

Proposed Policy
on
PURCHASING AND CONTRACTS

I. Authorization and Control

A. The General Manager is authorized to direct expenditures and purchases within the limits of the detailed annual general fund budget. Should the purchase of any goods or services exceed the planned annual budget amount for a budget line item, the Department Manager shall notify the General Manager prior to proceeding with the purchase and seek approval for the purchase. The General Manager shall notify the Board of Directors and seek approval should the planned purchase of goods or services result in exceeding the planned annual budget for a specific department. The General Manager shall establish purchase order procedures as a means of monitoring the expenditure of funds. Any staff member who obligates the Association without prior authorization may, at the discretion of the General Manager and/or Board of Directors, be subject to disciplinary action and may be held personally responsible for payment of such obligations, if purchase was made in willful violation of employee's authority.

B. The General Manager is authorized to direct expenditures and purchases. Dividing a large purchase into a series of smaller expenditures requires prior approval of a majority of the Board.

II. General Purchases

A. The General Manager at his/her discretion may grant the authority to the managers to make purchases up to \$500 (or such lesser amount as the General Manager may decide) for goods and services required for the day-to-day operation of the HOA. Such purchases must fall within the respective Manager's line item budget. Each Manager is responsible for his/her budget and for assuring that purchases do not exceed the limits of the respective budget line items. Purchases must be fully documented with a receipt, invoice, or purchase order.

B. Any project, purchase or expense in excess of \$500 but less than \$5,000 must be approved by the General Manager in advance of the expenditure. Purchases in an amount between \$3,000 and \$5,000 require a written contract. All purchases must be fully documented with a receipt, invoice or purchase order.

C. Any project, purchase or expense exceeding \$5,000 requires a written contract and prior approval of the Board.

D. For those purchases requiring management approval, the invoice or purchase order must be accompanied by appropriate approval documentation when turned over to Accounts Payable or payment will be delayed until proper documentation is provided.

E. Management shall be alert to any series of expenditures that start out as routine, small expenditures, but unexpectedly grow so that in the aggregate they exceed the various dollar thresholds of the Board Policy.

III. Competitive Bids for Contracts or Purchasing

A. It shall be the policy of IronOaks at Sun Lakes that the best possible prices shall be secured for all goods and services. Competitive bids must be solicited on all purchases over \$5,000 unless they meet the requirements of Paragraph B of this section. Solicitations should be sent to at least three qualified bidders. The solicitation shall include detailed specifications.

B. Exceptions:

1. Where at least three qualified bidders have been solicited and have submitted a “no bid” or have not responded after subsequent contact, the bid(s) received shall be considered as meeting the policy.
2. Where the sole source is the best alternative, a narrative shall be generated justifying the sole source and attached to a formal bid.
3. Routine purchases that typically exceed the \$5,000 contract requirement are exempt if they meet some or all of the following criteria:
 - a. required to support the daily operations of the association
 - b. recurring in nature
 - c. prior selection of the vendor using competitive bidding process
 - d. reviewed on an annual basis

Examples of routine exempt purchases that are not subject to repetitive contract requirements are: weekly purchases from food vendors; utility bills (e.g. gas, water, electricity, and telephones); common area maintenance; insurance payments; and tax payments.

4. If the lowest bid for a given purchase is not the recommended bid, a narrative shall be created detailing the reason(s) for selection of the recommended bid and shall be attached to the recommended bid. For example, superior warranty or preferable delivery time may increase the value of a higher bid.
5. The General Manager or his/her designated representative has the authority to contract or purchase necessary goods or services, exempt from the normal purchasing or contract policy, in order to mitigate damage to the Association due

to an unforeseen emergency. The General Manager will report any such emergency purchases to the President of the Board of Directors or his/her designated representative as soon as possible and the Board shall affirm such action through Unanimous Consent procedure or by approval at the next Board meeting..

6. All other exceptions shall be approved by the General Manager and the Board President.

C. Bid Openings

1. Sealed bids will be required for any purchases or contracts anticipated to exceed \$10,000. This requirement can be waived under extenuating circumstances with Board approval. All requests for sealed bids shall state a deadline for submission.
2. All bid packages shall be delivered to the General Manager or his designee for secure handling until the bid opening.
3. For sealed bids, at the designated date and time, the Department Head initiating the procurement, the General Manager, a Board Representative and other invitees shall meet for the bid opening.
4. All bids will be kept on file for one year after completion of the contract.
5. Electronic sealed bids may take any of the following forms:
 - a. A computer disk or other electronic media in a sealed and tamper proof envelope or other packaging.
 - b. A fax sent to a specific fax number to which only the General Manager or his designate has access. E-fax is the preferred method of fax transmission as described in (c).
 - c. An e-mail or e-fax sent to a specific e-mail address to which only the General Manager or his designate has access.

IV. Contracts

- A. Whenever possible, the Association's standard contract shall be used as the contract with the vendor. Where the Contractor submits a different contract, the terms of the final contract shall be subject to review and/or negotiation. .
- B. Administration will integrate the bid information from the recommended bidder into the formal contract when required. For contracts over \$5,000, at their next regular Board of Director's meeting, a spreadsheet will be presented showing the

responding and responsive bidders' names, details of their bid, and a written recommendation as to the award of the contract. This recommendation will be prepared by the Department Head and approved by the General Manager. Upon approval of the contract by the Board of Directors, a contingency fund equal to 10% of the contract will be established for the contract and may be used with the same dollar limitations on approval as the original contracts. The Board approved contract value will include the 10%.

C. Contract Administration

1. The General Manager shall appoint a Contract Supervisor for each contract. If the Supervisor is to be a person outside the current staff, then he/she is to be appointed by the Board. The Contract Supervisor may be a Department Manager or other staff member who has the required skills or he/she may be a member of an outside company, which is hired for this task, or an independent person employed by the Association.

2. Administration shall establish and maintain a contract file for each contract issued on behalf of the Association. Each file shall contain:

- a. The initial bid submitted by the contractor.
- b. The original copy of the executed contract.
- c. The original of any executed contract Change Orders.
- d. All incoming and outgoing correspondence regarding the contract, including letters, meeting notes, faxes and e-mails.
- e. A copy of all invoices
- f. A chronological log of invoices received and payments made.

3. No one is authorized to deviate from the approved contract except by issuing a change order which will become part of the contract. The authority to write change orders and the approvals required will be the same as required to make purchases. The General Manager will advise the Board when the total change orders approach the contract contingency amount.

D. Contract Payments

1. No monies will be given to a contractor except as required by the contract and as approved by the Contract Supervisor or General Manager and in accordance with Board Policy.

E. Warranties and Guarantees

1. Prior to release of final payment the contractor must provide a total and absolute release of all liens. All warranties and guarantees will be in writing to the Contract Supervisor and with his approval and acceptance they will be

forwarded to the Administration.

V. Replacement or Repair Purchases

A. When a non-functioning asset can be repaired, management shall determine the cost of repair, the estimated additional years of service expected from the repaired asset and other relevant considerations and then make an economic comparison with the cost and length of life of a replacement.

B. The competitive bidding process as outlined in III above shall be used when applicable.

C. A narrative shall be prepared specifying the significant replacement/repair considerations and attached to the recommended bid for replacement or repair.

Proposed Policy
on
**STANDARD BIDDING, PRESENTATION
AND APPROVAL PROCESS**

I. Policy

A. The General Manager is authorized to direct expenditures and purchases within the limits of the detailed annual general fund budget. The General Manager shall establish purchase order procedures as a means of monitoring the expenditure of funds. Any staff member who obligates the Association without prior authorization may be held personally responsible for payment of such obligations.

B. Prior to securing competitive bids, specifications will be developed by the respective Department Manager (who may request the assistance of appropriate committees or a professional in the field) and approved by the General Manager. If it is not feasible to develop specifications, a written explanation will be provided to the Board of Directors with accompanying documentation that may be available.

C. With the exception of unusual circumstances, such as emergencies, vendors/contractors will be directed to submit sealed bids by the second Friday of each month.

D. The specifications and/or “request for Proposal” (RFP) will include, at minimum, an accurate description of the work to be completed or item to be purchased, a deadline for submission of the bid, a request for a job/delivery time line, guarantee/warranty information, insurance/licensing information (if not on file) and a payment schedule.

E. The specifications with an RFP will be submitted to, at minimum, three reputable, insured and licensed (if licensing is required) vendors/contractors in an effort to secure bids. Bids will be returned to the Department Manager who requested the bids.

F. The bid package (RFP and specifications) will be submitted to the Board along with the bids. Unless there are unusual circumstances, such as an emergency, the bid package and bids will be submitted to the Board in the monthly Board Meeting Packet.

G. Bid prices will be kept confidential by management and the Board Members until the prices are placed in the Board Meeting Packet.

H. Per the IronOaks Homeowners Association Policy on Purchasing and Contracts, any purchase for services and equipment of over \$3,000 shall be via a written and approved contract; any expenditure over \$5,000 shall require a minimum of three (3) written bids in addition to a contract. Note that exceptions to the “three bid” process are provided in the policy.