particularly high. Failure to meet these standards could create a situation in which the University is legally liable for the breach.

To ensure impartiality and integrity, the following precepts should be observed:

- (i) Declaration of Interest: Staff members must declare any personal interest which may affect, or could be perceived to affect, their impartiality in carrying out any aspect of their work. Refer to the Policy on Conflict of Commitment and Interest. <http://policyguide.massey.ac.nz>
- (ii) Confidentiality and Accuracy of Information: Staff members must respect the confidentiality of information they receive in the course of their work, and must not use that information for personal gain. Information given by staff members in the course of their work must be accurate, impartial and not designed to mislead.
- (iii) Disclosure of Information: The commercial confidentiality of information provided by suppliers must be respected and must not be used to attempt to influence other suppliers.
- (v) Business Gifts: Staff members should not accept gifts from suppliers, other than items of minor value, such as business diaries or calendars. Refer to the Discretionary Expenditure Policy <http://policyguide.massey.ac.nz> for further information.
- (vi) Hospitality: Staff members should not accept hospitality from suppliers if such hospitality is likely to be perceived by other staff members as being an influence on a business decision. When it is difficult to decide what is or is not an acceptable offer of a gift or hospitality, staff members should either decline the offer or seek the advice of a superior. Refer to the Discretionary Expenditure Policy <http://policyguide.massey.ac.nz> for further information.
- (vii) Use of Consultants: If an organisation engages consultants to aid in the tender evaluation process, they must also be subject to the constraints listed above. Contractual agreements with such consultants should contain a statement to this effect, and should also stipulate that information gained during the tender evaluation may not be disclosed for a specified period after the evaluation.
- (ix) Selection of Successful Supplier: Technical specifications and evaluations should be checked by a second evaluating staff member to confirm their freedom from bias, and to verify that the offers contain all the elements necessary to enable them to be compared on a common basis.

2.13 Documentation to be retained

The staff member leading the procurement process is responsible for ensuring that the following documentation, where applicable, is retained on file for that particular procurement. Documentation, as noted below, should be retained for all purchases exceeding \$50,000:

- Project and procurement plans if they exist
- Submitted quotations
- Records of any meetings with suppliers
- Records of the evaluation process
- Records of any negotiations
- Decision
- Letters of acceptance or decline

3. Payment Mechanisms

3.1 Purchase Card

The Purchase Card is the payment mechanism the University uses to minimise the administration and cost of processing associated with low value (<\$2,000) purchases.

- The limit for an individual purchase is \$2,000 GST exclusive. Transactions over the limit will be rejected at point of sale.
- The purchasing limit in any one month is variable, but most users have a monthly limit of \$5,000. Transactions which will exceed the monthly spend are rejected at point of sale.
- In special circumstances, e.g. overseas travel, the monthly purchasing limit and the transaction limit can be increased. This requires the approval of the card holder's manager. Limits to be increased will be arranged by the Card Administrator and approved in accordance with Credit Card Policy and Procedures.
- Cardholders are responsible for the security of their cards.
- Cardholders are responsible for correctly coding their purchases on the monthly statement.

There is comprehensive information about the Purchase Card policy and Terms and Conditions at <http://policyguide.massey.ac.nz>

3.2 Purchase Order

All purchases, except those carried out using a Purchase Card, will require the creation of a Purchase Order via Mass-e-Mall.

Placing an order with a supplier either:

- Signifies the University's acceptance of a supplier's offer to sell something to the University, on terms and conditions agreed, making a contract between them complete; or
- Constitutes an offer by the University to the supplier to purchase something, often on terms and conditions to be agreed.

An order represents a formal, official document that details the University's requirements and authorises the supplier to charge the goods or services to the University.

An order will take one of two forms:

- The computer-generated Purchase Order created via Mass-e-Mall;
- A contract document executed by the University.

The main consideration regarding the appropriateness of each form is the cost and level of risk associated with the purchase.

In general all major purchases should have a formal contract which is accompanied by a Purchase Order. A major purchase is defined as one that commits the University to \$50,000 or greater.

For minor and routine purchases the use of the Purchase Card or the standard Mass-e-Mall Purchase Order is sufficient.

(a) Monitoring Purchase Orders

The state of unfilled orders should be monitored. Monitoring should incorporate:

- Checks with suppliers that delivery dates will be met. If timing is critical, frequent pre-delivery checks may be necessary;
- An ability to acknowledge part-delivery of an order and follow-up on delivery of the remainder;
- Recording any difficulties with suppliers, for use in future evaluations;
- Ensuring that all unfilled orders are recorded as a commitment for the financial year end.

4. Procurement Management

4.1 Requirement to Consult with Massey University's Legal Counsel

To ensure that the University's procurement decisions and processes are supportable and do not create legal risk for the University, the University's Procurement and Insurance Manager must be consulted to review

- Requests for Information,
- Requests for Proposal,
- Requests for Tender,
- Preferred Supplier Agreements, and
- Contracts for supply – over \$10,000 where the template has been varied, or over \$100,000 in all cases.

If any contract or document noted in the above list does not comply with the parameters of the Procurement Policy; legal advice may be sought by the University's Procurement and Insurance Manager. For example:

- If the University's standard templates for the documents listed above are being altered or deviated from;
- If any of the mandatory clauses in the templates are not included.

Note that the Procurement and Insurance Manager has the responsibility and accountability to request that legal counsel be consulted whenever he/she believes legal risk is being created.

Note that it is critical to err on the side of caution and seek appropriate advice when any concern exists. The establishment of a process contract can result from incorrectly worded documents and may result in litigation for the University. Refer to the Court of Appeal decision in the case between Transit NZ and Pratt Contractors Ltd dated 12 Feb 2002.

Documents for review should be forwarded to the Procurement & Insurance Manager. In a covering memo please include:

- Name and Department of person to return the reviewed document to;
- Date by which review needs to be completed in order to meet other timetabled events;
- Specific questions, if any;
- Special circumstances which may validate divergence from standard processes.

4.2 Supplier and Relationship Management

The following table shows the principles of supplier and relationship management and the information that needs to be accounted for in contracts for supply.

Principles	Contract for supply to include information about:
Account Management	<ul style="list-style-type: none"> • Who in each party is responsible for the management of the account? • What are the rules of engagement? • How is delivery monitored against the terms of the contract for supply?
Performance Indicators	<ul style="list-style-type: none"> • What will the supplier be measured on? • How often will the assessment take place? • What remedies will be available if performance indicators are not met? • Who will determine when remedies are required and at what level?

Relationship Management	<ul style="list-style-type: none"> Who has primary responsibility for relationship with the vendor?
Communication	<ul style="list-style-type: none"> How will communication strategies be implemented to assist in supplier management? What are the communication standards and agreed methods? What contact points are acceptable?
Invoice processes	<ul style="list-style-type: none"> What is the agreed process for invoicing? What are the payment conditions, e.g. 20th of month following, payment within 7 or 14 days?
Payment Authority	<ul style="list-style-type: none"> Who is responsible for authorising payment?
Commercial decisions	<ul style="list-style-type: none"> If changes are required to the contract, i.e. brand supplied, delivery schedules, payment dates; who is authorised to make them, using what processes for consultation and notification?

4.3 Communication with the Media re Massey University Procurement Decisions

All communication with the media is to be cleared by or conducted by the Director, Marketing and Communications. Accordingly, any approaches by the media should be referred to the Director, Marketing and Communications and staff should not attempt to answer queries themselves.

If a procurement decision is likely to arouse media interest the Procurement & Insurance Manager and/or relevant Budget Centre Manager should ensure that the Director Marketing and Communications is briefed adequately.

5. Leveraging the University's Procurement Spend

The University is using its leverage as a significant purchaser in various markets to:

- Maximise the amount of goods and services procured while lowering the overall spend;
- Ensure best value for monies expended;
- Achieve best effect of economies of scale.

In order to achieve these aims, efficiencies in procurement have been implemented. These efficiencies include:

- Consolidating some purchase types, e.g. stationery, IT equipment, computer consumables, teaching aids, furniture, photocopying services;
- The development of single, preferred and pre-qualified supplier agreements.

Staff involved in purchasing need to:

- Adhere to the preferred supplier agreements in place;
- Encourage staff on whose behalf purchases are being made to adhere to the relevant preferred supplier agreement;
- Notify the Procurement & Insurance Manager if it is believed that a Preferred Supplier Agreement should be established for a particular service or product or product type.
- Take into account the whole of life costs that apply to goods and services –
 - For goods, the whole life cost is the total of what it costs now to buy the goods, own them, use them over their life time and dispose of any waste at the end of their life.

- For services, the whole life cost is what it costs now to buy the services plus on-going costs of receiving the service plus any cost of discontinuing the service.

5.1 Criteria for Consolidating Procurement

The decision to consolidate the procurement of particular goods and services has been based on

- The estimated annual expenditure on those items across all campuses, i.e. expenditure over \$100,000 pa
- A contract for supply being of two years' duration;
- Specialist knowledge, e.g. PCs, building leases;
- The discretion of Heads of School/Director or DVC;
- Demonstrated cash savings to the University.

5.2 Monitoring and Management of Consolidated Procurement

Savings through consolidated procurement can only be fully realised if purchasing of goods and services is carried out through the relevant preferred supplier agreements. Therefore the University has put in place the following constraints:

- Travel that is not booked through the University's designated travel agent, Orbit Corporate Travel, will not be approved.
- Stationery orders placed with suppliers other than OfficeMax will not be approved.
- IT equipment can only be procured through a University Purchasing Officer and must be from an approved supplier.

As noted above, staff involved in purchasing can enhance the savings available by adhering to the preferred supplier agreements in place and encouraging staff they are purchasing on behalf of to adhere to the agreements.

Note that the codes of ethics and codes of conduct referred to at the beginning of this document imply adherence to contracts that the University has entered into. Breaches of the codes may be deemed as misconduct.

5.3 Current Preferred Supplier Agreements

Single, preferred or pre-qualified supplier agreements have been preceded by an open tender process for supplier selection.

The Preferred Supplier Agreement Register, which is available at [<link>](#), identifies the items for which Preferred Supplier Agreements are established and information for your guidance.

Note that in general, a Preferred Supplier Agreement is owned by the group with that specialist responsibility, so questions should be directed to the "owning" group.

6. Managing risk in the Procurement Process

6.1 Business and Legal risk

Risk is mitigated by compliance with Procurement policies and procedures, and is monitored by management review, and periodic internal audit.

Managers must read and understand the following policies and procedures.

- Purchasing Policy and Procedures
- Delegations Document
- Policy of Conflict of Commitment and Interest
- Disclosure of Serious Wrongdoing (whistle blowing policy)
- Creation of Contracts Policy and associated procedures
- Discretionary Expenditure Policy

6.2 Health and Safety Risk

Procurement managers and staff need to ensure health and safety is included in procurement decisions. Steps to ensure this are:

- Identifying any hazards associated with the procurement
- Ensuring hazard acceptability is included in purchase specification
- If possible (in order) eliminating, isolating, or minimizing hazards in the purchase decision
- Consulting with University Safety personnel to ensure health and safety is included in implementation of new or modified equipment, material, services or process
- Obtaining supplier information for safety use of new or modified equipment, material, services or process
- Documenting new hazard controls associated with new or modified equipment, material, services or process.

7. Associated Policies

7.1 Procurement Policy <http://policyguide.massey.ac.nz>

7.2 Discretionary Expenditure Policy <http://policyguide.massey.ac.nz>

7.3 Other Associated Policies, Templates and Forms

Separate policy, procedures or documents relating to each of these areas are available on the University's website.

Conflicts of Commitment and Interest Policy

Credit Card Policy

Credit Card Procedures

Delegations document

Draft Memo to Tenders Board

Environmental Policy

E O I Expression of Interest Template

Intellectual Property Policy

IT Lease Procedures

IT Software and Hardware Policy

Legal Compliance Policy

Policy on Staff Conduct

Preferred Supplier Agreement Register

Reimbursement of Expenses Policy

ROI Request for Information Template

RFP Request for Proposal Template

Terms of Trade Policy

Treasury Policy

8. Approval Dates:

This version takes effect from:

[1 September 2008]

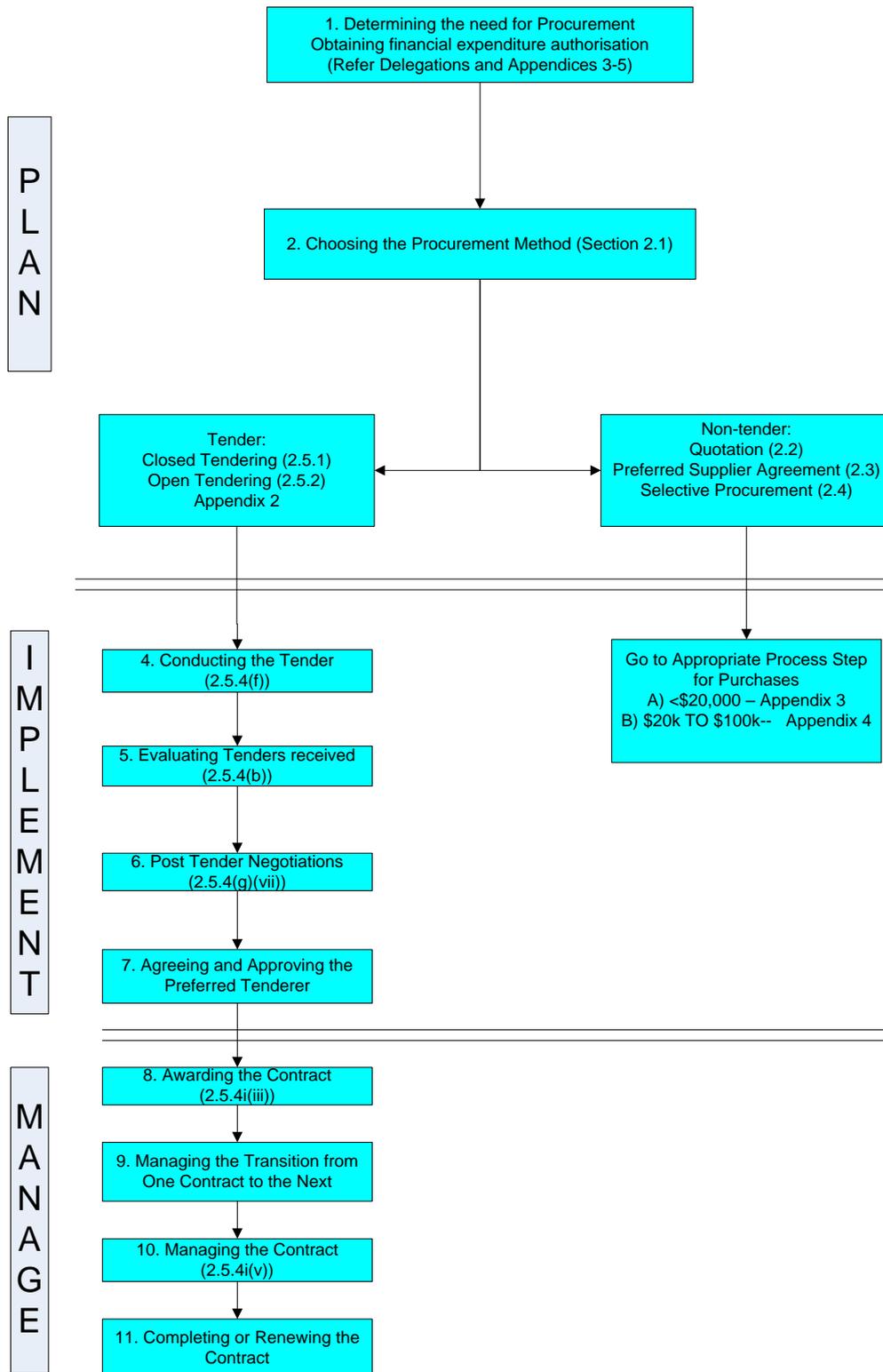
These procedures will be reviewed by:

[30 August 2010]

9. Contact Person:

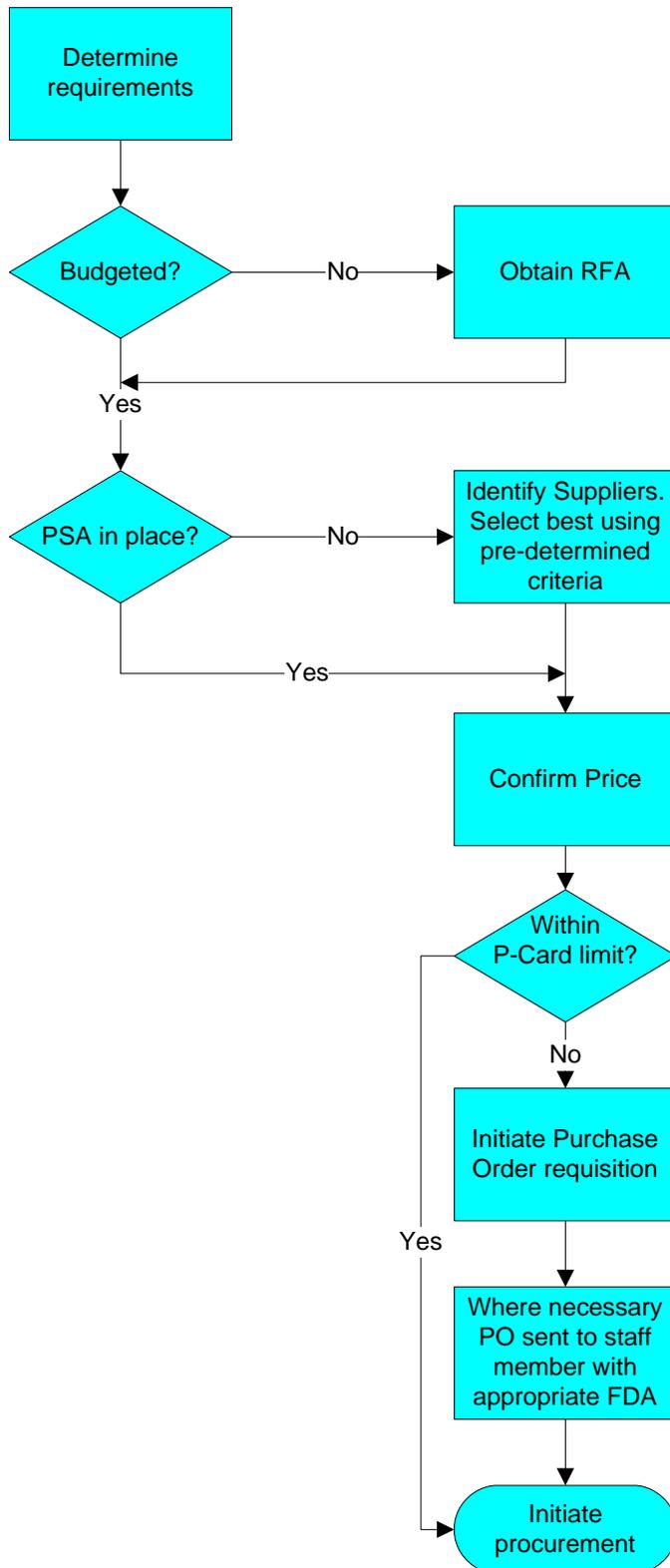
The Procurement & Insurance Manager may be contacted on a routine basis in relation to these procedures:

Appendix 1 – Overview of the procurement process



Appendix 2

Process Steps for Purchases less than \$20,000



Process Steps:

- If the item has not been budgeted for, obtain an authorised Request for Financial Authority (RFA) before proceeding
- Identify any pre-qualified supplier/s or any that we have Preferred Supplier Agreements (PSA) with, if any, and confirm pricing (Section 2.3)—*link to PSA*

OR

- Obtain three quotations (Section 2.2);
- Confirm quotations in writing/email;
- Pre-determined criteria should include Price, Fitness for purpose, Availability and may include Maintenance issues, Environmental aspects and Vendor reputation
- Select most appropriate supplier;
- Record and file reasons for decision;

OR

- Use Selective Purchase method if warranted (Section 2.4);

THEN

- Use Purchase Card if transaction limit allows

OR

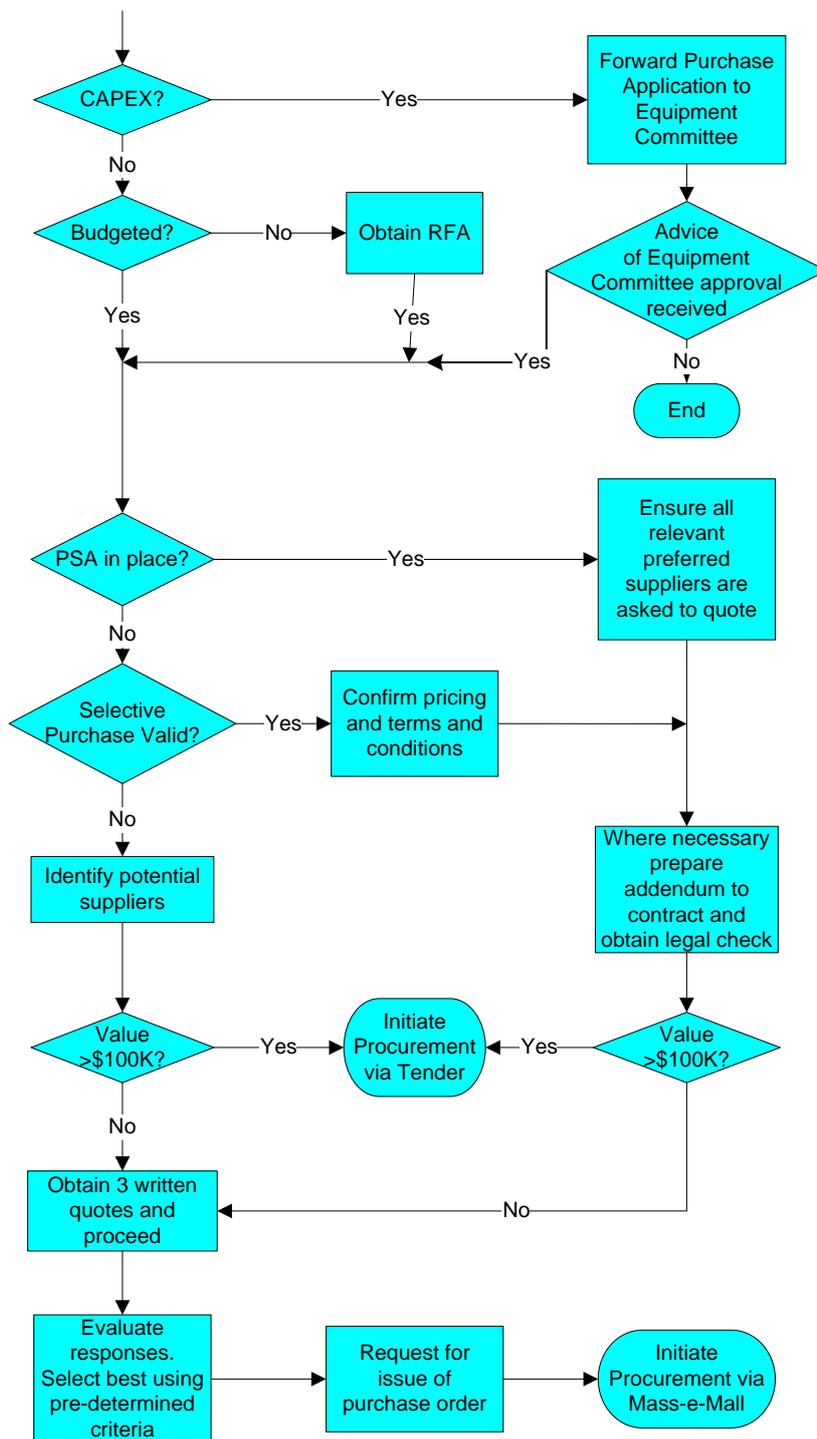
- Complete Mass-e-Mall purchase Order requisition;
- Obtain approval from person with appropriate Financial Delegated Authority FDA if necessary
- Purchase goods/services for accepted quoted price.

Other Information:

- Preferred suppliers must be used if a PSA exists
- Quotes can be sought by phone or Internet
- Quotes must be followed up in writing or email
- All computer purchases must be made via University Purchasing Officers

Appendix 3

Process Steps for Purchases of OPEX or Equipment between \$20,000 and \$100,000



Process Steps:

If CAPEX (Capital Expenditure)

- Prepare proposal justifying the purchase;
- Either
 - a. Present for consideration to the Equipment Committee in the annual CAPEX budget round; or
 - b. For out of cycle requests (eg. expenditure from research funds or from departmental reserves) send via Equipment Committee. When approval granted complete a Request for Financial Authority (RFA) and forward to Director of Finance Operations.
- Modify requirements to fit approved CAPEX.

If OPEX (Operating Expenditure)

- Ensure budget is available;
- If not budgeted then an RFA must be obtained;
- Develop proposal justifying the purchase;

THEN for CAPEX or OPEX

- If the procurement is likely to be greater than \$100,000, then conduct a formal tender process. Refer to Tender Procedures located at <http://policyguide.massey.ac.nz> in the "Procedures" section
- Is there a Preferred Supplier Agreement (PSA) in place, and if so, is there more than one of these suppliers capable of fulfilling the contract? If so, ensure that all provide quotations.
- Determine if a selective purchase is valid – are these the only suppliers that can fulfil this contract;
- Identify pre-qualified suppliers & confirm pricing, terms & conditions;
- Ensure that person with appropriate Financial Delegated Authority (FDA) approves the purchase.

THEN

- Develop a contract, if necessary and/or amend existing contract;
- Complete Purchase Order via Mass-e-Mail;
- Where necessary obtain authorisation from person with appropriate FDA level;
- Carry out purchase.

Other Information:

Must use preferred supplier or pre-qualified suppliers if they exist.

Appendix 4.

Definitions:

For purposes of these procedures, unless otherwise stated, the following definitions shall apply:

Business Justification Paper (BJP)	A document that is completed either prior to the renewal of a Preferred Supplier Agreement or period contract, or when expenditure by the University is obligatory or after an emergency purchase has been made. A completed business justification paper provides sufficient information on which the appropriate person can base approval of the expenditure. The paper contains information outlining the specification of what is to be purchased or supplied, the reasons for not going to tender and/or why the expenditure is obligatory and/or why an emergency purchase was justified.
Capital Expenditure (CAPEX)	Costs or expenditure incurred by the University that will be used by the University over a period of time, normally beyond 12 months. The costs are usually for the acquisition or creation of a physical item (asset) including costs directly attributable to bringing the item to working order. The costs are normally written off periodically, over the useful life of the asset, to account for the consumption or loss of economic benefits. The write-off is known as depreciation or amortisation
Operating Expenditure (OPEX)	Costs or expenditure incurred by the University that are utilised in the day to day operations of the University and are generally consumed immediately or within a short period of time.
Plant	Plant that is to be used or is used in a place of work (<i>Health and Safety in Employment Regulations 1995</i>) "Plant" includes-- (a) Appliance, equipment, fitting, furniture, implement, machine, machinery, tool, and vehicle; and (b) Part of any plant, the controls of any plant, and any thing connected to any plant: (<i>Health and Safety in Employment Act 1992</i>)
Preferred Supplier Agreement (PSA)	A contract for supply of particular goods or services, where the contract has been let after a competitive tender process. A Preferred Supplier Agreement (PSA), with price and delivery conditions agreed, will be considered by the University if the aggregated procurement spend across campuses for the goods or services is estimated to be greater than \$100,000 per annum and will be entered into where it is evident that a PSA will be advantageous in terms of quality, timeliness and/or price. A PSA differs from a bulk purchasing agreement in that the purchases will be made periodically as required.
Pre-Qualified Supplier	Procurement is selective or pre-qualified when it is made from a supplier without having invited competing quotes from any other supplier and is an acceptable procurement method for purchases under \$10,000. Refer to Section 2.4.
Single Supplier	A single supplier is one with whom the University has negotiated an exclusive procurement contract such that all of the University's procurement of a particular good or service will be provided by the supplier. Eg. Natural gas, electricity, travel, stationery, etc.
Tender	Selection of a supplier using a competitive process that is rigorously conducted to ensure integrity of the process and the outcome.

Total Cost of Ownership (TCO)	of	A concept which ensures that all components and impacts of a purchase or project across its expected life are budgeted for in the purchase request. The TCO should be identified in the business case or business justification paper and may include the cost of carrying out the purchase (development of business case, tender process), costs of housing the purchased goods; operating, maintaining and upgrading the purchased goods; any associated service contract; any financial impact on another Budget Centre and the Post Implementation Review costs.
University Purchasing Officer		A list of current University Purchasing Officers is attached in Appendix 8.
Whole of Life Costs		Encompasses all the costs (private & social) that accrue to the initiation, provision, operation, maintenance, servicing and decommissioning, over the useful life of the service or product procured.

Appendix 5

EVALUATION OF OFFERS

EVALUATION MODELS

The evaluation model is the model used to assess competing suppliers' offers. The type of evaluation model selected impacts on the content of the Request for Offers (RFx) document. The decision on the evaluation model is therefore made as part of the planning phase.

Commonly used evaluation models in procurement include:

- Lowest Price Conforming
- Weighted Attribute
- Target Price

Lowest Price Conforming

The Lowest Price Conforming (LPC) model is the most basic model and has the strongest emphasis on price. Using this model, the lowest-priced offer is selected once a prerequisite level of quality is met.

It is applicable where quality over and above the minimum threshold is not important (i.e. it does not offer greater value for money).

The theory behind the LPC method of evaluation is that the contract is won by the supplier that has the most efficient systems and working methods, the best equipment and the most skilled staff, which then enables it to carry out the job to the required quality at the lowest cost. In reality this may not be true, with the possibility that the supplier misunderstood the tender documents and what was required, or deliberately priced low with the intention of submitting additional claims or renegotiating the scope of work.

Example:

The LPC model might be applicable for the evaluation of quotes where suppliers have priced against a clearly prescribed specification, for example the installation of data cabling in a new floor fit-out, or the supply of some standard, commercial, off the-shelf hardware.

Weighted Attribute

The Weighted Attribute model is the most common model used in New Zealand public sector procurement. This model seeks to balance the trade-off between price and quality. It can be used for goods or services.

Under this model the attributes (criteria) are weighted to reflect their relative importance. (refer to *Criteria Weighting*). For each supplier the criteria are scored, and each score is multiplied by the relevant weighting to give a weighted score. The weighted scores for each offer are added up to find the highest-scoring supplier.

Some Weighted Attribute models weight all the evaluation criteria, including price, while others only weight the non-price criteria.

When weighting price, the model requires a formula to convert the price into a score.

One formula used is:

**Score = 5 + 100 x (Median Conforming Offer Price – Offer Price)
(Median Conforming Offer Price)**

where the price score may be negative but shall not be greater than 10.

The formula means that:

- the median price receives a score of 5 (the median is simply the middle price of those prices received)
- an offer price that is higher than the median price receives a score of less than 5, while an offer price below the median price receives a score of more than 5
- offer prices that significantly exceed the median receive a negative score (this is considered appropriate and the score is carried through to the calculation of the overall weighted score for the supplier)
- a cap of 10 helps prevent suppliers achieving an extremely high score by tendering an unrealistically low price

When weighting price, you are required to carry out some level of sensitivity analysis when establishing the weights to ensure they are appropriate. If the price weighting is too high,

the evaluation effectively becomes lowest-price conforming. Conversely if the price weighting is too low, the best value-for-money solution won't rise to the top. If price is not being weighted, you will need to have a defined process for bringing the non-price score and the pricing together to determine an overall value-for-money ranking. This is commonly achieved through a narrative assessment of the relative price and non-price components.

Target Price

This model is useful when it is difficult to define the scope of the work in Requests for Proposal (RFPs)/Requests for Tender (RFTs). Examples of where this model might be used include reviews, investigations and studies.

By using a Weighted Attribute model for these examples, the agency is likely to be presented with a range of offers and prices that are not easily compared, and of which many may exceed the available budget. The solution in these cases is for the agency to make the suppliers aware of the available budget (the "Target Price") as a guide for defining the scope of services desired, then inviting suppliers to specify what they can do for that price. The Target Price model can also be used in general services' procurements where the available budget is the key constraint.

The main advantages of the Target Price model are:

- the university procures the best value for the money available
- suppliers do not waste their time tendering for work that is too large or too small for them
- suppliers can develop their solution in an informed manner (i.e. with knowledge of one of the key constraints/criteria)

From the university's perspective, the main risk with the Target Price model is that they must be sure they cannot get the activity completed with the required expertise and to the required level of detail at a price lower than the specified budget – otherwise they are wasting money.

Example

The Target Price model would be appropriate where the university has a fixed budget available for a refresh of its web site, and recognises the available budget will not cover all the desired changes. Using the Target Price model, the agency specifies the available budget in the RFP document and invites suppliers to submit proposals describing what they could provide for the available budget.

CRITERIA WEIGHTING

In very few cases are all of the criteria in an evaluation equal. Therefore in the majority of procurements there is a requirement to use some form of weighting to reflect the relative importance of individual evaluation criteria.

WEIGHTING PRACTICE

High weightings are not placed on criteria every supplier can meet.

It is considered good practice to highlight mandatory criteria as part of the university's specification or statement of work. This ensures suppliers that are not able to meet the mandatory requirement do not waste either the university's or their own time in submitting a response.

Evaluation criteria and weightings are normally developed and approved prior to the RFX being issued. At a minimum they are developed and approved before the offer closing date.

SCORING MODELS

Scoring models with appropriate narrative descriptors are used for ensuring evaluations are scored in a consistent manner.

- For weighted criteria, a scoring scale of 0-10 is most commonly used.
- For mandatory criteria "yes/no" or "pass/fail" scoring is usually used. Numerical scoring of mandatory criteria usually involves a 0 for a fail and a 10 for a pass.

THE EVALUATION PROCESS

The evaluation process will generally follow the following steps:

- Evaluation team members complete conflict-of-interest declarations
- Evaluation team members are briefed on the evaluation process and receive training if necessary.
- Copies of the suppliers' offers, scoring scale and evaluation forms are distributed to each evaluation team member.

- Note: If a two-envelope method is being used (i.e. price has been requested in separate, sealed envelopes) only the non-price parts of the offers are distributed to the evaluation team members, with the price envelopes remaining unopened and securely stored
- Evaluation team members complete individual assessments of the suppliers' offers. This ensures each evaluation team member has adequately reviewed the offers prior to the team evaluation meeting and that no single team member is able to exert inappropriate influence on the outcome by being better prepared.
- Note: In some simple evaluations, such as the evaluation of quotes using the LPC method, it may not be necessary for the evaluation team members to complete individual evaluations. In these cases the evaluation team will just meet and complete a team evaluation
- The evaluation team members meet and complete a "team" evaluation. Team scores may be reached by a number of methods, with averaging the individual scores and reaching a team consensus score being the two most common. Of the two, the consensus scoring method is the most frequently used, as it allows a score to be agreed based on consideration of all the evaluation team members' opinions and observations. The averaging method does ensure a persuasive or dominant individual is not able to exercise undue influence. However, it also means an individual's scores that, based on reconsideration of the supplier response in light of other team members' comments would have been higher or lower, still form part of the calculation for a final score
- If price has been requested in separate, sealed envelopes, these envelopes are opened after the team scoring of the non-price criteria and a ranking agreed by the evaluation team. The ranking method will be determined by the evaluation model used. For example:
 - using LPC, the lowest-priced conforming offer is automatically the preferred supplier
 - using Target Price (where all offers are made against a specified budget) the highest-scoring supplier based on an assessment of the non-price criteria is the preferred supplier
 - using Weighted Attribute, the highest-ranked offer is based on an assessment of which offer provides the best value for money. If price was weighted, this is calculated by summing the weighted scores for both the price and non-price criteria and the highest-scoring offer is the preferred supplier
- In some cases the two or three top-ranked suppliers are shortlisted and asked to provide presentations on their offers. As the presentations are still part of the evaluation process, they remain quite structured to ensure suppliers are treated equally. This means the suppliers are provided with the same notice period to prepare for the presentation and the same length of time for the presentation, etc. Following the presentations the scores of those suppliers are reviewed and the final ranking agreed
- referee-checking or further due diligence is carried out if the preferred supplier is not well known to the university. The purpose of the reference-checking is to verify the assessed level of performance, capability or expertise and to satisfy the university generally that the supplier is likely to deliver what it has offered. Further due diligence, such as financial viability checks, is generally only conducted where the procurement is high risk, high profile or high

APPENDIX 6**University Purchasing Officers.**

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