Introduction to Procurement

Course Objectives

In this module you will learn about the state procurement program and how to make micro purchases. You’ll also learn about some goods and services that require special procedures.

Level 1 Purchases

Level 1 purchases are needed goods and services valued at less than $10,000. We call these “micro purchases.”

What is Procurement?

Procurement is the process of acquiring goods and services by purchasing, renting, or leasing. The procurement process includes preparing specifications and solicitations. The procurement process also includes evaluating bids and proposals, awarding contracts, and contract administration. A solicitation is a document that describes what you need and gives vendors instructions for responding.

The State spends a significant amount of money through the procurement process. So, it is important for employees who purchase for state agencies and institutions to know and comply with the procurement laws, rules, policies and procedures.

Overview of the State Procurement Program

N.D.C.C. Chapter 54-44. 4, N.D.A.C. Article 4-12
N.D.C.C. section 15-10-17 State Board of Higher Education (SBHE)

The Office of Management and Budget or “OMB” is the state agency that administers procurement for the executive branch of government, excluding institutions under the jurisdiction of the State Board of Higher Education. The State OMB promulgates rules related to state procurement practices. The State Procurement Office (SPO) is the section within OMB responsible for state procurement.

Higher Ed

The State Board of Higher Education has the authority to determine purchasing policies for the North Dakota University System in coordination with OMB. The State Board of Higher Education establishes procurement policies, and the North Dakota University System establishes purchasing procedures. Each Higher Education institution develops internal procedures.

Throughout this training we will refer Office of Management and Budget as “OMB” and the State Board of Higher Education as “Higher Ed.”

Procurement Manuals

The State Procurement Office has published guidelines related to State Procurement. As a procurement officer, you need to be familiar with these guidelines. This training is based on the State Procurement
level 1 manual. You can find these guidelines on the OMB website: http://www.nd.gov/omb. Keep this manual handy and up to date.

**State Procurement Office**

The State Procurement Office provides a wide array of purchasing services and focuses on purchases that represent a significant dollar value. State Procurement establishes state contracts for commonly used goods and services. You will learn more about these state contracts during this Level 1 training.

The State Procurement Office also:

- Purchases for agencies and institutions
- Develops purchasing forms and templates
- Conducts procurement training
- Maintains online procurement resources, and
- Provides assistance to agencies and institutions

**Agency Assignments**

A State Procurement Officer has been assigned to help your agency or institution. Visit the OMB website for a of the State Procurement Office agency assignments. Don’t hesitate to contact the State Procurement Office when you need assistance.

**Lead Procurement Officers**

Each state agency and Higher Ed institution is required to designate one or more persons to be responsible for procurement. This person is called the lead procurement officer. You should know who is responsible for oversight of procurement at your agency or institution. If you have any questions about purchasing, this is the first person you should contact.

OMB asks each agency head to complete a Procurement Liaison Designation form, to designate the agency’s lead procurement officer and liaison to OMB State Procurement. This form can be obtained from our website. The agency head completes the form and submits it to the State Procurement Office.

**Procurement Online Work Request System**

State Procurement will purchase on behalf of agencies and institutions. Certain types of purchases must be requested through the State Procurement Office.

The Online Procurement Office Work Request System allows state employees to submit a purchase request or ask for assistance. This system allows users to submit 8 different types of requests. The most common requests are print purchasing, alternate procurements, and solicitation reviews.
**NDGOV Credentials and Work Request System**

You must have a NDGOV user name and password to access the Online Work Request System (*Figure 1.*) If you do not have a NDGOV login, submit requests to the State Procurement Office information email account.

![Login](image)

![Main Menu](image)

*Figure 1*

Higher Education employees should check with your lead procurement officer to find out how purchase requests are handled.

After you log in, click **Add Procurement Request**. A purchase request form appears (*Figure 2*).

Simply complete the purchase request online, adding multiple attachments if needed, and click **Submit**.

Your purchase request will be assigned to one of the State Procurement Officers.
This button must be clicked for the attachment to be added.
Who is a Procurement Officer?

State Law defines a *Procurement Officer* as the person who has the authority to enter into and administer purchasing contracts. Procurement Officers also make written determinations regarding purchasing contracts.

The head of an agency or institution delegates purchase authority to employees who will purchase for their organization. A Procurement Officer is an authorized representative of an agency or institution acting within their limits of authority. As a procurement officer, you need to know what you have authority to purchase.

**Training and Certification**

Individuals who purchase on behalf of state agencies and higher education institutions must attend the appropriate level of procurement officer training.

**Certification Program**

The training schedule can be found on the OMB website.

<table>
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<tr>
<th>Level 1</th>
<th>Micro purchases less than $10,000. You obtain level 1 certification by completing this online training course.</th>
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<tr>
<td>Level 2</td>
<td>Informal purchases at least $10,000 but less than $50,000. You obtain level 2 certification by completing the online level 1 course and a level 2 course.</td>
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<td>Informal written purchases that are at least $50,000 but less than $100,000. You obtain level 3 certification by completing level 1 and 2 training and attending the level 3 classroom training.</td>
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<td>Level 4</td>
<td>Formal purchases of $100,000 and over. You must complete all four levels of training to become a level 4 procurement officer.</td>
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You need procurement training if:

- You are the lead procurement officer for your agency or institution
- You make purchases for the State
- You purchase from state contracts
- You must take procurement training if you use a state purchasing card, unless you only use the purchasing card for travel expenses

You do not need procurement training:

- To purchase from government entities
- To develop specifications, or
- Submit a purchase request
- If you receive and open bids or serve as an evaluator, you do not need procurement training
- Procurement training is also not required if you approve purchase orders, receive goods, review purchasing card transactions, and authorize payment
• Agency heads who signs contracts or forms are also not required to attend procurement training

You can find more information about the State Procurement Officer Certification Program on the OMB website.

**Level 1 Procurement Officers**

Level 1 Procurement Officers can make payments over $10,000 using a purchasing card. A purchasing card is simply a method of payment.

Level 1 Procurement Officers, who have the delegated purchase authority, can also make purchases from state sources of supply of $10,000 or more. When you use a state source of supply, like a state contract, the procurement process has already been done for you.

**Purchase Authority**

N.D.C.C. Chapter 54-44. 4-03

You are taking this training because you will make purchases for your agency or institution. If you are a Higher Ed procurement officer, check with your institution’s lead procurement to find out your delegated authority.

For state agency employees, OMB has delegated purchase authority to the head of your agency. The agency head may then delegate purchase authority to employees based upon the procurement certification training the employee has completed. Completing training does not guarantee that an employee will receive delegated purchase authority.

OMB has delegated unlimited purchase authority for goods and services. State agencies are only delegated authority to purchase printing under $5,000. Printing purchases over $5,000 must be requested through the State Procurement Office.

**Delegation of Purchase Authority**

When you have completed procurement officer certification training, you will complete the Delegation of Purchase Authority Form on the State Procurement website.

Complete section one by entering the date you completed each training course. The delegation will specify the limits of your authority, by indicating a dollar amount or listing specific goods or services you can purchase.

Section two needs to be completed by your agency head or designee. Your agency must maintain this form. You can only make purchases that are within the limits of your delegated authority.

**Know the Rules**

A significant amount of the state’s taxpayer dollars are spent through the state procurement process; so, the integrity of the state procurement program is paramount. Any improper actions or the appearance of improper actions by state personnel or vendors can compromise that integrity.
If you obligate state funds through the procurement process, you must know and abide by the laws, rules, policies and procedures that govern purchasing for your agency or institution.

The integrity of the state procurement program is dependent upon sound procurement practices and procedures that are consistently applied by all employees purchasing on behalf of the state.

**Ethics**

As a procurement officer, you need to know the procurement rules related to ethics. Remember, as a procurement officer you represent your state agency or institution.

It is important to maintain courteous, professional relationships with vendors.

- All vendors must receive fair and impartial treatment.
- As a procurement officer, you must avoid activities, relationships, and communications with suppliers that may appear improper.
- All parties in a procurement transaction must act in good faith. Good faith means that all parties to a contract will deal with each other honestly and fairly.

Procurement laws and rules emphasize competition. As a procurement officer, your goal is to create a competitive solicitation process. The way you write your solicitation matters. Depending on the dollar value of the purchase, you may need to give public notice. The way you write your specifications impacts competition. The vendors you contact impacts competition. When you issue a solicitation, be sure to give vendors enough time to prepare their response.

Procurement Officers need to know the laws related to open records and confidential information. Avoid giving information to a prospective bidder that might give them an unfair advantage. Vendors commonly make open records requests after a procurement process, and you’ll need to provide public information in a timely manner. You must also ensure that any confidential information is protected.

**Conflicts of Interest**

As a procurement officer, you need to avoid any conflicts of interest.

A conflict of interest exists when an individual has a personal interest and a job responsibility, and the two conflict. For example, you may have a family member that sells the type of equipment you are looking for. Avoid even the appearance of a conflict of interest. If there is a potential or actual conflict of interest, have another employee make the purchase.

If you have any questions about conflict of interest, contact your lead procurement officer or legal counsel.

**Attempt to Influence**

So, what do you do if a vendor offers to buy you dinner, take you golfing, or brings you a gift?
As a procurement officer, you need to know the rules related to attempt to influence.

Vendors and contractors might offer gifts because taking clients to dinner or a sporting events is common in private sector business practices. However, as state employees and officials, we must consider the appearance of our interactions with vendors.

Procurement rules prohibit any vendor or contractor from giving state employees or officials things of value that might influence, or appear to influence, our procurement decisions. State employees or officials are prohibited from soliciting, accepting, or agreeing to accept things of value from vendors or contractors such as:

- Money
- Loans
- Credits
- Special discounts
- Subscriptions
- Offer of employment
- Gifts
- Entertainment
- Favors

Procurement rules do allow vendors or contractors to give items of nominal value as a gesture of goodwill or for public relations purposes. For example, many vendors hand out pens, pencils and note pads when calling on clients and making sales visits.

If you have any questions about a potential attempt to influence, contact your lead procurement officer or legal counsel.

Collusion

Collusion is a secret agreement between 2 or more vendors to circumvent laws and rules regarding competitive bidding. For example, 2 vendors taking turns to offer the lowest bid for a good or service. This is called bid rigging. Another example is competitors making an agreement about the prices they will charge the state. This is called price fixing.

As a procurement officer, be on the lookout for things that look suspicious, like identical mistakes in bids and patterns in awards. If you suspect collusion, contact the State Procurement Office.

Discrimination in the procurement process is prohibited. How you award a contract cannot be based upon discrimination because of race, religion, color, national origin, sex, age, pregnancy, parenthood, disability or political affiliation. Contact your lead procurement officer or legal counsel if you suspect discrimination.

Artificial Fragmentation

You cannot split a purchase or an invoice to stay below a certain dollar amount to avoid competition or stay within delegated authority limits. This is called artificial fragmentation.

For example, let’s say you need widgets, and you know the total value is more than $10,000. You cannot purchase part of the widgets this week and then buy the rest of the widgets next week to avoid having to get bids or to stay within level 1 purchase authority.
You should consolidate similar products that can be purchased from one type of vendor whenever possible. It is acceptable to separate urgently needed purchases from routine purchases.

Are there goods and services that you purchase on a reoccurring basis? You should consider consolidating reoccurring purchases or establishing a term contract.

**Violations**

![](image)

What if someone makes a purchase but doesn’t follow procurement procedures?

It is important to report any violations of procurement laws, rules, polices or procedures to your agency or institution’s procurement section, regardless of the cause.

Any procurement violations discovered by the State Procurement Office will be reported to your agency or institution. Procurement violations may result in disciplinary action. Employees who violate procurement requirements, may be determined to be acting outside of the scope of your authority. This could lead to you incurring personal liability if there is a lawsuit.

**Micro Purchases and Level 1 Purchase Procedures**

The procurement process begins when a need is identified. You or someone in your agency or institution needs something. As a procurement officer, you are responsible figuring how to acquire needed goods and services.

1. Consider whether the needed goods or service can be obtained from a Government Source of Supply.
   a. Agencies and institutions can purchase from state sources of supply and government entities without obtaining competition, regardless of the dollar amount.
   b. Some sources of supply may be mandatory.
2. If the commodities or services you need are not available from a state source of supply, you’ll need to conduct a procurement process.

The next module you will take in level 1 training focuses on state sources of supply in more detail.