

 HAWAII HEALTH SYSTEMS C O R P O R A T I O N "Touching Lives Everyday" Policies and Procedures	Department: Corporate Finance	Policy No.: PUR 0026	
		Revision No.: 2	
Subject: <i>Small Purchases (including electronic procurements)</i>	Issued by: Edward Chu Interim CFO	Effective Date: July 21, 2010	
		Approved by:  Alice M. Hall Interim President & CEO	
		Supersedes Policy: October 1, 2007	
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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 PART I, SECTION 2 of ACT 175, SLH 2009 is scheduled to be repealed on July 1, 2012, at which time all of small purchase thresholds temporarily increased shall revert to the prior HRS §103D-305 small procurement thresholds in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 an efficient, cost-effective method for purchasing and payment of small dollar transactions by HHSC facilities and the corporate office where Chapter 103D HRS is applicable.
- II. **POLICY:** The Chief Procurement Officer (HHSC Chief Executive Officer) establishes thresholds for small procurement bid/quote dollar limits. Small dollar purchases will be accomplished in accordance with Hawaii Revised Statute (HRS) 103D and all applicable State Procurement Policy Board rules and HHSC policies, unless the purchase is otherwise exempted.
- III. **SCOPE:** This policy applies to all small procurements governed by Chapter 103D that are not exempted. Professional services (except A&E) via Chapter 103D may be procured pursuant to this policy or PUR 0023. Preferences referenced in 3-124, HAR, shall not apply to small purchases.

Exceptions to this policy are:

- Items exempt or excluded from Chapter 103D, HRS
- Applicable State price lists
- Items purchased through group purchasing organizations (GPOs)

- IV. **PROCEDURE:** The following procedures will be adhered to within the specific dollar values and shall be repealed on July 1, 2012 as noted above:

A. Goods, Services & Construction. Small purchases are defined as follows:

- a. Goods and Services less than \$100,000; and

b. Construction of less than \$250,000.

1. Good, Services and Construction

Under \$5,000

HHSC purchases under this threshold shall be made to the vendor providing the best value based upon the judgment of the employee signing the purchase order or contract. Where practical, comparison shopping is encouraged. The procurement file should be documented to indicate the basis for the selection.

2. Good, Services and Construction:

\$5,000 to less than \$15,000

As is practical and based on the specifications, adequate and reasonable competition is required. Obtain a minimum of three quotes, either written or oral. Award shall be made to the vendor with the lowest responsive, responsible quotation received considering all criteria established in the specifications, including, but not limited to quality, warranty, and delivery. When award to the lowest responsive, responsible quotation is not practicable, award shall be made to the vendor whose quotation provides the best value to HHSC. Documentation of the quotes shall be made on the HHSC Form 10 "Record of Small Purchase" (attached) and be maintained and retained by the facility in the contract file.

3. Good, Services and Construction:

\$15,000 to less than \$25,000

As is practical and based on the specifications, adequate and reasonable competition is required. Obtain a minimum of three (3) written quotes. Award shall be made to the vendor with the lowest responsive, responsible quotation received considering all criteria established in the specifications, including, but not limited to quality, warranty, and delivery. When award to the lowest responsive, responsible quotation is not practicable, award shall be made to the vendor whose quotation provides the best value to HHSC. Unless electronic procurement is used (HePS), use the HHSC PUR Form 10A "Small Purchase Quotation" to obtain quotes. (See attached). Documentation of the quotes shall be made on the HHSC PUR Form 10 "Record of Small Purchase" and be maintained and retained by the facility in the contract file.

4. Good, Services and Construction:

\$25,000 to less than \$100,000;

Solicitations shall be conducted on the Hawaii Electronic Procurement System (HePS).

- Solicitations will utilize the *HePS Award Summary Report* 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 *HePS Award Summary Report*.

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

Procurements >\$25,000 – requires obtaining Hawaii Compliance Certificates

5. Construction: \$100,000 to less than \$250,000;

Solicitations shall be conducted on the Hawaii Electronic Procurement System (HePS).

- Solicitations will utilize the *HePS Award Summary Report* as documentation; PUR Forms 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 *HePS Award Summary Report*.

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)

B. Procurements will not be parceled. This would be defined as dividing the purchase of same, like or related items into several purchases of smaller quantities so as to evade statutory competitive bidding requirements.

C. Electronic Procurements – Solicitation of quotes through the State of Hawaii Electronic Procurement System (HePS) shall be used for all small purchases. See Attachment 1 for additional information on using the system.

D. Effective July 1, 2009 - small purchases, as defined in paragraph 3 above, of \$25,000 but less than \$100,000 for Goods & Services shall be made through HePS and Construction of \$25,000 but less than \$250,000 shall be made through HePS. . If HePS is not used, HHSC must use appropriate procurement methods identified in paragraphs 4 & 5 above, respectively. If no responsive, responsible quotations or reasonable prices can be obtained, the HHSC CEO can make the determination not to issue a new solicitation through HePS. In this event, an alternative procurement method such as direct negotiations, IFB, RFP, or Professional Services may be used. Documentation of the alternative procurement determination shall be made part of the procurement file. The requirement to use electronic procurement does not apply to Sole Source, Exempt and Emergency procurements (see HHSC purchasing policies for further information on these forms of procurements). See Attachment 1 for additional information on using HePS. Formal HePS training through the SPO is required.

E. Insufficient Quotes. The small purchase rules require that at least 3 quotes actually be obtained for purchases from \$5,000 to less than \$25,000. Therefore, if

vendors are solicited or if the HePS system is utilized for the quotes, and less than 3 quotes are obtained, more quotes should be sought. The purchasing agents may, within his/her discretion and in collaboration with the requester, rewrite the specifications in an attempt to increase competition. Even if the specifications are not amended, and where additional qualified vendors are available, the purchasing agent shall request further quotes in an effort to obtain the mandatory 3 quotes utilizing either a manual or electronic process. The number of solicitations for quotes in an attempt to obtain three quotes will depend on the number of vendors available. If it is not possible to obtain three quotes, document the steps taken and the reason less than three were obtained on the HHSC PUR Form 10.

- IV. **APPLICABILITY:** All purchases where Chapter 103D and the corresponding administrative rules are applicable in HHSC facilities and the HHSC Corporate office.
- V. **REFERENCES:** HRS 103D-305; HAR 3-122 Subchapter 8; 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; Act 283; SPO Procurement Directive No. 2002-04, dated 11/1/02 and Amendment 1, dated 6/27/05; HHSC Memorandum DOCM-06-32, dated 7/20/06. Reference to HRS 103D and corresponding administrative rules does not intend to waive any applicable exemption to 103D and the rules.

ATTACHMENT 1

HAWAII HEALTH SYSTEMS (HHSC) PROCEDURES AND GUIDELINES FOR USE OF HAWAII ELECTRONIC PROCUREMENT SYSTEM (HePS)

GENERAL:

The Hawaii electronic Procurement System (HePS) is an internet based, on-line procurement system with small purchase Request For Quotation (eRFQ), Invitation for Bid (eRFB), Request for Proposal for Proposal (eRFP), and price list catalog (eCatalog) functionalities. Additional detailed information on the HePS system is available on the SPO web page at <http://www.spo.hawaii.gov> by clicking on the e-Procurement link.

Use of HePS is mandatory for Chapter 103D procurements between \$25,000 and \$100,000 for goods and services and from \$25,000 up to \$250,000 for construction effective July 1, 2009. HePS is available to HHSC users at no cost, but there is a .85% fee charged to each vendor awarded a contract through the system.

HePS FEATURES:

REQUEST FOR QUOTES (eRFQ)

The eRFQ system provides an electronic solicitation and receipt of quotes for goods and services from \$25,000 to less than \$100,000 and over \$250,000 for Construction. Participating vendors will be given a specified time and date to submit their price quotes, and the awarded vendor will be notified once the time for offers closes and award is made. The system will allow agencies to make awards for individual items, groups of items, or by the total sum bid.

INVITATION FOR BIDS (IFB), REQUEST FOR PROPOSALS (RFP), AND REVERSE-AUCTION

HePS can be used for the submission of invitation for bids and request for proposals. A reverse-auction process is planned for subsequent phases.

ELECTRONIC CATALOG (eCATALOG)

In the future, the SPO price lists and requirements contracts will be available on HePS to electronically place orders. HHSC will be able to search through applicable price lists and requirements contracts, prepare a purchase document, electronically transmit the document for verification and approvals, and electronically transmit the document to the appropriate contract vendor.

APPLICABLE PURCHASES:

At this time, all small procurements where quotes are needed. This would NOT include:

- GPO vendors
- SPO price lists which a facility is using (until eCatalogs become available)
- Professional services
- IFB's & RFP's over \$100,000 for Goods and Services and over \$250,000 for Construction
- Sole source, exempt, and emergency procurements

USING HePS

- HePS is available at https://basec.sicomm.net/login/?agency_id=A00000000025.
- HePS is restricted to vendors who have registered within the system. A vendor can register on HePS at no charge.
- HePS is funded through a .85% transaction fee based on the award's dollar value. HHSC must use HePS for procurements between \$25,000 up to \$100,000 and up to \$250,000 for Construction only until further notice. When HePS is not used, HHSC must use the following appropriate procurement methods:
 1. HRS 103D-302, Competitive Sealed Bidding (IFB)
 2. HRS 103D-303, Competitive Sealed Proposals (RFP)
 3. HRS 103D-304, Procurement of Professional Services
 4. HRS 103D-306, Sole Source Procurement
 5. HRS 103D-307, Emergency Procurement
- HePS has a purchase requisition function within it. At this time, HHSC will not use this and will input into HePS upon receipt of the Procurement Request or Requisition through our existing processes.
- For procurements over \$25,000 which require a contract, the HHSC contract number will be input in the Reference Number block of the document header. HePS will have the ability to search on this number.
- HHSC will use HePS' ability to receive vendor quotes electronically and obtain the necessary internal approvals via email once a vendor has been selected.
- HePS solicitations can be limited to only Hawaii-based vendors. It is anticipated that this functionality will be utilized infrequently.
- The selected awardee and non-selected vendors will be sent notices of the outcome of the solicitation via email. These email notices do NOT obligate funds nor constitute a contract. Actual contract documents can be sent along with the notification and executed outside of HePS and placed in the contract file.
- HHSC will not use the P-card payment option in HePS. In addition, procurements made through HePS do not currently update our accounts payable system.
- HePS generates a history file that has no expiration period and is associated with the buyer's User ID and password. Many types of reports can be generated from this information.
- General steps in HePS –
 1. Log in to HePS
 2. Find the applicable NIGP code for the requirement
 3. Create the RFQ in HePS. Fill in:
 - HHSC contract number in block labeled 'Reference Nbr' (also log the HePS document number into the HHSC contract log)
 - Item description

- Quantity
 - Delivery requirements
- 4. Have HePS notify the selected vendors by email and post the RFQ
- 5. Review and evaluate the quotes received
- 6. Select the awardee
- 7. Route for email approval, if applicable
- 8. Have email notices sent to the awardee (including contract docs, if desired) and non-selected vendor
- 9. Execute contract and enter into tickler log and PRS, if applicable
- For documentation purposes –
 - The file should contain, at a minimum, a record that HePS was used, the RFQ number and Reference Number and a summary of the quotes received along with the executed contract. Information from HePS can be cut and pasted into another document to create this summary information. A notation of the availability of the details in HePS should be included in the file; or
 - Buyers may elect to print paper copies of the RFQ and quotes received. RFQ's and vendor responses can be printed using the browser's print function. Attachments can be opened in the appropriate screen and printed. These would be kept along with the original executed agreement.



HHSC RECORD OF SMALL PURCHASE

1. Hosp/Dept			2. SFA/PO No.	
3. Date:		4. Project/Requisition/Work Order No.		

5. This form is required for small purchases from \$15,000 to \$25,000 and optional for purchases under \$5,000:

- ☐ Under \$5,000
☐ \$5,000 to under \$15,000
☐ \$15,000 to under \$25,000 (Attach form SPO-10A)

6. **PART A.** Description of good/service/construction:

7. PART B. QUOTATIONS SOLICITED:

SELECTION (Check Box)	8. <u>Vendor Name</u>	9. <u>Representative</u>	10. <u>Phone No</u>	11. <u>Date of Quote</u>	12. <u>Amount Quoted</u>
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- ☐ 1.
☐ 2.
☐ 3.
☐ 4.
☐ 5.

13. **PART C.** Justification for inability to obtain minimum three quotations, if applicable:

14. **PART D.** Justification for award made to other than lowest quotation:

15. Signature (Employee soliciting quotations)
Print Name:

Date

16. Signature (Procurement Officer approval)
Print Name:

Date

FILE A COPY AS SUPPORTING DOCUMENTATION IN THE PROCUREMENT FILE.

HHSC
SMALL PURCHASE WRITTEN QUOTATIONS

Date: _____

Company Name: _____ Phone / Fax No.: _____ / _____

Address: _____ City/State/Zip Code: _____

Vendor Representative: _____

PROVIDE A QUOTATION for the following good/service/construction (Describe or ☐ see attached specifications):

QUOTATIONS REQUESTED BY (☐ mail ☐ e-mail or ☐ fax this quotation by _____, _____ to
the following): (date) (time)

Facility/Dept. _____

Address _____ City/State/Zip Code: _____

Contact Person _____ Phone / Fax No. _____ / _____

e-mail _____

===== **VENDOR TO COMPLETE THE SECTION BELOW** =====

Item No.	Description of item(s)	QTY	UNIT PRICE	TOTAL PRICE
Additional information or terms (i.e., delivery time, warranty period, etc.):			Shipping/ Handling	
			State Tax	
			TOTAL SUM PRICE	

Quote No. _____ Price(s) shall remain firm for _____ days.

Vendor Representative: _____
Signature date

Title: _____