

HARRIS COUNTY HOSPITAL DISTRICT PURCHASING MANUAL

Revised: May 2011

Forward

On January 12, 1993, Harris County Commissioners Court ordered that the purchasing and materials management functions of the Harris County Hospital District (“Hospital District”) be placed under the control of the Harris County Purchasing Agent (“Purchasing Agent”). Since then, the Purchasing Agent has assumed responsibility for the purchasing function and makes all purchases for the Hospital District.

This document is prepared in accordance with Texas Local Government Code, Section 262.011(o) which requires the Purchasing Agent to develop the rules and procedures to implement the Purchasing Agent’s duties, subject to approval by the Hospital District Board of Managers (“Board of Managers”) and Harris County Commissioners Court (“Commissioners Court”).

This manual is meant to be a general guide to Hospital District using departments, documenting proper purchasing procedures. It cannot be all inclusive, but efforts have been made to address common requirements and general operating procedures. The Purchasing Office does maintain a more detailed set of procedures, designed for internal use. Users are encouraged to contact the Purchasing Office with questions concerning the procurement process. Through the Purchasing Office, using departments are able to obtain needed goods and services in a timely, cost effective, and a legal manner.

This Purchasing Manual is current as of the date of publication. As circumstances dictate, this document will be updated. This document dated May 2011 supersedes all previous documents.

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GLOSSARY OF TERMS

**Advertised Competitive
Process**

The process in which Purchasing, working with the using department, procures goods and/or services through the development of specifications, solicitation of bids or proposals by advertising within the legal time frame, evaluation of responses and making awards or recommending awards to the Board of Managers. This process is utilized when the anticipated expenditure is over the competitive bid limit, currently \$50,000.

Agreement

See Contract.

Bidder (non resident)

A person or entity whose principal place of business is not in the State of Texas.

Bidder (Texas resident)

A person or entity whose principal place of business is in the State of Texas, including a contractor whose ultimate parent company or majority owner has its principal place of business in the State of Texas.

Blanket Purchase Order

A purchase order issued without unit pricing, but limited to a specified sum. These purchase orders are issued primarily for unspecified items or for items to be purchased before an advertised job is awarded.

Calamity

The purchase of an item required to relieve the necessity of the citizens or to preserve the property of the Hospital District.

Capital Equipment

Items of equipment valued at more than \$5,000 and groups or sets of equipment items whose aggregate cost is more than \$5,000, all of which may reasonably be expected to have a useful life of one year or more, including upgrades and enhancements of these items. Capital Equipment may be further defined in the Hospital District policy for capital assets.

Change in Contract

The modification of an existing contract which was awarded by the Board of Managers or the Purchasing Agent.

**Change Order to
Purchase Order**

Any change to quantity, pricing, additions or deletions on an existing purchase order resulting in a “change order” status to be generated and printed on that purchase order by the current materials management/purchasing system.

Construction Projects

Projects normally involving the extensive use of plans, prints and/or professional construction services. The supervision of a construction project generally requires the services of an engineer. The Facilities Planning and Development Department (“FPDD”) initiates the competitive bid/proposal documents and evaluates the responses. The Purchasing Office advertises and receives the bids. FPDD will recommend the award to the Board of Managers.

Contract

A written agreement between the Hospital District and another party, stating the terms, conditions, pricing, duties and responsibilities of each party.

**Facilities Planning and
Development Dept.**

Facilities Planning and Development Department (“FPDD”) is generally responsible for construction or major renovation projects. These projects normally involve the development of detailed plans and specifications to be utilized in the competitive bid process.

Governing Authority

Designation of the governing body which has the contracting authority for that agency, i.e. Hospital District Board of Managers, Community Health Choice, Inc. Board of Directors, Harris County Commissioners Court.

**Group Purchasing
Organization (“GPO”)**

A group purchasing organization (“GPO”) is an organization whose members (hospitals, clinicians, physicians, technicians, etc.) have joined together to realize savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, suppliers and distributors. A GPO provides its members access to programs, products and services at the lowest cost through national and locally negotiated contracts.

High Technology Item

Equipment, goods or services of a highly technical nature, including hardware and software; telecommunications, radio and microwave systems; electronic distributed control systems (including building energy management systems); biomedical electronic systems and devices; and technical services related to these items.

Insurance	Includes but is not necessarily limited to, the following policies: property, fire and other insurance against property loss; general liability, officers' liability, "acts and omissions" coverage, bonding and other insurance against loss from acts, omissions, negligence or malfeasance of employees; life insurance and health insurance, including health maintenance organization (HMO) and individual provider agreements (IPA) as part of employee medical benefit plans, stop-loss coverage on Hospital District self-insured employee medical benefit plans, and administrative services organizations (ASO) when associated with such plans.
Item	Equipment, goods, services or other tangible or intangible personal property, including insurance and high technology.
Personal Services	Services which are performed by a designated individual, not a company, corporation, etc. Purchases over \$50,000 but not exceeding \$100,000 are exempted from the competitive bid process by the Purchasing Agent. Purchases over \$100,000 are exempted from the competitive bid process by the Board of Managers at the request of the Purchasing Agent.
Professional Services	Services which require a professional expertise, i.e. Medical Doctor, Nurse, Certified Public Accountant, Professional Engineer, etc. Purchases over \$50,000 but not exceeding \$100,000 are exempted from the competitive bid process by the Purchasing Agent. Purchases over \$100,000 are exempted from the competitive bid process by the Board of Managers at the request of the Purchasing Agent.
Project	A task, plan or assignment requiring the expenditure of public funds during a specific time frame and generally for a specific location and using department. Expenditures may not be separated into components, or differing timeframes, to avoid the competitive bid process.
Purchase	Any acquisition or lease of an item. All purchases must be made by the Purchasing Agent or on a competitive bid basis as provided in this manual.
Purchase Order	A document with pricing and other information issued by the Purchasing Office detailing the official commitment for purchase on behalf of the Hospital District. The purchase order is generally preceded by a requisition from a using department. In the case of a term contract, a single purchase order may cover purchases by the using department for a pre-determined period.

Requisition	A document, electronic or otherwise, initiated by a Hospital District using department to request procurement of supplies, services, or equipment by the Purchasing Office. A requisition must describe the procurement requirements as completely as possible. A requisition is not a purchase order.
Sole Source Item	A unique item that may be purchased from only one source and which fulfills a need that can be met only by that item and no other. Purchases of sole source items in excess of the competitive bid limit must have a written statement from the Purchasing Agent confirming the sole source and declaring an exemption to the competitive bid process.
Standardized Item	An item that has been evaluated by an authorized Hospital District standardizing body, approved and adopted as the standard item of its type. A "standardized item" is the only one of its type approved for general use under special circumstances. An item or group of items can be standardized by the Hospital District after it has been competitively bid, evaluated through the Group Purchasing Organization ("GPO") contract, or purchased following informal purchasing guidelines.
Term Contract	An agreement for a specified product or service at a specified price for a definitive time frame.
Unadvertised Competitive Process	The process used by the Purchasing Office when advertised competitive bids are not required by law. Generally, this process is used for purchases utilizing state contracts, cooperatives, or for purchases under the competitive bid limit.
Using Department	Generally, a Hospital District department or wholly owned subsidiary requiring the services of the Purchasing Office.

1. GENERAL INFORMATION

1.1 Mission Statement

The mission of the Purchasing Agent is to acquire the various items required by Hospital District departments and supported agencies in a timely and economical manner consistent with the Hospital District Purchasing Manual, relevant law and best business practices.

1.2 The Purchasing Agent

The Purchasing Agent is appointed by a Board comprised of three State District Judges and two members of Commissioners Court in accordance with LGC§262.011(a).

The primary function of the Purchasing Office is to secure goods and services of appropriate quality standards at the lowest cost, considering the prevailing economic conditions and using department requirements. The Purchasing Agent establishes the rules and procedures, subject to Commissioners Court and Board of Managers approval, to provide procurement methods that ensure openness, fairness, and integrity. The Purchasing Office provides a “checks and balances” system for expenditure of public funds and strives to maintain consistent open communication with the vendor community and the various supported Hospital District and County departments and agencies. Every effort is made to operate in an efficient and economical manner consistent with existing laws and sound business practices.

The Purchasing Agent provides a customer service function for the Board of Managers and is responsible for ensuring that all Hospital District departments have the goods and services needed to perform the essential functions of their missions. Additionally, the Purchasing Agent provides an expenditure control function, responsible for supervising the Board of Managers’ contracting authority and ensuring compliance with the Hospital District Purchasing Manual. Purchases made for the Hospital District use are exempt from the Texas sales tax (Texas Tax Code §151.309, as amended). Tax exempt certificates are provided upon request.

The Hospital District is a provider of health care services under the federal and state Medicare and Medicaid programs. To provide these services and to comply with the governmental regulations promulgated by these agencies, the Hospital District will require the seller to comply with both the above regulations in effect or proposed as of the date of the order or contract, and with any amendments thereto that may be enacted during the effective period of the contract.

1.3 The Responsibilities of the Purchasing Office

The Purchasing Agent shall direct the procurement activities of the Hospital District as required by the Hospital District Purchasing Manual. Accordingly, it is the duty of the

Purchasing Agent to purchase all supplies, materials, equipment, services and maintenance and to contract for all repairs to property used by the Hospital District. Further, the Purchasing Agent shall supervise all purchases made by the competitive bid or proposal processes.

The functions of the Purchasing Agent fall into several broad categories, including but not limited to:

- a. unadvertised purchases (informal):**
purchases of items valued at or below the competitive bid limit, purchases made through a federal or state agency (see Section 2 for detailed information), or purchases of items not requiring the advertised bid process;
- b. advertised purchases (formal):**
purchases of items valued above the competitive bid limit which must be advertised and comply with all applicable competitive bid requirements (see Section 3 for detailed information);
- c. contract administration:**
the overall coordination of actions pertaining to a purchase commitment.

The Purchasing Office currently provides procurement services to the following governmental agencies/entities:

- Harris County Hospital District
- Community Health Choice, Inc.
- Harris County Departments (elected and appointed)
- Harris County Flood Control District
- Harris County Toll Road Authority
- Community Supervision and Corrections Department
- Juvenile Probation

1.4 Code of Ethics

Purchasing employees must adhere to the highest ideals of honor and integrity with regard to all business and personal relationships in order that they may inspire the confidence of those served. Questionable practices, such as “bid shopping” or the extended free use of products under the guise of “demos,” should be avoided.

Credibility and public confidence are vital throughout the purchasing and contracting process. Purchasing employees must realize the importance and dignity of the service rendered by government and be aware of their own responsibilities as public servants. Every person employed by a public purchasing agency should abide by a code of ethics. In accordance with State law and County purchasing requirements, County purchasing personnel or other County or Hospital District employees involved in the purchasing process shall adhere to the following ethical standards. These employees may not:

- participate in work on a contract by taking action as an employee through decision, approval, disapproval, recommendation, giving advice, investigation or similar action knowing that the employee, or member of their immediate family, has an actual or potential financial interest in the contract, including prospective employment;
- solicit or accept money, credit, gifts, excessive entertainment, or other special considerations from an individual or business organization doing business with the County or Hospital District;
- accept employment from a vendor or potential vendor while working for the County or Hospital District; or
- knowingly disclose confidential information for personal gain.

Any employee, contract employee or appointed committee member who participates in the recommendation, requisitioning, bid solicitation, evaluation, or otherwise takes part in the purchasing decision-making process and who has a whole or partial ownership in, or derives some income or personal benefit from the recommended or selected vendor must disclose the relationship as a potential conflict of interest. For the purposes of this section, acts of reciprocity or exchange of favors from which an employee derives some income or personal benefit shall be considered conflicts of interest.

In the event an outside consultant or contractor submits a bid or proposal on a project of which the consultant or contractor was a contributor, then the bids or proposals from that consultant or contractor shall be disqualified on the basis of conflict of interest.

1.5 Outreach Program

Harris County and the Hospital District support the principles of equal opportunity. The County encourages the participation of all vendors in the procurement process of supplies, materials, equipment, and services. The Purchasing Agent maintains an “outreach” program designed to encourage participation in County and Hospital District business. To introduce vendors to the County and the Hospital District, the Purchasing Agent conducts seminars to aid smaller and developing businesses in doing business with Harris County and the Hospital District. Additionally, the Purchasing Office participates in several local conferences designed to promote opportunities for small businesses. Purchasing employees are encouraged to contact potential new vendors weekly so that the benefit of governmental purchasing is made available to as many suppliers as possible.

1.6 Public Information Request

Requests for information pertaining to records under the control of the Purchasing Agent must be in writing, and directed to the Purchasing Agent. The Purchasing Agent will adhere to current law in the handling of Public Information Requests. While the law does not require it, it is helpful to note “Public Information Request” on the outside of the envelope containing a Public Information Request.

2. UNADVERTISED PURCHASES

(Since August 11, 2009, the competitive bid limit has been \$50,000.)

Only the Purchasing Agent may commit the Hospital District for a purchase of an item that has not been formally competitively bid. The Hospital District Purchasing Manual prohibits all separate, sequential or component purchases made with the intent of avoiding the competitive bid requirements. Except for the alternatives listed herein, the Purchasing Agent will not issue purchase orders and the Hospital District will not pay for purchases made outside the directives of this manual.

Unadvertised purchases, those equal to or below the competitive bid limit, do not require an advertised solicitation to be placed in a local newspaper of general circulation prior to procurement. However, the Purchasing Agent reserves the right to advertise for bids or proposals for purchases of any amount. The Purchasing Office receives requisitions for purchases equal to or below the competitive bid limit and assigns them to the appropriate buyers. The using department may include quotes to assist the buyer in pricing determination pertaining to a requested item. The buyer will allow for as much competition as practical, consistent with using department requirements, value of requirements, and purchasing directives. Typically, the buyer will solicit quotes, pricing and delivery terms by telephone, fax, personal contact, email, etc. The buyer will issue a purchase order to a vendor based on a combination of criteria, including quality, pricing, delivery, etc.

2.1 Outside Procurement Sources

The Purchasing Agent is the authorized representative of the Hospital District to make purchases from state and federal agencies or cooperative purchasing organizations and has the discretion to use these agencies or organizations if deemed appropriate to ensure the best value for the Hospital District. The Purchasing Agent is required to effect as much competition as practical under the circumstances when using an outside procurement method.

The Purchasing Agent is authorized to pursue agreements with Group Purchasing Organizations (“GPO’s”), if advantageous to the Hospital District, provided that the Hospital District is satisfied with the procurement and contract process of the GPO. Membership agreements with GPO’s will be subject to approval by the Hospital District Board of Managers.

2.2 Exemptions

The Purchasing Agent or the Board of Managers, at the Purchasing Agent’s request, may exempt certain items from the competitive bid requirements. Among the most common exemptions granted are:

a. Personal and Professional Services

Typically these services require agreements prepared by the County Attorney's Office at the request of the Purchasing Office. Contracts for professional services may be established for a period not to exceed three years with a renewal option for the same period, or as otherwise established by the Board of Managers subject to annual funding. Employment contracts entered into with doctors, technicians, nurses and other employees exceeding four (4) years is prohibited under Section 281.028 of the Texas Health and Safety Code.

b. Sole Source

The Purchasing Agent makes the "sole source" determination. It is the responsibility of the individual requesting "sole source" determination to demonstrate, using the Request for Exemption to Bid form, that the item meets the definition of "sole source," and a need exists that can be met only by the item in question and no other. For example such items might include:

- (1) items for which competition is precluded because of the existence of patents, copyrights, secret processes, or monopolies;
- (2) films, manuscripts, or books;
- (3) electric power, gas, water, and other utility services; and
- (4) captive replacement parts or components for equipment.

The Purchasing Agent or the Board of Managers, at the request of the Purchasing Agent, may grant a sole source exemption, usually valid for one year or for the term of the contract.

c. Calamity

An item that must be purchased to relieve the necessity of the citizens or to preserve the property of the Hospital District.

d. Health & Safety

The purchase of an item necessary to preserve or protect the public health or safety of the residents of the County.

e. Food

When the exemption for an item of food is granted by the Purchasing Agent or the Board of Managers at the request of the Purchasing Agent, the Purchasing Agent will attempt to solicit at least three informal bids. A record of these bids will be maintained for at least one year.

f. Unforeseen Damage

An item necessary because of unforeseen damage to public property.

3. ADVERTISED PURCHASES

(Since August 11, 2009, the competitive bid limit has been \$50,000.)

Purchases with an estimated cost greater than the competitive bid limit must be advertised at least once a week in a local newspaper of general circulation in the county, with the first publication occurring before the 14th day before the date of bid opening. Specifications for bids and requests for proposals are also posted on the Purchasing Office web site and vendors may download the specifications after registration. The Purchasing Agent is responsible for supervising the competitive bid process and making awards less than or equal to \$100,000 or rejecting bids or proposals. The Purchasing Agent is also responsible for presenting award recommendations to the Board of Managers for purchases greater than \$100,000.

The Hospital District reserves the right to waive certain irregularities or informalities in the bid process and in specific bids. If an irregularity or procedural error is discovered in the bid process or in a specific bid, the Purchasing Agent shall determine whether the irregularity is material to the bid evaluation process or to the final award.

In cases where two or more responsible bidders submit the lowest and best bid, the Board of Managers shall decide by drawing lots in a manner specified by the Chairman of the Board of Managers.

The Board of Managers has adopted a policy which requires vendor's taxes be current as of the date bids/proposals are due. Bidders with delinquent taxes on the due date will not be eligible for award. Whether or not a vendor's taxes are delinquent will be determined by an independent review of the Tax Office records. Vendors who believe a delinquency is reflected in error must contact the Tax Office to correct any errors or discrepancies prior to submitting their bid, in order to ensure that their bid will be considered. Tax records are available online at the Tax Office website—www.hctax.net. Prior to submitting a bid, vendors are encouraged to visit the Tax Office website, set up a portfolio of their accounts and make their own initial determination of the status of their tax accounts. Furthermore, if during the performance of a contract a vendor's taxes become delinquent, the Hospital District will provide notice to the Hospital District Corporate Compliance Department and the contract may be terminated.

3.1 Specifications

Specifications for solicitation of bids are detailed, relatively precise, written descriptions of the goods and/or services to be purchased. Specifications for requests for proposals (RFP's) generally describe the requirements of the Hospital District and request that the vendor propose solutions/products to meet those requirements. Both types of specifications should describe the requirements as thoroughly as possible. Ambiguous specifications can cause confusion, and may result in canceling and restarting the process.

It is the responsibility of the Purchasing Agent, or FPDD (when it is a construction project), to ensure that the specifications are prepared in a manner consistent with the requirements and the “spirit of competitive bidding” (i.e., non-restrictive). A consultant or vendor who contributes to the drafting of specifications may not respond to the competitive bid process on that particular project. Equipment trade-in provisions may be allowed if disclosed in the specifications and authorized through the Hospital District’s Asset Management Department in order to make necessary adjustments to the using department’s inventory.

Specifications must describe functional needs, and may not include requirements that restrict competition. Brand names may be used to indicate a level of quality. Specifications “may not restrict material specifications to suit the products of only one vendor if other vendors have similar products of equal quality.” This does not apply to products that have been approved through the Hospital District standardization process. However, all standardized items are subject to the competitive bidding requirements.

3.2 Competitive Bid Procedures

In order to be considered by the Purchasing Office, sealed bids must be received by the date and time specified. *Late bids/proposals will not be considered under any circumstances.* All bids will be presented to Commissioners Court and referred to the Purchasing Agent for further evaluation. The Purchasing Office or FPDD, as applicable, will make awards for purchases less than or equal to \$100,000. In cases where a low bid meeting specifications is bypassed, justification must be submitted and approval must be granted by the Board of Managers. For purchases greater than \$100,000, the Purchasing Agent or FPDD will make award recommendations to the Board of Managers. Any vendor objecting to an award recommendation should first contact the Purchasing Office and, if necessary, appear at the Board of Managers meeting on the scheduled award day.

a. Award Criteria

All bids will be reviewed for compliance with Hospital District specifications and the award made on the basis of the lowest and best bid that meets the needs of the Hospital District. A vendor who, in the judgment of the Hospital District, has not demonstrated the ability to perform per the terms and conditions of the bid specifications and requirements will not be considered. The Board of Managers and Purchasing Agent may also base an award on compliance with a requirement for attendance at a mandatory pre-bid conference.

b. Award to Other than Lowest Bidder

Contracts covered by this policy shall be awarded to the lowest responsible bidder. A contract may be awarded to a bidder who does not submit the lowest priced bid meeting specifications only if, prior to the award, each lower bidder is given notice of the proposed award and is given an opportunity to appear before the Board of Managers and present evidence concerning the bidder's responsibility.

c. "Best Bid"

A designation of "best bid" shall be made on the basis of the most favorable total cost to the Hospital District, taking into consideration compliance with

specifications, costs of acquisition, handling, freight, storage, maintenance, down-time, conversion, retraining, recalibration, salvage or core value, cash terms, etc. Further, and if applicable, commonality of type, color and style, the location of related inventories, a vendor's past performance, safety record, anticipated delivery and/or response times shall be considered in determining the best bid.

d. Award to Secondary Vendor(s) for the Same Item

After the primary award and in the interest of providing assurance of the timely delivery of supplies and services, the Purchasing Office is authorized to enter into appropriate agreements with “secondary” vendors—those who are "lowest and best" among the responsible vendors and who did not receive the primary award—to provide the same products and services as the primary vendor. The specifications must state that award may be made to primary and secondary vendors.

e. Award to Multiple Vendors for the Same Item

The Purchasing Office may award to multiple vendors for the same item if provided for in the specifications.

f. Modification

After award of a contract but before the contract is made, the Purchasing Office may negotiate a modification of the contract if the modification is in the best interest of the Hospital District and does not substantially change the scope of the contract or cause the contract amount to exceed the next lowest bid.

g. Bids by non-residents

With the exception of contracts involving the expenditure of federal funds, the Hospital District may not award a contract for construction, improvements, services, or public works projects or for the purchase of supplies, materials, or equipment to a non-resident bidder unless the non-resident's bid is lower than the lowest bid submitted by a responsible Texas bidder by the same amount that a Texas resident bidder would be required to underbid a non-resident bidder to obtain a comparable contract in the state in which the non-resident bidder's principal place of business is located.

Solicitations not receiving any bids will be canceled or carried over to the next bid opening date. The Purchasing Agent is authorized to extend the due date of an advertised project where circumstances require such an extension and when the extension will be in the best interest of the Hospital District.

3.3 Request for Proposal (RFP) Procedures

The RFP or alternative multi-step competitive proposal procedure may be used instead of the competitive bid procedures. These procedures may be undertaken only under the supervision of the Purchasing Agent. RFP documents must contain evaluation criteria and address the relative importance of various factors with regard to the overall evaluation. Under both

procedures, if provided for in the specifications, responses will be opened in private and confidentiality will be maintained prior to award. Information that proposers have identified as confidential shall not be released to any person not involved in the procurement decision-making process until after award of a contract and execution of an agreement. Information contained in proposals will be released as allowed by law. Breach of the confidentiality could result in cancellation of the job and possible civil and/or criminal penalties.

The Purchasing Office coordinates the appointment of a committee responsible for evaluation and negotiation of RFP responses. Membership on an evaluation committee shall include at least one person from the Purchasing Office, one person from the using department(s), and one person from a technical committee, if applicable; others may be appointed as appropriate. The purpose of the evaluation committee is to carefully examine the proposals and, if required, to:

- a. request presentations from those offerors reasonably susceptible of being selected for award;
- b. enter into discussions and/or negotiations with these offerors;
- c. evaluate proposals for consistency with the criteria stated in the RFP documents; and
- d. develop an award recommendation for consideration by the Purchasing Agent. If in agreement with the recommendation, the Purchasing Agent awards the contract if the purchase is less than or equal to \$100,000. For purchases greater than \$100,000, the Purchasing Agent presents the award recommendation to the Board of Managers for approval. The County Attorney's Office will review/prepare an agreement associated with the award.

3.4 Construction Projects

Construction projects normally involve the extensive use of plans, prints and/or professional construction services. The supervision of a construction project generally requires the services of an engineer. FPDD initiates the competitive bid/proposal documents and evaluates the responses. The Purchasing Office advertises and receives the bids. FPDD will make the award recommendation to the Board of Managers.

3.5 Bid or Performance Bond; Payment Under Contract

- a. If the contract is for the construction of public works or is under a contract exceeding \$100,000, the bid specifications or request for proposals may require the bidder to furnish a good and sufficient bid bond or cashier's check in the amount of five percent of the total contract price. If the bidder furnishes a bid bond, it must be executed with a surety company authorized to do business in the State of Texas.

- b. Within 10 days after the date of the signing of a contract or issuance of a purchase order following the acceptance of a bid or proposal and prior to commencement of the actual work, the bidder or proposal offeror shall furnish a performance bond to the Hospital District, if required by the Hospital District, for the full amount of the contract if that contract exceeds \$50,000.
- c. If the contract is for \$50,000 or less, the Hospital District may provide in the bid notice or request for proposals that no money will be paid to the contractor until completion and acceptance of the work or the fulfillment of the purchase obligation to the Hospital District.
- d. A bidder or proposal offeror whose rates are subject to regulation by a state agency may not be required to furnish a performance bond or a bid bond under the above requirements.

All bid bonds and performance bonds shall be verified and approved by the Purchasing Agent. The Purchasing Agent may also require performance bonds for non-construction projects.

4. PURCHASING REQUIREMENTS AND THE PURCHASE ORDER PROCESS

4.1 Purchase Orders

The purchase order is the required documentation to show that the necessary procedures have been fulfilled prior to expenditure of Hospital District funds for goods or services. Hospital District policy requires the issuance of an approved purchase order to any vendor doing business with the Hospital District prior to the delivery of goods or services (including personal/professional services). The purpose of this requirement is to assure compliance with the Hospital District policy that the Purchasing Agent has reviewed each transaction, and that appropriate contracts have been reviewed by the County Attorney's Office. Invoices presented to the Hospital District Accounting Office for goods received or services rendered must reference a valid purchase order number in order to ensure prompt payment. Exceptions to this requirement are listed in Section 5.0, Requests for Vouchers and Petty Cash.

4.2 Requisitioning

The using department initiates a request for a purchase order through an electronic requisition. The appropriate authority within the using department must approve the requisition for an item before it can be processed by the Purchasing Office. The requisition should convey enough information to allow the Purchasing Office to properly complete, in the name of the Hospital District, the purchase of the required goods and/or services for the using department. Once the requisition has been transmitted to the Purchasing Office, any additional applicable paperwork, such as quotes, samples, etc., should be forwarded to the Purchasing Office or attached to the electronic requisition. The Purchasing Office will establish and maintain vendor data, as applicable.

When a requisition is received by the Purchasing Office it is assigned to the appropriate buyer. The buyer will contact vendors, secure as much competitive pricing as time allows, determine delivery and payment terms, and issue a purchase order. If a requested item is contrary to current Hospital District policy, the Purchasing Office or the using department must request Board of Managers approval prior to procurement.

The following requisition priorities will be used so that effective purchasing action may be taken:

a. Routine

A routine purchase order involves predictable replenishment of supplies, requirements for service and/or acquisition of equipment. A purchase order will normally be issued within three working days of receipt of an approved requisition by the Purchasing Office.

b. Rush

A "rush" purchase involves non-predictable requirements which might cause work stoppage if the procurement process is delayed beyond one day. After notification from the using department of the "Rush," a purchase order will be issued within one working day of receipt of the approved requisition by the Purchasing Office.

c. Emergency (Stat)

An "emergency" purchase involves life, death or disability, equipment damage and/or immediate work stoppage. Generally, a purchase order will be issued as soon as the Purchasing Office is notified and receives the emergency requisition. In a case where a requisition is not available, a purchase order may be input directly into the procurement system by an authorized senior buyer.

4.3 Emergency Expenditures

Emergency situations requiring a purchase order are handled on a case-by-case basis. A representative in the Purchasing Office should be contacted as soon as possible when an emergency occurs. Expenditures in excess of the current bid limit will require the Board of Managers to ratify the purchase.

a. Emergency (Stat)

An "emergency" purchase involves life, death or disability, equipment damage and/or immediate work stoppage. Generally, a purchase order will be issued as soon as notification and justification are received by the Purchasing Office.

Emergency (STAT) priority is not to be used as a substitute for effective planning by using departments. The Purchasing Office must be notified the next business day by the requesting department regarding emergency purchases initiated during night, weekend or holiday periods.

b. Night, Weekend or Holiday Emergencies

Occasionally, after-hours supply needs will arise and the Purchasing Office will not be on duty. Using departments requiring emergency supplies, equipment or services at night or on weekends should first ensure that the emergency need cannot be met from within the facility. If the need cannot be met within the facility, the department director or authorized personnel on duty must follow the procedures outlined below:

- (1) Contact administrator on call.
- (2) Contact the vendor directly. Explain that this is an emergency need and not a routine purchase or rental.
- (3) Tell the vendor what is needed and secure emergency delivery of the product or service to the approved after-hours delivery site.

- (4) When satisfied with the product or service provided, sign the delivery slip or other document confirming the delivery. Leave the document with the person on duty at the after-hours delivery site.
- (5) No later than 8:00 a.m. the next normal workday, complete a requisition and notify the Purchasing Office by telephone that an emergency acquisition was necessary, identify the requisition number, the vendor and the item(s) or service(s) provided. The following information must be included on the requisition:
 - i. the name of the person who requested the emergency purchase or rental,
 - ii. the name of the person who authorized the emergency purchase or rental,
 - iii. the name of the vendor and the vendor representative taking the order,
 - iv. the delivery slip, packing list, or invoice number, and
 - v. a brief statement justifying the use of this emergency procedure, explaining why routine purchasing procedures would not have sufficed.

4.4 Change Order to Purchase Order

A requisition or other documentation requesting revision of a purchase order is processed through the Purchasing Office at the request of the using department. The appropriate buyer will review the requisition and the original purchase order, and process a change order within the Purchasing Office guidelines.

4.5 Purchases Involving the Use of Grant Funds

Before the Purchasing Office will issue a purchase order involving the use of grant funds, Purchasing will require appropriate documentation of any special procurement requirements. This documentation is normally contained in the master grant contract. The Purchasing Office should be notified as soon as possible concerning a request using grant funds. If no special procurement requirements are stated in the grant, purchases are subject to the competitive bid process.

4.6 Leases

Generally, non real estate leases are subject to the competitive bid/proposal process. Requisitions for leases of items other than real property shall be routed through a designated officer of General Accounting, where a "lease-purchase" analysis will be conducted and a recommendation made for either lease or purchase of the item(s) in question. The Purchasing Office is not authorized to enter into any lease agreement against the recommendation of General Accounting unless the Hospital District Controller, specifically and in writing, waives the recommendation and approves the lease. Regardless of vendor terminology, all computer software license fees and similar fees for the use of intangible items shall be considered leases but shall not be subject to "lease-purchase" analysis.

The Hospital District Facilities Planning and Development Department shall be responsible for leases for real property, which shall include drafting of lease specifications, meeting notice requirement, receiving of lease proposals and negotiating all lease terms, except for legal requirements. All leases of real property shall be substantiated with a lease appraisal performed by a licensed real estate appraiser, and shall be approved by the Hospital District Board of Managers and Harris County Commissioners Court.

4.7 Consignments

Consignments must be approved by the Purchasing Agent and are subject to the competitive bid/proposal process.

4.8 Documentation and Record Retention

All purchasing transactions shall be thoroughly documented, providing a ready “audit trail”. The Purchasing Office shall use its discretion in determining the location of official purchasing records, and shall maintain records according to the requirements of the Texas Records Retention law, Texas Government Code §441.151 *et seq.*, as amended.

5. REQUESTS FOR VOUCHERS AND PETTY CASH

There are specific situations in which the use of a purchase order is not required.

5.1 Requests for Vouchers

The Hospital District Accounting Office may disburse Hospital District funds with the required documentation, but without a purchase order, for the following items:

- a. Utility invoices must be expediently paid in order to avoid a disruption in services. Therefore, utility bills are processed using the utility company's billing statement. Reports are available to the using department to review the amount of funds expended and services provided.
- b. An Accounts Payable Voucher Request (form 281099) with supporting documentation is acceptable in order to pay the following types of claims:
 - Seminar fees
 - Professional membership fees and dues
 - Publications and subscriptions
 - Postage
 - Tort claims, court settlements
 - Employee reimbursements (as authorized by Hospital District policy)
 - Tuition reimbursement
 - Booth rentals (for trade shows and related events)
 - Courier and shipping charges
 - Land and right-of-way purchases with Commissioners Court and Board of Managers approval
 - Transfer of forfeited assets
 - Travel expenses including personal automobile
 - Purchases under \$100 for incidental nonrecurring items such as supplies, services, equipment or pharmaceuticals
 - Others as approved by the Purchasing Agent

5.2 Petty Cash

The Hospital District may authorize the use of petty cash for minor supply purchases not to exceed \$50 and will develop and maintain appropriate control and documentation procedures for the management of petty cash transactions, as provided under the appropriate Hospital District policy. Petty cash may not be utilized for the purchase of either equipment items or pharmaceuticals.

6. COMPUTER HARDWARE AND SOFTWARE PURCHASES

6.1 General Requirements

Hospital District policy requires that computer hardware and software purchases be reviewed and approved through the Information Technology Department in order to ensure compatibility of computer equipment throughout the Hospital District, and to facilitate technical support to all using departments. All IT related purchases are coded to the appropriate category on the purchase requisition and routed through the IT department for approval.

6.2 Computer Hardware/Software Demonstration

From time to time, the Hospital District may arrange for the demonstration of computer hardware and/or software items in order to determine the usefulness of the product to the Hospital District. If it is determined that the computer hardware or software item would be of benefit to the Hospital District, then the competitive bid process must be used for evaluation and ultimate acquisition of the item.

7. CONTRACT MANAGEMENT

Generally, the Purchasing Office may enter into contractual agreements with vendors and other agencies as requested by the using department, subject to the provisions of approved Hospital District purchasing policies, for an amount not to exceed \$100,000 annually. All contracts for periods in excess of one year are subject to annual funding.

7.1 Contract Award

In the case of a bid, the award of a contract shall be made to the responsible bidder who submits the lowest and best bid that meets the needs of the Hospital District. In the case of a proposal, the award of a contract shall be made to the responsible offeror whose proposal is determined to be the lowest evaluated offer resulting from negotiations, taking into consideration the relative importance of price and other evaluation factors set forth in the request for proposals. The Purchasing Office has the authority to develop and submit recommendations to the Board of Managers in all cases in which action by that body is appropriate, and to award contracts in cases in which:

- a. the amount of the award does not exceed \$100,000 per year, and
- b. the vendor receiving the award is the lowest and best offeror, and
- c. that authority is not otherwise reserved to the Board of Managers or to Commissioners Court.

Purchases of more than \$50,000 but not exceeding \$100,000 will be reported to the Board of Managers by the Purchasing Agent as transmittals, for information purposes only.

The Board of Managers or the Purchasing Agent has the authority to reject any and all bids or proposals without cause.

Signature authority: The authority to execute contracts on behalf of the Hospital District is restricted to the following:

- Chair of the Board of Managers, with Board of Managers approval;
Hospital District President and CEO, with Board of Managers approval;
- The Purchasing Agent (contracts not exceeding \$100,000), and/or
- Other individuals as may be designated in writing by and within the written constraints established by the Board of Managers.

7.2 Term Contract

A term contract, normally resulting from an advertised solicitation, is an agreement whereby certain goods or services will be provided at agreed-upon prices, terms and conditions. Any Hospital District using department may utilize an established term contract with proper

authorization and funds availability. Supplies and services purchased under term contracts include medical and pharmaceutical, technology, industrial, and other commodities.

Upon receipt of a requisition, the Purchasing Office may issue a purchase order for the appropriate value against an existing term contract amount or, when appropriate, the using department may issue requisitions resulting in the issuance of purchase orders up to, but not exceeding, the amount of the term contract. The Purchasing Office will maintain contract files and arrange for the proper renewal of term contracts as required.

Currently, any contract or agreement approved by the Board of Managers through the Purchasing Office is scanned into a third-party database, which may be accessed via the Internet. The Purchasing Agent may give access to this database to any using department upon request.

7.3 Change in Contract

Any contractual change or negotiation for change must include the participation of the appropriate buyer from the Purchasing Office or a representative from FPDD, as applicable. If it becomes necessary to make changes to plans, specifications, terms, conditions, or pricing after a contract has been executed, or if it becomes necessary to increase or decrease the quantity of a fixed quantity/price contract, the Purchasing Office will prepare a change in contract. The Purchasing Agent is authorized to approve changes in contract not exceeding \$100,000. Changes above \$100,000 require the approval of the Board of Managers.

7.4 Contract Amendment

The Purchasing Office may amend/extend an existing contract as necessary by negotiation with the vendor, without rebidding and without prior approval of the Board of Managers, provided:

- a. the contract is amended/extended without significant change in pricing, terms or conditions, and
- b. in the case of a requirements contract (fixed unit price with estimated quantities), the total period of extension(s) does not exceed 90 days or other limit as provided by the Board of Managers, or
- c. in the case of a contract with a fixed price and a fixed quantity, the total expenditure during the extension period does not exceed 25 percent (25%) of the awarded contract amount, and
- d. the amendment/extension amount does not exceed \$100,000.

An amendment incorporating any changes other than those above must be approved by the Board of Managers.

7.5 Contract Renewal

The Purchasing Office may renew an existing contract without rebidding and without prior approval of the Board of Managers, provided:

- a. the contract is renewed without significant change in pricing, terms or conditions, and
- b. the renewal option was included in the original bid specifications and the Hospital District's right to exercise the renewal option is a part of the contract, and
- c. the amount of the renewal does not exceed \$100,000 per year.

7.6 Contract Termination

Though contract termination for cause or non-performance may not require all the steps below, generally the actions necessary to terminate the contract are:

- a. notification from the using department to the Purchasing Office describing in detail the need for termination
- b. confirmation and concurrence from the Purchasing Office
- c. termination request letter from the Purchasing Office to the Board of Managers if the contract amount is greater than \$100,000
- d. notice from the Purchasing Office to vendor in accordance with contract terms

7.7 Contract Compliance

Best practices contract management dictate that a vendor's performance be monitored throughout the term of a contract. Therefore, at a minimum, two months after award of the contract, the buyer should consult with the using department to verify contract performance. Three months after award, the buyer should discuss contract performance with the vendor.

However, at any time during the contract period, the using department is encouraged to discuss with appropriate Purchasing Office personnel any and all contract issues and actions. It is extremely important that the appropriate buyer be made aware of good, as well as problematic, vendor performances. All problems with vendors should be documented properly and forwarded to the buyer. Written comments will be maintained in the Purchasing Office network file and considered during any discussions of contract cancellation, as well as reviewed prior to future award and/or renewal recommendations. Buyers may periodically check invoices to determine compliance with contract specifications and pricing.

7.8 Notice Requirements

A copy of any notice sent between a using department and a vendor must be sent to the Purchasing Office. The notice provision of a contract must include notification to the Purchasing Agent. For example:

Any notice required or permitted to be given by one party to the other party under this agreement shall be mailed by certified or registered U.S. mail, postage prepaid return receipt requested, or delivered to the following applicable address:

Harris Hospital District Using Department
Address
Houston, Texas 770xx

Vendor's Name
Address
City, State, Zip

Attention: Appropriate Party

With a Copy to: Harris County Purchasing Agent
1001 Preston, Suite 670
Houston, Texas 77002-1890

Any notice given as provided above shall be deemed given upon deposit in the U.S. mail.

8. MISCELLANEOUS

8.1 Acceptance of Donations and Bequests

The Board of Managers may accept a gift, grant, donation, bequest, or devise of money or other property on behalf of the Hospital District for the purpose of performing a function conferred by law on the Hospital District or Hospital District officer.

8.2 Disposal of Hospital District Personal Property

The Purchasing Agent has been designated as the representative of Commissioners Court to dispose of Harris County salvage or surplus property (LGC §263.154). All personal property designated for disposal must have Board of Managers approval prior to removal from the inventory records and disposal.

Upon proper authorization from the Board of Managers, surplus and salvage items, other than waste paper, may be transferred to Harris County Purchasing Services (“Purchasing Services”) for sale. The appropriate Hospital District department may then remove an item from the Hospital District records.

Departments turning in CPUs for resale should insure that all sensitive data is removed from the hard drive(s) prior to forwarding the equipment to Purchasing Services.

With the approval of the Board of Managers, the Hospital District/Purchasing Services may dispose of surplus, salvage or waste items as follows:

- a. Disposal Contracts: The Hospital District is authorized to use several Harris County disposal contracts competitively bid and awarded by Commissioners Court. Currently, there are disposal contracts for the sale of scrap metal, surplus/salvage petroleum products, used vehicle components, and scrap tires.
- b. Recycling: Various products and materials such as paper, cardboard, plastics, etc. are collected from Harris County departments and other organizations, and are processed and sold by Purchasing Services. Hospital District using departments are encouraged to participate in the effort to conserve and recycle. Recycling bins are located throughout Hospital District buildings and are to be used for paper products only, not trash. At the Purchasing Services warehouse, 601 Lockwood, numerous items are sorted for resale, including paper products, plastics, metals and other items. In addition, departments are encouraged to use “green” products in day-to-day activities. Buyers can recommend recycled products for purchase when appropriate.

- c. Trade-in: A trade in may be in the best interest of the Hospital District if the trade-in price offered is greater than the anticipated amount that may be received by other means. Trade-ins are to be part of the specifications and coordinated through the Purchasing Office.
- d. Sealed Bids: This may be a viable means of property disposal.
- e. Auctions: Auctions may be a viable means of property disposal. Notices for sale of Harris County property are placed in a newspaper of general circulation and may be auctioned on Harris County's internet site.
- f. Waste: Waste items that are not recyclable or cannot be disposed of using methods a - e of this section may be disposed as trash.