HARVARD
Financial Administration
STRATEGIC PROCUREMENT

HARVARD UNIVERSITY PROCURE-TO-PAY MANUAL

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OVERVIEW

The Harvard University Procure-to-Pay Manual is a resource for faculty, staff and students, or other individuals who plan for or purchase products, equipment, supplies and/or services with University funds. This includes purchases made with a Purchasing Card (PCard), Corporate Card or other University Cards, purchase orders and payment requests generated using the Buy-to-Pay (B2P) system or other systems used by Harvard as well as legitimate purchases of goods and services purchased with personal funds and later reimbursed.

B2P is considered the system of maintenance as well as system of record for the electronic and uploaded documents, whereas Oracle is the system of record from a tax reporting perspective and where the charges against the GL ultimately reside.

At Harvard University, buying decisions are often made by faculty and staff in the schools and departments. The University expects these individuals to base purchases on sound business practice, best value, accountability, and compliance with donor, sponsor, and regulatory requirements. Individuals planning for or making purchases must follow established Harvard University policies and procedures.

The Strategic Procurement department exists to help the University obtain the best quality and value for goods and services. One way we do this is by establishing Preferred Vendors / Suppliers* for major commodities. Harvard Preferred Vendors have been selected through a formal sourcing process resulting in a contract and/or pricing agreement with negotiated pricing, terms, and conditions favorable to Harvard. By ordering goods and services from these Preferred Vendors whenever possible you receive the best value for your dollar through a combination of competitive pricing, effective service, and appropriate quality. In addition, the use of Harvard's Preferred Vendors reduces administrative burden and maximizes the University's buying power. The list of Harvard Preferred Vendors may be found on the Strategic Procurement website. Strategic Procurement website.

Terminology in this document:

- Harvard may use the terms vendor, supplier, and contractor interchangeably.
- Any references to Accounts Payable and AP, are referring to the Strategic Procurement Central Accounts Payable department.
- Strategic Procurement may be referred to as SP in this document.
- Harvard may use the terms shopper, requestor, preparer, delegate, and approver to describe individuals who make a purchase commitment on behalf of Harvard or who are responsible for requesting or processing a payment by Harvard.

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

- Identified a legitimate need for the purchase,
- Competitively bid or negotiated the purchases, when appropriate,
- Met Federal procurement requirements,

- complied with the Conflict of Interest and Code of Ethics,
- selected qualified supplier,
- dealt with supplier professionally,
- received and inspected your purchases,
- sourced local and small business suppliers where appropriate,
- met documentation requirements to support your purchase,
- will review and process your invoices promptly.

Note: Schools or Units may have more restrictive requirements. Contact your Finance Office for guidance. Additional requirements may apply based on donor, sponsor, and regulatory regulations. For example, Harvard receives substantial research funding from federal agencies and is obligated to comply with federal and grant requirements. See Section VII: Federal Procurement Requirements.

SECTION I: CONFLICT OF INTEREST AND RESPONSIBILITIES, CODE OF ETHICS, PERSONAL PURCHASES

CONFLICT OF INTEREST AND RESPONSIBILITIES OF PURCHASERS, PREPARERS AND APPROVERS

All purchasing activities conducted on behalf of Harvard University, whether performed by Strategic Procurement or other University employees and non-employees, and whether made with federal or non-federal funds, must follow the Conflict of Interest Standards listed below. These standards are intended as a supplement to Harvard's existing conflict of interest policies.

In addition, individuals who make purchases with University funds, or who prepare or approve transactions using Concur, Corporate Card, B2P, or PCard as well as any transactions that feed into the Oracle e-business suite from other systems (e.g., Aleph, Presto, Sutherland Global, etc.) must follow the Responsibilities of Purchasers, Preparers and Approvers Policy (ROPPA). New users with the role of requestor, delegate, preparer, shopper, or approver to the Buy-to-Pay (B2P) and PCard holders as well as approvers in the Concur system must complete an on-line training prior to using the system(s). Other systems that have an approver component may require ROPPA Training. Contact your local Finance Office for guidance. Faculty ROPPA training requirements are at each School's discretion.

- Avoid the intent, appearance, and conduct of unethical or compromising practice in relationships, actions, and communications, including with affiliates or subsidiaries, or organizations that President and Fellows of Harvard College controls. For the most part, this does not include area hospitals and clinics with whom we work closely but are not part of Harvard. When transacting with an affiliate or subsidiary, you must abide by the same standards within this section.
- Demonstrate loyalty to Harvard University by diligently following the applicable laws, policies and procedures using reasonable care and only the authority granted as an agent purchasing on behalf of the University.

- Refrain from any private business or professional activity that would create a conflict between personal interests and the interests of Harvard University. A conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.
- Avoid procuring goods or services from a supplier who participated in advising, developing, or drafting the request for proposals or bidding criteria.
- Refrain from soliciting or accepting money, loans, credits, or prejudicial discounts; such as the acceptance of material gifts or entertainment, or any kind of favors or services from present or potential suppliers that might influence or appear to influence procurement decisions.
- Handle information of a confidential or proprietary nature to Harvard University and/or suppliers with due care and proper consideration of ethical and legal ramifications and governmental regulations. Bids and quotes submitted to the University are to be held in strictest confidence. Under no circumstances may Harvard personnel give suppliers information about bids or quotes from competing sources.
- Promote positive supplier relationships through courtesy and impartiality in all phases of the procure-to-pay cycle.
- Do not use Harvard University systems for personal purchases or use Harvard University buying power for personal benefit unless SP has negotiated personal discounts with the supplier. See SP Personal Discounts for more information. The University's tax-exempt status may not be used for personal purchases. See Section on Personal Purchases
- University funds cannot be used for personal expenses and purchases that are not made on behalf of the University or for use by the University. Purchases must be for the use and benefit of Harvard University, regardless of intent to reimburse the University.
- If an individual believes that they may have a conflict of interest, the individual **must promptly and fully disclose the conflict to their supervisor** and **suspend participation on the purchase** until conflict question has been resolved. The supervisor is responsible for documenting the conflict and elevating it to the school Financial Dean's office or other office as appropriate. The supervisor in conjunction with other relevant offices will assess the conflict and determine if the purchaser can resume participation or if a management plan is needed. This section is not meant to replace or detract from the existing Harvard Faculty Financial Conflict of Interest Policies.

Violations of the above standards are considered serious misconduct and will be referred to the appropriate office for disciplinary action.

CODE OF ETHICS

Individuals purchasing goods and services on behalf of Harvard University should conduct business in a manner that is **consistent with the educational and research goals of the University**. Purchasing activities should be conducted in a professional manner and be based on sound business practice, best value, accountability, and compliance with donor, sponsor, and regulatory requirements. Individuals planning for or making purchases must follow this and other established Harvard University policies and procedures.

Harvard University personnel must purchase goods and services using practices that are compliant with applicable laws, regulations, and obligations, and aligned with Harvard's policies and objectives. The Federal Uniform Guidance mandates that purchases made with federal funds follow specific procedures and the University requires all purchases made with federal funds to follow these procedures. In addition, all purchases must comply with all terms and conditions of the funding source. Finally, the University strongly encourages best practices for purchases made with non-federal funds.

Whenever possible, all individuals purchasing on behalf of Harvard University should purchase goods and services from Harvard Preferred Vendors to reduce administrative burden and maximize the University's buying power.

Efforts should be made to maintain positive and professional relations with suppliers. Business should be conducted in good faith and disputes resolved quickly and equitably. Suppliers doing business with the University should be held to standards promoting sound and ethical business practices.

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

PERSONAL PURCHASES

University funds cannot be used for personal expenses and purchases that are not made on behalf of the University or for use by the University. Purchases must be for the use and benefit of Harvard University, regardless of intent to reimburse the University.

Do not use Harvard University procure-to-pay systems for personal purchases or use Harvard University preferred vendors or other buying power for personal benefit unless SP has negotiated personal discounts with the supplier. See SP Personal Discounts for more information.

In no case may Harvard's tax-exempt status be used for personal purchases. Inappropriate use of Harvard's tax-exempt number may jeopardize the University's tax-exempt status. In addition, inappropriate use may also be subject to disciplinary action up to and including termination of employment.

SECTION II: BUYING AT HARVARD

THE ROLE OF STRATEGIC PROCUREMENT

The mission of Strategic Procurement is to:

Deliver procurement services and support to the Harvard University community that furthers the strategic objectives of the schools and administrative organizations. Provide value to the University by:

- Engaging with and advising Schools and Units across the University to meet their strategic objectives through procurement services and support
- Leveraging University buying power through supplier management, contract negotiation, adoption of technologies, and collaborative buying

- Supporting the local business community and sustainability
- Comply with appropriate federal, state, and University regulatory and required policies.

HOW STRATEGIC PROCUREMENT WORKS WITH THE SUPPLIER COMMUNITY

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

- Overall University expenditures
- Prevalence of spend throughout the Harvard community
- Recognized opportunity for leveraged buying
- Perceived risk factors
- User request or interest
- Other considerations, including diverse and small businesses

Note: In some cases, supplier relationships are managed by other Harvard departments or units outside of Strategic Procurement.

BEST VALUE VS. BEST PRICE

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

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

SUPPLIER DEFINITIONS

A supplier may be an individual or entity providing a good or service to Harvard. Harvard uses the term supplier, vendor, and contractor interchangeably.

Suppliers must have an active supplier record in the B2P Supplier directory before they can be paid by Harvard. In some cases, tax withholding may apply to payments (e.g., Massachusetts Performer Tax or foreign individuals or entities providing service in the U.S. where a tax treaty or other does not apply, copyright income, etc.).

Be sure to follow the Procurement Policy and Appendix B: Summary of Purchasing Procedures for Standard Purchases as well as other University Financial Policies before making a financial commitment on behalf of Harvard. Policies which may be applicable include the Independent Contractor Policy, Procurement Policy, Financial Management of Property Plant and Equipment, etc.

In an effort to leverage Harvard's supplier spend across the University and ensure we are receiving the best value and superior service from our supplier partnerships Strategic Procurement has established a network of **Preferred Vendors**. In addition to our Preferred Vendors there are many other **Contract Vendors** who have a signed, negotiated contract with Harvard that may not have gone through a full sourcing process. Utilizing these contracts can save time and money and should be considered before selecting a supplier.

University Preferred Vendor Relationships (PV)

University Preferred Vendors (PV) are vendors that have been awarded a contract and/or pricing agreement with negotiated terms and conditions and pricing favorable to Harvard, for use by all University schools or units. Preferred Vendors do not sufficiently meet formal procurement requirements under Uniform Guidance.

The list of University Preferred Vendors can be found at: https://internal.procurement.harvard.edu/goods-services

In addition, Harvard may access competitively bid contracts conducted by different group purchasing organizations (GPO) and consortia - some examples are E & I, Mass Higher Education Consortium (MHEC) and U.S. Communities based on evidence of consortia's sound competitive and ethical procurement practices.

Strategic Procurement is the only office which may flag a vendor as a Preferred Vendor / Supplier in Buy-to-Pay. If a school or unit has negotiated an agreement with a vendor/supplier/contractor and they meet certain requirements, they may qualify as a University Preferred Vendor / Supplier, schools or units should contact SP to see if they can be listed as a preferred vendor.

Preferred Vendor relationships typically include the following characteristics or outcomes:

- Products/services provided impact a large section of the community with significant spend
- The sourcing process involves a comprehensive RFP (Request for Proposal) process, coordinated by a Procurement office involving key stakeholders
- A University contract is developed and executed

- Supplier activity and performance is managed, measured, and monitored on campus through regular meetings and reporting
- Procurement and the vendor actively seek opportunities to add value and reduce costs.
- Procurement works to keep apprised of shifting market factors and the competitive marketplace in the commodity the vendors represent. Vendors may be subject to benchmarking and auditing.
- Stakeholders may meet periodically to review the status of the relationship and provide feedback

Access and Opportunity

Harvard champions the principles of broad access and opportunity and is committed to ensuring that they remain integral parts of our strategic sourcing and procurement processes. Additionally, Harvard is committed to fostering a procurement process that is open to all qualified suppliers. This dedication supports a business environment where all enterprises, including small and local businesses, have the opportunity to grow and succeed.

SECTION III: SETTING UP A VENDOR/SUPPLIER

Any vendor/supplier (individual or entity) must be set up as a supplier before they can be paid through the accounts payable system.

In all cases, in order to comply with Internal Revenue Service regulations and report or withhold taxes as appropriate, a supplier will need to submit and upload a completed form (W-9 for U.S. individuals or entities and an appropriate form W-8 for foreign individuals and entities). See B2P Supplier Portal Quick Reference Guides for guidance on how to set up a supplier.

Suppliers are encouraged to utilize the self-service Supplier Portal in B2P as a method of transmitting their tax documents and any related material that needs to be stored or updated in B2P. Examples of information stored in the B2P supplier profile: contact addresses, remittance information, legal structure, tax documents, international documents such as Visa information, and other data pertinent to the procurement and payables process. Suppliers may join our Supplier Portal by accessing a URL provided in a B2P Supplier Portal invitation sent by a Harvard University Supplier Portal user. Visit the B2P website for more details here. The B2P solution is hosted by Jaggaer; more information for suppliers is also located here on Jaggaer’s website. Suppliers (both individuals and entities) may select to have payments transferred via ACH if they have a U.S. bank account. Suppliers can also look up Purchase Order and payment history in the supplier portal.

All suppliers added to Harvard's B2P system are connected to an automated, dynamic screening process called Visual Compliance (a third-party vendor, aka Descartes). The Visual Compliance database notifies Harvard's Supplier Onboarding team of any changes in a supplier's procurement and payables restrictions status. In addition to checking for debarments, Visual Compliance screens all government watch lists, including:

- Restricted Party Lists
- Export-related Restricted, Denied, Blocked Persons List (OFAC)
- Sanction Programs-related Blocked Persons List (OFAC)
- Law Enforcement-related Wanted Persons
- Politically Exposed Persons and OIG
- Int'l Terrorist, Blocked Person, Wanted, Entity List
- GSA (General Services Administration) list of Excluded Parties

For questions about Visual Compliance, please contact: AP_SupplierOnboarding@harvard.edu.

SECTION IV: PURCHASING PROCEDURES

FOUNDATIONAL PRACTICES

After reviewing and following any Procurement Policy requirements, be sure to follow processes in the Buy-to-Pay system. For detailed instructions on how to enter an order in B2P, please refer to the eLearning, Quick Reference Guides (QRGs), and FAQ found here on the B2P project website.

High Risk Confidential Information (HRCI)

Shoppers, requestors and approvers should not attach documents that contain HRCI data or enter HRCI data in free form text fields. Please note that Accounts Payable does not pre-audit invoices for confidential information. If a supplier invoice contains confidential data, Shoppers/Requestors should password protect any attachments or remove any confidential data before attaching in B2P or forwarding the invoice to Accounts Payable.

- University-generated purchase order documentation may often be used instead of a Service Agreement / Contract for straight-forward purchases of goods that are low-risk and do not require confidentiality agreements.
- Supplier quotes should not contain any terms and conditions that conflict with Harvard's standard terms that appear on the Harvard PO documentation. See https://procurement.harvard.edu/terms-and-conditions
- Approver levels and org combinations are setup through the Authorized Requestor process. For further information on that process, please visit: https://cs.fss.finance.harvard.edu/.

Requisitioning options:

When using Catalog/Punchout or Non-Catalog Ordering, a purchase order (PO) number and PO documentation is generated when approved. A PO is generally issued at the start of a business transaction / commitment and documents the expectations in regard to the product or services required. The PO documentation may be sent to the supplier and acts as the legal agreement instead of a service contract/ agreement.

1. **Catalog/Punchout ordering:** Catalog/punchout ordering provides users access to Harvard negotiated goods and services. Users shop in a supplier's online catalog and order electronically through the B2P requisitioning process. A Catalog/Punchout requisition becomes a Purchase Order (PO) when approved in the B2P system.

2. **Non-Catalog ordering:** When an item cannot be found in one of the Catalog/Punchouts, then a "Non-catalog" request can be entered. When entering a Non-Catalog request, the local unit is responsible for negotiating pricing, etc., with the supplier. A Non-Catalog requisition becomes a Purchase Order (PO) when approved in the B2P system.

   Standing Amount Based option: The requisition and corresponding PO can be setup as a *Standing Amount Based PO* to allow for multiple invoices to be applied by dollar amount instead of quantity. Refer to Standing Amount Based quick reference guide for more information.

   - The Purchase Order (PO) document which contains legal terms and conditions of performance should be distributed to the supplier unless a separate written agreement has been negotiated and signed with the supplier. The PO documentation, if sent to the supplier, acts as a contract and is legally binding.
   - The system PO distribution method is based on the default purchasing contact information on the supplier record. Refer to Non-catalog Item quick reference guide and FAQ for more information.
   - Always check the distribution method on the PO before manually sending the .pdf to the supplier to avoid duplicate fulfillment.

3. **Payment Request (PR)**: Used to initiative payments specific to nonstandard transactions. Refer to the Payment Request quick reference guide for more details

4. **Non-Employee Reimbursement (NR):** Used when requesting a payment of expenses for non-employees and Harvard individuals in certain categories. Refer to the Non-employee Reimbursement Request quick reference guide for more details.

OTHER PURCHASING OPTIONS:

PCard & Other University Issued Cards (Corporate Card Department, etc.)

University-issued cards such as PCards Corporate or Department Cards may be used instead of Purchase Orders or Payment Requests as a purchasing mechanism in certain circumstances.

The University's PCard is used for low-dollar, high-volume purchases not available in B2P and is issued to employees at the request of schools and local units in accordance with the University's University-Issued Card Policy.

University-issued Corporate, Department or other cards may be issued to staff and faculty for reimbursable expenses incurred while traveling or conducting approved University business.

See the University Card Services Site for additional information.

REQUISITION AND PURCHASE ORDER ELEMENTS

Roles in B2P are as follows:

B2P eProcurement Roles

- There are three available roles in the B2P eProcurement module:
  - Shopper
  - Requestor
  - Approver

Roles-At-a-Glance

Role	Typical Function
Shopper 	• Shop/Create Carts • Submit cart to Requestor • Provide business purpose for goods and services • Review order status notifications and receiving requirements • *Optional Role in eProcurement workflow* • *Default access granted to eligible employees*
Requestor 	• Shop/Create Carts • Receive/consolidate carts from Shoppers • Evaluate/approve submitted carts (appropriateness, compliance) • Select and/or validate appropriate funding or other requisition information • Create and assign CoA favorites • Submit cart to Approver • *Required Role in eProcurement workflow* • *Access granted by Authorized Requestor*
Level 1 - 6 Approver 	All Approval Levels can: • Shop/create carts • Review transactions for details such as compliance, coding, and budget availability • Insert additional approver if required • Approve, return, or reject partial/entire requisition, Ad Hoc approver • Edit pending requisition(s) • *Required Role in eProcurement workflow* • *Access granted by Authorized Requestor*

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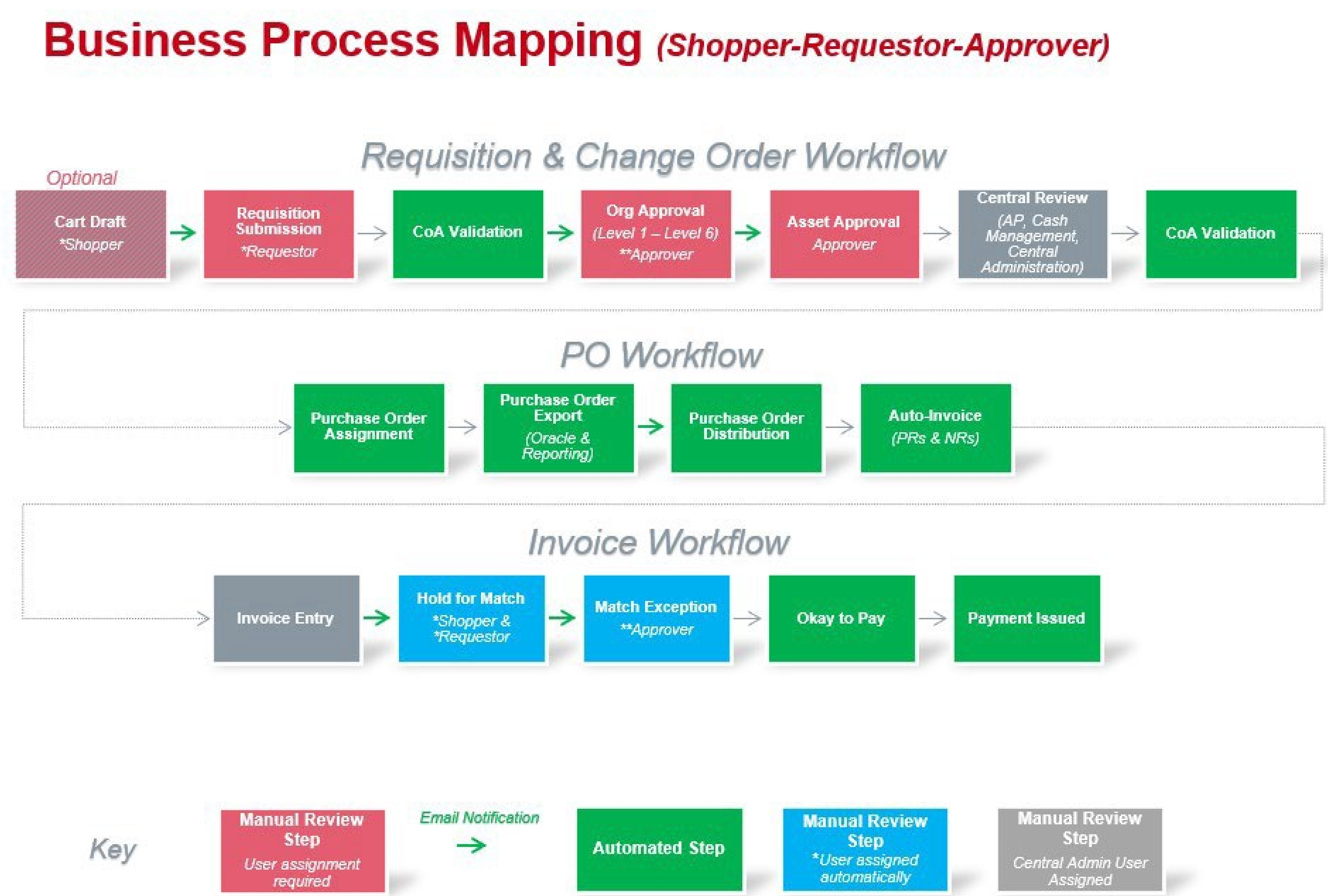
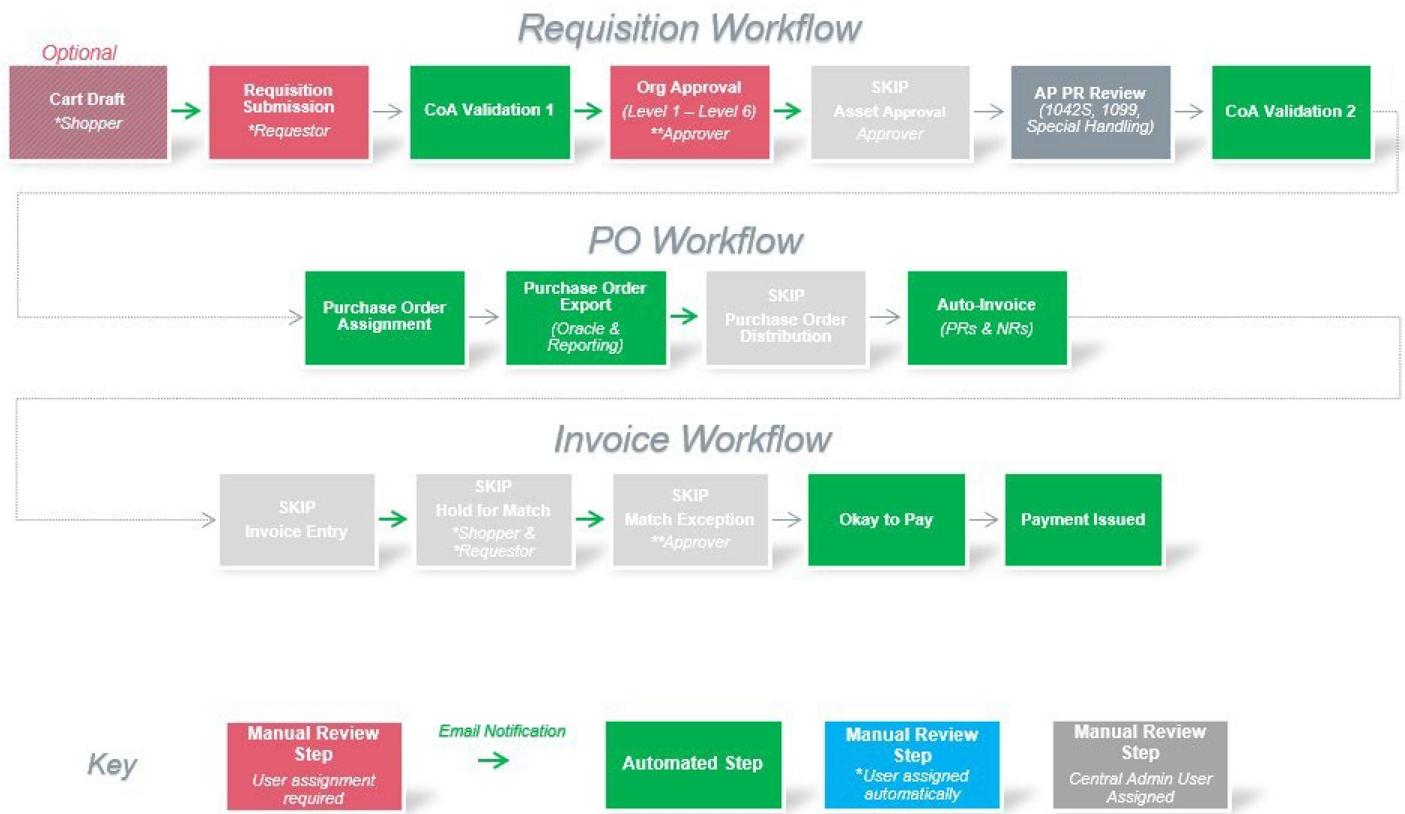
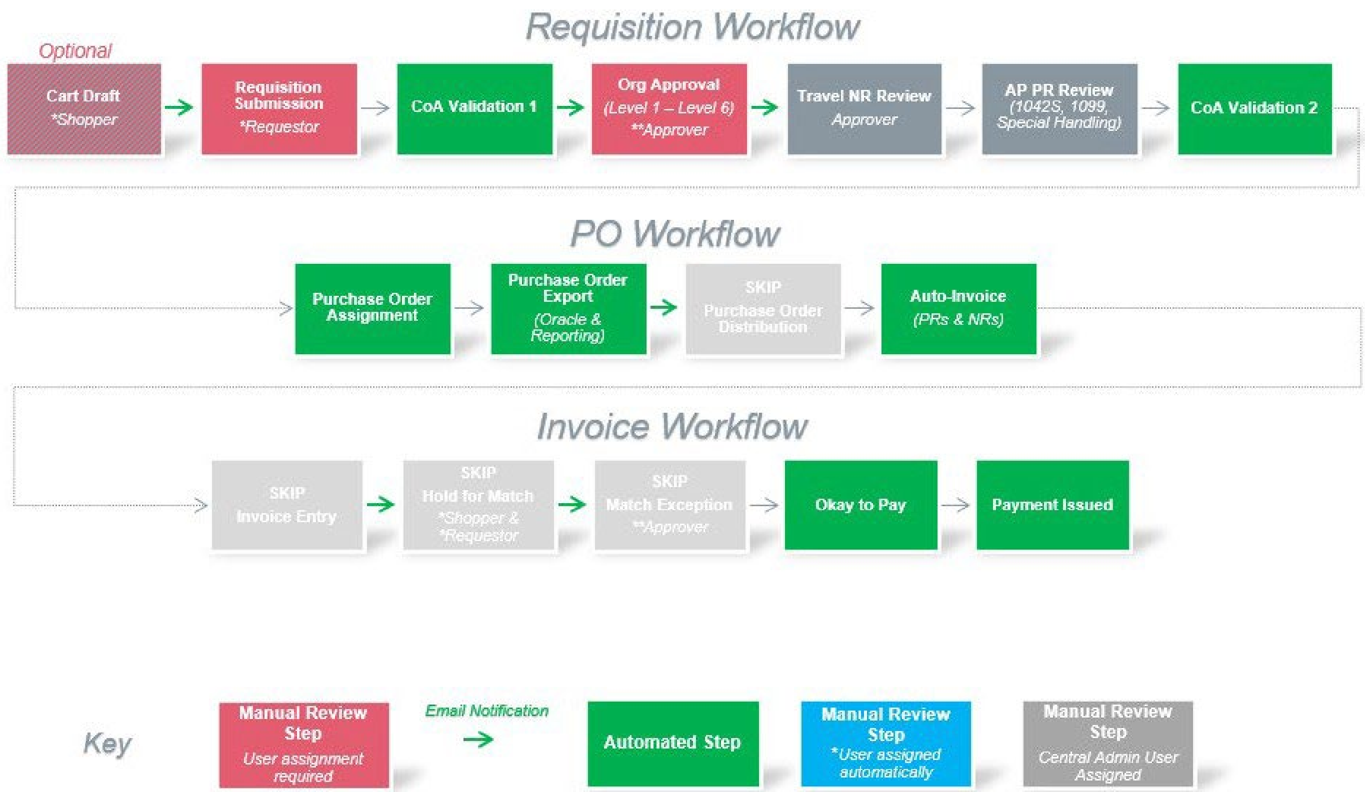
Requisition workflow in B2P is as follows:



Process Overview – Payment Request



Process Overview – Non-Employee Reimbursement



Shoppers, requestors, and approvers are responsible for ensuring that the appropriate level of detail is provided in the designated fields in B2P to support a valid business purpose description. Each cart has a unique “cart name” field and “Requisition Description or Business Purpose” field that can be edited for this use.

Important requisition and PO elements/data fields:

Bill to Address: This is the Accounts Payable address where invoice(s) related to a Purchase Order should be sent. This is hard coded in B2P and cannot be changed.

Body of the Purchase Order: Product description section should specify the exact quantity, manufacturer part number (if known), supplier part number (if known), description, and price. If available, attach a copy of the quote and reference it in the External Notes and Attachments section.

Harvard 33 Digit Code: Also known as Chart of Accounts (CoA), this is the budget line where this purchase is to be charged. Coding can be entered at the “header” level or for each line.

Purchase Order Date: The date the Purchase Order was generated.

Purchase Order Number: The unique number identifying the Purchase Order document that will be issued after all requisition approvals have been completed. Effective for tracking the purchase from order through to payment. Suppliers are expected to include this PO number on all invoices.

Ship to Address: Select the Harvard University address that should be used for shipping. Include the department, laboratory, room number, and the name of the person receiving the order. For compliance purposes, the Ship To address will be a Harvard facility (home/personal addresses are not allowed) and are the only ones found the search.

Internal Notes and Attachments: These documents are internal to Harvard and will not be seen by the supplier. They may include the Vendor Justification Form (VJF), Debarment Form, Independent Contractor Questionnaire (ICQ), if required or additional documentation the shopper, requestor, approver may wish to attach to the requisition (Service Agreement / Contract, other internal documentation, etc.)

External Notes and Attachments: These documents can be seen by the Supplier and may include any other additional information necessary for the supplier to process the order. Note: When an External Note is added to the PO, it becomes part of the legal document.

Location of Activity: Generally, the location of the activity is where a service is being performed, property is being rented, or the location of where fellowship income is expected to be utilized in support of one's scholarship or research. For Payment Requests (PR), use the dropdown list to select the location on the PR form. For POs, use the search & select within the shipping address tab to select the location. Click here for more information.

EDITING REQUISITIONS

Editing requisitions in workflow:

- Approvers cannot edit a requisition while in workflow, except to add a comment.
- If a change/edit is needed, Approvers can reject the requisition, or the Requestor can withdraw the requisition.
- The benefit to withdrawing a requisition is that the cart can then be copied to a new cart, updated, and resubmitted.

APPROVING REQUISITIONS

Approval Thresholds

Approvals are serial in nature, meaning a requisition starts at the lowest approval level and moves through subsequent levels until the total requisition amount is approved. This ensures that higher-level approvers see requisitions that have already been approved by staff in the lower approval levels.

- For example, if your Org had Levels 1, 2, and 3 set up, a $15,000 requisition would need to be approved by each of those levels. If your Org did not have a Level 2 approver, then it would route to Level 1 and then the Level 3 approver.

Authorized Requestors are the only individuals who can request someone to be setup as an approver, at which level, and for what org. Authorized Requestors will submit requests to Client Services.

Approval thresholds in B2P are as follows:

Approval Level	Dollar Range
Level 1	≤ $2,499.99
Level 2	$2,500 - $9,999.99
Level 3	$10,000 - $24,999.99
Level 4	$25,000 - $49,999.99
Level 5	$50,000 - $249,999.99
Level 6	≥$250,000

Self-Approval Threshold

Individuals with approval level 1 may self-approve up to $2,499.99 on non-sponsored purchases. Harvard does not recommend self-approval as a routine practice. Schools and units who do use self-approvals may want to create internal monitoring processes for self-approvals, such as regular review of reports available in financial systems (B2P, PCard, etc.).

Please note:
- Self-approval is not available when using fund codes 100000 through 299999.
- Harvard strongly recommends that an Approver should not approve transactions for their direct supervisor.
- Self-approvers may not submit new supplier requests (i.e. cannot have the supplier onboarding role)

Additional approval workflow options:

B2P Approvers can assign a substitute approver, forward a specific request for additional approvals, or add an additional “ad-hoc” approver to a specific request.

- **Substitute Approval:** Is commonly used when an approver will be out of the office and wants to have someone else approve their orders. The substitute approver must already be set up as an Approver in B2P. Both the approver and the substitute approver will receive B2P e-mails; either can act on those requests.
- **Forwarding**: When “forwarding” a requisition in B2P, the system generated approver is NOT approving the requisition but is instead handing over/forwarding their approval authority level to another B2P Approver. An email will be sent when the requisition is forwarded.
- **Ad-hoc approval**: Is when a shopper, requestor, or approver adds another B2P user into the requisition approval path at check-out or during the approval process using Ad-hoc functionality. An email will be sent to the Ad-hoc approver when it is their time to approve. Refer to the Quick Reference Guide for more information.

MAINTAINING PURCHASE ORDERS

Changing POs

Only Requestors and Approvers have the ability to initiate and submit a change request after the PO has been issued. The PO must still be open.
[Click here for more information on processing a change request](#).

Closing POs

POs will automatically close once the PO is fully matched to the invoice and receipt (if applicable).

Shoppers can close their own POs, and Requestors can close any PO, using the Document Actions on the specific PO.

Only Accounts Payable can re-open a PO. This cannot be done by Shopper or Requestor. Requests should be made to ap_customerservice@hardard.edu.

Cancelling POs

A Requestor should notify and confirm the cancellation with the supplier and then manually close the PO.

INVOICE PROCESSING

Invoice General:

Upon completion or receipt of the goods or service, a supplier must generate an invoice in order for a requestor to initiate the payment process. An invoice is a document issued by a supplier indicating the products, quantities and agreed process for products or services has been provided to Harvard. The invoice is evidence that Harvard has received the goods or services and is used to request the disbursement of University funds.

Invoice Requirements:
Invoices must include the following information:

- Invoice date
- Supplier name
- Supplier Remit To address
- Reference Harvard University/Department as the purchaser
- Best Practice: include Harvard-generated PO Number on the invoice
- Invoice description:
  - Description of goods or services provided to Harvard
  - Should include the location of the activity for AP to determine if tax withholding applies. See U.S. or Foreign-Source Income.
  - Date(s) of service or activity/transaction
  - Best Practice: include an itemized invoice showing description or quantity of goods/services, quantity / hours, and per unit price by line
- Invoice number
- Total invoice amount

Harvard-Generated Invoices

In some instances, Harvard may initiate a payment and a standard invoice may not apply (e.g., refunds, honoraria, prizes, fellowships, Harvard-earned royalty payments). B2P requestors may use an award letter, agreement between a speaker and department, or other documentation if it contains the invoice requirements listed above.

PO-related invoices: When a PO-related invoice is received in Accounts Payable and applied against the PO, the system attempts to validate (aka "match") the invoice for payment. To validate, each line item must successfully pass a three-way match between Purchase Order (PO) + Invoice + Receipt if the PO amount is greater than $2,500. If the PO totals less than $2500, receipts are not required. Once the invoice is matched, the invoice will pay according to the payment terms set up on the supplier record.

Click here for more information on receiving and the matching process.

Payment Requests (PR) are entered into B2P with an invoice attached. The PR automatically flips to an invoice for processing. *Do not send that invoice to AP.* Receiving is not required. Click here for more information on PR processing.

Nonemployee Request (NR) are entered into B2P, attaching the appropriate required documentation based on the IRS the Accountable Plan rules. The NR automatically flips to an internal invoice for processing. *Do not send any paper documentation to AP, the documentation uploaded into the NR is the documentation used to review and process the payment .* Receiving is not required. Click here for more information on NR processing.

RETURNS

Returning Goods to the Supplier

Goods should not be returned without first notifying the supplier. Some suppliers require the buyer to obtain a **return authorization number** and have procedures as to how and when a return shipment should be made. Some suppliers may also charge a restocking fee to offset the cost of returning the item to inventory. If the item being returned is expensive or fragile, it should be insured. Contact the Harvard University Insurance Department (495-8668) for adequate insurance.

A return receipt should be entered in B2P.

Please refer to quick reference guide for details on receipts.

MATCH EXCEPTION PROCESS

Match Exceptions

A PO-related invoice will not be matched and paid out if it does not meet the criteria listed in under Invoice Processing. The most common match exceptions are:

1. **Receiving**: An invoice for a Purchase Order of $2,500 or more is processed, but receiving is not complete in B2P.
2. **Quantity**: The invoice line has a higher quantity than the corresponding PO line.
3. **Price:** The invoice has a higher amount than the PO and is outside of system price tolerances. If an invoice comes in with a price overage, AP has an internal process to pay the PO amount. For questions, please refer to AP_CustomerService@harvard.edu

Click here for more information on the matching process.

PAYMENT

Harvard's standard payment terms are Net 30 based on invoice date. If more favorable terms are negotiated, Harvard may be eligible for early payment discounts. *Individuals* are set up with a default of Net 00 (Immediate).

Note: *Preferred payment method is electronic*, with multiple options depending on supplier type:

Companies: Paymode ACH is preferred for companies with U.S. bank accounts. See URL for details: http://www.paymode.com/harvarduniversity

Individuals: Zelle (Digital Disbursements) is preferred for individuals with U.S. bank accounts. Contact AP_SupplierOnboarding@harvard.edu for details.

Click here for more information on payment terms.

RECORD RETENTION

The Buy-to-Pay system will retain all materials uploaded into the system indefinitely. This includes the complete Jaggaer suite; Supplier Portal, eProcurement/AP, Contract Management and Sourcing.

B2P has a 5MB file size limit per attachment, with 10 attachments per object (an object is a requisition, contract, etc.).

See Harvard's General Records Schedule for additional details.

TAXES AND EXEMPTIONS

Harvard is a Massachusetts tax-exempt corporation and qualifies for tax exemptions in some states on purchases of goods or services (Federal EIN 04-2103580, MA Taxpayer ID 10798176, Certificate 342878208). In Massachusetts, Harvard is exempt from sales and meals tax, but not exempt from room tax. This applies to all purchases; both made via the PCard, Corporate Card, through direct billing or reimbursements to individual for out-of-pocket expenses.

In order to obtain an exemption, the purchaser may need to provide required state forms to the supplier. See the Tax Exemption Write-Up for additional guidance.

Note: When using federal funds, cost-share funds, or expenses being transferred onto federal funds, if a purchaser fails to use Harvard's tax-exempt status where allowed, the taxes may not be charged to a federal award. The taxes must be charged to non-federal funds using object code 8450. If Harvard is required to pay the taxes (i.e., room tax or other states where Harvard does not have tax exempt status), then the tax may be charged to the federal award using the appropriate expense object code. See the Sponsored Expenditures Guidelines.

Note: Resale of items may require payments of Unrelated Business Income Tax (UBIT) or sales tax: Contact your local Finance Office for additional guidance.

Tax Type	Harvard Expenses Expenses billed to Harvard, paid by University Corporate Card(s) or PCard, or out-of-pocket reimbursement
Meals Tax (also known as food sales tax)	
Purchased in Massachusetts	Exempt[1] - Provide ST-2 and ST-5 Forms to supplier as requested
Purchased Outside Massachusetts	May be Exempt[1] - See list of exemptions for other states
Room Tax (also known as occupancy or hotel tax)	
Purchased in Massachusetts	Not Exempt[2]
Purchased Outside Massachusetts	May be Exempt[2] - See list of exemptions for other states
Sales Tax	
Purchased in Massachusetts	Exempt[3] - Provide ST-2 and ST-5 Forms to supplier as requested
Purchased outside of Massachusetts Item to be used in Massachusetts	Exempt[3] - Provide ST-2 and ST-5 Forms to supplier as requested
Purchased outside of Massachusetts Item to be used outside of Massachusetts	May be Exempt[3] - See list of exemptions for other states
Value Added Tax (VAT)	
VAT is a general, broadly based consumption tax assessed in many foreign countries on the value added to goods and services. Purchases of goods or services to be used in the US should not have to pay VAT. See Office of the Controller Tax Office or contact tax_reporting@harvard.edu for additional information.	

[1]Meals Tax

The University is exempt from Massachusetts (and may be exempt in other states) Meals Tax under the following conditions:

- For a catered event or when an outside organization, such as a caterer, restaurant, or hotel is hired to provide meals for students, employees, or Harvard guests.
- Individuals paying for a Harvard business meal using a PCard, Corporate Card, invoice or out-of-pocket are exempt from MA Meals and should take advantage of this exemption by presenting ST-2 and ST-5 forms when requested by the supplier.

[2]Room Tax (also known as occupancy or hotel tax)

Harvard is not exempt from Massachusetts room tax or required fees charged by hotels, motels, and inns, but may be exempt in other states. See a list of other state exemptions and required forms.

[3]Sales or Use Tax

- Harvard is exempt from Massachusetts sales tax for purchases made in Massachusetts.
- Harvard is exempt from Massachusetts use tax for purchases made outside Massachusetts but the purchased items are used in Massachusetts. This includes out-of-state on-line or telephone orders of items being shipped to and used in Massachusetts. This also includes items purchased outside of Massachusetts in-person but brought back to Massachusetts for use in Massachusetts.
- In-person purchases made outside of Massachusetts may be exempt, see the list of exemptions for other states and use any documents that apply.

CREDIT APPLICATIONS AND TRADE REFERENCES

When conducting business with Harvard University, outside organizations or suppliers may request one or more identification numbers. These numbers are often used to formally identify Harvard as a legally-registered entity for tax exemption purposes or to validate Harvard's financial stability for credit and loan applications. Use of any Harvard identification number is **STRICTLY LIMITED** to official Harvard business.

What is the Tax ID/TIN/FEIN/EIN number and when it is used?
The Federal Employee Identification Number (FEIN), also known as the Employee Identification Number (EIN) or Tax ID number (TIN) is a nine-digit number assigned by the IRS. This number is used for tax reporting purposes, much like an individual's social security number (SSN). Schools and units may be asked for this number, a W-9 or other exemption certificate(s) when purchasing items from suppliers in order to claim tax exemption or to have Harvard set up as a supplier.

Where can I find Harvard's Tax ID/FEIN/EIN number?
Harvard's Tax ID/TIN/FEIN/EIN number and other tax exemption forms and certificates can be found on the Strategic Procurement (SP) website. Tax ID numbers are managed by the Tax Reporting Office. For questions about the TIN/FEIN/EIN please contact the Tax Reporting Office.

- Federal Tax ID (TIN): 04-2103580 (see Office for Sponsored Programs for NIH proposals)
- Massachusetts State Tax Exemption Certificate Number: 342878208 – Form ST-2 and Taxpayer ID Number 10798176
- Harvard also has tax exempt status in other states. For out-of-state tax exemption certificates, go to tax forms when purchasing goods shipped to Massachusetts from another state or if holding an event in certain exempt states.

What is a DUNs number and when it is used?
A Data Universal Number (DUNs) is a nine-digit number issued by the credit reporting agency Dun & Bradstreet (D&B) and is used to create a business credit file. The DUNs number is used by suppliers and creditors to verify a company's identity and legal status. Similar to a Social Security Number (SSN), the DUNs is used for credit reports and ratings. A supplier may request a DUNs number when Harvard is applying for a credit line or loan.

Where can I find Harvard's DUNs number(s)?
Harvard has multiple DUNs numbers issued for specific purposes and are linked to specific Harvard bank accounts. The Office of Treasury Management (OTM) maintains a master list of DUNs numbers for Harvard. For guidance and instructions on how to apply for a DUNs number, contact OTM **PRIOR** to contacting Dun and Bradstreet for a number.

Income: If an external party requests a DUNS number in order to transfer funds to Harvard (e.g., student term bill payment, grant payment, or other type of payment to Harvard), contact Susanne Rossini at OTM. OTM reconciles all income coming into Harvard and will assign the appropriate DUNS number ensuring the funds are deposited into to the correct bank account.

New Supplier Requests: Refer to the credit and trade reference list on the SP website for a DUNS number or other trade reference information requested by a new supplier.

Sponsored Research Proposals: Harvard has specific DUNS numbers for sponsored research proposals. See the Office for Sponsored Program's Institutional Information Fact Sheet for appropriate DUNS and EIN numbers.

Specialty Store Charge Cards: The University does not authorize departments to apply for and use department or specialty store charge cards (e.g. Home Depot, Kohl's, etc.).

MANAGING SUPPLIER RELATIONSHIPS

Maintaining good relations with a supplier should be as important to a buyer as getting the best price. A good buyer-seller relationship is a partnership, a win-win situation over the long run. A supplier who is treated with courtesy, honesty, and fairness will deliver a quality product at the best price, will provide good service, and will be responsive to emergency situations and special requests.

Suppliers are encouraged to utilize Harvard's self-service supplier site, B2P Supplier Portal, as a method of transmitting their tax documents and any related supplier profile material. Suppliers (both individuals and entities) may select to have payments transferred via ACH if they have a U.S. bank account. Suppliers can also look up Purchase Order and payment status in the supplier portal.

Suppliers may join our Supplier Portal by accessing a URL provided in a B2P supplier invitation sent by a Harvard University B2P user with the appropriate Supplier Portal permissions.

Guidelines for Successful Supplier Relationships:

- Use Harvard Preferred Vendors to best leverage the collective University volume to consolidate orders, and to reduce administrative processing costs
- Be fair - give qualified suppliers an equal opportunity to compete for business
- Maintain integrity – a supplier's pricing is confidential and should never be shared outside of the University for any reason
- Be honest – never inflate requirements to obtain better pricing; negotiate in good faith; don't change the requirements and expect the supplier to hold their pricing
- Be ethical – procurement decisions should be made objectively, free from any personal considerations or benefits
- Be courteous
- Be reasonable – a supplier is entitled to a fair profit
- **Pay promptly** – the purchase order you issue to the supplier is your promise to pay for goods and services in a timely manner consistent with Harvard's payment terms. When suppliers expend additional resources for debt collection it becomes more expensive to do business with Harvard and this is reflected in higher prices and lower service levels for all

HOW TO MANAGE A SUPPLIER ISSUE FOR DEFECTIVE EQUIPMENT

Suggested guidelines for resolving equipment failure issues with a supplier:

- Draft written communication via Harvard email address or letterhead to the supplier, and cc the Chief Procurement Office and Senior Director of Strategic Procurement
- Provide specific information on the original purchase – date of purchase, PO number, amount of purchase, department account number with supplier, model number and description, invoice number, etc.
- Reference any applicable warranty
- Indicate the instrument or other item has not performed to specification and outline the steps you have taken to get it working properly. Emphasize the amount of time spent and impact on on-going operations. Be as specific as possible with service dates, problems, outcomes etc.
- Recap any promises made prior to the purchase regarding modifications to the instrument's functionality. When and by whom these commitments were made would also be important. Anything you have in writing, or any actions you know the supplier has taken on your behalf, may serve to strengthen your position.
- Discuss what you will accept as a satisfactory resolution to the problem, be it a refund, replacement or other.
- You may be able to leverage the University's spend, supporting the argument that Harvard is a good and important customer. Contact Strategic Procurement for more information.
- Set a date. Indicate you are hopeful the supplier will contact you (provide name and phone/email) by this date in order to work out a mutually agreeable resolution to this problem. However, if this does not occur, tell them you plan to forward the information to Harvard's Office of the General Counsel for possible further action. (If this becomes necessary and the dollar value of the potential loss is substantial, collect all you have on the purchase and involve the OGC)
- If you have already been in contact with the local sales representative (not the service personnel) and he/she has not offered to make adequate restitution, you can direct the letter to the regional Vice President of Sales or the highest ranking company officer you can identify.

SECTION V: ADVANCED PURCHASING PRACTICES

HOW TO SELECT AND QUALIFY A SUPPLIER

Supplier selection and evaluation is a process that can take some time and energy depending on the product or service but is well worth the effort when the vendor chosen is competitively priced and responsive to the needs of the University. See PURCHASING WITH FEDERAL FUNDS if using federal or cost-share funds.

In all cases, be sure to adhere to any additional requirements such as the Procurement Policy, Independent Contractor Policy, Travel Policy, Business Expense Policy, and the Office for Sponsored Programs Policies before selecting a supplier.

1. Know what you want. Have a clear and accurate description of the technical requirements for the material, product, or service to be procured. Avoid unnecessary or duplicate items or investigate lease vs. buy options.
2. Before looking externally for a vendor check the Strategic Procurement website to see if a Harvard Preferred Vendor.
3. If a Harvard Preferred Vendor is not available there are a number of other resources to consider:
   - Consult the internet, trade publications, directories, vendor catalogues and professional journals
   - Talk to internal colleagues and peers in other institutions who might have purchased a similar product or service
   - Contact industry analysts or market research firms (e.g. Gartner, Forrester, IDC)
4. Once a list of potential vendors has been identified begin evaluating each supplier's capabilities. In some cases obtaining a Dun & Bradstreet financial report ('running a D&B') is a good place to start. However, a D&B contains only publicly available information or information the vendor chooses to provide. Some D&B reports also include brief profiles of key management personnel and historical information on the company.

Harvard Business School's Baker Library offers many financial databases through a PIN login at http://www.library.hbs.edu/.

There are a number of considerations for supplier selection

- Evaluate a supplier's financial stability (annual reports, 10K statements, D&B, etc.)
- Find out how long the supplier has been in business
- Find out who are the supplier's primary customers and ask for and check references
- Tour the supplier's facilities, if appropriate
- Does the supplier use state-of-the art technology?
- Is the supplier really interested in doing business with the University?
- Does the supplier use sustainable products and process to conserve natural resources and protect the environment and are energy efficient?

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

All vendors who may be invited to submit an Request for Proposal (RFP) must sign a Non-Disclosure Agreement (NDA) prior to receiving the RFP.

PREPARING AND EVALUATING A SOLICITATION (REQUEST FOR PROPOSAL, ETC.)

A solicitation is a process notifying prospective or qualified offerors that Harvard wishes to receive information, quotes, bids, or proposals on a specified product or service. A “solicitation document” is a formalization of this process in a written format. Solicitation types include Request for Information (RFI), Request for Quote (RFQ), Request for Bid (RFB), and Request for Proposals (RFP), which may be required to be made public through advertising, mailings, or some other method of communication.

Solicitation documents will vary greatly depending on the procurement method chosen. Regardless of procurement method all solicitation documents should contain enough information to permit the potential offeror to submit an adequate response.

Please note that Capital Projects (construction projects) have additional solicitation and template requirements. Contact your Finance Office or Capital Planning Systems Team for additional guidance.

Solicitation Types Overview

Request for Bid (RFB): Method used to solicit competitive sealed bid responses, and where the decision is made based on the lowest responsive bid and responsible bidder.

Request for Information (RFI): An RFI is defined as non-binding in nature to all parties and involve the publication of a notice requesting input from interested parties for a future solicitation. Use an RFI to obtain feedback, comments, or reactions from the potential supplier community. RFIs do not typically require price or cost from suppliers and operate as a type of focus group, allowing procurement officials to gain information prior to issuing a solicitation.

Request for Proposal (RFP): Method used to solicit proposals from potential providers for goods and services where the decision to award a contract is made through discussions and negotiations. Requires advertising, includes a written method for conducting the technical evaluation, responses must be solicited from two or more sources, the award is fixed-price or cost-reimbursement contracts. The contract should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors. **Harvard best practice is to use the RFP process which allows more flexibility in the selection and use of a supplier.**

Request for Quote (RFQ): Method used for small purchases usually under $250,000 threshold, where a request is sent to suppliers with a description of the service or good needed and they are asked to respond with a price and other information by a certain date. Evaluation and recommendation of award based on quote that best meets price, quality, delivery, services, past performance, and reliability.

Solicitation Evaluation Overview & Tips

Requesting goods and services is a useful process for several reasons. For purchases greater than $250,000, a formal proposal process is required for federal or cost-share funds and a best practice for all others. The bidding process:

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

- places Harvard in an advantageous negotiating position

NOTE: Depending on the commodity, educational pricing may be available.

The Request for Proposal (RFP) process begins with the buyer developing a set of specifications or objectives. It is important to be as specific as possible in defining your requirements so you can accurately compare vendor offerings. The buyer can consult colleagues, technical personnel, trade manuals, and vendors for assistance in developing specifications. The buyer then communicates the requirements to the selected vendors by a written **RFP)**

Harvard best practice is to use the RFP process which allows more flexibility in the selection and use of a supplier.

An **RFP** should be used when soliciting services or complex purchases such as Professional Services, Service Agreements, and Technology**.** The RFP usually begins with a statement of purpose or goals and objectives - what the buyer hopes to accomplish. The RFP:

- should clearly define an acceptable level of performance for the vendor and a definite time frame for achieving this goal
- should ask the vendor to describe the qualifications of those individuals who may be involved in implementing the goals and objectives of the RFP
- should ask for all of the information contained in an RFQ (see above) but also can ask for more detailed input from the vendors. The vendors might be asked how they would meet a specific objective, what unique contributions they would make toward achieving the goals outlined in the proposal, and what alternative proposals they would offer. The vendors might also be asked to solve specific problems concerning time constraints, new technology, or on-the-job training for end users. **"How" is as important as "how much"**.

The RFQ process is designed to identify the vendor who can **meet the buyer's requirements for the best price**. The RFQ should be used for soliciting familiar, standard items. Price, delivery, and inventory are usually the most important elements of the RFQ. The RFQ should contain ALL the information necessary for the vendor to submit a valid quote:

- The product(s) should be described in detail.
- Specifications should be clear, concise, and complete.
- Quantity, quality requirements, packaging, FOB Point, payment terms, and warranty, delivery and
- Inventory requirements should all be included in the RFQ.
- Determine what format you want to receive information in (consider providing a pricing template) for ease of comparison
- All competitive bids are confidential and should be treated as such

Tips on preparing a quote or proposal (RFQ or RFP):

- If any Harvard confidential information will be disclosed then a signed Non-disclosure Agreement (NDA) must be signed before any information is shared
- The buyer needs sufficient time to prepare a good quote or proposal and the vendors need sufficient time to respond (two weeks for an RFQ and up to four weeks for an RFP is typical depending on commodity or service)

- All vendors should receive **identical** copies of the solicitation and any subsequent changes in the statement of work or specification via solicitation addendum.
- Specify a deadline for submitting all proposals and quotes. If the deadline is extended for one vendor, it must be extended for all!
- All vendors should be notified in writing if the statement of work or specifications change. If the changes are substantial, it may be necessary to extend the submission deadline. All vendors should be notified of the extension in writing.
- If the buyer receives a number of questions about the solicitation, the buyer should consider holding a **conference**. The buyer will have an opportunity to clarify the RFQ or RFP for all the vendors and no vendor will have the unfair advantage of additional information.

Tips on evaluating proposals or bids:

- Establish your evaluation criteria **before** responses are received
- Take the time to review the submissions carefully, evaluating qualitative components **before** pricing
- Narrow the field by determining which vendors are "responsive". A "responsive" bid provides ALL the information asked for and addresses ALL the issues in the RFB. Consider eliminating bidders who are unresponsive
- Look carefully at proposed prices. Be wary of a supplier who substantially underbids their competitors. They may be 'low-balling" to win the submission but the quality of their product could suffer or they might be unable to meet the delivery requirements. A substantially lower price might also indicate the vendor has misunderstood or misinterpreted the requirements
- If appropriate, obtain and evaluate samples
- If the proposals are roughly equivalent ask for extended warranties (if appropriate) and compare prices
- Consider the supplier's past performances, after-sale support and services, technology, and the creativity used to meet the buyer's requirements or objectives

PREPARING AND EVALUATING A CONTRACT

A contract is required if a binding agreement is intended between Harvard and any outside party where either Harvard or the other party will be responsible for providing specific deliverables and/or services. A contract can take many forms. For example, a purchase order, signed statement of work, and work order are all contracts that contain terms and conditions binding the parties. It is important to note that the name of a contract (e.g., Master Services Agreement, Services Agreement, License Agreement, Consulting Agreement) often does not determine the structure of the contract.

As a first step, when considering entering into an contract with a supplier, check to see if the supplier has an existing contract with Harvard . To determine if Harvard has an existing contract with a supplier, please search the B2P Total Contract Management (TCM) tool and contact the contract manager listed on the contract summary page. The contract manager can assist you with determining whether using the existing contract is appropriate for your transaction and provide you with contract background that may help you determine how to proceed with the supplier. Because not all contracts reviewed by the Strategic Procurement Contracts team are in TCM, please reach out to spcontracts@harvard.edu if you do not find a supplier agreement in the system.

Procurement contracts or other binding documents of $150,000 or more should be reviewed by your local Finance or Procurement office **prior** to signing the binding agreement, issuing a purchase order or receipt of the good or services. Check with your local Finance or Procurement office to see if they have specific policies about contract review and signing thresholds. Schools or units may want to consult with the Strategic Procurement Contracts team for high-risk or complex contracts.

The Strategic Procurement Contracts team can assist with any or all of the following:

- Contract Reviews and Questions
- Contract Review Training
- Harvard Standard Contract Templates
- Contract Management Tools and Training

For more information please visit the Strategic Procurement Contracts team website or contact spcontracts@harvard.edu.

NEGOTIATION TECHNIQUES

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

- Do their homework
- Clearly understand their requirements and objectives
- Develop a strategy in advance including a ‘Plan B”
- Never lose sight of their goals
- Know where they can afford to compromise and where they cannot
- Make sure their negotiating teams have whatever expertise (technical, financial, legal) is needed to increase the chances for a successful settlement
- Try to anticipate the supplier's strategy and to determine what the supplier hopes to gain from the negotiation process

When to Negotiate

Purchasers should negotiate when:

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

- Not enough time is available to competitively bid the purchase

Negotiation Strategies

Whenever possible, purchasers should:

- Build trust and share any information that will not weaken their position
- Understand the supplier's negotiating position and costs, through research or by asking open questions and listening carefully.
- Know the supplier's fiscal year end. Suppliers will frequently agree to additional and substantial discounts if a deal can be closed before their fiscal year-end
- Negotiate on their own "turf" prepare a strategy beforehand and, if applicable, brief the other members of the negotiating team. Consider making multiple offers/strategies to the supplier for consideration
- Never lose sight of the target - what should be gained from the negotiation, but remain open to the possibility of using any new information to add value to their deal
- Have confidence in their facts and figures. Never use information that is questionable or could be proven inaccurate.
- Negotiate only with supplier representatives who are empowered to make concessions
- Leave plenty of room to maneuver. Don't limit your options
- Don't be afraid to be silent. Silence can be an effective negotiating tool. If the supplier fears losing the business, the supplier may offer more and better concessions than expected.
- Call a recess or break if negotiations break down
- Consider having separate rooms available for breakout discussions
- Withhold something for concession in return for a point the supplier is willing to concede
- Operate with integrity Complete negotiations before awarding the bid

Negotiation Strategies to Avoid

Purchasers:

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

PURCHASING EQUIPMENT

Lease or Buy

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

Making the Buy

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

Guidelines for Shipping Equipment

Negotiate the FOB Point (Free on Board), a term specifying at what point obligation, costs, and risk of goods delivery shifts from seller to buyer. If the terms are FOB Destination, the supplier is legally responsible for the equipment until it is delivered to the specified location and, if the equipment is damaged in transit, is also responsible for filing the freight claim. If the terms are FOB Origin, Harvard is legally responsible for the equipment in transit from the supplier's warehouse or dock. Harvard would file a freight claim if the equipment is damaged in transit. When the FOB point is Origin, the equipment should be insured for full replacement value through the Harvard University Insurance Office (495-8668) or by the supplier. **Harvard's preference is FOB Destination.**

Other Issues to address before Purchasing Equipment:

Physical Site Preparation

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

Installation

Who will be responsible? What does it include? If the installation will be performed by the supplier's personnel, make sure the supplier has adequate liability and worker's compensation insurance. Can University personnel install the equipment? How long will installation take? Is installation a separate cost or included (FOB Installed).

Training

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

Acceptance

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

Warranties

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

Service and Maintenance

See Equipment Maintenance and Service Agreements

Payment Terms

See Section III: Setting up a supplier

Supplier Terms and Conditions of Sale

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

Foreign Import

Additional regulations and restrictions may apply regarding importing or exporting goods.

- The Harvard University Customs Broker can assist in the import of goods. A custom broker is experienced in tariff and customs laws, rules and regulations for the clearance of imported or exported goods or merchandise and has the Power of Attorney which allows them to act on behalf of the University to expedite deliveries both into and out of the United States.
- If importing or exporting unusual goods or technology, contact your Contact your school or unit's Export Control Officer with questions.

Bonds

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

Purchasing Capital Equipment

A Capital Equipment purchase is equal to or greater than $5,000 and has a useful life span of one year or more. For information on fixed assets and capitalizing equipment purchases, see the [Financial Management of Property, Plant and Equipment (Capital Assets and Equipment) Policy.]

EQUIPMENT MAINTENANCE AND SERVICE AGREEMENTS

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

New Equipment

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

Developing Service/Maintenance Agreements for New or Previously Purchased Equipment

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

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

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

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

SECTION VI: SPECIAL PURCHASES

Follow required procedures for Special Purchases governed by other policies.
Certain purchases carry additional restrictions per Harvard policy. Please refer to University and local tub policies and procedures for the following purchases:

- Air Emission Source Compliance (prior to buying equipment)
- Alcohol and Tobacco (purchases of alcohol and tobacco may be subject to taxes)
- Animals – Live
- Chemicals Facility Anti-Terrorism Standards Chemicals of Interest
- Controlled Substances
- Employee and Nonemployee Gifts and Celebratory Events
- Firearms – Prohibited by Massachusetts General Law. Contact Harvard University Police Department for additional guidance.
- Human Subjects – Use of and Processing Payments
- Independent Contractor Policy
- Radioactive Materials
- Select Agents
- University Purchasing Card Policy
- University Staff Mobile Phone Policy
- University Travel Policy

PURCHASING TAX-FREE ALCOHOL FOR LAB USE

The Department of the Treasury - Alcohol and Tobacco Tax and Trade Bureau (TTB) requires tax-free alcohol permits for all departments using absolute alcohol for research. Harvard has tax-free permits for The Chemical Laboratories, Harvard Forest, The Medical Area, and The Cambridge Area.

Contact your local procurement office or VWR representative for school-specific processes.

Alcohol Usage Procedures: Alcohol must be stored in locked cabinets. Only one or two individuals in each area can be authorized to dispense alcohol. Records must be kept by authorized dispensers and contain the following documentation:

- the amount and date of each shipment,
- the names of persons requisitioning alcohol,
- the amount of alcohol dispensed, and

- the results of the monthly tabulation (the quantity of alcohol on hand at the beginning of the month plus any shipments received minus the alcohol used is the physical balance on hand at the end of the month).

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

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

CUSTOMS BROKERAGE INFORMATION

A customs broker is experienced in tariff and customs laws, rules, and regulations for the clearance of imported or exported goods or merchandise from *customs* authority, preparation of import or export documents including computation and payment of duties, taxes and other charges accruing thereon. Only Harvard's customs broker has the Power of Attorney which allows them to act on behalf of the University to expedite deliveries both into and out of the United States. There may be additional fees and regulations when importing or exporting something to the United States.

If you intend to purchase goods abroad which require entry at our ports, it is strongly advised that you contact our customs broker PRIOR to your purchase in order to facilitate the transaction. Likewise, if you are shipping goods abroad, we recommend that you contact Harvard's custom's broker at the outset.

The customs broker for Harvard University is listed here and below:

- E. Sidney Stockwell Co., Inc.
  607 North Avenue
  Building 16 2nd Floor
  Wakefield, MA 01880
- Tom Auffrey, customs agent
  (339) 203-4276
  tom@esstockwell.com

SECTION VII: FEDERAL PROCUREMENT REQUIREMENTS

OVERVIEW OF FEDERAL PROCUREMENT REQUIREMENTS

Harvard University receives significant funding from Federal sources and is required to comply with the Uniform Guidance (UG) regulations and the Federal Acquisition Regulations (FAR) if applicable for purchases on federal awards. Departments are required to retain back-up documentation, such as bids, quotes, and cost/price analyses on file for Federal auditors. Supporting documentation may be retained in B2P or on a shared drive accessed by the department.

Effective August 13,2020, recipients and subrecipients of federal grants, contracts, or cooperative agreements must comply with 2 CFR §200.216 *Prohibition on certain telecommunications and video surveillance services or equipment*. This regulation prohibits recipients and subrecipients from procuring, obtaining, or contracting with entities that utilize covered technology and communications as outlined in NDAA section 889. Processes have been put in place by Strategic Procurement through Visual Compliance to catch these entities before they are entered into the supplier portal.

Required documentation for Federally funded purchases can include purchase orders, invoices, copies of competitive quotes or proposals, justification for sole source selection, debarment certification and cost/price analysis.

Any questions concerning Federal procurement regulations should be directed to Christyne Anderson in the Office for Sponsored Programs.

PURCHASING WITH FEDERAL FUNDS

A buyer making purchases with federal funds, cost-share funds, or expenses to be transferred onto federal funds is required to adhere to the Federal Acquisition Regulation (FAR) and Uniform Guidance (UG). All federal awards are in the Fund range 100000 to 199999. *The below requirements are for federal funds classified as grants or contracts.* See the Procurement Policy before making a financial commitment on behalf of Harvard.

In all cases, certain flow-down language (contract riders) may be required to be included in contractual agreements.

Micro Purchases: Purchases ≤ $50,000

Procurement by micro-purchases is the acquisition of supplies or services, the **aggregate dollar amount** of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). Items repeatedly purchased should be procured utilizing Small of Formal Purchase procedures, rather than through multiple micro-purchases.

For purchases with a total value of $50,000 or less, University personnel may use their discretion to select a responsible supplier to purchase goods or services, as long as the good or service is not on the list of Special Purchases. University personnel must distribute micro-purchases equally among qualified suppliers. In cases of special purchases, more restrictive or controlled processes apply.

Small Purchases (Simplified Acquisition Threshold): Purchases > $50,000 - $250,000

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold.

For purchases greater than $50,000 through $250,000, the purchaser must complete the Vendor Justification Form (VJF). If this purchase is not sole source/single source (see noncompetitive proposals below), the purchaser needs to perform the following small purchase method:

- Contact a minimum of two qualified vendors.
- Document each vendor's quoted price.
- Select the quote that provides the best value (pricing and other factors) to Harvard.
- Inform all vendors of award in writing.
- Establish a contract with awarded vendor.

Purchases over $50,000 using federal funds, cost-share funds or expenses journaled onto federal funds require documentation to support the selection of a vendor. Schools must complete the VJF and upload a copy in B2P Buy-to-Pay. Purchases with cost-share funds or expenses journaled onto federal funds must meet the VJF criteria. Buy-to-Pay Approvers should review the documentation for completeness prior to approving requisitions or payments in Buy-to-Pay.

Formal Purchases > $250,000 - $750,000

A formal purchasing process requires procurement by sealed bids or procurement by competitive proposals for federal purchases greater than $250,000 unless this is a sole source purchase (see below).

Request for Bid (RFB) or Request for Proposal (RFP)

Request for Bid (RFB)
Procurement by competitive bids must follow competitive sealed bid guidelines. If your needs are unclear and general in scope, a sealed bid would not be appropriate. When performing a RFB, price is the sole factor. However, there can be required vendor (bidder) qualifications (i.e., lowest and responsible bidder). Sufficient response time must be provided prior to the date set for bid openings and the solicitation must be publicly advertised on Harvard's external Procurement website. Vendors will be able to access a link from the website that will take them to a Bid Board that will include information on the bid type and contact information in order to request a copy of the bid.

When only a single bid or proposal is received in response to an RFB or RFP, profit margin must be negotiated as a separate item. Include language in applicable bids allowing such negotiations. Please see 2 CFR 200.323(b).

Strategic Procurement will be responsible for maintaining and posting the Bid Board to the external Harvard Procurement website. TUBs/Departments will be responsible for notifying Strategic Procurement of all bids that need to be posted and for providing the information necessary to populate the Bid Board. Please note public posting of the bids is in addition to sending the bid directly to the specific suppliers selected to participate in the bid.

Bid posting requests should be sent to Procurement@harvard.edu

It is recommended that solicitations are made available publicly for a minimum of 14 calendar days. Announcements should include the date, time and location in which bids will be opened. Award shall be based upon the **responsible bidder** whose bid, conforming with all material terms and conditions of the RFB, is the lowest in price. If a bid protest is received, contact the Office of the General Counsel. Bid protests are handled on a case-by-case basis between the bidding department and the Office of the General Counsel.

Request for Proposals (RFP)
Procurement by competitive proposals requires a formal Request for Proposal (RFP) to be publicly advertised. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price contract or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. For example, if your needs are unclear and general in scope, a sealed bid would not be appropriate.

RFPs must identify all evaluation factors in the selection criteria and their relative importance, with price being weighted. Proposals must be solicited from an adequate number of qualified sources. Harvard staff must form an RFP selection committee and develop a written method for conducting technical evaluations of the proposals received and for selecting recipients. A contract must be awarded to the responsible vendor whose proposal is most advantageous to the program, with price and other factors considered.

Contact your local Finance or Procurement Office for additional guidance about formal purchases.

Purchases >$750,000+ ($1.5M for construction)

In addition to following the above requirements, for a federally funded contract over $750K (or $1,500,000 for construction of public facilities), a purchaser must develop a Small Business Subcontracting Plan if required by proposal instructions**,** and complete Individual Subcontractor Reports (ISR) & Summary Subcontract Reports (SSR) required by the terms and conditions of the contract. Contact your local Finance or Procurement Office for additional guidance.

Noncompetitive Proposals (also known as single source)

Procurement by noncompetitive proposals (Single source/sole source purchases) are purchases from a vendor whose product or service is unique and per marketplace evaluation the vendor is the only known source of supply (worldwide) from whom the product or service can be purchased and can be used only when one or more of the following circumstances apply:

- The item is available only from a single source/sole source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from Harvard; or
- After solicitation of a number of sources, competition is determined inadequate.

Please review terms and conditions of your sponsored award and confirm with the sponsored central office if prior approval is required from the sponsor to award a single source proposal. For more information, see Appendix for Summary of Purchasing Procedures for Standard Purchases.

Subcontracts/Subagreements

A **subcontract** formally negotiated through and signed by the Office for Sponsored Programs – University Area or the Office of Research Administration in the Longwood Medical Area – does not require a VJF since the contract's scope of work and terms were included in the proposal submission. The subagreement must include Debarment Language. In cases of formal OSP subcontracts, the Buy-to-Pay preparer would select "sole source" for justification and note in the justification explanation that it is a formally negotiated and signed OSP subcontract.

Vendor Justification/Price Verification Form

The information requested within the Vendor Justification Form (VJF) meets the supporting documentation requirements around justification for the selection of a vendor.

Shoppers/Requestor can determine if a VJF is required by completing the VJF Evaluation in the B2P system. If a VJF is required, the paper VJF and supporting documentation such as the copies of bids or quotes and cost or price analysis must be uploaded into the B2P system. Some documents, such as contracts, may be more appropriate to keep in the B2P Contact Management Tool (See RMS website for further instructions on document retention).

Using the Vendor Justification Form (VJF): Instructions for completing the VJF are on the form itself. To summarize:

- Record supplier quotes on Section A.
- Record non-competitive/sole-source/single-source justification on Section B.
- Check source and price reasonableness options on Section C.

Justification for vendor selection may include:

1. Justification for non-competitive, sole- or single-source purchases, and
2. Evidence of prudence and reasonableness for the price of the purchase, based on at least one of the following:
   a. Price analysis – review of overall price proposed and evaluation if it is fair and reasonable,
   b. Cost analysis – examine the individual cost elements and determine if they are fair and reasonable,
   c. The vendor/contractor has stated that the quoted prices are no greater than those charged to the vendor/contractor’s most favored customer.
   d. The prices compare favorably to previous prices paid for the same or similar items or services
   e. The price was obtained from a current catalogue or standard printed price list.
   f. The prices compare favorably to Harvard in-house estimates (e.g. Harvard University Information Technology (HUIT), Campus Services, etc.) for similar items

- The VJF must be completed for purchases of greater than $50,000 made with federal or cost-share funds or expenses transferred onto federal awards. This regulation applies to funding from all federal contracting and granting agencies.
- The completed VJF must be kept on file (electronically in the internal attachments section of B2P) for general audit purposes.
- Do not send your VJFs to Strategic Procurement.
- The $50,000 requirement refers to the total amount purchased on federal or cost-share funds or expenses transferred onto federal awards. This may be a line within a PO for a larger amount.
- All related costs (shipping/freight, handling, etc.) are considered part of the purchase price and <u>must</u> be included in the total cost of the item(s), when considering if a VJF or Debarment Form is required; even if the shipping/freight cost may not be included on the PO (see below).
- In B2P for non-catalog POs estimated shipping/freight costs should not be included when creating the PO. A shipping line should only be added if the supplier has provided an exact quote, requires the shipping cost be on the PO and can guarantee that the invoice will match the PO line. See Should Shipping Costs be added to non-catalog POs FAQ.

- The VJF should be signed by an individual with knowledge of the vendor selection process and rationale.
- Interdepartmental billings do not require a VJF.
- If you are making progress payments greater than or equal to $50,000, the progress payments are addressed by the original VJF.
- The $50,000 requirement applies to any and all purchases of goods or services, regardless of the form of payment. It includes invoiced transactions, PCard transactions, and reimbursements.
- If the scope of a grant or contract requires an individual to spend time outside the U.S. and goods and/or services are purchased abroad, it is still necessary to abide by federal procurement regulations as outlined in the VJF.
- The VJF is not required for subagreement transactions when Harvard is the prime grantee institution. Any required supporting documentation should be held by the sponsoring institution.

Cost/Price Analysis for Contracts

Harvard University also requires documentation verifying that the purchase price is **fair and reasonable**. The buyer must provide documentation of cost/price analysis for **all non-competitive** purchase orders greater than $50,000. Documentation can be based on the price of previous and similar purchases, current price lists, catalogues, advertisements, and negotiated pricing agreements (including vendor partnerships). Section C of the Vendor Justification Form lists cost/price analysis options. The buyer should check all that apply.

Receiving for Purchases with Federal Funds

Per University policy, receipts of $75 or more must be retained. Receipts under $75 may be required based on sponsored requirements. Please refer to the terms and conditions of your award to determine the documentation you are required to retain. For additional guidance please refer to the Sponsored Expenditure Guidelines for more information.

Federal Grant or Cooperative Agreement Flow Downs

If you purchase a product or contract for services using funds from a federal grant or cooperative agreement, clauses from the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), Appendix II must be incorporated into and form part of the terms and conditions of the Purchase Order or written agreement with the Vendor (also referred to as “Seller”). The full text of the Uniform Guidance may be found at 2 C.F.R. Part 200. Seller/Vendor must agree to follow all applicable flow downs and flow down all applicable clauses to lower-tier subcontractors.

- **Purchase Orders**

  Purchase Orders issued through the Jaggaer Buy-to-Pay platform include language regarding federal flow down applicability.

- **Agreements**
  All agreements must include an exhibit detailing applicable federal grant flow downs. Contact the Strategic Procurement Contracts Team (spcontracts@harvard.edu) for assistance in drafting federal grant flow downs.

Federal Contract Flow Downs
If you purchase a product or contract for services using funds from a federal contract or federal subcontract agreement, clauses from the Federal Acquisition Regulation ("FAR") and applicable Agency clauses/supplement (i.e., Defense Federal Acquisition Regulation Supplement ("DFARS") must be incorporated into a written agreement. The full text of the FAR clauses may be found at https://acquisition.gov/far/. Seller/Vendor must agree to follow all applicable flow downs and flow down all applicable clauses to lower-tier subcontractors.

Purchase order term and conditions should not be used for federal contract sub awards.

All agreements must include an exhibit detailing applicable federal contract flow downs. Contact your pre-award office for assistance in drafting federal contract flow downs.

SUBCONTRACTING PLANS

The information below is general guidance, your sponsoring agency may have additional requirements, please review the terms and conditions of your award.

1. **Principal Investigators, contract administrators, and buyers should be familiar with the Definitions of Small, Small Disadvantaged, and other definitions within the Federal Acquisition Regulation (52.219-9) and monitor for any changes to applicable legal requirements.**

2. **Preparing a Subcontracting Plan**

   The Federal Acquisition Regulation (52.219-9) requires a Small Business Subcontracting Plan (the "Subcontracting Plan") for each federally funded contract that is expected to exceed $750,000, unless other arrangements are made during contract award. When these plans are required, contractors, such as Harvard, **agree to purchase a percentage of the supplies and services required for the performance of the contract from small and small disadvantaged businesses**. Some Federal agencies set specific goals. Most rely on the contractor to make a "good faith effort." The Subcontracting Plan specifies:

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

   When required, the Subcontracting Plan is submitted by the Principal Investigator with his/her research proposal and budget or at the award stage. Strategic Procurement is available to assist the Primary Investigator with permissible methods of developing such plans when required. Once the award has been made, the Subcontracting Plan becomes part of the contract and the Principal Investigator is expected to meet the goals set in the Plan.

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

3. Subcontracting Plan Reporting – Individual Subcontracting Report (ISR) and Summary Subcontracting Report (SSR)

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

4. EPA Grant/Cooperative Agreement Requirements

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

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

Strategic Procurement is available to assist the Principal Investigator with permissible methods of ensuring compliance with these requirements when applicable.

DEBARMENT

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

Purchases of any amount from debarred vendors cannot be charged to federal funds, cost-share funds, or expenses to be journaled onto federal funds. It is a best practice not to use a debarred vendor for any purchases.

Grant or Cooperative Agreements

Federal Awards that have been classified as a grant, cooperative agreement or not subject to the federal acquisition regulations (FAR) do not require additional debarment documentation due to daily, automatic reviews completed by Visual Compliance in Harvard's Supplier Portal. See Finding the Funding Instrument for additional information.

Contracts with Purchases ≥$35,000

Federal awards that have been classified as a contract under Federal Acquisition Regulations (FAR) require additional debarment attestation by the supplier for purchases of $35,000 or more **prior** to making a purchase commitment. This also applies to cost-share funds linked to federal contracts. The additional documentation can be in the form of a signed Debarment Certification Form or be included as language in the signed contract such as a subcontract agreement negotiated by a pre-award office. Verification of debarment status using the System for Award Management (SAM) does not meet certification requirements for federal contract purchases of ≥$35,000.

The supplier can email, mail, or fax the completed form to the buyer. The signed debarment certification form must be uploaded into B2P. Both the Debarment Certification and VJF back-up documentation must be retained for audit purposes. If progress payments (under the same purchase order) greater than or equal to $35,000 will be made, all progress payments are addressed by the original Debarment Form.

If the schools and/or departments do not receive appropriate debarment language, they will be responsible for the timely removal from federal or cost-share contracts. This provision requires journaling corrected transactions to the school and/or department's own unrestricted funds. **The Office of Sponsored Programs does not absorb these charges.** A subcontract formally negotiated through and signed by the Office for Sponsored Programs – University Area or the Office of Research Administration or Sponsored Program Administration in the Longwood Medical Area – does not require a VJF since the contract's scope of work and terms should adequately reflect vendor selection justification and contain Debarment Language.

Supplier Review

To ensure no federal purchases were made from debarred suppliers, Strategic Procurement Department engages a third-party service provider, Visual Compliance, to conduct a retroactive annual review of Harvard's active vendor files. In addition, all new vendors added to the Harvard University procurement and payables system (B2P) are pushed through Visual Compliance dynamic screening prior to being approved for shopping and payment. All existing suppliers were also run through Visual Compliance at the start of B2P Supplier Portal to ensure that all Harvard University suppliers are continuously checked against multiple government watch lists. The central Supplier Onboarding Team manages those watch list alerts on a daily basis, they can be reached at AP_SupplierOnboarding@harvard.edu.