

American University of Armenia
PROCUREMENT MANUAL

Table of Contents

I.I. Preface.....	2
II. Code of Ethics.....	3
III. Conflict of Interest	3
IV. Procurement Planning	4
V. Procurement Approach and Process	4
Determining the Procurement Approach	4
Simplified Purchasing Process.....	5
Standing Procurement Committee	6
Committee for Printing and Video Production Services.....	6
Sole Source Purchasing.....	7
VI. Formal Competitive Bidding	7
Open Bidding Procedure: Preparing the Package and Announcing the Tender	8
Communicating with Vendors	8
Evaluation of Accepted Bids, Vendor Negotiations, and Contracting.....	9
Administering the Contract.....	10
Updates to the Procurement Manual	11

I.I. Preface

This manual is developed by the American University of Armenia (AUA) and serves as the foundation and principal guide for the acquisition of goods and services by all staff of the University. The document sets forth the procurement principles and processes, required approval structures, and practices. The manual also delineates circumstances of conflict of interest and establishes the codes of ethics that govern the AUA procurement processes.

In this manual, procurement is defined as the process by which the American University of Armenia Corporation (AUAC) in the U.S., acquires commodities that may include equipment, furniture, and services as well as related materials and supplies, from budgetary resources or from grant funds for specific projects. These and other types of purchasing, such as construction and/or architectural and engineering services procured by the American University of Armenia Foundation (AUAF) or the university main campus in the Republic of Armenia, also are guided by this manual and discussed in the corresponding sections of the manual. In other words, one master procurement manual guides all types of acquisitions of goods and services.

Thus, all staff of AUAC as well as Yerevan campus are required to follow the guidelines in this manual when procuring commodities, equipment, materials, as well as services whether they are solicited in the U.S., elsewhere outside the host country, or in the host country.

The manual is organized by dedicated sections that appear under corresponding headings. The manual also covers the simplified procurement process applicable to small purchases on the basis of established thresholds, albeit different thresholds applicable to U.S. and main campus procurements. Additionally, routine purchases of office supplies by all administrative offices and academic departments functioning in the host country are acquired by purchase requisition from the University Bookstore based on contract with AUAF that ensures cumulative quantity discounts and the best prices available in country.

Adherence to the rules and guidelines in this manual is strictly required for all AUAC and AUAF procurements, including those made under various grant-funded projects or other types of contractual and sub-contractual service agreements, including contracted expert services by an individual acting as sole proprietors, or official representatives of an LLC. At the essence of these established procurement processes is the institutional responsibility to ensure the best value (best price and best quality) for the university. This encompasses the clarity and documentation of the underlying factors and reasons supporting the respective purchase decisions commensurate with the provisions in the original announcement. Aside from the guidelines in this manual, sound budgeting rules are also applied throughout the University prescribing avoidance of purchases of unnecessary or unplanned goods and services. When initiating a procurement, faculty and staff are reminded that they are committing university funds and have established a legitimate basis and need for the request, sufficiently supporting the corresponding specifications and intended use. These same rules also apply to purchases using the University credit card.

II. Code of Ethics

All transactions or procurement requests that lead to the expenditure of university funds require the highest degree of transparency, responsibility, and strict adherence to the established standards of conduct. Individuals purchasing goods and services on behalf of AUA should conduct business in a manner that is consistent with the goals and established rules of the university and in compliance with the requirements set forth by respective funding agencies, as applicable.

All AUA procurement decisions, whether by AUAC in the U.S. or by campus staff at AUAF shall be made with integrity and objectivity, free from personal bias, special considerations, or benefits of any sort, free of solicitation or acceptance by AUA employees, directly or indirectly, of any gift, favor, or other exchange bearing monetary value exceeding \$25 from anyone associated with a business fulfilling a procurement transaction. Purchasing announcements, including information on the applicable pay range and qualification requirements, as well as ensuing negotiations and communication activities must be conducted in an impartial, professional and transparent manner. All qualified vendors of major procurements must be given equal opportunity to compete for business, whether as individual experts acting as sole proprietors or official representatives of an LLC. Only in the latter case, where negotiations are made with an official representative on behalf of his/her LLC, will it be possible to sign the final agreement with the LLC. AUA staff shall make every effort to maintain positive and professional relations with vendors, conduct business in good faith, and resolve disputes quickly, equitably, and in accordance with local laws. Similarly, vendors doing business with AUA shall be held to standards that promote sound and ethical business practices.

III. Conflict of Interest

AUA staff with purchasing responsibility, including department heads, procurement team members, as well as ex-officio associates and technical experts consulted from time to time, will act in a manner consistent with their fiduciary responsibilities and exercise particular care not to cause any detriment that results or may result from conflicts between their personal interests and those of the supplier or service provider. AUA standard operating procedures define conflict of interest as instances when an AUA staff involved in or associated with a procurement action, or any of his/her family, has an existing or potential financial or other interest that impairs or might appear to impair the individual's independence of judgment in the discharge of responsibilities to the University; may create the impression of partiality or personal interest in the outcome of a procurement that could compromise vendor selection; may have personal interests, affiliations, loyalties, or other types of relationship prejudices that may impact their impartiality; may receive a material, financial, or other benefit from knowledge of confidential information; is a director, officer, employee, member, partner, or trustee of a supplier; or has a financial interest that enables him/her to exercise control or influence the decision. Moreover, conflicts of interest may create perceptions of lack of fairness or impartiality, which call into question the integrity of a procurement decision and negatively impact market confidence.

IV. Procurement Planning

Realistic advance planning of any procurement is key to its successful completion. Allowing sufficient lead times of up to three working days for small purchases that use the simplified procedures and up to ten months for major procurements of construction and commodities is essential for ensuring full compliance with AUA bidding and approval requirements. Terms of reference, including technical and quality specifications of goods and services, need to be defined with utmost care and clarity before starting the bidding process and delivery timetables must be established congruent to respective project needs and academic calendar.

In that regard, when planning the procurement of construction and commodities for a project, AUA stipulates preparing a detailed schedule of procurement actions to assure that construction project timelines are met (if applicable), services are rendered and commodities received when needed. The project schedule should allow ample time to select the members of a project-specific procurement committee and technical experts, prepare specifications, including price range and required documents for submitting proposals (that must include the qualifications, CVs, certification documentation, and range of compensation for proposed expert services as well as other personal services), announce the tender widely and through different channels, allow sufficient time for potential bidders to prepare their offers, evaluate the offers received, conduct negotiations, issue contracts or orders, establish payment documents, allow time for transporting the commodities and clearing customs upon arrival, etc. (See the separate section on bidding for more detailed guidelines.) AUA encourages requesters to also allow appropriate time for approvals, at the levels required, for delays in communication, and for possible slippages that may arise.

V. Procurement Approach and Process

Determining the Procurement Approach

Gathering initial cost estimates is necessary for determining the procurement approach suitable to a request. There is no set process for developing the initial cost estimate, but generally an online search of three different vendors provides a reliable price comparison. The purpose of the cost estimate is to determine which procurement process will be followed by the University Purchaser. Thus, for goods or services, including services by individual experts, whether provided as sole proprietors or on behalf of their respective companies, under the applicable threshold for micro purchases (\$1,000 for AUAC in the U.S. and AMD 200,000 for AUAF in Armenia), purchases can be made without obtaining competitive written quotations as long as the prices are reasonable (in comparison to prior purchases of similar items or prevailing market prices found online) and purchases of similar items are distributed equitably among qualified vendors. For purchases of this size, the request can be processed after the approval by the head of the requesting unit or department. For goods and services, including services by individual experts (acting as sole proprietors or on behalf of their respective companies), having initial cost estimates within the simplified procurement range (\$1,001-20,000 for AUAC in the U.S. and AMD 200,001-10,000,000 for AUAF in Armenia), the requesting administrative unit or academic department will submit a purchasing request to the designated purchaser in the respective location who is required

to acquire at least three (3) written quotations from vendors and analyze them using pre-established rubrics of quality, service, proven track-record, pay rate, etc. to justify the selection. For all estimates beyond the above-specified amounts, open competitive bidding is required, as described in the next section.

Simplified Purchasing Process

Except for major acquisitions of goods and services, including services by individual experts, whether provided as sole proprietors or on behalf of their respective companies, or for construction, reconstruction/ renovation projects, whether funded through grants or university sources, most main campus purchases potentially fall under the simplified purchasing category. In this process, the administrative unit or academic department requesting to purchase items other than regular office supplies must first check with the AUA Warehouse Manager if the desired item(s) is available in the University warehouse and, if not, complete a Purchasing Request form (<https://policies.aua.am/OpenFile?fileName=Purchasing-Request-Form.xls>) for submission to the AUA Purchaser.

The form requires online completion of the designated fields: name of requester, requesting unit, description of the item with information on the specifications (type, size, color, and other characteristics that may apply), quantity and cost estimate, project account or budget line item to which the purchase will be charged, and purpose of the requisition. Requests can be made either by the requesting department head or by an employee upon the written authorization of the respective department head. AUA uses a simplified purchasing process for acquisitions of goods and services not exceeding the thresholds stated above. These thresholds are revised from time to time on the basis of 75% of actual purchases made in the prior fiscal years in the established cost categories. Thus, the University purchasing unit tracks all acquisitions by fiscal year and when the actual percentage drops below 75% in two (or three) consecutive fiscal years, AUA will revise the thresholds accordingly to reflect the average amount spent on 75% of actual purchases. This simplified purchasing process is established to save time and money for both the University and the providers of goods and services to prepare bidding and proposal packages, as well as avoid other administrative burdens associated with the process required for larger acquisitions.

The purchaser conducts market research of the requested item(s), online or by telephone, and proceeds with filling the request within three business days from receipt. Though in all cases the provider is chosen on the basis of best value to the University, a minimum of three written quotations are required for acquisitions exceeding \$1,000 or AMD 200,000, as explained earlier.

The purchaser inserts on the Purchasing Request Form the available best prices and submits it for approval by the head of the requesting department. As delineated above, certain price categories also require the approval of the Chief Financial Officer (CFO).

In case of procurement from abroad (when the payments are made in foreign currency by bank transfer or credit card), the payments should be approved by the CFO or Chief Operations Officer (COO) regardless of the amount.

The University Purchaser is responsible for managing the process of procurement under the simplified purchasing category and requests technical advice from experts in the respective field as the need arises. It is the Purchaser's responsibility to assure the best prices are obtained for the best quality thereby consistently assuring the best value for the University in all types of procurements.

Standing Procurement Committee

For the management and oversight of procurements of commodities (including furniture, equipment, services, including expert services provided by individuals acting as sole proprietors or on behalf of their respective companies, and related materials), AUA has a Standing Procurement Committee (SPC) appointed for a five-year term by Decree of the President. The University Purchaser is an ex-officio member of the Committee. Designated members of the Committee are responsible for the independent review of purchasing documentation and analysis and for approval of the most appropriate supplier or service provider based on the established best value considerations (price, quality, stock availability, prior performance record, references, etc.). Thus, the SPC has the ultimate responsibility for the successful outcome of procurements brought before it.¹

The roles and responsibilities of the SPC include the analysis of quotations and accompanying descriptions by respective vendors; assurance that all required information and documentation are made available; assurance that the goods and services offered comply with the request and University stipulations of origin and environmental standards; requests for clarification from vendors, as necessary; and referral for technical evaluation by experts, if needed. The SPC functions with utmost transparency, accountability, and fairness throughout the process.

Committee for Printing and Video Production Services

AUA also has a designated Committee for Printing and Video Production Services primarily comprising heads of units with the highest demand for such services and possessing the necessary market information and experience with the quality and value of prior acquisitions in this category. Though the required procedures and approval requirements are the same as for other procurements, this dedicated committee is established to consistently ensure the best value (best price and best quality) for the university by bringing the ultimate user of the respective services to work closely with available suppliers in the market.

¹ Aside from the Standing Procurement Committee, the University establishes procurement committees for all major non-standard projects, such as construction, grant-funded projects that contain acquisitions of commodities for implementation, require the appointment of project-specific Procurement Committees that have project-relevant expertise and management capacity.

Sole Source Purchasing

Either of these procurement committees may consider and allow sole source procurements in exceptional circumstances when the required item or service is only available from a single vendor or manufacturer. The requirement for such a particular proprietary item alone does not justify a sole source procurement if there are more than one potential bidders for that item.

Examples of circumstances that could necessitate sole source procurement include cases where the compatibility of services, equipment, accessories, or replacement parts is a primary consideration. As such, public utility services are a natural exception. In all other cases when a sole source acquisition is pursued, the corresponding committee is required to provide full documentation of adequate search of the market and absence of bias or preferential treatment. Based on the information submitted, the Standing Procurement Committee will decide if the requested sole source purchase is, in fact, sufficiently documented and justifiable and allow the procurement to proceed.

VI. Formal Competitive Bidding

The formal competitive bidding process applies for procurements in excess of \$20,000 (for AUAC) and AMD 10,000,000 (for AUAF) estimated cost prices. AUA adheres to this procedure for all types of acquisitions that fall within that amount range, including for procurements of commodities within the framework of grant-funded projects. The formal competitive tendering procedure for perusal by AUA campus staff is described in greater detail in the next section describing the step-by-step Open Bidding Procedure. The best value determination will support the award of a contract to the most responsive bidder that best meets the pre-established technical criteria and offers the best price.

To assure that the procurement is conducted in a manner that does not give an unfair competitive advantage to any potential bidder, information concerning specific procurement requirements will not be released to any potential bidders, directly or indirectly, prior to the formal issuance of the prequalification communication, if used, or the formal invitation for bids. The SPC or Project-Specific Procurement Committee decides whether or not to use a prequalification questionnaire prior to issuing the tender.² After releasing the formal invitation, no bidder will be given any substantive information that would constitute a competitive advantage over other bidders that did not possess such information unless the exact same information is promptly furnished to all the potential bidders for their consideration in preparing their bids. No information concerning the identity of bidders will be released prior to the opening of the bids in the presence of all the bidders.

In an open, transparent, and competitive procurement process, AUA will assure equitable treatment of all sources and selection of the most effective and efficient provider of goods and services. The process is discussed in the sub-sections that follow.

² Prequalification questionnaires can be used to preclude potential bidders who do not meet the standard minimum requirements, such as technical expertise specific to the project, relevant prior experience, staffing and financial capacity, and other such qualifications that may apply.

Open Bidding Procedure: Preparing the Package and Announcing the Tender

For procurements exceeding the thresholds stated above (greater than \$20,000 for AUAC in the U.S. and greater than AMD 10,000,000 for AUAF in Armenia), the Standing Procurement Committee may decide to designate a Project-Specific Procurement Committee (PSPC) comprising the University Purchaser, technical expert(s) corresponding to the specific procurement, project team member(s), and a principal liaison from the SPC. Whether the SPC performs the open bidding or the designated PSPC (henceforth Committee), it will be responsible for preparing the bidding package that includes the following:

- Formal invitation to participate in the announced bidding;
- Procurement process description and project specific technical requirements;
- Application for participation in the competition;
- Pre-established vendor selection criteria, including: required quality standards of goods/services; availability of goods/services within the required delivery time; post-acquisition services, including availability of parts/supplies; bidder's track record of past performance; ability of bidder to render satisfactory servicing of the particular acquisition; financial stability of the vendor; availability of bidder's representatives to call upon for consultation; price of goods/services; payment terms; warranty coverage; ability to provide samples; and other procurement specific information that apply;
- Other relevant project-specific documents (time frame to complete the project, etc.); and
- List of required documents for submission by bidders (info on past performance/completed projects, staff composition/qualifications, etc.).

The invitation letter will include a statement that the lowest price offer will not necessarily be the winner of the bid, and that the selection decision will be based on a comprehensive evaluation of all the information received, including consideration of the extent to which the services procured meet the project needs and contribute to the successful and timely implementation of the project in line with the strategic goals/priorities of the university.

Upon completion and approval of the bidding package by the Committee, the University opens the competitive tendering process through a public announcement (online and via relevant communication channels, such as newspapers, professional journals, etc.) inviting potential bidders to participate in the procurement.

Communicating with Vendors

The corresponding Committee provides official contact information via email for vendor requests for clarification or additional information, provided the same information is shared with all others openly and timely. The bidding process may include, by decision of the Committee, a general pre-bidding informational meeting invitation to answer questions from potential bidders or their

designated representatives. At this meeting or at any time prior to it, potential bidders may raise issues of ambiguity, contradiction, or omission in the bidding announcement, invitation, and/or in any other related documents, provided such questions or ensuing information are shared with all the others.

As specified in the bidding package, the bids are required to be submitted in sealed envelopes by the specified date and time. (Not sealed envelopes will be rejected.) The accepted envelopes will be kept in a secure location, such as a safe or locked cabinet, until the set date/time of bid opening.

The sealed envelopes containing the vendor bids will be opened on the date/time/location specified in advance and in the physical or virtual presence of the participating bidders or their representatives as indicated in advance. As each bid is opened, a designated member of the Committee will call the name of the bidder, open the envelope, check its content, state the bid amount, and confirm that the package contains all the required documents. Any incomplete bid package will not be accepted to compete and will be returned to the bidder with a cover letter stating the reason(s) why it was rejected.

Evaluation of Accepted Bids, Vendor Negotiations, and Contracting

The evaluation of accepted bids is classified into four basic stages that include (1) review of standard legal and commercial qualification prerequisites; (2) evaluation of compliance with technical requirements; (3) price evaluation; and (4) post-qualification due diligence negotiation. The evaluation of accepted bids will be performed by a panel of three to five individuals appointed by the Committee³ and as described in the following stages:

Thus, in the first stage, bids will be examined to ensure they are submitted by eligible companies and that standard legal and overall commercial prerequisites are duly met. Bids determined non-responsive at this stage are not considered for the next stage.

In the second stage, the evaluation will focus on compliance with the technical requirements. The panel will independently evaluate and score each accepted bid for compliance with the established rubrics of quality and technical specifications. The quality rubrics for consideration by the panel also include issues of performance, such as the bidder's experience, delivery schedule, capacity for compliance with the specified quantity(ies), schedule of works if applicable, post-sale services, warranties and other requirements specified in the bidding documents. These evaluation criteria are not fixed and may vary from one procurement to another, but they are predetermined by the Committee based on each particular case and so put forth at the start of the bidding process and included in the announcement of the tender.

³ The Committee will ensure that the individuals appointed as evaluators possess the appropriate technical and professional skills for fair, objective, and transparent judgment of bids against the established criteria for the corresponding procurement. At least one member from the Committee is assigned to serve on the panel as liaison, but additional members are not precluded from appointment to the evaluation panel.

At the completion of this stage, bids that do not comply with the technical requirements are not considered for price evaluation. Before price evaluation, all bids that are not responsive would be listed and clear reasons recorded for their not being eligible for further evaluation.

In the next and final evaluation stage, the panel examines the offered price for computational errors and, depending on the procurement type (goods, services, or other), takes into consideration factors such as volume discounts and other financial provisions. The prices are then compared, and bids ranked in the order of their respective price scores.

The panel then combines the scores from the technical evaluation with the price score to present a combined ranking of the bidders based on the preset weights to calculate total responsiveness (best quality, best price). Thus, early in the procurement process, the Committee determines the technical requirements and measurement criteria for use in the respective procurement, also setting the corresponding weight allotted to the technical merit score versus the price score.⁴

This step completes the scoring of bids producing the combined score sheet that reflects compliance with the technical requirements (or technical merit) combined with the cost rankings of bidders.

Based on the final scoresheet handed over by the evaluation panel, the Committee then holds due-diligence negotiations with the top bidder whose submission has been determined to be substantially the most responsive to the procurement specifications measured by the established rubrics. In the case of a tie in the overall ranking score, the Committee meets with both top-ranked bidders to further validate the accuracy of information provided in the respective offers and to select the best-value vendor based on clarifications received from the competing vendors.

Upon completion of the stages above, including acceptance and evaluation of the bids for technical merit and price, negotiations with top-ranked bidder or bidders in case of a tie, and finalization of the selection decision, the Committee will prepare a brief report that summarizes the completed process leading to the selection of the winner.

Following acceptance of the report by the Committee, all bidders are duly informed about the award decision, the name of the winner and the bid amount. The successful bidder is then invited to sign a contract to that effect.

Administering the Contract

The responsibility of the Committee, particularly that of the University Purchaser, does not cease with the signing of the contract. A designee of the Committee will be responsible for technical quality assurance of the goods or services delivered under the contract. Overall, however, the Purchaser has the primary responsibility for ensuring that the vendor/contractor performs in accordance with the terms of the contract. Thus, the Purchaser continuously monitors performance to be able to certify adherence to and completion of the terms of the contract for the

⁴ The weight reflects the relative value of bidders' technical responsiveness vs. price. For example, the Committee may decide that the technical merits will weigh 60% vs. the bid amount or price at 40% of the total score.

vendor/contractor to get paid on the basis of the established terms of payment. Any problems or delays are analyzed, and appropriate action taken as soon as possible.

Updates to the Procurement Manual

The AUA administration is responsible for reviewing the Procurement Manual from time to time and proposing changes that may become necessary because of the actual procurement trends and changes in markets, as well as other circumstances that may dictate such changes.