

**Highlands Ranch Community Association  
Procurement Policy  
June 2021**

**Purpose**

The purpose and objective of this policy is to set out the principles that will govern the procurement of goods and services by or on behalf of Highlands Ranch Community Association (HRCA) and establishes the processes of procurement.

The objective of this policy is to ensure that goods and services are obtained in a fair and ethical manner, that materials and services are of acceptable quality, at the lowest evaluated price, at an acceptable level of risk, within required time restraints and consistent with legal requirements.

There are nine steps that are associated with the procurement process for normal goods and services. This policy identifies related responsibilities and or authorization levels for each action.

**Applicability**

This policy applies to all employees of HRCA.

**Compliance**

All departments of HRCA will comply with the policies and procedures associated with the procurement process for normal goods and services.

Requests for normal goods and services shall be made on a timely basis to allow enough time before execution of Agreements.

**Normal Goods and Services**

Normal goods and services include all goods and services purchased for the company.

- Normal goods include, but are not limited to, capital and reserve expenditures, computer equipment, office supplies, etc.
- Normal services include, but are not limited to, human resource benefits, financial services, marketing and communications services, facilities services, construction services, engineering services, vegetation management services, maintenance, repair and operation services, offsite events, offsite conferences, cellular services, etc.

- Goods or services that do not fall under the categories listed above are addressed in the “Other Payment Vehicles” section. Examples of goods and services that are not considered “normal” include, but are not limited to, commercial banking, insurance services, etc.

## Capital and Reserve Expenditures

### Review and Approval

During the annual budget process, projects are to be presented and recommended for the following year. Projects that are over \$100,000 will include additional information as to why the project is required (equipment at the end of useful life, required by the reserve study, safety, etc.) The Reserve Study must be reviewed to determine adequate funding. These projects are discussed during budget working sessions that include the Finance Committee and the Board of Directors. Once the projects are approved, the budgets are presented to the Community Delegates. The Delegates and Board of Directors approve the annual budget.

### Project Overruns

During the course of a project, if the cost exceeds more than 10% and is greater than \$20,000 of the original budget, the Finance Committee and Board of Directors will be informed. A presentation will be made to the Delegates.

## Procurement Process

### Step 1 - Define Need: Scope of Work

Departments begin the procurement process for normal goods and services by adequately describing the goods and services to be provided by a supplier and include this description in the Purchase Order.

### Step 2 - Create and Authorize a Purchase Order

The following dollar levels apply as they relate to creating and approving a Purchase Order.

**Table 1 – Purchase Order Authorization Levels**

Initiate PO's and Check Request	Approval	Budgeted	Not Budgeted	Capital & Reserve
Level 1 - All Requests	Level 2	\$999	\$0	\$0
Level 2 - Supervisor, Coordinator, Team Leader	Level 3	\$4,999	\$0	\$0
Level 3 - Manager / staff reporting to a Director	Level 4	\$9,999	\$999	\$49,999
Level 4 - Director	Level 5	\$24,999	\$2,499	\$99,999
Level 5 - GM/CEO	N/A	\$25,000+	\$2,500+	\$100,000+

If there are subsequent changes to the original Purchase Order, see the Monitor Contract for Changes, Extensions, Closures section in this policy.

### **Step 3 – Bidding or Request for Proposal Creation**

#### Competitive Bid

All normal goods and services Agreements with a value greater than \$10,000 (including cumulative amounts in multi-year Agreements) shall be awarded on a documented competitive basis unless precluded (e.g., unique process or knowledge, etc.), when justified, for reasons of emergency or unavailability or impracticality of competition. A minimum of 3 bids will be reviewed and typically the lowest bid will be accepted, unless the lowest bidder is deemed to not be able to complete the request. Bid information is confidential and only shared internally (HRCA Management/Leadership, the Board of Directors and the Finance Committee) on a need-to-know basis.

In circumstances where a competitive process is precluded, written justification and director level authorization for the sole sourced or professionally sourced award, is required.

Agreements with a value less than \$10,000 shall be awarded on an informal competitive basis to the extent reasonable to obtain goods and services from a source whose offer is most advantageous to HRCA considering the administrative cost of the purchase.

### **Step 4 - Negotiate and Sign an Agreement**

Binding agreements are documents between HRCA and one or more supplier(s) which are legally enforceable. Agreements include contracts, contract amendments, contract releases and other similar documents. The Agreement may be related to a Release, Purchase Order, Contract or Work Order.

The following dollar levels apply to employees as they relate to signing an Agreement.

**Table 2 – Contract Signing Authorization Levels**

Job Title	Contract Signing
Director	up to \$4,999
GM / CEO	\$5,000 +

#### Legal Review

Each department Director is required to review contracts and agreements originating from their department to determine whether legal review is required and to obtain legal review when appropriate to ensure timely review and execution.

Legal review is not required if:

1. Basic agreements that are inconsequential and immaterial in nature relating to goods and services with a dollar value less than \$1,000.
2. The Finance Director will review all contracts relating to Audit, Banking and Tax, and the Human Resources Director will review all contracts relating to Insurance.

**Step 5 - Process a Purchase Order or Contract**

Each department is responsible for processing a Purchase Order, Contract, or Agreement. Basic purchases that are inconsequential and immaterial in nature relating to goods and services with a dollar value less than \$1,000 do not require a PO.

Until NetSuite is used for initiating and creating system generated purchase orders, a manual process will be utilized. This section will be updated once NetSuite PO's are initialized.

An Excel file with account coding (similar to the current check request form) will be provided to all departments. Departments will assign a unique PO number to their PO forms and provide the number to the vendor. The number should consist of a 2-letter department designator (see below) and the date the PO is being issued to the vendor.

Examples;

Community Relations issues a PO on February 1, 2021	PO# CR-02-01-2021
Second PO to same vendor on the same day	PO# CR-02-01-2021-A
Second PO to a different vendor on the same day	PO# CR-02-01-2021-1

Instruct the vendor to include the PO number on their invoice when they bill for their product or services. Accounts Payable will then match the PO on the invoice to the original PO.

**Table 3 – Department Codes**

<b>Department Codes</b>	
<u>Facilities &amp; Operations</u>	<u>Administration</u>
AQ - Aquatics	AD - Administration
SF - Sports & Fitness	CI - Community Improvement Services
YA - Youth & Adult Education	CR - Community Relations
ER - Eastridge	FA - Finance & Accounting
NR - Northridge	HR - Human Resources
SR - Southridge	IT - Information Technology
WR - Westridge	
FM - Facilities Maintenance	<u>Nonprofits</u>
	Use the current codes
<u>Backcountry</u>	HRCAA
BC - Backcountry	HRCSF
	HRBCEF

### Blanket Purchase Orders

For services of a recurring nature, for example janitorial services at a Rec Center, a blanket PO can be used instead of issuing multiple PO's for various types of services or dates of service. A Rec Center will have an annual budget for janitorial services so they can issue one blanket PO covering the entire year and draw down the blanket PO as services are performed.

### Modifying a Blanket PO

If at some point in the year it becomes evident that the initial PO was underestimated and the draws will consume the entire approved amount, then a new blanket PO needs to be approved and reissued to the vendor.

## **Step 6 - Receive Normal Goods and Services**

The receipt of normal goods and services is recorded at the time HRCA receives title or, in other words, when the risk of loss (or risk of ownership) of goods is transferred to HRCA. In general, this is when goods are delivered to any of HRCA's facilities or when services are completed by the supplier or contractor.

- Back-dating or forward-dating of receipts is not allowed.
- Holding items and not recording them until a later date is not allowed.

Not adhering to a practice of timely receipt puts HRCA at risk of not fulfilling Generally Accepted Accounting Principles (GAAP).

### Receipt of Goods

When goods arrive, there are usually packing slips provided indicating the type of product shipped and the quantity. Forward these packing slips to Accounts Payable to match against the PO.

### Receipt of Services

When services have been completed, send a communication to Accounts Payable indicating that the service requested on the PO has been completed and payment to the vendor can take place.

## **Step 7 - Authorize Payment**

Departments are responsible for initiating and authorizing payments for normal goods and services. Authorizing the invoice for payment is another method of validating that service was rendered or material received.

**Table 4 – Payment Authorization Levels**

Initiate PO's and Check Request	Approval	Budgeted	Not Budgeted	Capital & Reserve
Level 1 - All Requests	Level 2	\$999	\$0	\$0
Level 2 - Supervisor, Coordinator, Team Leader	Level 3	\$4,999	\$0	\$0
Level 3 - Manager / staff reporting to a Director	Level 4	\$9,999	\$999	\$49,999
Level 4 - Director	Level 5	\$24,999	\$2,499	\$99,999
Level 5 - GM/CEO	N/A	\$25,000+	\$2,500+	\$100,000+

**Step 8 - Process Payment**

Accounts Payable is responsible for processing and facilitating payments (i.e., payments via ACH, Wire or Check).

Check Signing

Checks are signed by the Finance Director. Checks \$5,000 and over require two signatures.

**Table 5 – Check Signing Authorization Levels**

Job Title	Check Signing
Finance Director	up to \$4,999
2 Signors	\$5,000 +
Any 2 of the following	
- GM/CEO	
- Human Resources Director	
- Finance Director	

**Other Payment Options**

- Request for Payments – This type of payment bypasses many of the steps listed above and should be used on a limited basis. In this process departments provide Accounts Payable with a payment request form and invoice with proper authorization signatures.
- Corporate Credit Card – This type of payment can be used for any business-related purchases that do not require a Purchase Order or Contract. Card spending limits are authorized in advance by the cardholder's management. Payment authorization is approved by the employee's management.

## **Step 9 - Monitor Contract for Changes, Extensions, Closures**

### Contract Change Requests and PO Revision Requested

It is each departments responsibility to document and track changes in scope of work, specification, additional or reduced funds, work schedule, delivery date, and quantities.

Incremental changes in Purchase Order or Contract values need to be approved in accordance with authorization levels in Table 1. Should the sum of the incremental requests reach a level that exceeds the highest approver's authority, the next level of approval is required.

### Change Orders or Amendments

Any revisions or changes in the contents of an Agreement, based on requests from the department, require a designated department director or GM/CEO to execute and sign the change and authorize it.

## **Assignment Process**

### Assignment to Other Employees

Management level employees may assign authorization to other employees within their respective hierarchy up to the level specified for the employee granting authorization and shall be made in writing and forwarded to the appropriate organization that would need to know about the assignment, such as Accounting.

An employee may not reassign approval authority that has been assigned to him or her by another employee.

## **Conflicts of Interest**

The organization is particularly diligent before entering into purchasing contracts with its employees, their family members or any other individual who would be perceived as having a potential conflict. The organization's employees should not make purchasing decisions or otherwise influence the organization's decisions to do business with any supplier affiliated with an organization's employee, a relative of the employee or any other individual who would be perceived as a potential conflict.

The organization's employees who are unsure whether a conflict exists are encouraged to contact their department Director who will help in determining whether disclosure is appropriate in collaboration with the Finance Director.

The organization's employees must promptly disclose in writing all actual or potential conflicts to their department Director as they arise or are identified, and the department Director must disclose all actual or potential conflicts to the Finance Director. If found to be significant, the conflicts must be managed or eliminated.

## **Gratuities from Suppliers**

Staff should neither solicit nor accept money, loans, credits, entertainment, favors, services or gifts from current or prospective suppliers. Such gratuities, even if of seemingly low value, can give rise to a conflict of interest or the appearance of a conflict of interest.

## **Confidentiality**

The organization's employees must handle confidential or proprietary information with due care and proper consideration of ethical and legal ramifications and governmental regulations. The organization's employees may not disclose to outside parties the prices, terms, or conditions quoted by other suppliers.