



PURCHASING PROCEDURES AND CONTRACT REQUIREMENTS

The following is a brief synopsis of the District's purchasing policies and procedures in compliance with the Education Code, Public Contract Code, and Civil Code. Compliance with these procedures will facilitate processing of orders in a timely manner for each college and the District as a whole. These procedures apply regardless of the funding source. Purchasing Department staff is available to provide assistance and may be reached at 650-574-6508.

The Requisition/Purchase Order Process

- **Requisition/Backup.** When goods or services are needed, the Requestor/Requisitioner should research the required item(s), obtain quotes as necessitated by the dollar limit guidelines, verify budget availability and complete an online Banner Requisition.

All backup documents (e.g. quotations, service contracts, W-9 forms, Certificates of Insurance) should then be forwarded to Purchasing.

- **Approvals.** The completed Requisition must be reviewed and approved by the designated Department and/or Division-level approver(s) and then the Administrative-level approver(s). If a Requisition is disapproved, it is returned to the Requisitioner for revision and re-submission.
- **Purchase Order.** The District Buyer reviews the approved Requisition and, if the information is accurate and the necessary documentation has been received, completes an online Banner Purchase Order. Once approved, the Purchase Order is forwarded to the vendor.

Goods should never be purchased or services performed without a Purchase Order authorizing the expenditure.

- **Commodity Received.** The Requestor/Requisitioner receives the goods or services from the vendor.
- **Payment.** The Requestor/Requisitioner examines the vendor's invoice for accuracy, initials the approved invoice for payment, and forwards it to the Accounts Payable Department. The District Accounts Payable representative reviews and processes the approved invoice, cuts the check and forwards payment to the vendor.

Standing Orders

Standing Orders are open purchase orders for the procurement of goods, services or maintenance-repairs on an as-needed basis during a specified period of time. District quote guidelines apply to individual and/or cumulative dollar amount totals for purchases made against a standing order.

Prepayments

Prepayment is acceptable only if the vendor refuses to supply products or services without prepayment. If prepayment is requested on a Requisition, appropriate documentation, such as an order form, pro-forma invoice, or a vendor letter indicating item description, price and prepayment requirement is necessary before processing.

Fixed Assets

Equipment and furniture with a *unit* price of \$5,000 or more (including sales tax, delivery and installation) are fixed assets and must be assigned an asset inventory number. For tracking purposes, all inventoried equipment and furniture are tagged with a SMCCCD Asset Inventory Number and are entered into the District's fixed assets records upon receipt.

Fixed asset purchases must always be made through the Banner Requisition/Purchase Order process and should be charged to one of the following account numbers:

- 6450 – Inventoried Equipment
- 6470 – Inventoried Furniture
- 6490 – Inventoried Equipment from Federal Grants

Dollar Limit Guidelines

- **Purchases under \$2,000.** Purchase and selection of vendor is at the discretion of the Requestor/Requisitioner. Use of the District procurement card is encouraged for most purchases under \$1,000. Purchases of equipment items valued over \$1,000 must always be made through the Banner Requisition/Purchase Order process.
- **Purchases between \$2,000 and \$5,000.** One written quote should be obtained for purchases of goods or services when the *total dollar amount of the order* is between \$2,000 and \$5,000.
- **Purchases between \$5,001 and \$20,000.** Three written quotes should be obtained for purchases of goods or services when the *total dollar amount of the order* is between \$5,001 and \$20,000.

- **Purchases between \$20,001 and \$78,500.** For purchases of goods or services when the *total dollar amount of the order* is between \$20,001 and the legal bid limit of \$78,500, a *Request for Quotations* is required and should be forwarded to multiple vendors.
- **Purchases over \$78,500¹, except Public Contract Code Projects and Professional Services.** The formal bid process is required for purchases of goods or services when the *total dollar amount of the order* exceeds the legal bid limit of \$78,500. Remember, it is illegal to split or separate purchases to avoid competitive bidding.

Before a purchase order can be issued, the item(s) must be legally advertised, formally bid, and awarded by the Board of Trustees to the lowest responsive bidder. The requesting department should coordinate the development of bid specifications with the Director of General Services or designated Buyer. Since this process can take as long as 30-90 days, depending upon the complexity of the bid, the Purchasing Department should be contacted well in advance of the desired delivery date.

There are two exceptions to the \$78,500 bid limit:

- Public works projects require a formal bid if expenditures are greater than \$125,000.
- Certain professional services (e.g. lawyers, architects, engineers) are exempt from formal bid requirements; however, Board approval is needed for a new vendor or new services valued above the legal bid minimum or for continuing services in excess of \$500,000.

Contract Requirements

- **Independent Contracts.** Contracts are required for service work performed by an independent contractor. An independent contractor is defined as an individual (rather than a company) who performs a service (rather than provides a tangible product) for the District. Independent contractors are in business for themselves and are responsible for their own tax reporting to the IRS. An independent contractor uses a social security number for tax identification purposes (rather than a Federal Tax ID number). SB1419 sets specific guidelines for appropriate use of independent contractors. Board approval is required for independent contracts in excess of the legal bid limit.
- **Standard Service Contracts.** Contracts are required when working with a vendor who provides services to the colleges or the District. These contracts must be submitted to the Executive Vice Chancellor's Office for review and approval prior to the services being rendered. Only the *Chancellor* and the *Executive-Vice Chancellor* are authorized to sign contracts for the District. A contract without one of these signatures is not a valid contract.

Board approval is required for contracted services in excess of the legal bid limit of \$78,500. Once again, the exception to this amount is public contract code agreements, which require Board approval if they exceed \$125,000.

¹ Pursuant to Public Contract Code Section 20651, the bid threshold amount is adjusted for inflation annually by the Board of Governors.

- **Lease Agreements.** Board approval is required, regardless of the dollar amount, for (1) District use of off-campus facilities which require a lease, or (2) use of District facilities by outside organizations requiring a lease.

Insurance Requirements

A Certificate of Insurance from a contractor performing services is required if the services are performed at a District site. A minimum of \$2,000,000 comprehensive general liability is required. Certain large construction projects may require additional insurance. For construction performed under CIP2, the District has a mandatory Owner Controlled Insurance Program (OCIP) for all contracts in excess of \$30,000.

Public Works Project Requirements

The District has elected to become subject to the California Uniform Public Construction Cost Accounting Act. The adoption of this act enables the District to raise the minimum required bid for small public works projects from \$15,000 to \$125,000 under Public Contract Code (Section 22003).

- **\$0-\$30,000 – No Bid.** CUPCCAA exempts this size of project from bidding requirements; the District will negotiate a contract or procure the job by purchase order.
- **\$30,001-\$125,000 – Informal Bid.** Would be let to the qualified contractor submitting the lowest quote through an informal bidding process. The District would still reserve the right to bid a project in this range formally, if desired. Bid bonds, performance bonds, and payment bonds would continue to be required of all contractors doing work under these provisions.
- **Over \$125,000 – Formal Bid.** Requires one advertisement in a local paper with 14-day advance notice. Trade Journals are notified 30 days in advance. Requires Board approval.
- If the District receives **no bids** through the informal or formal bidding procedures, the Act authorizes the District by Section 22038(c) to have the Project completed by negotiated contract, which complies with bidding procedures.

Board Approval Requirements

- Annual membership dues over \$25,000.
- Lease agreements.
- Purchases of products or equipment over the legal bid limit of \$78,500.
- Contracts or agreements for services, including Independent Contractors, in excess of the legal bid limit of \$78,500, except those contracts governed by public contract codes.
- Public Works Projects over \$125,000.

COMMONLY USED PURCHASING ACCOUNT CODES

4000 –Supplies & Materials

- **4510 – Miscellaneous Supplies:** Includes instructional and non-instructional items that are expendable and quickly consumed or easily broken, damaged, or lost, valued under \$500 per item. Examples: Pens, books, tests, periodicals, non-catered food, videocassettes, and software, including packages with the license included (see also 5621 and 6459).

Equipment Supplies: Account 4510 also includes equipment items that are valued under \$500 which are not considered consumable. Examples: Small electronic equipment, including, but not limited to, keyboards, mice, cables, hard drives, small printers, digital cameras, or other equipment accessories ordered separately, or as a replacement for existing equipment items.

- **4511 – Non-Inventoried Equipment:** Equipment (electronic or otherwise), including computers, which cost at least \$500 but less than \$5,000 (including sales tax, shipping and installation).
- **4512 – Non-Inventoried Furniture:** Includes furniture which costs at least \$500 but less than \$5,000 per item (including sales tax, shipping and installation).
- **4513 and 4110** are used for Library purchases only.
- **4514 – Replacement of Non-Inventoried Equipment:** Includes replacement equipment lost due to theft, which costs at least \$500 but less than \$5,000 per item (including sales tax, shipping and installation).
- **4515 – Other Supplies Special (MATERIALS FEES)**
- **4530 – Custodial Supplies:** This includes janitorial supplies such as floor stripper, waxes and cleaners; “personal products” like soap, toilet tissue, seat covers, paper towels, and the dispensers for these products; and indoor or classroom light bulbs and fluorescent tubes.
- **4540 – Grounds Supplies:** This includes fertilizers, pest controls, overalls, gloves, seed, small hand tools for trimming, and irrigation supplies.
- **4550 – Maintenance Supplies:** This should be your “catch all” category. This is for supplies that the crews use in the performance of their jobs for which there is not a more appropriate category. This could include nails, drill bits, electrical supplies, pipes, small motors, filters, paint for the parking lots and benches, lamps for the parking lot fixtures and pool supplies and repair parts.
- **4555 – Truck Maintenance/Repair:** This includes supplies and parts used to repair and/or maintain the District vehicles, except for tires, oil, and gas that should be charged to 4620.

- **4560 – Building Repair:** This includes parts and supplies used to repair the building itself. This should only be used if the more specific objects listed below do not apply.
 - **4561 – Repair Doors and Locks**
 - **4562 – Repair Floors & Walls**
 - **4563 – Repair Steps & Ramps**
 - **4564 – Repair Windows and/or Shades**
 - **4565 – Repair Service Systems:** Includes heating, ventilation, boilers and swimming pools.
 - **4566 – Repair Paint and Plaster**
 - **4567 – Repair Roofing**
- **4570 – Repair Parts for Equipment:** Includes only parts used to repair equipment (e.g. typewriter platens, copier fuser rollers, belts, gears). If the repair includes parts and labor, use 5630.
- **4580 – Central Duplicating**
- **4620 – Gas, Oil & Tires**

5000 – Other Operating Expenses & Services

- **5110 – Consultant Services:** Independent contractors hired to provide consultant services (for use on IC Agreements only).
- **5120 – Lecturer Services:** Independent contractors hired to provide lecturer services (for use on IC Agreements only).
- **5130 – Contract Personnel:** Independent contractors hired to provide other contract services (for use on IC Agreements only).
- **5211 – Conference, In State:** Expenses incurred for pre-approved conferences within the state of California (for use on Conference Expense Forms only).
- **5212 – Conference, Out State:** Expenses incurred for pre-approved conferences outside the state of California (for use on Conference Expense Forms only).
- **5220 – Mileage:** Mileage, parking, and/or bridge toll expenses incurred when driving a personal vehicle for approved district/college business (for use on Mileage Claim Forms only).
- **5310 – Dues/Memberships**

- **5514 – Utilities/Phone**
- **5610 – Rental/Buildings**
- **5620 – Rental of Equipment:** Includes cost of renting equipment for which the District accrues no rights of ownership.
- **5621 – Software License:** Includes cost of software site licensing fees, either one-time or annual. When using 5621, the assumption is that software (disks and documentation) has been purchased separately and the purchase is for additional licenses or renewal of annual license fees.
- **5630 – Repair of Equipment, Labor:** Includes the cost of parts and labor to repair equipment, extended warranty agreements, and annual maintenance agreements. If parts are purchased separately, account 4570 should be used.
- **5640 – Repair Vehicles:** This includes parts and labor.
- **5650 – Repair Buildings:** This includes the labor used to repair the building itself. This should only be used if the more specific objects listed below do not apply.
 - **5651 – Moving Services**
 - **5653 – Repair Service Systems:** Includes heating, ventilation, boilers, swimming pools, and the irrigation and sprinkler systems, etc.
 - **5656 – Repair Paint & Plaster**
 - **5657 – Repair Doors and Locks**
 - **5658 – FF&E Design Services**
 - **5659 – Repair Fire Damage**
- **5662 – HazMat/Abatement Services**
- **5670 – Film rental:** Includes the cost of film rental and also the cost of preview fees when they are applicable to the purchase price.
- **5690 – Other Contracted Services:** Includes the cost of services, other than repair or printing; for example, graphic artistry and design, furniture assembly, typesetting, videotape production, sign making (unit price under \$2,000), catered food, fees for athletic officials and athletic events.

Note: Conference registration fees are to be submitted on conference advance or reimbursement forms charged to the appropriate 5200 account. With the exception of fees, a contract or written quotation outlining prices and services to be rendered is required. Vendors providing services (with no tangible product included) under a Social Security number are paid as independent contractors under 5110.

- **5694 – Contracted Printing Services:** Includes cost of printing done by outside firms, including T-shirt screens (shirts are charged to 4510; set-up fee charged to 5690).
- **5712 – Legal Advertising:** Includes cost of placing ads in print media for purposes of legal bid, pre-qualification, and conference notification.
- **5820 – Postage**
- **5840 – Advertising:** Includes the cost of advertising and promotion, other than legal advertising such as required for formal bids.

6000 – Capital Outlay

- **6120 - Improvement of Sites**
- **6121 – Architect Fees**
- **6122 – Engineering Services**
- **6123 – Landscaping Services**
- **6210 – Building Improvements:** Includes cost of capital additions or improvements to buildings that include materials and installation, such as installation of built-in fixtures (doors, windows, window coverings, electrical wiring, cabling, fixed playground equipment, flagpoles). Ordinarily used for projects over \$5,000.
- **6211 - Architect Fees**
- **6212 – Inspection**
- **6213 – Tests**
- **6218 – License & Permit:** Used for licenses/permits related to construction projects only.
- **6220 – Building Construction:** Expenditures for the costs of construction of new buildings and replacement of obsolete buildings.
- **6310 – Books:** For Library purchases only.
- **6320 – Books & Multimedia:** Expenditures for the purchase of books, magazines, periodicals and non-print media for the college library, for items valued over \$5,000. Note: Library books valued UNDER \$5,000 should be charged to 6310.
- **6450 – Inventoried Equipment:** Includes all equipment with a unit cost of \$5,000 or more (including sales tax, delivery and installation). Equipment is durable, tangible property with a useful life of more than one year, *other than* land, buildings, improvements to buildings and furniture.

All inventoried equipment items are fixed assets and must be assigned asset tag numbers by Purchasing. For tracking purposes, the inventoried equipment is tagged upon receipt and entered into the District's fixed asset records. A corresponding *Asset Addition Form* must be updated with all pertinent information (e.g. model, location, serial number) and forwarded to Purchasing.

- **6459 – Software:** Includes software and software license that has a unit cost of more than \$5,000. Note: A package of multiple copies of the software/licenses with per copy cost of under \$5,000 is coded to 4510.
- **6470 – Inventoried Furniture:** Includes furniture with a unit cost of \$5,000 or more (including tax, installation, project management and shipping). All inventoried furniture items (or systems) are fixed assets and must be assigned asset tag numbers by Purchasing. For tracking purposes, the inventoried furniture is tagged upon receipt and entered into the District's fixed asset records. A corresponding *Asset Addition Form* must be updated with all pertinent information (e.g. model, location, serial number) and forwarded to Purchasing.
- **6480 – Replacement Inventoried Equipment:** Includes replacement equipment lost due to theft, which costs at least \$5,000 including tax, installation, project management and shipping. Inventory tags are assigned by Purchasing for items charged to 6480.
- **6490 – Inventoried Equipment from Federal Grants:** Federal Grants require that we track all equipment valued greater than \$5,000. This accounting code allows us to separate those purchases and easily identify them. Refer to the Federal Grant in question for specific requirements that may deviate from this standard.

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