

University Of Massachusetts Lowell	
Date: July 01, 2001	Section:1.4
Subject: Rationale for Centralized Purchasing and the Bid Process	

Following is the rationale behind centralized purchasing and why we obtain bids:

What is a Contract:

Each Purchase Order issued is a contract. A contract is established by someone making an offer and someone else making an acceptance that is covered by consideration (money). When you send out a Purchase Order, you are offering to buy something. The vendor accepts your offer by acknowledgment, or by filling the order and shipping the goods requested.

What is Centralized Purchasing?

Centralized purchasing is a system of purchasing in which the authority, responsibility, and control of purchasing activities is concentrated in one administrative unit. At the Lowell Campus, the administrative unit that has such control is the Purchasing Department. As a public institution, the University is governed by the laws and regulations that pertain to purchasing in higher education as established by the Commonwealth and the University's Board of Trustees. Centralized purchasing provides the checks and balances that are necessary to insure that goods and services are purchased within such laws and regulations, from responsible sources, and at the best possible prices.

Why obtain Bids?

There are many variables to be determined in buying that are best answered by obtaining bids. These variables, in the form of questions, are as follows:

1. Is the product the best one available for the particular application?
2. Is the product description current, or has a more current model superseded it?
3. What is the availability of the product?
4. What is the F.O.B. point?

This determines who pays the freight: but what is more important, title to the goods passes at the F.O.B. point. We always try to establish the F.O.B. point as the University, which means the vendor pays the freight, and if any freight is lost, stolen, or damaged in transit, it is the vendor's problem, because they have title of the product.

5. Are the vendor's name and addresses still current?
6. What are the payment terms?
7. What is the current price?

When a vendor returns a bid, (s)he is making an offer. If we issue a Purchase Order, we have accepted their offer and covered it by consideration. It may seem like a minor point, but going out to bid first simply places the horse before the cart and enables us to make the final decision whether we wish to place the order on the vendor's terms. Retention of this control within the University is an important prerogative.

These things should be kept in mind as you read through this manual. The various sections explain when formal, advertised bids through the Purchasing Department are required, and when the requesting department may obtain quotes, written or otherwise.