

# LUTHER COLLEGE

## POLICIES AND PROCEDURES

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Department:	Financial Services
Subject:	Bidding Policy
Date Issued:	April 13, 2016
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Approved By	Reviewed by Cabinet, Approved by the President

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### **I. Policy**

This policy sets forth the guidelines for requesting and accepting bids at Luther College.

### **II. Purpose**

Purchasing involves the procurement of goods and services that meet College needs at the lowest possible cost at the quality needed for proper operation. College funds should be handled in a manner to ensure the greatest ultimate value per dollar expended.

### **III. Scope**

This policy applies to all faculty and staff who purchase goods or services using College funds.

### **IV. Terms and Definitions**

- Bid – an offer of a price for the acquisition of a product or service
- Request for Proposal (RFP) – a formal document issued to vendors to solicit bids for clearly defined products or services
- Bid Deposit – funds required to be contributed by vendors who wish to participate in a competitive bidding process
- Performance Bond – a written guaranty from a third-party ensuring payment of a sum of money in case the vendor fails in the full performance of the contract
- Payment Bond – a surety bond posted by a contractor to guarantee that subcontractors and material suppliers will be paid
- Simplified Acquisition Threshold – dollar amount set by the Federal Acquisition Regulation in the Code of Federal Regulations (48 CFR subpart 2.1) which is periodically adjusted for inflation. Current threshold is \$250,000.

### **V. Procedures and Guidelines**

#### **A. Bidding Requirements- Methods of Procurement**

- Micro Purchases: <\$10,000: no bid is required as long as the aggregate amount is under \$10,000 or \$2,000 for contracts subject to the Davis-Bacon Act. Price seems reasonable, but comparative pricing is always recommended. Personnel are expected to observe college procedures for

purchase decisions and utilize any negotiated supplier contracts available to the college or other discounts.

- **Small Purchases: \$10,000 - \$250,000:** Informal purchasing procedures are acceptable but must compare two or more sources
  - Quotes can be delivered through many different channels, such as mail, email, telephone, fax, etc.
  - Purchaser must complete a vendor selection form that is documented and dated and submit to the Office for Financial Services (OFS)
- **Sealed Bids: >\$250,000:** must solicit bids via a formal RFP process. Includes purchases over the Simplified Acquisition Threshold
  - RFPs must include all evaluation factors and their relative importance
  - RFPs should include instructions for the submission of formal bids and a designated bid opening time
  - Contracts should be awarded to the responsible whose proposal is most advantageous based on price and other factors outlined in writing to guide the bid evaluation process
  - Where specified in bidding documents, factors such as discounts, transportation costs and life cycle costs must be considered when determining which bid is lowest.
  - For architectural/engineering services, the most qualified competitor may be selected subject to the negotiation of fair and reasonable price
  - All participating vendors should be notified about the outcome of the RFP process
- **Competitive Proposals:** Includes purchases of goods or services over the Simplified Acquisition Threshold
  - Requires formal solicitation, fixed price or cost reimbursement contracts
  - Used when sealed bids are not appropriate
  - Contract should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors.
- **Sole Source:** also known as non-competitive procurement
  - Appropriate only when certain specific criteria are met.
    - Public emergency does not allow time for competitive proposal process
    - Item available from only one source
    - Federal awarding agency authorizes it or determines the competition is deemed inadequate
    - Decisions must be documented on the college Vendor Selection Form

## **B. Soliciting Bids**

- The primary objective of the bidding process is to obtain products and services at the lowest overall cost commensurate with quality and service. The College benefits when suppliers recognize they are vying for the award of business and must be competitive in cost and service. The procurement of duplicative or unnecessary items/services is prohibited.
- Comparing pricing between vendors is recommended at any dollar amount. In general, the bigger the expenditure, the more care that must be taken to plan and execute a careful procurement strategy. Besides price, other criteria used to evaluate products and/or services include but are not limited to:
  - Performance/efficiency
  - Availability

- Durability
  - Repairability
  - Warranty/guaranty
  - Energy consumption/waste reduction
  - Recyclability/biodegradability
  - Toxicity
  - Vendor responsibility
- Vendors invited to bid should be furnished with an item description and/or statement of work citing the specific performance, service, or deliverables that are required along with an indication of the required quality. Brand names may be used to establish baselines, but the words ‘or equal’ must be included whenever possible and appropriate. Participating vendors should be asked to provide proof of insurance.
  - The requirement to obtain competitive bids may be waived in certain situations. The reason for bypassing a competitive bid process must be documented on a vendor selection form and submitted to the OFS. Examples of situations when the bid requirement may be waived include the following:
    - Procurement can be made under an existing arrangement that was made after soliciting bids
    - An emergency does not allow for the time required to obtain bids
    - The price and terms are known to be substantially identical among all suppliers
    - The request is for an identical requirement that has been procured recently after soliciting bids
    - Procurement must be made immediately or an opportunity will be lost
    - Only one vendor offers the necessary product or service
    - There would be prohibitive costs associated with transitioning away from an existing vendor relationship

### **C. Bid Competition**

- Any process to solicit bids should be as open and competitive as possible. Solicitations should not include unreasonable or unnecessary requirements in order for a vendor to qualify for participation.
- It is the policy of the College not to require bid deposits, performance bonds, or payment bonds except when necessary. This policy encourages greater competition by limiting the barriers to vendor participation. However, bid deposits and performance/payment bonds are required when it is in the best interest of the College, such as with construction bids. Unsuccessful bidders will be refunded any bid deposits after award of the bid. Successful bidders will be refunded any bid deposits after satisfactory performance of the bid contract.
- Employees must not become obligated to any supplier. No employee shall receive any benefit or profit from any contract or purchase made by the College, unless the employee accepts an unsolicited item of nominal value.
- No employee should participate in a bidding process if he or she has a real or apparent conflict of interest with a participating vendor.
- Steps should be taken to include minority businesses, women’s businesses, and labor surplus area firms in a bidding process whenever possible.

#### **D. Bid Responses**

- The College has the right to reject any or all bids and to waive any technicalities in bids received. Any deviation, alteration, or omission in a bid document may disqualify the bid. Bids should be read carefully to ensure all requirements are met, including proper signatures on all required pages and initials of the person authorizing the bid next to any corrections. No erasures are permitted on submitted bids.
- The award of a bid should be authorized based on the dollar amount of the bid according to the thresholds outlined in the College's general purchasing policy. After appropriate authorization, a purchase order or letter of intent will be sent to the vendor awarded the bid.
- In a sealed bid process, bids should be opened in the presence of at least two Luther employees according to the process outlined in the request for bids.

#### **VI. Confidentiality and Record**

Vendor selection forms will be retained by the OFS, along with purchase orders and invoices related to the bid. All original signed contracts must be submitted to the OFS for permanent retention. Copies of signed contracts should also be retained by the originating department.

**Luther College  
Vendor Selection Form  
For purchases exceeding \$3,000**

**Description of Product/Service:**

**Record competitive bids/price quotes and indicate selected vendor:**

	<u>Vendor Name</u>	<u>Total Price</u>	<u>Selected</u>
1.	_____	_____	<input type="checkbox"/>
2.	_____	_____	<input type="checkbox"/>
3.	_____	_____	<input type="checkbox"/>
4.	_____	_____	<input type="checkbox"/>
5.	_____	_____	<input type="checkbox"/>

Note: For purchases over \$250,000, all quotes listed above must be accompanied by RFP responses, unless there is a sole source for the product or service.

**If lowest bid is not selected, indicate justification:**

- ☐ Only acceptable proposal (meeting required delivery date, compliance with specifications, etc.)
- ☐ Technically superior offer
- ☐ Professional stature and reputation
- ☐ Availability
- ☐ Compatibility with College facilities/equipment
- ☐ Experience with similar work
- ☐ Understanding of scope of work
- ☐ Energy consumption/waste reduction

**Additional justification for selecting bid other than lowest cost:**

**If bids were not solicited from more than one vendor, indicate the circumstance that applies:**

- ☐ The item/service is only available from one vendor
- ☐ An emergency will not permit a delay from competitive solicitation
- ☐ A noncompetitive procurement was expressly authorized
- ☐ After solicitation of a number of sources, competition is determined to be inadequate

**Additional justification for only one bid\*:**

*\*Other justifications are not permitted for purchases made with federal funds*

Purchaser: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Attach completed form to purchase order/invoice associated with the awarded vendor that is submitted to the OFS.