



Lexington Center Corporation

Purchasing Policy & Procedures

September 2013

Overview

The policy of the Lexington Center Corporation (LCC) is to procure equipment, supplies, and professional services for work to be performed for LCC in accordance with all applicable laws and in an economic manner. These practices are governed and controlled by Kentucky law, in certain instances Federal law and, of course, the policies and practices of LCC.

The Kentucky Revised Statutes generally requires that the procurement of goods and services involving an expenditure of more than \$20,000 (other than professional) be competitively bid. Examples include the acquisition of vehicles, maintenance, supplies, and non-professional services. Other forms of solicitation beside bids dictated by dollars may be used. Examples include Request for Proposals (“RFP’s”), and Request for Qualifications (“RFQs”) as long as the criteria for selection is reasonable and evenly applied.

Kentucky Model Procurement Code

A model code has been established by the Commonwealth of Kentucky and is available for adoption by governmental agencies throughout the Commonwealth. LCC’s policy as set forth herein generally reflects the philosophy of and seeks to achieve the goals of the Kentucky Model Procurement Code, but LCC has not adopted and does not hereby adopt said code.

Procurement by the LCC, with some exceptions, at the expiration of existing contracts or when new requirements are established, dictates that a competitive process is utilized for the selection of a successor vendor. This Policy does not address, and is not intended to govern, LCC solicitations for facility leases and concessions, which involve perishable food items and are not, therefore, amenable to a protracted purchase process.

Purchases shall be made and contracts awarded to only responsible contractors and suppliers. Responsible contractors and suppliers are defined as those that, at a minimum, have the financial means to fulfill the contract, a record of satisfactory performance in providing similar goods or services and a satisfactory record of integrity.

Disadvantaged Business Enterprise (DBE)

A DBE is a firm that is owned and controlled by individuals who are socially and economically disadvantaged and is a small business as defined by section three of the Small Business Act.

Usually this pertains to the following groups provided they are socially and economically disadvantaged: Blacks, Hispanic Americans, Native Americans, Asian-Pacific Americans, Asian Indian Americans, and Women. Other groups may qualify as long as they meet the requirement set forth in Federal regulations.

LCC is dedicated to the concept that DBEs will have the opportunity to participate in the procurement process and that the LCC will take steps to level the playing field to allow participation by DBEs.

Policy:

Goods and services purchased on behalf of the Lexington Center Corporation will be made by LCC employees in accordance with all applicable laws, as well as the policies and procedures set forth herein.

100. Definitions

Advertising – Placement of a Legal Notice in accordance with applicable law, to inform the public and prospective vendors that LCC is requesting bids or proposals for a specific purchase.

Bid (also referred to as Formal Bid and Sealed Bid) An offer to sell goods or services to LCC. A bid is an offer to provide services or goods on a competitive basis. Bids are solicited based upon written specifications developed by LCC staff. Appropriate bids (those meeting all of the responsive and responsible specifications) are culled from the total pool of respondents. Selection is then made based upon best over-all qualified and responsive bid not necessarily price alone. The public notification process is governed by the dollar amount of the goods or services sought. Current LCC policy states that bids must be advertised for any purchase in excess of \$20,000, exclusive of professional services. As noted elsewhere, professional services are solicited via RFPs and RFQs. Bid advertising is mandated by the Kentucky Revised Statutes and the Kentucky Constitution. Generally, bid notices must be placed in the largest newspaper in the county (Lexington Herald Leader) and must appear at least 7, but not more than 21 days prior to the bid opening.

Bid Acceptance – The award of a contract to a bidder.

Blanket Purchase Order – A Purchase Order which authorizes delivery of work or materials over a specific period of time. (See section 200. Blanket Purchase Orders for more detail.)

Capital Purchase - Equipment or construction that is budgeted as a capital purchase. A system composed of several items of equipment should not be broken down to component parts in order to avoid budgeting the purchase as Capital Equipment.

Change Order – A document used to modify information on an existing Purchase Order or Contract. (See section 200.)

Contract – A legal agreement between two competent parties to perform a specific act or acts.

Contractor – A person or firm who is contracted to perform work or furnish materials/goods in accordance with a contract.

Equipment – Property of a durable nature which retains its identity through its useful life.

Purchase Order – A document, issued by the Purchasing Agent, used to formalize a purchase transaction with a vendor. Acceptance of a Purchase Order by a vendor results in a contract.

Purchase Requisition – An internal document that requests purchasing to begin the procurement process for specified goods or services. Results in issuance of a Purchase Order.

Purchasing Agent – A LCC employee assigned to coordinate purchasing activities of LCC.

Quotation – An informal statement of price, description or goods and services offered for sale, and terms and conditions of the offer to sell. Does not require advertising.

Request for Proposals (RFP) - An RFP is a means of obtaining goods and/or services on a competitive basis. The RFP process is used when consideration of intangibles such as quality of service, professional recommendations, project knowledge, price and prior experience are factors in the bid process.

Request for Qualifications (RFQ) - This process is used in the acquisition of professional services. As the term implies LCC contacts suppliers or professional services providers and in general terms, describes the nature of the proposed project. Interested firms are asked to submit information detailing their qualifications for participation in the project. Scope and cost are negotiated only after the selection process is complete.

Specification – A description of what LCC requires as to goods and/or services and what a bidder must offer.

Sole Source - Sole Source is a process used to procure goods and services when, as its name implies, there is only one vendor for the product or service, or if there is a substantial and valid business reason to choose a particular vendor.

200. General Purchasing Procedures

Purchases with Petty Cash

Guidelines:

1. Petty Cash accounts are issued to various Department Managers who are responsible for the maintenance and safekeeping of cash and documentation.
2. Sales tax, if avoidable, will not be paid on Petty Cash purchases. Tax-Exempt # CT-34-105 is to be used.
3. An itemized receipt must be obtained for each purchase.
4. Purchase reason should be documented with the itemized receipt to include event names/numbers, project names/numbers and, in some cases, GL account numbers and/or department for allocation.
5. The itemized receipt (as evidence of purchase) must be turned in to the Accounting department when requesting reimbursement for a Petty Cash purchase.
6. Petty Cash may not be used to try to avoid using a Purchase Requisition.
7. Petty Cash fund must be kept in a locked box or safe with access limited to the assigned custodian.
8. Petty Cash funds are not to be used to cash personal checks.

Purchases less than \$ 3,500

- Purchases will not be artificially divided to stay below these limits.
- Each employee engaged in the procurement of goods has a responsibility to purchase supplies from a source known to sell the items to be purchased for a cost effective price at a quality needed to successfully complete the task. An employee may not request that goods be purchased from sources that present a conflict of interest (see section 400. Duty of Disclosure).
- The completed requisition shall be approved by a manager/director with the appropriate spending authority and submitted to the Purchasing Agent for review of the purchase and issuance of a purchase order. If the Purchasing Agent is aware of an opportunity to purchase the item from an alternate source that would result in a financial benefit, they will consult with the authorizing manager/director.
- The purchase order will be issued for the items requested.
- Goods should not be purchased prior to the issuance of a purchase order unless an emergency situation exists.
- Packing slips, receipt documentation, and the receiving copy of the purchase order should be promptly submitted to accounts payable upon receipt of the goods to facilitate payment to the vendor for goods provided.

Purchases more than \$3,500 and less than \$10,000

Sources should be solicited that are known to deal in the products provided and are willing to do business with LCC on a credit basis. If the employee is not aware of acceptable sources of supply, contact the Purchasing Agent for assistance.

Purchases equal to \$10,000 and less than \$20,000

The procedures will be the same as outlined above except that a quotation from at least three known sources, if available, will be obtained for the products being purchased.

Purchases over \$20,000

LCC policy states (and state law requires) that bids must be advertised for any purchase in excess of \$20,000, exclusive of professional services. As noted elsewhere, professional services are solicited via RFPs and RFQs. Prior to advertising for bids for any purchase in excess of \$20,000.00 or soliciting the purchase of professional services or other services in excess of \$20,000.00 via RFP or RFQ, the President or the Purchasing Agent shall advise the Chairman and Vice Chairman of the Board of Directors of the need for such bid or solicitation. Following consultation among the Chairman, Vice Chairman and management, the Chairman and Vice Chairman shall (i) express any concerns or directives concerning such bid or solicitation, (ii) refer the matter to the full Board for further deliberation, or (iii) authorize the advertisement for bids or solicitation for professional services. No such bids shall be advertised nor shall such RFPs or RFQs be solicited until authorization has been given by the Board, the Chairman or the Vice Chairman. Generally, bid notices must be placed in the largest newspaper in the county (Lexington Herald Leader) and must appear at least 7 days but not more than 21 days prior to the bid opening.

Special Procurements

Procurement exceptions that apply for ANY and ALL purchase dollar amounts may be made in the following circumstances:

- In accordance with KRS 45A.050, if a state contract has been let by competitive bidding or the contract was negotiated as provided in KRS 45A.045, LCC may purchase materials and supplies in accordance with a contract for supplies and materials entered into by the Finance and Administration Cabinet for the Commonwealth, including those contracts negotiated by the cabinet with vendors who maintain a General Services Administration price agreement as provided in KRS 45A.045(8).
- There exists, under emergency conditions, a threat to public health, welfare, or safety, immediate event or tenant demands and the immediate delivery of goods and services is needed. The President of LCC (the "President"), or his designee in his absence, has the authority to approve the applicability of this exception.
- Purchase from or allow the provision of services from a non-profit entity or an LFUCG agency.
- Data processing contracts or license agreements for software programs or supplies when only a sole source meets LCC's reasonable requirements.
- The compatibility of equipment, accessories, or replacement parts is a substantial consideration and only a sole source meets LCC's reasonable requirements.
- Quotes for marketing projects that exceed the Director of Marketing's purchasing/spending authority must be signed by the President (as Board approved in the annual budget).

Purchasing/Spending Authority

Any LCC employee may identify the need for purchase of budgeted goods and/or services. A properly completed Purchase Requisition should be initiated to purchase the items or services required. The purchase requisition is used for all purchases that need not be made with petty cash or that does not have to be procured through the competitive bidding process. The purchase requisition must be approved by the appropriate supervisor prior to submitting the requisition to the Purchasing Agent. The Purchasing Agent is responsible for coordinating the purchasing activities of the LCC. It is the responsibility of the Purchasing Agent to ensure that all purchases are completed within the guidelines set forth herein, and in compliance with applicable Federal, State and Local laws. After the requisition is prepared and properly approved, the Purchasing Agent will issue a purchase order and/or take other authorized actions to complete the transaction. Few exceptions to this process should occur and any exceptions should be check requests under special procurement conditions requiring operational expediency or authorized by the President.

Check Signing Limits:

Specific Directors have the authority to sign Operating Account checks. Operating Account checks under \$1,000 require one signature (usually the Director of Business Affairs) and checks \$1,000 and greater require 2 signatures (with the President as the second signatory, unless he is away from the facility).

Capital Spending Authority:

The President shall be allowed to approve all purchase requisitions related to the acquisition of budgeted capital "as Board approved" in the annual budget so long as the low bidder was selected. This exception also allows the President to approve any change orders that fall within the approved project budget. Should the low bidder not be selected as the most qualified this exception is not allowed and must be approved by The Capital Maintenance Committee of the Board (over \$50,000).

Unbudgeted capital expenses are subject to Capital Maintenance Committee (over \$50,000) approval.

Private Purchases

No purchase shall be made in the name of LCC for the private use of any individual, including a Board Member or employee of LCC, in order to obtain a discount, obtain more favorable terms or treatment or avoid payment of taxes.

Purchase Orders

It is the policy of LCC to utilize a Purchase Order system. A properly completed purchase order shall be generated by the Purchasing Department and shall contain the following:

1. Vendor name, and address
2. Specifications or statement of goods or services required
3. Net price per unit, less discount, if any

4. Total amount of order
 5. Delivery information
 6. Date Purchase Order prepared
 7. General Ledger account number
 8. Job/project number, if applicable
- Upon placement of order, the Purchase Order is generated, printed and sent for approval/signature of the Purchasing Agent (and the President if the amount is \$3,500 or greater). Once approved, one copy goes back to the requesting department and one is retained by the Purchasing Department. The copies retained in the Purchasing Department are retained destroyed on a timely basis.
 - Upon receipt of items, a copy of the Purchase Order is attached to the receiver/packing slip and a copy of the system receiver and all of these items are then forwarded to the Accounting Department for payment.

Receipt and Acceptance of Goods

The requesting department receives the materials/goods ordered. Upon receipt of an order he/she shall perform the following:

- Review the bill of lading for correct delivery point
- Verify quantity of boxes/containers with the bill of lading
- Examine boxes/containers for exterior damage
- Note on bill of lading any discrepancies (missing or damaged boxes/containers, etc.)
- Sign and date the bill of lading
- Remove packing slip from each box/container
- Compare description and quantity of goods with the purchase order and the packing slip
- Examine goods for physical damage
- Count items and record an indication of counts
- Report any discrepancies to Purchasing (if discrepancies exist have delivery driver sign slip to confirm with vendor)

All of the above inspection procedures must be performed in a timely manner in order to facilitate prompt return of goods and/or communication with vendors.

Blanket Purchase Orders

Certain goods and services are purchased on a frequent and repetitive basis from the same vendors. Construction contracts and many professional service contracts require that periodic payments be made to the contractor before the work is completed. A blanket purchase order can be issued in these circumstances. This will help reduce paper work and speed up delivery of budgeted repetitive goods or services (i.e. maintenance agreements). Blanket purchase orders may not exceed budgeted funds and have the same bidding requirements and spending authority limits as non-blanket purchase orders.

Insurance and Major Equipment Maintenance Contracts

The following policies and procedures shall apply to insurance maintained by the LCC, including employee health insurance, and contracts relating to the maintenance of major equipment owned by the LCC. The LCC recognizes that these products and services may be more economically priced if provided for a term of greater than one (1) year and further recognizes that switching providers of these products and services carries with it significant inherent costs and disruption to the day-to-day operations of the LCC and its employees.

These types of products/services shall be subject to the policies and procedures governing professional services of greater than \$20,000.00 (i.e., utilizing RPF's and RFQ's), however, these products/services may be secured under an agreement containing terms which allow the Purchasing Agent, in his or her reasonable discretion, to renew such agreement on an annual basis, not to exceed a maximum aggregate term of four (4) years. Prior to the expiration of the fourth year of the term of the agreement, the Purchasing Agent, unless otherwise authorized by the Board of Directors, shall make appropriate plans for the issuance of an RFP or RFQ to obtain the product or service for a similar term (i.e., renewable annually up to four (4) years) beyond the then expiring term of the existing agreement.

Professional Services

Professional services are services provided by a person, firm, partnership or corporate entity which require professional or technical skill or judgment and shall include, but not be limited to, entities that are licensed by the state or by an organization approved by the state to provide these services. Professional services include, but are not limited to, services provided by doctors and other medical personnel, lawyers, architects, surveyors, engineers, major construction-related services, construction managers, planners, certified public accountants, and information technology (IT) and computer technicians. Unless otherwise delegated only the President is authorized to sign written contracts for professional services on behalf of LCC.

Purchase of professional services differs from the purchase of goods and other services in several ways:

1. Purchase of professional services is exempt from the competitive bidding requirement. However, other selection criteria of competition may be used.
2. Purchase of professional services usually requires a written contract along with a purchase order.
3. Purchase of professional services usually does not involve creating a purchase order until after a vendor has been selected.
4. Purchase of professional services usually involves some form of negotiation.

300. DEPARTMENTAL POLICIES

Purchasing Agent

The Purchasing Agent issues RFPs, RFQs and bid solicitations.

INVITATIONS TO BID

Following is an outline of project steps that should be considered prior to the advertisement for an invitation to submit a bid for a project.

- Concept Development (Anticipated Scope of Project)
- Preliminary Engineer's Report, which includes: Project Description, Design Standards, A Preliminary Cost Analysis (Engineer's Estimate), Special Considerations/Requirements
- Design Development and Construction Documents
- Technical Specifications Development

Once the above steps are evaluated, the bid process moves forward through the following events:

- Determination of Bid Date
- Assembly of Contract Documents (LCC maintains a generic contract document. From this generic document, the project specific General and Specific Conditions are drafted.) The project is advertised in The Lexington Herald Leader. In accordance with the Kentucky Revised Statutes, all bids must be advertised at least 7 days prior to bid opening, but not more than 21, and, as a minimum, in the largest county newspaper.
- Invitation to Bid (Hard copies are mailed to contractors or vendors on lists maintained by the Purchasing Agent)
- Wage Rate Determination (Used only if State or Federal funds are involved. The State Wage Rate becomes applicable at specific dollar amounts.)
- Pre-Bid Meeting (Mandatory or Non-Mandatory)
- Issue addenda, when applicable
- Bid Opening
- Review and Tabulation of Bids.
- Unbudgeted purchases over \$50,000 involves a selection by the Capital Maintenance Committee (if an RFP, or an RFQ. If an Invitation, all responses are culled to determine which bids are responsive and responsible. The lowest bid is generally, but not necessarily, selected from that group.)
- Bid Acceptance
- Execution of Contract or Purchase Order

RFPs and RFQs

RFPs and RFQs are used to solicit professional services of greater than \$20,000, and are required in the solicitation of professional services. Following is an outline of steps which must be completed prior to the advertisement of an RFP or an RFQ.

- Preparation of Scope
- If deemed appropriate for the particular project, preparation of Sample Contract
- Preparation of Consultant Selection Method and Rating Criteria

- Setting of Pre-proposal Meeting Date, if Necessary

Advertisements are placed in The Lexington Herald Leader. Invitations may be also mailed to professionals which the Purchasing Agent reasonably believes can provide the required services and otherwise meet the minimum standards for providing goods or services.

Responses are received by the Purchasing Agent and distributed to Capital Maintenance Committee members (over \$50,000). The selection process is as follows:

- The Capital Maintenance Committee members review all submissions (over \$50,000) and evaluates the submissions.
- The successful proposer is the one most qualified and responsive to the specifications, based on the results of the evaluation.

400. DUTY OF DISCLOSURE

Board of Directors

All members of the Board of Directors shall disclose any known conflict of interest and shall abstain from voting on, participating in any decision on, or advocating any transaction or matter before the Board in which the Board member, a member of his/her immediate family or his/her employer has a conflict of interest. When the Board member learns that a business transaction or other matter presents a conflict of interest, that member shall immediately and fully disclose to the Board his/her interest, and /or the interest of his/her family member or employer. Failure to disclose may, at the option of the Board, void any resulting contract and/or other transaction, and when deemed appropriate by the Board, subject the member to sanctions authorized by law.

Staff Directors and Employees

All staff directors and employees shall immediately disclose to the President any known conflict of interest and shall abstain from participating in any procurement process bearing on any business transaction or other matter in which a conflict of interest (actual or potential) exists. Any staff director or employee who fails to disclose a conflict of interest will be subject to disciplinary or legal actions, whichever is deemed appropriate by the President.