



PROCUREMENT POLICY

1. Introduction

This Policy is intended to assist NEC staff in the procurement of capital equipment and services as well as to provide guidance for when a written contract and/or an insurance certificate should be obtained along with the item.

2. Capital Expenditure Overview

Yearly capital spending amounts are established by department heads during the annual budget process. Department Managers submit capital spend requests to their respective Senior Manager who reviews the requests and submits them to the Finance Department.

The Finance Department, in consultation with the Finance Committee, sets annual capital spend amounts which take into consideration NEC spending rule draw on the endowment, endowment returns, needs of NEC's physical plant, etc. The penultimate list of budget requests for subsequent Board approval is determined by senior management. Final approval for the capital budget rests with the Finance and Executive Committees, and subsequent to that NEC's Board of Trustees.

3. Capital Expenditure Definition

NEC defines capital expenditures as purchases over \$2,500 to acquire, upgrade, or maintain physical assets such as buildings and building improvements, furniture, instruments, IT infrastructure, and other large assets. Whenever capital purchases (which may or may not include other services such as consulting needed to place the asset in service) are procured on behalf of or for the benefit of NEC from outside sources, it is NEC's policy to use full and open competition, whenever feasible, and to have the procurement reflected in a written agreement whenever feasible (refer to item #12 below)

In addition, a capital purchase item may require NEC to enter into a related contractual relationship. This relationship is defined as an agreement that commits, obligates or binds NEC with a third-party vendor for some type of related service (training, implementation, etc.) in excess of \$2,500 within a given fiscal year. For the purposes of insuring complete oversight for any capital purchase, this type of obligation would require the same review and approval as the capital item itself.

4. Contractual and Purchase Approval Authority

Contractual: Authority to bind the Company to such a vendor contract resides with the President and the Chief Financial Officer ("CFO"). The President has generally re-delegated this authority to the CFO. The President or CFO may further delegate contractual authority to certain Vice Presidents, Deans or Directors. No binding commitment for materials or services shall be made

in writing, verbal or otherwise except by persons having contractual authority acting within the limits of their respective authority. (refer to NEC's Signatory Authority Policy).

Capital Purchases: Once the Board of Trustees approves the capital budget, managers may complete NEC's Purchase Order form (attached as Appendix A) and submit it to the Finance Department for approval and processing. Individual budget managers will have reasonable discretion to manage their overall capital budget; but if for some reason an individual expenditure is postponed or cancelled the budget manager should not assume they have the authority to spend that money on a new and totally unrelated expenditure. Any capital amounts proposed to be re-purposed for items other than the Board approved budget item above \$10,000 require approval of the CFO. Any capital expenditures for items or purposes (or overspending) above \$50,000 require approval of the Finance Committee of the Board.

5. Necessity for Written Contracts

It is NEC's policy that a written contract is necessary under the following situations independent of one another:

- 5.1 Use of an independent contractor to provide support services in excess of \$10,000 such as installation, repair warranties, instruction, etc. The Business Office will not process payments for independent contractors without signed contracts and completed W-9's.
- 5.2 The purchase of services where a vendor could expose NEC to risk or potential liability if they failed to perform those services in a prudent and responsible manner.
- 5.3 The purchase or use of services where proprietary, trade protection or confidential information is used. Proprietary information includes any student or alumni information as well as personally identifiable financial data (e.g. bank account numbers, credit card information).
- 5.4 The agreement to purchase services extends over a term of more than twelve months and is in excess of \$10,000.
- 5.5 Purchase of goods or services where a guaranteed price arrangement exists and it is in the best interests of NEC to have a contract.

6. Insurance requirements

It is NEC's policy to require an insurance certificate from any vendor who performs capital related services on NEC's campus (examples: facilities vendors for elevator work, boiler replacement, etc.). It is the responsibility of the procuring department to obtain these insurance certificates on an annual basis or prior to the commencement of any work. The Finance Administrative Senior Manager will work with individual budget managers to make determinations of when a certificate of insurance is required and train individuals on how to

review certificates for adequacy.

7. Record Retention

Any contract executed by any delegate of the President or CFO that meets the requirements of Sections 3 through 5 above must be forwarded to the Finance Office for retention and determination of proper accounting immediately after execution. The CFO may waive this requirement or increase the threshold for certain departments such as Building Operations.

8. Vendor Relations and Conflicts of Interest

NEC staff whose duties and responsibilities, directly or indirectly, involve dealings with vendors shall observe the following:

- 8.1 To insure a policy of impartiality toward suppliers, NEC will not enter into purchases or contract negotiations with a supplier or his representative if an NEC employee has a substantial interest (advantage, profit, responsibility) in the business affairs of the supplier without special approval from the President and/or CFO. Such relationships must also be disclosed per NEC's Conflict of Interest Policy.
- 8.2 No employee shall perform consulting services or engage in other employment for or business with the Company's suppliers without written approval of the President and/or CFO.
- 8.3 No binding commitment shall be made on behalf of NEC by any employee not having contractual or purchasing authority. Commitments, arrangements, or promises of business made orally or by personnel without contractual authority are prohibited.
- 8.4 Except in emergencies or as approved on an individual basis by the President or CFO, all commitments shall be made in accordance with established policies.
- 8.5 Solicitation or acceptance of gifts, gratuities, kick-backs, fees or commissions solicited or tendered with the intent of influencing the award of a contract or potential business is forbidden by NEC policy and may result in disciplinary action, including termination, of the employee concerned.

9. Vendor Contact

Prices and specific information received from vendors should be considered confidential in fairness to all concerned. Quotations or proposals of one vendor may not be divulged to another, and such information shall not be circulated indiscriminately within or outside NEC.

10. Vendor Selection and Oversight

It is NEC's policy to seek new qualified vendors and to monitor the performance of current vendors.

NEC will seek to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. Surveys of vendors' facilities may be conducted to estimate the performance capability of potential and/or actual vendors. Standard requests for proposal should be used whenever appropriate.

11. Purchases From Employees

It is NEC's policy not to purchase products or services from employees except when all of the following conditions are present:

- 11.1 The supplies or services desired cannot be obtained from any other source;
- 11.2 The procurement is in the best interest of NEC; and
- 11.3 The procurement action has the specific prior approval of the CFO.

12. Requirements for competitive bids

- 12.1 Purchases less than \$25,000 do not require competitive bids prior to award; however, competitive bids may be obtained if it appears to be in the best interest of NEC to do so.
- 12.2 Purchases in excess of \$25,000 and purchases of services in excess of \$25,000 require competitive bids prior to award unless there is a justified sole source. Justification for a sole source acquisition must be in writing and submitted to the CFO for approval prior to placing any order with a vendor. Sole source justifications or competitive bidding are not needed for specialty type commitments but these commitments must be approved by the President and/or CFO prior to execution of any contract.

13. Purchasing with Federally Sponsored Funds

Procuring property and services using federally awarded funds must be made in accordance with the U.S. Government's Office of Management and Budget "Uniform Guidance." Budget managers must confirm with the Business Office before entering into a contract whether any of the funds will be derived from a federal award.