

Finance and Administration
Policy and Procedure Manual

1. Purchasing Responsibility

Purpose: Establishes a policy for purchasing responsibility

POLICY: NCAC 05A.0101

Purchasing authority is delegated to the Winston-Salem State University Purchasing Department via the North Carolina Department of Administration, the University of North Carolina General Administration, and Winston-Salem State University in accord with the provisions of the General Statutes of the State of North Carolina. The Winston-Salem State University Purchasing Department has the exclusive responsibility for authorizing purchases from vendors for all supplies, materials, and services on behalf of Winston-Salem State University except as provided by North Carolina State Statutes (i.e., rental and purchase of real property, etc.)

2. Purchasing Approval Hierarchy

Purpose: Establishes a policy for purchasing authorizations

POLICY: NCAC 05B.0301

Approval levels for the purchase of goods and services on behalf of Winston-Salem State University have been established commensurate with the fiscal accountability represented by the purchase and with an eye toward (1) expediting University purchases; (2) allowing accounting/ budget controls to work as intended; (3) placing accountability at the departmental level in accordance with good accounting/budgetary principles.

Trust and grant funds are also subject to the above regulations.

3. UNAUTHORIZED PURCHASES

Purpose: Establishes a policy on purchases made outside official purchasing processes

POLICY:

The Winston-Salem State University Purchasing Department has the exclusive responsibility for making all purchase contracts entered into for the University except those for the rental or purchase of real property (which is handled through University Facilities Management), employment contracts and educational consultant agreements. Official authorization from the WSSU Purchasing Department must be issued prior to the procurement of any good, commodity or service utilizing University controlled funds; the University accepts no responsibility for any procurement made contra of this policy and they become the personal financial responsibility of the individual making and/or authorizing the unauthorized purchase. Purchases made under the P-Card Program established by the WSSU Purchasing Department and for bonafide emergencies are deemed "authorized" and in no way in opposition to this policy.

The university is not obligated for purchases that have not gone through normal purchasing procedures to include after-the-fact purchases. After-the-fact purchases may or may not be ratified at the discretion of the Director of Purchasing.

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4. Purchases for the Personal Use of Employees

Purpose: Establishes a policy on purchases made for personal use

POLICY: NCAC 05B.1510

All purchases made with University funds are solely the property of the State and remain so until consumed or disposed of by public sale through State surplus property procedures; no purchases shall be made for the sole benefit of an employee. A violation of this policy is a Class I misdemeanor.

5. Responsibilities for Supplies and Equipment after Purchase

Purpose: Establishes a policy for responsibility for supplies and equipment after a purchase is made

POLICY:

The administrative head of an agency, school, or department is accountable to the University's chancellor for all supplies, materials, equipment and services purchased in the department's or school's name regardless of the source of funds; research funds, whether grants or contracts, are made to Winston-Salem State University and not to the principal investigator and shall be administered in accord with the stipulations of the contract or grant with the University accepting responsibility for supplies, materials, equipment, and services purchased with such contract and grant funds to the granting agency.

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6. Encumbrance of Funds

Purpose: Establish University policy to encumber funds for all outstanding purchase orders

POLICY:

Funds required to support departmental purchases are encumbered whenever a purchase order is issued to the vendor. These funds will remain encumbered until the check is issued to the vendor. Encumbered funds cannot be used for any other purpose.

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7. Solicitation of Competition

Purpose: Establishes a policy for the solicitation of competition for contractual services and commodities

POLICY: NCAC 05B.0301

Competition must be solicited for purchases of commodities and contractual services exceeding \$5,000 although the Purchasing Department reserves the right to solicit competition regardless of cost. Campus users are responsible for developing generic specifications for the goods or services they require so that a vendor may bid their products. The Purchasing Department will solicit all requests exceeding \$5,000. Requests under \$5,000 shall have at least one quote.

Single source purchases must be made with sufficient justification and the approval of the WSSU Purchasing Department and/or State Purchase and Contract. Note: P-Card Purchases and items procured through contracts negotiated by the Division of Purchase & Contract are not subject to this policy.

Departments are not permitted to divide purchases in order to keep them under the established benchmark or general delegation amounts so as to obviate the need to seek competition.

All University purchases shall comply with the requirements of existing State contracts as appropriate. University departments are required to acquire items covered by State convenience contracts from the identified vendors without having to seek additional competition.

For purchases made by an agency involving an expenditure of public funds over \$5,000, up to the general delegation limit:

Competition shall be solicited;

Solicitation documents requesting or inviting offers shall be issued

Solicitation documents shall include standard language, including terms and conditions issued by P&C, unless prior written approval is obtained from P&C. If additional terms and conditions are used, they shall not conflict with P&C's standard terms and conditions, unless prior written approval is obtained from P&C.

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In addition, agencies and universities shall advertise their solicitations on P&C's Interactive Purchasing System (IPS) via the internet for the following purchases:

Universities: For purchases involving an expenditure of public funds exceeding \$25,000, up to their general delegation limit.

Agencies and universities may advertise solicitations of smaller dollar amounts through P&C.

The awarding of contracts under general delegation shall be the responsibility of the using agency.

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8. Open Purchase Orders

Purpose: Establishes a policy for the creation of open purchase orders

POLICY:

Open purchase orders may be used (where appropriate) to accommodate repeated purchases of supply items/services over an extended period of time. An "open order" is a Purchase Order which has been issued to a vendor against which multiple purchases/payments may be made. When repeated purchases of the same type of supply/service item are expected, multiple Purchase Requisitions may be eliminated by submitting one Purchase Requisition to establish an open order situation. New purchase orders must be issued for each fiscal year. Goods and services shall not be charged nor shipped against this order beyond the fiscal year indicated, Goods and services shall not be shipped in excess of the dollar amount, without authorization from the Purchasing Department through a change order.

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9. Purchases from Commercial Vendors

Purpose: Establishes a policy for obtaining goods and services from commercial vendors

POLICY:

All purchases from commercial vendors must be made in accordance with applicable State or University purchasing policies and procedures.

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10. Changes to Purchase Orders

Purpose: Establishes a policy for making changes to purchase orders

POLICY:

Changes to a purchase order are only valid if accomplished by an official change order processed by the WSSU Purchasing Department. When a purchase order is written to a vendor by the Purchasing Department in response to an offer by the vendor and is based on acceptable terms and conditions, it becomes a binding contract and cannot be broken by either party so long as both parties live up to the terms and conditions of the agreement. To break or cancel the contract requires the consent of the other party. When a purchase order is written to a vendor but is not in accordance with the terms and conditions which were previously offered by the vendor, it does not become a binding contract until the purchase order is acknowledged and accepted by the vendor in writing. Changes to purchase orders already accepted by vendors must be requested by the Purchasing Department. Most vendors are willing to make reasonable changes to an order without penalty to the purchaser. Generally, only when a vendor may have expended funds for fabricating special equipment or purchasing specialized materials needed for an order will a charge be made for changing or canceling an order.

11. Avoiding Conflict of Interest

Purpose: Establishes a policy regarding conflicts of interest

POLICY: NCAC 05B.1509; NCAC 05B.1510

The University considers that the same restraint of the law that applies to officials of the North Carolina Department of Administration, Division of Purchase & Contract, explicitly mentioned in NC Statutes also applies to the WSSU Purchasing Department employees. Purchases from State or University employees or from companies in which State or University employees have a substantial interest will be avoided. The University's normal practice is not to purchase from State or University employees but a request to purchase materials or services from State or University personnel, or from companies in which any State or University employee may have a major interest, may be submitted in writing to the State Purchase & Contract Division with a detailed justification supporting such a purchase request. This way, the University tries to protect the purchasing director and employees from becoming involved in conflicts of interest.

12. Solicitations By Salespersons

Purpose: Established policy to govern solicitations by salespersons

POLICY:

Solicitations by salespersons are permissible, but only the WSSU Purchasing Department has the authority to enter into a sales agreement with any salesperson. However, since State policy requires that supplies and materials be obtained from State contracts or by competitive bidding (except for certain small order requests), solicitation of business by salespersons may be of little value to the salesperson. Salespersons are encouraged to visit University departments, however, to keep the departments informed of new items being introduced and to assist departments by providing information on various technical aspects of products. It is not permissible for a University department to receive materials on consignment, pending issuance of a confirming purchase order. Receipt of equipment for demonstration purposes is permissible provided no obligation is made to the vendor to purchase the equipment. All insurance for the safety of equipment on demonstration must be borne by the vendor. Shipping charges, both to and from the University, are the vendor's responsibility.

13. Product and Service Demonstrations by Vendors

Purpose: Establishes a policy governing product and service demonstrations

POLICY:

Product and service demonstrations by vendors are permissible with the approval and coordination of the WSSU Purchasing Department; purchases after demonstrations will be conducted in accordance with University and State requirements.

(1) REQUESTS BY VENDORS:

From time to time vendors request that they be allowed to demonstrate a new product line or a new service. The University does not prohibit this type of demonstration, but since space, either in a building or in a parking lot, must be provided, clearance must be obtained from the Director of Auxiliary Services or from the chairman of the department receiving the demonstration.

Arrangements: Vendors are to direct any requests for demonstrations to the WSSU Purchasing Department. The WSSU Purchasing Department will make arrangements for the demonstration, the time, advise those departments which might have an interest in the demonstration, and confirm with the vendor the arrangements that have been made. The vendor will be responsible for all expenses incurred in the demonstration. The University will not accept any responsibility for the safety of the equipment beyond normal care and safety.

(2) REQUESTS BY UNIVERSITY DEPARTMENTS:

Requests for demonstration of a particular piece of equipment or service by a University department are permissible. In these instances, arrangements are worked out between the University Purchasing department and the vendor. All expenses incurred from a demonstration are the responsibility of the vendor. The University will not accept any responsibility for the safety of the equipment beyond normal care and safety.

(3) PURCHASE AFTER DEMONSTRATION:

A demonstration to a department or individual in no way obligates the University to purchase or lease the equipment or service. Any purchase requests issued as a result of demonstrations will be handled in accordance with normal purchasing regulations of the University and the State.

14. Evaluation of Equipment for Vendors

Purpose: Established a policy governing evaluation of equipment for vendors

POLICY:

University departments may evaluate equipment or services for vendors, without obligation to purchase, with the permission of the WSSU Purchasing Department. The WSSU Purchasing Department shall establish a written agreement for the evaluation of equipment or services when the vendor offers to have the equipment installed or service performed for evaluation purposes only (with no obligation to purchase) in accord with the following guidelines:

1. The equipment or service must be adequately identified and described, giving, where appropriate, model and serial numbers;
2. All freight charges (where applicable) are to be paid by the vendor; FOB Destination
3. Insurance, if any, is the responsibility of the vendor. The University assumes no liability for the equipment or service. The University may agree to exercise normal care in the operation of equipment to avoid abuse and/or to provide normal security.
4. At the end of the evaluation period, the University department shall be responsible for crating (crating materials to be furnished by the vendor) and shipping the equipment collect by a carrier of the vendor's choice. The vendor may, alternatively, choose to pack and ship the equipment.
5. The evaluation of equipment for a vendor does not give the vendor permission to use the name of the University in any advertisements.

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15. Correspondence with Vendors

Purpose: Establishes a policy governing correspondence with vendors

POLICY:

Following the transmittal of a purchase order to a vendor, all correspondence in connection with the fulfillment of the order or contract is to be handled by the WSSU Purchasing Department.

University departments should contact the WSSU Purchasing Department if a change is required in an order. Changes should be requested on the University requisition form or electronically and must be authorized and approved accordingly. A duly processed change order is the only official modification to an existing purchase order authorized by the University.

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16. Receiving Purchased Items

Purpose: Establishes a policy for the receipt of goods or services

POLICY:

All equipment or services received in connection with an authorized purchase must be checked thoroughly and signed for. Notification of incompleteness or damage should be conveyed to the supplier immediately. Services must likewise be signed for as having been satisfactorily received. It is contrary to State and University policy for invoices to be marked indicating receipt of ordered materials and/or to approve vendor invoices for payment before actual receipt of such billed materials or services.

17. Obtaining Federal Surplus Property

Purpose: Establishes a policy for obtaining Federal surplus property

POLICY

Federal surplus property may be obtained for University use through arrangements made by the WSSU Purchasing Department and in accord with State and Federal regulations. The Purchase and Contract Division of the North Carolina Department of Administration operates a surplus warehouse in Raleigh for use by State agencies in obtaining Federal Surplus Property. Federal Surplus Property is available to the University at no cost except a nominal service charge.

A wide assortment of supplies and equipment is regularly available, with many items having a definite and immediate application to the needs of University departments. Federal surplus property may not be acquired for personal use, nor can it be disposed of except in accordance with established State, Federal and University regulations.

18. Buying Used Equipment

Purpose: Establishes a policy for the procurement of used equipment

POLICY

The buying of used equipment is strongly discouraged and will be approved on a case by case basis. This does not apply to the purchase of Federal, State, or University surplus property which is available at a nominal price.

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19. Rental and Lease of Equipment

Purpose: Establishes a policy for the rental and lease of equipment

POLICY:

The rental or lease of equipment (as opposed to the purchase of the equipment) is generally not considered to be in the best interest of the University and must be approved. The State does not generally lease or rent equipment although there is no specific rule prohibiting this practice.

If equipment is to be required on a continuing basis, it is generally more economical to purchase.

All requests for renting or leasing equipment, therefore, are forwarded to the State Division of Purchase and Contract for approval or bidding as may be appropriate.

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20. Acquisition and Disposition of Real Property

Purpose: Establishes a policy for the acquisition and disposition of real property

POLICY:

The acquisition and disposition of real property is the exclusive providence of WSSU Department of Facilities Management/Operations. The acquisition and disposition of real property (land, including buildings, improvements and natural assets such as water and minerals) may only be handled through the WSSU Department of Facilities Management/Operations.

21. Purchase of Office Supplies and Equipment

Scope:Applies to all University departments and activities

Purpose: Establishes policy for the procurement of office supplies and equipment

POLICY:

Office supplies and equipment must be purchased in accordance with applicable State contracts through the purchasing process and in accordance with North Carolina term contracts. (A complete listing of State contract items is available on the internet: www.doa.state.nc.us/PandC/) The P-Card is designed to make purchases under \$2500.00. The Purchasing Department recommendation is to use the P-Card for all office supply purchases.

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22. Purchase of Personal Computers and Related Equipment

Purpose: Establishes a policy for the procurement of personal computer and equipment

POLICY: NCAC 05B.1101

Personal computers will be ordered in accordance with the standards set by the WSSU Information Resources Department and applicable State contracts. A State convenience contract for computers and related equipment is managed by the Department of Information Technology- IT Procurement. This contract provides a detailed listing of computers and related equipment that is available at rates negotiated by the State. A standardized computer specification for WSSU has been developed and must be used in ordering all computer related items. This specification is subject to change at the discretion of the WSSU Information Resources Department. Orders of computers different from the University standard must be approved by the Office of the CIO or his designee before submission to Purchasing.

23. Purchase of Subscriptions and Periodicals

Purpose: Establishes a policy on the purchase of subscriptions and periodicals

POLICY:

Subscriptions and periodicals used for and directly related to official University business or functions may be ordered for University departments and offices. All subscription purchases from University administrated funds must be mailed to a University business address.

24. Purchase of Personal Items

Purpose: Establishes a policy on the purchase of “personal” items

POLICY:

The purchase of items which serve either a purely decorative or personal function (flowers, decorations, greeting cards, personal heating or cooling devices, food, coffee, alcohol, soft drinks, etc.) are prohibited from State appropriated funds.

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25. Excise and Sales Tax

Purpose: Establishes a policy on the payment of taxes

POLICY:

Winston Salem State University, being an agency of the State of North Carolina, is exempt from Federal Excise Tax. The Purchasing Department must furnish the State of North Carolina Exemption Number to vendors for items subject to Federal Excise Tax, indicated as follows:

Federal Tax Exemption Chapter 32, Internal Revenue Code

For Exclusive Use of North Carolina State Government and Public Schools

Effective July 1, 2004, Winston Salem State University is exempt from sales or use tax. The Purchasing department can provide a tax exempt certificate upon request. Sales Tax Exemption number is 400016.

26. Procurement Card

Purpose: Establishes a policy on the procurement card use

POLICY: NCAC 05B.1523

Procurement cards are for official use only and shall be used in accordance with the statewide contract established and maintained by the Division of Purchase and Contract.

This program has been established to allow the purchase of low dollar goods and services while simultaneously reducing paperwork and handling costs associated with the small purchase process. The P-Card is issued to an employee, empowering this person to purchase goods and services on behalf of the University.

Under no circumstances shall this Visa P-Card be used for personal purchases.

27. Contract Administration

Purpose: Establishes a policy on contract administration processes

POLICY:

Contracts, honorariums and agreements must be submitted to the Purchasing Department for review and approval by the Director of Purchasing. The Office of Legal Affairs has the final approval of all University contracts. Exceptions include but are not limited to:

- construction and design services
- real property transactions
- appointment of personnel

Contracts should be qualified by using the Independent Contractor Checklist available from the Office of Legal Affairs.

All contracts must bear the signature of authorized University personnel. The Chancellor has signature authority for all contracts.

28. Personal Services

Purpose: Establishes a policy for the procurement of personal services

POLICY:

All personal services to be performed on behalf of Winston-Salem State University must be codified in writing and approved in advance through the WSSU Purchasing Department. Competition may be required for personal services where substantial competition exists in the market place for such services. Personal services processed through Purchasing cannot serve as an alternative to the personnel process. Only those services are eligible for a personal services contract which (1) are for a limited duration, (2) are for a specific project, (3) require an individual with unique skills/education/talents, (4) do not consist of duties ordinarily undertaken by a University employee, and (5) will be completed independent of University control. Assignments for individuals which do not meet all the above stipulations must be processed through the personnel process. Services which meet the definition of “consultant services” must be obtained according to applicable policy and procedures.

29. Consultant Services

Purpose: Establishes a policy for procurement of consultant services

POLICY: NCAC 05D.0102 NCAC 05D.0201 NCAC 05D.0203

All consultant services (defined as "...work or task(s) performed by State employees or independent contractors possessing specialized knowledge, experience and professional qualifications to investigate assigned problems or projects and to provide counsel, review, analysis or advice in formulating or implementing improvements in programs or services. This is not limited to, the organization, planning, directing, control, evaluation and operation of a program, agency or department.") to be performed on behalf of Winston-Salem State University must be approved in advance through the North Carolina Department of Administration, Division of Purchase & Contract, and the Governor's office. Any contract for consultant services entered into in violation of this policy shall be void and the person responsible for the contract shall be liable to repay any State funds expended in relation to the contract, plus any court costs incurred in enforcing the policy. Consultant services shall be obtained only after it is determined that such services are in the best interest of the State and Winston-Salem State University.

NOTE: By memorandum from the President of the University of North Carolina, "educational consultants" (defined as "...use of individuals for instructional services

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and for advising with respect to curriculum development and conducting academically oriented research...”) are exempt from these procedures.

CONSULTING SERVICES

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1.2.2b Consulting Services

Services is defined as work or tasks performed by State employees or independent contractors possessing specialized knowledge, experience, expertise and professional qualifications to investigate assigned problems or projects and to provide counsel, review, analysis or advice in formulating or implementing improvements in programs or services. This definition includes, but is not limited to, the organization, planning, directing, control, evaluation and operation of a program, agency or department . Whenever possible, consulting services shall be obtained from other State agencies when the services available from other agencies substantially meet the reasonable specifications of the requesting agency .

NORTH CAROLINA ADMINISTRATIVE CODE

SUBCHAPTER 5D- CONSULTANT CONTRACTS

SUBCHAPTER 5D - CONSULTANT CONTRACTS

SECTION .0100 - CONSULTANTS

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.0101 APPLICABILITY

The Rules in this Section and Section .0200 are applicable to all agencies except local school administrative units and Community Colleges.

The Rules in this Section and Section .0200 do not apply to contracts for attorneys employed by the North Carolina Department of Justice or by other agencies of state government pursuant to the provisions of G.S.147-17, to contracts for physicians or doctors providing direct medical care for the clientele of any state agency, to contracts entered into by the General Assembly or its special study commissions, to contracts entered into by the Institute of Government to provide or obtain consulting or advisory services, to contracts to provide services without compensation to the provider of the services or to his employing agency or to contracts entered into by a state agency pursuant to specific statutory authority which provides, in the opinion of the Governor or designee, a specific alternative procedure for the selection and award of such contracts.

.0102 DEFINITION

Consultant services shall mean work or task(s) performed by State employees or independent contractors possessing specialized knowledge, experience, expertise and professional qualifications to investigate assigned problems or projects and to provide counsel, review, analysis or advice in formulating or implementing improvements in programs or services. This includes but is not limited to the organization, planning, directing, control, evaluation and operation of a program, agency or department.

SECTION .0200 - CONTRACTING PROCEDURE FOR CONSULTANTS

.0201 GENERAL STATEMENT OF POLICY

State agencies shall acquire consultive services only when the contract is in the best interests of the State. In acquiring such services, competition shall be sought whenever practicable as determined by the Division of Purchase & Contract. No agency which is subject to the provisions of this Subchapter may contract for services of a consultant nature except in accordance with the provisions of this Subchapter.

.0202 CONSULTING CONTRACTS WITH OTHER AGENCIES

Whenever possible consultant services shall be obtained from other agencies when the services available from other agencies substantially meet the reasonable specifications of the requesting agency.

.0203 REQUESTS FOR AUTHORITY TO CONTRACT WITH CONSULTANTS

Before receiving authorization to seek consultant services, an agency shall submit to the Division of Purchase & Contract written justification for its request for consultant services. This written justification shall at a minimum explain what services the agency desires to secure, why the work to be performed by the consultant cannot be reasonably accomplished by employees of the requesting agency, how the work to be performed relates to the proper functions of the agency, what benefits the agency expects to receive from the consultant's services, what the agency estimates to be the cost of the services sought, and what potential sources of consultant services if any the agency has identified. If the agency is

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requesting authority to contract for consulting services outside of State government, it shall also detail what potential sources of those services exist within State government and explain why the desired services were not available from those sources. The written justification shall be accompanied by a letter of endorsement for the proposed contract(s) from the agency head or his designee.

.0204 REVIEW OF AGENCY REQUESTS

The documents submitted by agencies requesting authority to retain consultants will be reviewed by the Division of Purchase & Contract. Upon completion of this review the requesting agency will be advised, subject to such conditions as may be prescribed by the Governor or designee, to:

- (1) canvass additional sources within state government; or
- (2) solicit proposals from private contractors; or
- (3) execute a negotiated contract(s) without competitive proposals if the Division of Purchase & Contract and the Governor have determined that performance or price competition is not available or that the requirement is for an authorized cooperative project with another governmental unit(s) or a public or private nonprofit organization(s) or that the contract price is too small to justify soliciting competitive proposals; or
- (4) abandon the project for being outside the scope of the agency's responsibilities or for having insufficient benefit to the State relative to the potential expenditure of funds.

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.0205 COMPETITIVE PROPOSALS

(a) An agency which receives approval to solicit proposals for consultant services shall:

(1) Prepare a request for proposals in accordance with these Rules and disseminate among prospective service providers;

(2) Circulate the request for proposals to such sources of consultant services as may be identified by the Division of Purchase & Contract as well as all sources identified by the requesting agency;

(3) Publicly open all proposals received at a date and time set in the request for proposals; however, in a two-step evaluation process, only the technical proposal shall be opened on the opening date. The cost proposal is opened only if the technical proposal is determined by the State to be acceptable;

(4) Upon receipt of proposals submit a copy of each proposal received to the Division of Purchase & Contract;

(5) Review all proposals received on the basis of evaluation criteria significantly related to the function to be performed and equally applied to all proposals received;

(6) Submit a memorandum to the Division of Purchase & Contract citing criteria for selection and recommending contract award.

(b) The Division of Purchase & Contract shall evaluate all proposals received in accordance with the requirements of the request for proposals and shall consider the recommendations of the requesting agency. Upon completion of the Division's analysis, the Division shall forward a recommendation to the Governor. The

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requesting agency shall be notified in writing by the Governor or designee that all proposals have been rejected or that the agency head is authorized to execute a contract(s) with an approved service provider(s).

.0206 NEGOTIATED CONSULTANT CONTRACTS

An agency which receives authorization to enter into a negotiated contract(s) for consultant services without soliciting competitive proposals shall submit the proposed contract(s) to the Division of Purchase & Contract for review and approval prior to execution. Upon completion of this review the requesting agency shall be notified in writing by the Governor or his designee that an approved contract(s) may be executed by the agency head.

.0207 CONSULTANT CONTRACT MODIFICATION

Any modification to an approved contract(s) shall be subject to the same approval requirements as the original contract(s). The Governor or his designee may at his option, during the process of reviewing requests for contract modifications, waive any of the provisions of .0203 of this Section.

.0208 FORMAT

All contracts for consultant services shall be in writing and in a format approved by

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the Division of Purchase & Contract. Contracts must be executed by the department head in the case of the executive departments of state government, by the chief executive officer of independent boards and agencies, by the President of the University of North Carolina for contracts to which the university or any of its constituent institutions is to be a party, or by agents of above named officials who have been specifically designated by those officials and whose names and positions have been filed with the Division of Purchase & Contract and whose designation has been approved by the Division of Purchase & Contract and the Governor or his designee.

.0209 RELATIONSHIP OF CONSULTANT TO STATE

No contract for consultant services shall create an employer-employee relationship between the State of North Carolina and the consultant.

30. Exemptions, Emergencies & Pressing Needs

Purpose: Establishes a policy for exemptions, emergencies & pressing needs

POLICY: NCAC 05B.1601 NCAC 05B.1602

1601 EXEMPTIONS

Except as provided in Paragraph (c) of this Rule, it is not mandatory for the items and services listed in this Rule to be purchased through the Division of Purchase & Contract.

- (1) purchase of liquor;
- (2) perishable articles such as fresh meats;
- (3) published books, manuscripts, subscriptions to printed material, packaged copyrighted software products, and like material;
- (4) services provided by individuals by direct employment contracts with the State;
- (5) public utility services (gas, water and electricity);
- (6) telephone, telegraph and cable services furnished by those companies;

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(7) services provided which are subject to published tariff rates as established by the North Carolina Utilities Commission;

(8) services which are merely incidental to the purchase of supplies, materials or equipment such as installation services;

(9) contracts for construction of and structural changes to public buildings;

(10) personal services provided by a professional individual (person) on a temporary or occasional basis, including (by way of illustration, not limitation) those provided by a doctor, dentist, attorney, architect, professional engineer, scientist or performer of the fine arts and similar professions; the exemption applies only if the individual is using his/her professional skills to perform a professional task; a personal service may also be a consulting service;

(11) services provided directly by an agency of the State, federal or local government, or their employees when performing the service as a part of their normal governmental function.

In addition to products and services exempted by statute, the SPO may exempt other products and services from purchase through the Division provided that the SPO makes findings:

(1) that competition will not enhance the price that the State would receive for the product or service; and

(2) that competition will not enhance the quality of the product or service that the State would receive.

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Contracts for bakery products and dairy products shall be awarded through the Division of Purchase & Contract, if over the agency's expenditure benchmark.

.1602 EMERGENCIES

(a) An agency may make purchases of commodities, printing or services in the open market in cases of emergency or pressing need. For this purpose, a pressing need is one arising from unforeseen causes including, but not limited to, delay by contractors, delay in transportation, breakdown in machinery, or unanticipated volume of work while emergencies are defined as situations which endanger lives, property or the continuation of a vital program and which can be rectified only by immediate, on-the-spot purchases or rental of commodities, printing or services.

(b) Agencies may negotiate with a potential vendor(s) in an effort to acquire the quality of commodity, service or printing needed at the best possible price, delivery, terms and conditions. A solicitation document requesting or inviting an offer(s) shall be issued, including standard language, terms and conditions issued by the Division of Purchase & Contract, unless circumstances prohibit their use.

(c) When emergency or pressing need action is necessary, and the expenditure is over the agency's benchmark or delegation, prior verbal approval shall be obtained from the Division if time permits. Subsequently, whether or not such prior approval was possible, if the expenditure is over the agency's benchmark or delegation, an explanation of the emergency or pressing need purchase shall be reported in writing to the Division. The Division shall report such purchases of commodities and printing to the Board as a matter of record.

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31. Capitalization/Classification

Purpose: To define the policies and procedures governing the capitalization/classification of property, plant and equipment.

A capitalized fixed asset is property, such as land, buildings and equipment, with cost of \$5,000 or more and a useful life of more than one year. Capitalized fixed assets are acquired for use in normal operations and are not for resale. These assets may be subject to depreciation, depending on which fund was used to record the asset. All capitalized assets should be entered into the Fixed Asset System and Banner Financial System. A physical inventory will be taken of inventoried assets at least once a year at the same time the capitalized fixed assets are inventoried (Physical Inventory).

32. Additions

Purpose: To define the policies and procedures governing the capitalization/classification of acquired property, plant and equipment.

POLICY:

An addition represents a new asset. It increases the physical size or operating capabilities of an asset through expansion or extension. Additions do not involve renovations. A new wing to a building is an example of an addition.

Additions are considered separate assets. The addition is capitalized if its cost is \$5000 or more. Assets valued below \$5000 are expensed; they are not capitalized nor depreciated for financial reporting purposes

Addition costs are different from maintenance costs. Additions add future benefits. Maintenance costs are incurred to keep the original asset in normal operating condition.

33. Fixed Assets Grants

Purpose: To define the policies and procedures governing the capitalization/classification of property acquired with Federal financial assistance.

POLICY:

Fixed assets acquired with Federal financial assistance are subject to property management standards set by the Federal government. These standards are set by the Federal government. These standards are found in the Common Grants Management Rule (Common Rule) of revised OMB Circular A-102 (1988). Additional property management standards may be included in the grant agreement. All Federal property requirements must be met in addition to the requirements set forth in this manual.

When Winston-Salem State University does not hold title to property acquired with Federal funds, the property should not be capitalized. (Possession does not equal ownership). The property can be inventoried for tracking purposes. However, all inventoried assets acquired with Federal funds are flagged to ensure that Federal funded assets will not be sold or transferred without following Federal property disposition guidelines. The Reimbursement Code (FRC) is available on the Fixed

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Asset Input Form to denote Federal participation. When Federally funded, assets are no longer needed for the grant program; the Winston-Salem State University must dispose of the assets according to these property disposition guidelines.

34. Physical Inventory

Purpose: To define the policies and procedures governing the verification of physical inventory.

POLICY:

A physical inventory of capitalized fixed assets is taken to verify that assets recorded in the Fixed Asset System are physically located. Inventories are taken at least annually. Departments are required to certify their inventory and return certifications to the fixed assets officer.

The supervisor/manager of the division, department or program, is held accountable for safeguarding assets listed in their custody

If a capitalized or inventoried asset is missing at inventory, the Missing Asset Form is completed to document the reason for the missing asset (see Missing/Stolen Assets).

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35. Land

Scope: Applies to All Real Estate Property.

Purpose: To define the policies and procedures governing the valuation of land owned by the University.

POLICY

Land is the real estate property held by the State. It can be purchased or donated. Land is entered on the Fixed Asset system if the total cost is \$500 or more. Since land is considered not to have limited useful life and its salvage value is unlikely to be less than its acquisition cost, land is not depreciated.

Purchased land should be entered at cost. The cost includes its purchase price and any other charges necessary to purchase the land. The other charges include costs such as site preparation expenditures, professional fees, and legal claims directly attributable to the land acquisition. If land and building are acquired as a single parcel, the value of the land should be determined separately from the building and recorded in the land account. If land and a building are acquired together with the intent to raze the building, the cost of razing the building would be capitalized as part of the cost of the land. Donated land should be capitalized at the appraised market value at the time of donation.

Land is entered to the Fixed Asset System when the State takes ownership of the property.

37. Building

Scope: Applies to All Buildings That Are Permanent in Nature
And Have a Useful Life Greater Than One Year.

Purpose: To define the policies and procedures governing the valuation of
buildings.

POLICY:

Buildings are structures that are permanent in nature and have an asset life of greater than one year. They may be subject to depreciation depending on the fund used for purchase (see Depreciation).

Buildings valued at \$5,000 or above are capitalized and recorded on the Fixed Asset System. Those valued below \$5000 are expensed; they are not capitalized nor depreciated for financial statement purposes.

Buildings are valued at the purchase price or construction cost. Cost should include all charges necessary to put the building or structure in its intended state of operation (i.e. professional fees for brokers, attorneys, architects, appraisers, financial advisors, interest during the period of construction, etc.). Permanently attached fixtures to the building (i.e. heating and ventilation systems, roofs, plumbing, carpet, and electrical systems) should be included in the cost of the building (see Capitalization).

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Donated buildings should be capitalized at the appraised fair market value at the time the building was donated.

If using in-house resources such as labor, materials, and supplies from General Services to construct or add on to the building, the costs are to be included as part of the cost of the asset. Capitalize the costs as if outside sources were used.

When an addition is constructed, it is added to the Fixed Asset System as a separate asset if it exceeds Winston-Salem State University inventory/capitalization threshold. If recorded on the Fixed Asset System, the addition will receive its own fixed asset number (see Additions). For leased buildings, the type of lease as well as Winston-Salem State University inventory/capitalization thresholds dictate whether a building is recorded on the Fixed Asset System and/or capitalized (see Lease Agreements).

Maintenance expenses are incurred to keep assets in normal operating condition and to help maintain the original use of the building. Maintenance expenses do not extend the life of the building beyond the expensed and not capitalized. The costs are charged to repairs and maintenance.

Renovation and improvement costs are incurred to restore or improve buildings or other capitalized assets. Normally, these costs take place over an extended period. Care must be taken to distinguish between maintenance and renovation/improvement costs.

The buildings are to be included in the annual inventory of the controlling agency. The inventory ensures that the controlling agency has the buildings recorded in its records.

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The long-term construction costs of buildings are paid from Capital improvements (CI) budget codes. Costs are expended from CI budget codes while the building is under construction. Such costs would include architect fees, plumbing and electrical contractors, contractor fees, etc. Annually, the projects to date expenditures (on the accrual basis) in the CI funds, less items capitalized, are recorded in the Construction in Progress account.

After a building is inspected by the State Construction Office, the agency receives a Letter of Acceptance from the State Construction Office. After receipt of this letter and when the building is ready for occupancy, the building is considered complete. Winston-Salem State University within 30 days of completion reclassifies the amount from the Construction in Progress account to the fixed asset building account and issues the building a fixed asset number.

37. Capital Leases/Operating Leases

Purpose: To define the policies and procedures governing the capitalization/classification of Capital and Operating Leases.

POLICY:

WSSU financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires the disclosure of all capital lease payments made during the year and the future liability of all capital leases. Accordingly, WSSU adopted the same policies and procedures for classifying and reporting leases.

Capital Leases:

According to Financial Accounting Standards Board (FASB) Statement 13, "Accounting for Leases", a lease is considered a capital lease if it meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property (e.g., lease term six years, estimated life

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eight years).

4. The present value of rental and other minimum lease payments equals or exceeds 90 percent of the fair value of the leased property less any investment tax credit retained by the lessor (e.g., future minimum lease payments \$9,000, fair value \$10,000).

When the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, which includes the assets economic life prior to the lease, the last two criteria are not applicable. Winston-Salem State University management is responsible for determining the estimated economic life of the leased property.

Capital leases are capitalized/inventoried if the cost exceeds the thresholds set by Winston-Salem State University management (see Capitalization). If recorded in the Fixed Asset System, the amount to be recorded upon signing the lease is the present value at the beginning of the lease term of the minimum lease payments during the lease term, or the fair value of the leased property, whichever is less. Executory costs (e.g., insurance and maintenance) are not included for purposes of calculating minimum lease payments. The periodic rental payments are treated as payments of the lease obligation and interest is recorded on the remaining balance of the obligation.

The present value of the minimum lease payments should be reported as both an other financing source and an expenditure in a governmental funds operating statement. This is the same as using long-term borrowings to finance capital acquisition.

Capital leased assets must follow the same depreciation policy as similar owned

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fixed assets in the fund. If depreciated, the period is restricted to the lease term rather than the life of the asset, unless the lease provides for transfer of title or includes a bargain purchase option.

Operating Leases:

To determine if a lease is operating, review the criteria for capital leases. If it does not meet any of the criteria, the lease is considered an operating lease activity. Neither an asset nor obligation is recorded for operating leases. Accordingly, rental payments are recorded as rental expense in the operating statement. Note disclosure is also required on the financial statements.

If the operating lease has a scheduled rent increase, Governmental Accounting Standards Board (GASB) Statement 13 requires different reporting of the lease depending upon whether the increases are systematic and rational or not. Rent increases are considered systematic and rational if they either:

1. Are associated with an intended to reflect changes in economic factors relating to the property, such as an increase in the fair value of the property or inflation.
2. Reflect the time pattern in which the leased property is physically available for use by the lessee.

If the rent increase is considered systematic and rational, revenue and expense measurement will be in accordance with the lease agreement.

Rent increases are viewed as unsystematic where the rent is artificially low in some

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time periods for other reasons, such as inducing the lessee to enter the agreement or alleviating lessee cash flow problems. Leases with unsystematic rent increases must measure revenue/expense by:

1. Either fair value rental with interest on the payable/receivable balance measured at the implicit rate (preferred); or
2. Straight-line basis over the lease term.

Revenues and expenditures for operating leases for all fund types should be recognized on the full accrual basis of accounting at the full amount measured using the criteria above.

When leasing land, the lease is classified as an operating lease unless it provides for transfer of title or includes a bargain purchase option.

38. Missing/Stolen Assets

Scope: Applies to All Fixed Assets.

Purpose: To define the policies and procedures governing missing or stolen fixed assets.

POLICY:

Management is responsible for implementing procedures for maintaining control over and the safeguarding of assets. Physical security measures over facilities and authorized personnel must be established and documented.

Fixed assets are considered missing when an inventory is taken and assets on the Physical Inventory Worksheet are not found. This can occur because an asset is moved to another location but the new location is not recorded on the system before Physical Inventory Worksheets are run, or the asset could be lost.

During a physical inventory, missing assets are noted on the Physical Inventory Worksheets. After the sheets are completed, they are given to the fixed asset officer for reconciliation to the Fixed Asset System. The fixed asset officer compares assets listed as missing on the Physical Inventory Worksheets at one location/division with assets found at other locations/divisions that were not listed on that locations Physical Inventory Worksheets. If there are any matches, location changes are made to the Fixed Asset System to list it properly.

If there are any missing assets after this process, the Missing Asset Form is

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completed by the person responsible for the asset. Missing Asset Forms are available from the fixed asset officer upon request. The form is routed through proper management levels as determined by the appropriate Vice Chancellor. The Missing Asset Form is approved by the supervisor/manager of the responsible department. The Banner Financial System is coded to reflect "M" for this asset.

A fixed asset report, listing missing assets, will be available upon request for the fixed asset officer. The listing will be sent to the person responsible for the asset, who then will be required to document all the efforts made to find the missing assets. If the asset is found, it is noted on the printout and the status code is changed. If the asset is not found within two years, it is retired as a lost asset.

Stolen Assets

According to G.S. 114-15.1, if any state property has been stolen, the employee discovering the theft must report the theft to his/her supervisor. This to be done as soon as possible, but no later than three days from the day of discovery. The supervisor is then to notify the head of the department.

The head of department must notify the Campus Police in writing within ten (10) days of being notified. The Campus Police will then investigate the theft, if necessary. If the investigation reveals a violation of criminal laws, the district attorney will be contacted for further legal action.

Only with documentation from Campus Security can an asset be retired from the fixed asset system.

39. Changing Location of Assets

Scope: Applies to All Fixed Assets.

Purpose: To define the policies and procedures governing the change in location of fixed assets.

POLICY:

Prior to changing the assigned location of equipment within Winston-Salem State University, Part A of Form FAS-1 (or equivalent agency form, Fixed Asset Form) must be completed. The form must be signed by the department head/chair from the current location and then signed by the department head/chair of the new location and submitted to the Fixed Asset Officer.

The Fixed Asset Officer should approve all location changes. Upon approval, the Fixed Asset Officer will enter the location changes into the Fixed Asset System.

Transfer between Agencies

Assets are transferred when they are permanently moved out of one department to another. If the move is temporary, it is treated as an asset on loan to another agency.

No State department, institution, or agency shall transfer any property owned by the State between departments without written authorization of the Director at State Surplus Property. The sale will be based, where possible, on previous sales of similar products in the open market. If assets are to be transferred to another

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department due to legislative action, approval does not have to be obtained from Surplus Property.

If the item was transferred, State Surplus Property will notify the original agency as to which agency received the item.

Removal of Equipment

When requesting removal of equipment from inventory records, complete Part C of Form FAS-1 (or equivalent agency form) indicating the fixed asset inventory number, description of item, present location, and the reason number (indicated on form) for the request. The form must be signed by the department head/chair and transmitted to the Fixed Asset Officer.

UNDER NO CIRCUMSTANCES CAN STATE-OWNED EQUIPMENT BE DONATED, TRADED-IN, OR GIVEN TO ANOTHER ENTITY WITHOUT APPROVAL OF THE STATE SURPLUS PROPERTY OFFICE.