



DENVER HEALTH
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FOR LIFE'S JOURNEY

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Owner Selena Frederick:
Mgr Purchasing
Document Area Purchasing
Applicability Denver Health
and Hospital
Authority (DHHA)
Document Types Policy

Methods of Purchasing

Policy

PURPOSE

To establish procedures for acquiring supplies, materials, services and equipment necessary to the operation of Denver Health and Hospital Authority (DHHA) through appropriate purchasing channels.

SCOPE

DHHA – All locations and departments

DEFINITIONS

Sponsored Program/Projects: Activities that are sponsored by external agencies or entities. These include research or instructional projects, planning activities, service programs or other externally sponsored activities that meet one or more of the criteria below. These do not include third-party patient payor contracts, such as Medicare. Application/award issues that require administration by the SPARO include any one of the following:

- A. The award is a grant or contract from a governmental entity;
- B. The purpose of the award is for research (contributing to generalizable knowledge, with intent to publish);
- C. Sponsor support is directed to satisfy specific, programmatic objectives that are to be accomplished within a specific time and budget framework;
- D. The sponsor is entitled to receive some deliverable, such as a detailed technical report of

research results or detailed financial report;

- E. The funding is for a project with compliance issues including, but not limited to human subjects, animal use, biohazards and biosafety; and/or publication restrictions, patent or licensing rights are requested by the grantor.

Sponsored Program and Research Office (SPARO): The division of DHHA's Research Department which is charged with institutional oversight for the administrative and financial components of all sponsored programs and research conducted at DHHA, by DHHA employees with a 51% or greater DHHA appointment, or using DHHA patient population. (This excludes third-party patient revenue contracts, such as Medicare and Medicaid.)

POLICY

Denver Health is committed to following all applicable federal and state regulations in regards to verifying appropriate purchases and to following dual approval processes. DHHA Purchasing is responsible for the day-to-day function of the purchasing process and ensuring purchases are a necessity. See [Accounts Payable Payment Requests](#) and [Contract Policy](#) for exceptions and additional guidance. Any arrangements with physicians must follow the Physician Services Arrangements and Compensation policy.

Denver Health employees, officers, and agents must comply with the Denver Health [Conflicts of Interest](#) policy and the Denver Health [Code of Conduct](#). Such individuals may not participate in the selection, award, or administration of a contract, including those supported by a Federal award, if they have a real or apparent conflict of interest. Denver Health employees, officers, Board Members and agents are prohibited from soliciting or accepting gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. See [Gifts and Interactions with Vendors](#).

PROCEDURES

- A. Requisition Process: The procurement process begins in the originating department/ Accounting Unit. A Purchasing Requisition is approved at this level with an appropriate authorized department signature determined by dollar threshold and delegations of authority. See [Signature Authority for Expenditures](#).
 - 1. Consultants do not have signature authority for purchases except as provided by the CEO on a case-by-case basis.
 - 2. For Special Fund purchases refer to [Departmental Special Revenue Fund \(SRF\) Accounts](#).
 - 3. Commodity based purchases regardless of the acquisition cost:
 - a. Engineering must sign off on all engineering equipment (i.e. refrigerators, microwaves, heaters) and modular furniture.
 - b. Telecommunications must sign off on all communications equipment.
 - c. Information Technology (IT) must sign off on all computer hardware and software. Requests must go through Cherwell.
 - d. Biomed must sign off on all purchases for medical equipment.

4. For Capital equipment acquisition, see [Capital Equipment Purchase, Rental and Leasing](#) and [Fixed Assets – Requisitions, Acquisitions, and Transfers](#).
5. For any sponsored program expense disallowed by the sponsor, the department will be responsible for the expense. For any sponsored projects, all signatures will roll forward to the new Accounting Unit and Activity Code. Fully funded grant projects do not need DHHA Board of Directors approval. It is assumed that the grant is being awarded for the intended purposes of the purchase and the funds are to be expended for that purpose only. It is the Principal Investigators responsibility to verify that the funds are being expended per the grant contract agreement and is subject to any audit deemed necessary to verify proper use.
6. Replenishment of Inventory in Central Supply (CS): It is the responsibility of the CS Manager or CS Inventory Manager to run an IC140 daily to determine what products have reached their restock level. The IC140 report will be reviewed by the Inventory Manger or Inventory Supervisor to determine if stock levels should be replenished. They will approve the order and the Lawson system will automatically create the PO per the approved contract specifications. See [Ordering, Obtaining and Returning Supplies](#).
7. For all non-inventory and consignment products, only the Manager or designated individual with signature approval for that AU can sign the Form 1197 for these purchases. Budget or Executive Staff do not need to sign "Bill Only" requisitions. Items that have a Lawson number have been fully vetted and are on contract, therefore can be ordered by the department's designated requestor without any additional approvals.
8. Construction related projects, including Architectural, General Contracting, plumbing, HVAC, electrical, finishing, remediation, concrete, security, painting, door entry, signage, glass, environmental, geotech, fire and such related construction activities; with an open market level of less than \$150,000.00, shall be assigned to a pool firm. It shall be the Construction Director's prerogative to solicit more than one pool firm if need be for projects under \$500,000.00. All projects between \$500,000.00 and \$1,000,000.00 will be bid to all pool vendors. See also [Contract Policy](#) and [Public Bids Opening Procedures](#).
9. An outside service for bottled water is not permitted unless an exception has been issued by Facilities due to tested water quality in the building being an issue. Water filter machines can be utilized and tapped into existing water lines.
10. Purchases on Sponsored Activities
 - a. All purchases and expenditures including capital equipment purchases utilizing sponsored funds must be approved by Sponsored Programs and Research Office (SPARO)
 - b. In accordance with 2 CFR 200, DHHA will follow the five (5) methods of procurement for sponsored activities
 - i. Micro-Purchase
 - ii. Small Purchases
 - iii. Sealed Bids

- iv. Competitive Proposals
- v. Sole Source

11. All requests for proposals and bid solicitations describing projects or programs funded in whole or in part with Federal money must clearly state:

- a. The percentage of the total costs of the program or project which will be financed with Federal money,
- b. The dollar amount of Federal funds for the project or program, and
- c. Percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources

12. Routing

a. General Funds:

- i. \$1,000,000 and over – Level 6: Requestor – CEO – Board – Purchasing.
- ii. \$250,000 to \$999,999.00 – Level 5: Requestor – CEO – Purchasing.
- iii. \$50,000 to \$250,000 – Level 4: Requestor – Exec Staff – Purchasing.
- iv. \$5,000 to \$50,000 – Level 2 and/or 3: Requestor – Purchasing.
- v. \$0 to \$4,999 – Level 1 and/or 2: Requestor – Purchasing.

b. Capital Equipment:

- i. \$5,000 and above on the approved capital expenditure list: Level 2, 3, or 4: Requestor – Purchasing.
- ii. Contingency capital requests (follow General Fund rules plus sign off by CFO or Budget Manager: Level 2, 3 and 4: Requestor – CFO/Budget Manager – Purchasing

c. Grant Funds:

- i. All purchases – Principal Investigator/Contract Administrator – SPARO – Purchasing.

13. Additional Documentation:

- a. The requisition may be accompanied by descriptive information, vendor quotes (nonbinding to DHHA), and justification memos (i.e., sole source, no substitute, brand name or equal) as required. However, the requesting department must provide a thorough explanation of the goods or services under description on the requisition, or as a Statement of Work (SOW).
- b. A SOW must be provided with all requirements involving service, i.e., repair and maintenance, professional services, capital equipment that requires installations, training and/or warranty service coverage. The SOW may be required to varying degrees of detail on other acquisitions as deemed appropriate.

- c. Sole source and no substitute justification memos must provide research rendered, evaluation specifications, manufactures' makes and brands evaluated, and reasons for disqualification of all other potential vendors and products. Additionally, a sole source or no substitute memo must be reviewed, attached and signed by the same individual authorized to sign the requisition.
 - d. If a non-Federal entity chooses to use the previous procurement standards for an additional two fiscal years before adopting the procurement standards in this part, the non-Federal entity must document this decision in their internal procurement policies.
14. When complete, the originating department will send the requisition electronically (e1197), by FAX, by email (DHPurchasing@dhha.org), or by interoffice mail to MC 1415. Do not send to individual buyers or by multiple methods to prevent duplication of orders.

B. Purchasing Department Processing Procedure:

1. Purchasing will receive the requisition and time and date stamp it. The buyer will review the requisition and verify the accuracy of the accounting unit, account code, authorized signature and date required. Purchasing will prioritize work by the date required. ASAP (as soon as possible) is disallowed; if a date is not entered, the order will be considered routine.
2. If relevant information has been omitted Purchasing will attempt to resolve the omission through a telephone call to the initiator and will be documented on the requisition or separate form. However, if the problem cannot be settled via a phone call, the requisition will be returned to the attention of the contact person.
3. Requisitions for capital equipment requiring the use of utilities, installation, ongoing maintenance, or involving a question of compatibility with other equipment (including spare parts) must be sent to the appropriate department that handles such equipment (i.e., medical equipment to Biomed, computer equipment to IT, phone equipment to Telecommunications, and facility equipment to Engineering). After review, the appropriate department will forward the requisition to Budget. Budget will then forward the requisition to Fixed Assets, which will forward it on to Purchasing when all reviews have been completed.
4. When necessary, the buyer may adjust the dollar amount of the purchase up or down based on firm/vendor pricing. If the amount is increased by more than 10 percent or \$1,000.00, the buyer will request that the contact individual on the requisition provide department approval for the price increase. Verbal approval with proper notation on the requisition is acceptable. Documentation of this approval will then be noted in the file. The signature must be appropriate to the new dollar amount. A price reduction does not need additional approval.
5. Acquisition Thresholds/Administrative Lead Time (ALT)

Acquisition Type	Open Market	Informal *	Semi-Formal *	Formal *
\$ Threshold	\$5K or Less	\$5,000.01 - \$24,999.99	\$25,000.00 - \$100,000.00	\$25K & Above
# of Sources (minimum)	One	Three	Formal bid can be waived with Purchasing Manager or Manager of Clinical Value Analysis approval	Competitive Bid
ALT (calendar days)	15 Days	30 Days	See informal or formal requirements	120 Days
% Increase (\$) Allowed on reqs	10%	10%	10%	10%

C. Bidding Procedures, Contracts: When a requisition is submitted to Purchasing, it will review the request to determine if the product or service needed should be on a formal legal contract or can be bid out using the legal boilerplate. See also [Contract Policy](#) and [Public Bids Opening Procedures](#).

1. Legal Contract:

- a. If the requisition is determined to need Legal review, Purchasing will log the requisition into MM Req and then send the 1197 to Legal for review. If Purchasing determines that the transaction to be reviewed will require a BPO for payment, Purchasing will set-up the BPO account. It is Purchasing's responsibility to train the end user on how the BPO process works. The requesting department is required to identify on Form 1197 who will be the contract administrator, total dollars, and term requirements of the contract. Legal will be responsible for obtaining all signatures for Budget, capital equipment, and board approval.
- b. Frequently invoices will be sent directly to A/P. A/P will notify Purchasing upon receipt of the invoice. Purchasing will contact the department for approval to pay the invoice. The department will be responsible for processing BPO releases for every invoice sent by the vendor.

2. Boilerplate Contracts:

- a. Purchasing will process these contracts. Legal has determined that the standard contract boilerplate is sufficient in order to bind DHHA to the product or service needed.
- b. Contracts will be awarded to vendor(s) demonstrating Best Value to Denver Health. These purchases include supplies, materials, equipment and services (including non-physician professional services) for which DHHA has established standards and specifications for use. Each bid, with the name of the bidder, will be recorded. The successful bid will be open for the stated period of performance.

3. Formal Bidding Procedures:

- a. A formal contract is a contract for the purchase (or leasing) of goods and services estimated at \$25,000.00 or more.
 - i. The Purchasing Manager has the discretion to increase this amount to \$100,000.00 if he/she deems it to be in the best interest of DHHA.

- ii. Advertisement by publication will precede the letting of formal construction contracts. Such advertisement or notice will give the specifications and/or standards of the supplies or services to be purchased (or leased).
 - iii. The advertisement will state the amount of a bond, if a bond is required.
- b. Proposals in response to such advertisement or notice will be submitted at the time specified in the advertisement or notice. After the bid has been awarded to the successful vendor, the results will be subject to inspection by competing bidders through the Colorado Open Records Act.
- c. For construction projects costing \$150,000.00 or more that will be charged to a sponsored project or program, DHHA Purchasing will utilize a sealed bids process.
- d. For non-construction procurements of \$150,000.00 or more that will be charged to a sponsored project or program, and that did not go through peer review at the time of proposal, DHHA Purchasing will utilize an RFP to obtain competitive proposals. The final contract can be either cost reimbursable or fixed price, but must go through DHHA's evaluative methods (see C.6 below for more information on these methods.)
- e. Purchase requisitions shall not be subdivided to avoid any of the above stated dollar thresholds.

4. Informal Bidding Procedure:

- a. Any contract for supplies or services between \$5,000.00 and \$25,000.00 may be procured by an informal procedure in a manner that achieves maximum competition between bidders and maximum economy to the Authority.
- b. A minimum of three (3) qualified and responsive vendors must be contacted unless the Purchasing department approves a no substitute or sole source justification. The CEO, CFO and COO have the authority to waive this requirement based on their best judgment.
- c. Award is made to the vendor demonstrating Best Value to Denver Health.
- d. The right to reject any or all bids is reserved.

5. Open Market: Not subject to bidding procedures. Supplies or services less than \$5,000.00.

a. Grant Funded Micro-Purchases

- i. Per 2 CFR 200.67, the micro-purchase threshold is \$10,000, unless otherwise stated by a sponsor.
- ii. To the extent practicable, DHHA will distribute micro-purchases equitably among qualified suppliers, in accordance to policy.

6. Evaluation of Bids:

- a. Bids will be reviewed and prices evaluated by DHHA Purchasing in conjunction with the requesting department. Additionally, the primary department may evaluate bids if technical proposals or testing of sample items is required.
- b. All bids will be awarded in accordance with the Best Value to Denver Health. If the basis for the recommendation is solely the lowest bid, the records will reflect the computations, assumptions, etc., upon which the decision was based. The records required to be maintained will include the identity of the person or department who evaluated the bids, the written recommendation, and the basis for the award.

7. Purchases Not Subject to Bidding Procedures:

- a. Non-emergency Situations: DHHA Purchasing may avoid the bidding procedure previously stated when purchasing the following items:
 - i. Supplies indispensable to DHHA which are obtainable, for practical purposes, from only one single source.
 - ii. Supplies that are perishable by reason of imminent spoilage or decay and which would spoil or decay if the previously stated procedures were followed.
 - iii. Supplies required by reason of preferences based on professional advice.
 - iv. Supplies or services estimated to amount to \$5,000.00 or less (open market).
 - v. Any purchase that has legitimate sole source documentation.
 - vi. Any purchase deemed not in the best interest of DHHA by the Purchasing Manager approval.
- b. Emergency Purchases:
 - i. For the purpose of DHHA Purchasing, an emergency is defined as a situation which, if it continues to exist, would endanger the health or safety of the public or employees; requires a remedy sooner than the supplies, materials, equipment, and personal property/services would be delivered if the normal purchasing procedures were followed; or a situation which would place an excessive financial burden on the Authority unless addressed in a shorter time than the bidding procedures require.
 - ii. After DHHA Purchasing confirms the emergency, the authorized individual will fax a typed Form 1197 with the appropriate authorized department signature to Purchasing within 24 hours.
 - iii. Emergency purchase requests should consist only of the minimum quantity necessary to address the emergency situation.
 - iv. An emergency justification memo is required on all emergency purchases. The substantiation must state the problem and the

necessity to remedy through the emergency process. The justification restates the incident that caused the emergency condition and the consequence of a delay. The signature authority on the justification memo is the same as is required on the purchase requisition.

- v. Purchasing will handle all emergency purchases unless products are required prior to Purchasing's next regular shift. All emergency purchases will be initiated on a Form 1197 and followed up with an executed justification letter within 24 hours.

c. Sole Source:

- i. Sole source is a purchase or procurement process of soliciting and negotiating with only one source to obtain a product or service. Sole source procurement is not the routine procurement method. It is to be used sparingly.
- ii. Sole source procurement shall be utilized only when the requestor can justify the need for sole source procurement and can demonstrate that the proposed sole source vendor is competent and able to provide the product or service requested.
- iii. The requestor shall ensure that the proposed cost is fair and reasonable and that the quality of the proposed product or service is adequate and meets the needs of DHHA. Information regarding reasonableness of cost and the adequacy of quality must be included in the justification for sole source procurement.
- iv. The requestor must submit written justification for sole source procurement to the Purchasing Department. The written justification for sole source procurement is subject to the approval of the Purchasing Department.
- v. Inappropriate sole source justification: Sole source procurement is not appropriate when it is used only to ensure the selection of a preferred vendor. To do so suggests favoritism, partiality, and other bias. Sole sourcing shall also not be used to avoid the use of other procurement methods, including Request for Proposals (RFP) and Request for Qualifications (RFQ). Guidance for sole source justification: Assistance in preparing a sole source justification request shall be obtained from the Purchasing Department.
- vi. Benefits of Sole Sourcing:
 - Improved or known quality of product – ability to perform is known or can be demonstrated;
 - Improved delivery of products and services – increased speed of delivery;
 - Reduced decision cycle – decision time is reduced;

- Lowered administrative costs - procurement process reduced to a minimum;
Improved standardization – vendor's ability to perform may reduce the potential for change orders and cost overruns; reduces training and education time; increases serviceability of equipment and reduces maintenance costs.

vii. Use of Sole Source as a contracting method: Sole source purchase should meet one or more of the following criteria:

- Unicity - the product or service is only available from one source due to its highly technical or specialized nature; or
- Compatibility - the product or service must be compatible with an existing product or service; or
- Continuity - a contractor or vendor is already on site performing work or services and it is not cost effective or efficient to engage another contractor or vendor; or the potential disruption caused by a new contractor or vendor is not acceptable; or
- Emergency - delays resulting from other methods of procurement are not bearable due to operational needs or financial considerations; or Inadequacy - all other sources are determined to be inadequate due to compliance, price, quality, specifications, service or support.
- Standardization - products or services are already in use and are determined to be effective; cost to replace standardized item or service is unacceptable.

viii. Sole source justification will be thoroughly documented:

- Justification for sole source procurement shall be documented by the requestor on the contract request Form 1197. The requestor shall include the price analysis and other documentation necessary to support the sole source justification.
- The justification for the sole source procurement of a product or service in an amount greater than \$1,000,000.00 must be presented to the Denver Health Board of Directors for approval. The burden of proof to justify sole source procurement falls to the requestor and the responsible Executive Staff member.
- Source procurements that have gone through peer review and are approved by the sponsor do not require additional justification.

ix. Sole source approval

- The Sole Source Justification will require approval from the Purchasing Manager.

D. Blanket Purchase Orders (BPO)

1. BPOs are utilized when a department has a historical understanding of purchasing needs that are not predictable. The BPO allows the department the flexibility to place orders on an as-needed basis for a set period of time at a pre-established price.
2. A BPO is initiated to DHHA Purchasing on Form 1197. In the description, a list of goods and/or services must be identified. A blanket order release form created by the using department is utilized to record activity.

E. Request for Payment – see [Accounts Payable Payment Requests](#).

F. Returned Goods:

1. No products can be returned if the original product cost is less than \$30.00.
2. To return a product, call Purchasing and ask for a Return Goods Authorization (RGA) number.
3. Write the number on the side of the box. Make sure not to damage the product or make the packaging unusable. Avoid damaging the original box, write the number on a separate piece of paper and affix it to the box.
4. Place the box to be returned in a common area for distribution personnel pick up and return to the Purchasing Department.

G. Explants:

1. The Laboratory will notify Purchasing of all cardiac devices that have been returned to the manufacturer for warranty or defective claims.
2. Purchasing will contact the supplier to obtain a credit for each device that is returned.
3. Accounts Payable will receive all cardiac device credits from suppliers and notify Laboratory and Purchasing if they receive them directly from the supplier.

H. The buyer will contact the vendor and make arrangements for the vendor to pick up the product and issue a credit. Credit will be given to the returning department when the vendor submits a credit memo to Accounts Payable.

I. Violations:

1. Violation of the proper purchasing procedures may be sufficient cause to withhold vendor payment until a written explanation of the reasons for such violation is received and approved by the Chief Executive Officer (CEO) or designee.

EXTERNAL REFERENCES

- A. Colorado Open Records Act (CORA)
- B. 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"

DHHA RELATED DOCUMENTS

[Accounts Payable Payment Requests](#)

[Contract Policy](#)

[Capital Equipment Purchase, Rental and Leasing](#)

[Departmental Special Revenue Fund \(SRF\) Accounts](#)

[Fixed Assets – Requisitions, Acquisitions, and Transfers](#)

[Fixed Assets – Capitalization and Depreciation](#)

[Ordering, Obtaining and Returning Supplies](#)

[Proposal / Award Process for Sponsored Programs and Research](#)

[Public Bids Opening Procedures](#)

[Signature Authority for Expenditures](#)

ATTACHMENTS

None

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Attachments

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Approval Signatures

Step Description	Approver	Date
	Andrew Miller: Supply Chain Project Manager	11/2021
	Amanda Breeden: Director, Sponsored Programs and Research Office	11/2021
Formatting Review	Brooke Tidball: Administrative Assistant [CM]	11/2021

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