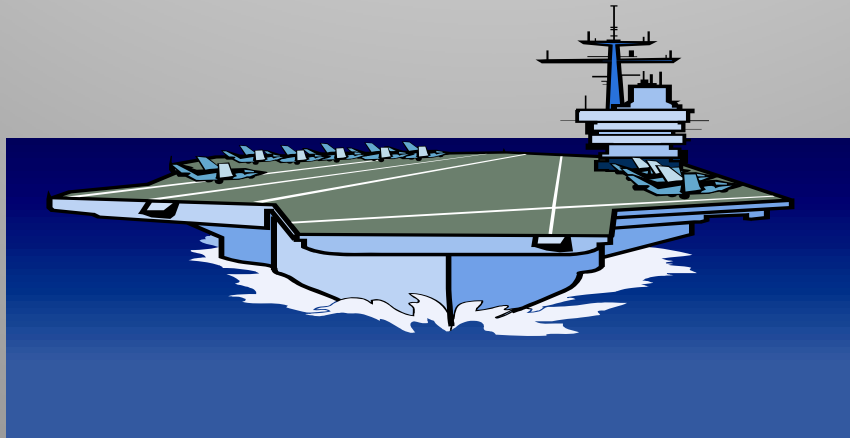


FULL SPEED AHEAD/COMMITMENT  
OF FUNDS  
(WITHOUT THE EARLY  
INVOLVEMENT OF PURCHASING)-  
WHAT ARE THE RAMIFICATIONS?



# INSURANCE/LIABILITY



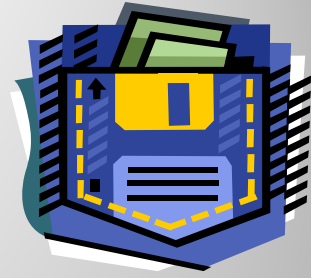
- Construction Purchasing – Responsible for purchasing of all design, engineering and construction services for all ASU campuses
- Since 2002, largest construction expansion in ASU history
- Size and speed of expansion combined with nature of construction work creates higher risk and potential liability (cranes, other heavy equipment operated)
- All contractors and most suppliers performing services on ASU property must have minimum insurance coverage

# INSURANCE/LIABILITY



- Some suppliers performing services off ASU property must have insurance coverage (example: architect or engineer must have Professional Errors & Omissions coverage)
- Professional Errors & Omissions covers potential engineering or design errors
- Minimum coverage types and amounts set by State of Arizona Risk Management
- Purchasing verifies need for coverage based on scope of work, relative risk and requests certificate of insurance

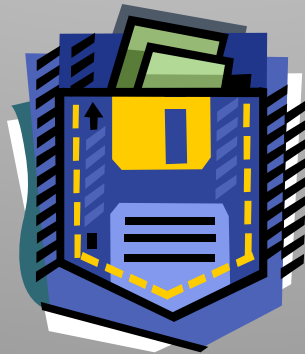
# INSURANCE/LIABILITY



- Certificate required before work is performed on ASU property and before purchase order can be issued
- ASU becomes “deep pocket” for liability of supplier lacking insurance or adequate coverage
- Depending on liability, this can be a substantial amount

# INSURANCE/LIABILITY

- ASU department engaged contractor under blanket purchase order (no contract, no verification of anything, including insurance)
- Contractor performed work based on what he thought department wanted
- Through actions of contractor, ASU fined \$80,000 out of an originally proposed fine of \$245,000
- ASU could not recover the fine as the contractor did not have appropriate coverage to match the work done
- **NOTE: Policy change** forthcoming from ASU Risk Management and Capital Programs RE: **Permitting Process** and what work must go through CPMG



# COMPETITIVE REQUIREMENTS

- Specific \$\$ thresholds for purchasing
- Thresholds determine level of competition required
- <\$25,000 (discretion of buyer); \$25,000-\$49,999 (3 informal quotes); >\$50,000 (formal solicitation)
- Going forward without purchasing involvement can mean
  - violation of State of Arizona purchasing rules
  - paying too much and/or not getting best value
  - audit issue
  - failing “headline test”



# PERSONAL LIABILITY



- Must have confirmation of approved funding (e.g., RX) before obligating ASU
- Not confirming funds means you are operating outside of your authority
- Can be made personally liable if funding not available
- Resulting delay in payment to (e.g.) a Small Business- can create a financial hardship for supplier

# SMALL BUSINESS



- Since June, 2006, State of Arizona ruling:
- All purchases <\$50,000 must be with Arizona Small Business (unless supplier is on contract or it is “impracticable”)
- Construction group has many purchases <\$50,000 – electrical, plumbing, painting, drywall, etc., where ASU acts as “general contractor”
- Small Business is <100 employees OR <\$4 million annual revenue (State of AZ definition)
- Purchasing verifies Small Business status
- Purchasing required to track \$\$ usage of Small Business



# SUMMARY

- **Insurance** – ASU protected from contractor liability, becoming “deep pocket”
- **Competitive Requirements** – determined by \$\$ thresholds; not following them can mean violation of purchasing rules, paying too much, not getting best value, audit issue, failing “headline test”
- **Personal Liability/Commitment of Funds** – must confirm funding before obligating ASU; otherwise operating outside of your authority; can be made personally liable
- **Small Business** – All purchases <\$50,000; Small Business = <100 employees OR <\$4 million annual revenue