

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

Approved by the  
Regents  
December 18, 2014

Subject: Procurement Bid Limit

Action

Requested: Approval to Raise Procurement Bid Limit to \$10,000

Background:

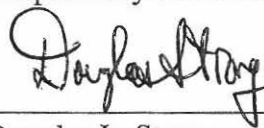
The Board of Regents currently requires that all purchases in excess of \$5,000 are competitively bid, when competitive vendors can be identified. The Regents further require Procurement Services to report quarterly all non-competitive purchase transactions in excess of \$5,000. A non-competitive purchase, for this purpose, is defined as any purchase of goods or services which has not been subject to an open solicitation for pricing from multiple suppliers or has not been subject to evaluation by Procurement Services to determine best value for the University.

The University wishes to continually improve its practices to insure the integrity and effectiveness of procurement processes. We are revising Standard Practice Guide (SPG) 507.01 which governs procurement. The most significant modification is raising the "competitive bid limit" requirement from \$5,000 to \$10,000, although units can request assistance from Procurement Services to bid transactions less than \$10,000. The current SPG can be seen at <http://spg.umich.edu/policy/507.01>

Procurement Services benchmarked formal bid limits of other Big Ten Universities and found that the most common bid limit was \$25,000. The current U-M limit of \$5,000 was established in 1996. We believe that administrative efficiencies to be gained by raising this limit far outweigh any negative impacts. The Regents will continue to receive a quarterly report of those contracts above the bid limit that were sole-sourced. We believe that these revisions will improve efficiencies across the University while managing risks appropriately.

We recommend that the Board of Regents approve raising the Procurement Bid Limit to \$10,000 and raising the limit for quarterly reporting of non-competitive purchase transactions to \$10,000.

Respectfully submitted,



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Douglas L. Strong  
Interim Executive Vice President and  
Chief Financial Officer