



Origination: 05/2013
Last Approved: 10/2015
Last Revised: 10/2015
Next Review: 10/2018
Owner: Kaylene Osborn: Purchasing Manager
Policy Area: Purchasing
References:

Methods of Purchasing at Denver Health

Document Type: Policy

PURPOSE

To establish procedures for acquiring supplies, materials, services and equipment necessary to the operation of Denver Health (DH) through appropriate purchasing channels.

SCOPE

DHHA – All locations and departments

PROCEDURES

- A. All supplies, materials and equipment acquired through the utilization of DH controlled funds must conform to this procedure.
 - 1. Violation of the proper purchasing procedures may be sufficient cause to withhold vendor payment until a written explanation of the reasons for such violation is received and approved by the Chief Executive Officer (CEO) or designee.
 - 2. DH Purchasing is responsible for the day-to-day function of the purchasing process.
- B. Requisition Process: The procurement process begins in the originating department/Accounting Unit. The requisition, or Form 1197, is approved at this level with an appropriate authorized department signature determined by dollar threshold and delegations of authority. A signature authorization form must be filled out and signed by the employee's Executive Staff member prior to any purchases being processed. It is the Executive Staff member's prerogative to assign the employee to Levels 1 through 3. Only the Denver Health and Hospital Authority (DHHA) Board of Directors can sign for Level 6, only the CEO or his/her designee can sign for Level 5 and only Executive Staff members or Directors can sign for Level 4.
 - 1. Signature Authority Thresholds:
 - a. Level 6 Authority: The DHHA Board of Directors shall review and approve any contract, grant or other written agreement involving an amount that is unbudgeted and \$1,000,000.00 or more (individually, in the aggregate or cumulatively) under which DH may be obligated. Additionally, the DHHA Board of Directors shall approve any agreement, regardless of dollar amount, that is unbudgeted and represents a substantial investment of a new service, system or line of

business, or is unusual or extraordinary in nature. The DHHA Board of Directors shall also review and approve any proposal/requisition for which the CEO, at his/her discretion, requests review. The DHHA Board of Directors must also approve any amendment to an existing contract if the amendment is \$500,000.00 or more.

- b. Level 5 Authority: The following items must be signed by the CEO, or in his/her absence, the CFO, Chief Operations Officer (COO), CEO assigned designee or Director of Managed Care:
 - i. Any purchase over \$250,000.00 and below \$1,000,000.00.
 - ii. Any major contract.
 - iii. Any major construction projects.
 - iv. Any authorization of reimbursement of expense for employment.
 - v. Any Memorandum of Understanding or letter of intent.
 - vi. All travel, including authorization to travel and reimbursement for travel expenditures.
- c. Level 4 Authority: An Executive Staff or their designated employee must sign the following items:
 - i. Any purchase between \$50,000.00 and \$250,000.00, except pre-approved capital equipment.
 - ii. All official function requests.
 - iii. All conference and meeting expenses.
 - iv. All requests for bottled water and coffee service.
 - v. Anything which is unusual or not of the ordinary.
 - vi. All capital equipment or Capital Improvement Project (CIP) contingency requests.
- d. Level 3 Authority: Executive Staff may assign this level to any employee as they deem responsible. Title of the employee has no bearing on the authorization assignment. Employees may receive no authority if the Executive Staff so decides. Any purchase between \$5,000.00 and \$50,000.00.
- e. Level 2 Authority: Executive Staff may assign this level to any employee as they deem responsible. Title of the employee has no bearing on the authorization assignment. Employees may receive no authority if the Executive Staff so decides. Any purchase between \$1,500.00 and \$5,000.00.
- f. Level 1 Authority: Executive Staff may assign this level to any employee as they deem responsible. Title of the employee has no bearing on the authorization assignment. Employees may receive no authority if the Executive Staff so decides. Any purchase between \$0.00 and \$1,500.00.
- g. Blanket Purchase Order (BPO) release requisitions must be signed by a pre-approved designated employee who has at least Level 1 signing authority for the given accounting unit being charged. The pre-approval must be designated by the individual who has authority to create the original Form 1197. This pre-approval must be identified on the original Form 1197. The Manager of the Accounting Unit may designate a person for BPO release authority only with the approval of the Purchasing Manager. A BPO Release signature form must be completed and signed off by the Manager and the Purchasing Manager.

- h. Consultants do not have signature authority for purchases. The only people authorized to sign are listed above except as provided by the CEO on a case-by-case basis.
- i. Any purchase over \$5,000.00 requires a signature from the budget analyst (for operational funds) of the department making the purchase. For Special Fund purchases refer to DH Policies & Procedures "Departmental Special Fund Accounts".
- j. All purchases and expenditures utilizing Grant funds must be approved by Sponsored Programs and Research Office (SPARO).
- k. Commodity based purchases:
 - i. Biomed must sign off on all purchases for medical equipment.
 - ii. eHealth Services (eHS) must sign off on all computer hardware and software.
 - iii. Telecommunications must sign off on all communications equipment.
 - iv. Engineering must sign off on all engineering equipment and modular furniture. All are regardless of the acquisition cost.
- l. Capital equipment is defined as an article of moveable property with a usable life span of one year or more, and a unit cost of \$5,000.00 or more. Signatures required authorizing capital equipment requisitions are:
 - i. The CEO must sign purchases over \$250,000.00 but below \$1,000,000.00, if unbudgeted.
 - ii. The Board must sign for purchases in the amount of \$1,000,000 or more, if unbudgeted.
 - iii. The appropriate Executive Staff member must sign all unbudgeted capital equipment (contingency).
 - iv. Requests for capital equipment that are on the approved budget list for a given year do not require Executive Staff approval if purchased during the approved year. Only the Manager's signature with authorization for the given accounting unit is required.
 - v. The fixed asset manager, budget capital manager, and the respective equipment department (i.e. Biomed, eHS, Engineering, and/or Telecommunications) must sign all capital equipment.
 - vi. Computer equipment capital threshold is \$5,000.00.
 - vii. The originating department is responsible for the accuracy of the cost center number and account code. Accounts Payable (A/P) will provide a copy of authorized codes upon request.
- m. The Sponsored Programs and Research Office (SPARO) will be responsible for coordinating with the Purchasing Department on all capital equipment purchases made from grant funds.
- n. The capital equipment threshold on grant purchases is \$5,000.00.
- o. It is the responsibility of the Principal Investigator or designee and/or departmental Grant Administrator to identify for Purchasing any and all procurement regulations being used pertaining to the grant/sponsored program. These requirements must be clearly identified on the requisition form. For any sponsored program expense disallowed by the sponsor, the department will be responsible for the expense. For any sponsored projects, all signatures will roll forward to the new Accounting Unit and Activity Code. Fully funded grant projects do not need DHHA Board of Directors approval. It is assumed that the grant is being awarded for the intended purposes of the purchase and the funds are to be expended for that purpose only. It is

the Principal Investigators responsibility to verify that the funds are being expended per the grant contract agreement and is subject to any audit deemed necessary to verify proper use.

- p. Replenishment of Inventory in Central Supply (CS): It is the responsibility of the CS Manager or CS Inventory Manager to run an IC140 daily to determine what products have reached their restock level. The IC140 report will be reviewed by the Inventory Manger or Inventory Supervisor to determine if stock levels should be replenished. They will approve the order and the Lawson system will automatically create the PO per the approved contract specifications.
- q. All non-inventory and consignment products will be treated as inventory items. These items are under contract following the public bid process. For these items, only the Manager or designated individual with signature approval for that AU can sign the Form 1197 for these purchases. Budget or Executive Staff do not need to sign "Bill Only" requisitions.
- r. Construction related projects, which include Architectural, General Contracting, plumbing, HVAC, Electrical, finishing, remediation, concrete, security, painting, door entry, signage, glass, environmental, geotech, fire and such related construction activities; shall have a minimum open market level of \$150,000.00. It shall be the Construction Director's prerogative to solicit more than one pool firm if need be for projects under \$500,000.00. All projects between \$500,000.00 and \$1,000,000.00 will be bid to all pool vendors.

2. Routing:

a. General Funds:

- i. \$0 to \$4,999 – Level 1 and/or 2: Requestor – Purchasing.
- ii. \$5,000 to \$50,000 – Level 2 and/or 3: Requestor – Budget – Purchasing.
- iii. \$50,000 to \$250,000 – Level 4: Requestor – Budget – Exec Staff – Purchasing.
- iv. \$250,000 to \$999,999.00 – Level 5: Requestor – Budget – CEO – Purchasing.
- v. \$1,000,000 and over – Level 6: Requestor – Budget – CEO – Board – Purchasing.

b. Capital Equipment:

- i. \$5,000 and above on the approved capital expenditure list: Level 2, 3, or 4: Requestor – Purchasing.
- ii. Contingency capital requests (follow General Fund rules plus sign off by CFO or Budget Manager: Level 2, 3 and 4: Requestor – CFO/Budget Manager – Purchasing.

c. Grant Funds:

- i. \$0 to \$4,999.99 – Principal Investigator/Contract Administrator – Purchasing.
- ii. \$5,000 and over – Principal Investigator/Contract Administrator – SPARO – Purchasing.

3. Additional Documentation:

- a. The requisition may be accompanied by descriptive information, vendor quotes (nonbinding to DH), and justification memos (i.e., sole source, no substitute, brand name or equal) as required. However, the requesting department must provide a thorough explanation of the goods or services under description on the requisition, or as a Statement of Work (SOW).
- b. A SOW must be provided with all requirements involving service, i.e., repair and maintenance, professional services, capital equipment that requires installations, training and/or warranty

service coverage. The SOW may be required to varying degrees of detail on other acquisitions as deemed appropriate.

- c. Sole source and no substitute justification memos must provide research rendered, evaluation specifications, manufactures' makes and brands evaluated, and reasons for disqualification of all other potential vendors and products. Additionally, a sole source or no substitute memo must be reviewed, attached and signed by the same individual authorized to sign the requisition.
- 4. When complete, the originating department will send the requisition to DH Purchasing either by fax, email, or interoffice mail (Mail Code 1415). Either a faxed, emailed or an original Form 1197 (only one) is required. This will prevent duplication of orders.
- 5. Purchasing Department Processing Procedure:
 - a. Purchasing will receive the requisition and time and date stamp it. The buyer will review the requisition and verify the accuracy of the accounting unit, account code, authorized signature and date required. Purchasing will prioritize work by the date required. ASAP (as soon as possible) is disallowed; if a date is not entered, the order will be considered routine.
 - b. If relevant information has been omitted Purchasing will attempt to resolve the omission through a telephone call to the initiator and will be documented on the requisition or separate form. However, if the problem cannot be settled via a phone call, the requisition will be returned to the attention of the contact person.
 - c. Requisitions for capital equipment requiring the use of utilities, installation, ongoing maintenance, or involving a question of compatibility with other equipment (including spare parts) must be sent to the appropriate department that handles such equipment (i.e., medical equipment to Biomed, computer equipment to IT, phone equipment to Telecommunications, and facility equipment to Engineering). After review, the appropriate department will forward the requisition to Budget. Budget will then forward the requisition to Fixed Assets, which will forward it on to Purchasing when all reviews have been completed.
 - d. When necessary, the buyer may adjust the dollar amount of the purchase up or down based on firm/vendor pricing. If the amount is increased by more than 10 percent or \$1,000.00, the buyer will request that the contact individual on the requisition provide department approval for the price increase. Verbal approval with proper notation on the requisition is acceptable. Documentation of this approval will then be noted in the file. The signature must be appropriate to the new dollar amount. A price reduction does not need additional approval.

e. Acquisition Thresholds/Administrative Lead Time (ALT)

Acquisition Type	Open Market	Informal *	Semi-Formal *	Formal *
\$ Threshold	\$5K or Less	\$5,000.01 - \$24,999.99	\$25,000.00 - \$100,000.00	\$25K & Above
# of Sources (minimum)	One	Three	Formal bid can be waived with Purchasing Manager or Manager of Clinical Value Analysis approval	Competitive Bid
ALT (calendar days)	15 Days	30 Days	See informal or formal requirements	120 Days
% Increase (\$) Allowed on reqs	10%	10%	10%	10%

- C. Bidding Procedures, Contracts: When a requisition is submitted to Purchasing, it will review the request to determine if the product or service needed should be on a formal legal contract or can be bid out using the legal boilerplate.

1. Legal Contract:
 - a. If the requisition is determined to need Legal review, Purchasing will create a blanket purchase order (BPO) and forward the document to Legal. The BPO will be used as the payment vehicle for the contract. It is Purchasing's responsibility to train the end user on how the BPO process works. The department is required to identify on Form 1197 who will be the contract administrator, total dollars, and term requirements of the contract. Legal will be responsible for obtaining all signatures for Budget, capital equipment, and board approval.
 - b. All invoices will be sent directly to A/P. A/P will notify Purchasing upon receipt of the invoice. Purchasing will contact the department for approval to pay the invoice. The department will be responsible for processing BPO releases for every invoice sent by the vendor.
2. Boilerplate Contracts:
 - a. Purchasing will process these contracts. Legal has determined that the standard contract boilerplate is sufficient in order to bind DH to the product or service needed.
 - b. Contracts will be awarded to the most responsive, responsible, reliable, bidder submitting the lowest price. These purchases include supplies, materials, equipment and services (including professional services) for which DH has established standards and specifications for use. Each bid, with the name of the bidder, will be recorded. The successful bid will be open for the stated period of performance.
3. Formal Bidding Procedures:
 - a. A formal contract is a contract for the purchase (or leasing) of goods and services estimated at \$25,000.00 or more.
 - i. The Purchasing Manager or Manager of Clinical Value Analysis has the discretion to increase this amount to \$100,000.00 if he/she deems it to be in the best interest of DH.
 - ii. Advertisement by publication will precede the letting of any formal contract. Such advertisement or notice will give the specifications and/or standards of the supplies or services to be purchased (or leased).
 - iii. The advertisement will state the amount of a bond, if a bond is required.
 - b. All proposals in response to such advertisement or notice will be submitted in sealed form and publicly opened at the time specified in the advertisement or notice. After the bid has been awarded to the successful vendor, the results will be subject to inspection by competing bidders through the Colorado Open Records Act.
 - c. Purchase requisitions shall not be subdivided to avoid any of the above stated dollar thresholds.
4. Informal Bidding Procedure:
 - a. Any contract for supplies or services between \$5,000.00 and \$25,000.00 may be let by informal procedure upon notice determined to inform potential bidders in a manner specified to achieve maximum competition between bidders and maximum economy to the Authority.
 - b. A minimum of three (3) qualified and responsive vendors must be contacted unless the Purchasing director approves a no substitute or sole source justification.
 - c. Award is made to the lowest, responsive, qualified bidder.
 - d. The right to reject any or all bids is reserved.
5. Open Market: Not subject to bidding procedures. Supplies or services less than \$5,000.00.

6. Evaluation of Bids:

- a. Bids will be reviewed and prices evaluated by DH Purchasing. Additionally, the primary department may evaluate bids if technical proposals or testing of sample items is required.
- b. All bids will be awarded in accordance with the Best Value to Denver Health. If the basis for the recommendation is solely the lowest bid, the records will reflect the computations, assumptions, etc., upon which the decision was based. If the recommendation is to award to other than the low bidder (based on a finding that the lower bidder was not reliable, responsible, or the best value) the records will show full documentation of the reasons for disqualifying the lower bidder. The records required to be maintained will include the identity of the person or department who evaluated the bids, the written recommendation, and the basis for the award.

D. Blanket Purchase Orders (BPO)

1. BPOs are utilized when a department has a historical understanding of purchasing needs that are not predictable. These purchases are generally repetitive low dollar expenditures. The BPO allows the department the flexibility to place orders on an as-needed basis for a set period of time at a pre-established price.
2. A BPO is initiated to DH Purchasing on Form 1197. In the description, a list of goods and/or services must be identified as well as a list of authorized department callers. A blanket order release form created by the using department is utilized to record activity.

E. Request for Payment

1. A payment request form shall be used for purchases that meet the exception rule. The following expenditure types can be placed on the payment request form accompanied by the proper signatures and with attached pertinent documentation for direct payment from A/P.
 - a. Professional fees
 - b. Conferences, seminars, training, or educational costs
 - c. Land, buildings, real estate, easements of right of way
 - d. Books, magazines, newsletters, newspapers, training videos, periodicals, and subscriptions
 - e. Franchised utilities
 - f. Payment to state and federal governments
 - g. Reimbursable expenses under \$75.00
 - h. Membership dues
 - i. Judgment claims and refunds
 - j. Professional and occupational licenses/certificates
 - k. Loan disbursements
 - l. Mileage
 - m. Travel reimbursements (must go through travel coordinator)
 - n. Legal/confidential
 - o. Any items that require prepayment
2. The department is to place the order, type the payment request, attach any packing slips / tickets or invoices, and forward all documents directly to A/P.

F. Purchases Not Subject to Bidding Procedures:

1. Non-emergency Situations: DH Purchasing may avoid the bidding procedure previously stated when purchasing the following items:
 - a. Supplies indispensable to DH which are obtainable, for practical purposes, from only one single source.
 - b. Supplies that are perishable by reason of imminent spoilage or decay and which would spoil or decay if the previously stated procedures were followed.
 - c. Supplies required by reason of preferences based on professional advice.
 - d. Supplies or services estimated to amount to \$5,000.00 or less (open market).
 - e. Any purchase that has legitimate sole source documentation.
 - f. Any purchase deemed not in the best interest of DH by the Purchasing Manager or Manager of Clinical Value Analysis approval.
2. Emergency Purchases:
 - a. For the purpose of DH Purchasing, an emergency is defined as a situation which, if it continues to exist, would endanger the health or safety of the public or employees; requires a remedy sooner than the supplies, materials, equipment, and personal property/services would be delivered if the normal purchasing procedures were followed; or a situation which would place an excessive financial burden on the Authority unless addressed in a shorter time than the bidding procedures require.
 - b. After DH Purchasing confirms the emergency, the authorized individual will fax a typed Form 1197 with the appropriate authorized department signature to Purchasing within 24 hours.
 - c. Emergency purchase requests should consist only of the minimum quantity necessary to address the emergency situation.
 - d. An emergency justification memo is required on all emergency purchases. The substantiation must state the problem and the necessity to remedy through the emergency process. The justification restates the incident that caused the emergency condition and the consequence of a delay. The signature authority on the justification memo is the same as is required on the purchase requisition.
 - e. Purchasing will handle all emergency purchases unless products are required prior to Purchasing's next regular shift. All emergency purchases will be initiated on a Form 1197 and followed up with an executed justification letter within 24 hours.
3. Sole Source:
 - a. Sole source is a purchase or procurement process of soliciting and negotiating with only one source to obtain a product or service. Sole source procurement is not the routine procurement method. It is to be used sparingly.
 - b. Sole source procurement shall be utilized only when the requestor can justify the need for sole source procurement and can demonstrate that the proposed sole source vendor is competent and able to provide the product or service requested.
 - c. The requestor shall ensure that the proposed cost is fair and reasonable and that the quality of the proposed product or service is adequate and meets the needs of DH. Information regarding

reasonableness of cost and the adequacy of quality must be included in the justification for sole source procurement.

- d. The requestor must submit written justification for sole source procurement to the Purchasing Department. The written justification for sole source procurement shall include an explanation of how the sole source selection will benefit or further the needs of DH. The written justification for sole source procurement is subject to the approval of the Purchasing Department.
4. Inappropriate sole source justification: Sole source procurement is not appropriate when it is used only to ensure the selection of a preferred vendor. To do so suggests favoritism, partiality, and other bias. Sole sourcing shall also not be used to avoid the use of other procurement methods, including Request for Proposals (RFP) and Request for Qualifications (RFQ). Guidance for sole source justification: Assistance in preparing a sole source justification request shall be obtained from the Purchasing Department.
5. Benefits of Sole Sourcing:
 - a. Improved or known quality of product – ability to perform is known or can be demonstrated;
 - b. Improved delivery of products and services – increased speed of delivery;
 - c. Reduced decision cycle – decision time is reduced;
 - d. Lowered administrative costs - procurement process reduced to a minimum;
 - e. Improved standardization – vendor’s ability to perform may reduce the potential for change orders and cost overruns; reduces training and education time; increases serviceability of equipment and reduces maintenance costs.
6. Use of Sole Source as a contracting method: Sole source purchase should meet one or more of the following criteria:
 - a. Unicity - the product or service is only available from one source due to its highly technical or specialized nature; or
 - b. Compatibility - the product or service must be compatible with an existing product or service; or
 - c. Continuity - a contractor or vendor is already on site performing work or services and it is not cost effective or efficient to engage another contractor or vendor; or the potential disruption caused by a new contractor or vendor is not acceptable; or
 - d. Emergency - delays resulting from other methods of procurement are not bearable due to operational needs or financial considerations; or
 - e. Inadequacy - all other sources are determined to be inadequate due to compliance, price, quality, specifications, service or support.
 - f. Standardization - products or services are already in use and are determined to be effective; cost to replace standardized item or service is unacceptable.
7. Sole source justification will be thoroughly documented:
 - a. Justification for sole source procurement shall be documented by the requestor on the contract request Form 1197. The requestor shall include the price analysis and other documentation necessary to support the sole source justification.
 - b. The justification for the sole source procurement of a product or service in an amount greater than \$1,000,000.00 must be presented to the Denver Health Board of Directors for approval.

The burden of proof to justify sole source procurement falls to the requestor and the responsible Executive Staff member.

G. Returned Goods:

1. No products can be returned if the original product cost is less than \$30.00.
2. To return a product, call Purchasing and ask for a Return Goods Authorization (RGA) number.
3. Write the number on the side of the box. Make sure not to damage the product or make the packaging unusable. Avoid damaging the original box, write the number on a separate piece of paper and affix it to the box.
4. Place the box to be returned in a common area for distribution personnel pick up and return to the Purchasing Department.
5. The buyer will contact the vendor and make arrangements for the vendor to pick up the product and issue a credit. Credit will be given to the returning department when the vendor submits a credit memo to Accounts Payable.

EXTERNAL REFERENCES

- A. Colorado Open Records Act (CORA)

RELATED DH POLICIES AND GUIDELINES

- A. Contract Policy
B. Departmental Special Revenue Fund (SRF) Accounts

Attachments:

 [PR-5.020.png](#)

	Committee	Approver	Date
		Colette Morris: Program Manager of Document Management	11/2015