

 HAWAII HEALTH SYSTEMS CORPORATION "Touching Lives Everyday" Policies and Procedures	Department: Corporate Finance	Policy No.: PUR 0002
		Revision No.: 2
Subject: Corporate Office Procurement Dollar Thresholds/Quick Reference	Issued by: Edward Chu Interim CFO	Effective Date: July 21, 2010
	Approved by:  Alice M. Hall Interim President & CEO	Supersedes Policy: October 1, 2007 Page: 1 of 5

NOTE: HRS 103D-305 Small Purchases - temporarily increases small purchase thresholds for goods and services and construction. PART I, SECTION 2 of ACT 175, SLH 2009 is scheduled to be repealed on July 1, 2012, at which time all of small purchase thresholds temporarily increased shall revert to the prior HRS §103D-305 small procurement thresholds in effect on June 30, 2009, or as modified by law in future legislative sessions.

- I. **PURPOSE:** To establish the procurement methods for the corporate office based on dollar thresholds, in conformity with the law.
- II. **POLICY:** Based upon legal requirements and good business practices, the Hawaii Health Systems Corporation (HHSC) President and Chief Executive Officer (CEO) establishes thresholds of procurement dollar limits for the categories of:
 - A. Goods and services; and
 - B. Construction
- III. **PROCEDURE:**
 - A. The procurement will not be parceled into purchases of smaller quantities. The HHSC policies and procedures and legal requirements shall be adhered to when entering into contracts for the purchase of goods, services, or construction.
 - B. Small purchases are procurement of less than \$100,000 for goods or services, or \$250,000 for construction. The Small Purchases Policy PUR 0026 shall be followed in procuring goods, services, and construction within that dollar limit.
 - C. The other methods of procurement are Emergency, Sole Source, Professional Services List, Request for Proposals, and Invitation for Bids. All purchases above \$100,000 for goods or services and \$250,000 for construction shall be made utilizing one of these five methods, unless an exemption or exclusion is applicable (below). See the individual policies and procedures on the respective methods of procurement for further details.
 - D. One exception to the above dollar thresholds include exemptions, which are listed in Hawaii Revised Statutes, Chapter 103D, in the Hawaii Administrative Rules, and as

granted by the CPO or designee. Exemptions may be granted for any dollar amount. See the policy and procedure on Exemptions for further details.

- E. Some purchases are excluded from HRS Chapter 103D. (See HRS Section 103D-102). Purchases falling within the exclusion shall be made utilizing good business judgment and in the manner deemed most prudent by the Contract Manager and responsible executive management team member.
 - F. Other purchases may be covered by existing contracts, such as, State Price Lists, Group Purchasing Organization (GPO) contract and related agreements, and other contracts. The Chapter 103D provisions do not apply when ordering services or products from these existing contracts. However, purchases or leases of equipment from the GPO for \$100,000 or more require at least two written quotes from GPO vendors. If two GPO vendors cannot provide quotes, a minimum of one GPO vendor and one non-GPO vendor written quotes are required, unless a Chapter 103D procurement process is utilized. In addition, employees are always encouraged to ensure that the GPO price is competitive by looking at ECRI or other research data.
 - G. Where a small purchase may qualify for a Sole Source or Emergency Procurement method but due to the low dollar threshold, those methods are not applicable, the sole source or emergency nature should be noted in the Small Purchase form.
 - H. Attached is the Quick Reference Guide for Procurement, (PUR Form 004) which is intended as a quick reference tool.
 - I. Compliance Documents: Chapter 103D and Chapter 103 require that certain certifications regarding compliance with labor, tax, and/or corporate filing requirements be met before a contract is entered into and before a final payment is made. In addition, fair market value documentation, where applicable, and documentation that the vendor is not excluded from participating in the Medicare program (OIG exclusion list) is also required. It is the responsibility of the procurement employee to ensure that these laws are followed. **After July 1, 2007:** the tax clearance certificate is no longer required before entering into a contract or before making a final payment on the contract.
- IV. **APPLICABILITY:** All HHSC facilities and HHSC Corporate staff. When a regional system board has put into effect procurement policies and procedures, the facilities in that region shall follow the applicable regional policies instead of this policy.
- V. **REFERENCES:** HRS Chapter 323F; HRS Chapters 103 and 103D; HAR Chapter-3-122; Act 175, SLH 2009: Part I, Section 2; Procurement Circular No's . 2009-14, October 14, 2009 and Procurement Circular No. 2009-15, October 15, 2009. Reference to Chapter 103D and the corresponding regulations does not intend to waive any applicable exemption.

HAWAII HEALTH SYSTEMS CORPORATION
Quick Summary of Procurement Requirements (Where 103D is applicable)

*Signed Purchase Request Form (PR) is required prior to initiation
of any procurement action involving contract managers.*

1. Check SPO Price List	If your facility has opted to use a particular State Price list for desired item, purchase from State's price list using PO or p-card. If item is on Price list but a different vendor is desired, corporate office must complete SPO 5, exemption from price list; requires the approval of the Pres/CEO/CPO or designee. (Regions are exempt).
2. Check Existing Contract/Group Purchasing Org. Contract (GPO)	If contract is in effect for item, verify that the procurement will not exceed "Not to Exceed" amount. If item is available through GPO vendor agreement, purchase through GPO. If over \$100K, before purchasing from GPO vendor, obtain 2 written quotes, preferably both GPO vendors.
3. Check for 103D exceptions to competition	Check law and regulations to determine if item falls within an exclusion, exemption, or sole source. If it does, complete applicable forms, notices, obtain approvals, post, and proceed with purchase, obtaining competition where possible.
4. Professional Services	Check professional services list, solicited at least annually, to determine if desired professionals were included in the solicitation. If yes, may proceed with procuring professional services via this method (103D-307). May use any other method, as applicable, except Architect & Engineering services, which must be procured via this method or emergency.
5. All other procurements	
<u>Dollar Thresholds</u>	<u>103D Minimum Requirements (may use higher level)</u>
\$0 up to \$5,000 HAR 3-122, Subchapter 8, Small Purchases & HHSC Policy PUR 0026	Document " best judgment " – competition recommended, where practicable. HHSC Form 10 optional; no compliance docs. Usually completed on a PO; can include vendor quote and HHSC abbreviated general conditions. CM involvement optional, unless contract needed.
\$5,000 to less than \$15,000 HAR 3-122, Subchapter 8, Small Purchases & HHSC Policy PUR 0026	Three oral quotes, use HHSC Form 10; Document sole source, emergency non-responsive quotes (less than 3 obtained) on HHSC Form 10, Section C. Compliance documents not needed. May use PO and may include vendor quote & HHSC abbreviated general conditions. CM involvement not required, unless contract desired, which may be a short form agreement ("SFA").
\$15,000 to less than \$25,000	Obtain three (3) written quotes, using same terms with all vendors. Small purchase forms HHSC 10 and 10A applicable.

HAR 3-122, Subchapter 8, Small Purchases & HHSC Policy PUR 0026	Document sole source, emergency, non-responsive quotes (less than 3 quotes obtained) on HHSC Form 10, Section C. Compliance documents not needed less than \$25K. May use PO and may include vendor quote & HHSC abbreviated general conditions. CM involvement not required, unless contract desired, which may be SFA.
\$25,000 to less than \$100,000 HAR 3-122, Subchapter 8, Small Purchases & HHSC Policy PUR 0026	Solicitations shall be conducted on the Hawaii Electronic Procurement System (HePS). • Solicitations will utilize the <i>HePS Award Summary Report</i> as documentation; PUR Form 10 and 10A are not required. • Award shall be made to the lowest responsive, responsible offeror; or • When award to the lowest responsive, responsible offer is not practicable, award shall be made to the vendor whose offer provides the best value to the HHSC and documented on the <i>HePS Award Summary Report</i>. When HePS is not used, HHSC must use the following appropriate procurement methods: ▪ HRS 103D-302, Competitive Sealed Bidding (IFB) ▪ HRS 103D-303, Competitive Sealed Proposals (RFP) ▪ HRS 103D-304, Procurement of Professional Services ▪ HRS 103D-306, Sole Source Procurement ▪ HRS 103D-307, Emergency Procurement >\$25K - Compliance Docs needed
<u>GOODS, SERVICES</u> \$100,000 and over	Contract Management involved, via PR RFP or IFB , if other method not applicable. Usually, formal HHSC contract needed, may be a SFA.
<u>CONSTRUCTION</u> \$100,000 to less than \$250,000	Contract Management involved. Solicitations shall be conducted on the Hawaii Electronic Procurement System (HePS). When HePS is not used, HHSC must use the following appropriate procurement methods: ▪ HRS 103D-302, Competitive Sealed Bidding (IFB) ▪ HRS 103D-303, Competitive Sealed Proposals (RFP)

Approval Summary: See individual policies for details.

- A. Regional CEO or delegee approval for Contracts and POs affecting that region. Administrators have \$50K authority unless otherwise delegated by the RCEO.
- B. Pres/CEO or delegee and HHSC COO and HHSC CFO approval up to \$5 Million, involving more than one region, and for corporate office.
- C. Personal Services contracts: Need to complete Tax Review Checklist form, see PUR 0006 for process.
- D. Computer Hardware and Software approvals – requires VP/CIO approval if over \$10K; under \$10K, requires regional I/T rep approval.

- E. Exemptions, sole sources, emergencies, and waiver of competition authorizations can be signed by Director of Contract Management (up to \$200K) or as delegated by the Pres/CEO. All others by Pres/CEO or HHSC COO and HHSC CFO in his absence.
- F. Procurement violations (SPO 16) and extensions of contracts must be signed by Pres/CEO. HHSC COO and HHSC CFO can sign in Pres/CEO's absence.
- G. All contracts shall be reviewed by Legal Counsel, evidenced by signature on a contract routing form; exceptions are laid out in PUR 0014. Route to Legal Dept paralegal for assignment of counsel.
- H. Exclusive contracts and contracts or supplements with a total NTE of \$5 Million or more, require board approval before execution by HHSC.
- I. Legal Counsel must be involved with all healthcare provider/medical staff contracts.

Please refer to the policies and procedures, HRS 103D, and HAR 3-122, for further details.

PUR Form 004 6/07