



THE UNIVERSITY OF NORTH CAROLINA
AT
CHAPEL HILL

Associate Vice Chancellor
for Finance

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TO: Deans, Directors, and Department Heads

FROM: Roger D. Patterson *Roger D. Patterson*
Associate Vice Chancellor for Finance

Phyllis C. Petree *PCP*
Director of Internal Audit

DATE: November 1, 2004

SUBJECT: Purchases from Employees

A few cases have recently come to light where departments purchased goods or services from University employees or companies owned by these individuals.

Policy - UNC is required by State Statute to seek free and open competition for all goods and services it utilizes. Therefore, except for dual employment services, departments cannot purchase goods or services from State or University employees or from companies in which a State or University employee has a controlling financial interest (51% or more). This rule applies even if the employee performs work related to those purchases outside of his/her UNC work hours and the work does not make use of any UNC resources. Exceptions can be granted when extraordinary circumstances are present, however prior approval of the State Purchase and Contract Division in Raleigh is required. The purpose of the policy is to avoid the appearance of unfair competition and protects employees from becoming involved in a conflict of interest situation. Refer to MSD Policy #17 – “Avoiding Conflict of Interest” at <http://www.ais.unc.edu/busman/msd/msdpoll17.html>.

Procedures – Departments are obligated to ensure potential vendors are not owned by a University or State employee. To facilitate this process, the standard terms and conditions in purchase orders will require vendors to attest to this fact. Purchases made under the University’s small order procedures via Check Request and Independent Contractor payments will require the department to inquire of the potential vendors about whether they are owned by a University or State employee. If a department believes it is necessary to purchase goods or services from a State or University employee or company in which an employee has a controlling financial interest, management of the department must submit a standard Purchase Requisition form to Purchasing Services along with detailed justification supporting the purchase request. The justification must disclose that the potential vendor is a State or University employee or a company in which an employee has a controlling financial interest and explain why it is necessary to make the purchase from this vendor. The justification must provide adequate clarification why no other vendor can provide the goods or services. Purchasing Services will forward the request to the State Purchase and Contract Division for review.

If you have questions, contact Martha Pendergrass at 843-5048 or mjpender@email.unc.edu for additional information.