

 HAWAII HEALTH SYSTEMS C O R P O R A T I O N <i>"Touching Lives Everyday"</i> Policies and Procedures	Department: Corporate Finance	Policy No.: PUR 0010
	Issued by: Kelley Roberson COO & CFO	Revision No.: 2
Subject: <i>Contract Approvals and Procurement Reporting to HHSC Board of Directors</i>	Approved by: HHSC Board of Directors	Effective Date: 04/17/2008
	By: Raymond Ono Its: Secretary/Treasurer	Supersedes Policy: November 16, 2006 Page: 1 of 3

- I. **PURPOSE:** The Hawaii Health Systems Corporation (HHSC) Board of Directors (Board) has ultimate authority and responsibility for the contracts entered into on behalf of HHSC. In order to stay informed of the contracts and procurement practices followed by the facilities and the corporate office, the Board shall require regular reports. Oversight of the purchasing practices requires regular reporting of information. In addition, the Board shall approve significant and high dollar contracts.
- II. **POLICY:** The HHSC Board establishes the criteria and conditions by which it chooses to be notified and/or renders approval for goods and services being procured. Regional System Boards shall be responsible for approval of contract actions under \$5 million within their respective regions and for initial approval of capital project budgets and expenditures, as further indicated below.
- III. **PROCEDURE:** The HHSC Chief Executive Officer (CEO), the Regional CEO, or their designees, will seek Board approval prior to finalizing contracts for the purchase of goods, services, or construction, as follows:

A. APPROVALS

1. Capital Projects – The HHSC Board of Directors shall approve capital budgets, which shall include at least the capital improvement projects budget (CIP Budget), consisting of capital projects funded by the State of Hawaii, and the self-funded capital equipment and renovations budget (Self-Funded Capital Budget). The budgets shall consist of the budgets approved by the Regional System Boards and any corporate office budget rolled together to create one HHSC capital budget. A motion shall be presented to the HHSC Board seeking authorization for management to contract for each CIP project and for each contract for a Self-Funded capital project that will exceed \$5,000,000 in not-to-exceed amount or estimated contract amount.
 - a. Capital projects that are included in an approved Self-Funded Capital budget may be contracted up to the approved amount without further board approval.
 - b. Where the contracts will exceed the total amount in the entire approved budget, either in the original contracts or due to supplemental contracts, board approval will be required, for contracts for any dollar amount.

- c. Capital expenditures not in the approved budget will be submitted to the HHSC Board on an individual basis for approval for increasing the capital budget and for approval of the individual capital project, only if action is over \$5,000,000.
 - d. C.I.P. funded capital projects also require HHSC board approval, either in a group listing or individually.
 - e. Option years can be approved at execution of original contract, if desired.
2. Goods and Services Under \$5,000,000
- a. No HHSC Board approval required. All exclusive contracts for provision of clinical services under \$5,000,000 require the approval of the applicable Regional System Board(s). This policy also applies to no-cost exclusive contracts for clinical services. See policy numbers PUR 0007, PUR 0014 and FIN 0001.
 - b. Contracts for goods or services, including physician/provider clinical services, may be entered into up to \$5,000,000 with the approval of the Pres/CEO or his designee or within the delegated contracting authority then current to the regional CEOs, until such time as the Regional System Boards assume control of the contracting function for multi-regional and regional contracts. See policy number PUR0001. The only exception is exclusive contracts for the provision of physician clinical services, which require HHSC board approval until delegated contracting authority has been passed to the applicable Regional System Board(s).
3. Goods and Services Over \$5,000,000
- a. No contract for the purchase of goods or services in excess of \$5,000,000 shall be entered into until first approved by the HHSC Board of Directors. This includes contract modifications that bring the contract total over \$5,000,000.
 - b. Where a contract has been previously approved by the HHSC Board and it is being amended to change the scope of work or time of performance less than 6 months or other terms but the not to exceed dollar amount or estimated contract amount is not amended, further HHSC Board approval is not necessary.
 - c. Letters of Commitment or other agreements inclusive of GPO Vendors for the purchase of goods or services shall be submitted to the Board for approval where the estimated potential expenditure exceeds \$5,000,000, even where the purchase does not include a fixed quantity.
4. Regional contracts shall be routed through the region in conformity with Regional System Board policies before being brought to the HHSC Board.
5. All motions for HHSC Board approval of contracts shall first be submitted to the HHSC Finance and Information Systems Committee (FISAC) for review and recommendation to the full Board. The information to be submitted to the FISAC at least two weeks prior to the FISAC meeting shall include:
- a. A full description of the purchase;

- b. The business plan or information supporting the purchase, if the purchase is not part of a previously approved operating budget;
 - c. The procurement method for the purchase (e.g., request for proposal);
 - d. Action by the Regional System Board, if applicable; and
 - e. Other information deemed prudent to make an informed decision about the purchase as requested by the FISAC or Executive Management.
6. Obtaining Board approval shall be the responsibility of the Regional CEO and/or Regional CFO or (Corporate COO/CFO for corporate/system purchases). The Regional CEO/CFO or Corporate COO/CFO for corporate/system purchases shall prepare the FISAC information packet and submit it to the COO/CFO prior to the published deadlines. The Corporate COO/CFO shall, from time to time, designate a Regional CFO and other leaders to be responsible for preparing a FISAC information packet and submitting it to the COO/CFO prior to published deadlines.
 7. There shall be no attempt to deliberately split purchases or capital projects into two or more procurement actions or contracts in order to circumvent these approval requirements ("parceling").
 8. To the extent Regional System Board policies allow, Regional CEO's have the authority and flexibility to substitute new items for previously Board-approved budgeted goods and services and for previously Board approved Self-Funded Capital Budget items. This authority is based upon the CEO's determination that the new item cost is equal to or less than the previously approved budget item and the submission is in the best interest of the facility.

B. REPORTS TO THE BOARD

1. At FISAC meetings, the Contract Management Department shall provide reports to the Board that detail information relating to corporate office procurement activity since the previous Board Meeting in order to provide the Board with the means to monitor compliance with procurement rules and policies. The Chair of the FISAC shall establish the specific information to be included in the reports.
2. The Chair of the FISAC shall also determine the frequency and the specific information to be reported by the Regional CEOs thru their respective Regional System Boards relating to contracting within the regions.

IV. APPLICABILITY: All HHSC facilities and HHSC Corporate staff.

V. REFERENCES: HRS Chapter 323F.