

# Purchasing Standards and Guidelines

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## Purchasing and Payment Roles (excluding Facilities Management Division - FMD)

### What are a Purchase Order (PO) Requestor's responsibilities?

- Contact vendors and obtain quotes
- Complete a purchase request
- Include necessary forms or information, which may include:
  - Insurance requirements
  - Acquisitions Service Certification
  - Contract
  - Single Source Justification
  - No Substitute Justification
  - Request for Approval of Special Expense
  - Authorization for Travel
  - 16A.15-16C.05 Form
- Provide funding string
  - Include project coding if appropriate
- Obtain required approval(s)
- Send PO to vendor
  - RECS buyer emails to vendor and copies PM

### What are an ALP (Authority for Local Purchase) Buyer's responsibilities?

- Obtain appropriate ALP certification
- Verify quote(s)
- Make sure all required forms are included
- Include description of what is being ordered on PO
- Verify funding strings look accurate
- Use correct SWIFT account and category codes
- Code taxes correctly
- Code assets correctly
- Include prevailing wage language on PO when required
- Include IC134 certifications on PO when required
- For RECS projects, include RECS project number on PO Reference Line
- Process PO change orders as needed
  - Determine appropriate change order amounts
  - Modify correct lines and accounting distributions

### What are a Payment Approver's responsibilities?

- Certify that goods and services are received
- Review invoice for accuracy
- Follow existing [Payment Processing Guidelines](#)

### What are a Payment Processor's responsibilities?

- Follow existing [Payment Processing Guidelines](#)
  - Verify appropriate payment approval(s)
- Assure payment documentation is complete
  - Payment processors are not responsible for verification of ALP requirements
- Request change orders when needed
- Pay invoice accurately and timely

### FMD Purchasing and Payment Roles

#### What are FMD Buyers' responsibilities?

- Obtain appropriate ALP certification
- Contact vendors and obtain quotes
- Complete a purchase request
  - Provide SpeedCharts and Project coding
  - Determine need for IC134 and prevailing wage documentation
  - Determine if item is a capital asset
- Include necessary forms or information, which may include:
  - Certificate of insurance
  - Acquisitions Service Certification
  - Contract
  - Single Source Justification
  - No Substitute Justification
  - Request for Approval of Special Expense
  - Authorization for Travel
  - 16A.15-16C.05 Form
- Send PO to vendor
- Request change orders as needed, including dollar and/or cost coding changes
- Retain purchasing documentation

#### What are FMD Data Entry persons' responsibilities?

- Obtain appropriate ALP certification
- Make sure all required forms are included
- Include description of what is being ordered on PO
- Verify that SpeedChart and project coding looks accurate
- Use correct SWIFT account and category codes
- For RECS projects, include RECS project number on PO Reference Line
- Code taxes correctly
- Code assets correctly
- Include prevailing wage language on PO when required

- Include IC134 certifications on PO when required
- Process PO change orders as needed

#### What are a Payment Approver's responsibilities?

- Certify that goods and services are received
- Review invoice for accuracy and approve
  - Exception: If PO, packing slip and invoice match exactly, sign/date packing slip and forward to accounts payable who will approve and process payment.
- Follow existing [Payment Processing Guidelines](#)

#### What are a Payment Processor's responsibilities?

- Follow existing [Payment Processing Guidelines](#)
  - Verify appropriate payment approval(s)
- Assure payment documentation is complete
  - Payment processors are not responsible for verification of ALP requirements
- Request change orders when needed
- Pay invoice accurately and timely

## TG/ED/VO Vendors and Preferences

### What is a TG/ED/VO vendor?

- TG – Targeted Group Vendor – at least 51% owned by woman, racial minority, or a person with a substantial physical disability.
- ED – Economically Disadvantaged Vendor – business must be located or the owner must reside in an [economically disadvantaged area](#) in Minnesota.
- VO – Veteran Owned Vendor - at least 51% owned by a veteran or service-disabled veteran as determined by the Minnesota Department of Veterans Affairs.

Also, operational control must be performed by the qualifying owner for all TG/ED/VO vendors.

### How does a TG/ED/VO vendor qualify for a preference?

A vendor must be both certified and eligible to qualify. Certified means the vendor has applied and been approved by OSP as TG/ED/VO vendor. Eligible means the vendor's group is identified in the table below as experiencing a disparity.

**TABLE OF GROUPS EXPERIENCING DISPARITY  
IN STATE OF MINNESOTA PURCHASING & CONTRACTING  
CONDUCTED UNDER MINN. STAT. CHAPTER 16C**  
(Based on the 2009 Disparity Study)

	Construction Prime Contracts	Construction Subcontracts	Professional Services	Other Services	Goods & Supplies
African American	X	X			X
American Indian	X	X	X		X
Asian American	X		X		X
Hispanic American	X	X	X	X	X
Nonminority Women	X	X	X	X	X
Disabled	X	X	X	X	X

What TG/ED/VO preference percentage is available, and on what purchases?

TG/ED/VO vendors are eligible for a 6% preference on purchases of goods, services, and construction.

How do I calculate a TG/ED/VO preference?

Six percent (6%) should be added to each non-TG/ED/VO vendor's response. Then compare all bid amounts to determine which vendor to award the purchase to.

What is Equity Select?

Equity Select is a procurement method that allows you purchase goods/services, professional/technical services, and construction from a TG/ED/VO business up to \$25,000 without a competitive solicitation. This generally applies to non-contract items only. Confirm that the vendor is certified and eligible based on the table above.

How do I search for a TG/ED/VO vendor?

Use the [TG/ED/VO search tool](#) on OSP's website.

## State Contracts

When do I need to use a state contract?

Goods and general services that are on state contracts must be purchased from the contract vendor, unless specifically stated otherwise in the contract release or a written exception is granted by OSP.

How do I search for state contracts?

Use the [contract search tool](#) on OSP's website.

## Purchasing Goods and Services (excluding construction)

What is required if my purchase is up to \$5,000?

- A minimum of one firm quote.
- A TG/ED/VO vendor must be used if one is reasonably available.
- Quotes may be obtained by telephone, fax, in writing, email, website, or as a transaction in a retail store.

What is required if my purchase is between \$5,000.01 and \$10,000?

- A minimum of two vendors must be contacted.
  - A vendor that does not respond or cannot provide the requested goods/services constitute a valid contact. Document if this occurs.
- For at least one quote, a TG/ED/VO vendor must be used if reasonably available.
- Quotes may be obtained by telephone, fax, in writing, email, or website. The successful response must be confirmed in writing.
- For services
  - a Service Certification form must be completed.
  - a Certificate of Insurance may be required. See ALP Manual section 2.40 for more information.

What is required if my purchase is between \$10,000.01 to less than \$50,000?

- The solicitation must be processed in SWIFT and advertised on OSP's website for a minimum of seven calendar days, unless otherwise permitted.
- The SWIFT solicitation "invite" must be sent to a minimum of three vendors, at least one of which must be a TG/ED/VO vendor if one is available.
- For services
  - a Service Certification form must be completed.
  - a Certificate of Insurance may be required. See ALP Manual section 2.40 for more information.
  - Contact Risk Management Division at (651) 201-2591 for guidance.

What is required if my purchase is \$50,000.01 or more?

- A formal solicitation in SWIFT is required, unless an exception is approved in writing by the OSP Acquisitions Manager. See the ALP Manual for specific instructions.



## What basic information do I need to know about getting quotes for an item I want to purchase up to \$10,000?

- Check to see if the item is on a state contract. If it is, see the contract release, or contact the vendor for pricing and ask the vendor to include the contract number on the quote.
- When purchasing an item not on a state contract, communicate your specifications to the vendor(s).
  - Specifications are details about what you want to purchase. For example, specify size, weight, color, warranty requirements, safety standard requirements, etc. as applicable.
  - Communicate with the vendor verbally or in writing.
  - Communicate the same specifications to each vendor contacted.
  - Convey a deadline for vendors to provide their quotes. Late vendor responses cannot be considered.
  - Include any other necessary terms and conditions (e.g. insurance requirements, delivery timeline, freight terms, etc.)
  - The state's standard [Request for Bid](#) form may be helpful.
- Quotes must be documented. If obtaining a verbal quote, document the information provided by the vendor. For purchases between \$5,000.01 and \$10,000, the successful response must be confirmed in writing.
- Compare quotes received and apply TG/ED/VO preferences if applicable to determine the vendor to award the purchase to.

## SWIFT Purchasing

### What are some SWIFT PO document types?

- APK – Annual Plan Agreement
- BPA – Blanket PO to one vendor
- BPC – Blanket PO against state contract
- BPM – Blanket PO to multiple vendors
- BTG – Blanket PO to TG/ED/VO vendors
- CEO – Construction Contract Encumbrance
- CRO – PO against state contract
- DPO – Standard PO
- DTG – Standard PO to TG/ED/VO vendor
- EMR – Emergency PO
- KEO – PO to encumber professional/technical (P/T) services contract
- MWK – PO to encumber Master Work Order Contract
- SSO – Single Source PO

### What are some common SWIFT contract document types?

- APK – Approved Annual Plan Memo
- BCC – Building Construction Contract
- GRK – Grant contract
- IAK – Interagency Agreement
- LDK – Lease contract
- MWK – Master Work Order Contract
- OCC – Other Construction Contract
- PTK – P/T contract

### Where can I find a complete list of SWIFT procurement document types?

See the Quick Reference Guide on [SWIFT Procurement Document Types](#).

### What is a blanket PO?

Blanket POs are used for regularly recurring charges that can be reasonably estimated for a period of time. They are typically created to encumber sufficient funds for a fiscal year.

### When do I need an encumbrance?

According to M.S. 16A.15, funds must generally be encumbered prior to the receipt of goods or services.

### When is an encumbrance not needed?

- Expenditures charged to salary-related account codes (i.e., workers compensation, unemployment compensation, etc.)
- Employee business expense and relocation reimbursements paid through SEMA4
- Statewide indirect costs
- Attorney General services
- Payments processed through a subsystem
- Imprest cash payments
- Auction clearing payments
- Revenue refunds
- Interest charges on late payments

### How do I find a vendor ID in SWIFT?

Use Review Vendors screen to search by name, address, ID Type, etc. Vendor address and location default to the first record in SWIFT. Verify the vendor address you select is the address payment should be made to.

### What do I need to know about SWIFT account codes?

Click here for a complete [account code list](#). Expense account codes begin with four, and are organized in groups (e.g. Printing and Advertising, P/T Services, Travel, Supplies). Narrow your account code search by finding the appropriate group first.

### How do I determine my SWIFT account and category codes?

Because the SWIFT account code is of primary importance, and there are considerably fewer account codes than category codes, determining the account code first is helpful. After selecting an account code, use the **M\_CG\_GBL\_FIND\_UNSPSC\_BY\_ACCT** query to find associated category codes. Then select the category code that best fits your purchase.

In some cases, it may help to search by a category code to find associated SWIFT account codes. Use **M\_CG\_GBL\_CATEGORY\_LOOKUP** for this purpose.

For coding help, see [Common Account/Category Code Combinations](#) document on FMR's website.

### What fiscal year do I charge my PO to?

- The Budget Date on the chart field line determines the fiscal year to be charged. The Budget Date defaults to the current date. Change if needed to charge the correct fiscal year.
- Charge goods to the fiscal year when ordered.
- Charge services to the fiscal year when performed.
- The budget date entered on a PO against a continuing appropriation must be June 30<sup>th</sup> (6/30) of the fiscal year when the funds were appropriated if that fiscal year has ended.

### What does a typical funding string include?

- Fund
- FinDeptID
- Approp ID
- Account

Certain divisions may also use the following fields:

- PC Bus Unit
- Project ID
- Activity
- Source

## Freight

### How do I handle freight on a purchase?

- If purchasing from a state contract, consult the contract release for freight terms.
- When purchasing goods/services not on state contract, ask the vendor to include any applicable freight charges in their quote.
- In SWIFT, freight can be entered on a separate PO line or on the Header Misc Charges screen.
- If adding freight on the Header Misc Charges screen, change freight terms on the freight tab to PADD if should be Freight Prepaid and Added.

## Sales Tax

### What is a Direct Pay Permit and how does it work?

The State of Minnesota holds a [Direct Pay Permit](#), which means agencies pay sales tax directly to the Department of Revenue instead of to the vendor. Exceptions where tax is paid directly to the vendor include:

- Taxable food and beverages
- Taxable lodging and related lodging services
- Admissions to amusement and athletic events and use of amusement devices
- Motor vehicle (purchases only)
- Taxable services listed in [M.S. 297A.61, subd. 3, paragraph \(g\), clauses 3, 4 and 6 and paragraph l](#)

### How do I know whether my purchase is taxable or not?

- Tangible personal property (e.g., office supplies, tools, or other goods not describe in categories below) – generally taxable unless there is an exception
- Services – generally not taxable, except for the following:
  - Building cleaning and maintenance
  - Detective, security, and alarm services
  - Laundry, dry cleaning, and alterations services
  - Lawn, garden, tree, and bush services, and delivery of aggregate
  - Lodging and related services
  - Motor vehicle towing, washing, waxing, rustproofing, and cleaning services
  - Parking services
- Digital products (see [Fact Sheet](#) for more information):
  - Taxable products include:
    - digital audio or audiovisual works
    - digital books
    - electronic greeting cards

- online or electronic games
- Non-taxable products include:
  - Digital still photos
  - Electronic documents
- Real property (e.g. land, buildings, building improvements) – generally not taxable
- Intangible property (e.g. stock certificate) – generally not taxable

### How does local sales tax work?

Where the recipient takes possession of the goods or services determines what local tax is due.

Examples include:

- If a product is picked up at a retail location, the local tax for that location applies.
- If a product is shipped, local tax is based on the location where the product is delivered.

### How can I calculate the sales tax due on my purchase?

Use the [Sales Tax Rate Calculator](#) from the Department of Revenue's website.

### Do I pay sales tax on delivery charges?

- If an item being purchased is taxable, delivery charges are also taxable.
- Delivery services furnished by a third party (e.g. UPS, Fedex) are generally not taxable.
- See [Fact Sheet](#) for more information.

### Are labor charges taxable?

See the applicable [Fact Sheet](#) for guidance.

### What MN Department of Revenue resources are available to help me with sales tax questions?

- [Fact Sheets](#) - These publications provide guidance on how tax is handled for various businesses, products, and services. You can [subscribe](#) to receive updates.
- [Industry Guides](#) - These guides are relatively new and are similar to fact sheets in that they provide guidance to taxpayers on how sales tax is handled for various topics.
- [Revenue Notices](#) - These provide clarification and further guidance on how the Department handles certain topics of sales and use tax. For instance, there is a Revenue Notice that details the proper requirements and use of a Purchasing Agent Agreement between a contractor and an exempt entity to be used with a construction contract, so that a contractor may make certain purchases exempt on behalf of the exempt entity. This relationship is detailed in the contractor fact sheet, and this notice provides further guidance.
- [Legislative Bulletins](#) - This document lists any sales tax law changes that occurred in the corresponding year of the bulletin.
- [Newsletters](#) - A list of newsletters that the Department of Revenue used to issue.

- [Sales and Use Tax Instruction Booklet](#) - A booklet that contains basic sales and use tax information.

#### How does SWIFT calculate sales tax on a PO?

The category code determines whether SWIFT automatically adds sale tax to a PO. The Ship-To address determines whether local or transit taxes apply.

#### What if SWIFT incorrectly calculates sales tax on a PO?

See Quick Reference Guide on [Sales Tax Settings on Purchase Orders](#) for guidance.

### Professional/Technical (P/T) Contracts

#### What is a P/T contract and where can I find more information?

A P/T contract is for services of an intellectual nature (e.g. consultation, analysis, evaluation, predication, planning, programming, recommendation, etc.) See the [Contract Manual](#) for more information. The [Decision Tree](#) is a helpful tool for determining the appropriate contracting process to follow.

For coding help, see [Professional/Technical \(P/T\) Account Codes](#) document on FMR's website.

### Service Contracts

#### What is a service contract?

A contract for services, commonly referred to as general services, that are not professional/technical in nature or construction-related.

#### What is an [Acquisitions Service Certification](#) form?

The form is used to document compliance with general service contracting requirements in [M.S. 16C.09](#).

#### When do I complete an [Acquisitions Service Certification](#) form?

Complete the form when purchasing general services greater than \$5,000 in a fiscal year.

### Single Source and No Substitute

#### What is a Single Source purchase?

M.S. 16C.02, subd. 18 states: Single source means an acquisition where, after a search, only one supplier is determined to be reasonably available for the required product, service or construction item.

When do I complete a [Single Source Justification](#) form for goods and/or services?

The form should be completed when the agency believes the acquisition is a single source and the dollar amount is above \$5,000. An ALP buyer can sign the form for purchases up to their delegated authority. See the form for additional requirements.

What is a No Substitute purchase?

A purchase where the solicitation does not allow an approved equal (a specific make/model or other specification must be used). For example, you need to purchase a certain brand of modular office furniture to match existing furniture.

When do I complete a [No Substitute Justification](#) form?

Complete the form when the acquisition amount is above \$5,000. See the form for additional requirements.

## Special Expenses and Out-of-State Travel

When is a Request for [Approval of Special Expense](#) form required?

Advance approval on the form is required for expenses described in [Administrative Procedure 4.4](#). The most common examples include:

- Food and refreshments – only permitted for events described in the Administrative Procedure
- Registration and tuition fees for conferences, seminars, workshops, etc. when the cost is \$500 or more per person
- State Fair admission and meals
- Various employee and agency recognition expenses

In addition to agency approval, international travel and other expenses beyond those allowed by the Administrative Procedure require Minnesota Management and Budget (MMB) advance approval.

When is an [Authorization for Travel](#) form required?

Advance approval on the form is required for all out-of-state travel, except for international travel requests, which are submitted on the [Request for Approval of Special Expense](#).

## Assets and SWIFT Asset Management

What assets need to be coded on a PO and tracked in the Asset Management (AM) module in SWIFT?

- Equipment costing \$5,000 or more that maintains its identity while in use and has a useful life of two or more years.

- All land purchases regardless of cost or value, and land improvements costing over \$300,000.
- See applicable [statewide policies](#) for information on construction-in-progress, buildings, infrastructure, art and historical treasures, and internally generated computer software.

#### How do I code assets on the PO in SWIFT?

- Record the AM Business Unit and Asset Profile ID on the Asset Information tab on the PO Distribution Line.
- Some Category codes default an AM Business Unit and Profile ID. Review the default information and make changes or remove the codes as needed.
- Enter on the PO line description the title you want on the asset in AM.
- Confirm the account code is correct for the category code you select. (example: 471606 Equipment-Non Capital versus 470606 Equipment-Capital)
- Multiple quantities can be ordered on one PO line, but you must use "each" as the Unit of Measure (UOM). They will be coded as individual assets at the time they are received.

#### What are Profile IDs?

- A code that identifies the type of asset you are purchasing and determines default field values in AM.
- A non-capital Profile ID begins with a prefix (example: NCP\_EQP04)
- A capital asset Profile ID has no prefix (example: EQUIP05)
- A list of Profile IDs can be found using the swift query **M\_AM\_GBL\_ASSET\_PROFILE**.

#### If I am ordering an asset, when do I not have to enter the Profile ID?

- POs to MN.IT Services should not be coded with a profile ID. Assets ordered through MN.IT are tracked in AM by MN.IT.
- For assets that will ship to another State Agency for their use, that agency will enter those items in AM.
- Construction assets are reported in the Construction in Progress (CIP) CAFR report, and these will be transferred from Projecting Costing to AM at substantial completion.

## Emergency Purchases

#### What is an emergency?

- Per M.S. 16C.02, an emergency is a threat to public health, welfare, or safety that threatens the functioning of government, the protection of property, or health and safety of people.



### What should I do in case of an emergency?

- Contact a vendor and immediately begin mitigation of the emergency.
  - The normal solicitation process is not required in an emergency.
  - Statute 16C.05, Subdivision 2a allows work to begin prior to full execution of the contract in the event of an emergency.
  - Vendor must provide a Certificate of Liability Insurance before beginning work on state property.
- Complete the [Acquisitions Request for Emergency Authorization](#).
- If a Professional/Technical consultant is needed, also complete and submit the [Request for Emergency Authorization](#).
- If going through Real Estate and Construction Services (RECS), submit a [Project Initiation Form](#) (PIF).

### What work is covered under an emergency?

- Work needed to mitigate the emergency. Use standard procurement procedures for any additional work.

### How is an emergency declared and reported?

- When time permits, forward the authorization form to the OSP director or acquisitions manager for signature to declare the emergency.
  - Note: The RECS Director and Construction Projects Operations Manager have delegated authority to declare an emergency for design/construction.
- If time does not permit, the agency head or authorized delegate may sign to declare the emergency.
  - Submit a copy of the authorization form to OSP as soon as possible.
- Submit final report to OSP upon completion of emergency activities.
  - Report shall include actions taken, why a competitive bid process was not feasible, how the scope of work was minimized to what was immediately necessary, and the total costs of goods/services purchased.
  - Save a copy for agency records.

### When are funds encumbered?

- Process the emergency Purchase Order (EMR SWIFT document type) within 15 days of the date of the declared emergency for an estimated amount provided by the vendor. The PO can be edited once all the requirements listed below are determined.

### What other documents may be required?

- Tax Identification Number (TIN) and [Contractor Registration Form](#).
- Builders Risk Certificate of Insurance if PO is \$75,000 or over.
- Payment and Performance Bond if PO is \$100,000 or over.
- Affirmative Action Certificate if PO is \$100,000 or more.

- Construction Terms and Conditions if PO is \$100,000 or more.
- Equal Pay Certificate if PO is \$500,000 or more.

#### Do I need to include any special instructions on the PO?

- All construction POs must state that an IC134 (Withholding Certificate for Contractors) will be required from prime and subcontractors before final payment can be made.
- If the PO is \$2,500 or more, attach prevailing wage rates and state that prevailing wage payroll reports and Certificate of Compliance must be submitted. See [ALP Manual, Appendix Q, 2.1.3](#).
- If funded with bond funds, indicate that jobs reporting is required per M.S. 16A.633, subd. 4, and include the [Jobs Reporting form](#) link on the PO. If over \$50,000, state that a Responsible Contractor Certificate is required.
- Attach Capitol Complex or Facility Security Guidelines for Contractors. Obtain from the requestor.
- If over \$100,000, determine if the work warrants incorporation of the State's General Conditions. If it does, state that the state's General Conditions of the Contract for Construction–AIA Document A201 with state's revisions apply to the work and this PO.

## References

#### Where can I find more information about state purchasing?

- See the [ALP manual](#) on OSP's website.
- See OSP [training opportunities](#) on their website.

#### What other resources are available to help me in SWIFT?

- The SWIFT Help Desk number is 651-201-8100, option 2.
- You can contact the help desk by email at [swifthelpdesk.mmb@state.mn.us](mailto:swifthelpdesk.mmb@state.mn.us)
- [Reference guides and training information](#) are available on many topics.