

PURCHASING POLICIES

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PURCHASING POLICIES

INTRODUCTION

PURPOSE STATEMENT

The purpose of the Purchasing Policies that follow is to ensure that purchasing decisions are made which best serve the Foundation, and to ensure that quality goods and services are procured efficiently and in a timely manner, at the most competitive costs.

Purchasing Policies are intended, also, to ensure that procurement activity is carried out in a professional and ethical manner.

Finally, these policies establish a set of guidelines for the Purchasing Function, which are intended to help minimize expenses and establish a strong system of administrative controls.

SPECIFIC GOALS

The specific goals of this policy are:

- A. Maintain control over expenses for procuring supplies.
- B. Maintain control over the quantity and quality of supplies ordered.
- C. Establish a set of purchasing protocols for the Foundation.
- D. Establish control parameters to ensure board level oversight

POLICY ELEMENTS

Policy Statement

The Board of Directors of the Foundation delegates the responsibility for purchasing to the President/CEO, Financial assistant and Program Directors.

These individuals are charged with minimizing the Foundation's purchasing expenses, reducing supply waste, and reducing exposure to theft.

A Purchase Requisition system is used for all purchases over \$500. That system is described in pages that follow

PURCHASING POLICIES

ETHICAL PRACTICES

The ethical practices below are applicable in all purchase transactions.

Conflict of Interest

Employees engaged in the purchasing function are expected to be free of interests or relationships which are actually or potentially harmful or detrimental to the best interests of the Foundation and shall not engage or participate in any commercial transaction involving the Foundation, its affiliates, divisions or subsidiaries in which they have a significant, undisclosed financial interest.

Any employee engaged in purchasing who has assumed, or is about to assume, financial or other outside business relationships that might involve a conflict of interest, must immediately inform the supervisor of the circumstances involved. This information is to be reviewed at an appropriate level for decision on whether a conflict of interest is present and, if so, what course of action is to be taken. In this connection, a conflict of interest exists where an employee:

- ⇒ Has an outside interest that materially encroaches on time or attention which should be devoted to affairs of the Foundation.
- ⇒ Has a direct or indirect interest in, or relationship with, an outsider that is inherently unethical or that might be implied or construed to be, or make possible personal gain due to the employee's ability to influence dealings; render the employee partial toward the outsider for personal reasons or otherwise inhibit the impartiality of the employee's business judgment; place the employee or the organization in an equivocal, or embarrassing or ethically questionable position or reflect on the integrity of the organization.
- ⇒ Takes personal advantage of an opportunity that properly belongs to the Foundation.
- ⇒ Uses Foundation property without approval.
- ⇒ Discloses Foundation proprietary information to unauthorized persons.

Gifts and Gratuities

No Foundation employee shall accept corollary or purchase incentive gifts, personal loans, entertainment or other special considerations from an individual or business organization doing business with the organization or seeking to do business with the organization.

Any employee who is offered or receives a gift of more than \$50.00 shall refuse it or return it to the giver in a tactful and dignified manner advising the giver of his Foundation's policy prohibiting its acceptance. Any employee not complying with this policy shall be subjected to appropriate disciplinary action.

No employee shall permit any influence which could conflict with the best interest of the organization or prejudice the Foundation's reputation.

Association with supplier representatives at luncheons, dinners or business organizations meetings may be helpful in establishing better business understanding and is neither questionable nor unethical, provided the Foundation Employee keeps himself free of obligations.

PURCHASING POLICIES

ETHICAL PRACTICES CONT'D

Gifts and Gratuities Cont'd

The responsibility for adherence to this policy is a joint one. Individuals who represent the Foundation must be beyond challenge or reproach in every business transaction and not allow themselves to be put into a position where their judgments can be influenced.

Managers must assure conformity to this policy by insisting on compliance by their subordinates.

Confidentiality

It is recognized that most purchase transactions are of a confidential nature, especially with regard to vendors and our competitors.

It is considered unethical as well as damaging to the Foundation's competitive position to allow Foundation-proprietary information about one vendor's quotation to pass to another vendor. This possibility is discussed in this manual under Price Quotation and Bids, where the passage of information of this type is prohibited. There are, however, other less direct methods which should be considered. Overheard phone calls, documents on desks during vendor interviews and conversations between buyers within hearing of vendors in other offices are some examples. An awareness of this sort of situation should be created so that it may be avoided.

Passage of pricing information from a Foundation employee to a competitor's employee is not only unethical but is likely to be in violation of one or more of the various antitrust laws and must be scrupulously avoided.

All Purchasing Department files must be maintained in an up-to-date and confidential manner. Access to these files and other purchasing documentation is restricted only to those specifically authorized by the Foundation's Bookkeeper.

Documents relative to vendor's quotation should be locked away when not in use. These documents should be removed from printers and fax machines immediately.

PURCHASING POLICIES

PURCHASING AUTHORITIES

All purchases between \$500 and \$5000 must be supported by a Purchase Requisition signed by the President/CEO or an officer of the Foundation.

Budgeted single item purchases between \$500 and \$2500 require 2 Verbal Price Quotations written on the back of the Purchase Requisition.

Budgeted single item purchases between \$2500 and \$5000 require 3 written Price Quotations attached to the Purchase Requisition.

All budgeted contracts and purchases over \$5,000 will require Board or Executive Committee re approval at the time of contract, and should be reviewed for possible policy stipulations requiring competitive bid proposals such as Accounting services, Audit Contract and Insurance Coverage.

Any unbudgeted purchase or contract, excluding grants made by the Foundation, requires Board of Directors or Executive Committee approval, at the time of purchase. Also, new unbudgeted contracts or purchases over \$5000 require the Bid Process described on page 8.

The President & CEO should report any unbudgeted emergency purchases to the Board or Executive Committee at the next meeting immediately following same.

Policy is to use the Foundation's State Sales Tax Exemption Form for all transactions.

Any purchase pursuant to a state or local contract (piggybacking) is exempt from the Quotation and bid protocols.

PURCHASE REQUISITIONS

All Purchase Requisitions require the signature of the President/CEO or a Foundation Officer.

The President/CEO will review related Price Quotations and approve Purchase Requisitions evidencing same by signature.

The various types of purchases and their specific authorization requirements follow.

PURCHASING POLICIES

TYPES OF PURCHASES / STIPULATIONS

Stationery and Supplies, Software and Office Equipment, etc.

Purchases in this category are generally under \$500 and may be made by the Financial Assistant, Program Directors or the President/CEO. Payment may be made by check, Foundation credit card or reimbursement for personal expense.

The Foundation Bookkeeper maintains related records.

Professional Services, Larger Contracts and Consulting Services

Services covered by ongoing contracts such as: Accounting, Auditing, Insurance Coverage and any Consulting Services, or other such budgeted expenses require re approval by the Board or Executive Committee, at time of contract, if over \$5000.

Any new, unbudgeted contract requires approval of the Board or Executive Committee prior to purchase.

Policy, separately, requires that these services be considered for competitive bidding at stipulated intervals to ensure pricing remains competitive.

Accounting and CPA/Audit Services are scheduled for bid consideration at 5 year intervals.

Insurance Coverage is generally considered for re bid at 3 year intervals

Investment Advisory Services are constantly reviewed for performance and considered for re bid at 5 year intervals.

Vehicles and Commercial Equipment

The purchase or lease of a commercial vehicle, motorized forklift or any other commercial equipment requires the Bid Process and approval by the Executive Committee or Board of Directors.

Real Estate

All real estate purchases require the approval of the Board of Directors. See Bid Process page 8 for specific details and requirements.

PURCHASING POLICIES

VENDOR SPECIFICATIONS

A major decision required during the purchasing process is vendor selection. Those authorized to purchase should endeavor to place orders based on the record of the vendor, the guarantee and warranty provided for the product and the product's price and quality.

Preferred Vendors

Preference should be given to the following types of vendors, provided this involves no sacrifice in quality, service or price:

- ⇒ Suppliers located near the Foundation operation.
- ⇒ Suppliers with adequate financial strength who also have a reputation for adhering to specifications and delivery schedules.
- ⇒ Companies with reciprocal relationships.

Approved Vendor Lists

It is recommended that the Foundation maintain a current list of approved vendors for the various types of products and services typically used by the Foundation. The existence of such a list does not preclude the use of unlisted vendors but does help to expedite the quotation and bid process.

Insider Vendors

Unless a specific exception has been obtained from the Foundation's Board of Directors, no quotations or bids shall be solicited from, nor any order placed, with the Foundation that:

- ⇒ Is owned, controlled or actively influenced by any Foundation employees or directors or an immediate relative of said employee or director.
- ⇒ Employs in a management, consulting or sales capacity any person who is a Foundation employee or director.
- ⇒ Employs in any capacity a Foundation employee or director who is in a position to influence the selection of, or conduct business with, such vendor.

Note: the Foundations Conflict of Interest Policy, presented at the end of Governance Policies, addresses protocol for any exceptions to the above policy.

PURCHASING POLICIES

PRICE QUOTATIONS

Price Quotations written on or attached to a Purchase Requisition provide evidence of proactive price research.

Price Quotations must be obtained for all purchases between \$500 and \$5000.

Types of Quotations

Verbal – Two verbal quotes are needed for standard/non-complex items.

Budgeted single item purchases between \$500 and \$2500 require 2 Verbal Price Quotations written on the back of the Purchase Requisition.

- ⇒ Vendors' names and their quoted prices must be noted on the back of the requisition form. All other verbal quotation requirements are the same as those for written quotations. See below.

Written – Three written quotations are required for the following:

Budgeted single item purchases between \$2500 and \$5000 require 3 written Price Quotations attached to the Purchase Requisition. Web page advertisements may be used as appropriate.

Written quotation should be used for:

- ⇒ All capital expenditures
- ⇒ Non-standard conditions, requirements, instructions, etc.
- ⇒ Any occasion where permanent documentation is advisable

Quotations should be obtained only from qualified, reputable vendors who meet the Foundation's vendor specifications.

The President/CEO will review the quotations and award the order in conjunction with the requesting department head.

Sole Source Purchases

The Board of Directors or Executive Committee must approve any contracts or purchases without quotations or bids, when the product or services being offered are considered unique and not otherwise available in a acceptable format.

PURCHASING POLICIES

PURCHASE BIDS

The Bid Process is used to solicit vendor interest in services or products that involve detailed specification requirements. Additionally, this process supports robust documentation.

Responsibility factors

Written bids must be obtained by the President/CEO for all new contracts and purchases with an estimated price of over \$5,000.

Standard Bids

Bid requests should be typed using a standard form whenever possible.

A minimum of three bids is acceptable provided familiarity with the market and prices of the item in question.

Bids should be solicited only from qualified, reputable vendors who meet the Foundation's vendor specifications.

Unless a specific exception has been obtained from the Foundation's Board of Directors or Executive Committee, bids shall not be solicited from Insider Vendors as described on page 4 of these policies.

All vendors must be provided with the same detailed information regarding the product or service requested.

The Board of Directors and/or the Executive Committee will review and evaluate the bids and award the contract.

The below factors in combination not necessarily listed in their order of importance, will be considered in reviewing bids and awarding contracts:

- ⇒ Prices
- ⇒ Bidder's previous record of performance and service
- ⇒ Ability of bidder to render satisfactory service in this instance
- ⇒ Availability of bidder's representative to call upon and consult with the using departments
- ⇒ Quality and conformance to specifications

It is a good practice to notify unsuccessful vendors that the quotations have been closed and contract awarded.

PURCHASING POLICIES

PURCHASE BIDS CONT'D

Real Estate Bid Requirements [N/A included for possible future use]

All real estate purchases require the following pre-purchase activity:

- ⇒ Multiple realtors, when appropriate, are provided with the building requirement specifics and are asked to submit appropriate listing information.
- ⇒ Listings of available, appropriate property are reviewed by the Real Estate Committee or the Foundation's Board of Directors to determine which properties are in viable locations and are acceptably priced.
- ⇒ Members of the Real Estate Committee (or other qualified professionals, i.e., appraiser, builder, or developer, etc.) will visit the identified properties.
- ⇒ A review of properties is conducted and a listing of acceptable properties is made in the order of purchase preference.
- ⇒ Offers are made on the property listed first. If an agreement cannot be reached on this property, offers are made on the next listed property.
- ⇒ Financing bids (if necessary) should be secured from multiple financial institutions and the one most favorable to the Foundation should be selected.
- ⇒ Final purchase and financing approval must be obtained from the Foundation's Board of Directors.

PAYMENT AND DISBURSEMENT

Payment and disbursement are addressed in the Accounting Policies Section of this Manual.

RECORDS EVIDENCING PAYMENT

Evidence of payment is attached to the original copy of each Purchase Requisition.

PURCHASING POLICIES

PURCHASING DEPARTMENT FILES

All Purchasing Department files are established and maintained as below indicated by the Foundation Bookkeeper

Retention schedules for Purchasing Department files are as follows:

- ⇒ All original copies of all purchase requisitions, with supporting payment documentation shall be filed by vendor with separate files maintained for each calendar year. The current year plus six prior years' requisitions shall be maintained. All purchase requisitions older than seven years shall be destroyed.

Note: All requisition copies retained must be held in alphabetical order, by vendor, for seven years, after which time, they shall be destroyed.

- ⇒ Copies of all written board approval for capital asset purchases shall be maintained in separate files (by asset). These files will be maintained indefinitely.
- ⇒ A copy of a current list of approved vendors (if available) should be maintained at all times in the department.
- ⇒ A current file shall be maintained of each contractual agreement for the life of the corresponding contract. Upon expiration, these files are maintained for the remainder of seven years, and then, destroyed.

PURCHASING FUNCTION CONTROLS

Review of controls is performed by the Bookkeeper on an ongoing and spot basis. Reviews may include the following:

- ⇒ Confirmation of authorized approval on purchase requisitions.
- ⇒ Review of accounting files to confirm that invoices are supported by purchase requisition.
- ⇒ Spot check comparisons are made of inventory and purchase requisitions to confirm that remaining inventory levels appear appropriate.[If applicable]
- ⇒ Periodic confirmation of quotations and bids received.
- ⇒ Long term contracts are reviewed to ensure continued pricing competitiveness.
- ⇒ Review of Purchasing Department files to verify compliance with filing requirements.
- ⇒ Other reviews as deemed appropriate.