

## FINANCE Purchasing SOP

### PURPOSE AND SCOPE:

This SOP establishes consistent standards to select eligible contractors, ensure appropriate competition, manage purchasing risks, and comply with applicable laws. It applies worldwide to TNC and its related entities. This SOP covers:

1. [Purchasing Responsibility](#)
2. [Contractor Eligibility](#)
3. [Contractor Selection](#)
4. [Contracts and Contract Administration](#)
5. [Purchasing Records](#)
6. [Additional Requirements when using U.S. Federal Funds or Private Funds as “Match”](#)

For the purposes of this SOP, the word “contractor” refers to any person or legal entity (i.e., vendor or supplier) providing goods or services to TNC.

### GENERAL REQUIREMENTS:

1. **Purchasing Responsibility.** All matters arising out of any specific purchasing action are the responsibility of the BU staff managing the purchase (called “the Responsible Purchaser”). The Responsible Purchaser shall strive to avoid unnecessary or duplicative purchasing, control costs, be environmentally conscious, minimize risk exposure, and consider purchase alternatives such as leases or donations to meet organizational needs.
2. **Contractor Eligibility.** When selecting a contractor in accordance with the standards in this SOP, the Responsible Purchaser must take care to select a contractor who is eligible to do business with TNC as follows:
  - A. **Only Hire Responsible Contractors.** TNC may only award contracts to responsible contractors who possess the ability to perform successfully under the terms and conditions of a proposed procurement. To identify “responsible” contractors, the Responsible Purchaser must conduct reasonable due diligence on all contractors in order to determine their eligibility and their ability to successfully provide the goods or services required.

Due diligence should be in proportion to the cost and complexity of the goods and services but at a minimum should cover the following: (i) contractor integrity, (ii) compliance with public policy, (iii) records of past performance, (iv) green purchasing practices, (v) diverse workforce, (vi) fair wages, and (vii) financial and technical resources.

To research these issues, the Responsible Purchaser should consult relevant references; inquire about past or present bankruptcy proceedings; conduct site visits to contractor’s worksite or recent projects; review relevant industry or product certifications the contractor has received; consult relevant databases; and evaluate client portfolios.
  - B. **Conflicts of Interest.** Confirm the contractor does not have a conflict with TNC by asking the Contractor to complete the [Conflict Inquiry Form](#).
  - C. **Hiring Individuals as Independent Contractors.** If TNC wants to hire an individual person, as opposed to an entity, the individual must be eligible under the [Employee - Independent Contractor Designations SOP](#). Complete the [Independent Contractor Status Questionnaire](#) appropriate to your region to confirm eligibility.

**D. Insurance.** When a written contract is required by the Agreements SOP, TNC expects its contractors to meet the insurance requirements included in the applicable TNC Standard Agreement (“Adequate Insurance”) to transfer risk to the contractor performing the work. The Responsible Purchaser should inform potential contractors of insurance requirements early on in the selection process (e.g., within the request for quotes or proposals), and must review insurance documentation provided by potential contractors to ensure compliance at the time of the initial purchase as well as when any insurance policies are set to renew during the contracted services.

Should the Responsible Purchaser wish to select a contractor without Adequate Insurance, a [Request for Contractor Insurance Modification or Waiver](#) must be approved by [Corporate Insurance](#). (Note: [Prescribed burn contracts](#) have a separate review and waiver process).

**E. Compliance with Laws.** In addition, the contractor must be eligible to do business with TNC under the [Anti-Bribery and Anti-Corruption SOP](#) (consult the [Initial Risk Screen](#)), the [Counterterrorism, Anti-Money Laundering, and Economic Sanctions SOP](#), the [Human Rights Policy](#) (consult the [Human Rights Red Flag Checklist](#)), and other policies and procedures addressing compliance with applicable laws as described in the [Agreements Manual Chapter 4.2](#). For Large Purchases, as defined below, or non-competitive purchases using single or sole source justifications, the Responsible Purchaser must also comply with the Anti-Bribery and Anti-Corruption [Standard Due Diligence Quick Guide](#).

**F. Security & Privacy Vendor Review.** For contractors who will connect to TNC’s network or access, host, process, store, transfer, or use TNC Data, the Responsible Purchaser must consult the [Security & Privacy Vendor Review page](#) to determine if a formal review of the contractor’s security and privacy standards is required.

**G. Avoiding Unfair Competitive Advantages.** To avoid unfair competitive advantage, contractors that develop or draft specifications, requirements, or other documents for solicitations must be excluded from competing for such procurements.

**3. Contractor Selection.** The Responsible Purchaser must select an eligible contractor in accordance with the following standards.

**A. Adherence to TNC Values.** All purchasing shall be conducted in an impartial, objective, and ethical manner that employs sound business practices and arms-length bargaining. Except as specifically required by law or regulation, no preferential treatment will be granted to any contractor. No TNC officer or employee will ask for or accept from another person an incentive or offer of employment in connection with any solicitation or contract award. TNC expects its contractors to respect the [TNC Code of Conduct](#).

**B. Expectations of Competition.** TNC requires competition to the maximum extent practical and reasonable for the value of the purchase. For this purpose, purchases are separated into three categories with different expectations of competition as follows:

| TNC Purchasing Categories    |  |   |   |
|------------------------------|--|---|---|
| Category                     | Small Purchases  | Intermediate Purchases  | Large Purchases   |
| <b>Dollar Range</b>          | ≤ US \$25,000*<br>♦ (≤ US \$10,000)  | US \$25,001-\$149,999*<br>♦ (US \$10,001-\$149,999)               | ≥ US \$150,000*<br>♦ (≥ US \$150,000)                               |
| <b>Required Procedure</b>    | Reasonable Decision  | Quote Documentation <b>or</b><br>Single/Sole Source Justification | Competitive Proposals <b>or</b><br>Single/Sole Source Justification |
| <b>Notes on Public Funds</b> | ♦ = Ranges applicable only to <u>U.S. federal funds</u><br>(Substitute \$2,000 as the Small Purchase threshold, and \$2,001 as the lower threshold for Intermediate Purchases for construction with U.S. federal funds subject to the Davis/Bacon Act)<br><br>* = If you are using public funds <u>other than</u> U.S. federal funds, you must confirm the above purchasing categories with your <a href="#">Grants Specialist</a> . |   |   |

- i. A “**reasonable decision**” requires the Responsible Purchaser to use good judgment and an understanding of the applicable marketplace in selecting their contractor. The Responsible Purchaser may choose to pursue some form of competition, although it is not required for the Small Purchase Procedure.
  - ii. **Quote documentation** requires the Responsible Purchaser to secure three (3) or more quotes from potential contractors. Use the [Quote Documentation Form](#) or keep copies of written quotes submitted by potential contractors in the auditable file.
  - iii. **Competitive proposals** require the Responsible Purchaser to engage in a formal bidding or proposal process by preparing a Request for Proposals (RFP) as required in [Attachment A \(“Large Purchase Procedures”\)](#) and securing three (3) or more proposals from potential contractors.
  - iv. **Single or Sole Source Justifications** are permissible when the facts and circumstances of the purchase support a conclusion that one contractor possesses a unique ability to provide the goods or services in question and, as a result, competition is *impractical*. See [Attachment B \(“Single or Sole Source Justifications”\)](#) for requirements.
  - v. **International Thresholds.** Directors of Finance or Operations (or the equivalent position) outside of the U.S. may adjust the above thresholds to better reflect local market conditions. The BU must maintain a formal record of the adjusted threshold.
- C. Absence of Competition.** If the Responsible Purchaser receives less than the required number of responses from potential contractors, they may proceed to negotiate a contract that is in the best interests of TNC without making further attempts to generate competition. Clear and concise documentation describing the efforts at generating competition and why the required number of responses could not be obtained must be included in the contract files.
- D. Contract Amendments that Affect Purchasing Category.** If the value of a contract is increased through an amendment due to a continuation of the same services, then the purchase is exempt from further competition in accordance with Section F, even if the total value pushes the purchase into a higher purchasing category. The Responsible Purchaser shall use sound judgment to ensure TNC continues to pay fair market value.

If, however, a Responsible Purchaser intends to amend an existing contract to add a new scope of services, the new scope of services must be treated as a separate purchase for the purposes of complying with the Purchasing SOP. The Responsible Purchaser must pursue the level of competition required by the value of the new scope of services (e.g., obtaining three quotes for Intermediate Purchases).

In addition, if an amendment adjusts the value or the scope of services, the Responsible Purchaser must adjust the insurance requirements if required by the TNC Standard Agreement applicable to the revised value or types of services.

**E. Additional Requirements for Competition.**

- i. **Donor Requirements.** Certain donors may require that TNC follow specific purchasing procedures or obtain donor approval for selected contractors. When such requirements exist, the Responsible Purchaser should follow donor requirements unless they conflict with TNC’s Code of Conduct.
- ii. **Geographic Preferences.** In general, TNC will not restrict competition to contractors located in a specific geographic area. However, the Responsible Purchaser should consider the contractor’s ability to perform the desired services in the specified location and consider shipping and environmental costs as a criterion for selection.

- iii. **Utilization of small and minority-owned businesses, women’s businesses, and labor surplus area firms.** The Responsible Purchaser shall ensure that the chosen solicitation methods are an effective means of reaching small businesses, minority-owned firms, and women's business enterprises, whenever possible. This includes: placing qualified small and minority businesses and women’s business enterprises on solicitation lists; establishing delivery schedules which encourage participation by small and minority businesses, and women’s business enterprises; arranging time frames for purchases and contracts to encourage and facilitate their participation; considering whether firms competing for larger contracts intend to subcontract to such businesses; encouraging contracting with consortia of such businesses when a contract is too large for one contractor to handle individually; and using the services of such organizations as the Directory of Minority and Women-Owned Businesses, federal and state government agency websites, certifying organizations or other similar organization or public agency, where appropriate.
- iv. **Unsolicited offers.** TNC will not enter into any purchase agreement from unsolicited offers unless an internal need has been previously defined and such offers are from reputable and known suppliers.

**F. Exceptions to Competition Requirements.** If a contract meets all four of the following criteria, the Responsible Purchaser does not need to pursue competition if they want to amend existing contracts or enter into subsequent contracts with an existing contractor:

- i. The initial contract was awarded within the 36 months prior to the start date of the new proposed contract;
- ii. The new products or services are the same or substantially similar to the previous products or services;
- iii. The initial contract was properly issued in accordance with the original Purchasing Category; and
- iv. No U.S. federal funds are used for the purchase. If you are using public funds other than U.S. federal funds, consult your Grants Specialist to see if an exception is permissible.

The Responsible Purchaser should weigh the administrative advantages associated with bypassing competition against the potential reputational and financial disadvantages associated with engaging existing contractors without testing the market.

- 4. **Contracts and Contract Administration.** After selecting an eligible contractor, the Responsible Purchaser must negotiate an informal or written contract to purchase the goods or services, which will be subject to all requirements of the [Agreements SOP](#). All transactions must be approved by a TNC staff member with an appropriate Delegation of Authority (DOA), which is a formal authorization to enter into agreements on behalf of the organization (Note: The issuance of a credit card is not equivalent to a DOA). BU staff shall ensure that contractors perform in accordance with the terms and conditions of the awarded contract. See the [Agreements Manual](#) and [Financial Management Handbook](#) for details on contract administration.
- 5. **Purchasing Records.** Purchasing records should include, at a minimum, the rationale for the method of procurement, the basis for the contract price, all quotes or proposals received by potential contractors, and a justification of the final contractor selection. Purchasing records shall be maintained at the BU level where the purchase transaction is initiated or awarded and in accordance with TNC’s [Records Management, Retention and Destruction SOP](#). This shall result in a comprehensive and transparent set of purchasing records, although in a decentralized manner. Such records shall be available upon request to external auditors, funding agencies, and other parties authorized by law or regulation to review them.
- 6. **Additional Purchasing Requirements for Public Funds and Match Funds.** There are additional requirements that apply only to purchases made in whole or in part with public funds (or private funds used as match for public funds). Additional requirements when using U.S. federal funds are detailed in [Attachment C \(“Purchasing Requirements for U.S. Federal Funds”\)](#). Also see the [Grants Manual](#) and the [Procurement Toolkit](#).

**ORIGIN:** Established June 1996. Revised July 2022.

**REFERENCES, RESOURCES, and EXPLANATORY NOTES:**

- For detailed guidance regarding completion of purchase orders, vendor payment requests, and other matters relating to purchasing, see [Financial Management Handbook](#).
- For insurance guidance on contracts, please see [Contractor Insurance Guidance](#).
- This SOP applies to contracting for goods and services. It does not apply to TNC's grants to its partner organizations. See the [Agreements SOP](#) for grant requirements.
- Some BUs maintain lists of "Recommended Vendors," who will be exempt from competition per the same guidelines found in Section 3.F of the SOP.
- For information about software purchases, see the [Software Development, Installation and License Management](#) SOP.
- TNC staff should consider the effect on the environment of all purchases. Staff should research "environmentally friendly" options including acquiring information from contractors or recognized rating organizations, environmental groups, or other reputable sources. Find helpful resources on the [Being Green@TNC Connect](#) page.
- For staff located at WO and other LEED certified buildings, see [LEED Certifications](#).
- Additional purchasing information, tools, and forms are on the [Finance Purchasing Connect](#) page.

**RESPONSIBLE PARTY: Chief Finance Officer**

## Attachment A Large Purchase Procedures

See the [Large Purchase Procedure Quick Guide](#) for this same information in a user-friendly format

Large Purchase Procedures are required for purchases over US \$150,000. The Responsible Purchaser must engage in a competitive process by issuing a Request for Proposals (RFP) or, if competition is impractical, a Single or Sole Source Justification.

**1. Requirements for all TNC Requests for Proposals (RFPs).** All RFPs issued by TNC must include the following elements:

- A. Type of anticipated contract type (e.g., fixed price or cost reimbursable);
- B. Instructions for completing an offer;
- C. Relevant project specifications and requirements;
- D. Selection criteria that will be used to select successful bidder;
- E. Insurance requirements;
- F. Non-disclosure provisions (if TNC will share confidential information during negotiations);
- G. Required TNC forms (e.g., [Conflict Inquiry Form](#)); and
- H. TNC's Right of Rejection stating "TNC hereby reserves the right to (a) reject any and all offers for any reason whatsoever, (b) waive immaterial project requirements, and (c) pursue purchasing in a manner that is in the best interests of TNC."

TNC shall make all RFP documents available to potential bidders through appropriate distribution methods to reach the optimal number of potential bidders (direct mailing, print ads, internet, etc.). Additionally, the Responsible Purchaser must ensure that any information made available to one bidder is made equally available to all potential bidders.

If you attach contract terms to your RFP, they will become binding for the future contract. Therefore, Legal review is required at the RFP stage (unless you use a TNC Standard Agreement without changes).

**2. Requirements for all TNC RFP Evaluations.** The Responsible Purchaser must conduct a written technical evaluation of each response to the RFP to assess:

- A. Contractor's responsiveness to the specific solicitation and project specifications;
- B. Eligibility of contractor under [Purchasing SOP Section 2](#);
- C. Quality of contractor's proposal and their ability to meet project specifications; and
- D. Elements of cost to determine reasonableness, allocability, and allowability (i.e., a "cost analysis," which may include comparison of price quotations, market prices, discounts, and other factors.).

**3. Anti-Bribery and Anti-Corruption Due Diligence Requirements.** The Responsible Purchaser must also complete the [Anti-Bribery and Anti-Corruption Standard Due Diligence](#) required by the [Anti-Bribery and Anti-Corruption SOP](#) for all potential contractors for all Large Purchases at TNC.

**4. Final Selection of Contractor.** The Responsible Purchaser shall award the contract to the most responsible and capable contractor whose proposal is most advantageous to the program with price and other factors considered.

**5. Additional Requirements for Large Purchases made with U.S. federal Funds.**

- A. Required Cost/Price Analysis: The Responsible Purchaser must document a cost or price analysis. At a minimum, there must be an independent estimate of price by the Responsible Purchaser before receiving bids or proposals.
- B. Competitive proposals can be used when conditions are not appropriate for the use of sealed bids. It can result in either a fixed price or cost reimbursement type contract.

**C. Profit as Separate Line Item:** When there is no price competition during the selection process and/or when the Responsible Purchaser is making a Large Purchase, the Responsible Purchaser must negotiate profit as a separate element of the price. Consideration must be given to the complexity of the work performed, the risk borne by the contractor, the contractor's investment, the amount of contracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

**6. Notes and Resources.** RFP templates are available on the [Purchasing Connect site](#). RFPs are sometimes referred to as Invitations to Bid (ITB), Invitations for Bids (IFB), or other names. For certain construction contracts, sealed bids may be appropriate instead of traditional RFPs.

[End of Attachment A]



## Attachment B Single or Sole Source Justifications

See the [Single or Sole Source Justification Quick Guide](#) for this same information in a user-friendly format

Single or sole source justifications are permissible as a substitute for competitive processes for Intermediate and Large Purchases under certain special circumstances.

1. **Required Form.** To document your single or sole source justification, complete the [Single or Sole Source Justification Memo](#), which requires the signature of a staff member *other than the Responsible Purchaser* who has a delegation of authority sufficient for the value of the purchase, and keep the signed copy in the agreement file.
2. **Definition of Single or Sole Source Justification.** A “single source justification” or a “sole source justification” is a written explanation of why it was not *practical or possible* to pursue competitive bids for your purchase because there are no other potential contractors who are able to complete the work. The phrase “single source justification” is used if there literally only exists one source. The phrase “sole source justification” is used if there is a justifiable reason to select one contractor without soliciting other competition.

Note: A single or sole source justification is **\*NOT\*** a written explanation of why the contractor you prefer to use is the best and therefore you do not *want* to pursue competition. It is also not an explanation of how you do not have time to pursue competition due to internal delays.

3. **Criteria for using a Single or Sole Source Justification with private funds (i.e., non-public funds).** A single or sole source justification may be appropriate if there is only a single source for your desired goods or if a contractor possesses a unique ability to meet specifications or services requirements.

The following are examples of contractors who possess a justifiable “unique ability” that qualifies for using a single or sole source justification:

- A. Contractors who have gained critical experience through prior TNC contracts completed within the last 36 months;
- B. Contractors who have invented and/or own the intellectual property rights to technology or materials essential to the project; and
- C. Contractors who are the only source for purchasing a specific good or product.

Notes on “critical experience.” A potential contractor who has simply worked with TNC before in a satisfactory manner is not considered to have “critical experience.” In addition, if a potential contractor gained critical experience with TNC more than 36 months ago, their experience is now considered outdated, and a competitive process must be conducted.

4. **Criteria for using a Single or Sole Source Justification with public funds or private funds used as Match.** In order to use a single or sole source justification as a substitute for a competitive process when using public funds (or private funds as Match), the criteria are more stringent than with private funds. Public funders encourage the use of competitive processes whenever possible to ensure prudent use of the public’s funds.

In order to use a single or sole source justification with U.S. federal funds, one or more of the following four criteria must be met. Other public funding agencies (for example, European governments) have rules about single or sole source justifications that are similarly restrictive. Speak with your TNC Grants Specialist to understand the specific restrictions for your source of public funds.

- A. Are the goods or service available only from a single source? If yes, what evidence exists to support this assertion?
- B. Is there a public exigency or emergency requiring the goods or service that will not permit a delay



resulting from competitive solicitation?

- C. Has the federal awarding agency or pass-through entity expressly authorized, in writing, non-competitive proposals in response to a written request from TNC?
- D. After researching through multiple sources, has the Responsible Purchaser determined that competition is inadequate?

Note 1: It is not appropriate to proceed with a single or sole source justification with U.S. federal funds simply because the potential contractor has worked with TNC before in a satisfactory manner.

- 5. **Anti-Bribery and Anti-Corruption SOP Due Diligence Requirements:** The Responsible Purchaser must also complete the [Anti-Bribery and Anti-Corruption Standard Due Diligence](#) for all potential contractors when using a single or sole source justification.

[End of Attachment B]

## Attachment C

### Additional Purchasing Requirements for U.S. Federal Funds

See the [Purchasing Requirements for U.S. Federal Funds Quick Guide](#) for this same information in a user-friendly format. For additional information about purchases using U.S. federal funds see the [Procurement Toolkit](#).

Purchases made wholly or partially with U.S. federal funds (or private funds used as “match” funds to U.S. federal funds) must meet additional requirements.

#### 1. Additional Requirements for Contractor Eligibility

- A. **Geographic preferences** may only be considered if there is an applicable federal law expressly mandating or encouraging geographic preferences (except for state licensing laws, local or state laws may not be considered).
  - i. **Architectural and Engineering Services.** Geographic location may, however, be a selection criterion for architectural and engineering services provided an appropriate number of qualified firms exist in the area.
- B. Transactions with TNC related entities must be evaluated for **Organizational Conflicts of Interest** and, if a conflict exists, evaluated by the TNC Conflicts Committee. Organizational conflicts of interest may exist when the U.S. TNC entity has different interests, priorities, or concerns than one of its related entities when using the U.S. federal funds.

#### 2. Additional Requirements for Competition and Cost

- A. **Exemptions** found in Section 3.F of the SOP do not apply to U.S. federal funds. The Responsible Purchaser must pursue competition as required by the SOP.
- B. Where appropriate, the Responsible Purchaser must provide a documented **analysis of lease and purchase alternatives** to demonstrate the most economical and practical purchase method.
- C. **Architectural and Engineering Services.** When contracting for architectural or engineering services, the Responsible Purchaser may conduct a competitive process based on qualifications *instead of* price quotes. After selecting at least three qualified firms, the Responsible Purchaser may then subsequently negotiate price, starting with the most highly-qualified competitor.

#### 3. Additional Requirements for Contracts

- A. Any contract spending U.S. government funds must contain provisions from 2 CFR Part 215.48 and Appendix A to 2 CFR 200, which are found in the [U.S. Government Laws and Regulations Attachment](#) to the U.S. Contract for Services Standard Agreement.
- B. **Time and Material** contracts may only be used if no other contract format is suitable, must include a ceiling price, and be subject to enhanced oversight by TNC to control costs.

#### 4. Category-Specific Purchase Procedure Requirements

- A. **Small Purchase Procedures.** To the extent practicable, the Responsible Purchaser must distribute small purchases equitably among qualified contractors, even though a reasonable decision is all that is needed to contract.
- B. **Intermediate Purchase Procedures.** See [Attachment B](#) for additional restrictions.
- C. **Large Purchase Procedures.** See [Attachments A](#) and [B](#) for additional restrictions.

[End of Attachment C]