

Northeast South Dakota Head Start Program, Inc.
Procurement Policies and Procedures

Code of Conduct

The following Procurement Code of Conduct has been established and is a part of the Program's Policies and Procedures. Each employee, board member or agent involved in the purchasing process will be provided a copy.

- IX. Procurement Code of Conduct
 - A. No employee or Officer of the Program shall accept gifts or money for entering into a Service contract with an outside vendor.
 - B. No procurement of contract award may go to a relative or grantee official, except when unavoidable.
 - C. All procurement transactions, whether negotiated or advertised, and regardless of dollar value must be conducted in a manner providing maximum open and free competition.
 - D. Requests for bids will contain clear specifications and will not contain features which unduly restrict competition.
 - E. Positive efforts will be made to use area small, minority-owned businesses, and women's business enterprises, whenever possible.

Employees who do not comply with the Code will be subject to disciplinary action, including possible termination of employment.

Procurement Policies

Purchases will be made from vendors located in the Program service area whenever possible.

The Procurement Policies set forth will provide for free and open competition to the maximum extent practical without the restriction of the formal bidding process for items under \$10,000. Procedures for obtaining the best possible price for items not subject to competitive bidding are as follows:

Proposed purchases will be reviewed to prevent unnecessary buying. An analysis of leasing versus purchasing will be made when applicable.

“Informal”

Informal purchasing procedures will be used for purchases under \$500. Approved vendor lists and supply item catalogs will be consulted and compared. Small everyday purchases (i.e., food, cleaning supplies, etc.) will not be subject to competitive purchasing. Purchases are authorized by the Executive Director.

The purchaser will obtain and maintain a record of a minimum of two price quotes when purchasing items costing \$500 to \$2,500. The purchase decision will be made on the basis of price, all other features being equal. Purchases are authorized by the Executive Director and approved by the Board of Directors.

Written quotations are solicited and handled similar to bids in purchases of \$2,500 to \$10,000. Purchases are authorized by the Executive Director and approved by the Board of Directors.

“Formal”

Purchase of items costing over \$10,000 will be subject to the formal bidding process. Invitation for bids and/or requests for proposals are solicited. Solicitations will contain all the requirements that a bidder must comply with in order to be considered and will not contain features which restrict competition or contain unreasonable requirements. It will also contain specific feature of “brand name or equal” descriptions that bidders are required to meet if applicable, and the acceptance if economically feasible or practical, of products and services dimensioned in the metric system measurement. Preference, to the extent practicable and economically feasible, will be given to products and services that conserve natural resources and protect the environment and are energy efficient. It will also contain a statement that it is the right of the Program to reject any or all bids that is not in the best interest of the agency. The advertisements for bids will be carried in newspapers or mailed to all vendors or dealers in the Program service area.

The selection of the bid will be based on the best price from the supplier that is most responsive to the terms and conditions of the advertisement taking into consideration what is most advantageous to the Program with price and all other factors considered. Purchase is authorized by the Executive Director and approved by the Board of Directors.

These procedures will be reviewed periodically to insure that the best interest of the Program is being met.

A price analysis will be conducted for the purchase of equipment and supplies and a cost analysis will be conducted for consultants and other services for negotiated procurements (those that do not involve the bidding process). The following exceptions to the procedures will be allowed within these limits, but will be reviewed periodically by the next higher authority:

1. The item is only available from one source (following the sole source restrictions).
2. The need is urgent enough not to permit the delay necessary for the competitive purchasing procedures.
3. The items or services are of such nature that long-range purchasing plans cannot be made.

A review of contractors/suppliers past history will be made to determine their ability to carry out the responsibilities. In certain circumstances, vendors may be restricted by the Program due to “Excluded Parties List System” provided by federal government. An effort will be made to

utilize smaller, newer, minority-owned firms, and women's business enterprises if their costs are reasonable and services competitive.

When making non-competitive purchases, a regular review will be made to insure that prices are competitive and suppliers are offering the best possible price for the quantity purchased and are making the Program aware of lower prices when available.

Duplicate, pre-numbered purchase orders will be used and they will be reconciled by number with receiving reports and invoices. Each purchase order will require two signatures, the person ordering and the person authorizing. The tax-exempt number will be listed on the purchase order.

Internal and external audits will be conducted to determine if noncompetitive purchasing exists.

Disposition of Equipment & Other Items

When original or replacement equipment and other items are no longer to be used by the Program, disposition of the items shall be made as follows:

Equipment and other items with a unit acquisition cost of less than \$1000 and equipment and other items with no further use value, may be retained, sold, or otherwise disposed of, with no further obligation to the Federal Government.

If the equipment and other items are to be sold, the monies realized from the sale must be credited to the expense account from which the items were purchased.

Capitalization Guidelines

These guidelines have been established for the purpose of stating the Capitalization Criteria in determining, distinguishing, and recording equipment purchased by the NESD Head Start Program, Inc.

Federal regulations define equipment as any tangible, non-expendable, personal property charged directly to an award that has a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit.

Effective April 1, 2004, the NESD Head Start Program, Inc. has increased their capitalization threshold from \$500.00 per unit to \$5,000.00 per unit and said equipment will be recorded in a fixed asset account each year.

A record shall be kept of all capitalized equipment purchased. Physical inventories of capitalized equipment shall be performed periodically with any discrepancies reported to the Executive Director.

Determining Allowability, Allocability, and Reasonableness of Cost

These written procedures have been established to demonstrate that the Program implements the requirements of Federal Standards which state that Grantee agencies are directed to use Federal funds to purchase items and services in the most economical way, and to buy only what they need to complete the approved project (Grant Application).

The Business Manager must determine the reasonableness, allocability, and allowability of cost prior to obligating federal funds for all project costs. This determination will be made by considering the following:

FACTORS AFFECTING THE ALLOWABILITY OF COSTS:

To be allowable under an award, cost must meet the following criteria:

- a) Be reasonable and allocable
- b) Conform to any limitations
- c) Be consistent with other organization activities
- d) Be treated consistently
- e) Be determined to be in accordance with generally accepted accounting procedures
- f) Not be included as a cost or match in any other federally funded program
- g) Be adequately documented

DETERMINE ALLOCABILITY:

Costs incurred by an Program are eligible charges, provided the costs are necessary for the efficient conduct of the grant. We must then identify such cost between categories within the Program (e.g. Program cost, training cost, food cost, and administration cost).

DETERMINE REASONABLENESS

The cost must be analyzed to determine if the amount is reasonable and necessary for the performance of the project. In order to comply with this requirement, the following must be completed:

- 1) Price analysis for supplies and equipment – comparing marketplace prices
- 2) Cost analysis for contracts – examine all the elements used in contract's total estimated cost.

If the request for obligating federal funds meets all of the above criteria and costs are reasonable, the Business Manager will approve the transaction and a purchase order or contract will then be issued.

Revised: March 4, 2011

Approved: March 15, 2011 – Board & Policy Council